New vehicle sales put under pressure by load shedding and rising interest rates

According to Alex Boavida, the vice chairperson of the National Automobile Dealers' Association (Nada), the drastic increase in load shedding, a 75-basis point rise in the interest rate and ongoing high fuel costs are beginning to cause a negative effect on new vehicle sales in South Africa.

Alex Boavida, vice chairperson of the National Automobile Dealers' Association | image supplied

“Despite these challenges, total new vehicle sales figures for September continued to run ahead of the corresponding month last year,” said Boavida. “The numbers were aided by a strong showing from Toyota, which is making immense strides in recovering from flood damages that knocked out its plant in April.”

Aggregate domestic sales for the month of September at 47,786 units were 10.8% higher than September 2021, while year-to-date the industry total of 391,396 units is 13.4% up on the figure for the first nine months of 2021. Passenger car sales showed an increase of 9.7%, while light commercial vehicles were up 14.9% and medium and heavy truck sales were up 15.3% and 1.8% respectively.

“The rise in sales in September was encouraging considering they were achieved in tough trading conditions due to a variety of factors on top of load shedding and the interest rate hike. These included an ongoing stock supply shortage and a stock mix that is not ideal. With factories struggling to keep new vehicle production on schedule, delivery times are becoming increasingly difficult to predict, and in turn, dealers are finding it difficult to keep clients interested in specific models.

According to Boavida household costs are increasing due to extensive load shedding. Energy bills now have to include fuel for generators in tandem with electricity – which is set to rise significantly in price soon. Some clients are putting off new vehicle purchases to buy solar panel and battery backup systems for their homes and businesses.

“Shipping and logistics remain problematic too, although they are improving monthly,” added Boavida.

“However, as cargo trade normalises, we are faced with shrinking markets and fears of a potential world recession. There are also some limitations on local vehicle transport with a shortage of carriers as exports ramp up,” explained Boavida.

“There is growing local interest in new energy vehicles including the increasing number of fully electric models that are coming to market. Clients are eager to learn more about these vehicles before making purchasing decisions, and while we anticipate a relatively slow transition from Internal Combustion Engines (ICE), more and more electric offerings from a variety of brands are entering the market.

“The demand for used vehicles remains strong, and the availability of good used vehicle stock is improving. More good news was a 104.6% improvement in the export of built-up vehicles and the substantial increase in rental and fleet units as the industry gears up for the holiday season. These indicators are extremely positive as it means that OEMs and importers are delivering more units to the market,” concluded the Nada vice chairperson.