
Rays of recovery - Pakistani auto sales up by 13pct

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Data released by the Pakistan Automotive Manufacturers Association said that reduction in car prices by assemblers and recovering economic indicators have geared up the local auto sales which registered an increase of 13% during July to September of the current fiscal.

According to the association data, QoQ auto sales rose by 20% in Q1 of current financial year led by 56% growth in PSMC sales.

A significant increase came from the car sales segment with its sales improved by 22% YoY to 26,812 units in Q1 2010. INDU's Corolla, Honda's Civic and Suzuki's Liana in higher segment recorded growth of 366%, 14% and 37% YoY respectively, while major performers in lower segment were DFML's Santro and Suzuki's Alto with their sales up by 34% and 4% YoY respectively.

Mr Atif Zafar sector analyst at JS Research attributed reason for this encouraging situation Indus Motor's abnormal growth of 108% amid production phase out of the previous model of Corolla. HCAR sales depicted a rise of 1% YoY, however PSMC and DFML sales fell by 8% and 27% respectively.

Mr Atif said that on MoM basis after posting 6 consecutive growths, auto sales came out weak in September 2009 as it fell 10% MoM with car sales down 4% MoM amid weak consumer buying in the Holy month of Ramadan. He said that with the exception of Honda Atlas all other assemblers saw their sales decline during the month.

He said that INDU was amongst the major losers as its sales declined by 15% largely due to decline in Corolla sales which came in at 2,655 units as compared to 3,172 units in August 2009 down 16%. Pak Suzuki followed suit with sales down 8% MoM, however, HCAR sales were up 2% MoM mainly due to a very low base.

Mr Atif said that strong agriculture income and low base effect has resulted into 6 consecutive higher MoM auto sales. However weak September sales were due to slower than expected recovery in demand as evident from September 2009 trade numbers. He further said that auto sales are likely to remain depressed in the near term. As a result, FY10 YoY growth is expected to arrive at 12% compared to 13% YoY growth realized in Q1FY10.

Analyst said that moreover, sharp appreciation of yen against rupee is a major concern for car assemblers. Cost pressure is also likely to aggravate due to weak dollar and in turn higher steel prices.

Mr Abdul Azeem at Invest Capital said that high inflation and the slowdown in auto financing continues to have a breaking effect on auto sales. Furthermore, auto sector profitability is expected to come under further strain through the rising Yen and USD which increased by 29% and 11% YoY respectively against national rupee.

He said that Auto demand from the government institutions and corporate sector would support the auto sales going forward. However, lower base effect would also persist during rest of FY10; therefore a 25% YoY growth in car sales to 104,00 units in FY10 is expected.

(Sourced from Dailytimes.com)

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