

(Property) take-up rate should remain steady with more first-time homebuyers coming into the market

LIAN LIAN MD DATUK SOAFA HONG CHOH



# StarBiz

biz.thestar.com.my

INSIDE >> Eurozone gives Greece 30 days on deficit plan >87

By HANNE SOMAN

**PETALING JAYA:** Steel prices are expected to surge a further 15% to 20% after the Chinese New Year as governments in East Asia push forward on major infrastructure-related projects and re-opening economic activity, said Malaysia Steel Mills (MSM) managing director Wilson Yeoh on Feb 16.

The contracted but price in the domestic market is about RM2,000 (US\$655) per tonne with the international market price at about US\$825.

He said the steel industry was making some recovery with an average capacity utilisation of about 70% in 2009 due to an improvement in demand from East Asia.

The higher cost of raw materials like iron ore and scrap metal, plus the weaker ringgit versus the dollar, could also result in steel prices rising in the coming months.

Many industry players are expecting an increase in reflecting activities as companies finish projects prepared for strong construction demand by end-February/1st half 2010.

**MALAYSIA, INDONESIA, the Philippines, Singapore and Thailand** are expected to spend a total of about RM100bn on infrastructure projects, financed by their economic stimulus packages.

MSM also expects locally-made steel billets to continue higher prices as the regional market as the local producers' mix of a higher grade compared with those from China.

The Middle East, Indonesia,

# Steel prices likely to rise further

Masteel MD expects prices to increase by 15%-20%

East Asia steel prices (USD/tonne)



SOURCE: MASTEEL MALAYSIA

Vietnam and Singapore will also be significant export markets for MSB's billets, which have recently managed to improve, he said.

According to JCI, Masteel was looking forward to receiving the order of its premium steel products, which conform to the standards of the European continent.

The company recently secured a two-year contract worth RM120mil to export steel bars to Malaysia in 2010. It has been exporting to new markets like Indonesia last year.

MSM said Masteel was targeting to produce 50,000 tonnes of hot-rolled bars and 200,000 tonnes of flat coils by the year-end. Currently it produces about 150,000 tonnes of billets and about 250,000 tonnes of steel bars.

"What we are in progress to further from our billets and steel bars capacity to 350,000 tonnes and 200,000 tonnes by the middle of next year," he said, adding that this year's order could be expected higher demand coming from projects estimated by the government stimulus packages.

The infrastructure expenditure in Malaysia include the Light Rail Transit (LRT) system, Kuala Lumpur Airport double-tracking, the low-cost carrier terminal, the upgrading

of roads bridges and community halls in rural areas, the upgrading of schools and hospitals as well as the road transport systems.

It is reported that over the past two years, local steel mills had been

exporting about one million tonnes of steel products.

Malaysia's exports of steel products increased after China imposed a 25% tax on exports of billion-tonnes of steel in the Shanghai Area (SAA) market. Previously, China supplied about 70% of the total SAA billet requirements.

Meanwhile, analysts expect Indonesia's iron-ore prices to increase by 20% to 40% from 2010 onwards due to the high price of highly iron-ore supply where the expanding merger between iron-ore giant BHP Billiton Ltd and Rio Tinto Group.

Steel Bulletin data in a recent report that iron-ore prices would likely trade at US\$110 to US\$115 per tonne from US\$70 to US\$75 per tonne currently.

BHP's currently in talks with China to set the annual iron-ore price. Together with Vale SA, the world's biggest producer, the move could signal contracts doubling the price from this year.

# Retailers, producers see strong Q1 but cautious on Q2

By DAVID TAN  
davidtan@thestar.com.my

**GEORGE TOWN:** Consumer product retailers and manufacturers in the country are expecting a strong first quarter but are, however, cautious about the second quarter.

Pensonic Holdings Bhd managing director Dixon Chew told *StarBiz* that the group's domestic sales grew about 5% in the second half of 2009 versus a year earlier.

"Sales of consumer electrical and electronics products did well during the festive holidays because of the year-end bonuses. Consumers were more willing to spend due to their perception of an improving economic environment," he said.

Pensonic's domestic sales division was expected to perform better in the first quarter of 2010 compared with the year-ago period, he said.

However, due to the prevailing uncertainties in the global economy, the company was cautious on the second quarter, he said.

"In the US, unemployment still stands at double digit, which means the consumption power is still weak, and our manufacturing sector will be affected eventually," Chew said. "We are cautious about undertaking



Wilson Yeoh says Ban Hin Bee enjoyed double-digit growth for the past two months.

expansion plans in the second half." On the implementation of the Asean Free Trade Area (Afta) Plus China on Jan 1, Chew said the group could now increase imports of China-made finished and semi-finished raw materials without duties for the group to do manufacturing and assembly work in Penang.

Ban Hin Bee Sdn Bhd general manager Wilson Yeoh said the company had been enjoying double-digit growth for the past two months. "Manufacturers of our brand-



Dixon Chew says the domestic sales division is expected to perform better in the first quarter.

name products all over Asia did not anticipate such high volume of orders during the Christmas, New Year and Chinese New Year holidays.

"The manufacturers in the Asia-Pacific were cautious when they forecast the demand for consumer household items in Malaysia for the last quarter of 2009 and the first quarter of 2010, as they were sceptical about domestic spending power.

"For the first quarter, we expect strong growth over the previous

year's corresponding quarter.

"The second quarter is expected to be slower than the first, and we anticipate sales to pick up again in the third quarter," he said.

Ban Hin Bee is setting up two more outlets in the northern region in the second half of 2010. The leading retailer in the north has nine outlets in the country - eight in Penang and one in Kuala Lumpur.

Penang-based Star Electronics Sales & Services expects about 10% growth in sales year-on-year in the first quarter of 2010, while viewing the second quarter with caution.

"For the last two consecutive quarters of 2009, our sales had been growing at about 10% per quarter, compared with the respective quarters of 2008," said managing director Joseph Hon. "However, there is little visibility for the second quarter."

"We do have plans to establish seven more outlets in the Klang Valley and Selangor, as part of our strategy to tap the market in the central region.

"But this expansion exercise will be implemented only if the domestic economy continued to remain stable," he said.

The company currently has 18 outlets in Penang and Kedah.

Meanwhile, Courts country director Chris Yong told *StarBiz* that the company was planning store expansion at eight locations nationwide this year after it increased its market share of consumer and digital electronics by about 8% in 2009, even as the market shrunk by 4%, due to the weak consumer sentiment during the recession.

"We have also identified 10 stores for major refurbishment, while three other stores are being planned for relocation," he said.

Yong said that based on Courts steady market share, the company was optimistic retail consumer confidence would continue to recover.

Meanwhile, OCBC Bank (Malaysia) Bhd retail commercial banking head Wong Chee Seng said that compared with the sluggish January 2009, loan applications were higher last month.

"As the economic strength gathers momentum, we foresee greater demand for loans in the first quarter of this year.

"Aligned to the gradual improvement in domestic demand, we are also seeing improvements in loan drawdowns, by as much as 50% due to higher approval volume and larger deal sizes," he said.