

AUTOMOBILE INDUSTRY

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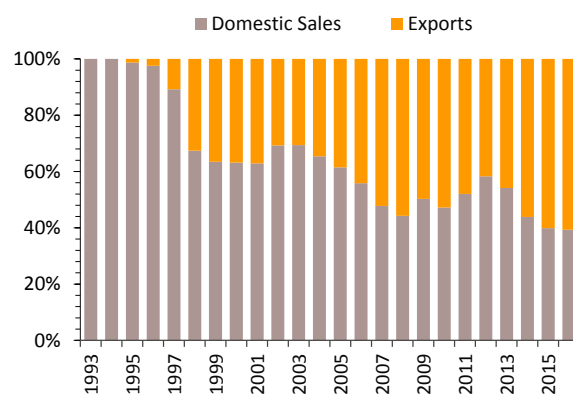
- It is expected that over the period 2017-2019, the market for automobiles will strengthen and this will help improve incomes for both manufacturers and distributors. In addition, distributors will benefit from the provision of after-sales services as the number of vehicles under five-years-old continues to rise. However, from 2018 onward, this portion of the national vehicle fleet, which exists thanks to the first-time car buyer scheme, will start to age beyond the five-year limit, which might lead to declining number of vehicles for after-sales services.
- Exports for 2017 are likely to shrink by 6-9% YoY on the back of sluggish economies of major trading partners, a weakening market in the Middle East but for 2018 and 2019, they should grow by 3-5%, supported by the BOI's promotion of the export of eco-cars and increasing possibilities for export to Australia following the closure of manufacturing plants there.

▲ Overview

The automobile sector has a long history of receiving government support to promote investment with at first, the sector being promoted to substitute imports. The Thai government has since used a variety of means to attract investment to the automotive industry, including the offering of investment privileges and reductions in import duties on automotive parts for assembly in Thailand.

Later, the Thai government switched to policies designed to build the strength of the automotive sector, particularly the domestic production and use of vehicle parts. These policies have included: (i) raising import duties on 'complete knock-down (CKD)' parts and on 'complete built-up (CBU)' vehicles; (ii) laying out local content requirements, which specify the proportion of locally-produced parts to be used. These requirements first came into effect on 1st January 1975. Since then, Thailand has steadily increased the proportion of local content which is required, such that by 2016, the proportion of parts (by value) produced domestically and which are used in automobile manufacture is now over 80%; and (iii) attracting investment from foreign countries as a way of promoting technology transfer to domestic businesses. *These policies have resulted in the continuous expansion of investment in the automotive parts sector and this in turn has helped to build and to strengthen the supply chain of the whole automotive sector and to support the growth of automobile production in Thailand, in particular helping to expand investment by Japanese manufacturers who have increasingly invested in Thailand* following the 1987 Plaza Accord. At that time, the Yen was very strong, so for Japanese automobile manufacturers, moving production to Thailand was a way of reducing their costs and maintaining their competitive advantages. Following the financial crisis of 1997, officials reduced the ability of non-Thai entities to hold stock in Thai companies and at the same time, set out a plan for the development of the automotive sector to make it the so-called 'Detroit of Asia' (i.e. the center of automotive production in

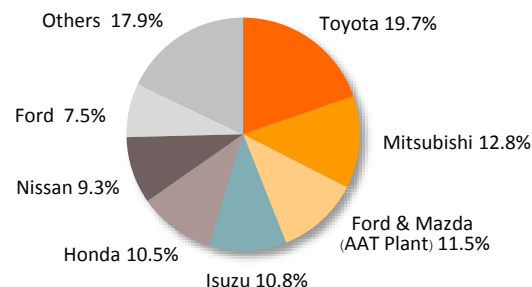
Figure 1: Thai Vehicle Domestic Sales and Exports



Source: FTI, TOYOTA

Figure 2: Thai Vehicle Production Capacity

(Year 2016 = 3.81 million units)



Source: FTI, Thailand Auto Book, compiled by Krungsri Research
 Note: Inclusive of planned capacity expansions announced by automakers

Asia). This led to a fundamental restructuring of the sector, which can be seen in the fact that annual production rose from 0.36 million vehicles in 1997 to 1.94 million vehicles in 2016, a compound annual growth rate of 10.2%. At the same time, the sector has switched to an increasing focus on the export market and with the exception of 2012 and 2013, the years of the first-time car buyer scheme, since 2008, the number of vehicles exported has exceeded the number bound for domestic markets.

As regards the types of vehicles manufactured in Thailand, *this has shown a strong tendency to reflect government investment promotion strategies*. In the period 1997-2007, *the government encouraged the production of 1-tonne pickups (a commercial vehicle which is the most popular vehicle category in Thailand), and made this class of vehicles the country's number one 'product champion'*. This attracted large foreign companies to set up pickup production facilities in Thailand. Simultaneously, official efforts were made to rapidly build the domestic market in 1-tonne pickups by holding down the price of diesel (used by pickups) relative to gasoline and by cutting duty on pickups to 3%, which compares to rates of 30-50% for passenger cars. As a result of these policies, commercial vehicles represent over 60% of all vehicles produced in the country in 2014. However, due to the growing trend for eco-friendly vehicles and progress by manufacturers in designing vehicles which can run on a mixture of benzene and ethanol, the market for passenger vehicles experienced high levels of growth in 2011-2013, a period which coincided *with government efforts to promote eco-cars by designating this category of vehicles as the country's second 'product champion'* and by instituting tax incentives to attract investment. These incentives were in two stages, 'Eco-car Phase I' (effective since 2009) and 'Eco-car Phase II' (effective since 2015), though these measures continue to have results through to the present day (Figure 3). Measures to build interest in eco-cars are currently in effect and these include increasing excise on large vehicles at the same time as cutting excise on vehicles which are able to use alternative fuels such as ethanol and natural gas and as a consequence of this, the proportion of passenger vehicles manufactured is continuing to increase.

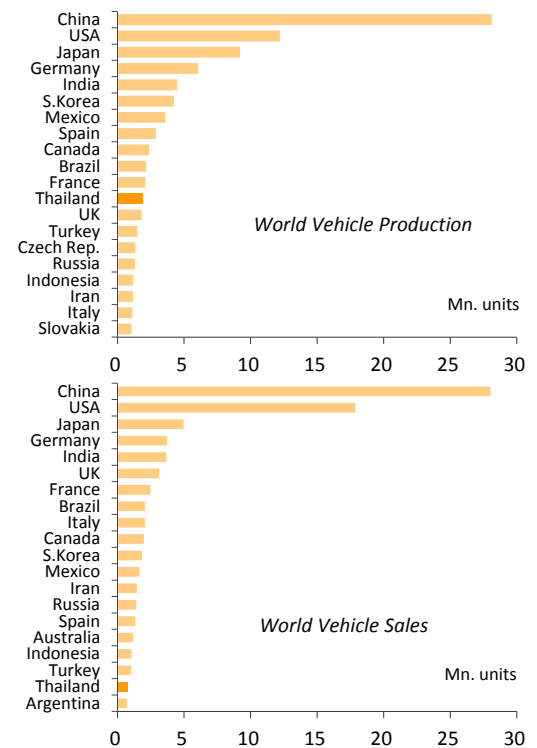
Because of this government support, Thailand is now a globally important vehicle manufacturer. In 2016, in terms of the quantity of vehicles produced, *Thailand ranked 12th in the world, 5th in Asia and 1st in ASEAN. The domestic vehicle market, measured in terms of sales, ranks 19th in the world, 6th in Asia and 2nd in ASEAN*. Japanese manufacturers accounted for 70% of the country's total production capacity of 3.8 million vehicles in 2016^{1/}. *Passenger and commercial vehicles were produced in almost equal numbers*.

Figure 3: Comparison of Eco-car Investment Promotions

	Eco-car phase 1	Eco-car phase 2
Product Condition:	EURO 4	EURO 5
Clean	CO ₂ ≤ 120g/km	CO ₂ ≤ 100g/km
Economy	FCS 5L/100km	FCS ≤ 4.3L/100km
Safe	UNECE R94, 95	UNECE R94, 95, 13H
Investment Condition:	≥100,000 units/year	≥100,000 units/year
Real Production	(from the 5th year of operation)	(from the 4th year of operation)
Engine production	Investment engine manufacturing	
Option & Capital	Package ≥ 5,000 Mn.Baht	Package ≥ 6,500 Mn.Baht (phase 1 ≥ 5 Mn.Baht)
Incentives:		
Corporate Income Tax	8-year exemption	6-year or 7-year* or 8-year* exemption (*for auto parts manufacturing development)
Import duty on auto parts	tax deduction of 90%	tax deduction of 90%
Machinery Tax & Other privileges	Exempted from import duty on machinery for all zones + other rights under BOI rules (tax break for 50% corporate income tax)	
*Excise Tax" based on size of engines	Benzine 1,300 cc / Diesel 1,400 cc	Benzine 1,300 cc / Diesel 1,500 cc
	Eco-car Model Phase I	Eco-car Model Phase II
Nissan	March (2010), Almera (2011)	Note (2017)
Honda	Brio (2011), Brio Amaze (2012)	
Mitsubishi	Mirage (2012), Attrage (2012)	
Suzuki	Swift (2012), Celerio (2014), Ciaz (2015)	
Toyota	Yaris (2013)	
Mazda		Mazda 2: Benzane, Diesel (2015)

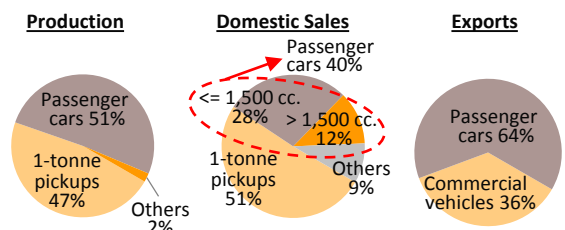
Source : BOI, Collected by Krungsri Research

Figure 4: World Vehicle Production and Sales (2016)



Source : OICA, 2016

Figure 5: Proportion of Thai Vehicle Production, Sales and Exports in 2016



Source : FTI, DIT, Krungsri Research

1/ Compiled from announcements of planned investment by vehicle manufacturers in Thailand.

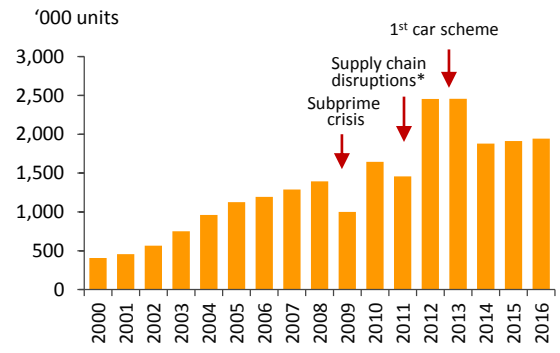
- Passenger vehicles** accounted for 51% of the total number of vehicles produced and 40% of the vehicles distributed in Thailand in 2016. Within this group, some 70% were vehicles with engine capacities lower than 1.5 liters (which includes eco-cars). The proportion of passenger vehicles was continuing to grow and was around 60-70% of the total output of passenger vehicles, or, in 2016, 64% of all vehicles exported. The principal export markets were the ASEAN region (27.8% of value of Thai exports of passenger vehicles), Australia (21.3%), the Middle East (19%) and Europe (5.8%).
- Commercial vehicles** comprised fractionally at 49% of all vehicles produced in 2016, with almost all of these (95% of all commercial vehicles) being **1-tonne pickups**. Production for export took 55-65% of the output of vehicles in the 1-tonne pickup class. The remaining 5% of **other commercial vehicles** manufactured in Thailand included trucks, buses, and minivans, which were largely produced for the domestic market, with only 10-15% going to export markets. In 2016, the most important export markets for commercial vehicles were Australia (37.1% of total commercial vehicle exports by value), the ASEAN region (20.8%), Europe (12.5%) and the Middle East (8%).

▲ Situation

Over the past 5 years, the vehicle manufacturing sector went through a certain degree of turbulence as a result of domestic market conditions, caused particularly by government efforts to stimulate the economy through **the first-time car buyer scheme in 2012 and 2013, which caused a substantial expansion of the market** for the duration of the scheme; sales totaled 1.4 million vehicles in 2012 and 1.3 million vehicles in 2013, figures which compared unfavorably with the average for the period 2007-2011 of 0.7-0.75 million vehicles per year. Exports of eco-cars also improved steadily as a result of BOI investment promotion schemes and since 2012, exports exceeded 1 million vehicles. Over this time period, the total production of vehicles increased and hit a new record in 2013 of 2.46 million vehicles. However, **between 2014 and 2016, production fell back to around 2 million vehicles annually. This was a result of a strong contraction in demand in the domestic market, itself a result of the first-time car buyer scheme, which drew down future demand by bringing forward purchases for the next 3-4 years.** Sales of new vehicles languishing at an annual rate of 0.7-0.8 million vehicles. Competition also strengthened in the domestic market, as could be seen in the changing market shares of large manufacturers. Toyota experienced a significant fall in its market share, which was taken by other manufacturers including Isuzu, Honda, Mitsubishi and Nissan, who introduced new models including eco-cars and SUVs to challenge for market position.

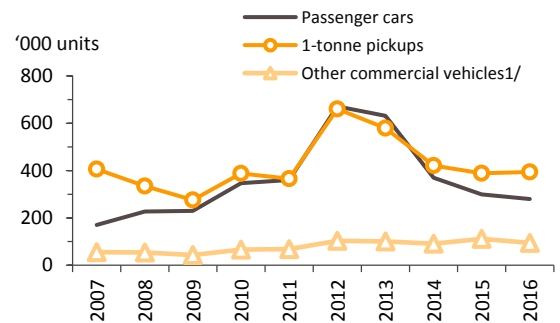
In 2016, the vehicle manufacturing sector continued to see shrinkage as a consequence of a sluggish market, both domestic and export markets.

Figure 6: Thai Vehicle Production



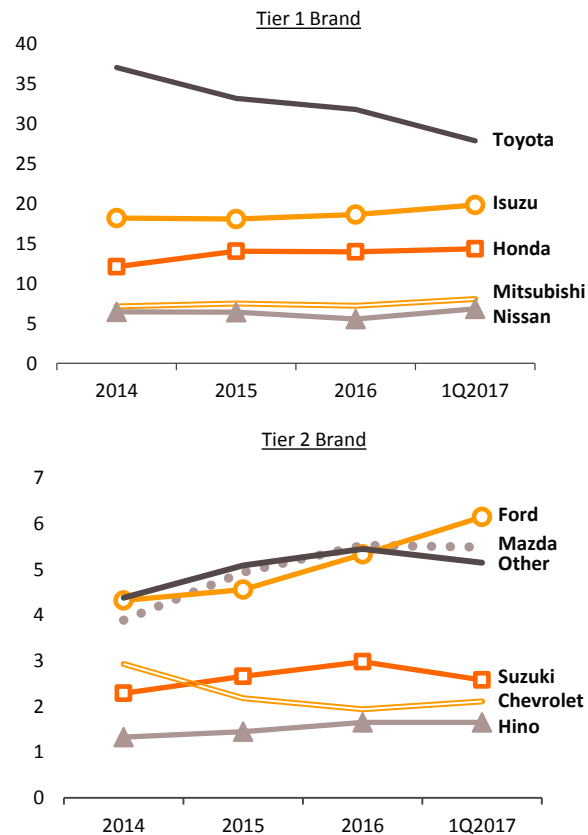
Source: FTI
Note: * Tsunami in Japan and Great Flood in Thailand

Figure 7: Thailand Domestic Vehicle Sales



Source : Toyota
Note: 1/ Other commercial vehicle sales include buses, trucks and vans

Figure 8: Thailand Vehicle Market Share



Note: * Others include Mercedes Benz, BMW, Hyundai, Subaru, MG, Volvo, DFM, Mitsu-Fuso, Tata, Lexus, etc.

- **Domestic sales dropped steadily** as a consequence of the first-time car buyer scheme as buyers rushed to complete purchases at the end of 2015 (before the introduction of new excise rates in 2016. In addition and more generally, consumer purchasing power weakened on low rates of growth in the economy and high levels of household debt. This hurt the automobile market; for 2016, vehicle sales fell 3.86% YoY to 0.769 million units. How this has affected different parts of the sector is detailed below.

- **Passenger vehicles** In 2016, sales of passenger vehicles contracted 6.5% YoY to 0.28 million units. Sales fell in all classes but not by equal proportions. For vehicles with engine sizes smaller than 1,500 cc (including eco-cars, which were the beneficiaries of government cuts in excise in 2016) the decline in sales was 2.0% YoY and although sales still decreased, this was a dramatic improvement over falls of 44.8% YoY in 2014 and 16.9% YoY in 2015. In contrast to smaller automobiles, vehicles with engine sizes over 1,501 cc saw a decline in sales of 19.40% YoY. This sharp contraction in sales is partly explained by rising excise rates which helped to bring forward purchases to an earlier period.

- **1-tonne pickups** Last year, In 2016, domestic sales grew by 1.4% YoY to 0.39 million units, helped by an improving economic situation for the agricultural sector and provincial buyers, who had been hit hard by the drought in the previous year; the abating of drought conditions helped to improve crop yields significantly and farm prices gradually increased in 2H17.

- **Other commercial vehicles** For 2016, domestic sales shrank by 15.1% YoY, with approximately 94,800 vehicles sold. To a certain extent, this was a consequence of high base in the previous year, driven by purchases of trucks bought for use in public construction (investment in construction of public utilities in 2016 grew by only 5.6% YoY, compared to 11.3% YoY in 2015). Demand for buses also slowed, as potential buyers postponed purchases as they waited for government clarity over the regulations which will determine exactly how minibuses will replace vans. Demand for buses also fell in the tourism sector as measures taken against the so-called 'zero dollar' Chinese tour groups took effect.

- **Exports of vehicles in 2016 decreased -1.36% YoY by volume, with 1.19 million vehicles exported. However, when measured by value, exports grew 2.5% YoY to USD18.04bn.**

- **The value of passenger vehicles exported hit a new record of USD11.59bn, jumping 26.26% YoY, with the biggest increases in exports to China, Japan, Lao PDR and Vietnam. This was a consequence of manufacturers expanding the market for exports of multi-purpose pickup based passenger vehicles (PPVs) by 54.0% YoY and a value of USD 2.09 bn (PPVs has a greater value than eco-cars, which for many years has taken a large share of exports). The exports of eco-cars, meanwhile,**

Figure 9: Market Share & Rank in Thailand

Passenger Car Market (% share)					
	2014	2015	2016	1Q2017	Rank
Toyota	36.83	29.56	26.57	25.04	2
Honda	25.88	31.50	32.72	32.91	1
Nissan	9.77	8.62	7.35	10.02	4
Mitsubishi	5.68	4.38	4.95	5.59	5
Mazda	5.20	8.82	10.82	10.65	3
Suzuki	4.07	5.07	6.00	5.06	6
Ford	3.38	2.14	0.96	0.75	10
Benz	2.71	3.56	3.55	3.38	7
B.M.W.	2.04	2.46	2.41	2.49	9
MG	0.05	1.06	2.54	2.89	8
Others	6.42	5.08	4.39	2.83	

1-Tonne Pickup Market (% share)					
	2014	2015	2016	1Q2017	Rank
Toyota	39.18	37.79	37.68	31.41	2
Isuzu	34.92	33.32	32.70	35.73	1
Mitsubishi	9.37	11.04	9.94	11.03	4
Ford	5.75	7.25	9.60	11.44	3
Nissan	3.75	4.99	4.51	4.58	5
Chevrolet	3.74	3.35	3.56	3.97	6
Mazda	3.07	2.07	1.79	1.67	7
Tata	0.23	0.19	0.23	0.16	8

Other Commercial Vehicles* Market (% share)					
	2014	2015	2016	1Q2017	Rank
Isuzu	26.90	26.96	30.72	29.53	2
Hino	23.63	21.17	27.30	29.76	1
Toyota	20.32	23.80	18.54	17.36	3
Hyundai	7.50	7.04	7.54	8.21	4
Suzuki	6.92	5.91	6.93	6.75	5
DFM	3.71	2.01	2.78	2.90	6
Mitsu-Fuso	2.11	2.28	1.65	0.17	10
Nissan	1.82	2.00	1.74	2.22	7
Tata	1.35	0.74	0.48	0.63	9
Scania	0.84	0.53	1.09	1.05	8
Others	4.90	7.56	1.23	1.42	

Note: * Other commercial vehicles comprises buses, trucks, and vans.
Source: FTI, Thailand Automotive Institute, TOYOTA, Krungsri Research

Figure 10: Thai Vehicle Exports

Year	Export Value (Million USD)			
	Passenger	Commercial	Total	% YoY
2008	5,038.0	5,469.9	10,507.9	21.83
2009	3,897.4	3,522.7	7,420.1	-29.39
2010	6,757.5	5,812.3	12,569.8	69.40
2011	6,049.4	5,343.5	11,392.9	-9.36
2012	4,961.5	11,045.4	16,006.9	40.50
2013	6,028.7	11,014.1	17,042.8	6.47
2014	6,001.7	10,697.2	16,698.9	-2.02
2015	9,180.1	8,405.8	17,585.8	5.31
2016	11,590.6	6,446.5	18,037.0	2.57
Export Market Share (%)	Asean(27.8%), Middle East(19.0%), Australia(21.3%), EU(5.8%), Others(26.1%)	Asean(20.8%), Middle East(8.0%), Australia(37.1%), EU(12.5%), Others(21.6%)	Asean(25.3%), Middle East(14.5%), Australia(27.4%), EU(7.8%), Others(25.0%)	

Source: MOC

saw lower rates of growth, expanding by 6.67% YoY to a total value of USD 3.03 bn.

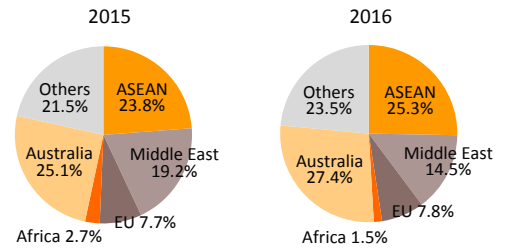
- **Exports of commercial vehicles fell by 23.31% YoY** (USD 6.45 bn) on sluggish economies in export markets. With a total value of USD 6.31 bn., exports of pickups declined 21.81% YoY as the three export markets of Australia, the Middle East and Africa, which together account for almost 50% of commercial vehicle exports, saw a significant slowing of growth, caused by falling commodity prices on world markets.
- **However, although in 2016 the number of vehicles sold dropped both domestically and in export markets, production increased slightly**, rising 1.64% YoY to 1.94 million units. This is because manufacturers had pre-existing plans to produce new models and as a result of this, manufacturers accumulated larger stocks of unsold vehicles, particularly of new 2016 models such as the Isuzu D-Max, Honda Civic and Mazda CX.

▲ Outlook

In the period 2017-2019, the automotive sector will tend to grow as domestic and export markets strengthen. In 2017, it is forecast that total output will run to 1.89-1.92 million units, or will drop by 1-3% YoY. In the following year, the forecast is for 4-6% YoY growth to 1.98-2.02 million units. For 2019, growth is expected to be 3-5% with production volume of 2.06-2.10 million vehicles.

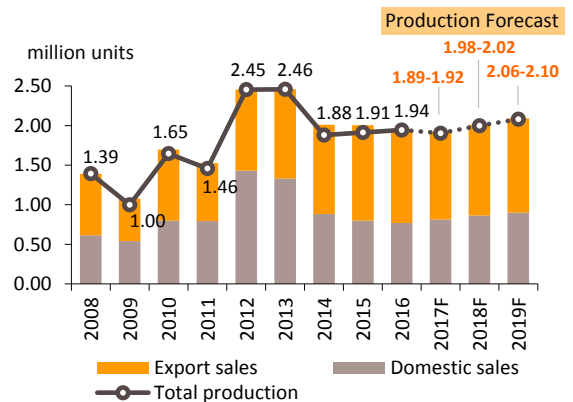
For 2017, the vehicle market is expected to expand, helped by a number of factors. (i) government investment in infrastructure projects, **the domestic economy will strengthen**. Krungsri Research expects that the Thai economy will grow by 3.4%, 3.5%, and 3.5-3.7% in the years 2017, 2018 and 2019, respectively (on the assumption that there will be an election in 2018) and this will have a positive effect on consumer confidence and household purchasing power^{2/}. (ii) **From 2016 onwards, vehicles bought under the first-time car buyer scheme have started to reach the 5-year ban on selling cars bought under the scheme. In the period 2017-2019**, this process will gather strength and should add demand worth 0.4-0.5 million units (or 40-45% of sales under the scheme)^{3/}. (iii) **Large car manufacturers are constantly adding new models** and this will help to stimulate the market. Over the next 3 years, over 20 new models are expected to be released. These include Toyota’s C-HR, Camry and Vios, Honda’s CRV, Accord, Civic and City, Nissan’s Note and Nicks, and the MG pickup. (iv) **The Thai motorization rate was relatively low**, with 232 vehicles per 1,000 people, compared to 431 vehicles per 1,000 people in Malaysia, (Organisation Internationale des Constructeurs d’Automobiles – OICA, 2015) and this presents an opportunity to grow the Thai automobile market.

Figure 11: Export Market Share



Source: MOC

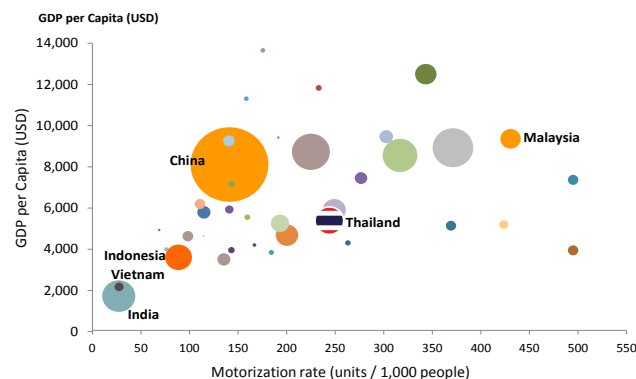
Figure 12: Thai Production and Sales Forecast



		2016	2017F	2018F	2019F
Production	units, m	1.94	1.89-1.92	1.98-2.02	2.06-2.10
	% YoY	1.6%	-1% to -3%	4-6%	3-5%
Domestic Sales	units, m	0.69	0.81-0.82	0.86-0.87	0.89-0.91
	% YoY	-3.9%	5-7%	5-7%	3-5%
Exports	units, m	1.19	1.08-1.12	1.13-1.16	1.18-1.20
	% YoY	-1.4%	-6% to -9%	3-5%	3-5%

Source: Toyota, FTI, Forecast by Krungsri Research

Figure 13: Thai Vehicle Market (Compared with major upper-middle income countries and competitor countries)



Source: IMF, OICA as compiled by Krungsri Research

Note:

The size of the circle in the graph indicates the size of the used car market in each country.

GNI and motorization rate are as of 2017.

Thailand became an upper-middle income economy in 2017.

2/ Calculated from the correlation between per capita GDP and sales of cars in Thailand over the period 2006-2016, which has a value of 67%.

3/ Evaluated by Krungsri Research on the basis of an interview published in the trade press and study on consumers’ intentions to change cars which are 5-7 years old.

Krungsri Research anticipates that in 2017-2018, domestic sales of vehicles will grow by 5-7% YoY before falling slightly to 3-5% YoY in 2019. These growth rates will lead to annual sales of 0.81-0.82, 0.86-0.87 and 0.89-0.91 million vehicles in the years 2017, 2018, and 2019, respectively. Sales of passenger vehicles will develop in step with the strengthening of the economy while the market for commercial vehicles will grow on increasing demand for transportation, including for the construction sector and for an improving agricultural sector which is rebounding from earlier drought conditions.

For 2017, exports will shrink by 1-3% YoY to a total of 1.15-1.18 million units as importers of Thai vehicles in the Middle East (15% of total Thai vehicle export value) reduced purchases of diesel vehicles in an effort to reduce CO2 emissions. Nevertheless, it is expected that in 2018 and 2019, exports will return to growth rates of 3-5% YoY (or 1.20-1.22 million units) and 2-4% YoY (or 1.23-1.26 million units), respectively. Three factors will support an expansion in the volume of exports. (i) Projects to promote the manufacture of eco-cars will begin to mature and this will encourage Thai manufacturers who took advantage of the programs to accelerate production of eco-cars in order to meet the BOI conditions that 100,000 vehicles should be produced. This will require an increase in exports by Mitsubishi and Suzuki in 2017, Toyota in 2018 and Mazda in 2019. (ii) Toyota plans to cut back production in Australia in 2017 and to cease production totally in 2019 and this will provide an opportunity to increase exports from Thailand. (iii) Exports to neighboring countries will benefit from both improving economic conditions in these countries and membership of ASEAN, which gives exporters the benefit of 0% import duties.

Over the longer term, official policy is shifting its emphasis toward the development of electric vehicle (EV) technology with the hope that Thailand will become a regionally important EV production center. EVs are also being promoted as the country's third 'product champion'. This will encourage Thai vehicle manufacturers to speed up plans for revising vehicle production plans and increasing investment in EV and battery development in Thailand. Unfortunately, though, the building of the EV sector in Thailand faces structural problems, including the development of battery technology (as a replacement for the internal combustion engine), the investment costs of expanding the number of charging stations, developing a 'smart grid' connected through smart meter^{4/} for efficient power consumption and to support the vehicle-to-home system, and the anticipated slow adoption of EVs in the target markets of Asia-Pacific and the Middle East. ***The development of EV production in Thailand is therefore not expected to jump rapidly forward as was the case with the development of eco-cars and it is likely to take at least a decade for EVs to take a prominent role in the Thai automotive sector***^{5/}.

4/ Smart Grid is an electricity network, using ICT technology to manage transmission and distribution system in order to support the connection to distributed energy resources (DER) through "smart meter" to achieve higher energy efficiency.

5/ additional details in an article [Thailand and the development of electric vehicles](#)

▲ **Krungsri Research view:** *The return to growth of both domestic and export markets (from 2018 onwards) will benefit manufacturers and dealers, who will see turnover improve. Dealers in second-hand vehicles will also begin to see signs of recovery, although risks will persist due to high levels of competition.*

- **Vehicle manufacturers:** Turnover is expected to decline in 2017 and then would likely rebound next year in line with a recovery in the domestic and export markets.
 - **Manufacturers of passenger vehicles and 1-tonne pickups:** It is forecast that this group will see improving turnover on a domestic and export markets from 2018 onwards which is supported by a variety of factors. Exports will be helped by increasing demand for eco-cars, a result of BOI support, and of PPVs, which are increasingly popular with consumers.
 - **Manufacturers of trucks and articulated vehicles Businesses:** This class will benefit from the government's speeding up of the disbursement of funds for major infrastructure projects as well as from an improving situation in industry and agriculture, which is building demand for the transport of goods. In addition, there are opportunities to build export markets, especially in neighboring countries, which are increasing investment in industry and in infrastructure construction.
 - **Large passenger vehicles:** Increasing spending in the tourism sector and a growing private passenger transport sector will underpin growth in this class of vehicles, as will demand from the state sector and the requirement for owners of vans to upgrade to minibuses. Export markets, the ASEAN region in particular, is also expected to experience solid growth.
- **Dealerships selling automobiles and 1-tonne pickups and official importers:** For this group, income should grow but stiff competition will hold down profit margins. Forecast growth in sales for 2017-2019 will support increasing income for dealers, while service centers and the supply of spare parts will continue to help, as the number of vehicles under 5-years-old will continue to remain at a high level. From 2018, however, the vehicle fleet will start to age beyond the 5-year limit and this will reduce demand for dealer services and the sales of spare parts. Therefore, dealers' income will fall from the highs of earlier years.
- **Distributors of trucks and articulated vehicles:** Government infrastructure spending and increasing agricultural output will help to increase demand for large transport vehicles and this will support solid growth in this category. However, competition is strong and, as a way of maintaining income levels, this will encourage dealers to increasingly emphasize fully comprehensive services, which include the sale of spare parts and second-hand vehicles, and providing repairs and hire-purchase services.
- **Independent importers (grey market):** This group may see their income fall as a result of a tightening of official rules which has increased costs and which may make these imports uncompetitive. Businesses in this category also lack service centers and this robs them of the ability to exploit income from after-sales services, resulting in uncertainty about turnover.
- **Dealers in second-hand vehicles:** Incomes for second-hand dealers will recover in line with prices for second-hand vehicles, which should rebound from low levels. Demand for vehicles is also forecast to improve with an improving economy and this will increase turnover in stock but at the same time, competition will strengthen due to an expansion in the supply of second-hand vehicles in 2017-2018 as the 5-year prohibition on the selling of vehicles bought under the first-time car buyer scheme matures. There has also been an increase in the number of dealers active in the market, in particular foreign players and dealerships which are part of a manufacturer's network. These developments may have negative impacts on the turnover and liquidity of SMEs.

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