

Monetary/Fiscal Measures Support ASEAN Automobile Market Recovery

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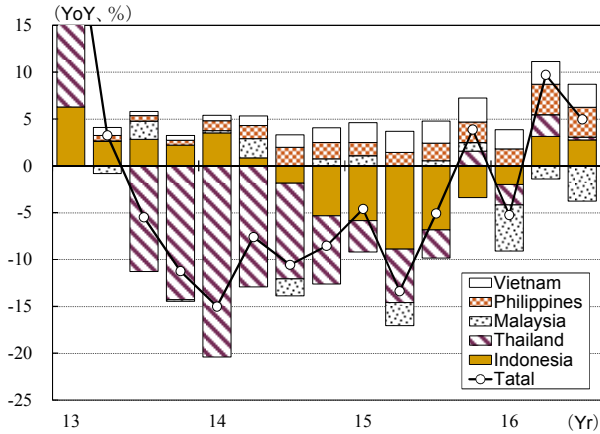
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Private consumption has been solid in Asia, especially in the ASEAN, and growth is slowly picking up. Sales of automobiles, a key durable good, have started to rise recently and have been a factor behind the consumption recovery (Chart 1). Automobiles are gaining in popularity in the Philippines and Vietnam as income level rise and strong growth persists, while growth in Indonesia and Thailand—the biggest and second-biggest markets in ASEAN—is clearly improving. We think that low and stable inflation will cause real incomes to rise and support consumption growth, as negative factors diminish, as described below and support by monetary/fiscal measures.

The Indonesian Government gradually cut gasoline price subsidies from mid-2013 through early 2015, which resulted in higher prices. A weaker currency and higher import prices also weighed on automobile sales. Oil prices have stood at around USD40/barrel of late and domestic market conditions are once again stabilizing. Inflation is also slowing as currency exchange rates remain steady, and since end-2015 the Government is putting forth a series of economic stimulus measures, including individual income tax cuts. Automobile sales turned positive for the first time in two years in Apr-Jun because of such factors. Looking ahead, the Government has announced a plan to ease auto loan regulations, while the Central Bank cut interest rates for the fifth time this year on September 23 (Chart 2). These are also considered tailwinds for consumption.

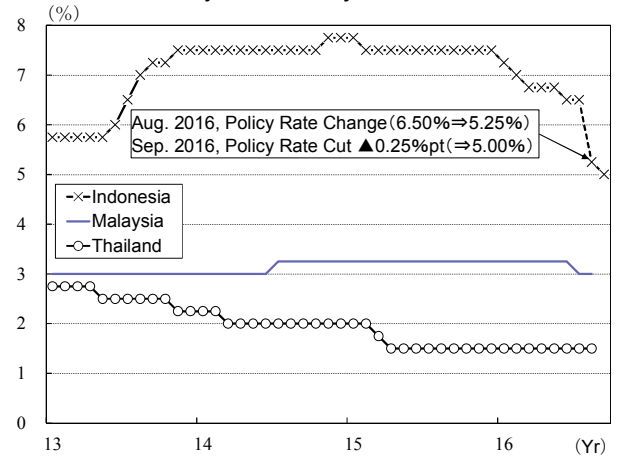
In Thailand, Government's automobile purchase stimulus measure through end-2012 ate into future demand, and the reaction as well as political unrest since 2014 and weak exports have caused consumer sentiment to deteriorate. This plus sluggish wage growth have caused automobile sales to weaken. The reactionary drop has ended recently, and Government measures like subsidies for households have supported incomes. Auto sales have started to rise again recently. The Central Bank has held the policy rate near an historical low, and loan interest rates have fallen and auto loan balances have risen for the first time in two years. The Government's fiscal policies continue to have effect. As such, we think that automobile sales will continue to improve.

Chart1: Automobile Sales, ASEAN5



Note : The latest Month is August.
Source : Individual country statistics, BTMU

Chart2: Policy Rate in Major ASEAN Countries



Source : Individual country statistics, BTMU

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