

Industry strikes slow vehicle sales growth

Toyota South Africa Motors remains South Africa's most popular vehicle manufacturer, despite suffering severe production losses due to the strike in the manufacturing industry and the current strike in the component manufacturing industry, according to sales figures aggregated by the National Association of Automobile Manufacturers of South Africa.

According to the sales figures, Toyota sold 9,761 vehicles in a total market of 54,281 units. Toyota further managed to export 1,913 vehicles in September.

The vehicle market declined by 1.5% compared to September 2012, and by 3.2% compared to August 2013. This is a pronounced decline considering that vehicle sales normally accelerate towards the end of a quarter, as dealers and manufacturers work hard to reach quarterly sales targets.

"The market is showing the first symptoms of the shortage in the supply of locally produced vehicles, such as the Corolla, Hilux and Fortuner. If one considers that there is on average 6 weeks of stock in the various stages of the vehicle value chain (including storage, delivery and dealer stock) and if the strike in the component industry continues for this week, vehicle sales in October will drop further below expectation," says Calvyn Hamman, senior vice president for Sales and Marketing at Toyota South Africa Motors.

The decline in sales, explains Hamman, will weigh heavily on overall vehicle sales growth for 2013, while the estimated R600 million daily loss experienced by the automotive industry during the strike will undoubtedly impact on the country's gross domestic product for this year.

The initial impact of the various automotive industry strikes are evident in the year-to-date sales growth, which has dropped to 5% compared to the same period last year. This is well below many initial industry growth estimates of 10% or more. The loss of production and delay in vehicle supply will continue to influence the sales of locally produced volume sellers for the rest of 2013.

The general decline in sales was counteracted by significant sales to the vehicle rental market. Vehicle rental companies, gearing up for the busy Christmas season, purchased more than 15% of all vehicles. Many of these sales were deliveries on tender sales concluded prior to the strike.

Vehicle sales through the dealer channel did show signs of decline, but sales were propped up by the sale of imported cars, which were not affected by the strike.

"The drop in vehicle sales and on-going strikes will also reflect in general business sentiment," says Hamman. "Most of the recent industry barometers put sentiment in negative territory, which will in turn influence future vehicle purchases."

The drop in business sentiment was counter-balanced by some positive news, including the decision by the Reserve Bank to keep interest rates unchanged and this month's drop in fuel prices, albeit small.

"Fuel prices remain a favourite topic of discussion. We have noted increased interest in our leading hybrid technology, especially since we introduced our Yaris Hybrid and Auris Hybrid models," says Hamman.

Another positive change in vehicle sales is the general good performance in the medium, heavy and extra heavy commercial vehicle market. Commercial vehicles are generally assembled from imported component-sets and as such these operations have been able to restart despite the component manufacturing strike.

Toyota South Africa Motors assembles the full range of Hino trucks at its Prospecton manufacturing plant in Durban

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