

ASEAN

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The future of lubricants consumption in diverse but unequivocally fast-paced ASEAN markets

The Association of Southeast Asian Nations (ASEAN) is an organisation of 10 countries (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) for promoting regional economic and social development. This region has some of the fastest-growing economies, where service and agriculture sectors are important contributors to gross domestic products.

In comparison to western countries, consumers of lubricant products are price-sensitive, and low-quality lubricants are still significantly used in the region. As most people follow a do-it-for-me approach for maintenance in the ASEAN countries, installed channels account for the dominant share in the consumer automotive lubricant segment.

The main lubricants that are consumed in the ASEAN countries are heavy-duty motor oil (HDMO), passenger car motor oil (PCMO), and motorcycle oil (MCO). The ASEAN region is not as industrialised as western countries; hence, industrial lubricants have a smaller share as compared to automotive lubricants.

The region has a sizable two-wheeler population; however, the size of the two-wheeler population differs from one market to another. For example, while Indonesia is the second largest two-wheeler lubricants market globally, the two-wheeler parc in Malaysia is smaller than their passenger car parc.

Indonesia is the largest lubricant-consuming country, accounting for about one-third of the total lubricant demand among ASEAN countries, due to its large vehicle parc and industrial sector. Lubricant demand in the country is positively impacted by the economic stimulus provided by the government, which includes key infrastructure projects, such as developing new highways and steel and power generation plants.

Thailand follows in the second position, with a share of slightly more than one-fifth of the overall regional demand. Thailand's lubricant market is very competitive, with the presence of approximately 150 to 170 brands. PTT, Shell, BP, Chevron, and ExxonMobil are the leading suppliers. Thailand is also the largest automotive producer in ASEAN.

About 91% of Vietnam's vehicle population is two-wheelers; however, the demand for new motorcycles is gradually reaching saturation levels due to the existing motorcycle parc and competition from passenger vehicles. Its passenger vehicles market is relatively small but the fastest growing in Southeast Asia.

In Philippines, "Jeepneys" are an important means of public transportation, which consume a large amount of monograde HDMO. The government's plan under the Public Utility Vehicle Modernization Program (PUVMP) mandates the phasing out of "Jeepneys" and buses aged 15 years and older, and the replacement of non-Euro IV compliant engines with new models. Furthermore, a national development program for EVs led to the increased number of EVs in the country. Of all the EV types, electric "Jeepneys" is the category with the highest penetration in the overall EV market. The combination of both the PUVMP program and the trend toward the switch to EVs will have an impact on volumetric lube demand and the lube quality in the market.

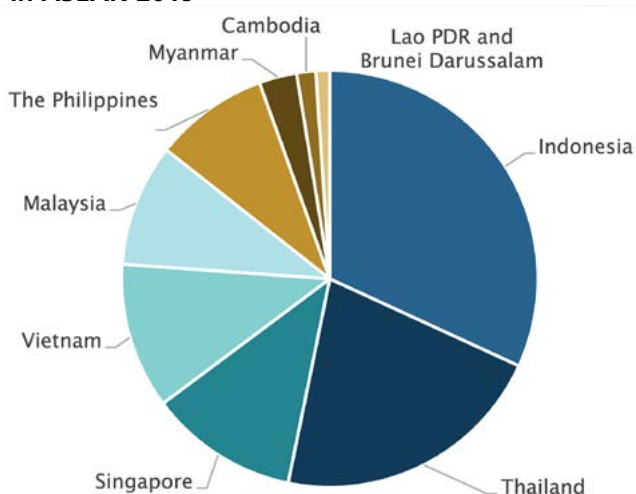
Myanmar has a very low vehicle ownership rate. The introduction of the auto import policy applicable from the start of 2019, which is to import only left-hand drive vehicles manufactured in or after 2015 into the country, would result in a slow shift toward the comparatively newer vehicles in the short run. This is because it will take time for consumers to adopt

this policy and buy new/second-hand left-hand drive vehicles. Thus, a flat demand for 10W-30, 5W-30, and other 5Ws and 0Ws through 2024 can be foreseen.

Poor quality of transportation network infrastructure is a major deterrent for improving passenger vehicle sales in Cambodia. As the majority of the commercial automotive parc and passenger car parc comprises secondhand vehicles, the quality of lubricants used in Cambodia is low.

While Singapore is one of the most important ASEAN lubricant consuming markets, the market is skewed toward industrial lubricants. If Singapore's marine lubricants demand is excluded, the market can be comparable to the Cambodia market. More than 90% of the country's lubricant demand is accounted for by the industrial sector due to a well-established marine industry.

Estimated finished lubricant demand by country in ASEAN 2019



Despite a major setback due to the pandemic, the lubricants market in this region is very dynamic and presents strong growth prospects over the forecast period. Growing population and urbanisation in the key countries will fuel passenger vehicle parc growth. Government regulations and policies, COVID-19 impact in the short term, consumer purchasing power, government spending on key industries, and international trade and commodity prices are some of the key factors that can critically impact lubricants market in the near future.

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