

Manufacturers Look Forward to Sustained Growth

The Federation of Malaysian Manufacturers (FMM) notes that Bank Negara Malaysia has announced economic growth of 8.9% in the second quarter of 2010, compared to the first quarter's growth rate of 10.1%. The announcement is encouraging and would certainly help to continue to build business and consumer confidence in the country.

The Department of Statistics has further revealed that the manufacturing sector maintained its growth momentum for the second consecutive quarter with double digit growth of 15.9%; and continued to drive the growth in exports, especially the E&E sector, which accounted for 40.2% of total exports in June 2010 at RM21.3 billion. Sales value of the manufacturing sector in the first six months of 2010 has also posted double digit growth of 20.8% or RM45.1 billion to register RM261.7 billion.

Clearly, the economy and the manufacturing sector have performed strongly in the first six months of the 2010.

The manufacturing sector looks set to sustain its growth momentum in the next six months, particularly if sales could continue to expand and external demand for goods and services continues to be sustained. While global business expectations have remained positive, low demand continues to be a cause for concern. The McKinsey Global Survey on Economic Conditions, August 2010 reported that 42% of respondents around the world cited low demand as the top barrier to growth.

In order to sustain and to continue the present growth trajectory, FMM is strongly of the view that implementation and focussed follow – through of structural changes must be undertaken with commitment to strengthen the market – based economy, to attract a higher level of investments and to catch up on the lag in industrialisation.

Some of the more urgent issues would include further liberalisation of the economy, expediting the review on labour legislations, addressing leakages, wastage and inefficient use of resources and introducing business friendly policies to facilitate the intake of foreign talent critical to the industry in moving up the value chain.

The Malaysian manufacturing industry itself would need to step up investments to upgrade operations, improve skills, retain talents and move away from labour intensive operations.

Policy initiatives that sustain a competitive business environment is essential in this increasing difficult environment.