



ASEAN Light Vehicle Sales Update

ASEAN Light Vehicle Market ends H1 2019 in Positive Territory

In the first six months of the year, ASEAN Light Vehicle (LV) sales grew by a slight 1.9% year-on-year (YoY), with Indonesia being the only market to close the period with a negative result (-12% YoY). Q2 sales in the country declined by 10.5% YoY, but this was still an improvement on the 13.3% drop in Q1. Nor should we overlook the market disruption in the second quarter caused by post-election protests in Jakarta and the occurrence of Ramadan in May.

In June, however, as President Widodo began his second term, the political uncertainty dissipated and the market reverted to growth for the first month this year (+2.5% YoY). This positive trend is likely to have carried over into July as the GAIKINDO Indonesia International Auto Show took place during the month. That said, we continue to anticipate a decline of 7% YoY in the second half of the year as LV demand will come under pressure from the weak economy and the government's proposed budget spending cuts to counteract a projected shortfall in state revenues. This led us to revise our 2019 LV sales forecast for Indonesia to 953k units, following three successive years in which sales hit 1 mn units.

The Thai LV market rose by 7% YoY in H1 2019, but the rate of growth decelerated in Q2 (+3.5% YoY) from the strong performance in Q1 (+11.6% YoY). The slowdown in the second quarter resulted from a) a decline in eco-car demand; b) sluggish Pickup Truck sales; c) tighter auto loan conditions; and d) the weak economic environment. We now expect the rate of growth in H2 to slow down (+2.9% YoY) and forecast a full-year increase of 5.0% on total sales of 1.07 mn units. This contrasts with growth of nearly 20% last year and 14% in 2017.

The Malaysian LV market rose by 2.5% YoY in the six months to June, as the positive outturn in Q1 (+5.8% YoY) offset the weak Q2 result (-0.4% YoY). The market started the second quarter off on a healthy note, with increases in April (+7% YoY) and May (+42% YoY), but fell sharply in June (-33.9% YoY).

The downturn in June was due to a high base effect in 2018, when the government implemented a three-month tax holiday (June-August) to allow for the transition in the tax regime from GST to SST in September. Consumers rushed to buy new vehicles during the tax holiday, which inflated the results for June-August last year.

Looking ahead, we cut the long-term outlook for LCV sales by around 3-4k units a year to account for the negative economic indicators in the country. The 2019 GDP growth forecast stands at 4.4%, down from 4.7% in 2018 and 5.7% in 2017. Our full-year forecast for Malaysian LV sales has been revised to 606k units.

The LV market in the Philippines expanded by 3% YoY in the year to June, with increases in both the PV (+2%) and LCV (+5%) segments. For the year as whole, we expect LV sales to grow by 3% to 402k units, marking an improvement on last year's sharp decline of 16%, which resulted from the tax hike in January 2018. The risk to the 2019 forecast is on the downside, however, due to vehicle price hikes, the weak peso and the slowing economy.

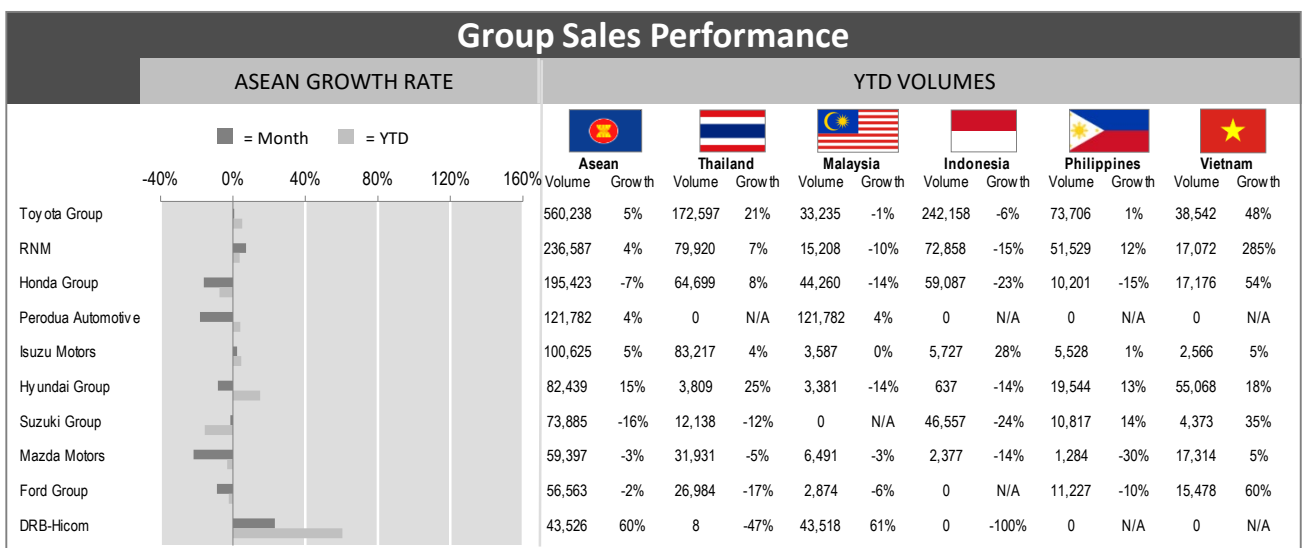
In Vietnam, LV sales in the first half of the year jumped by 32.0% YoY as a surge in PV demand (+42.2% YoY) comfortably offset sluggish LCV sales (-0.6% YoY). The robust result for the period was driven by strong economic growth, in particular high FDI inflow and a buoyant export sector. We now forecast growth of 20.6% YoY for 2019 as a whole.

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VinFast, Vietnam’s first homegrown automaker, launched its inaugural, domestically produced model, the Fadil, in June. No official sales report is available as the brand is not a member of the Vietnam Automobile Manufacturers’ Association (VAMA). As such, volumes of the Fadil are not reflected in our database. Our market intelligence, however, shows that around 360 units of the new model were registered in June.

ASEAN Top Lines						
	Jun	Growth	YTD	Growth	2019	Growth
Sales	255,265	-5%	1,680,951	1%		
PV	179,561	-6%	1,200,397	2%	2,534,690	2%
LCV	66,784	-3%	422,168	2%	882,651	-1%
M&H CV	8,920	-14%	58,386	-21%		
Production	304,834	-7%	2,117,458	-1%		
PV	194,766	-5%	1,388,387	-1%	2,901,367	9%
LCV	102,454	-7%	664,108	1%	1,368,983	9%
M&H CV	7,614	-32%	64,963	-15%		

Market Performance							
		Jun	Growth	Share	YTD	Growth	Share
Thailand	PV	47,217	-3%	56%	278,869	6%	54%
	LCV	36,761	-1%	44%	234,390	9%	46%
Malaysia	PV	38,384	-33%	91%	270,202	4%	92%
	LCV	3,575	-39%	9%	22,307	-10%	8%
Indonesia	PV	43,064	0%	79%	365,377	-12%	82%
	LCV	11,585	11%	21%	80,711	-10%	18%
Philippines	PV	24,535	14%	72%	138,547	2%	72%
	LCV	9,331	-9%	28%	52,642	5%	28%
Vietnam	PV	26,361	36%	83%	147,402	42%	82%
	LCV	5,532	2%	17%	32,118	-1%	18%



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