International Journal of Recent Engineering Research and Development (IJRERD)
ISSN: 2455-8761
www.ijrerd.com || Volume 04 – Issue 08 || August 2019 || PP. 52-57

# The information on automobile market in 2018

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**Abstract:** In July 2019, Hyundai's sales in the United States increased by 12%, marking the 12th consecutive month of sales growth. Toyota Motor and Honda in the US profit from mainstream products to offset the decline from luxury cars. Sales of Nissan and Infiniti all fell because the company continued to narrow down its promotions. The three largest US automakers do not publish monthly sales.The car industry in Vietnam has a competitive advantage over other countries in the region. This has been clearly demonstrated through the localization rate and the number of Vietnamese companies involved in the car assembly process. The inadequate supporting industry development strategy has pushed the investors in the field to other countries. In particular, Hyundai has shifted its focus to developing the plant in Malaysia instead of Vietnam as originally stated. The world's largest automaker, Toyota, is considering focusing its production and assembly in Thailand and then exporting its units to other countries. In retrospect, major manufacturers have at least one assembly plant in countries such as Malaysia, Thailand or Indonesia, for which there is a strong automotive industry.

**Keywords:** automobile market, auto industry, global market

## I. INTRODUCTION

Overall sales of the US auto industry have been falling month by month and July sales are similar. From 2018, GM began to publish quarterly sales reports and dropped the custom of making monthly reports from the 1990s. Ford also stopped announcing monthly business figures this year. FCA's next sales announcement is in October, near the end of the third quarter. Except for the three companies above and Tesla, US light vehicle sales rose 1.3% in July. July sales of both Honda Group rose 1.9% to 141,296 but fell 3.7% at the brand of Acura. Thus, Honda America ended 2 months of consecutive sales reduction.Sales of light vehicles from Honda increased by 3.1% to 68,778 units thanks to high demand for Passport, CR-V and Ridgeline.Toyota's July sales rose 0.4% but fell 1.5% at Lexus. Overall, Toyota Motor Group's car sales increased by 3.6% while trucks sold fell 1.7%.Nissan America's sales fell 9.1%, especially the car segment decreased by 25%, marking the 7th consecutive month of sales decline. Specifically, Nissan brand sales fell by 8.9%, Infiniti brand sales fell by 11%.Hyundai car sales rose 12% in July, thanks to new retail sales of new crossovers and refurbishment. With July sales, Hyundai recorded 12 consecutive months of sales growth. Specifically, retail sales increased by 5% and wholesale sales increased by 10%, equivalent to 5,700 cars.The market is increasingly popular with SUVs and Hyundai cars with models: Santa Fe, Kona and Palisade are almost "hit by big tricks." Hyundai said retail sales of these three models increased by about 11% in July.Kia sales rose 0.6%. Volkswagen sales saw 5 consecutive months of growth, but the increase this month was the smallest with only 2.2%.Mazda has the 13th consecutive month of sales decline, namely 3.5% in July. Sales of both Mazda3 and Mazda6 have fallen by more than 30%.Mitsubishi sales fell 13% and Mini fell 34%. Sales of other premium brands such as BMW rose 4.9%, Audi rose 0.8%, Porsche increased 23%, Volvo increased 2%, Land Rover increased 4%, Jaguar increased 7.4% and Genesis increased 158%.There are many objective and subjective reasons that can lead to this problem, typically the car market in Vietnam is relatively small compared to other countries in the region. In addition, policies are designed both to balance the development of the domestic car industry and to ensure that infrastructure is not overloaded, especially in large cities. It is quite difficult. On the other hand, import tax of 0% would not necessarily reduce car prices and bring benefits to consumers. Because apart from import tariffs, there are many other "tariff" and non-tariff barriers, and they are not affected by free trade agreements or international commitments. Examples include excise taxes, value added taxes, registration fees, import quotas, road tolls, etc. Changing these taxes and fees can change the price of an imported car. Clearly, and we do not yet know the result. Recently, the Vietnam Mechanic Association has sent a document to the Ministry of Finance and the Ministry of Industry and Commerce to propose the change of the tax calculation price in the Decree and Circular amending the Law on Special Consumption Tax. In addition, another policy also affects the import of cars, which is Circular 20 requiring traders to have their authorization, which is extremely difficult for importers. Private showroom another barrier to importing cars is cultural differences. Most of the countries assembling and producing large cars in the ASEAN region use the right hand drive. Therefore, in order to export to Vietnam, car manufacturers must invest more equipment, expand the workshop and change the existing registered structure. This costs a lot of time and money. These aspects show that the car industry in Vietnam still has the opportunity to develop if the state has more appropriate development policies in the coming time. Even lowering the import tariff by 0% by 2018 will provide more opportunities for the domestic car market. Sales report of Vietnam Automobile Manufacturers Association (VAMA) shows that in August of this year, the whole industry sold 22,099 vehicles, a slight increase of 7% compared to July 2017 and a 1% increase compared to August 2016. Of which 12,568 vehicles were sold, up 12% from July. Sales in August slightly increased compared to the previous months, which is a good signal for the market. However, the experts are not optimistic, because the increase is not much, mainly comes from the customer before the month of buying cars with significant discount packages from many manufacturers.

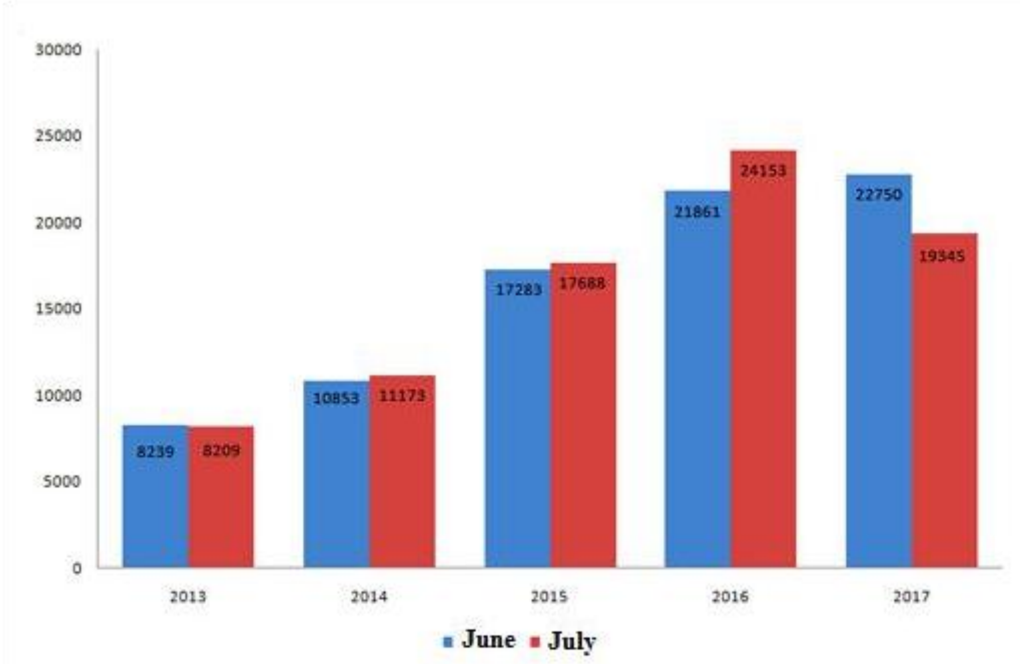

Fig.1: Sold car in June, July in comparison with 5 years [6]

Difficulty of the sales team reflected on the results of the whole market. According to the report of Vietnam Automobile Manufacturers Association (VAMA), July sales reached 20,662 vehicles, down 15% compared to June and 27% decrease compared to July 2016. Both domestic assemblers and imports decreased (14% and 17%, respectively). Most car manufacturers have recorded sales decrease compared to the previous month, the greater the rate of reduction of the higher. Toyota reduced by 37%, Mercedes by 35%, Mazda by 7%, Kia by 2%, Lexus by 15%, Isuzu by 12%. Since the auto market is recovering in 2013, this is the first year of July sales decrease compared to June. This fact is strange because usually customers will buy car in July to avoid stepping into month (July lunar month) abstain from shopping. Khanh Minh and his colleagues find it difficult in the short term. "This year has two six months of the lunar month, and sales are bleak," Minh complained. Sales slowdown before the season is the result of the psychological wait of customers, from the speculation about car prices and from the deep discount strategy to stimulate the demand of the airline. Unclear tax policies, fees in 2018 cause the question whether the car has a discount or not have a solution. The number of customers hugging the price of car will be more comfortable, albeit slightly reduced early next year, should be delayed time to buy a car. Because of this mentality of the car, the car launched promotions to stimulate demand, with discounts from a few dozen to several hundred million. But at the discount, another question arises, "Will the next few years be reduced further?", and again the customer waited. The psychological double-waiting caused market sales in the following months to decrease significantly compared to last month. Representatives of some VAMA firms said that the price they apply in 2017 is the best possible price, even at this price, many agents have to accept profit offset sales, earn Benefit from repair, maintenance service rather than car sales. The car cannot decide where to place the price, increase or decrease depending on the decision of the Government. The company itself is not cautious about the price, but all confirmed that it is unlikely price prospects will fall as deep as customers still expect. According to the tariff reduction schedule under the ASEAN Trade in Goods Agreement (ATIGA), from 2018, the import tax rate for CBU from South East Asia will be reduced to 0%. The roadmap for tax cuts will be implemented in phases in order to be more appropriate to the reality and also to "shock against" the business and consumers. The problem is that, now and for the next decade, there will be no luxury automakers to open factories large enough in ASEAN countries for export purposes. Most of the luxury brands like Audi, Mercedes-Benz, Porsche, BMW, Lexus, Cadillac ... are manufactured in Germany, USA or Japan ... Yes, On par with the factory that Mercedes-Benz is located in Vietnam. Therefore, if the ATIGA tax reduction takes place as fast as synonymous, the price of car types imported from this area is cheaper. Meanwhile, luxury cars are imported from countries outside the ASEAN region, so prices will continue to long-term long-term due to high import tax. Note that the import duty plus CIF price or the taxable price determined by the customs department will be the basic amount for a series of other taxes - charges such as special consumption, added value or registration fee. Another point to note is that there will be no traffic going around for tax incentives. In preferential tariffs developed and issued by the financial sector, it is clear that goods must be imported directly from the country. For example, it is impossible for merchants to ship Audi cars from China via Southeast Asia before importing them back to Vietnam for tax incentives. In the meantime, most popular vehicles have a huge advantage in terms of the price offered by the reduction. In fact, the prospect of a car market in Vietnam flooded with vehicles from Southeast Asia since 2018 has many times been mentioned by the media. In the car market of Vietnam today, vehicles bearing Toyota, Ford or Honda brand ... are occupying overwhelming market share. Most of these automakers have at least one factory located in Thailand or Indonesia, or both. Over the past two years, the big automobile corporations themselves have shown a clear trend towards more focused production in Thailand and Indonesia, from which exports to Southeast Asia in particular, Asia Pacific and Africa in general. Typically, Toyota and Ford have recently decided to build more plants in Thailand and Indonesia with investment capital at each plant from \$ 200 million to \$ 400 million, equal to the total capital they invested throughout. Nearly 20 years in Vietnam. Most recently, Nissan also inaugurated a new factory with an investment of more than \$ 110 million in Thailand. A few years ago, when import tax from ASEAN entered the cut-off route, car joint ventures in Vietnam start to reduce the list of assembled products in the country (CKD) to offset it with imported vehicles. Whole unit from Thailand and Indonesia. Right now, at least 10 models are being imported by distributors in Vietnam from two countries in the region. In the context of increasing integration pressure, automobile manufacturers and assemblers in Vietnam must, on the one hand, make recommendations and make donations to government agencies with mechanisms and policies that are strong enough for the domestic automobile industry. On the other hand, still have to "body room" by step by step "reservation" for the CBU market. The fact is very clear. Under the ATIGA Special Preferential Import Tariff for the period 2012-2014, the import tax rate for finished cars imported from ASEAN countries has been sluggish, ranging from 70% in 2012 to 50% in 2014 for passenger vehicles. Less than 10 seats, however, imports from this region have been constantly increasing. According to statistics of the General Department of Customs (Ministry of Finance), the total volume of CBU cars imported from ASEAN in the first five months of 2014 reached 4,282 units valued at 65.37 million US dollars, up 1,104 units in volume and up 11, 92 million in value over the same period in 2013. In particular, imports from neighboring Thailand reached 3,575 units and 58.49 million, up 899 units in volume and up 9.45 million USD; Imports from Indonesia reached 707 and \$ 6.86 million, up205 in volume and \$ 2.46 million in value. With such a strong momentum, Vietnam's market will be flooded with vehicles of Thai or Indonesian origin. This is a strong warning for the hesitance and weakness of the automobile industry in the country.

## II. THE CHARACTERISTIC OF VIETNAMESE AUTOMOBILE MARKET FROM 2018

The Ministry of Industry and Trade recently proposed SCT exemption with the local value of each model. This proposal pushes the car market into two extremes, the price of assembled cars in the country decreased, the price of imported cars increased. While imported vehicles have a local value of almost zero, vehicles assembled can increase this proportion over time. The higher the domestic content, the lower the tax, the lower the price.At this point, the further distance between the price of assembled vehicles and imports. However, in the press conference within the Vietnam Motorshow 2017 exhibition, Mr. Pham Van Dung, General Director of Ford Vietnam said that this proposal is difficult to implement because of violation of Vietnam's WTO commitments as well. Free Trade Agreements. SCT taxes vary between imported vehicles and assembled vehicles that violate the "no discrimination against imported and domestic" rules. Dung's proposal, as well as VAMA's, is to reduce component taxes, to assist producers in the integration phase to create a level playing field. But with the plan to become a center for auto exports to the region, some experts predict that in order to avoid a violation, Vietnam will still apply the SCT tool, but adjust it in a different way to avoid a conflict of engagement. International, but still in the direction of supporting vehicle assembly, making it difficult for imported vehicles.

New registration fee: According to the Decree 140/2016 on registration fees from 1 January 2017, from 2018, localities may increase the registration fee from 10% -12% today to 15%. Increasing the registration fee does not affect the price of your listed car but increases the total cost that customers have to pay for rolling. Both imported and assembled vehicles are subject to the same impact in this case. Even with pickups, cars are eligible for import tax incentives (5%), special consumption tax (15% -25%) and registration fee (2%). Accordingly, the tariffs, charges applied to the truck load are proposed to be calculated like cars, raised to 30%

import (2017), 40% -110% by volume engine, register 10%. This calculation can cause the pickup truck to double the price of today.

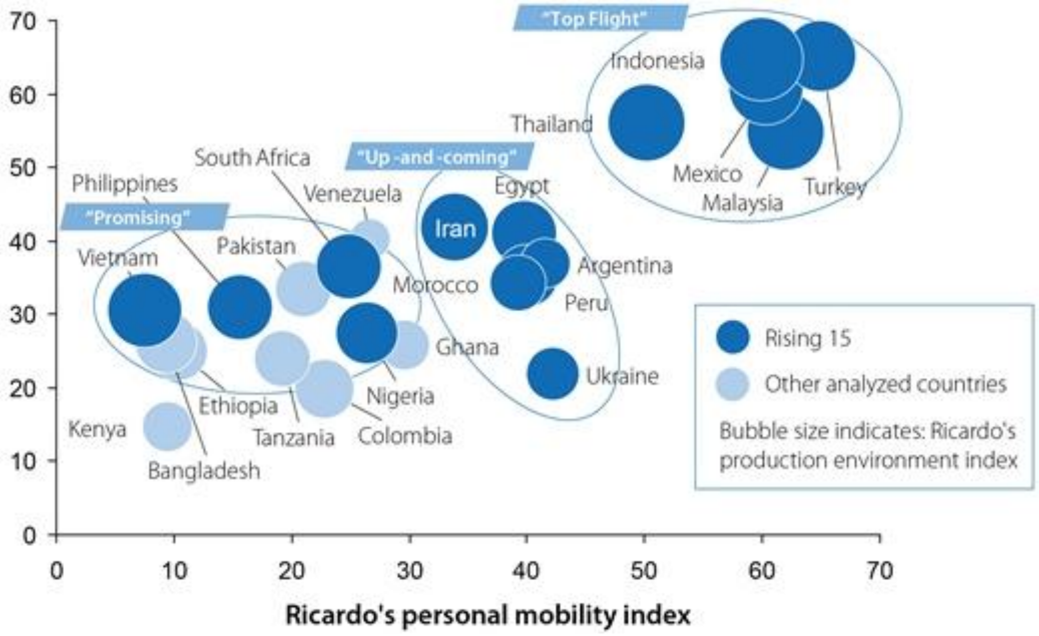

Fig. 2. Commercial transport index of Ricardo

Combined effects of taxes, fees: Even if the import tax, special consumption tax, VAT, registration fee has been calculated, the manager still has many fees can interfere with the cost of buying wheelchairs of Vietnamese people. That may be the cost of issuing number plates, registration fees, road maintenance fees, insurance fees ... or even those fees not available in Vietnam as proof of parking. The combined effect of taxes and charges in early 2018 on assembled and imported automobiles is projected in the following direction. In which the arrow goes down, the arrow goes up and the dash is not affected. Eliminate the will factor of the manufacturer from time to time. The quantity and the rate of increase / decrease of assembled and imported vehicles are similar with two types of increase, one decreases and one does not affect. With this table can be seen, the price of the car will increase or decrease will depend on the impact of each type of taxes and fees. For example, an assembled vehicle costs 500 million. If the new excise tax is applied, the tax reduction is 50 million, the increase in registration and other costs is 30 million, and the price of the car will be reduced by 20 million. Conversely, if the registration and other types of expenses increased by about 60 million, the price of the car increased by 10 million. Response of the car manufacturer in Vietnam Representatives of joint venture companies in Vietnam said that the price increase or decrease is still speculative and cannot be concluded accurately. However, the actions of each manufacturer show clear import orientation. By the end of 2016, Honda replaced Civic assembled by import, similar to Toyota's Fortuner. At the Vietnam Motor Show 2017 in Ho Chi Minh City, a series of cars imported into the country in all segments, ready to fight in 2018 such as Toyota Wigo, Avanza, Alphard; Honda Jazz, Suzuki Fit, Chevrolet Traiblazer.According to the Business Registration Department, in 2018, 131,275 businesses were newly established with a registered capital of VND1,478,101 billion, an increase of 3.5% in quantity and 14.1% in registered capital. This was the fourth consecutive year with the highest number of newly established businesses and the highest registered capital in history. The ratio of average registered capital per enterprise in 2018 reached VND11.3 billion, up by 10.2% compared to 2017. Total additional registered capital to the economy in 2018 was VND3,886.892 billion, up by 22.8% compared to 2017. Also in 2018, the number of enterprises resuming operation was 34,010, up by 28.6% over 2017. This shows the open legal framework on business environment and drastic solutions taken by the Government to solve difficulties and create a more favorable business and investment environment had positive impacts on investors' confidence, enhancing the participation and contribution of the private sector to economic development. With the “impressive” number of newly established businesses, the size of enterprises, along with the number of enterprises resuming operation, the "vitality" of the business environment and business investment opportunities, the market will certainly be more competitive and this is the driving force for economic development in the new context.

According to the report of the General Department of Customs, in the first 6 months of 2019, the revenue from imported cars increased. Specifically, the total number of imported cars reached 75,400 units worth 1.63 billion USD, up 516% in volume and 417% in value over the same period last year. The amount of tax collected from this item reached VND 21,515 billion, an increase of VND 17,415 billion, or nearly 425% compared to the same period of 2018. In particular, the exemption of import tax exemption under the ASEAN Free Trade Agreement, cars from Thailand and Indonesia continue to pour into Vietnam with the increase in both quantity and category. Specifically, Thailand officially became the largest automobile supplier for Vietnam market in the first 6 months of 2019, with 46,000 cars, worth about 916.7 million USD. Indonesia exported to Vietnam nearly 21,000 vehicles worth USD 296.3 million in the first half of 2019. The total number of imported cars in 6 months is 82.2% of domestic assembled cars. It seems that the technical barriers set up in Decree 116 with imported cars are no longer working. The recently published report of SSI Securities stated that quarterly GDP of 2/2019 increased by 6.71%, which is the lowest growth rate in the last 8 quarters of Vietnam. In particular, the two sectors with the highest proportion in the economy are manufacturing and processing industries and slow growth of agriculture, which is the main reason for GDP deceleration. In manufacturing and processing industry, the production of motor vehicles also increased low, reaching 11.7%, while in the first quarter, the growth rate was 20.8%. The whole automobile imported "accelerated" into Vietnam made the domestic car industry decline. According to VAMA data, the volume of locally produced cars sold in the first 6 months was 91.7 thousand units, down 14% over the same period. The domestic automobile production in 2019 is forecast to decline again from the peak of 250,000 vehicles/year achieved in the period of 2017 and 2018. Currently, Vinfast has inaugurated the first phase automobile factory with a capacity of 250,000 vehicles / year; Truong Hai has Mazda Phase 1 car factory with a capacity of 50,000 cars / year; Hyundai Thanh Cong has over 40,000 vehicles / year; Toyota Vietnam has more than 50,000 cars /year. Many cars are imported, while domestic cars also increase production, making supply bigger than demand. Domestic automobile enterprises not only reduce prices, increase promotions but also increase inventories, affecting production and business activities. This situation is prolonged, enterprises with large investment projects in automobile production are at risk of facing risks. Meanwhile, the preferential policies to promote automobile production in the country so far have not seen. In order to develop the Vietnamese automobile industry in line with the goal of increasing the localization rate, from the end of 2018, the Ministry of Industry and Trade has set the orientation: to focus on supporting to accelerate the project of the Ancient Company. Truong Hai automobile part, Thanh Cong Group Joint Stock Company, Vinfast Production and Trading Co., Ltd., thereby increasing the domestic production and assembly of automobiles in the coming time, increasing localization and cost reduction. However, having domestic cars with good sales, competing with imported cars must have very strong and supportive policies. Otherwise, the Vietnamese automobile industry will be difficult to survive until 2025. The experts of SSI Securities Company recommend that Vietnam should continue to raise protective barriers in parallel with preferential policies. production and consumption not only for cars but also for many industrial products can be produced domestically. "The trend of protection and fair trade should be applied, especially to countries with a level of development close to Vietnam like the ASEAN group". Meanwhile, a number of foreign business associations in Vietnam, through the European Chamber of Commerce (EuroCham), the US Chamber of Commerce in Vietnam (AmCham), ... continue to petition to the agency function, claiming that the emission test and safety regulations with each batch of imported vehicles. The more imported cars go, the more competitive the price is, the more difficult it is for the domestic automobile industry.

## III. CONCLUSION

Import tax on cars from ASEAN to 0% from 2018 was expected to open the door for cars manufactured in Thailand and Indonesia ... to flow to Vietnam, but actually took place in the first 6 months of 2018 completely opposite. Automobile import activities of enterprises are almost "frozen" in the early period of the year. In particular, having to provide quality certificate of imported automobile type (VTA) issued by foreign competent agencies and organizations is considered the biggest challenge for enterprises. Some companies have to spend months to get VTA in accordance with the regulations of the Ministry of Transport. In addition, each lot of imported cars to Vietnam, besides having to provide enough paperwork under the new regulations, must take samples to check emission standards and technical safety. New regulations, making businesses take time to respond, automobile import activities are almost "frozen" in the beginning of the year. Up to now, the number of enterprises is completed. procedures for importing cars to Vietnam can only be counted on the fingers. In particular, most businesses have VTA certificates in accordance with the regulations of the Ministry of Transport (MOT) for cars imported from Thailand, Indonesia and the US. The remaining models which were imported from Japan, South Korea ... have not been granted this type of paper.

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