

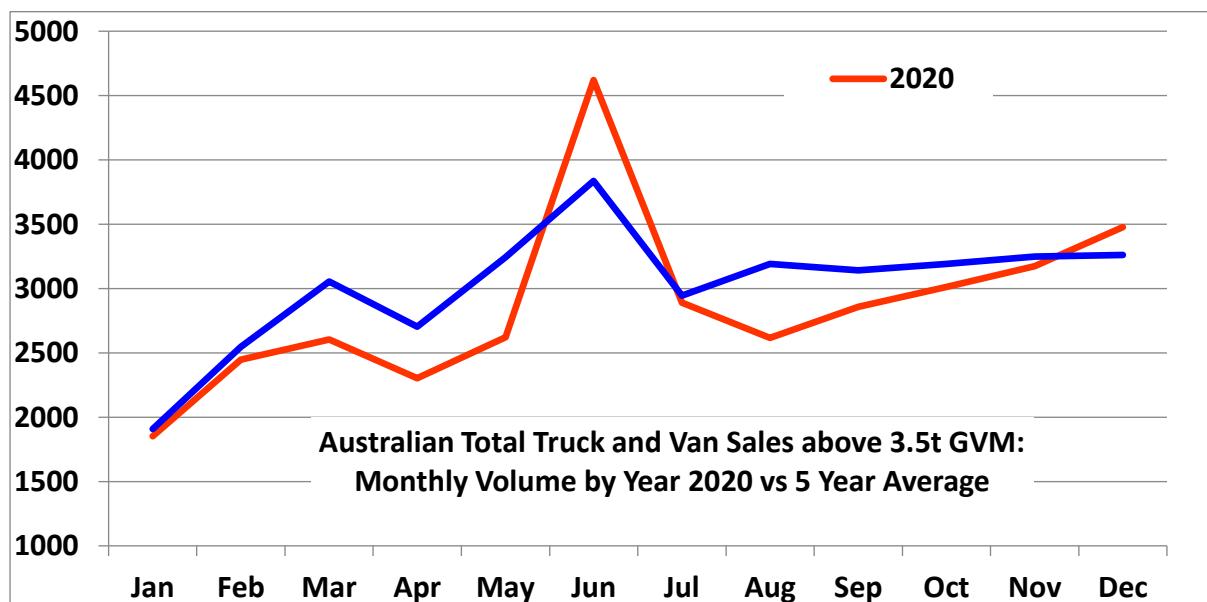


Prime Mover Magazine – TIC Article for March 2021 Issue.

Better than expected

I was recently asked how the Australian truck manufacturers and importers had fared over the past twelve months? I paused for a few seconds before replying, starting with, “Better than expected”, then continuing, “when I consider where the truck market was at the end of March 2020”. My response was based on the Truck Industry Council’s (TIC) month by month study of the market, an analysis that TIC regularly shared with both the Department of Treasury and the Australian Reserve Bank throughout 2020. Information that no doubt was used, together with other economic indicators, by those in government tasked with the role of developing “once in a lifetime” economic policy to steer our nation through the most disruptive year that most of us have ever witnessed. I thought that in my column this month, I would share some of that analysis.

The RED line on the following graph shows Australian truck and van sales, for vehicles over 3.5t Gross Vehicle Mass, in 2020. While the BLUE line represents the sales average over the previous five years, 2015 to 2019. This period includes the market record peak of 2018, as well as the “softer” sales years of 2015 and 2016. Overall, the period is a good representation of average new truck sales in Australia.



2020 started well, with sales tracking at five-year average levels in January and February. However from March on, we witnessed the economic effects of the pandemic, with sales slumping in March, April and May, to levels not seen since the Global Financial Crisis of over a decade ago.

The Federal Government's \$150k instant asset write-off incentive, introduced in March 2020, had a very positive effect, particularly on Light Truck and Van sales and without doubt, was a significant contributor to the best ever June new truck sales peak, as the financial year drew to a close. The record June result was followed by solid sales in July, however the market again tracked downward in August and remained low in September, no doubt due to the increasing uncertainty that again gripped the nation with the rise of COVID cases in Victoria.

Again we saw the Federal Government recognising this worsening economic climate, offering renewed economic stimulus in the October 2020 Budget, by removing the previous \$150k cap on their instant asset write-off incentive. TIC believes that the new "unlimited" value incentive was the primary reason that sales consistently trended upward in the final quarter of last year. Sales in December were particularly strong, and noting that there is always some market "lag" between truck order placement and the final sale and delivery of a new truck, in the order of two to three months, this explains the delay between the revised incentive's introduction and market sales results.

Given the global events of 2020, Australian truck sales were better than expected, by year end a total of 34,476 new trucks were sold, this is just shy of the five-year average of 36,270 sales in a year. TIC and TIC members believe this solid result was significantly assisted by the Federal Government's financial stimulus measures, and with these generous economic incentives continuing until the 30th June 2022, there truly has never been a better time to purchase a new, government incentivised, truck.

Tony McMullan

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