



The Automotive Industry in Malaysia

Malaysia with the car production of 513,445 units in 2016 was ranked the 3rd biggest car manufacturer in ASEAN and the 23rd biggest car manufacturer in the world. The automotive industry is an important and strategic part of Malaysia's manufacturing sector. Its overall automotive industry and related sectors employ around 710,000 people and contribute almost RM 30 billion to Malaysia's GDP. There are 27 manufacturing and assembly plants in Malaysia, which produce passenger and commercial vehicles, composite body sports cars, as well as motorcycles and scooters. Malaysia also has more than 600 automotive component manufacturers, producing a wide range of components, such as body panels, trim parts, powertrain parts, rubber parts and electrical and electronic parts¹.

Department of Statistics in Malaysia has published the following data for Malaysian automotive industry.

Sub-Sector	Export		
	2014 (RM mil.)	2015 (RM mil.)	2016 (RM mil.)
Motor Vehicles	1,366.50	854.8	1,067.10
Motorcycles	25.9	34.2	28.2
Components and Parts	4,745.50	5,392.40	5,216.80

And in the import sector, Malaysia's data are:

Sub-Sector	Import		
	2014 (RM mil.)	2015 (RM mil.)	2016 (RM mil.)
Motor Vehicles	11,106.90	9,708.90	9,675.10
Motorcycles	659.7	503.7	295.2
Components and Parts	8,464.60	10,317.70	10,450.50

The statistics show that Malaysia might be a good importer (as its import value was 10 times higher than its exports value). In the motor vehicles/motorcycles categories and in the component and parts category, they all need support from foreign import. The main countries that export their cars to Malaysia are:

- Japan (representing 47.3% of Malaysia's car import);
- German (representing 31.1% of Malaysia's car import);
- Thailand (representing 4.5% of Malaysia's car import).

On the other hand, in terms of component and parts, Thailand with 38.1% of share is ranked the 1st biggest exporter to Malaysia, while Japan representing 24.1% of share and China representing 17.1% of share are respectively ranked the 2nd and 3rd biggest exporter to Malaysia.

The Automotive Market in Malaysia & How It Could Affect Fastener Demand in the Region

by Behrooz Lotfian

Malaysian Automotive Association (MAA) has published the following data:

Malaysian users bought about 580,124 units of cars in 2016.

Segment	2013 (units)	2014 (units)	2015 (units)	2016 (units)
Total	655,793	666,465	666,674	580,124
Passenger cars	576,657	588,341	591,298	514,545
Commercial vehicles	79,136	78,124	75,376	65,579
Motorcycles	546,719	442,719	380,802	396,343

On the other hand, car manufacturers in Malaysia produced 545,253 units in 2016.

Segment	2013 (units)	2014 (units)	2015 (units)	2016 (units)
Total	601,407	596,418	614,664	545,253
Passenger cars	543,892	545,122	563,883	503,691
Commercial vehicles	57,515	51,296	50,781	41,562
Motorcycles	549,244	439,907	382,218	397,918

Challenges for the Automotive Industry in Malaysia²

Malaysian automotive industry is fast becoming a mature market. There are five reasons why the growth of the Malaysian automotive market is going to be a very challenging one in the future:

FIRST, the Malaysian automotive market is small;

SECOND, the country has a small road network of about only 144,000 km in total and further road network expansion would take a very long time and massive investments;

THIRD, Malaysia has a relatively small population of 32 million people, which is not enough for an automotive company to be overly dependent on domestic sales alone;

FOURTH, without a sound export market, particularly to the left-hand drive countries, the Malaysian automotive export is confined to right-hand drive markets that do not have a strong local presence, with the exception of Japan and India;

FIFTH, Malaysia is experiencing a high household debt-to-GDP ratio of 88.5%, which means credit-tightening on car loans is inevitable;

SIXTH³, cars are very expensive in Malaysia, which has been reported as the second most expensive place in the world to buy cars. Especially imported cars due to import duty and tax. Even locally produced cars such as Proton or Perodua aren't particularly cheap.

Therefore, it is predictable that the fastener market in Malaysia is not a huge market.

Fastener Import/Export in Malaysia

Statistics show that the total market scale of imported fasteners in Malaysia is about 360 million USD, which is not a huge amount for this field. China, with 29% of market share is the biggest fastener exporter to Malaysia. If we assume that Chinese fastener is cheap, it is clear that the market in Malaysia is price sensitive. Japanese with 15% of market share is ranked the 2nd biggest fastener exporter to Malaysia because more than 47% of imported cars in Malaysia are Japanese. Singapore and Taiwan are ranked the 3rd and 4th biggest exporters to Malaysia in the fastener field.

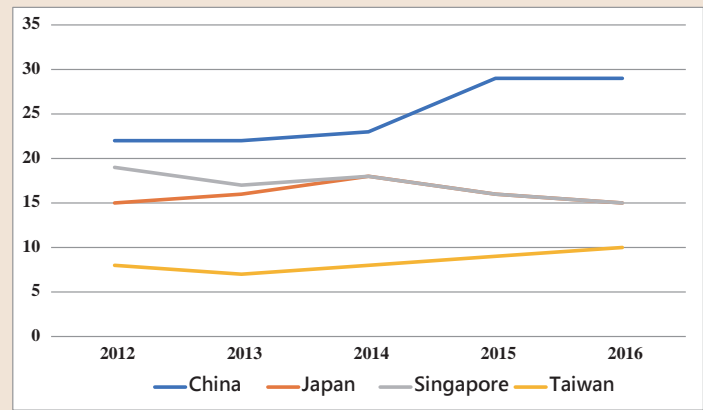
Exporter	2012	2013	2014	2015	2016
World	377,526	375,803	384,895	347,202	362,288
China	84,901	83,791	90,196	99,456	106,215
	22%	22%	23%	29%	29%
Japan	56,995	60,589	68,611	56,062	55,920
	15%	16%	18%	16%	15%
Singapore	69,981	65,741	67,403	54,356	54,536
	19%	17%	18%	16%	15%
Taiwan	29,701	28,064	31,567	32,571	34,464
	8%	7%	8%	9%	10%

Unit: 1,000 USD

The following graph shows that the trend for Chinese fastener export to Malaysia is positive and it means this market (Malaysia) is price sensitive strictly.

Last Word

Based on the statistics of Malaysian Automotive Institute (MAI), 50% of the cars sold in Malaysia are produced domestically and the rest of



50% are imported cars. The market in Malaysia needs differentiation for improvement. Since Jack Trout's book was published in 2000, the mantra has been 'differentiate or die'. Price is seldom a long-term differentiator nor is it one available to Malaysia. Erosion of European and North American business is understandably a major concern to the fastener manufacturing industry in Malaysia. However, there is now another dimension. Europe and North America are mature markets – future economic growth clearly resides in Southeast Asia. Malaysia, is an ASEAN member. Compared with China, alongside Japan, Taiwan and Singapore, Malaysia's fastener industry is disadvantaged by its car industry. For individual fastener companies, the obvious (if not necessarily simple) solution is to set up export within ASEAN.

- http://www.miti.gov.my/miti/resources/2._Automotive_Industry_.pdf
- <https://www.nst.com.my/opinion/columnists/2017/08/267939/reforming-malaysias-automotive-industry>
- <https://www.quora.com/What-is-the-scope-of-the-automotive-industry-in-Malaysia>