



# NEWSLETTER

DOSM/BPE/2.2022/Series 30

## WHAT THE STATISTICS SHOW? GEOPOLITICAL TENSION

The global economy is adversely affected by the Russia and Ukraine crisis, as the two nations are the major producers of crude oil, natural gas, wheat and fertilizer.

The increase in the world oil prices could affect the chain in transportation cost and the global economy as well as impose implications for national inflation.

### GLOBAL ECONOMY

#### CRUDE OIL

Russia exports 11.4% of the global crude oil

#### NATURAL OIL

Russia produces 25.3% of natural gas production

#### WHEAT

Russia and Ukraine produce 23.3% of global wheat exports

#### FERTILIZER

Russia produces 14% of global fertilizer trade

Source: World Bank Group Analysis, March 2022

### MALAYSIAN ECONOMY

#### SUPPLY CHAIN

Malaysia's reliance on food imports will have an impact on the supply chain.

#### PRICE

Following the rise in the prices of crude oil and natural gas, food prices are likely to spike, particularly for wheat and sunflower cooking oil.

#### ECONOMIC PROSPECTS

The momentum of economic prospects is likely to be affected

## ECONOMIC CONSEQUENCES

### MERCHANDISE IMPORTS AND EXPORTS: RUSSIA



Malaysia's trade with Russia grew 88.5 per cent to RM1.2 billion in February 2022 from RM636.6 million in the previous year.

#### Total Trade

RM1.2 bil. ▲ 88.5%  
(February 2021: RM636.6 mil.)

#### Exports

RM328.7 mil. ▼ 27.0%  
(February 2021: RM450.5 mil.)

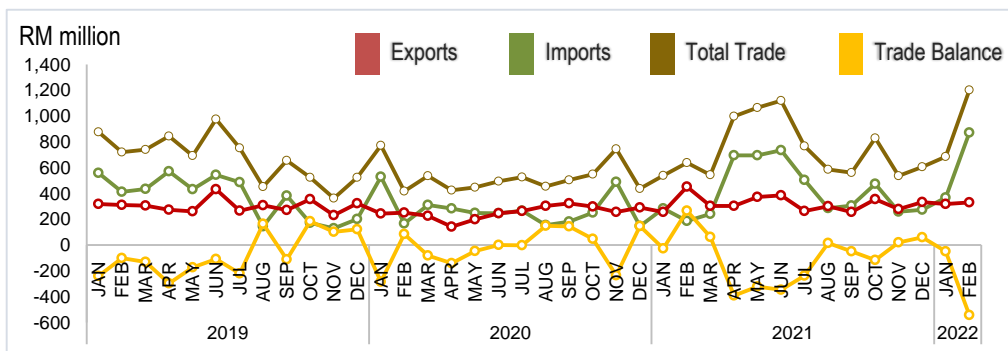
#### Imports

RM871.4 mil. ▲ 368.1%  
(February 2021: RM186.1 mil.)

#### Trade Balance

-RM542.7 mil.  
(February 2021: RM264.4 mil.)

Chart 1: Malaysia External Trade Performance with Russia, January 2019 - February 2022



Exports declined 27.0 per cent from RM450.5 million to RM328.7 million. Meanwhile, imports from Russia was valued at RM871.4 million, rose 368.1 per cent year-on-year from RM186.1 million mainly attributed to higher imports of Fertilizers, manufactured.



## MERCHANDISE IMPORTS AND EXPORTS: UKRAINE



Malaysia's trade with Ukraine surged 108.1 per cent to RM253.0 million from RM121.6 million in the previous year.

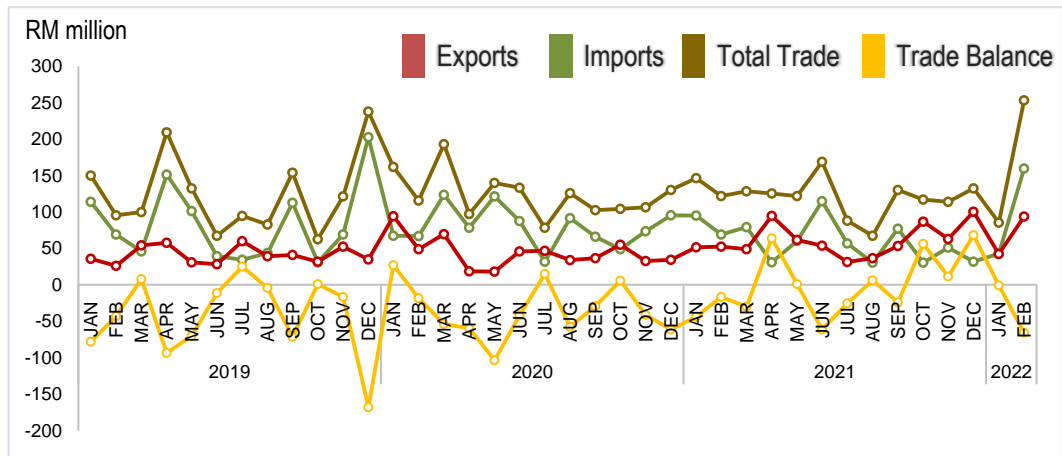
**Total Trade**  
RM253.0 mil. ▲ 108.1%  
(February 2021: RM121.6 mil.)

**Exports**  
RM93.6 mil. ▲ 77.9%  
(February 2021: RM52.6 mil.)

**Imports**  
RM159.4 mil. ▲ 131.2%  
(February 2021: RM68.9 mil.)

**Trade Balance**  
-RM65.8 mil.  
(February 2021: -RM16.3 mil.)

Chart 2: Malaysia External Trade Performance with Ukraine, January 2019 - February 2022



Exports rose 77.9 per cent, reached RM93.6 million from RM52.6 million. Imports from Ukraine posted RM159.4 million, grew 131.2 per cent year-on-year from RM68.9 million owing to higher imports of Sunflower seed or safflower oil.

## MERCHANDISE IMPORTS AND EXPORTS: UNITED STATES OF AMERICA



Malaysia's trade with the USA increased 14.5 per cent, registering RM17.2 billion from RM15.0 billion in February 2021.

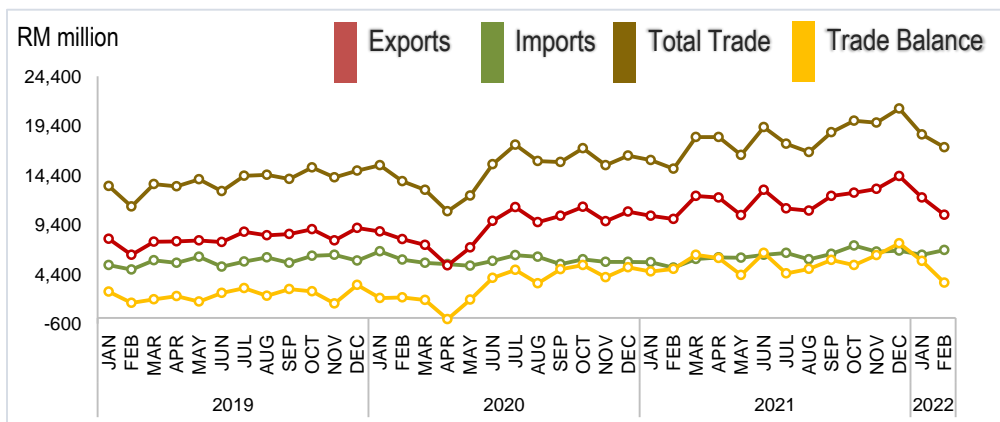
**Total Trade**  
RM17.2 bil. ▲ 14.5%  
(February 2021: RM15.0 bil.)

**Exports**  
RM10.4 bil. ▲ 4.1%  
(February 2021: RM10.0 bil.)

**Imports**  
RM6.8 bil. ▲ 35.1%  
(February 2021: RM5.1 bil.)

**Trade Balance**  
RM3.6 bil.  
(February 2021: RM4.9 bil.)

Chart 3: Malaysia External Trade Performance with USA, January 2019 - February 2022



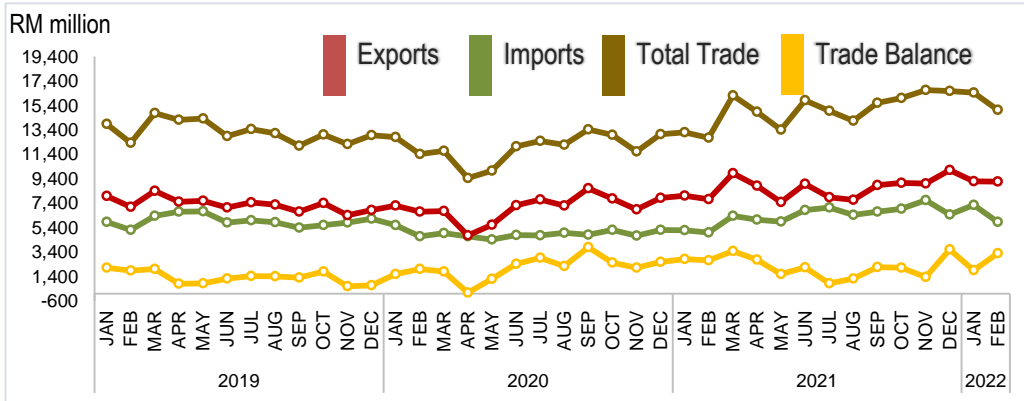
Exports increased 4.1 per cent, registering RM10.4 billion from RM10.0 billion. Imports from USA inclined 35.1 per cent year-on-year with a value of RM6.8 billion from RM5.1 billion.

## MERCHANDISE IMPORTS AND EXPORTS: EUROPEAN UNION



Malaysia's trade with the EU grew 17.8 per cent to RM15.0 billion from RM12.8 billion in the previous year.

Chart 4: Malaysia External Trade Performance with EU, January 2019 - February 2022



**Total Trade**

RM15.0 bil. ▲ 17.8%  
(February 2021: RM12.8 bil.)

**Exports**

RM9.2 bil. ▲ 18.5%  
(February 2021: RM7.7 bil.)

**Imports**

RM5.9 bil. ▲ 16.9%  
(February 2021: RM5.0 bil.)

**Trade Balance**

RM3.3 bil.  
(February 2021: RM2.7 bil.)

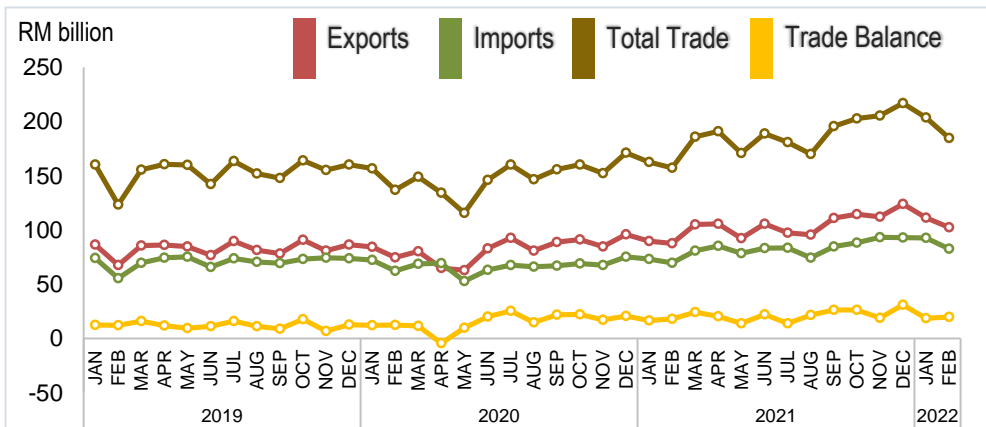
Exports increased 18.5 per cent to reach RM9.2 billion from RM7.7 billion. Imports from the EU grew 16.9 per cent year-on-year to RM5.9 billion from RM5.0 billion.

## MERCHANDISE IMPORTS AND EXPORTS: REST OF THE WORLD



Malaysia's trade with the Rest of the World registered RM184.8 billion with a growth of 17.5 per cent as against the same month of the previous year.

Chart 5: Malaysia External Trade Performance with Rest of The World, January 2019 - February 2022



**Total Trade**

RM184.8 bil. ▲ 17.5%  
(February 2021: RM157.3 bil.)

**Exports**

RM102.3 bil. ▲ 16.8%  
(February 2021: RM87.6 bil.)

**Imports**

RM82.5 bil. ▲ 18.4%  
(February 2021: RM69.7 bil.)

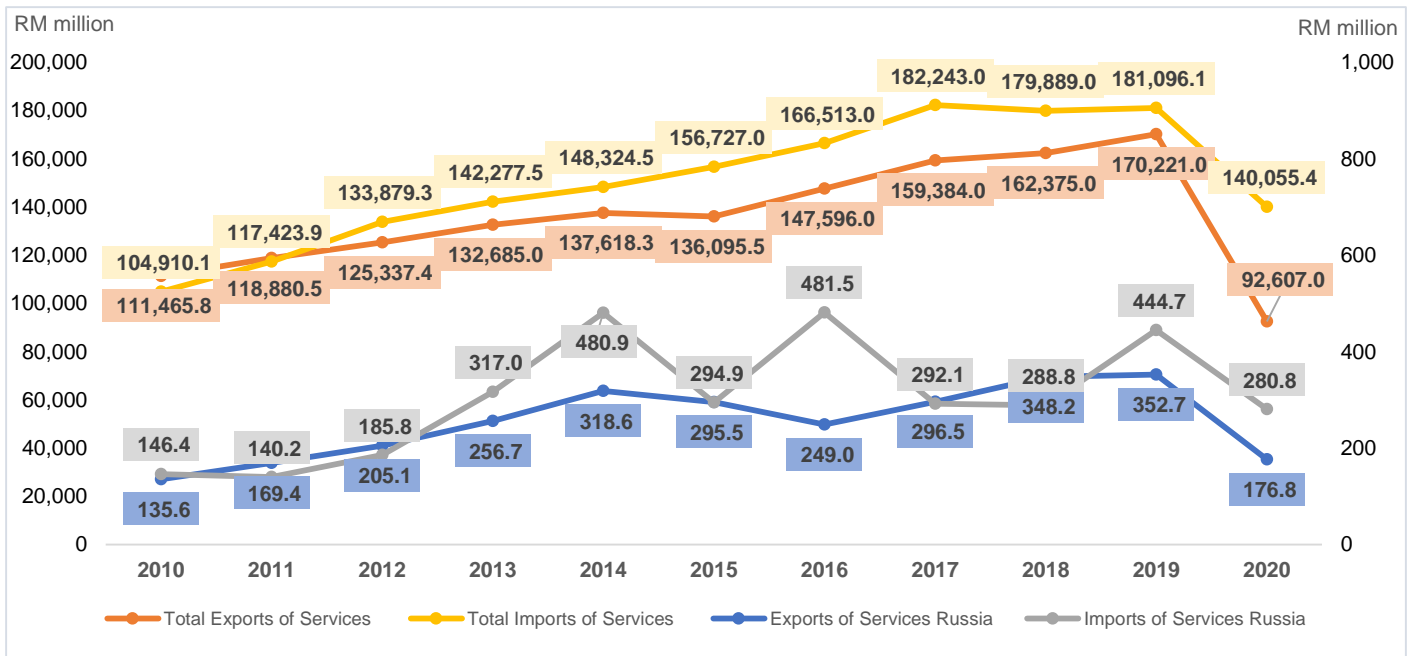
**Trade Balance**

RM19.8 bil.  
(February 2021: RM17.9 bil.)

Exports recorded a growth of 16.8 per cent to RM102.3 billion. Imports from the Rest of the World was RM82.5 billion, accounted for 18.4 per cent year-on-year from RM69.7 billion.

# IMPORTS AND EXPORTS OF SERVICES: RUSSIA

**Chart 6: Malaysia Trade in Services with Russia, 2010-2020**



**Exports of Services to Russia in 2020** accounted for **0.19 per cent (RM176.8 million)**. While, it contributed 0.21 per cent (RM352.7 million) in 2019 and 0.21 per cent (RM348.2 million) in 2018. **Travel** contributed to the **highest share with 62.1 per cent (RM109.9 million)** in 2020.

**Imports of Services from Russia in 2020** accounted for **0.20 per cent (RM280.8 million)**. **Transport** recorded the **highest contribution of 49.9 per cent (RM140.3 million)** in 2020, owing to **freight activities**.

**Russian tourist arrivals to Malaysia** in 2020 **registered 28,694 people** contributing **0.7 per cent** of total tourist arrivals. Meanwhile, in 2019 and 2018, the number of tourist arrivals were 79,984 people (0.3%) and 72,785 people, (0.3%) respectively.



**Table 1: Russian Tourist Arrivals, 2018-2020**

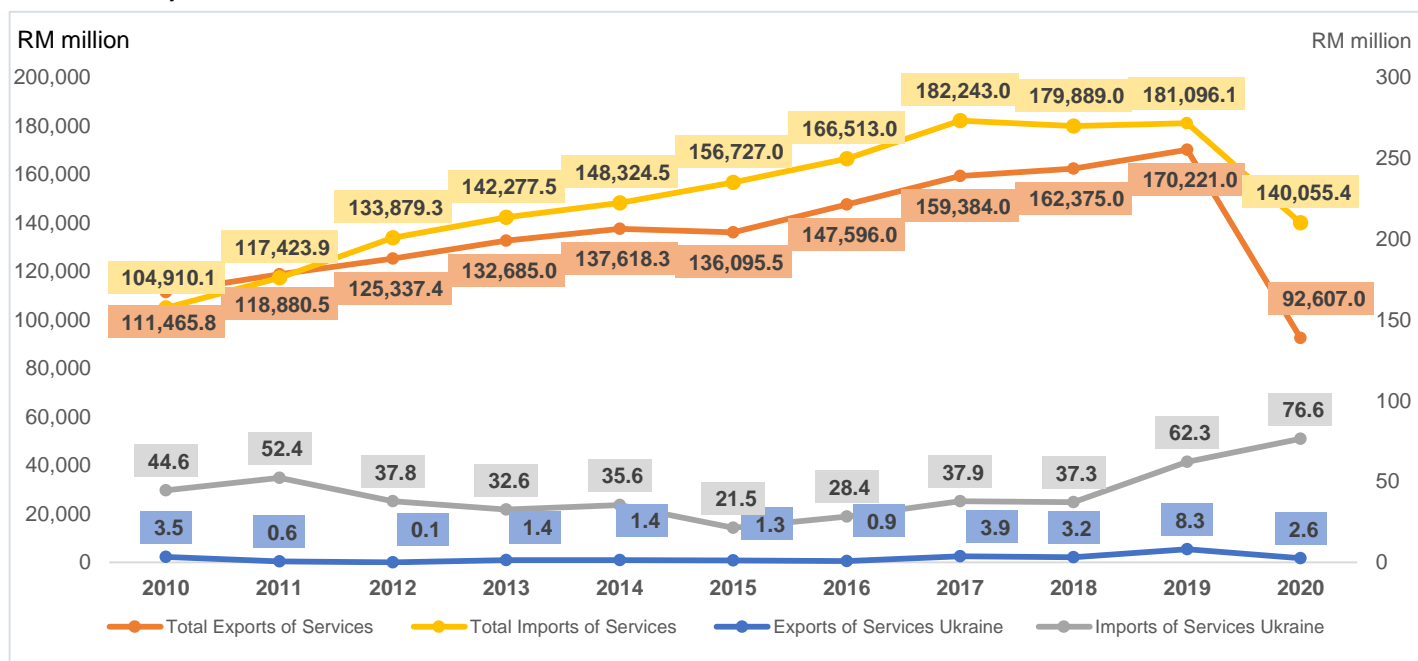
Country	2018	2019	2020
Russia	72,785	79,984	28,694
<b>Tourist Arrivals to Malaysia</b>	<b>25,832,354</b>	<b>26,100,784</b>	<b>4,332,722</b>

Source: Tourism Malaysia



## IMPORTS AND EXPORTS OF SERVICES: UKRAINE

Chart 7: Malaysia Trade in Services with Ukraine, 2010-2020



**Exports of Services to Ukraine in 2020** accounted for **0.003 per cent** or **RM2.6 million** of total exports of services (2019: 0.005 per cent; RM8.3 million). **Other Business Services** contributed the highest share in **2020 at 69.8 per cent** (RM1.8 million).

**Imports of Services from Ukraine in 2020** posted **0.05 per cent** or **RM76.6 million** of total imports of services. **Transport** contributed the most with **63.3 per cent** or **RM48.5 million** in 2020. The highest contribution was due to **freight activity**.

As for the **Ukrainian tourist arrivals to Malaysia**, it recorded **6,326 people in 2020** with a **contribution of 0.15 per cent** of the total tourist arrivals to Malaysia. Meanwhile in 2019 and 2018, the number of tourist arrivals were 16,019 people (0.06%) and 14,529 people (0.06%) respectively.

Table 2: Ukraine Tourist Arrivals, 2018-2020

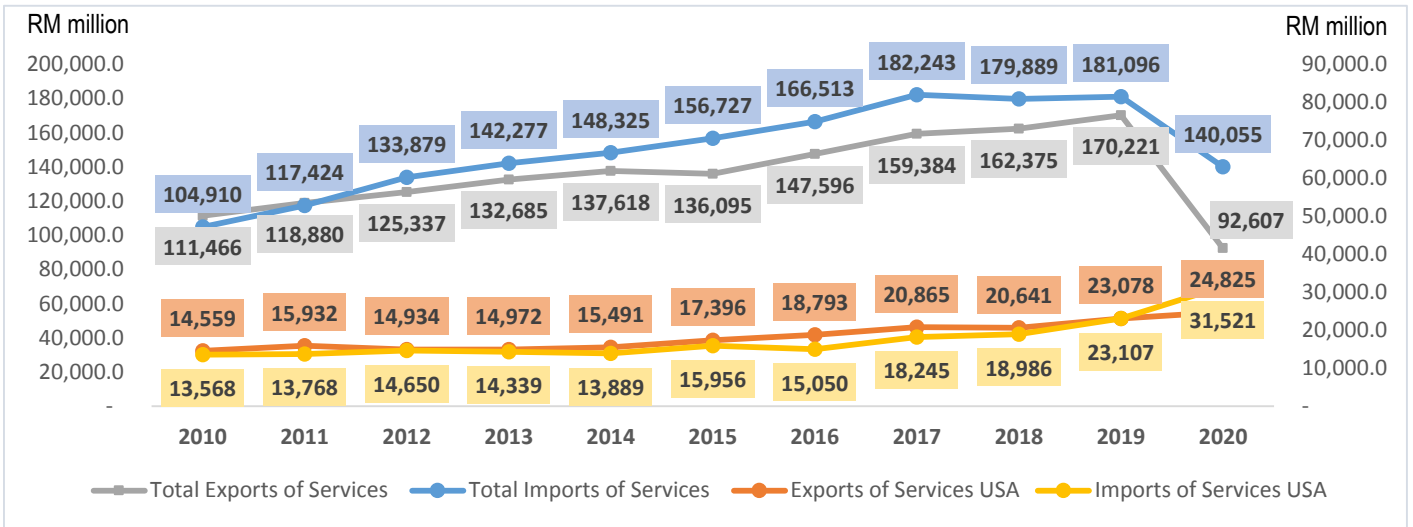


Country	2018	2019	2020
Ukraine	14,529	16,019	6,326
<b>Tourist Arrivals to Malaysia</b>	<b>25,832,354</b>	<b>26,100,784</b>	<b>4,332,722</b>

Source: Tourism Malaysia

## IMPORTS AND EXPORTS OF SERVICES: UNITED STATES OF AMERICA

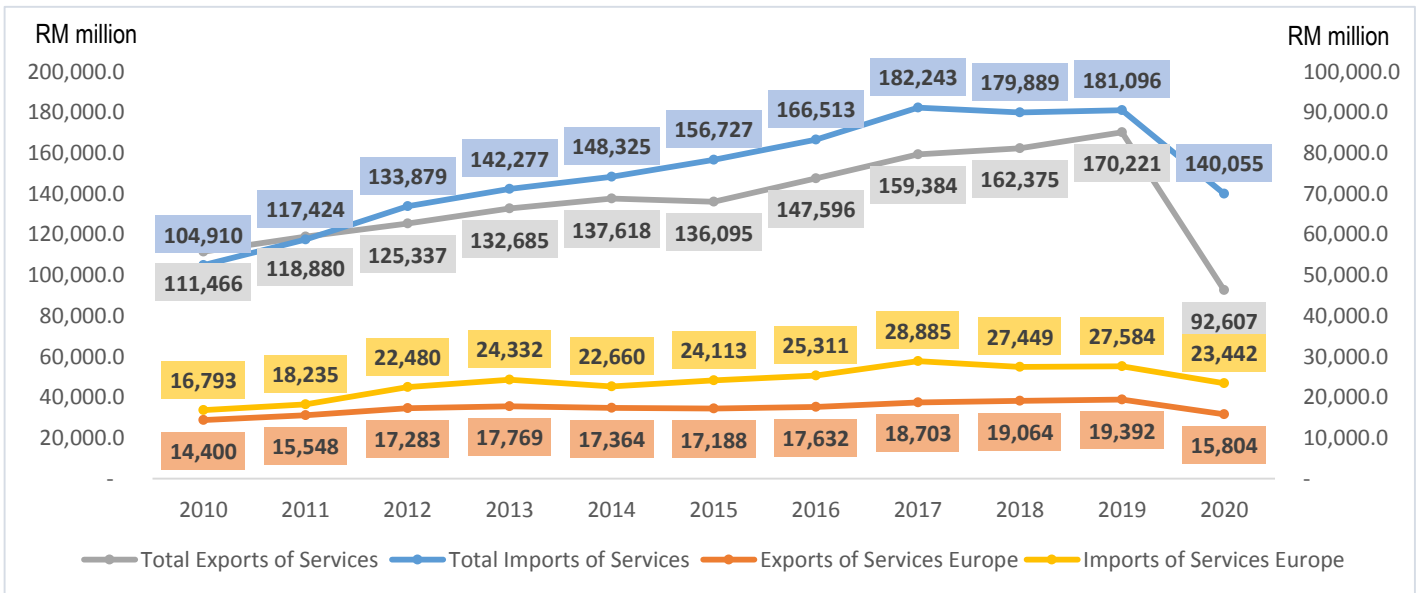
Chart 8: Malaysia Trade in Services with USA, 2010-2020



**Exports of Services to the USA** recorded **RM24.8 billion** in 2020 with **Manufacturing Services** contributed the highest share at **37.8 per cent** (RM9.4 billion). **Imports of Services from the USA** in 2020 was valued at **RM31.5 billion**. **Travel** recorded the highest contribution of **29.7 per cent** or RM9.4 billion in 2020.

## IMPORTS AND EXPORTS OF SERVICES: EUROPEAN UNION

Chart 9: Malaysia Trade in Services with EU, 2010-2020

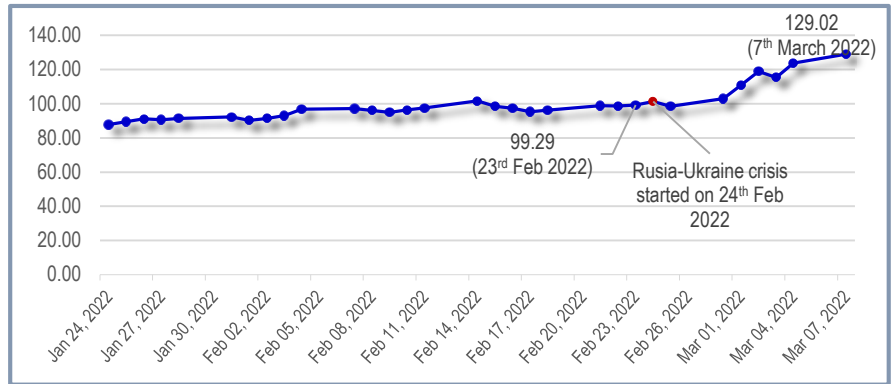


In 2020, **Exports of Services to the EU** posted **RM15.8 billion** backed mainly by **Other Business Services** with **36.7 per cent** (RM5.8 billion). **Imports of Services to EU** was **RM23.4 billion** in 2020 with **Other Business Services** recorded the highest contribution of **28.9 per cent** or RM6.8 billion.

## SELECTED COMMODITY PRICES

Following the conflict between Russia and Ukraine, the **world crude oil prices** had increased to **over US\$100 per barrel**. The price of Brent crude oil on **7 March 2022** was **US\$129.02 per barrel** as compared to **23 February 2022** (before the crisis) was **US\$99.29 per barrel**. The increase in world oil prices could affect the chain in transportation cost and the economy as well as can give implications for national inflation.

**Chart 10: World Brent Oil Prices (USD per barrel), January 24<sup>th</sup> – March 07<sup>th</sup> 2022**



Source: World Bank

**Chart 11: Crude Palm Oil Prices (RM per tonne), January 03<sup>rd</sup> – March 14<sup>th</sup> 2022**

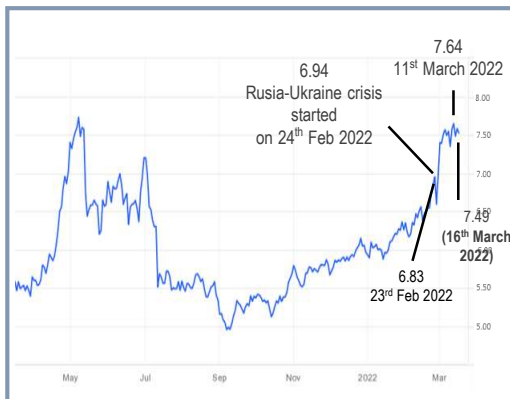


Source: MPOB

The crisis also continues to increase the world **crude palm oil prices**, where the price before the Russia-Ukraine crisis was **RM6,485.00 per metric tonne** (23 February 2022) and reached **RM8,076.50 on 5 March 2022**.

**Natural gas commodity prices were \$4.78/million btu (highest price since February 4, 2022).**

**Chart 12: Corn, USD per bushel**



**Chart 13: Soy Bean, USD per bushel**



**Chart 14: Wheat, USD per bushel**

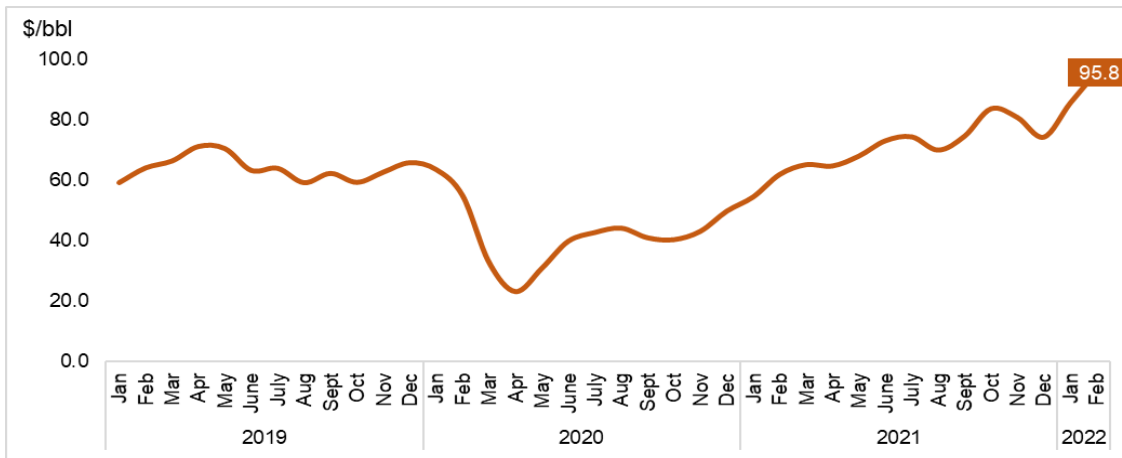


Source: World Bank

Due to the **increase in world grain prices** such as corn, soybeans and wheat which are the main **raw materials in animal feed production** will also affect the **cost of livestock production**.

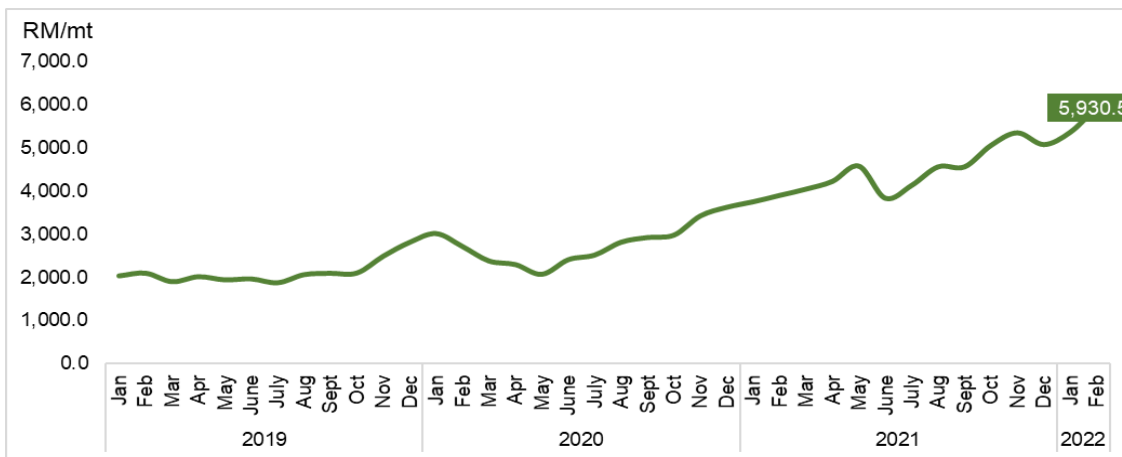
# SELECTED COMMODITY PRICES

**Chart 15: World Brent Oil Prices (USD per barrel), January 2019 – February 2022**



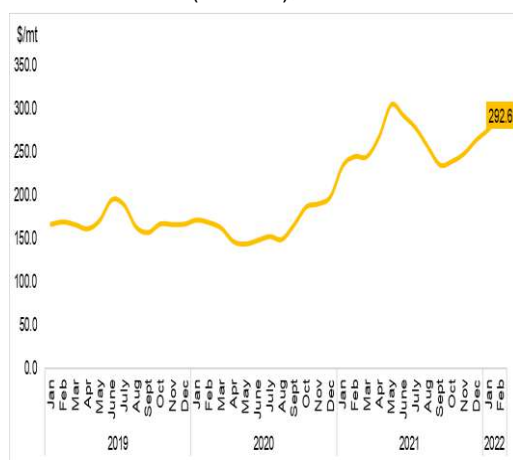
Source: World Bank

**Chart 16: Crude Palm Oil Prices (RM per tonne), January 2019 – February 2022**

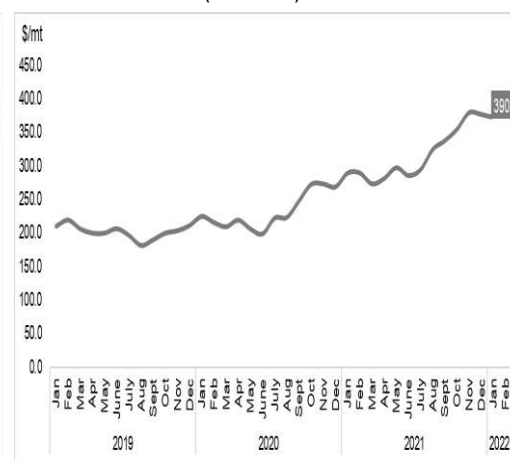


Source: MPOB

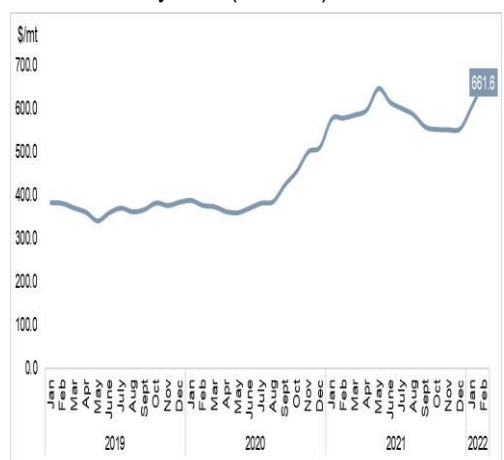
**Chart 17: Maize (USD/mt), Jan'19 – Feb'22**



**Chart 18: Wheat, (USD/mt), Jan'19 – Feb'22**



**Chart 19: Soybean (USD/mt), Jan'19 – Feb'22**



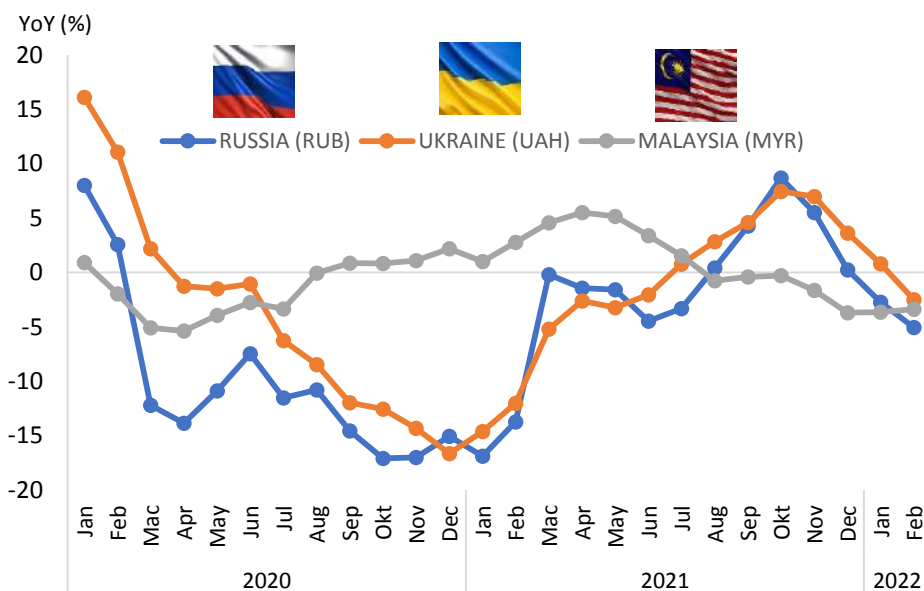
Source: World Bank



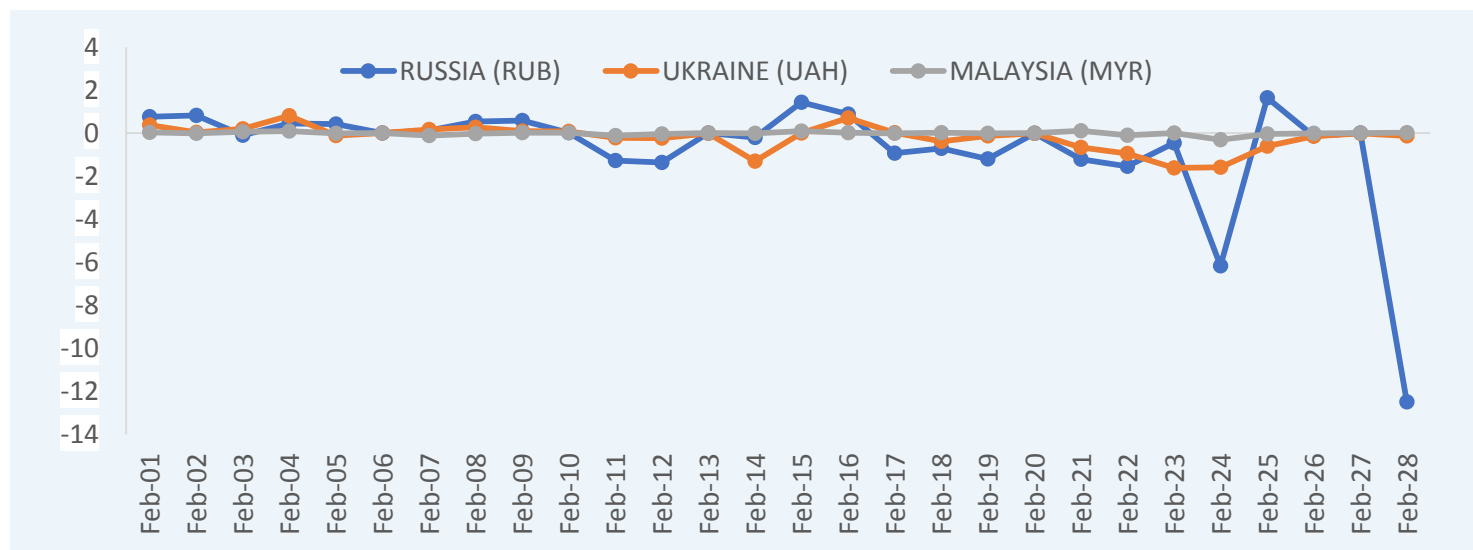
## EXCHANGE RATE

Looking at other indicators such as the exchange rate of 1 US Dollar (USD) against the Russian Ruble (RUB), Ukrainian Hryvnia (UAH) and Malaysian Ringgit (MYR) show that the annual change of currency exchange rates for Russia and Ukraine experienced a significant decline against US Dollar upon the beginning of the COVID19 pandemic in 2020 and appreciated in the Third Quarter of 2021.

**Chart 20:** Monthly Average of Exchange Rates against 1 US Dollar (Annual Change, %)



**Chart 21:** Exchange Rates against 1 US Dollar in February 2022 (Daily Change, %)



The exchange rate of Russian Ruble dropped on 24 February, 2022 upon the beginning of the Russian invasion of Ukraine

Data source : Calculation based on data obtained from <https://www.oanda.com/fx-for-business/historical-rates>

# LOCKDOWN IN CHINA

The surge of COVID-19 in China has made China to reimplement lockdowns in multiple cities across China starting 16 March 2022. This mitigation measures spur the concern of global supply chain disruptions.

“When disruptions take place in China, it is significant because about a third of the world's entire manufacturing capacity is based in the country.”

## SEA EXPORT SERVICES

Increase in number of vessels waiting outside port

### MAJOR IT COMPONENT SUPPLIERS

Major suppliers have temporarily closed production.

## MANUFACTURING HUB

Manufacturing hub, tech center and major IT components affected

- Exports to China in February 2022 increased due to higher exports of **Electrical & electronic (E&E) products**. The E&E products was valued at RM5.5 billion or **36.0 per cent contribution to the Malaysia's total exports to China and represented 13.9 per cent of Malaysia's overall exports of E&E Products**. This was followed by **Palm oil & palm oil-based products** (RM987.0 million, contribution: 6.5%) and **Liquefied natural gas** (RM913.9 million, 6.0%).
- The main import product from China was **E&E products totalled RM6.5 billion with a contribution of 38.5 per cent to Malaysia's total imports from China and represented 25.4 per cent of Malaysia's total E&E products imports**. It was followed by **Heating & cooling equipment & parts** (RM774.0 million, 4.6%); **Refined petroleum products** (RM647.7 million, 3.8%) and **Machinery & equipment specialised for particular industries** (RM423.7 million, 2.5%).







## MERCHANDISE IMPORTS AND EXPORTS: CHINA

- Malaysia's trade with China in February 2022 grew **11.9 per cent** from RM28.8 billion in the previous year to RM32.2 billion.
- Exports increased 19.2 per cent**, reached RM15.3 billion from RM12.8 billion.
- Imports from China with a value of RM16.9 billion, grew **6.0 per cent year-on-year** from RM15.9 billion.
- Malaysia balance of trade with China in February 2022 noted a deficit of RM1.6 billion as compared to a higher deficit of RM3.1 billion in February 2021.

Exhibit 1: Malaysia External Trade Performance with China, February 2022

<b>TOTAL TRADE</b>	<b>RM32.2 bil. ▲ 11.9%</b> (February 2021: RM28.8 bil.)
<b>EXPORTS</b>	<b>RM15.3 bil. ▲ 19.2%</b> (February 2021: RM12.8 bil.)
<b>IMPORTS</b>	<b>RM16.9 bil. ▲ 6.0%</b> (February 2021: RM15.9 bil.)
<b>TRADE BALANCE</b>	<b>-RM1.6 bil.</b> (February 2021: -RM3.1 bil.)

Exhibit 2: Malaysia Major Trade Commodities with China, February 2022

EXPORTS		IMPORTS	
	<b>Electrical &amp; electronic (E&amp;E) products</b> RM5.5 billion (36.0%)		<b>Electrical &amp; electronic (E&amp;E) products</b> RM6.5 billion (38.5%)
	<b>Palm oil &amp; palm oil-based products</b> RM987.0 million (6.5%)		<b>Heating &amp; cooling equipment &amp; parts</b> RM774.0 million (4.6%)
	<b>Liquefied natural gas</b> RM913.9 million (6.0%)		<b>Refined petroleum products</b> RM647.7 million (3.8%)

## IMPORTS AND EXPORTS OF SERVICES: CHINA

- Exports of Services to China accounted for **4.7 per cent** or **RM4.4 billion** of total exports of services in **2020**. Meanwhile, it contributed **10.4 per cent** (RM17.8 billion) in **2019** and **8.7 per cent** (RM14.1 billion) in **2018**.
- Imports of Services to China registered **9.1 per cent** of total imports of services in 2020, valued at RM4.4 billion. While the contribution was **12.7 per cent** (RM17.8 billion) in 2019 and 2018 was **13.8 per cent** (RM24.9 billion).

Chart 22: Malaysia Trade in Services with China, 2010-2020

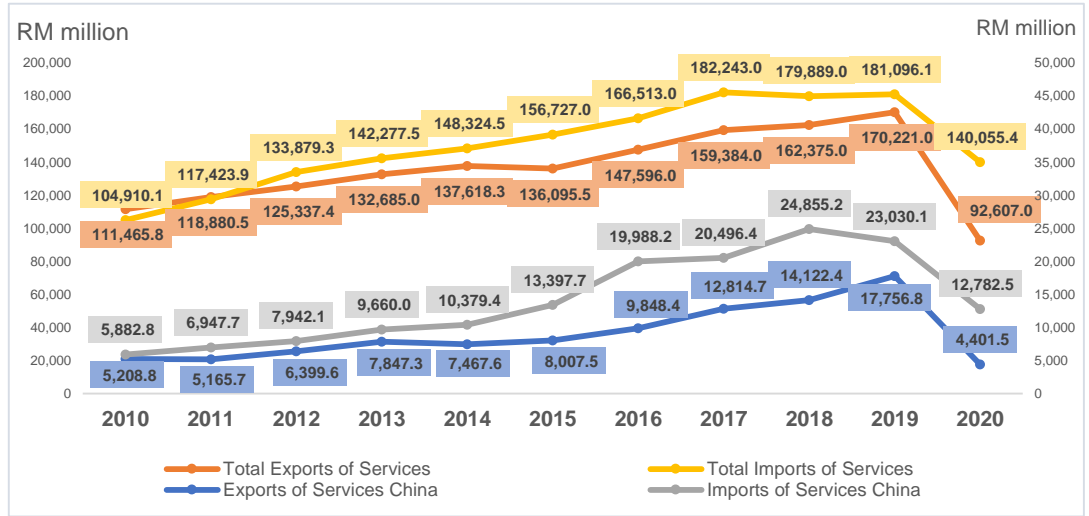


Table 3: China Tourist Arrivals, 2018-2020

Country	2018	2019	2020
China	2,944,133	3,114,257	405,149
<b>Tourist Arrivals to Malaysia</b>	<b>25,832,354</b>	<b>26,100,784</b>	<b>4,332,722</b>



Source: Tourism Malaysia

- Travel contributed **38.5 per cent** or **RM1.7 billion** to Export of Services to China in **2020**, while in **2019** and **2018** recorded **78.5 per cent** (RM13.9 billion) and **78.3 per cent** (RM11.1 billion) respectively.
- This can be seen from the China tourist arrivals to Malaysia in 2020 which registered 405,149 people, contributing 9.4 per cent of total tourist arrivals. Meanwhile, the number of tourist arrivals were 3.1 million people (11.9%) in 2019 and 2.9 million people (11.4%) in 2018.

## EXCHANGE RATE

Chart 23: Monthly Average of Exchange Rates against 1 US Dollar (Annual Change, %)

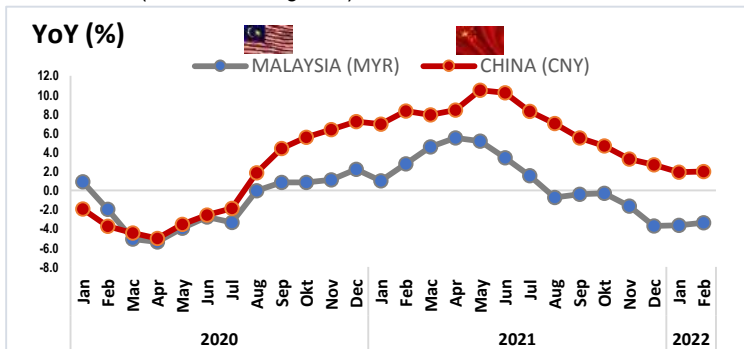
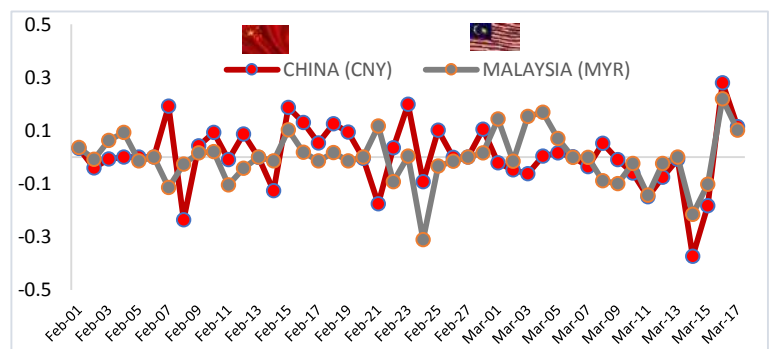


Chart 24: Exchange Rates against 1 US Dollar in February and March 2022 (Daily Change, %)



Both currencies are volatile but started to show similar trends with a slight decline in mid-March 2022

Data source : Calculation based on data obtained from <https://www.oanda.com/fx-for-business/historical-rates>

# FEDERAL GOVERNMENT KEY INDICATORS

**Table 4:** Federal Government Revenue, 2019 - 2022

COMPONENT (RM billion)	2019	2020	2021 <sup>1</sup>	2022 <sup>2</sup>
Tax Revenue	180.6	154.4	161.8	171.4
Direct Tax	134.7	112.5	120.0	127.3
Petroleum Income Tax (PITA)	20.8	12.8	11.5	12.4
Indirect Tax	45.8	41.9	41.8	44.0
Export duties	1.12	0.75	1.41	1.61
Petroleum	1.09	0.63	0.63	0.85
Non Tax Revenue	83.8	70.7	59.2	62.6
Investment Income	60.1	46.1	36.0	39.5
<b>Total Revenue</b>	<b>264.4</b>	<b>225.1</b>	<b>221.0</b>	<b>234.0</b>

Source: Fiscal Outlook and Federal Government Revenue Estimates 2022 (page 136 & 212), Ministry of Finance, Malaysia

**Table 5:** Federal Government Balance Sheet, 2019 - 2022

COMPONENT (RM billion)	2019	2020	2021 <sup>1</sup>	2022 <sup>2</sup>
Revenue	264.4	225.1	221.0	234.0
Gross Expenditure	317.5	276.0	281.6	309.1
Net Expenditure	315.9	315.2	319.8	331.5
Operating expenditure	263.3	224.6	219.6	233.5
Gross Development Expenditure	54.2	51.4	62.0	75.6
Less: Loan Recoveries	1.6	1.3	0.8	0.6
COVID-19 Fund	-	38.0	39.0	23.0
Overall Balance	- 51.5	- 87.6	- 98.8	- 97.5
Federal Government Debt	793.0	879.6	958.4	-

Source: Fiscal Outlook and Federal Government Revenue Estimates 2022 (page 211 & 218), Ministry of Finance, Malaysia

Note:

<sup>1</sup> Revised estimate

<sup>2</sup> Budget estimate excluding 2022 Budget measures