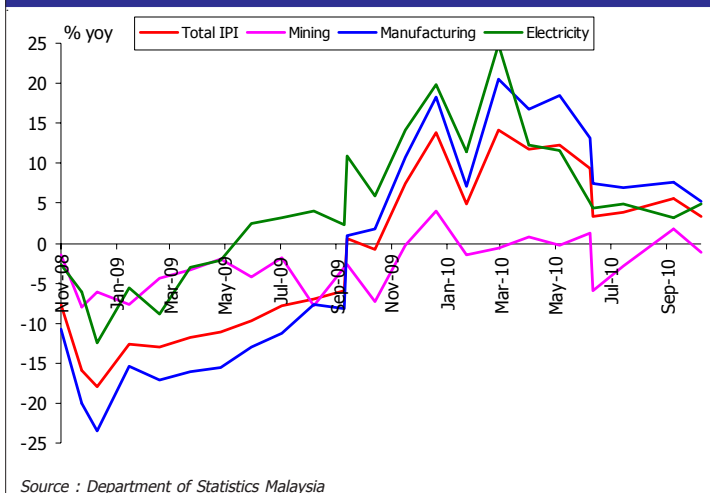
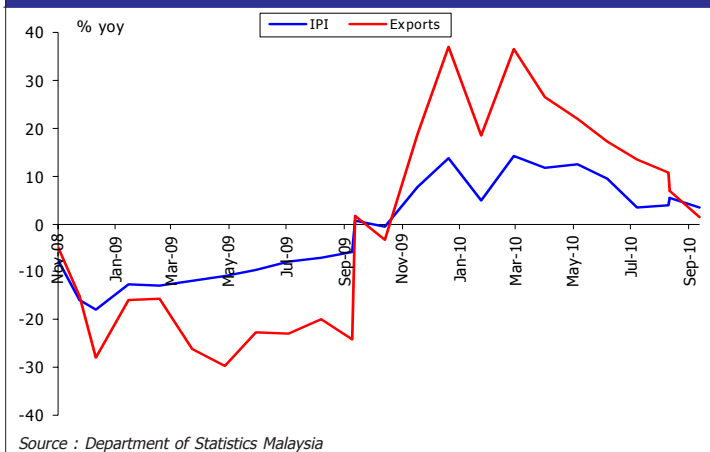


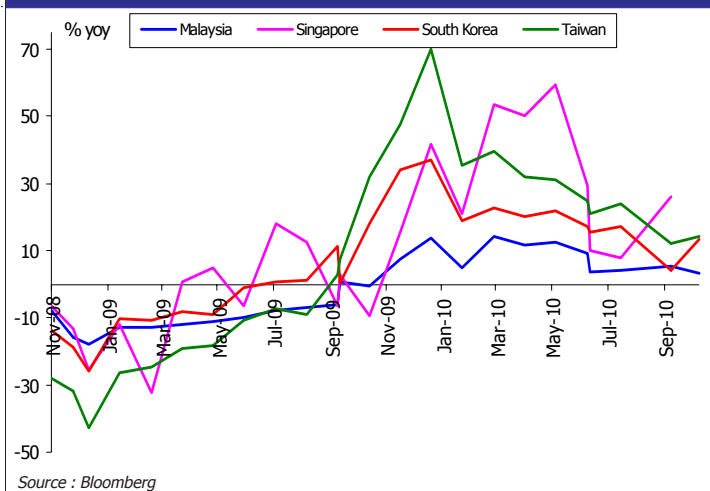
INDUSTRIAL PRODUCTION INDEX (IPI)



IPI VS EXPORTS



REGIONAL IPI PERFORMANCE



October IPI

- The industrial production index (IPI) increased 3.0% y-o-y in October, outpacing our and consensus' expectations of 2.2% and 2.1% respectively. Growth, however, was below the 5.6% y-o-y level charted in September and marked the weakest pace since November, 09. The moderation in IPI growth was largely attributed to the slower expansion in the manufacturing index and decline in the mining index. On a m-o-m basis, the IPI grew by 3.4%, reversing its decline in September (-0.8%) and August (-1.5%) this year.

- Manufacturing** production grew at a slower pace of 4.5% y-o-y in October, which marked the weakest growth in eleven months, from 7.6% y-o-y in September. On a monthly basis, manufacturing output, however, posted an increase of 4.5% in October as against a 2.9% drop in September, largely supported by firmer global demand ahead of the Christmas season. This was the first monthly gain charted after declining in the preceding two months.

- On manufacturing sub-segments, the annual growth was dragged down by the slower expansion in its main components. Production of petroleum, chemical, rubber and plastic products slowed from 7.8% y-o-y in September to 5.8% y-o-y in October while E&E output expanded at a sharply slower rate of 1.7% y-o-y in October from 9.3% y-o-y in Sept.

- Electricity** output on the other hand charted a stronger growth rate of 5.0% y-o-y in October from 3.1% y-o-y in September as a result of the 9.8% m-o-m gain during the month. We believe the strong m-o-m data came after the sharp 6.8% decline in the previous month, apart from the increased in domestic industrial activities.

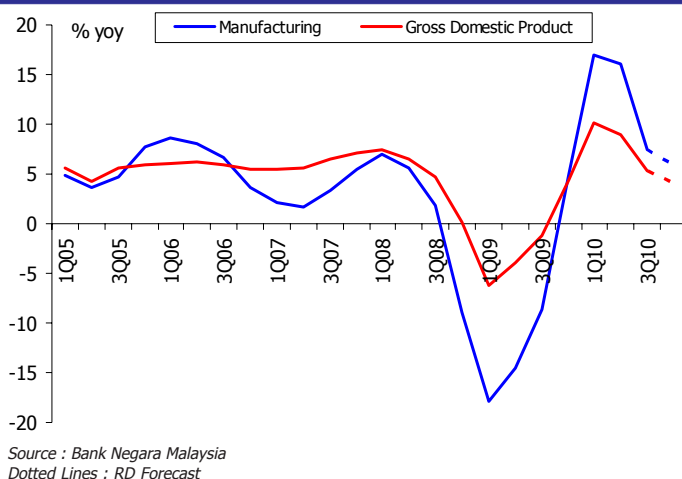
- Mining** production contracted in October, weighed down by the decline in the crude oil index. Mining output fell by 1.1% (Sept: +1.8%) on the year and dropped 0.5% (Sept: +6.2%) on the month.

Comment

- The IPI continued to chart a slower annual growth rate in October, pointing to a slowing down of the overall GDP growth momentum in the 4Q10. Manufacturing, which accounts for about two thirds of total IPI, moderated as global demand mainly for electrical and electronics (E&E) products fell. In October, the drop in E&E exports widened to 5.0% y-o-y from 0.8% y-o-y in Sept.

- Despite the slowing annual performance, the IPI on m-o-m posted an encouraging 3.5% growth, mainly supported by the seasonal factors. This is in line with the strong m-o-m exports performance in October, which grew at a strong 8.9%

MALAYSIA MANUFACTURING & GDP



(Sept: -4.5%) due to stronger demand from the developed economies.

- Concerns over the slowdown in global demand could drag down exports, hence domestic production in the following months. The downside risk on global growth such as the

high jobless rate in the US, concerns over the spread of the sovereign debt crisis to other European countries and the possibility of further tightening measures by China may dampen the demand for the local products. The anemic economic growth prospects, to a certain extent, could also affect domestic sentiment and cause manufacturers to begin to slow production.

- The impact in the immediate terms, however, would not be severe, judging from further expansion in the Global Manufacturing PMI. The latest Global Manufacturing PMI showed that it accelerated to 53.9 in Nov, the highest level since July, from 53.7 in October. This could cushion the m-o-m drop in the industrial production and support for a sustained y-o-y expansion (in addition to the base effect) till year end.
- On that basis, the IPI and manufacturing for Nov-Dec are expected to increase at between 2.7%-4.8% y-o-y and 4.0%-4.4% y-o-y respectively. For 4Q10, manufacturing is expected to chart an average growth of 4.3% y-o-y, moderating from +7.2% y-o-y in 3Q10. This could weigh down the overall GDP for the 4Q10, which is estimated to grow at 4.1% y-o-y from 5.3% y-o-y in the 3Q10.

INDUSTRIAL PRODUCTION INDEX

	IPI			Manufacturing			Mining			Electricity		
	Index	% yoy	% mom	Index	% yoy	% mom	Index	% yoy	% mom	Index	% yoy	% mom
2008	99.7	0.5		112.1	0.7		98.2	-0.1		110.5	1.2	
2009	109.4	-7.5		101.0	-9.9		94.9	-3.4		111.6	1.0	
Oct-09	106.8	0.9	6.1	110.5	1.5	7.0	96.4	-2.6	2.4	120.5	11.0	7.9
Nov-09	100.9	-0.7	-5.5	104.6	1.8	-5.3	91.0	-7.3	-5.6	112.9	5.9	-6.3
Dec-09	104.2	7.5	3.3	105.9	10.8	1.2	98.3	-0.2	8.0	117.3	14.2	3.9
Jan-10	108.2	13.8	3.8	109.5	18.2	3.5	103.3	4.0	5.1	119.8	19.8	2.1
Feb-10	96.2	4.8	-11.2	98.9	7.1	-9.7	88.2	-1.4	-14.6	108.3	11.4	-9.6
Mar-10	110.8	14.2	15.2	115.1	20.5	16.5	98.7	-0.6	11.9	126.4	24.9	16.7
Apr-10	106.6	10.6	-3.8	110.0	15.1	-3.6	94.2	0.8	-4.6	123.6	12.3	-2.2
May-10	110.0	12.4	3.2	114.9	18.5	3.5	96.4	-0.2	2.3	127.7	11.5	3.3
Jun-10	106.8	9.3	-2.9	113.1	13.2	-1.6	90.8	1.2	-5.8	120.6	5.1	-5.6
July-10	108.8	3.4	1.9	115.1	7.5	1.8	92.7	-6.0	2.1	123.9	4.4	2.7
Aug-10	107.2	3.8	-1.5	113.9	6.5	-1.0	90.2	-2.8	-2.7	123.6	4.8	-0.2
Sep-10	106.3	5.6	-0.8	110.6	7.6	-2.9	95.8	1.8	6.2	115.2	3.1	-6.8
Oct-10	110.3	3.0	3.5	115.6	4.5	4.5	95.3	-1.1	-0.5	126.5	5.0	9.8
2Q08	109.1	3.1	-1.3	114.9	4.2	-0.1	96.2	0.5	-5.1	114.1	3.3	4.3
3Q08	110.3	1.4	1.0	116.1	1.8	1.0	97.7	0.8	1.5	112.5	0.7	-1.4
4Q08	101.2	-9.1	-8.2	102.5	-11.1	-11.8	97.6	-5.6	-0.2	106.0	-3.5	-5.8
1Q09	94.6	-14.4	-6.5	93.5	-18.8	-8.8	96.0	-5.4	-1.6	99.5	-9.1	-6.1
2Q09	97.3	-10.8	2.9	97.8	-14.9	4.6	93.3	-3.1	-2.9	113.1	0.9	13.7
3Q09	103.1	-6.5	5.9	105.6	-9.1	8.0	95.2	-2.6	2.0	116.9	3.9	3.4
4Q09	104.0	2.8	0.9	107.0	4.4	1.3	95.2	-2.4	0.1	116.9	10.3	0.0
1Q10	105.1	11.1	1.1	107.8	15.3	0.8	96.7	0.7	1.6	118.2	18.8	1.1
2Q10	108.1	11.1	2.9	113.0	15.5	4.8	93.8	0.6	-3.0	124.0	9.6	4.9
3Q10	107.4	4.2	-0.6	113.2	7.2	0.2	92.9	-2.4	-1.0	120.9	4.1	-2.5

Source : Department of Statistics, Research Division PNB