MPMA
Malaysian Plastics Manufacturers Association
2023
Roadshow

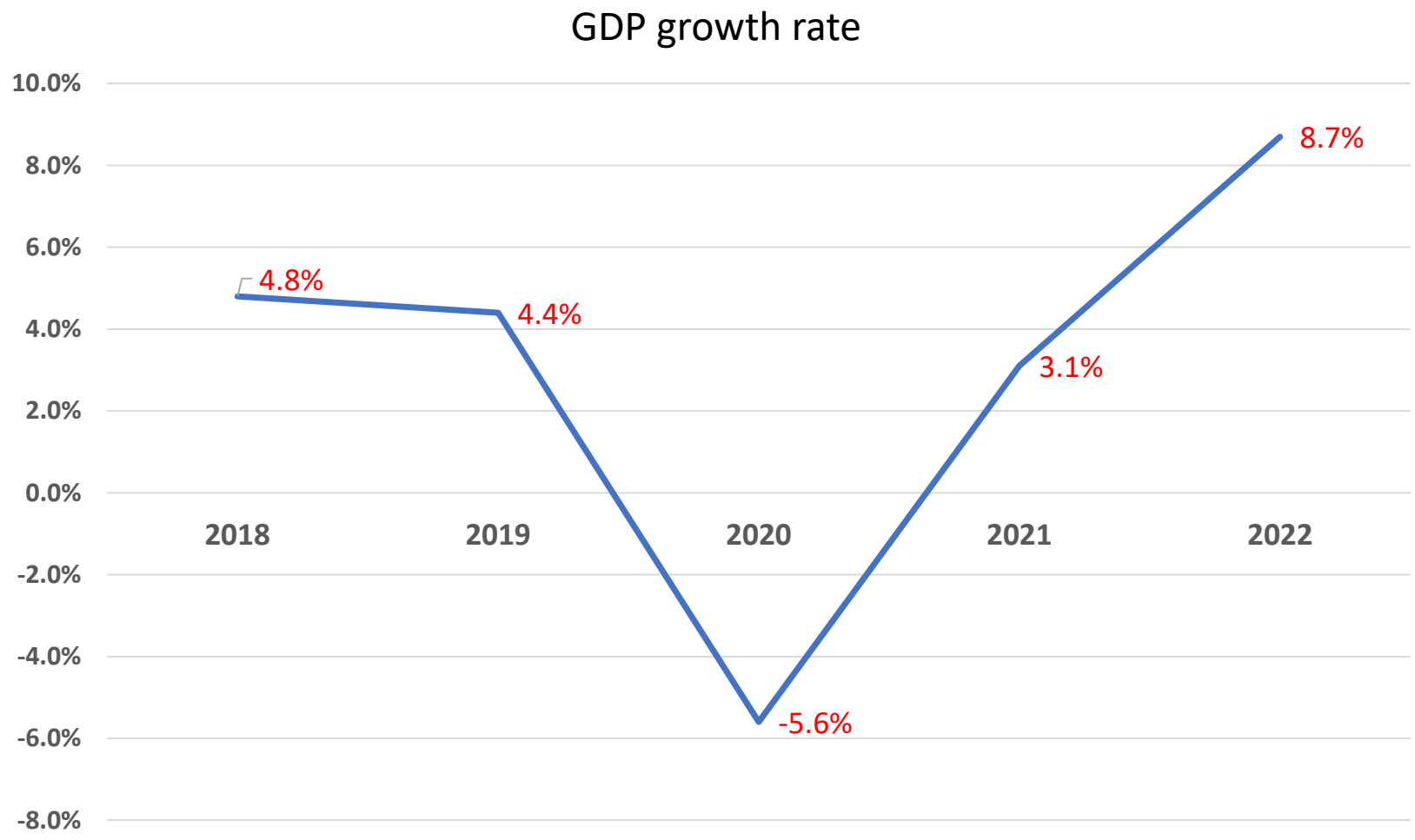
Contents

- Malaysian economy & performance of the plastics industry
- Performance by market sub-sectors
- Key drivers and challenges
- Key market trends
- Sustaining businesses
- Environmental, Social and Governance – relevance and opportunities
- Operation clean sweep

MPMA

MALAYSIAN ECONOMY & PERFORMANCE OF THE PLASTICS INDUSTRY

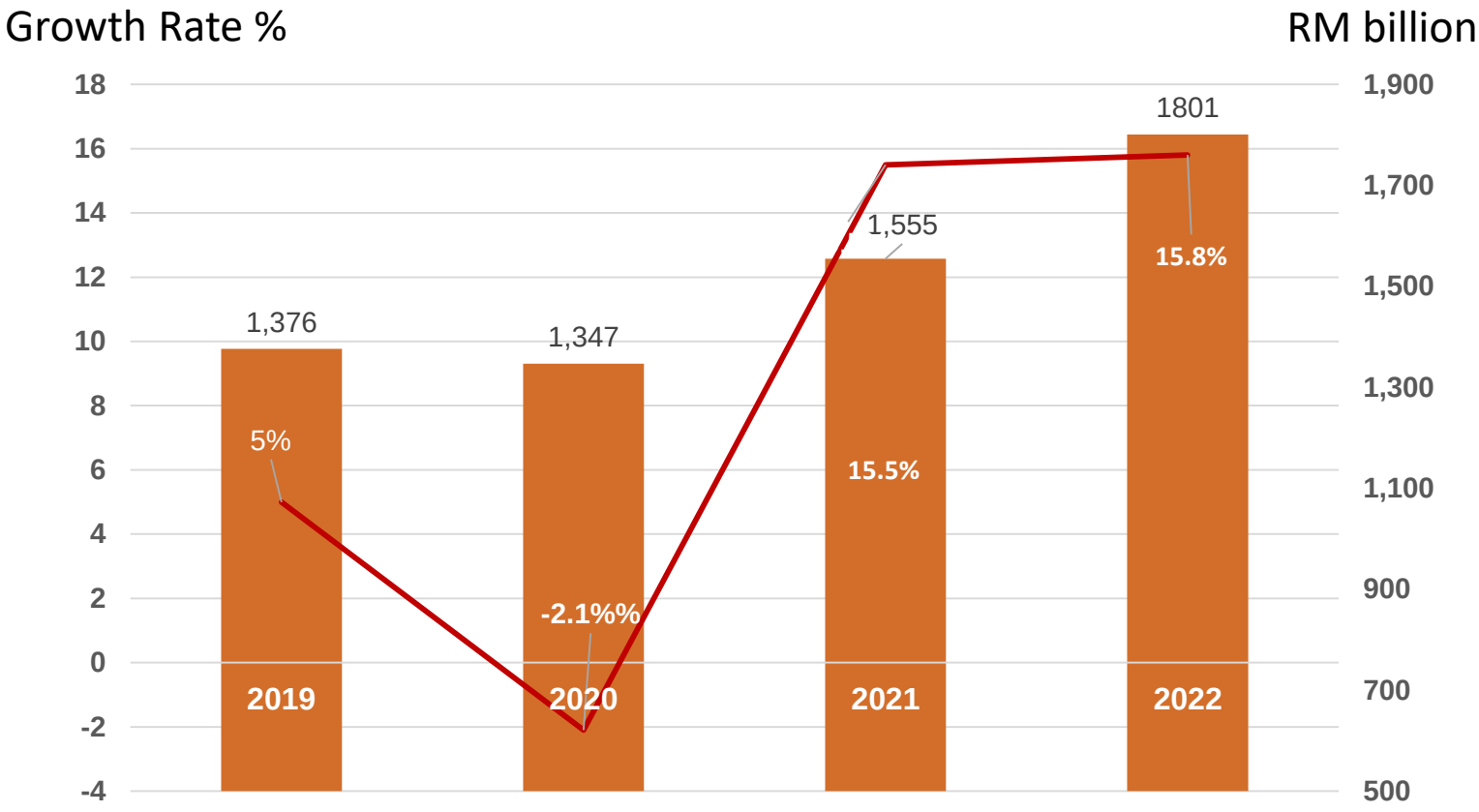
Malaysian GDP 2018 - 2022



Performance of the Malaysian Economy in 2022

- Strong growth due to low base effect, supported by private consumption and investment.
- Growth was led by the services, manufacturing and construction sectors.
- Strong export but moderated during the Q4 due to slowing global demand.

Sales of the Manufacturing Sector 2019-2022



Source: Department of Statistics

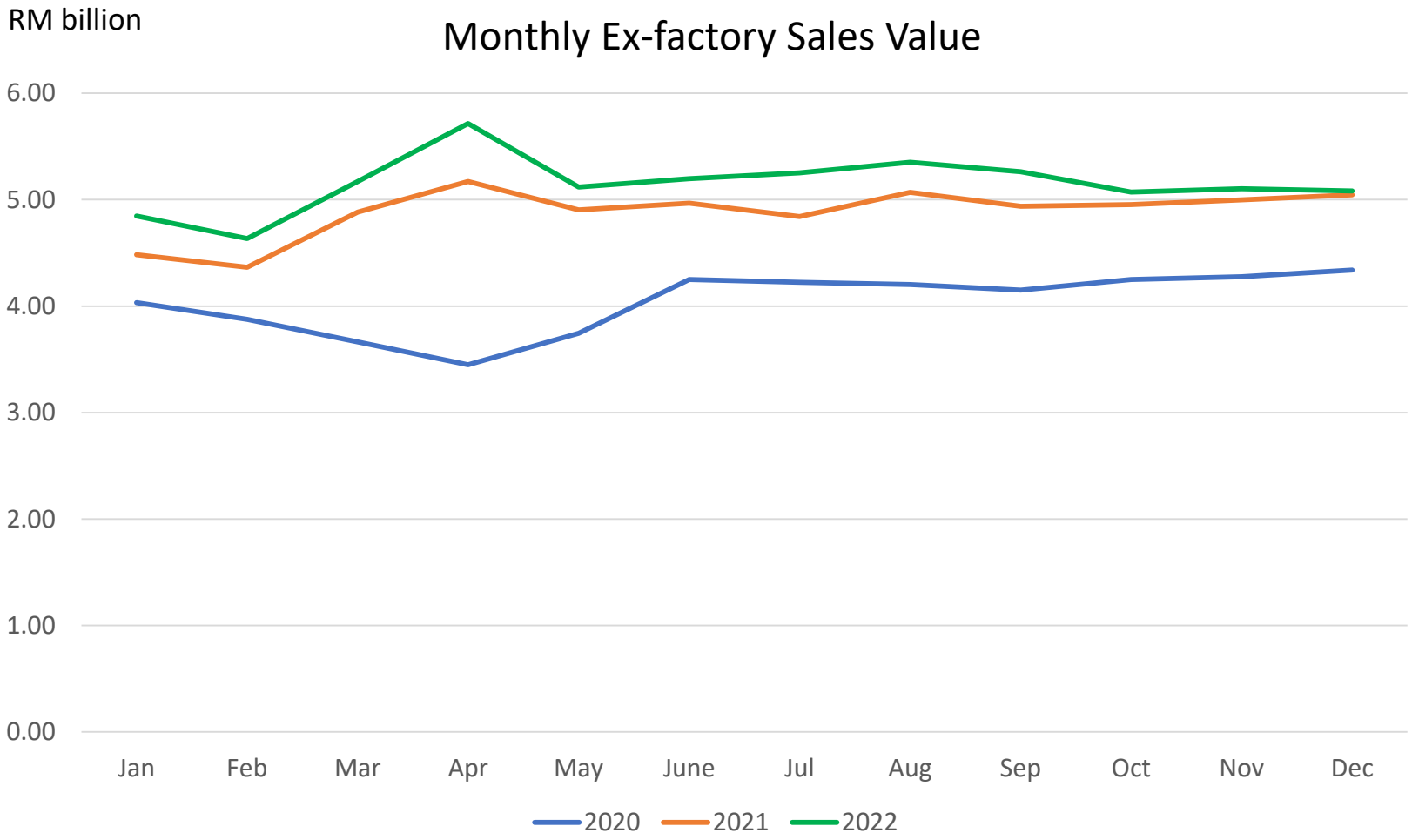
Performance of the Manufacturing Sector

- The sales value of the manufacturing sector in 2022 recorded an increase of 15.8% from RM1,554.7 billion in 2021 to RM1,800.7 billion.

- Sectors recorded the highest growth:
  - Petroleum, chemicals, plastics and rubber.
  - Food & beverages.
  - Electrical and electronics.

MPMA

Sales of the Plastics Industry 2020-2022



Source: Department of Statistics

Sales of the Plastics Industry

- Sales turnover increased by 5.5% from RM58.62 billion in 2021 to RM61.80 billion in 2022 (based on the revised method of compilation by the Department of Statistics.)

Factors Contributing to the Performance of the Plastics Industry in 2022

Internal

1. Pent-up demand especially during the 1H 2022, following the full opening of the Malaysian economy in November 2021.
2. Cost push effect of material cost due to US$ differential.
3. Improved employment which led to higher consumer income.
4. Low interest rates – easier business and consumer financing.
5. Shortage of labour due to the restrictions on the employment of foreign workers.

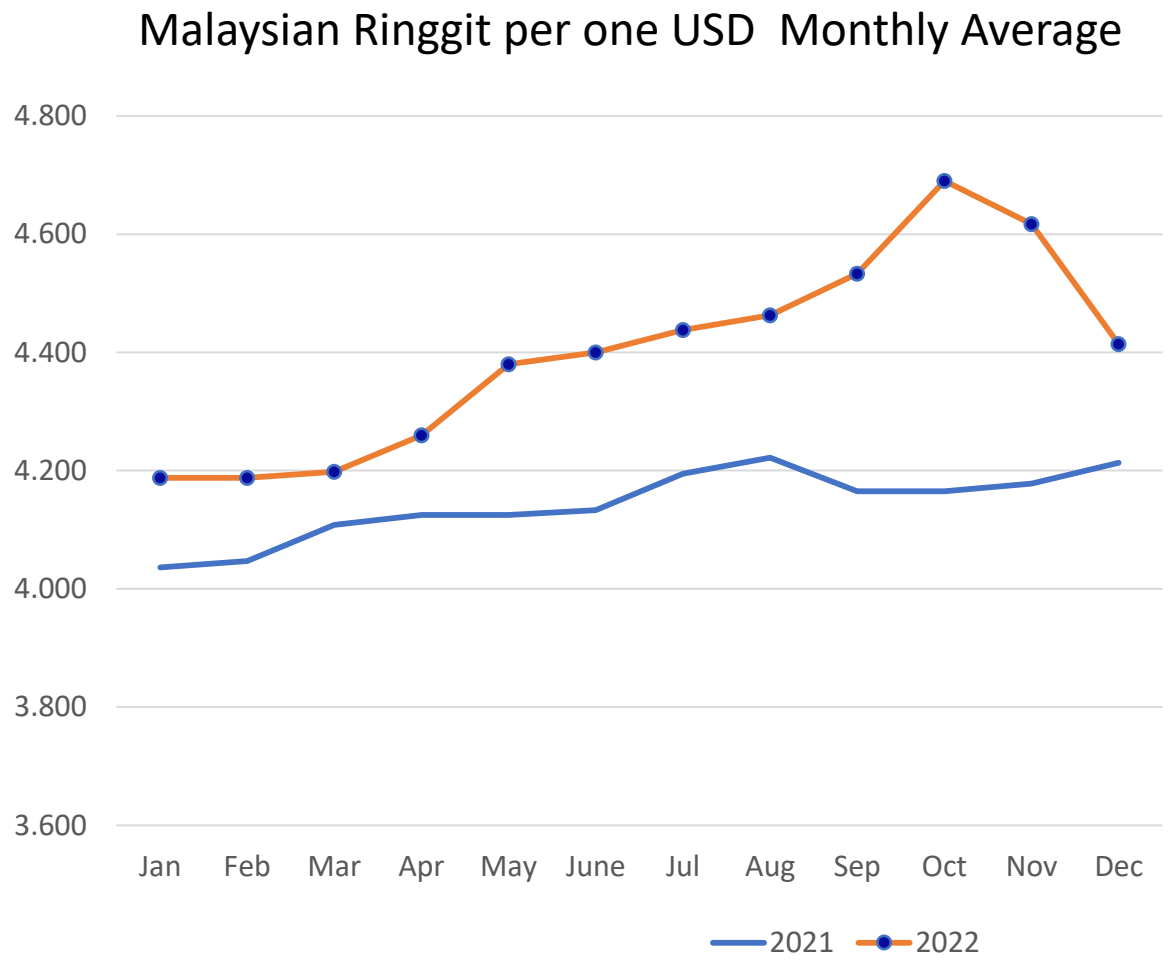
MPMA

Factors Contributing to the Performance of the Plastics Industry in 2022

External

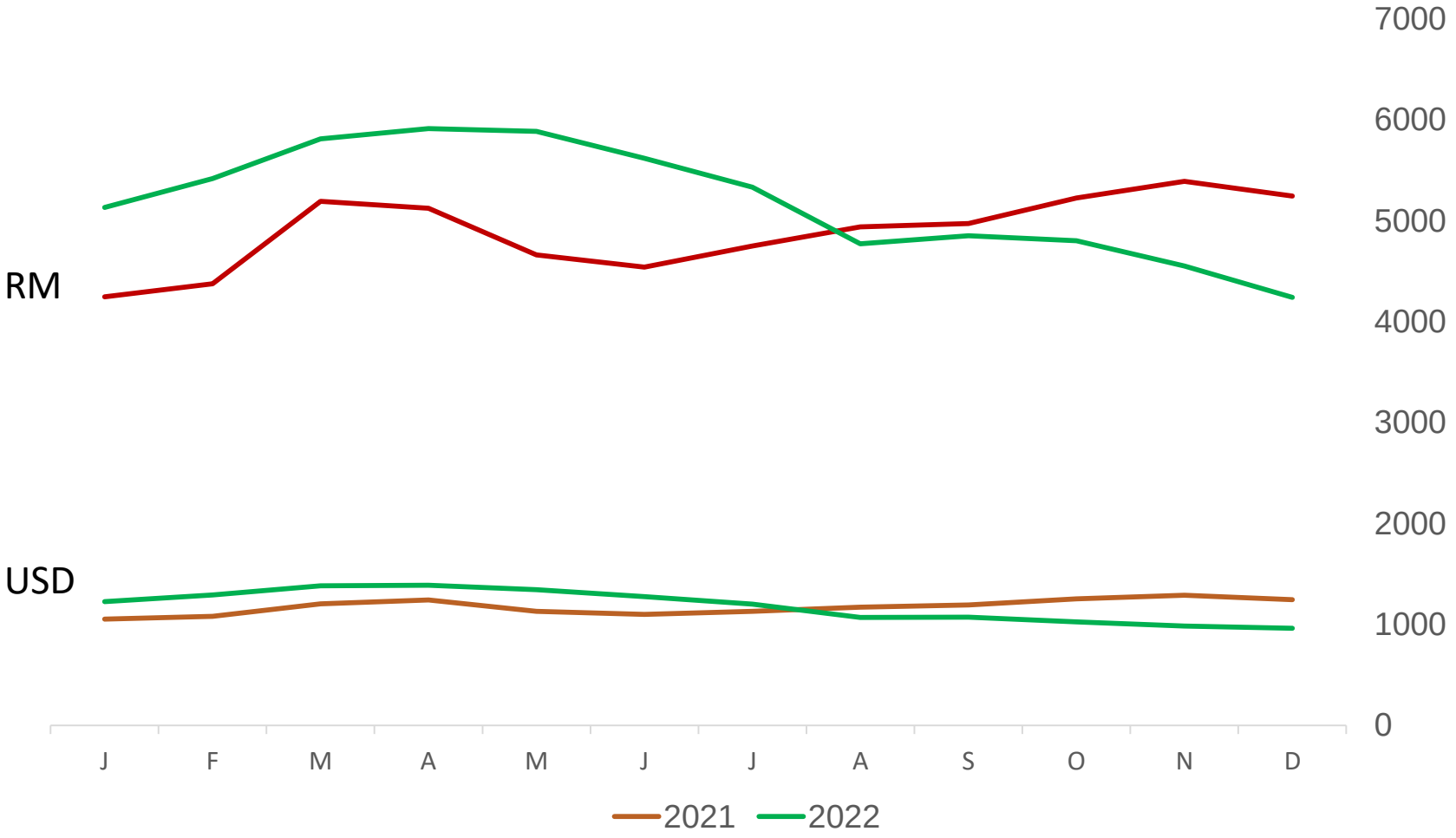
1. Global economy began to soften in 2H 2022.
2. Lockdown in China till December 2022. Buyers depending on Chinese suppliers shifted to South East Asia (SEA). This also caused dumping of resins into SEA, particularly, Vietnam.
3. Weaker RM against the USD which led to higher raw material costs and export revenue.

RM/USD Exchange Rate for 2021 - 2022



The average monthly exchange rate of RM to USD for 2022 was 6.3% weaker than 2021 (4.40 compared to 4.14).

LLDPE Prices -Monthly Average



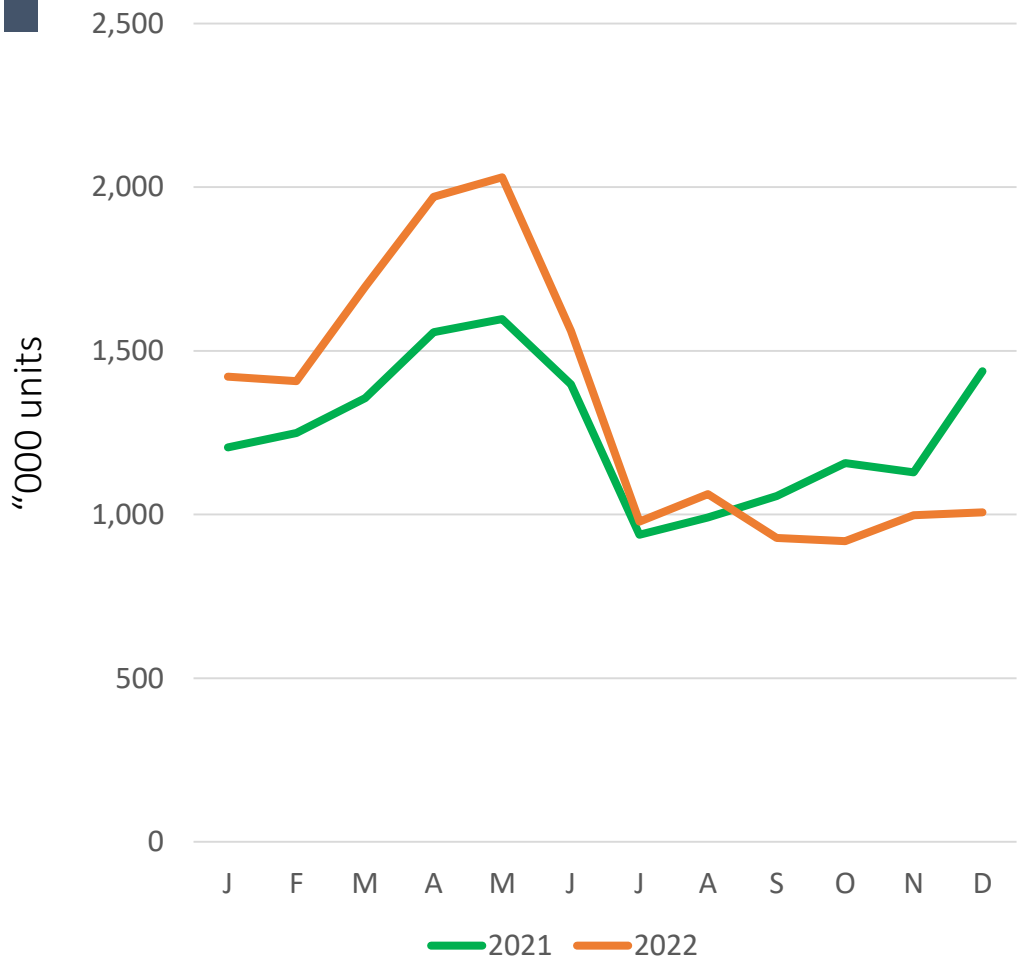
LLDPE Prices – Monthly Average

- The average LLDPE prices in 2022 (USD1,185) were about the same as the average prices in 2021 (USD1,174).
- However, prices in RM had increased by 6.3% (RM5,195 compared to RM4,889), consistent with the 6.3% increase in the RM/USD exchange rate.
- Higher exchange rate which had resulted in higher raw materials cost and export revenue may have contributed to the 5.5% increase in sales turnover of finished products.

MPMA

Performance by Market Sub-sectors

Electrical and Electronics Sector: Monthly Production on TV sets

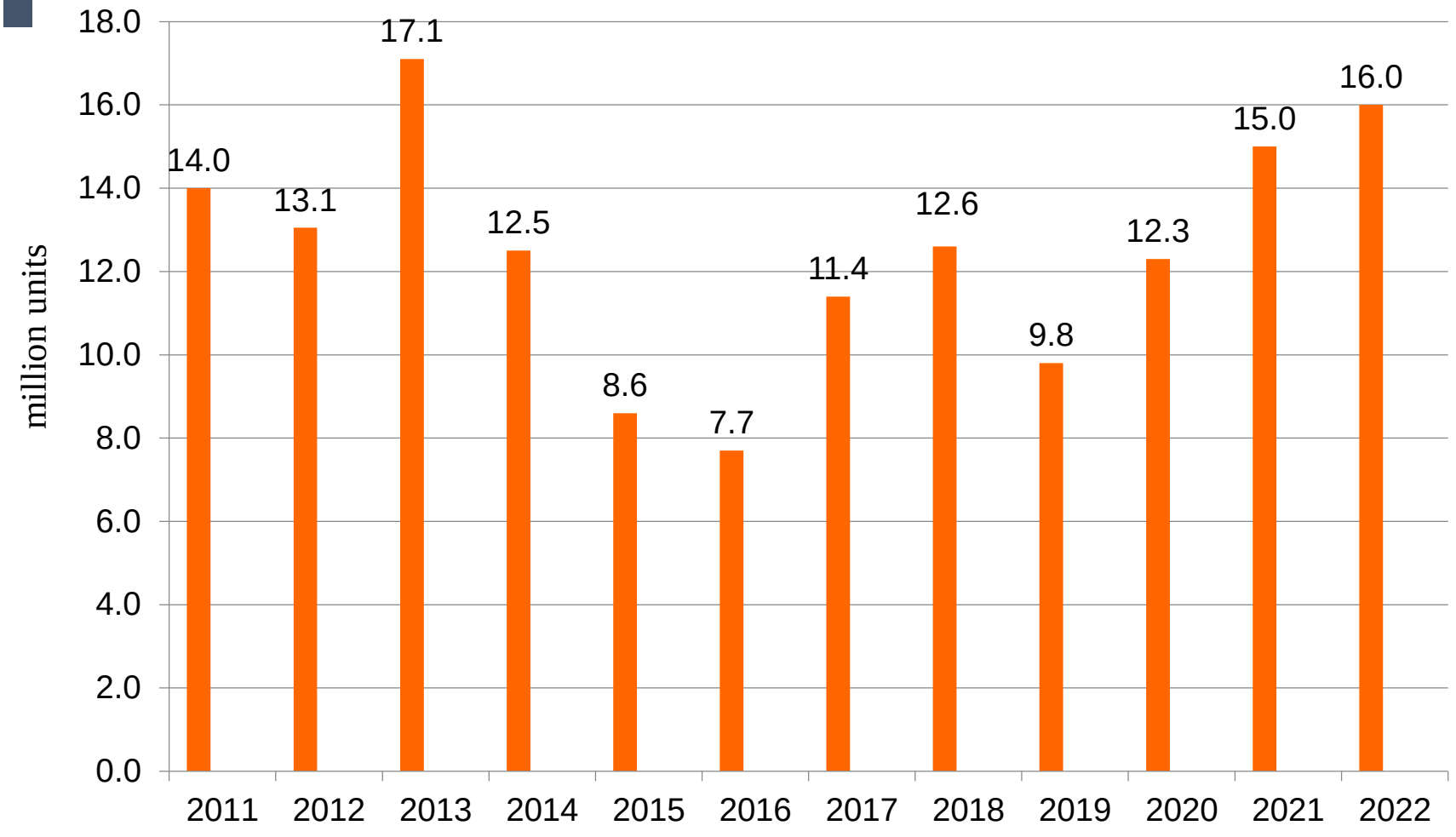


Source: Department of Statistics

- Production of TV sets in 2022 increased by 6.5% to 15.98 million units, from 15 million units in 2021.
- However, monthly production reduced to about one million since June, from average of 1.5 to 2 million.
- TV producers have to cut their production due to labour shortage. Some productions have moved out, e.g. to Vietnam and back to Japan.

MPMA

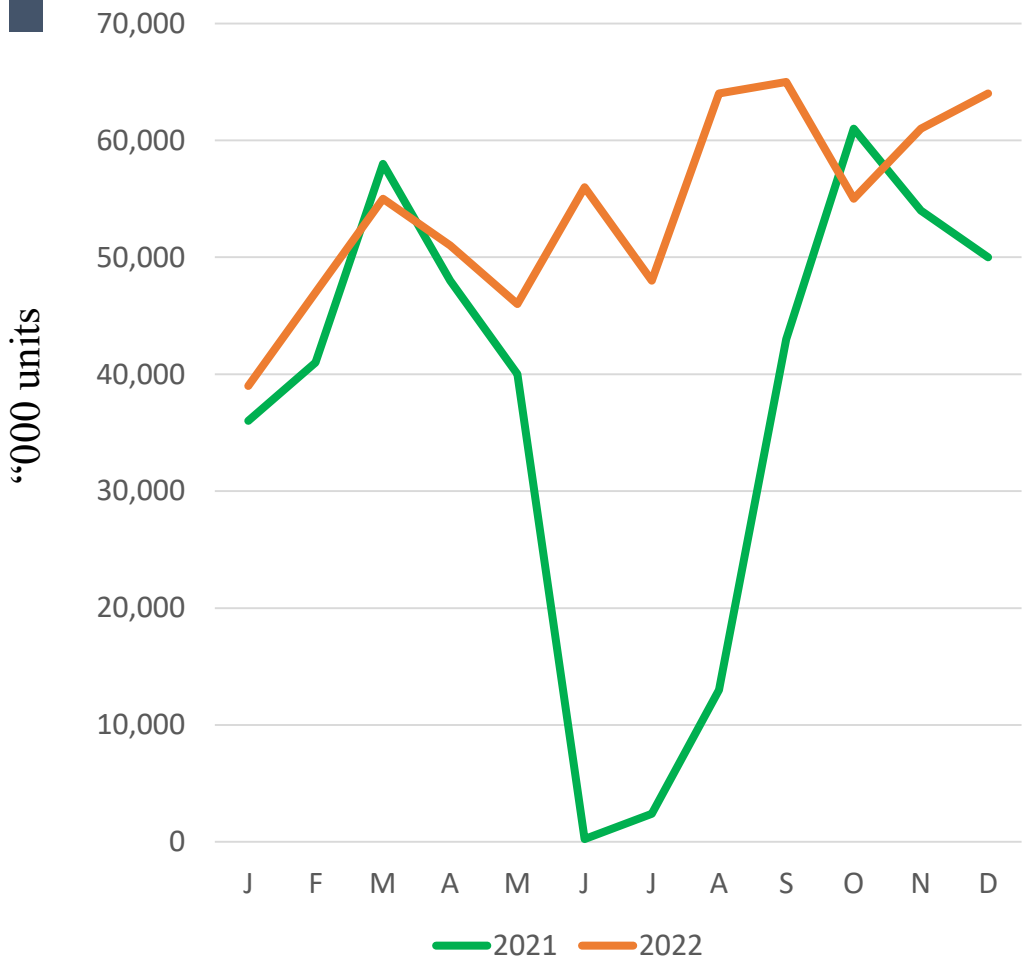
Annual Production of TVs



Source: Department of Statistics

MPMA

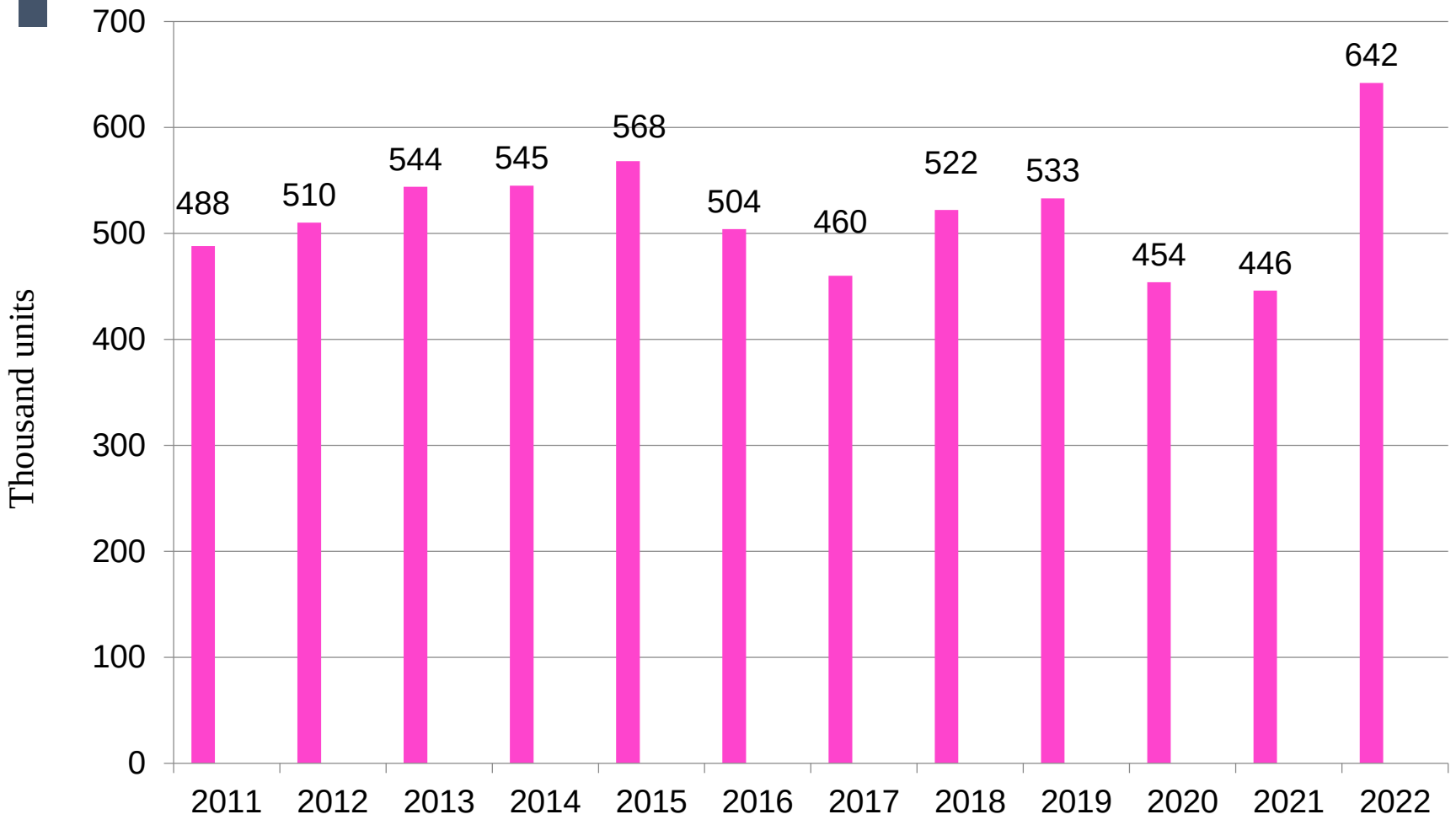
Automotive Sub-sector



Source: Department of Statistics

- Production of passenger cars in 2022 increased by 44% to 642,000, from 446,000 units in 2021.

Annual Production of Passenger Cars



Source: Department of Statistics Malaysia

Automotive Sub-sector

- Malaysian Automotive Association (MAA): After two consecutive years in a row of declining sales, the Total Industry Volume (TIV), both for passenger and commercial vehicles had turned around to register 720,658 units in 2022, which consist of 641,773 passenger cars and 78,885 commercial vehicles.
- The TIV 2022 was a new record; an all-time high TIV achieved in the history of the local automotive industry. It was also the first time the annual TIV exceeded the 700,000 units mark.

MPMA

Automotive Sub-sector

- This historic all-time high TIV recorded in 2022 can be attributed to the following reasons:

  - Low TIV in 2021 due to the implementation of Full Movement Control Order (FMCO) in June 2021 lead to pent-up demand for new vehicles in 2022, especially during the first half of 2022.

  - The authorities' decision to allow buyers with confirmed booking (with sales tax exemption and submitted before 30 June 2022) to register their new passenger vehicles by 31 March 2023.

MPMA

Automotive Sub-sector – Outlook for 2023

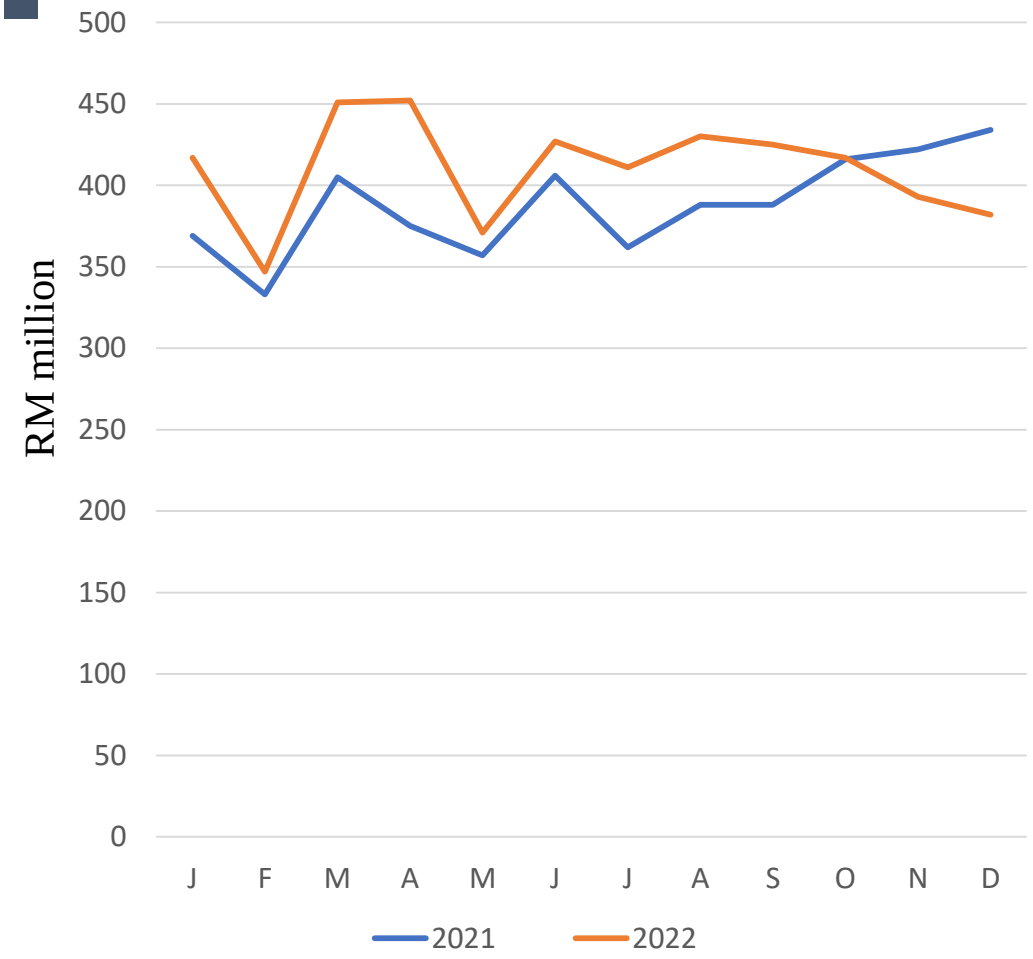
- MAA: The sales of passenger cars is expected to decline by 8.8% to 585,000 in 2023 from 642,000 achieved in 2022, TIV will decline by 9.8% from 721,000 in 2023 to 650,000 in 2023.
- The forecast is based on the following economic and environmental factors:
  1. Many economists and analysts foresee the global economy growth to slow down this year.
  2. The Malaysian economy is expected to record a GDP growth of 4.5% in 2023, supported by domestic demand amid continued improvements in the labour market. This is however lower that the projected GDP growth of 8.7% in 2022, which had a low-base effect from the weak 2021 economy.

MPMA

Automotive Sub-sector – Outlook for 2023

3. Rush to deliver many backlog orders exempted from the sales tax before the end of March 2023 may provide impetus to grow sales particularly in passenger vehicles category in Q1 2023 but demand may drop thereafter due to frontloaded purchase to beat the sales tax exemption., before normalizing.
4. Introduction of many new models with the latest technology advancements and many new electric vehicles at affordable and competitive prices, will entice and sustain buying interest among consumers.

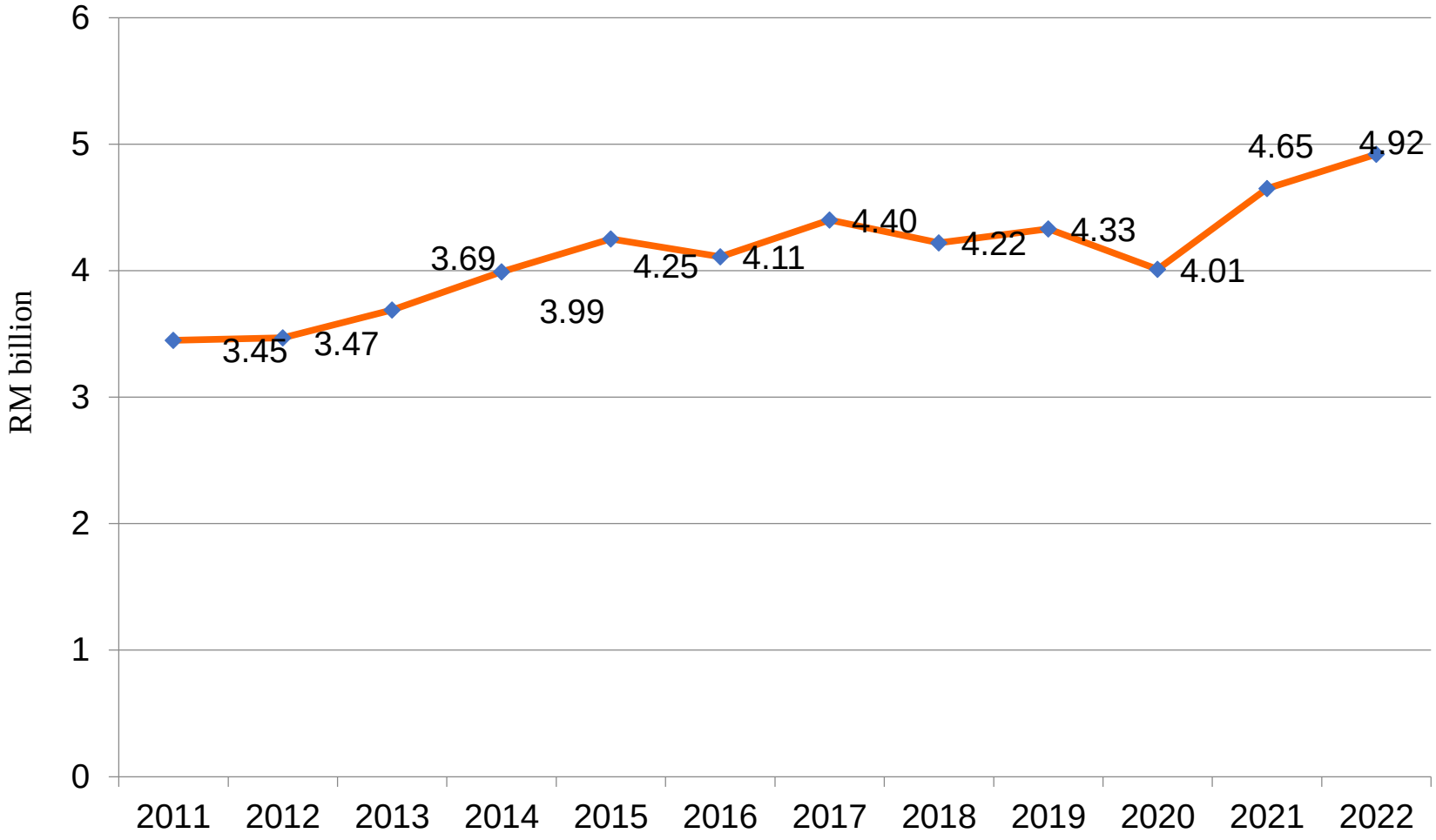
Packaging Sector: Monthly Export of Plastics Bags (HS: 3923)



- Total export of plastic bags for 2022 increased by 5.7% to RM4.92 billion, from RM4.66 billion for 2021.
- Higher resin prices (in RM) and stronger USD may have contributed to the increase.
- Demand for shopping bags is shrinking, some EU countries are imposing minimum bag thickness of above 50 microns. Changing from single use to multiple use.

Source: Source: Department of Statistics

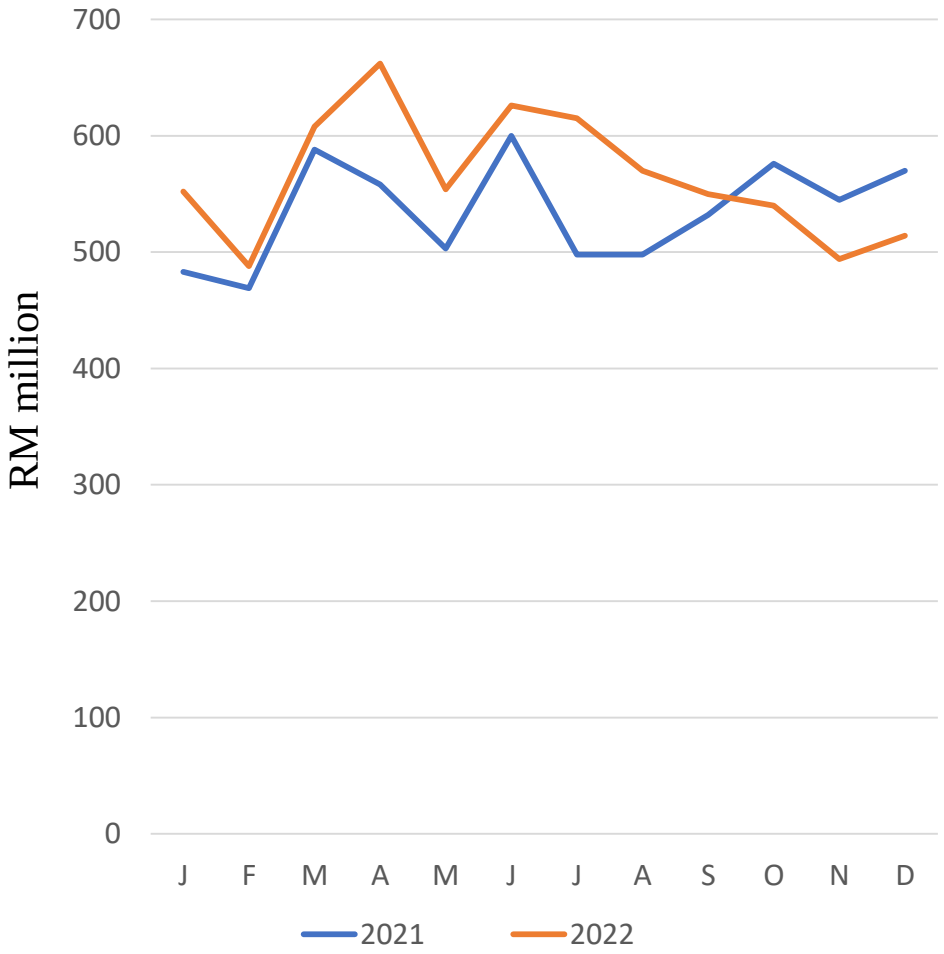
Annual Export of Plastics Bags



Source: Department of Statistics

MPMA

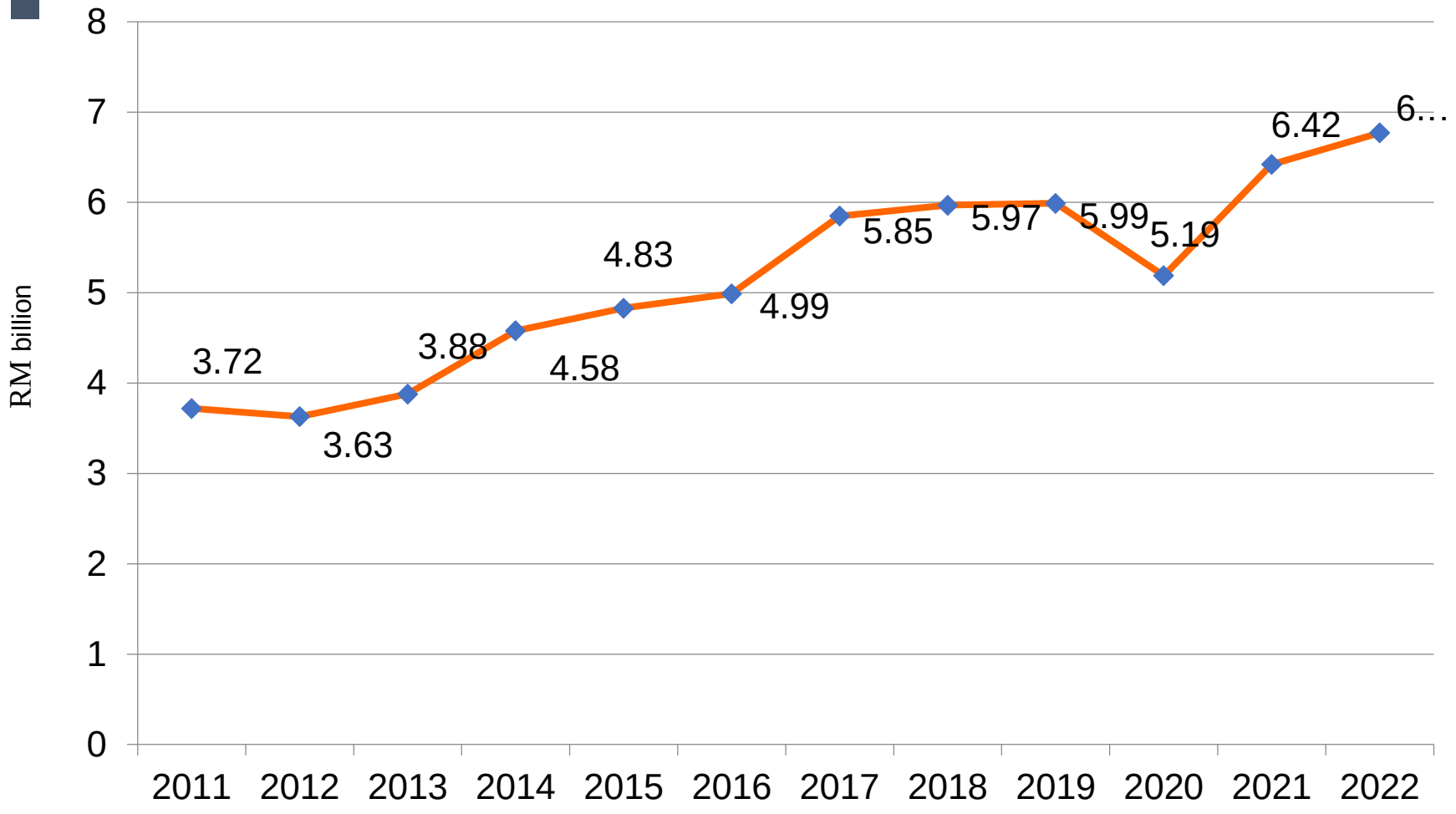
Packaging Sector: Monthly Export of Plastics Films and Sheets (HS 3919)



Source: Department of Staticstics

- Total export of plastic films and sheets increased by 5.5% in 2022, from RM6.42 billion in 2021 to RM6.77 billion.

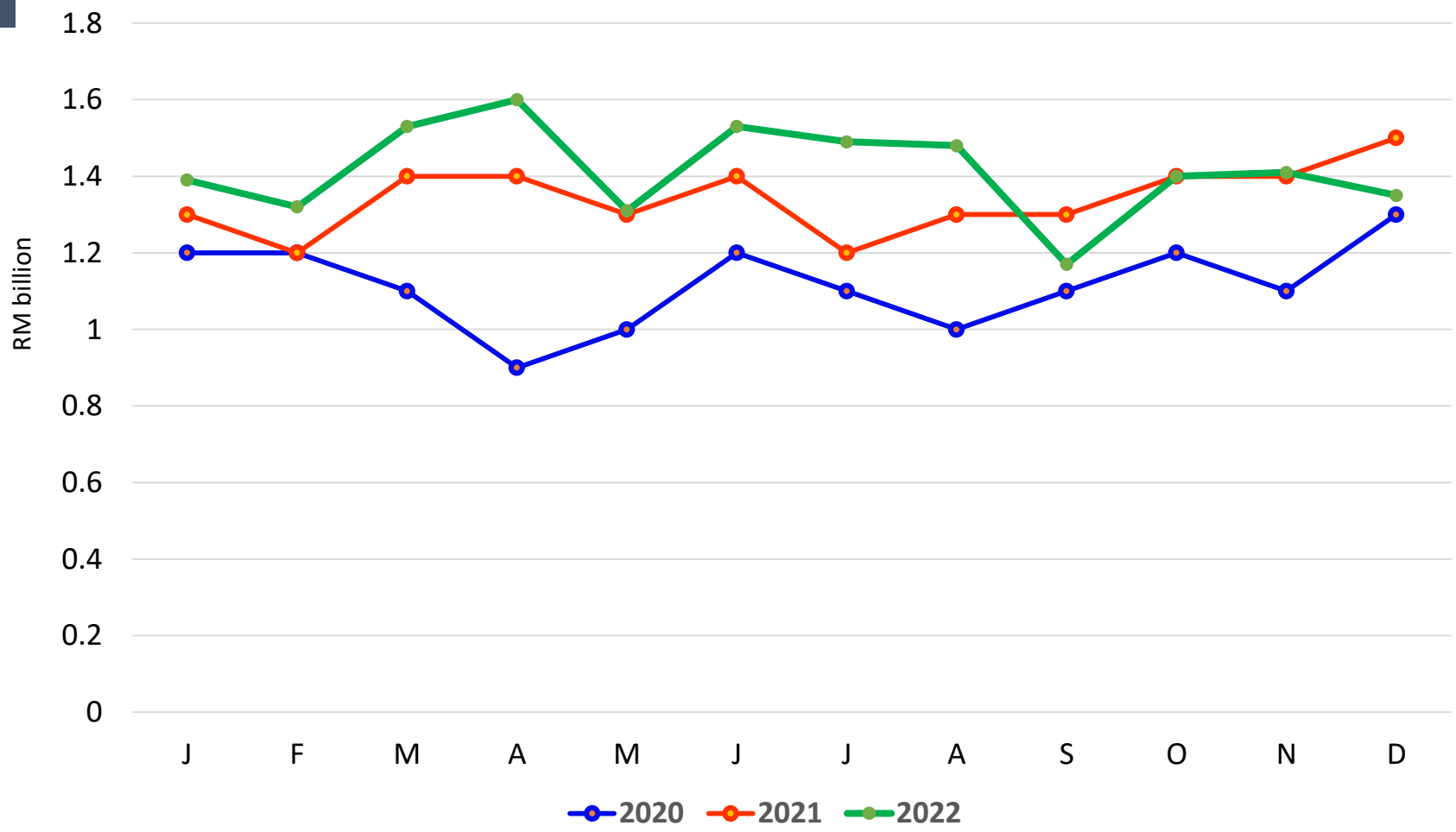
Annual Export of Plastics Films and Sheets



Source: Department of Statistics

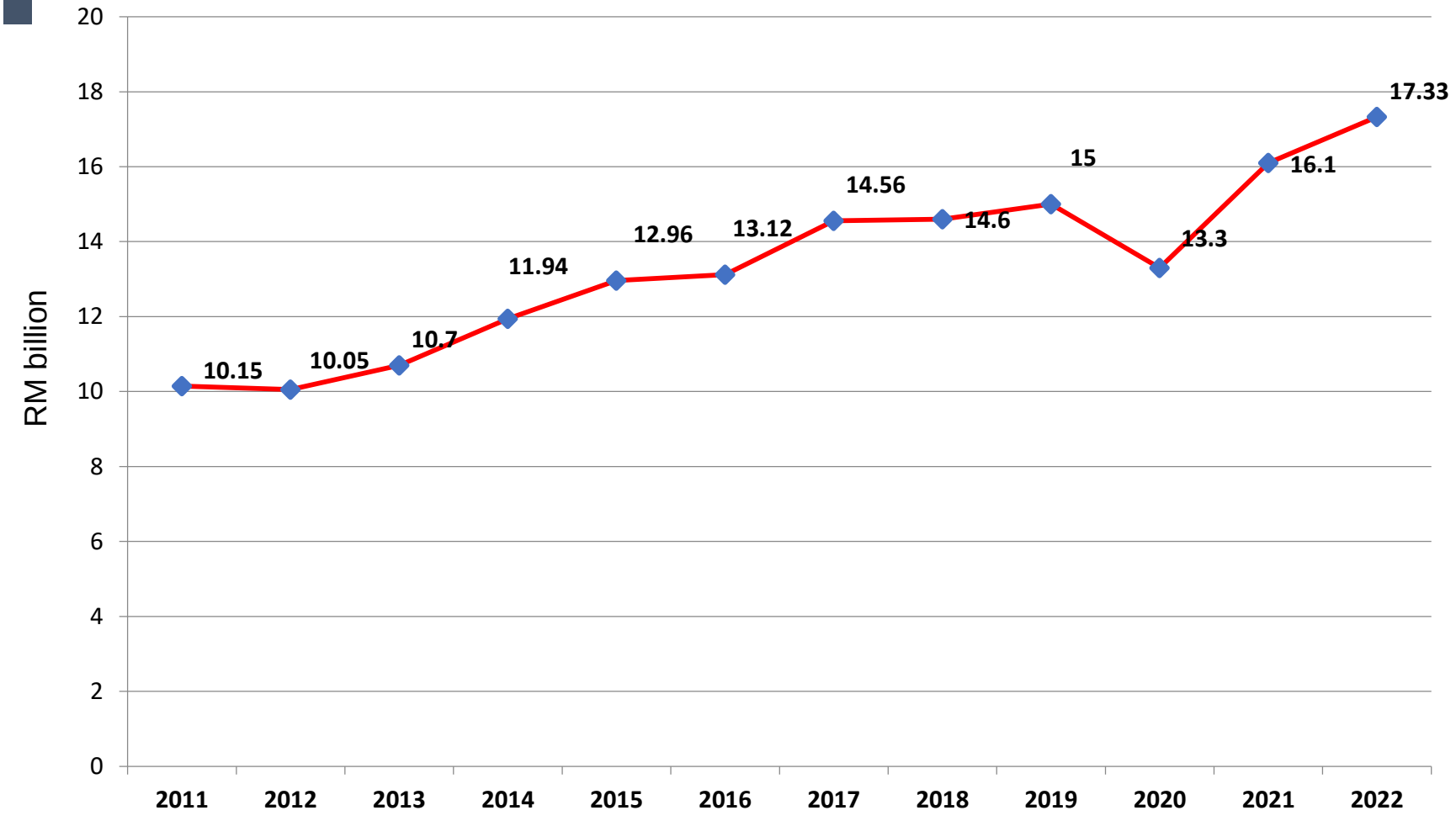
MPMA

Total Exports of Plastics Products



Source: Department of Statistics

Exports of Plastics Products (2011-2022)



Source: Department of Statistics

Plastics Export

- For 2022, total export of plastic products increased by 7.6% to RM17.33 billion, compared to RM16.10 billion in 2021.
- Moderate overseas demand due to economic recovery and border re-opening in EU and US.
- Cost-pushed factor due to increase in raw materials and other costs.
- Stronger US dollar.
- Demand moderating towards end of the year due weakening global economy.

Key Drivers and Challenges

Key Drivers and Challenges and How Would These Impact the Industry

Opportunities

1. Growing domestic demand – domestic demand will grow moderately, help by improving labour market which is near full employment situation.
2. Seasonal based (especially for packaging): local demand will pick up in March - April for the Hari Raya festive season, then slow down again in May – June, and may pick up again towards the Q4 (Christmas, New Year).
3. Stabilising of raw material cost as China is re-opening its economy.
4. Stabilising of supply chain.
5. Stabilising of shipment/logistics cost.

MPMA

Shipping cost – Easing Towards the Pre-pandemic Levels (Freights Baltic Index, FBX: Global)

Source: fbs.freightos.com

Key Drivers and Challenges of Local Players and How They Impact the Industry

Opportunities

6. SEA is the bright spot in the global economy for companies sourcing for raw materials and products, and is benefiting from on-going trade disputes.
7. Shift of procurements from China to SEA.
8. Moving of production facilities by MNCs from China to SEA due to trade war.
9. Requirement for higher recycled contents – opportunities for recyclers.

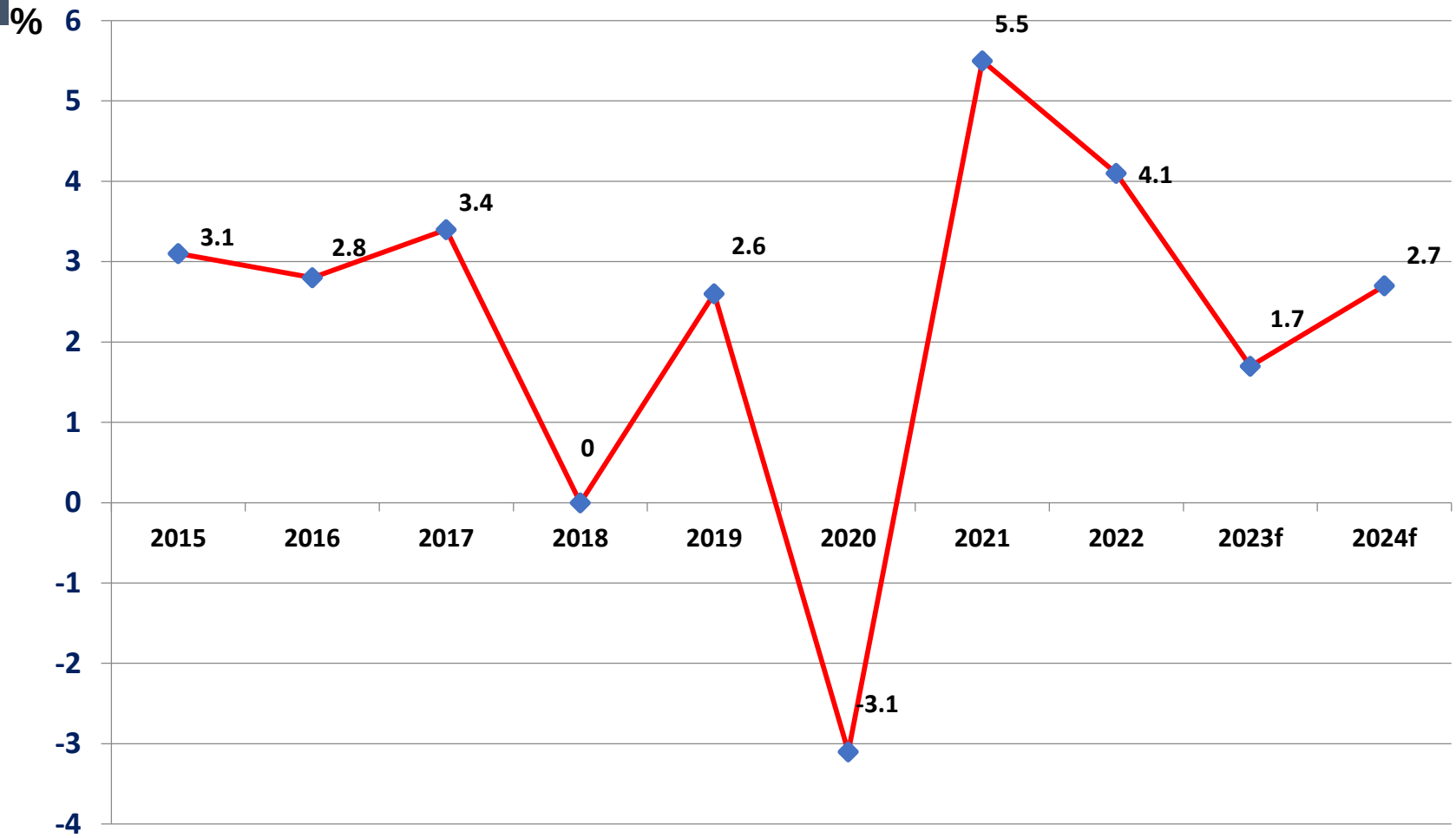
MPMA

Key Drivers and Challenges of Local Players and How They Impact the Industry

Challenges

1. Uncertainties in the global economy impacting the Malaysian economy, which is an export oriented/dependant economy.

World GDP Growth Rates (2015 - 2024)



Source: World Bank

World GDP 2023 Forecast

- Global GDP growth is expected to slow down from 4.1% in 2022 to 1.7% in 2023, the major risks are:
  - Elevated inflation in major economies.
  - Continued high interest rates.
  - Escalating geopolitical tensions.

- Improvement is expected in H2 2023 and stronger growth in 2024.

Malaysian Economy 2023 Outlook

- GDP growth is expected to slow down from 8.7% in 2022 to 4.5% in 2023.
- **Upside potential**
  1. Continued pent-up demand in some sectors.
  2. Stronger employment and income conditions.
  3. Larger improvement in tourism sector.
  4. Faster-than-expected implementation of investment following reforms.

Source: Bank Nagara Malaysia

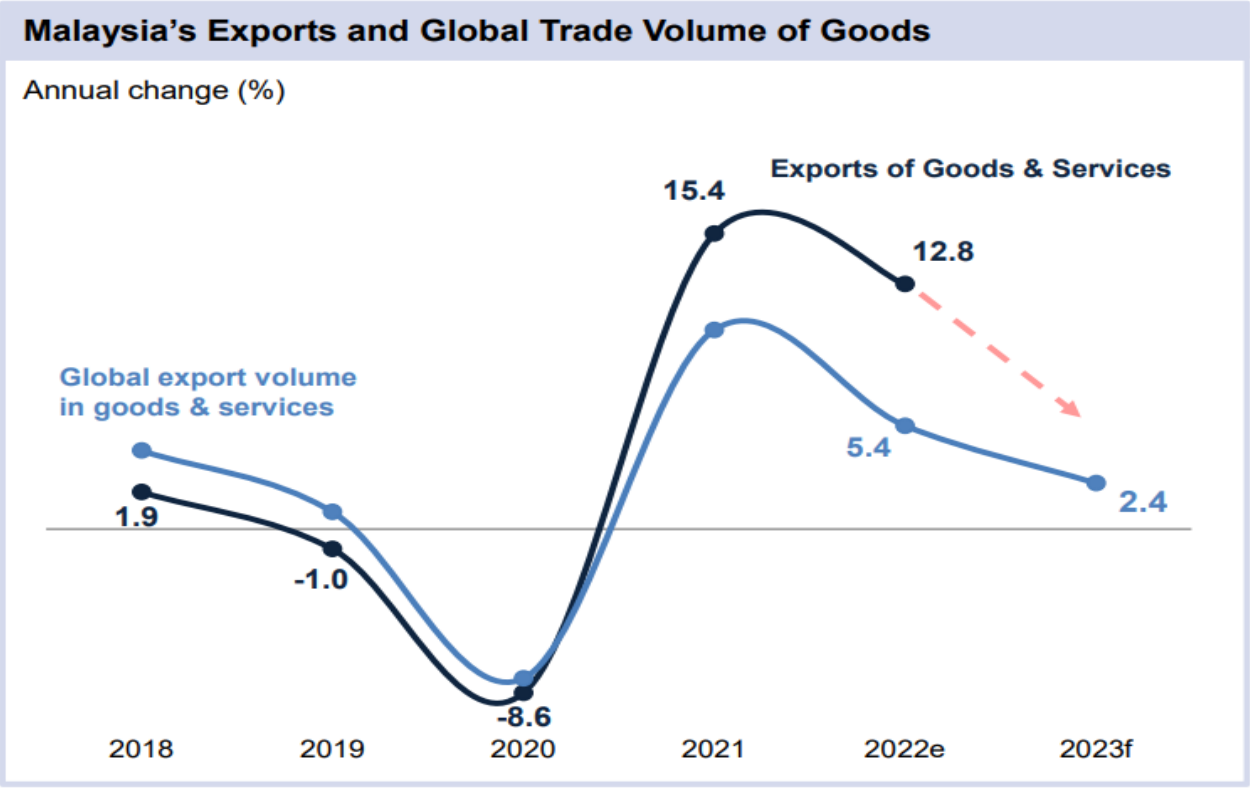
MPMA

Malaysian Economy 2023 Outlook

- **Downside Risks**
  1. Weaker global growth adversely impacting exports.
  2. Further escalation of geopolitical tension creating uncertainties.
  3. Possible re-emergence of supply chain disruptions, including impact from climate change.
  4. Persistent inflation necessitating further tighter monetary policy.
  5. Higher risk aversion in global financial markets.

Slower Malaysia's Exports Are Expected for 2023

Exports growth to moderate, weighed down by weaker global demand



[e] Estimate, [f] forecast
Source: Department of Statistics Malaysia and International Monetary Fund

MPMA

Key Drivers and Challenges of Local Players and How They Impact the Industry

- **Challenges**

1. Rising cost of doing business:

(i) Energy cost has increased by more than 40% as a result of the increase in Imbalance Fuel Cost Pass-Through (FCPT) from 3.7 sen to 20 sen for Tariff E users. Issued a press release on 22 December 2022. Written to the Minister of Natural Resources, Environment & Climate Change (MREC) on 29 December but did not receive any response.

Press cuttings on MPMA's statement related to the increase in energy surcharge

Newsnav Malaysia's #1 Content Aggregator

Search for

1. BEST WAYS TO INVEST IN GOLD
2. MASTER'S DEGREE IN CYBERSECURITY
3. TOP STOCKS TO BUY
4. BEST HIGH RETURN INVESTMENTS

Ad | Business Focus

← Back

Increase In Electricity Cost Would Have A Direct Impact On Th Rakyat

Local 23 Dec 2022 • 12:40 PM MYT

Newstream Asia
Newstream Asia - Your Brand. In the News.

Kuala Lumpur, 23 December, 2022 – The Malaysian Plastics Manufacturers Association (MPMA) appreciates the announcement by the Minister of Natural Resources, Environment and Climate Char (NRECC) on 16 December 2022 regarding the revised subsidy scheme, whereby a large portion of t electricity subsidy will be targeted for certain categories of users, thereby resulting in no increase in electrical tariff surcharge on domestic and low voltage non-domestic users for the period of January to June 30, 2023 to help the 'rakyat'. The shift of the targeted subsidy will however result in mediu voltage (MV) and high voltage (HV) industrial users having to pay an electricity surcharge of 20

SME

We Plan and Build with U in Mind

HOME NEWS FEATURES BUSINESS EVENTS SME100 AWARDS ARTICLES MAGAZINE

Home › PubliCT.io › Increase In Electricity Cost Would Have A Direct Impact On The Rakyat

PubliCT.io

Increase In Electricity Cost Would Have A Direct Impact On The Rakyat

December 23, 2022

Kuala Lumpur, 23 December, 2022 – The Malaysian Plastics Manufacturers Association (MPMA) appreciates the announcement by the Minister of Natural Resources, Environment and Climate Change (NRECC) on 16 December 2022 regarding the revised subsidy scheme, whereby a large portion of the electricity subsidy

174,876 Fans

811 Followers

MPMA

Key Drivers and Challenges of Local Players and How They Impact the Industry

- **Challenges**

1. Rising cost of doing business:

(ii) labour costs increased approx. 10% due to higher OT cost, (shorter working hours from 48/week to 45/week, maternity leave entitlement – 98 days from 60 days previously). OT pay eligibility revised to include those earning up to RM4,000, previously was RM2,000.

2. Domestic and international competition – Vietnam: locality close to China, cheaper material cost, larger labour force.
3. Lack of skilled labour.
4. Regulatory requirements such as AP and EIA (for recyclers).
5. Increasing need for ESG compliance compelled companies to adopt certifications and reporting schemes which are expensive.
6. UNEA 5 – limits plastics production

United Nations Environment Assembly (UNEA)

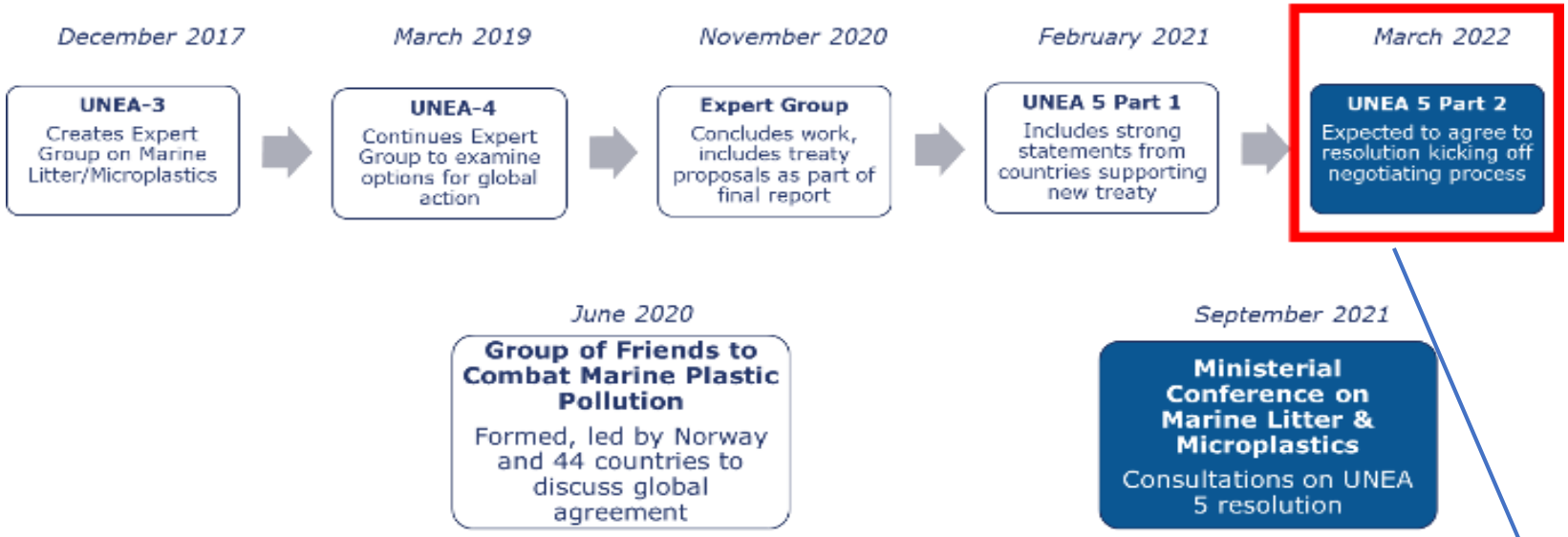
- **What**: The United Nations Environment Assembly (UNEA) is the world's highest-level decision-making body on the environment, meeting biennially on uneven years.
- **Where**: UNEP is headquartered in Nairobi, Kenya and has six regional offices (RO) - Africa, Asia and Pacific (Bangkok), Europe, Latin America and the Caribbean, North America, and West Asia.
- **Who**: 193 Member States + 9 Major Groups including a Business and Industry Group.

MPMA

UN environment assembly

Global Plastics Agreement

Marine litter + plastics pollution discussion @ UNEA since 2017



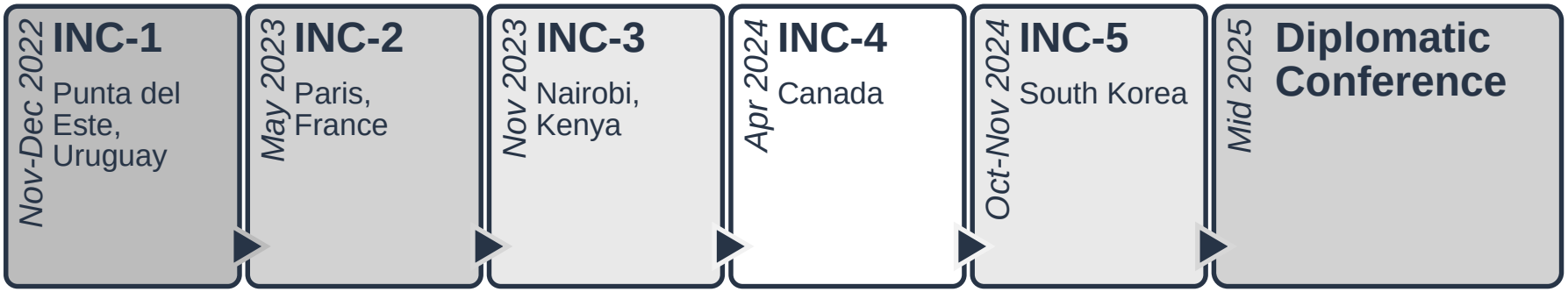
175 countries endorsed the Resolution titled **"End Plastic Pollution: Towards an internationally legally binding instrument"**. The Resolution establishes an Intergovernmental Negotiating Committee (INC), which will begin its work in 2022, with the ambition of completing a draft global legally-binding agreement by the end of 2024.

MPMA

Possible Elements of Global Plastics Agreement

- Broad "whole lifecycle of plastics approach" to include: raw material extraction, design, international trade, microplastics and chemical additives.
- Binding elements could include: International Sustainability Criteria for plastics and additives; global regulation on plastic packaging; National Plastic Management Plans (NPMP) submitted to the agreement; monitoring and reporting frameworks to track progress.
- Elimination of "avoidable and problematic" products.
- Eliminate primary microplastic releases; material and product redesign to minimize abrasion during intended use.
- Limits and/or reduction of plastic production.

Path Towards Global Plastics Agreement: Intergovernmental Negotiating Committee (INC)



- 👍 Strong representation of industry under the International Council of Chemical Associations (ICCA) umbrella (eventhough still outnumbered by NGOs representation)
- 👍 Governments recognize importance of industry – proved effectiveness of national associations' coordination and engagement with Governments
- 👎 Plastics waste should be the driver of the discussion but focus was given to production, technology deployment and stewardship
- 👎 Governments lack understanding of the plastics industry and struggling to identify priorities within broad scope, eg. regulation of chemical additives

! It is crucial for the industry to be present at the upcoming INCs to support the Malaysian delegation in its negotiation

MPMA

Key Market Trends

Key Market Trends

- **E&E**
  - Down cycle, may recover in H2 of 2023 or 2024.
  - TV and air-con producers may relocate part of their production to Vietnam, Thailand.
  - New areas: digitisation and gaming products.

Key Market Trends

- **Medical**
  - Growing in this region. Slow down in US began in 4Q 2022.
  - Demand for medical products is declining due to pandemic recovery stage.
  - Medical equipment – plastics parts and components. The medical equipment & devices sector has been identified as one of the industries with high potential growth under the 11th Malaysia Plan. The industry in moving up the value chain as more high value added and complex products are being manufactured in Malaysia. There is also huge export opportunities in the global market.
  - COMPAMED - world's leading trade fair for state-of-the-art medical technology is organised once a year in Germany in conjunction with MEDICA – an excellent platform for members to meet buyers from all over the world.

Key Market Trends

- **Packaging**
  - Growing environmental concerns, restricting the growth for bags, containers.
  - Increase in demand for biodegradables, water-soluble plastics - blends that decomposes quickly when in contact with hot water.
  - “Look Green Policy” by MNCs and brand owners – requirement for increase in recycled material content.

MPMA

Key Market Trends

- **Electric Vehicle (EV)**
  - Plastics components are similar, but in smaller volume, many parts will be imported initially.

Sustaining Businesses

Sustaining Businesses

- Explore overseas markets to expand exports – Malaysia is a strategic location due to trade war.
- Strategic alliance with overseas partners, eg via joint ventures.
- Adoption of new technology – automation (reduce FW), digitisation (faster data collection, analysis), consistent quality and higher efficiency (lower unit cost).
- New product development.
- Talent development (MPMA TDP Programme, TVET and Graduates) to improve productivity and product quality, for global competitiveness.

MPMA

Sustaining Businesses

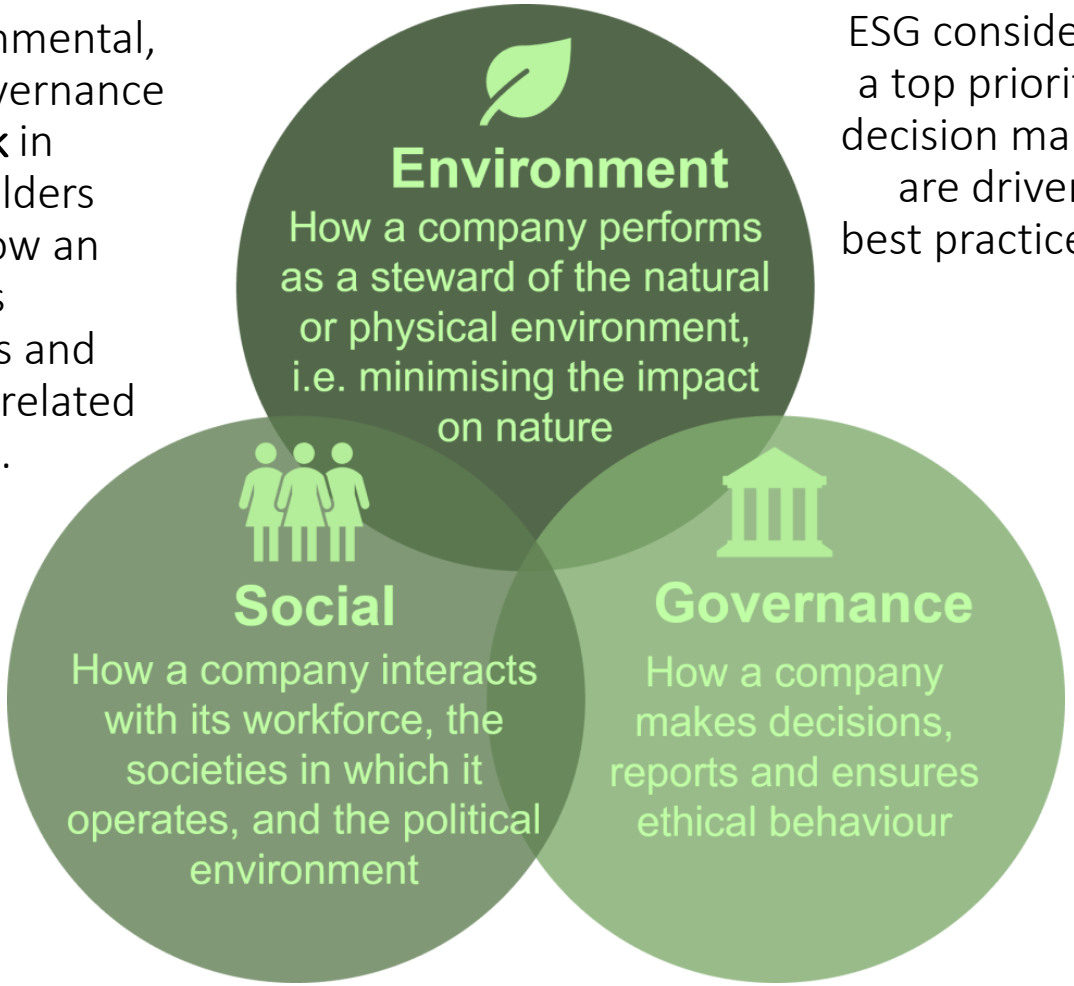
- Government assistance – R&D, innovation grants and soft loans.
- Providing total solutions for customers, need multi-disciplinary skills.
- Encourage sharing of capabilities and success stories.
- Environmental, Social & Governance adoption and Net Zero by 2050.

MPMA

Environmental, Social & Governance - Relevance & Opportunities

What is ESG?

ESG or Environmental, Social and Governance is a framework in which stakeholders understand how an organisation is managing risks and opportunities related to ESG criteria.



ESG considerations are now a top priority in investment decision making. Businesses are driven to adopt ESG's best practices and reporting schemes.

MPMA

ESG Considerations in Investment Decisions

Environmental

- Renewable fuels
- Greenhouse gas (GHG) emissions
- Energy efficiency
- Climate risk
- Water management
- Recycling processes
- Emergency preparedness

Social

- Health and safety
- Working conditions
- Employee benefits
- Diversity and inclusion
- Human rights
- Impact on local communities

Governance

- Ethical standards
- Board diversity and governance
- Stakeholder engagement
- Shareholder rights
- Pay for performance

MPMA

Relevance of ESG

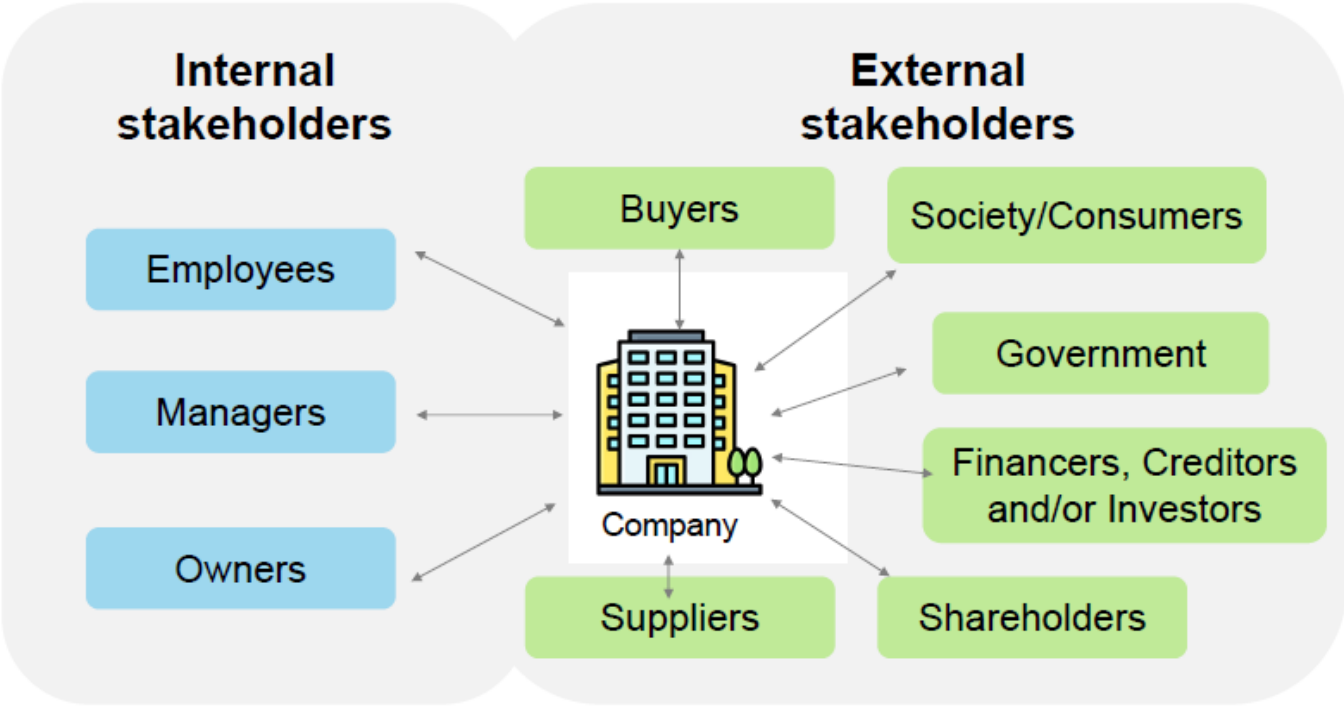
International & Local Policies

- Malaysia has signed 16 FTAs and implemented 14 FTAs, e.g., CPTPP, RCEP, etc. which has sustainability components.
- 63% of Malaysia's top 10 export markets in 2022 are to countries with Net Zero targets, e.g., China, EU, Japan, etc.
- Countries worldwide implement various ESG-related policies such as EU Regulation on Packaging and Packaging Waste, Carbon Border Adjustment Mechanism (CBAM), etc.

MPMA

Relevance of ESG

Stakeholder Pressure



- The global value and supply chains are increasingly governed by sustainability standards.

Relevance of ESG

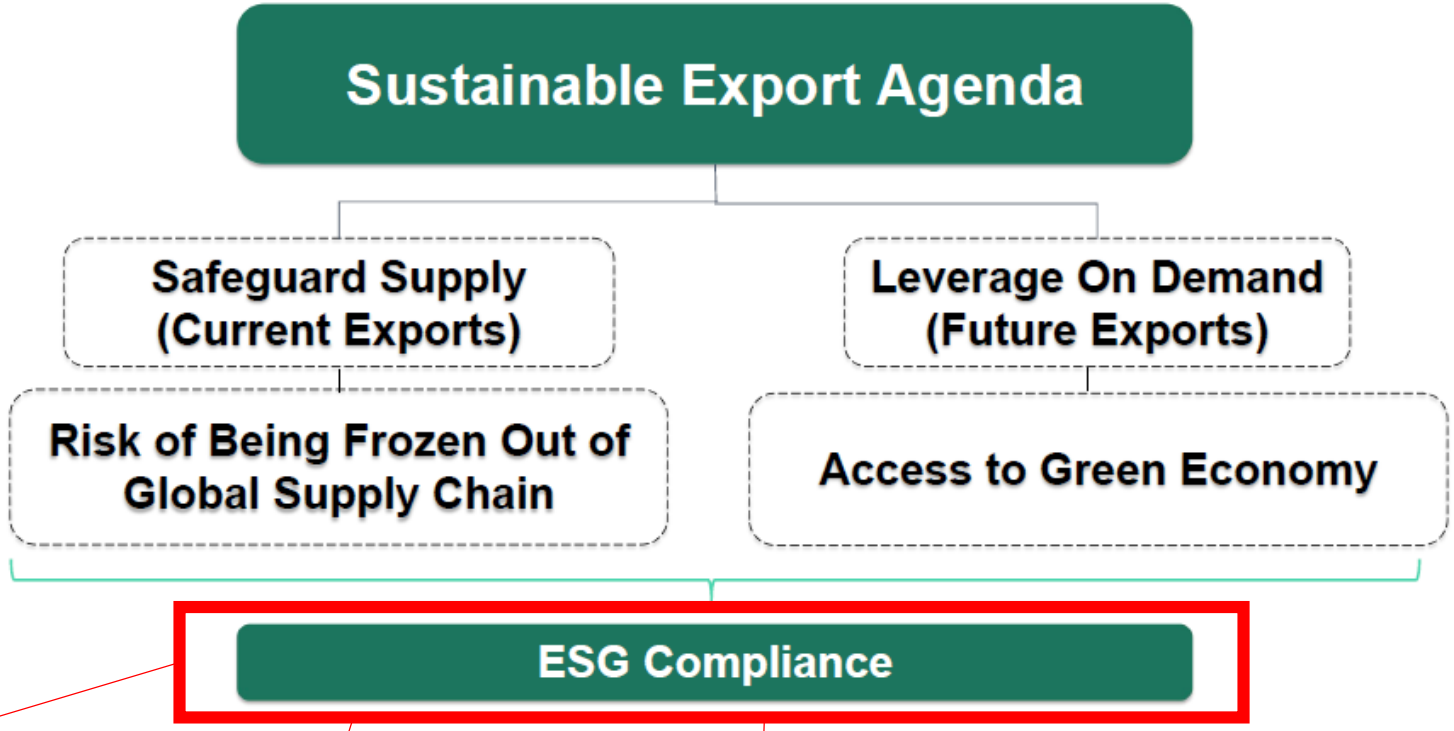
Rising Consumer Expectations

- **91%* of global consumers** expect companies to operate responsibly to **address social and environmental issues.**
- **84%** seek out responsible products** from companies that use socially responsible business practices.
- **90 %*** would boycott a company** if they learned of irresponsible or deceptive business practices.

**CONE (2015), Ebiquity Global CSR Study; Accessed through https://www.conecomm.com/research-blog/2015-cone-communications-ebiquity-global-csr-study)*
***Ipsos (2020), "What Sustainability Means to Pack & Product Testing"*
**** Ziynet Boz, Et Al (2020), Consumer Considerations for the Implementation of Sustainable Packaging: A Review; Accessed through https://www.mdpi.com/2071-1050/12/6/2192/pdf*

MPMA

Embarking on ESG



Global sustainability framework

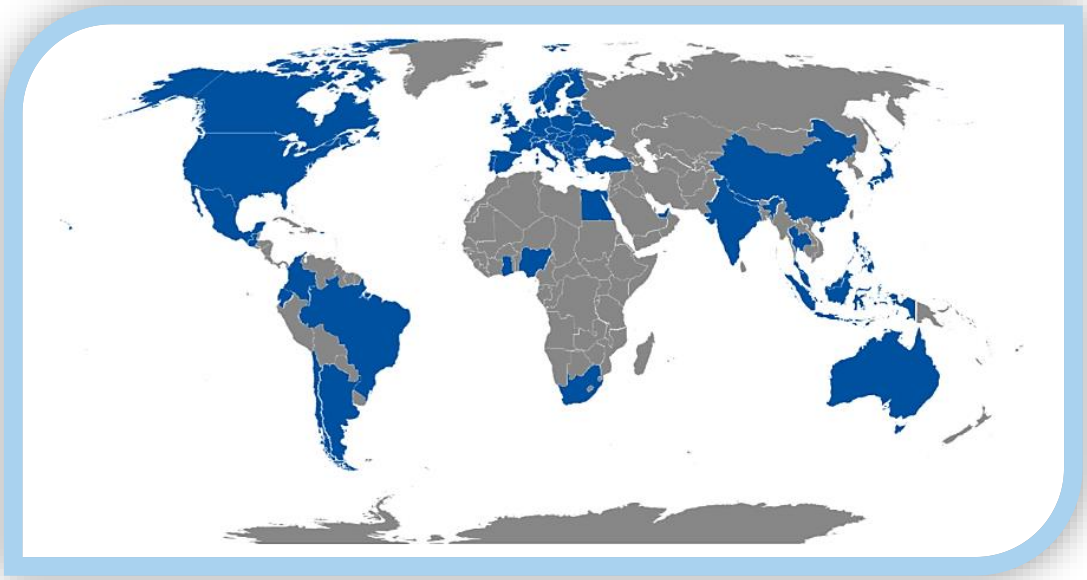
Regional / national regulations

Reporting standards (ESG, sustainability, climate, etc.)

Bursa Malaysia Sustainability Reporting Guide: https://bursaacademy.s3.ap-southeast-1.amazonaws.com/Print-PDF/Sustainability%20Reporting%20Guide%202022_FINAL.pdf

Operation Clean Sweep

What is OCS?



- An international **product stewardship programme** towards zero plastics resin (pellet, flake, powder) loss into the environment through **implementation of good housekeeping and containment practices**.
- Globally, 60 International Partners are actively managing the OCS programme in their countries.
- **Demonstrates industry's commitment** towards addressing plastics pollution by ensuring our own premises have **zero contribution towards plastics leakage into the environment**.

OCS Malaysia

- Launched on 8 December 2022
- Significance of OCS to the members:

i. Forms a part of your company's **sustainability** initiatives

ii. Enhances your company's **environmental stewardship** in reducing pollution from plastics resin leakages

iii. **Increases efficiency of material usage** and **reduces waste generation** from manufacturing and handling of plastics resin

iv. Improves your company's **competitive advantage**

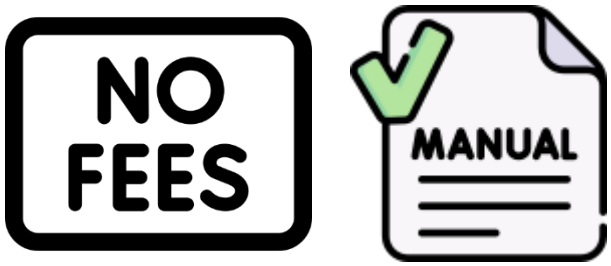
OCS Malaysia

- **What to expect?**

i. Conduct internal audit to identify containment gaps

ii. Implement corrective measures

iii. Continuous review and improvement



REGISTER HERE:

For more info: https://mpma.org.my/sustainability/operation-clean-sweep
For enquiries: operationcleansweep@mpma.org.my

Conclusion

Conclusion

- 2023 is expected to be a challenging year in view of the slowing global economy, rising cost of doing business and intense competition.
- Members will have to focus on appropriate strategies to sustain business growth.
- MPMA will continue to assist members in various areas - talent development, ESG, Government assistance, etc., but **we need feedback from members** regarding your concerns and needs. Please feedback to us via our surveys, dialogues and meetings.

MPMA

Malaysian Plastics Manufacturers Association
37, Jalan 20/14, Paramount Garden, 46300 Petaling Jaya, Selangor, Malaysia
Tel: +603-7876 3027 Fax: +603-7876 8352 www.mpma.org.my plasticsdirectory.org.my