

COUNTRY PROFILE REPORT OF ITJ DIVISION, DGCI&S INDIA-MALAYSIA BILATERAL TRADE RELATIONS

INTRODUCTION & BRIEF ECONOMIC OVERVIEW

The Federation of Malaysia, situated in South-East Asia, consists of 13 states. Eleven of these are in Peninsular Malaysia, in the southern part of the Kra peninsula (with Thailand to the north and the island of Singapore to the south), and two, Sabah and Sarawak, are on the north coast of the island of Borneo, two-thirds of which comprises the Indonesian territory of Kalimantan. Sarawak also borders Brunei, a coastal enclave in the north-east of the state. Malaysia is a member of the UN, WTO, BIS, the Commonwealth, Asian Development Bank, Colombo Plan, APEC, ASEAN, Mekong Group and the Organization of Islamic Conference. This report emphasises on India-Malaysia bilateral trade relations, inter-alia. As per available data from DGCI&S database India and Malaysia have noticeable bilateral trade relations. It has been observed that India's total export value with Malaysia has been 1.80% of India's exports in FY2023-24 and Malaysia ranked 18th as an export country partner.

2. Malaysia is a relatively open state-oriented and newly industrialised market economy. Malaysia's economy has been transformed since 1970 from one based primarily on the export of raw materials (rubber and tin) to one that is among the strongest, most diversified, and fastest-growing in Southeast Asia. According to IMF Executive Board Concludes 2024 Article IV Consultation with Malaysia March 10, 2024, Malaysia's growth momentum is slowing, albeit from a high base in 2022. Advanced estimates indicate 3.4 percent growth for 2023 Q4, down from 8.7 percent in 2022. Growth is estimated at about 4 percent in 2023, driven by robust domestic demand, as exports weakened markedly due to the economic slowdown in major trading partners. Disinflation is taking hold, with average inflation falling to 2.5 percent in 2023, down from 3.4 percent in 2022. Malaysia's strong macroeconomic policy frameworks, including a track record of fiscal prudence and a credible monetary policy framework, have served the country well and have become more important as it undergoes important structural reforms. A history of costly and untargeted spending on subsidies is coming to an end.

A snapshot of Malaysia's select economic indicators is as under.

Table 1. Malaysia: Selected Economic and Financial Indicators, 2020-26								
					Proj.			
		2020	2021	2022	2023	2024	2025	2026
					Est. 1/			
Real GDP (percent change)		-5.5	3.3	8.7	4.0	4.3	4.4	4.4
Total domestic demand		-4.8	3.8	9.3	4.3	4.0	4.2	4.2
Consumption		-2.6	2.7	9.9	5.6	5.0	3.9	4.1
Private consumption		-3.9	1.9	11.2	7.5	6.1	4.6	4.7
Public consumption		4.1	6.4	4.5	-3.3	-0.8	0.0	0.8
Private investment		-11.9	2.7	7.2	5.6	6.4	6.0	5.7
Public gross fixed capital formation		-21.2	-11.1	5.3	-17.5	-8.7	1.6	-0.7
Net exports (contribution to growth, percentage points)		-1.0	-0.3	-0.1	-0.1	0.5	0.5	0.4
Saving and investment (in percent of GDP)								
Gross domestic investment		19.7	22.1	23.5	24.0	23.5	24.0	24.0
Gross national saving		23.8	26.0	26.6	26.4	26.3	26.8	26.9
Fiscal sector (in percent of GDP) 2/								

Federal government overall balance			-6.2	-6.4	-5.6	-5.0	-4.2	-4.2	-4.2
Revenue			15.9	15.1	16.4	15.9	14.9	14.5	14.1
Expenditure and net lending			22.0	21.5	22.0	20.9	19.2	18.8	18.3
Tax refunds (Arrears)									
Federal government non-oil primary balance			-5.0	-4.4	-6.2	-6.2	-4.8	-4.2	-3.6
Consolidated public sector overall balance 3/			-7.3	-8.3	-6.7	-7.9	-5.9	-5.8	-5.6
General government debt 3/			67.7	69.2	65.6	66.8	66.6	66.5	66.8
<i>Of which:</i> federal government debt			62.0	63.3	60.3	61.5	61.2	61.2	61.5
Inflation and unemployment (annual average, in percent)									
CPI inflation			-1.1	2.5	3.4	2.5	2.9	2.5	2.2
CPI inflation (excluding food and energy)			1.1	0.7	3.0	3.0	3.1	2.0	2.0
Unemployment rate			4.5	4.7	3.8	3.6	3.5	3.5	3.5
Macroeconomic variables (end of period)									
Broad money (percentage change) 4/			4.9	5.6	4.0	6.6	7.9	7.5	6.7
Credit to private sector (percentage change) 4/			4.0	3.8	3.0	6.6	7.9	7.5	6.7
Credit-to-GDP ratio (in percent) 5/ 6/			144.8	137.6	122.6	122.6	122.6	122.6	122.6
Overnight policy rate (in percent)			1.75	1.75	2.75	...	...	...	...
Three-month interbank rate (in percent)			1.9	2.0	3.6	...	...	...	...
Nonfinancial corporate sector debt (in percent of GDP) 7/			109.7	108.9	97.6	...	...	...	...
Nonfinancial corporate sector debt issuance (in percent of GDP)			2.3	2.6	...	...	...	...	...
Household debt (in percent of GDP) 7/			93.1	88.9	81.0	...	...	...	...
Household financial assets (in percent of GDP) 7/			204.5	191.8	167.6	...	...	...	...
House prices (percentage change)			1.2	1.2	3.5	...	...	...	...
Exchange rates (period average)									
Malaysian ringgit/U.S. dollar			4.20	4.15	4.40	...	...	...	...
Real effective exchange rate (percentage change)			-3.5	-1.3	-1.5	...	...	...	...
Balance of payments (in billions of U.S. dollars) 5/									
Current account balance			14.1	14.5	12.5	10.2	12.2	13.3	14.9
(In percent of GDP)			4.2	3.9	3.1	2.4	2.7	2.8	2.9
Goods balance			32.7	42.9	42.3	33.7	37.0	39.8	42.8
Services balance			-11.2	-15.8	-12.8	-10.3	-10.8	-11.0	-10.8
Income balance			-7.4	-12.5	-16.9	-13.3	-14.0	-15.5	-17.2
Capital and financial account balance			-18.5	3.8	2.7	-11.3	-5.2	-1.9	-4.1
<i>Of which:</i> Direct investment			0.7	7.5	3.6	2.7	3.5	3.8	4.0
Errors and omissions			-0.1	-7.3	-3.1	0.0	0.0	0.0	0.0
Overall balance			-4.6	11.0	12.1	-1.2	6.9	11.5	10.8
Gross official reserves (US\$ billions) 5/ 8/			107.6	116.9	114.7	113.5	120.4	131.9	142.6
(In months of following year's imports of goods and nonfactor services)			5.5	4.9	5.2	4.5	4.5	4.7	4.8
(In percent of short-term debt by original maturity)			117.6	120.8	105.1	91.9	90.7	89.7	88.3
(In percent of short-term debt by remaining maturity)			91.9	93.5	84.8	75.3	74.1	74.6	74.1
Total external debt (in billions of U.S. dollars) 5/ 8/			238.8	258.7	259.4	279.9	296.6	318.0	339.0

(In percent of GDP)		70.8	69.3	63.8	66.9	66.7	66.3	66.2
<i>Of which:</i> short-term (in percent of total, original maturity)		38.3	37.4	42.1	44.1	44.8	46.3	47.7
short-term (in percent of total, remaining maturity)		49.1	48.3	52.2	53.9	54.8	55.6	56.8
Debt service ratio 5/								
(In percent of exports of goods and services) 9/		13.6	10.5	9.7	11.3	11.9	12.0	11.3
(In percent of exports of goods and nonfactor services)		14.4	11.4	10.3	12.1	12.7	12.8	12.1
<i>Memorandum items:</i>								
Nominal GDP (in billions of ringgit)		1,418	1,549	1,791	1,910	2,061	2,215	2,365
Sources: Data provided by the authorities; CEIC Data; World Bank; UNESCO; and IMF, <i>Integrated Monetary Database</i> , and staff estimates.								
1/ Data used in this report for staff analyses are as of January 30, 2024, unless otherwise noted. Official full year preliminary actual GDP is scheduled to be released on February 16th, 2024.								
2/ Cash basis.								
3/ Consolidated public sector includes general government and nonfinancial public enterprises (NFPEs). General government includes federal government, state and local governments, and statutory bodies.								
4/ Based on data provided by the authorities, but follows compilation methodology used in IMF's <i>Integrated Monetary Database</i> . Credit to private sector in 2018 onwards includes data for a newly licensed commercial bank from April 2018. The impact of this bank is excluded in the calculation of credit gap.								
5/ IMF staff estimates. U.S. dollar values are estimated using official data published in national currency.								
6/ Based on a broader measure of liquidity. Credit gap is estimated on quarterly data from 2000, using one-sided Hodrick-Prescott filter with a large parameter.								
7/ Revisions in historical data reflect the change in base year for nominal GDP (from 2010=100 to 2015=100).								
8/ The decrease in short-term debt by remaining maturity in 2017 was partly due to the implementation of an improved data compilation system that corrected previous overestimation.								
9/ Includes receipts under the primary income account.								

Sources: IMF Executive Board Concludes 2024 Article IV Consultation with Malaysia March 10, 2024.

FOREIGN TRADE

3. As per recent available inputs on WITS (World Integrated Trade Solution), the five major merchandise export partners of Malaysia are Japan, China, Singapore, USA & Hong Kong, On the other hand five major import partners of Malaysia are China, Singapore, Other Asia Nes., United States and Japan. Major five exported goods of Malaysia are (i) Monolithic integrated circuits, digital (ii) Petroleum oils, etc, (excl. crude); preparation, (iii) Gloves of vulcanized rubber (excl. surgical glo) (iv) Palm oil (excl. crude) and liquid fractions and (v) Natural gas, liquefied. On the other hand major five imported goods of Malaysia are (i) Monolithic integrated circuits, digital, (ii) Petroleum oils, etc, (excl. crude); preparation, (iii) Parts of electronic integrated circuits and mic (iv) Other coal, not agglomerated, nes. and (v) Petroleum oils and oils obtained from bituminous.

4. Malaysia's total exports globally in 2019 were of the order of US\$ 240,212 million. It had scaled upto US\$ 312,605 million in 2023. Exports from Malaysia had steeply increased by 27.85% in the year 2021 just after the initial serious impact of Covid-19 pandemic followed by another 17.70% increase in 2022. During the period from 2019 to 2023, the annual average compound rate of growth of exports was 6.81%.

5. Malaysia's total imports from the world in 2019 were of the order of US\$ 205,030 million and had touched US\$ 265,638 million mark in 2023. During the period from 2019 to 2023, the annual average compound rate of growth of imports was 6.69%.

6. Malaysia faced an overall Balance of Trade surplus from 2019 to 2023 except the year 2021 and it had declined from USD 445,242 million in 2019 to USD 578,243 million in 2023. During the period from 2019 to 2023, the annual average compound rate of growth of total volume of trade was 6.75%.

A snapshot of Malaysia's overall Trade Statistics is presented in **Table 2 and Figure 1** below.

A snapshot of India's merchandise trade statistics w.r.t. Malaysia is presented in **Table 3 Figure 2**

BILATERAL TRADE WITH INDIA

Merchandise Trade

7. India and Malaysia have had long-standing commercial links dating to the pre-Christian era. In modern times, Indian industry has been associated for three decades with the transformation of Malaysia from an exporter of primary products into an industrialized and broad-based economy. Malaysia ranked 15th as an export destination of India in FY 2023-24. India had exported to Malaysia almost 1.66% of its total export value in FY2023-24. In the same financial year imports from Malaysia was 1.80% of India's total import value. Almost 1.80% of India's total international trade value of goods was between India and Malaysia as has been recorded in DGCI&S data base for FY 2023-24.

8. Indo-Malaysia total volume of bilateral trade in FY 2019-20 was of the order of US\$ 16,146.97 million. It had scaled to US\$ 20,016.28 million in FY 2023-24. The annual compound growth rate of total volume comprising both exports and imports during the period from 2019-20 to 2023-24 had been of the order of 5.52%.

9. It is seen from the available figures that between 2018-19 and 2023-24, India has had a deficit Balance of Trade with Malaysia. It has been observed that exports from India to Malaysia increased by 15.47% in FY 2021-22. The annual average compound rate of growth of Exports was 3.35% during the period under review. On the other hand, imports from Malaysia to India increased steeply by 48.38% in FY 2021-22. During the period from 2019-20 to 2023-24, the annual average compound rate of growth of imports was 5.52%.

10. Additionally, **from Tables 4 & 5** presented below the following are stated:

a. **(i) Petroleum Products. (ii) Aluminium, Products Of Aluminium** and **(iii) Buffalo Meat** had occupied the top three slots in India's exports to Malaysia in FY 2023-24. **Petroleum Products** had occupied 23.47% share of India's total exports to Malaysia in FY2023-24.

b. **(i) Petroleum: Crude (ii) Vegetable Oils** and **(iii) Electronic Components** were the three major commodities in India's imports list from Malaysia in the year 2023-24, India had imported a significant amount of **Petroleum Crude** from Malaysia with a share of 21.31% of total imports from Malaysia recorded in 2023-24.

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TABLE - 2
MALAYSIA'S TOTAL EXPORTS AND IMPORTS, VOLUME OF TRADE AND BALANCE OF TRADE
BETWEEN 2019 TO 2023

(Figures in USD Million)

Year	Exports	Percentage Growth in Exports	Imports	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2019	240212		205030		4,45,242		35182
2020	234050	-2.57	190405	-7.13	4,24,455	-4.67	43645
2021	299230	27.85	328250	72.40	6,27,480	47.83	-29020
2022	352188	17.70	293941	-10.45	6,46,129	2.97	58247
2023	312605	-11.24	265638	-9.63	5,78,243	-10.51	46967
Annual Growth Rate	Compound Growth Rate						
	6.81		6.69		6.75		

NOTE : Figures relate to calendar year (January to December)

SOURCE : UN COMTRADE PUBLICATION

Figure 1

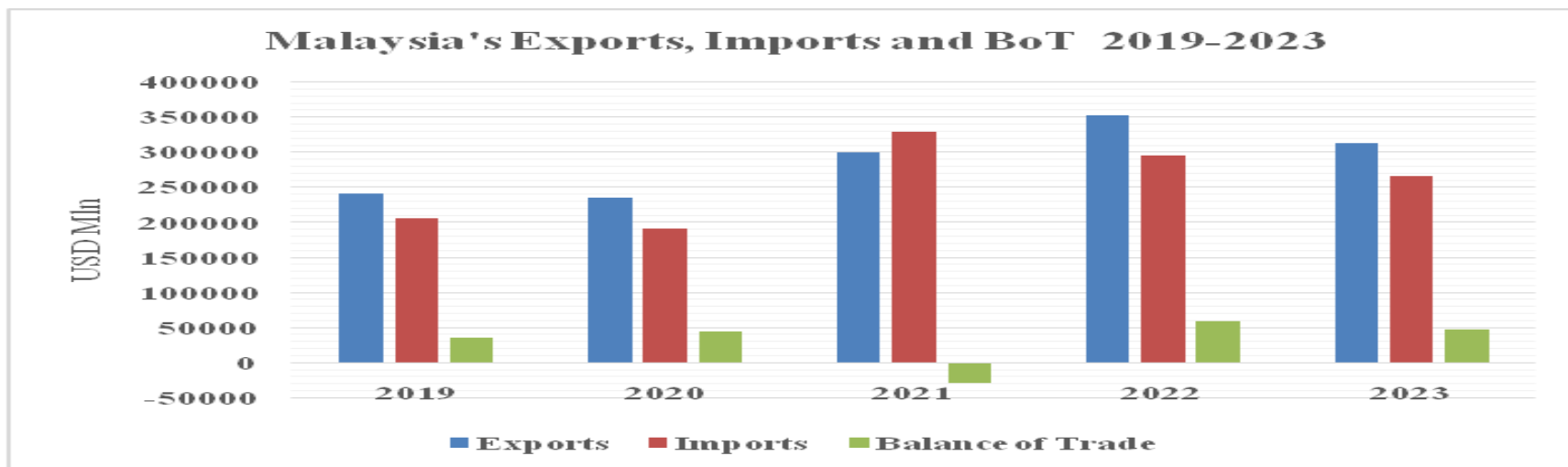


TABLE - 3

INDIA'S MERCHANDISE EXPORTS & IMPORTS w.r.t.MALAYSIA

FY 2019-2020 to 2023-2024

(Value in USD Million)

Year	Exports from India to Malaysia	Percentage Growth in Exports	Imports from Malaysia to India	Percentage Growth in Imports	Volume of Trade	Percentage Growth in Vol. of Trade	Balance of Trade
2019-20	6364.69		9782.28		16146.97		-3417.59
2020-21	6057.70	-4.82	8373.05	-14.41	14430.75	-10.63	-2315.35
2021-22	6995.06	15.47	12424.2	48.38	19419.26	34.57	-5429.14
2022-23	7156.21	2.30	12734.94	2.50	19891.15	2.43	-5578.73
2023-24	7262.17	1.48	12754.11	0.15	20016.28	0.63	-5491.94
Annual							
Compound Growth Rate		3.35		6.86		5.52	

NOTE : Figures relate to Financial Year (April to March)

SOURCE : DGCIS, M/o C&I

Figure 2

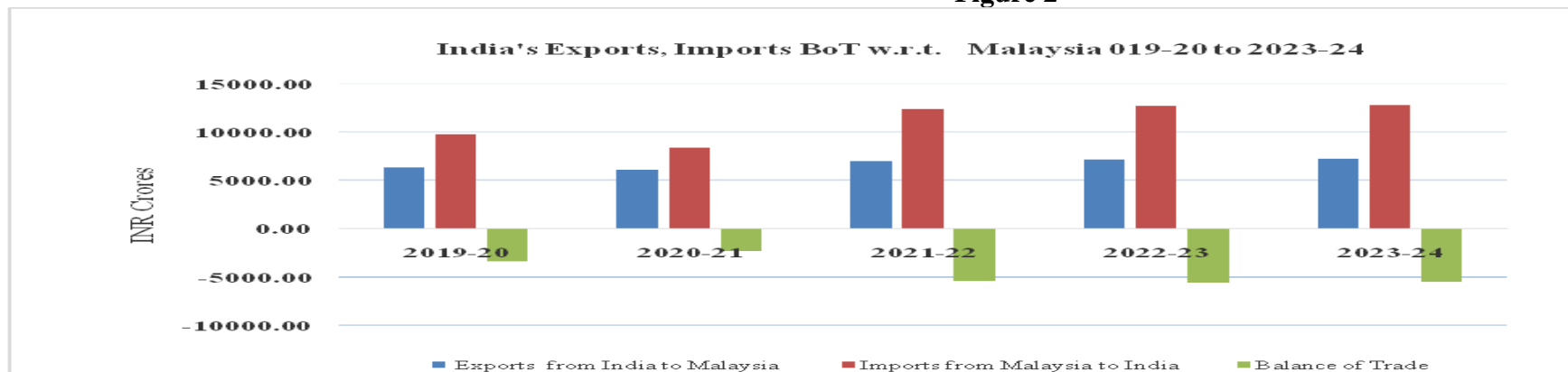


TABLE -4
INDIA'S MAJOR ITEMS OF MERCHANDISE EXPORTS TO MALAYSIA
2019-2020 TO 2023-2024 AND THEIR GROWTH RATES

(Value in USD Million)

Sl. No.	Name of the Merchandise Commodities	Value of Exports					Annual Growth Rates			
		2019-20	2020-21	2021-22	2022-23	2023-24	20-21 over 2019-20	21-22 over 2020-21	22-23 over 2021-22	23-24 over 2022-23
1	Petroleum Products	1286.34	1184.08	2047.31	1401.62	1704.22	-7.95	72.90	-31.54	21.59
	Share in total export	20.21	19.55	29.27	19.59	23.47				
2	Aluminium, Products Of Aluminium	1272.88	1224.15	267.47	786.46	1095.14	-3.83	-78.15	194.04	39.25
	Share in total export	20.00	20.21	3.82	10.99	15.08				
3	Buffalo Meat	378.57	383.07	444.73	534.03	577.35	1.19	16.10	20.08	8.11
	Share in total export	5.95	6.32	6.36	7.46	7.95				
4	Electric Machinery And Equipments	96.30	98.09	68.82	208.79	296.59	1.86	-29.84	203.39	42.05
	Share in total export	1.51	1.62	0.98	2.92	4.08				
5	Organuc Chemicals	485.41	326.60	448.97	496.36	230.23	-32.72	37.47	10.56	-53.62
	Share in total export	7.63	5.39	6.42	6.94	3.17				
6	Ship, Boat And floating Structures	198.93	264.87	366.80	36.08	209.23	33.15	38.48	-90.16	479.91
	Share in total export	3.13	4.37	5.24	0.50	2.88				
7	Spices	106.39	116.89	124.49	139.55	147.44	9.87	6.50	12.10	5.65
	Share in total export	1.67	1.93	1.78	1.95	2.03				
8	Gold And Other Precs. Metl. Jewelry.	74.29	49.90	105.61	173.25	136.64	-32.83	111.64	64.05	-21.13
	Share in total export	1.17	0.82	1.51	2.42	1.88				
9	Misc. Processed Items	14.29	47.07	95.41	112.09	121.11	229.39	102.70	17.48	8.05
	Share in total export	0.22	0.78	1.36	1.57	1.67				
10	Zinc And Products Of Zinc	25.96	212.39	45.01	153.13	116.07	718.14	-78.81	240.21	-24.20
	Share in total export	0.41	3.51	0.64	2.14	1.60				
	Total export to MALAYSIA	6364.69	6057.70	6995.06	7156.21	7262.17	-4.82	15.47	2.30	1.48

NOTE : Figures relate to each Financial Year (April to March)

SOURCE : DGC&S, M/o C&I

TABLE -5
INDIA'S MAJOR ITEMS OF MERCHANDISE IMPORTS FROM MALAYSIA
2019-2020 TO 2023-2024 AND THEIR GROWTH RATES

(Value in USD Million)

Sl. No.	Name of the Merchandise Commodities	Value of Imports					Annual Growth Rates			
		2019-20	2020-21	2021-22	2022-23	2023-24	20-21 over 2019-20	21-22 over 2020-21	22-23 over 2021-22	23-24 over 2022-23
1	Petroleum: Crude	1651.11	897.79	1099.87	1240.29	2717.37	-45.63	22.51	12.77	119.09
	Share in total imports	16.88	10.72	8.85	9.74	21.31				
2	vegetable Oils	1878.92	2281.86	4420.79	3608.05	2443.68	21.45	93.74	-18.38	-32.27
	Share in total imports	19.21	27.25	35.58	28.33	19.16				
3	Electronic Components	114.17	140.98	239.27	361.05	770.53	23.48	69.72	50.90	113.41
	Share in total imports.	1.17	1.68	1.93	2.84	6.04				
4	computer Hardware, Peripherals	371.60	414.22	633.22	640.64	676.55	11.47	52.87	1.17	5.61
	Share in total import	3.80	4.95	5.10	5.03	5.30				
5	Copper And Products Made Of Copper	561.94	206.11	397.21	360.99	433.12	-63.32	92.72	-9.12	19.98
	Share in total import	5.74	2.46	3.20	2.83	3.40				
6	Plastic Raw materials	182.77	256.34	327.29	391.37	412.52	40.25	27.68	19.58	5.40
	Share in total import	1.87	3.06	2.63	3.07	3.23				
7	Aluminium, Products Of Aluminium	362.30	360.96	771.46	604.39	381.22	-0.37	113.72	-21.66	-36.92
	Share in total import	3.70	4.31	6.21	4.75	2.99				
8	Iron And Steel	365.20	263.12	214.61	240.95	346.84	-27.95	-18.44	12.27	43.95
	Share in total import	3.73	3.14	1.73	1.89	2.72				
9	Ship, Boat And Floating Structures	297.86	279.19	284.49	375.05	322.97	-6.27	1.90	31.83	-13.89
	Share in total import	3.04	3.33	2.29	2.95	2.53				
10	Aluminium, Products Of Aluminium	178.73	277.74	74.22	202.86	307.16	55.40	-73.28	173.32	51.41
	Share in total import	1.83	3.32	0.60	1.59	2.41				
	Total import from MALAYSIA	9782.28	8373.05	12424.20	12734.94	12754.11	-14.41	48.38	2.50	0.15

NOTE : Figures relate to each Financial Year (April to March)

SOURCE : DGCI&S, M/o C&I

