NAAMSA COMMENT ON THE MARCH, 2016 SOUTH AFRICAN NEW VEHICLE SALES STATISTICS – FOR IMMEDIATE RELEASE

In amplification of the new vehicle sales statistics for the month of March, 2016 – released today for public consumption on the website of the Department of Trade & Industry - the Association commented that new vehicle sales had deteriorated sharply during the month with all segments registering double digit declines. The proliferation of public holidays (Easter) during the month would also have affected sales. Export sales of new motor vehicles also reflected a double digit decline but this could in part be attributed to the Toyota Hilux model run out.

In the event, March 2016 aggregate new vehicle sales at 47 631 units had registered a decline of 7 758 vehicles or a fall of 14.0% compared to the 55 389 vehicles sold in March last year. The March, 2016 export sales at 27 714 units reflected a decline of 6 311 vehicles or a fall of 18.5% compared to the 34 025 vehicles exported in March last year.

Overall, out of the total reported Industry sales of 47 631 vehicles, an estimated 40 205 units or 84.4% represented dealer sales, 8.7% represented sales to the vehicle rental Industry, 3.6% to Industry corporate fleets and 3.3% to government.

Affected in part by the Easter holidays (which this year fell during March and last year during April), the new car market had continued to experience pressure during March, 2016 and at 30 702 units registered a decline of 4 766 cars or a fall of 13.4% compared to the 35 468 new cars sold in March last year. The car rental Industry had continued to make a positive contribution and accounted for 12.7% of new car sales during the month. Franchise vehicle dealers were experiencing ongoing pressure on margins.

Domestic sales of industry new light commercial vehicles, bakkies and mini buses at 14 507 units during March, 2016 reflected a decline of 2 359 units or a fall of 14.0% compared to the 16 866 light commercial vehicles sold during the corresponding month last year. Model run-outs and model run-ins had played a role in the lower March sales numbers.

Sales of vehicles in the medium and heavy truck segments of the Industry at 752 units and 1 670 units, respectively, had registered substantial declines and, in the case of medium commercial vehicles, reflected a fall of 343 units or 31.3% and, in the case of heavy trucks and buses, a decline of 290 vehicles or a fall of 14.8% compared to the corresponding month last year.

Industry new vehicle exports during March, 2016 had registered a fairly substantial decline of 18.5%, in volume terms, compared to the corresponding month last year. New vehicle exports were however expected to recover significantly over the medium term on the back of Hilux light commercials vehicle exports with effect from April, 2016 into Africa and from mid-2016 to Europe. For the year, vehicle exports should contribute positively to South Africa's current account of the balance of payments. Export sales during the second half of 2016 were expected to show strong upward momentum, whilst vehicle imports would probably continue to decline on the back of the projected lower domestic market.

Domestically, against the background of a difficult economic environment and low GDP growth prospects, the likelihood of double digit new vehicle price increases as a result of Rand weakness and possible further interest rate hikes – the outlook for 2016 in terms of new vehicle sales remained unfavorable. Furthermore, the full impact of the drought on the economy was still to manifest itself. The consumer demand-driven new car market was expected to remain under pressure declining by around 10% in volume terms. New commercial vehicle sales could perform slightly better on the back of some improvement in fixed investment in the economy during 2016. One source of encouragement emanated from the substantial improvement, for the second month in a row, in the Purchasing Managers' Index which at 50.5 signalled a possible improvement in business activity levels and manufacturing output over the medium term. The Constitutional Court ruling confirming South Africa as a Constitutional State and adherence to the rule of law could assist in improving the economic and business climate over the longer term. The Rand had also responded positively to the Constitutional Court decision.

NAAMSA OFFICES: PRETORIA 1st April, 2016