11 June 2020

CIRRUS SECURITIES

Vehicle Sales Note May 2020

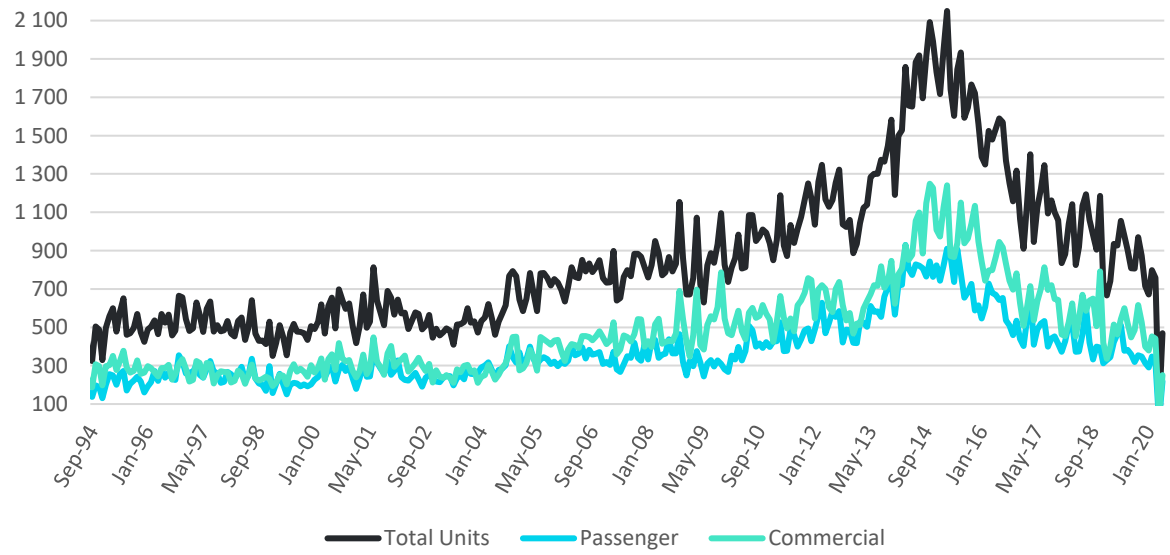
Overview

May saw the relaxation of some lockdown regulations throughout the country and gradual reopening of the economy, albeit with many restrictions still in place. Naturally, base effects resulted in new vehicle sales improvements on a monthly basis of 840.0%. However, vehicle sales remained subdued on an annual basis, with negative year-on-year growth of 55.5% amounting to 470 units sold in May. Excluding April, this is the lowest monthly sales figure since June 2004 which saw 529 vehicles sold in that month. The year-to-date (YTD) sales of 2,749 vehicles is a decrease of 36.4% compared to the first five months of 2019. Moreover, YTD sales for 2020 are the lowest observable values since 2004.

Over the last three months, many employed persons in Namibia have been subjected to either wage reductions or retrenchments due to diminished business activity, thereby reducing household incomes and the ability to afford new vehicles. The continuing decline in new vehicle sales echoes the growth in instalment credit, which has remained negative for 33 consecutive months up until April 2020 (the May data is not yet available).

New vehicle sales will continue to be hindered by the supply of second-hand vehicles from the tourism industry as many participants opt to reduce their fleet size – thereby providing a cheap substitute. Given the economic hardships 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



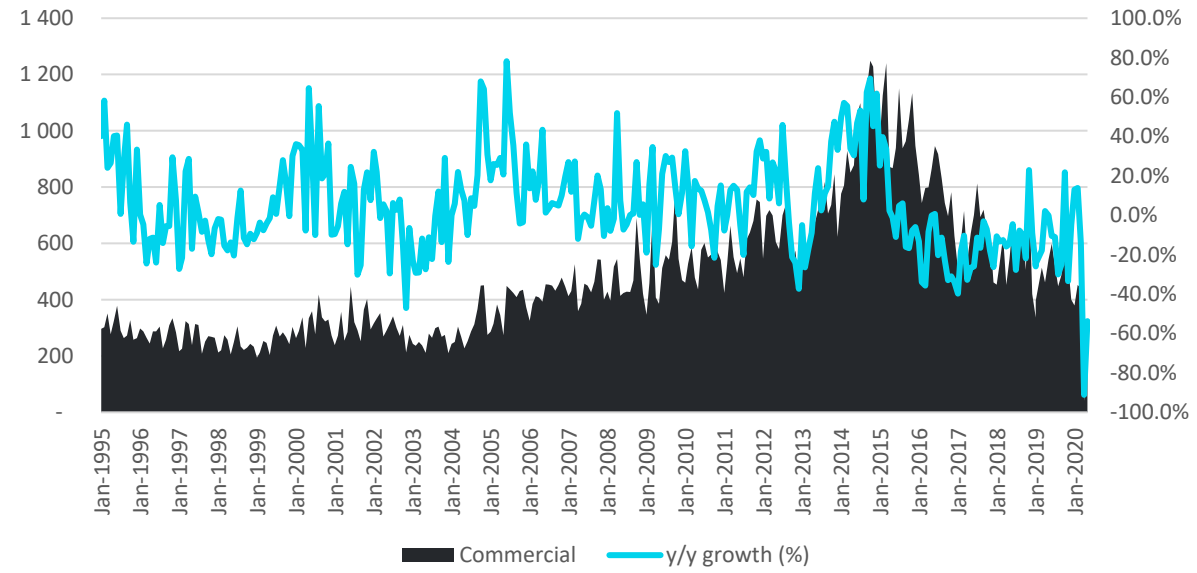
Source: Cirrus, Lightstone Auto

Commercial Vehicles

A total of 251 commercial vehicles were sold in May. This is a 53.8% decrease on an annual basis, and a 512.2% increase from commercial vehicle sales in April this year. Cumulative sales for the year amount to 1,565 units, significantly fewer than the 2,252 units sold in the first five months of 2019.

Light commercial vehicle (LCV) sales decreased 51.1% on an annual basis and increased 492.3% monthly. This amounted to 231 LCVs sold in May. 10 Medium Commercial Vehicles were sold, with YTD sales amounting to 70 units. This represents a 23.1% decrease on an annual basis. 4 Heavy Commercial Vehicles, 5 Extra Heavy Vehicles and 1 Bus were sold in May after posting 0 sales in the previous month. The deteriorated economic outlook does not bode well for commercial vehicle sales, as many businesses will come under pressure. This will lead to increased supply on the second-hand market, and will depress demand for any new vehicles – particularly commercial vehicles – thereby presenting both supply and demand side pressures for commercial vehicle sales.

Chart 2: Commercial Vehicle Sales

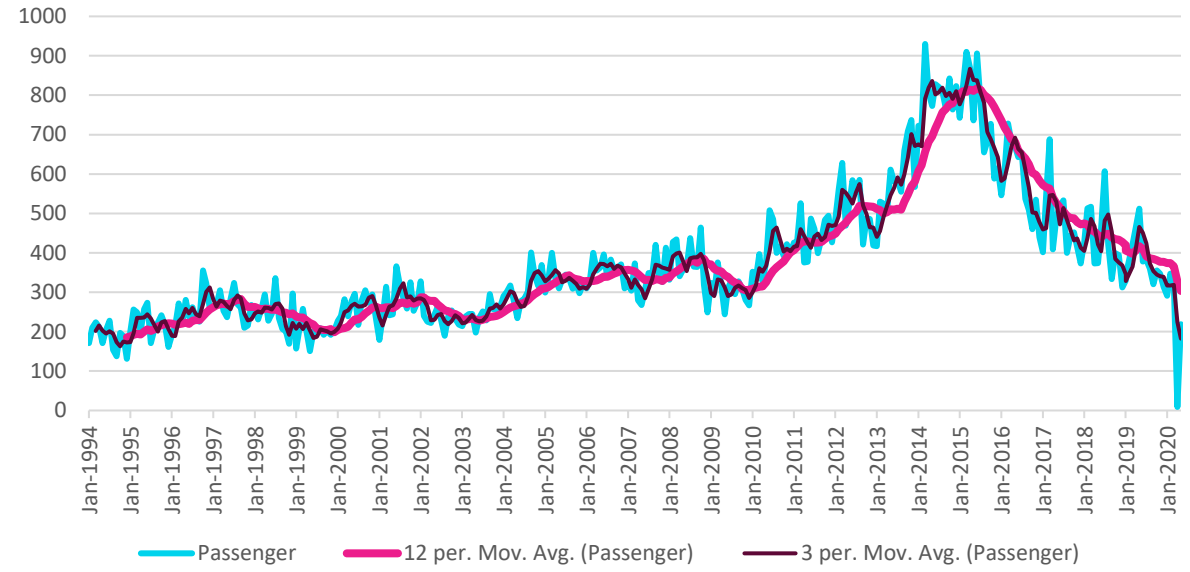


Source: Cirrus, Lightstone Auto

Passenger Vehicles

219 passenger vehicles were sold in May, a significant improvement from the 9 sold in the previous month. However, barring April 2020 sales, passenger vehicle sales were the lowest observable figure since May 2003 which saw 198 units sold in that month. May's sales represent a 57.2% decrease on an annual basis, however, represent a 2333.3% increase month-on-month. Weak sales can be attributed to weaker balance sheets of households which are further exacerbated by the increase in cheaper substitutes, as previously mentioned.

Chart 3: Passenger Vehicle Sales



Source: Cirrus, Lightstone Auto

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