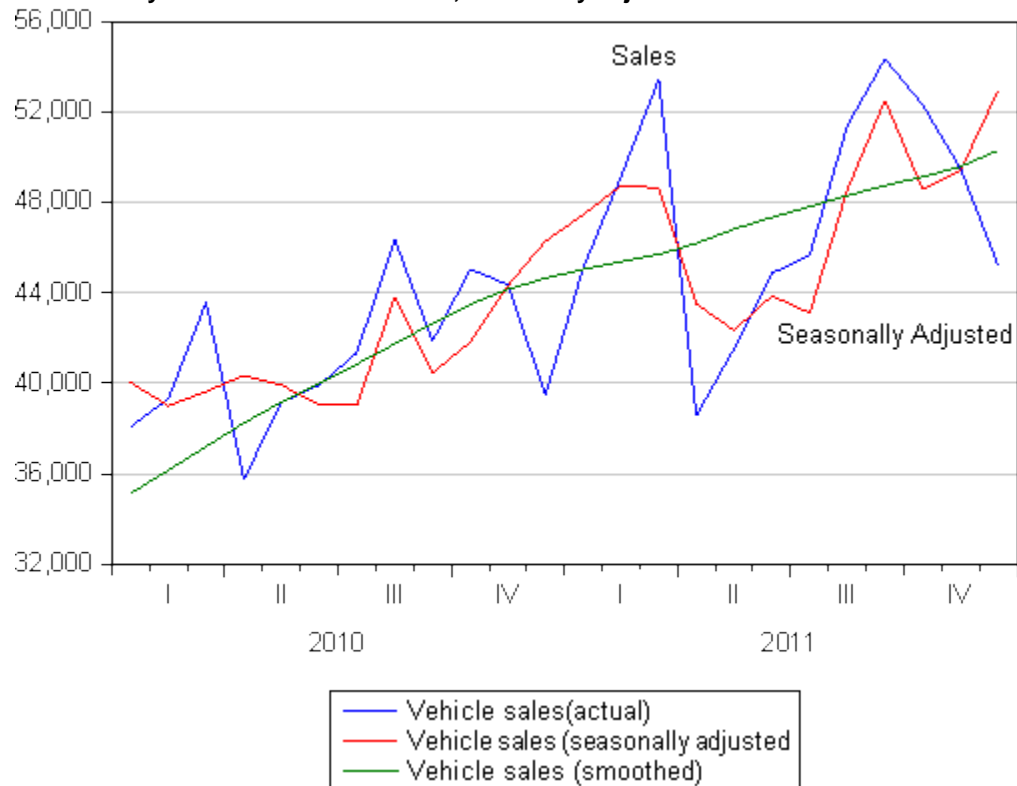


Vehicle sales: Benz with the remover

The quality of the Naamsa unit vehicle sales statistics for December 2011 has been damaged to a degree by the refusal of Daimler-Benz to release their December sales to Naamsa, citing (rather strangely) European competition authority concerns. Presumably the competition authorities could not object to the firm announcing its own sales – the practice in the US. However a “conservative” Naamsa estimate of 920 unit Mercedes sales in December has led Naamsa to estimate total unit sales of 45 200 in December 2011. To misquote Shakespeare: The vehicle sales number doesn’t alter when it alteration finds, or “Benz” (bends) with the remover to remove.

December, the summer holiday month in SA, is not usually good for big ticket purchases. When the estimated unit vehicle sales of 45 200 made in December 2011 are seasonally adjusted, this converts to the equivalent of 52 988 sales which is a very strong number. It exceeds the seasonally adjusted vehicle sales of 52 533 units made in September 2011 that was also a very strong month. Sales in October and November, seasonally adjusted, had declined from the September levels only to pick up very strongly in December, as we show below.

RSA Monthly unit vehicle sales: Actual, seasonally adjusted and smoothed



Source: Naamsa, Investec Wealth & Investment

The Naamsa table shown below indicates that 2011 was a highly satisfactory year for distributors of motor vehicles with unit sales up over 17% on a year before. The strength in unit sales of heavy vehicles is noteworthy, indicating the willingness of SA business to add capacity in 2011. For SA motor manufacturers, export sales would have added further to their volumes of production in 2011. Despite a fall off in export volumes in December, Naamsa reports that 2011 was the second best year ever for vehicle exports. Naamsa forecasts an encouraging 13% growth in 2012: **“from the approximately 540 500 vehicles produced in 2011 to about 610 000 units in 2012 – an increase in vehicle production of about 13%. This compares to 472 049 new vehicles produced by the Industry in 2010.”**

Aggregate annual industry sales by sector over the past four years:

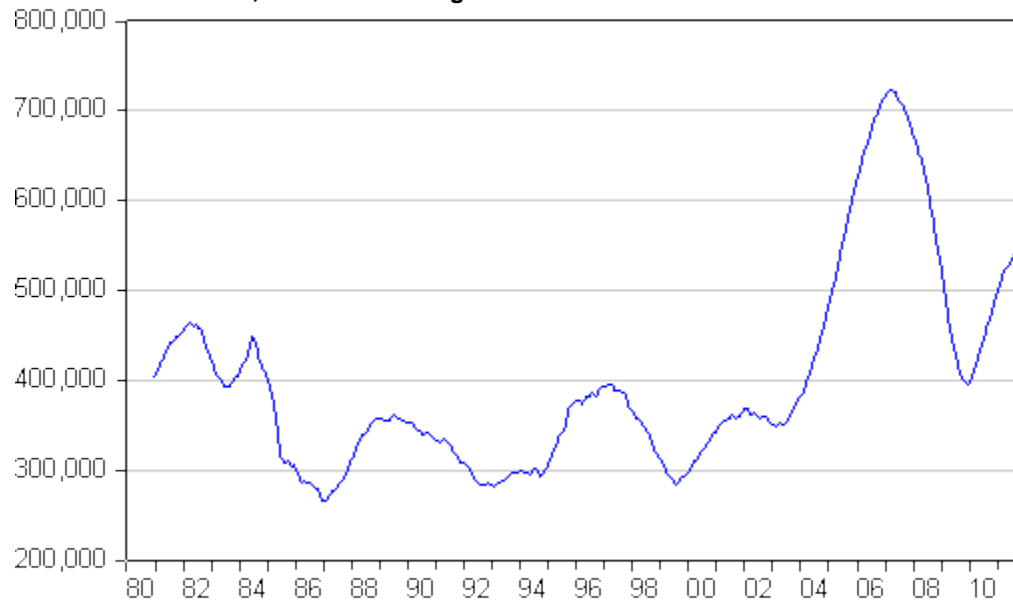
Sector	2008	2009	2010	2011 Excl. Dec Mercedes data	2011 Estimated *	Estimated 2011 / 2010 % Change
Cars	329 262	258 129	337 130	394 503	395 423	+ 17.3%
Light Commercials	169 466	118 159	133 756	149 261	149 302	+ 11.6%
Medium Commercials	12 130	7 229	7 557	9 110	9 257	+ 22.5%
Heavy, Extra Heavy, Commercials/Buses	22 529	11 705	14 464	17 138	17 443	+ 20.6%
Total Vehicles	533 387	395 222	492 907	570 012	571 425	+ 15.9%

* Using historical sales trends and forecasting techniques, Naamsa's third party service provider, RGT Smart, have calculated industry sales including projections for Mercedes sales.

Source: Naamsa

Naamsa points out that while domestic unit sales have grown strongly over the past two years, unit sales are still well below the record year of 2006 when unit sales for the 12 months exceeded 700 000 (See below where it may be noticed that unit sales on a moving 12 months basis were lower in 2004 than they were twenty years before). These recent vehicle sales portend very well for sales in 2012. Simply extrapolating these recent trends would suggest growth in domestic sales of as much as 20% in 2012 which, if it materialised, would make this year a very good year taking domestic sales to 673 000 units or close to the record sales of boom year 2006. Anything like these predicted unit sales in 2012 would take the industry and, no doubt, the share market as well as the banks and the Reserve Bank very much by surprise. **Brian Kantor**

SA Unit vehicle sales, 12 month moving total



Source: Naamsa, Investec Wealth & Investment