

The year of the EV

More new models to enter the market in 2023

AUTOMOTIVE

PETALING JAYA: The electric vehicle (EV) segment of the automotive sector continues to remain bright and exciting going into 2023 as more new EV models enter the local market, says RHB Research.

The research house said Bermaz Auto Bhd (BAuto) and Sime Darby Bhd have the widest EV selections that would better position them to capture the growing EV adoption locally and regionally.

"In 2023, we expect many more EV offerings locally. BMW is slated to offer the all-electric *i7* and *i5* EVs, and *XM* plug-in hybrid while BYD Auto Industry Co Ltd is already raking in thousands of orders for its *Atto 3*.

"BAuto is set to launch the new *Peugeot e-2008*, *Kia PBV1* EVs and Toyota will introduce its first battery EV *bZ4X*," RHB Research said in its latest report.

It also expects some new models on the road such as the *Ora Good Cat* by China's Great Wall Motor.

"While not ready for 2023, Perodua will unveil its first hybrid EV in 2024, and Proton is expected to launch its first EV in 2027," the research house pointed out.

Despite the exciting EV outlook, RHB Research maintained its "neutral" call on the auto sector.

"Following a likely record-breaking total industry volume (TIV) forecast of 700,000 units in 2022, we think 2023 TIV could soften 14% year-on-year (y-o-y) to 600,000 units," it added.

The Malaysian Automotive Association has pegged TIV at 630,000 units for 2022 and 636,000 units for 2023.

With supply chain woes continuing to ease,

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the research house also said all eyes are on new orders, given the widespread expectation of a slower economic growth.

After the sales and service tax (SST) exemption period ended, automotive orders have gradually recovered month-on-month (m-o-m) as consumers adapt to the SST-inclusive prices.

"We see this as an encouraging sign and expect new model launches and facelifts in 2023 to continue fuelling new orders.

"However, we continue to anticipate slower economic growth and possible excise duty reforms as potential dampeners to auto demand," said RHB Research.

The chip shortage issue continues to abate globally with most auto makers able to secure the semiconductors and components needed domestically.

"As a case in point, the national marques have been producing at almost full capacity in recent months and will likely continue doing so in the coming months as they rush to fulfil SST-exempted orders before end-March 2023.

"Only Tan Chong Motor Holdings Bhd, BAuto and Sime Darby are experiencing some form of supply shortages.

"With China's continued easing of Covid-19 restrictions, we think any remaining supply chain bottlenecks should continue to ease," it added.

However, premised on a cautious outlook, RHB Research said: "We think beyond the strong deliveries in the near term, concerns over a slower 2023 could continue to weigh on sentiment."

RHB Research's top "buy" sector picks are BAuto with a target price (TP) of RM2.55 a share and Sime Darby with a TP of RM2.80 respectively.

The key downside risks to the auto sector include worsening component shortages, further weakening of the ringgit and worse-than-expected macroeconomic headwinds that may further soften orders.

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