

Volatility presides in new vehicle industry

Optimists will have welcomed June's smaller decline in sales as South Africa's new vehicle market continues to struggle and seemingly deliver any type of identifiable trend. They would have smiled even more fondly on an increase month-on-month. But the realists will have identified the continued slide in new vehicle market performance.



Ghana Msibi, executive head of motor division at WesBank

June sales continued to show the volatility and seeming unpredictability of the new vehicle industry. New vehicle sales declined 1.6% to 45,939 units compared to June 2018, according to figures released by the National Automobile Association of South Africa (Naamsa).

"Being optimistic, overall market performance is improving over the first half, but its performance doesn't follow any kind of trend," says Ghana Msibi, executive head of motor at WesBank.

"The market started the year 7.4% down in January, making June look relatively rosy – but it's been a matter of how big the rest of the thorns were in-between."

Year-on-year performance over the first six months has swung from the worst 7.4% decline in January to the best month being April with 0.7% growth. The passenger car and Light Commercial Vehicle (LCV) sectors have been even more volatile. Passenger cars have spread from February's 13.3% decline to April's 3.9% growth, while LCVs fluctuated from being 13% down in May to being up as much as 7.1% in February. All seemingly without correlation to one another.

Passenger car sales declined 3.2% in June to 28,885 units saved by a 16.8% up-tick in demand from the rental market. Dealer channel sales in this segment were down 5.2% indicating the continued pressure on household income and affordability.

Light Commercial Vehicle vehicles grew 1.2% during June to 14,495 units assisted by government sales (1,185 units up 78.2%) unlocked by decisions post elections. Consumer demand helped dealers, where the channel was down 1.8%.

“The only trend that does continue is the financial pressure that consumers remain under,” says Msibi. “While motorists should expect some relief in petrol prices during July, households will bear increases in rates and electricity prices from this month. The South African Reserve Bank will be considering interest rates carefully, but any relief will be small if at all.”

Year-to-date sales show the first half down 3.7% on 2018, the figure clawed back to levels experienced in April.

“Consumer and business confidence will be caught in a see-saw of hope and confusion unless macro-economic factors can begin providing some stability in the market,” says Msibi. “Those optimists will be looking for improvement in the second half to get anywhere near the expected market performance of an industry 1% down on 2018.”

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