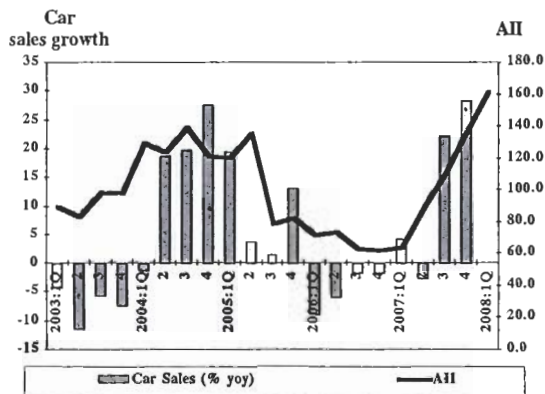




SIGNS OF GROWING VIBRANCY

Chart 1
AII and sales of passenger cars



Source: MIER

Note: Figures for passenger cars are from Malaysian Automotive Association (MAA)

Survey at a Glance

* Auto index surges further to read at 161.2 points in 1Q08, up 24.7 points from 136.5 points in 4Q07, and an index of 63.7 points in 1Q07

* Current index is up strongly, but expectations index is moderately cautious

* Auto industry is making a strong comeback

* Anxiety over cooling economy and rising living costs that may reduce purchasing power, and subsequently, the appetite to buy cars

The optimism in the automotive sector continues to increase vigorously. The Automotive Industry Index (AII) surges to a reading of 161.2 points in 1Q08, up 24.7 points from 136.5 in 4Q07, and has elevated by a large 97.5 points from 63.7 points in 1Q07. This is the third straight quarters that the auto index has been expanding since 3Q07. The auto industry seems to have clearly turned the corner, but there are challenges ahead on the economic front. The spending power of households could suffer from the less encouraging economic prospects and the continuing threats of escalating inflation emanating from higher food prices and elevated oil prices.

The 1Q08 survey observes that sentiments in the auto industry are becoming more upbeat, despite worries over the economy. The revival in the auto sector in 1Q08 has been attributed to factors such as the rise in general incomes, the release of new models at affordable prices, and the still attractive financing terms. The launching of new models at competitive prices has led to the return of buying interests in national cars and this has injected new life into the industry.

* The AII summarises the results of the survey. Responses to six key questions are isolated to form the index, three of which refer to the current quarter and the other three are questions on expectations for the next quarter. The index is designed to be a leading indicator of economic activity in the automotive sector.