

# The vehicle market is unexpectedly steady

The National Association of Automobile Manufacturers of SA (Naamsa) recently released statistics that indicate a positive growth for the vehicle market amidst economic challenges.



Photo by Victor Sánchez Berruezo on Unsplash

The statistics show that new vehicle sales went up by 3% from this time last year to 46,768. This is also well above the 42,950 sales seen in May.

Growth was driven by passenger vehicles, which registered sales of 29,886, up 4.4% from June 2017, and heavy commercial vehicle sales of 553, up by 18.9% from the year before. Within the passenger segment, most sales appear to have been supported by new models and on-going manufacturer sales incentives.

There is a clear on-going strong demand pattern through the dealer channel to the general buying public. This is represented by the fact that over 82,5% of vehicle sales are through dealers. According to Standard Bank application numbers, continued growth in applications was noted, resulting in positive vehicle replacement trends by customers.

June represents a quarterly close out period for most retailers, which is often supported by on-going manufacturers' sales incentives.

## Budgeting pressures might affect the positive growth

Despite the positive outcome of the vehicle sales numbers in June, there appear to be some motoring budgeting pressures expected from recent fuel price increases. Such upward price adjustments are not expected to significantly influence purchasing behaviour, but possibly shift buying behaviour towards smaller segments, which appears to still comprise most of the passenger car sales as reflected in the June numbers.

The impact to the South African market is unfortunately beyond its control given a tricky combination of a weak rand against the dollar as well as the rising oil price.

The vehicle new and used ratio remains the same with more customers seeking to purchase used vehicles despite the lower vehicle price inflation on new vehicles. According to Standard Bank, there is no doubt, however, that consumers will continue to take advantage of the lower inflation in new vehicle pricing to replace their vehicles.



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Danette Breitenbach 27 Jun 2018



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The lower economic growth numbers reported over the last quarter is more reflective of the current sentiment affecting the corporate sector, as evidenced by the lower year-on-year commercial sales figures. Standard Bank expects that this sentiment will continue for the rest of the year in the corporate sector.

The market outlook remains stable to positive as key segments are expected to deliver a similar to a better sales outlook for the second half of the calendar year. Standard Bank still retains its forecast of 2% growth for the calendar year 2018, to yield approximately 568,000 units for the year.

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