

# Negative impact of junk status on SA's new car market

The South African new car market's total sales plummeted 13.4%, with only 34,956 new vehicles sold - the lowest sales performance since December 2009.



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All market segments were affected, with passenger and light commercial vehicle sales seeing respective declines of 13.7% and 13.3%.

April's negative sales performance results in a year-to-date decline of 1.4%.

"This sales performance is not just bad news for the new vehicle industry, but also the country," said Rudolf Mahoney, head of brand and communications at WesBank.



## What junk status means for car owners

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"Historically, the performance of the new vehicle market has served as a leading indicator for economic activity, suggesting that the outlook for the year could be worse than initially forecast. One should also factor in that the April decline was compounded by several public holidays."

## Confidence shaken

Confidence has been shaken by the news that rating agencies have given the South African economy a "junk status" label. The deteriorating rand has already resulted in a notable fuel price increases and the prospect of negative GDP growth is also likely to result in a cycle of interest rate hikes. Consumers who did purchase cars last month reacted sharply to these factors – WesBank's data shows a 12.6% increase in vehicle finance agreements with fixed interest rates, compared to March, indicating that consumers are hedging the risk of possible future interest rate increases.

WesBank's internal data also has further insight into this sudden market reaction. Consumer demand for new and used vehicle finance, as measured through the volume of finance applications received, fell sharply over the last month.

Says Nicholas Nkosi, head of Standard Bank vehicle and asset finance, retail & business banking: "The current pressure on new car sales is expected to remain for the remainder of 2017".

New vehicle finance applications declined 10.7%, while used vehicle finance applications fell 15.3%. Even though April only had 18 working days there was still a significant decline in market activity, with a 6.4% slump in the daily rate of applications received.

"There is no mistaking this behaviour as consumers and businesses reacting to the economic downgrade and factors that led to it," said Mahoney. "Those who are in the car market right now should spend prudently and prepare for an uncertain future."

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