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 Passanger and Commercial Vehicles

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.

Passenger & Commercial Vehicles Registered In Malaysia for the Year 2011 to 2019

Table 1: Details of Malaysia's Total Industry Volume (TIV) 2011-2019

Year	Passenger Vehicles (unit)	Commercial Vehicles (unit)	Total Vehicles (unit)
2011	535,113	65,010	600,123
2012	552,158	75,575	627,733
2013	576,640	79,104	655,744
2014	588,348	78,139	666,487
2015	591,275	75,402	666,677
2016	514,594	65,491	580,085
2017	514,675	61,950	576,625
2018	533,202	65,512	598,714
2019	550,179	54,108	604,287

Source: Malaysian Automotive Association (MAA)

Passenger & Commercial Vehicles Produced And Assembled In Malaysia For The Year 2011 to 2019

Table 2: Details of Malaysia's Total Production Volume (TPV) 2011-2019

Year	Passenger Vehicles (unit)	Commercial Vehicles (unit)	Total Vehicles (unit)
2011	488,261	45,254	533,515
2012	509,621	59,999	569,620
2013	543,892	57,515	601,407
2014	545,122	51,296	596,418
2015	563,883	50,781	614,664
2016	503,691	41,562	545,253
2017	459,558	40,081	499,639
2018	522,392	42,579	564,971
2019	534,115	37,517	571,632

Source: Malaysian Automotive Association (MAA)

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 8).

The production of motor vehicles in Malaysia for 2019 amounted to 571,632 units, comprising 534,115 units of passenger vehicles and 37,517 units of commercial vehicles. Elsewhere, sales of motor vehicles amounted to 604,287 units in 2019 consisting of 550,179 units of passenger vehicles and 54,108 units of commercial vehicles.

Moving forward, digitisation and new business models will continue to revolutionise the world and there will be no exception for the automotive industry in Malaysia. It is expected that technology-driven trends such as diverse mobility, autonomous driving, electrification and connectivity will shape the industry in 10 to 15 years' time. Although the future of the automotive industry presents many challenges but it also provides many new opportunities.

Taking into consideration the latest trend in the automotive industry within ASEAN, the sustainability in economic growth, infrastructure developments and automotive original equipment manufacturers' (OEMs') continuous introduction of models are giving a huge boost to the automotive industry. The ASEAN automotive industry benefits significantly from governments' continued promotion of infrastructure development through investments.

The automotive industry in Malaysia is expected to continue its growth; in fact, it is expected that its biggest moments are still to come as this industry provides and brings opportunities in both the manufacturing and service sectors.

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 longterm viability and competitiveness of the automotive industry in Malaysia by focusing on green initiatives, development on technology and enhancement of the automotive industry ecosystem.

The most recent NAP 2020 was formulated to enhance NAP 2014, and to continuously develop the domestic automotive sector and its whole ecosystem in order to realise the National Automotive Vision. The review includes three new elements: Next Generation Vehicle (NxGV), Mobility As A Service (MaaS) & Industry 4.0.

Next Generation Vehicle (NxGV)	Mobility As A Service (MaaS)	Industry 4.0
A vehicle with EEV status and having achieved at least Level 3 automation (conditional automation)	A concept of integrating various types of transport services to a centralised mobility service portal	The use of Industry 4.0-related technology applications especially AI, Big Data, and IoT will enable the implementation of NxGV and MaaS

National Automotive Policy 2020

As the Malaysian automotive industry is expected to begin a challenging phase from 2020 onwards with the new technology invasion and shockwaves created across global market and emerging trends, the new NAP 2020 serves as a guiding policy to coordinate efforts by the Government and private sector to transform Malaysia into a regional centre for automotive research and development (R&D), manufacturing and sustainable development technologies.

The NAP 2020 review's primary goals are to develop the NxGV technology ecosystem to make Malaysia the regional hub for NxGV production; to expand the industry's participation in the MaaS sector; to inculcate Industry 4.0 adoption within the industry; to ensure the whole ecosystem gains the benefits of NxGV implementation; and to reduce vehicle carbon emissions by improving Malaysian vehicular fuel efficiency by 2025.

In summary, the NAP 2020 is a holistic policy that covers the comprehensive development February 2020 | 5 of value chain, human capital, indigenous technologies, aftermarket, exports, infrastructure and standards/regulations.

Given the latest review's objective to enhance Malaysia's automotive industry in the era of digital industrial transformation, prospective investors into this industry should take note of specific incentives related to its proposed measures that are applicable to the relevant projects.

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.

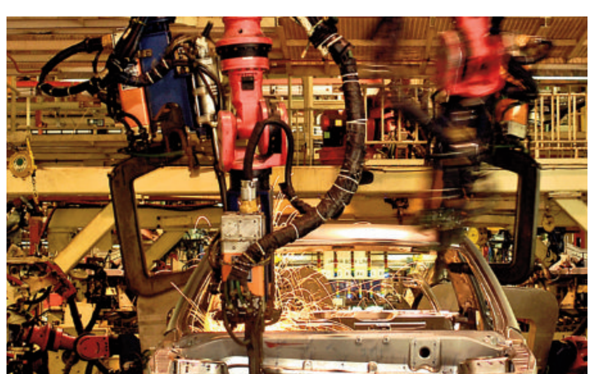
A Growing Automotive Parts & Components Sector

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

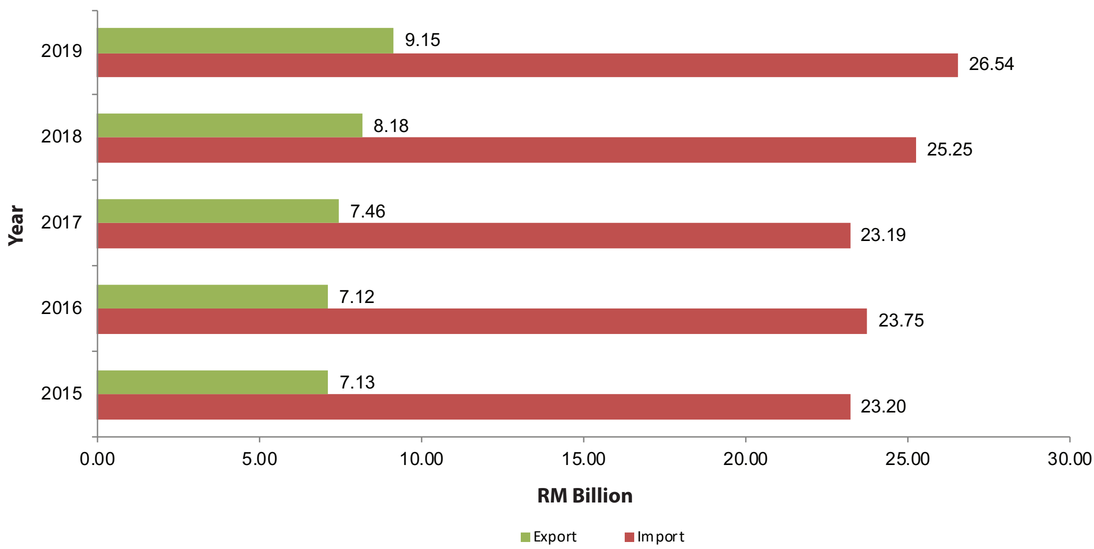
Committed to the development of the automotive industry, Malaysia offers vast and attractive opportunities for investors. The Malaysian government encourages investment in areas such as:-

- 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



Imports and Exports

of Malaysian Motor Vehicle Components and Parts



Source: MATRADE

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 specialised 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, anodising 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, carburising, 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.

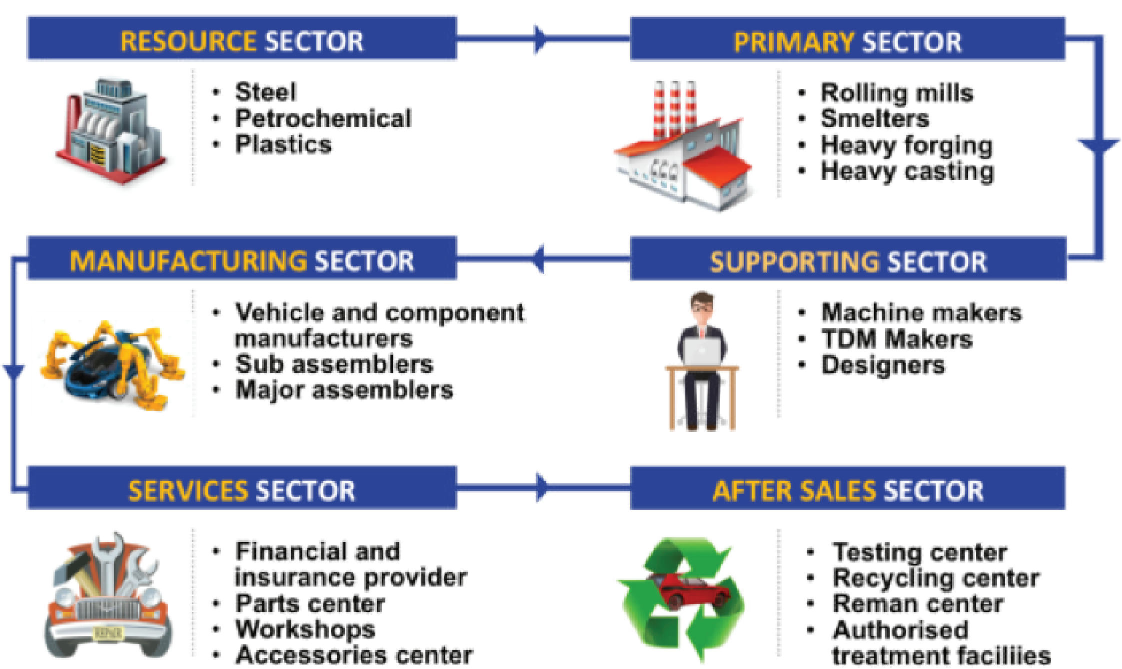


Figure 1: Automotive Ecosystem

Total Automotive

Sales and Production of the ASEAN Countries

TABLE 3 : MOTOR VEHICLES

Country	2018		2019	
	Sales (Unit)	Production (Unit)	Sales (Unit)	Production (Unit)
Indonesia	1,151,291	1,343,714	1,030,126	1,286,848
Thailand	1,041,739	2,167,694	1,007,552	2,013,710
Malaysia	598,714	564,971	604,287	571,632
Philippines	357,410	79,763	369,941	95,094
Vietnam	288,683	200,436	322,322	176,203
Singapore	95,243	0	90,429	0
Brunei	11,226	0	11,909	0
Myanmar	17,524	12,292	21,916	15,496
ASEAN (Total)	3,561,830	4,368,870	3,458,482	4,158,983

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

TABLE 4 : MOTORCYCLES & SCOOTERS

Country	2018		2019	
	Sales (Unit)	Production (Unit)	Sales (Unit)	Production (Unit)
Thailand	1,788,323	2,063,076	1,718,587	1,948,480
Philippines	1,590,333	1,258,566	1,704,900	1,161,646
Malaysia	471,842	465,083	546,813	553,382
Singapore	12,053	0	19,356	0
ASEAN (Total)	3,862,551	3,786,725	3,989,656	3,663,508

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

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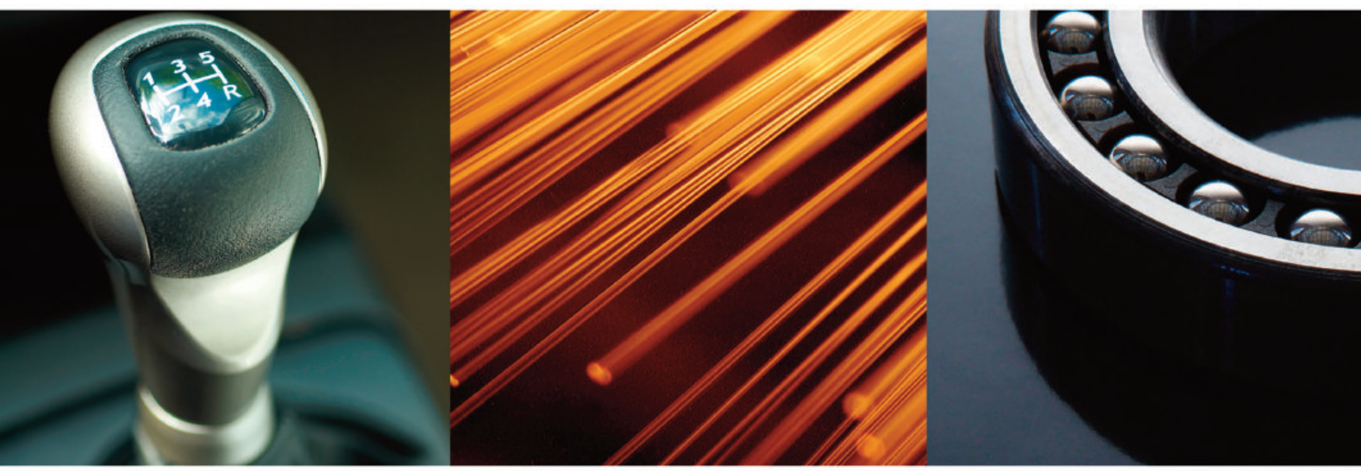

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