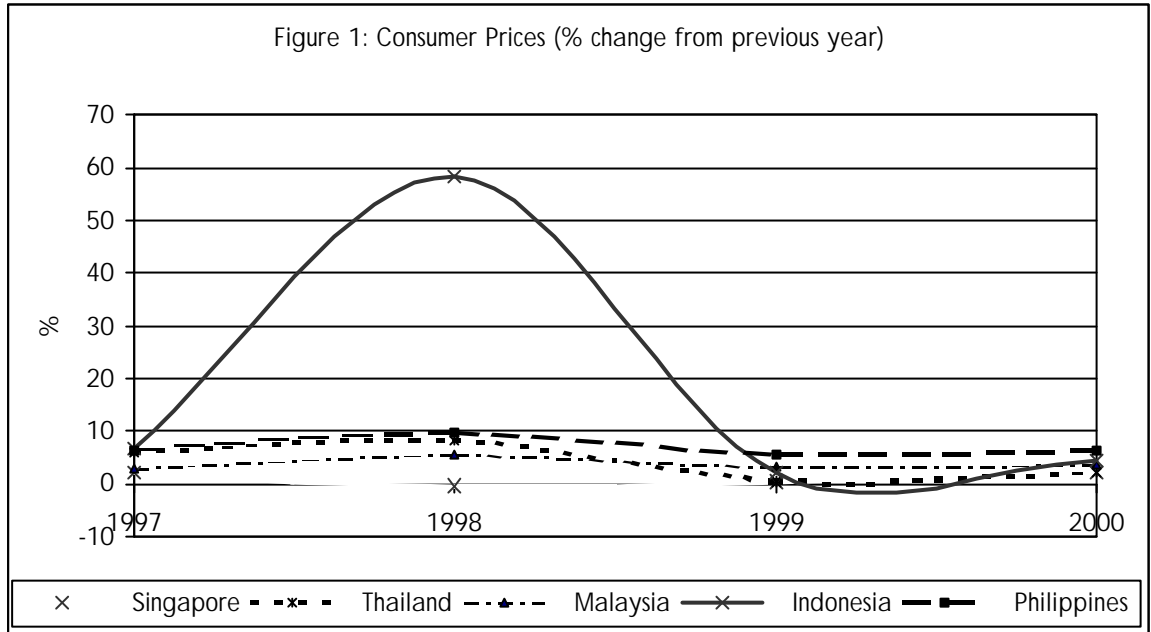




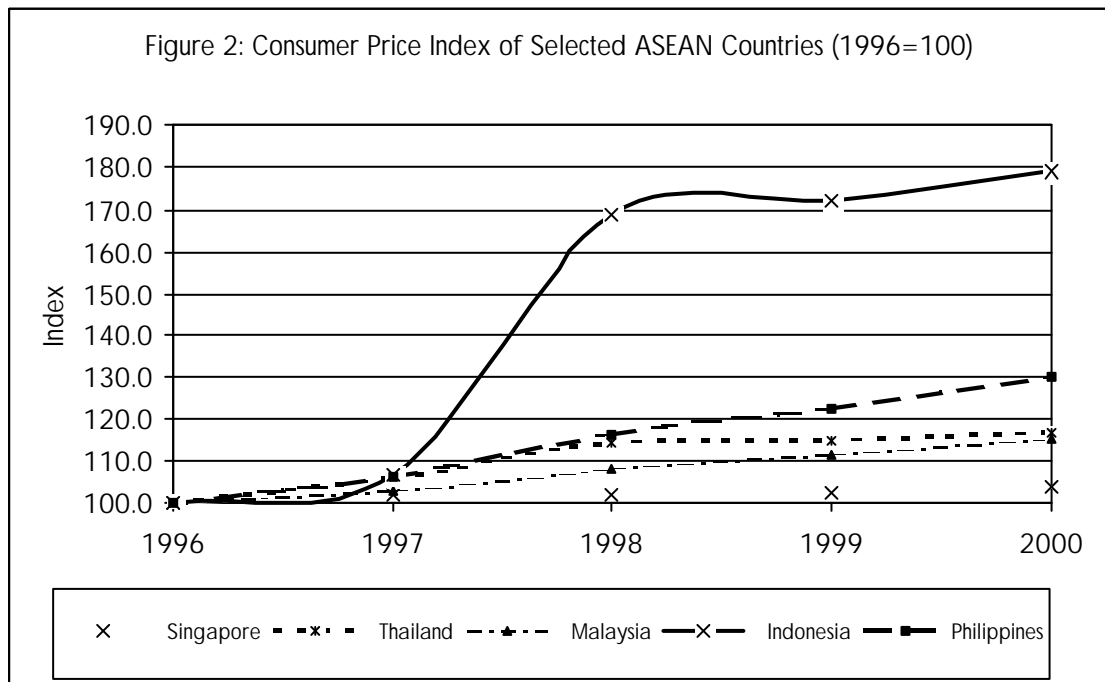


(Continued from page 1)

Of the five Asean countries, Philippines is expected to have the highest rate of inflation in 1999 (5.5%) and 2000 (6.0%) while Singapore is expected to experience the lowest rate of inflation among the five countries. ***§ Anna Ong***



Source: Derived from Sanwa Economic Letter, January 2000



Source: Derived from Sanwa Economic Letter, January 2000



## Loan Disbursements Indicates Signs of Economic Recovery

Bank Negara Malaysia data showed that loans disbursed by commercial banks and other financial institutions showed signs of economic recovery in Penang. The upward trend was evident since Q3'99 after dipping in the first and second quarters of the year. The amount of loans taken out in the last quarter of 1999 (Q4'99), was RM 26.91 billion and this registered an increase of 2.54 % rise when compared to the first quarter of the year.

This upward trend signifies that businesses are now more confident to take out loans for their enterprises as compared to the early part of the year when there was uncertainty as to whether the recovery in the economy is sustainable. Please see Chart 1 above.

nificant recovery since 1997.

The manufacturing sector loans have made significant recovery since Q1'99 and this upward trend continued into Q3'99 at RM8 billion. However, it fell by 3.38% to RM7.8 billion in the last quarter of 1999. Comparing Q'499 to Q4'98 the drop was only 0.17%. This could indicate that the majority of the loans have already been taken out during Q3'99 resulting in the marked rise. Please see Chart 3.

In general, the moving average (dotted line) for loans to the manufacturing sector shows an upbeat trend which indicates that more businesses are prepared to invest in expansion following the economic recovery.

The trend of borrowing by the resi-

Bank Negara Malaysia data showed that loans disbursed by commercial banks and other financial institutions showed signs of economic recovery in Penang..

**Chart 1: Total Loans Disbursed in Q1'99 to Q4'99 for Penang**

Source: Derived from Bank Negara Data

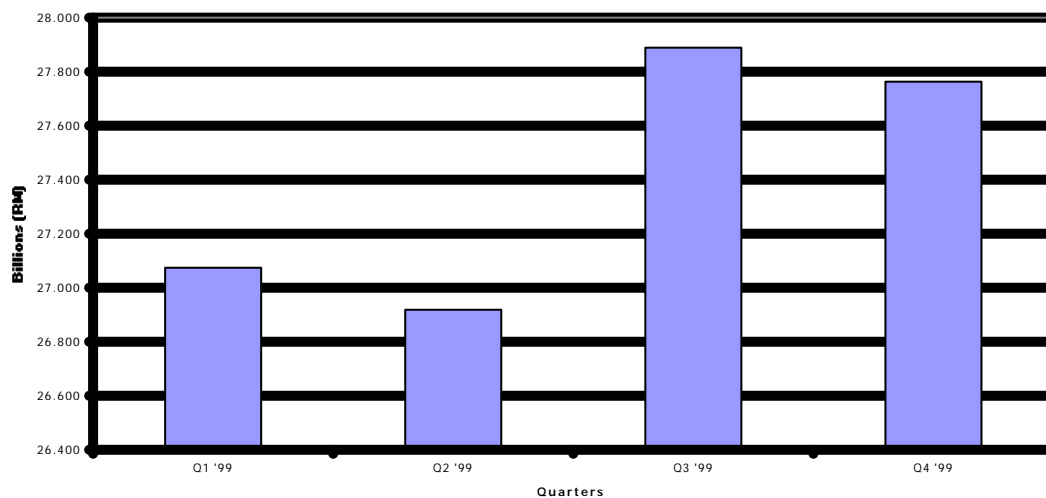
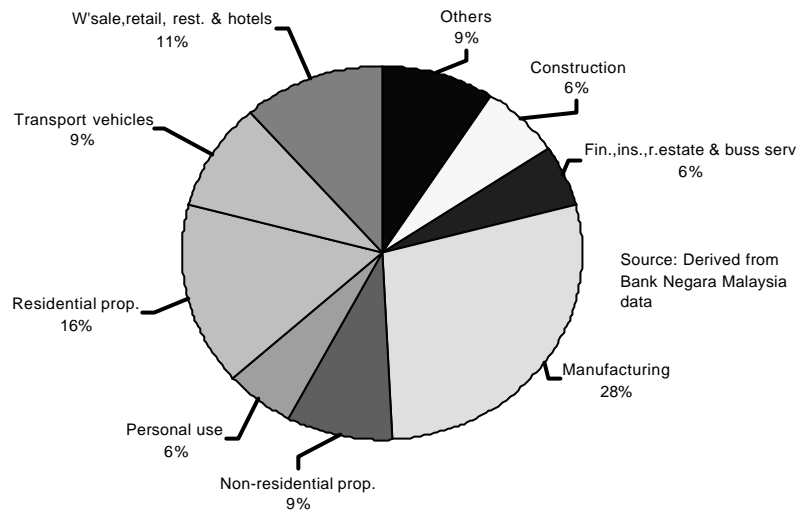


Chart 2 shows that loans to the manufacturing sector constituted the bulk at 28.9% followed by residential properties (16.1%); the wholesale, retail, restaurants and hotels sector, 11.14% and loans to the transport vehicles sector (9.08%). The construction sector registered only 8.96% and has been hovering around this figure for the last few quarters. The construction sector loans have not shown very sig-

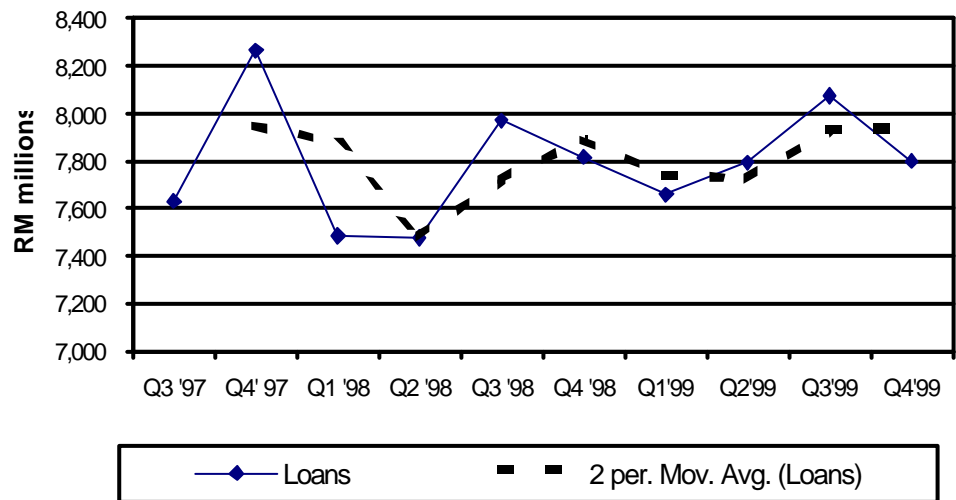
denial property sector continues to rise gradually in response to the recovering economy in Penang. Recent newspaper reports confirmed this upward trend that even the million-ringgit super condominiums were snapped up within a month of their relaunch in January 2000. The loans to the residential sector in Q4'99 rose by 9% when compared to Q4'98. Please refer to Chart 4. *(Continued on page 5)*



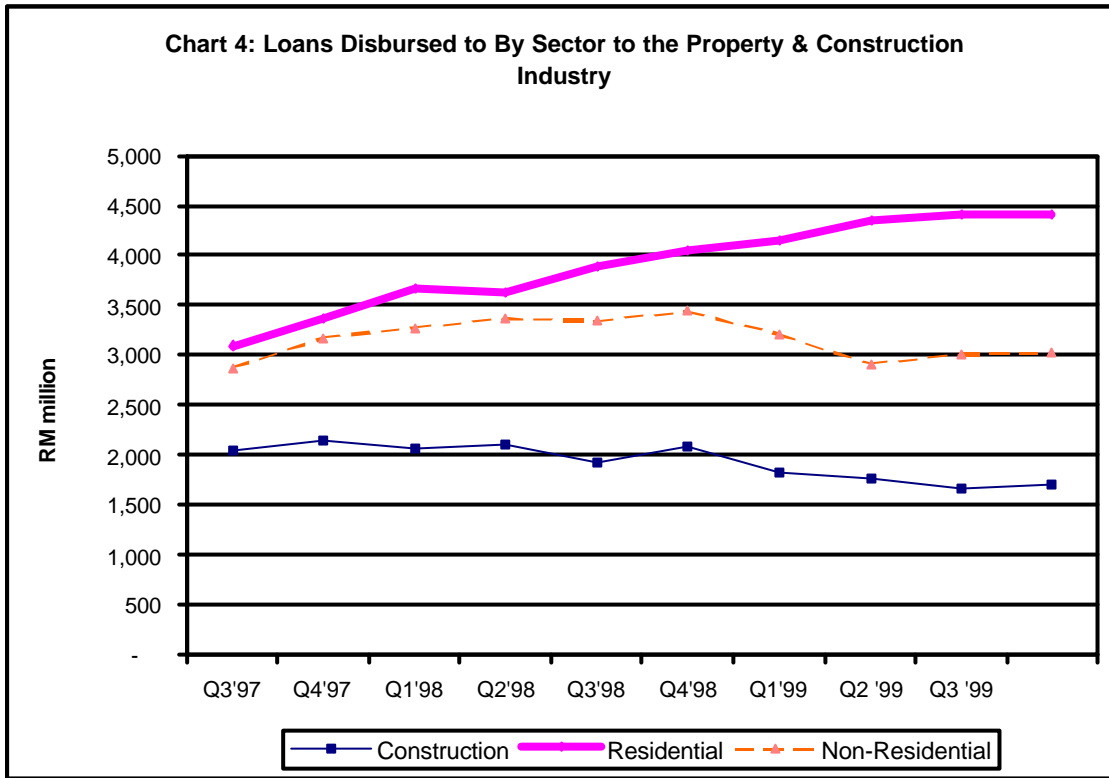
**Chart 2: Composition of Loans Disbursed By Sectors in Penang Q4'99**



**Chart 3: Loans to the Manufacturing Sector in Penang 1997-1999**



This upward trend signifies that businesses are now more confident to take out loans for their enterprises as compared to the early part of the year .....



(Continued from page 3)

However, borrowings in the non-residential property sector were slower to pick up. This may be due to the oversupply of office and commercial spaces on the island and especially in Seberang Perai. Loans to this sector fell sharply by 12% when compared to the same quarter last year.

Loans disbursed to the construction sector continue to slide despite the recovering economy due to slow starts in infrastructure

projects. Compared to the same quarter last year (Q4'98) loans dropped by 18%. *§ Khor Hung Teik*

The trend of borrowing by the residential property sector continues to rise gradually in response to the recovering economy in Penang.

# Performance Of The Global Semiconductor Sector

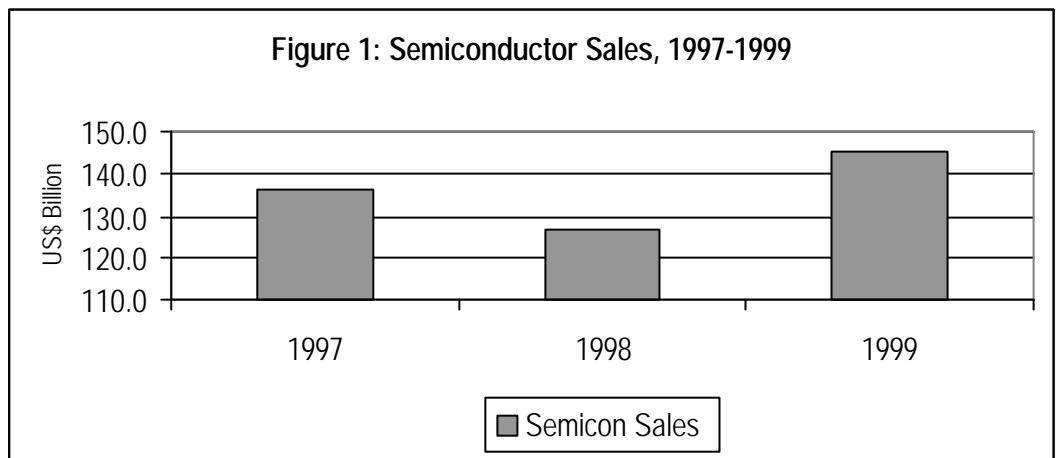
Global semiconductor sales grew 14.3% in 1999 ..... mainly due to the strong demand for communications products as well as personal computers

## Overall Performance

Global semiconductor sales grew 14.3% in 1999 (US\$ 145.4 billion) from US\$ 127.2 billion in 1998. This was mainly due to the strong demand for communications products as well as personal computers (Figure 1).

The increase in sales for communications products namely flash memory, chipsets and DRAM were driven by the high demand for Internet infrastructure, e-commerce as well as wired and wireless communications. As for the computer segment, the high demand for personal computers has resulted in increase in sales of microprocessors as well as DRAM (Table 1).

## Regional Performance



Source: Derived from Semiconductor Industry Association, 1997,1998,1999

Table 1: Sales and % Growth of Selected Semiconductor Products, 1999

Product	Sales (US\$ Billion)	Growth (%)
Microprocessors	27.2	9.8
Flash Memory	4.6	83
DRAM	20.7	48
DSP	4.4	25.7

Source: Derived from Semiconductor Industry Association, February 2000

Figure 2 shows the sales by region (1997-1999), while Table 2 indicates the percentage share and percentage growth of each region in 1999.

The Americas is the largest market by region and represented 32% of the total sales in 1999. Sales in the Americas grew 11.3% in 1999. This is mainly due to the rapid growth of Internet usage as well as the high demand for personal computer that continues to dominate the market.

Asia Pacific is the second largest market (24.7% in 1999) by region. Since the recovery from the economic crisis, Asia Pacific is expected to resume its role as the fastest growing market for semiconductors (23.2% in 1999). The recovering and expanding economies in Asia Pacific, particularly China, are driving the growth in sales of semiconductors.

The third largest market is Japan and it accounted for 20.1% of the total sales in

(Continued on page 7)

Asia Pacific is the second largest market ..... is expected to resume its role as the fastest growing market for semiconductor

(Continued from page 6)

1999. Semiconductor sales in Japan grew 21.9% in 1999.

Europe's sales only grew 4.8% in 1999 and accounted for 21.5% of the total sales. Europe's growth is partly driven by the European unification, which deregulated Europe's telecommunication markets that started a revolution in wireless communications.

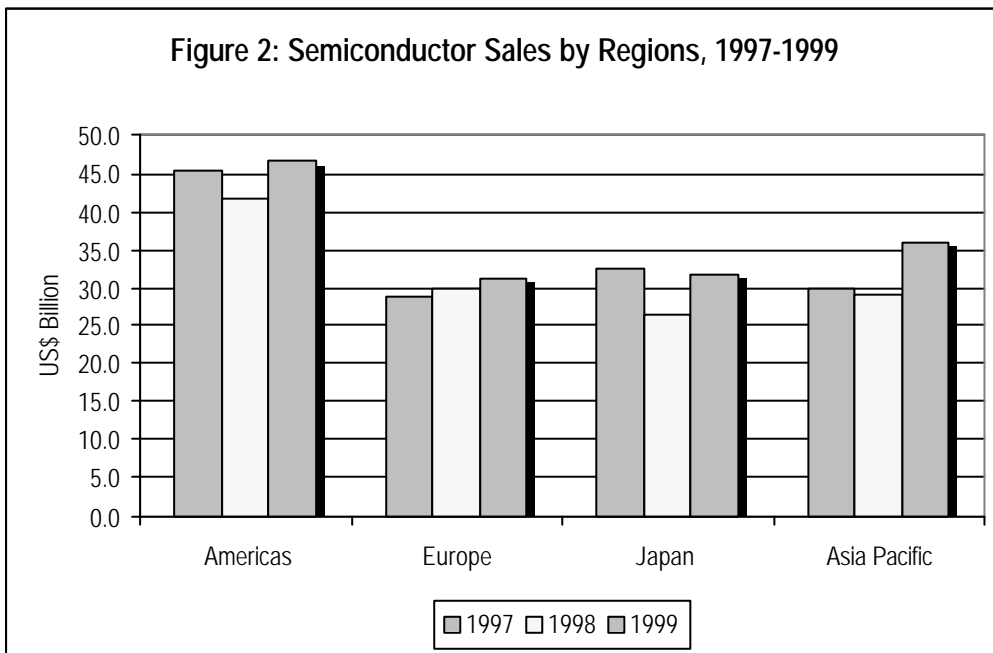
*Future Outlook*

Table 2: Percentage Share and Percentage Growth of Semiconductor Sales by Region, 1999

Regions	Growth (%)	Share (%)
The Americas	11.3	31.9
Europe	4.8	21.5
Japan	20.1	21.9
Asia Pacific	23.2	24.7

Source: Derived from Semiconductor Industry Association, 1997,1998,1999

The recovering and expanding economies in Asia Pacific, ..... are driving the growth in sales of semiconductors.



Source: Derived from Semiconductor Industry Association, 1997,1998,1999

The Semiconductor Industry Association has projected growth of more than 20% in 2000 and 2001. This would be mainly due to the increasing demand for connectivity applications such as cellular phones as well as the Internet. Microprocessors are expected to be the largest product line due to the growth in PC sales. Succinctly, the semiconductor industry in the next couple of years would be driven by the growth in the computer and communications sectors. **§ Anna Ong**

..... the semiconductor industry in the next couple of years would be driven by the growth in the computer and communications sectors.

## Determinants Of Competitiveness: Education & Literacy

..... the UNDP *Human Development Report, 1998* shows that the education indices as well as the literacy rates in Thailand and Philippines are much higher than Malaysia's

Malaysia is considered more developed than its neighbours, namely Thailand and Philippines, which are also its competitors for foreign direct investments. Malaysia, particularly Penang, used to boast of its abundant pool of educated, literate and trainable labour force. However, the UNDP *Human Development Report, 1998* shows that the education indices as well as the literacy rates in Thailand and Philippines are much higher than Malaysia's (please see table below).

On the other hand, Penang's index is higher than Thailand's. This implies that there is high potential for developing Penang's labour force. In addition, the literacy rate of 93.1% in Penang, which is higher than Malaysia's (83.5%) also indicates that the labour force is relatively trainable. However, the literacy rate in Penang is lower than the literacy rates in the Philippines (94.6%) and Thailand (93.8%). Both countries are competing with Penang for foreign direct investments, especially in the electronics industry.

For the past decade, the private sector as well as the State Government of Penang have been emphasising human resource development. Today, skills training and upgrading has become rather prominent in Penang, especially with the expansion of the Penang Skills Development Centre (PSDC) as well as the establishment of private colleges that provide tertiary education to Penang's populace as well as foreign students who reside in Penang.

Despite the efforts on continuing education as well as skills upgrading & enhancement, there is still a gap in the formal education system. Firstly, the syllabus does not actually provide the foundation for the students to meet the challenges of the job markets after graduation. Secondly, the enrolment in the rural areas, especially among certain ethnic groups is still relatively low. As education is one of the major foundations for economic and manufacturing competitiveness, more emphasis is required to encourage greater enrolment in the formal education system, for both the primary & secondary levels. Higher enrolment in schools, at least, would help increase the education index and literacy rate, which are requisites to higher education and skills enhancement. ***§ Anna Ong***

..... education is one of the major foundations for economic and manufacturing competitiveness .....

### *Education Index and Literacy Rate*

	Education Index	Literacy Rate
<b>Penang</b>	<b>0.88(e)</b>	<b>93.1</b>
<b>Malaysia</b>	<b>0.76</b>	<b>83.5</b>
Philippines	0.90	94.6
Thailand	0.81	93.8
China	0.76	81.5
Korea	0.93	98.0

Source: UNDP, Human Development Report 1998

Penang – (e) Education index is estimated using DOS Census (Estimates of gross enrolment is calculated from data on school attendance & population of that particular age group) & 7MP, 7MP

Education index is measured by a combination of adult literacy (two-thirds of weight) and the combined first-, second- and third level gross enrolment ratio (one-third of weight).