

## Solid services sector; Softer SUV sales

### Services sector; New vehicle sales

- **New vehicle sales:** In November, 93,860 new vehicles were sold, down by 7.4 per cent over the year. In the twelve months to November, sales totalled 1,168,403 units, down 1.4 per cent on a year ago. Sales of sports utility vehicles eased slightly from record highs in the year to November.
- **Services sector:** The Australian Industry Group (AiG) Performance of Services Index (PSI) rose for a 21st consecutive month, rising by 4.0 points to 55.1 points in November – the longest expansion since March 2008. PSI results above 50 points indicate expansion, with higher numbers indicating stronger rates of growth. The CBA/Markit services sector gauge rose by 2 points to 53.7 in November.

*The vehicle sales data provides guidance on consumer spending as well as conditions for the Autos and Components sector of the sharemarket. The services sector gauge highlights conditions in the sector as well as providing guidance on the economy more generally.*

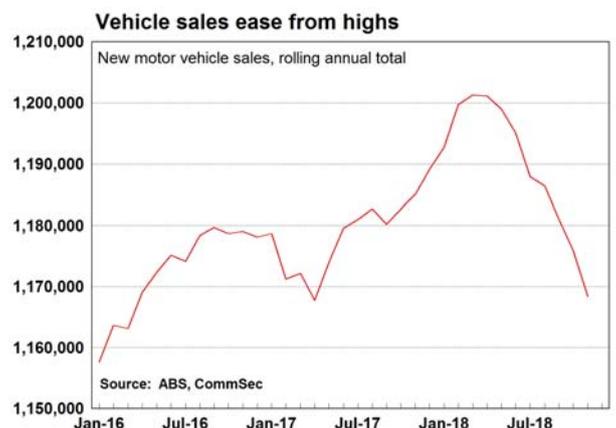
### What does it all mean?

- Purchasing manager surveys, together with the NAB business survey, confirm that Australian businesses are doing well. Profits are at record highs, companies are paying out dividends and they are investing and hiring staff. Record low interest rates, healthy growth from our major trading partners and a relatively low Australian dollar are all providing key roles in supporting business activity.
- The softening of new vehicle sales effectively represents a period of consolidation after the record-breaking run of sales in recent years. The response to low interest rates and cheaper vehicle prices has largely played out. Now the car market is looking for the next catalyst to send vehicle sales back to the summit.

### What do the figures show?

#### New vehicle sales

- In November, 93,860 new vehicles were sold, down by 7.4 per cent over the year. In the twelve months to November, sales totalled 1,168,403 units, down 1.4 per cent on a year ago.
- **The Federal Chamber of Automotive Industries reported:** *“The November 2018 market of 93,860 new vehicle sales is a decrease of 7,505 vehicle sales or -7.4 per cent on November 2017 (101,365) vehicle sales. November 2018 (25.7) had the same number of selling days as November 2017 and this resulted in a decrease of 292 vehicle sales per day.”*
- **By segment:** *“The Passenger Vehicle Market is down by 7,679 vehicle sales (-20.8 per cent) over the same month last year; the Sports Utility Market is down by 765 vehicle sales (-1.9 per cent); the Light Commercial Market is up by 841 vehicle sales (4.2 per cent); and the Heavy Commercial Vehicle Market is up by 98 vehicle sales (3.5 per cent) versus November 2017.”*
- **By brand:** *“Toyota was market leader in November,*



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followed by Mazda and Hyundai. Toyota led Mazda with a margin of 9,366 vehicle sales and 10.0 market share points.”

- **States/Territories:** “Once again Tasmania bucked the sales trend compared to November 2017, with a 2.0 per cent increase. The remaining States and Territories fell as follows: New South Wales (-11.6 per cent), Victoria (-7.0 per cent), Queensland (-2.6 per cent), Western Australia (-9.0 per cent), South Australia (-2.4 per cent), the ACT (-7.8 per cent) and the Northern Territory (-6.2 per cent).”

### Services Purchasing managers' indexes

- **The Australian Industry Group (AiG) Performance of Services Index (PSI)** rose for a 21<sup>st</sup> consecutive month, rising by 4.0 points to 55.1 points in November – the longest expansion since March 2008. PSI results above 50 points indicate expansion, with higher numbers indicating stronger rates of growth.
- While input prices fell 3.4 points to 59.4, average wages rose by 5.6 points to 60.3.
- AiGroup notes: “Consumer sales were buoyed by changing seasonal patterns in spending as Christmas sales were brought forward and events such as ‘Black Friday’ lifted turnover. The lower AUD has had a positive effect for some businesses in wholesale trade. Capacity utilisation in the Australian PSI® fell by 3.9 percentage points to 78.0 per cent of available capacity in November. It remains above its long-run average of 75.9 per cent, which suggests that further investment will probably be needed in order to meet future growth in demand and activity.”
- **The Commonwealth Bank services purchasing managers index** rose 2 points to 53.7 in November.
- CBA notes: “New business growth accelerated to a five-month high in November, driven by a solid expansion in export orders. Greater client demand, business expansions and promotional activity all supported sales growth, according to anecdotal evidence.”

### What is the importance of the economic data?

- The **Federal Chamber of Automotive Industries** releases estimates of **car sales** on the third business day of the month. The figures highlight the strength of consumer spending as well as conditions facing auto & components companies.
- **CBA and the Australian Industry Group (AiG) release surveys on the services sector each month.** The Australian surveys are the local equivalents of similar surveys released for other countries. The services sector surveys are useful not just in showing how the sector is performing but in providing some sense about where it is headed. The key ‘forward looking’ components are orders and employment.

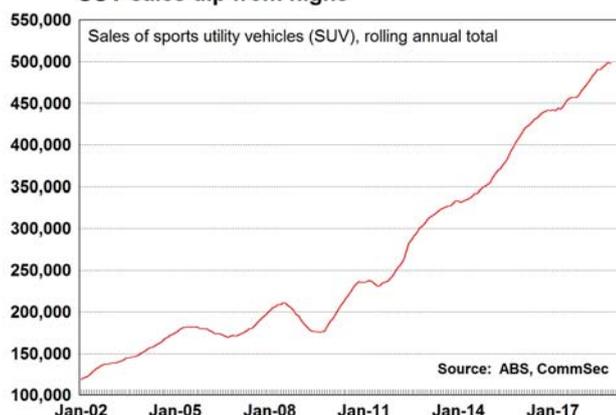
### What are the implications for interest rates and investors?

- The car market has topped out near its all-time highs, largely because sales of SUVs and utilities are just failing to cover the ongoing downturn in demand for passenger cars.
- The main risks for Aussie businesses are global jitters and domestic politics. The job market also continues to tighten and wages are edging higher.
- At present, CommSec expects interest rates to remain unchanged until late 2019. But we will be watching wage and price trends closely over coming months.

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**SUV sales dip from highs**



**Passenger cars lose out to SUVs**

