# Bank of Ireland Motor Sector News

## September 2020

In the month of September, new passenger car (PC) sales increased 66.3% (to 5,685 units), Light Commercial Vehicle (LCV) sales increased 67.4% (to 2,240 units) and used imports declined 6.8% (to 9,522 units).

**PC Registrations YTD**

In the first 9 months, the market declined 25.8% (to 84,535 units). Volkswagen holds the #1 position with 12.1% market share, followed by Toyota with 11.7% in #2, Hyundai with 9.3% in #3, Skoda with 8.3% in #4 and Ford with 7.8% in #5.

**LCV Registrations YTD**

In the first 9 months, the market declined 18.6% (to 18,930 units). Ford holds the #1 position with 24.2% market share, followed by Volkswagen with 15.9% in #2, Renault with 11.7% in #3, Peugeot with 9.7% in #4 and Citroen with 8.4% in #5.

**Used Imports**

Registrations of used imports declined 40.3% (to 49,190 units) in the first 9 months of 2020.

| Passenger Car Sales | Light Commercial Vehicles | Used Imported Cars |
|---|---|---|
| Sept 2020 YTD -25.8% | Sept 2020 YTD -18.6% | Sept 2020 YTD -40.3% |

## Provincial Developments

### September 2020 YTD

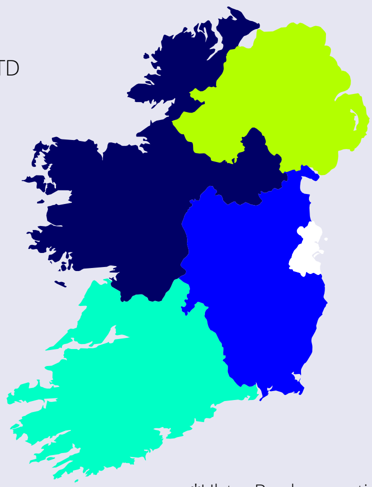
**National Position**
New (N) -25.8% YTD
Used Imports (UI) -40.3% YTD

**Dublin**
N -36.2% YTD
UI -34.9% YTD

**Rest of Leinster**
N -16.1% YTD
UI -43.6% YTD

**Connacht/Ulster***
N -13.6% YTD
UI -42.2% YTD

**Munster**
N -20.6% YTD
UI -42.7% YTD



*Ulster Border counties

Bank of Ireland Information Classification: Green – Public

Data Source: Society of Irish Motor Industry (SIMI) Data as at 30/09/2020



## Budget 2021

**Sector Seeking Support**

Overall new passenger car sales have fallen by c. 26% this year. In the 19 weeks since restart (CW21-39), new car sales excluding hire drive registrations increased 1.8% year on year. This is an indicator of a sector in recovery, but what does it tell us about the market?

The new car market peaked in 2016 at 146,600 units following strong growth from a low base. Annual sales declined c.20% to 117,100 units by 2019 due to the impact of Brexit, a weakened Sterling and a rise in used car imports. Prior to the Brexit referendum in 2016, used car imports averaged c. 50,000 units per annum and reached record levels in 2019 at c. 114,000 units. This has impacted the demand for new cars in Ireland and increased the cost to change for Irish consumers who wish to upgrade to new, more fuel efficient vehicles with lower emissions that are "greener" for the environment. It has also dramatically impacted exchequer receipts as the tax element is significantly less on the used import.

The introduction of a Nitrogen Oxide (NOx) levy in January 2020 reduced the demand for older used imports which was its intended effect. In the first two months of 2020, used import registrations declined by almost 30%. In a normal market, this would be supportive to new car sales as used car values harden. Underlying retail sales this year, when looking at new car sales since restart, are on par with 2019 at best. In fact, new car registrations declined c.5% in the first two months of 2020 pre-Covid.

This would suggest that further measures are required to support a sector in distress for the last four years.

On October 13th, Minister for Finance Paschal Donoghue will deliver Budget 2021 to the Dáil. The motor sector in Ireland, represented by the Society of the Irish Motor Industry (SIMI), is seeking reform of Vehicle Registration Tax (VRT) due to the full introduction of the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) in 2021, the enormous impact of Covid-19 and the looming spectre of Brexit.

WLTP is a laboratory test to define vehicle C02 emissions. It replaces the New European Driving Cycle (NEDC) test designed in the 1980's. WLTP involves more "real world" testing and produces higher C02 emission results. Motor taxation in Ireland (VRT; Motor Tax) uses C02 emissions as the basis for calculating these taxes.

Without intervention from government, the implementation of WLTP would bring higher retail prices for Irish consumers in 2021 and will reduce demand for new cars. This represents a significant threat to the motor sector in Ireland. Consumers would likely keep their aging cars (with higher emissions compared to new cars) longer and this would be contrary to government long term plans to reduce carbon emissions.

In its pre-budget submission the SIMI is seeking a reduction in VRT charged on new cars to support the motor sector. This measure would reduce retail prices to promote the purchase of new low emission vehicles and would be supportive of the long term plan to reduce carbon emissions.

The proposals put forward by SIMI would support the motor sector during these challenging times and avoid a fifth year of declining new vehicle sales and significant price increases for consumers.

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Stephen joined Bank of Ireland in 2018 and brings over 20 years Motor Sector Industry experience having held senior positions in both wholesale distribution and in retail as a motor dealer where he operated as Dealer Principal for 7 years – read more about him at boi.com/motorsector.

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