

The Current Development of **Car Manufacturing Heartlands in ASEAN** and Their **Influence on Fastener Supply**

東盟主要汽車生產國近況與其對扣件供應的影響 *by Sharareh Shahidi Hamedani*



The Size of the Automotive Market in ASEAN

Based on the statistics of ASEAN Automotive Federation, the size of the automotive market was about 3,070,488 cars in 2015. Compared with 2014, this amount dropped 4%. In terms of production, ASEAN manufacturers produced 3,896,967 cars in 2015. Compared with 2014, it declined by 2%. The statistics elaborate that one of the main problems of the negative trend in the consumption section came from Indonesia and Thailand. Indonesia's market declined around 16% between 2014-2015 and Thailand's market decreased by 9% in the same period. However, Brunei's market also dropped 20%, but its market share is very small; hence, we can say that its effect on the ASEAN region is inconsiderable. In the production field, statistics show that Indonesia is the biggest problem, its production declined by 15% from 2014 to 2015!

For better understanding, we will analyse the market and divide it into two sectors- passenger cars and commercial cars, which will be explained in detail as below.

Indonesia

In the automotive market, Indonesians are the biggest buyers. They bought 1,013,291 cars in 2015, however, this amount was 1,208,019 in 2014. Their market decreased by 16%!

Indonesia manufactured 824,445 passenger cars in 2015 which is a decline of around 15% compared with 2014.

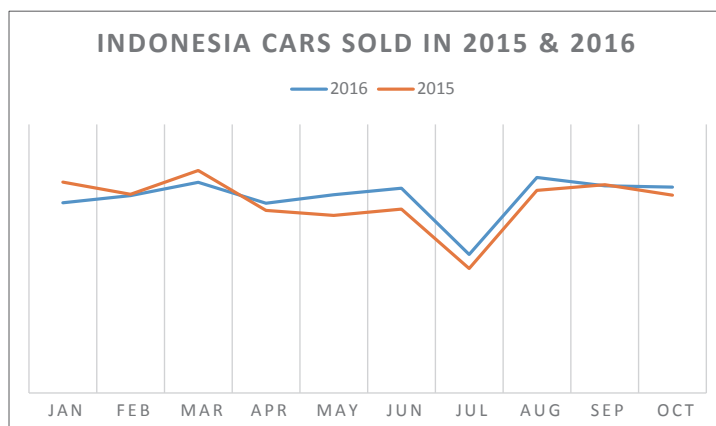
In 2016, the situation of cars sold in Indonesia became better.

The following table depicts the cars sold in Indonesia in the first 10 months of 2016, which is a 2.6% growth in the total purchasing.

Car Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Total
2016	85,003	88,208	94,093	84,770	88,567	91,489	61,893	96,291	92,543	91,990	874847
2015	94,194	88,740	99,410	81,600	79,375	82,172	55,615	90,537	93,038	88,408	853089
% Growth	-9.8%	-0.6%	-5.3%	3.9%	11.6%	11.3%	11.3%	6.4%	-0.5%	4.1%	2.6%

However, the growth of cars sold in 4 months of 2016 (3 months in the beginning of the year and one month is September) was negative. It means the situation had become better in Indonesia, so in the last 7 months it had growth in its automotive market.

In terms of production, Indonesia is the 2nd biggest in ASEAN region with 1,098,780 cars produced. Indonesia's production dropped 15% during 2014-2015. In 2014, its production was 1,298,523 cars.



Car Production	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Total
2016	91,068	91,535	102,507	104,412	105,957	106,012	68,357	105,580	101,371	104,130	980,929
2015	99,102	93,113	108,066	97,676	89,579	91,807	59,225	103,567	104,702	95,731	942,568
% Growth	-8.1%	-1.7%	-5.1%	6.9%	18.3%	15.5%	15.4%	1.9%	-3.2%	8.8%	4.1%

The other subject that should be concerned about is Indonesia’s exported and imported cars. The value of Indonesian exported cars was 2.4 billion USD and the value of imported cars to Indonesia was 1.2 billion USD.

The following table is a summary of the statistics of Indonesia,

	2014	2015
Production (Sets)	1,298,523	1,098,780
Internal Cars Sold (Sets)	1,208,019	1,013,291
Exported Cars (Thousand USD)	2,641,590	2,429,247
Imported Cars (Thousand USD)	1,480,892	1,165,033

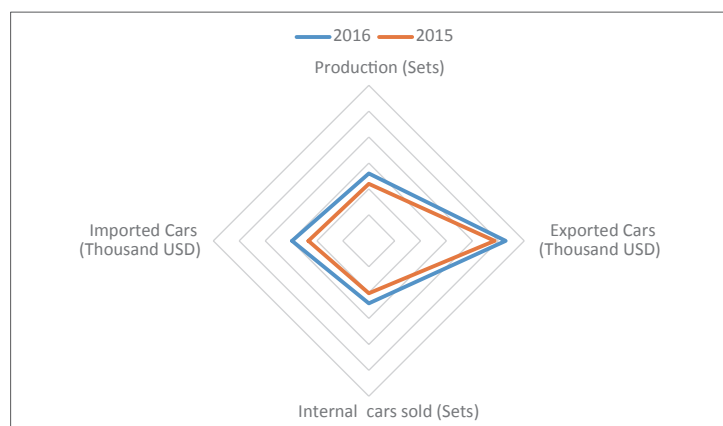
Points of the left diagram:

1. All numbers of the automotive industry in Indonesia dropped in 2015 compared with 2014.
2. The production and the cars sold in Indonesia were almost in the same range.
3. The negative growth of exported cars was lower than the imported cars.

Last Word About Indonesia

We believe that the automotive market of Indonesia is a stable market. However, 2015 was a disaster for this market because of two reasons:

The statistics of 2016 show that the automotive market of Indonesia waked up after a year.



In the management, we have an unwritten rule, “If your export is bigger than your import, then the industry is stable”. The market size of exported cars is around 2 times bigger than the imported car market. It means this industry is trustable for investment although it has just passed an awful year.

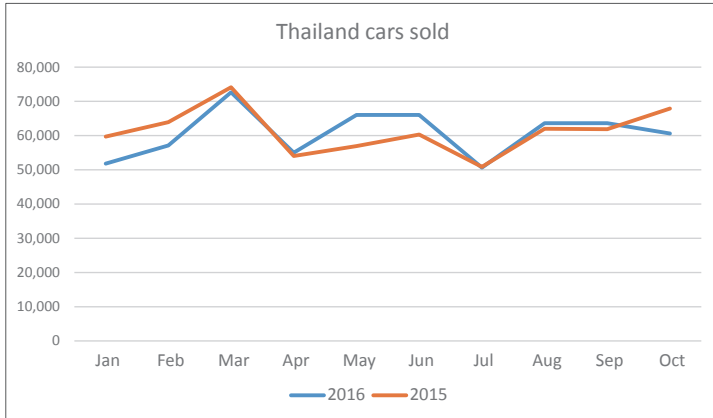
Thailand

The 2nd biggest automotive market in ASEAN is Thailand. 799,632 cars were sold in 2015. This number was 881,832 in 2014. It means that Thailand’s market dropped 9% in 2015. On the other hand, the car production in Thailand showed a 2% positive growth, which means in 2014 Thai car producers made 1,880,007 cars and they produced 1,913,002 cars in 2015. In terms of exported cars, Thailand’s number shows growth around 43%, in year 2014. its total export value reached 6,524,499,000 USD and in 2015 its total export value reached 9,393,553,000 USD. On the other hand, regarding the imports, Thai commercial companies imported cars at the total value of 974,878,000 USD; however, it imported cars at 1,290,529,000 USD in total in 2014. It means its import increased by 24.4% from 2014 to 2015.

Thailand in 2016

The following table shows the negative growth of Thailand’s market which was still continuing in 2016; however, in the first quarter, the negative growth was quite serious and car sellers could compensate their lack of sale in the 2nd and 3rd quarters. The 4th quarter started with another huge negative growth and was predicted to continue in the last two months of 2016.

Car Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Total
2016	51,821	57,093	72,646	54,986	66,035	66,049	50,635	63,619	63,641	60,634	617,159
2015	59,721	63,949	74,117	54,058	56,942	60,322	50,863	61,991	61,869	67,910	621,742
% Growth	-13.2%	-10.7%	-2.0%	1.7%	16.0%	9.5%	-0.4%	2.6%	2.9%	-10.7%	-0.7%

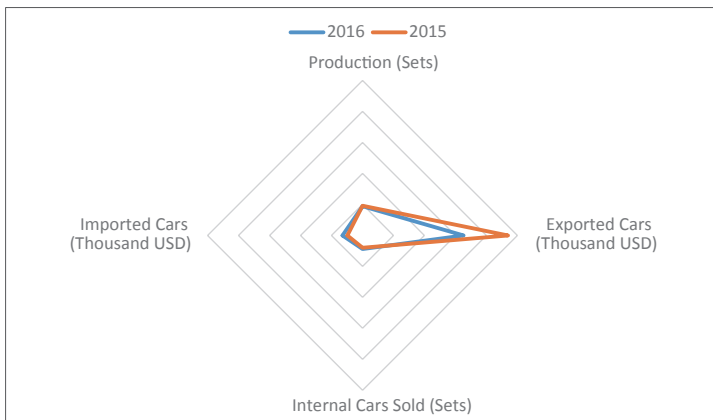


In term of production, car manufacturers increased their production by 2% in 2015 compared with 2014 in Thailand.

Car Production	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Total
2016	147,651	166,412	192,811	138,237	168,394	179,875	153,950	156,337	173,069	161,105	1,637,841
2015	167,165	179,158	178,217	123,968	135,045	151,698	165,863	159,149	171,496	165,381	1,597,140
% Growth	-11.7%	-7.1%	8.2%	11.5%	24.7%	18.6%	-7.2%	-1.8%	0.9%	-2.6%	2.5%

The following table is a summary of the statistics of Thailand,

	2014	2015
Production (Sets)	1,880,007	1,913,002
Internal Cars Sold (Sets)	881,832	799,632
Exported Cars (Thousand USD)	6,524,499	9,393,553
Imported Cars (Thousand USD)	1,290,529	974,878



The above diagram depicts that:

1. Thai exported cars increased sharply.
2. The automotive market in 2015 became smaller than in 2014; hence, the numbers of cars sold and imported cars decreased.
3. The manufacturing of cars which they used for export increased.

Last Word About Thailand

Thailand’s export growth shows that the car manufacturers in Thailand are mature for entering the international market but their biggest problem is the lack of a strong Thai’s car brand.

To sum up, making a Thai car brand will be highly recommended.

Malaysia

Malaysia is the 3rd biggest automotive market in ASEAN. 666,674 cars were sold in 2015; however, this number was 666,487 in 2014. It means that Malaysia’s market seems to be constant. On the other hand, the cars produced in Malaysia show the fact that it had a 3% positive growth. According to the statistics, in 2014, Malaysia’s car producers manufactured 596,418 cars and they produced 614,664 cars in 2015.

In terms of exported cars, the number of Malaysia dropped around 56%. In 2014, it exported cars at the total value of 321,617,000 USD and in 2015 it exported at the total value of 179,776,000 USD. However, in terms of import, Malaysia’s import also decreased by 11% during 2014-2015. The value of imported cars was 2,145,376,000 USD in 2014; meanwhile, it imported at the total value of 1,915,290,000 USD in 2015.

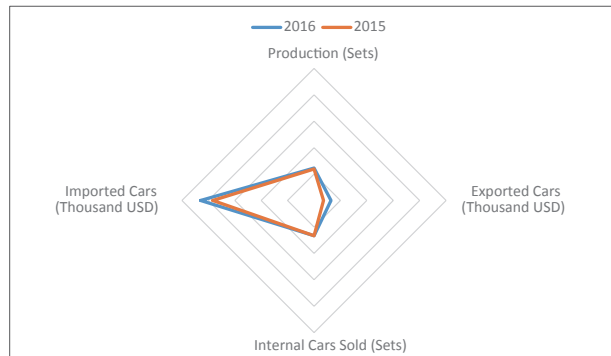
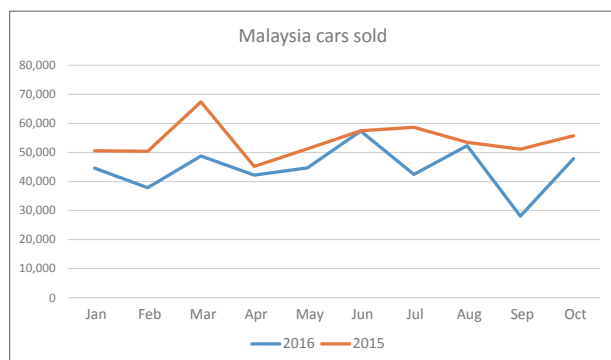
In a simple word, according to statistics, Malaysia’s market did not have any significant change. Import and export decreased and internal production increased, which means Malaysia prefers to purchase more local brands.

Malaysia in 2016

The Malaysian market dropped sharply in 2016 (around 14%!). The following table shows Malaysia’s market in 2016:

Car Sales	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Total
2016	44,591	37,876	48,788	42,177	44,669	57,358	42,471	52,312	28,087	47,879	46,208
2015	50,602	50,390	67,387	45,187	51,252	57,436	58,677	53,459	51,099	55,788	541,277
% Growth	-11.9%	-24.8%	-27.6%	-6.7%	-12.8%	-0.1%	-27.6%	-2.1%	-5.9%	-14.2%	-13.9%

Car Production	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Total
2016	46,651	35,130	47,810	44,794	40,928	39,097	39,097	43,452	41,453	55,783	440,049
2015	56,654	46,958	60,085	61,634	51,024	51,309	40,666	49,335	45,734	55,783	519,171
% Growth	-17.7%	-25.2%	-20.4%	-27.3%	-6.6%	-20.2%	-3.8%	-11.9%	-9.4%	-4.8%	-15.2%



Points of the above diagram:

1. The statistics of 2015 shows that Malaysian buyers prefer to buy Malaysian brands, but imported cars are noticeable.
2. Malaysian car market dropped sharply.

Last Word About Malaysia

“Proton” is a local brand in Malaysia, and in my point of view, it should make its brand as an international brand, which has not been done up to now, in other words, by this strategy, if the local market drops, it can keep its business successfully, because it will be able to keep its brand name in the international market.

Fastener Market and Automotive Business

One of the main markets of fasteners is the automotive

The following table is a summary of the statistics of Malaysia.

	2014	2015
Production (Sets)	614,664	596,418
Internal Car Solds (Sets)	666,487	666,674
Exported Cars (Thousand USD)	321,617	179,776
Imported Cars (Thousand USD)	2,145,376	1,915,290

industry (a car approximately needs 6,000 fasteners; therefore, in these three countries, fastener producers should follow the strategies below:

Indonesia’s car producers need 6.6 billion pcs of fasteners (1.1 million cars produced x 6,000 pcs) yearly. If we suppose that there are 300 working days in a year and a fastener machine can produce 100 pcs/min, then producing 6.6 billion pcs of fasteners will be engaged around 370 machines.

Thai car producers need 11.4 billion pcs. of fasteners (1.9 million cars produced x 6,000 pcs) yearly, with the above assumption, for producing Thai’s cars, the amount of fasteners needed will be 630 machines.

Malaysian car producers need 3.6 billion pcs of fasteners (0.6 million cars produced x 6,000 pcs) yearly. With the above assumption, for producing Malaysian cars, the amount of fastener machines required will be 200 sets.

Based on the well-known fastener producing countries which are considered strong competitors, around ASEAN region, like China, Taiwan and Japan and considering the fact that they will not have a huge market in this region; therefore, it is highly recommended that if a new fastener producer wants to set up in these countries the first step will be finding a focus of their business and then penetrating into the market. In other words, they should be able to answer the following questions to specify their focus:

1. Why should our local car producers buy our company’s fasteners and why don't they buy from Chinese or Taiwanese competitors?
2. Why should they buy our fasteners and why don't they purchase from other existing companies in the region?

