Economic strain impacts August new vehicle sales

The South African new-vehicle market in August could no longer withstand the pressure from increasing interest rates, fuel prices, vehicle costs, and a significant decrease in household spending ability due to the rising cost of living, resulting in lower disposable income for consumers, says the National Automobile Dealers' Association (Nada).

Source: Pexels

Brandon Cohen, national chairperson Nada, commented on the latest sales figures distributed by Naamsa, saying, "The resilience of the South African retail motor industry in 2023 continues to astound us, but we knew there had to be a tipping point, and this is what happened in August."

Interest rates represent the most significant obstacle to vehicle sales presently. Not only does it strain individuals with existing financial commitments, resulting in higher debt instalments, but each increase in rates also changes the affordability model for consumers in terms of the maximum Rand value for which they can secure approval for a loan at a financial institution.

"When we factor in new car pricing and the negative impact of a weak rand, we witness a perfect storm of reduced affordability in a market with fewer and fewer cars available in various price brackets," said Cohen.

"Inflation has dropped to 4.7%, well within the South African Reserve Bank’s target range of 3% to 6%. If this trend continues, we may have reached the peak of the rate cycle, or at least there might be no further increases. There is hope that interest rates will decrease, potentially as early as November, if economic data permits; otherwise, in the first quarter of 2024.

SA's car market remains in a state of flux

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"Fuel price increases linked to the rand continue to be an ongoing concern, and with the Northern Hemisphere exiting summer, there may be additional price pressure. We also hold hope that an expanded BRICS alliance might generate some positivity in this area. Additionally, property and utilities rate hikes at the municipal level are not helping the situation.

"Downsizing is a significant factor in this current economy. A look at the number of vehicles luxury brands will retail this year compared to the previous year indicates that the luxury segment is under considerable pressure and is likely to continue this way in the near term," Nada points out.

Stats

Total industry sales in August amounted to 45,679 units, reflecting a decline of 3.1% compared to August 2022. The positive news is that exports grew by 33.5% to 41,462 units. Passenger car sales of 28,951 units experienced a decline of 6.7% compared to the previous year.

Commercial vehicle sales continued to outperform the car market, with light commercial sales up by 2.7%, medium truck sales up by 0.3%, and heavy truck and bus sales increasing by 10.4%.

Once again, the rental industry played a significant role in the market in August, accounting for 12.2% of total sales and 16.2% of car sales.

The dealer retail channel accounted for 83.8% of the total sales, while corporate fleets made up 2.8%, and government entities only constituted 1.2% of the total sales.