

Malaysia: June industrial activity- recovery on course

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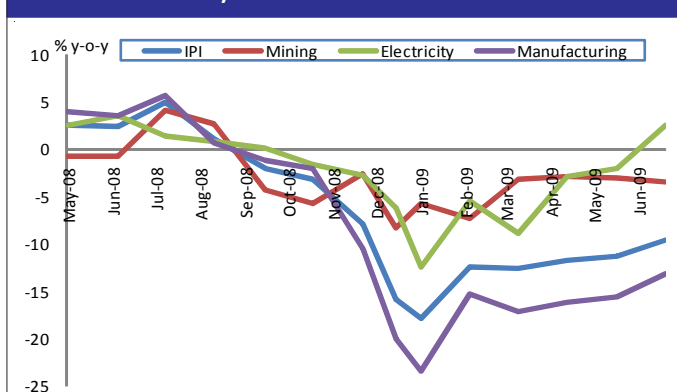
INDUSTRIAL PRODUCTION INDEX

% YOY	IPI	ELEC	MINING	MANUF
2005	3.6	5.8	-1.6	5.1
2006	5.0	5.1	-3.4	7.5
2007	2.0	3.9	3.2	1.9
2008	0.5	1.2	-0.1	0.7
Mar-09	-12.6	-8.9	-3.2	-17.1
Apr-09	-11.7	-3.0	-2.9	-16.1
May-09	-11.3	-2.1	-3.0	-15.6
Jun-09	-9.6	2.5	-3.5	-13.1
3Q-08	1.4	0.7	0.8	1.7
4Q-08	-9.1	-3.5	-5.6	-11.1
1Q-09	-14.4	-9.1	-5.4	-18.7
2Q-09	-10.9	-0.9	-3.1	-14.9

Source : Department of Statistics Malaysia, Bank Negara Malaysia

- The annual decline in the industrial production index since September 2008 and peaking in January 2009 continued to ease in June, reaffirming our view that the worst of economic downturn has subsided. The IPI contracted by a smaller 9.6% y-o-y in June on the back of a 0.2% m-o-m rise (May 08:+1.3%).
- Manufacturing production led the gain, growing by 1.0% m-o-m after recording a 0.6% increase in the previous month. Both mining and electricity sub-indices however dropped 2.0% and 2.5% respectively.
- On an annualized basis, the electricity turned around to record positive growth (+2.5%) while the contraction in manufacturing production eased during the month (-13.1%). Mining was also down by 3.5% y-o-y in June.

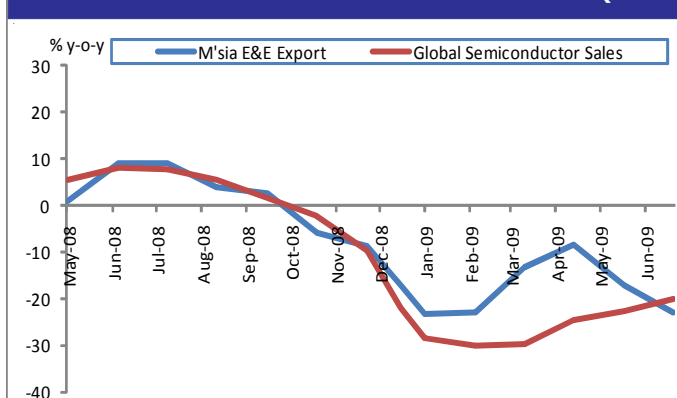
IPI- ELECTRICITY, MANUFACTURING & MINING



Source : Department of Statistics Malaysia, Bank Negara Malaysia

- For the whole 2Q09, the IPI contracted by a small 10.9% compared with -14.4% in the preceding quarter. This largely reflected the smaller reduction in the manufacturing output at -14.9% versus -18.7% in 1Q09.
- On the back of improvement in the industrial activity during the quarter, real GDP growth in the 2Q09 could have contracted by a smaller 4.9% in 2Q09 as against -6.2% in 1Q09. The steadier performance in the services sector and marked recovery displayed by the stock and commodity markets during the quarter could have also contributed to the turnaround in the overall economic performance.

E&E EXPORTS VS GLOBAL SEMICONDUCTOR SALES (3MMA)



Source : Department of Statistics Malaysia, Bank Negara Malaysia

- The improving economic condition in the second quarter has provided comfort for us to retain our second half view that situations could be better in the second half. All signs that are emerging in the developed economies – US, France and Germany in particular – had reinforced the general view that the worst for the global economy is over.
- Our full year real GDP growth estimate for Malaysia at this juncture remains at -4.9% with an upward revision bias on the back of a smaller -2.4% contraction in 2H09 versus an estimated -5.5% in 1H09. **PNB**