Production

March IPI - slower pace of contraction

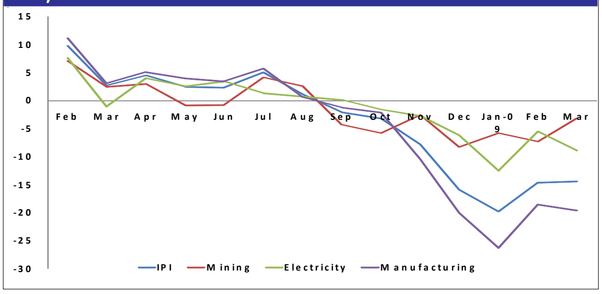
12 MAY 2009
2009/0019

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
Dec-08	-15.9	-6.2	-8.3	-20.0
Jan-08	-19.8	-12.5	-5.8	-26.3
Feb-08	-14.6	-5.5	-7.3	-18.5
Mar-08	-14.4	-8.9	-3.2	-19.7
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	-16.3	-9.1	-5.4	-21.6

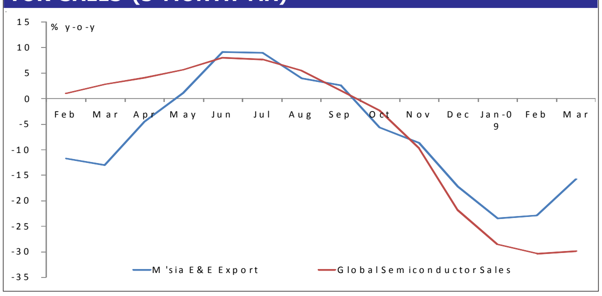
Source : Bank Negara Malaysia & Department of Statistics Malaysia

INDUSTRIAL ACTIVITY - ELECTRICITY, MANUFACTURING, & MINING



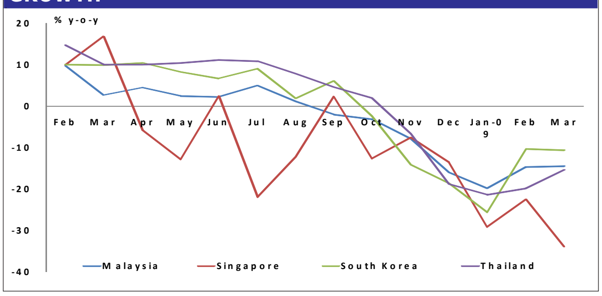
Source : Bank Negara Malaysia & Department of Statistics Malaysia

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

- Malaysia's industrial production index (IPI) turned around to increase by 6.3% on m-o-m basis in March 2009. This marked the first m-o-m positive growth in IPI since August 2008. The growth was broad-based with all components registering positive performance. Mining sector recorded double-digit rise of 11.1%, whilst manufacturing and electricity posted a growth of 4.0% and 4.1% respectively.

- The positive m-o-m growth has led to better than expected IPI performance on y-o-y basis. In March, the IPI posted a slower contraction of 14.4% y-o-y compared with consensus estimate of -15.0% and better than previous month decline of -14.6%. On component basis, output in the mining sector improved from -7.3% in February to -3.2% in March. Output in manufacturing, however, declined further from -18.5% in February to -19.6% in March. Similarly, output in electricity dropped from -5.5% in February to -8.5% in March.

- Notwithstanding the positive numbers on m-o-m basis and slower pace of decline in y-o-y basis, we feel that industrial output is still not out of the woods yet. The turnaround in March could be due to seasonal factors, particularly the shorter working days in February.

- We think that industrial activity would stabilize in the 2H of the year based on the emergence of several positive signs recently. Firstly, there has been an increase in order volume since April as reported by Federation of Malaysian Manufacturing (FMM) and port operators. Secondly, there is also the pick-up in the global Purchasing Manager Index (PMIs). Thirdly, there are indications that firms are replenishing their depleted inventories for the past few months. These signs would augur well for local industrial activity going forward.

- As for 1Q09, the cumulative decline of manufacturing output by 21.6% for the first three months of the year (-11.1% in the 4Q08) will have a significant impact on GDP. We envisage that real GDP will record its first contraction since 3Q01 (-0.4%) by at least -3.0%. While Bank Negara is expected to revise downward Malaysia's 2009 GDP forecast (during the release of the 1Q09 GDP by end of May 2009), we maintain our GDP forecast for this year of -1.0% to -1.5%. We expect that the economy will continue to contract in 2Q09, and may display improvements in 2H09 as the stimulus packages combined with the low interest rates environment kicks harder.