



MITI WEEKLY BULLETIN

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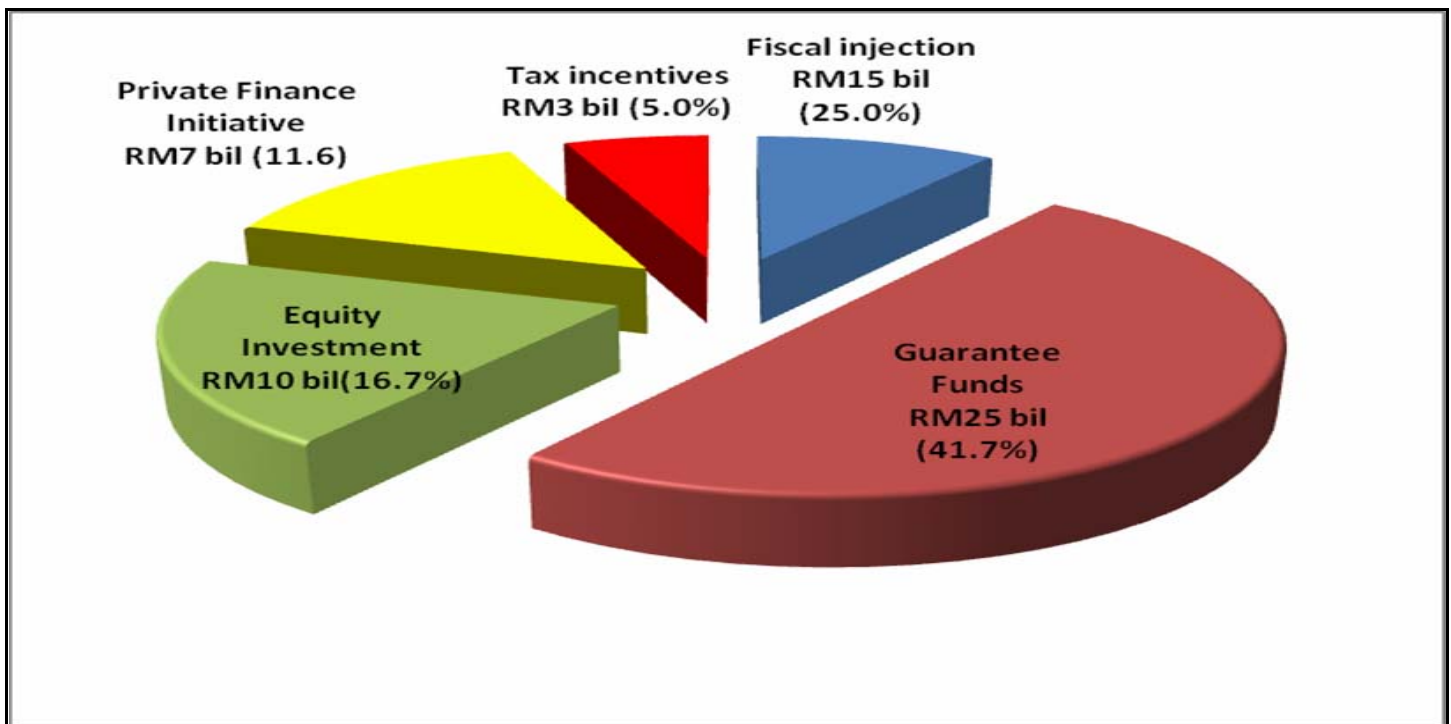
ECONOMIC TRENDS

THE 2nd STIMULUS PACKAGE, 2009

THE 4 THRUSTS OF THE 2nd STIMULUS PACKAGE

- 1** Reducing Unemployment and Increasing Employment Opportunities
(RM2 billion)
- 2** Easing the Burden of the Rakyat, in particular, the Vulnerable Groups
(RM10 billion)
- 3** Assisting the Private Sector in Facing the Crisis
(RM29 billion)
- 4** Building Capacity for the Future
(RM19 billion)

ALLOCATIONS OF 2ND STIMULUS PACKAGE



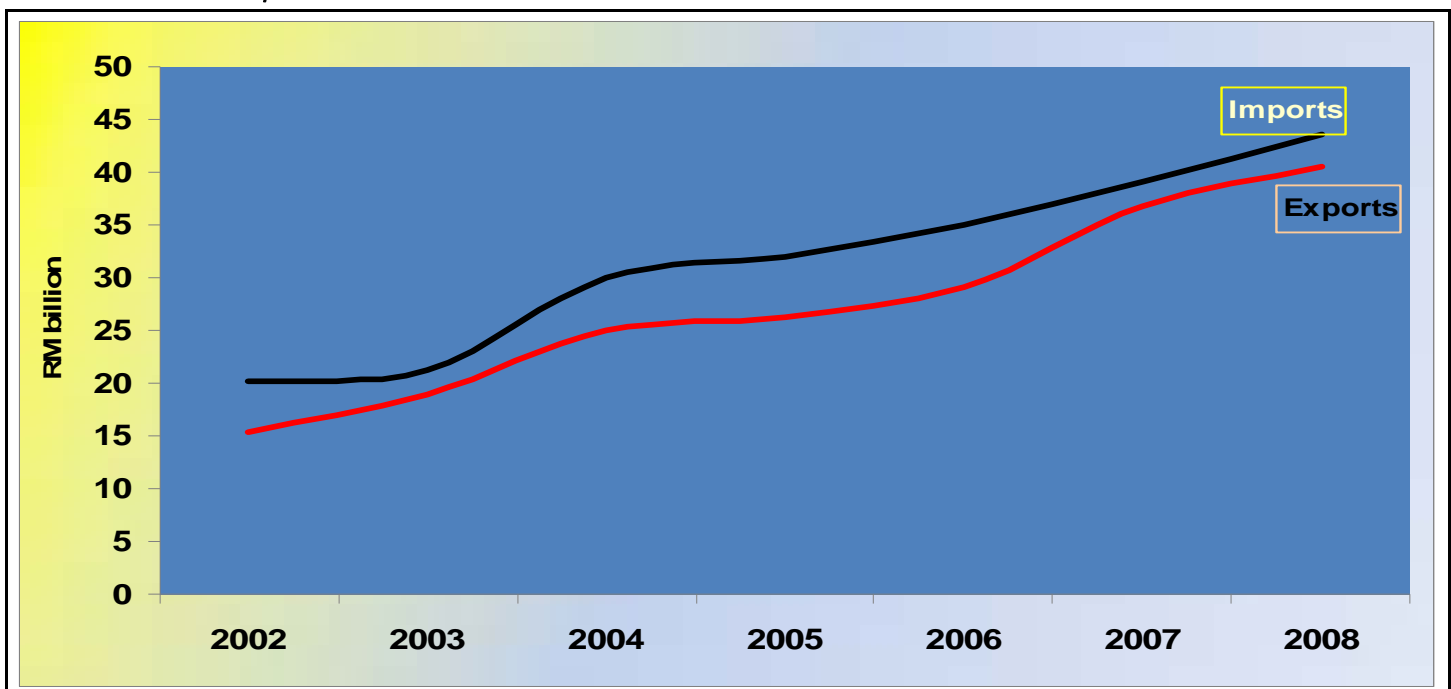
Source: The Supplementary Supply (2009) Bill 2009.

The RM60 billion allocations is equivalent to almost 9 per cent of the GDP.

RM200 million is channelled to the Automotive Development Fund:

- RM125 million as soft loans for vendors;
- RM60 million for PROTON to further consolidate and rationalize the vendors; and
- RM15 million for the establishment of the Malaysia Automotive Institute (MAI).

MALAYSIA: TRADE TREND OF CHEMICALS AND CHEMICAL PRODUCTS, 2002 - 2008

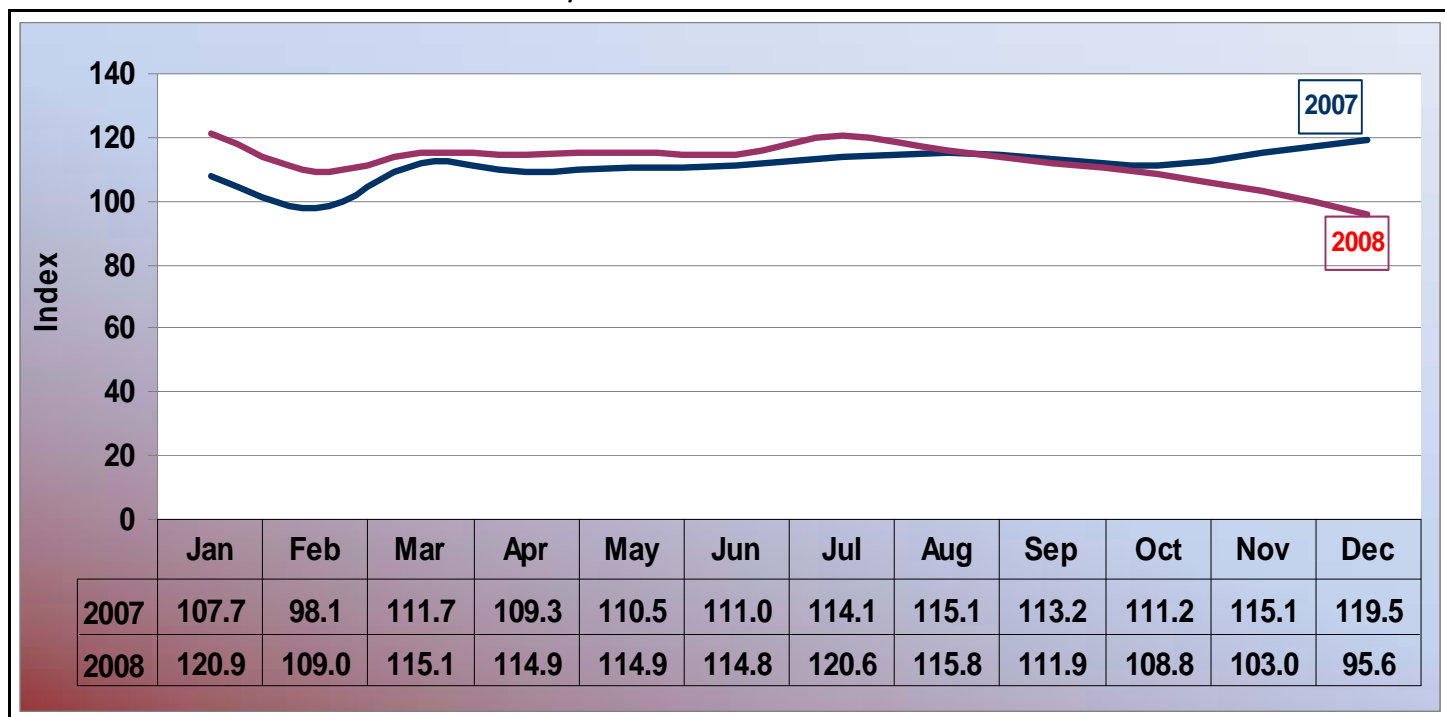


Source: Department of Statistics

Chemicals and Chemical Products is the 2nd largest export category in the manufacturing sector, totalling RM40.5 billion or 8.7 per cent of manufactures exports in 2008.

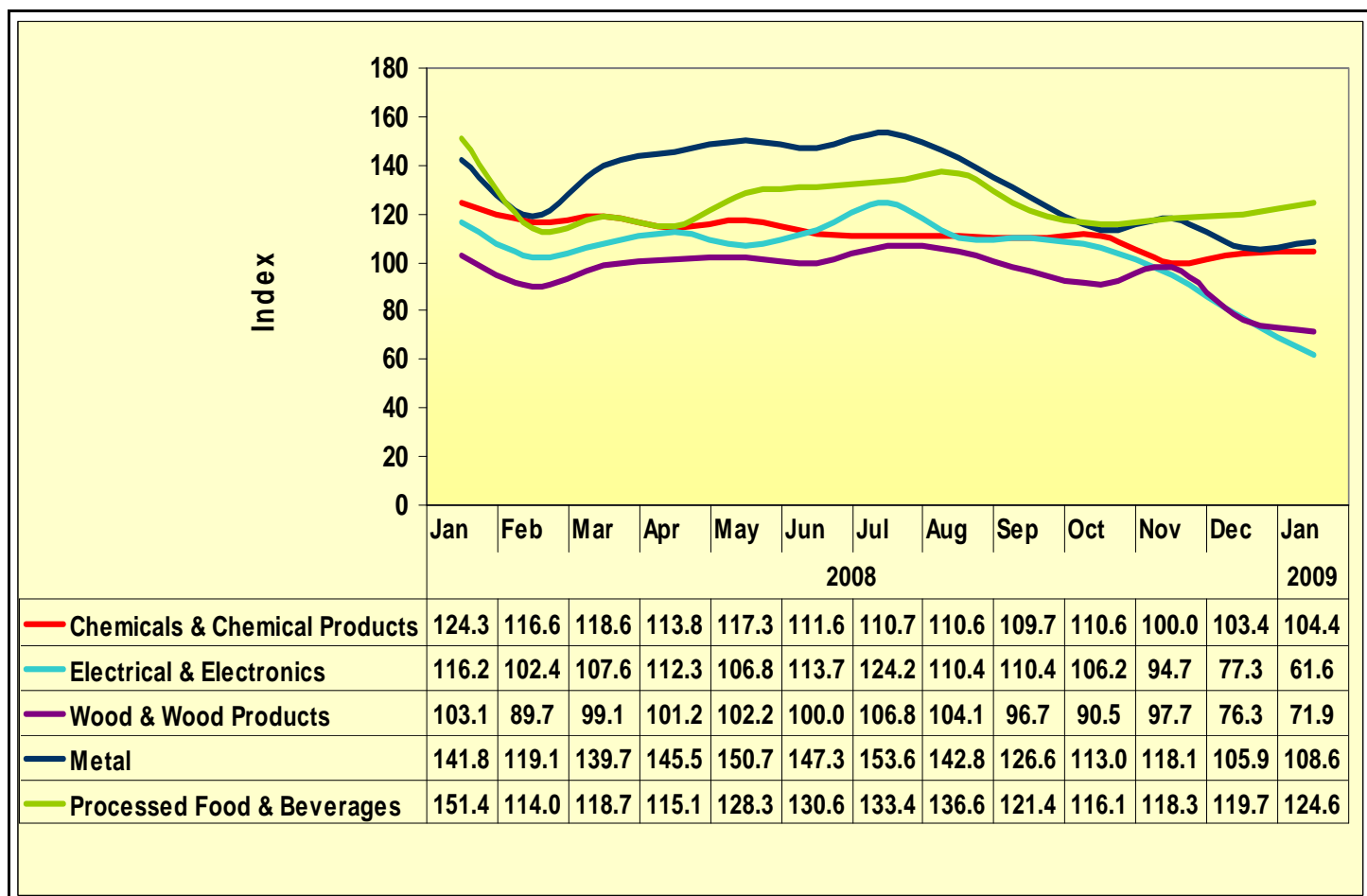
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MALAYSIA: MONTHLY INDUSTRIAL PRODUCTION INDEX OF THE MANUFACTURING SECTOR, 2007 - 2008



Source: Department of Statistics

MALAYSIA: MONTHLY INDUSTRIAL PRODUCTION INDEX FOR SELECTED MANUFACTURING SUB-SECTORS, JAN 2008 – JAN 2009



Source: Department of Statistics

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COMMODITY PRICES

	As at 16 March 2009	% Change from 10 March 2009	As at 10 March 2009	As at 2 March 2009	As at 24 February 2009
Crude Petroleum	US\$49.16/bbl	↑ 4.4 %	US\$47.07/MT	US\$44.76/bbl	US\$34.93/bbl
Raw Sugar	US\$307.54/MT	↑ 1.6 %	US\$302.69 /MT	US\$311.07/MT	US\$307.54/MT
Iron Ore (Pellet)	US\$105.00/MT	No Change	US\$105.00/MT	US\$105.00/MT	US\$105.00/MT
Scrap Iron HMS1&2 (80:20 mix)	US\$225.00/MT (High)	↓ 18.2 %	US\$275.00/MT (High)	US\$253.00/MT (High)	US\$253.00/MT (High)
	US\$220.00/MT (Low)	↓ 18.5 %	US\$270.00/MT (Low)	US\$248.00/MT (Low)	US\$248.00/MT (Low)
Crude Palm Oil	US\$593.00/MT	↑ 4.0%	US\$570.00/MT	US\$572.50/MT	US\$562.00/MT

Sources: MITI, Bloomberg.com, Malaysia Palm Oil Board and Czarnikow Sugar Futures.

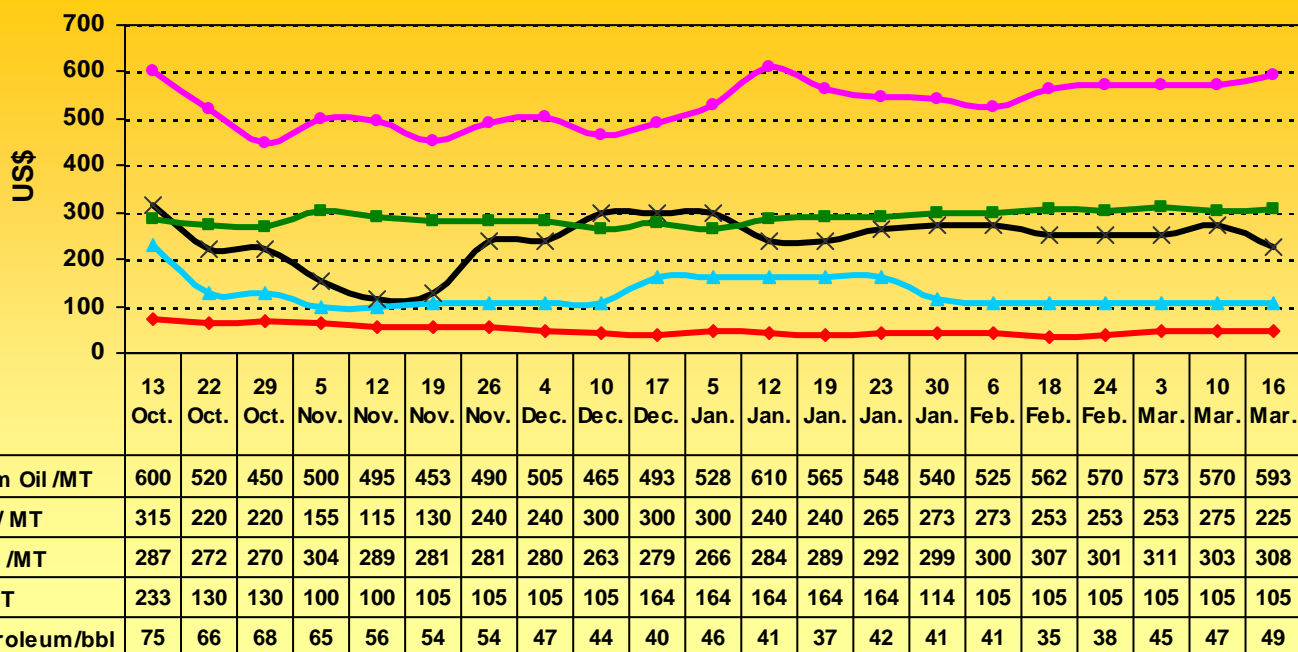
Note: CIF sugar price under Malaysia's Long-Term Contract (2006-2008) - US\$218.00/MT.

March 2009 domestic average prices for:

1. Billet : RM1,600 per MT
2. Steel bar : RM1,900 per MT

Source: MITI

PRICE TREND OF COMMODITIES, OCT 2008 - MAR 2009



Sources: MITI, Bloomberg.com and Malaysia Palm Oil Board

Highest commodity price recorded:

1. Crude Petroleum - US\$145.08/bbl (13 July 2008).
2. Crude Palm Oil - US\$1,367.50/tonne (5 March 2008).

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ECONOMIC DEVELOPMENTS

SECOND STIMULUS PACKAGE: MEASURES THAT IMPACT TRADE AND INVESTMENT

- The RM60 billion stimulus package announced in the Mini Budget, 2009 on 10 March 2009, contains measures that impact on trade and investment. These measures are:
 - allocation of RM200 million for grants under the Automotive Development Fund (ADF);
 - RM5,000 discount to trade in vehicles of any make which are at least 10 years old, for the purchase of new PROTON or PERODUA cars;
 - exemption of levy payments to the Human Resource Development Fund for a period of 6 months for employers in the textile as well as electrical and electronics industries with effect from 1 February 2009;
 - reduction in levy payment rate from 1 per cent to 0.5 per cent for all employers for a period of 2 years effective 1 April 2009. (Employers are expected to save RM390 million in business costs from both measures);
 - company's current year losses be allowed to be carried back to the immediate preceding year. Total losses of a maximum of up to RM100,000 per year. The tax treatment is applicable for year of assessment 2009 and 2010;
 - establishment of a Working Capital Guarantee Scheme totalling RM5 billion to provide working capital to companies with shareholder equity below RM20 million. 80 per cent will be guaranteed by the Government and 20 per cent by the financial institutions. The maximum loan amount will be RM10 million with a maximum repayment period of five years;
 - setting up of an Industry Restructuring Guarantee Fund Scheme totaling RM5 billion for loans to increase productivity, value-added activities and application of green technology:
 - companies with shareholder equity less than RM20 million, the Government will provide a guarantee of 80 per cent and financial institutions, 20 per cent;
 - companies with shareholder equity of RM20 million or more, the guarantee ratio will be 50:50; and
 - the maximum loan is RM50 million to be repaid within a period of 10 years.
 - accelerated Capital Allowance on expenses incurred on plant and machinery claimable within 2 years, for investments made between 10 March 2009 and 31 December 2010;
 - accelerated Capital Allowance for renovation and refurbishment done between 10 March 2009 and 31 December 2010 to be claimed within 2 years. Maximum allowance capped at RM100,000;
 - levy on foreign workers in the manufacturing sector doubled;
 - effective from 10 March 2009 to 31 December 2010, employers who employ workers retrenched from 1 July 2008 will be given double tax deduction on the amount of

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remuneration paid which should not exceed RM10,000 per month per worker and limited to 12 months remuneration;

- cooperation with industries and companies, such as in electrical and electronics, welding, robotics and construction to increase the number of training programmes; and
 - an allocation of RM700 million to provide training opportunities and job placements for 100,000 workers to be undertaken in collaboration with the private sector, to enhance skills to meet industry requirements and employability.
- MITI expects that industries will benefit for the measures announced. MITI will continue to consult industries on the problems they face in dealing with the economic slowdown.

SECOND STIMULUS PACKAGE: MEASURES TO REDUCE UNEMPLOYMENT AND INCREASE EMPLOYMENT OPPORTUNITIES

- The Mini Budget also contains specific measures to address unemployment problems and to increase employment opportunities in response to the economic slowdown. The measures are:
 - creation of 163,000 training and job placement opportunities, of which 100,000 training opportunities and job placements will be undertaken as joint collaboration between the Government and the private sector;
 - The Government will also implement job placements and provide incentives to employers to recruit and train local workers through:
 - Special Training and Re-Training Programmes for retrenched workers and the Dual National Training Scheme for those currently employed;
 - Skills Training Centres in all states and will increase the number of industrial and technical skills training programmes with the cooperation of industries and related companies;
 - on-the-job training in the financial sector for unemployed graduates for a period of two years, provided by Securities Commission and Bank Negara Malaysia;
 - training opportunities and job placements in GLCs, particularly in the services sector;
 - implementing attachment training programmes for graduates and those with skills certificates by *Perbadanan Usahawan Nasional Berhad* (PUNB); and
 - strengthening the *Program Tunas Mekar*, under the Implementation Coordination Unit, Prime Minister's Department to encourage graduates to venture into business activities and add value to existing small and medium enterprises (SMEs).

For this purpose, an allocation of RM700 million is provided.

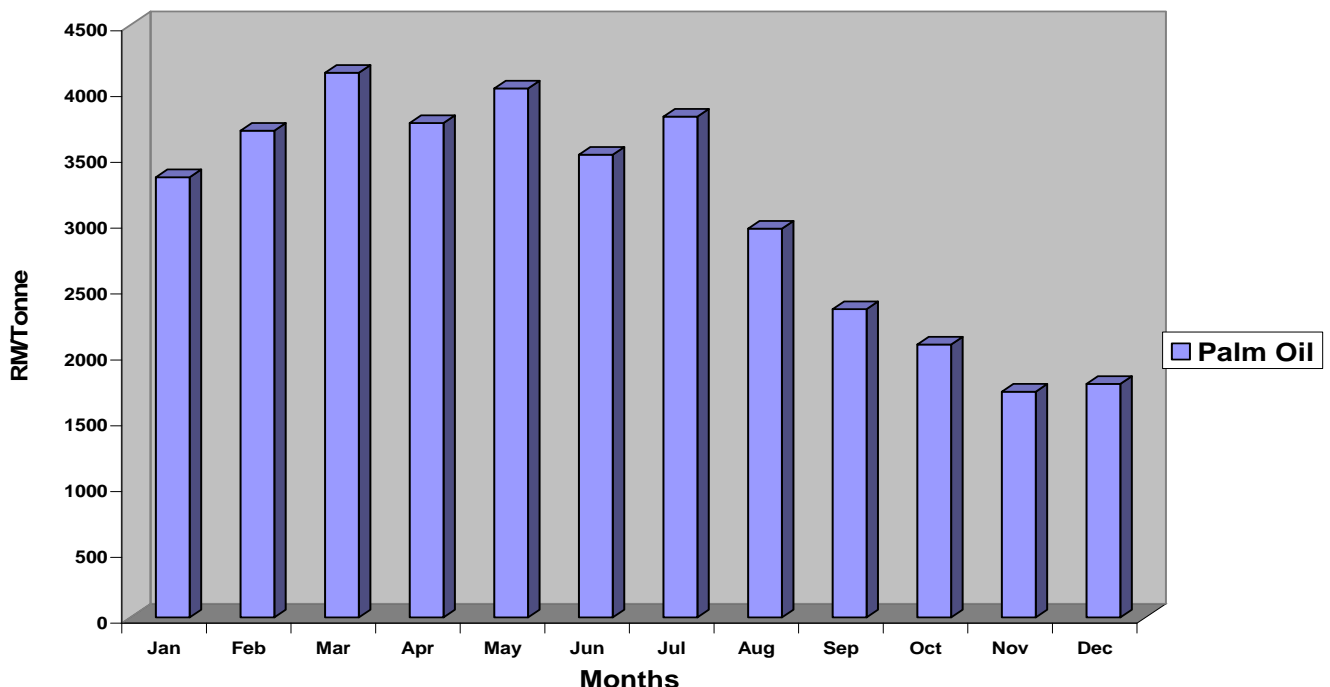
- establishing new 22 JobsMalaysia Centres and upgrade 109 existing centres to facilitate access for workers and employers to obtain job placements, career counselling and information on training opportunities;

- employers who provide jobs to retrenched workers will be provided double tax deduction on the amount of remuneration; and
- The Government will further reduce the dependency on foreign labour and give priority to hiring local workers through:
 - doubling the levy on foreign workers for all sectors except construction, plantation and for domestic maids;
 - refunding the levy on foreign workers whose services are prematurely terminated on a pro-rated basis, including the employer's bank guarantees; and
 - freezing the issuance of licenses to foreign labour recruitment agencies and tightening the conditions for recruitment of foreign workers by existing agencies.

PALM OIL INDUSTRY: CHALLENGES AHEAD

- Malaysia is the world's largest exporter of palm oil and palm oil products accounting for 41 per cent of world palm oil production and 46 per cent of world exports. Malaysia also accounts for 11 per cent of world's total production, and 25 per cent of exports, of oils and fats. As the second largest producer of palm oil and palm oil products, Malaysia assumes an important role in meeting the growing global demand for oils and fats.
- Average Monthly Palm Oil Price, 2008

Average Monthly Palm Oil Price 2008



Source: Malaysian Palm Oil Board (MPOB)

- **Malaysia's Palm Oil Exports to Major Markets**

Country	Jan 2008 (tonnes)	Jan 2009 (tonnes)	Jan 08 - Jan 09 Change (%)	Jan - Dec 2008 (tonnes)
China	257,914	154,267	- 40.2	3,794,494
EU-27	108,444	142,246	31.2	2,052,769
Pakistan	121,428	223,935	84.4	1,257,396
India	37,738	203,049	438.0	970,734
Japan	44,183	52,924	19.8	547,468
USA	73,158	88,705	21.3	1,047,668
TOTAL	642,865	865,126	34.6	9,670,529

- **Malaysia's Trade in Palm Oil**

	Exports		Imports	
	2008 (tonnes)	2009 (tonnes)	2008 (tonnes)	2009 (tonnes)
Jan	1,037,468	1,345,093	52,868	29,863
Feb	1,065,491	-	28,789	-
Mar	1,245,531	-	75,201	-
Apr	1,259,505	-	79,772	-
May	1,200,481	-	22,321	-
Jun	1,120,311	-	28,076	-
Jul	1,403,252	-	20,468	-
Aug	1,467,710	-	18,389	-
Sep	1,296,746	-	29,604	-
Oct	1,335,527	-	33,634	-
Nov	1,362,886	-	93,630	-
Dec	1,614,720	-	78,282	-
Jan - Dec	15,409,628	-	561,034	-

Source : * Malaysian Palm Oil Board (MPOB)

Issues and Challenges

- In order to mitigate the decline in palm oil prices, the Government is taking measures to further stimulate domestic demand for Malaysian palm oil through:
 - imposing mandatory requirement for the use of biofuel in government-owned vehicles and public transport by 2010; and
 - reduce of existing stocks with the implementation of replantation scheme for oil palm trees above 25 years old.
- Malaysia's exports of palm oil to Pakistan increased significantly following implementation of the FTA with Pakistan, which came into effect in January 2008. In 2008, Malaysia recaptured its market share that currently stands at 73 per cent. Malaysia also managed to retain more than 50 per cent shares in crude palm oil exports to Pakistan resulting from the joint-venture between Felda, KLK and Westbury Group of Pakistan.

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- In year 2008, Malaysia's palm oil exports to the US topped 1.05 million tonnes, growing at 25 per cent. The US labelling legislation against trans-fatty acid has spurred more food manufacturers to replace hydrogenated and partially hydrogenated oils with heart-healthy palm oil.
- Under pressure from environmental groups and domestic biofuel producers, the European Commission (EC) is considering measures to restrict imports of biofuels that fail to reduce greenhouse gas emissions or result in social and environmental harm along the production processes. Producing nations, especially Malaysia, Indonesia, and Brazil foresee the proposed legislation as being an unfair trade restriction that favours biofuels produced in Europe and the US.
- The EC is working to prepare guidelines to implement the biofuels sustainability scheme by July 2009. It is expected to include practical guidance on key issues like change in land use, food security of a nation, new default values for greenhouse gas emissions and tools to accredit certification schemes.

PROTON'S PERFORMANCE IN THAILAND

- Proton is making inroads into the Thai auto market. By December 2008, Proton has sold 3,279 cars in the country since its entry into the market in late 2007. This placed Proton among the top 10 passenger cars in Thailand.
- Proton's market share for passenger cars in Thailand stands at 1.4 per cent. Japanese automakers still dominate the market, with 92.1 per cent share. Proton is among the top 3 model for non Japanese makes together with Chevrolet (3.0 per cent) and Mercedes-Benz (1.3 per cent).
- Phranakorn Auto Sales Co. Ltd. is the sole importer and distributor of Proton cars in Thailand. Phranakorn is part of the Phra Nakorn Automobile (PNA) Group, which also distributes Daihatsu, Opel and Hyundai models in the country. The company distributes four Proton models namely Gen-2, Proton Neo, Proton Savvy and Proton Persona CNG. The latest model, Proton Pesona CNG, was launched on October 7, 2008. Phranakorn has 31 showrooms/dealers nationwide.
- The Nation newspaper voted Proton Savvy as Thailand's top ten cars in 2008. The vote covers a whole range of criteria, from value for money through to drivability, performance, fuel economy and appearance. According to the newspaper's auto reviewers, the Savvy brand is impressive, especially in terms of its price and performance.

APEC BUSINESS TRAVEL CARD TO FACILITATE TRAVEL IN ASIA PACIFIC

- The Asia Pacific Economic Cooperation (APEC) has introduced the APEC Business Travel Card (ABTC) in order to facilitate the movement of business people within the APEC region.
- Under this facility, business people will enjoy minimized travel times and costs of doing business as the ABTC offers ABTC cardholders the convenience of utilising the fast-track entry and exit lanes at major airports of APEC countries, multiple short term entry,

a minimum of 59 days stay for each visit, and visa waivers for participating APEC countries.

- The participating countries in this initiative are Australia, Brunei Darussalam, Chile, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, the Philippines, Singapore, Chinese Taipei, Thailand and Viet Nam. This facility also extends to the United States and eight major international airports in Canada.
- To qualify for the ABTC, companies or business persons are required to have trade and investment linkages with any APEC member economy and are required to be recognised member of any national chambers of commerce, association of manufacturers, association of trade and industry or professional bodies. Applications for the ABTC are required to be made at the Immigration Department of Malaysia with a supporting letter issued by the Ministry of International Trade and Industry (MITI).

- Request for the support letter can be submitted to:

Senior Director
Asia Pacific Economic Cooperation (APEC) Division
Ministry of International Trade and Industry
5th Floor, Block 10
Government Offices Complex
50622 Jalan Duta, KUALA LUMPUR.

- For further enquiries about ABTC Card, please contacts:

Name : Nadia binti Sapee
E-mail : nadia@miti.gov.my
Telephone : 03 - 6203 4919 / 03 - 6203 3141

Name : Faezatun Azirah binti Yahaya
E-mail : faezatun@miti.gov.my
Telephone : 03 - 6203 3181

Information about ABTC Card can also be accessed at websites:
http://www.imi.gov.my/eng/perkhidmatan/im_Apec.asp

INDIA'S ADDITIONAL STIMULUS MEASURES

- On 24 February 2009, India announced the Third Stimulus Package worth US\$6 billion. The package includes:
 - reduction in general excise duty from 10 per cent to 8 per cent;
 - reduction in service tax from 12 per cent to 10 per cent;
 - reduction in excise duty on bulk cement from 10per cent or US\$6 (Rs 290) per metric tonne, whichever is higher to 8 per cent or US\$4.8 (Rs 230), whichever is higher;
 - extension of general reduction of 4 per cent excise duty from 7 December 2008 to beyond 31 March 2009;

- retention of the central excise duty on goods currently attracting ad valorem rates of 8 per cent and 4 per cent respectively; and
- customs duty exemption on Naptha imports for generation of electricity extended beyond 31 March 2009.
- On 26 February 2009, the Cabinet Committee on Economic Affairs (CCEA) announced additional measures which include increase of living allowance of government employees from 16 per cent to 22 per cent and allocations for construction, infrastructure and housing projects.
- The stimulus packages are expected to stimulate demand across the industrial sectors as about 90 per cent of manufactured goods currently subject to 10 per cent excise duty will become cheaper as a result of the excise duty cut. The reduction in service tax will provide relief to the service sector that constitutes 57 per cent of the GDP.
- The packages will result in fiscal deficit for 2009-2010 which is estimated at US\$75.4 billion or 6 per cent of GDP. This fiscal situation could affect the future outlook on India's long-term sovereign credit-rating, further weaken the rupee and increase costs of overseas borrowing.

CHINA'S REVITALISATION PLAN FOR IRON AND STEEL INDUSTRY

- The Ministry of Industry and Information Technology of the People's Republic of China has released the outline of a revitalisation plan for its iron and steel industry, that aims to accelerate the sector's overall upgrading and the transformation of its leading companies into strong international competitors.
- The 4 trillion Yuan (RM2.2 trillion) economic stimulus package announced earlier, focusing on government spending, will indirectly help this plan as it will generate extra demand for iron and steel particularly for infrastructure development. The Ministry of Industry and Information Technology has also announced that a 15 billion Yuan (RM8.1 billion) fund for low interest loans is made available for strengthening technical innovation, R&D and importing technologies.
- Measures to be implemented under the plan include:
 - to readjust tariff rates for the import and export of some iron and steel products;
 - adopt fair trade policies;
 - support policies for corporate restructuring;
 - raise the standard for steel products used in buildings;
 - encourage iron and steel companies to go global; and
 - establish an industrial information disclosure mechanism.

China's iron and steel trade (US\$ million)

	2006	2007	2008
Iron and Steel (HS 72)			
• Imports from the world	20,042.36	23,012.21	24,519.85
• Exports to the world	25,159.55	39,949.88	53,494.45
• Imports from Malaysia	49.80	138.05	120.91
• Exports to Malaysia	366.12	653.17	783.38
Iron and Steel Product (HS 73)			
• Imports from the world	6,953.32	8,036.76	10,556.45
• Exports to the world	26,792.21	36,718.80	48,343.63
• Imports from Malaysia	45.02	61.83	58.88
• Exports to Malaysia	300.50	427.57	625.97

UPCOMING EVENTS

MPC

- **Programme** : Seminar on “Integrating Lean Office for Quality Environment”
Date : 23 March 2009
Venue : Perak
Objective : To upgrade knowledge on lean management systems among industries, and to share experience of successful organisations on lean systems implementation
Target Group : Managerial level and above for Malaysian services companies
Contact Person: Mr. Kamaruddin Mohamad (dinmohd@mpc.gov.my)
Telephone No. : 04 - 575 4709
- **Programme** : Seminar on “Innovativeness and Creativity”
Date : 24 March 2009
Venue : Kuching, Sarawak
Objective : To share experience and best practices of companies on innovativeness and creativity
Target Group : Managerial level and above
Contact Person: Mr. Abdul Latif Abu Seman (latif@mpc.gov.my)
Telephone No. : 082 - 439 959
- **Programme** : Seminar on Creative Thinking
Date : 7 and 8 April 2009
Venue : Kuching, Sarawak
Objective : To inculcate creative and innovative thinking in decision making and value creation process.
Target Group : Managers, supervisors, executives and personnel involved in problem solving, decision making and value creation
Contact Person: Mr. Mohd Khairul Nazir (khairul@mpc.gov.my)
Telephone No. : 082 - 439 959

- **Programme** : Workshop on 7 New QC Tools for Quality Practitioners
- Date** : 7 and 8 April 2009
- Venue** : Johor Bahru, Johor
- Objective** : To provide understanding of the new QC tools and applying the tools in problem solving
- Target Group** : Managers, executives, engineers, supervisors and those involved in ICC Project and continuous quality improvement activities in an organisation.
- Contact Person:** Mr. Eamizan Hasim (eamizan@mpc.gov.my)
- Telephone No. :** 07 - 237 7422

SMIDEC

- **Programme** : Workshop for Women Entrepreneurs
- Date** : 30 March 2009
- Venue** : Hyatt Regency Hotel, Sabah
- Objective** : To enhance capability in business and to disseminate information on financial assistance by government agencies and other institutions.
- Target Group** : Women entrepreneurs
- Contact Person:** Ms. Murniati Mokhtar (murniati@smidec.gov.my)
- Telephone No. :** 03 - 6207 6142



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