

Nedbank

Economic commentary

8 January 2010

VEHICLE SALES

Car sales fell sharply in December, but there were signs of life in the commercial market

- Car sales were dragged down by weak demand and seasonal factors
- Households will probably remain cautious in early 2010, but consistently low interest rates and World Cup fever should lift spirits towards the end of the second quarter.
- Sales of commercial vehicles will remain depressed by weak fixed investment activity
- Exports should fare better in 2010, helped by the ongoing global recovery
- We expect interest rates to remain unchanged until early 2011

LATEST (December 2009)

Total: -13,1% y-o-y, -10,0% m-o-m (-12,2 y-o-y in November)

Passenger: -18,2 y-o-y, -16,7 m-o-m (-4,0% y-o-y in November)

Commercial: -4,3% y-o-y, 2,1% m-o-m (-24,0% y-o-y in November)

Research

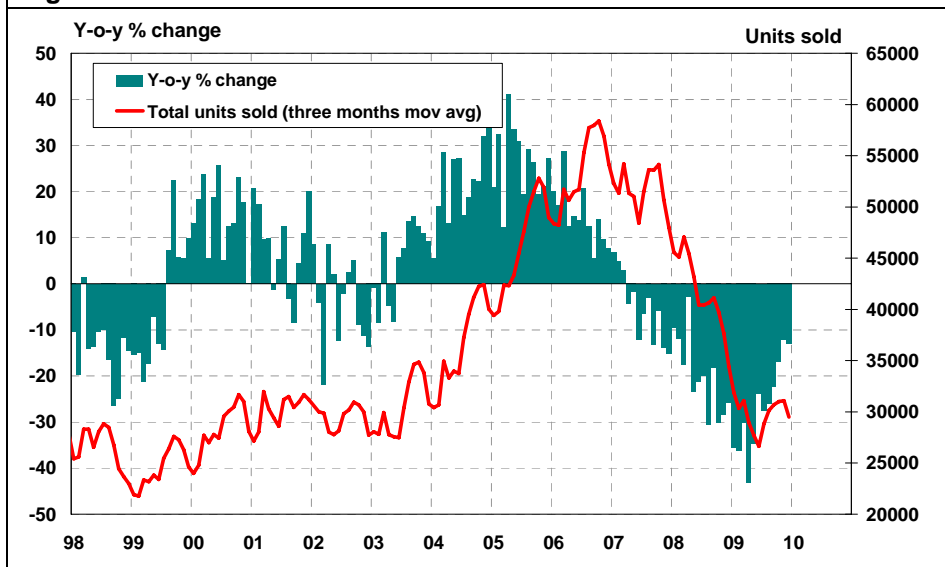
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Figure 1: Sales of total new vehicles



COMMENT

As expected, total vehicle sales fell sharply in December. This was mainly due to the usual seasonal factors, which aggravated already weak demand conditions further. The last two months of any year tends to be slow for car retailers as most consumers postpone purchases until the new year to improve later resale values.

More encouragingly, the commercial vehicle market fared slightly better in December. Sales of light and medium commercial vehicles rose over the month, while sales of heavy commercial vehicles still declined but at a much more modest pace than has been the norm for much of 2009. Attractive financing packages and discounted prices mainly on some fully-imported commercial vehicles probably convinced buyers to return to the market.

Overall 2009 was an exceptionally tough year for both vehicle manufacturers and retailers. Total new vehicle sales was down a further 26,7% in 2009 as a whole, after dropping by a sharp 23,4% in 2008. New car sales fell by another 23,9% in 2009 after shrinking by 23,2% in 2008, while commercial vehicle sales plunged by a massive 46,9% after falling by 15% in 2008.

Vehicle exports held up relatively well in December, probably reflecting the gradual improvement in the global economy. Exports of passenger vehicles fell sharply over the month but this was mainly due to seasonal factors. However, exports of commercial vehicles rose sharply over the months, with most areas of the market reporting improved export sales in December.

For 2009 as whole, total vehicle exports fell by 38,4% compared with growth of 65,9% in 2008. Vehicle exports were mainly stunted by dysfunctional credit markets in the aftermath of the global financial crisis and the collapse in global demand in late 2008 and the first half of 2009.

Figure 2: Relative performance of vehicle sales

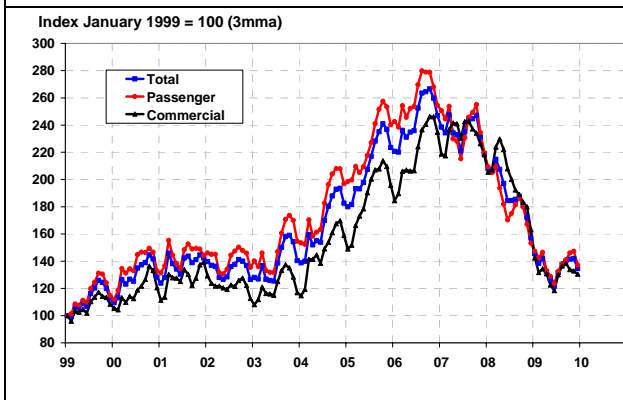
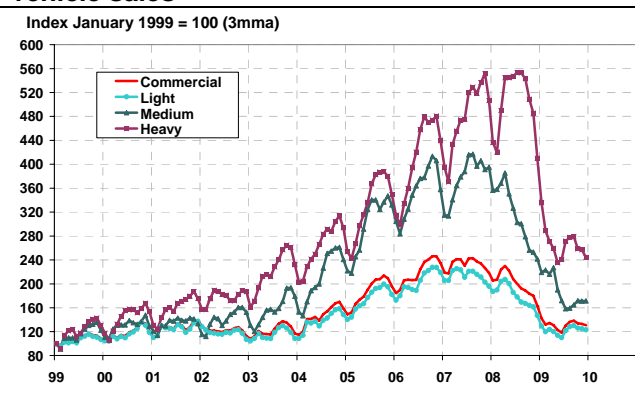


Figure 3: Relative performance of commercial vehicle sales



OUTLOOK

New passenger vehicle sales should increase off a low base in 2010, but underlying demand conditions will remain relatively weak. Households will probably remain cautious as income remains under pressure, debt levels stay high and labour market conditions remain exceptionally tight. A more noticeable improvement is likely towards the end of the second quarter as household finances slowly improve, interest rates remain relatively steady and confidence starts to improve in the build up to the FIFA World Cup.

New commercial vehicle sales should also improve slightly in 2010, but the recovery in this market is likely to be much slower as private sector fixed investment activity is expected to decline further while the public sector's infrastructure programme is forecast to lose some momentum as several big projects around the World Cup are completed.

Exports should also fare better in 2010 as the world recovery continues, but the benefits of stronger global demand are likely to be contained by the loss of competitiveness due to a stronger rand.

IMPLICATIONS

The vehicle market appears to have turned the corner, but today's numbers suggest that the recovery will be slow and subdued as underlying demand conditions remain fragile and confidence is still lacking from most areas of the economy. Despite this, the focus of the Reserve Bank's Monetary Policy Committee (MPC) is likely to shift increasingly away from the downside risks to growth and towards the upside risks to inflation. The MPC is therefore not expected to offer any further relief but rather to keep rates flat for much of 2010 before starting to tighten in 2011.

Table 1: Breakdown of the total new vehicle sales

	Breakdown of Vehicle sales								
	Passenger			Commercial			Total		
	Actual number	M-o-m%	Y-o-y %	Actual number	M-o-m%	Y-o-y %	Actual number	M-o-m%	Y-o-y %
Dec-08	19653	-2.3	-24.7	11364	-19.0	-27.8	31017	-9.1	-25.8
Jan-09	20618	4.9	-32.3	9849	-13.3	-41.3	30467	-1.8	-35.5
Feb-09	18153	-12.0	-34.1	11365	15.4	-39.4	29518	-3.1	-36.2
Mar-09	21272	17.2	-23.5	12028	5.8	-39.5	33300	12.8	-30.2
Apr-09	15086	-29.1	-37.4	8982	-25.3	-50.7	24068	-27.7	-43.2
May-09	16485	9.3	-27.3	9314	3.7	-44.7	25799	7.2	-34.7
Jun-09	19029	15.4	-17.4	10994	18.0	-32.8	30023	16.4	-23.8
Jul-09	18822	-1.1	-27.6	11878	8.0	-27.3	30700	2.3	-27.5
Aug-09	18778	-0.2	-25.8	10897	-8.3	-26.8	29675	-3.3	-26.2
Sep-09	20255	7.9	-20.0	11455	5.1	-26.2	31710	6.9	-22.4
Oct-09	20828	2.8	-9.8	10764	-6.0	-28.1	31592	-0.4	-17.0
Nov-09	19304	-7.3	-4.0	10655	-1.0	-24.0	29959	-5.2	-12.2
Dec-09	16078	-16.7	-18.2	10880	2.1	-4.3	26958	-10.0	-13.1

Table 2: Breakdown of the total new commercial vehicle sales

	Breakdown of Commercial vehicle sales								
	Light commercial			Medium commercial			Heavy commercial		
	Actual number	M-o-m%	Y-o-y %	Actual number	M-o-m%	Y-o-y %	Actual number	M-o-m%	Y-o-y %
Dec-08	9446	-17.8	-28.4	743	-13.4	-38.7	1175	-30.1	-11.5
Jan-09	8317	-12.0	-41.4	586	-21.1	-47.0	946	-19.5	-36.1
Feb-09	9318	12.0	-40.0	898	53.2	-28.5	1149	21.5	-41.2
Mar-09	10384	11.4	-36.9	673	-25.1	-48.7	971	-15.5	-54.1
Apr-09	7471	-28.1	-49.7	694	3.1	-45.7	817	-15.9	-61.1
May-09	7910	5.9	-43.4	529	-23.8	-41.7	875	7.1	-55.2
Jun-09	9468	19.7	-28.0	493	-6.8	-54.2	1033	18.1	-51.8
Jul-09	10153	7.2	-22.7	558	13.2	-46.1	1167	13.0	-46.2
Aug-09	9413	-7.3	-21.9	540	-3.2	-39.2	944	-19.1	-51.5
Sep-09	9866	4.8	-21.9	545	0.9	-36.5	1044	10.6	-48.5
Oct-09	9198	-6.8	-25.7	627	15.0	-22.7	939	-10.1	-47.4
Nov-09	9194	0.0	-19.9	535	-14.7	-37.6	926	-1.4	-44.9
Dec-09	9431	2.6	-0.2	549	2.6	-26.1	900	-2.8	-23.4

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