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New car sales in reverse gear

Recession dark clouds gather

Roy Cokayne

WEAK new vehicle sales, together with the 1.3 percent contraction in gross domestic product (GDP) in the second quarter and the drop in the latest purchasing manager's index, are signalling that South Africa's economy is already in recession.

This was the view of Econometrix chief economist Azar Jammine yesterday, who added that if the economy's recession in the third quarter was confirmed in three months' time, it would mean it could grow "no more than 1 percent this year".

Figures released yesterday revealed that new car sales last month dropped year-on-year by 7.8 percent to 34 885 units, light commercial vehicles by 7.8 percent to 13 781 units, medium commercial vehicles by 11.2 percent to 889 units and heavy trucks by 17.9 percent to 1 500 units.

Total new vehicle sales have registered negative growth for five consecutive months this year for the first time since August last year.

A Nielsen consumer confidence index report for the second quarter showed that 73 percent of respondents believe the country is in a slump.

The key manufacturing sector has already contracted by two consecutive quarters, which means it is in recession.

Negative psyche

Jammine said the global financial turmoil last month could have had a negative psychological effect on the entire vehicle market but particularly on the passenger car market.

In the past, however, he said, a sharp depreciation in the value of the rand had caused a spurt of pre-emptive buying.

"Consumers are down and out and have no spare money to think about buying a new car, despite the big [sales] incentives being offered in the market," he said.

The heavy truck sales figures were also disappointing, Jammine said.

But he urged caution because sales had been going up and down from month to month which, he said, was usually indicative of supply shortages.

Jammine said the inference was that capital expenditure was under pressure because of a lack of confidence, but the fact that "the Africa story was negative might also have influenced the figures".

Simphiwe Nghona, the executive head of WesBank's motor division, said consumers and business had been under pressure all year but the interest rate hike in July and the rand's dismal performance last month had taken a toll on the new vehicle market.

"New vehicle sales are regarded as a leading indicator for the country's GDP. Looking at the month's sales, it could be an ominous sign of things to come," he said.

Nico Vermeulen, a director of the National Association of Automobile Manufacturers of South Africa, said the latest new vehicle sales figures showed "the recession in domestic new vehicle sales" had accelerated last month while export sales of new motor vehicles continued to hold up well.

Locally produced new vehicle exports increased last month by 12.3 percent to 28 069 units year-on-year.

Consumers are down and out and have no spare money for a new car despite the incentives on offer.

Vermeulen said vehicle exports for this year remained on target to improve year-on-year by 20 percent to a projected industry record export number of about 330 000 units.

Isaac Matshego, an economist at Nedbank, said the contraction in passenger car sales continued last month for the sixth consecutive month and the annual change in passenger car sales had been negative for seven of the first eight months of this year.

Confidence down

"Subdued income growth, bleak job prospects, tight credit market conditions, elevated household debt levels and rising costs of nondiscretionary goods have dampened consumer confidence and this is likely to remain the case for the remainder of this year," said Matshego.

He said commercial vehicle sales growth was also likely to remain subdued in line with weak trends on the domestic fixed investment front because business confidence was still fragile due to lacklustre economic performance.

Timeline:

2015 Total domestic vehicle sales (Year-on-year = YoY)

Jan	52 306	(-1.2% YoY)
Feb	52 368	(+1.1% YoY)
Mar	55 449	(0% YoY).
Apr	44 503	(-3.3% YoY).
May	47 868	(-3.2% YoY)
Jun	52 837	(-2.3% YoY).
Jul	54 112	(-6.1% YoY)
Aug	51 055	(-8.2% YoY).

Source: Lightstone Auto