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# Insights



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## **FBM INSIGHTS**

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# **COVID-19: DOES IT MAKE A DIFFERENCE IN ASEAN MOTOR VEHICLE SALES?**

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The COVID-19 virus first appeared in China's Wuhan province in December 2019. The virus spread throughout the world from the Wuhan region. The World Health Organization (WHO) declared the virus a pandemic in March 2020, citing the virus's rapid global infection rate and high mortality rate (Ceylan et al.,2020). The current tally of cumulative cases around the world is 273,900,334 as of December 21, 2021, with recorded total deaths of 5,351,812. With over 50 million cases including over 800,000 deaths, the United States continues to lead all countries in terms of cumulative number of COVID-19 cases. Malaysia, too, recorded a large number of cases, reaching over 2.7 million, with more than 24,000 deaths (World Health Organization, 2021). For the past two years, we have been living in the COVID-19 era. This virus is becoming increasingly virulent and lethal. Not only that it had a significant impact on human health and life, but it also has a substantial impact on most, if not all industries, the economy of a country, and the world in general. Most governments around the world have closed their borders and implemented a lockdown or movement control order to prevent the virus from spreading further.

All sectors of the economy were closed during the movement control order, with the exception of services and industries determined as essential which were allowed to function under rigorous operational controls. To stay afloat, some businesses resorted to downsizing operations, layoffs, or, in the worst-case scenario, company shutdown. Self-employed people such as small hawkers and petty traders lost their jobs and income since they were not allowed to open a shop or booth. Consequently, the number of unemployed individuals increases dramatically. As shown in Table 1, all ASEAN countries observed an increase in the unemployment rate in 2020, with Brunei, Singapore, and Malaysia recording the highest rates at 8.37 percent, 5.19 percent, and 4.11 percent, respectively. One's household's income would be impacted by the unemployment. People's purchasing power plummeting, and the lifestyles of those who are affected are severely changing. The question then arises, will the series of events resulting in income loss and an increase in the unemployment rate have an effect on vehicle sales?

Table 1

The unemployment rate in ASEAN countries

Country / Year	2018 (%)	2019 (%)	Country / Year	2018 (%)	2019 (%)
Brunei	6.92	8.37	Philippines	2.24	3.36
Indonesia	3.62	4.11	Singapore	3.10	5.19
Malaysia	3.31	4.55	Thailand	0.72	1.02
Myanmar	0.50	1.79	Vietnam	2.04	2.27

Source: The Global Economy (2021)

Southeast Asia is one of the regions where the automotive sector is thriving, producing passenger and commercial vehicles, as well as motorcycles and scooters. The Southeast Asia market is dominated by Indonesia, Malaysia, and the Philippines. The ASEAN economic bloc, which encompasses this region, is the world's fifth-largest automotive market cluster (Madhok, 2020). The automotive industry is highly responsive to the economic cycle, and it is anticipated that this industry will be the most hit by the COVID-19's implication as the related industries have come to a halt and people are spending money on necessities and retaining whatever they have for the time being until the situation gets better.

Table 2

Passenger and commercial motor vehicles sales data for ASEAN countries

Country / Year	2018	2019	Nov'2020	Oct'2021
Brunei	11,226	11,909	12,505	-
Indonesia	1,151,291	1,030,126	532,027	703,089
Malaysia	598,598	604,281	522,573	382,379
Myanmar	17,524	21,916	17,707	7,874
Philippines	357,410	369,941	223,793	214,186
Singapore	95,243	90,429	56,423	51,069
Thailand	1,041,739	1,007,552	792,146	596,393
Vietnam	288,683	322,322	296,634	218,734
Total	3,561,714	3,458,476	2,453,808	2,173,724

Source: ASEAN Automotive Federation (2021)

Only towards the end of 2019 was COVID-19 discovered. As a result, the impact of COVID-19 on motor vehicle sales will only be visible from 2020 onwards. The sales data for 2018 and

2019 comes from a non-COVID-19 timeframe. So, according to data obtained from the ASEAN Automotive Federation as shown in table 2.0, sales in 2019 were down modestly due to lower demand in Vietnam, Thailand, Singapore, and Indonesia. The data obtained for 2020 and 2021 is not a full year's worth of data respectively, but it provides an excellent picture of the sales situation in the automotive industry in this region over the past couple of years for the passenger and commercial vehicles segment. In 2020, the total number of units sold in all nations had decreased by 29% to 2,453,808 units and it went further down to 2,173,724 units in October 2021. When comparing sales volumes in 2020 and 2021 to pre COVID-19 years, practically every country has seen a decrease in sales volume. Malaysia, Myanmar, Thailand, and Vietnam were struck the hardest. Indonesia is the only country that has improved in 2021, however, the figure is still significantly lower than in 2019. For our country, Malaysia, COVID-19 really slammed the demand for new motor vehicles. As per the Malaysia Automotive Association (MAA), vehicle dealers lost RM14 billion in June and July 2021 due to a reduction in domestic market sales. Likewise, the losses incurred in the course of decreased export earnings and local sales of spare parts ("MAA: Car dealers posted RM14b losses", 2021)

COVID-19 does give a significant difference in the sales of motor vehicles for ASEAN countries. But with the re-opening of all economic sectors and improvement in household income, it is expected that the industry will find its momentum to be back on track with the sales. However, we were recently hit by a natural disaster which observed residential and other properties getting flooded, motor vehicles particularly passenger cars getting submerged, as the big flood hit central Malaysia region and a few states in the east coast. This major event would definitely influence the sales of motor vehicles. What will the state of Malaysian automotive sales be in the year 2022? Will it begin to improve again or continue to fall? A matter to consider.

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