ASEAN Light Vehicle Sales Update

ASEAN Sales Hit Their Highest Growth Rate so far This Year in Q3 (+12% Year-on-Year)

ASEAN Light Vehicle (LV) sales increased by 12% YoY in Q3 2018, marking the highest growth rate so far this year. This follows upturns of 3% and 8% YoY in Q1 and Q2, respectively.

The Philippines was the only market to post negative growth in the quarter (-12% YoY) as the market felt the impact of the payback effect from last year's buying rush ahead of the excise tax hike in January 2018. Indeed, a downward correction was all but inevitable, given that LV sales had quadrupled between 2007 and 2017.

In contrast, Light Commercial Vehicle (LCV) sales in the Philippines have been very strong this year, with this trend expected to continue through to H1 2019, in the lead-up to the general election in May of next year, particularly as this vehicle type is exempted from the new excise tax scheme. In light of this robust demand, we revised our long-term LCV forecast, such that our new projections for the overall LV market in the Philippines now stand at 392k units for 2018 and 431k for 2019.

The Indonesian LV market grew by 10% YoY in Q3 2018, thanks to a) a sharp sales rebound in July (+24% YoY), following the disruption in June from Ramadan and the Eid festival; and b) marketing campaigns and new model launches at the Gaikindo Indonesia International Auto Show in August, which led to higher demand in August and September.

Despite this double-digit growth in the third quarter, however, we cut Indonesia's long-term Passenger Vehicle (PV) sales outlook, leaving our projections for the overall LV market at 1.03 mn units for 2018 and 1.08 mn for 2019. The downward revision reflects the negative factors currently impacting consumer spending, namely the weak rupiah, higher interest rates, rising inflation and tighter credit conditions. The rupiah has depreciated by around 10% against the US dollar this year, while the central bank raised the official interest rate from a record low of 4.25% in April to 5.75% in September, with further rate hikes in the offing.

The upward trend in the Thai LV market carried over into Q3 (+22% YoY), putting YTD growth at 21% YoY.

The Pickup, Sub-Compact Car and Sub-Compact SUV segments made the largest contributions, driven by replacement demand from the expiry of the five-year restriction under the first-time buyer scheme (2012-2013).

This strong momentum led us to make a minor upward adjustment to the 2018-2019 outlook, compared to our previous report. We now project that LV sales will reach 1.01 mn and 991k units in 2018 and 2019, respectively. The robust pace is unlikely to be sustained next year as replacement demand under the first-time buyer scheme will have been met by then and should begin to tail off, hence the slight decline in the 2019 forecast. Not only that, but Thailand could be indirectly impacted by the US-China trade dispute next year. The country's political future, meanwhile, remains uncertain; even if elections are held in 2019, there is still a significant risk that they could reignite unrest.

Malaysia's LV market improved by 16% YoY in the third quarter, but September saw a sharp drop in sales (-26% YoY), following the expiry of the three-month tax holiday between June and August. Strategies put in place by OEMs to either absorb the tax increase or offer one-off incentives to stimulate sales had pointed to a possible continuation of the robust momentum in September, but the result was weaker than expected. Meanwhile, the Malaysia Budget 2019, which was announced in early November, contains very little that might significantly boost the country's LV market. We therefore cut the forecast for 2018 to 579k units, but left our 2019 projection unchanged at 578k units.

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The Vietnamese LV market continued to climb. Growth in Q1 (+12% YoY) and Q2 (+17% YoY) was followed by an impressive upturn in Q3 (+26% YoY). This resilient performance in Q1-3 2018 was driven largely by the PV segment (+31% YoY). In contrast, LCV sales declined (-10% YoY) as several key Pickup Trucks in the market are imported from Thailand and have therefore been negatively affected by the new rules under Decree 116, which was implemented at the start of the year. As LV demand remains buoyant, however, we made minor upward revisions to the projections for 2018 and 2019 to 305k and 329k units, respectively

ASEAN Top Lines

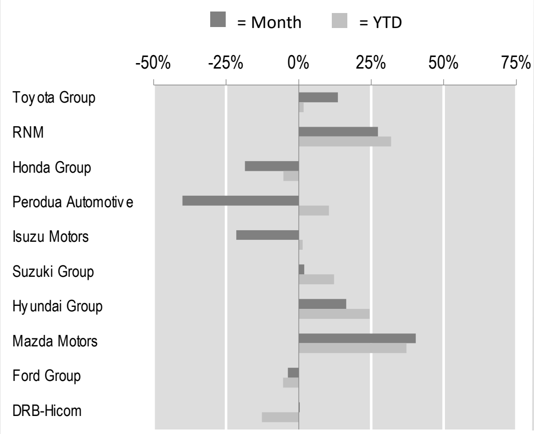
	Sep	Growth	YTD	Growth	2018	Growth
Sales	**276,377**	**4%**	**2,577,825**	**8%**		
PV	186,101	0%	1,817,991	6%	2,431,285	4%
LCV	76,361	10%	645,795	13%	883,717	13%
M&H CV	13,915	19%	114,039	15%		
Production	**361,968**	**1%**	**3,270,462**	**8%**		
PV	235,558	1%	2,154,805	8%	2,672,522	0%
LCV	114,617	0%	1,000,998	6%	1,259,893	5%
M&H CV	11,793	-2%	114,659	14%		

Market Performance

		Sep	Growth	Share	YTD	Growth	Share
Thailand	PV	46,907	20%	54%	400,623	23%	55%
	LCV	39,413	9%	46%	327,908	18%	45%
Malaysia	PV	26,169	-28%	87%	403,646	6%	90%
	LCV	3,850	-6%	13%	45,350	11%	10%
Indonesia	PV	66,996	2%	80%	641,077	3%	82%
	LCV	16,548	8%	20%	141,600	10%	18%
Philippines	PV	24,305	-19%	71%	208,571	-20%	72%
	LCV	10,001	40%	29%	80,707	20%	28%
Vietnam	PV	21,724	46%	77%	164,074	31%	77%
	LCV	6,549	3%	23%	50,230	-10%	23%

Group Sales Performance

ASEAN GROWTH RATE



YTD VOLUMES

	Asean Volume	Asean Growth	Thailand Volume	Thailand Growth	Malaysia Volume	Malaysia Growth	Indonesia Volume	Indonesia Growth	Philippines Volume	Philippines Growth	Vietnam Volume	Vietnam Growth
Toyota Group	842,270	2%	225,156	35%	57,299	8%	406,204	-6%	110,450	-17%	43,161	-4%
RNM	353,193	32%	112,347	23%	28,824	9%	127,667	76%	75,459	9%	8,896	3%
Honda Group	325,936	-5%	92,915	0%	79,913	1%	117,742	-15%	17,787	-24%	17,579	80%
Perodua Automotive	167,342	10%	0	N/A	167,342	10%	0	N/A	0	N/A	0	N/A
Isuzu Motors	146,634	1%	116,226	5%	7,542	1%	7,608	14%	11,240	-30%	4,018	1%
Suzuki Group	130,937	12%	20,661	18%	0	N/A	91,077	12%	14,154	3%	5,045	15%
Hyundai Group	112,363	24%	4,612	9%	6,411	2%	1,245	-27%	27,315	-10%	72,780	53%
Mazda Motors	92,973	37%	51,755	41%	11,046	58%	4,390	59%	2,537	-22%	23,245	28%
Ford Group	87,771	-5%	49,607	26%	5,338	14%	0	N/A	18,116	-32%	14,710	-33%
DRB-Hicom	49,263	-13%	17	-77%	49,233	-13%	13	8%	0	N/A	0	N/A

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LMC Automotive

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