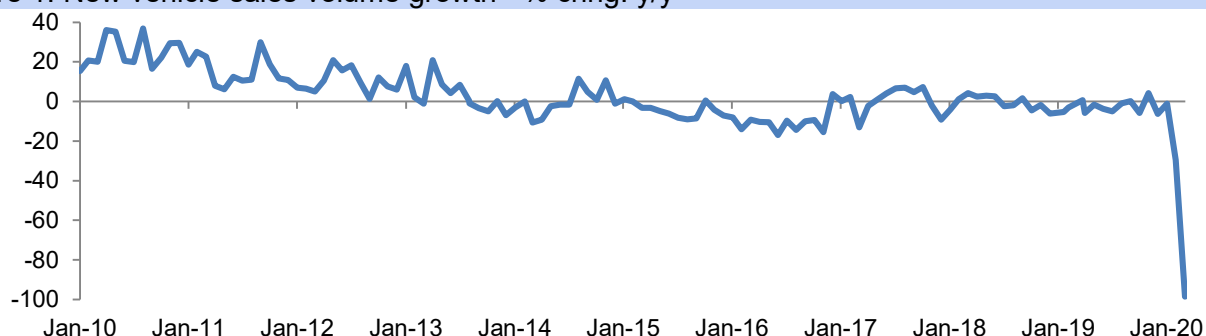




Vehicle Sales update: Sales of new vehicles plummeted by 98.4% y/y in April as lockdown measures to contain the spread of the virus halted production

5th May 2020

Figure 1: New vehicle sales volume growth - % chng. y/y



Source: Department of Trade and Industry, Investec

- New vehicle sales plummeted by 98.4% y/y or 36 213 units in April, following the significant 29.7% y/y fall in March, reflecting the severity of the economic situation as lockdown containment measures applied to “flatten the curve” have restricted manufacturing activity. However, as the “(b)edrock of the country’s manufacturing sector,” the production of vehicle and automotive components “(w)ill gradually resume under strict risk-adjusted measures,” according to NAAMSA.
- The passenger category which makes up the majority of new sales, plunged by 99.6% y/y. Consumers were under severe pressure even before the onset of the pandemic, amidst an environment of slowing wage growth and rising unemployment. The anticipated substantial deterioration in household balance sheets going forward, will likely continue to put pressure on passenger vehicle sales, even once full production resumes. Additionally, the light, medium and heavy commercial vehicle categories fell by a staggering 96.8% y/y, 88.9% y/y and 93.8% y/y respectively in April.
- SA’s recession is likely to persist into H1.20 as a result of the global economic fallout from Covid-19. We are anticipating a contraction in GDP of around -4.8% y/y in 2020, with risks tilted to the downside, depending on how quickly the virus is contained. This does not bode well for vehicle demand in the near-term.
- International trade flows have been severely impacted by the current global situation. Indeed according to Markit, the “(d)isruption to demand, supply chains and international trade flows resulting from the COVID-19 outbreak led to the steepest drops in global economic activity and new business since mid-2009.” Exports fell by 97.3% y/y in April, following a 21.5% y/y slide in March. “The performance of exports would remain a function of the performance and direction of global markets,” according to NAAMSA. Indeed, the “(g)lobal automotive industry has been hit hard by the Covid-19 pandemic with a significant fall in demand forecast for all the major automotive regions in 2020.”

Figure 2: New Vehicle Sales by Category

	March y/y %	April 2020 y/y %
Passenger	-26.8	-99.6
Light Commercial	-37.1	-96.8
Medium Commercial	-18.8	-88.9
Heavy Commercial *	-18.6	-93.8
Total Vehicle Sales**	-29.7	-97.3
Exports	-21.5	-98.4

Source: Investec, Department of Trade and Industry

*Includes extra heavy category and buses



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