

Regional Car Sales Boom

New car dealers across regional Australia can't believe their luck. Following a record 12 months of sales that saw a distinct shift towards more luxurious models, the predictions are that 2004 may be even better. In 2003 regional sales grew above the national trend and contributed 32% of the national total. For the record, in 2003 regional Australians bought 287,259 new cars, 12% more than in 2002. National growth for the same period was 10%. Regional markets with the highest year on year growth were QLD (15%), WA (14%) and TAS (20%).

Vehicle sales in regional Australia increased in almost all categories. Outstanding performances came from areas not generally associated with regional markets, such as the luxury and prestige categories, which grew by 23% and 26% respectively.

New Car Sales Growth 2003			
Category	% Increase Sales YOY		Reg Share
	Metro	Regional	
Light	+14%	+20%	29%
Small	+5%	+9%	29%
Medium	+25%	+12%	27%
Large	+6%	+13%	30%
Prestige	+15%	+26%	22%
Luxury	+12%	+23%	15%
SUV	+9%	+9%	34%

Source: VFACTS (Jan-Dec 2003 vs. Jan-Dec 2002)

Within SUV's, sales of luxury models grew in regional Australia by an incredible 52% representing 19% of all vehicles sold in this category. Standout regional success stories include Honda MDX, Audi All Road, Mercedes M-Class and Jeep Grand Cherokee, all of which achieved more than 20% of their national sales in regional markets.

According to Nielsen Media Research Advertising Expenditure data, Regional TV attracted 24% of the \$380 million spent on TV advertising during 2003, increasing significantly from 21% in the previous year and allowing motor vehicle advertisers to reap the benefit of the higher return on investment offered by Regional TV.

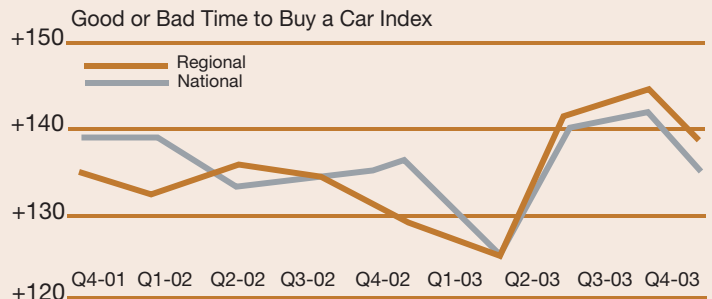
Why the regional shift up-market?

Trading up by regional consumers to more expensive cars is part of a national trend. The rising Australian dollar is cutting the price of imported goods allowing consumers everywhere to indulge in life's little luxuries. In practice Australians are not spending any less but using price decreases to pick up better quality products. This trend is most noticeable in consumer electronics where prices have fallen by 21.3% in a year. In the car market, prices are 2.6% down on a year ago and car affordability is at its best level in 20 years.

Regional consumers who have seen the value of their homes increase dramatically in the last couple of years and are less debt burdened than many city-based consumers, are in a position to splurge a little more than most.

Regional sales will grow faster in 2004

There seems little doubt that 2004 will be another great year for cars sales with the February index of consumer sentiment compiled by Westpac and the Melbourne Institute at 118.7 – unchanged from January's 10 year high. The Melbourne Institute survey also predicts regional car sales will grow above the national average in 2004 with their index of whether it is a good or bad time to buy a new car at 136 in regional markets – 2 points above the national average index.



Source: Melbourne Institute
Index = % Optimists less % Pessimists + 100