



## STATISTICS OF INTERNATIONAL TRADE IN SERVICES 2021



## **Malaysia's services trade recorded a deficit of RM60.7 billion owing to lower inbound Travel in 2021**

Malaysia has again recorded its highest trade deficit in services after posting a deficit of RM47.2 billion in 2020. As services trade is more resilient to external shocks, especially compared to the goods trade, the COVID-19 pandemic had a severe impact on services trade, which was reflected in a widening of the deficit. Exports of services recorded RM86.7 billion compared to RM93.0 billion in the previous year. Meanwhile, imports of services increased by 5.2 per cent to RM147.5 billion from RM140.1 billion in 2020.

Throughout the COVID-19 crisis, Other business services which integrated with digital technology had the least negative impact. This services recorded an export value of RM27.1 billion in 2021 compared to RM27.3 billion in the previous year. Meanwhile, imports of this component grew by 4.0 per cent year-on-year to RM30.9 billion, resulting in a deficit of RM3.9 billion in this services.

Apart from that, Transport recorded a deficit of RM32.5 billion compared to RM27.4 billion in 2020 as the increase in payments was higher than receipts, primarily for freight. The increase can also be attributed to the significant rise in sea freight rates due to the global supply chain disruption, where shippers faced a shortage of ships and containers during the pandemic. Exports of transport logged RM15.5 billion as against RM13.8 billion in the preceding year. The 12.1 per cent exports growth was driven by the increase in sea and air freight activities, although air passenger exports nosedived 89.9 per cent due to the global travel limitations to curb the spread of COVID-19. Imports of transport accelerated by 16.2 per cent year-on-year to record RM47.9 billion in 2021, in tandem with the increase in imports of goods.

With the rapid growth of digitally-delivered services in the form of roaming, cloud computing, video streaming and mobile game subscriptions, exports of Telecommunications, computer and information services edged up 3.5 per cent or RM13.8 billion compared to RM13.4 billion in 2020. At the same time, imports of this component also increased by 5.1 per cent to RM17.6 billion from RM16.7 billion in the previous year. As a result, Telecommunications, computer and information services recorded a deficit of RM3.8 billion in 2021 compared to RM3.4 billion in the previous year.

Unsurprisingly, Travel which has shown a persistent negative trend since 2020 as Malaysia's borders were closed to tourist arrivals, caused the highest deficit in services trade of 2021. Due to the various restrictions on cross-border travel following the unprecedented and prolonged COVID-19 situation, exports of travel slumped 97.4 per cent to RM0.3 billion in 2021 from RM12.5 billion in the previous year. Imports of travel also witnessed a similar trend as exports, fell by 25.8 per cent to RM14.9 billion from RM20.1 billion in the previous year. Thus, Travel posted a deficit of RM14.6 billion compared to RM7.6 billion in 2020. The higher payments were observed as Malaysians travelling abroad for business, education, health and other essential services spent more than foreign travellers in Malaysia.

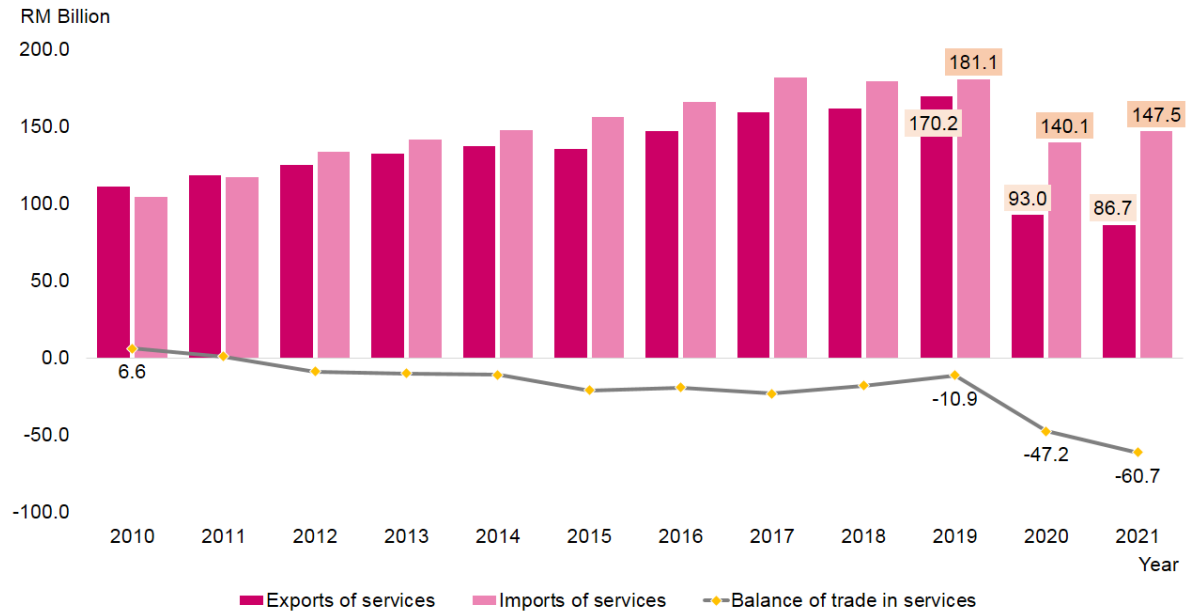
Nevertheless, the Manufacturing services accounted for a trade surplus of RM14.1 billion in 2021, the highest in the past decade. This component, which was the second largest contributor to exports of services after Other business services, logged an export value of RM15.5 billion, rose by 21.3 per cent year-on-year. Concurrently, imports of manufacturing services also increased to RM1.3 billion from RM0.8 billion in the previous year. The higher surplus was in trail with the rising demand for electrical and electronic equipment, especially during the pandemic, such as the use of wearable devices, the use of artificial intelligence (AI) technologies and etc.

The United States of America (USA) was the top destination for Malaysia's services exports and imports, valued at RM26.6 billion and RM32.1 billion with a 7.0 per cent and 1.8 per cent year-on-year increase respectively. Malaysia exported mainly Manufacturing services and Other business services to the USA, whereas imported mostly Travel and Other business services. Singapore, the second largest destination of services trade, recorded a value of exports at RM19.5 billion and imports RM23.1 billion, primarily Other business services, Transport and Telecommunications, computer and information. The third largest country

for exports was the United Kingdom with RM6.3 billion while for imports was China at RM15.1 billion.

Despite the negative impact of the COVID-19 outbreak, especially on Travel, we cannot deny that the pandemic has shaped our daily life by embracing digital technology following the movement restrictions and Work from Home norms. Business, health and education services have gradually recovered through online platforms, subsequently improved ICT-related services in 2021 and expected to expand further in the coming months. In addition, Services exports may see a positive trend particularly in Travel, as a result of the reopening of Malaysia's borders to all travellers on 1 April 2022. However, considering the current humanitarian crisis and global stagflation, trade in services is anticipated to pick up moderately and perform below pre-pandemic level, but better than last year. According to the Malaysia Economic Outlook by the Ministry of Finance (MoF), Trade in services is forecasted to have a smaller deficit of 57.6 billion in 2022.

**Chart 1: Malaysia's International Trade in Services, 2010-2021**



The full publication of the Statistics of International Trade in Services 2021 can be downloaded through [eStatistik](#) portal.

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