

08/06/1999

RM6.25bn surplus indicates pick-up in activities: SG

MALAYSIA'S RM6.25 billion trade surplus in April indicates a pick-up in the country's economic activities, says SG Emerging Markets Equity Research.

And this was confirmed by the Statistics Department's preliminary figures for the month which showed a third consecutive month of increase in the Industrial Production Index (IPI) to 153.2 points.

The department said in a release yesterday that the rise was due to a 3.7 per cent growth posted by the manufacturing sector

In its analysis of the month's external trade figures, SG attributed the surplus to continued strong growth in exports and a pick-up in imports, with the latter turning positive in ringgit terms for the first time since last July.

The import boost explains the slightly lower trade surplus compared to March's RM6.52 billion.

"Exports are looking good in US dollar terms and this heralds strong production, especially in electronics," SG said in the report which was released by the National Economic Action Council.

Imports of major electronic and electrical products are on the uptrend with thermionic valves and tubes registering a jump of 22.7 per cent year-on-year and 6.8 per cent month-on-month in US dollar terms, it said.

That of office machinery and automatic data processing products grew 7.8 per cent year-on-year and 10.4 per cent month-on-month.

Although Prime Minister Datuk Seri Dr Mahathir Mohamad had said the country's first quarter gross domestic product was expected to contract by 1.5 per cent, it would still be a sharp turnaround from the negative 8.1 per cent growth during the last quarter of 1998.

"The current economic environment of low inflation and interest rates, improved export and import growth numbers, higher manufacturing production as well as higher loan disbursements should allow the second quarter to grow by 2-3 per cent," SG said.

"We are particularly encouraged by the positive growth in imports in both ringgit and US dollar terms - that April's consumption goods grew 2.53 per cent year-on-year, signalling the return of domestic demand," it said.

Higher imports indicate that producers are replenishing stocks for production, SG added.

It said this is in line with the Malaysian Institute of Economic Research's recent Consumer Sentiment survey which shows that consumers are slowly turning optimistic in tandem with the easing of both inflationary pressures and interest rates.

In addition, a recent Federation of Malaysian Manufacturers survey had indicated that general manufacturing industry and company profitability are expected to continue to improve in April-June 1999, with a third of the respondents anticipating higher domestic and foreign orders, SG noted.

Meanwhile, the Statistics Department said April's IPI growth was due solely to the pick-up in the manufacturing sector since the mining and electricity sectors decelerated by 10.3 per cent and 0.2 per cent, respectively.

The index for the manufacturing sector was similarly up for the third consecutive month to 163.3, from 157.5 in March.

It said that the month's IPI was 4.5 per cent higher than the 156.2

posted in the same month of 1998.

For the first four months of the year, the IPI contracted at a lower rate of 1.2 per cent compared to 1.6 per cent in the corresponding period of 1998.

In January-April, the manufacturing sector shrank 1.1 per cent, which was an improvement over a contraction of 3 per cent for the same period a year earlier.

(END)