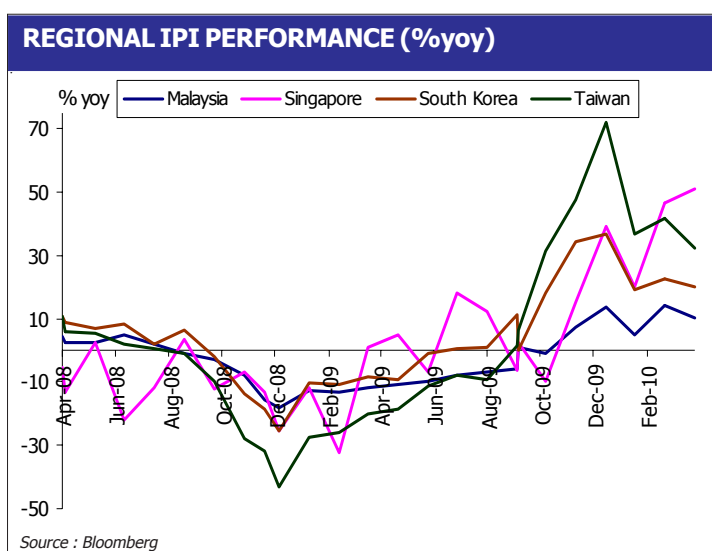
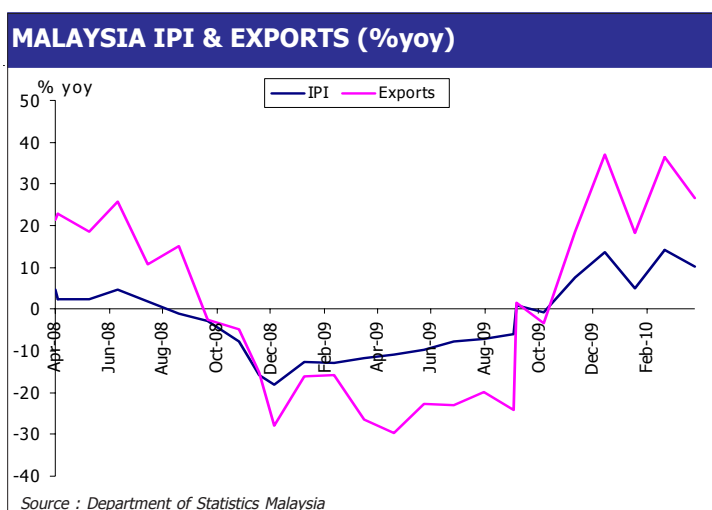
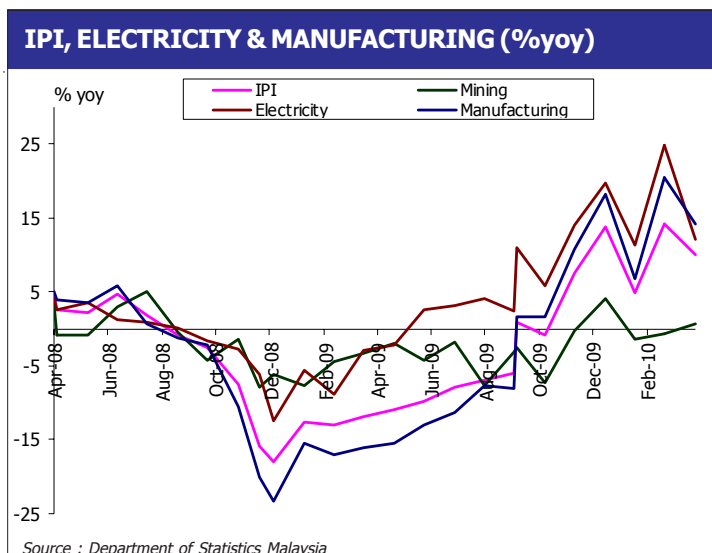


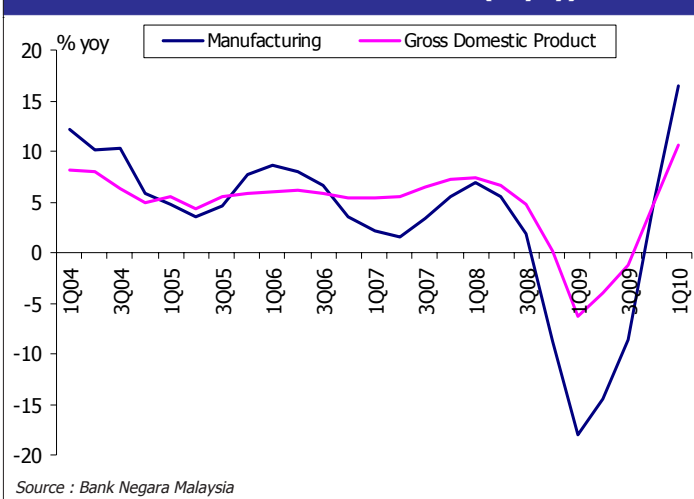
## Malaysia: Industrial Activity - moderates on slower external demand

14 JUNE 2010  
2010/023



- Malaysia's industrial production index (IPI) growth moderated to 10.1% yoy from 14.2% in March. This was below the 12.4% gain expected by consensus but in line with our projection. The IPI on a monthly basis dropped 4.2% from a 15.2% increase in March, aligned with the drop in exports during the month. Despite the slower IPI growth, we expect overall production growth especially the manufacturing index to continue charting double-digit expansion until June, supported by the sustained global and domestic demand.**
- The moderation in IPI performance was mainly due to slower growth in manufacturing and electricity production. Manufacturing posted a slower expansion of 14.3% after the 20.5% gain charted in March, weighed down by the drop in production of electrical and electronics (E&E) products and petroleum, chemical, rubber and plastic products. This is in tandem with the slower exports for E&E items during the month (Apr: +21.6% yoy vs Mar: +31.8%).
- On a similar trend, growth in electricity output moderated to 12.1% yoy in April (March: +24.9%) resulted from the monthly drop of 2.4%. Mining output on the other hand expanded for the first time by 0.8% yoy in April after recorded a contraction of 0.5% in March and 1.4% in February. The positive data was mainly due to a rise in natural gas index that outweighed the decrease in the crude oil index.
- Except for Singapore, Malaysia's IPI performance followed other regional countries in posting slower annual growth. South Korea's industrial production grew at the slowest pace in three months in April while the IPI expansion in Taiwan was at its weakest pace since November last year. The moderation in industrial production was also evidenced by a slower expansion in global semiconductor sales in April (50.4% yoy from 58.4% in March). The global sales for semiconductor products however remained healthy as the April's level surpassed the previously monthly record level in November 2007.
- The latest IPI data showed that manufacturers delayed productions as external demand moderated (due to outsized March external trade data). On the months ahead, we believe that production activities will resume on the back of growing orders mainly from the Asian countries. At this juncture, global recoveries seem to remain intact in both the developed and

## MALAYSIA MANUFACTURING & GDP (%yoy)



developing economies which could likely support the export sector and help the overall industrial activity to continue charting double-digit expansion during the second quarter.

- Another positive sign is the continued expansion in the global PMI manufacturing index which remained stable at 57 level in May. On the domestic front, further increase in imports of capital goods implies capacity expansion by manufacturers in spite of the moderation charted in imports for intermediate goods as well as the net loans repayment in the manufacturing sector posted during the month.
- The moderation in external trade and industrial production in April may suggest a slower expansion in the 2Q GDP. However, it is expected to remain encouraging at between 8.0%-8.5%. Given the expectation that exports may record a slower growth in the second half of this year on concerns of debt crisis in the Eurozone economies to dampen global demand, this situation could probably weigh down the overall IPI performance during the period, and growth to slow further as the base effect normalizes and domestic demand moderates.

## 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	
Apr-09	96.4	-11.8	-0.7	96.5	-16.1	0.9	93.5	-3.3	-5.8	110.1	-3.0	8.8
May-09	97.9	-11.0	1.7	97.0	-15.6	0.6	96.6	-2.0	3.3	114.5	-2.1	4.0
Jun-09	97.7	-9.7	-0.2	99.9	-13.0	3.0	89.7	-4.3	-7.1	114.7	2.5	0.2
Jul-09	105.2	-7.8	7.7	107.1	-11.2	7.2	98.6	-1.8	9.9	118.7	3.1	3.5
Aug-09	103.2	-7.0	-1.8	106.9	-7.7	-0.2	92.8	-7.8	-5.9	117.9	4.1	-0.7
Sep-09	100.8	-6.0	-2.5	102.7	-8.2	-3.9	94.1	-3.1	1.4	111.7	2.4	-5.3
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	16.3	98.7	-0.5	11.9	126.4	24.9	16.8
<b>Apr-10</b>	<b>106.1</b>	<b>10.1</b>	<b>-4.2</b>	<b>110.2</b>	<b>14.3</b>	<b>-4.3</b>	<b>94.2</b>	<b>0.8</b>	<b>-4.6</b>	<b>123.4</b>	<b>12.1</b>	<b>-2.4</b>
1Q08	110.5	7.2	-0.7	115.0	8.7	-0.2	101.5	4.4	-1.8	109.4	4.5	4.5
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	2.5	0.9	107.0	4.4	1.4	95.2	-2.4	0.1	116.9	10.3	0.0
<b>1Q10</b>	<b>105.0</b>	<b>11.0</b>	<b>1.0</b>	<b>107.8</b>	<b>15.2</b>	<b>0.7</b>	<b>96.8</b>	<b>0.7</b>	<b>1.6</b>	<b>118.2</b>	<b>18.8</b>	<b>1.1</b>

Source : Department of Statistics, Research Division PNB