

SE Asian Construction and Fastener Markets for Q1-3 2018



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The construction market in South East Asia continues to grow by 6% annually over the next five years, supported by several megaprojects across the region. The combined value of construction projects within ASEAN countries is standing at \$2.9 trillion which provides enormous opportunities in this region not only in construction but in other industries and verticals such as the fastener industry.

The economic growth within ASEAN countries is projected to be the fastest among all global regions in next five years supported by massive investment in new infrastructure. The domestic construction demand is increasing in the region for both residential and non-residential buildings. However, the expansion of this demand may vary from country to country. Countries like Philippines, Vietnam, Myanmar and Indonesia have undertaken the major reforms to make their markets more accessible for private sector investments. The acquisition of lands and properties by private sectors and foreigners is getting much fairer and more transparent than before. Opening up the market for the private sector and foreigners has added trillion dollars investment in the construction sector and its related industries.

The growth of the construction sector in the first three quarters this year has a significant impact on fastener demand in this region. Bolts, nuts, and nails are the most widely used products for construction applications. Product selection in construction depends on the surface it is going to fix together. Metal rivets offer significantly higher strength against concrete construction.

The majority of fastener manufacturers based in ASEAN are involved in manufacturing of standard fasteners, which are widely accepted by end-use industries, particularly construction. Most of these manufacturers in order to provide application-specific fasteners may face difficulties, and it affects their market share in the international market. Another group of fasteners which has been influenced by construction growth is non-threaded fasteners. This group includes pins, washers, rivets, hooks, grommets, O-rings, and cable ties which is primarily used for cable management and wire harnessing in construction applications. This segment witnessed high demand in year 2018 supported by its low cost and light weight.

For the first three quarters of 2018, Malaysia's GDP moderated to 4.7 percent with a value of RM907.2 billion at constant prices, as reported by the Malaysia Department of Statistics. All sectors recorded a positive growth while services and manufacturing sectors remained as the major drivers of this growth.

The construction sector contributes less than 5% of the country's GDP (4.7% in Q3 2018 and 4.8% in Q1 2018). This sector, contributed by civil engineering, specialized construction activities and non-residential buildings. In this year the construction sector posted the growth of 4.7% in Q3, 4.6% in Q2 and 4.9% in Q1. In the first quarter of 2018, civil engineering registered an extraordinary growth of 15.4 percent and 18.9 percent in the second quarter, the highest growth since the fourth quarter of 2016 which was mainly because of transportation and utilities related projects.

On the other hand, in Singapore, the construction sector, as reported by the Singapore Department of Statistics, decreased by 3.1 percent on a year-on-year basis in the third quarter of 2018, after facing 5.1% and 4.2 % drop in Q1 2018 and Q2 2018. The construction sector in Singapore was weighed down by the weakness in public sector construction activities in 2018 but still higher than the figures recorded in 2017. On a quarter-on-quarter seasonally-adjusted annualised basis, the sector grew by 1.7 percent, a turnaround from the contraction of 14.5 percent in the second quarter.

Indonesia experienced a firm growth in the construction sector in the first three quarters of 2018 supported by favourable demographics, and public and private sector investments in infrastructure and residential construction projects. The Southeast Asia's first high speed railway which connects Jakarta to Bandung is one of the good examples of ongoing construction projects in Indonesia. Based on the data extracted from the Trading Economics portal, GDP from construction in Indonesia increased to more than USD18.5 billion in the third quarter of 2018 from USD17.7 billion in the second quarter of 2018. GDP from construction in Indonesia averaged USD14.2 billion from 2010 until 2018 and it is expected to remain on a rapid growth path for the 4th quarter of the year 2018.

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Ambitious government policies and infrastructure development plans accompanied by a rising urban population have shaped productive ground for the development of the Philippines' construction sector. Supported by major investments in transport networks, residential complexes and social housing, the total number of constructions in the first quarter of 2018 reached 36,002 in this country. This figure shows a growth of 2.6 percent from 35,101 constructions registered in the same quarter last year. Although the number of residential building constructions in Q1 2018 weakened by 1.2 percent from Q1 2017, non-residential constructions recorded 11.8 percent increase from last year.

In the second quarter of 2018 the total number of constructions reached 40,182, with an increase of 11.7 percent from the 35,983 constructions in the same quarter last year. In Q2 2018, the number of residential building constructions improved from the first quarter and registered 29,060 from 25,670 in Q1 2018 with an increase of 8.3 percent from the 26,827 projects in Q2 2017. Non-residential constructions in the Philippines continued its growth with 5,644 projects and a rise of 16.1 percent from 4,861 projects in Q2 2017.

Vietnam's construction industry recorded considerable growth in the first three quarters this year and this growth is expected to be continued. Healthy economic development, improving logistics, regulatory environment and positive demographic trends will remain to drive robust expansion in the construction sector in Vietnam, while making this country one of the fastest-growing among major markets in South East Asia. Vietnam's economy expanded by 7.08 percent in the first six months of 2018, the highest in eight years, primarily driven by the growth in services and industry-construction sectors. The industry and construction sector expanded the fastest at 9.07 percent during the first two quarters this year, contributing 48.9 percent to the overall growth.

In Thailand, the construction sector contributes about 8% of the total country's GDP. The major construction activities (about 60%) belong to the public sector. There are about 80,000 construction companies registered in Thailand, of which 1% qualify as large-scale operators, holding 75% of the market share.

GDP from Construction in this country increased to USD 2243 million in the third quarter of 2018 from USD 2,183 million in the second quarter of 2018 as reported by Trading Economics. GDP from Construction in Thailand averaged USD 1,813.48 million from 1993 until 2018, reaching an all-time high of USD 3,145.60 million in the first quarter of 1996 and a record low of USD 1,111 million in the fourth quarter of 2000.

In the first three quarters of 2018, the rapid growth of construction sector within a majority of countries in ASEAN for both residential and

industrial construction positively increased construction fastener demand. The market is expected to experience a shift from producing standard metal products to manufacturing superior quality and specialty fasteners to meet rising demand for application-specific products in this sector. With strong incentive by ASEAN governments to speed up the construction boom in the region through inter-regional collaboration between ASEAN & China and infrastructure building the future of this sector is exceptionally optimistic. ASEAN has robust potential to strengthen its position as one of the fastest growing regions of the world.

Sources:

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