

Penang electronic firms upbeat on 2015, see strong consumer spending

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GEORGE TOWN: Local electronic companies in Penang are projecting a strong year in view of the decline in oil prices, which is increasing the spending power of consumers.

Pentamaster Corp Bhd, **Vitrox Corp Bhd**, Globetronics Technology Bhd and PIE Industrial Bhd are some of the companies that are forecasting growth in revenue this year.

Pentamaster and Vitrox would also be outsourcing more jobs to local small and medium enterprises (SMEs) this year compared with 2014.

Pentamaster executive chairman C.B. Chuah told StarBiz that the spending power of an average American, for example, had increased.

Chuah said the drop in oil price to US\$48-US\$49 per barrel had shifted over US\$1 trillion (RM3.56 trillion) from producers to consumers in the United States, enabling consumers to save at the petrol stations.

Quoting a recent report in The Economist, Chuah said the typical American motorist, who spent US\$3,000 in 2013 at the pumps, might save US\$800.

This is equivalent to a 2% pay rise.

"European countries, India, Japan and Turkey, which are big importing nations, are enjoying huge windfalls.

"Since this money is likely to be spent rather than stashed in a sovereign-wealth fund, global gross domestic product should rise.

"We can expect people to spend more on consumer electronic smart gadgets," he pointed out.

Chuah said the group had, since mid-2014, developed a prototype of smart sensor tester and handling equipment to test imaging and microphone sensors used in smart devices and the Internet of Things.

"We are starting commercial production for this range of testers, which will be exported to the United States, China and Japan.

"We have so far secured about RM20mil worth of such equipment (sales) from these countries," he added.

Chuah said the group would outsource between RM35mil and RM40mil worth of jobs this year to the local SMEs, compared with RM25mil in 2014.

This would be for metal component fabrication, wire harnessing and cable jobs, Chuah said.

The Free Industrial Zone, Penang, Companies' Association president Heng Huck Lee said the Malaysian technology sector is expected to perform well this year due to the fall in oil prices.

Consumers will have more disposable income and the cheaper ringgit will make Malaysia more attractive as a competitive manufacturing site.

"We may see fresh investments coming this way soon," Heng said.

Local machinery and raw material suppliers can expect more outsourcing and purchases from large companies and multinational corporations, as importing raw materials and outsourcing jobs to overseas would be expensive, according to Heng.

For the 2014 fiscal year, Chuah said the group is expecting a strong double-digit percentage growth over 2013.

Vitrox chief executive officer Chu Jenn Weng, said the weakening ringgit would boost the group's revenue and bottomline, as it exports 85% of its products.

"The outlook for the year looks good and this first quarter would be weak, as it is traditionally.

"The orders we have received so far from China, Taiwan and the United States are indications that we are off to a good start," he pointed out.

The orders are for the company's three-dimensional advanced optical inspection (AOI), advanced X-ray inspection (AXI) and tray inspection handling equipment, he pointed out.

The AOI and AXI equipment are used for checking defects on printed circuit board assembly (PCBA) products used in the telecommunications infrastructure, military and consumer electronics sectors.

According to Chu, the group expects to increase the value of its outsourcing jobs by double-digit percentage figures from 2014 onwards.

"We spent about 30% of revenue to outsource jobs such as metal fabrication, assembly and machine testing works to SMEs," Chu added.

PIE Industrial managing director Alvin Mui said the orders received so far from the group was an indication that 2015 was off to a good start.

"We are seeing orders coming in for our PCBA products used in industrial electronic sensor and motion control devices.

"The trend is expected to continue throughout the year," he said.

<http://www.thestar.com.my/Business/Business-News/2015/01/12/Penang-electronic-firms-upbeat-on-2015?style=biz>