

17 August 2020

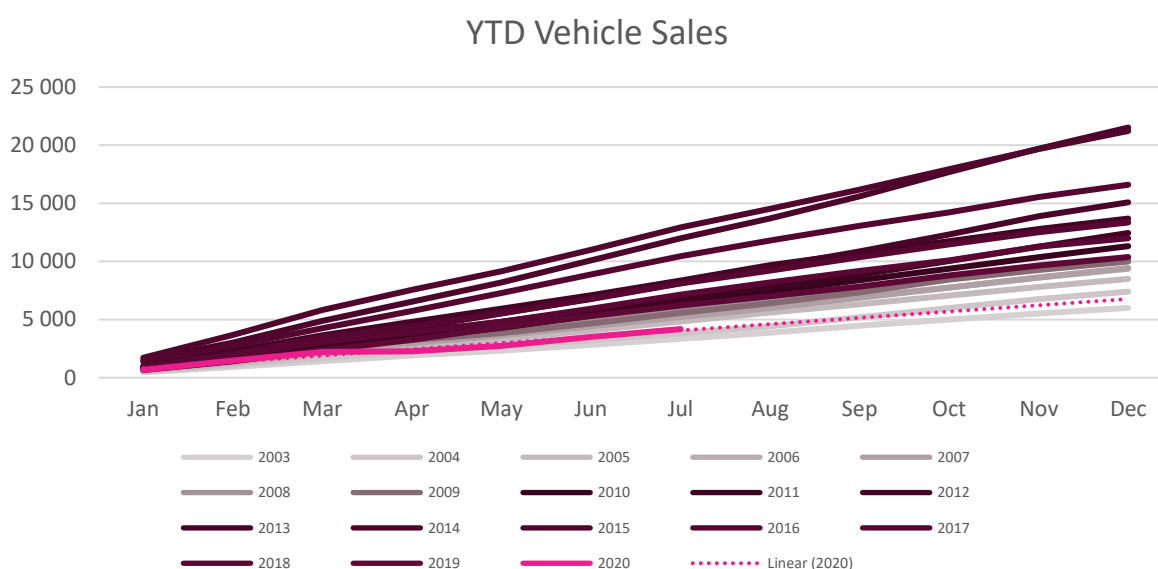
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Vehicle Sales Note July 2020

Overview

The month of July saw base effects moderate, as new vehicle sales contracted on a monthly basis for the first time since lockdown restrictions were eased. Month-on-month vehicle sales contracted 13.2%, amounting to 666 vehicles sold compared to June's 767. Moreover, contractions were also observed on a year-on-year and year-to-date basis, with growth of -26.3% and -32.6%, respectively. Finally, the linear trend – with approximately 60% of the year complete – suggests that new vehicle sales in 2020 will likely be the lowest observable value since 2003.

Chart 1: Total Unit Sales



Source: Cirrus, Lightstone Auto

In context of the existing trend, households remain characterised by risk of either retrenchments or wage reductions, high debt levels (relative to disposable income) and greater difficulty accessing finance given the riskier macro environment. Moreover, new vehicle sales will also 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.

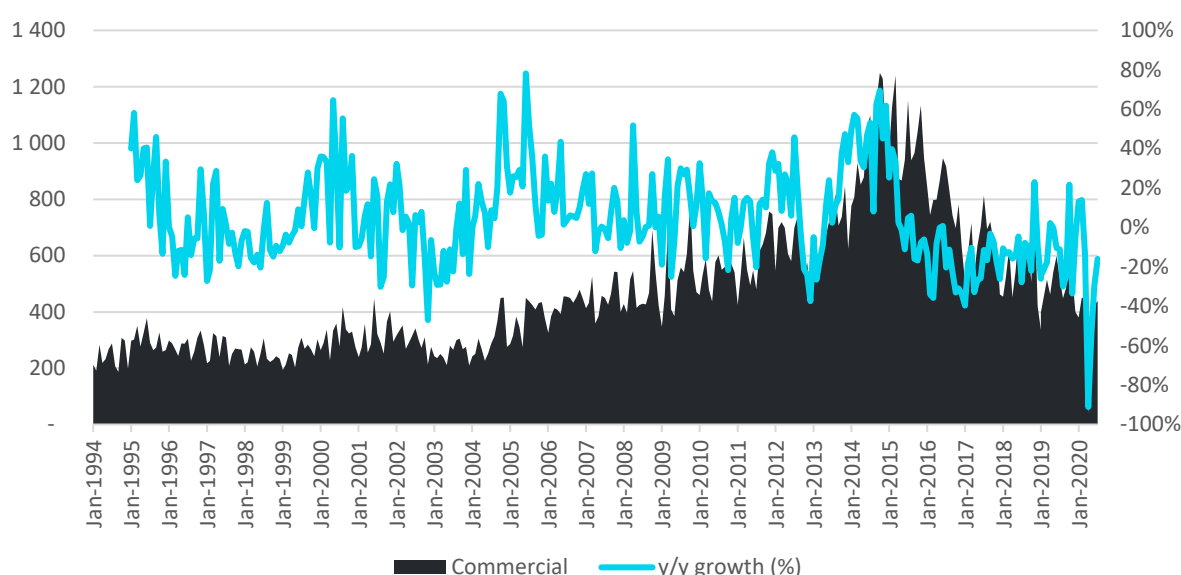
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Commercial Vehicles

A total of 439 commercial vehicles were sold in July. This is a 15.9% decrease on an annual basis, and a 4.0% increase from commercial vehicle sales in June this year. Cumulative sales for the year amount to 2,426 units, significantly fewer than the 3,373 units sold over the comparable period in 2019.

Light commercial vehicle (LCV) sales decreased 10.3% on an annual basis and increased 1.0% monthly. This amounted to 390 LCVs sold in July. 14 medium commercial vehicles were sold in July, with YTD sales amounting to 96 units. This represents a 62.2% decrease on an annual basis. 9 heavy commercial vehicles, 23 extra-heavy vehicles and 3 buses were sold in July. The dampened economic outlook does not bode well for commercial vehicle sales as many businesses face reduced activity. This will lead to ongoing supply on the second-hand market and will depress demand for any new vehicles.

Chart 2: Commercial Vehicle Sales

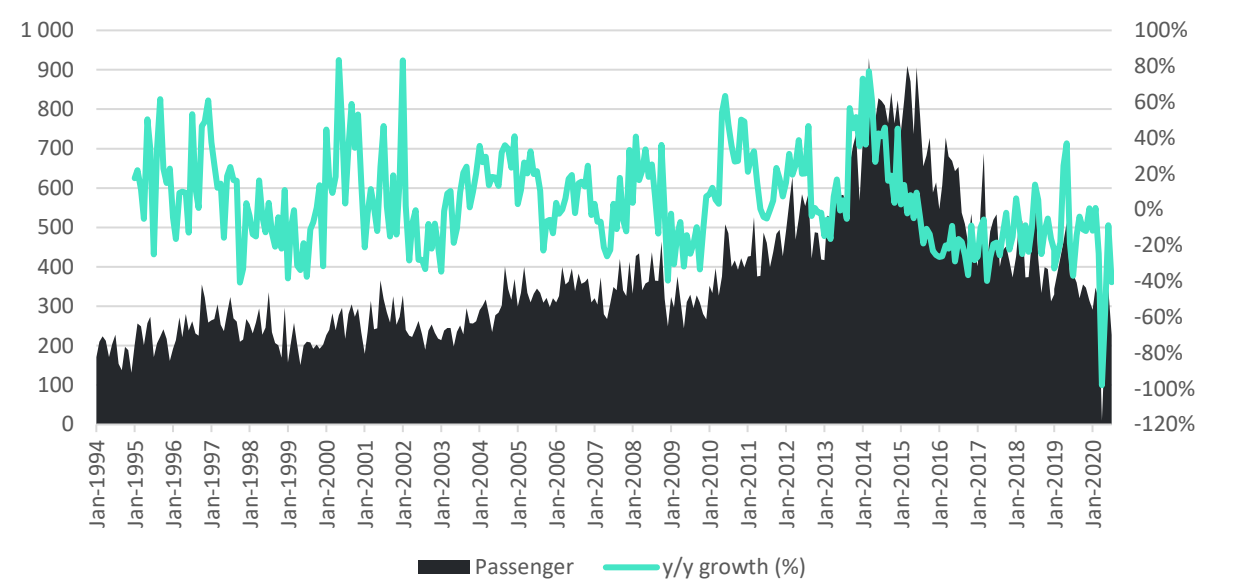


Source: Cirrus, Lightstone Auto

Passenger Vehicles

227 passenger vehicles were sold in July, a significant decrease of 34.2% on a monthly basis. Moreover, barring April and May 2020 sales, passenger vehicle sales were the lowest observable figure since May 2003 which saw 198 units sold in that month. July's sales represent a 40.6% decrease on an annual basis and a 38.0% decrease on a year-to-date basis. 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