

## Plunge in new vehicle sales worse than feared

Motor industry analysts were scrambling at the weekend to find any positives in last month's new vehicle sales, which underperformed even the most pessimistic forecast by plunging 14% year on year.

By David Furlonger <sup>4 Apr 2016</sup>



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For the first quarter, they were down 10%, from 160,002 to 144,352.

Compared with March last year, sales of all new vehicles fell last month from 55,389 to 47,631. Car sales were down 13.4%, from 35,468 to 30,702.

To make matters worse, the commercial vehicle sector, which has generally held its own better than cars in the past couple of years, had a thoroughly miserable month. Light commercials, mainly bakkies, were down 14%, medium trucks 31%, heavy trucks 4% and extra-heavies 24%.

While the timing of Easter obviously had an influence, with the accompanying holiday period in March rather than April, as was the case last year, analysts said at the weekend that it merely worsened what would have been a weak market anyway.

In the recent past, banks have blamed shrinking sales partly on stricter lending rules that have resulted in many finance applications being turned down.

But now it seems consumers are not even trying.

WesBank's Rudolf Mahoney reported that finance applications for new vehicles last month dropped 20% year on year, compared with a 3% fall for used vehicles.

He said applications for used vehicles outnumbered new by a ratio of 2.36:1 - a figure last seen in December 2009. Actual sales also favoured used vehicles, by 1.5:1.

He said: "It's safe to say we are now in a used market."

People with cars are holding on to them longer. Absa's Nelisiwe Baloyi said 91% of her bank's finance applications last month were for repayment over 72 months.

Were it not for rental companies, which accounted for only 8.7% of total new-vehicle sales last month but increased purchases by an astonishing 220% compared with March last year, the industry's misery would have been even deeper.

Rental demand has grown this year since the government relented on touristunfriendly visa regulations.

Standard Bank's Nicholas Nkosi said private buyers were being worn down by a combination of interest rate hikes, price increases, and a lack of disposable income. This year's interest rate rises had added only R80 to the monthly repayment on a car of about R250,000. But consumers were taking a longer-term view.

Mr Mahoney observed: "Anyone who reads a newspaper or watches TV will know that we are in a rising interest rate cycle and that things will get worse later this year."

On the depressing market for commercial vehicles, he added: "You only have to look at business confidence levels. Negativity in the corporate space is pulling down sales of trucks."

If there is a positive to be found, it is in exports of South African-made vehicles. Exports last month fell 18.5% from a year earlier, and for the first quarter, they are down 13%, from 80,510 to 70,028. But there is a reason for this. Toyota SA recently launched its new, locally built Hilux pick-up range, of which it exports nearly 50%. As always happens during model changeovers, there is a lull in production while the old model is run out, equipment for the new one is installed in the factory, and then the new product is gradually introduced.

Toyota SA's March exports, at 1,549, were about a quarter of usual monthly levels, but CEO Andrew Kirby expects export figures to be back to normal soon.

If that is the case, the National Association of Automobile Manufacturers of SA forecasts of a full-year export increase this year should still be achievable.

*Source: Business Day*