

Regional TV Market Bulletin February 2008 New Car Sales Update

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2007 best year ever for regional new cars sales

Regional buyers were a major factor in Australian new car sales breaking the one million annual sales barrier for the first time last year.

Regional consumers purchased a total of 332,876 new vehicles in 2007 accounting for 32% of all new motor vehicles sold in Australia, an increase of 8% on 2006 equaling 25,123 extra vehicles.

The strong growth in 2007 is a continuation of the higher long term trend in regional new car sales, having increased by 29% in regional since 2002, compared to 26% growth in sales in metropolitan markets over the same time. The key factors driving regional market sales growth are the rapidly increasing regional population – up 11% overall since 2001 – and the growth in regional consumer spending power.

New Car Sales Growth Jan-Dec 2007 vs. 2006			Reg. Share of National Sales
Vehicle Type	Metro	Regional	
Light	+ 10%	+ 10.1%	29.2%
Small	+ 6.6%	+ 4.3%	29.1%
Medium	+ 4.3%	+ 9.9%	25.4%
Large	+ 3.1%	+ 0.1%	27.5%
SUV	+ 17.1%	+ 13.9%	33.7%
Premium/luxury	+ 11.9%	+ 16.2%	15.2%

Source: VFACTs Jan-Dec 2007 vs. 2006

The highest growth segments in regional markets were light, small and luxury cars highlighting the increasing level of urbanisation and the influence of seachanging baby boomers. Given the high level of growth in sales of smaller and premium cars it is not surprising to find the five fastest growing car makes in regional Australia are European.

Top 5 Regional Growth		
YOY Change	Metro	Regional
1 Renault	+ 27.5%	+ 73.0%
2 Alfa Romeo	+ 8.9%	+ 57.6%
3 Saab	+ 11.9%	+ 42.5%
4 Volkswagon	+ 35.6%	+ 39.4%
5 Audi	+ 23.2%	+ 38.3%

Source: VFACTs Jan-Dec 2007

While Renault, Alfa and SAAB are small volume and therefore able to post relatively big growth from a small base, VW and Audi are both clear demonstrations of the shift to premium by regional buyers on a large scale.

Volkswagen is the biggest volume seller of the top five and sold 5917 new cars to regional buyers last year representing 1 in 4 of all new VW's sold nationally. As recently as 2003 regional buyers contribution to VW national sales was only 16%.

Growth to continue in 2008

Charlie Nelson's most recent *foresechange* survey, reported by RTM in November 2007, showed over half of all regional people feel they have discretionary spending power. This was an increase of 18% from the previous year and up 50% since 2003. All the demographic and economic indicators suggest 2008 will be a very positive year for regional consumer spending and that the majority will not be adversely affected by interest rate rises and market downturns.

2002-2007: A period of dramatic change

It's not only the growth in numbers that has been the big news in regional car sales over the past few years but the dramatic change in the type of cars now preferred by regional buyers.

In 2002 large cars were the highest selling car type in regional markets, accounting for 29% of all cars sold. By 2007 that proportion had almost halved to only 15% of total regional new car sales. The change in consumer behaviour was prompted by higher petrol prices, an aging population, improved roads and greater urbanisation. The downsizing trend is a national one but the shift has been greatest in regional where large cars have traditionally been more dominant.

All other vehicle segments have benefited from the change away from large cars. Small cars and SUV's are now the joint top segments with 27% of regional new car sales each. Light vehicles and luxury vehicles had the highest growth up by around 50% over the past five years.

However it is worth pointing out the decline in sales of large cars almost ended in 2007 with regional sales down by less than 0.1% YOY. Regional sales represent a significant 28% of the national volume of large cars and the stabilisation of the large car segment will certainly be positive news for the launch of the new locally built Falcon sometime in 2008.

The downsizing trend has been mirrored by regional SUV buyers. Five years ago 20% of all SUV's were large Landcruiser style four wheel drives. Last year less than 7% of new regional SUV's were large vehicles representing a decline of almost two thirds in share terms. Compact SUV's are the most popular regional SUV with 47% of all SUV's sold coming from that sub-segment followed closely by medium SUV's with 39% of all regional SUV's sold.

Detailed analysis of regional new car sales by make and model is available on request from RTM.
Contact Brian Hogan on 02 9929 2122.