



Industry Focus: FABRICATED METAL PRODUCTS

Prepared by:
Lynette Lee
Toh Wei Liang

SMEBank-SCEA@smebank.com.my
(603) 2615 2020

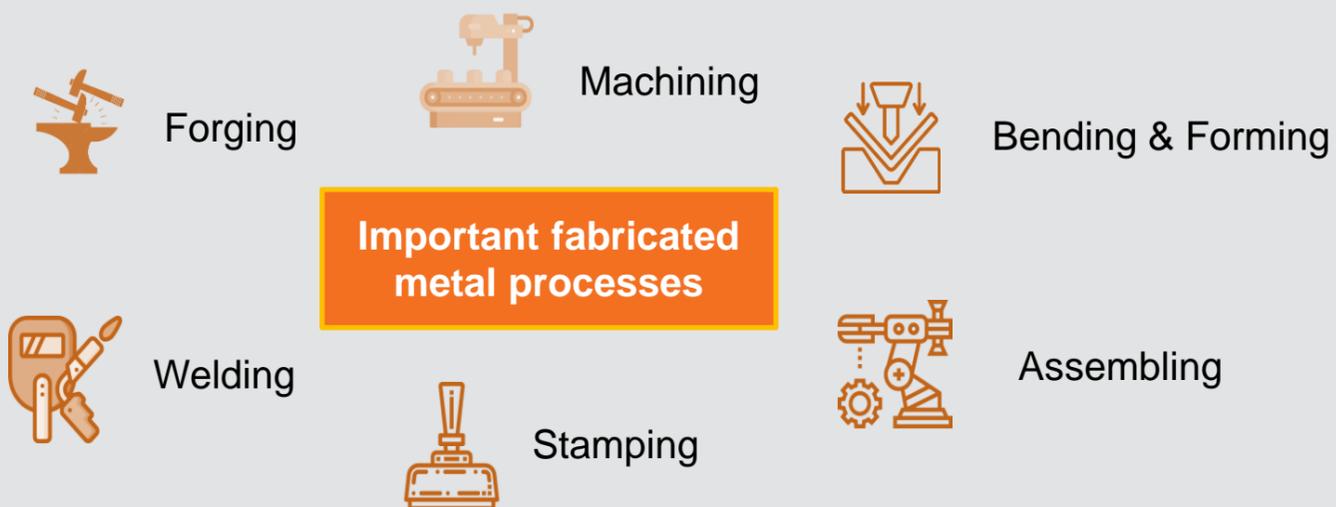


Industry Focus: Manufacturing of Fabricated Metal Products, except Machinery & Equipment (1/2)

Portfolio Summary

- This sector **transforms metal into intermediate or end products**, excluding machinery, computers & electronics, and metal furniture or treating metals & metal formed fabricated products.
- The **global metal fabrication market is highly fragmented**, with the major supply bases spread across China, India, Germany, US, Japan, South Korea, etc.
- In the US, the fabricated metal product manufacturing industry includes **~55,000 establishments**, with **~USD350 bil revenue in 2019 (0.5% of GDP)**. Contribution to the overall economy **stood at ~0.7% of GDP**. Demand for fabricated metal products is **forecast to rise 1.3% per year** in nominal terms from 2019 levels through 2024.
- In Malaysia, the fabricated metal products' manufacturing industry contributes **~1.0% to the national GDP**. Approved investments to the industry can be lumpy, it had jumped **142.7% to RM2.67 bil in 2020**, making up **2.9% of Malaysia's approved manufacturing investments**.
- In 1Q 2021, the **investment inflows soared 78.6%**, **almost reaching RM5 bil, dominated by foreign investments**, indicating a bright outlook in the long run.

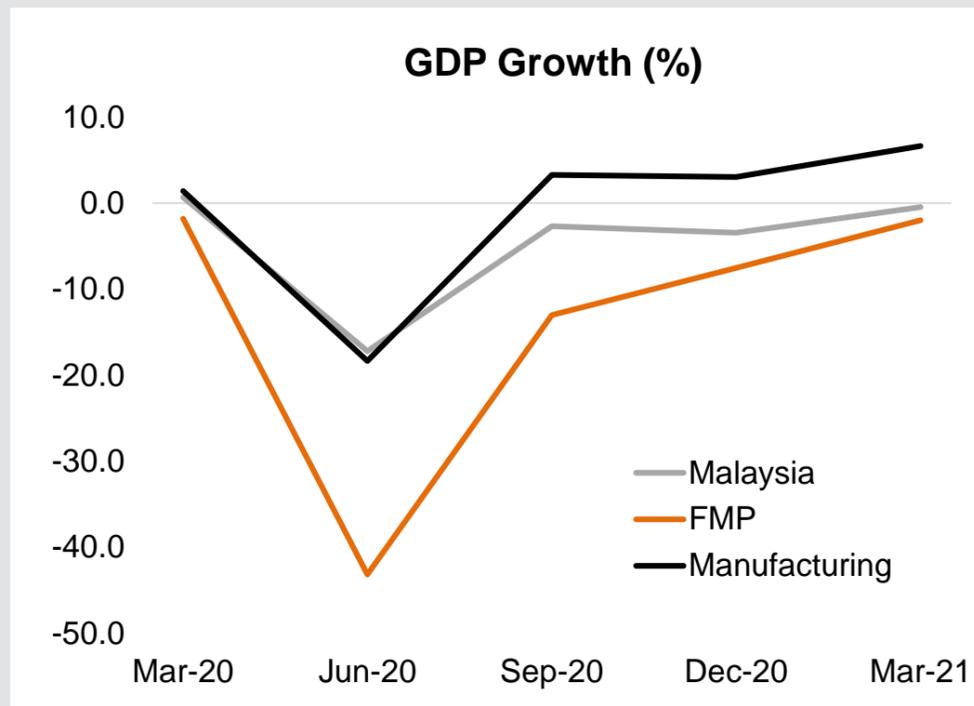
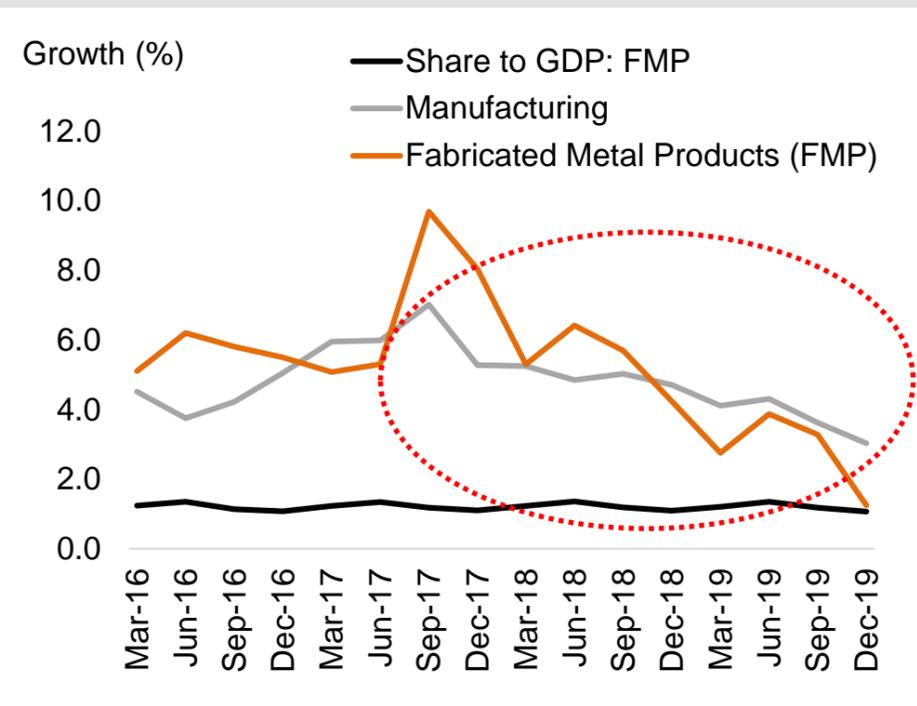
- ### Industries that use metal fabrication
- Aerospace
 - Agriculture
 - Alternative energy
 - Automotive
 - Construction
 - Consumer products
 - Energy
 - Medical devices
 - Military & defense
 - Original equipment manufacturers



70.9% Domestic Investments (RM0.79 bil)	29.1% Foreign Investments (RM0.31 bil)	RM1.10 bil Total Approved Investments in 2019
70.5% Domestic Investments (RM1.88 bil)	29.5% Foreign Investments (RM0.79 bil)	RM2.67 bil Total Approved Investments in 2020
7.9% Domestic Investments (RM0.39 bil)	92.1% Foreign Investments (RM4.54 bil)	RM4.93 bil Total Approved Investments in 1Q 2021

Industry Focus: Manufacturing of Fabricated Metal Products, except Machinery & Equipment (2/2)

- In tandem with the rebound of global trade activities, **Malaysia's manufacturing sector** has been on a recovery trajectory since 3Q 2020.
- While economic activities of the **fabricated metal products (FMP) plunged by 43.3% in 2Q 2020 – far worse** than the national's and the overall manufacturing industry's, the contraction for this industry is gradually closing. **In 1Q 2021, it shrank 2.0% y-o-y.**
- Prior to the Covid-19 pandemic, **the industry's growth has been trending downwards**, albeit still in the positive territory (average growth 2019: 2.8%; 2016-2018: 6.0%). Nonetheless, its **contribution to the overall economy was rather stable** over the years, ranging from 0.9% to 1.4%.
- Although this industry is expected to chart a **positive growth in coming quarters**, **downside risks** would continue to **cloud its near- to medium-term prospects**.



DOWNSIDE RISKS



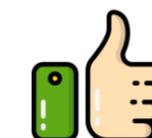
Disruption of production capacity

Industrial production is affected by the MCO and the spread of Covid-19.

Lack of skilled labor

A labor-intensive industry, which is facing increasing labour costs and lack of availability of skilled labour. Does not bode well if levy on foreign workers rises.

UPSIDE POTENTIAL



Demand for lightweight materials rising

The demand for lightweight materials for electric vehicles (EV), solar panels, will fuel the demand.

Hybrid and electric vehicles production to support expansion

The growth in EV and hybrid electric vehicles (HEV) is rising and by 2025, EVs and HEVs will account for an estimated 30% of all vehicle sales.

DISCLAIMER

SME BANK has exclusive proprietary rights in the data or information provided herein. This document is the property of SME BANK and is protected by Malaysian and international copyright laws and conventions. The data and information shall only be used for intended purposes and not for any improper or unauthorised purpose. All information contained herein shall not be copied or otherwise reproduced, repackaged, transmitted, transferred, disseminated, redistributed or resold for any purpose, in whole or in part, in any form or manner, or by any means or person without SME BANK's prior written consent.

This research report provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other investment or any options, futures or derivatives related to such securities or investments. It is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, other investment or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realised. Investors should note that income from such securities or other investments, if any, may fluctuate and that price or value of such securities and investments may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance. Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

Any opinion, analysis, observation, commentary and/or statement made by SME BANK are solely statements of opinion based on information obtained from sources which SME BANK believes to be reliable and therefore, shall not be taken as a statement of fact under any circumstance. SME BANK does not and is in no position to independently audit or verify the truth and accuracy of the information contained in the document and shall not be responsible for any error or omission or for the loss or damage caused by, resulting from or relating to the use of such information. Analysts based in SME BANK offices produce research on macroeconomics, equities, fixed income, currencies, commodities and portfolio strategy.

SME BANK and its affiliates, subsidiaries and employees shall not be liable for any damage or loss arising from the use of and/or reliance on documents produced by SME BANK or any information contained therein. Anyone using and/or relying on SME BANK document and information contained therein solely assumes the risk in making use of and/or relying on such document and all information contained therein and acknowledges that this disclaimer has been read and understood, and agrees to be bounded by it.



Small Medium Enterprise Development Bank Malaysia Berhad 49572-H

Menara SME Bank, Jalan Sultan Ismail 50250 Kuala Lumpur

Tel: 03-2615 2020 **Fax:** 03-2698 1748 **Email:** customercare@smebank.com.my

www.smebank.com.my

 smebank |  sme_bank |  smebank_malaysia |  smebankmalaysia



An agency under



**KEMENTERIAN PEMBANGUNAN
USAHAWAN DAN KOPERASI**
MINISTRY OF ENTREPRENEUR DEVELOPMENT AND COOPERATIVES

