

# Vehicle sales to **slow** in H2, says Perodua

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**RAWANG:** Growth in vehicle sales is expected to slow sharply in the second half of the year as consumers turn cautious after a recent steep rise in pump prices, Perodua said yesterday.

Car sales will only grow 6% for the whole of 2008 after surging by more than a quarter in the first five months of the year, said Perodua managing director Syed Hafiz Abu Bakar.

The government announced on June 4 a broad overhaul of its energy pricing system, raising petrol price by a hefty 41% and diesel by 65% in a move to ease its burden funding expensive subsidies.

"Before the fuel price hike, even a 10% increase is still something everyone can dream about," he said.

Hafiz said he was expecting Perodua, the largest passenger car maker in the country with a 39% share, to achieve 5% growth in sales for 2008.

Vehicle sales had been robust so far this year but the prospects for the second-half would be tough, said Hafiz.

Car sales jumped 25% from a year ago to 47,951 units in May. For the first five months, sales were up 29% at 228,984 units, industry data showed.

"If you look at the first half, you would probably see a 30% growth from the same period last year," Hafiz said.

The strong growth was not surprising given the low comparative sales figures from last year, he said. "Any growth in the first-half is not really a big deal as the base was low. For us, the second-half is the challenge," he said.

Sales will take a further hit if banks adopt more stringent rules in approving new loans as rising inflation likely leads to higher bad loan rates, he said.

The central bank forecasts inflation to rise to a 10-year high of 4.2% this year and economists expect the bank to raise its key interest rate to 4% from a current 3.5% by the end of the year.

Higher borrowing costs would crimp demand for big-ticket items such as cars and houses.

Moreover, the default rate of car loans may also edge up, prompting banks to tighten their lending procedures for new car loans, Hafiz said.

"If the reduction in disposable income leads to higher non-performing loans, that will be the tipping point," he said.

Malaysian energy-to-automotive group UMW

Holdings is the largest shareholder of unlisted Perodua, with a 58% stake. Another automotive firm, MBM Resources, owns 20% of the company. Japanese auto maker Daihatsu Motor Co Ltd is also a major shareholder with a 20% stake.

At the close, shares of UMW, which also sells and assembles Toyota cars, were up 0.8% at RM6.20. The stock has fallen 7.5% over the past month.

- Reuters