



Vehicle Sales

14 Jul '21

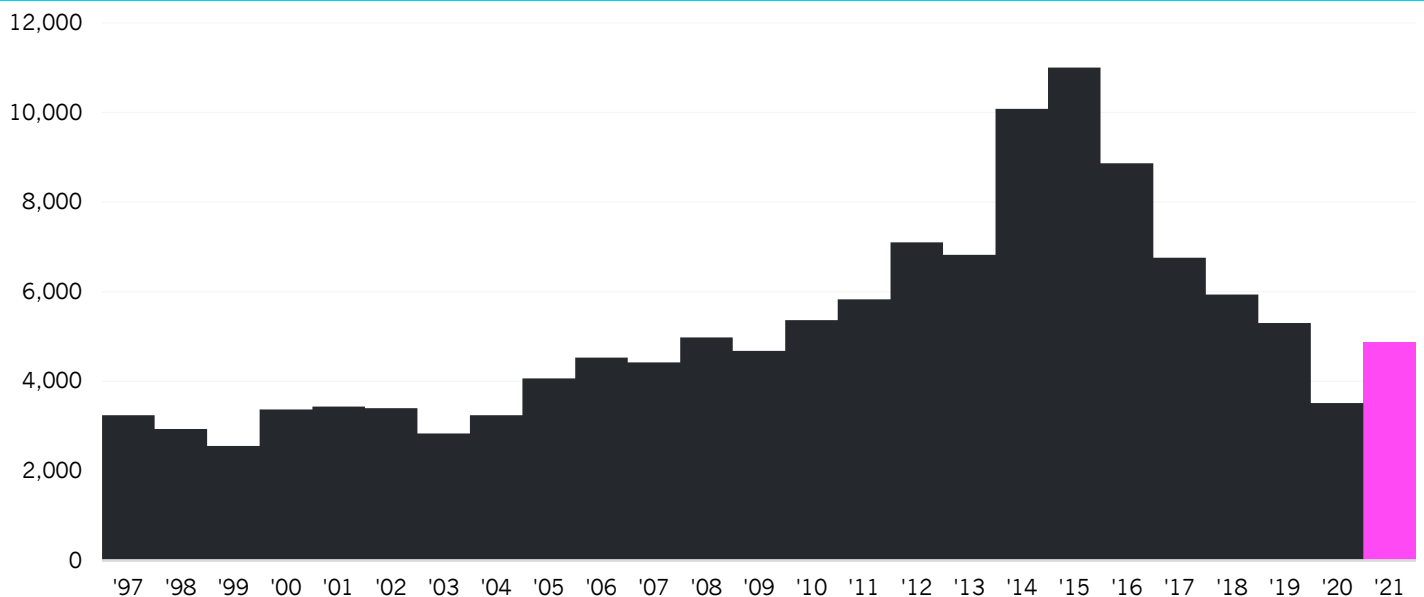
June 2021

June vehicle sales increased 6.3% m/m. Moreover, new vehicle sales saw growth of 9.9% y/y. This growth should be taken in light of the fact that the country had imposed lockdown restrictions during the period the year prior. Therefore, when comparing YTD sales to '19 figures, new vehicles sale decreased by 7.9% amounting to 843 new vehicles being sold in Jun '21.

YTD new vehicle sales grew by 38.9% compared to the same period in '20 (to total 4,883 new vehicles), however these sales are down 7.9% compared to the '19 figures. As a result, half year vehicle sales posted the poorest performance since '09 (excluding the anomalous '20). Commercial vehicle sales saw decreases on both a monthly and annual basis, with respective growth rates of -4.4% and -2.1%, amounting to 413 vehicles were sold. Conversely, new passenger vehicle sales saw increases m/m and y/y, growing by 13.8% and 24.6%, respectively, amounting to 430 passenger vehicles sold.

Total Half Year Vehicle Sales

Half-year vehicle sales, barring '20, are the lowest since '08.



Source: Cirrus Securities, Lightstone Auto

These poor half-year sales illustrate that demand for new vehicles remains subdued and continues the downward trend since '16 (again, barring the '20 anomaly). This is due to a multitude of factors. A key driver has been the weaker consumer conditions (high unemployment, high indebtedness and lower real wages), driving strong demand in the second-hand market. Price sensitive consumers have flocked to these cheaper alternatives, reducing sales for new vehicles. This dynamic has prevailed so much so that prices in the second-hand market have been quoted as rising, which illustrates the weaker demand of new vehicle sales. The strong demand in the second-hand market has also lead to reports of difficulties in sourcing second-hand vehicles for sales – particularly as reduced sales of new vehicles decreases the potential supply for future second-hand vehicles.



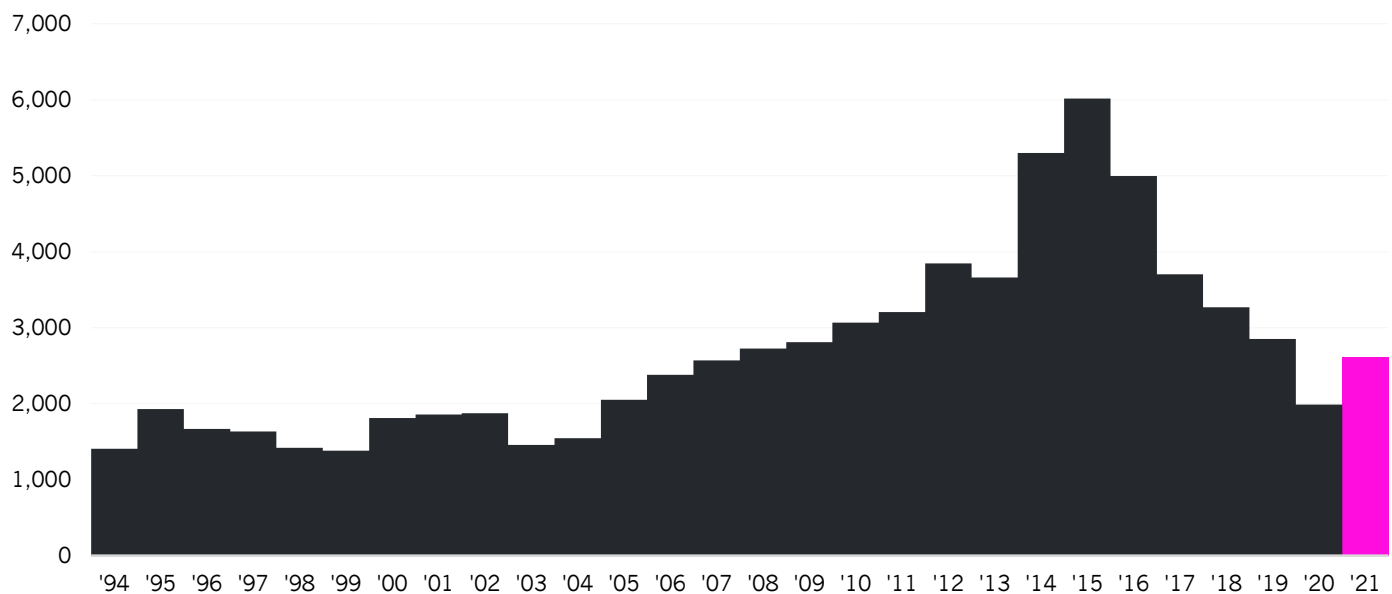
Moreover, there are supply constraints in the new vehicle production chain, which is a worldwide phenomenon. Globally, shortages of semiconductor chips have arisen.¹ These chips are an integral input into new vehicles and thus these shortages have forced many factories reduce production, leaving fewer vehicles to be shipped to dealerships (including Namibia). Finally, with the recent riots in South Africa (and particularly if these spread or do not subside), supply of vehicles may come under pressure given the production lines of many popular vehicles in South Africa.

Nonetheless, vehicle sales are expected to rebound in '21, largely due to base effects as business operations are not expected to be halted to the same extent as in '20. Moreover, vehicle sales growth will be further fuelled by the release of pent-up demand created in '20. Despite the expected artificial spur for new vehicles, expectations are that vehicle sales will remain subdued, compared to '19, as the economy struggles to rebound. This is because many households remain at risk of retrenchments, are constrained by high debt levels (relative to disposable income) and face greater difficulty accessing finance given the riskier macro environment. Moreover, potential supply constraints and price increases pose risks for new vehicle sales as well. As a result of this, barring '20, we anticipate new vehicle sales for the year will be at a 10-year low.

Commercial Vehicles

Commercial Vehicles

YTD sales amount to 2,201 new commercial vehicles.



Source: Cirrus Securities, Lightstone Auto

A total of 413 new commercial vehicles were sold in Jun, a 2.1% decrease y/y. Moreover, commercial vehicle sales saw significant decreases m/m with a growth rate of -4.4%. This decline raises the concern that businesses may be slowing purchases given uncertainty over the economic recovery. Moreover, this slowing is indicative of pent-up demand drying up in the economy as things normalise over the year. The figures show YTD commercial vehicle sales remain at a 14-year low – excluding '20.

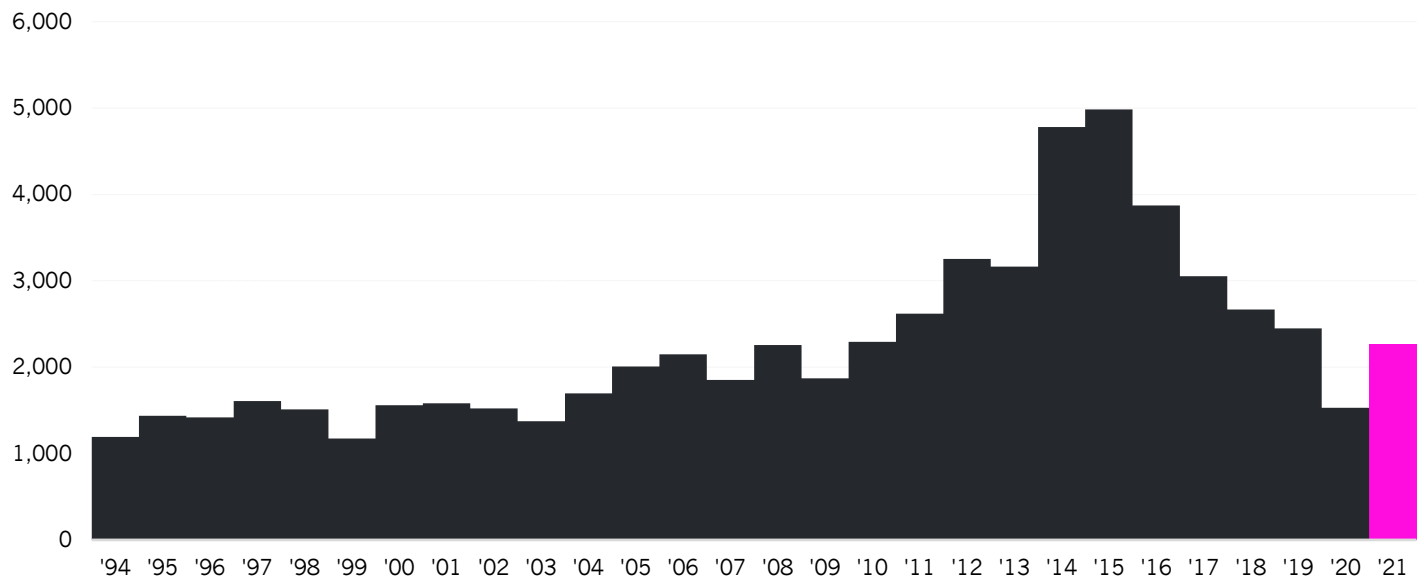
Light commercial vehicle (LCV) sales saw decreases both on a monthly and annual basis, with growth of -10.8% and -36.2%, respectively. A total of 19 medium commercial vehicles were sold in June, representing a growth rate of 26.7% m/m. Finally, 10 heavy commercial vehicles, 52 extra heavy vehicles (the highest monthly figure in 35 months) and 1 bus were sold in June.

¹ <https://www.freep.com/story/money/cars/2021/06/15/car-chip-shortage-2021/7688773002/>

Passenger Vehicles

Passenger Vehicles

430 Passenger vehicles were sold in June.



Source: Cirrus Securities, Lightstone Auto

A total of 430 passenger vehicles were sold in June. This resulted in growth of 13.8% and 24.6% on a monthly and annual basis, respectively. This is the third consecutive month of strong annual growth. This is driven by the abnormally low sales seen over the second quarter of '20 as strict lockdown measures were in place. Base effects are expected to see passenger vehicle sales improve during '21, as pent-up demand is released. However, passenger vehicles will remain subdued on a normalised basis partly as six-month YTD sales, barring '20, are at a 12 year low. This historically weak demand is as a result of increases in cheaper substitutes available on the market (although supply of substitutes has slowed), but also due to weaker balance sheets of households as high household debt, high unemployment and a relatively weak macroeconomic environment persist. These drive potential buyers to cheaper, used alternatives or to delay large purchases.

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