

 **MAY ARTHAPAN, DIRECTOR, ASIA PACIFIC FORECASTING**

 **20 JULY 2021**

Emerging Asia still not out of the woods

Asia's emerging markets, particularly India and South-East Asia, continue to struggle to contain the pandemic.

The situation has deteriorated significantly in Thailand, where daily new infections are approaching 12,000 and many areas, including Greater Bangkok, have been placed under stringent social restrictions. Only 16% of the population has been inoculated since the vaccine rollout began in March this year, as the country is struggling with a severe shortage of vaccines.

Light Vehicle sales remain weak. The May selling rate fell to an 11-month low of 700,000 units/year and we expect a similar level for June. The selling rate averaged only 747,000 units/year in H1 2021, slowing sharply from 965,000 units/year in Q4 2020. In year-on-year terms, however, sales increased by nearly 14% in the first half of this year, albeit against an abnormally low level a year ago. Sales are expected to increase by just 0.8% to 782,000 units this year, from a very low base, before expanding by 15% in 2022, with the risks to the downside.

In Malaysia, new daily infection rates hit a record high of 11,000, even though the country is under its third national lockdown. This prompted us to cut the 2021 Light Vehicle sales outlook to 529,000 units, marking a drop of 0.2% from 2020.

Despite a spike in new COVID-19 cases, the Indonesian market remained resilient in June, supported by the temporary tax cut on new vehicles. Sales are projected to expand by a robust 57% to 775,000 units this year, after a 48% contraction last year, aided by the temporary tax cut.



“Given the magnitude of the health crisis, it will take some time before economic activity normalises fully.”

On a regional basis, we expect Light Vehicle demand in South-East Asia to rebound by 16% year-on-year to 2.88 million units by year-end, which would still be 15% below the 2019 volume.

After the devastating spread of the virus in India in April and May, the number of new infections is now falling sharply, and some restrictions are gradually being eased in many states. Given the magnitude of the health crisis, however, it will take some time before economic activity normalises fully. Unsurprisingly, consumer confidence has plummeted to record lows and consumer expectations for economic conditions a year from now have also deteriorated.

Amidst the catastrophic COVID-19 crisis, the Indian market remained surprisingly resilient. The May selling rate reached 1.4 million units/year, down by only 63% from 3.9 million units/year in April, despite the fact that about 80% of the nation was under lockdown. The likelihood, however, is that OEMs were fulfilling backorders in May, instead of consumers placing new orders, as the data in India represent wholesales, rather than retail sales.

The year-to-date selling rate reached 3.4 million units/year, compared with total Light Vehicle sales of 3.5 million in 2019. On a year-on-year basis, sales increased by almost 160% in May and by 88% year-to-date, due to depressed year-ago levels, and are expected to approach 3.7 million for the full year, representing growth of 32% year-on-year.