

# Bank of Ireland Motor Sector News

## Edition 7. July 2019

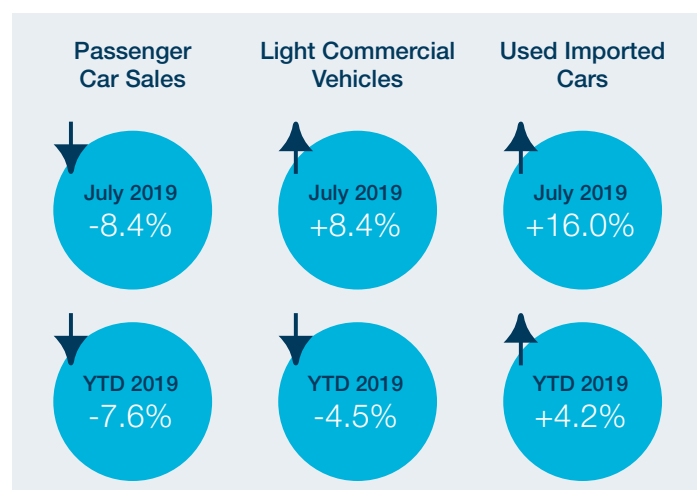
In H1 2019, the new car market finished down 7.4%, light commercial vehicle sales were down 7.6% and used imports increased by 2.4%. At this point, based on a 3 year average for the first half, just over 69% of new car sales are complete for the year.

July represents circa 21% of the new car market and brings with it the second peak ("192" plate) for new vehicle sales.

Although the market showed signs of improvement from April to June with 3 consecutive months of growth, the sentiment in July was not quite as buoyant for passenger car sales.

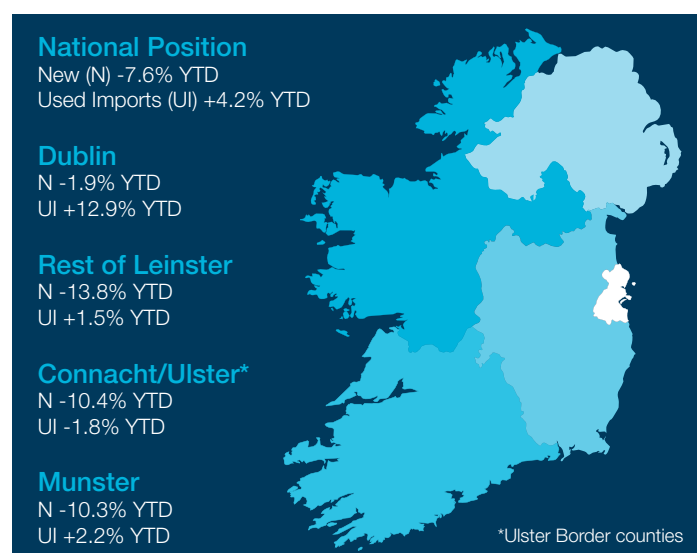
In the month of July, new car registrations finished down 8.4%, light commercial vehicle sales were up 8.4% and used imports increased by 16.0%.

In the first 7 months of 2019, new passenger car sales have declined 7.6%, light commercial vehicle sales are down 4.5% and used imports have increased by 4.2%.



## Provincial Developments

### July 2019 YTD

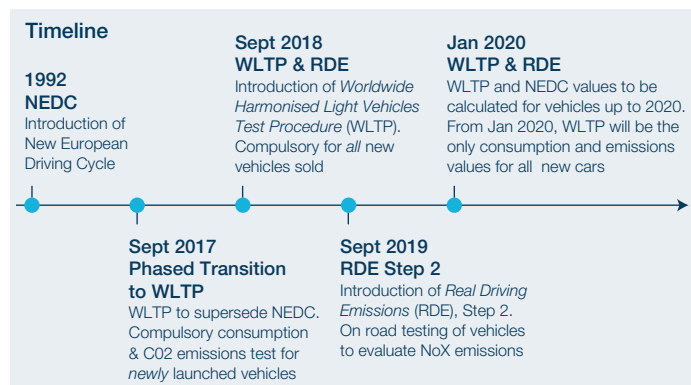


## Proposed Tax Changes

There has been considerable coverage of proposed tax changes that will impact the motor sector and Irish consumers. These changes are expected to be released in Budget 2020 with an implementation date to be confirmed. In Edition 2 February 2019, I wrote about the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) and its impact to the sector. Here is a reminder of this headwind facing the sector in the coming months.

### What is WLTP?

- The Worldwide Harmonised Light Vehicle Test Procedure (WLTP) is a new laboratory test to define vehicle CO<sub>2</sub> emissions. WLTP replaces the less stringent New European Driving Cycle (NEDC) test designed in 1980's.



### How it impacts the sector:

- Following a phased transition to WLTP since Q4 2017, full WLTP will apply in 2020. WLTP involves more "real world" testing and produces higher CO<sub>2</sub> emission results. Motor taxation in Ireland (VRT; Motor Tax) uses CO<sub>2</sub> emissions as the base for calculating these taxes.
- The EU recommends implementation of WLTP in a revenue-neutral manner. Without intervention from government, the impact of WLTP in 2020 will mean higher retail prices and higher road tax for Irish consumers. This represents a significant threat to motor dealers in Ireland.

### The solution?

- To avoid a fourth year of declining new vehicle sales, significant price hikes and a reduction in exchequer receipts from the sector, reform of current VRT tax bands is required to ensure minimal disruption for the sector and consumers in Ireland.
- The sector, represented by the Society of the Irish Motor Industry (SIMI), is currently engaged with Revenue and the Department of Finance to find a revenue-neutral solution.
- Proposed VRT reform also needs to be timely to allow distributors and motor dealers time to adjust stocks to suit a revised tax regime. It should also consider new vehicle market seasonality as mid-year implementation of tax changes will only serve to damage car sales in the first half of the year as consumers postpone their purchase decision due to uncertainty.

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Stephen has over 20 years Motor Sector experience in wholesale motor distribution and retail where he operated as Dealer Principal for 7 years – read more about him at [boi.com/motorsector](http://boi.com/motorsector)

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