

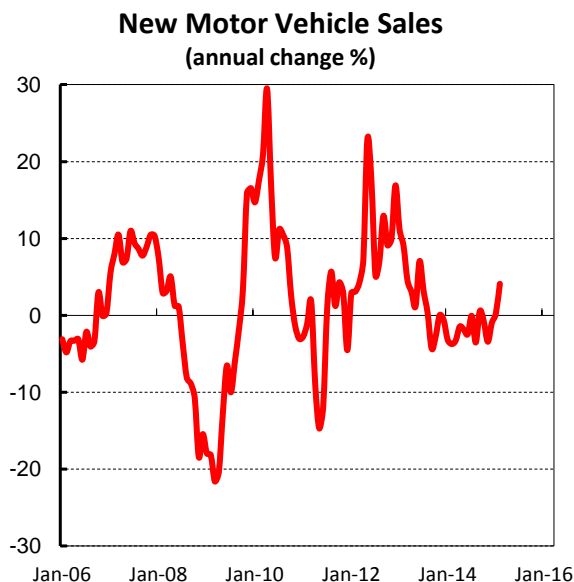
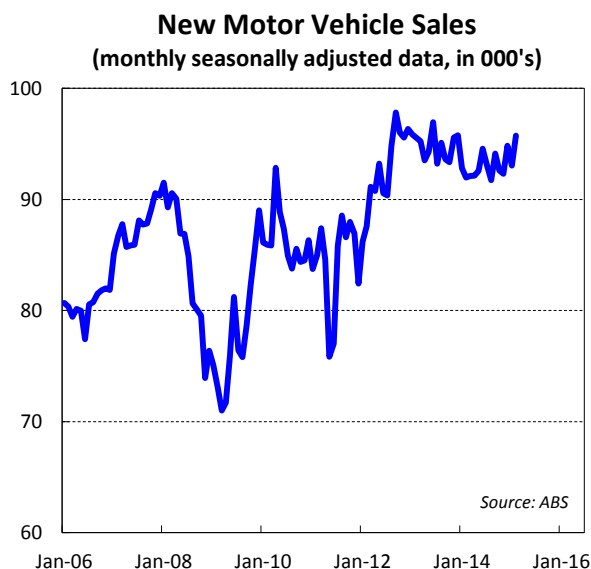
Monday, 16 March 2015



Motor Vehicle Sales

SUV Sales Surge

- Sales of new motor vehicles rose 2.9% in February pushing sales to their highest level since December 2013. Over the year to February, new motor vehicle sales rose 4.1%.
- Sales in February are down just 2.1% from the all-time 97,815 sales in September 2012. Sales may have slipped since 2012 but remain at a historically robust level.
- Over the year to February growth in new motor vehicle sales was positive in all States and territories except Western Australia where a downturn in the mining and related sectors may have restrained sales activity.
- Fear of a rise in car prices due to the weaker AUD may have driven sales in February. The industry will have to deal with the impact of a fragile labour market and very slow wages growth in the months ahead. Giving the industry a boost should be lower interest rates and the lower price of petrol which have taken some pressure off household budgets.



Sales of new motor vehicles rose 2.9% in February pushing sales to their highest level since December 2013. The solid increase in February will be a welcome outcome for auto dealers who have seen mixed monthly outcomes over the past eight months. For the year to February, new motor vehicle sales are up 4.1%.

Monthly sales in February 2015 were 95,737 a decline of just 2.1% from the all-time sales peak of

97,815 in September 2012. Sales remain elevated following very strong growth in 2012.

The recent decline in the Australian dollar may represent a headwind for the auto industry, with the weaker currency likely to put upward pressure on car prices. The rise in the unemployment rate over the past year and concerns about the outlook for jobs may cause some potential new car buyers to delay or reconsider their purchases.

Acting in the opposite direction will be the impact of the RBA's rate cut in February and the likelihood of a follow up rate cut in coming months. These should support demand as should the recent decline in the oil price which will have taken some pressure off household budgets.

By Sector

The surge in new vehicle sales was driven by sales of sports utility vehicles (SUVs). Sales of SUVs rose 10.5% in February to be up 24.0% for the year. During February, 33,516 SUVs were sold, the highest monthly number of SUV sales on record.

Despite the surging popularity of SUVs, general passenger vehicles remain the most popular form of car with 43,020 sold in February. This was down 0.9% on January sales of passenger vehicles and down 6.6% on a year earlier.

Sales of 'other vehicles' (which tend to be commercial vehicles including vans, trucks and buses) were down 0.3% in February following a decline of 3.6% in January. Despite the declines in January and February, sales of 'other vehicles' were up 1.9% on a year earlier. This pace of growth seems to reflect the level of activity in the broad economy with businesses remaining reluctant to lift their investment spending.

By State

All States and territories saw a growth in new motor vehicle sales during February. Sales lifted 22.4% in the Northern Territory following a decline of 13.4% in February. Sales in South Australia rose 8.8%, the ACT 5.9%, Queensland 4.7%, Tasmania 4.3%, Western Australia 2.3%, NSW 1.9% and Victoria 0.8%.

For the year to February, sales were positive in all States except Western Australia. The strongest growth was in Tasmania with an 11.3% increase closely followed by the Northern Territory at 11.2% growth. Outcomes for other States and territories were South Australia (6.5%), Victoria (5.6%), NSW (5.0%), Queensland 4.8% and the ACT (2.6%).

Outlook and Implications for the RBA

Growth in motor vehicles sales have picked up. Part of this may be due to a fear of price rises following on from the weaker AUD. Working against further increases in sales are very soft growth in wages and a fragile labour market. Positive for the outlook for new motor vehicles sales are the recent cut in the cash rate and the possibility of rates moving still lower. Lower oil prices will also have taken pressure off household budgets. The modest rise in sales of 'other vehicles', which ties in with business spending, appears to reflect sub-trend growth in the Australian economy. It may well add weight to the call for an RBA rate cut in May, although an earlier cut from the RBA cannot be ruled out.

Hans Kunnen, Senior Economist
Ph: (02) 8254 8322

Contact Listing

Chief Economist

Besa Deda
dedab@stgeorge.com.au
(02) 8254 3251

Senior Economist

Hans Kunnen
kunnenh@stgeorge.com.au
(02) 8254 8322

Senior Economist

Josephine Horton
hortonj@stgeorge.com.au
(02) 8253 6696

Senior Economist

Janu Chan
chanj@stgeorge.com.au
(02) 8253 0898

The information contained in this report ("the Information") is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom St.George has a contract to supply Information, the supply of the Information is made under that contract and St.George's agreed terms of supply apply. St.George does not represent or guarantee that the Information is accurate or free from errors or omissions and St.George disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to St.George products and details are available. St.George or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. St.George owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of St.George.

Any unauthorised use or dissemination is prohibited. Neither St.George Bank - A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.