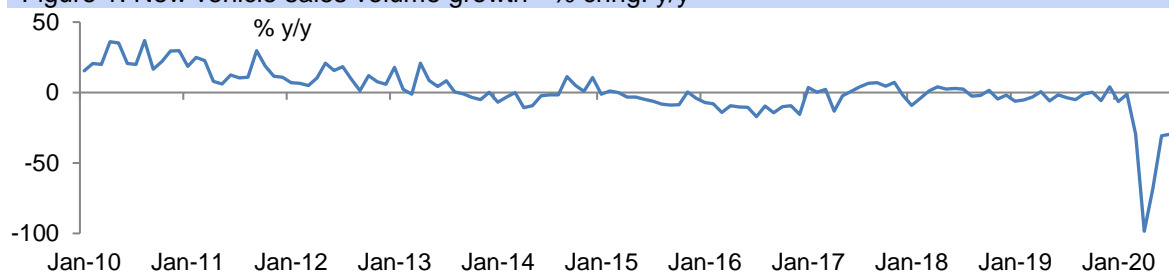




Vehicle Sales update: New vehicle sales fell by -26.3% y/y in August, underpinned largely by the continued sharp decline in the passenger category

1st September 2020

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



Source: Investec, NAAMSA

- The contraction in new vehicles sales continued to decelerate in August. Specifically, auto sales fell by -26.3% y/y or 11 969 units, following declines of -30.7% y/y and -29.6% y/y in June and July respectively. For the year to date (Jan. – Aug.) sales are down 34.6%, compared to the same period last year.
- A protracted recovery of the automotive sector is anticipated as the pandemic and its associated lockdown measures have had an unprecedented effect on consumers and the economy at large.
- The passenger category which makes up the largest portion of new vehicle transactions, saw its sales fall by a further -32.6% y/y, following a marked -35.8% y/y slide in July. Indeed, consumer confidence is at near historic lows, with many households cancelling or delaying discretionary, high value purchases.
- The used-to-new ratio (based on finance deals registered in the last quarter) detailed in Transunion's latest vehicle pricing index report (Q2.20), indicates that "(f)inance houses are financing 2.31 used vehicles for every 1 new vehicle — the highest since Q3 2017," further indicating how financially constrained consumers are (even before the onset of the pandemic).
- Additionally, light commercial vehicle sales continued to underperform, falling by a further -19.3% y/y in August as many small businesses likely had to close their doors as a result of the trading restrictions.
- Demand for medium and particularly heavy commercial vehicles picked up however, with sales increasing year-on-year (see figure 2). This is consistent with the advance indications provided by the Absa Purchasing Managers' Index (PMI), which points to improved conditions in the manufacturing sector. Specifically, the results of the PMI survey reflect marked increases in production in August due to pent up demand, consistent with the effects of the further easing of lockdown restrictions in the month of August.
- Export sales however disappointed, plunging by -46.9% y/y in August. Indeed, while global demand has picked up somewhat in line with the loosening of economies, new global export orders still remain in contractionary territory, according to JP Morgan's latest global PMI survey (although the pace of contraction has decelerated). Additionally supply chain disruptions continue to weigh on international trade. The World Trade Organisation's Goods Trade Barometer "hints at a nascent recovery" in Q3.20, with some of the component indices of the barometer stabilising or turning upward, which is positive for exports going forward.

Figure 2: New Vehicle Sales by Category

	July 2020 y/y %	August 2020 y/y %
Passenger	-35.8	-32.6
Light Commercial	-19.7	-19.3
Medium Commercial	-12.9	7.7
Heavy Commercial *	-13.2	9.0
Total Vehicle Sales**	-29.6	-26.3
Exports	-29.6	-46.9

Source: Investec, NAAMSA

*Includes extra heavy category and buses

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