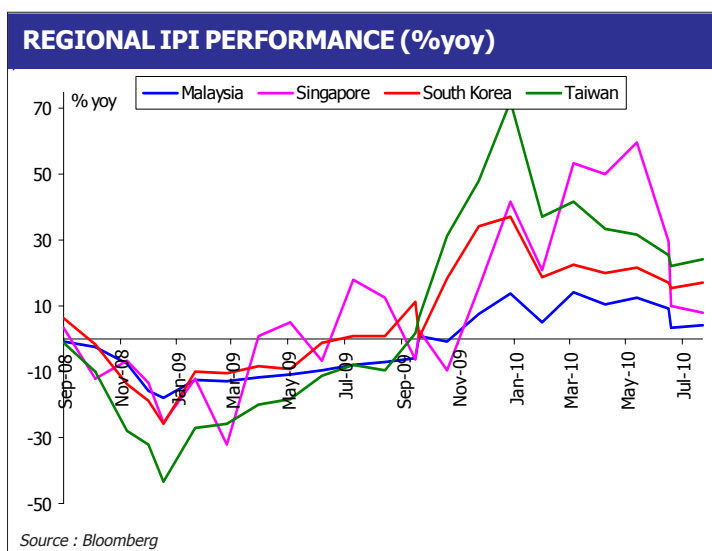
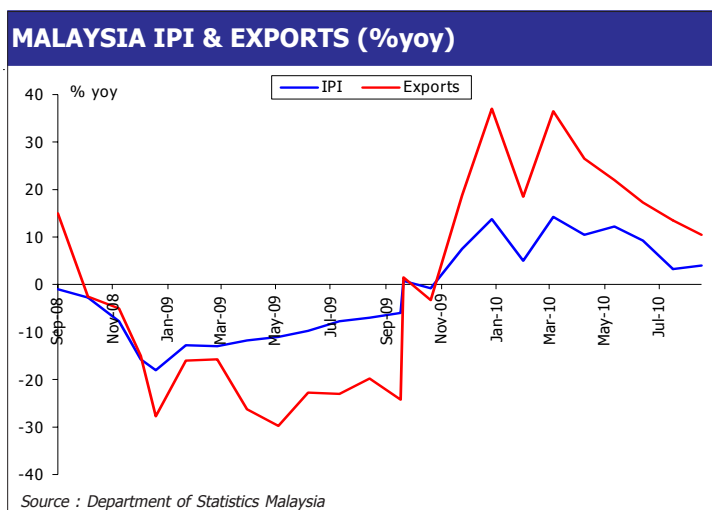
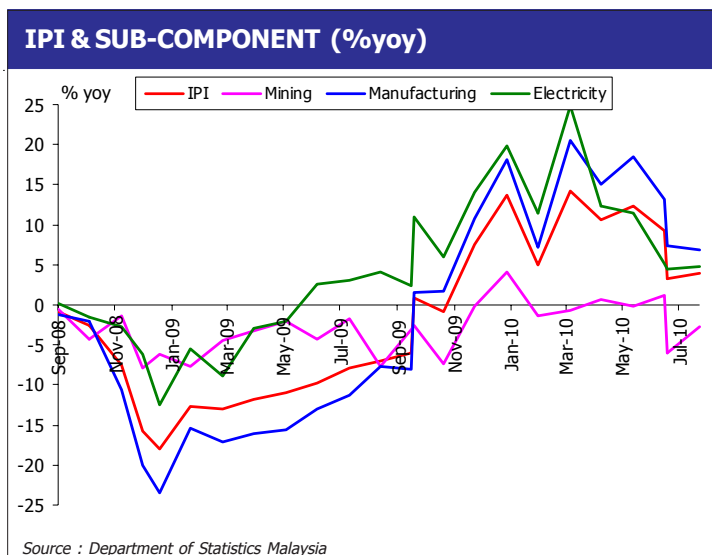


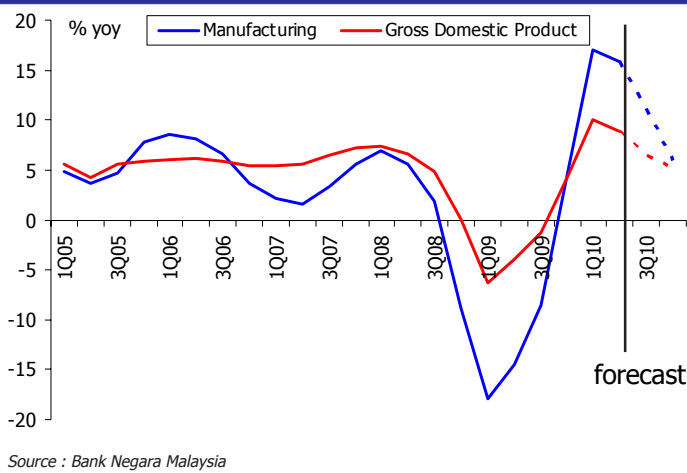
## Malaysia Industrial Activity - Was UP, But Below Expectations

12 OCTOBER 2010  
2010/037



- Malaysia's industrial production grew below than expected in August, confirming the view that economic recovery is losing momentum and the overall growth will slow in the second half of this year. The Industrial Production Index (IPI) rose 4.0% yoy in August, which was lower than our and consensus expectations of 6.0% and 5.7% respectively. However, it was slightly higher compared with the 3.4% rise in July.**
- The slower than expected IPI growth was mainly attributed to the slower expansion in manufacturing output. Manufacturing output growth moderated to 6.8% yoy in August from 7.4% in July, the weakest growth pace charted for this year. On mom, manufacturing production fell 0.7% in August from 1.7% increase in the preceding month.
- Manufacturing activity had slowed due to slow increase of output in the petroleum, chemical, rubber, and plastic products. Petroleum, chemical, rubber and plastic products on average grew at a slower rate of 1.3% yoy from 6.2% in August.
- On the other hand, production of electrical and electronics items charted a higher growth of 11.2% yoy (July: +8.8%) following a monthly increase of 0.4%. The quicker growth in E&E output amidst its slower exports (Aug: +3.8% yoy, July: +8.7%) suggest sustained local demand and higher stocks for the item amidst the slowing global economy. In a separate report, manufacturing sales rose 8.9% yoy but decreased marginally by 0.8% mom in August.
- Mining output continued to drop by 2.9% yoy but narrowing from -5.9% in July mainly due to the decrease in crude oil index (6.6%). Natural gas index however increased by 7.2%.
- Electricity production, the second largest component in the IPI, on the other hand, gained at higher rate of 4.9% yoy in August from 4.4% in July, which had contributed to a stronger overall annual IPI growth for the month.
- Amidst the slowing global economic condition, we expect manufacturing activity and overall industrial production to moderate further in the coming months. Global indicators such as the global PMI manufacturing and unemployment rate data recently point to the increasing downside risk to the global economy, thus the external demand for the domestic manufacturing products.

## MALAYSIA MANUFACTURING & GDP (%yoy)



- However, for September, we anticipate the IPI to grow at a faster 6.3% yoy on account of seasonal factors and base effect before trending downward during the 4Q. For the 3Q, we are estimating the overall IPI to chart a growth of 4.5% from 10.8% in 2Q. Thus, the 3Q GDP growth could have moderated to 6.5% from 8.9% recorded in 2Q10.

## 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	
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	16.5	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	7.4	1.7	92.7	-5.9	2.1	123.9	4.4	2.7
<b>Aug-10</b>	<b>107.4</b>	<b>4.0</b>	<b>-1.2</b>	<b>114.3</b>	<b>6.8</b>	<b>-0.7</b>	<b>90.2</b>	<b>-2.9</b>	<b>-2.7</b>	<b>123.6</b>	<b>4.9</b>	<b>-0.2</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	2.8	0.9	107.0	4.4	1.4	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
<b>2Q10</b>	<b>107.8</b>	<b>10.8</b>	<b>2.6</b>	<b>113.1</b>	<b>15.6</b>	<b>4.9</b>	<b>93.8</b>	<b>0.6</b>	<b>-3.0</b>	<b>124.0</b>	<b>9.6</b>	<b>4.9</b>

Source : Department of Statistics, Research Divison PNB