



PRESS RELEASE

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Automotive Sales: Pressured during Adjustment Period of 2015

PT ICRA Indonesia (ICRA Indonesia) has today released a commentary on quarter-to-date automotive sales and its expectations for 2015. The key points in the commentary are:

- As for the latest update, car or 4-wheeler (4W) sales experienced a 12% mom recovery in March to 99,410 units compared to February's 88,741 units. However during the first quarter (Q1) of 2015, total 4W sales dropped 14% to 282,343 units as against Q1 2014 of 328,519 units. Weakening buying power in domestic market, upswing in fuel prices and inflated overall prices contributed to slow Q1 4W sales.
- The tight loan-to-value (LTV) regulation has proven to suppress non-performing-loan (NPL) or non-performing-financing (NPF) --NPL and NPF are used interchangeably to refer to the same meaning-- for auto credit to be stable at around 1.1% by bank data. However, some listed multifinance companies have had concerns of deteriorating NPF figures, although still manageable at around 1.1% to 1.5%. This might be contributed by lower bookings which amplified any effect of increasing overdues on asset quality indicator.
- The regulator has discussed a possibility to relax the LTV policy to spur financing growth. The current regulation is a maximum of 70% LTV for non-productive car ownership loans and 80% for productive ones. However, from the perspective of asset quality, such move could backfire the industry, given the economy has not shown durability since the drop in commodity prices at end of 2012.
- In 2015, ICRA Indonesia expects 4W sales to be flat at best relative to previous year, taken into account Q1 performance and various challenges that would end up in affecting purchasing power. However, economy is expected to pick up in second semester, thus compensating the slow sales in early period of this year.

The full commentary is available at www.icraindonesia.com.

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