



ASEAN Light Vehicle Sales Update

ASEAN LV Sales: Flat Growth in Prospect for 2019, Despite 8% Growth in 2018

The ASEAN5 Light Vehicle (LV) market closed 2018 up by 8% year-on-year (YoY) on total sales of 3.37 mn units. Only the Philippines posted negative growth (-14% YoY), largely as a result of higher excise taxes for Passenger Vehicles (PVs) and a pull-ahead in demand to 2017. In the early part of 2017, the government hinted at future vehicle tax hikes, which was followed by an official announcement in December. This prompted a buying rush before vehicle prices increased in 2018 as a result of the excise tax hike. The weak peso, meanwhile, drove up CBU import prices, which dampened overall LV demand, given that CBU imports account for 70% of total sales in the Philippines.

In 2019, LV demand in the Philippines is expected to increase by 8% YoY, with a total of 421k units sold, supported by strong government spending ahead of the midterm elections in May of this year.

The Thai market enjoyed very strong growth of nearly 20% YoY in 2018, driven by robust replacement demand, new model launches, a booming economy and expansionary fiscal and monetary policies.

This year, however, sales are projected to drop from 1.02 mn units in 2018 to 952k, as demand is likely to suffer from political uncertainty, both before and after the elections on 24 March. Meanwhile, the Bangkok International Motor Show, one of the biggest sales events in the industry's calendar, will take place on 27 March of this year. But with the level of uncertainty surrounding the country's political future, demand and model launch decisions at the show could well be affected.

New vehicle sales in Indonesia rose by 5% YoY in 2018 to 1.05 mn units, exceeding the 1 mn threshold for the third consecutive year. The launch of new 7-seater models and increased government spending drove much of the upturn. We expect this positive trend to continue in 2019, on total sales of 1.08 mn units for the year, supported by the arrival of a facelifted version of the bestselling model in the market, the Toyota Avanza/Daihatsu Xenia, as well as the launch of two new Chinese 7-seat SUVs, the Wuling Almaz and Dongfeng Glory 560.

Note, however, that LV demand in Indonesia this year could come under pressure if the government decides to reinstate higher import taxes in a bid to cut the trade deficit, if exports continue to decelerate. Last year saw increased import tariffs on around 1,100 items as the rupiah plummeted. If tariffs are hiked again this year, we could see a rise in inflation, which, in turn, would hurt consumer purchasing power.

Malaysia's LV market climbed by 3% YoY in 2018 to 591k units, driven by the three-month tax holiday between June and August, when demand surged by 31% YoY. Excluding these three months, however, the market would have declined by 7% YoY.

For 2019 as a whole, we expect the pull-ahead in demand from last year's tax holiday and the slowdown in the economy to result in a 2% YoY decline in Malaysia, with a total of 581k units sold. The country's deteriorating relations with China are also likely to put pressure on the economy and, consequently, LV demand. China had agreed several multi-billion dollar infrastructure projects with the previous government, but these have been scrapped by Dr. Mahathir's new administration. Note that China was Malaysia's second-largest export destination in 2018, accounting for 13.9% of the overall export value.

Vietnamese LV sales in 2018 soared by 28% YoY to a record high of 309k units. A key growth driver was the government's decision to eliminate import tariffs on vehicles and auto parts from other ASEAN nations on 1 January 2018. Consumers who delayed purchases in 2017 returned to the market last year, further helped by a booming economy, low inflation and the lowest interest rates in a decade.

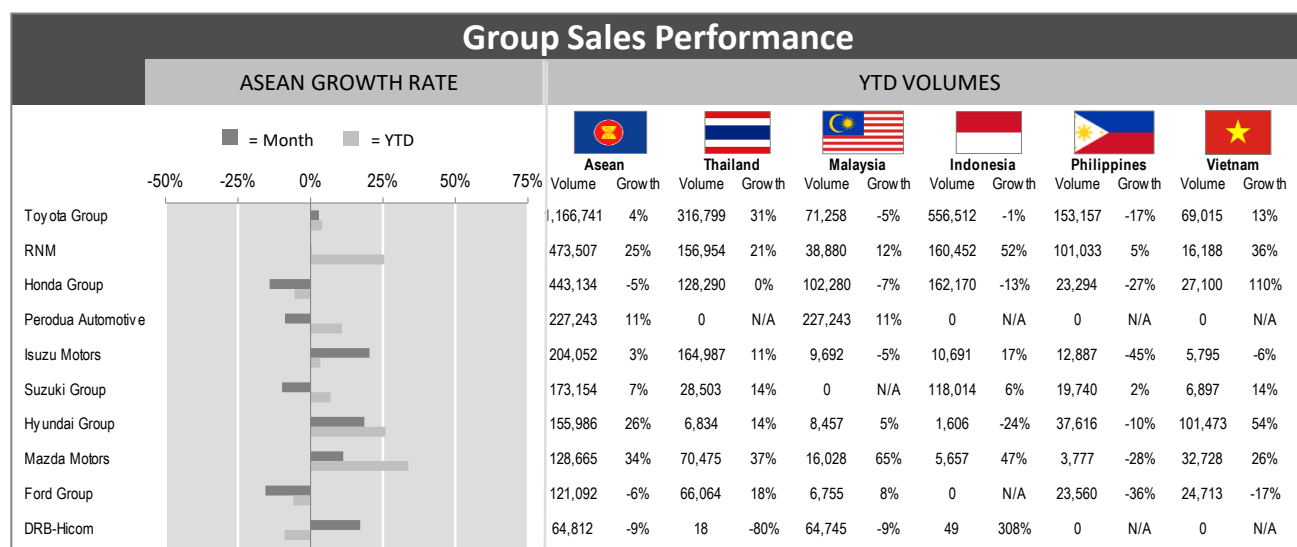
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This year, we forecast growth of 10% YoY, to a record high of 351k units, supported by favorable economic conditions and new model launches. Vietnam appears to be benefiting from the US-China trade war as global manufacturers are shifting their production operations from China to Vietnam to avoid high US tariffs.

We forecast flat YoY growth in 2019 for the ASEAN region, on total sales of 3.38 mn units, owing to the downturns in Thailand and Malaysia

ASEAN Top Lines						
	Dec	Growth	YTD	Growth	2018	Growth
Sales	324,086	1%	3,525,841	8%		
PV	222,334	-3%	2,487,496	6%	2,501,681	1%
LCV	86,380	8%	883,165	13%	879,038	0%
M&H CV	15,372	10%	155,180	9%		
Production	343,434	8%	4,423,583	9%		
PV	220,527	8%	2,891,677	8%	2,891,677	8%
LCV	110,414	10%	1,378,674	9%	1,378,674	9%
M&H CV	12,493	9%	153,232	10%		

Market Performance							
		Dec	Growth	Share	YTD	Growth	Share
Thailand	PV	57,424	0%	52%	552,000	19%	54%
	LCV	53,572	20%	48%	466,052	21%	46%
Malaysia	PV	42,269	-12%	90%	532,194	3%	90%
	LCV	4,655	-24%	10%	58,751	3%	10%
Indonesia	PV	65,460	1%	83%	859,163	4%	82%
	LCV	13,856	0%	17%	192,113	11%	18%
Philippines	PV	27,415	-31%	79%	295,635	-19%	76%
	LCV	7,414	-7%	21%	95,796	2%	24%
Vietnam	PV	29,766	63%	81%	248,504	44%	78%
	LCV	6,883	-7%	19%	70,453	-8%	22%



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