

FINANCE

First-car scheme could spur 25% loan growth

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Automobile hire-purchase loans are expected to rise by up to 25% next year to exceed 800 billion baht, thanks to the government's first-time car buyer programme, says Isara Wongrung, chairman of the Thai Hire Purchase Association.

Mr Isara estimates that car loans this year will reach 650 billion baht, from 400 billion last year.

Local car and pickup truck sales next year are expected to reach one million units, up from an estimated 950,000 this year, said Mr Isara, who is also the managing director of Kasikorn Leasing.

"This is the second year that the auto industry is on an upward trend, and the remaining three months of this year will be a very high season due to the Motor Show and various campaigns offered due to the new policy," he said.

However, he cautioned that lenders looking to expand their market share must consider the risks, as non-performing loans (NPLs) will increase as well if the economy heads downward.

"There will be an increase in customers that in the past have not had the capability to purchase cars, including 21-year-olds who . . . have low purchasing power," he said, adding that it would take 6-12 months to gauge the extent of new NPLs.

Other related problems include the

possibility that some car buyers will stop paying back loans next year once they receive their excise tax rebates, which could be as much as 100,000 baht.

And since buyers are required to retain ownership of the new vehicle for at least five years, tax collection might be one of K-Leasing's new businesses.

"It wouldn't be too bad if the Excise Department hires us to collect taxes, since it doesn't have the human resources and expertise to do so," Mr Isara joked.

Mr Isara estimates hire-purchase interest rates will reach at least 3% in the first quarter of next year, up from 2.65% now. The figure should reach 2.8% in October and 2.9% in the following month, but would decline in December because of the high number of promotions at the Motor Show.

"There has been increased pressure on hire-purchase businesses to raise interest rates since they have no profit and there has been high competition," he said. "While the Bank of Thailand has increased interest rates seven times already, interest rates for hire-purchase have gone up only two to three times."

Kasikorn Leasing, a subsidiary of Kasikornbank, expects its car loans this year to grow by at least 30% from last year.

For the first nine months, outstanding car loans of 65 billion baht exceeded the firm's full-year target of 64 billion.

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