

## Production November IPI - manufacturing led contraction..

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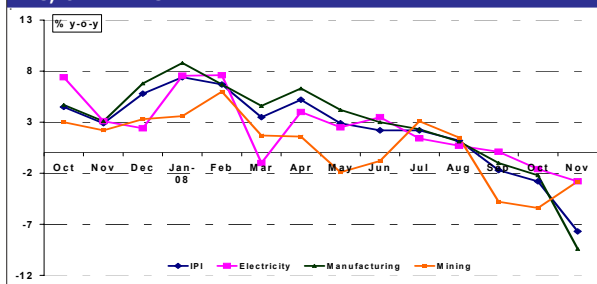
### MALAYSIA'S PRODUCTION INDEX (%YOY)

% Y-O-Y	IPI	ELEC.	MINING	MFG.
2004	10.8	8.2	5.8	12.8
2005	3.6	5.8	0.5	5.1
2006	5.0	5.1	-2.8	7.6
2007	2.3	3.9	3.1	1.9
Aug-08	1.2	0.7	1.5	1.1
Sept-08	-1.7	0.1	-4.8	-1.0
Oct-08	-2.8	-1.6	-5.4	-2.2
Nov-08	-7.7	-2.8	-2.8	-9.4
4Q-07	4.6	4.3	3.5	4.9
1Q-08	5.8	4.5	3.7	6.6
2Q-08	3.4	3.3	-0.4	4.5
3Q-08	0.6	0.0	-0.1	0.7

\* From January 2006 onwards, the production index is calculated using 2005 as a base year

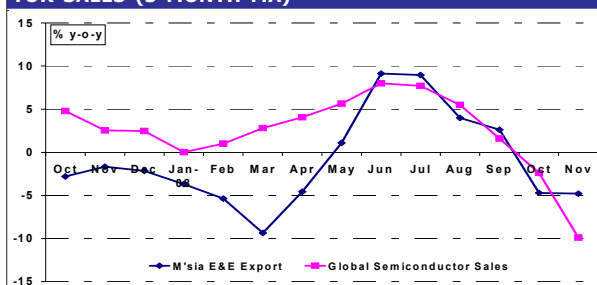
Source : Bank Negara Malaysia & Department of Statistics Malaysia

### INDUSTRIAL ACTIVITY - ELECTRICITY, MANUFACTURING, & MINING



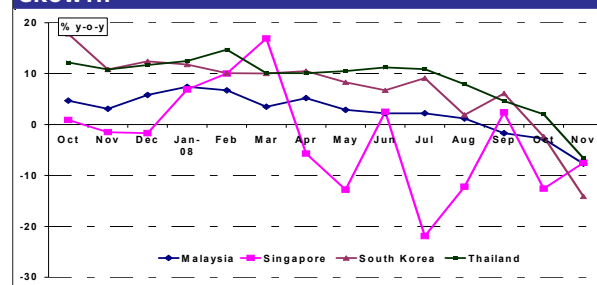
Source : Bank Negara Malaysia & Department of Statistics Malaysia

### MALAYSIA'S E&E EXPORTS VS GLOBAL SEMICONDUCTOR SALES (3 MONTH MA)



Source : Bank Negara Malaysia & Department of Statistics Malaysia

### SELECTED REGIONAL COUNTRIES PRODUCTION GROWTH



Source : Bank Negara Malaysia & Department of Statistics Malaysia

- The industrial production index (IPI) dropped 7.7% y-o-y in November, extending its decline in October when it slipped 2.8%. This figure has come above the consensus forecast of a 6.5% contraction. On a m-o-m basis, total production decreased by 3.1%, the third consecutive monthly drop since Sept, 08.
- Industrial production fell the most since 2001 as manufacturing output shrank. The steep decline in manufacturing output, according to Department of Statistics, was due to a decrease in output of office and accounting machinery, electronic valves and tubes, other electronics components and refined petroleum products. The manufacturing industry dropped significantly by 9.4% y-o-y (Oct: -2.2%), which is the biggest decline for last year and also fell by 3.8% m-o-m (Oct:-5.2%).
- Mining output shrank 2.8% y-o-y (Oct: -5.4%) due to a drop in crude oil and production of natural gas. The mining industry declined slightly by 0.8% m-o-m from a 5.8% increase in Oct. While both manufacturing and mining output fell for the third consecutive month since Sept 08, electricity production fell for the second consecutive month. Electricity production slipped by the same amount as mining output and also fell by 2.8% m-o-m (Oct:-0.5%).
- On a cumulative basis (Jan-Nov 08), the IPI expanded 1.6% from the same period a year earlier as manufacturing production gained 2.1%, mining output increased 0.1% while electricity production rose 1.9%.
- Going forward, we foresee a declining trend in the overall production index, weigh down by the continued slump in manufacturing output. In November, exports of E&E products dipped 10.2% as a result of the slowing demand from the advanced economies which are already in a downturn. The fall in prices of commodities, to a certain extent, would also affect commodity-related manufacturing. At this juncture, we expect that such recovery in the manufacturing sector will only take place by at least during the 2H of this year.
- Given the recent weak performance of the manufacturing industry, we reckon for a further contraction in total production for the final month of 2008. The IPI is expected to fall by more than 10.0% in December, hence bringing down IPI growth to below 0.5% for 2008, lower than the 2.3% gain recorded in the previous year.
- A deeper contraction in November exports and IPI does not bode well for 4Q08 GDP. Still, GDP growth for the final quarter of last year is expected to grow at least 3.0%, which will result an average 5.5% gain estimated for the whole 2008. Economic growth will continue to sustain on the back of an additional fiscal stimulus package which is likely to be announced by the government during the 2Q09 coupled with an expected further easing in monetary policy in 1Q09.