

Southeast Asian Fastener Market and Investment Opportunities

Article by Shervin Shahidi Hamedani
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Introduction

Southeast Asia has a large population of more than 650 million people and regroups some of the world's fastest growing economies. Southeast Asia is home to several emerging market countries making the region one of the most dynamic in the world, an important driver of the world's economic growth. Many of its major countries attract the attention from global companies and investors willing to do business in the region and gain the benefits of its growth.

The Association of South-East Asian Nations, ASEAN, is an economic and political organisation of ten countries located in Southeast Asia: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar (Burma), the Philippines, Singapore, Thailand and Vietnam.

Foreign Direct Investment

Foreign Direct Investment (FDI) inflows into ASEAN recorded its highest ever level in 2019 at USD182 billion, making this region the largest recipient of FDI in the developing world. As a result of the COVID-19 pandemic and its impact on every single industry, FDI declined to USD137 billion in 2020, which is pretty substantial; however, the performance is still better than the global FDI

level. FDI in the digital economy sectors and infrastructure-related industries helped cushion the fall of FDI in other sectors in the wake of the pandemic. Investment within the region remained strong, growing by 5% to USD23 billion in 2020, pushing up the intra-ASEAN share of FDI in the region from 12% to 17%.

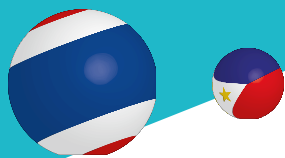
Infrastructure Investment

Since the pandemic, ASEAN Member States have accelerated the push for investment in infrastructure, facilitated by aspiring national infrastructure plans, policy measures and greater opportunities for private sector participation. The infrastructure investment need in the region is enormous, projected to be between USD110 billion and USD184 billion annually during 2015–2030. This estimate covers mostly transport, power and telecommunication. Multinational enterprises and foreign investors have been contributing to infrastructure development in the region through different channels such as sponsoring, financing, providing engineering, procurement and construction (EPC) services and technology, and supplying equipment.

Industry 4.0 Adoption

Although Industry 4.0 adoption in ASEAN is at an emerging stage, more local and foreign companies are identifying its importance and are planning to adopt Industry 4.0 technologies in the next five years. ASEAN Member States are actively promoting Industry 4.0 transformation to boost the region's manufacturing potential and to improve efficiency and productivity. However, the adoption of Industry 4.0 technologies in ASEAN, is uneven across the countries in this region. Some Member States are moving ahead with Industry 4.0 initiatives (e.g. Indonesia, Malaysia, Singapore, Thailand), while others are developing transformation plans (e.g. the Philippines, Vietnam), and a few are just beginning to map out their digitalization path (e.g. Cambodia and the Lao People's Democratic Republic).



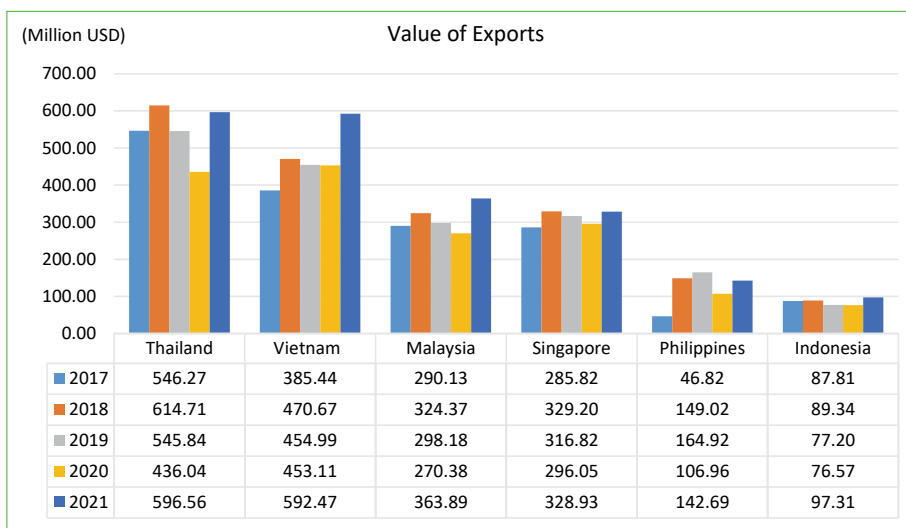
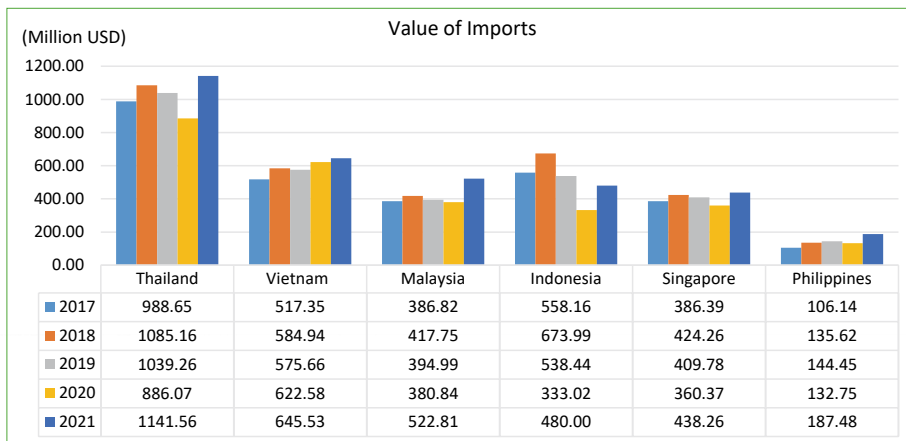


The Fastener Market

Thailand is the biggest fastener market in ASEAN. In 2021, the value of its exported fastener products (such as screws, bolts, nuts, rivets, cotters, washers, etc.) was about USD596.6 million with the total weight of its exported fasteners being 152 thousand tons, which means each KG of its exported fasteners was worth about USD3.93. On the other hand, the value of its imports for the same products (HS Code 7318) was almost USD1.142 billion with the total weight of 178.5 thousand tons, which means each KG of its imported fasteners was worth USD6.4. The value of products per kilogram imported by Thailand in 2021, was almost 65% higher than the value of the exports, showing Thai manufacturers export mainly standard products than application-specific fasteners. The more specialized fasteners the more expensive they are.

The simple comparison between the value of exports and imports shows that Thai manufacturers need more high-tech fasteners and this can be a key investment focus for investors in this market. The country is ranked amongst the top 10 fastener importers, which could be a very lucrative market for investors, as the demand of industrial fasteners (more specifically specialized fasteners) in this country is very high. If we look at the imports value in the first quarter this year, Thailand ranks sixth in the global fastener market. This further proves that the fastener market in Thailand has steady and high demand with a bright future for domestic and foreign investors.

Knowing that Thailand owns the largest fastener market in the region, choosing the second largest market in the region is a bit tricky. There are many others in the list that can be selected as the next largest fastener market in this region. Within the last few years countries like Vietnam, Malaysia, Indonesia, Singapore or even the Philippines haven't



had a jump on other countries. However, Vietnam shows more solid growth compared with the other countries in the region. The above charts exhibit the value of fastener imports and exports in the last five years for the major players of this market in this region.

As it can be derived from the charts, Vietnam, the second largest market for fasteners in the region, imported USD645 million worth of fasteners in 2021, which is about half of the value of imports by Thailand. Last year, in terms of exports, Vietnamese manufacturers shipped about USD592.5 million worth of fasteners to the global market, which is comparatively a high value. This figure is very close to the value of exports by Thai manufacturers in the same year. Although the local market may not be as attractive as Thailand, the value of exports shows us that the global market respects Vietnamese products and perhaps investors could consider this country as one of their production sites to produce and export fasteners from Vietnam to other markets; additionally, low labour cost is another advantage of investing in this market.

In summary, Southeast Asia is an attractive region for manufacturers in the general and fasteners industry in specific due to its geographic, regulatory, economic and demographic advantages. There is a diverse talent pool in the region which supports manufacturers to keep up with increasing demand in the fastener market. Authorities in the region continue to significantly enhance legal and trade frameworks to improve the ease of doing business, more specifically for foreign investors. ■

Resources:

- Overview of Business in Southeast Asia, by ASEANUp
- ASEAN Investment Report, 2020–2021, Investing in Industry 4.0, by the ASEAN Secretariat
- ITC Trade Map, Trade statistics for international business development

