



Vehicle Sales

10 Sep '21

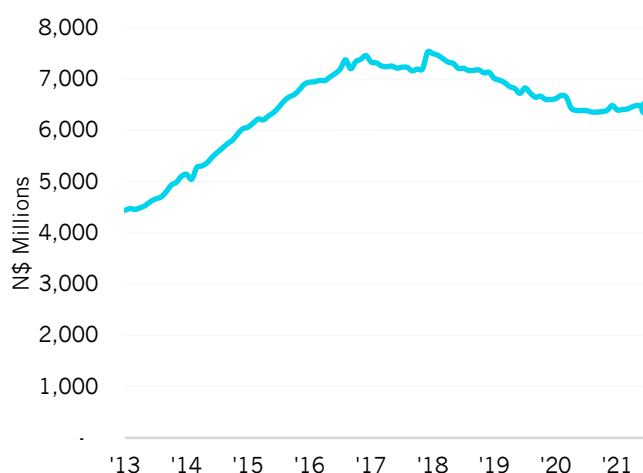
August 2021

A total of 764 new vehicles were sold in Aug '21, an increase of 28.8% y/y but a decrease of 4.5% m/m from the 800 vehicles sold in Jul '21. YTD vehicle sales total 6,447 units, a 35.0% improvement from '20 but still 8.1% below '19 levels.

The y/y improvement in new vehicle sales was largely driven by better passenger vehicles, as well as slight improvements in light commercial vehicle (LCV) and extra-heavy commercial vehicle (XHV) sales. Just 11 of the new vehicles were purchased by vehicle rental agencies (all VWs), compared to the 126 vehicles purchased by rental agencies in Jul '21.

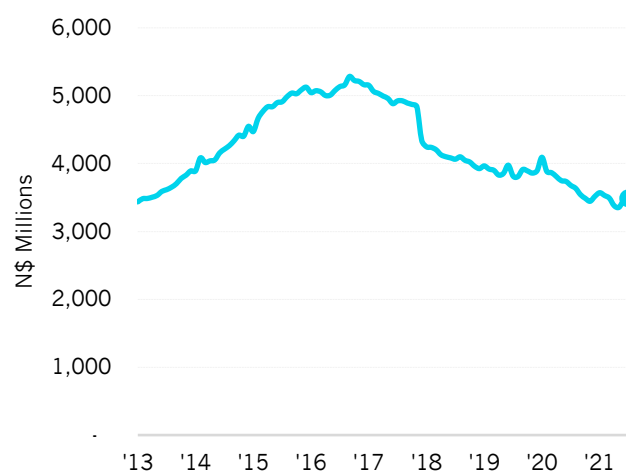
Although new vehicle sales continue to show an improvement from '20 levels, this comes off the incredibly weak base set by the pandemic and subsequent restrictions. At the current rate, new vehicle sales are on track to be the weakest for a decade – with the exception of '20. Demand-side factors have been a key reason for the relatively weak sales, with household incomes remaining under severe pressure for several years, businesses downsizing, and Government dramatically slowing new vehicle purchases since '16.

Instalment Credit – Households



Source: Bank of Namibia

Instalment Credit - Businesses



Source: Bank of Namibia

Instalment credit, typically used for the purchase of new and second-hand vehicles, has been on a downward trend for several years. Instalment credit for households peaked in early '18. Households have been y/y net repayers of instalment credit since late '18 up until Mar '21, with subsequent growth being incredibly weak averaging around 0.9%. Businesses, on the other hand, have been net repayers of instalment credit for much longer – since mid '17 and continuing unabated so far this year. Record low interest rates have been insufficient to spur increased uptake for vehicle purchases, likely a combination of affordability (households being unable to take up additional credit), as well as prioritising expenditure away from such relatively luxury items as new vehicles.

However, supply-side constraints will increasingly play a role as well, considering semiconductor chip shortages driving reduced production across the world (and thus fewer units available for sale locally). In the US, Ford indicated that it had lost about 50% (or 700,000 units) of planned production in the second quarter due to the chip shortage. Inventory levels in many regions, particularly the US, have been in decline. In addition to this, increased costs (both for production and shipping) may see new vehicles being entirely unaffordable. This, in conjunction with stretched household incomes, has been driving strong demand for second-hand vehicles in Namibia.

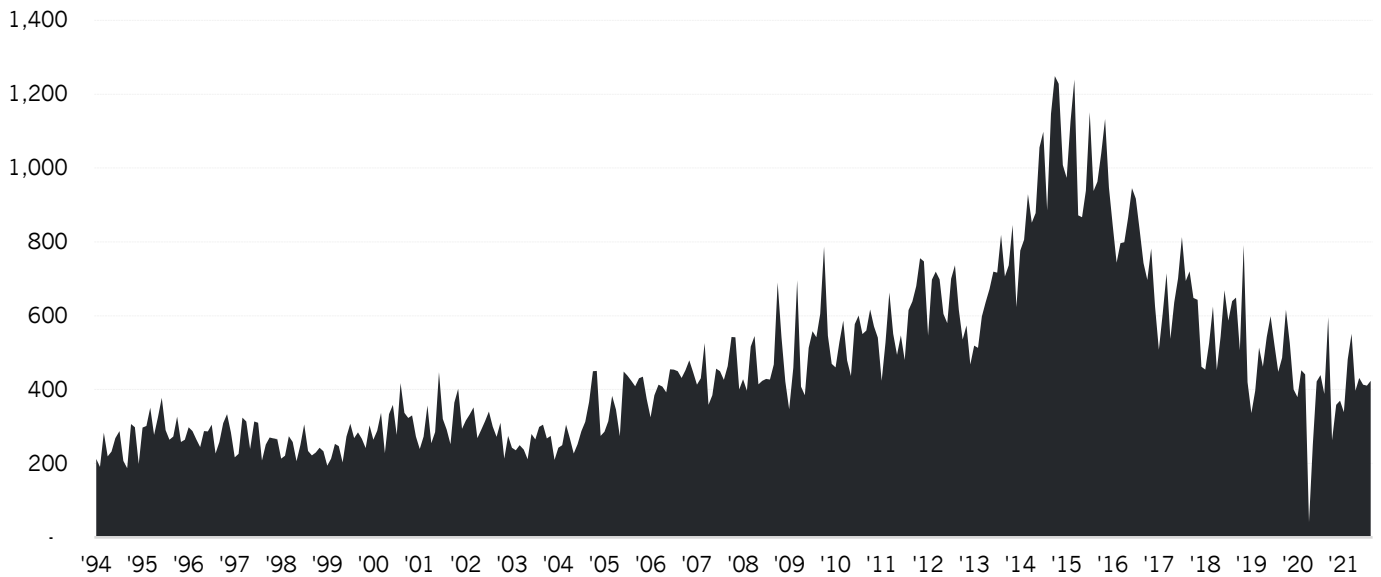


The relatively weak new vehicle sales and strong demand seen in the second-hand market also have longer-term consequences. Low new vehicle sales not only translate into fewer second-hand vehicles available in future, but also results in reduced after market sales for the industry (for parts, accessories, and services).

Commercial Vehicles

New Commercial Vehicle Sales

Commercial vehicle sales have been fairly stable this year.



Source: Lightstone Auto

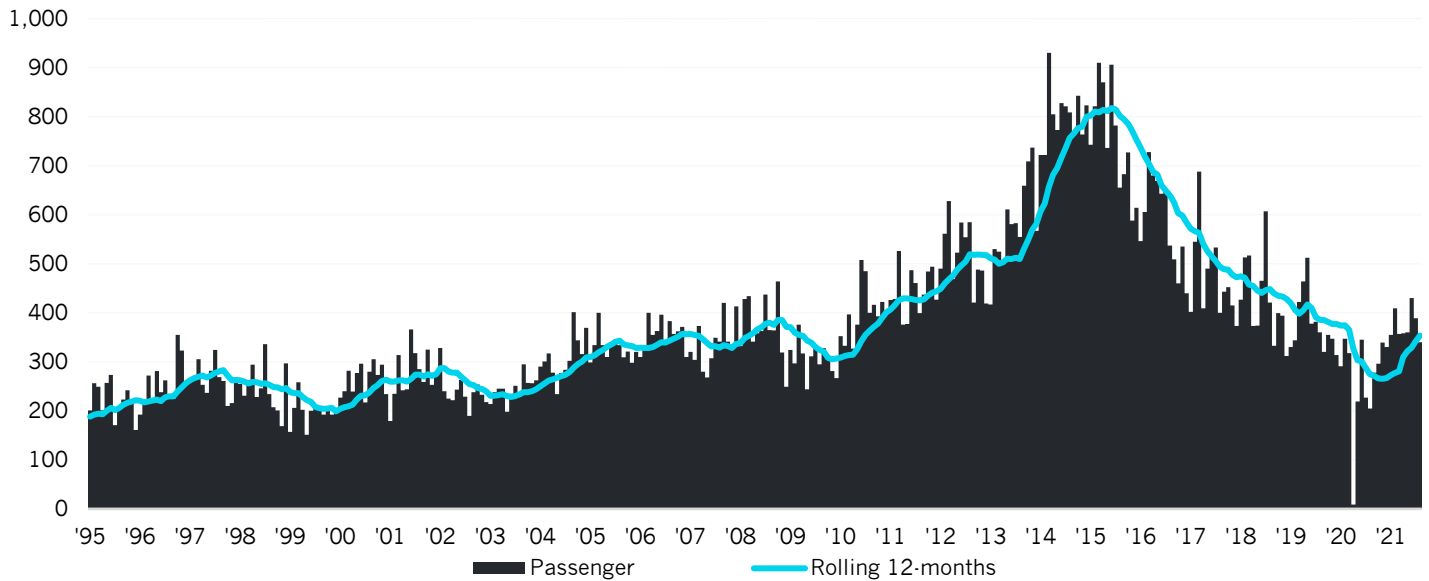
424 new commercial vehicles were sold in August, a 9.3% improvement y/y and 3.2% improvement m/m. However, total commercial vehicle sales were still below '19 levels. As always, LCVs made up the bulk of new sales with 340 new units – the fewest new LCVs sold since Dec '20. Nearly half of these sales (160 units) were for the Toyota Hilux.

A total of 16 medium commercial vehicles (MCV) were sold in Aug '21, up from the 13 in Jul '21 but fewer than the 21 in Aug '20. As was the case in Jul '21, another eight heavy commercial vehicles were sold in Aug '21 (but double the four sold in Aug '20). The relatively poor LCV sales were offset by a robust 44 new XHV sales – a 238.5% m/m improvement and a 12.8% improvement y/y. Two buses were sold in August.

Passenger Vehicles

New Passenger Vehicle Sales

Passenger vehicle sales are still coming off an exceptionally low base.



Source: Lightstone Auto

August '21 saw 424 new passenger vehicles sold. This is growth of 65.9% y/y after just 205 new vehicles were sold in Aug '20. However, the sales are 5.6% decline m/m. Passenger vehicles continue to post strong y/y growth after exceptionally low sales during the lockdown periods of '20. However, strong sales in Sep '20 (after restrictions were eased significantly) will prove a very high base for growth, likely resulting in a y/y decline for Sep '21. The most popular passenger vehicles in August were the VW Tiguan (21 units), as well as the Toyota Corolla, Fortuner, and Urban Cruiser (all with 18 units).

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