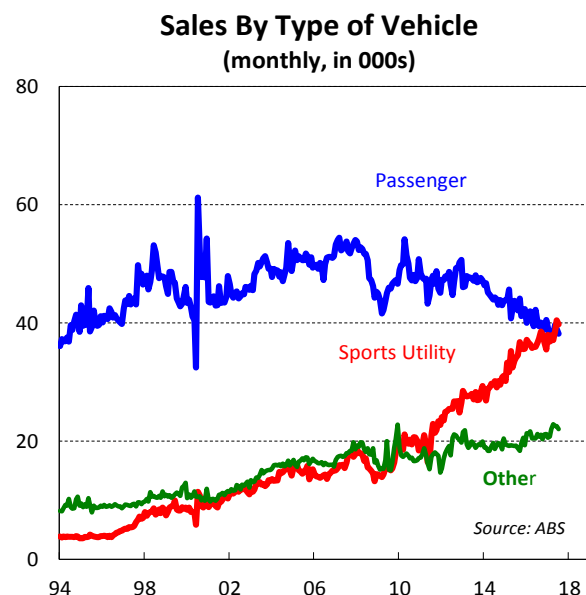
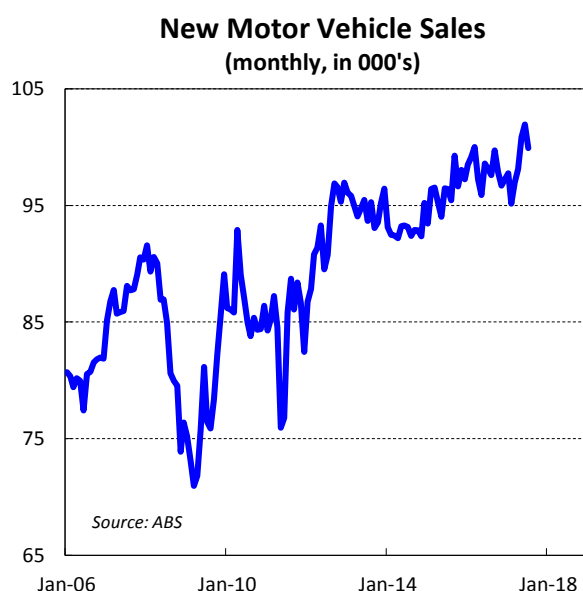


Tuesday, 15 August 2017



New Motor Vehicle Sales Consumers Prefer SUVs

- New motor vehicle sales retreated 2.0% in July to 99,911, but it follows four consecutive monthly increases that took new auto sales to a record high in June of 101,950. Annual growth slowed to 1.8% in July, from 3.4% in June.
- Falls in July were recorded across all motor-vehicle categories. Passenger and other vehicles each fell by 2.2% in the month. Sports utility vehicles (SUVs) fell by 1.7% in the month.
- Despite the decline in SUVs in July, the growing consumer preference is for larger vehicles over sedans. SUVs fell 1.7% in July, but the fall might merely be a pause for breath, after rising 9.0% in the two months to June to a record high.
- SUVs have been taking market share from passenger vehicles for some years. This trend is likely to continue, as the variety of SUV models available for sale expands. SUVs now represent 40% of all vehicles sold compared with 38% for passenger vehicles. Just 5 years ago, SUVs accounted for 28% while passenger vehicles accounted for 49%.
- Motor vehicle sales rose in two States only in July – Western Australia and South Australia.



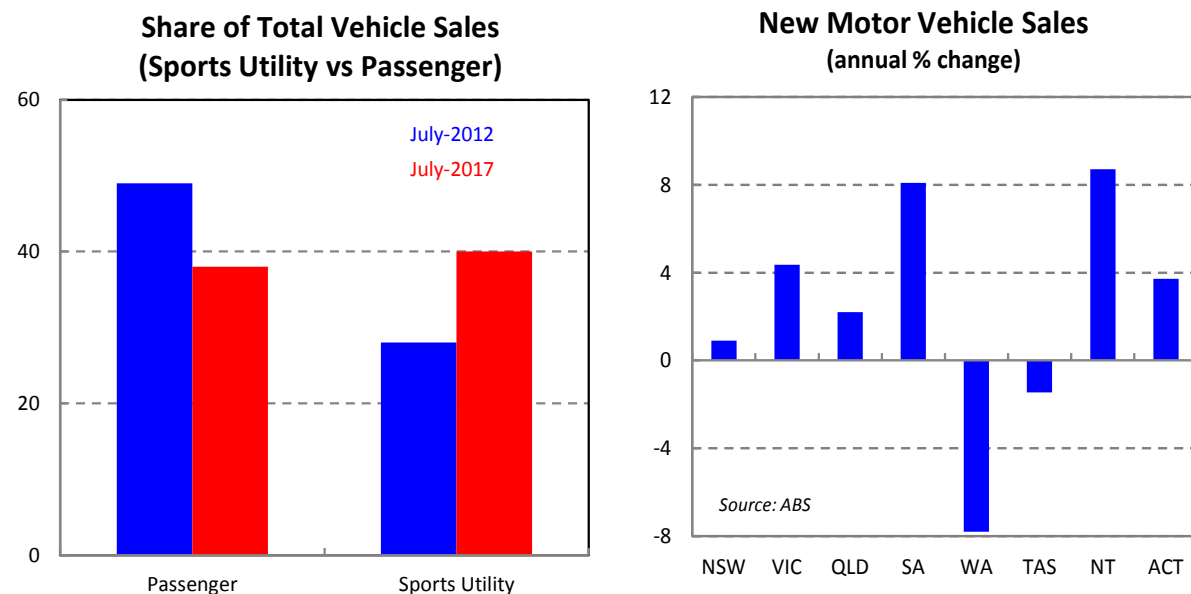
New motor vehicle sales fell by 2.0% in July to 99,911, but it follows four consecutive monthly increases that took auto sales to a record high in June of 101,950. Annual growth eased to 1.8% in July, from 3.4% in June.

Falls in July were recorded across all motor-vehicle categories. Passenger and other vehicles (trucks, utes) each fell by 2.2% in the month. Sports utility vehicles (SUVs) fell by 1.7% in July.

The growing trend continues to be a preference by consumers for larger vehicles over sedans. This trend is likely to continue with the continued expansion of SUV models available. In June, sales of SUVs hit an all-time high of 40.427, representing 40% of all motor vehicles sold in Australia. The fall in July might just be a pause for breath, after rising 9.0% in the two months to June, which was the strongest two-month gain in over 4 years.

SUVs have been taking the share from passenger vehicles. SUVs now represent 40% of all vehicles sold compared with 38% for passenger vehicles. Just 5 years ago, SUVs accounted for 28% while passenger vehicles accounted for 49%.

On an annual basis, sales of passenger vehicles fell 5.2%, while SUV sales rose by 8.4% and other vehicle sales lifted 3.9% in the year to July.



By State

Motor vehicle sales only rose in two States in July – Western Australia and South Australia. These States recorded rises of 1.7% and 0.6%, respectively. Sales in Western Australia have been notably poor since early 2013, reflected in the annual rate which contracted by 7.8% in July. Western Australia continues to feel pain from the unwinding of the mining investment phase of the resources boom. South Australia, however, has recorded five consecutive monthly increases, taking the annual growth rate to 8.1% in July.

Implications and Outlook

Sales of motor vehicles provide some indication as to the health of consumer spending. While July saw a retreat in motor vehicle sales, it was from a record high in June. Therefore, new motor vehicle sales still remain relatively firm in an encouraging sign for consumer spending. However, weak wages growth, high household debt and low consumer-confidence readings provide a threat to the outlook for the growth of new motor vehicle sales (and consumer spending more generally). Low interest rates and the improvement underway in the labour market remain supporting factors.

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