Export earnings to turn around

WITH the gradually increasing momentum of economic recovery in the United States and the Asia Pacific region during the second half of the year, Malaysia's export earnings are expected to turn around to record a strong growth of 4.5% this year, from a 10.4% contraction last year.

According to the Economic Report, exports had generally picked up since March this year after 12 months of negative growth.

It said the favourable external demand outlook is mainly driven by the better-than-anticipated export performance of manufactured goods and higher commodity prices.

The earnings of manufactured goods, which accounted for 86.5% of the country's gross exports, are expected to increase strongly by 5.4% this year, against a 10.5% contraction last year, thanks to the global pick-up in the demand for electronics and ICT-related products.

"With a gradual global economic recovery and a more competitive ringgit arising from the softening of the US dollar vis-a-vis the yen and the euro as well as regional currencies, manufactured exports are poised for a stronger upturn in the second half of the year," the report said.

It said the improvements recorded in semiconductor sales across major geographic regions during the first half of this year was an indication that the industry was recovering from the downturn last year.

Semiconductor sales in the Asia Pacific region, excluding Japan, had recovered strongly from a -17.8% in the first half of last year to 19.3% during the same period this year. "This reflects the increase in outsourcing activity and relocation of operations of multinational corporations (MNCs) from the US and the euro area to the Asia Pacific region, which is expected to benefit Malaysia," the report said.

The report said the expected turnaround in the country's manufactured exports was expected to come mainly from electrical and electronic (E&E) exports, which account for about 70% of the total manufactured exports.

It pointed out that E&E exports are expected to grow by 6.9% this year, from -13.5% last year.

Key export drivers such as semiconductors, printed circuit boards, resistors and transformers returned to positive year-on-year growth for the last four consecutive months since March, showing signs of sustained improvements.

Meanwhile, exports of non-electronic items, particularly food, chemicals and chemical products, non-metallic products, machinery and transport equipment, are projected to expand by 1.9% against -2.7% last year.

The improved performance of the non-electronic industries was attributed to the turnaround in exports to the United States and increased intra-Asian trade as well as strong demand from China, Hong Kong and Taiwan.

Meanwhile, exports of primary commodities, which comprise agricultural and mineral products, are expected to recover firmly, after encountering negative growth for two consecutive years.

In the first six months of this year, exports of agricultural commodities rose 19.6% on higher export value generated from the palm oil, rubber and other agriculture sub-sectors.

For the year, export earnings from this sector are expected to post a 22.9% increase to RM40bil, compared with a 14.7% contraction last year.

On the other hand, export receipts from the mining sector had contracted significantly by 20.1% during the first half of this year, mainly because of slower demand for crude oil and liquefied natural gas (LNG).

However, with the prospects of a Middle East war looming, earnings from petroleum may improve.