

New car sales: January sees decline, but recovery looms

January saw a decline in overall car sales, which is in line with what the National Association of Automobile Manufacturers of South Africa (Naamsa) experts expected. The slow recovery is still in progress though as the numbers continue to trend upwards - from the huge dip in April and May last year.



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The light commercial vehicle (LCV) market continues to defy the massive sales downward spiral of Covid-19, showing that buyers of bakkies and taxis are still replacing or renewing vehicles regularly and that leisure vehicle buyers are taking bakkies more seriously as everyday vehicles.

Exports continued to grow during January on the back of huge local investments from most of the big players in the local automotive manufacturing industry.

New car sales summary

Aggregate new vehicle sales of 34,784 units down by 13% compared to January 2020.

Passenger car sales of 23,853 units down by 18% compared to January 2020.

LCV sales of 9,301 units down by 4.9% compared to January 2020.

Exports of 22,771 units up by 39.7% compared to January 2020.

Sales outlook

Naamsa said: "For the first quarter of 2021 trading conditions in the new vehicle market are expected to remain challenging due to slow demand compared with the pre-Covid-19 first quarter comparison, exchange rate volatility and the negative impact on household expenditure by fuel and electricity price increases.

However, considering the close correlation between new-vehicle sales and the country's GDP growth rate, the Reserve Bank's forecast of a domestic economic growth rate of 3,6% for 2021 presents a favourable scenario for a sound rebound of the new vehicle market in 2021, from the exceptional low base in 2020. It should be noted that the 2020 new vehicle market recorded its lowest aggregate sales total in 18 years.



New car sales for Dec 2020 reflect glimmers of hope, but industry remains depressed

Gero Lilleike 8 Jan 2021



The macroeconomic effects of Covid-19 will, therefore, continue to undermine business and consumer confidence and inhibit growth over the medium term. Although the current low-interest rates, coupled with low inflation, could be regarded as building blocks to stimulate the new vehicle market, a full recovery to pre-Covid-19 new vehicle sales levels could take around three years.

Vehicle export numbers have been regaining momentum but in terms of recovery, much will depend on an improvement in the economic climate of the South African automotive industry's main trading partners.

Vehicle exports are important to the viability of the domestic automotive industry as exporting remains key to generate sufficient economies of scale and to achieve improved international competitiveness."

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