

## Consumer Financing Industry's Asset Quality Tested by Weakening Purchasing Power

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PEFINDO is of the view that the financing industry's risk profile is moderately high with a stable outlook, notwithstanding ongoing challenges from subdued automotive demand.

The core business model of financing companies focuses on their role as intermediaries, where operational sustainability largely depends on the margin between funding costs and lending rates. The effectiveness of this cycle is fundamentally anchored in asset quality, including the capacity to collect on financing receivables. As of June to September 2025, the industry is contending with a challenging environment characterized by decreased purchasing power and a decline in new vehicle sales, both of which negatively impact the non-performing ratios.

Despite these headwinds, PEFINDO's view is that financing companies (multifinance) generally maintain sufficient resilience, underpinned by robust parental support for captive institutions, stringent underwriting standards during the contraction period, and proactive provisioning measures.

### Slowing Demand in Car Sales

The demand for financing services is intrinsically linked to the performance of the automotive industry. According to data from GAIKINDO, the domestic automotive market experienced a notable contraction in 2025.

Table 1. Car Sales

	Car Sales	Previous period car sales	YoY Growth Rate
Jan - Oct 2025	635,844	711,064	-10.6%
Jan - Dec 2024	865,723	1,005,802	-13.9%
Jan - Dec 2023	1,005,802	1,048,040	-4.0%

Source: Gaikindo, processed by PEFINDO

**Contraction in wholesale sales:** For the period from January to October 2025, total car wholesale sales recorded 635,844 units. This represents a significant decline of approximately -10.6% compared to the same period in the previous year (January to October 2024), which stood at 711,064 units. We attribute the decline to a period of adjustment in the general economy, as the domestic economy is still adapting to the new administration and global economic uncertainty driven by geopolitical tensions and new policies from newly elected leaders in developed countries.

**Segment contribution:** The market remains dominated by passenger cars, which contributed 545,397 units, or roughly 76.8% of total wholesales as of October 2025, while commercial vehicles contributed 165,009 units.

**Brand dominance:** Major Japanese manufacturers continue to hold the lion's share. Traditional top five Japanese brands (Toyota, Daihatsu, Honda, Mitsubishi, and Suzuki) dominated 76.5% year to date as of October 2025.

We view this decline in new car sales as a reflection of weakening purchasing power among the middle class. Consequently, this shifts the dynamics of the financing industry. As the affordability of new vehicles decreases, a portion of demand shifts towards the used vehicle market. While industry rules of

thumb suggest that the volume of used cars can be up to two times that of new cars, this segment entails higher credit risks.

### The Impact of China Branded and EV Cars

Contrary to common conception, China-branded car sales have yet to make a significant impact on the industry (~13% of total car sales from 13 brands). In terms of units, sales are still below, but growth is undoubtedly high. China-branded cars, driven by their battery electric vehicle (BEV) lines, are making waves, and we estimate that in three years, they should have a significant presence in the overall passenger car market. However, as shown in the table below, competition is highly dynamic and is likely to consolidate into only a few brands, characterized by cutthroat price wars.

Table 2. Sales of Chinese Brand Cars

UNIT	FY2023	FY2024	JAN-OCT 2025
BYD	-	15,429	30,670
CHERY	4,099	9,191	16,720
WULING	23,540	21,923	13,679
DENZA	-	-	6,967
AION	-	1,240	4,822
VINFAST	-	-	3,050
GEELY	-	-	2,021
MORRIS GARAGE (MG)	1,183	3,974	1,610
FAW	617	847	912
JAECOO	-	-	749
DFSK	1,360	828	657
BAIC	-	296	533
XPENG	-	-	444

Source: Gaikindo, processed by PEFINDO

On the other hand, Japanese brands continue to dominate the market, and the top five best-selling brands have remained the same.

Table 3. Sales of Japanese Brand Cars

UNIT	FY2022	FY2023	FY2024	YTD Oct 2025
TOYOTA	329,498	325,395	293,788	209,387
DAIHATSU	188,660	194,108	168,263	112,530
HONDA	125,411	128,010	103,023	58,720
mitsubishi motors	97,936	81,792	74,030	55,408
SUZUKI	89,067	82,244	69,392	50,353

% MARKET SHARE	FY2022	FY2023	FY2024	YTD Oct 2025
TOYOTA	31.4	32.4	33.9	32.9
DAIHATSU	18.0	19.3	19.4	17.7
HONDA	12.0	12.7	11.9	9.2
mitsubishi motors	9.3	8.2	8.6	8.7
SUZUKI	8.5	8.1	8.0	7.9

Source: Gaikindo, processed by PEFINDO

### Stagnant Motorcycles Sales

Similarly, motorcycle sales also showed a slowing trend, although they performed better than car sales by still recording marginal growth.

Table 4. Sales of motorcycles

	Motorcycle Sales	Previous period sales	YoY Growth Rate
Jan - Oct 2025	5,427,253	5,416,888	0.19%
Jan - Dec 2024	6,333,310	6,236,992	1.54%
Jan - Dec 2023	6,236,992	5,221,470	19.45%
Jan - Dec 2022	5,221,470		

Source: AISI, processed by PEFINDO

Structurally, this further confirms weakened purchasing power. Not only were larger ticket size automotive purchases subdued, but also the lower ones. As we discussed further in this article, this can be an indication of lower overall disposable income, which leads to weakened repayment capability.

### Asset Quality Assessment

Being only one of the four key success factors in our financial assessment of financing companies, asset quality often acts as the root cause of other financial issues, as the intermediary mechanics can become clogged in the case of poor asset quality condition.

PEFINDO identifies several factors currently shaping the asset quality landscape:

**Segment characteristics:** The risk profile is heavily dependent on the debtor profile associated with the object financed. The used car and motorcycle segments generally carry higher risk compared to new cars due to the typical customer characteristics, such as debtor's profession. Another key characteristic is down payment. We view that stringent down payment (DP) requirements remain a key filter in risk mitigation. During the post-COVID expansion periods, down payments became more lenient, which contributed to the uptrend in non-performing financing.

**Industry demand:** The sluggish sales of new cars (and, to some extent, new motorcycles) are forcing financing companies to be more aggressive in the riskier used car market or in multipurpose financing to maintain booking volumes.

**Purchasing power and inflation:** The core repayment capacity of debtors is currently being tested by the high cost of living. While large fleet customers remain resilient, the retail segment is more sensitive to economic shocks.

**Ownership status of the financing company:** We view that the gap between captive (affiliated with the brand principal) and bank-owned with independent financing companies is evident. Captive financing companies benefit from a steady supply of customers from their parent dealers, while bank-owned players could enjoy stable stream of funding sources with competitive pricing as well as higher capability to set more ample provisioning. This allows them to target lower-risk customers who are sensitive to interest rates, and when they enter riskier customer segments, they are already well-padded with provisions. Meanwhile, without a captive ecosystem, independent players often compete in the used car or refinancing (multipurpose) market. While this yields higher margins—often necessary to cover higher funding costs—it exposes them to asset valuation risks and higher delinquency rates.

## PEFINDO's Portfolio of Consumer Finance Companies and Its Asset Quality

Table 5. Market share

Company	Market shares as of 1H2025
BCA Finance (BCAF)	9.0%
Mandiri Tunas Finance (TUFI)	7.7%
Adira Finance (ADMF)	7.5%
FIF (FIFA)	6.8%
Astra Sedaya Finance (ASDF)	5.8%
Maybank Finance (BIIF)	2.8%
Indomobil Finance (IMFI)	2.2%
Summit Oto Finance (SOFN)	2.1%
Oto Multiartha (OTMA)	2.0%
Bussan Auto Finance (BAFI)	1.9%
WOM Finance (WOMF)	0.9%
BRI Finance (BRIF)	0.8%
Chandra Sakti Utama Leasing (CSUL)	0.7%

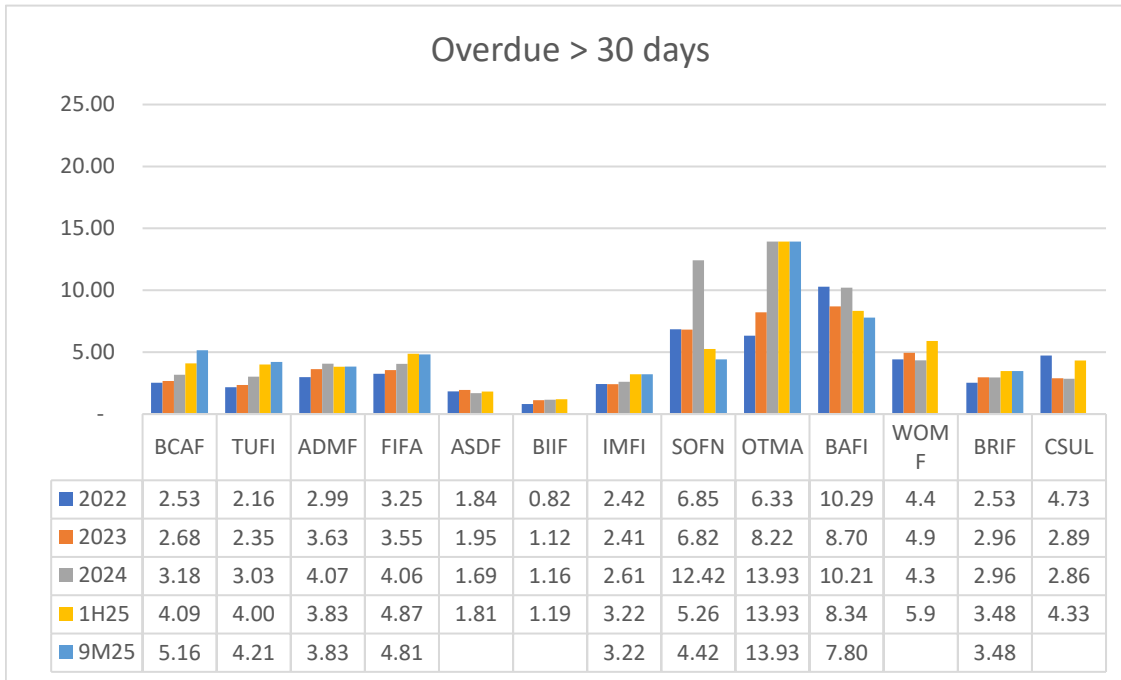
Source: Gaikindo, processed by PEFINDO

Below is our portfolio of published consumer financing companies, along with their respective market shares as of June 2025 in terms of net service assets of the total financing industry.

Each of the top five largest companies by net service assets (in terms of financing portfolio) held above 5% of the market share and comprised around 36.8% as of June 2025. Our published portfolio accounted for around 50.2% of the market share.

We use a 30-day overdue ratio as the leading indicator to gauge the asset quality problem. We view that 30 days is more representative, given the mobility of the object being financed. As we examined this data, we noticed that the top two financing companies experienced an uptick in the short overdue bucket.

Table 6. Overdue table



Source: PEFINDO’s published reports

Overall, the asset quality display varied, with most companies indicating better performance in 9M2025 compared to 1H2025. The asset quality display showing an elevated 30-day overdue ratio in 1H2025 may be affected by the holiday season in April 2025. The two largest consumer financing companies saw their 30-day overdue continuously climbing. These two comprised 17% of the total market share in terms of net serviced assets and historically have relatively low NPRs>30 days. The rise in these two, along with seven others in 1H2025, could indicate that the repayment problem is evident in consumer financing, and the macroeconomic condition pertaining to the industry is not at a favorable state.

Although the rise in NPR ratios among the largest players remains more manageable—given their stronger write-off capacity, robust provisioning, and ability to swiftly adjust underwriting standards (particularly loan-to-value ratios and lending rates)—the fact that even top players are experiencing asset-quality deterioration indicates that industry-wide challenges remain significant and far from over. If institutions with such advantages are already facing asset-quality pressures, smaller players are likely to encounter the same structural issues, potentially to an even greater extent.

**Conclusion**

PEFINDO still considers the financing industry to be stable due to careful provisioning. However, there are ongoing concerns about non-performing financing (NPF) levels. A decline in new car sales not only slows growth but also signals deeper structural issues that may affect borrowers' ability to repay, especially since consumer purchasing power at the grassroots level remains weak. Looking ahead, it will be essential to maintain strong collection processes and find a careful balance between expanding aggressively in used cars and refinancing markets and preserving asset quality, as these factors will play a key role in future ratings.

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