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Second quarter IPI up 19.7pc year-on-year

Kamarul Yunus

ECONOMISTS are bullish that the country's gross domestic product (GDP) for the second quarter of the year will be more than 9 per cent, given the increase in performance of the Industrial Production Index (IPI).

Preliminary figures released by the Statistics Department showed that Malaysia's IPI for the second quarter this year increased to 185.6 points, up 19.7 per cent against 155.0 points in the second quarter last year.

Institute of Strategic and International Studies deputy director-general Dr Zainal Aznam Yusof said the IPI performance is consistent with his expectation of a strong production and economic growth during the second quarter.

Zainal anticipates that the GDP for the second quarter this year will be more than the Government's official forecast of 9 per cent.

Last month, Prime Minister Datuk Seri Dr Mahathir Mohamad forecast that the GDP for the second quarter will be about 9 per cent, lower than the 11.7 per cent registered in the first quarter of this year.

"Overall, the IPI results for the month of June and second quarter should be more than what I had predicted given the rapid economic growth," Zainal said.

Zainal attributed the increase in the second quarter IPI result to the combination of strong export performance and improvement in domestic industries.

"The increase in IPI index means the external side is strong and the domestic industries are picking up. This was largely led by strong external demand for electrical and electronic goods," he said.

However, Sungeiway Group corporate adviser Tan Sri Ramon Navaratnam reminded Malaysians not to be lulled by complacency and must prepare themselves to face the possibility of a decline in demand for the electrical and electronic goods.

"Overall, the results are favourable but we must not be carried away with the performance. We have to determine whether the IPI index represents the overall performance of every sectors of our economy," he said.

For example, he questioned whether the IPI index should be limited to the three key sectors, namely the manufacturing, electricity and mining, to indicate the country's economic performance.

"Other sub-sectors such as the construction side, including the steel and concrete industries need to be given better consideration to determine the overall production performance.

He suggested that the authority extended the scope of the IPI performance in other sub-sectors, including the construction and consumer products.

"Otherwise, although the production index showed an increase, it is not telling us the whole story. The authority might be telling the performance of these three industries but may hide the weaknesses of other sectors," he said.

Zainal, however begged to defer, saying that the manufacturing, electrical and electronic as well as mining sectors are the three key sectors that will indicate the country's economic performance.

"When the country's economic growth is concerned, we have to look into the manufacturing sector for instance, as it contributes a bigger slice to the country's GDP. The contribution from the construction sector to the

GDP is not big, probably less than 12 per cent," he said.

However, he said that the Government can design similar index for the performance of those sub-sectors, which can breakdown into other category such as construction into residential and non-residential.

Meanwhile, the Statistic Department said the index for the April-June period was 5.8 per cent higher than 175.5 points recorded in the January-March period.

On the whole, it said this year's first half IPI advanced by 21.5 per cent to 180.5 points from 148.6 points registered in the same period last year.

It also said the index for June was at 185.0 points, up 20.1 per cent year-on-year but was down by 1.7 per cent on the month-on-month basis.

According to the report, the manufacturing sector was the major contributor to the higher IPI for the period of April-June 2000 when its index for the quarter stood at 206.2 points, up 25.1 per cent year-on-year and 7.6 per cent higher over that for this year's January-March period.

Year-on-year, the electricity sector added 4.9 per cent to 191.0 points in April-June this year and was up by 6.0 per cent against the preceding three months period.

The mining sector index was at 118.0 points for the April-June period, an increase by 2.6 per cent against that for the corresponding period last year but was down 3.4 per cent against that for this year's January-March period.

The department said June's double-digit year-on-year growth, the eleventh consecutively since August last year, was due to the expansion in the indices of all sectors.

The manufacturing sector registered the largest increase of 25.3 per cent to 204.8 points while the indices of the electricity and mining sectors widened by 5.6 per cent to 189.6 points and 3.5 per cent to 120.4 points respectively.

On the whole, the first six months of 2000 saw the IPI advanced by 21.5 per cent to 180.5 points from 148.6 points reported in the same period of 1999.

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