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New truck sales head toward a "two speed" market

For much of 2014, 2015 and 2016 Australia's new truck market operated at two very distinct levels, with record, or near record, growth being recorded at the smaller end of the market in Vans and Light Duty Trucks, while the Heavy Duty Truck segment saw year on year falls in new truck sales. Very much a "two speed" market and this trend has re-emerged in the past four to five months as the effects of the COVID-19 pandemic have impacted our economy in Australia. New Heavy Duty segment truck sales have been tracking at levels almost 25 percent lower than sales in 2019 since March this year. While over the same period, Vans sales have only declined by 3 percent and Light Duty Trucks sales were 4.7 percent lower and both Light Duty segments posted record breaking sales for the month of June 2020. As we witnessed in the 2014 to 2016 period, it is the bottom end of the market, with Light Duty Vans and Trucks continuing to "hold up" the overall market, while Medium Duty Trucks wain and Heavy Duty Truck sales take a hammering. In fact, it is only the years following the Global Financial Crisis (GFC) where sales have been worse for Heavy Duty sector. Overall, the heavy vehicle sector is tracking 12.4 percent down year-to-date, that is 2,744 less trucks sold this year than in 2019.

Reviewing each of the segments in detail, Heavy Duty sales only totalled 782 for the month of July, down 24.4 percent (-253 units) for the month and down a corresponding amount, 23.6 percent (-1,756 trucks) on the year-to-date tally from 2019.

The Medium Duty segment results continue to sit between those of the Heavy and Light segments, loosing less ground than their Heavy counterparts, however not holding as strong as the Light segments. A total of 570 Medium trucks were delivered in July, that is down 9.8 percent (-62 trucks) over July last year. While year-to-date the segment is performing a little worse, down 13.0 percent (-572 units) over this time last year. A total of 3,835 Medium Duty Trucks have been sold in 2020 to the end of July.

Light Duty Truck's continued their relatively stable run in 2020. 989 Light Duty Trucks were sold in July, down 4.4 percent for the month, (-45 little trucks). Year-to-date the percentage result is almost the same, down 4.7 percent, that equates to 308 fewer Light Duty Truck sales this year in comparison to the end of July 2019. A total of 6,244 Light Duty trucks have been sold thus far in 2020.

Light Duty Van sales were again the standout performer in July with 550 sales, up 11.6 percent (57 vans) for the month over July 2019 results. Year-to-date Van sales are also solid with 3,559 Vans delivered to the end of July, down just 3.0 percent (-108 vehicles) over 2019. In total 3,559 Vans have been delivered to the end of July 2020.

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Tony McMullan, CEO of Truck Industry Council, the peak industry body for truck manufacturers and importers in Australia, reflected “The Heavy Duty and to a lesser extent, Medium Duty, truck sales continue retracting, no doubt suffering under the economic downturn and loss of business confidence as a result of the COVID-19 pandemic. Light Duty Truck and Van sales continue to be better than expected and those results are likely in reaction to the \$150,000 instant asset write-off financial incentive set in place by the federal government and now extended to the 31st of December 2020. The new truck sector is again heading toward a “two speed” marketplace, as we saw from 2014, through to 2016, with solid sales in the lighter segments, while at the heavy end of the market, sales are slowing noticeably. On the surface the new truck market as a whole appears to be performing reasonably well, despite the current economic climate. However, when looking into the detail provided in the Truck Industry Council’s T-Mark sales data, heavy truck sales are suffering significantly. There are further government financial incentives available to operators wishing to purchase a truck costing more than \$150,000. I am specifically talking about the COVID-19 Accelerated Depreciation incentive that allows the purchaser of a truck priced over \$150,000 to claim over 50 percent of the new truck’s value back at tax time. I urge anyone considering a new truck purchase to contact their accountant for the best advice on these incentives.” Mr. McMullan concluded.

Truck Industry Council is the peak body representing all suppliers of on-road heavy vehicles in Australia. TIC members represent 16 truck brands currently on sale in Australia, plus four truck engine and major component brands.

**T-Mark is a database that compiles all trucks (that is, non-passenger carrying vehicles with Gross Vehicle Mass above 3,500 kg) sold into the Australian market that comply with Australian Design Rules. All road registered vehicles are captured, plus most of the off-road vehicles. Monthly data reports are made available to TIC members and the media.*

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