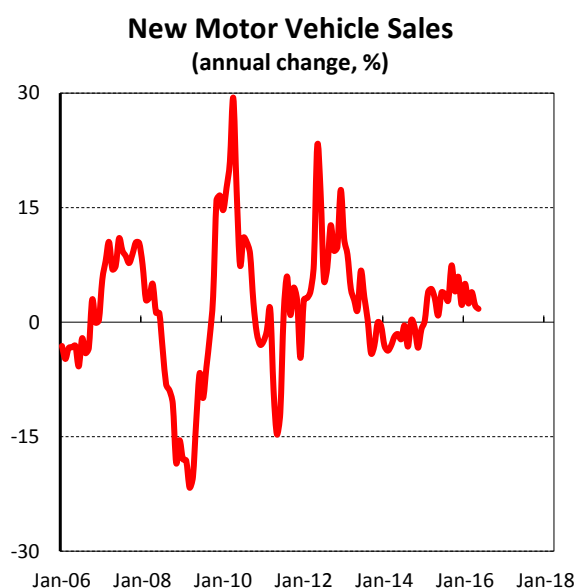
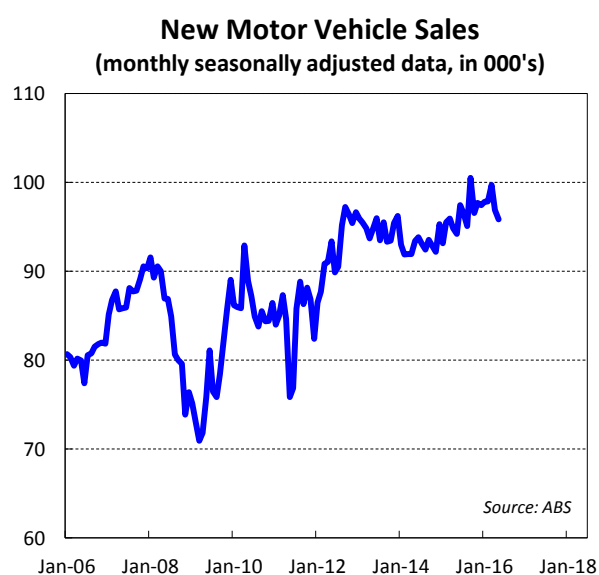


New Motor Vehicle Sales Down A Gear in May

- New motor vehicle sales fell 1.1% in May following a revised 2.8% decline in April. Monthly sales are now well down on a peak of 100,517 seen September 2015. In May, 95,855 new motor vehicles were sold for an increase of 1.7% over a year earlier.
- The popularity of sports utility vehicles (SUVs) reasserted itself in May with a 1.4% lift in sales. There continues to be a drift towards SUVs. Back in mid-2010 sales of SUVs were running at around 20,000 per month while passenger vehicle sales were running at 50,000 per month. By May 2016, the gap has closed with around 40,000 passenger vehicles sold and just over 35,000 SUVs sold. SUV sales rose 10.4% over the year to May.
- It was disappointing to see a further decline in sales of “other” vehicles which includes vans, trucks and buses. Sales were down 1.7% in May following a decline of 4.9% in April but are still up 5.5% over the year.
- Interest rates are historically low. In addition, measures in the Federal Budget to extend the instant write-off for assets under \$20k and a company tax cut to small businesses may act to boost business spending on new motor vehicles. Growth in employment should also assist in underpinning demand.



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While sales remain at historically high levels, they are now down 4.6% from September 2015's peak and are looking softer.

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The number passenger vehicles sold fell 3.0% in May after falling 1.9% in April and sales were down 6.6% on a year earlier.

It was disappointing to see a further decline in sales of "other" vehicles which includes vans, trucks and buses. Sales were down 1.7% in May following a decline of 4.9% in April but are still up 5.5% over the year. The 'other vehicles' category can be a pointer towards activity in the business sector. Growth of 5.5% over the year is welcome but the momentum of annual growth has slowed from earlier in 2016 when annual growth was, on average, above 10.0%.

By State

Monthly sales figures are notoriously volatile but Western Australia has now seen four consecutive months of decline. Sales in WA fell 4.8% in May. It would appear that the slowdown in the mining construction sector continues to influence spending elsewhere. The ACT has seen two consecutive months of decline but these follow very strong, 9.3%, growth in March. NSW has also seen two months of weakness after two months of good growth with sales falling 1.4% in May. Elsewhere during May, sales were up in the Northern Territory (4.8%), South Australia (4.2%) and Queensland (1.0%). They fell 2.3% in Victoria, were down 1.0% in Tasmania.

Over the year to May, new motor vehicle sales were strongest in South Australia (6.8%) and the ACT (8.1%). These were followed by NSW (3.9%), Victoria (2.1%), Tasmania (2.1%) and the Northern Territory (0.1%). Sales in Queensland (0.0%) were flat while in Western Australia (-7.5%) they continue to fall.

Outlook

The softening pace of growth in new motor vehicle sales over the year reflects the modest pace of growth in domestic demand. We don't expect to the domestic economy to accelerate rapidly in the near term and neither do we expect it to collapse. The same seems likely for sales of new motor vehicles. The outlook, however, varies from region to region.

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