

A Look at the Status Quo of Malaysian Fastening Tool Industry

馬來西亞扣件緊固工具產業發展現況剖析

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Introduction

Malaysia is geographically advantageous with its location on the center of southeast Asia, adjacent to Thailand to the north, and near Indonesia to the southwest across the Strait of Malacca which is an important marine route in the world that makes Malaysia the central hub of southeast Asia. Malaysia generated around USD 322.5 billion GDP, USD 238.32 billion total import value and USD 2992.9 billion total export value in 2021. The metal products which include fastening tools are one of the top traded categories in Malaysia.

In 2021 Malaysia imported USD 18.15 billion worth of fastening tools from Taiwan, up 32.3% over the same period in 2020, making Taiwan the 3th largest import source for Malaysia. In 2021 Malaysia exported USD 9.79 billion worth of fastening tools to Taiwan, up 21.4%, making Taiwan the 9th largest export market for Malaysia. The bilateral trading value between the two countries was around USD 27.94 billion, so Taiwan is the 10th largest trade partner for Malaysia. The U.S.-China trade war has impacted global trade in recent years. The American and European countries redirect orders and it has changed the global fastening tool trade market. Additionally, many of those orders are redirected to southeast Asia. This article will analyze this change and offer a corresponding measure.

Main ASEAN Countries' Fastening Tool Export and Import with the World

1. Import Analysis

Table 1 shows the trend in ASEAN's fastening tool import from the world. The top 3 ASEAN countries with the most imported fastening tools were **Indonesia (NTD 6.02 billion), Thailand (NTD 5.77 billion), and Malaysia (NTD 4.82 billion)**. Although the import values do not necessarily translate to the amount of demand, it is still necessary to consider Malaysia's capacity. Import reflects a rough picture of Malaysia's demand for fastening tools. Except for other primary ASEAN countries like Singapore and Philippines with a negative growth in importing fastening tools, **Malaysia had a CAGR of 11.3% in importing fastening tools, topping all other ASEAN countries.**

Table 1. Primary ASEAN Countries' Import of Fastening Tools from the World

Unit: USD 100 Million; %

	2017	2018	2019	2020	2021	CAGR
Indonesia	1.73	2.13	2.12	1.73	2.15	5.5%
Thailand	1.80	2.03	2.19	1.69	2.06	3.4%
Malaysia	1.12	1.15	1.33	1.30	1.72	11.3%
Singapore	1.62	1.72	1.55	1.29	1.49	-2.2%
Vietnam	0.84	0.85	0.92	0.90	0.97	3.6%
Philippines	0.84	0.93	0.83	0.52	0.70	-4.3%
Total	7.12	7.89	8.12	6.90	8.39	4.2%

Source: ITC/MIRDC

2. Export Analysis

Table 2 shows the trend in ASEAN’s fastening tool export to the world. **The top 3 ASEAN countries with the most exported fastening tools were Vietnam (NTD 9.22 billion), Malaysia (NTD 6.02 billion), and Singapore (NTD 4.68 billion).** The U.S.-China trade war has impacted global trade in recent years. Some of the Chinese companies are looking out at southeast Asian countries like Vietnam where they can evade tariff. They buy land to build factories there and hope to veer from the tariff impact brought by the U.S.-China trade war. Therefore, **Vietnam nudged Malaysia off the top place, and took over as the largest fastening tool exporter in 2021 with an astounding 647% growth rate over 2020.** Additionally, Although Thailand and Indonesia had a higher CAGR of fastening tool export compared to Malaysia, their export values were small and so were their influences, but it is still worth tracking their trends.

Table 2. Primary ASEAN Countries’ Export of Fastening Tools to the World

Unit: USD 100 Million; %

	2017	2018	2019	2020	2021	CAGR
Vietnam	0.38	0.46	0.51	0.44	3.29	71.5%
Malaysia	1.86	1.85	1.57	1.47	2.15	3.7%
Singapore	1.79	2.16	1.63	1.42	1.67	-1.7%
Thailand	0.44	0.50	0.57	0.53	0.77	14.9%
Indonesia	0.05	0.03	0.03	0.07	0.12	24.8%
Philippines	0.02	0.02	0.02	0.03	0.04	18.2%
Total	4.52	4.99	4.31	3.93	8.00	15.4%

Source: ITC/MIRDC

Status Quo of Malaysian Fastening Tool Industry

1. Malaysia’s Trade with the Global Fastening Tool Market

Table 3 shows the trend in Malaysia’s fastening tool trade with the world and Taiwan. **In 2021, Malaysia imported USD 172 million worth of fastening tools from the world, with a 5-year CAGR of 11.3%, and exported USD 215 million worth of fastening tools to the world with a 5-year CAGR of 3.7%.** Between Taiwan and Malaysia, from 2017 to 2021 Taiwan’s fastening tool export to Malaysia slipped from USD 8 million to 6 million, with a CAGR of minus 8.8%, which indicated Taiwan’s fastening tool market share in Malaysia was weakening.

Table 3. Malaysia’s Fastening Tool Import & Export with the World and Taiwan

Unit: USD 100 Million; %

Product Category	2017	2018	2019	2020	2021	CAGR
Value of Malaysia’s Fastening Tool Import from the World	1.12	1.15	1.33	1.30	1.72	11.3%
Value of Malaysia’s Fastening Tool Export to the World	1.86	1.85	1.57	1.47	2.15	3.7%
Value Malaysia’s Fastening Tool Import from Taiwan	0.08	0.08	0.07	0.05	0.06	-8.8%
Value of Malaysia’s Fastening Tool Export to Taiwan	0.02	0.02	0.01	0.01	0.01	-5.9%
Total	4.52	4.99	4.31	3.93	8.00	15.4%

Source: ITC/MIRDC

2. Malaysia’s Fastening Tool Trade Partners and Their Trade Value Proportions

Table 4 shows the top fastening tool trade partners for Malaysia. In terms of import, the **top 3 sources of import were China (USD 122 million; taking up 70.87%), USA (USD 13 million; 7.83%), Japan (NTD 7 million; 4.05%), and Taiwan (USD 6 million; 3.34%).** China alone took up 70% of import and the top 10 sources of import took up over 90%, resulting in a highly concentrated market. In terms of export, **the top 3 destinations of export were Germany (USD 36 million; taking up 16.75%), Hungary (USD 24 million; 11.30%), and USA (NTD 24 million; 11.0%).** Germany as the top export destination took up 16.75% of export, and the top 10 destinations of export took up nearly 80%, also resulting in a highly concentrated market, but the proportion of the top ten export destinations was small. Malaysia doesn’t export a large amount of fastening tools and it doesn’t go as far as to affect Taiwan.

Table 4. Top Fastening Tool Trade Partners with Malaysia in 2021

Unit: USD 100 Million; %

Import Source	Import Value	Import Proportion	Export Destination	Export Value	Export Proportion
China	1.22	70.87%	Germany	0.36	16.75%
U.S.A.	0.13	7.83%	Hungary	0.24	11.30%
Japan	0.07	4.05%	U.S.A.	0.24	11.00%
Taiwan	0.06	3.34%	China	0.22	10.07%
Singapore	0.04	2.42%	Slovenia	0.13	5.95%
Germany	0.03	1.90%	S. Korea	0.12	5.81%
Thailand	0.02	1.19%	Singapore	0.12	5.48%
Brunei	0.02	1.08%	Netherlands	0.09	4.36%
Belgium	0.02	0.98%	Japan	0.08	3.81%
India	0.02	0.97%	Brazil	0.06	2.82%
Sub-total	1.63	94.61%	Sub-total	1.66	77.34%
Total	1.72	s	Total	2.15	100.00%

Source: ITC/MIRDC

3. Malaysia's Fastening Tool Import by Category

Table 5 shows the trend in Malaysia's fastening tool import from the world. **The values and CAGRs of Malaysia's import of top 3 fastening tool categories from the world were: electric socket wrenches (USD 57 million; 10.3%), emission nailers (USD 38.99 million; 12.1%), and drilling/thread-cutting/thread-tapping tools (USD 14.38 million; 59.9%).** The 5-year CAGRs of the top 3 imported fastening tool categories all exceeded 10%, indicating Malaysia's stable demand for fastening tools. **The top 3 imported fastening tool categories with the highest CAGR were: drilling/thread-cutting/thread-tapping tools (59.9%), hammers and sledge hammers (30.6%), and screwdrivers (30.1%).** Despite with a small import value, these categories could be a potential market to fill Malaysia's demand for fastening tools.

Table 5. Malaysia's Fastening Tool Import from the World by Category

Unit: USD 10 Thousand; %

Product Category	2017	2018	2019	2020	2021	CAGR
Electric socket wrenches	3,853.5	3,128.7	3,834.5	3,076.1	5700.3	10.3%
Emission nailers	2,465.5	2,777.9	3,406.7	3,421.4	3899.5	12.1%
Drilling, thread-cutting and thread-tapping tools	220.1	285.9	582.1	2,016.5	1438.6	59.9%
Screwdrivers	418.9	825.3	1,032.2	949.2	1200.4	30.1%
Hammers and sledge hammers	360.1	494.4	783.2	539.7	1049.2	30.6%
Pliers, clamps and the like	1,209.8	1,126.4	916.5	538.6	795.9	-9.9%
Pliers, pincers, tweezers and similar tools	656.9	612.9	572.5	422.8	711.2	2.0%
Unadjustable hand-operated wrenches and spanners	518.8	582.6	535.5	443.0	677.1	6.9%
Adjustable hand-operated wrenches and spanners	322.9	426.1	391.5	284.1	646.3	18.9%
Portable pneumatic wrenches and spanners	514.6	528.4	552.0	492.9	537.4	1.1%
Interchangeable wrenches and sockets with or without handles	406.0	444.6	499.5	604.0	379.6	-1.7%
Bolt croppers and similar tools	273.6	272.3	212.6	168.8	210.0	-6.4%
Total	11,220.7	11,505.5	13,318.8	12,957.1	17,245.5	11.3%

Source: ITC/MIRDC

4. Malaysia's Fastening Tool Export by Category

Table 6 shows the trend in Malaysia's export to the world. **The values and CAGRs of Malaysia's export of top 3 fastening tool categories to the world were: electric socket wrenches (USD 203 million; 5.0%), emission nailers (USD 7.23 million; -12.3%), and pliers/pincers/tweezers/similar tools (USD 1.43 million; -14.9%).** With a stable growth rate and export competitiveness, electric socket wrenches as the top exported category had an export value far above emission nailers at the second place. **The 5-year CAGRs of the top 3 exported fastening tool categories were: pliers/pincers/tweezers/similar tools (43.1%), screwdrivers (37.2%), and portable pneumatic wrenches and spanners (32.2%).** Despite with a small export value, high CAGRs could mean these Malaysian product categories have improved quality and capacity as well as a stable demand from clients and this is worth ongoing attention.

Table 6. Malaysia's Fastening Tool Export to the World by Category

Unit: USD 10 Thousand; %

Product Category	2017	2018	2019	2020	2021	CAGR
Electric socket wrenches	16,724.5	16,537.8	13,901.2	12,977.5	20,325.3	5.0%
Emission nailers	1,225.3	1,277.4	872.8	1,021.2	723.3	-12.3%
Pliers, clamps and the like	273.0	194.6	492.3	284.2	143.2	-14.9%
Unadjustable hand-operated wrenches and spanners	76.9	89.5	101.4	95.1	71.7	-1.7%
Screwdrivers	15.1	58.3	31.3	32.5	53.5	37.2%
Pliers, pincers, tweezers and similar tools	12.2	21.5	46.8	14.5	51.1	43.1%
Bolt croppers and similar tools	43.8	63.9	78.0	26.5	33.7	-6.3%
Interchangeable wrenches and sockets with or without handles	22.1	48.4	35.7	60.9	31.0	8.8%
Adjustable hand-operated wrenches and spanners	50.3	51.6	44.0	24.8	23.1	-17.7%
Portable pneumatic wrenches and spanners	5.5	17.0	20.1	8.7	16.8	32.2%
Drilling, thread-cutting and thread-tapping tools	105.6	96.6	100.1	151.0	14.3	-39.3%
Hammers and sledge hammers	19.5	8.8	14.3	18.1	5.4	-27.5%
Total	18,573.8	18,465.4	15,738.0	14,715.0	21,492.4	3.7%

Source: ITC/MIRDC

Status Quo of Malaysian Fastening Tool-related Industries

1. Taiwanese and Foreign Companies' Investment in Malaysia

In terms of foreign investment, the top 3 sources of foreign investment for the Malaysian manufacturing sector were: China (USD 4.405 billion), Singapore (USD 2.192 billion), and the Netherlands (USD 1.622 billion), covering fields including machinery/components, automobiles, metal products, electrical and electronic engineering. Regarding local Taiwanese companies, by the end of 2021, they invested USD 13.821 billion in Malaysia. Taiwan is the 8th largest investor for Malaysia, mainly investing in rubber, petrochemical, food producing, traffic equipment, furniture/accessories, electrical and electronic engineered products, forged metal products, wooden products and machinery industries.

2. Malaysia's Infrastructure and Future Development

Malaysia announced its national traffic policy (2019-2030) in 2019, and planned to become the distribution hub in southeast Asia, encouraging the development logistics in cities to meet the demand for logistics required for e-commerce. Malaysia arranges for a

digital free trade zone for Kuala Lumpur International Airport as a development center for aerospace service, and establishes repair and maintenance service. Additionally, Malaysia announced the national industry 4.0 policy which focuses on 12 potential areas including electrical and electronic engineering, machinery, chemical, medical, aerospace, automotive, transportation, textile, medicine making, metal, food processing and the service sector. Malaysia's infrastructure and policy planning cohere with the domestic construction industry which has an annual production value of NTD 400 billion, so this country has quite substantial potential demand for fastening tools.

3. RCEP in Effect in Malaysia

Malaysia will be a part of the worlds largest free trade agreement with RCEP signed in March 2020. This will help the country benefit from the cancellation of around 90% tariffs among member countries and increase USD 200 million income from export. The agreement eliminates non-tariff barriers, improves trade convenience and helps Malaysia improve the commercial environment. It will up the barrier on non-RCEP countries with an interest in tapping into the Malaysian market, but will also attract other countries to increase interest in setting up factories in Malaysia. When the free trade agreement takes effect, it could affect the ranking of fastening tool export in ASEAN.

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Conclusion

There is a gap in the industrial level between Malaysia and Taiwan. For long, Taiwan has been exporting fastening tools mainly to the U.S. and Europe. Malaysia is yet to affect Taiwan's global competitiveness in the short term. From a broader perspective on Malaysia's future national and industrial development, below is my advice for Taiwanese business owners in Malaysia:

1. Extending Taiwanese market: Taiwanese business owners are advised to observe RCEP's efficacy with investing in Malaysia, and evaluate whether Malaysia is suited to be a production base for exporting processed products. They can use bilateral industry-level investment and trade to extend the Taiwanese market to Malaysia and create favorable conditions for expanding export.

2. Enhancing Taiwanese companies' clustering and deployment in Malaysia:

Taiwan could build a strategic investment partnership with Malaysia and set up an investment collaboration platform. Taiwanese companies are scattered in Johor, Selangor, Perak, Melaka, Kedah and Sabah. Taiwan can take the lead and work through Taiwanese commercial organizations in Malaysia to build a cluster for Taiwanese companies and enhance the local supply chain and support system, set up Taiwanese contacts to connect to Malaysian resources, and enhance Taiwanese industry connections.

3. Pre-investment evaluation:

Taiwanese companies should have strategies to evaluate the risks of investment in Malaysia. Malaysia has set regulations regarding environmental impact assessment for investment in the steel and non-ferrous metal industries. In terms of fastening tools, any part of the manufacturing process which involves pickling and degreasing, coating and electroplating could potentially pollute the environment. Therefore, Taiwanese companies should make a prudent assessment on investment in Malaysia.

4. Labor issues and regulations:

Malaysia doesn't have sufficient high-end talents of science and engineering specialties; and therefore, it allows the manufacturing and export-oriented industries to employ foreign labors, with mandatory collection of poll tax. Plus, the Malaysian government regulates that labor-intensive industries paying each labor for less than MYR 55,000 in an investment are restrained from acquiring manufacturing permits and cash incentives for investment. This is not preferable for Taiwanese fastening tool companies seeking low-cost labors. □

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