



## Naamsa Vehicle Sales – November 2014

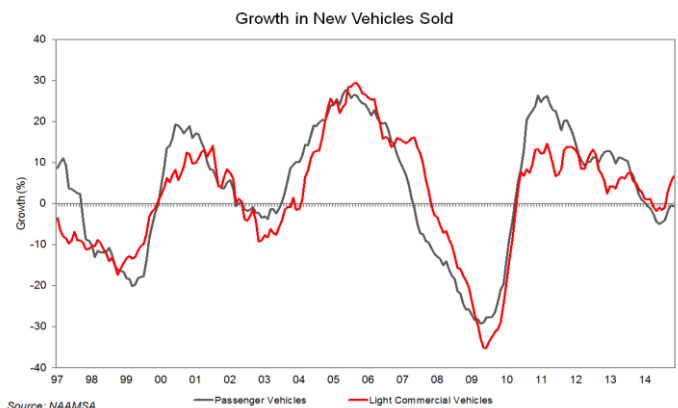
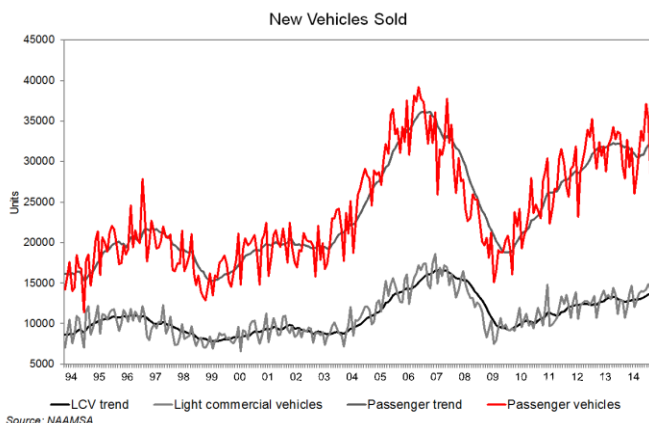
*Given Statistical Distortions, Vehicle Market Holds Up Relatively Well In November*



Outcome	Sep '14	Oct '14	Nov '14	YTD 2014	Nov '14 Units
(% y/y growth)					
Passenger	7.5	1.6	-2.5	-3.4	33278
LCV	24.7	14.0	10.8	2.6	15076
MCV	1.0	-6.2	-0.9	-5.9	1061
<b>Total HCV</b>	<b>16.9</b>	<b>14.7</b>	<b>-7.9</b>	<b>5.7</b>	<b>1683</b>
HCV 8501-16500kg	5.2	16.4	-3.9	0.5	536
Extra HCV >16500kg	21.3	13.7	-12.7	6.9	1020
Bus >8500kg	26.6	19.4	25.7	16.1	127
<b>Total</b>	<b>11.5</b>	<b>4.9</b>	<b>0.9</b>	<b>-1.6</b>	<b>51098</b>

Source: NAAMSA, including MBSA, AMH & AA D and GWMSA

- At the outset, it should be noted that all vehicle sales quoted here include NAAMSA's estimates, by market segment, for deliveries by Mercedes-Benz South Africa, who have resumed reporting only aggregated passenger and commercial vehicle sales data to the local organisation. Mercedes-Benz South Africa previously abandoned this practice in March 2013.
- Overall, the y-o-y growth in vehicle sales declined to 0.9% in November, from 4.9% in October. Nonetheless, this was still up on the year to date growth rate of -1.6% recorded for the first 11 months of the year. The fact that November 2014 had one less sales day than November 2013 could have knocked up to 5% off the growth rate. In this context, the growth in overall vehicle sales was not unduly weak in November.
- The performance of the non-NAAMSA passenger vehicle segment was no worse than that of NAAMSA passenger vehicle sales which suggests a stabilisation in the lower end of the market.
- The relatively positive performance of MCV sales in November provides evidence that the growth in consumer spending is not collapsing and may begin to bottom out in coming months.
- Although the extra heavy vehicle sales might have appeared to be quite soft in November, one must bear in mind that Mercedes-Benz is the dominant player in this segment of the market. Therefore, if the forecasting tools used to disaggregate the data for Mercedes-Benz were not accurate, this will have distorted the figures significantly particularly in this segment of the market. As a result, one is cautious to draw too many conclusions about the softness of the extra heavy HCV sales in November.
- The November data suggest that exports continued to perform relatively well in November. Although y-o-y growth in overall exports declined to 9.9% in November, from 33.0% in October, this was still greater than the year-to-date growth of 0.3%. Furthermore, one must bear in mind that comparisons for a year earlier are against a high base of exports. This is due to the fact that there was a resurgence in exports in November 2013 following the end of the strikes which spanned August 2013 to October 2013.
- In coming months, the vehicle market is likely to continue to be supported by the strong performance of the tourism sector, the fact that interest rates remain at extremely low levels in real terms and the strong growth of the Black middle class.



## Implications for monetary policy

The outlook on domestic demand and productivity is an important factor in the Reserve Bank's decision on determining interest rates. Current levels of real interest rates, i.e. nominal rates adjusted for inflation, are in negative territory to support demand by reducing borrowing costs.

With total y/y growth averaging 0.9% for the domestic vehicle market, the November NAAMSA data gives no indication to raise interest rates any time soon from a demand-side perspective. In addition, inflationary pressures for both CPI and PPI have been dissipating since September, thereby arguing against an increase of interest rates from a (money) supply-side perspective.

## Outlook

Although figures for vehicle sales for November might seem weak, it is too early to panic. Firstly, November 2014 contained one less sales day than November 2013 which will have depressed growth statistically. Furthermore, October 2014 was an exceptionally strong month for vehicle sales. Finally, the November vehicle sales data may suggest that pre-emptive buying that had occurred in previous months to beat off expected price increases emanating from Rand weakness at the beginning of the year was not present in November. Nonetheless, this perception is misguided because the Rand has not depreciated much against the currencies of the economies from which many components and fully built-up vehicles are imported, viz. Europe and Japan. In coming months, the vehicle market is likely to continue to be supported by the strong performance of the tourism sector, which may increase the uptake of new vehicles by the car rental industry. Furthermore, even though interest rates were increased by a cumulative 0.75% this year, they remain at extremely low levels in real terms. This, together with the growth of the Black middle-class is continuing to provide support for cars bought on credit. Finally, one should not overlook the fact that car sales plummeted by 45% during the global financial crisis. As a result, one is still seeing follow-through replacement demand which should contribute towards a relatively strong market in coming months.

## Detailed Analysis

### Mercedes-Benz Reporting Only Aggregated Vehicle Sales

At the outset, it should be noted that all vehicle sales quoted here include NAAMSA's estimates, by market segment, for deliveries by Mercedes-Benz South Africa, who have resumed reporting only aggregated passenger and commercial vehicle sales data to the local organisation. Mercedes-Benz South Africa previously abandoned the practice of aggregated reporting in March 2013. The decision by a major player in the commercial vehicle market to withhold detailed sales reporting from the NAAMSA system is to be regretted. Vehicle sales statistics are important for gauging the state of health of the national economy and any deterioration in the quality of this data will, inevitably, compromise the ability of both public and private sector organisations to plan for the future. Mercedes-Benz is a major participant in all four segments of the commercial vehicle market, and the absence of its inputs will seriously impair the value of detailed trend analyses in the total market and its individual segments.

### Growth In Vehicle Sales Statistically Depressed By One Less Sales Day

Overall, the y-o-y growth in vehicle sales declined to 0.9% in November, from 4.9% in October. Nonetheless, this was still up on the year-to-date growth rate of -1.6% recorded for the first 11 months of the year. The fact that November 2014 had one less sales day than November 2013 could have knocked up to 5% off the growth rate. In this context, the growth in overall vehicle sales was not unduly weak in November. One will recall that October 2014 was an exceptionally strong month for vehicle sales. Therefore, the fact that m-o-m growth of overall vehicle sales was sharply negative, at -13.9% was not entirely surprising.

### Sales By Segment Estimated For Mercedes-Benz

Given that Mercedes-Benz South Africa only reported aggregated sales data for the month of November 2014, the commercial market split volumes are estimates based on historical trends and forecasting techniques. For NAAMSA passenger vehicles sales, y-o-y growth declined fairly significantly, to -2.9% in November, from 5.3% in October. Nonetheless, the November growth of -2.9% was still up on the year-to-date growth rate of -3.4%. The fact that November 2014 contained one less sales day than November 2013 played a role in statistically depressing the y-o-y growth rate for November this year. In the case of non-NAAMSA passenger vehicle sales, y-o-y growth improved to -0.1% in November, from -17.4% in October. This was well above the year-to-date growth rate of -12.8%. Furthermore, the performance of the non-NAAMSA segment was no worse than that of NAAMSA passenger vehicle sales which suggests a stabilisation in the lower end of the market.

### Consumer Spending Growth Not Collapsing

Once again illustrating the relative strength of the corporate market, which has come to be recognised as having substantial cash balances, LCV sales growth (inclusive of NAAMSA and non-NAAMSA sales) remained strong, at 10.8% in November from 14.0% in October and year-to-date growth, of 2.6%. Furthermore, in the case of MCV's, y-o-y growth in sales (inclusive of NAAMSA and non-NAAMSA sales) improved to -0.9% in November, from -6.2% in October and an average growth rate for the first eleven months of the year, of -5.9%. Given that MCVs are used to transport consumer goods, this provides evidence that the growth in consumer spending is not collapsing and may begin to bottom out in coming months.

## Mercedes-Benz dominant player in extra HCVs

In the case of heavier commercial vehicles, growth in the sales of vehicles in the segment 8,500 kg to 16,500 kg plummeted to -3.9% in November, from 16.4% in October and growth for the first eleven months of the year, of 0.5%. However, one will recall that in October, sales in this category at 531 units sold were the best month of the year. M-o-m growth was however positive, at 0.9%. Similarly, y-o-y growth in sales of extra heavy vehicles (greater than 16,500kg) plummeted to -12.7% in November, from 13.7% in October and a year-to-date growth rate of 6.9%. M-o-m growth in sales of extra HCVs were severely down, at -22.3%. Although the extra heavy vehicle sales might have appeared to be quite soft in November, one must bear in mind that Mercedes-Benz is the dominant player in this segment of the market. Therefore, if the forecasting tools used to disaggregate the data for Mercedes-Benz were not accurate, this will have distorted the figures significantly, particularly in this segment of the market. As a result, one is cautious to draw too many conclusions about the softness of the extra HCV in November. Finally, in the case of bus sales, y-o-y growth increased to 25.7% in November, from 19.4% in October and an average growth between January and November, of 16.1%. M-o-m growth was particularly strong, at 15.5%. Mercedes Benz is also quite a significant player in this segment of the market, although to a lesser extent than in the extra HCV segment of the market.

## Export Growth relatively strong in November

The November data suggest that exports continued to perform relatively well in November. Although y-o-y growth in overall exports declined to 9.9% in November, from 33.0% in October, this was still greater than the year-to-date growth of 0.3%. Furthermore, one must bear in mind that comparisons for a year earlier are against a high base of exports. This is due to the fact that there was a resurgence in exports in November 2013 following the end of the strikes which spanned August 2013 to October 2013. Intense motor industry strikes at the time hammered exports harder than the local market. In the case of passenger vehicle exports, y-o-y growth declined to 3.4% in November, from 19.0% in October, but this was still greater than the year-to-date growth, of 0.8%. Similarly, growth in exports of LCVs declined to 25.9% in November from 57.4% in the previous month. Nonetheless, this was still well above the year-to-date growth of -0.4%. Conversely, the y-o-y growth in exports of MCVs increased sharply in November, to 21.4%, from -59.3% in October. This was however down on the year-to-date growth, of 38.3%. Exports of all HCVs (i.e. inclusive of HCVs 8,500 – 16,500 kg, extra HCV greater than 16,500kg and buses) edged upwards to -27.5% in November, from -38.2% in October, however, this was down on the average growth recorded for the first eleven months of the year, of 7.7%. On an underlying basis, it is possible that exports of vehicles in certain segments continued to benefit marginally from a return to full production following the metal industries strike in July and possibly from an increase in their competitiveness following a hefty 20% odd real depreciation in the value of the Rand in the past couple of years.

## NAAMSA Vehicle Sales (% Growth)

	2013		Sep-14	Oct-14	Nov-14	Oct-Nov 14	Nov 14
	Units	y-o-y %	y-o-y %			m-o-m %	Units
Passenger	379720	4.1	10.1	5.3	-2.9	-19.2	28502
LCV	155889	5.9	27.4	15.0	11.7	-3.8	14285
MCV	11152	15.5	4.2	-5.3	-3.1	9.2	1009
<b>Total HCV</b>	<b>19351</b>	<b>9.1</b>	<b>16.9</b>	<b>14.7</b>	<b>-7.9</b>	<b>-13.9</b>	<b>1683</b>
HCV 8501-16500kg	5477	9.9	5.2	16.4	-3.9	0.9	536
Extra HCV >16500kg	12828	10.4	21.3	13.7	-12.7	-22.3	1020
Bus >8500kg	1046	-7.8	26.6	19.4	25.7	15.5	127
<b>Total</b>	<b>566112</b>	<b>5.0</b>	<b>14.3</b>	<b>8.0</b>	<b>1.1</b>	<b>-14.2</b>	<b>45479</b>

Source : NAAMSA

## EXPORTS Vehicle Sales

	2013		Oct 14	Nov 14	Oct-Nov 14	Nov 14
	Y-o-y%	Units	y-o-y %	y-o-y %	m-o-m %	Units
Passenger	0.2	153525	19.0	3.4	3.8	18584
LCV	-2.1	121095	57.4	25.9	-34.0	9370
MCV	-0.6	164	-59.3	21.4	54.5	17
<b>Total HCV</b>	<b>13.9</b>	<b>1038</b>	<b>-38.2</b>	<b>-27.5</b>	<b>-19.4</b>	<b>50</b>
HCV 8501-16500kg	-35.3	150	-70.6	-40.0	-40.0	3
Extra HCV >16500kg	42.4	749	-62.5	-27.1	52.2	35
Bus >8500kg	-9.2	139	61.9	-25.0	-64.7	12
<b>Total</b>	<b>-0.8</b>	<b>275822</b>	<b>33.0</b>	<b>9.9</b>	<b>-12.9</b>	<b>28021</b>

Source : NAAMSA

## Vehicle Sales including AMH & AAD and GWMSA (% growth)

	2013	Oct 14	Nov 14	Oct-Nov
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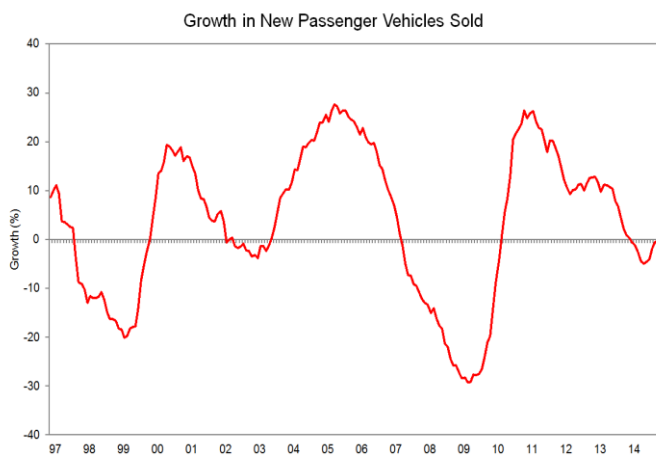
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	Units	y-o-y%	y-o-y%	Units	y-o-y%	m-o-m%
Passenger	<b>450440</b>	<b>1.8</b>	1.6	<b>33278</b>	-2.5	-18.2
LCV	169234	5.7	14.0	15076	10.8	-4.7
MCV	11595	14.8	-6.2	1061	-0.9	13.0
Total HCV	<b>19351</b>	<b>9.1</b>	14.7	1683	-7.9	-13.9
HCV 8501-16500kg	5477	9.9	16.4	536	-3.9	0.9
Extra HCV >16500kg	12828	10.4	13.7	1020	-12.7	-22.3
Bus > 8500 kg	1046	-7.8	19.4	127	25.7	15.5
Total	<b>650620</b>	<b>3.2</b>	<b>4.9</b>	51098	<b>0.9</b>	<b>-13.9</b>

Source : NAAMSA

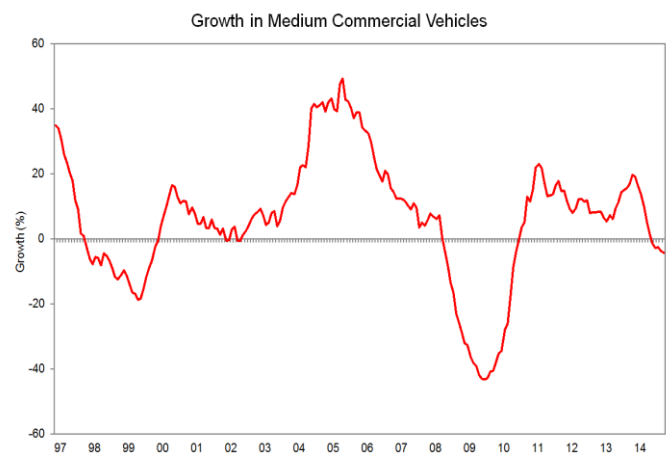
**Non NAAMSA vehicle sales ( % growth)**

	2013		Oct 14		Nov 14		Oct-Nov
	Units	y-o-y%	Units	y-o-y %	Units	y-o-y %	m-o-m %
Passenger	68821	-7.4	5399	-17.4	4776	-0.1	-11.5
LCV	8384	-4.0	973	0.2	791	-3.1	-18.7
MCV	443	-1.6	15	-40.0	52	73.3	246.7

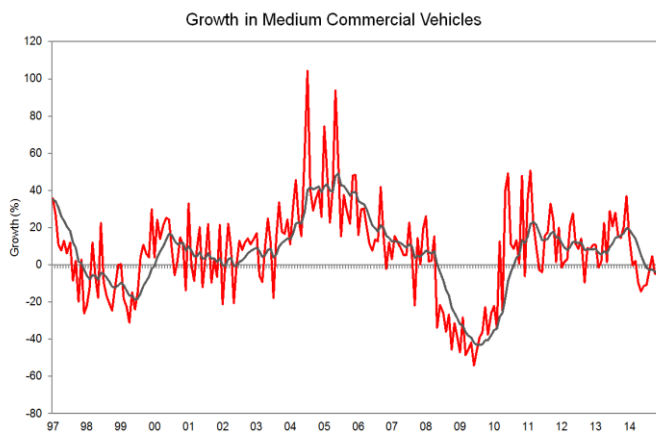
Source : NAAMSA



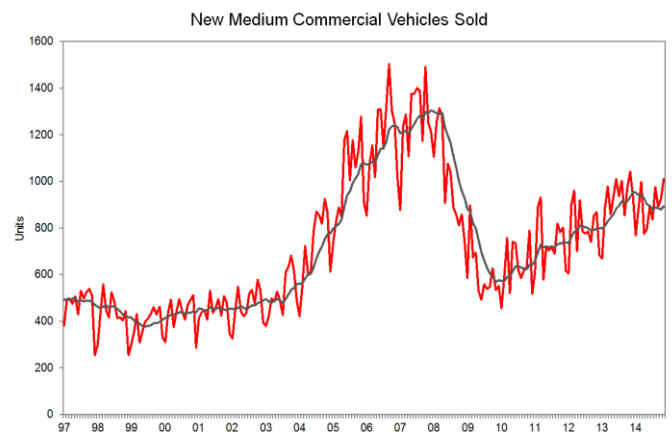
Source: NAAMSA



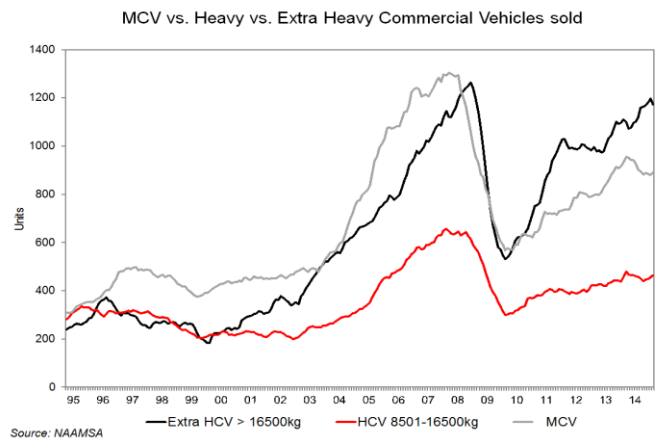
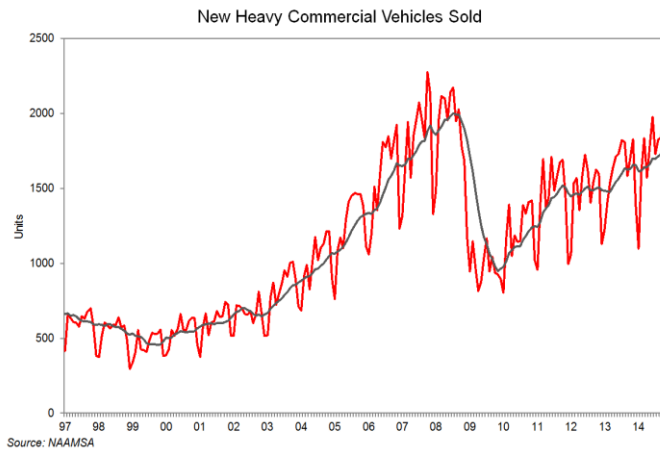
Source: NAAMSA



Source: NAAMSA



Source: NAAMSA



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