Performance of the Malaysian Plastics Industry 2015

By MPMA

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   - Electrical and electronics
   - Automotive
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Electrical and Electronics Sector: Monthly Production Statistics on TVs

- Production of TV sets for 2015 reduced by 31%, compared to 2014. Production reduced from 12.5 million units to 8.6 million units.

- TV producers are believed to have shifted some production to Thailand, Indonesia and Vietnam.

Source: Department of Statistics
Annual Production of TV Sets

million units

Source: Department of Statistics
Electrical and Electronics Sector: Monthly Production Statistics on Air-cons

- Production of air-cons declined by 15%, from 2.91 million units in 2014 to 2.48 million units in 2015.
- Similar to the TV producers, air-con producers are also relocating their production base to the neighbouring countries.

Source: Department of Statistics
Annual Production of Air-conds

million units

Source: Department of Statistics
Market Trends of the Electrical and Electronics Sector

- Japanese brands are loosing out to the Korean and China brands. Low end models are passing out to ODM companies.

- Many electronics companies started to relocate again. Samsung Senawang shifted to Samsung Vietnam. Other MNCs are relocating to Vietnam, Philippines and inland of China.
Automotive Sector: Monthly Statistics on Total Production of Passenger Cars

- Total production of passenger cars by the local car producers and assemblers increased by 3.5% to 564,000 units in 2015, compared to 545,000 units in 2014.

- However, sales of passenger cars increased by only 0.5% from 588,000 units in 2014 to 591,000 units in 2015.

Source: Department of Statistics
Annual Production of Passenger Cars

Source: Malaysian Automotive Association (MAA)
Market Trends of the Automotive Sector

- Implementation of GST affected the consumers’ sentiment.
- Weakening of ringgit, falling crude oil price raised concerns on economic growth.
- Low interest rates but on increasing trends.
- Credit tightening by BNM, more stringent approving criteria.
Market Trends of the Automotive Sector

- Launch of several new models at competitive prices helped to attract new car buyers.
- Innovative and attractive offers and scheme for new car buyers helped to gain some sales.
Exports of plastic household products for 2015 amounted to RM369 million, representing an increase of 3.7%, from RM356 million in 2014.

Source: Department of Statistics
Annual Export of Plastic Household Products

RM million

Source: MATRADE
Packaging Sector: Monthly Export of Plastic Bags (HS: 3923)

- Total export of plastic bags for 2015 increased by 6.5% to RM4.25 billion, compared to RM3.99 billion in 2014.

Source: Department of Statistics
Annual Export of Plastic Bags

RM billion

Source: Department of Statistics
Packaging Sector: Monthly Export of Plastic Films and Sheets (HS 3919/20/21)

- Total export of plastic films and sheets increased by 5.5% from RM4.58 billion in 2014 to RM4.83 billion in 2015.

- Demand from the main markets, i.e., US and Japan is stable due to improving economies.

- Malaysia is the largest stretch film producer in Asia, 3rd largest in the world.

Source: Department of Statistics
Annual Export of Plastic Films and Sheets

Source: Department of Statistics
Overall Performance

- The plastics industry registered a total sales turnover of RM24.77 billion in 2015, representing an increase of 27.3% from RM19.46 billion in 2014. However, the huge increase was merely due to a revised method of compilation by the Department of Statistics, in which we believe that the actual growth of the plastics industry is in the region of 5% to 6%.

- Export increased by 8.5% from RM11.94 billion in 2014 to RM12.96 billion in 2015.
Overall Performance

- Domestic growth was affected by the implementation of GST, and rising imported input costs due to weakening ringgit.

- Export sector benefited from the weakening of the ringgit against the world major currencies including USD, Euro, Yen and Singapore Dollar.

Source: Department of Statistics
Export/Sales Turnover Ratio

Note: The Department of Statistics has revised the basis of data compilation, resulting in a 27% increase in total sales turnover for 2015.
Main Exports of Plastic Products

Exports 2015: RM12.96b

Films and sheets: RM4.83b

Bags: RM4.25b

Others: RM3.88b
## Key Data for the Malaysian Plastics Industry

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Malaysia’s gross domestic product (GDP) growth</strong></td>
<td>5.1%</td>
<td>5.6%</td>
<td>4.7%</td>
<td>6.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td><strong>Number of plastics manufacturers</strong></td>
<td>1,400</td>
<td>1,350</td>
<td>1,350</td>
<td>1,300</td>
<td>1,300</td>
</tr>
<tr>
<td><strong>Employment</strong></td>
<td>74,000</td>
<td>74,500</td>
<td>78,000</td>
<td>82,000</td>
<td>80,000</td>
</tr>
<tr>
<td><strong>Turnover</strong></td>
<td>RM16.25b (+2.1%)</td>
<td>RM17.16b (+6.5%)</td>
<td>RM17.94b (+4.5%)</td>
<td>RM19.37 (+7.3%)</td>
<td>*RM24.77 (+27%)</td>
</tr>
<tr>
<td><strong>Export</strong></td>
<td>RM10.15b (+6%)</td>
<td>RM10.05b (-1%)</td>
<td>RM10.69b (+6.4%)</td>
<td>RM11.94b (+11.5%)</td>
<td>RM12.96b (+8.5%)</td>
</tr>
<tr>
<td><strong>% of export against turnover</strong></td>
<td>62%</td>
<td>59%</td>
<td>60%</td>
<td>62%</td>
<td>52%</td>
</tr>
<tr>
<td><strong>Resin consumption</strong></td>
<td>1.98m MT (+5%)</td>
<td>2.04m MT (+3%)</td>
<td>2.10m MT (+3%)</td>
<td>2.15m MT (2.5%)</td>
<td>2.22m MT (3%)</td>
</tr>
<tr>
<td><strong>Per capita consumption of resin</strong></td>
<td>68kg</td>
<td>69kg</td>
<td>70kg</td>
<td>70kg</td>
<td>71kg</td>
</tr>
</tbody>
</table>

*Note: Revised basis of data compilation by the DOS*
Factors Contributing to the Growth

- Moderate Malaysian GDP growth of 5% in 2015.
- Strong US and Euro augured well for the export sector. Exports contributed more than 50% of the total sales.
Factors Contributing to the Growth

- Further improvement is expected for the world economies in 2016. World Bank: global economy slowing 2.5% in 2015, and is projected to increase to 2.9% in 2016.

- Economies in the high income countries including the US, Japan and Euro areas are expected to improve further in 2016.
Factors Contributing to the Growth

World economic growth at a glance

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015e</th>
<th>2016f</th>
<th>2017f</th>
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<tbody>
<tr>
<td>World</td>
<td>2.6</td>
<td>2.4</td>
<td>2.9</td>
<td>3.1</td>
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<tr>
<td>High income</td>
<td>1.7</td>
<td>1.6</td>
<td>2.1</td>
<td>2.1</td>
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<tr>
<td>US</td>
<td>2.4</td>
<td>2.5</td>
<td>2.7</td>
<td>2.4</td>
</tr>
<tr>
<td>Euro Area</td>
<td>0.9</td>
<td>1.5</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Japan</td>
<td>-0.1</td>
<td>0.8</td>
<td>1.3</td>
<td>0.9</td>
</tr>
<tr>
<td>UK</td>
<td>2.9</td>
<td>2.4</td>
<td>2.4</td>
<td>2.2</td>
</tr>
<tr>
<td>Developing</td>
<td>4.9</td>
<td>4.3</td>
<td>4.8</td>
<td>5.3</td>
</tr>
<tr>
<td>China</td>
<td>7.3</td>
<td>6.9</td>
<td>6.7</td>
<td>6.5</td>
</tr>
<tr>
<td>India</td>
<td>7.3</td>
<td>7.3</td>
<td>7.8</td>
<td>7.9</td>
</tr>
</tbody>
</table>

Outlook for 2016

- The industry is expected to be a challenging year. The global economies are expected to grow moderately, with the ongoing slowdown in China, as well a modest and uneven recovery in the advanced economies.

- Domestically, the increase in minimum wages for workers in July 2016 is expected to add further cost burden to the manufacturers. Consumers are still struggling to adjust their spending as a result of the ringgit depreciations and GST.
Outlook for 2016

- Labour cost is expected to increase further due to impending levy hike for foreign workers as well as the various additional processing and handling charges.

- To face the challenge of cost increase, manufacturers have to improve their cost efficiency and product quality through investing in advanced machinery, automation equipment, innovative technology and creating higher skilled manpower.
Outlook for 2016

- The extension of the Reinvestment Allowance (RA) for another three years for 2016-2018 will encourage more companies to expand their operations.

- The growth for 2016 is expected to be slightly higher than 2015, at about 6% to 7%.
Thank you

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