



## ASEAN Light Vehicle Sales Update

### Declines in Indonesia and Malaysia Push ASEAN Sales into Negative Territory in February

ASEAN Light Vehicle (LV) sales dipped by 0.7% year-on-year (YoY) in February, following a 2% increase in the first month of the year. The slight decline in the month resulted from weak sales in Indonesia and Malaysia.

LV demand in Indonesia remained weak in February (-13% YoY) as OEMs appeared to reduce deliveries to dealerships ahead of the launch of several new and popular models in Q1 2019. Higher interest rates and a weak rupiah are also likely to have dampened sales. Note that the official data released by GAIKINDO relates to wholesales in Indonesia.

As expected, sales in Malaysia dropped in February (-2% YoY), after a surprisingly robust January (+8% YoY), albeit less sharply than anticipated. Sluggish LCV demand (-23% YoY) was largely behind the decline in the month, as the segment suffered from Malaysia's challenging economic conditions – the Nikkei manufacturing PMI fell deeper into contractionary territory in March for the sixth consecutive month, while goods and exports contracted (-9% YoY) for the second straight month in February. PV sales, however, were virtually flat (+0.2% YoY) in February as positive results for Proton and Toyota offset weak volumes for all other automakers.

In contrast, the Thai LV market continued its strong start to the year, growing by 9.4% YoY in February and by 13.2% YoY for the first two months combined, supported by both the PV (+9.6% YoY) and LCV (+9.1% YoY) segments.

On 24 March, Thailand held its first elections since the military took control of the government in 2014. The official outcome will not be announced until 9 May, but the preliminary results suggest that the elections have generated greater political uncertainty. This will impact global investment confidence, may threaten a recovery in the depressed private investment sector, and could impact LV demand.

Meanwhile, the Bank of Thailand is looking at implementing new measures to tighten auto loans, in an attempt to curb the country's elevated household debt. Should this happen, sales would likely be pulled ahead of the new regulations coming into force.

After a weak start to the New Year, LV sales in the Philippines rose by 7% YoY and 5% MoM in February, supported by robust remittance inflows, falling inflation and the government's massive infrastructure spending program in the run-up to the mid-term elections in May.

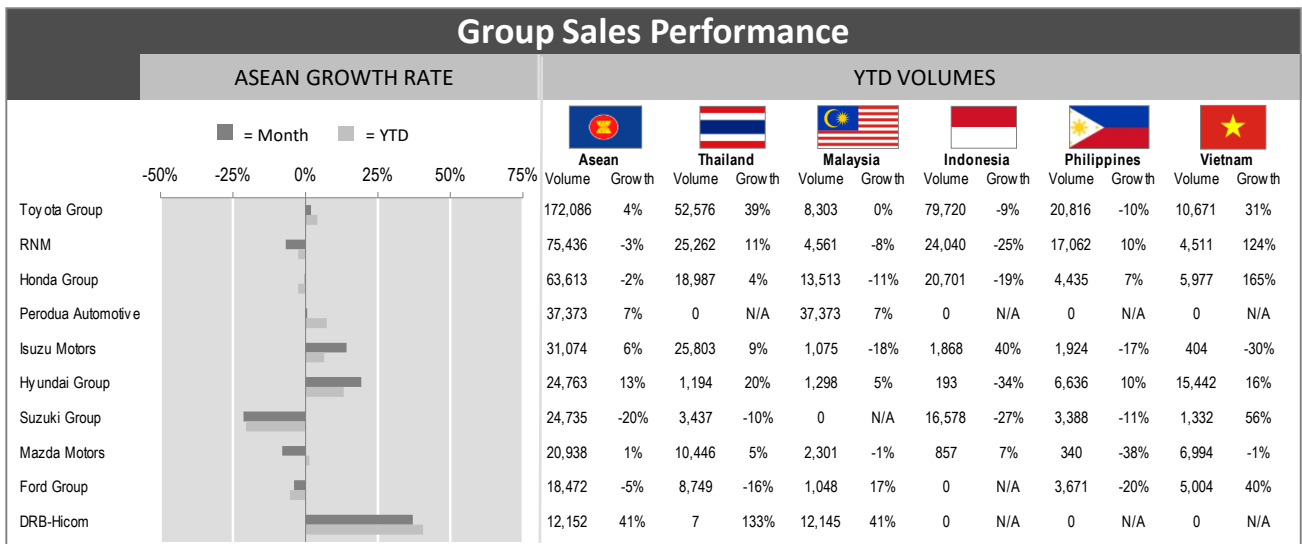
A 6% YoY increase in PV sales in February marked the first month of positive growth since December 2017. The segment plunged by 19% YoY in 2018 as the PV excise tax hike in January and the pull-ahead effect in 2017 took their toll on demand. Looking at the LCV segment, the risk is on the downside as FDI inflows fell last year (-4.4%) for the first time since 2015, due to global uncertainty and because President Duterte's proposed tax reform has caused investors to take a wait-and-see approach. The economy is bound to suffer this year as a result.

Per our forecast, Vietnamese sales fell sharply in February (-58.0% MoM) from a robust January, due to the extended Lunar New Year Festival. On a YoY basis, however, sales increased by 14.6%, driven mainly by a 17.6% jump in PV sales. Despite a decline in the Light Truck segment, LCV sales grew by 2.3% YoY in the month, thanks to stronger Pickup Truck demand. This buying rush precedes the arrival of a new registration fee on 10 April for Pickup Trucks and Vans with a load capacity of less than 1,500 kg and fewer than five seats. The fee for first-time registrations will amount to 60% of the equivalent fee for Passenger Vehicles (10-12%), compared to the current purchase tax rate for Pickups and Vans of just 2% of the vehicle's value.

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ASEAN Top Lines						
	Feb	Growth	YTD	Growth	2019	Growth
<b>Sales</b>	<b>251,702</b>	<b>-1%</b>	<b>528,875</b>	<b>1%</b>		
PV	178,700	-1%	375,171	-1%	2,530,378	2%
LCV	62,988	0%	132,382	4%	869,108	-2%
M&H CV	10,014	-9%	21,322	-2%		
<b>Production</b>	<b>336,819</b>	<b>-1%</b>	<b>709,150</b>	<b>-1%</b>		
PV	216,540	-1%	462,494	-2%	2,901,235	9%
LCV	108,214	-1%	222,539	2%	1,369,116	9%
M&H CV	12,065	1%	24,117	3%		

Market Performance							
		Feb	Growth	Share	YTD	Growth	Share
Thailand	PV	43,680	10%	54%	84,154	12%	54%
	LCV	36,941	9%	46%	73,138	15%	46%
Malaysia	PV	36,662	0%	93%	80,834	6%	93%
	LCV	2,777	-23%	7%	6,410	-18%	7%
Indonesia	PV	61,322	-13%	82%	117,612	-17%	79%
	LCV	13,300	-19%	18%	30,906	-6%	21%
Philippines	PV	23,963	6%	77%	46,776	-6%	77%
	LCV	7,156	12%	23%	13,970	2%	23%
Vietnam	PV	13,073	18%	82%	45,795	37%	85%
	LCV	2,814	2%	18%	7,958	-10%	15%



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