

Overview of Automotive and Components Production and Sales in ASEAN

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產銷概況

1. Auto Production & Sales in ASEAN Show Growth

ASEAN consisting of 10 countries has an area of 4.44 million sq. km, a population of 620 million, and a GDP of over US\$3.2 trillion in 2022, making it an emerging regional organization with considerable influence. Among ASEAN 10, Thailand, the Philippines, and Indonesia are open countries in the auto industry, and Indonesia in particular has replaced Thailand to be the largest auto market in ASEAN. However, Thailand is a country with less government intervention and protection for the auto industry. Thailand, having opened up its market, has established technical cooperation or production relationships with other int'l automakers, and is already ahead of other ASEAN countries in terms of manufacturing integration and cost competitiveness.

Compared to Thailand, Malaysia is a country protecting its auto industry. Malaysian government is committed to the development of the local auto industry and is more deeply involved in it, which in turn faces the greatest pressure to reduce tariffs or protective measures and is more resistant to liberalization issues. The main reason that Malaysian government chose to adopt a protective policy for the auto industry is due to the country's special political and economic background and industrial environment.

Major ASEAN countries have laid the foundation for auto parts manufacturing and assembly and have the capability of

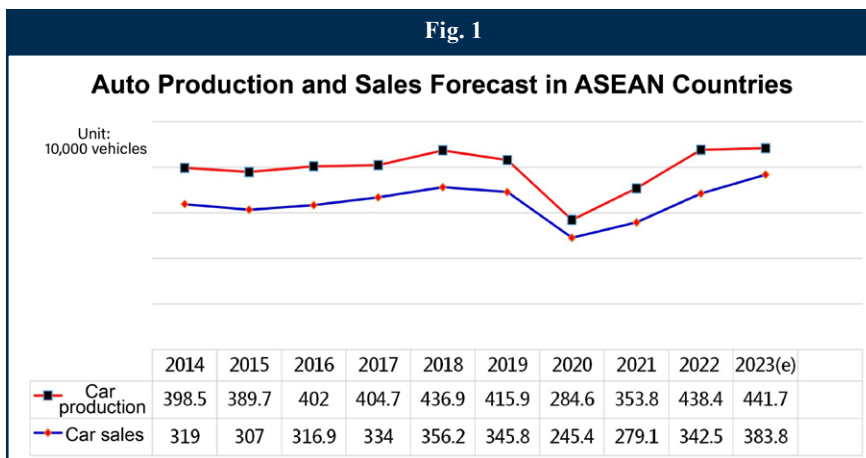
complete vehicle manufacturing and assembly. Global major car manufacturers have set up assembly factories in ASEAN and have begun to take shape due to sufficient labor, low wages, inexpensive land prices, and potentials for the development of the auto industry and market, etc. The auto industry in ASEAN is mainly concentrated in Malaysia, Indonesia, the Philippines, and Thailand. Indonesia, Thailand, Malaysia, the Philippines, Singapore, Vietnam and other ASEAN countries have terminated tariffs on auto imports and exempted auto parts from luxury tax.

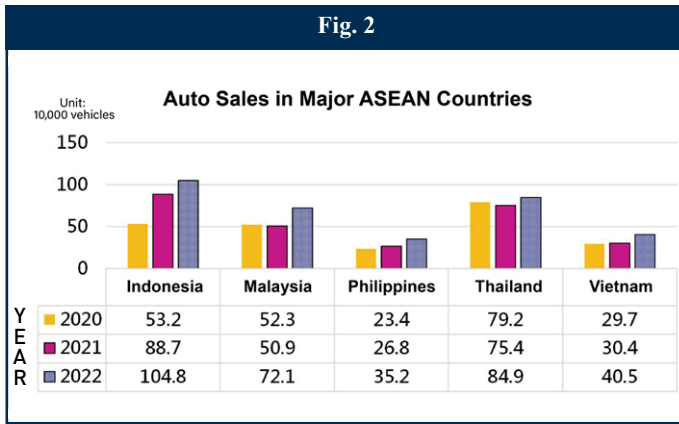


In densely populated countries such as Thailand, Indonesia, Vietnam, and the Philippines, the ratio of car ownership per capita (the numbers of cars per 1,000 people in 2022 were 245.8 in Thailand, 91.3 in Indonesia, 17.3 in Vietnam, and 35.8 in the Philippines) is relatively low compared to those of advanced countries, and the future auto parts and components business opportunities have great potential for development, both in the AM and OEM market. Japanese automakers such as Toyota, Suzuki, and Daihatsu are optimistic about the development potential of ASEAN and are actively adjusting ASEAN to become the production bases of Completely Built Unit (CBU), and are placing their business in the ASEAN and emerging countries with Small Multi-Purpose Vehicles (MPVs). In comparison with the BRIC countries, vehicle ownership in ASEAN is still on the low side, and most of the citizens still use motorcycles as a means of transportation. In recent years, with the development of the economy and changes in consumer behavior, which has led to an increase in the demand for low-priced small cars, ASEAN will become an important competitive arena for major auto manufacturers in the future in terms of the global market and development trend.

Fig. 1 shows the forecast of ASEAN auto production and sales. In 2022, ASEAN auto production was 4.384 million units, an increase of 23.9% from 2021, due to the increase in production in Thailand and Indonesia. In 2023, the boom continued, with the production of 4.417 million units, an increase of 3.0% from 2022, and the sales were estimated to be 3.838 million units in 2023, an increase of 12.1% from 2022. Fig. 2 is the forecast of auto sales in major ASEAN countries. In 2022, ASEAN auto sales were 3.425 million units, a 22.7% increase from 2021, mainly due to the increase in domestic demand in Indonesia and the Philippines, resulting in sales growth, with the largest auto market in ASEAN (1.048 million units sold to Indonesia, 849,000 units sold to Thailand, and 721,000 units sold to Malaysia.)

Fig. 1





2. Indonesia — Domestic Demand is Obvious; Imports of Auto Parts are Larger Than Exports

Indonesia's auto production scale used to be the largest in ASEAN, with an early start and supported by the domestic demand, giving it an advantage over other ASEAN countries in terms of industry development. Indonesia has the potential of the domestic demand market and natural resources, coupled with the implementation of the ASEAN Free Trade Area (AFTA), which has eliminated the 5% tariffs on autos and auto parts between the 6 ASEAN founding member countries (i.e., Thailand, Malaysia, Singapore, Brunei, the Philippines, and Indonesia), making it easy for autos and auto parts to be exported from Indonesia to the ASEAN countries, and with a competitive edge in terms of cost.

Indonesian government has listed auto assembly manufacturing as a key development industry and will actively promote the development of the auto industry in the next 5 years in the hope of replacing Thailand as the largest auto assembly production base in Southeast Asia. In 2011, the flooding in Thailand resulted in the dislocation of the auto parts supply chain and an imbalance between supply and demand, and major auto manufacturers realizing the concentration of production bases in a single place (Thailand) have been seeking a 2nd or 3rd production location. Indonesia has a large domestic market and natural resources, and coupled with the implementation of ASEAN countries' free trade zones, Indonesia is looking forward to obtaining the opportunities to become the regional production center of auto assemblies and components in ASEAN.

Due to new vehicle models being put into production and the expansion of the domestic market, the demand for locally produced auto parts in Indonesia has become larger and major auto and auto parts manufacturers have continued to strengthen their investment and plant establishment in Indonesia. The components required for auto assembly in Indonesia are mainly imported in the form of semi-bulk parts, such as auto electronics, gearboxes, chassis, engine systems, steering mechanisms & systems, drive shaft components, brakes and suspension systems and other components, all of which are imported. Fig. 3 shows the sales value of auto parts in Indonesia. The sales values of Indonesia's auto parts (HS: 8708, other auto parts) was US\$8.65 billion in 2022, an increase of 11.7% from 2021.

Fig. 4 shows the import and export values of Indonesia's auto parts. In 2022, the export value of Indonesia's auto parts was US\$2.89 billion, an increase of 2.3% from 2021.

Due to the lack of a complete supply chain in Indonesia's auto parts industry, most semi-finished components and engine systems, automatic transmissions and other key components rely on imports, characterized by a market in which the value of imports exceeds the value of exports. In 2022, the import value of auto parts in Indonesia was USD 5.67 billion. In 2023, it was forecasted that the import value would be USD 5.81 billion, a growth of 2.4% from 2022 due to the factors of political and economic stabilization in Indonesia and the increase in auto ownership.

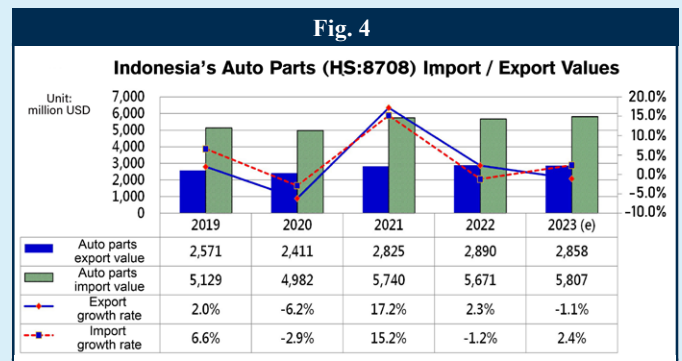
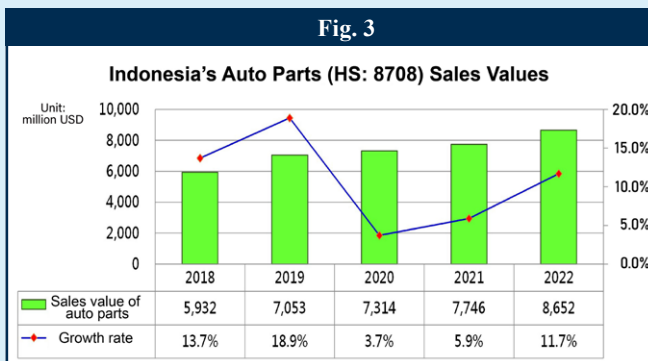


Fig. 5 shows the major import origins and their share in Indonesia's total auto parts import in 2022. Most auto parts of Indonesia were imported from Japanese manufacturers, and the major import origins were Japan (41.0%), Thailand (35.8%), China (5.1%), Germany (4.4%), and Malaysia (3.5%), with the top 5 countries accounting for 89.8% of the total imported auto parts. Fig. 6 shows the major destinations of Indonesia's auto parts export in 2022, and the major export destinations were Thailand (24.6%), Japan (13.7%), Malaysia (13.4%), Brazil (5.8%), and India (5.7%), with the top 5 export destinations accounting for 63.2% of the total exported auto parts.



Fig. 5

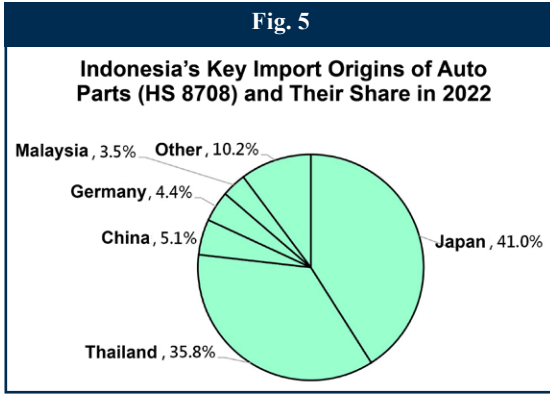
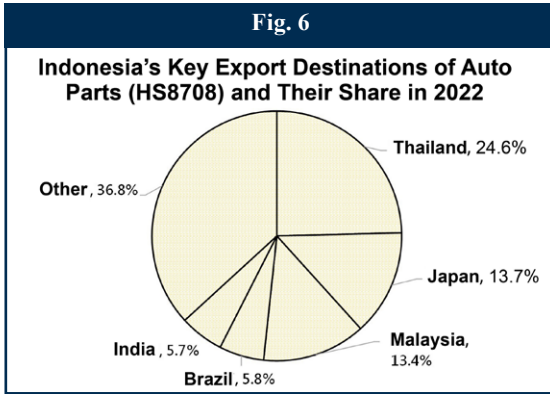


Fig. 6



3. Thailand — The 2nd Production Base of Japanese Car Manufacturers and Components

In order to strengthen the development of the local industry and achieve the economic scale of production, Thailand restricts the types of domestic assembled vehicles, further enhances the nationalization and promotes the development of the component industry, and establishes The Thai Auto-Parts Manufacturers Association (TAPMA) as a national unification mechanism to provide the component industry with a mechanism for industry integration and development. Thailand announced a ban on “complete vehicle imports” and an increase in the tariff on “components imported to assemble” as a means of protecting the domestic auto industry. The number of local Thai component manufacturers has grown year after year under the government’s dual policy of ceasing to grant production privileges and increasing the proportion of locally-produced components.

After Thailand’s accession to WTO, the restriction on the place of origin of auto parts must be abolished, allowing multinational enterprises to set up wholly-owned enterprises. As a result of the liberalization, the auto assembly has been led by foreign investors, while the local manufacturers have turned into the supply chain of components, forming a system with a division of labor in the industry. In addition, the regional integration of AFTA has accelerated the liberalization of the automotive industry. According to AFTA regulations, the import tariffs and non-tariffs of existing ASEAN member countries (Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand) have been lowered to 0-5%.

Thailand’s Board of Investment (BOI) has listed the auto industry as one of the “Top 5 Industries for Investment Promotion” and has taken incentives to attract more multinational auto manufacturers to set up factories in Thailand. Under the ASEAN Industrial Cooperation Scheme (AICO), auto parts can enjoy tariffs of 0-5% in the ASEAN region, and tariffs on imports into Thailand have been reduced to 5%, provided they meet the 40% origin criteria. Autos have become Thailand’s 5th largest export items, and its auto export ranked 1st among ASEAN and ranked 3rd in Asia, only after Japan and S. Korea. Thailand not only has become the ASEAN’s largest auto assembly base, but also the world’s top 10 car manufacturing countries. There are 16 auto assembly factories and 1,800 parts manufacturers in Thailand. Its industry focuses on development of pick-up trucks, and the output is only second to the U.S., which is a major factor that has contributed to the development of the auto parts industry.

Fig. 7 is the forecast of Thai auto parts market. In 2022 Thai auto parts sales value was 16.94 billion USD. It was predicted that in 2023 Thai domestic auto parts would be still in strong demand, with the sales value of 18.39 billion USD, an increase of 8.6% over the previous year. Fig. 8 is the forecast of Thai import and export values of auto parts, showing that the value of exports exceeds the value of imports. As Thailand is the main overseas production base of Japanese vehicle manufacturers, the injection of resources is relatively more and the main key components (such as engines and gearboxes) are mostly imported from Japan.

Fig. 7

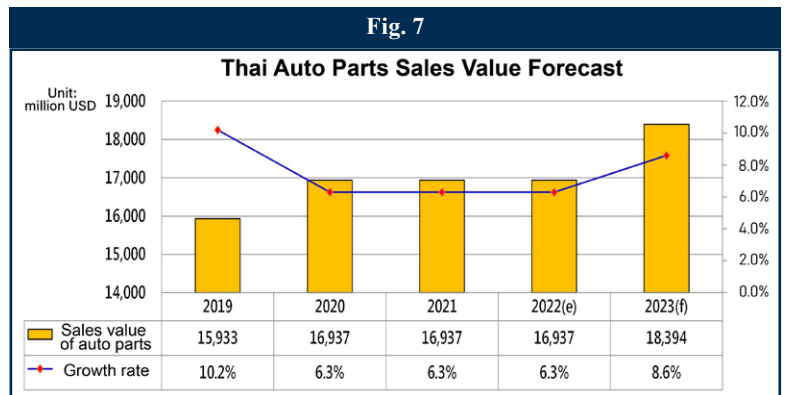


Fig. 8

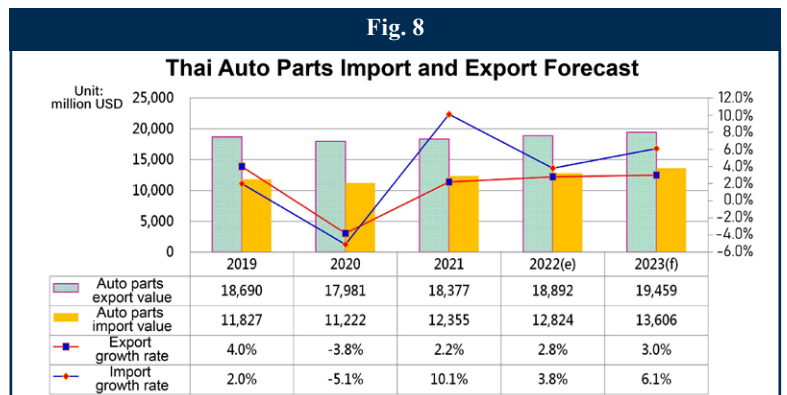
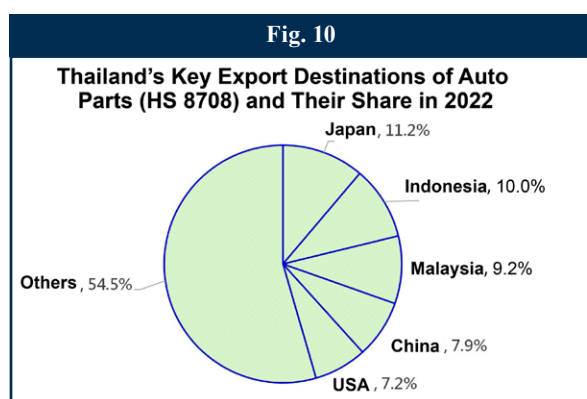
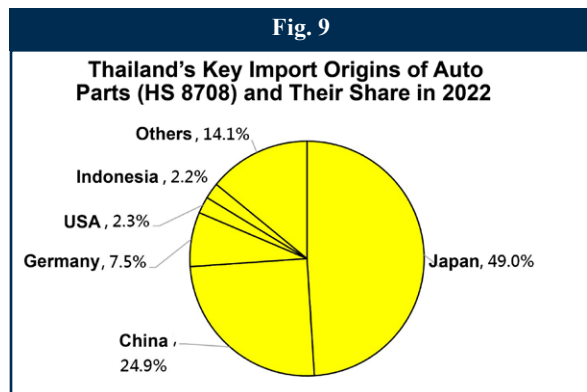


Fig. 9 shows the major import origins and their share in Thailand’s total auto parts import in 2022. Most exporters were Japanese manufacturers and the major import origins were Japan (49%), China (24.9%), Germany (7.5%), the U.S. (2.3%), and Indonesia (2.2%), with the top 5 countries accounting for 85.9% of

the total imported auto parts. **Fig. 10** shows the major export destinations of Thai auto parts (HS8708) and their share in 2022. Major export destinations were Japan (11.2%), Indonesia (10.0%), Malaysia (9.2%), China (7.9%), and the U.S. (7.2%), with the top 5 export destinations accounting for 45.5% of the total exported auto parts.



4. Malaysia — Government-led Development of Domestic Vehicle Industry

Malaysia is committed to the development of the national car industry. Its cars have been domestically processed in terms of design, large-scale production, and integrated production of components. There are currently four domestic car manufacturers, namely Proton, Perodua, Inokom, and MTB, of which the first two are developing passenger cars. In order to face increasingly fierce int'l competition, declining proportion of domestic vehicles in the market, and maintain its advantage in domestic vehicles, Malaysia is actively developing into an auto assembly and production center of ASEAN. Most of the auto parts produced in Malaysia are made from raw materials that can be obtained domestically, and the technological level of the components is relatively low, labor-intensive and less value-added or highly polluting components, such as tires, forging, casting, stamping, and other manufacturing industries. **Fig. 11** shows the sales values of auto parts in Malaysia, with the sales value in 2022 being US\$4.13 billion, an increase of 12.3% from 2021.

Fig. 12 shows the import and export values of Malaysian auto parts, with US\$2.72 billion import and US\$910 million export in 2022. More than 70% of Malaysian auto parts are supplied to the OES, and most of the exported auto parts belong to the lower technology level, such as body panels, bumpers, brake pad components, or exhaust (pipe) systems, while high value-added key components (such as engine systems, automatic transmission, etc.) are imported, making Malaysia an ASEAN country whose import value of auto parts is larger than the value of its export value.

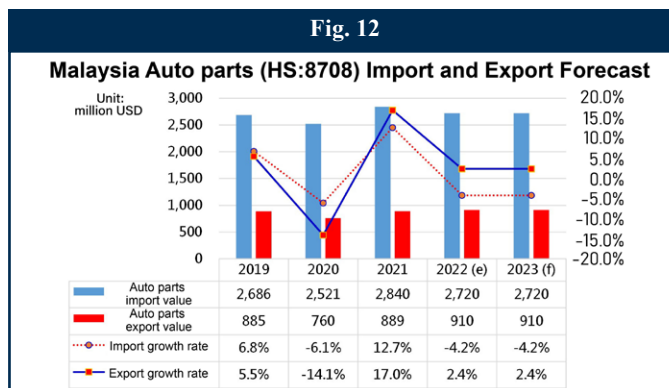
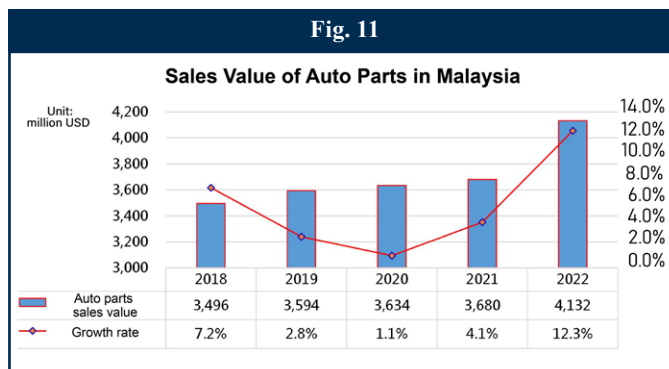
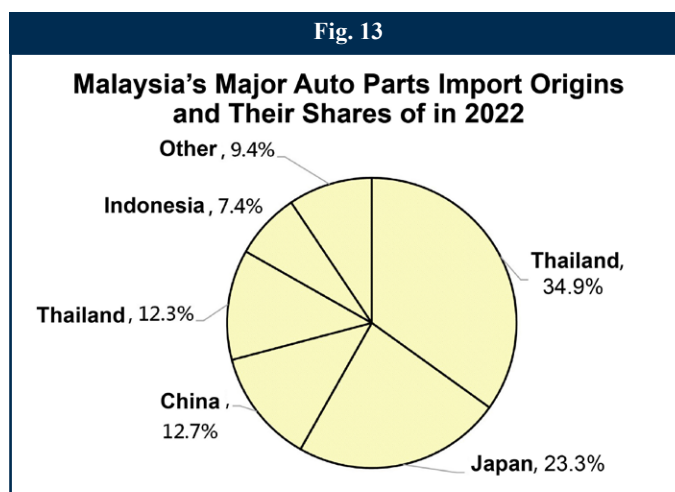
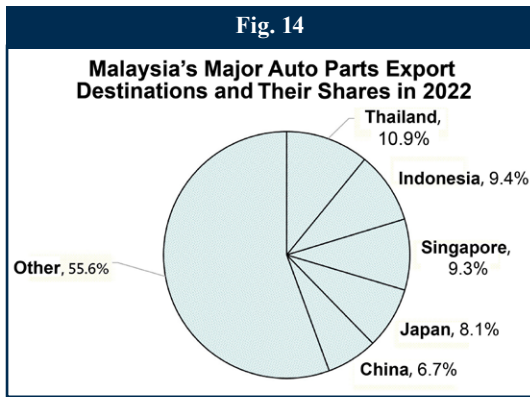


Fig. 13 shows the major import origins and their share in Malaysia's total auto parts import in 2022, which were Thailand (34.9%), Japan (23.3%), China (12.7%), Germany (12.3%), and Indonesia (7.4%), accounting for 90.6% of the total. **Fig. 14** shows Malaysia's auto parts major export destinations and their shares. The top 5 export destinations were Thailand (10.9%), Indonesia (9.4%), Singapore (9.3%), Japan (8.1%), China (6.7%), accounting for 44.4% of the total.





5. Conclusions and Suggestions

Facing diversified demand for low-cost autos, small cars, and new energy vehicles in ASEAN such as Indonesia, manufacturers are advised to get rid of the habit of copying auto parts, enter the supply chain system of auto parts OEMs, utilize Taiwan's ICT technological advantages to develop innovative products with price differentiation (e.g., automatic transmission and drive mechanism, GPS, car recorder, car game and entertainment system, driver safety assistance system, and other high value-added products), and proactively lay out the auto parts market in Indonesia as early as possible, in addition to maintaining their original competitive advantages in AM and the global supply market.

Thai BOI provides support and incentives for industrial clusters in 7 provinces, incl. human resources, technology development, infrastructure development and logistics systems, tax and non-tax incentives, and financial and regulatory changes, to promote foreign investment. Thailand's key auto parts raw materials are mostly supplied by Japan; however, labor shortages and high production costs and other factors in Japan have resulted in high cost of raw materials and manufacturing. Taiwanese and Japanese manufacturers (incl. auto and auto parts manufacturers) have kept close relations for long, so Taiwan's R&D and technological capabilities may bring more component substitution or OEM opportunities.

Taiwan's auto parts manufacturers should follow the local government's policy on the auto industry and carefully select partners to match the direction of the government's consolidation of domestic assembly capacity, for example, by choosing to cooperate with existing assembly or overcapacity companies, especially those with a government background, to improve the quality of components in order to obtain the support of the government; and, secondly, by adopting a flexible and diversified approach to cooperation, which can initially be adopted by exporting parts for assembly to Malaysia, and then selling them under the current Malaysian domestic vehicle brands, or by assembly of bulk components in Malaysia, and then reselling them under their own brands in Malaysia and to ASEAN.

Data source: ASEAN Automotive Federation; Global Trade Atlas; ITRI IEK ■

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