
Slowdown signs - Penang industrial product makers hit

Wednesday, 10 Feb, 2010

It is reported that some companies in the industrial product manufacturing sector in Penang are experiencing slower pace of growth in the first quarter, while consumer product manufacturers have been raising their output in the same period.

Fastener manufacturer Chin Well Holdings Bhd is facing difficulties in increasing output due to a shortage of workers, competition from China and a smaller volume of orders, while industrial valve maker Unimech Group Bhd expects orders in the first quarter to be slow moving. Firms in the consumer product manufacturing sector, however, are expanding, taking advantage of an improving domestic economy and the implementation of ASEAN Free Trade Area on January 1st 2010, allowing more than 1,900 items to move freely in the region.

Ms Tsai Chi Yun director of Chin Well said that the group was facing difficulties in raising production because of the shortage of foreign workers. She added that "Our orders from Europe are on the rise, but we are unable to ramp up production due to the shortage of foreign workers. Orders from Europe have increased since China's carbon steel fasteners were slapped with anti dumping tariffs by the European Union last February. The group sells 50% of its mild-steel fasteners to the EU."

She said that, during the peak of the global recession last year, Chin Well sent back many foreign workers to Vietnam and Myanmar after their contracts with the company expired. She added that "We started to hire workers once more when the momentum for our orders picked up in mid 2009. We are in the process of taking in 80 foreign workers to increase our headcount at our Bukit Minyak plant to 410 from the present 330. The foreign workers should be here next month, and we should be able to gradually increase production back to 4,500 tonnes per month in mid 2010 from the current 3,500 tonnes per month."

In the first quarter of 2009, Chin Well was producing only 1,200 tonnes of bolts and nuts per month. Chin Well, which sells over 30% of its bolts and nuts in the domestic market and in the Asia Pacific region, is also facing intense competition from China.

She said that "Since last February, China has been dumping its fastener products in Malaysia and in Asia Pacific. The China made fasteners are priced 15% to 20% lower than ours. The Chinese manufacturers are able to price their fasteners competitively because of the subsidies given by their government. As a result, we are forced to also lower our prices to compete, which erode the group's profitability consequently."

(Sourced from www.wireworld.com)

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