Business Opportunities

MALAYSIA'S Automotive Industry

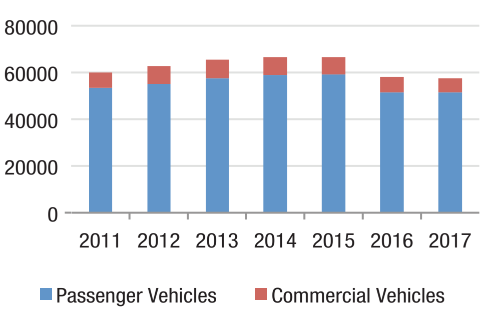
Malaysia

Your Gateway to the ASEAN Automotive Market

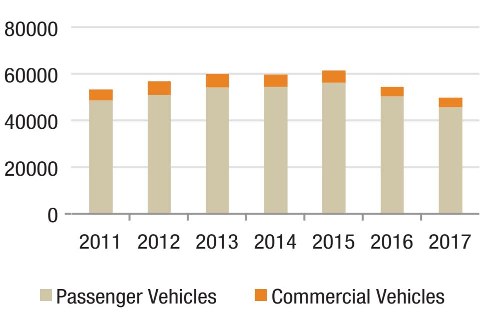
Centrally located in the ASEAN region with a population of more than 600 million people, Malaysia offers vast opportunities for global automotive and component manufacturers to set up manufacturing and distribution operations in the country. Pragmatic government policies, political and economic stability, sound economic fundamentals, well-developed infrastructural facilities and an educated and skilled labour force have attracted major international automotive and component manufacturers to invest in Malaysia.

Malaysia - Production and Sales of Passenger and Commercial Vehicles

Passenger & Commercial Vehicles Registered In Malaysia for the Year 2011 to March 2017



Passenger & Commercial Vehicles Produced And Assembled In Malaysia For The Year 2011 To March 2017



Source : Malaysian Automotive Association

The establishment of national car projects, PROTON and PERODUA, has transformed Malaysia from a mere motor car assembler into a car manufacturer. The PROTON plant in Tanjung Malim is fully automated, employing robotic technology, and is designed for high volume production and efficiency, using lean manufacturing processes.

The industry has boosted the development of engineering, auxiliary and supporting industries and contributed to skills development and the upgrading of technological and engineering capabilities. These factors have further enhanced the attractiveness of Malaysia as a base for global automotive manufacturers.

Malaysia ranks among ASEAN countries with high car ownership ratio in the region. Honda, Toyota, Nissan, Mercedes-Benz and BMW are some of the global automotive companies which have set up their operations in Malaysia to take advantage of the buoyant consumer demand.

Geely acquiring Proton shares in 2017 demonstrates the keen interest of China investor to penetrate into the ASEAN market through Malaysia. International component manufacturers, such as ZF, Delphi, Continental, Nippon Kayaku, PD Kawamura, Akashi Kikai, Denso and Bosch have also made Malaysia as their base to launch their products in the region.

Industry Overview

The automotive industry comprises of the motor vehicles namely passenger vehicles, commercial vehicles, motorcycles and scooters; and parts & components. The ecosystem of the automotive industry in Malaysia is illustrated in Figure 1 (Page 5).

The production of motor vehicles in Malaysia for 2017 amounted to 499,639 units, comprising 459,558 units of passenger vehicles and 40,081 units of commercial vehicles. Sales of motor vehicles amounted to 576,635 units in 2017 consisting of 514,679 units of passenger vehicles and 61,956 units of commercial vehicles.

National Automotive Policy

Expanding Global Network

The National Automotive Policy (NAP) was introduced in 2006 to transform the domestic automotive industry and integrate it into the increasingly competitive regional and global industry network. The NAP was reviewed in 2009 to enhance the capability and competitiveness of the domestic automotive industry. The NAP 2014 aims to spur further growth and improve the long-term viability and competitiveness of the automotive industry in Malaysia by focusing on green initiatives, development on technology and enhancement of the automotive industry ecosystem.

National Automotive Policy 2014

The objectives of the NAP 2014 are to:

- promote a competitive and sustainable domestic automotive industry including the national automotive companies;
- make Malaysia as the regional automotive hub in EEVs;
- promote increase in value-added activities in a sustainable manner;
- promote increase in exports of vehicles and automotive components;
- promote participation of Bumiputera companies in the total value chain of the domestic automotive industry; and
- safeguard consumers' interest by offering safer and better quality products at competitive prices.

Central to this policy is the vision of Malaysia to become an energy efficient vehicle (EEVs) hub. This encompasses strategies and measures to strengthen the entire value chain of the automotive industry and will also lead to environment conservation, high-income job creation, transfer of technology and create new economic opportunities for local companies.

The NAP 2014 consists of three main directions and strategies. The three main directions are Investment, Technology and Engineering, and Market Expansion, while the three main strategies are Human Capital Development, Supply Chain Development, and Safety, Security and Environment.

Measures in NAP 2014

- Issuance of new Manufacturing Licence for motor vehicles in the category of EEVs across all segments.

Measures in NAP 2009 that are maintained

- The freeze on Manufacturing Licence issuance for rebuilt of commercial vehicles is maintained; Issuance of new Manufacturing Licence for selected segment is maintained as follows:

  - luxury passenger vehicles engine capacity of 1,800 c.c. and above and on the road price not less than RM150,000;
  - hybrid and electric vehicles;
  - pickup trucks;
  - commercial vehicles; and
  - motorcycles with engine capacity of 200 c.c. and above

Regional Opportunities under the ASEAN Free Trade Area

In line with Malaysia's commitment under AFTA and to encourage competitiveness in the automotive industry, import duties on CKD and CBU vehicles from ASEAN countries have been reduced to 0% and 5% respectively. For vehicles from non-ASEAN countries, the import duties on CKD vehicles have been reduced to 0-10% while import duties on CBU vehicles were reduced to 30%. To maintain government revenue, excise duties are imposed on all vehicles, both locally manufactured/assembled and imported. The import and excise duties imposed are as follows:

Table 1: Imports from ASEAN countries

	Import Duties	Excise Duties
CKD vehicles	0%	60 - 105%
CBU vehicles	0%	60 - 105%
CKD motorcycles	0%	20 - 30%
CBU motorcycles	0%	20 - 30%

Table 2: Imports from non-ASEAN countries

	Import Duties	Excise Duties
CKD vehicles	10%	60 - 105%
CBU vehicles	30%	60 - 105%
CKD motorcycles	10%	20 - 30%
CBU motorcycles	30%	20 - 30%

Source: Malaysian Automotive Association (MAA)

Trade liberalisation within ASEAN has opened up a vast regional market, providing export opportunities for automotive and component manufacturing companies. Carmakers will also be able to source cost-competitive components from ASEAN countries and benefit from potential economies of scale.

A Growing Automotive Parts & Components Sector

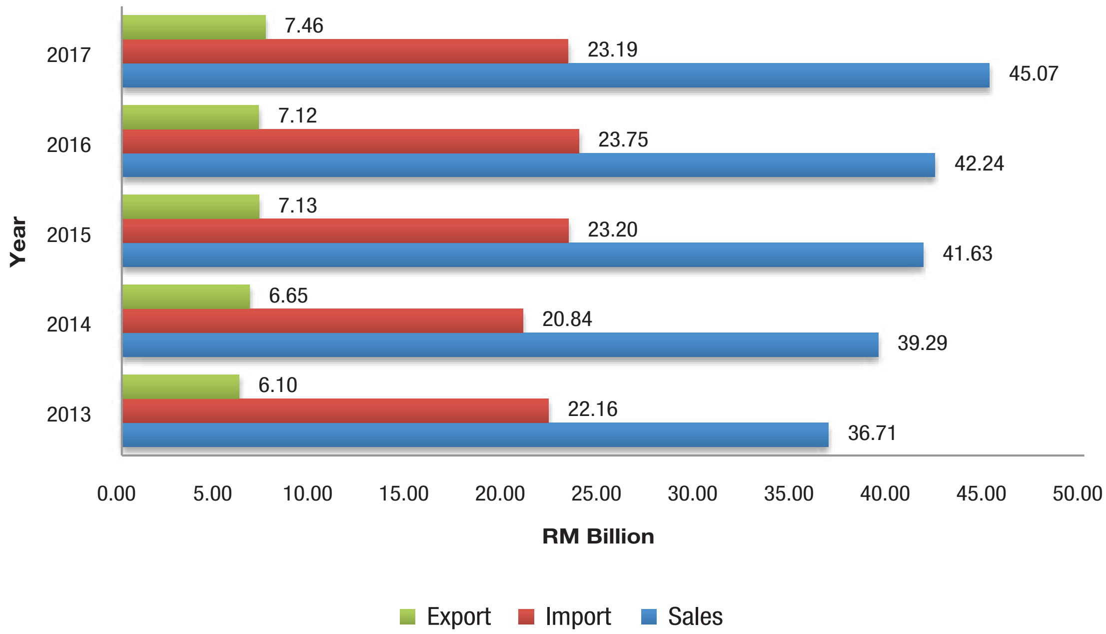
The development of Malaysia's automotive industry has made the country a production centre for major automotive component manufacturers. Today, there are about 800 automotive component manufacturers, producing a wide range of components, such as body panels, brake parts, engine parts, transmission and steering parts, rubber parts and electrical and electronic parts.

Vast Investment Opportunities

Committed to the development of the automotive industry, Malaysia offers vast and attractive opportunities for investors. The Malaysian government encourages investment in areas such as:-

- Critical components (eg. engines, transmissions and chassis)
- Auto electronic components (eg. Engine management system and vehicle intelligence system)
- Fuel efficient engines and alternative fuel engines.
- Modular manufacture/systems integration
- Research and development, which will enhance domestic technical skills and engineering capabilities.

Sales, Imports and Exports
of Malaysian Motor Vehicle Components and Parts



Source: Department of Statistic Malaysia

Major component manufacturers include multinational companies, such as Delphi Automotive Systems, ZF, Bosch, Akashi Kikai, Continental Automotive, Denso and local companies such as APM Automotive, Sapura, Delloyd, TCM Stamping and Ingress.

In addition to supplying to the local original equipment market, an increasing number of component manufacturers are exporting their products, especially to ASEAN countries. China and Thailand are also among the major export destinations.

The global trend in automotive manufacturing – the modular system – is also fast gaining prominence in Malaysia. Proton has taken the lead in implementing this modular system since the introduction of the Proton Waja model. Some of the module manufacturers include Hicom-Teck See Manufacturing, APM Industries Holdings, Delphi Packard Electric, Denso, Autoliv Hirotako Safety and Sapura Automotive.

Benefiting from Strong Engineering Supporting Industries

The engineering supporting industries have developed in tandem with the development of the manufacturing sector. The rapid development of the mould and die, metal casting, machining, metal stamping, surface treatment, finishing and heat treatment industries in Malaysia augurs well for the development of the automotive industry.

Mould & Dies

The mould and die companies which cater to the automotive industry is capable to manufacture specific types of moulds, dies and tooling to meet the demand of the industry.

Metal Casting

The metal casting industry, comprising sand casting, die-casting and investment casting, has developed into a major supply source supporting the automotive industry. The die-casting companies supply the automotive industry with die-cast parts and components, such as front and rear wheel hub, front and rear brake panel and alternator housing and engine parts such as crank case, crank case cover and cylinder head cover.

Machining

The companies undertaking specialized precision machining ranges from small machining workshops the state-of-the-art machining centres with capabilities to machine minute precision gears and shafts for engine and transmission parts.

Metal Stamping

Metal stamping, another important supporting industry for the automotive industry, is a well-established industry in Malaysia companies. A number of these companies undertake secondary processes, such as electroplating or spray painting and surface finishing treatment of stamped parts and components.

Metal Surface Treatment/ Finishing

The metal surface treatment/finishing industry, provides a variety of plating services, such as batch and continuous electroplating, precision electroplating, electroless plating, functional electroplating, cathodic electrodeposit, dacrotised treatment, phosphating, passivation, anodizing and chromating.

Heat Treatment

In the heat treatment service industry, the companies in operation, offers a range of services, covering continuous mesh-belt heat treatment, vacuum hardening, carburizing, carbonitriding, nitriding, annealing and tempering for a diverse range of products. Heat treatment services for high carbon steel and alloy steel materials, such as critical parts for bearing and automotive components, are the latest addition to the range of services provided.

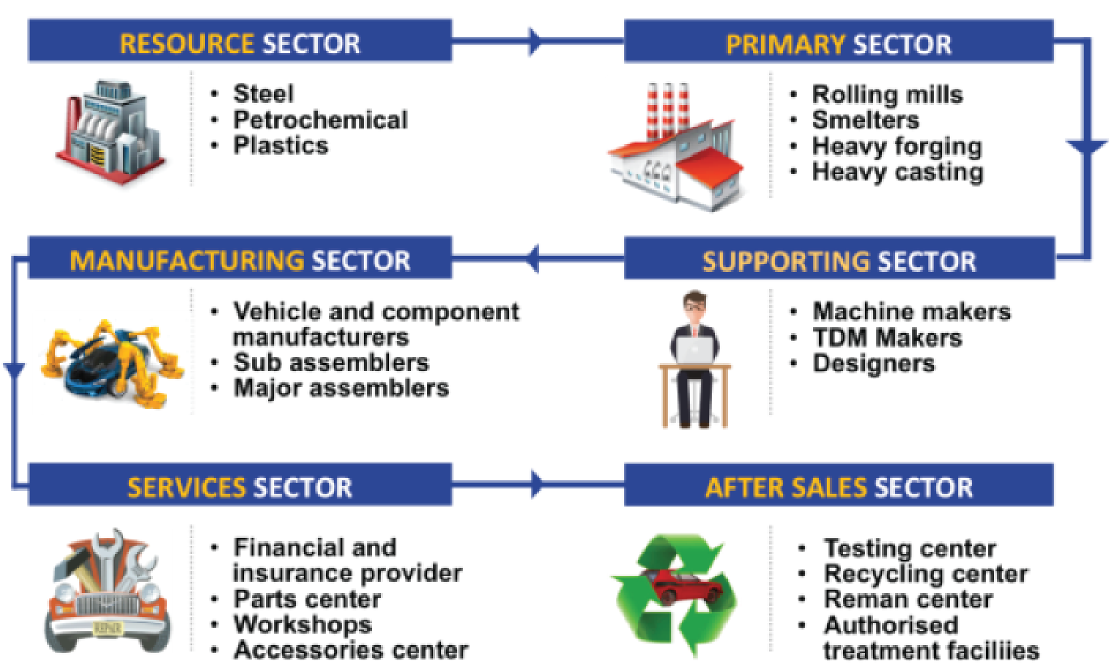


Figure 1: Automotive Ecosystem

Total Automotive

Sales and Production of the ASEAN Countries

TABLE 3 : MOTOR VEHICLES

Country	2016		2017	
	Sales (Unit)	Production (Unit)	Sales (Unit)	Production (Unit)
Indonesia	1,061,735	1,177,389	1,079,534	1,216,615
Thailand	768,788	1,944,417	871,650	1,988,823
Malaysia	580,085	545,253	576,635	499,639
Philippines	359,572	116,868	425,673	141,252
Vietnam	270,820	236,161	250,619	195,937
Singapore	110,455	0	116,148	0
Brunei	13,248	0	11,209	0
Myanmar	4,168	1,152	8,225	4,930
ASEAN (Total)	3,168,871	4,021,240	3,339,693	4,047,196

Source: MAA (Malaysian Automotive Association) & AAF (ASEAN Automotive Federation)

TABLE 4 : MOTORCYCLES & SCOOTERS

Country	2016		2017	
	Sales (Unit)	Production (Unit)	Sales (Unit)	Production (Unit)
Indonesia	6,215,350	-	5,886,103	-
Thailand	1,738,231	1,820,358	1,810,771	2,055,193
Philippines	1,140,338	1,040,626	1,319,085	1,173,883
Malaysia	396,343	395,938	434,850	440,673
Singapore	8,336	-	9,640	-
ASEAN (Total)	9,498,598	3,256,922	9,460,449	3,669,749

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July 2018