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Export sectors benefit from cheaper ringgit

EVERY cloud has a silver lining. With the cheaper ringgit, export-oriented industries have benefited as seen in the increase of Malaysia's total exports to RM236.91 billion for the first 10 months of this year, to surpass the RM220.89 billion recorded for the whole of 1997.

Minister of International Trade and Industry Datuk Seri Rafidah Aziz yesterday said the country recorded a cumulative trade surplus of RM44.53 billion from January to October this year.

If lumpy imports and re-exports were excluded, the 10-month trade surplus will be RM50.1 billion, she said, a vast improvement from last year's deficit of RM45 million.

She was speaking at Miti's annual Industrial Excellence Award at Putra World Trade Centre in Kuala Lumpur yesterday. Prime Minister Datuk Seri Dr Mahathir Mohamad presented the awards.

Rafidah said, however, the first 10 months of this year continue to see the manufacturing sector affected by the economic turmoil, particularly by the tight monetary policy implemented at the onset of the problem.

The twice-yearly Industrial Trends Survey conducted by Malaysian Industrial Development Authority reported a moderation of activities in the manufacturing sector in the first six months of this year.

This was due to the then unpredictable ringgit depreciation and fluctuation, as well as the then prevailing high interest rates.

She said total production volume fell marginally by 0.3 per cent for the period, tempered by increase in production in major export oriented industries.

"The first six months of 1998 also witnessed unutilised production capacity amongst the survey respondents."

Overall capacity utilisation rate for the period was reported at 71.5 per cent with 11 per cent of the respondents reporting capacity utilisation rate of more than 90 per cent.

Forty one respondents reported a capacity utilisation rate of between 71 per cent and 90 per cent, while 20 per cent reported a rate of between 51 per cent and 70 per cent.

The machinery and transport equipment industry had an average capacity utilisation rate of only 49 per cent.

This is even below the 60.5 per cent necessary for the industry to break-even.

Among the 11 industrial sectors surveyed, only the chemicals, petroleum, plastics and rubber products industries registered capacity utilisation rates of 80 per cent and above, with the rubber products industry reporting 81.5 per cent.

But due to the measures put into place by the Government in the third quarter this year, Rafidah noted a positive increase in capacity utilisation and decreases in stock overhang in various industries that were affected by the earlier strict measures.

"In this context, Miti and its agencies will continue to monitor on an on-going basis the performance and developments in the various sectors of industry and trade, to ensure that the measures implemented by the Government achieve the desired results, and that industry and trade continue to be the prime movers of the nation's economic recovery," she said.

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