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ecics news

enabling businesses to grow

specialists in credit insurance, bonds and guarantees

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This being the inaugural issue of ECICS News, we speak to our Chairman, Mr Lim Hua Min, on how he views the role of ECICS and IFS, and of the future he foresees for them and for Singapore businesses in general.

Trust and protection at all times

From financing to credit protection, ECICS and International Factors (Singapore) Ltd (IFS) are great complements to each other. As our Chairman, Mr Lim Hua Min, describes it, they are like Siamese twins — two entities, yet serving customers in the same economic space.

"The expertise that can be harnessed by them will mutually reinforce their strength, enabling them to deliver a better-value proposition to customers," he said.

Good progress

Since taking the helm at both companies, following their acquisition by the PhillipCapital Group, Mr Lim has seen them progressing as two dynamic companies, continually reformulating themselves to become more relevant to customers, employees and shareholders.

And he believes they are both well-placed to do their jobs well.

ECICS, for example, not only understands the market, but it is also the only credit protection company that is locally-owned and has full operations in Singapore. It is regulated by the Monetary Authority of Singapore, and has the expertise to underwrite credit risks on buyers almost anywhere in the world. "Our indigenous character," Mr Lim said, "enables us to better serve the needs of Singapore companies more efficiently."

"*Enabling Businesses to Grow* has always been ECICS' mission. Whether it's short-term trade credits or guarantees for commercial undertakings, ECICS' policies can be tailored to meet the needs of businesses — and at very competitive rates. The risks covered are comprehensive, from commercial to economic and political, just about any form of threat to a company's credit lifeline."

Responding to changes

Looking ahead, Mr Lim is optimistic about the future for ECICS and for Singapore in general.

"Overall, I am maintaining a positive position … Asia remains a predominant growth area in manufacturing … and Singapore is well positioned geographically to serve the 500 million people in Asean and the two billion people in China and India …

"What is most important is to create a conducive environment for businesses to flourish. If I may quote from Charles Darwin, 'it is not the fittest or strongest that survive, but one who is most responsive to changes'.

"Singapore has, in many ways, established and provided the platform for MNCs to sustain their growth. The next phase should be to encourage local enterprises to flourish here, even on an international dimension."

After all, we cannot ignore the fact that the two key driving forces in future will be globalisation and technology. "These two drivers will create an environment in which trade across borders becomes a common arena," Mr Lim said.

Protecting and supporting at all times

Enabling Businesses to Grow is our vision and mission at ECICS, and we do this by providing our clients with the credit protection they need.

Whether it is for exports or local transactions, goods or services, or bonds and guarantees, ECICS has been specialising in credit protection for 28 years. Operating initially as a government-linked company, we are now wholly privatised and a subsidiary of the publicly-listed International Factors (Singapore) Ltd (IFS).

Privatisation has further sharpened our competitive edge. For instance, we can be more flexible — in areas like waiver of local content requirement — and we can be more proactive in keeping pace with, or moving ahead of, changes in the market or industry.

We are also well supported through strategic alliances and partnerships, including with professional reinsurers like Munich Re.

Our Policies and Bond Support

All of these enable us to remain committed to the service we provide through our programmes covering:

- **Credit Protection** on Domestic Sales, Exports, and Third Country Trade. Risks insured include commercial default as well as non-payment caused by political risks; and
- **Surety Bonds and Guarantee Support** to Singapore companies and branches of foreign companies engaged in constructional works, shipbuilding, property development and infrastructural engineering. These include tender bonds, advance payment bonds, qualifying certificate bonds, deferred payment bonds, performance and maintenance bonds, account payment bonds, customs bonds and security deposit bonds.

With ECICS partnering them in their risk management, companies no longer have to fear credit risks like non-payment by buyers, or of being unable to sell to new buyers or markets because of political or economic risks, or having to provide credit terms of payment. ECICS is there to enable them to grow with confidence.

NEWS & UPDATES

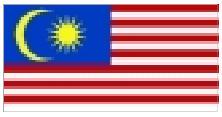
New IT & information system

Clients and policyholders will be able to access on-line and real-time information on their ECICS account any time, any day — once we have completed the integration of our IT and information system. The new system will enable you to check on information such as the status of your policy applications and credit limit approvals. It will also enhance our underwriting and overall efficiency.

Reinsurance from NEXI

Japanese companies located in Singapore can now look forward to greater support from ECICS. On 6 April 2004, we signed a reinsurance agreement with Nippon Export and Investment Insurance (NEXI) of Japan which will boost our overall credit protection to them. The reinsurance from NEXI will help us to extend greater coverage to Japanese companies, in line with our overall mission of "*Enabling Businesses to Grow*".

MALAYSIA



On 31 October 2004, Malaysian Prime Minister Abdullah Badawi completed his first year in office. ECICS' Country Watch looks into some of the challenges ahead as he moves into the second year of his term.

Political outlook

It should be another stable period ahead for Malaysia, despite an increase in political sensitivity following the release of former Malaysian Deputy Premier Anwar Ibrahim in September 2004. The Court, for one, has ruled that Mr Anwar's conviction for corruption will stand and he will, thus, not be eligible for any political election till the year 2008. In the meantime, the violence that erupted in Southern Thailand in early October 2004 should not have any major impact on Malaysia.

Economic performance

Both domestic and external demands are expected to increase in 2005, leading to an overall growth in Malaysian GDP to six per cent for the year. This forecast, however, is dependent on the performance of the electronics sector. Being highly dependent on electronic exports, Malaysia can be highly vulnerable to competition from countries such as China.

Capital transfers

Malaysia has often expressed concern over the adverse effects arising from speculative flows of capital. Should there be any significant threat of a financial crisis, the government is likely to re-impose the capital controls it implemented in the aftermath of the Asian financial crisis in 1997-98.

Currency and exchange

A weak US dollar in 2005 — as forecast by the Economist Intelligence Unit (EIU) — means the Malaysian government is less likely to either devalue the ringgit or de-link it from the US currency. Nonetheless, other factors, such as a revaluation of the Chinese renminbi, could still play a part in Malaysia's abandoning the currency link. Where capital markets are concerned, however, the availability and depth of local financing has certainly improved. Efforts have also been made by the government to reduce the volume of non-performing loans.

Tax Policies

Similarly, little change is expected on the tax front. Foreign and domestic companies are taxed at the same rate, although some subsidies continue to favour domestic businesses over foreign ones. The corporate tax rate of 28 per cent may seem higher than that imposed by some regional competitor countries, but this is offset by the fact that Malaysia does not have a withholding tax on dividend payments. A Goods and Services Tax (GST) system is expected to be in place in 2007, replacing the existing sales and services tax.

Public spending

Apart from measures to further reduce the overall fiscal deficit, Malaysia is also expected to reduce public expenditure in 2005. Government financing will also focus more on smaller projects rather than large-scale ones.

Business implications

With stability expected on all counts, Malaysia remains an attractive market and place to invest in. A study conducted by the World Bank showed Malaysia as one of eight East Asian economies in the top quartile of 145 countries that provides the greatest ease in doing business. The other Asian economies are: Hong Kong, Japan, New Zealand, Singapore, Taiwan and Thailand.

Private property rights are generally well protected. Although special tariffs are used to protect some sectors of the economy (such as the automotive sector), these are being reduced as Malaysia prepares to meet the targets set by the ASEAN Free Trade Area (AFTA).

Malaysia is also Singapore's top trading partner, and remains very open to foreign investment, especially value-added investments. In fact, the Badawi regime has shown its readiness to even accept greater foreign investment in government-linked companies (GLCs). Efforts are being made to relax foreign ownership limits in the stockbroking sector. The Malaysian government will also allow 100-per cent foreign ownership on venture companies.

Much of the emphasis continues to be on export-oriented manufacturing and capital-intensive and high-technology industries. Electrical equipment, electronics, oil and gas, biotechnology and chemicals are among the highly favoured sectors. Electronics, in particular, is a top priority, with the Multimedia Super Corridor, located in the south of Kuala Lumpur and its southern suburbs, being used to attract foreign electronics operations to Malaysia.

Malaysian Prime Minister Abdullah Badawi: The Badawi regime has shown its readiness to even accept greater foreign investment in government-linked companies.

[industry watch]

SEMICONDUCTORS

Soaring demand made 2004 one of the best years ever in the history of the semiconductor industry. Total sales are estimated by the World Semiconductor Trade Statistics (WSTS) to have been comparable to, if not better than, the US$204 billion achieved in the previous record year 2000.

From memory chips and image sensors used in digital still cameras and cell phones, to application-specific chips in handsets and cars, the industry was spurred by rising demand everywhere. Strong global growth was reported in all three major end-use sectors: Consumer, Communications and Computers.

However, it is a rosy picture that may not last. Negative omens, as we enter 2005, show that revenues may fall in the year ahead. According to WSTS, the semiconductor industry grew by an estimated 28.5 per cent to 31.5 per cent this year, but a decline to 5.5 to 8.5 per cent can be expected in 2005.

Slowing demand

While the projected slide in the global economy and rising oil prices are factors precipitating the fall, the key reasons still lie in the growing levels of inventories and slowing demand.

Forecasts by the Semico Research Group suggest that the silicon foundry business may already be experiencing an over-capacity and slowdown in consumer PC purchases, which account for a major share of semiconductor sales.

On the demand side, slower-than-expected consumer demand for high-priced digital electronic products, such as flat-panel television sets and DVD recorders, has prompted consumer electronic makers to start trimming their inventories. At the same time, cell-phone growth is coming down, along with a slowing PC cycle. All of these lead to sluggish orders for microchips.

Excess capacity

On the supply side, manufacturing capacity is hitting excess levels. Twelve new foundries will commence production in 2005; another eight have also been announced, and substantial 200mm capacity is coming on-stream in China. This enormous boost in capacity will put pressure on prices, and observers say the excess amount will probably persist until consumer demand picks up in 2006.

Some of those involved in the industry are already revising their sales figures for 2005.

Advantest Corp. of Japan, the world's largest maker of chip-testing equipment, cut its full-year order forecast by 10 per cent as microchip makers trimmed inventories and held back fresh investment.

Major contract chip makers — Taiwan Semiconductor Manufacturing Co. Ltd and United Microelectronics Corp. — reported bumper quarterly profits, but foresee weak outlook as electronics sales slow.

With semiconductors often seen as a leading indicator of the global economy, its weakening performance will affect the pace of economic growth, especially in Asia which is not only a leading producer of electronic equipment but also a significant consumer.

feedback

This is our first issue of **ECICS News** and we'd love to hear from you. Send us your feedback on what you'd like us to include in future issues.

For a start, we have also included a special two-page pull-out on our products and services which you can refer to at any time. For marketing enquiries, e-mail us at ecics@ecics.com.sg

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