

New vehicle industry sees upward swing

The new vehicle industry made an upward swing, with a total of 49,233 new vehicles sold reflecting a growth of 1.1% year-on-year in March 2018 and by 6.4% from February 2018, but sales are down 4.1% year-to-date.



[click to enlarge](#)

Aggregated sales data from the National Association of Automobile Manufacturers of South Africa (Naamsa) show passenger car sales through the dealer channel contributing to the bulk of growth with an 8.8% increase when compared to the same month last year.

Said Ghana Msibi, WesBank's executive head for sales and marketing: "Following the budget speech indicating an increase in VAT and ad valorem tax from 1 April, it is our view that consumers opted to avoid the increases these factors will have on vehicle purchase prices. These, combined with the renewed consumer and business confidence, and a reduction in the repo rate contributed to the growth in the passenger car segment".

While light commercial vehicle sales increased through the dealer channel (up 1.3%), the segment declined by 2.3% overall. Rental sales were down 14.9%, not unexpected given the continued impact of the draught on the tourism industry in the Western Cape.



Higher VAT challenges car buyers

4 Apr 2018



WesBank doesn't anticipate the same aggressive market behaviour in the retail environment for the remainder of the year. "We still expect a growth of around 3% for the dealer segment for 2018, and market sales should normalise going forward," said Msibi.

Standard Bank Vehicle and Asset Finance (VAF) echoes that the recent repo rate cut will further encourage consumers to enter the market, although the effect may be muted in the short-term due to inflationary pressures.

Consumers, fleet operators took advantage of buying before the VAT increase

Derick de Vries, head of VAF and fleet management at Standard Bank says higher sales in March could also be attributed to the fact that consumers and fleet operators took advantage of buying at lower costs before the VAT increase to 15% kicked in from April 1. Increases in ad valorem tax also encouraged buyers of luxury vehicles to beat the month-end deadline.

The South African Reserve Bank's Monetary Policy Committee cut the repo rate by 25 basis points in March, while Moody's rating agency kept SA's sovereign credit rating unchanged at the lowest investment grade, in line with the bank's forecast. The change in the rating outlook to stable (from negative) is also positive for stimulating economic growth.

"GDP growth is forecast to improve from 1.3% in 2017 to 1.8% in 2018 according to our estimates. The main driver for the growth is accelerated consumer spending growth underpinned by real wage growth. The average inflation rate, meanwhile, is expected to decrease from 5.3% in 2017 to 5.0% in 2018, but this has been adjusted upwards following the various tax hikes announced in the budget speech," says De Vries.



South African fuel franchising sector continues to grow

3 Apr 2018



Standard Bank expects average petrol prices to increase by 9% in 2018 relative to 2017. The increase in fuel levies, which come into effect in April 2018, as well as the slight depreciation of the rand, halted the run of consecutive fuel price decreases at the start of 2018.

Notably, the March 2018 export number was affected by the BMW switchover in production from the 3-Series to the X3. Vehicle exports decreased 8.1% y/y and 0.3% month-on-month (m/m), according to the latest data.

"However, the global economy is expected to remain robust, which should offer support for vehicle exports," says De Vries.

On the local front, the market still prefers used cars to new cars as consumers seek value for money. Demand for used vehicles remains strong with the ratio of new to used at about 1 to 2, but this ratio is decreasing marginally every month,

says Standard Bank Vehicle and Asset Finance.

“Demand for credit has started to pick up and we expect that it will gain some momentum over the course of 2018,” concludes De Vries.

For more, visit: <https://www.bizcommunity.com>