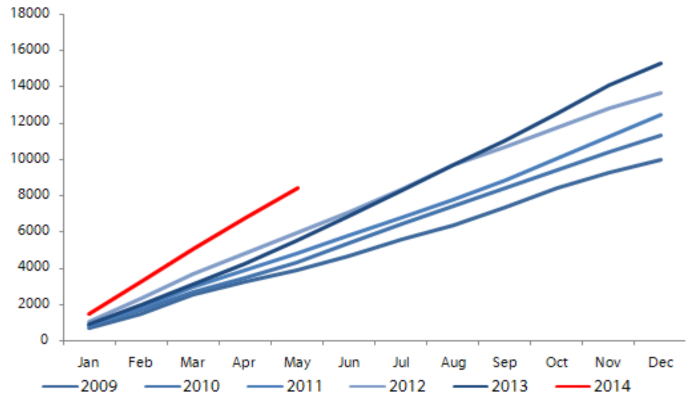
Economic Flash Note

May 2014 New Vehicle Sales

Jan-Hendrik Conradie - *12 June 2014*

Numbers expected to increase during motor show season after seasonal slowdown

Vehicle sales	Units	2014 YTD	Apr14 y/y %	May14 y/y %	Sentiment*
Passenger	773	3,959	60.4	26.5	×
Light Commercial	779	4,049	32.1	31.8	×
Medium Commercial	28	117	16.7	-22.2	×
Heavy Commercial	71	269	74.2	54.3	×
Total	**1,651**	**8,394**	**45.5**	**28.6**	×



Source: Naamsa

**Sentiment describes the y/y% movement*

1,651 new vehicles were sold in Namibia during May, reflecting a slight decrease of 0.4% m/m from the previous month. The lower monthly figures were caused by a decline in passenger vehicle sales, despite a slight up tick in commercial vehicles sales. As expected, April-May figures are lower due to a seasonal slowdown, with the monthly figure retracing from the record set in March. On an annual basis growth remained high, however eased to 28.6% from 45.5% in April on account of base effects. At this point, 8,394 vehicles have been sold so far in 2014, up 51.5% on the comparable period of 2013.

The 12-month cumulative measure increased further to 18,115 and is now 36.3% higher than a year ago and up 2.1% on the previous month.The increase in the 12m cumulative figure is a combination of a low base and strong results in the current period.

Sales of passenger vehicles decreased further, down 4.0% m/m to 773 vehicles sold, coming off the March record level. Passenger vehicle sales are 26.5%higher than a year ago. Commercial vehicle sales increased 3.1% to 878, the increase was on account of higher numbers recorded in the light, mediumand heavy categories.

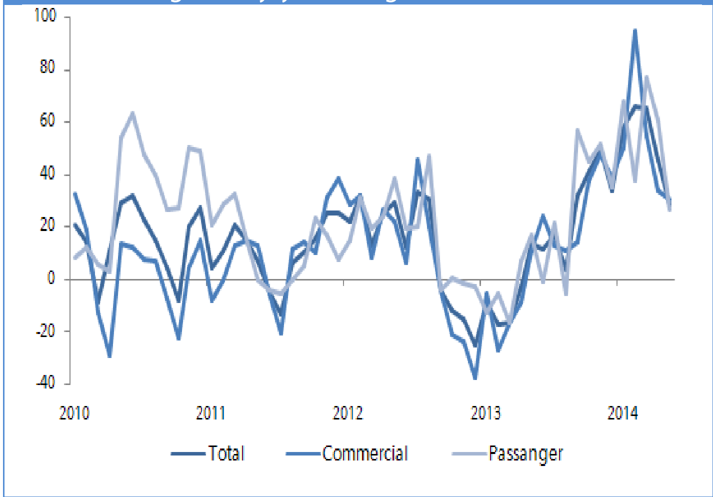
Toyota and Volkswagen dominated the passenger market,selling themost vehicles in May, with the two brandsclaiming 31.8% and 26.8% of sales respectively. Toyotaonce againwas the market leader in light commercial vehicles, having the lion's share of sales at 44.3% of the market, followed by Nissanat 13.0%.

The Bottom Line

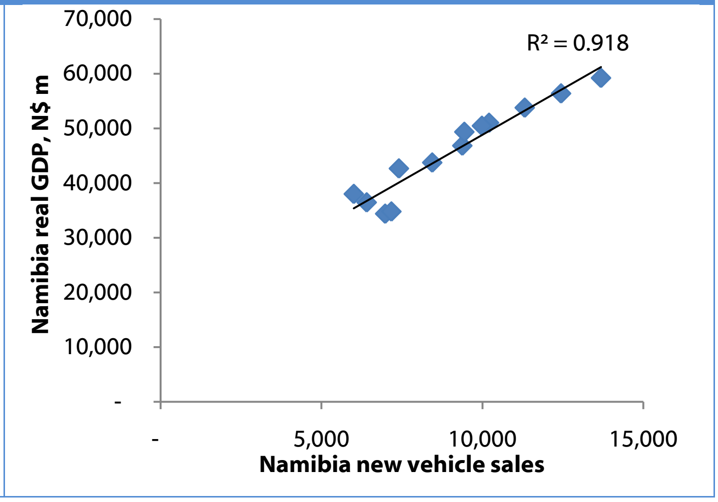
The strong increase in vehicle sales is attributed to a number of factors, namely the on-going expansive fiscal and monetary positions of the Ministry of Finance and Bank of Namibia, as well as purchase of vehicles by Government.The Ministry of Finance has allocated N$984.5m to vehicle purchases in the 2014/15 National Budget,aN$517.8m or 111.0% increase on the vehicle expenditure budget of the 2013/14 financial year. Additionally, the mining sector has purchased a number of commercial vehicles over recent months, largely on account of the on-going construction of the Tschudi, Otjikoto and Husab mines in the country.

All though April and May was seasonally slower, we expect sales to pick up during the motor show season that is in full swing, as it offers appealing deals on new vehicles. The strong growth trend is expected to continue, however sales may slow towards the end of the year as monetary policy tightening might be implemented. Nevertheless, government tenders yet to be delivered will maintain the momentum of vehicle sales through 2014.

Vehicle sales growth y/y % change

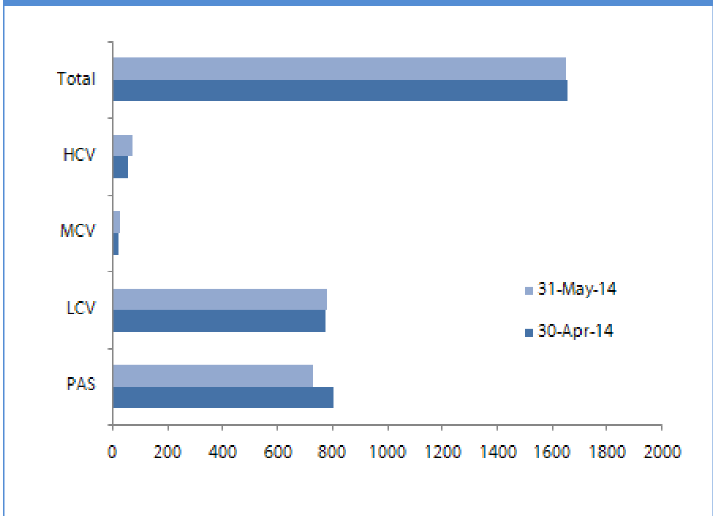


Annual new vehicle sales vs Namibian real GDP

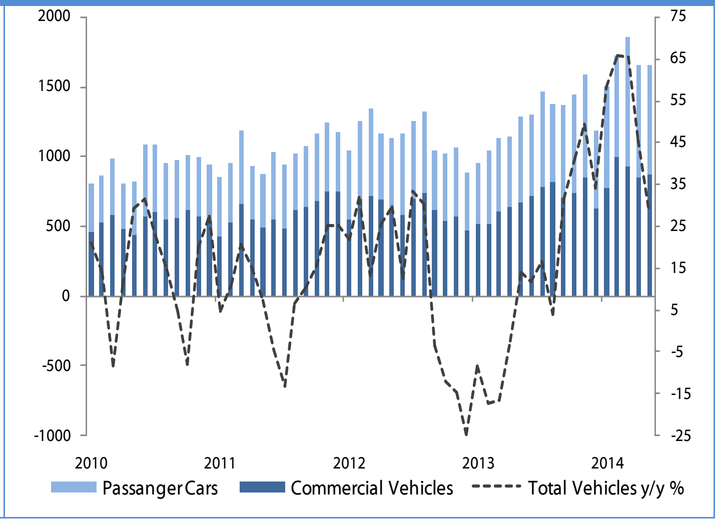


Source: NAAMSA

Vehicle Sales Volume

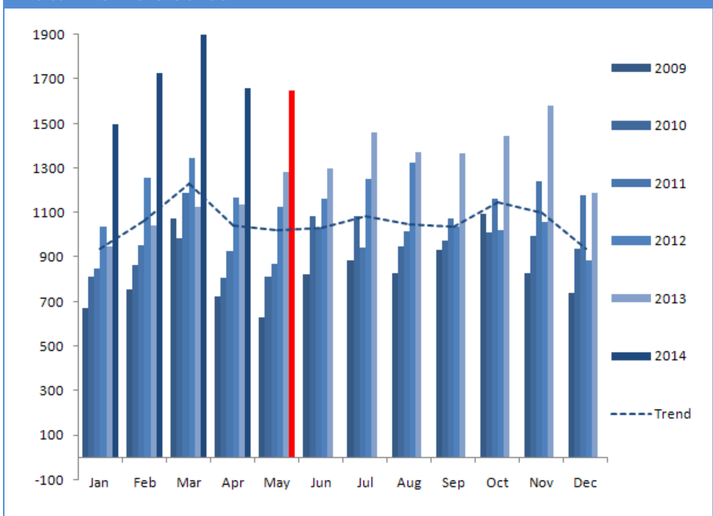


Sales Volume

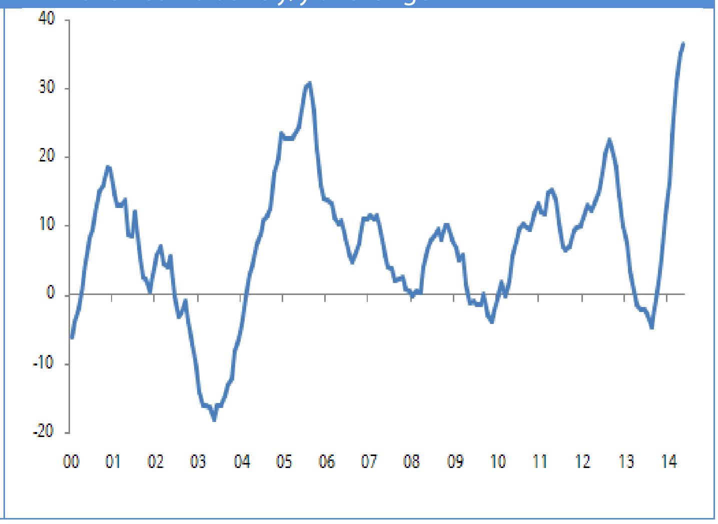


Source: NAAMSA

Total Vehicle Sales



12-month Cumulative y/y % change



Source: NAAMSA

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