

TECHNICAL NOTES

1. INTRODUCTION

This publication contains statistics of Malaysia's External trade (merchandise) pertaining to imports and exports (including re-exports) by sections, divisions and groups of commodity, country of origin and destination, selected/major commodities, Broad Economic Category (BEC) classification and end-use as well as seasonally adjusted data.

This publication also contains statistics of Malaysia's External Trade (merchandise) on imports and exports at the state level (based on exit and entry points) with the rest of the world.

2. OBJECTIVE

The main objective of compiling Malaysia's external trade statistics is to provide information on Malaysia's trade performance vis-a-vis the rest of the world in terms of volume and value of merchandise goods. The trade statistics, therefore, serve as a tool in assisting the government in formulating policies and monitoring economic performance as well as for development planning. The data can also be used by the private sector and individuals for specific purposes such as for economic projection and analysis.

3. SCOPE AND COVERAGE

- 3.1. *The 'general trade system' of recording is adopted in compiling Malaysian external trade statistics. Under this system, the national boundary of the country is used as the statistical frontier. All goods entering or leaving the country (except specific exclusions mentioned in paragraph 11 below) are recorded, whether or not such goods are subject to clearance. Accordingly, goods entering or leaving customs bonded warehouses, Free Zones are recorded in the statistics.*
- 3.2. *Details of commercial and private ships and aircraft are also included in these statistics if they were imported or exported as goods purchased, sold or leased (financial) whether or not they arrived or departed under their own power.*

4. SOURCE OF DATA

- 4.1. *Import and export declarations (hard/soft copy) approved by the Royal Malaysian Customs Department (RMCD) and Free Zone Authorities.*
- 4.2. *Particulars on postal/courier packages are provided by Pos Malaysia Berhad.*
- 4.3. *Statements and export declarations on bunkers and stores supplied to aircraft issued/approved by the petroleum companies.*

- 4.4. *Statements on goods sold are supplied by the operators of duty-free shops.*
- 4.5. *Statements on the sale and purchase of electricity issued by 'power producer company'.*

5. **CONCEPTS AND DEFINITIONS**

- 5.1. *The compilation of these statistics is in accordance with the guidelines of the **International Merchandise Trade Statistics: Concepts and Definitions (IMTS) 2010** from the **United Nations**.*

5.2. **Imports**

*Goods are regarded as imports when they are brought **into** the country either directly or into bonded warehouses, irrespective of whether such goods are for consumption, to be processed, use in manufacturing or subsequent re-exports to other countries.*

5.3. **Exports**

*Goods (locally produced or manufactured or imported for subsequent re-exports) are regarded as exports when they are taken **out** of the country.*

5.4. **Domestic Export**

*Goods (locally produced or manufactured) are regarded as domestic exports when they are taken **out** of the country.*

5.5. **Re-exports**

*Goods are regarded as re-exports when they are taken **out** of the country in the same form as they were **imported** without any **transformation**. Re-packing, sorting or grading processes are not considered as part of the transformation process.*

5.6. **Balance of Trade**

*The balance of trade is the difference between the value of exports and imports. When exports exceed imports it is recorded as a **surplus** while a **deficit** is registered when imports exceed exports.*

6. **BASIS OF VALUATION**

- 6.1. *The **WTO Valuation Agreement (1994)** is used as the basis of valuation for all transactions of goods.*
- 6.2. ***Values** are shown in Malaysian Ringgit.*
- 6.3. ***Imports** are valued on a **c.i.f. (cost, insurance and freight)** basis, that is, the value of the goods in the market at the statistical / customs frontier of the importing country, including all charges for transport and insurance whilst in*

transit **but** excluding the cost of unloading from the carrier **unless** it is borne by the carrier.

- 6.4. **Exports** are valued on a **f.o.b. (free on board)** basis, that is, the value of the goods in the market at the statistical / customs frontier of the exporting country, including all costs of transporting the goods to the statistical / customs frontier, export and other duties payable as well as the cost of loading the goods onto the carrier **unless** the latter cost is borne by the carrier.

7. CLASSIFICATION OF COMMODITIES

- 7.1. Commencing from reference month of June 2022, Harmonised Commodity Description and Coding System 2022 (HS2022) also known as Customs Duties Order 2022 (PDK2022) was used for the processing of External Trade Statistics (merchandise). This coding classification replaced the HS2017 which were use from April 2017 to May 2022. However, for Standard International Trade Classification (S.I.T.C) Rev.4 is still in use with appropriate updates.
- 7.2. After discussion and consultation with Malaysian Palm Oil Board (MPOB), the selection of codes for palm oil and palm oil-based products is based on pure palm oil and palm oil-based products as well as those codes which are predominantly palm oil and palm oil-based products (more than 50%).

8. VOLUME

Volume, where shown, represent the nett weight or other measurement of the goods exclusive of packing containers. Where a commodity item comprises different kinds of commodities for which a common unit of measurement cannot be used, only values are shown.

9. COUNTRY OF ORIGIN AND DESTINATION

- 9.1. **Country of origin** refers to the location/country of goods brought into the country. If the country of origin information cannot be determined, for example, for goods via Singapore, then the import is reported from Singapore.
- 9.2. **Country of destination** refers to the final destination/country where the goods are expected to be used. For goods sent with a country where the first port is known will be reported as the country of destination. if the destination country information cannot be determined, for example, for goods exported through Singapore, then the exports is reported to Singapore.
- 9.3. **For bunkers and stores supplied to ships and aircraft**, the country of destination is determined according to the country of residence of the operator of the ship or aircraft.

10. **LOW VALUE TRANSACTIONS (LVT)**

With effect from reference month of January 2023, single transactions with a value 'below RM1,000' for Peninsular Malaysia have been covered in the compilation of External Trade Statistics and transactions worth 'below RM5,000' have been reported according to the pledged HS code. Meanwhile with effect from reference month of January 2024, single transactions with a value 'below RM2,000' for Sabah and Sarawak have been reported according to the pledged HS code.

11. **EXCLUSIONS**

Classes of goods excluded from external trade statistics are:

- 11.1. transit cargo, that is goods transported under customs control from one Customs office to another. Examples are the movement of goods from Thailand bound for Singapore through Peninsular Malaysia and the movement of goods within Malaysia from one free trade zone to another. All goods in transit covered through bills of lading/air-way bills are also included in this category;*
- 11.2. transshipment cargo, that is goods transferred under the control of the relevant authorities from the importing means of transport to the exporting means of transport within the area of control of the same authorities, which is the office of both importation and exportation. For example, goods from Myanmar brought into the Pulau Pinang Customs area for the sole purpose of transport to a third country (e.g. to Hong Kong). Another example is goods from India brought into the Port Klang Free Zone for the sole purpose of transport to a third country (e.g. to Spain);*
- 11.3. gold bullion (monetary) and issued currency notes and coins;*
- 11.4. goods imported and exported by, or on behalf of, diplomatic services and non-Malaysian Armed Forces;*
- 11.5. exposed cinematographic films on a rental basis;*
- 11.6. temporary admission of goods subject to re-exportation in the same state. Such goods must be imported for a specific purpose and must be intended for re-exportation within a specified period without having undergone any change except normal depreciation. Examples are animals and cars for circuses, races, competitions and exhibitions and instruments/sound equipment for musical performances;*
- 11.7. barges (lash) used for the transportation of cargo from vessel to shore or vice-versa;*
- 11.8. fish and other marine produce landed by Malaysian registered vessels direct from the sea;*
- 11.9. containers, cylinders, bottles, crates and the like specified as returnable;*
- 11.10. stores and fuel supplied to ships and aircraft handled by operators of Malaysian residence;*

- 11.11. *samples, gifts and specimens for test or analysis, irrespective of value;*
- 11.12. *toto & lottery tickets;*
- 11.13. *movement of goods by any mode of transportation between states within Peninsular Malaysia and movement of goods by **land** between Sabah and Sarawak;*
- 11.14. *diskettes or CD-ROMs with stored computer software and/or data, developed to order, audio and videotapes containing original recordings and customised blueprints, etc; and*
- 11.15. *goods for **repair**.*

12. **UPDATE TO EUROPEAN UNION (EU) COUNTRIES**

Starting from 1 February 2020, the United Kingdom officially withdrew from the EU. This development has been considered in publications from February 2020 onwards.

- 13. *Commencing from January 2022, statistics on Exports of Halal Products by Commodity Classification is compiled from an integrated external trade database with list of Halal certified companies which obtained from the Department of Islamic Development Malaysia (JAKIM).*

14. **SEASONAL ADJUSTMENT**

Time-series data are very useful for economists, policy & decision makers and time-series analysts to identify the important features of economic series such as direction, turning point and consistency between other economic indicators. Sometimes this feature is difficult to observe because of seasonal movements. Thus, if the seasonal effect can be removed, the behaviour of the series would be better viewed. The estimation and removal of the seasonal effects is called seasonal adjustment.

Seasonal adjustment is a process to identify and to remove the regular within-a-year seasonal pattern, which may also include the influences of moving holidays and working / trading days effect in each period. The ultimate objective of the process is to highlight the underlying trends and short-term movements in the series.

In Malaysia, most of the time series data are affected by seasonal effects. Hence, to eliminate the seasonal effect as well as to seasonally adjust the Malaysian economic time series data, a standard seasonal adjustment package, X-12 ARIMA was used by Department of Statistics, Malaysia.

Malaysian economic time series data are often affected by major religious festivals such as Eid-ul Fitr of the Muslims, Chinese New Year of the Chinese and Deepavali of the Indians. These festivals' dates are fixed according to the lunar year but vary according to the Gregorian calendar. Therefore, to estimate and remove moving holiday effect from time-series data, a procedure was developed, namely Seasonal Adjustment for Malaysia (SEAM).

The SEAM method is used to remove seasonal effect for Malaysia's merchandise external trade data. The seasonal adjustment is carried out on monthly total exports and total imports. The seasonally adjusted series data for the preceding three years are revised each year when the figures for complete 12 months become available.

15. CLASSIFICATION BY BROAD ECONOMIC CATEGORIES (BEC)

- 15.1. The BEC was originally devised mainly for the summarization of data on international trade by large economic classes of commodities. In addition, it was designed to serve as a means for converting external trade data compiled on the HS into end use categories that are meaningful within the framework of the System of National Accounts (SNA) namely capital goods, intermediate goods, and consumption goods. This aggregation permits external trade statistics to be considered jointly with other sets of general economic statistics such as national accounts and industrial statistics for national, regional or world level economic analysis.
- 15.2. The BEC includes nineteen basic categories. Each category of the BEC is defined in terms of divisions, groups, sub-groups and basic headings of HS. Each HS basic heading is allocated entirely to one BEC category. The allocation is done on the basis of the main end use of the commodities in each HS basic heading, although it is recognised that many commodities that are traded internationally may be put to a variety of uses.
- 15.3. The statistics in Table 15: Imports of Commodities by Broad Economic Categories Classifications are generated based on retained imports i.e. imports minus re-exports. The figure could be negative for a reference month if re-exports are higher than imports.

16. CONFIDENTIALITY REQUIREMENTS

The trade data statistics have been compiled under the provisions of the **Statistics Act 1965 (Revised-1989)**. The Act stipulates that the contents of individual returns are **confidential**. In conformity with the said stipulation, only aggregated figures are published.

17. ROUNDING

Sub-totals **may** not add up exactly to totals due to rounding.

18. SYMBOLS

- : Not computed/No transactions
- * : Value less than RM500,000
- x : Less than 0.05 percent