

## GDP

Q4 2008 : slowest in 8 years

2 MARCH 2009

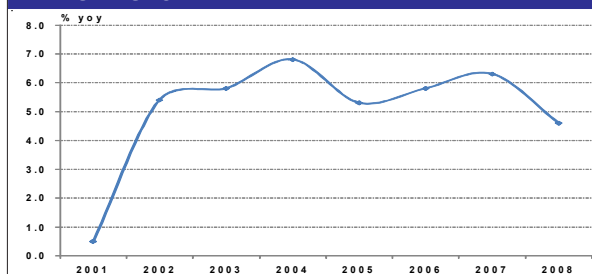
2009/0011

### MALAYSIA'S GDP ECONOMIC ACTIVITY

% Y-O-Y	2Q08	3Q08	4Q08
<b>Real GDP</b>	6.7	4.7	0.1
<b>Agriculture</b>	6.0	3.0	0.5
<b>Mining</b>	-0.5	-0.3	-5.7
<b>Manufacturing</b>	5.6	1.8	-8.8
<b>Services</b>	8.2	7.1	5.6
<b>Construction</b>	3.9	1.3	-1.6

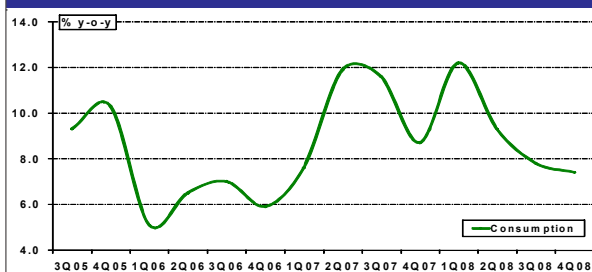
Source : Bank Negara Malaysia & Department of Statistics Malaysia

### REAL GDP GROWTH



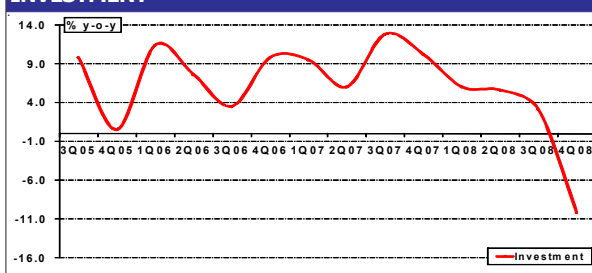
Source : Bank Negara Malaysia & Department of Statistics Malaysia

### CONSUMPTION



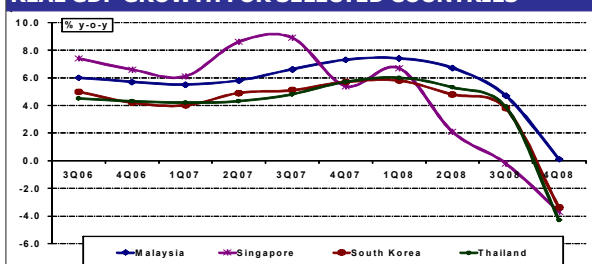
Source : Bank Negara Malaysia & Department of Statistics Malaysia

### INVESTMENT



Source : Bank Negara Malaysia & Department of Statistics Malaysia

### REAL GDP GROWTH FOR SELECTED COUNTRIES



Source : Bloomberg

- Malaysian gross domestic product (GDP) growth slowed significantly to 0.1% in the 4Q08 from 4.7% recorded in the 3Q08. The figure came slightly below our forecast of 0.2-0.5% growth and far below the 1.5% earlier projection made by the consensus. The 4QGDP data marked the weakest growth since 3Q01 when it recorded a decline of 0.4%. On a qoq basis, the economy contracted by 3.6% from a 3.1% growth, the first contraction since 1Q08. The weakening 4QGDP reflected the broader downtrend in the region and the global economy.
- The 4Q GDP came in at a worse than expected rate with the manufacturing sector being the worst hit, contracting by 8.8% after having recorded positive growth for the last 26 quarters. The construction and mining sectors also suffered negative growth. On the other hand, the expansion in the services industry, which is the biggest contributor to GDP continued to sustain and growth in the agriculture sector remained positive despite a moderation in commodity prices. On the demand side, the sustainable growth in private spending coupled with the higher government spending led to a moderation in domestic demand (4Q: +3.1% vs 3Q:+6.5%). On the negative side, falling foreign demand caused double-digit decline in exports in Dec 08, translated into a sharp drop in the export figure (4Q08: -7.4% vs 3Q08: +16.8%). The subdued investment activity led to a negative growth in gross fixed capital formation (4Q08: -10.2% vs 3Q08: +3.1%), weighed down GDP growth further.
- We are of the view that the current slump in global demand will continue to persist, hence exert more downward pressure on export-oriented industries. At this juncture, there are no signs that the global economy is likely to recover in the near term, indicates that the economy will likely to suffer negative growth for the 1H09. Exports fell into a negative territory during the last quarter of 2008 and will continue to record a contraction over the coming months. Of a greater concern, the Minister of International Trade and Industries foresee that the challenging external environment will cause exports to decline by 4.0%.
- The anemic 4QGDP growth confirmed that the global economic downturn also have a dampening effect on domestic-oriented industries. While the manufacturing sector became the worst been hit by the slump in export activity, we believe the spillover impact from the weakening global demand will continue to further drag other sectors and employment prospects. Invariably, the leading index fell 2.9% in Dec (Nov 08:-2.5%), underscore a dismal outlook on GDP growth. In response, the government is expected to unveil a substantial amount in its second fiscal stimulus package, probably more than RM15 billion on March 10. The main issue to be addressed, in our view, is the confidence among consumer and businesses on the economic outlook in addition to the accessibility to loan financing. We believe that GDP will remain on subdued growth path of between 0.0-0.5% for 2009 based on the government efforts to stimulate the economy through the fiscal and monetary measures. For the 1Q09 GDP, we anticipate the economy to fall into contraction of between 1.0-1.5% on the back of a persistent slump in external environment and falling domestic demand.