11 December 2019

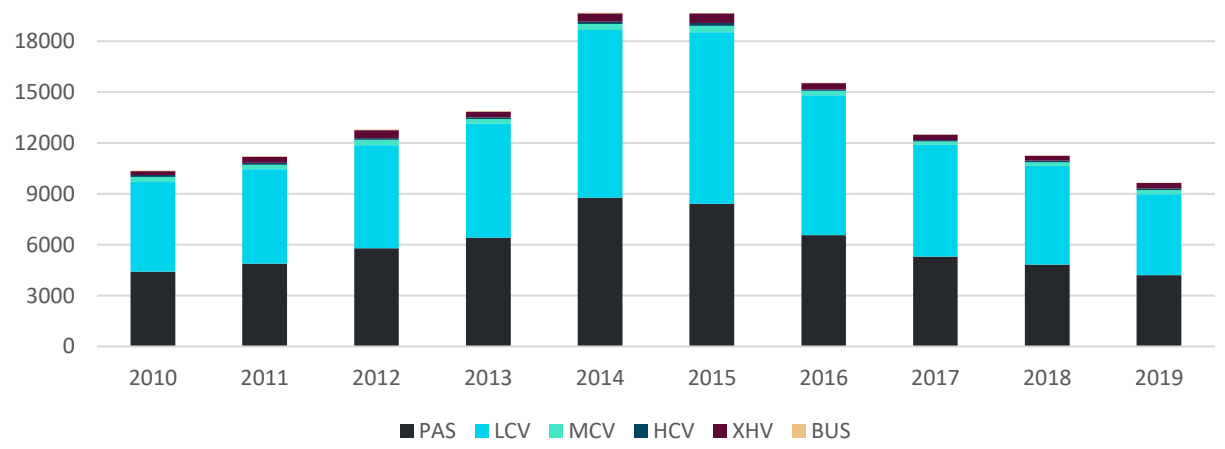
CIRRUS SECURITIES

November Vehicle Sales Note

Overview

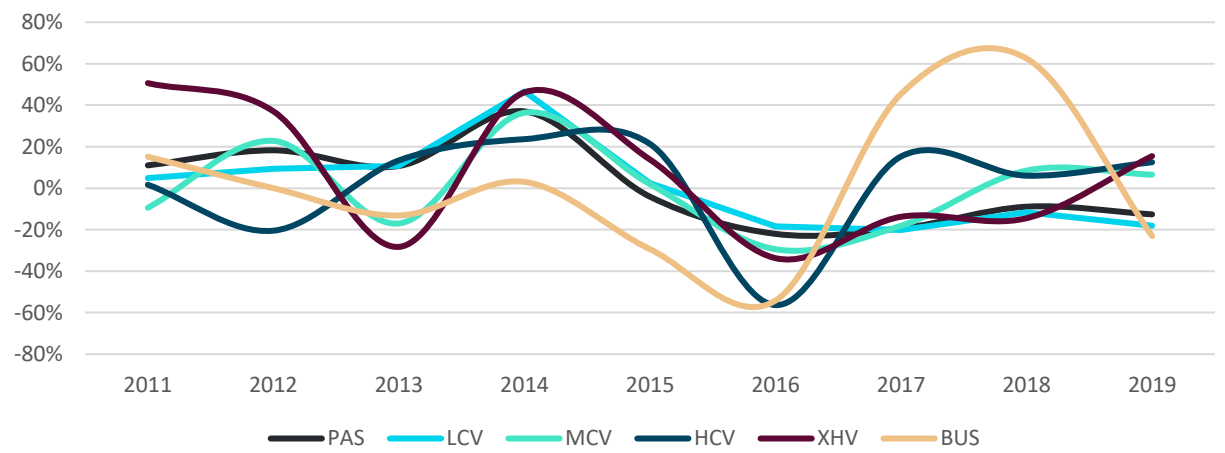
The contractionary trend set in 2015 has been the new normal and is set to be reaffirmed this year, with the vehicle sales statistics for November 2019 conforming to this trend. So far this year, 6 of the 11 months recorded simultaneous contractions for monthly and annual growth rates. In November 2019 total sales of 875 units was realised, with contractions of 9.9% and 26.2% in the monthly and annual growth rates. Cumulative annual sales have been contractionary since 2016, with the latest contraction being 14.2% from last year levels. This contraction is attributed to both passenger and commercial vehicles as both categories contracted, 12.6% and 15.4% respectively. If anything is to be made of these numbers, it is that consumer propensity to spend on luxury goods continued to be dull in 2019.

Chart 1: November Cumulative Annual Unit Sales



Source: Cirrus, Lightstone Auto

Chart 2: Cumulative Annual Unit Growth

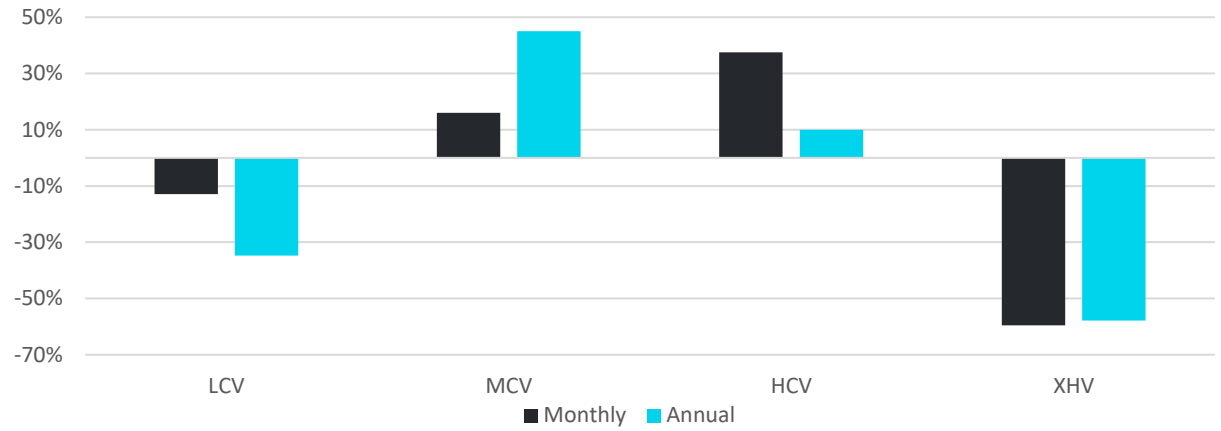


Source: Cirrus, Lightstone Auto

Commercial Vehicles

Collectively, the commercial vehicles category reverted to contractionary territory with contractions of 33.2% on an annual basis and 14.3% on the month. LCV is the largest category for commercial vehicles with a weighting of 0.89 (of a total of 1), as such this category tends to sway growth for the general group. LCVs posted large contractions both in monthly and annual terms at 12.9% and 34.8%, respectively. However, some short-term resilience is prevalent as the average monthly rates somewhat contradict the contractionary trend to average +3.6% since the start of the year, boosted by this category posting +30% monthly growth rates twice so far this year.

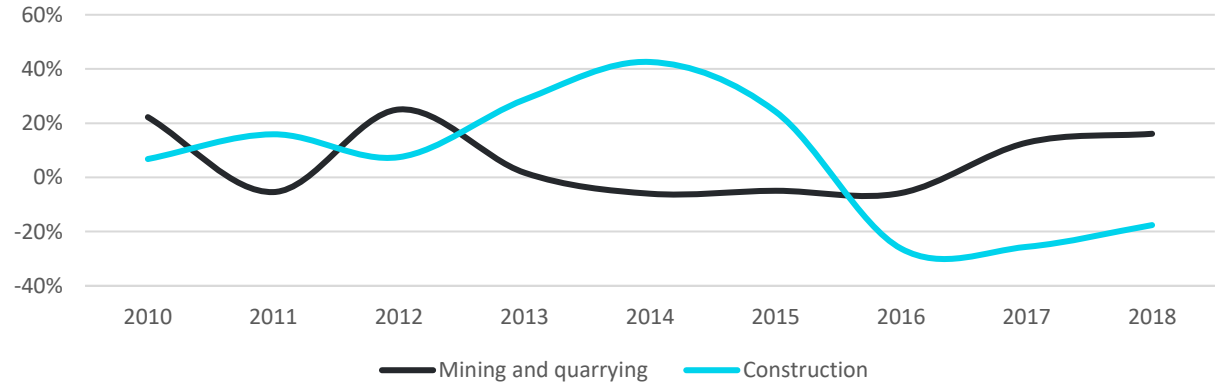
Chart 3: Commercial Vehicles Subcategory Growth



Source: Cirrus, Lightstone Auto

The extra-heavy commercial vehicles category (XHV) though relatively small, has wide implications and relations to major sectors of the economy such as the mining and construction sectors. With a slowdown in mining activities – including some mine closures in recent years – and contractions in the construction industry, the demand for XHV is subdued. Given the absence of meaningful stimuli for both of these sectors, we expect the XHV subcategory to remain contractionary for the medium term. XHV sales posted contractions of 59.6% and 57.8% on a monthly and annual basis, respectively.

Chart 2: GDP Sectoral Growth

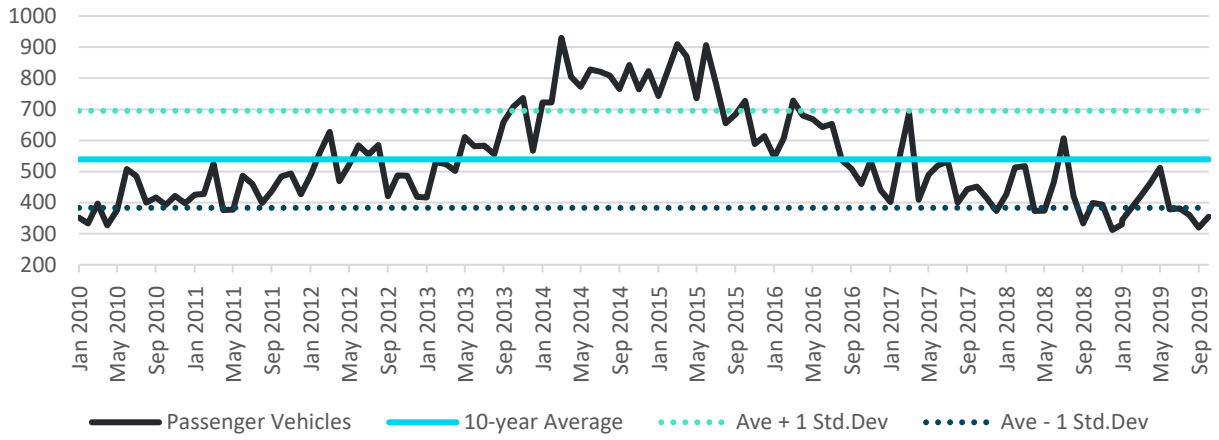


Source: Cirrus, NSA

Passenger Vehicles

Annual cumulative unit sales for passenger vehicles are set to be below 5,000 units this year, the first-time passenger vehicles will record sales below 5,000 units in a calendar year since 2010. Annual cumulative units are the lowest this decade at 4,214 units thus far. Contractionary annual growth rates persisted throughout the year and thus given the category's large weighting in the aggregate numbers, a rather sluggish tune for aggregate growth rates was implied through this category. Passenger units sold totalled 347 for November 2019, contracting 11.9% on an annual basis and 2.3% on the month.

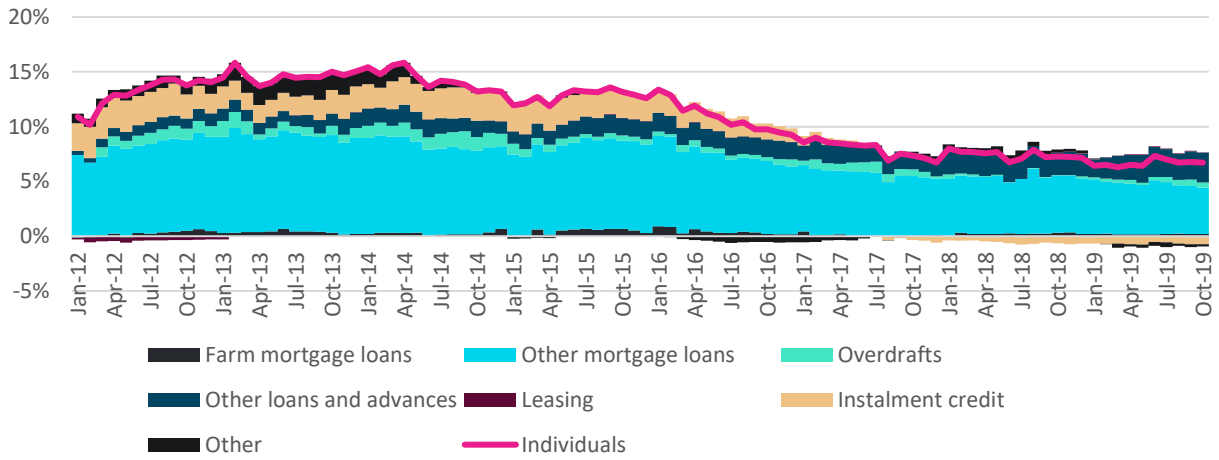
Chart:4 Passenger Vehicle Sales



Source: Cirrus, Lightstone Auto

The passenger vehicles category is a leading indicator of private sector credit extension numbers, particularly instalment credit extended to individuals, which of late has been under severe pressure. Chart 5 illustrates this, showing that as passenger vehicle sales dipped below the 10-year average (Chart 4) in September 2017, instalment credit growth for individuals entered contractionary territory.

Chart:5 Passenger Vehicle Sales



Source: Cirrus, BoN