



Persatuan Pembuat  
Cat Malaysia  
Malaysian Paint  
Manufacturers' Association  
(Registered in Malaysia)

## **2018 Automotive OEM Business Overview**

As we all know, 2018 was a momentous and historic year for Malaysia. A number of events and issues have had a significant impact on our country's landscape, politically as well as economically.

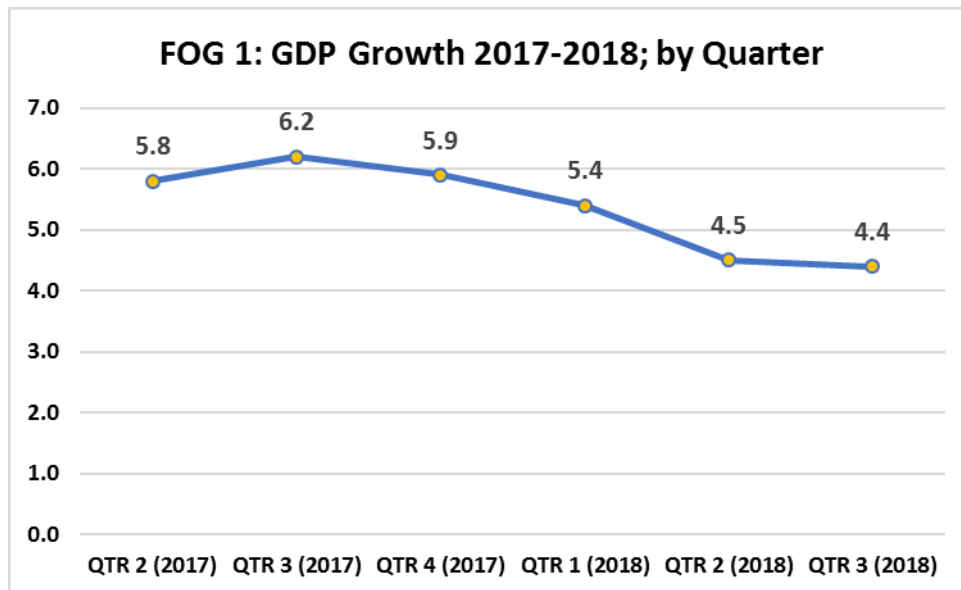
Politically, the key event was the change in federal government for the first time in 61 years. We have a new administration under the 'Pakatan Harapan' administration and new Ministers in place. In line with the new government's GE 14 manifesto, the Goods & Service Tax (GST) was abolished and replaced with the Sales & Services Tax (SST) from 1 September 2018. This made Malaysia the first country in the world to switch from GST back to the SST.

Based on the latest available statistics, Malaysia's economy grew 4.4% in the third quarter of 2018, its slowest quarterly rate so far for the year 2018. Growth had been on a downtrend trend since the fourth quarter of 2017. The authorities have yet to release the fourth quarter 2018 GDP. Nonetheless the government had revised downwards its projected GDP growth rate to 4.8% for the full year 2018 (instead of 5 to 5.5% as previously announced).

Besides the changes in leadership and administration post GE14, the country also faced several issues in 2018 which have had impact on the business community and the consumers at large.

Among the issues were the global uncertainties arising from United States-China trade war, slowdown in global economy, fall in prices of crude oil and commodities, the strengthening of the US Dollar and review of mega projects by the new government post GE 14.

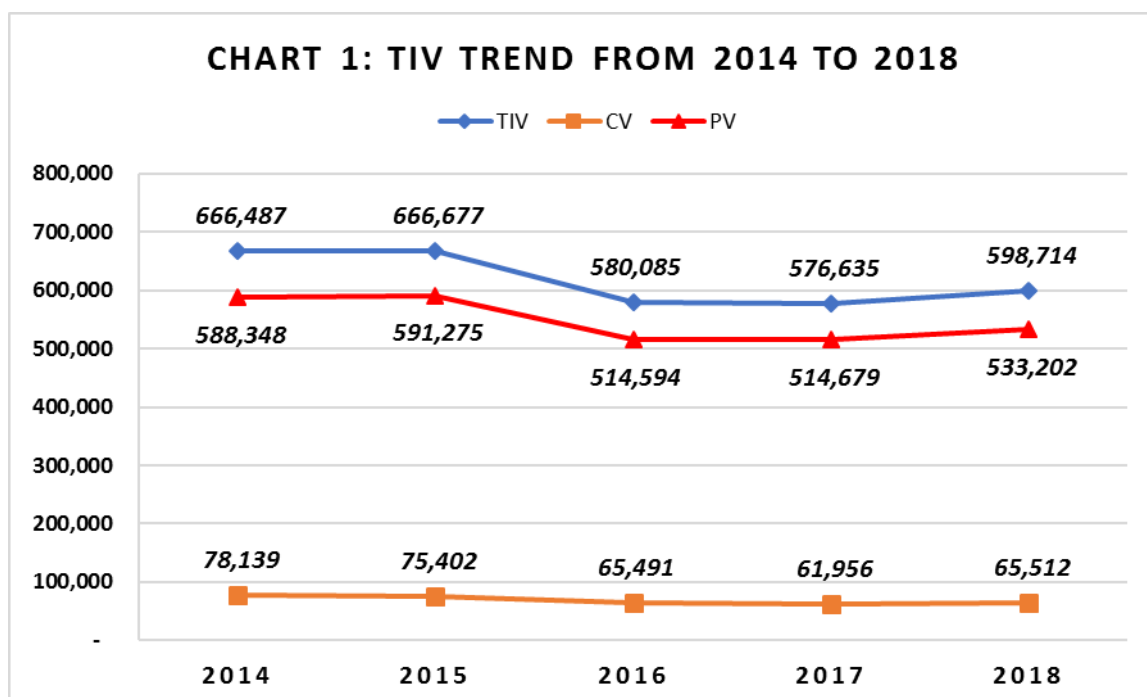
In spite of the dramatic changes and challenges faced by our country, the local automotive industry had performed well and in fact rebounded for the year under review.



### TOTAL INDUSTRY VOLUME

After two years of consecutive contraction, the local automotive market had rebounded in 2018.

The Total Industry Volume (TIV) of new motor vehicles registered in 2018 was 598,714 units against 576,625 units registered in 2017. This was an increase of 22,089 units of 3.8% compared with 2017.



**TABLE 1: TIV 2018 VERSUS 2017**

Market Segment	2018	2017	Variance	
			Units	%
<b>Passenger Vehicles</b>	533,202	514,675	18,527	3.6
<b>Commercial Vehicles</b>	65,512	61,950	3,562	5.7
<b>Total Vehicles</b>	598,714	576,625	22,089	3.8

The total registration of new Passenger Vehicles in 2018 rose to 533,202 units from 514,675 units in 2017. This was an increase of 18,527 units or 3.6% growth. While the total registration for Commercial Vehicles in 2018 increased by 5.7% or 3,562 units to 65,512 units.

### **OUTLOOK OF THE AUTOMOTIVE MARKET FOR 2019**

We have taken the following economic and environmental factors into account in our forecast for the Total Industry Volume in 2019:-

- 1) The global economic growth is expected to remain subdued. Uncertainties over on-going trade tensions between the United States and China, global monetary tightening, declining crude oil prices and commodities prices will continue to affect consumer sentiments.
- 2) The International Monetary Fund has cut its global economic growth forecast for 2019 to 3.7%, down from its previous forecast of 3.9% growth.
- 3) The Malaysian economy would not be spared from the external factors. The government had forecasted a GDP growth of 4.9% in 2019, which is marginally higher than 2018 (i.e projected at 4.8%). Domestic demand would continue as the key driver for economic growth.
- 4) Lower public investment following the completion of several infrastructure projects, review of mega projects and a more prudent approach towards new projects are expected to weigh on Malaysia's economic growth.
- 5) The persistent weak Ringgit will continue to affect business confidence and consumer sentiment.
- 6) Moderation in consumers' spending in light of economic uncertainties and inflationary pressure.

- 7) The delayed approval from the authorities for new models pricing which in turn has affected MAA members' plan for new model launched and subsequently will impact the sales of new vehicles.
- 8) Vehicles purchased forward during the GST tax holiday period from June to August 2018.
- 9) Stringent lending guidelines including for hire purchase loans by the financial institutions.
- 10) Introduction of new models with latest additional specifications, designs style and at very competitive prices can assist to sustain buying interest.
- 11) Continuation of aggressive promotional campaigns by car companies to maintain market share.

In view of the above, we foresee 2019 will be another very challenging year.

Our Industry forecast for 2019 is shown in following table:-

**TOTAL INDUSTRY VOLUME 2019 VERSUS 2018**

Market Segment	2019 (Forecast)	2018 (Actual)	Variance	
			Units	%
<b>Passenger Vehicles</b>	534,000	533,202	798	0.15%
<b>Commercial Vehicles</b>	66,000	65,512	488	0.74%
<b>Total Vehicles</b>	600,000	598,714	1,286	0.21%

Thank you,

**Harminder Singh**

**Sime Kansai Paints Sdn Bhd**