Auto and Its Parts Market in ASEAN

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Table 1 shows the production and sales status of auto and its parts in ASEAN. This article briefly compiles the data of the number of auto parts makers, vehicle ownership rate and auto parts industry development and demand characteristics.

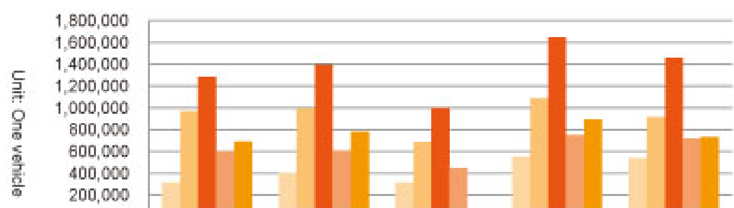
Auto and Its Parts Market in Thailand

Table 2 displays the production planning of major auto makers in Thailand. Thailand is the important production base of Japanese auto makers in Asia and is also the major auto export country in ASEAN. **Chart 1** shows the analysis of auto production and sales in Thailand. In 2011, the auto output was 1.458 million units in Thailand. The passenger vehicle output was 537,000 units. The output of passenger vehicles of 1.2-1.5 liter (including green vehicles) was driven by the increasing output of the Nissan March; however, the output of passenger vehicles of 1.8 liter slowed down. The output of pickup cars which have the high purchase rate in Thailand reduced to 805,000 units. The output of most mid-size to full-size trucks also decreased. Above status reflected the impact of Thailand floods on the supply chain of parts. After 2015, the auto production of Thailand may fall into a long-term bottleneck. The reasons include: wage is estimated to grow, labor force is insufficient, and domestic demand fails to expand. It is estimated that the development focus of Thailand auto industry would tremendously shift to the enhancement of efficiency and the development of value-added product in 2020.

Driven by output growth of new cars, Thailand auto market exhibits an expanding trend. Since 2010, the sales launch of green vehicle has stimulated the demand for small cars. The passenger vehicle market has grown by 45-48% and is estimated to gradually expand. After 2012, pickup cars which account for nearly half of the total auto demand volume, will be completely redesigned. Thus, the market share of the passenger vehicle may show a short-term decrease. In the long-term, with the growth of the auto penetration rate, green vehicles are expected to become the second family cars. Additionally, ownership expansion growth of the consumer group from the middle level, product range expansion of the passenger vehicle and diverse demands will become the causes for the expansion of Thailand auto market.

Currently the demand for passenger vehicles in Thailand focuses on saloons under 1.5 liter, such as Toyota Yaris,

Chart 1. Analysis of Auto Production and Sales in Thailand



	2007	2008	2009	2010	2011
Passenger Vehicle Output	315,444	401,309	313,442	554,387	537,987
Commercial Vehicle Output	971,902	992,433	685,936	1,090,917	919,808
Total Auto Output	1,287,346	1,393,742	999,378	1,645,304	1,457,793
Domestic Auto Sales Volume	598,254	610,030	447,318	750,614	723,845
Auto Export Volume	689,092	783,712	552	894,690	733,950

Sources: FOURIN (2012/04) and IEK, ITRI (2012/07)

Table 1. Production and Sales Status of Auto and Its Parts in ASEAN

Country	(Auto Parts Association) Number of Makers	Auto Possessive Rate in 2010 (Auto market in 2011)	Development and Demand Characteristics of Auto and Its Parts Industry
Thailand	TAPMA1,700 (OEM700+ AM1,000)	151.8 vehicles/1,000 persons (794,000 vehicles)	Thailand auto and its parts industry mainly promotes the pickup type and develops toward Eco-car. Auto is the fifth largest export product. Thailand auto export ranks first in ASEAN and third in Asia, only next to Japan and Korea. Cars made in Thailand are exported to the UK, Canada and Australia. Thailand not only becomes the largest auto parts assembly base in Southeast Asia but also becomes one of the top ten auto manufacturing countries. There are 16 auto assembly plants and 1,800 parts manufacturing plants in Thailand. The industry development focuses on the pickup type whose output ranks second in the world.
Indonesia	270(Japanese car 100)	75.3 vehicles/1,000 persons (894,000 vehicles)	Indonesia is the largest auto market in Southeast Asia. Demand for AUV (Asian Utility Vehicle) is strong. AM accounts for 2/3 of the total parts. There is no 100% OEM maker.
Malaysia	350	342.4 vehicles/1,000 persons (600,000 vehicles)	The economy car is the development focus, such as Proton and Perodua.
Vietnam	VAMA (160)	3.4 vehicles/1,000 persons (110,000 vehicles)	The main auto industry clusters in Vietnam are located in TRA NOC industrial park in Can Tho, Ho Chi Minh industry cluster, and Thanh Hoa assembly base. Vietnam is one of the most expensive countries in terms of the auto price worldwide. Its price is three times of that of the US, two times of that of developing countries and 1.5 times of that of Southeast Asia. The main reason is that the government implements the highly protective policy and high tariff. High technical parts required by the auto assembly in Vietnam (engines, transmissions, clutches, etc.) are imported from abroad. The domestic makers are only of tires, compartments, cushions and lights and their quality cannot be trusted.
The Philippines	MVPMAP (256) 101(tier1&2)	33.2 vehicles/1,000 persons (141,000 vehicles)	The pre-owned car takes the majority share that hinders the demand for vehicles. Therefore, auto parts development is rather weak. The Philippines develops PhUV (Philippine Utility Vehicle).

Sources: FOURIN (2012/03) and IEK, ITRI (2012/07)

Table 2. Production Trend of Main Auto Makers in Thailand

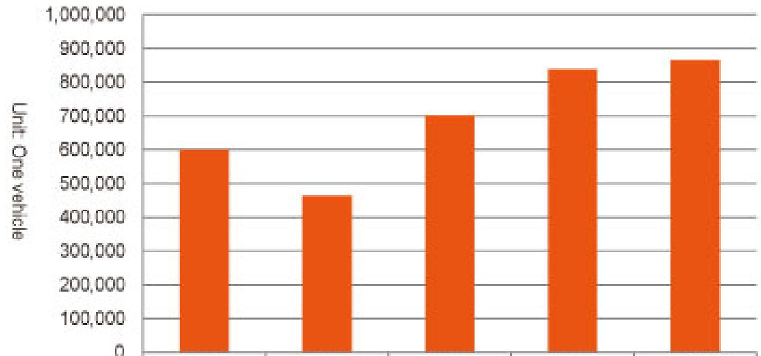
Auto Maker	Vehicle Type	Production Planning
Toyota	Small Low	After 2013, Toyota will produce the small low type, similar to Yaris.
Honda	Brio	In May 2011, Honda started to sell Brio equipped with the engine of 1.2 liter. In addition, Honda plans to purchase 95% of the components and parts locally. The production base is Ayutthaya plant. Honda intends to position Brio as the special type for Asia and plans to sell to ASEAN.
	Small Saloon	Honda plans to produce Brio saloon before 2013.
Nissan	Almera	In October 2011, Nissan started to sell Almera saloon equipped with the petrol engine of 1.2 liter. Almera is a 5-speed manual transmission car with continuously variable transmission (CVT) to satisfy the demand of the green vehicle policy in Thailand.
Mitsubishi	Global Small	In March 2012, Mitsubishi plans to produce Mirage hatchback small car equipped with the petrol engine of 1.2 liter and adopts green vehicle corresponding design. Mitsubishi positions the small car as its world car strategy. Mitsubishi sells small cars to the rest Asian countries except Thailand.
	Small Saloon	Mitsubishi plans to produce the small saloon in 2013.
Suzuki	Swift	Suzuki plans to produce new Swift and adopts green vehicle corresponding design in March 2012.
General Motor	Spark	General Motor plans to produce Chevrolet Spark in 2012.

Sources: FOURIN (2012/03) and IEK, ITRI (2012/07)

Honda City, etc. However, small passenger vehicles which satisfy the government's green vehicle policy continuously enter the market so green vehicles had become the main force to promote the passenger vehicle market after 2010.

In 2011, investment items approved by The Board of Investment of Thailand (BOI) included 140 items related to auto production operation, and the total investment was about 60 billion Baht, up 100% over 2010. Green vehicles and small passenger vehicles were successively introduced to the market. Various auto parts makers expedited their investment and increased production in Thailand. Most investments came from the risk diversification ones due to the appreciation of Japanese Yen and the Great East Japan Earthquake in 2011. For example, Japan Jatco invested 9 billion Baht to produce continuously variable transmission

Chart 2. Forecast of Indonesian Auto Production



	2008	2009	2010	2011	2012 (f)
Auto Output	600,628	464,816	702,508	837,948	865,400

Sources: FOURIN (2012/03) and IEK, ITRI (2012/07)

(CVT). Mitsubishi is setting up the production system to manufacture global small cars and produce engines for green vehicles. H-one invested 1.25 billion Baht to set up a new plant for manufacturing components and parts for green vehicles. Jibuhin made an investment of 290 million Baht to enhance production capacity of propeller shafts. Japanese auto makers have actively mapped out the production of green vehicles and parts of small passenger vehicles.

To reduce the risk of centralized production in China, Clarion announced to set up a new plant in Thailand in February 2011, planning to invest 1.36 billion Baht to produce auto stereos and navigation systems and positioning Thailand as the export base to India and Europe. NTN set Thailand as its supply base of auto parts for ASEAN and India. Additionally, Autoliv expected to invest 520 million Baht to set up the second plant for airbags.

Auto and Its Parts Market in Indonesia

Chart 2 shows the auto production forecast in Indonesia. In 2011, the auto output totaled 837,000 units in Indonesia while the CBU exports amounted to 108,000 units. As auto makers have constantly enhanced their production systems, planned to increase the production capacity of 600,000 units from 2011 to 2014 and reach the auto capacity goal of about 1.43 million units by 2013. Major auto makers have successively planned to produce cheap small cars since 2012. By 2013, Toyota will be equipped with the production capacity of 600,000 units. Daihatsu is the largest auto supplier in Indonesia and its subsidiary, Astra Daihatsu Motor (ADM) not only increased its annual production in Sunter plant from 230,000 units to 330,000 units in the first half of 2011 but also will produce new small cars of 0.8~1.0 liter in the new plant. Krama Yudha Ratus Motor (Mitsubishi and Mitsubishi Fuso) produced 115,000 units and Suzuki Indomobil Motor produced 106,000 units. With a population of 240 million, Indonesia has the largest population in ASEAN. To expand the mid and long term auto market, VW and Geely Automobile have already begun to produce cars in Indonesia since 2011 to proactively manage the auto market.

In 2011, the Indonesian auto sales volume grew by 16.9% over 2010, reaching 894,000 units, and exceeded that of Thailand to become the largest auto market in ASEAN. Because of the economic development, most vehicle types showed growing sales. Affected by Thailand floods, sales volume of saloons imported from Thailand exhibited a decline. Toyota suffered a sales drop but Mitsubishi, Nissan and Ford all demonstrated slight growth. In 2011, the sales volume of Toyota increased 10.7% over 2010, reaching 311,000 units and its CBU export volume was 108,000 units. The Indonesian auto market was estimated to be 930,000~950,000 units by 2012. Toyota planned to adjust its market share to 36% (about 330,000~340,000 units). In addition, Daihatsu sold 140,000 units. Mitsubishi grew 26.2% in 2011 over 2010, reaching 134,000 units.

Indonesian auto parts makers successively launched the production growth plans due to the implementation of the low cost green car (LCGC) policy whose production scale at least reaches 200,000 units. As a result, the opportunities for auto parts makers to set up plants in Indonesia are increasing. Owing to the appreciation of Japanese Yen and Thailand Floods, Japanese enterprises have actively set up plants overseas. Thailand and Indonesia become the top choices for Japanese enterprises to make investments. How to increase local production and to expand production of green vehicles become the important issues.

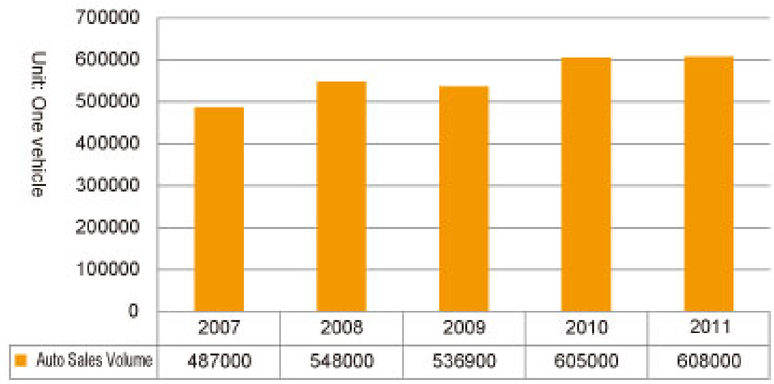
Auto and Its Parts Market in Malaysia

The auto production In Malaysia totaled 534,000 units in 2011. The auto and its parts industry were affected by both the Great East Japan Earthquake and Thailand Floods. In 2011, the situations of auto production for each auto maker were as follows: the output of Perodua, merged by Daihatsu, decreased to 192,000 units; both Viva and Alza showed declines; Myvi launched new vehicle type in May 2011 and generated sales of 87,000 units; sales volume of Proton was 166,000 units; deeply influenced by Thailand Floods, Honda produced 23,000 units only.

Since the Malaysian government implemented the revised National Action Plan (NAP) in 2010 that auto makers were allowed to produce passenger vehicles over 1.8 liter and pickup commercial vehicles. VW therefore began to produce Passat in Malaysia. Right after Indonesia, Malaysia is the second country to conduct auto assembly in ASEAN. Japanese auto makers thus are actively engaged in the auto assembly sector.

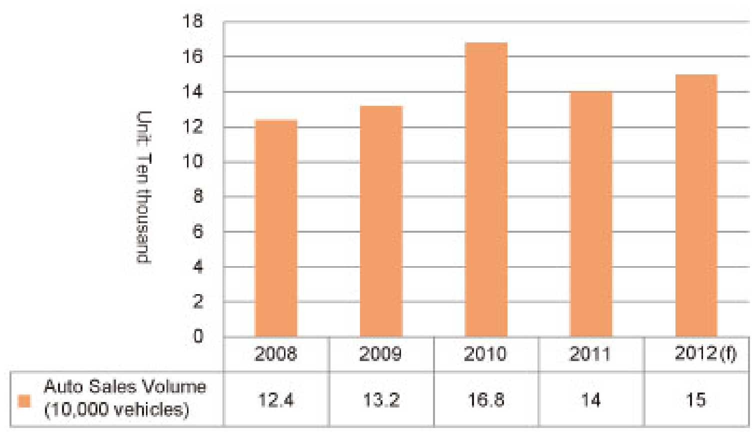
Chart 3 illustrates the analysis of the Malaysian auto market. Malaysian auto sales volume in 2011 exceeded 600,000 units. Regarding the outlook for 2012, though European debt crisis still exists, service industry, accounting for 60% of Malaysian GDP, will continuously develop and probably maintain a stable economic growth. As a result, auto market will present a growth in 2012.

Chart 3. Auto Sales Volume in Malaysia



Sources: FOURIN (2012/01) and IEK, ITRI (2012/07)

Chart 4. Auto Sales Volume in the Philippines



Sources: FOURIN (2012/01) and IEK, ITRI (2012/07)

Malaysian Automotive Association (MAA) estimates that the auto market will exhibit a growth of 1.5% for 2012 over 2011 while the sales volume will be about 617,000 units. In June 2011, Perodua launched the sales of Myvi equipped with the engine of 1.3 liter. Proton sold new Saga of 1.3 liter with continuously variable transmission (CVT). Perodua started to sell new Myvi equipped with the engine of 1.5 liter in September 2011. The economy car maker Proton plans to produce Persona in 2012. The sales of VW and Mitsubishi's locally assembled cars are launched. The above production plans will facilitate a brisk market demand for auto industry. In 2010, the number of hybrid vehicles, classified as green vehicles, was less than 3,000 units in Malaysia, yet it increased to 6,000 units in 2011. To encourage the introduction of green vehicles into the consuming market, the government will exempt the import tariff and commodity tariff of green vehicles (hybrid vehicles and electric vehicles). Additionally, the tariff free measure will last until the end of 2013.

Auto and Its parts Market in the Philippines

Chart 4 indicates the auto sales volume in the Philippines. Since Korean Hyundai Motor and General Motor withdrew from Chamber of Automotive Manufacturers of the Philippines, Inc., (CAMPI) at the end of 2010 plus the impact of Great East Japan Earthquake and Thailand Floods, the auto sales volume in the Philippines totaled 141,000 units in 2011. For 2012, the auto sales volume would increase to 150,000 units as the domestic amount of money remitted from the foreign labor of the Philippines increases and Vios and Camry of Toyota, Honda CRV, Nissan Tida and Focus and Everest of Ford launch new models into the market.

The Philippine Automotive Competitiveness Council Inc. (PACCI) reported that the export value of auto assembly and auto parts reached USD3.1 billion in 2010. Additionally, statistics of the Motor Vehicle Parts Manufacturers Association of the Philippines (MVPMAP) showed that the auto parts export value experienced a growth of 20% in 2010 over 2009. PACCI indicated members of MVPMAP export wire harness, sensors, car dashboards, aluminum alloy wheel hubs, tires, ABS modules and semiconductor assemblies including batteries, forgings, stampings and castings in large quantity. MVPMAP members account for about 80% of the total output value for auto parts industry. In December 2011, Toyota Prius and Mercedes Benz S400. Were the companies which virtually introduced hybrid cars (green vehicles) into the Philippines market. In October 2011, the Philippines government granted tax reduction with certain duration for the import, production and assembly as the government intended to promote the penetration rate of hybrid cars and electric vehicles. Regulation was passed that KD parts for green vehicles produced in the Philippines will enjoy commodity tariff free for nine years. The government also approved value-added tax free for the import and sales of green vehicle raw materials and parts for nine years. Additionally, the government granted commodity tax reduction of green CBU cars for four years.

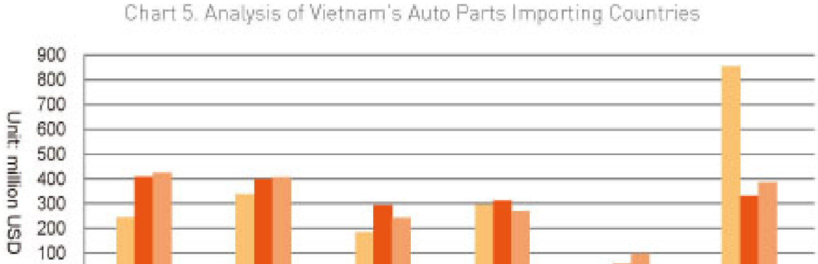
Auto and Its Parts Market in Vietnam

For 2011, the sales volume of locally made assembled cars was about 110,000 vehicles in Vietnam. Though Vietnam maintained a growth rate of 5~6%, the currency depreciation and nearly an inflation rate of nearly 20% resulted in an unstable economy. In addition, the Great East Japan Earthquake and Thailand Floods made the situation worse so the auto sales volume maintained at the same level of 2010. Since the inflation still exists and Vietnamese Dong continuously depreciates, the auto sales volume is estimated to maintain at 110,000 ~120,000 units in 2012.

In February 2011, owing to the currency depreciation by 9.3%, the purchasing cost of auto parts (mainly import-oriented) increased in Vietnam. In addition, the interest rate was raised. The above factors led to the growth of auto prices. Furthermore, because the Vietnamese government increased the license plate fees for full size passenger vehicles and the production reducation due to Great East Japan Earthquake and Thailand Floods, the domestic market slowed down.

Auto sales in Vietnam are focused on Japanese vehicles. As one of the countries in the ASEAN Trade in Goods Agreement (ATGA), Vietnam will decrease the import tariff of most passenger vehicles from ASEAN by 70%, 60% and 50% respectively for 2012, 2013 and 2014. Since January 2012, Vietnam has decreased the auto import tariff from 83% to 70%. Meanwhile, Vietnam decreased the import tariff of parts for passenger vehicles (below nine seats) from 19% to 18%. The reduction of the import tariff possibly cuts down the auto selling prices.

Chart 5. Analysis of Vietnam's Auto Parts Importing Countries



	Thailand	Japan	Korea	China	Holland	Others
2008	240.7	337.5	188.2	294.8		856.9
2009	406	395	287.5	314.4	56.5	343.3
2010	425.2	400	242	285.1	97.7	383.5

Sources: FOURIN (2012/01) and IEK, ITRI (2012/07)

Vietnamese auto parts industry is still exploring the development strategy. For the past few years, the advantages of Vietnam such as the cheap labor force and active development of auto parts industry enlarge the export investment. However, the auto domestic market is restricted, auto assembly industry and related industries suffer stagnation, and the local supply chain of auto parts is incomplete. As a result, the localization rate fails to exceed 50%. Most demands for auto parts still rely on import. **Chart 5** shows the auto parts importing countries of Vietnam. The auto parts are mainly supplied by Thailand, Japan and Korea. In 2010, Thailand supplied Vietnam with the auto parts volume worth of USD420 million.

Auto parts industry indicates that supply chain investment experiences a slow progress. How to ensure the competitiveness of Vietnamese auto industry is the current important issue. ASEAN Free Trade Area (AFTA) plants to abolish the import tariff of passenger vehicles among ASEAN from 2018. By then, imported autos and auto parts from Thailand will expedite the decline of auto industry in Vietnam. As a result, Vietnam intends to develop the strategic car type, auto industry and peripheral industries of auto parts that serve as a package measure for foreign OEM suppliers. The Vietnamese government will actively attract foreign investment as the development direction of auto industry for 2020.