

Production April IPI - a good start to the second quarter?

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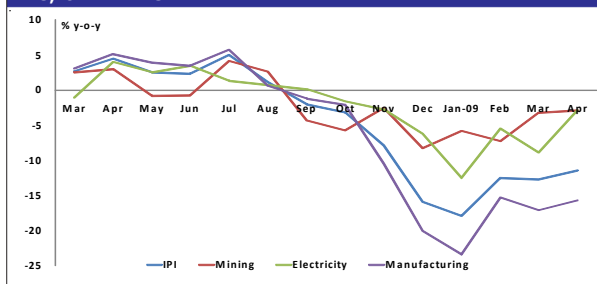
2009/0024

IPI (%YOY)

% Y-O-Y	IPI	ELEC.	MINING	MFG.
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	0.1	1.3	-0.5	0.4
Jan-09	-17.9	-12.5	-5.8	-23.4
Feb-09	-12.5	-5.5	-7.3	-15.5
Mar-09	-12.7	-8.9	-3.2	-17.1
Apr-09	-11.4	-2.9	-2.9	-15.7
2Q-08	3.1	3.3	0.5	4.2
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

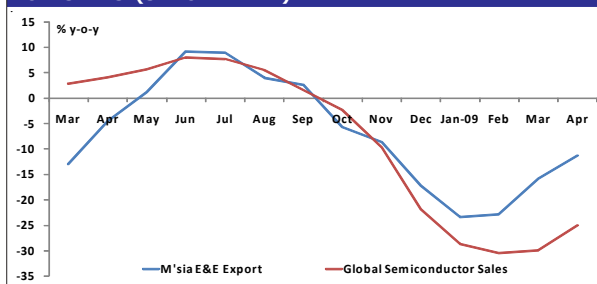
Source : Bank Negara Malaysia & Department of Statistics Malaysia

INDUSTRIAL ACTIVITY - ELECTRICITY, MANUFACTURING, & MINING



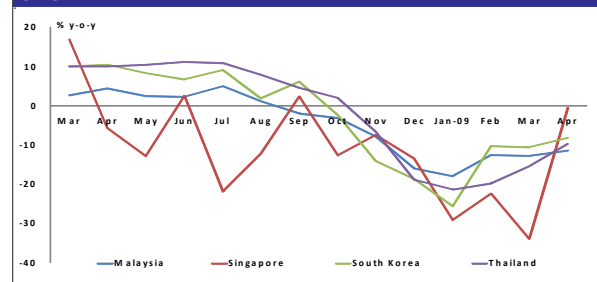
Source : Bank Negara Malaysia & Department of Statistics Malaysia

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 : Bloomberg

- The decline in Malaysia's April industrial production index (IPI) eased somewhat to 11.4% y-o-y compared with -12.7% in March, the slowest in three months and far better than the -15.2% expected by the market. All the three sub-components of the IPI, namely manufacturing, mining and electricity, posted slower declines during the month.
- The better April y-o-y outcome for the overall index was in spite of the 0.3% m-o-m fall chartered during the month following a sudden and large surge of 5.8% in the preceding month. Of significance was the further rise of 1.5% and 8.8% in the production of manufacturing output and electricity respectively (+3.5% and +4.1% in March). These were, however, insufficient to erase the 5.8% decline in mining output (+11.1% in March).
- The April IPI outcome is certainly comforting after the large swings in the first three months of this year as well as weaker-than-expected exports data. The fact that manufacturing production was stepped-up in two consecutive months only suggest renewed orders and demand possibly in the remaining two months of the second quarter.
- What we are certain is that some re-stocking activities are taking place in the economy following a huge drawdown of inventories in the final quarter and the first quarter of this year. National accounts data released by the Department of Statistics showed that some RM12 billion and RM16 billion worth of inventories were utilized during the period respectively.
- Notwithstanding the above, while some semblance of stability appears to have been restored in the domestic and global economic activities, the higher base in the middle part of last year would only result in continuing negative statistics emerging from government authorities.
- At this juncture, the consensus by many governments, Malaysia included, as well as the IMF and World Bank is that while the economic recovery process remains fragile and tentative, the turning point would only come in the final quarter of this year before we could witness a firmer recovery in the coming year.
- Immediately, as the domestic manufacturing and export sectors are expected to continue registering contractions in the 2Q09 and 3Q09 following the 17.6% and 20.4% drop recorded in 1Q09 respectively, the second and third quarter real GDP performance will remain unexciting if not discouraging.
- Statistically we are maintaining our -5.5% to -6.0% real GDP forecast for the 2Q09 before easing to -4.0% in the 3Q09. The encouraging performance in the equity and commodity markets of late, along with the expansionary fiscal measures and monetary policy should help recuperate consumer and investor confidence going forward. If the economy could register a turnaround to the positive territory in the final quarter of this year, the entire year contraction should not exceed the -7.4% experienced by the country in 1998. Our current real GDP forecast for 2009 remains at -4.0% to -4.5% in 2009, much close to the official forecast of -4.0 to -5.0%.