

11/02/1999

## Manufacturing sector showing signs of recovery

Zainul Arifin in Montego Bay, Jamaica

THE manufacturing sector has in the past few months been showing signs of turning around with exports and production increasing.

Exports are up in terms of volume and value, with trade surplus recorded at RM58.2 billion last year, the highest ever. It reversed a four-year trade deficit trend since 1994.

Manufacturing activities are also picking up, said International Trade and Industry Minister Datuk Seri Rafidah Aziz.

Manufacturing capacity utilisation, which is an indication of activities on the factory floor, has increased. And stock overhang in some categories has been reduced, suggesting that sales of manufactured products have been improving.

"Before this, all (the indicators) were negative," she said, adding that now there were some sectors planning to increase production due to good demand.

The reversal was noticed in late October last year.

"I personally am very positive. You talk to the industry people, and they say they are doing so much better now."

The uptrend is expected to continue this year although the contagion effect of the Asian financial crisis, which now threatens other regions, could affect Malaysia's major trading partners.

Rafidah, who is here attend the Group of 15 developing countries' ninth annual summit, said this to reporters on Tuesday.

Prime Minister Datuk Seri Dr Mahathir Mohamad, who arrived here Monday, will also be attending the summit.

Commenting on the large surplus last year, she said, it was attained despite a continued increase in import of capital and intermediate goods.

There were concerns that because of the financial crisis, Malaysian manufacturers were not importing capital and intermediate goods, hence the surplus.

Of imports last year, 70.1 per cent was in the form of intermediate goods and 15.9 per cent, in capital goods, while consumer goods amounted to 5.8 per cent.

Rafidah said as manufacturing contributes about a third of Malaysia's Gross Domestic Product.

On the 11 per cent drop in industrial production last November, she said the decline was largely due to slow demands for automotive and construction products.

There were concerns that the decline in industrial production could hamper recovery in view of Malaysia's dependence on the manufacturing sector as export revenue earner. The sector constitutes 81 per cent of export, more than 34 per cent of GDP.

Rafidah said manufacturers were initially hit by the tight monetary situation with interest rates as high as 25 per cent at one point. But the situation was rectified when the Government instituted a low-interest rate regime and flood liquidity in the market, and initiated the ringgit-dollar peg.

Initially, the increase in exports was due to the lower ringgit but now it is largely driven by demand, she said.

Rafidah said the ups and down of the Kuala Lumpur Stock Exchange should not be used as an indicator of the nation's economic well-being, as companies which produce about 80 per cent of the manufacturing output are

not listed.

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