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Car industry revvs up for recovery

CAR sales figures for the past three months have been very encouraging. According to the Malaysian Motor Traders Association (MMTA), sales picked up from 12,270 units in June to 13,797 units in July and 15,432 units in August. With capital controls and the ensuing expectations of a downtrend in interest rates, sales of cars in Malaysia for September are expected to be a lot higher. Although the figures are nowhere near the sales made a year or so ago, they are a massive improvement from what they were early this year or late last year. The industry now believes that it might be able to sell just under half the 400,000 units sold in 1997.

This is not just good news for the economy, it is also important news. The Malaysian car industry may be small compared with South Korea or Japan, but it supports thousands of jobs, which could be lost due to the Asian crisis. In fact, the eight non-national car plants in the country had to shed 40 per cent of their jobs between December last year (9,738 workers) and May this year (6,034). The national car industry, comprising Perusahaan Otomobil Nasional (Proton) and Perusahaan Otomobil Kedua (Perodua) have created a market for engineers, technicians and other blue-collar workers and has brought the country to a level of industrialisation few dared to visualise less than two decades ago. Within the Association of South-East Asian Nations, Malaysia is the undisputed leading car exporter. On the world stage, Proton has won many awards of excellence and has made inroads into markets in every continent. Proton also made headlines with the acquisition of Lotus and its English facility. The Asian crisis then brought everything to a crashing halt for the national car companies as well as the foreign ones. Proton had to scrap its Proton City project and Perodua's plans to increase the output of its hugely-successful Kancil had to be shelved.

Now things are beginning to look up earlier than expected. Edaran Otomobil Nasional Bhd announced that it had sold 7,472 Proton cars in August, just about 5,000 units short of the sales in August 1997. This was the best performance of the year for the national car distributor, representing a 19.07 per cent increase over its July sales of 6,261 units (July 1997: 11,524 units) and June's 4,338 units (June 1997: 10,221 units). Perodua's sales were still mixed, though. Sales for June were 3,732 units of the Kancil and 191 units of the Rusa van, 3,244 Kancil and 172 Rusa in July and for August it was 3,404 Kancil and 287 Rusa. With lower interest rates following capital control measures and the Government's determination to ease credit and other restrictions to doing business, analysts are counting on a significant increase for the rest of the year.

Why the growing sales figures are important and why Prime Minister, Datuk Seri Dr Mahathir Mohamad cited them to illustrate the economy's recovery, is easy to see. In a recession or downturn, consumers will reduce the amount spent on luxuries and non-essentials. Brand new cars are definitely not essential to many; during the mid-1980s recession, more people bought used cars. We are seeing a return of this phenomenon now; EON subsidiary Motor Ria Sdn Bhd, which specialises in selling used Protons, said yesterday that it had received bookings for more than 1,400 used and refurbished Proton cars worth some RM45 million. But at the same time, the number of people buying new cars is also on the rise. Simple logic will translate this into a growing confidence in consumers. If they

think the economy is going to worsen and affect their own spending capacity, new cars would be the last thing on their minds.

Things can definitely continue to improve. If reports on the likelihood of import duties on cars being reduced under the 1999 Budget - to be presented by Dr Mahathir as the First Finance Minister - are true, the industry can maintain current car prices. Car parts and accessories are more pricey now because of the foreign exchange rate. However, the fixed ringgit exchange rate has helped ensure that they do not become any dearer. With more measures by the Government and more aggressive selling by the car companies, the jury that is out on whether the industry is revving up for sustained recovery will, no doubt, be convinced.

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