ASEAN Fastener Trade with the World in H1 2014

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Thailand and Malaysia Market in H1 2014

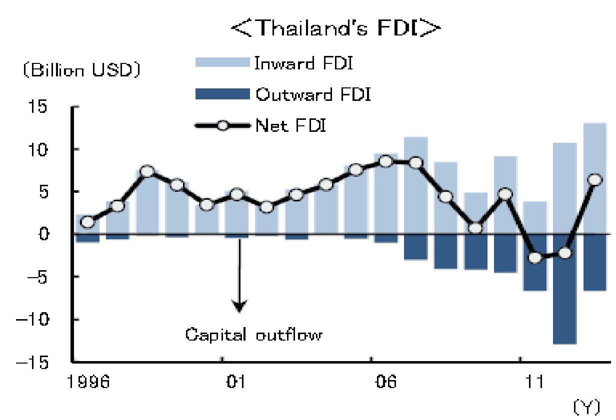
Thailand and Malaysia are both working hard to promote the internationalization of mainly local large firms.

In recent years Thailand and Malaysia's net capital outflows and inflows, combining inward and outward direct investments, have begun to change drastically, as a result of the increases in outward direct investment. Thailand converted to an outflow excess (where outward direct investments are greater than inward direct investments) in 2011 and 2012, and Malaysia has consistently been in an outflow excess condition since 2007. Though the investment balances of both countries, which represent the cumulative total of investments to date, still show inward direct investments as greater than outward direct investments, these countries are gradually shifting from being host countries to investor countries. In terms of investment destinations, for both Thailand and Malaysia, ASEAN nations account for a very high share. While both nations have many investments in Singapore, their investment portfolios for ASEAN are quite different in other respects. Thailand had many large scale investments in Myanmar in the period from 2008 to 2009, while Malaysia invested similarly in Indonesia in 2008. Further, in terms of target industry sectors, investments in non-manufacturing, particularly mining and financial intermediation services, account for the vast majority of investments in both countries. Also, M&A have had a significant impact on the scale of direct outward investment in both countries in recent years, and in Thailand this has become a major contributory factor in the rapid increase in the transaction amount per investment.

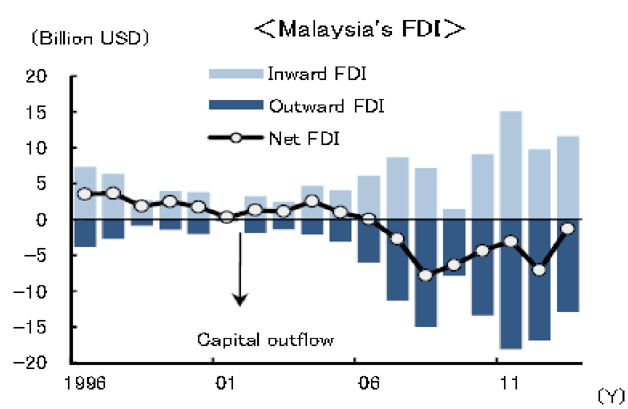
Thailand Fastener Market in H1 2014

Exported fasteners from Thailand to other countries were over 280 million USD in the 1st half of 2014. The main partners of Thailand in this case were:

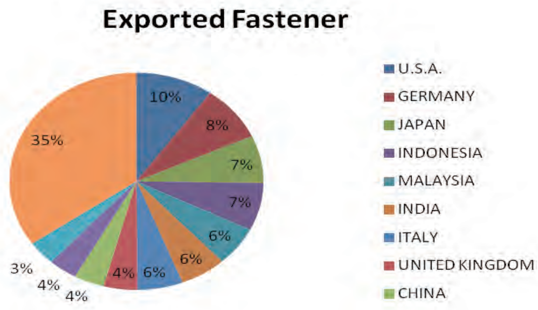
No.	Country	Jan. - Jul. 2014	
		Value	% Share
	WORLD	283,379,485	100.00
1	U.S.A.	27,980,127	9.87
2	GERMANY	23,474,816	8.28
3	JAPAN	20,112,054	7.10
4	INDONESIA	20,025,323	7.07
5	MALAYSIA	16,703,589	5.89
6	INDIA	16,698,067	5.89
7	ITALY	16,346,548	5.77
8	UNITED KINGDOM	12,229,594	4.32
9	CHINA	10,941,089	3.86
10	VIETNAM	10,357,797	3.66
11	SOUTH AFRICA	10,199,296	3.60
12	OTHERS	98,311,184	35



Source: UNCTAD *World Investment Report 2013 Annex Tables*, Bank of Thailand
Note: Data after 2011 are Bank of Thailand's data



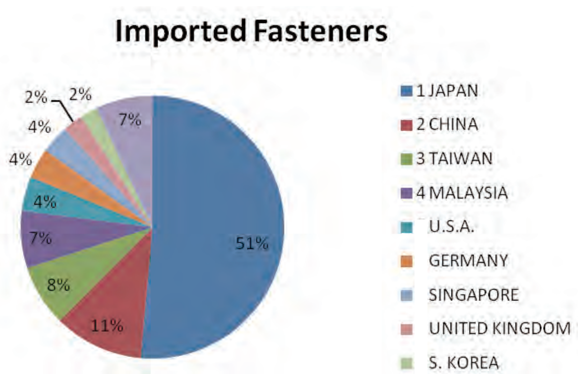
Source: UNCTAD *World Investment Report 2013 Annex Tables*, Bank Negara Malaysia
Note: Data after 2011 are Bank Negara Malaysia's data



No.		Value	% Share
WORLD		545,453,371	100.00
1	JAPAN	279,099,353	51.17
2	CHINA	59,991,390	11.00
3	TAIWAN	40,707,569	7.46
4	MALAYSIA	38,010,832	6.97
5	U.S.A.	22,971,707	4.21
6	GERMANY	20,001,519	3.67
7	SINGAPORE	18,990,990	3.48
8	UNITED KINGDOM	13,321,886	2.44
9	S. KOREA	11,462,917	2.10
10	OTHERS	40,895,209	7.00

The table above shows that Thai fastener producers have strong distribution channels.

In terms of imported fasteners to Thailand, the story is different. Imported fastener users have selected their partners of few countries. 93% of Thailand's imported fasteners were shipped from 9 countries, 6 of which were in the ASEAN region and East of Asia countries, and just 3 of which were European exporters.



Malaysia Fastener Market in H1 2014

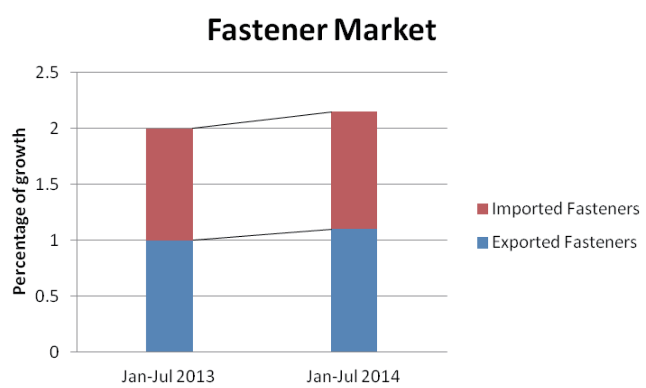
Malaysia's fastener market has gone from strength to strength recently, driven by external demand since last year. In addition to strong exports to China, ASEAN fasteners recovery among the industrialized nations, and the depreciation of ringgit against the dollar and euro accelerating growth of exports to Europe and the US, the overall exports increase their resilience even further.

Along with increased exports, trade and service account surpluses have grown, and this has led to an expansion in the current account surplus for three consecutive quarters, from the July to September quarter, 2013.

The imported fasteners to Malaysia increased 5% in the 1st half year of 2014 compared to the same period in the previous year. The exported fasteners from Malaysia increased by 10% in the 1st half year of 2014 compared to the same period in the previous year.

Indonesia Market in H1 2014

Indonesia's real GDP growth rate in the January to



March quarter, 2014, was 5.2%, compared to the same period in the previous year, slowing from 5.7% growth, similarly, in the October-to-December quarter, 2013. With regard to the contribution level of demand items, private consumption was 3.1% points and gross fixed capital formation was 1.2% points, which drove growth overall. On the other hand, the net export contribution was minus 0.1% point, although this was the first negative growth in five consecutive quarters. the export value was minus 0.8%, compared to the same period in the previous year, at 312 trillion rupiahs, and the import value was minus 0.7%, similarly, at 235 trillion rupiahs, so the reason behind net exports' conversion to negative contribution was the decline in export growth. In fact, January-to-March quarter volume basis exports fell by 17.9% compared to the same period in the previous year. There were two main reasons. Firstly, mineral exports fell when the new Mining Law was introduced. Secondly, coal exports have fallen in response to economic deceleration in China and India.

Looking forward, it is expected that private consumption (like fastener products) will drive growth and that further economic deceleration can be avoided. Although the consumer confidence index worsened in April, employment

Following table and graphs show the trend of Indonesia import and export in the case of fasteners.

	Jan	Feb	Mar	Apr	May	Jun	Total Jan-Jun
Export from Indonesia	$ 12,913,108	$ 11,339,766	$ 11,831,684	$ 11,708,362	$ 12,953,782	$ 13,180,590	$ 73,927,292
Import to Indonesia	$ 67,641,435	$ 63,387,825	$ 61,225,148	$ 74,502,946	$ 59,911,755	$ 66,673,012	$ 393,342,121

and income conditions are good and it is thought likely that private consumption (like fastener products) will continue to be strong. Incidentally, IMF expects that the general election in April and presidential elections in July will help boost private consumption (like fastener products).

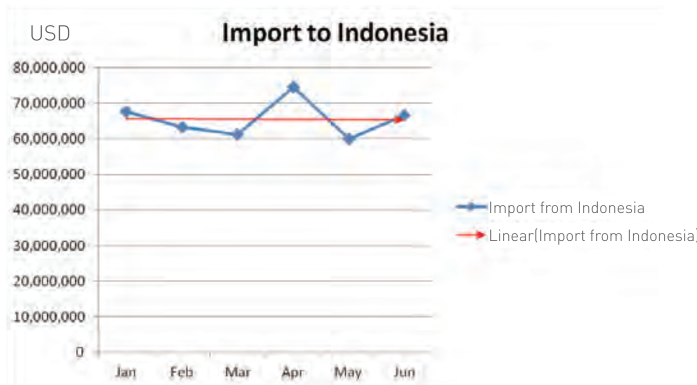
Indonesia Fastener Market in H1 2014

Indonesia exported about 74 million USD in the first half of year 2014. Their imported fasteners in the same period totaled more than USD 393 million!

Indonesia's domestic fastener industry was in growth during 1st half of year 2014 because the trend of exported fasteners grow and imported fasteners stayed constant.

Philippines Market and Fastener Market in H1 2014

The Philippines' current account surplus for 2013 increased by 35.6%, year on year, at $9.42 billion. Take the decrease of exports in metal production for example, the total value of exported fasteners was decreased by 51.8% in the first half of 2014 compared to the same period in the previous year that caused an increase in the same category; the total value of imported fasteners to Philippines was decreased by 14.6% in the first half of 2014 compared to the same period in the previous year, and the trade deficit contracted. Also, money remitted home by overseas workers grew 7.3%, year on year, to $19.3 billion, which caused the secondary income surplus to increase. Furthermore, as the business process outsourcing industry continued to grow, and for other reasons, service receipts also increased. Meanwhile, the financial account balance switched from a $6.75 billion excess inflow in the previous year to a $640 million excess outflow. Reflecting overseas investors' growing confidence in the Philippines' sound economic fundamentals, direct investment switched from an excess outflow to an excess inflow, while the excess inflow in portfolio investment contracted due to a significant reduction in capital inflows. Hints of a monetary policy change in the US in May of last year, and significant



localized damage as a result of an earthquake and a super-typhoon, caused the capital outflow from the stock and bond markets to swell. Share prices plummeted and have been unstable after that, and long term interest rates have been trending upwards. Additionally, with regard to other investment, the expansion of local banks' outward financing and the decrease in local businesses' foreign borrowing caused an excess inflow to convert to an excess outflow. As a result of the above movements, the international reserves at the end of 2013 were $83.2 billion (including gold), equivalent to 11.5 months' worth of goods imports and services and income payments, and 7.4 times the short term foreign debt. ■

References:
Custom websites of Thailand, Malaysia, Vietnam, Indonesia, Philippines
http://www.jri.co.jp/english/periodical/asia/