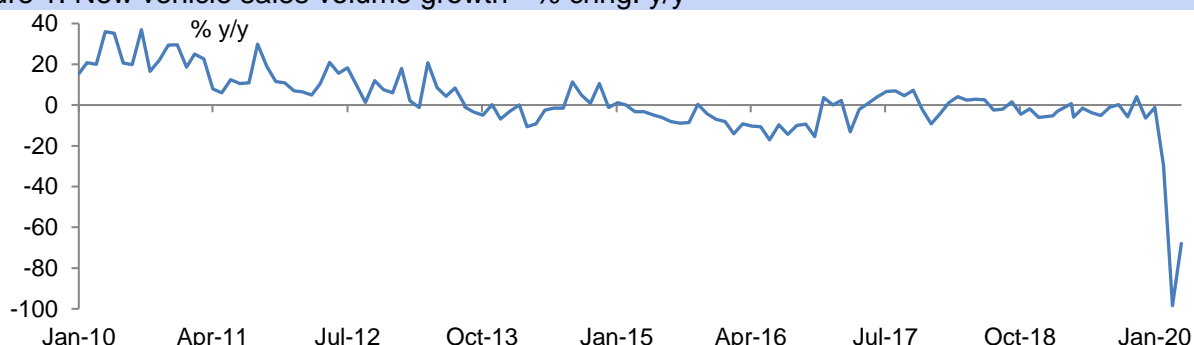




Vehicle Sales update: Sales of new vehicles continued to plunge in May, falling by 68%, reflecting the dire effects of the lockdown restrictions on the economy

2nd June 2020

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



Source: Department of Trade and Industry, Investec

- New vehicle sales plummeted by a further 68.0% y/y or 27 496 units in May, following the unprecedented 98.4% y/y plunge in April. Specifically, April, under lockdown level 5, saw the closure of a large portion of the economy, including auto dealerships. In May however, the move to level four allowed for the “slow gradual phased-in for all car sales” according to the National Association of Automobile Manufacturers of South Africa (NAAMSA). Specifically, from 13 May – 23 May dealerships could operate at 30% capacity with most car sales done remotely and mandatory home delivery of vehicles permitted.
- Overall, out of the total reported industry sales, an “(e)stimated 87,3% represented dealer sales, 7,9% sales to government, 2,9% to industry corporate fleets, and an estimated 1,9% represented sales to the vehicle rental industry,” according to NAAMSA.
- The passenger category which makes up the majority of new sales, declined by a marked 65.4% y/y in May. Consumers were under severe pressure even before the advent of the Covid-19 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 notable 74.8% y/y, 55.5% y/y and 62.8% y/y respectively in May.
- As we move to lockdown level 3 as of 1st June, most sectors of the economy should resume operations, accordingly demand for industrial vehicles will start to pick up, albeit at a decelerated pace. Indeed, the notable, anticipated contraction in GDP for 2020, coupled with subdued business confidence does not bode well for vehicle demand.
- Export sales, at 10 819 units, recorded a decline of 64.1% y/y, following April’s 97.3% y/y dive. “The performance of vehicle exports over the course of 2020 remains linked to the duration of the Covid-19 pandemic and its impact on the global economy,” according to NAAMSA.

Figure 2: New Vehicle Sales by Category

	April 2020	May 2020
	y/y %	y/y %
Passenger	-99.6	-65.4
Light Commercial	-96.8	-74.8
Medium Commercial	-88.9	-55.5
Heavy Commercial *	-93.8	-62.8
Total Vehicle Sales**	-98.4	-68.0
Exports	-97.3	-64.1

Source: Investec, Department of Trade and Industry

*Includes extra heavy category and buses

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