Glassmaking trends in Malaysia

Malaysia has emerged as an important player for flat glass manufacture in recent times, the arrival of leading Chinese producers contributing to the nation becoming one of the region's leading players. In comparison, glass container production/demand has failed to grow in parallel, as Sunder Singh explains.

With a population of nearly 32 million in 2018, Malaysia is the smallest among four major South East Asian countries. It has the highest per capita income of the four, however. The country's flat and hollow glass industry has benefited from steady economic growth, averaging above 5% for the past five years, leading to higher per capita income and reducing already low poverty levels.

Malaysia also has some of the best ingredients for the development of flat and container glass production in the future. The country has a young population with 17% in the 15-24 year age group and 41% in the 25-54 age band. About half of the population is in the middle to high income group, with growing purchasing power. Lifestyles are becoming more sophisticated and modern, leading to greater consumption of packaged food and beverages, which drives the consumption of glass containers.

According to the International Monetary Fund (IMF): "The Malaysian economy continues to perform well, despite external headwinds. Economic growth is now moderating and is estimated at 4.7% in 2018, underpinned by robust domestic and external demand."

Three producers in each of the two major segments cater for Malaysian flat and container glass demand. In recent years, Chinese glass producers have invested heavily in the country's flat and downstream glass processing activities.

Addressing the Malaysian media recently, Ms Woo Wan Zheng, President of the Malaysia Glass Association said: "The glass industry needs to push for new technology to improve glass (product mix) quality. The industry is doing well, with a lot of players in the market providing healthy competition. It keeps all players on their toes and may help them to innovate their products.The second thing we would have to note (to improve the industry) would be to cut the cost of distribution networks. As a whole, the industry remains healthy and is growing at a steady pace."

Ms Woo further added: "Remaining challenges would be the margin pressure on operational expenditure, with transportation and geological infrastructure being key factors to be addressed. The cost has increased and (reducing it) would be one of the challenges we would have to overcome."

The famous Petronas Twin Towers in Kuala Lumpur were recognised as the world's tallest buildings from 1998 to 2004.

Flat glass industry

The Malaysian flat glass industry has witnessed one of the healthiest capacity expansions in recent years. In fact, the entry of two of the largest Chinese float glass producers has made the country one of the largest production centres in the ASEAN region.

If calculated on a per capita basis, Malaysian installed capacity (installed capacity divided by total population) is among the highest on a global scale. Steady demand from local architectural and automotive industries has enabled the country's flat glass producers to reap the rewards. In 2018, the country exported $240.2 million worth of flat glass products, a jump of 149.7% over the previous year's figure.

Since most of this capacity has come on-stream in the last two years, it would be interesting to see how Malaysian producers are able to address the issue of overcapacity in their domestic market. Float glass exports started to gain momentum in 2018 but considering the fact that some Asian countries may impose tariff and non-tariff barriers on glass imports from Malaysia, it will be equally interesting to see how existing and new producers cope with the situation.

The country's construction sector has not brought much cheer to domestic flat glass producers since 2016. ▸

The local automotive industry is an important customer for Malaysian flat glass producers.

In fact, construction sector growth has declined in each of the last three years, compared to the preceding year figures.

In comparison to the local architectural segment, Malaysian automotive glass consumption has registered healthier growth in recent years. The country ranks strongly among ASEAN countries with high car ownership. Honda, Toyota, Nissan, Mercedes-Benz and BMW are some of the global automotive companies to have set up operations in Malaysia to take advantage of buoyant consumer demand.

Local production of motor vehicles for 2017 amounted to 499,639 units, comprising 459,558 passenger vehicles and 40,081 commercial vehicles. Motor vehicle sales amounted to 576,635 units in 2017, consisting of 514,679 passenger vehicles and 61,956 commercial vehicles.

Malaysian Sheet Glass Berhad

Malaysian Sheet Glass Berhad (MSG) was incorporated in 1971, on a joint venture basis between Malaysian industrialists, Nippon Sheet Glass Co Ltd, Japan and Tomen Corp, Japan. MSG is the oldest flat glass producer in Malaysia and became a wholly-owned subsidiary of Nippon Sheet Glass Co Ltd, Japan (NSG) in 2004. To date, the corporation maintains two comprehensive and integrated, modern float glass lines with textured glass and online reflective glass manufacturing facilities in Pasir Gudang, Johor, while the sales and marketing office and automotive glass manufacturing facility are based in Sungai Buloh, Selangor.

Xinyi Glass

Leading Chinese company Xinyi Glass has become Malaysia's largest flat glass producer in just two years. The company operates three float lines, with a total installed capacity of 3200 tonnes/day. This initiative was the first overseas investment undertaken by Xinyi Glass. Subsequently, the company has also set up a float plant in Canada.

Xinyi Glass began investing in Malaysia in 2014. Its phase-I project, which started commercial production in May 2017, included a 1200 tonnes/day line for float glass at Malacca. Within 13 months, the company started commercial production of another float line under phase-II of its expansion in Malaysia. With an installed capacity of 800 tonnes/day, the second line started commercial production in June 2018. A third float line, with an installed capacity of 1200 tonnes/day, carried out trial operations in December 2018.

The Chinese company's decision to set up float glass lines in Malaysia was based on low production costs and the country's preferential trade and tax treatment. According to Xinyi Glass management: "Natural gas and soda ash prices in Malaysia are cheaper than in China, giving float glass plants in the country significant advantages in raw material and fuel costs, even taking into account higher silica sand costs. Also, Malaysia provides local exporters preferential trade and taxation treatment. Our products are exempted from import duties when selling to Indonesia and Vietnam. The Malaysia plants also allow the company to avoid anti-dumping duties in South Korea and India."

Xinyi Glass is planning to further expand its capacity in Malaysia under phase III of its project. This phase will add another 2000 tonnes/ of float glass capacity of the company's existing 3200 tonnes/day.

According to the company's management, these future production lines will allow the group to better serve ASEAN- ▸

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based, as well as Indian, Korean and Taiwanese customers through the preferential import duties and appropriate pricing strategies. Furthermore, shorter transport distances will also benefit Asian customers.

Kibing Glass Malaysia

Another leading Chinese flat glass producer, Kibing Glass made a simultaneous entry to the Malaysian flat glass market by setting up a float plant at Negeri Sembilan. Kibing Glass Malaysia operates two float lines, each with an installed capacity of 600 tonnes/day. The company produces clear and tinted float glass from 3mm to 19mm from these two lines.

Located at TuankuJaafar Industrial Park of Senawang, Negeri Sembilan, this manufacturing site is 75km from Kuala Lumpur and 70km from the country's main sea port, Port Klang.

Construction of the plant started in early 2015. The company commenced commercial production in April 2017. Kibing Glass had acquired the NageriSembilian manufacturing site in 2015 from South Korean company Samsung Corning Precision Materials Group Co. Samsung Corning had been operating a display glass production plant at this 128 acre site.

In addition to float glass products, Kibing Glass Malaysia also offers processed and value added glasses for architectural usage through its subsidiary CS Eco Glass (M) Sdn Bhd.

Established in 1988, Kibing Glass is one of China's largest flat glass producers. Today, the company operates 25 float lines at eight production bases in China and Malaysia.

The KOMTAR Tower in the city of George Town is Penang's tallest skyscraper and the sixth tallest building in Malaysia.

The Somersby cider brand, owned by Danish brewing company Carlsberg Group, is one of Malaysia's leading cider brands.

Glass container industry

Much smaller than most of its ASEAN peers, the Malaysian glass container industry involves three local producers: Joint venture company O-I BJC Glass Malaysia, JG Containers and pharmaceutical glass producer Shiotani Glass.

Non-alcoholic beverages account for the largest share of market demand, together with alcoholic beverages, food and pharmaceuticals. Low per capita consumption of alcoholic beverages is the main reason behind the small size of the country's glass container industry.

O-I BJC Glass Malaysia

The largest glass container producer in Malaysia, O-I BJC is a 50:50 joint venture between O-I and Thailand's business conglomerate BerliJucker Corp. The company's production facilities are located at Johore Bahru. With three furnaces and eight production lines, the company has an annual installed capacity of 170,000 tonnes (about 460 tonnes/day) in flint, green and amber colours. The glassmaker supplies most leading local food, beverage and pharmaceutical companies.

O-I BJC has the capability to produce glass containers using press-blow, blow-blow and narrow neck press and blow technologies. The company started to produce lightweight containers based on NNPB technology in 2015.

Before its acquisition by the current management in 2010, the company was known as Malaya Glass, having originally commenced operations in 1961 with a single furnace. Over the years, the company's operations grew in scale and scope. Malaya Glass also acquired a second glassworks in Kuala Lumpur, which was subsequently merged with the parent company at Johore Bahru in 2008.

Jg Containers

Jg Containers (Malaysia) Sdn Bhd is a mid-sized glass container producer, with an installed capacity of 300 tonnes and two furnaces. The manufacturing plant is located in Klang, Selangor, with easy access to Port Klang and major trunk roads.

Jg Containers produces glass bottles for the food, beverage and pharmaceutical industries. The company has been engaged in glass production since 1972 and installed a new furnace in 2010. "We have about 50% market share in the flint glass segment in Malaysia" the Jg Containers management team confirms. "About 35% of our output is exported to ASEAN countries, Hong Kong and Australia."

Shiotani Glass (Malaysia)

Established in 1995, Shiotani Glass (Malaysia) Sdn Bhd is a subsidiary of the Japanese pharmaceutical glass producer Shiotani Glass. Located at Senawang Industrial Park, Pekan Senawang, Daerah Seremban Negeri Sembilan, the company produces vials and ampoules for the local pharmaceutical industry. All production technologies and inspection knowhow have been sourced from the parent company in Japan. ●

About the author:
Sunder Singh is a freelance correspondent

Further information:
email: sunder.singh@gmail.com