Local vehicle sales down but exports boom

By Henrie Geyser

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Local new vehicle sales got off a slow start with January figures lagging 1.2% behind the 52,948 vehicles sold in January 2014 although export sales of 16,708 showed an encouraging growth of 20.7% compared to the 13,845 vehicles sold in January last year. Industry sources are optimistic that exports would grow by about 15% to about 320,000 vehicles.

Overall, out of the total reported Industry sales of 52,306 vehicles, an estimated 42,845 units or 81.9% represented dealer sales, 11.3% represented sales to the vehicle rental Industry, 4.0% to Industry corporate fleets and 2.8% to government.

The new car market had experienced some pressure in January 2015 and at 36,982 units reflected a decline of 1,392 units or a fall of 3.6% compared to the 38,374 new cars sold in January last year. The car rental Industry had again made a strong contribution and had accounted for 15.3% of new car sales in January 2015.

The new vehicle market prospects had improved on the back of a number of recent positive developments, including the latest SA Reserve Bank leading indicator had increased significantly to its highest level in nine months. Given the close correlation between new car sales and the leading indicator, this development augured well for vehicle sales in the short to medium term.

Improvement in business activity

Furthermore, the substantial rise in the purchasing managers' index also suggested an improvement in business activity and manufacturing output in South Africa. Thirdly, consumer spending was likely to benefit from the substantial decline in fuel prices over the past six months. Importantly, resultant lower inflationary pressures opened the way for stable interest rates well into 2015. However, there are fairly widespread concerns about security and the stability in electricity supply.

The proposed change by the fiscal authorities to the basis of fringe benefit taxation of company cars was expected to result in pre-emptive buying during the balance of February 2015 to avoid the higher basis of valuation of company cars, for fringe benefit tax purposes, with effect from 1st march, 2015.

The planned legislative change provided that, instead of basing the taxable value of the private use of a company car on the cost to the employer, the taxable value would instead be based on a higher 'retail market value'. NAAMSA anticipated that the tax change would result in a further move to the car allowance alternative and that companies might consider purchasing new company cars in advance of the tax change. There would be no impact on current company cars or on vehicles acquired before 28 February 2015.

ABOUT HENRIE GEYSER

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