

[FOR IMMEDIATE RELEASE]

Malaysia's Rubber Products Hit New High in 2020

Latex goods sector recorded exceptional growth of 95% due to Covid-19 pandemic

The spread of COVID-19 since the beginning of 2020 has had a significant negative impact on economies, curtailing economic activity, and forcing businesses to operate at inefficient scale. The pandemic, however, has caused more positive impact on the Malaysian rubber products sector which witnesses the total exports exceeded RM40 billion for the first time with an export revenue of RM40.96 billion in 2020, increased 75.6% as compared to the exports in 2019. The strong performance in exports was contributed by the spike in exports of latex goods which posted a year-on-year growth of 95.3% in 2020.

The latex goods sector comprises mainly medical devices such as gloves and catheters. The sector made up 90% of the total rubber products exports in 2020, increased from 81% recorded in 2019. The increase is driven by the high demand from the medical and health sectors worldwide, in the effort to curb the spread of the COVID-19 pandemic. Rubber gloves alone made up 86% of the country's rubber products exports. Exports revenue from the rubber gloves industry reached RM35.3 billion, doubled from the exports in 2019 (an increase of 103%). Globally, Malaysia has been supplying more than 60% of the world demand for rubber gloves and the Malaysian Rubber Council (MRC) estimates the share to expand to 68% in 2020.

Total exports to the United States, the largest market for Malaysian rubber products, have increased by almost 79% from RM7.25 billion in 2019 to RM12.96 billion in 2020. Other key markets have also recorded an encouraging increase in export, namely EU-27 by 101%, Japan (64%), United Kingdom (157%) and China (82.4%).

Given the strong performance, the overall rubber products industry contributed almost 5% to national exports in 2020.

Challenging year for dry rubber sector

Exports of dry rubber sector (non-latex products) recorded of RM3.98 billion, a decrease of 9.3% as compared to 2019 with the value of RM4.39 billion. Lower demand from various economic sectors such as automotive, industrial manufacturing, construction and mining has contributed to the decrease in the dry rubber exports. Main exports within the sector are tyres, hoses, footwear as well as plates and sheets, and these four products registered a decline of 6.9%, 28%, 7.3% and 8.9% respectively.

Outlook for 2021

As the industry outlook continues to be marred by prolonged volatility, MRC remains steadfast in strengthening its resilience to weather the rubber product demands while not losing sight of its long-term plans to elevate the exports of Malaysian rubber products.

Malaysian Rubber Council (MRC), or previously known as the Malaysian Rubber Export Promotion Council, or MREPC is anticipating demands for medical gloves to eventually normalize as COVID-19 vaccines are expected to be made widely available by the second half of 2021.

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MRC's Chief Executive Officer (CEO) Brandon Chan anticipates the outlook for the industry to remain positive, with economic activities expected to gradually recover in the second half of the year. On-going expansion plans by existing and new local players will also support the industry growth. However, he cautions that the industry may face several challenges this year, such as geopolitical risks, rising competition from other countries, trade tensions, and a global economic slowdown due to the ongoing COVID-19 pandemic.

"Against this challenging backdrop, MRC will proceed to undertake new initiatives focusing on human capital development and the adoption of advanced technology, as well as helping to push the industry towards enhanced sustainability" he said.

In ensuring sustainability and given the challenges ahead, MRC believes that the industry must focus on design and development, diversification, automation and digital technology. This will ensure the industry would be able to establish a strong foothold in the global value chain, and to continue the significant contribution to Malaysia's GDP. This is also crucial to battle the productivity gaps and reduce our dependency on foreign workers.

New direction and mandate as MRC

MRC's new direction and broader mandate, upon its rebranding exercise announced by the Plantation Industries and Commodities Minister, YB Datuk Dr Mohd Khairuddin Aman Razali last year which coincided with MRC's 20th Anniversary reflects the expansion of the Council's role in the capacity building of the downstream rubber industry, domestic promotion, talent development and advanced technology adoption and as well as investment promotion of Malaysia's rubber industry.

Brandon Chan adds "we have a bigger role and added responsibilities which includes driving the growth of the nation's rubber product industry. The tasks for MRC now include linking the downstream rubber sector together with the midstream and upstream industries, which is the recommended way forward for the industry as a whole." he highlights.

"Enhancing the industry with focus on high potential products such as tyres will certainly benefit the country in terms of investments, expansion of local content in the tyre segment, reducing imports, and ultimately achieving higher export revenue. It would also help strengthen Malaysian tyre companies, thus improving job prospects as well as creating more opportunities for local vendors. Concurrently, the efforts undertaken will also improve the linkages between the upstream and downstream sectors."

MRC's strategies for 2021

MRC will remain focused on its efforts to create more value for Malaysia's rubber industry to ensure it remains resilient and competitive in the face of future headwinds.

Chan highlights "We want the value proposition of our products to be seen beyond their functional features and benefits. Rubber product companies should explore how their products can be associated with bigger cause or purpose. The ability of these companies to link their initiatives with relevant Sustainable Development Goals, will carry greater weightage, and provide them with meaningful international exposure. This year, MRC will embark on key initiatives to facilitate the industry in moving up the global value chain by exploring channels and programmes offered by International Development Organizations (IDOs). Through partnerships with IDOs, companies can reach out to larger untapped markets and convey the



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message, loud and clear – Malaysian companies are competent and well capable of contributing to the global wellbeing.”

Another key strategy devised by MRC is through the introduction of the Pathfinder programme. MRC will identify and nurture Small and Medium-sized Industries (SMEs) especially from the dry rubber sector to explore the international market. Programmes designed will be based on coherent, forward-looking strategies considering the needs and potential of the selected companies. The four key areas which will be focused under the Pathfinder programme are funding and grants, technical support, training & development, export marketing and branding.

The Covid-19 pandemic has led to travel restrictions. Hence, MRC has initiated an online business matching platform, called e-Global Sourcing Mission (e-GSM) since last year to provide a safe online platform for global buyers to identify and meet genuine Malaysian manufacturers to source for quality rubber products from Malaysia.

MRC is also planning to introduce the MRC Virtual Showcase in 2021 to further facilitate business engagements for Malaysian rubber product companies. The Virtual Showcase will create an all-round experience for buyers to reach out to genuine Malaysian rubber and rubber product manufacturers. This virtual platform can provide a holistic online experience on Malaysian rubber products to potential buyers such as virtual rubber products gallery, webinar, live chat and online business matching.

As part of MRC’s new strategy, its programmes for 2021 onwards will include investment promotion activities which are to identify and facilitate new investments from both domestic and foreign investors to expand the existing or establish new rubber product manufacturing facilities in Malaysia through joint ventures or partnerships with local companies or agencies, particularly for automotive products. Currently, MRC has identified several markets that can be explored for this activity including East Asia, Middle East, and Southeast Asia.

The rubber industry has played an immense role in the socio-economic development of Malaysia, and it will continue to be an indispensable pillar of the nation’s growth for decades to come.

“My aspiration is for MRC to continue being at the forefront overseeing the industry’s transformation, and to pave the path for the rubber industry’s continued success.” expresses Chan.

Brandon Chan
Chief Executive Officer
Malaysian Rubber Council (MRC)

26 February 2021



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About MRC

The Malaysian Rubber Council (MRC) was incorporated on 14 April 2000 under the Companies Act 1965 as a company limited by guarantee under the Ministry of Plantation Industries and Commodities. MRC is governed by a Board of Trustees appointed by the Minister of Plantation Industries and Commodities. MRC is tasked with undertaking market promotion of quality Malaysian rubber products in world markets, and supports small and medium enterprises (SMEs) through domestic promotion efforts.

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