

08 May 2020

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## Vehicle Sales Note April 2020

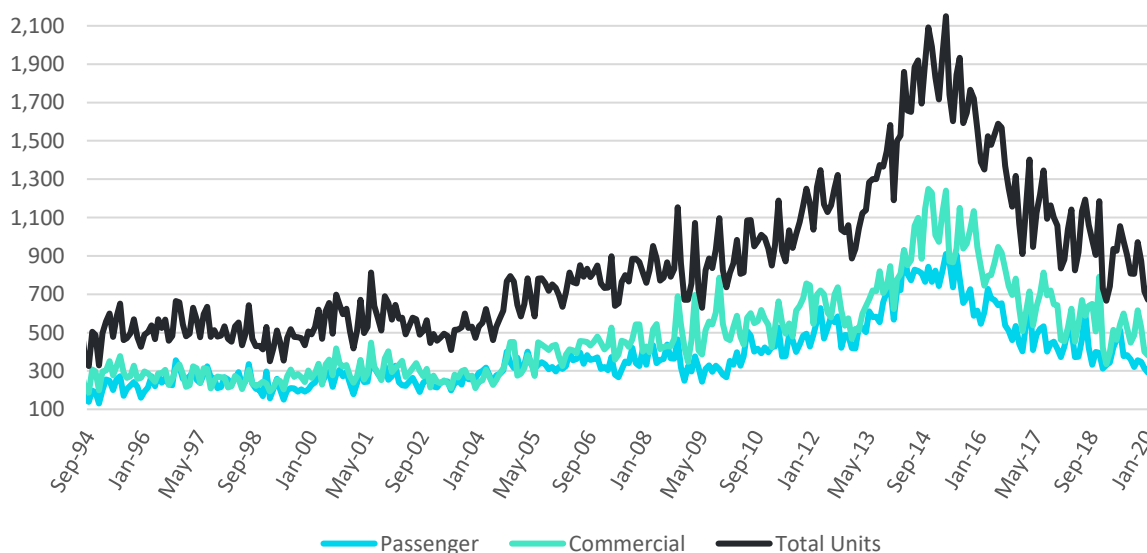
### Overview

April saw two of Namibia's core economic regions, namely the Khomas and Erongo regions, under lockdown for the entire month, with the rest of country being placed under lockdown from 18 April. Unsurprisingly, this resulted in new vehicle sales declining 94.6% y/y and 93.4% m/m after just 50 units were sold in April. This is the lowest monthly sales figure in our time series, which stretches back to January 1994. The second lowest monthly sales figure comes from September 1994, when 325 units were sold. The year-to-date sales of 2,279 vehicles is a decrease of 30.3% compared to the first four months of 2019.

The lockdown saw most general business activity restricted, which would have significantly impacted sales. Furthermore, many employed persons in Namibia have been subjected to either wage reductions or retrenchment due to the diminished business activity, thereby reducing household incomes and the ability to afford (as well as tangible demand) for new vehicles. The continuing decline in new vehicle sales echoes the growth in instalment credit, which has remained negative for 32 consecutive months up until March 2020 (the April data is not yet available).

Another contributor to the decline in new vehicle sales is the supply of second-hand vehicles. With external demand coming to a sudden halt, the tourism industry in Namibia is collapsing. As a result, many operators within the industry (whether offering tours or rental vehicles) have opted to reduce the size of their fleet by selling vehicles, increasing supply in the market for cheaper substitutes to new vehicles. Given the economic hardship ahead, and particularly the result on household disposable income, it comes as no surprise that prospective buyers would rather opt for the cheaper second-hand market.

Chart 1: Total Unit Sales



Source: Cirrus, Lightstone Auto

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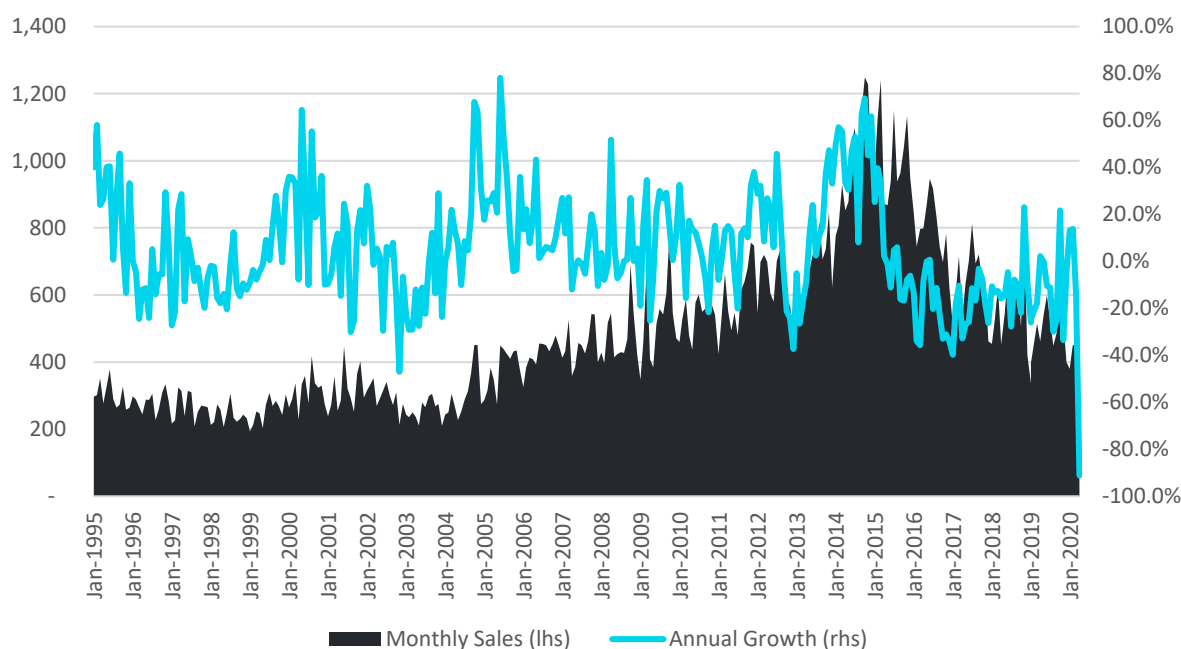
## **Commercial Vehicles**

A total of 41 commercial vehicles were sold in April, making up 82% of last month's sales. This is a 91.1% decrease on an annual basis, and a 90.7% decrease from commercial vehicle sales in March this year. Cumulative sales for the year are at 1,314 units, significantly fewer than the 1,709 units sold in the first four months of 2019.

Light commercial vehicle (LCV) sales decreased 90.4% on an annual basis and 90.0% monthly. However, this category accounts for most of the vehicles sold in April, with 39 units sold last month (33 being Toyota Hilux, and just 2 Ford Rangers).

Only 2 Medium Commercial Vehicles were sold in April, and together with the 39 LCVs sold, account for total commercial vehicle sales. No (Extra) Heavy Commercial Vehicles were sold, which comes as no surprise given the initial restrictions on most activities that would require such vehicles, like mining and construction. As the year progresses and general economic activity – both domestically and internationally – remains subdued, more businesses will shut their doors as they are unable to make ends meet. This is particularly true for those in the worst-hit sectors, such as tourism and construction. This will result in more commercial vehicles being placed in the second-hand market, and will depress demand for any new vehicles – particularly commercial vehicles.

Chart 2: Commercial Vehicle Sales



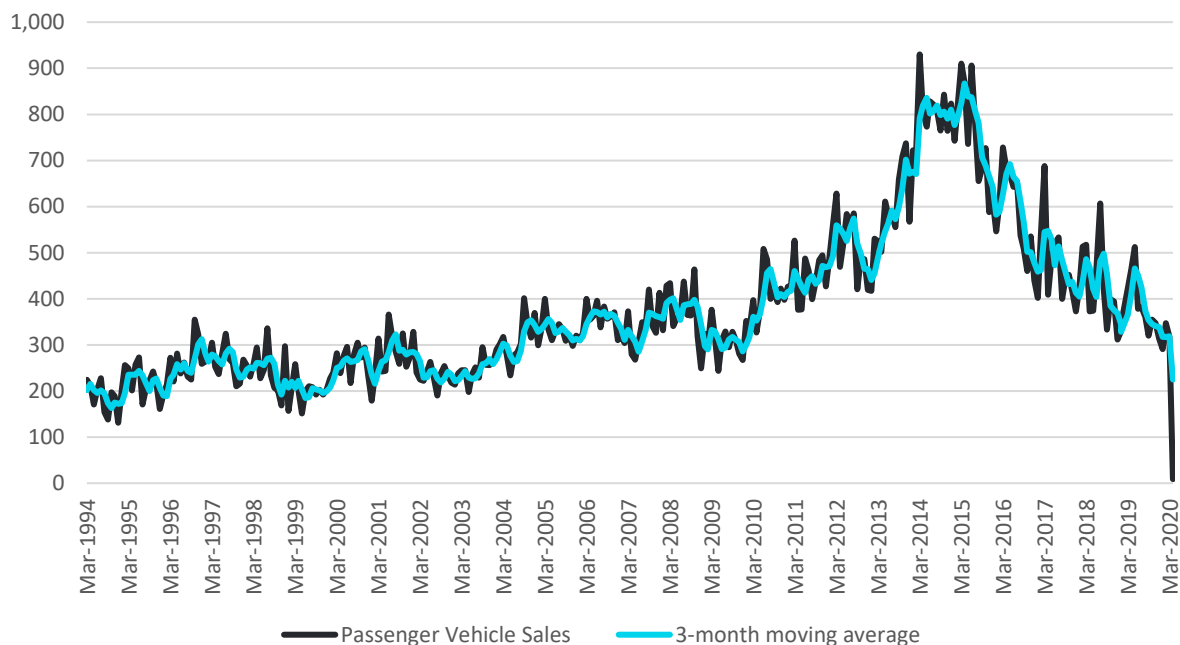
Source: Cirrus, Lightstone Auto

## **Passenger Vehicles**

A total of just 9 passenger vehicles were sold in April, a far cry of the 318 sold in March. This is the lowest passenger vehicle sales figure we have on record, with the second lowest being the 131 units sold in December of 1994. April's sales represent a 98.1% decrease on an

annual basis, and a 97.2% decrease month-on-month. The uncertainty for many individuals as to their job security and future income will have resulted in an immediate decline in sales last month, over and above the restrictions on the ability to purchase during the lockdown. The weak sales figure will have been exacerbated by buyers opting for cheaper second-hand vehicles which are increasingly being placed in the market.

Chart 3: Passenger Vehicle Sales



Source: Cirrus, Lightstone Auto