



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

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Friday, December 06, 2019

### **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 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 third 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 current projections for 2019, are reflected on the attachment to the submission.

#### **Key features: Third Quarter 2019**

- **Third quarter 2019 industry employment reflected an increase of 361 jobs to reach 30 479 positions at end September 2019.**
- **Industry capacity utilisation levels continue to reflect the prevailing business conditions in the various industry segments in terms of domestic and export sales but some vehicle segments' capacity was affected by low utilization levels at two plants.**
- **Aggregate capital expenditure by the major vehicle manufacturers in 2018 recorded its second highest level on record at R7,247 billion**
- **The high-volume passenger car and light commercial vehicle segments declined year-on-year but the low volume medium and heavy commercial vehicle segments reflected some resilience with year-on-year increases, whilst export sales continued to reflect substantial upward momentum during the quarter.**
- **Expectations for 2019 are for the new vehicle market to contract in correlation with the weak macro-economic climate in the country, but for export sales growth to continue.**
- **South Africa's global vehicle production ranking remained at 22<sup>nd</sup> in the world in 2018, with a market share of 0,64%, increasing marginally from 0,62% in 2017.**

NAAMSA OFFICES: PRETORIA

December 06, 2019

The Director-General: Mr. Lionel 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 30<sup>TH</sup> SEPTEMBER 2019**

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 2019.

**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 2019 may be set out as follows:

	<b>Industry Total</b>
Last pay week July, 2019	30 598
Last pay week August, 2019	30 450
Last pay week September, 2019	30 479

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

Aggregate Industry employment as at 30<sup>th</sup> September 2019 totalled 30 092, reflecting an increase of 361 jobs compared to the 30 118-industry head count as at the end of June 2019.

The **average monthly** industry employment number for 2018 was 29 855.

**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 negatively affected by exchange rate movements during the quarter with the Rand weakening against major currencies.

##### Local Components

During the third quarter of 2019, the availability and supply of locally produced components, in general terms, remained stable.

Third quarter component pricing generally remained 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 and the global price index.

##### Local Materials

Supply and availability remained stable but it was reported that exchange rate fluctuations caused parity pricing on the local steel grade.

### 4. UTILISATION OF PRODUCTION CAPACITY: 2014 – 2018 AND THIRD QUARTER, 2019

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

	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	1 <sup>st</sup> Quarter 2019	2 <sup>nd</sup> Quarter 2019	3 <sup>rd</sup> Quarter 2019	3 <sup>rd</sup> Quarter 2019 Range [High] [Low]	
Cars	67.0%	80.4%	76.0%	78.0%	82.0%	95.1%	90.8%	89.3%	103.9%	53.1%
Light Commercials	80.5%	80.6%	77.9%	85.3%	72.2%	60.7%	78.6%	82.2%	100%	30%
Medium Commercials	85.7%	97.6%	88.5%	82.9%	66.9%	54.6%	71.8%	60.9%	94.1%	27.6%
Heavy Commercials	80.7%	77.4%	80.0%	69.7%	60.6%	70.5%	71.8%	73.9%	100%	27.6%

Capacity utilisation levels, during the third quarter of 2019, reflect the prevailing business conditions in the various industry segments in terms of domestic and export sales.

## 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 2010 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	5 146.1	7 144.6	7 246.9
Land and Buildings	441.2	176.4	432	424	478	190.5	905	301.4	
Support Infrastructure [I.T., R&D, Technical, etc.]	202.4	203.6	409	319	347	464.3	363.5	724.6	
<b>Total</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>	<b>7 246.9</b>

**2018 data is based on data supplied by the 6 major OEMs, an estimate for one OEM as well as a figure for Beijing Automotive International Corporation [BAIC]**

The high levels in capital expenditure are due to investment projects by manufacturers in terms of the Automotive Production Development Programme [APDP] and the projected higher levels of production for export markets.

## 6. BUSINESS CONDITIONS, PERFORMANCE INDICATORS AND COMMENT

### Business Conditions: Third quarter, 2019

2019 Third quarter aggregate industry new car sales at 91 580 units recorded a decline of 4 751 units or a fall of -4.9% compared to the 96 331 new cars sold during the corresponding quarter of 2018. Aggregate industry commercial vehicle sales during the second quarter of 2019, at 49 086 units, recorded a decline of 48 units or a fall of -0.1% compared to the 49 134 units sold during the second quarter of 2018.

<b>Industry Domestic Sales Growth: Direction and Extent of Change</b> [previous quarter's percentage changes are reflected in brackets]				
	Qtr. ended 30 September 2019 compared with <u>previous Qtr. ended 30 June 2019</u>		Qtr. ended 30 September 2019 compared with <u>corresponding Qtr. ended 30 September 2018</u>	
Passenger Cars	[+14.5%]	[-7.3%]	[-4.9%]	[-0.5%]
Light Commercial vehicles	[+13.3%]	[-10.6%]	[-0.9%]	[-6.4%]
Medium Commercial vehicles	[+11.7%]	[+5.8%]	[+11.9%]	[+11.7%]
Heavy Commercial vehicles	[+18.0%]	[+10.3%]	[+1.8%]	[-5.7%]

Analysis of the figures reflects a mixed picture compared to the corresponding quarter 2018 with particularly the consumer driven passenger car segment as well as the light commercial vehicle segment performing relatively poorly compared to the other segments.

### South Africa's Automotive Industry's Performance in a Global Context: 2000 – 2018 Production data

Global new motor vehicle production in 2018 declined to 95 634 593 vehicles [2017: 96 671 427 units]. This represents a decrease of 1 036 834 vehicles produced or 1.1% compared to the 96.67 million new vehicles produced during 2017. South African vehicle production increased to 610 854 vehicles in 2018 from 601 338 units produced in 2017 – an improvement of 9 516 vehicles or +1.6%.

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

	2000	2011	2012	2013	2014	2015	2016	2017	2018	% change 2018 / 2017
Global Production	58.4	79.88	84.14	87.27	89.77	90.84	95.06	96.67	95.63	-1.1%
South Africa Production	0.357	0.533	0.547	0.546	0.568	0.617	0.600	0.601	0.611	+1.6%
SA Share of Global Production	0.61%	0.67%	0.65%	0.63%	0.63%	0.68%	0.63%	0.62%	0.64%	+3.2. %

South Africa's share of global new motor vehicle production in 2018 amounted to 0.64% with the country's ranking remaining at 22<sup>nd</sup> in the world. With regards to light commercial vehicle production South Africa was ranked 15<sup>th</sup> globally with a market share of 1.24%.

The current global vehicle population exceeds one billion vehicles. South Africa's current vehicle population is around 12.46 million vehicles.

2019 Vehicle production is expected to expand to about 648 600 units

### Comment on Industry Export Performance by major region –

Changing Composition of SA Vehicle exports by major regions: 2015 – 2018					
	2015	2016	2017	2018	% change 2018 / 2017
Europe	173 883	196 727	190 503	233 772	+22.7%
Asia	34 929	46 655	52 827	50 277	-4.8%
Africa	41 431	21 505	21 848	23 988	+9.8%
Australasia	22 946	22 735	25 125	22 767	-9.4%
North America	53 606	52 024	43 393	13 037	-70.0%

<b>South America</b>	6 554	4 750	3 588	5 787	+61.3%
<b>Central America</b>	496	410	812	1 511	+86.1%
<b>Total</b>	<b>333 845</b>	<b>344 816</b>	<b>338 096</b>	<b>351 139</b>	<b>+3.9%</b>

Source: NAAMSA, AIEC, SARS, Lightstone Auto

Vehicle exports into Europe, Africa, Central and South America reflected growth in 2018, with Europe on the whole dominating as a region. The increase in vehicle exports into Africa suggests that demand from the continent has stabilised and is starting to recover, albeit from a low base. Exports to North America declined substantially from 2017 to 2018, which could be attributed to the same BMW and Mercedes-Benz models ranges manufactured in the USA, which used to be the top export market for previous model ranges manufactured in South Africa by the two OEMs.

For the first nine months of the year vehicle exports remain well on track to achieve a new record in 2019 with exports running 47 050 units, or 18.8%, ahead of the same period last year. A record 351 139 vehicles were exported in 2018.

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

The new vehicle market continued to trend in a downward direction during the third quarter of the year compared to the corresponding quarter 2018 and the turnaround in the market, anticipated for the second half of the year, has not realised. New vehicle sales continued to mirror the negative sentiment as reflected by low business and consumer confidence levels in the country. The lowering of the interest rate by 25 basis points during the quarter has also not lent any significant support to the new vehicle market. NAAMSA expects that consumers and businesses will continue to delay purchasing decisions on big items such as new vehicles until there is greater economic stability all around. Demand for domestic new vehicles, particularly the new passenger car market, therefore, would continue to remain under pressure over the medium term

On the positive side, export sales had registered further strong gains during the quarter in line with industry expectations. Particularly noteworthy was the fact that the August 2019 export figure of 44 566 vehicles was the highest monthly total on record. Industry vehicle production levels would continue to benefit from strong vehicle export sales.

**The standard attached schedule reflects updated industry sales, production, export and import numbers and a projection for 2019 plus updated schedule**



**MM MABASA**  
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