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Manufacturing sales down an annual 15pc in August

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MALAYSIA'S manufacturing sector registered a 15.1 per cent year-on-year decline in sales in August, in line with economists' forecast that the sector will contract until the end of the year.

Institute of Strategic and International Studies Malaysia (Isis) deputy director-general (economics) Datuk Dr Zainal Aznam Yusof said the sector was already showing signs of slowing even before the September 11 attacks.

"The slowdown was expected and is not surprising and we have to take note that the sector will further contract between 15 per cent and 20 per cent in the months ahead," he told Business Times in Kuala Lumpur yesterday.

The Statistics Department yesterday released sales figures of the local manufacturing sector for August this year, which showed a contraction of 15.1 per cent or RM4.6 billion to RM25.8 billion compared with RM30.4 billion recorded in the corresponding month last year.

However, the sales value reported in August was 1.6 per cent higher than the RM25.4 billion attained in July this year.

A total of 1,010,447 persons were engaged in the sector at the end of August this year, a 2.6 per cent decrease or 27,290 people compared with 1,037,737 people employed in August last year.

As at August, a total of 1,013,164 people were employed, a 0.3 per cent or 3,040 people drop compared with July.

Total salaries and wages paid in August 2001 dropped by 2.7 per cent or RM40 million to RM1.45 billion from RM1.49 billion paid out in August 2000.

However, there was a 0.7 per cent increase or RM10.08 million in wages paid out in August compared with RM1.44 billion in July, 2001.

"The slowdown was already indicated in the Industrial Production Index and one of its sub-indices. The manufacturing sector figure confirms this slowdown," Zainal Aznam said.

He added that the slowdown can be attributed to two factors - cumulative slowdown before and after the September 11 attacks on the US.

Asked whether he is optimistic about a rebound, Zainal Aznam said it is too early to say until the issue of the world's security becomes clearer.

Corporate adviser Tan Sri Ramon Navaratnam concurred, saying that the slide was expected based on external demand which has lessened markedly after the attacks on the US.

He added that almost 25 per cent of Malaysia's exports come from the manufacturing sector, with a big chunk of it contributed by the electrical and electronics sector which had long since slowed down due to weak demand.

"However, I am optimistic that the stock market will not be affected because it has already been discounted earlier," he said.

Ramon said he is hopeful that the sector may recover some time next year but not before the first half.

Both economists are optimistic that the National Budget to be tabled on Friday by Prime Minister Datuk Seri Dr Mahathir Mohamad will come up with measures to counter the cyclical slide.

Meanwhile, another economist said the drop in salary payouts was also expected as companies resorted to retrenchments.

"There were already reports of workers being laid off even before the attacks happened.

"This shows that companies are not doing good business, resulting in them paying out lower wages," he said.

He added that the recently announced RM4.3 billion fiscal stimulus package was a good measure, of which RM2.2 billion was distributed as allowances to train unemployed diploma and degree holders.

Overall, for the first eight months of 2001, the manufacturing sector recorded a cumulative sales value of RM209.5 billion, 2.6 per cent lower RM5.5 billion lower than the RM215.0 billion transacted in the corresponding period of 2000.

A total of RM12.0 billion was spent on salaries and wages from January to August 2001, an expansion of 6.2 per cent or RM700 million as against that of RM11.3 billion disbursed in the corresponding period of last year.

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