



NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SOUTH AFRICA

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23rd May, 2018

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

Ladies and Gentlemen

**QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW MOTOR VEHICLE MANUFACTURING INDUSTRY /
AUTOMOTIVE SECTOR: 1ST QUARTER 2018**

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 first quarter of 2018, as submitted to the Director-General, Department of Trade and Industry.

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

Key features: First Quarter 2018

- **First quarter 2018 industry employment remained stable and reflected an improvement in headcount of 224**
- **Record aggregate investment by the major vehicle manufacturers in 2017 amounting to R8.17 billion**
- **Industry capacity utilisation by low utilization affected levels at two plants.**
- **Domestic new vehicle sales declined, year on year, whilst export sales were also weaker largely due to model run-ins.**
- **Expectations for 2018 are for modest growth in both domestic and export sales**
- **South Africa's share of global new vehicle production declined marginally to 0.62% in 2017 down from 0.63% in 2016**

NAAMSA OFFICES: PRETORIA



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23rd May, 2018

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

**QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW VEHICLE MANUFACTURING INDUSTRY /
AUTOMOTIVE SECTOR: QUARTER ENDED 31ST MARCH, 2018**

NAAMSA submits the following report on business conditions in the South African new motor vehicle manufacturing Industry and the automotive sector during the first quarter of 2018.

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 first quarter of 2018 may be set out as follows –

	Industry Total
Last pay week January, 2018	29 753
Last pay week February, 2018	29 752
Last pay week March, 2018	30 032

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

Aggregate Industry employment as at 31st March, 2018 totalled 30 032 reflecting an increase of 224 jobs or a gain of 0.75% compared to the 29 808 Industry head count as at the end of December, 2017.

The **average monthly** industry employment number for 2017 was 30 050.

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.

Three 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 components remained stable during the quarter. Prices of imported components were affected by exchange rate movements during the first quarter with the Rand strengthening and this eased Rand based component prices.

Local Components

During the first quarter of 2018, the availability and supply of locally produced components, in general terms, remained stable.

First quarter component pricing generally in line with expectations and in line with producer price inflation.

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 raw material price increases were reported in respect of lead and aluminium. These were offset to some extent by exchange rate strength.

Local Materials

Supply and availability remained stable.

4. UTILISATION OF PRODUCTION CAPACITY: 2011 – 2017 AND FIRST QUARTER, 2018

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

	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017	1 st Quarter 2018	1 st Quarter 2018 Range (High) (Low)	
Cars	86.5%	68.0%	67.0%	80.4%	76.0%	78.0%	74.4%	100.0%	25.0%
Light Commercials	87.8%	75.3%	80.5%	80.6%	77.9%	85.3%	74.1%	100.0%	24.2%
Medium Commercials	84.3%	59.8%	85.7%	97.6%	88.5%	82.9%	69.9%	120.0%	24.6%
Heavy Commercials	86.9%	69.3%	80.7%	77.4%	80.0%	69.7%	60.5%	109.0%	24.6%

Capacity utilisation levels, during the first quarter of 2018, reflect the prevailing business conditions in the various industry segments in terms of domestic and export sales.

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. Details of actual Industry capex for 2008 through 2017, in **Rand millions**, are as follows –

Capital Expenditure	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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
Total	3 289.9	2 468.7	3 994.7	3 902.7	4 678	4 348	6 917	6 603.3	6 414.6	8 170.6

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

2017 Capital expenditure at R8.7 billion represents a new industry record. The high levels in capital expenditure are due to Investment Projects by manufacturers in terms of the Automotive Production and Development Programme (APDP) and the projected higher levels of production for export markets.

6. BUSINESS CONDITIONS, PERFORMANCE INDICATORS AND COMMENT

Business Conditions: First quarter, 2018

2018 First quarter aggregate Industry new car sales at 95 846 units recorded a decline of 3 417 units or a fall of -3.4% compared to the 99 263 new cars sold during the corresponding quarter of 2017. Aggregate Industry commercial vehicle sales during the first quarter of 2018 at 45 425 units recorded a decrease of 2 597 units or a fall of -5.4% compared to the 48 022 units sold during the first quarter of 2017.

Industry Domestic Sales Growth: Direction and Extent of Change (previous quarter's percentage changes are reflected in brackets)				
	Qtr ended 31 March 2018 compared with <u>previous Qtr ended 31 Dec 2017</u>		Qtr ended 31 March 2018 compared with <u>corresponding Qtr ended 31 March 2017</u>	
Passenger Cars	+1.2%	(-2.0%)	-3.4%	(+6.2%)
Light Commercial vehicles	-1.1%	(-7.1%)	-4.9%	(-4.9%)
Medium Commercial vehicles	-12.6%	(+4.8%)	-13.1%	(-8.0%)
Heavy Commercial vehicles	-14.1%	(-1.9%)	-7.0%	(+1.9%)

Analysis of the figures reflect a mixed picture with the car and light commercial vehicle segments performing relatively better than medium and heavy truck segments.

South Africa's Automotive Industry's Performance in a Global Context: 2000 – 2017 Production data (updated and corrected figures)

Global new motor vehicle production in 2017 reached a record of 97 302 534 vehicles (2016: 95 057 929 units). This represents an increase of 2 244 605 vehicles produced or 2.4% compared to the 95.06 million new vehicles produced during 2016. South African vehicle production increased to 601 178 vehicles in 2017 from 600 008 units produced in 2016 – an improvement of 1 170 vehicles or +0.2%.

The following table reflects South Africa's share of Global **New Vehicle Production** (in millions) –

	2000	2010	2011	2012	2013	2014	2015	2016	2017	% change 2017 / 2016
Global Production	58.4	77.61	79.88	84.14	87.27	89.77	90.84	95.06	97.30	+2.4%
South Africa Production	0.357	0.472	0.533	0.547	0.546	0.568	0.617	0.600	0.601	+0.2%
SA Share of Global Production	0.61%	0.61%	0.67%	0.65%	0.63%	0.63%	0.68%	0.63%	0.62%	-1.6%

South Africa's share of global new motor vehicle production in 2017 amounted to 0.62% - above the country's share of global GDP of about 0.42%.

The current global vehicle population exceeds one billion vehicles. South Africa's current vehicle population is around 12.2 million vehicles.

2018 Vehicle production is expected to expand to about 635 000 units

Comment on Industry Export Performance by major region – (The export sales figures have been corrected and updated)

Changing Composition of SA Vehicle exports by major regions: 2014 – 2017					
	2014	2015	2016	2017	% change 2017 / 2016
Africa	61 839	42 234	21 564	21 848	+1.3%
Europe	116 077	173 805	195 764	190 503	-2.6%
North/Central America	48 408	54 000	52 430	44 202	-15.6%
Asia	33 520	34 306	47 616	52 827	+10.9%
Australasia	14 610	22 948	22 735	25 125	+10.5%
South America	2 482	6 554	4 750	3 588	-24.5%
Total	276 936	333 847	344 859	338 093	-1.9%

Source: NAAMSA, AIEC, SARS, Lightstone Auto

Europe remains the dominant region for South African new vehicle exports. Potential new growth markets include Asia and Australasia. Interestingly, following three years of sharp declines in export sales to African markets – 2017 exports recorded a marginal increase suggesting that demand from the rest of Africa is stabilising at relatively low levels. Exports to North America declined and this trend is expected to continue as exports of the BMW 3-series to the United States come to an end.

Brief Comment on business conditions and the medium term outlook

NAAMSA expected new vehicle sales to show steady improvement over the medium term due to further recovery in domestic demand supported by continued moderation in new vehicle price inflation, rising real disposable consumer income, recent improvement in South Africa's political and policy environment, lower interest rates and the maintenance of an investment grade rating with a stable outlook by a major credit ratings agency. As a result of these developments - reinforced by improved business and consumer confidence as well as increases in the Reserve Bank leading indicator – economic growth for 2018 could recover to around 1,8% and this in turn would benefit domestic new vehicle sales over the balance of the year and an annual improvement of domestic sales volumes of 3% plus compared to 2017 was possible.

Robust global growth should benefit new vehicle exports going forward. Exports were expected to show good upward momentum in the months ahead.

Please also see the updated schedule of industry sales, production, export and import numbers and a projection for 2018.

**NMW VERMEULEN
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