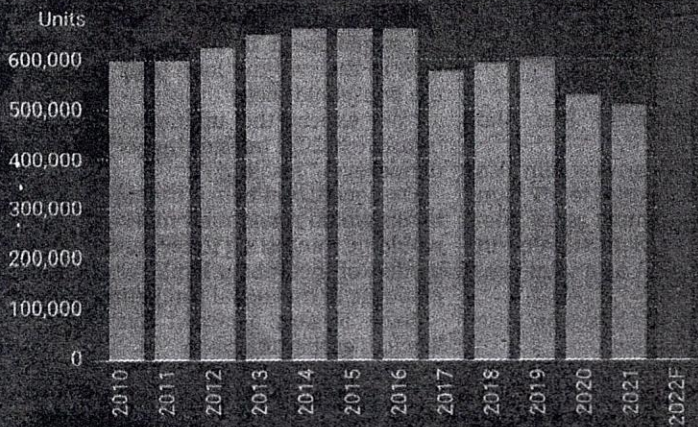
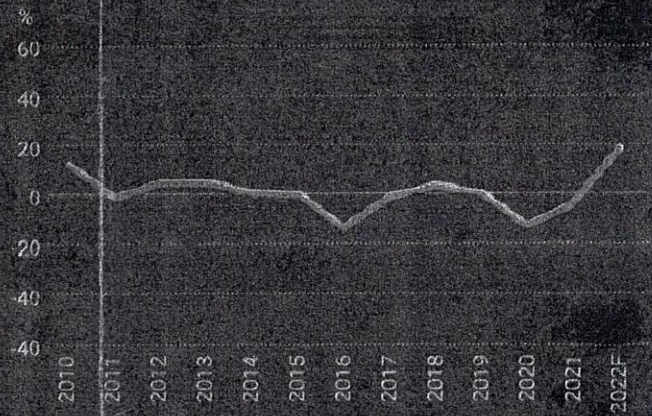


Automobile sales performance

Total industry volume



Growth year-on-year



F: Forecast

Source: Malaysian Automotive Association, UOB Kay Hian Research

The graphics

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MAA revises up car sales forecast

Total industry volume at 630,000 units this year

AUTOMOTIVE

By DANIEL KHOO
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KUALALUMPUR: The Malaysian Automotive Association (MAA) remains confident of car sales moving forward despite the recent overnight policy rate (OPR) hikes.

The association had revised its latest forecast total industry volume (TIV) up by 5% to 630,000 units for 2022 from a lower forecast made in January.

"When we check with our members, the

"Buyers can still get loans and they are not as stringent as believed."

Datuk Aishah Ahmad

the OPR increase is manageable.

"Banks are still depending on the quality of their customers - buyers can still get loans and they are not as stringent as believed," MAA president Datuk Aishah Ahmad told a

press conference.

The revised forecasts also did take into account the recent hikes in the OPR.

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Aishah: New models and EVs may sustain buying interest

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In January, MAA had forecast the TIV to grow to 600,000 units this year from 508,911 units in 2021.

Passenger vehicle expected sales have also been revised upwards by 5% to 567,000 from the previous forecast of 540,000.

The commercial vehicles segment has seen its figures revised upwards to a 5% growth to 63,000 from an earlier forecast of 60,000.

The revision also took into account the other issues that were affecting the automotive industry such as the ongoing components and chips shortages which could dampen the production of motor vehicles during the year.

The MAA also took into consideration that businesses might hold back investments in view of the ongoing uncertainties at the global level as well as the domestic political scene.

"Many analysts are expecting that the 15th General Election will take place within the year," she said.

Aishah said buying interest, moving forward, would be sustained by the continued growth in the gross domestic product including the fulfilment of backlogged orders arising from the sales and service tax (SST) exemption flexibility that was recently announced.

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"There will be a continuation of efforts to fulfil backlogged orders and promotional campaigns by car companies to boost sales and maintain their market share," she said.

"The introduction of new models such as those with the latest designs and features as well as electric vehicles at affordable and competitive prices may assist to sustain buying-interest, moving forward," she pointed out.

Commenting on the request by the MAA for the current Open Market Value (OMV) excise duty calculation method to be retained, Aishah said that this was still a work in progress.

"We have sent another letter to request for the government to reconsider and we have also had discussions with the Customs Department.

"The Customs Department has indicated

that it would support an OMV calculation method that would not be revised.

"We are now waiting for the Ministry of Finance (MoF) to come out with the official approval letter.

"The MoF is still working on it but it should be a positive (outcome)," she added.

The OMV is the final market value set for completely-knocked-down (CKD) vehicles fresh out of the factory, before the addition of excise duties.

It was reported earlier that the planned revision on how the OMV is calculated would cause CKD car prices to increase but it has now put on hold with the latest developments.

In its note yesterday, UOB Kay Hian Research said it made no change to its 2022 TIV forecast of 605,000 units, which implies a 19% year-on-year growth.

"Automobile sales are expected to remain robust in the second half of the year due to the present substantial order backlogs, and the sector is also anticipated to benefit from an improvement in the global chip supply," the research house said.

"Most of the carmakers have been receiving positive bookings that will keep them occupied at least for the next five to six months," it added.

Having said that, the research house said it

has forecast TIV in 2023 to register 550,000 units, down 9% from 2022 due to a significant slowdown in consumption at the end of the SST exemption.

There could also be a potential reintroduction of the goods and services tax that could raise car prices further, it noted.

"Additionally, the rising inflation will corrode consumers' purchasing power," it said.

It maintained its "underweight" rating on the automotive sector which is trading at 10.6 times 2023 forward price-to-earnings (PE) ratio, which is a slight discount to its historical five-year PE mean.

"We believe that the sector's valuation could derate due to a cyclical car demand downturn from a high base.

"Additionally, the ongoing weakening of the ringgit against the US dollar and the prolonged chip shortage could pose downside risks to the sector's earnings.

"Based on the companies under our coverage, we are forecasting a 6.8% and 4.6% fall in sector earnings and revenue in 2023, respectively," the research house added.

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