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Business, as usual

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EARLIER this year, one would have noticed widespread disappointment on the faces of would-be car buyers. Their hopes of securing lower-priced cars, in the name of market liberalization under the Asean Free Trade Area (Afta), went crashing.

On that Thursday of January 30, Prime Minister Datuk Seri Dr Mahathir Mohamad announced that no such thing was about to take place.

'The confusion that car prices will go down starting from this year is because people don't understand the meaning of Afta,' Dr Mahathir stressed when opening a manufacturing and assembling facility in Malacca. 'Afta means that we apply equal taxes on imported as well as local vehicles so that there is no advantage in buying a local car.'

On the other hand, it was music to the ears of the auto industry. Business as usual, almost.

Just days before the Prime Minister's statement, the Malaysian Automotive Association released its annual statistics. The car manufacturers' grouping predicted motor vehicle sales to rise by 3.5 per cent this year to 450,000 units, enabling the industry to set a new record.

In a report, research house Straits-G.K Goh predicts sales to pick up by 4.5 per cent. This is despite noticing that there are signs the strong momentum, driven by cheap financing and intense promotional activities, has subsided.

'Sales will be helped by upcoming new Proton models that will replace ageing models,' the research house notes.

Mayban Securities' research note on the auto industry notes that sentiment towards the automotive sector is turning around for the better. 'The uncertainty clouding the sector because of post-Afta issues is slowly being lifted,' it notes.

Moving along, some car manufacturers have adopted a cautious outlook in the midst of global tensions and a subsequent hike in oil price. Still, others are gearing themselves to overcome the prophets of doom and capitalize on globalisation with enshrouded enthusiasm.

With the new dynamics at work - post-Afta and the stronger presence of international giants in the region - auto industry players are reassessing their position. They may just have to switch lanes to keep pace with fellow competitors.

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