

# Proton, Toyota car sales rev up Malaysian economy

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MALAYSIAN vehicle sales are set to reach their highest level in four years as customers take advantage of cheap loans and snap up new models, making carmaker stocks among the biggest gainers.

Sales of passenger cars, four-wheel drives and commercial vehicles rose 16 per cent to 365,663 in the first 11 months from the year-earlier period, the Malaysian Automotive Association (MAA) said, twice the industry's 8 per cent annual target. Sales in 2001 will probably be the best since 1997, the year before Malaysia's worst recession, when sales rose 11 per cent to 404,837. That's helping profits at local companies.

"Earnings growth from motor vehicle companies, at 63 per cent on average, are among the best in 2001," said Christopher Leow, who helps manage RM100 million at Lotus Asset Management Sdn Bhd and owns shares in four of Malaysia's six biggest car assemblers.

Robust vehicle sales may help Malaysia stave off a sharper decline in economic growth, as Prime Minister Datuk Seri Mahathir Mohamad's Govern-

ment tried to damp the effect of a drop in electronics exports by raising public spending to boost domestic consumption. Malaysia expects exports to decline 11 per cent in 2001, as demand from the US and Japan for its semiconductor devices and electrical goods faltered. Shipments of these goods, which make up 57 per cent of exports, fell RM24 billion, or 13 per cent, in the first 10 months of 2001 from a year earlier. This year's tally makes Malaysia one of Asia's five biggest car markets behind Japan, South Korea, China and India. Vehicle sales have risen every month from their year-earlier levels, even as the economy slipped into a contraction in the third quarter because exports fell. In November, sales rose 22 per cent to 37,820 units, MAA's report showed.

Cheap car loans have encouraged buyers, analysts said. "Low interest rates are the biggest factor supporting sales," said Gan Kim Khoo, research manager at Arab-Malaysian Securities Sdn. "It's been amazing. You can own a BMW for as little as RM1,998 a month, or other cars at a 4 per cent financing rate."

The gains are helping Malaysian carmakers including state-controlled Perusahaan Otomobil Nasional Bhd (Proton), and rivals such as MBM Resources Bhd. and Tan Chong Motor Holdings Bhd make the list of biggest gainers on the Kuala Lumpur Stock Exchange. Proton, which is 16 per cent-owned by Mitsubishi Motor Corp and its parent Mitsubishi Corp, has risen 63 per cent this year, the stock market's best performer among the 100 Composite Index stocks, as it has drawn more customers to its first locally designed car, the Waja sedan, since August. In contrast, the KL Technology Index that tracks the country's 16 computer-related stocks, eked out a 1.6 per cent gain this year. The benchmark Kuala Lumpur Composite Index is little changed this year, up 0.2 per cent.

Tariff protection, among others, makes Proton cars cheaper than competing cars produced by Honda Motor Co, Nissan Motor Co and Toyota Motor Corp, allowing it to dominate the most affordable segment of the car market. It sold 194,787 cars, or 18 per cent more, in the first 11 months this year, giving it a 61 per cent market share, the MAA report showed. MBM Resources shares have gained 73 per cent this year, as it took more orders for its newest 1-litre Kelisa minicar from August to supplement older models. The company's shares fell as much as 8 sen, or 2.2 per cent, to RM3.62.

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Proton and Perusahaan Otomobil Kedua Sdn Bhd, a minicar maker jointly owned by MBM, UMW Holdings Bhd and Daihatsu Motor Co Ltd of Japan, together make eight of every 10 new cars sold in Malaysia.

UMW, which assembles and distributes Toyota vehicles in Malaysia, sold 5,111 cars, or 22 per cent more in the first 11 months, thanks to its Altis sedan. It shares rose as much as 5 sen, or 0.7 per cent, to RM6.85, adding to its 37 per cent gain this year.

Tan Chong Motor, the country's third-largest car assembler and Nissan distributor, rose as much as 3 sen, or 2.3 per cent, to RM1.33. Its 11-month sales almost doubled to 6,661 units, helping lift its share price by 27 per cent this year.

A 12 per cent decline in the Japanese yen against the US dollar this year has also helped Malaysian carmakers cut costs on imported parts, Arab-Malaysian's Gan said. That will help protect their profit margins going into 2002.

Besides that, carmakers are benefiting from Mahathir's RM7.3 billion economic stimulus programme announced in September. That month, the central bank also cut its key interest rates for the first time in more than two years, forcing banks to lower lending rates to keep the economy growing.

Malaysia also set aside US\$263 million for car loans to teachers at preferential financing rates, paying the difference on rates charged by commercial lenders, to boost car sales.

— Bloomberg