

GOVERNMENT INCENTIVE

FIRST-CAR SCHEME MAY BOOST LOANS PAST BT900 BN IN 2012

Programme could push sales of vehicles to 1 million units; hire-purchase firms face risks

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THE NATION

The Thai Hire Purchase Association expects the government's first-car programme will boost auto loans next year over Bt900 billion, up from the Bt630 billion expected this year.

The association has forecast that demand for car loans next year would reach Bt830 billion based on estimated auto sales of 980,000 units. However, the first-car scheme, which is expected to go before the Cabinet for approval today could push auto sales next year to 1 million units, with a consequent increase in demand for loans.

Chairman Isara Wongrung said the Excise Department last week called a meeting with the association on the initiative, which would assist consumers buying their first car.

As currently proposed, the price of a car purchased under the programme should not exceed Bt1 million, a feasible level for lower-income buyers. For more expensive cars, they might be unable to pay their debts, increasing the problem of non-performing loans.

Isara said that on a car costing Bt1 million, if 80 per cent of the purchase price is financed by a loan with a term of 60 months, the buyer must pay a monthly instalment of Bt10,000, for which he or she should have a minimum monthly salary of Bt25,000. If the car costs Bt500,000, the buyer would need a minimum monthly salary of Bt15,000 to pay instalments of Bt8,000.

He said hire-purchase operators should be aware of the risks inherent in this programme, as the incomes of buy-

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ers included in it will not be high. However, if the project is effective, the number of auto loans will rise because most of these first-time car buyers will use hire-purchase.

He said Kasikorn Research Centre had projected auto sales this year at 900,000 units, with auto loans reaching Bt630 billion, an increase of 28 per cent over last year. Without the first-car project, the research house expected auto sales next year to increase to 980,000 and auto loans to Bt830 billion.

But with the programme, car sales next year will likely reach 1 million units

and auto loans soar to Bt900 billion, he said.

Isara, who is also managing director of Kasikorn Leasing, said his company had not included the first-car project in its 2012 business plan, which calls for K-Leasing projects to grow more than 30 per cent.

He added that the company might offer campaigns under the project because it was concerned about the NPL risk.

Thanachart Bank, the leader in the hire-purchase market, last week brainstormed on strategy after learning the project was to be effective in the fourth quarter of this year. Praphan Anupongongarch, executive vice president, said the bank believed the project would boost demand for auto loans, and it planned to offer to serve buyers who join the scheme.

Ayudhya Capital Auto Lease, or Krungsri Auto, is confident it will benefit from the programme, especially for pickups, which account for 55 per cent of its portfolio.

Pairote Cheunkrut, managing director of Krungsri Auto, said the company would talk with dealers on jointly offering special campaigns to buyers, which could entail longer payment periods. However, he said hire-purchase loans might see only single-digit growth because the programme limits the car price to Bt1 million.

If the project starts in the fourth quarter, Krungsri might raise its hire-purchase target for this year above the current figure of Bt150 billion.

Chalit Silpsrikul, executive vice president of Tisco Bank, said the bank would have to wait to see the details on the first-car project, but it would probably benefit auto sales and consequently the hire-purchase market.

Currently, 70 per cent of Tisco Bank's outstanding auto loans of Bt137 billion are for pickups, and the rest for passenger cars.

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