An Overview of the Current Infrastructure Projects in Main ASEAN Countries & Opportunities for the Fastener Industry

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Investing in ASEAN [1]

ASEAN's commitment to spend more on infrastructure is vital in order to boost economic and social development through the improvement of basic necessities such as power, automotive and transport throughout the region. The IMF estimates that each dollar spent on capital spending raises a country's output by threefold. As a result, the required capital investments are expected to gain considerable momentum over the next few years, generating multiple long term investment opportunities.

The region will spend US$950 billion by 2020, if its economies are to grow and develop, according to Stephen Groff, Regional Vice President of the Manila based Asian Development Bank (ADB). The need to roll out transport projects is increasingly important given that urban populations are predicted to double by 2020, with 120,000 people relocating into the cities on a daily basis. Each member state has its own infrastructure priorities, though transportation and electricity improvements are common themes.

Indonesia

This is reflected in Indonesia which has plans for new seaports, airports, railways, power stations, automotive industry and new roads. Bolstering infrastructure spending is a key Indonesian Government objective. This was reflected in a budget increase in 2016 of 8% announced for public spending on roads, automotive, railways and airports, bringing infrastructure spending to 2.5% of its GDP. The plan including the infrastructure strategy includes calls for building 2,850km of new roads and 3,200km of railways, together with new seaports and airports. Projects underway include the Trans Java toll network, a high speed railway from Jakarta to Bandung and the construction of a 720km rail link from Jakarta to Surabaya.

1. http://asean.org/storage/2017/01/Investing-in-ASEAN-2017-.pdf
2. https://www.pwc.com/kr/ko/industries/automotive/201511_riding-southeast-asia-automotive-highway_en.pdf
3. https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=6&cad=rja&uact=8&ved=0ahUKEwjehfiNktvWAhXMCsAKHQEaA4UQFghCMAU&url=https%3A%2F%2Fwww.freedoniagroup.com%2Findustry-study%2Fworld-industrial-fasteners-2915.htm&usg=AOvVaw0ZAfRzN6V4iUj5LbY0cYLW

Thailand

In Thailand, some US$50.8 billion of infrastructure projects will be underway before 2018, with financing from a variety of sources including Government borrowing and PPPs, according to Deputy Transport Minister, Arkhom Termpittayapaisith. The projects include the development of SinoThai railway, covering a distance of 873km between Bangkok and Nong Khai on the Thai-Lao PDR border. In 2016, Thailand awarded a US$920 million contract for its elevated Red Line project in Bangkok, to a Japanese consortium of Mitsubishi, Hitachi and Sumitomo. Another two rail projects in Bangkok as well as two national high speed railway projects are being pursued on a priority basis. In June 2016, a US$5.5 billion plan was also announced to expand the country's airports over the next 15 years.

Malaysia & Singapore

Malaysia is also prioritising investment in infrastructure, upgrading existing transport links and building new roads and railways, which will help propel the country's economy to Developed Nation Status by 2020. The largest project involves development of a "wheel and spoke" railway system around Kuala Lumpur to include several new interconnecting stations. Malaysia and Singapore also launched a tender in August 2016, for the two countries planned high speed Kuala Lumpur-Singapore rail link. Many more related projects have been proposed involving a potential investment of US$44 billion.

Cambodia, Lao & Others

Infrastructure development in Cambodia, Lao PDR and Myanmar is likely to continue to depend on multilateral assistance. Similarly, in the Philippines and Vietnam, government financing and multi-lateral agencies will lead the way, while Indonesia is expected to lean more towards PPPs as a financing option.

Automotive Industry Statistics: [2]

	Population	GDP/ Capita	Vehicles Production	Vehicles Sales
ASEAN	619 million	3,695 USD	3.9 million units	3.2 million units
Thailand	68 million	6,022 USD	1.8 million units	0.88 million units
Indonesia	255 million	3,513 USD	1.3 million units	1.21 million units
Malaysia	30 million	10,934 USD	0.6 million units	0.67 million units
Vietnam	92 million	2,007 USD	0.04 million units	0.13 million units
Philippines	99 million	2,855 USD	0.06 million units	0.23 million units
Laos	7 million	1,666 USD		0.01 million units
Myanmar	53 million	1,480 USD		

ASEAN offers vast opportunities for manufacturers and distributors of automotive and vehicle components. Possibilities abound as the region's economy remains strong and the number of middle-class households with high net disposable income increases. ASEAN's attractiveness for auto businesses is bolstered by the sound investment policy for the auto industry, competitive labour costs offered by ASEAN countries such as Vietnam and the Philippines, and the availability of huge number of auto components manufacturers and strong engineering support, especially in Thailand and Malaysia. Trade liberalisation offers industry players ease in moving motor vehicles and auto components. Under several ASEAN free trade agreements, the region has reduced/eliminated tariff for motor vehicles from countries within ASEAN and FTA partner-countries. Non-trade barriers are also being addressed. Investors could maximise FTA benefits by opting to use manufacturing hubs in low-wage ASEAN countries to service overseas market, or by operating as part of an integrated regional or global auto supply chain while based in a highly-developed ASEAN economy.

The Future of Automotive Industry

Analysts project the future of ASEAN auto industry and share the following figures.

- Deutsche Bank reports that car ownership in ASEAN will rise to nearly 40 million by 2015 and around 55 million by 2050.
- The bank believes growth in car sales will be over 10% on average in the coming years.
- Young ASEAN countries like Cambodia and Laos could achieve higher than average growth rates in vehicle sales (but volume is still less compared to other ASEAN countries).
- Business consulting firm Frost & Sullivan says that ASEAN will become the 6th biggest automotive market globally by 2018.

Frost & Sullivan opines that peoples of ASEAN, especially those in Indonesia will drive local demand given shift of ownership from motor bikes to cars, multi-purpose vehicles, and sport-utility vehicles.

ASEAN Fastener Industry [3]

The ASEAN region will record the fastest demand gains from 2011 to 2016, averaging 7.4 percent per year. Ongoing growth in the durable goods manufacturing sectors in these nations, along with the continuing need for new and improved components of infrastructure, will stimulate large gains in industrial fastener demand. Sales of fasteners in other developing areas of the world will generally advance at a healthy pace. Increases in industrial fastener demand in the world's highly developed economies -- namely, the US, Western Europe, and Japan -- were much slower than in industrializing countries, and sales gains in most developed nations will continue to be subpar through 2017.

Conclusion is that the durable goods manufacturing sectors in highly developed economies are mature, and that there will be fewer growth opportunities for fastener suppliers. However, recoveries in motor vehicle production and construction expenditures following a period of decline will result in faster fastener market advances going forward. Therefore, it is a new opportunity for ASEAN fastener producers.