

13 July 2020

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Vehicle Sales Note June 2020

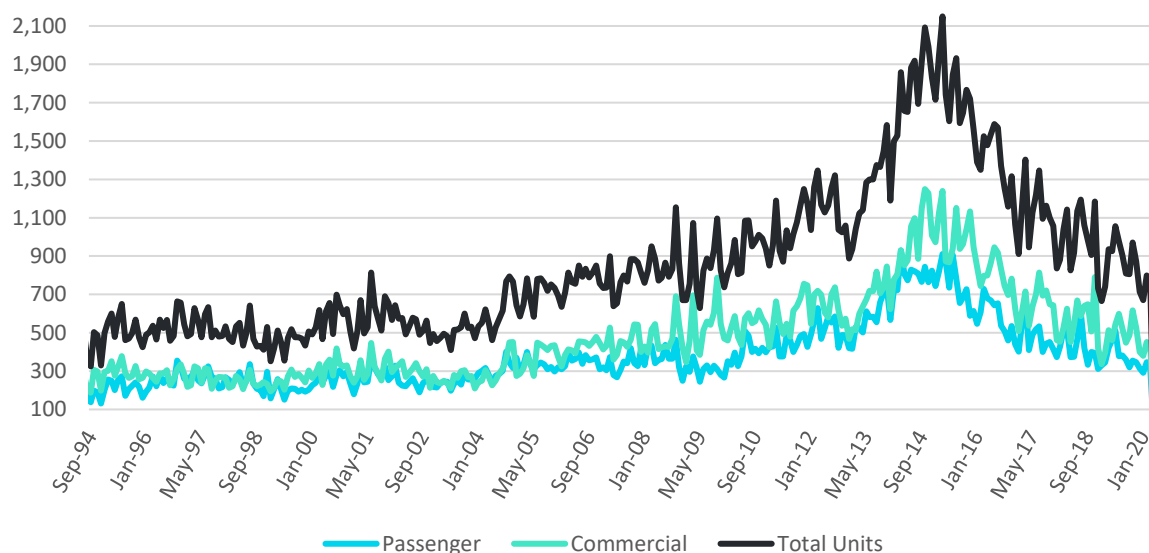
Overview

As the lockdown measures continued to moderate, the base effect continued to see vehicle sales improve on a monthly basis into June 2020. A total of 767 vehicles were sold last month, amounting to monthly growth of 63.19%. However, on an annual basis vehicle sales continued to remain subdued, registering year-on-year growth of -21.5%. The year-to-date (YTD) sales of 3,516 vehicles is a decrease of 33.7% compared to the first six months of 2019.

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 disposable income (and thus the tangible demand) for new vehicles. The deteriorating macroeconomic situation also makes access to financing relatively difficult for individuals and businesses alike, as banks are more cautious in extending credit in the riskier environment. The continuing decline in new vehicle sales echoes the growth in instalment credit, which has remained negative for 34 consecutive months up until May 2020 (the June PSCE data is not yet available).

As we have mentioned in previous notes, new vehicle sales will continue to be hindered by the increased supply of second-hand vehicles - particularly from the tourism industry, as many participants opt to reduce their fleet size - thereby providing a cheap substitute. Given the anticipated economic hardship ahead, and the impact 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

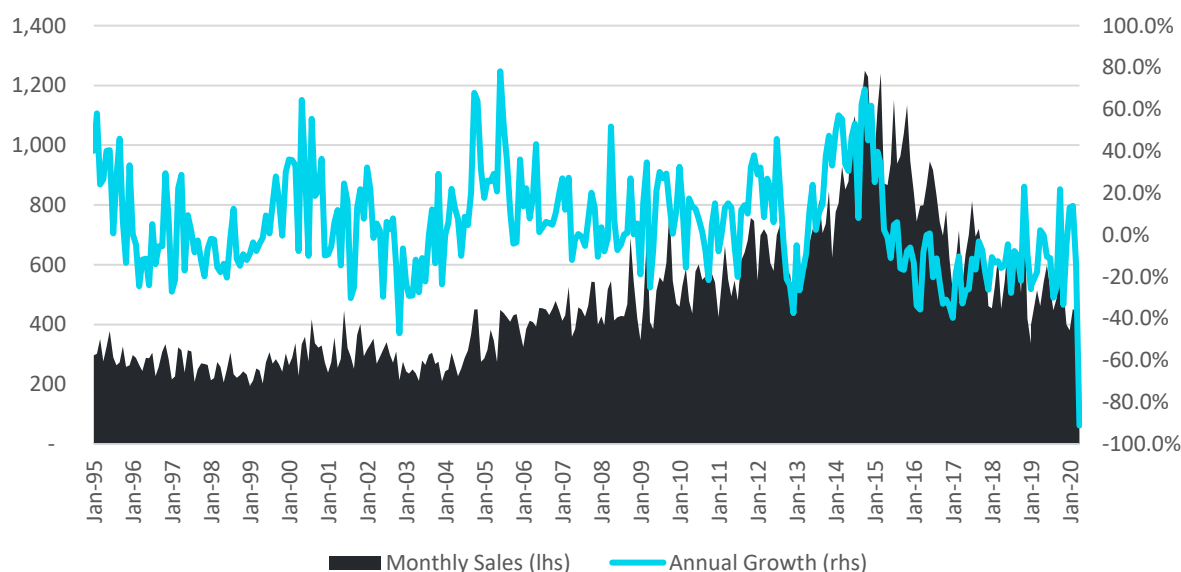
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Commercial Vehicles

A total of 422 commercial vehicles were sold in June. This is a 29.5% decrease on an annual basis, however improved by 68.1% compared to May this year. Cumulative sales for the year amount to 1,987 units, representing an annual decrease of 30.3% compared to the first six months in 2019.

Light Commercial Vehicle sales decreased 25.6% on an annual basis and increased 67.1% monthly. This amounted to 386 units of LCVs sold in June. 12 Medium Commercial Vehicles were sold in June with YTD sales totalling 82 units, a 61.3% decrease on an annual basis. 10 Heavy Commercial Vehicles, 11 Extra Heavy Vehicles and 3 Buses were sold in June, all showing improvements on a monthly basis, however all contracting on an annual basis. The poor economic outlook does not bode well for commercial vehicle sales, as many businesses will come under pressure. This is particularly the case for many industries that use commercial vehicles, such as construction and logistics, and with potential closure or downscaling for many businesses may well lead to increased supply on the second-hand market and depress demand for new vehicles.

Chart 2: Commercial Vehicle Sales

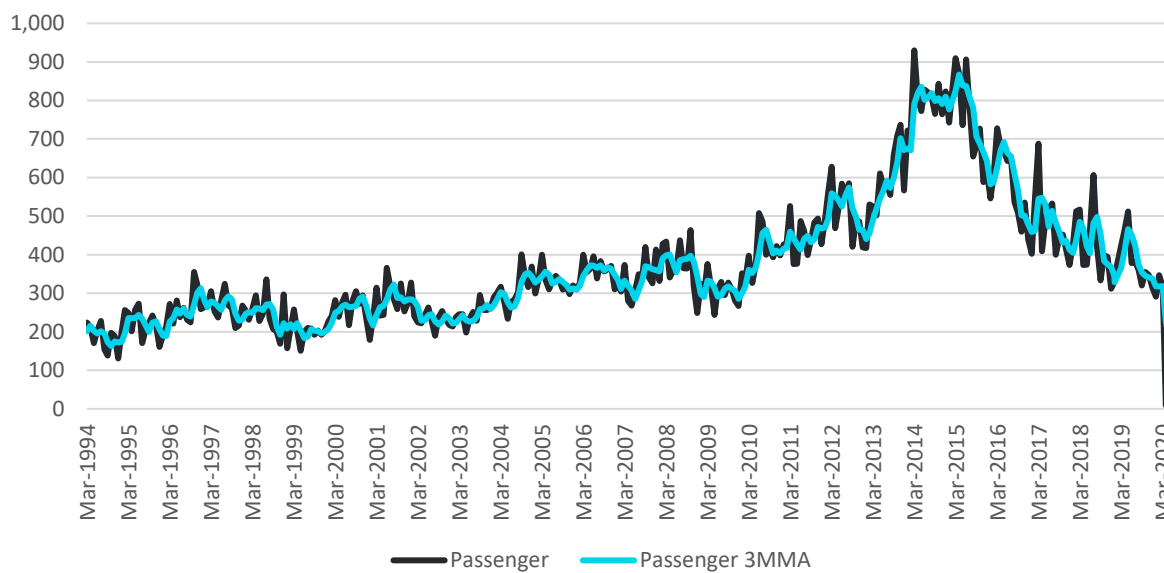


Source: Cirrus, Lightstone Auto

Passenger Vehicles

345 passenger vehicles were sold in June, an improvement of 57.5% (or 126 units) compared to May. However, on an annual basis, passenger vehicle sales contracted by 8.7%. Moreover, YTD sales amounted to 1,529 passenger units, down 37.6% to the comparable period in 2019. As previously noted, weak sales can be attributed to weaker balance sheets of households which are further exacerbated by the increase in cheaper (second-hand) substitutes. Moreover, access to financing will prove difficult for many consumers, hence providing further bottlenecks to new vehicle sales. Given this trend we expect vehicle sales to remain subdued for the remainder of the year.

Chart 3: Passenger Vehicle Sales



Source: Cirrus, Lightstone Auto