

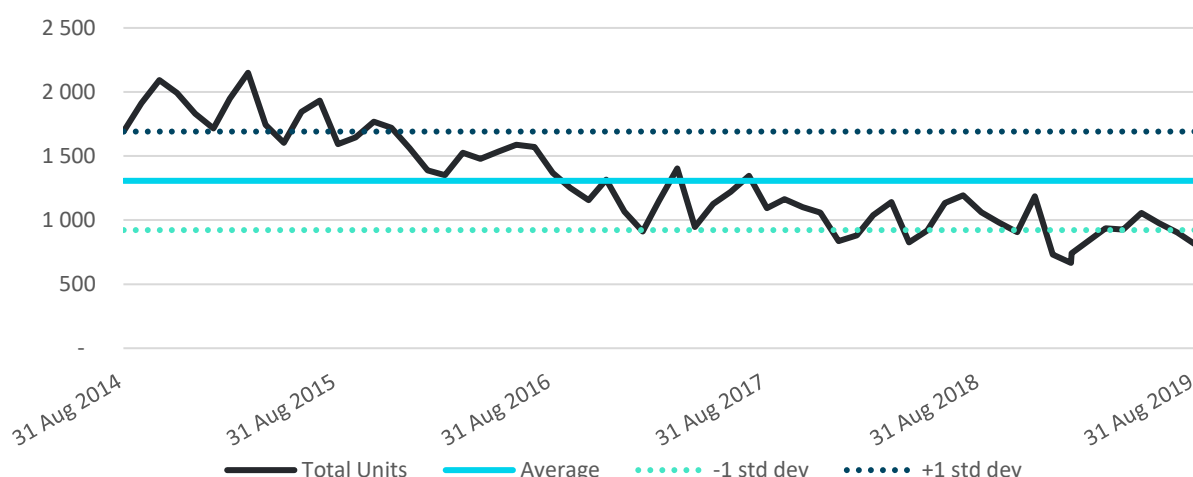


12 September 2019

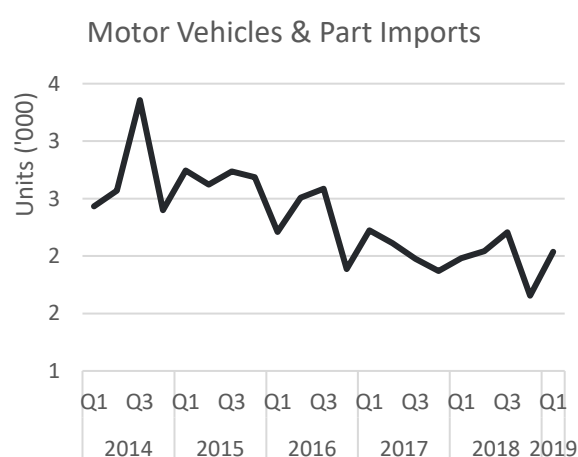
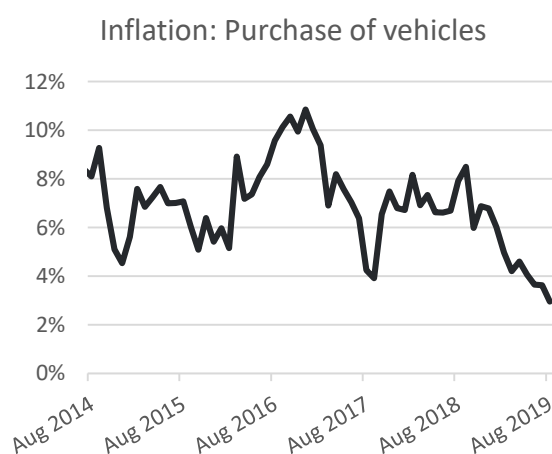
Vehicle Sales Note

Overview

The vehicle sales statistics for August 2019 conformed to the continued downward trend, as total units sold are down by 96 units (-10.6%) on a monthly basis, totalling 808 units. On a year-on-year basis, vehicle sales posted deep contractions for a third consecutive month at 23.8%. Annual cumulative sales are now 1,181 fewer compared to the same period last year. Long term contractions have become a norm that is likely to persist for the remainder of the year due to a lack of catalysts for economic stimulants. Total units sold have consistently been below the 5-year average since 2017 and dipped to below one standard deviation from the mean, implicative of a drag on the broader economy.



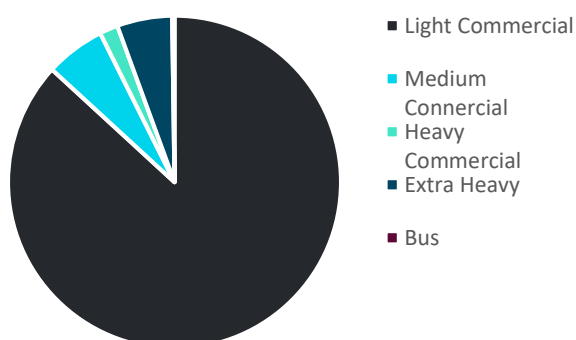
Transport inflation came in at 6.1% for August 2019, the lowest observable value in 15 months. This is due to the 1.1 percentage point drop in operation of personal transport equipment inflation and a 0.6 percentage point drop in purchase vehicle price inflation. However, these inflation figures could not provide remedy for growth in new vehicle sales.



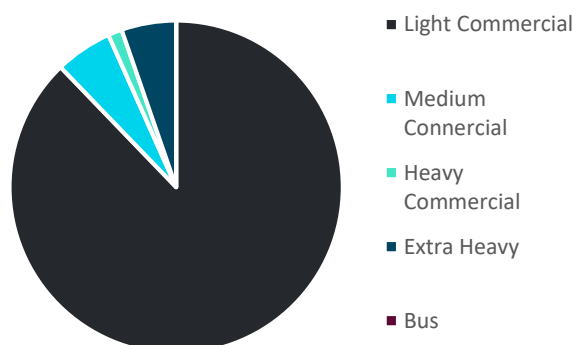
Commercial Vehicles

The Commercial vehicles category recorded its deepest annual contraction since January 2017 at 30.0%, while monthly rates are also the lowest since the start of the year. Over the last five years there has not been any structural changes in the composition of commercial vehicles, with light commercial vehicles still accounting for over 80% of sales. Though accounting for about 6% of commercial vehicles, medium commercial vehicle acquisition may be used as a proxy to gauge the prospects of the wholesale and retail trade sector of the economy.

Commercial Vehicles 2019



Commercial Vehicles 2017



In their July 2019 Economic Outlook, Bank of Namibia revised growth for wholesale and retail trade down to -5.7% in 2019 from April's forecast of -0.2%. The contraction for 2019 is shallower than those of 2017 and 2018, however it is particularly reflective of the squeeze which corporates find themselves in. Without a broader economic recovery, leading to better wage adjustments and increased employment, meaningful growth in this sector will remain elusive.

Passenger Vehicles

Being the largest category by sales, passenger vehicles continue to set a downbeat tune for aggregate growth rates. Units sold for this category contracted both on a monthly and annual basis, 5.8% and 14.5% respectively.

Annual cumulative sales for 2019 are now the lowest for the last decade. We expect this trend to remain persistent over the long term due to the squeeze which households find themselves in. Without a broader economic recovery, leading to better wage adjustments and increased employment, meaningful growth in this sector will remain elusive. Households have been cushioned to some extent by very low inflation this year, which has seen their buying power eroded less quickly, however most have not seen income growth (whether wage adjustments or employment) to offset this.

