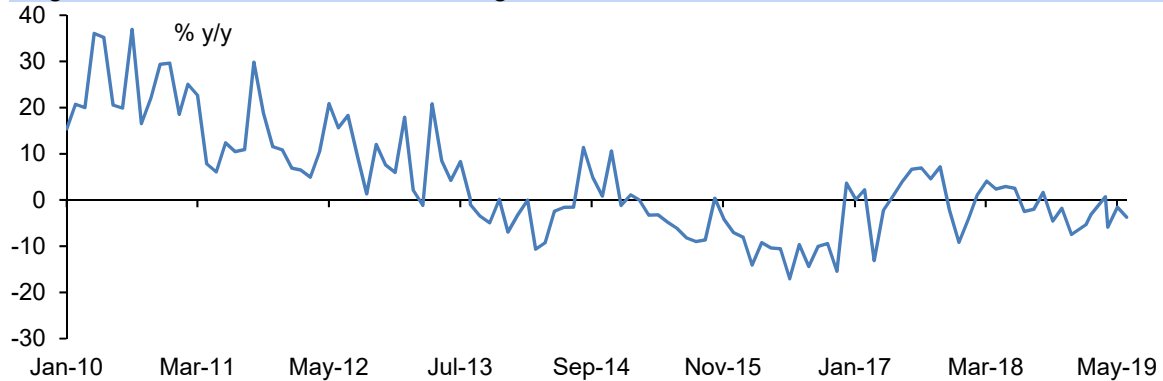




Vehicle Sales update: Sales of new vehicles fell by 3.7% y/y in July, underpinned by a marked decline in the passenger car segment

1st August 2019

Figure 1: New vehicle sales volume growth



Source: Department of Trade and Industry, Investec

- New vehicle sales slid by 3.7% y/y in June, following June's 1.6% y/y contraction, underpinned largely by a marked decline in the passenger vehicle category.
- That is, the passenger vehicle segment of the market, which comprises over half of all new vehicles sold domestically, plunged 8.2% y/y in July, following May's -3.0% y/y fall. "Subdued income growth and low (albeit accelerating) credit growth, combined with the lengthening of the replacement cycle, continue to weigh on demand for new passenger cars", according to the BER. Their latest retail confidence survey, indicates that new vehicle trader confidence fell sharply in Q2.19, with most traders signifying that "(g)eneral business conditions had deteriorated relative to a year ago".
- According to TransUnion's SA Vehicle Pricing Index (VPI) for Q2 2019, "The South African car market continues to struggle, with the bulk of the buying activity currently taking place in the used car sector as financially stretched consumers increasingly opt for older cars at lower price points".
- Sales of commercial vehicles however picked up, rising by around 5.3% y/y, following June's modest lift. A marked boost in business confidence is however required to drive a substantial lift in fixed investment, needed to achieve sustainable growth in this category of the vehicle market.
- Export sales grew by 22.1% y/y in July, following June's 14.5% y/y lift and are up 19.8% y/y year-to-date (Jan-July). However, "Investment and demand for consumer durables have been subdued across advanced and emerging market economies", according to the IMF. As such, global trade remains lackluster, which could hinder SA's export prospects going forward.

Figure 2: New Vehicle Sales by Category

	Jun. 2019 y/y %	Jul. 2019 y/y %
Passenger	-3.0	-8.2
Light Commercial	1.2	2.9
Medium Commercial	16.0	14.9
Heavy Commercial*	-5.7	21.4
Total Vehicle Sales	-1.6	-3.7
Exports	14.3	22.1

Source: Investec, Department of Trade and Industry

* Includes extra heavy category and buses



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