

M'sia to see sharp drop in electronic sales
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US electronics firms in Malaysia expect a second year of steep fall in export sales in 2010, an industry body said on Monday, as firms continue to outsource manufacturing processes to cut costs.

The value of electronics shipments by the 20 members of the Malaysian American Electronics Industry group, or MAEI, will drop by nearly one-fourth to 57.3 billion ringgit (\$17.53 billion) this year.

The group includes some of the world's biggest players including Dell, Intel and Motorola.

In 2009, total export sales were at 70 billion ringgit, down 16 percent from 2008.

The forecast sharp fall was due to "a change in manufacturing strategy from internal to outsourcing," said MAEI chairperson Wong Siew Hai.

"Excluding this change, MAEI's export sales is expected to grow by 10.8 percent in 2010," Wong told reporters.

MAEI members contributed about a third of Malaysia's total electrical and electronics exports.

Since the global financial crisis two years ago, the MAEI member companies have started to outsource some of their operations to local manufacturers and other cheaper hubs such as China, said Wong, a former Intel senior executive.

He said the demand outlook for the industry remains positive after the latest data showed global semiconductors sales grew by more than half in the first quarter of 2010 from the same period in 2009.

Capital expenditure by the MAEI members are forecast to rise by nearly a quarter this year as they hire more workers and expand their operations to meet growing demand.

"Originally we thought it was an inventory restocking, but I think that was gone. I think we are past the inventory status," said Wong.

- Reuters

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