

# Huge drop in May vehicle sales

New vehicle sales continued to slide in May with a massive decline of over 23% over the number of vehicles sold during the same month last year.

Figures released by the National Association of Automobile Manufacturers of South Africa (NAAMSA) show that only 39,533 vehicle sales had been reported (not all manufacturers disclose their sales figures) during May, which represents a decline of 23,4% and a huge drop of 12,095 vehicles over the same period last year.

The worst hit segment of the market is in the reported passenger car sales which are down from 31,497 last year to 22,647 this year representing a drop of 28,1%. This drop of 8,850 units is even higher at 10,250 when one factors in the car manufacturers who don't report in detail.

The organisation blames social turmoil, vehicle price increases and public holidays as contributing factors and added: "The South African new car market had been under severe pressure for some time now and trading conditions worsened considerably during May this year as the current tight monetary policy regime impacted on domestic consumer spending".

Of the total NAAMSA reported industry sales of 39,533 vehicles, 88,1% represented dealer/retail sales, 4,2% sales into NAAMSA member company fleets, 3,5% sales to government and 4,2% representing sales to the car rental industry.

Sales of NAAMSA reported new light commercial vehicles, bakkies and minibuses at 13,992 units during May 2008 reflected a decline of 2,911 units or 17,2% compared to the 16,903 unit sales during the corresponding month last year. Taking account of the light commercial vehicles sales reported by the AMH Group, the year-on-year decline amounted to 3,484 units or 19,0%.

Sales of vehicles in the medium and heavy truck segments of the industry had also come under pressure during May 2008; and at 912 units and 1,982 units, respectively, had recorded an massive decline of 464 units or 33,7%, in the case of medium commercials, and a modest gain of 130 units or 7,0%, in the case of heavy trucks and buses - compared to the corresponding month last year.

"On the new vehicle export side, the industry has continued to perform well and export sales were supporting the operations of vehicle and component producers. In contrast, the severe downturn in the domestic new car and light commercial vehicle markets is having a devastating effect on automotive dealers and the operations of importers and distributors, a NAAMSA spokesperson said.

During May this year, 23,201 new vehicles were exported. This represents an improvement of 8,381 vehicles or 56,6% compared to the 14,820 vehicles exported during May last year. For the first five months of 2008, export sales reflect a

year-on-year improvement of 47,9%.

NAAMSA says for the rest of the year new vehicle sales were expected to remain under pressure as a result of the cumulative effect of interest rate increases, inflationary pressures, high levels of debt and the slowdown in economic activity.

“Although the current monetary policy was clearly having the desired effect of curbing consumer demand, any further tightening in monetary policy risks turning the current sharp down turn in the domestic automotive retail and distribution sectors into a far deeper and prolonged recession with far reaching negative consequences in terms of capacity down sizing, business closures and employment losses.

“The monetary authorities should also take account of the current socio-political and economic challenges facing South Africa and the resulting implications in terms of consumer and business sentiment.”

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