



by Behrooz Lotfian

# The Current Trend in Malaysia Fastener Industry

## Malaysian Market

It seems that Malaysia fastener market is a trustable and low risk market because of following evidence:

- A- Malaysian people - buying 500,000 cars annually- have created the best and biggest market for automobile industry in Southeast Asia. For this reason nowadays, six motor vehicle producers work in Malaysia:

Perusahaan Otomobil Nasional Bhd (Proton)  
 Perusahaan Otomobil Kedua Nasional (Perodua)  
 Industri Otomotif Komersial (Inokom)  
 Malaysian Truck and Bus (MTB)  
 Naza Automotive Manufacturing Sdn. Bhd. (Naza)  
 Honda (M) Sdn. Bhd.

Based on Malaysia Industrial Development Authority (MIDA) statistics of year 2010, the total production (producing and assembling) capacity for all types of automobile (Cars, Trucks, Buses, etc.) is 963,300 units annually, and 46,994 employees work in this sector.

If we supposed that a typical car needs 1,530 pieces of fastener; therefore, we can estimate that the Malaysia fastener market size in the automobile industry is about 1.5 billion pieces, and the share of automotive industry is 13% of whole fastener consumption; hence, we can predict that 12 billion pieces of fastener is used in Malaysia<sup>1</sup>.

## Introduction

Malaysia is located in the economic crossroads of Southeast Asia; hence, development happens constantly and fast in this country. Although Malaysia economy was depended on agriculture in the previous decades, they have now become a very important economy in Southeast Asia region. They are reputed on using high technology, observing the foreign capitals in the industries. Based on "Global Enabling trade report 2010," Malaysia is the 21<sup>st</sup> exporter and 30<sup>th</sup> trading country in the worldwide.

One of the economic growth measurement pillars for countries that have automobile manufacturing industry is fluctuation of car producing (The economist 2009). On the other hand, one of the main industries that use different kind of fasteners like bolts, screws, nuts, rivets, clips, etc. is automotive industry. Although we do not have very clear statistics about the fastener usage in Malaysia (The statistics published is based on the iron and steel products subject and it did not include details), we can predict the situation of fastener is based on their automobile market.

- B- According to statistics of OICA during 2011 and the beginning of 2012, the car manufacturing was dropped about 4.9% in Malaysia but two following phenomena help the fastener market and increase this market in Malaysia.
  - a. The Europe manufacturing index has dropped in the beginning of 2012 based on market economic report, the demand of the fasteners and valves has increased in this region. Based on the MCIlyaine Company's research report, the demand of industrial valves and fasteners is expected to rise from USD44 billion in 2012 to USD52 billion in 2015, and the Asian market growth is 50%. One of the Cleveland-based Freedonia market research reports proves this claim; this report investigated those Asian countries such as China, Indonesia, Thailand, Malaysia and India as key markets whose demand for industrial valves and fasteners is expected to grow annually by 8.5% from a market size of about USD58 billion this year to USD80.5 billion in 2014. As a very

<sup>1</sup> So many industries consume fasteners like automobiles, aircraft, appliances, agricultural machinery and equipment, and the construction of commercial buildings and infrastructure. Based on [www.industrial-fasteners.org](http://www.industrial-fasteners.org) statistics (2005) more than 200 billion fasteners are consumed annually in the U.S. - 26 billion by the auto industry alone so fasteners that are used in the automotive industry is about 13% of the whole fastener usage.

According to statistics of Bureau of Economic Analysis, DB Research about 17 million cars were produced in the USA so we can calculate 1,530 fasteners use in a car.

clear example, Chinwell Holdings Bhd (Malaysian manufacturer) is increasing its output this year to over 48,000 tonnes (MT) from 36,000 MT last year to meet rising demand from Europe.

- b. Because of European anti-dumping law, Chinese fastener producers have to ship their production; hence, some local and foreign manufacturing companies are providing re-packing services for China-made fasteners and shipping them out with their generalised system of preferences (GSP) and made-in-Malaysia certificate of origin documents which enable them to enter Europe with respective duties of 1.2% and 3.7%. The profit to be obtained from such re-packing and shipping services is high, about 7% of the invoice for each shipment of container.

## Last Word

Although Malaysian market is a big market and the gate to the world for the Southeast Asia countries and the fastener market in this region is increase constantly, according to my experiences in working with Taiwanese companies, it seems that most Taiwanese fastener producers do not have a good feeling about Malaysia market because of Chinese production in this market. However, I believe that this idea is not correct and Taiwanese producers can have a lot of strengths which can help them to be successful in Malaysia market. Some strengths are as below:

1. Malaysia fastener industry thinks that Made in Taiwan is the best quality.
2. Malaysia fastener industry believes Taiwanese know how in compare with Chinese know how.

3. Malaysian government support the foreign investment specially the new ideas, that Taiwanese factories are much better than Chinese factories.

### References:

1. <http://www.investpenang.gov.my>
2. [www.industrial-fasteners.org](http://www.industrial-fasteners.org)
3. Malaysian-German Chamber of Commerce & Industry, Market Watch 2011 – The Automotive Sector <http://oica.net/category/production-statistics/>



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