

Motorcycle sales boosted by strong household incomes and rising fuel prices

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Key points

- Motorcycle registrations and new sales have been growing strongly, but with some significant variations across States and Territories;
- The motorcycle market is segmented into purchases for sport and recreation (e.g. off road and luxury models) or for transport and utility (e.g. motor scooters, standard road bikes and farm bikes);
- A positive outlook for household incomes and employment (good for the recreational motorcycle market), together with continuing high petrol prices (good for the transport motorcycle market), augur well for further motorcycle sales growth in the short to medium term.

The motorcycle market

The motorcycle market comprises the following broad categories:

- Registered road bikes including motor scooters, super sport, touring, adventure touring and cruiser bikes, which are purchased for recreation (e.g. weekend touring) and/or transport;
- Registered and unregistered off-road bikes including mini, enduro, trail, motocross, farm and 4 wheeler (ATV) bikes. With the exception of working farm bikes, these models are purchased almost exclusively for recreation and sports racing purposes. Some off-road models can also be registered for on-road use.

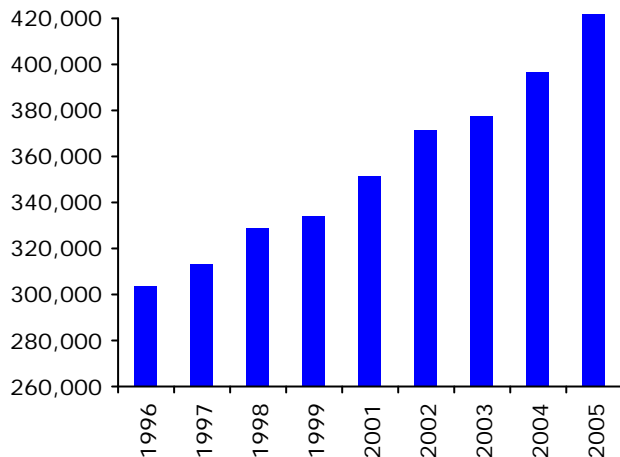
In terms of market share, motor scooters have about 10% (up dramatically from a negligible share a decade ago), road bikes have 24%, off-road bikes have 36%, mini-bikes (for under-age riders) have 14% and farm bikes (2 or 4 wheel agricultural bikes) have 16% of the market.

There are currently around 420,000 motorbikes registered for road use in Australia. The FCAI estimates there is also a similar number of unregistered (mainly off-road) motorbikes in use around the country. Unregistered motorcycles cannot be ridden on public roads. A small number of additional vintage and collector motorcycles are registered on 'club plates', which allow them to be ridden on-road only on designated club function days (such as 'show and shine', club weekends, day trips or similar events) and for maintenance purposes by club members.

Motorcycle licences are issued separately and additional to car licences. They have different requirements and restrictions in each state (e.g. in Victoria, P-plate riders cannot ride motorbikes over a certain engine size). There are an estimated 1.3mn licensed riders in Australia — far more than the number of registered motorcycles. Pillion passengers and off-road riders do not require a licence, but many off-road riders obtain one anyway as part of their rider training and for on-road convenience.

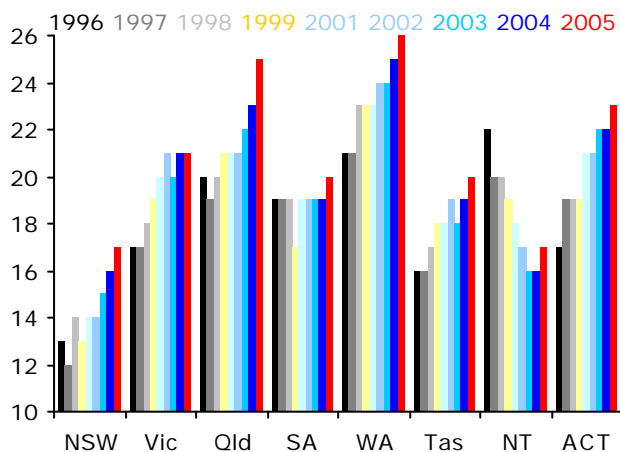
Most motorcycles are purchased for private use (transport and/or recreation) but significant numbers are also sold to governments for use in areas such as postal, police, defence, security and rescue services. A small number of private businesses use motorcycles for local deliveries. Motorcycle sales are handled by a national retail network of around 750 specialist franchise dealers, plus numerous second-hand dealers.

Total registered motorcycles in Australia



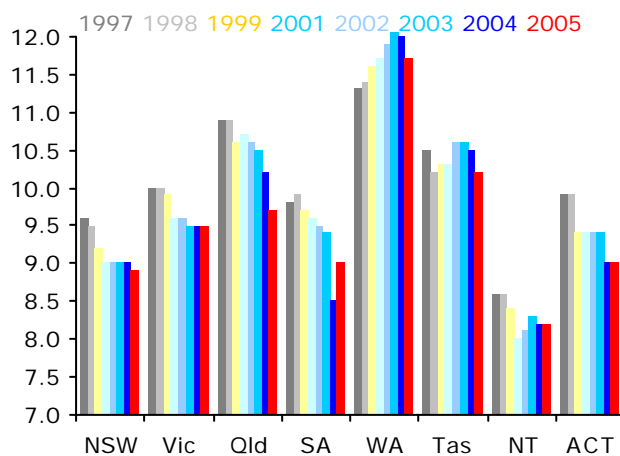
Source: ABS *Motor vehicle census* 9309.0

Registered motorcycles per 1,000 people



Source: ABS *Motor vehicle census* 9309.0

Registered motorcycles, average age (years)



Source: ABS *Motor vehicle census* 9309.0

Recent trends

Historically, motorcycles have been less popular in Australia than in Europe or parts of the US, due to factors such as urban design, incomes, longer average driving distances, the huge popularity (and affordability) of cars, and perceptions of poor road safety outcomes for motorcycles relative to cars.

In the last five years however, motorcycle registrations and sales have increased rapidly. In 2005, total motorcycle registrations grew by 6.5%. This came on top of 5.0% growth in 2004 and 5.7% in 2002. Growth rates for the stock of unregistered (mainly off-road) motorcycles are not available, but sales data and anecdotal evidence indicate they are growing at a similar (or only slightly lower) rate.

Registrations by state and territory show some interesting disparities. All states and territories have seen an increase in motorcycle registrations per capita over the last decade, except the NT, which has gone from the highest rate in 1996 (22 per 1,000 people) to equal lowest in 2005 (17 per 1,000 people). NSW has consistently had the fewest registrations per capita, probably due to the urban density and design of Sydney. Reflecting their warm climates and newfound wealth, WA now has the highest rate of registrations (26 per 1,000 people), with Qld not far behind. Registrations are also above the national average of 21 per 1,000 people in the ACT, probably due to the wide roads, lack of traffic congestion and high average incomes in Canberra.

The average age of registered motorcycles has declined over the last decade, from a national average of 10.2 years in 1997 to 9.6 years in 2005. While average ages have come down in all states and territories, it remains highest in WA (11.7 years in 2005) and lowest in the NT (8.2 years in 2005).

Sales of new motorcycles grew spectacularly in H1 2006 — 20% higher than the same period of 2005. Growth in new road bike sales was particularly strong, at 31.5% (see table). By comparison, the only categories of new passenger cars that saw similar growth rates in H1 2006 were small and light cars, which have similarly benefited from the effect of rising fuel prices. Small car sales growth however, has been at the expense of large passenger cars. As a result, sales of new passenger cars as a whole category declined by 3.1% in H1 2006 relative to H1 2005.¹

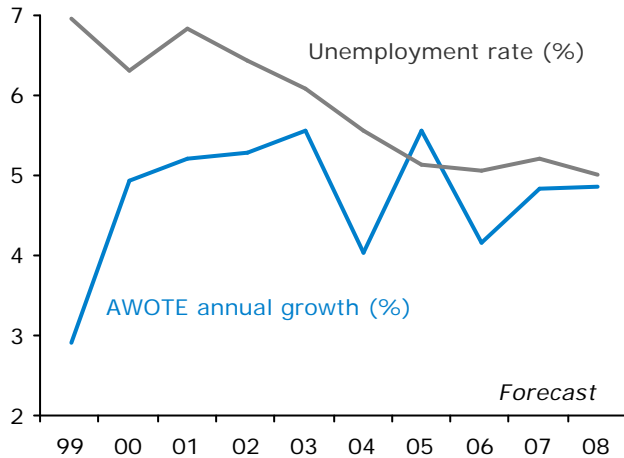
Recent new motorcycle sales, H1 (January-June)

	H1 2005	H1 2006	% growth
ATVs (4 wheelers)	7,389	8,713	17.9
Off road	18,372	20,228	10.1
Road	17,825	23,438	31.5
Total	43,586	52,379	20.2

Source: FCAI

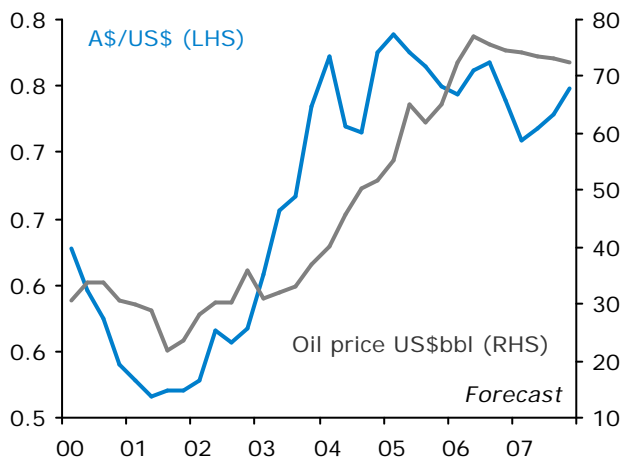
¹ See Economics@ANZ, *Motor Vehicle Outlook*, Aug 2006.

Unemployment and wages growth



Source: ABS; Economics@ANZ

Australian dollar and oil prices



Source: Datastream; Economics@ANZ

Outlook

The factors underlying Australia's recent motorcycle sales and registration growth have included:

- Healthy employment and wages growth, with national unemployment currently at a 30-year low of 4.8% and Average Weekly Ordinary Time Earnings (AWOTE) growing by 5.5% in 2005 and an expected 4.1% in 2006;
- Demographic trends which are seeing progressively larger waves of baby boomers move into a lifecycle stage (in terms of age, income, lifestyle and family responsibilities) that is more conducive to getting out of the family sedan and back on a bike. Anecdotal evidence indicates that many people who rode motorcycles in their youth return to them later in life;
- Related to this demographic trend, the 'sea change' and 'tree change' phenomenon (more people moving to regional coast and hinterland locations) means more people are living in areas that are conducive to and/or attractive for motorcycle riding (relative to the traditional Australian suburbs anyway);
- a relatively strong Australian dollar, which has helped make new imported motorcycles more affordable;
- national major road infrastructure projects that are upgrading urban and regional roads, making more of them more attractive and/or accessible for motorcycle riders;
- sustained rises in petrol prices, which are predisposing more Australians to choose smaller, more fuel-efficient motor vehicles, to the benefit of small cars and transport-oriented motorcycles.

In the short term (to the end of 2006), all of these influences on motorcycle sales levels will remain in place. In the medium term (2007), the only change to this list is likely to be Australia's exchange rate, which can be expected to dip as the commodities price boom comes off the boil and Australia's terms of trade ease back. The recent narrowing of interest rate differentials between Australia and the US will also affect the Australian dollar. Household income growth, demographics, fuel prices and road infrastructure developments should see motorcycles (and especially road bikes) continue to grow in popularity for recreation and transport.

Data sources and references

Australian Bureau of Statistics (ABS)

Federal Chamber of Automotive Industries (FAI)

Motorcycle Riders Association of Australia (MRAA)

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