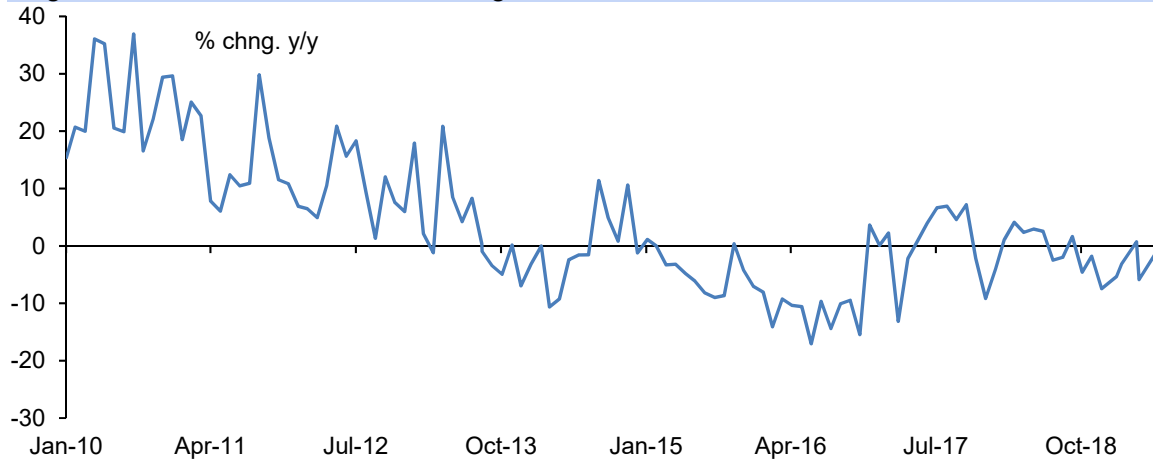




Vehicle Sales update: Passenger car sales contracts by 3.2% y/y in June as consumers remain financially constrained

1st July 2019

Figure 1: New vehicle sales volume growth



Source: Department of Trade and Industry, Investec

- The pace of contraction in new vehicle sales slowed somewhat in June, falling by 1.6% y/y, following May's notable 5.9% y/y decline, supported by a modest pick-up in the commercial vehicle category, this as passenger car sales continued to disappoint.
- The passenger vehicle segment of the market, which comprises over half of all new vehicles sold domestically, slid -3.2% y/y in June, versus -1.7% y/y in May. Muted economic growth, coupled with rising administered prices and high levels of unemployment continue to weigh on the already financially burdened consumer, deterring purchases of non-essential items.
- Consumers are instead opting for used vehicles, as evinced by TransUnions's Q1.19 vehicle pricing index, which indicates that people are opting for used vehicles over new models. That is, "(t)he used-to-new vehicle ratio declined to 2.13 from 2.09 in the previous quarter", suggesting "(t)hat 2.13 used vehicles were financed for every new vehicle financed".
- Export sales recovered modestly in June, lifting by 14.3% y/y, this after sliding by 7.8% y/y in May, however the pace of export growth has slowed markedly after reaching readings of over 50% y/y in April 2019. Persistent global trade tensions continue to weigh on international trade and investment prospects and could therefore constrain South Africa's export potential going forward.

Figure 2: New Vehicle Sales by Category

	May. 2019 y/y %	Jun. 2019 y/y %
Passenger	-1.7	-3.2
Light Commercial	-12.9	1.2
Medium Commercial	0.7	16.0
Heavy Commercial*	-15.7	-3.9
Total Vehicle Sales	-5.9	-1.6
Exports	-7.8	14.3

Source: Investec, Department of Trade and Industry

* Includes extra heavy category and buses



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