

Auto players hopeful of recovery for rest of 2021

THE massive losses that the auto industry is suffering has come as a surprise to some. Early this week, the Malaysian Automotive Association (MAA) had put the estimated total losses for June and July 2021 for the industry to be over a whopping RM14bil.

It said this was largely based on the loss of sales of new vehicles in the domestic market.

Industry players say the figure is correct considering how badly their businesses have been hurt in the last two-and-a-half months.

The operations of motor vehicle production plants, distributions and sales centres, especially in Klang Valley, have halted since June 1, 2021. This was before the government's economic relaxation measures allowed their re-opening from Aug 16.

MAA even said that the loss figure of RM14bil did not include revenue from exports of vehicles and components, and sales of spare parts locally.

The association had based its estimate using data from the Statistics Department, and arrived at an average total sales of RM12bil per month for both new and used motor vehicles, excluding motorcycles.

After assuming that 60% of the sales were from new vehicles, the sales losses of new vehicles for June and July 2021 were estimated at RM14.4bil.

MAA president Datuk Aishah Ahmad tells StarBizWeek that automotive companies have been cutting costs since the first movement control order (MCO) in March 2020.

"The automotive franchise holders would not shutter their doors but car dealers who have high operating costs and cashflow issues may shut down," she says.

In July, the MAA had cut its 2021 total industry volume (TIV) forecast by 12.3% to 500,000 units from 570,000 units earlier due to disruptions caused by movement restrictions.

Aishah says had the automotive sector shutdown continued, the association would revise downwards its forecast for this year's TIV.

"But now that the sector can operate again, we will still stick to the TIV forecast of 500,000 units. The sales and service tax (SST) exemption – 100% for new locally assembled cars and 50% for imported cars – till year-end helps because the orders are good," she says.

Meanwhile, a Honda Malaysia spokesperson says the company suffered a 52% year-on-year drop in car sales for May to July 2021.

“The supply chain and export of parts are also affected during this period,” the spokesperson says, adding the company is adhering to SOPs in restarting car production at its Melaka plant, and “hopes to get back the momentum as soon as possible to fulfill the customers’ demand.”

“We are optimistic that Malaysians will be able to achieve herd immunity soon with the ongoing vaccination programme,” says the spokesperson, adding that the SST holiday till year-end should boost the automotive industry.

As for the Naza group, its automotive group CEO Datuk Nik Hamdam Nik Hassan notes that due to the shutdown, sales for its automotive business in July dropped by about 70%.

Besides the Mercedes-Benz marque, the Naza group is the franchise holder for luxury marques like Ferrari and Maserati, and Ducati motorcycles.

Nik Hamdam says the group had taken many initiatives since last year to withstand the business volatility caused by the Covid-19 pandemic, such as embarking on a digitisation programme.

“Buying and selling can be done online these days. Even during the lockdown, our employees are still able to engage with customers remotely and virtually. However, this is only limited to certain services as customers still prefer to visit a showroom for the touch and feel experience.”

He adds that the group is experimenting with a digital platform to offer vehicle servicing for the convenience of its customers.

Nik Hamdam says he hopes government agencies can do more in assisting automotive players on issues such as registration of cars “which were almost impossible during the lockdown due to physical contact limitation.”

Regarding vehicle sales for the rest of 2021, he believes there is healthy demand for certain segments of the market.

“When there’s an improvement in the economy, hopefully to be driven by high vaccination rates, we can expect new launches to be announced. We definitely want to take advantage of the tax holiday till year-end.”

However, Nik Hamdam says that benefits for automotive players from the tax holiday may be diluted due to factors such as high commodity prices and the global chip shortage.

As for Mazda vehicles distributor Bermaz Auto Bhd, a group spokesperson says there are now constraints in supply of CKD (completely-knocked-down) parts, compounded by the shortage of critical electronic parts and chips.

“The sales tax holiday helps to attract customers and hopefully, we can meet the delivery schedules before the year-end,” says the spokesperson, noting that there would be an initial delay in fulfilling deliveries in the short term as during the lockdown, assembly plants and supporting part manufacturing vendors were shut down.

While Bermaz Auto is unlikely to launch new models this year, it may introduce upgraded models.

Meanwhile, a Proton spokesperson says the national automaker is optimistic of the market mounting a strong recovery for the remainder of the year although the shutdown had affected its ability to meet its targets for 2021.

The spokesperson points out that during the lockdown, Proton had launched three new models namely the X70 SE, and the 2022 Proton Iriz and Persona.

“The response to these models has been very encouraging with a number of online bookings placed. Thanks to our Public-Private Partnership Industrial Covid-19 Immunisation Programme (Pikas) vaccination programme, Proton’s car factories will soon be ready to run – so we are hopeful of being able to start deliveries as soon as possible,” he says.

However, the spokesperson adds that there may be some vehicle production constraints due to the global chip shortage and the ability of vendors to get fully up to speed again.

“Car sales should post a strong recovery in the remaining months of the year. However, the final volume will depend on a number of factors including consumer confidence and the liquidity of the market.”

He says that Proton had not taken cost-reduction measures such as pay cuts or retrench workers.

“Having experienced lockdowns in 2020, the disruption caused in 2021 has been minimal. Our plans to manage operations during a lockdown were already in place. While manufacturing activities were suspended, we used the time to perform maintenance tasks and to re-look at our operations flows to ensure they are protected from the risk of infection,” says the Proton spokesperson.

As for Mercedes-Benz Malaysia, its vice-president of sales and marketing (passenger cars) Michael Jopp say showrooms have resumed operation and “this will help us claw back the lost sales from the past two months.”

Jopp adds that the company is confident it can keep up with existing and new customer orders, as its Pekan plant is now operational, though at limited capacity in accordance to the SOPs.

Jopp points out that during the lockdown, the company’s virtual showroom had played a vital role in sales as customers connect with dealers for their sales needs.

“Our dealers have stock and continued to operate and work remotely to attend to our customer’s needs,” he says.

Jopp also notes that the Road Transport Department (JPJ) and Puspakom were operational though at limited capacity, which allowed new car registrations to be processed.

“The workforce at Mercedes-Benz Malaysia remains strong with no cost reduction measures. However due to the lockdown, some future model launches will be delayed,” he says, adding that the company had recently launched the E-Class facelift and E-Class Coupe despite the lockdown.

Regarding the global chip shortage, Jopp says: “There are delays in vehicle delivery with all customer groups. The handovers to the customers are strongly depending on the individual equipment and the short-term availability of parts.”

He explains that the company is talking with affected customers regarding individual mobility solutions.

“In some markets, this includes, for example, the possibility that customers can choose the originally agreed delivery date of their vehicle with the associated functional restrictions or adequate alternative mobility solutions. The functions will be retrofitted as soon as the corresponding components are available again,” says Jopp.

Meanwhile, UMW Toyota Motor Sdn Bhd president Ravindran K. says the company has an encouraging order bank of bookings for various models, and is responding quickly to the resumption of operations to ensure minimal impact to its business and customers.

Regarding the global chip shortage, Ravindran says: “As of now, there is no foreseeable impact to our business.”

<https://www.thestar.com.my/business/business-news/2021/08/21/auto-players-hopeful-of-recovery-for-rest-of-2021>