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Signs of recovery in car market – RGT Smart economist Neal Bruton

The November new passenger car sales figures point to “slow but improving rates of growth during the new year,” says RGT Smart economist and director Dr Neal Bruton.

RGT Smart provides the research and market intelligence for the National Association of Automobile Manufacturers of South Africa (Naamsa), as well as a number of vehicle and component manufacturers and dealerships.

According to Bruton, the November sales of 22 929 new passenger cars – including those not reported in detail to Naamsa – was 4,6 per cent higher than November 2008. “This is the first time since January 2007 that the monthly total new car market has been larger than the corresponding month of the previous year,” he says.

Sales were 6,7 percent down on October 2009.

“New passenger car sales in November continued the more positive trend in sales of the past number of months. The new passenger car sales cycle now appears to have bottomed out and is currently beginning to reflect some slow growth,” he says.

According to Bruton, the bottoming out of the new car sales cycle appears to have coincided with the country slowly moving out of recession during the third quarter of 2009. Real seasonally adjusted and annualised GDP growth expanding by 0,9 percent during the quarter.

New car sales are also being supported by fewer price hikes. According to Bruton, the annual rate of growth in new vehicle prices has declined from 14,4 percent in March to 10,5 percent in October.

He expects the new passenger car market to “probably” end 2009 some 22 percent down on 2008.

The January to November 2009 new passenger car market recorded sales 22,5 percent below the same period for 2008.

Naamsa members reported 19 317 new passenger car sales during November 2009. Sales in November were 7,3 percent below the market recorded in October 2009, and 3,9 percent below the November 2008 market, bringing the

January to November new passenger car market for 2009 to around 24,2 percent below the same period for 2008.

The road ahead is likely to be rough, he warns. "While recovery in coming months will increasingly be supported by declining levels of inflation and the impact of interest rate reductions in 2009 steadily filtering through to the economy, the pace of recovery is likely to be slow and extended.

"The economy remains weak with manufacturing, while reflecting some recent improvement, is still down 11,4 percent on 2008 and retail sales down 5,1 percent.

"Households remain heavily indebted and, while posting some improvement during the fourth quarter, both consumer and business confidence remains low supporting the view that economic recovery is likely to be slow and muted," he says.