



NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SOUTH AFRICA

GROUND FLOOR, BUILDING F
ALENTI OFFICE PARK
457 WITHERITE STREET, THE WILLOWS, X82
PRETORIA
PO BOX 74166, LYNNWOOD RIDGE. 0040
TELEPHONE: (012) 807-0152 / 807-0086 / 0179
FAX: (012) 807-0671
WEB ADDRESS: www.naamsa.co.za
E-MAIL ADDRESS: naamsa@iafrica.com

N8/1 (e-mail)
4th March, 2019

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

Ladies and Gentlemen

**QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW VEHICLE MANUFACTURING INDUSTRY /
AUTOMOTIVE SECTOR: 4TH QUARTER 2019**

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 fourth quarter of 2019, as submitted to the Director-General, Department of Trade and Industry.

Industry vehicle sales, export and import statistics for 2000 through 2018, together with projections for 2019 through 2020, are reflected on the attachment to the submission.

Key features: Fourth Quarter 2018

- **After six years of stability in industry headcount, fourth quarter 2018 industry employment registered a decline in employment of 781 jobs**
- **Record aggregate investment by the major vehicle manufacturers in 2017 amounted to R8.17 billion and estimated actual investment in 2018 was R7.24 billion**
- **Capacity utilisation in the various vehicle manufacturing segments registered a mixed picture with the new car and heavy commercial segment virtually unchanged from the previous quarter, an improvement in light commercial production capacity utilisation and a decline in medium commercial manufacturing**
- **Domestic new vehicle sales declined, year on year, whilst export sales momentum reflected further improvement with the exception of the low volume medium and heavy truck segments**
- **Expectations for 2019 are little or no growth in domestic sales, whilst annual export sales numbers should register fairly strong growth of 10% to 15% in volume terms**
- **Medium to long term prospects for new vehicle exports and domestic production remain positive – particularly strong vehicle export sales are expected over the medium to long term**

NAAMSA OFFICES: PRETORIA



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The Director-General: Mr L October
Department of Trade and Industry
Private Bag X84
PRETORIA
0001

Dear Sir

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

NAAMSA submits the following report on business conditions in the South African new motor vehicle manufacturing Industry and the automotive sector during the fourth 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 fourth quarter of 2018 may be set out as follows –

	Industry Total
Last pay week October, 2018	29 828
Last pay week November, 2018	29 662
Last pay week December, 2018	29 484

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

Aggregate Industry employment as at 31st December, 2018 totalled 29 484 reflecting a decline of 781 jobs or a fall of 2.6% compared to the 30 265 Industry head count as at the end of September, 2018.

The **average monthly** industry employment number for 2018 was 29 855 (2017: 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 movement.

Local Components

During the fourth quarter of 2018, the availability and supply of locally produced components, in general terms, remained stable. Price trends remain in line with the Producer Price Index.

3.2 RAW MATERIALS

Imported Materials

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

Pricing trends remain a function of exchange rate movements. Imported raw material price increases were reported in respect of steel, aluminium, lead, resin and rubber. A decrease was noted on copper.

Local Materials

Supply and availability remained stable. A steel price increase is expected for quarter four.

4. UTILISATION OF PRODUCTION CAPACITY: 2015 – 2018

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

	2015	2016	2017	2018	1 st Quarter 2018	2 nd Quarter 2018	3 rd Quarter 2018	4 th Quarter 2018	4 th Quarter 2018 Range (High) (Low)	
Cars	80.4%	76.0%	78.0%	82.0%	74.4%	83.4%	85.3%	85.0%	100.0%	48.0%
Light Commercials	80.6%	77.9%	85.3%	72.2%	74.1%	66.7%	70.5%	77.4%	100.0%	27.7%
Medium Commercials	97.6%	88.5%	82.9%	66.9%	69.9%	60.3%	74.2%	63.0%	97.0%	26.3%
Heavy Commercials	77.4%	80.0%	69.7%	60.6%	60.5%	55.1%	63.8%	62.8%	100.0%	26.3%

Capacity utilisation levels, during the fourth quarter of 2018, reflected the prevailing business conditions in the various industry segments in terms of domestic and export sales. Utilization levels reflected a mixed picture.

5. VEHICLE MANUFACTURING INDUSTRY CAPITAL EXPENDITURE: 2010 – 2018

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 2018, in **Rand millions**, are as follows –

Capital Expenditure	2010	2011	2012	2013	2014	2015	2016	2017	2018
Product/Local/Content/ Export Investment/ Production Facilities	3 351.1	3 522.7	3 837	3 605	6 092	5 948.5	5 146	6 707.7	} 7 246.9
Land and Buildings	441.2	176.4	432	424	478	190.5	610	1 769.8	
Support Infrastructure (I.T., R&D, Technical, etc.)	202.4	203.6	409	319	347	464.3	363.4	272.2	
Total	3 994.7	3 902.7	4 678	4 348	6 917	6 603.3	6 119.4	8 749.7	7 246.9

2018 data is based on data supplied by the 6 major OEMs, an estimate for one major OEM and a projected figure for Beijing Automotive International Corporation (BAIC)

The capital expenditure figures reflect investment projects by major vehicle manufacturers in terms of the Automotive Production and Development Programme (APDP) and projected higher levels of production for export markets.

6. BUSINESS CONDITIONS, PERFORMANCE INDICATORS AND COMMENT

Business Conditions: Fourth quarter, 2018

2018 Fourth quarter aggregate Industry new car sales at 92 643 units recorded a decline of 2 078 units or a fall of 2.2% compared to the 94 721 new cars sold during the corresponding quarter of 2017. Aggregate Industry commercial vehicle sales during the fourth quarter of 2018 at 46 782 units recorded a decline of 101 units or a fall of 0.2% compared to the 46 803 units sold during the fourth quarter of 2017.

Industry Domestic Sales Growth: Direction and Extent of Change (previous quarter's percentage changes are reflected in brackets)				
	Qtr ended 31 st December, 2018 compared with <u>previous Qtr ended</u> <u>30th September 2018</u>		Qtr ended 31 st December, 2018 compared with <u>corresponding Qtr ended</u> <u>31st December, 2017</u>	
Passenger Cars	-3.8%	(+19.8%)	-2.2%	(-0.3%)
Light Commercial vehicles	-6.3%	(+7.0%)	-2.3%	(-3.1%)
Medium Commercial vehicles	+3.4 %	(+11.5%)	+7.0%	(+8.3%)
Heavy Commercial vehicles	+2.6%	(+9.4%)	+14.0%	(+9.1%)

Analysis of the figures reflects a contrasting picture with the medium and heavy truck vehicle segments performing relatively better, on a year on year basis, than the consumer led car and light commercial segments.

Comment on Industry Export Performance by major region –

Changing Composition of SA Vehicle exports by major regions: 2014 – 2018						
	2014	2015	2016	2017	2018	% change 2018 / 2017
Africa	61 015	41 431	21 505	21 848	23 988	+9.8%
Asia	34 031	34 929	46 665	52 827	50 277	-4.8%
Australasia	14 608	22 946	22 735	25 125	22 767	-9.4%
Central America	600	496	410	812	1 511	+86.1%
Europe	116 064	173 883	196 727	190 503	233 772	+22.7%
North America	48 136	53 606	52 024	43 393	13 037	-70.0%
South America	2 482	6 554	4 750	3 588	5 787	+61.3%
Total	276 936	333 845	344 816	338 096	351 139	+3.9%

Source: NAAMSA, AIEC, SARS, Lightstone Auto

Europe remains the dominant region for South African new vehicle exports – accounting for two thirds of all exported vehicles. Potential new growth markets include Asia and Central America. Interestingly, following a number of years of sharp declines in export sales to African markets – 2018 exports recorded a noteworthy increase of 9.8% suggesting that demand from the rest of Africa has stabilised and is starting to recover, albeit from a low base. Exports to North America declined substantially due to the phasing out of the BMW 3-series exports to the United States. Exports of the 3-series have been replaced by the BMW X3 which will instead focus on Europe.

The standard *attached* schedule reflects updated industry sales, production, export and import numbers and projections for 2018 through 2020. The domestic sales projections are premised on two important assumptions. Firstly, that in 2019 the SA economy will grow at around 1.2% versus the expected GDP growth rate of 0.7% in 2018. If the anticipated growth scenario materialises – domestic new vehicle sales should register a year on year marginal improvement. Secondly, that South Africa will avoid a credit ratings downgrade. Should a downgrade occur – all projections would have to be revised downwards quite substantially.

Personal note from Nico Vermeulen –

In view of my retirement from NAAMSA at the end of March, 2019 – this will be my last Quarterly Business Review contribution/publication. My successor, Mr Mike Mabasa, will be responsible for future releases. I trust that past reviews and reports on the state and expected performance of the SA automotive industry will have added value for recipients and stakeholders.

**NMW VERMEULEN
NAAMSA OFFICES: PRETORIA**