



**NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SOUTH AFRICA**

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N8/1 (e-mail)  
8<sup>th</sup> December, 2017

**REPRESENTATIVES AT GENERAL MEETINGS  
RECIPIENTS OF NAAMSA MEDIA RELEASES**

Ladies and Gentlemen

**QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW MOTOR VEHICLE MANUFACTURING INDUSTRY /  
AUTOMOTIVE SECTOR: 3<sup>RD</sup> QUARTER 2017**

**Attached**, for information purposes, is a copy of NAAMSA's quarterly review of business conditions for the South African motor vehicle manufacturing industry, during the third quarter of 2017, as submitted to the Director-General, Department of Trade and Industry.

Industry vehicle sales, export and import statistics for 2000 through 2016, together with current projections for 2017 and 2018 are reflected on the attachment to the submission.

**Key features: Third Quarter 2017**

- **Third quarter 2017 industry head count reflected declines partly as a result of retrenchments at a major Eastern Cape Assembly Plant**
- **Based on data collated at the beginning of the calendar year, 2017 Industry capital expenditure projected at a record R8.17 billion**
- **Industry capacity utilisation remained at fairly elevated levels**
- **Domestic new vehicle sales showed improvement, year on year, whilst export sales were lower**
- **2016 turned out to be an extremely difficult year domestically. 2017 is shaping up as a year of consolidation, whilst 2018 is likely to prove challenging, but holds out promise of modest growth in both domestic and export sales**
- **South Africa's share of global new vehicle production declined to 0.63% in 2016 down from 0.68% in 2015**

**NAAMSA OFFICES: PRETORIA**



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8<sup>th</sup> December, 2017

The Director-General: Mr L October  
Department of Trade and Industry  
Private Bag X84  
PRETORIA  
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Dear Sir

**QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW VEHICLE MANUFACTURING INDUSTRY /  
AUTOMOTIVE SECTOR: QUARTER ENDED 30<sup>TH</sup> SEPTEMBER, 2017**

NAAMSA submits the following report on business conditions in the South African new motor vehicle manufacturing Industry and the automotive sector during the third quarter of 2017.

**1. EMPLOYMENT LEVELS AND TRENDS**

The number of persons employed by the South African new vehicle manufacturing industry – comprising the major new vehicle manufacturers and specialist commercial vehicle and bus manufacturers – during the third quarter of 2017 may be set out as follows –

	<b>Industry Total</b>
Last pay week July, 2017	30 067
Last pay week August, 2017	29 843
Last pay week September, 2017	29 533

Industry employment levels and trends reflect employees on the payroll of vehicle manufacturers.

Aggregate Industry employment as at 30<sup>th</sup> September, 2017 totalled 29 533 reflecting a decrease of 823 jobs or fall of 2.7% compared to the 30 356 Industry head count as at the end of June, 2017.

The **average monthly** industry employment number for 2016 was 30 953 compared to 31 260 in 2015.

With the exception of the fourth quarter in 2016 and the third quarter of 2017, industry employment remained relatively stable over the past four years.

## 2. NUMBER OF SHIFTS

Various manufacturers operate on a three shift basis as well as multi shifts in selected areas such as machining, press shops, paint shop operations and body shop.

Two manufacturers operate on a three shift basis. Four manufacturers operate double shifts in specific areas.

## 3. AVAILABILITY AND PRICE TRENDS OF COMPONENTS AND RAW MATERIALS

### 3.1 COMPONENTS

#### Imported Components

The availability and supply of imported original equipment components, during the third quarter of 2017, generally remained good.

Prices of imported components were not significantly affected by exchange rate movements over the quarter.

#### Local Components

During the third quarter of 2017, the availability and supply of locally produced components, in general terms, remained satisfactory.

Third quarter component pricing were not affected by annual (labour and overheads) price reviews. Local component prices expected to remain stable for the fourth quarter.

### 3.2 RAW MATERIALS

#### Imported Materials

The availability of imported raw materials, where applicable, remained stable.

Pricing trends remain a function of exchange rate movements. Imported commodity price increases were reported in respect of lead – however – a decrease in the price of aluminium was noted . Increases in a range of imported materials are expected during the fourth quarter.

#### Local Materials

Supply and availability remained stable, with the exception of a price increase on carbon steel and stainless steel. No major concerns on other local material pricing were reported.

## 4. UTILISATION OF PRODUCTION CAPACITY: 2011 – 2017

Average motor vehicle assembly Industry capacity utilisation levels, by sector and for the years/quarters indicated, may be illustrated as follows –

	Year 2011	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016	1 <sup>st</sup> Quarter 2017	2 <sup>nd</sup> Quarter 2017	3 <sup>rd</sup> Quarter 2017	3 <sup>rd</sup> Quarter 2017 Range (High) (Low)	
Cars	81.6%	86.5%	68.0%	67.0%	80.4%	76.0%	75.1%	80.4%	79.9%	100.0%	31.0%
Light Commercials	73.5%	87.8%	75.3%	80.5%	80.6%	77.9%	86.9%	88.7%	89.5%	100.0%	78.0%
Medium Commercials	88.4%	84.3%	59.8%	85.7%	97.6%	88.5%	83.9%	86.5%	93.3%	98.0%	88.0%
Heavy Commercials	89.9%	86.9%	69.3%	80.7%	77.4%	80.0%	74.3%	68.1%	78.5%	90.0%	52.0%

Capacity utilisation levels, during the third quarter, improved in the case of the commercial vehicle segments but declined marginally in the case of the new car sector.

## 5. VEHICLE MANUFACTURING INDUSTRY CAPITAL EXPENDITURE: 2008 – 2017

NAAMSA reports the industry's aggregate capital expenditure on an annual basis. The aggregated data is based on Capital Expenditure details supplied by the seven major vehicle manufacturers and various truck producers. Details of actual Industry capex for 2008 through 2016, in **Rand millions**, as well as the projection for 2017 – are as follows –

Capital Expenditure	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 Projection
Product/Local/Content/ Export Investment/ Production Facilities	2 807.7	2 215.9	3 351.1	3 522.7	3 837	3 605	6 092	5 948.5	5 146.1	7 144.6
Land and Buildings	329.1	178.7	441.2	176.4	432	424	478	190.5	905	301.4
Support Infrastructure (I.T., R&D, Technical, etc.)	153.1	74.1	202.4	203.6	409	319	347	464.3	363.5	724.6
<b>Total</b>	<b>3 289.9</b>	<b>2 468.7</b>	<b>3 994.7</b>	<b>3 902.7</b>	<b>4 678</b>	<b>4 348</b>	<b>6 917</b>	<b>6 603.3</b>	<b>6 414.6</b>	<b>8 170.6</b>

2017 data is based on data supplied by the 7 major OEM's

2016 Capital expenditure reflected at R6.4 billion represents the third highest yearly figure on record. The high levels in capital expenditure in recent years may be attributed to Investment Projects by manufacturers in terms of the Automotive Production and Development Programme (APDP) and the expected higher levels of production for export markets. The projection for 2017 represents an all-time record.

## 6. BUSINESS CONDITIONS, PERFORMANCE INDICATORS AND COMMENT

### Business Conditions: Third quarter, 2017

2017 Third quarter aggregate Industry new car sales at 96 632 units recorded a decline of 7 513 units or a fall of -7.2% compared to the 104 145 new cars sold during the corresponding quarter of 2016. Aggregate Industry commercial vehicle sales during the third quarter of 2017 at 49 877 units recorded an increase of 1 566 units or a rise of 3.2% compared to the 48 311 units sold during the third quarter of 2016.

<b>Industry Domestic Sales Growth: Direction and Extent of Change (previous quarter's percentage changes are reflected in brackets)</b>			
	<u>Qtr ended 30 Sept 2017 compared with previous Qtr ended 30 June 2017</u>		<u>Qtr ended 30 Sept 2017 compared with corresponding Qtr ended 30 Sept 2016</u>
Passenger Cars	+11.2%	(-21.6%)	-7.2% (-6.0%)
Light Commercial vehicles	-7.8%	(-7.4%)	+4.7% (-3.1%)
Medium Commercial vehicles	+0.2%	(-4.7%)	-16.1% (-7.9%)
Heavy Commercial vehicles	+9.6%	(-0.3%)	-0.1% (-9.0%)

On a year-on-year comparative basis, all segments recorded declines. Second quarter new car sales in particular were sharply down on the markets' first quarter performance.

## **Comment on business conditions and the medium term outlook**

The domestic automotive market has held up relatively well despite the challenging economic environment. The new car and light commercial vehicle sectors in particular have benefited from improved new vehicle pricing (at an annualised quarter three 2017 rate of around 3.1% down from 9.9% in the third quarter of 2016) as well as the July, 2017 reduction in interest rates and the highly attractive sales incentives supplemented with above average demand by car rental companies. In addition, growing replacement demand, as the age of vehicles on the road has extended, also contributed to the modest improvement in local sales. Overall, a year on year improvement in aggregate domestic sales of around 2.0% for 2017 is anticipated. For 2018, further modest growth is expected.

New vehicle exports during 2017 have failed, for various reasons, to match original expectations. However, going into 2018 new vehicle exports should show good recovery on the back of positive global economic growth prospects.

The standard **attached** schedule reflects latest projections of industry sales, production, exports and imports for 2018. The projections represent NAAMSA's best estimates at this juncture given prevailing political and economic uncertainties.

The projections are based on various assumptions, including –

- That a stable global macro-economic environment will prevail
- That SA will avoid further credit ratings downgrades
- That interest rates will not be increased over the short to medium term
- That economic growth for 2017 and 2018 will show further improvement, albeit off a low base

Should any of these assumptions not materialise, projections will be revised.

**NMW VERMEULEN**  
**DIRECTOR**

**INDUSTRY VEHICLE SALES, PRODUCTION, EXPORT AND IMPORT DATA : 2000 - 2018**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Projection	
																		2017	2018
<b>CARS</b>																			
<b>Domestically Produced</b>																			
Local Sales	172 373	172 052	163 474	176 340	200 264	210 976	215 311	169 558	125 454	94 379	113 740	124 736	120 417	113 356	122 610	112 576	97 824	100 000	105 000
Exports (CBU)	58 204	97 599	113 025	114 909	100 699	113 899	119 171	106 460	195 670	128 602	181 654	187 529	153 268	151 893	156 600	229 723	238 546	222 000	240 000
<b>Total Domestic Production</b>	<b>230 577</b>	<b>269 651</b>	<b>276 499</b>	<b>291 249</b>	<b>300 963</b>	<b>324 875</b>	<b>334 482</b>	<b>276 018</b>	<b>321 124</b>	<b>222 981</b>	<b>295 394</b>	<b>312 265</b>	<b>273 685</b>	<b>265 249</b>	<b>279 210</b>	<b>342 299</b>	<b>336 370</b>	<b>322 000</b>	<b>345 000</b>
<b>Total Industry Car Imports</b>	<b>61 749</b>	<b>79 508</b>	<b>78 128</b>	<b>81 919</b>	<b>127 389</b>	<b>208 892</b>	<b>266 247</b>	<b>265 095</b>	<b>203 808</b>	<b>163 750</b>	<b>223 390</b>	<b>271 556</b>	<b>323 796</b>	<b>338 592</b>	<b>318 008</b>	<b>301 086</b>	<b>264 411</b>	<b>260 000</b>	<b>270 000</b>
Re-exported imports													1 609	1 652	1 680	1 264	831		
<b>TOTAL LOCAL CAR MARKET</b>	<b>234 122</b>	<b>251 560</b>	<b>241 602</b>	<b>258 259</b>	<b>327 651</b>	<b>419 868</b>	<b>481 558</b>	<b>434 653</b>	<b>329 262</b>	<b>258 129</b>	<b>337 130</b>	<b>396 292</b>	<b>442 604</b>	<b>450 296</b>	<b>438 938</b>	<b>412 398</b>	<b>361 404</b>	<b>370 000</b>	<b>375 000</b>
<b>LIGHT COMMERCIALS</b>																			
<b>Domestically Produced</b>																			
Local Sales	104 121	113 111	101 956	102 007	123 467	146 933	159 469	156 626	118 641	85 663	96 823	108 704	121 638	127 051	137 044	140,790	130 364	132 000	137 000
Exports	9 148	10 229	11 699	11 283	9 360	25 589	60 149	64 127	87 314	45 514	56 950	84 125	123 448	121 345	118 922	103 001	105 219	106 500	125 000
<b>Total Domestic Production</b>	<b>113 269</b>	<b>123 340</b>	<b>113 655</b>	<b>113 290</b>	<b>132 827</b>	<b>172 522</b>	<b>219 618</b>	<b>220 753</b>	<b>205 955</b>	<b>131 177</b>	<b>153 773</b>	<b>192 829</b>	<b>245 086</b>	<b>248 396</b>	<b>255 966</b>	<b>243 791</b>	<b>235 583</b>	<b>238 500</b>	<b>262 000</b>
<b>Total Industry LCV Imports</b>	<b>4 114</b>	<b>4 535</b>	<b>5 291</b>	<b>5 377</b>	<b>8 938</b>	<b>23 199</b>	<b>40 208</b>	<b>47 760</b>	<b>50 825</b>	<b>32 496</b>	<b>36 911</b>	<b>40 597</b>	<b>38 741</b>	<b>41 253</b>	<b>36 785</b>	<b>33 911</b>	<b>28 641</b>	<b>30 000</b>	<b>33 000</b>
Re-exported imports													205	308	337	336	232		
<b>TOTAL LOCAL LCV MARKET</b>	<b>108 235</b>	<b>117 646</b>	<b>107 247</b>	<b>107 384</b>	<b>132 405</b>	<b>170 132</b>	<b>199 677</b>	<b>204 386</b>	<b>169 466</b>	<b>118 159</b>	<b>133 756</b>	<b>149 301</b>	<b>160 174</b>	<b>167 996</b>	<b>173 492</b>	<b>174 365</b>	<b>158 773</b>	<b>162 000</b>	<b>170 000</b>
<b>MEDIUM &amp; HEAVY COMMERCIALS</b>																			
NAAMSA sales (incl. Imports)	12 275	13 323	14 335	16 957	21 464	27 406	33 080	37 069	34 659	18 934	22 021	26 656	27 841	30 924	31 314	30 470	26 997	26 200	27 000
Exports	679	465	582	469	448	424	539	650	1 227	861	861	803	1 076	1 206	1 414	1 123	1 057	975	1 050
<b>TOTAL LOCAL MCV/HCV MARKET</b>	<b>12 275</b>	<b>13 323</b>	<b>14 335</b>	<b>16 957</b>	<b>21 464</b>	<b>27 406</b>	<b>33 080</b>	<b>37 069</b>	<b>34 659</b>	<b>18 934</b>	<b>22 021</b>	<b>26 656</b>	<b>27 841</b>	<b>30 924</b>	<b>31 314</b>	<b>30 470</b>	<b>26 997</b>	<b>26 200</b>	<b>27 000</b>
<b>TOTAL AGGREGATE MARKET</b>	<b>354 632</b>	<b>382 529</b>	<b>363 184</b>	<b>382 600</b>	<b>481 520</b>	<b>617 406</b>	<b>714 315</b>	<b>676 108</b>	<b>533 387</b>	<b>395 222</b>	<b>492 907</b>	<b>572 249</b>	<b>630 619</b>	<b>649 216</b>	<b>643 744</b>	<b>617 233</b>	<b>547 174</b>	<b>558 200</b>	<b>572 000</b>
<b>TOTAL AGGREGATE EXPORTS</b>	<b>68 031</b>	<b>108 293</b>	<b>125 306</b>	<b>126 661</b>	<b>110 507</b>	<b>139 912</b>	<b>179 859</b>	<b>171 237</b>	<b>284 211</b>	<b>174 947</b>	<b>239 465</b>	<b>272 457</b>	<b>279 606</b>	<b>276 404</b>	<b>276 936</b>	<b>338 847</b>	<b>344 822</b>	<b>331 000</b>	<b>366 050</b>
<b>TOTAL DOMESTIC PRODUCTION</b>	<b>356 800</b>	<b>406 779</b>	<b>405 071</b>	<b>421 965</b>	<b>455 702</b>	<b>525 227</b>	<b>587 719</b>	<b>534 490</b>	<b>562 965</b>	<b>373 923</b>	<b>472 049</b>	<b>532,553</b>	<b>547 688</b>	<b>545 775</b>	<b>567 904</b>	<b>617 683</b>	<b>600 007</b>	<b>587 675</b>	<b>635 050</b>
<b>GDP GROWTH RATE</b>	<b>4,4%</b>	<b>2,9%</b>	<b>3,7%</b>	<b>2,9%</b>	<b>4,6%</b>	<b>5,3%</b>	<b>5,6%</b>	<b>5,4%</b>	<b>3,2%</b>	<b>- 1,5%</b>	<b>3,0%</b>	<b>3,2%</b>	<b>2,2%</b>	<b>2,5%</b>	<b>1,7%</b>	<b>1,3%</b>	<b>0,3%</b>	<b>1,0%</b>	<b>1,5%</b>
Notes:																			
Domestically produced cars and lcv's total represents a proxy for aggregate local production.																			
Historical sales are based on data reported by NAAMSA member companies, vehicle manufacturers, importers and distributors.																			
Projections are based on NAAMSA analysis and demand assumptions and do not provide for supply side disruptions.																			
GDP growth rate represents GDP annual changes at market prices in real terms.																			
CBU Export figures are based on projects announced to date. Announcements of new CBU export programmes could change projections.																			
From 2012, imported vehicles which have subsequently been exported are reflected as "re-exported imports"																			

28 November, 2017