

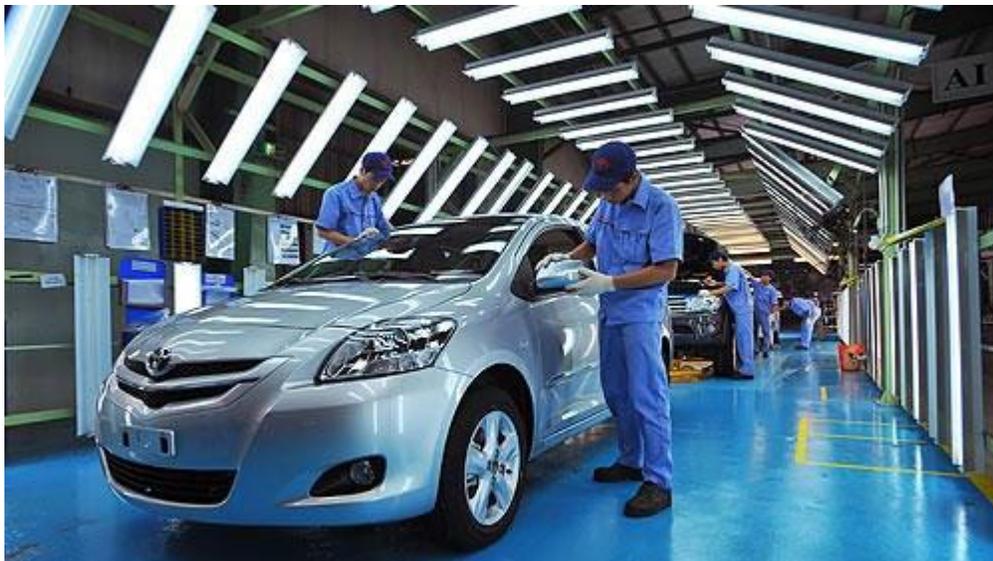
SEIKO IDEAS CORPORATION

[Market Profile]

Automotive Industry 2014: Blooming Market

Research & Consulting Division

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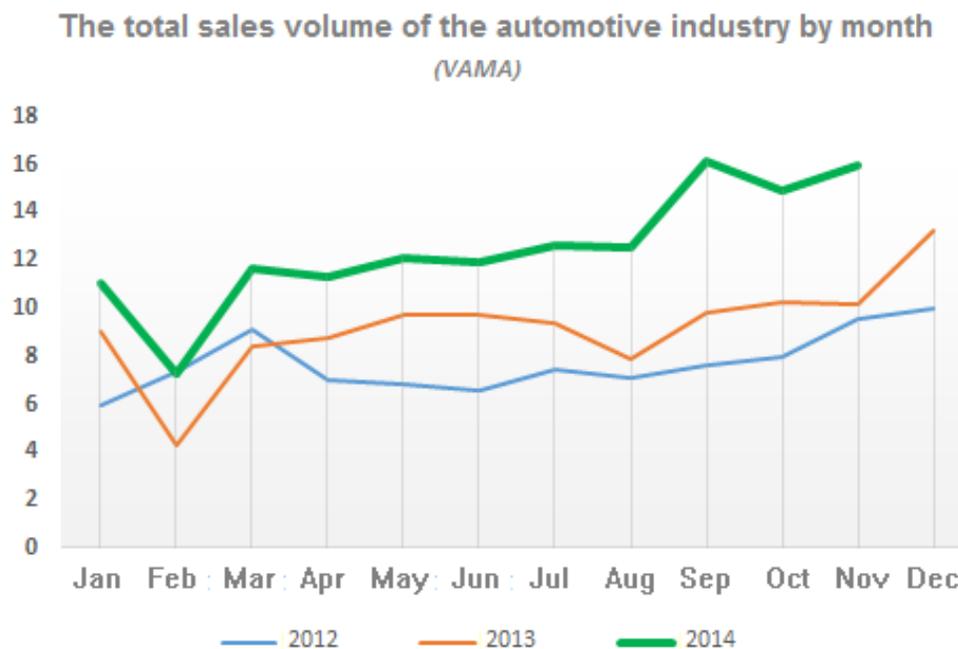
[The paper highlights the growth of the Vietnamese automotive industry and the trend of the market in 2014 as well as shows the prospects for this industry in 2015]

It can be seen that the economy has showed the positive recovery signals. Together the warming of the stock market and the property market, these are big boost for the automotive industry in 2014.

The automotive industry in strong growth

In an interview with the Hai Quan newspaper at the end of 2013, the representative of the Vietnam Automobile Manufacturers' Association (VAMA) forecast the growth rate of the automotive market in 2014 at 18-20% compared to the year 2013, reaching 100,000-120,000 vehicles.

Contrary to that discreet prediction, the year 2014 witnessed the strong growth of the Vietnamese automotive market. Only after 11 months, the sales volume of the industry reached 137,600 vehicles, up 41% over the same period last year.



Thaco, Toyota and Ford are still the leading brands on the market. Among these, Thaco topped the market with market share of 31.8%, followed by Toyota and Ford with market share of 30.8% and 10.5%, respectively.

In early December, the VAMA raised its forecast of the industry's sales volume in 2014 to 150,000 vehicles, a year-on-year increase of 36% compared to 2013. That was the fourth time which the VAMA raised its forecast from the beginning of the year.

Luxury cars to boom at the Vietnam Motor Show 2014

Vietnam Motor Show 2014 attracted more than 161,700 visitors, increasing by about 11,000 visits compared to last year. Particularly, in the last day of the exhibition, there were 55,930 visitors attended. This year's event also witnessed 103 exhibited vehicles and more than 560 contracts signed.

Regarded as the most successful event ever, Vietnam Motor Show 2014 set new records and boost the year-end automotive market.

According to announcements by the organization board, the yearly biggest automotive exhibition officially set two new records. In details, there were more than 560 contracts signed within 05 days of the exhibition, doubling the figure of the last year's event.

Vietnam Motor Show 2014 is also the largest automotive exhibition ever in Vietnam with participation of 18 brands of both CKD vehicle sector and CBU import sector.

Notably, the majority of vehicle purchase contracts were signed between visitors and manufacturers, distributors of luxury brands and popular cars of high value. Shortly after launch, a variety of vehicle models such as Mercedes S500 Coupe, Audi A3 Sportback, Audi A7 Sportback, Lexus GX460, BMW428i Gran Coup and MINI Cabriolet Cooper, etc were ordered immediately.

In fact, many customers, who did not want to wait, suggest purchasing the exhibited vehicles.

This was a positive signal for the automotive industry. Because in fact, the sales record at an exhibition was a proof for purchasing power on the upward trend recently.

Imported vehicles to come to the throne

CBU import is inevitably the trend of the Vietnamese automotive market under the scenario of integration and lower tariff.

This trend can be seen clearly in 2014. According to statistics by the General Department of Vietnam Customs, in the first 11 months of 2014, the quantity of CBU import reached 9,862 vehicles with value of USD200.2 million. Generally, the total vehicle import reached 61,695 vehicles, valued at VND1,343 billion, sharply increasing by 95.5% in quantity and 108.6% in value compared to the same period last year.

According to statistics by the VAMA, while the locally assembled sector grew at the rate of 20% per month, this figure was 60-75% in the CBU import sector.

Due to the preferential tariff of 50%, the VAMA members' selling lists always included the CBU import from Thailand and Indonesia. Particularly, 100% of pickup trucks are imported from

Thailand thanks to this vehicle's low tariff, only 5%.

CBU imports into Vietnam in 2014



Together with South Korea, Thailand and Indonesia are two countries from which Vietnam imports more and more vehicles. The reason was not only the preferential tariff. It's also due to the fact that these two countries have the automotive industries with strong growth rate and big monthly sales volumes which are equal to, even higher than, Vietnam's yearly sales volume. Moreover, these countries' investors, part manufacturers are strong. That's why their production expenses are low, leading to competitive prices.

In addition, the Vietnamese market also witnessed the appearance and expansion of many luxury brands, becoming more and more buoyant than ever. The growth rate is also higher than expected.

Do Vietnamese people's dreams to purchase low-price vehicles come true?

According to the schedule to join AFTA (ASEAN Free Trade Area), from 2014 to 2018, tariff for the CBU import from ASEAN will be gradually decreased to 0%.

According to a number of automobile manufacturers, just with tariff of 50%, prices of some types of CBU import are the same as those of CKD vehicles.

	2014	2015	2016	2017	2018
Tariff	50%	35%	20%	10%	0%

However, the Government also had a move to support the domestic automotive industry. Accordingly, the Prime Minister Nguyen Tan Dung signed the decisions, approving “The development strategy for Vietnam’s automotive industry in 2025, with a vision to 2035” and “The plan to develop Vietnam’s automotive industry in 2020, with a vision to 2030”.

It’s unpredictable whether the domestic automotive industry is powerful enough to compete with CBU import sector in the next 4 years or not. However, according to market mechanism, when CBU imports reduce their prices, CKD vehicles will have to have the same move.

Hopefully, consumers will be the last to benefit from this.

Prospects for the automotive industry in 2015

The most valuable thing for the automotive industry to look forward in 2015 is the tax incentives, including excise tax and tariff as well as fees that make vehicles’ prices decline, attracting and providing various options for consumers.

The retail prices of vehicles in Vietnam are always affected by a variety of policies. Particularly, there are about 10 kinds of taxes and fees that are directly taking part in monitoring vehicles’ prices. These policies have applied for long due to the Government’s policy to limit automobile consumption needs.

When the need to limit automobiles still remains, if tariffs reduce, other policies will be issued to compensate for those deficits. For example, fees and charges can be increased.

It’s also worth to note that only tariffs are under influence of international commitments such as WTO and AFTA.

(Cafebiz)

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SEIKO IDEAS - 9th Anniversary

Research & Consulting Division

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