



NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SOUTH AFRICA

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Tuesday, March 10, 2020

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

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

Ladies and Gentlemen,

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 2019, together with current projections for 2020, are reflected on the attachment to the submission.

Key features: Fourth Quarter 2019

- **Fourth quarter 2019 industry employment reflected an increase of 187 jobs to reach 30 666 positions at end December 2019;**
- **Industry capacity utilisation levels continue to reflect the prevailing business conditions in the various industry segments in terms of domestic and export sales with the passenger car's capacity utilisation enhanced by higher production to accommodate record vehicle exports of 387 125 vehicles in 2019;**
- **Aggregate capital expenditure by the major vehicle manufacturers in 2019 recorded its second highest level on record at R7,274 billion;**
- **The high-volume passenger car and medium commercial vehicle segments increased during the quarter but year-on-year passenger cars, light commercial vehicles and heavy commercial vehicles reflected declines with only the low volume medium and extra heavy commercial vehicle segments reflecting some resilience with year-on-year increases; and**
- **Expectations for 2020 are for the declining trend in the new vehicle market to continue in close correlation with the weak macro-economic climate in the country, but for the upward momentum in export sales to continue.**

NAAMSA OFFICES: PRETORIA

Tuesday, March 10, 2020

Mr. Lionel OCTOBER

The Director-General:

Department of Trade and Industry

Private Bag X84

PRETORIA

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**QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW VEHICLE MANUFACTURING INDUSTRY /
AUTOMOTIVE SECTOR: QUARTER ENDED DECEMBER 31, 2019**

Dear Sir,

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 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 fourth quarter of 2019 may be set out as follows:

	Industry Total
Last pay week October, 2019	31 310
Last pay week November, 2019	30 736
Last pay week December, 2019	30 666

Industry employment levels and trends reflect employees on the payroll of vehicle manufacturers. Aggregate Industry employment as at December 31, 2019 totalled 30 666, reflecting an increase of 187 jobs compared to the 30 479 industry head count as at the end of September 2019. The **average monthly** industry employment number for 2019 was 30 250.

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. Three 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.

Local Components

During the fourth quarter of 2019, the availability and supply of locally produced components, in general terms, remained stable. Fourth 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 FOURTH 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	Year 2019	4 th Quarter ly 2019	4 th Quarter 2019 Range [High] [Low]	
Cars	67.0%	80.4%	76.0%	78.0%	82.0%	89.4%	82.3%	103.2%	43.7%
Light Commercials	80.5%	80.6%	77.9%	85.3%	72.2%	75.8%	81.5%	90.0%	68.3%
Medium Commercials	85.7%	97.6%	88.5%	82.9%	66.9%	65.4%	74.4%	74.4%	74.4%
Heavy Commercials	80.7%	77.4%	80.0%	69.7%	60.6%	74.0%	79.8%	100.0%	65.0%

Capacity utilisation levels, during the fourth quarter of 2019, reflect the prevailing business conditions in the various industry segments in terms of domestic and export sales. Passenger car production during the year was supported by record vehicle exports.

5. VEHICLE MANUFACTURING INDUSTRY CAPITAL EXPENDITURE: 2011 – 2019

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 2011 through 2019, in **Rand millions**, are as follows:

Capital Expenditure	2011	2012	2013	2014	2015	2016	2017	2018	2019
Product/Local/Content/Export Investment/ Production Facilities	3 522.7	3 837	3 605	6 092	5 948.5	5 146.1	7 144.6	7 246.9	7 274.3
Land and Buildings	176.4	432	424	478	190.5	905	301.4		
Support Infrastructure [I.T., R&D, Technical, etc.]	203.6	409	319	347	464.3	363.5	724.6		
Total	3 902.7	4 678	4 348	6 917	6 603.3	6 414.6	8 170.6	7 246.9	7 274.3

2018 and 2019 data is based on data supplied by the 6 major OEMs and an estimate for one OEM

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

6. BUSINESS CONDITIONS, PERFORMANCE INDICATORS AND COMMENT

Business Conditions: Fourth quarter 2019: 2019 Fourth quarter aggregate industry new car sales at 96 261 units recorded an increase of 3 618 units or a gain of 3.9% compared to the 92 643 new cars sold during the corresponding quarter of 2018. Aggregate industry commercial vehicle sales during the fourth quarter of 2019, at 42 060 units, recorded a decline of 4 642 units or a fall of -9.9% compared to the 46 702 units sold during the fourth quarter of 2018.

Industry Domestic Sales Growth: Direction and Extent of Change [previous quarter's percentage changes are reflected in brackets]				
	Qtr. ended 31 December 2019 compared with <u>previous Qtr. ended 30 September 2019</u>		Qtr. ended 31 December 2019 compared with <u>corresponding Qtr. ended 31 December 2018</u>	
Passenger Cars	+5.1%	[+14.5%]	+3.9%	[-4.9%]
Light Commercial vehicles	-16.6%	[+13.3%]	-11.8%	[-0.9%]
Medium Commercial vehicles	-2.5%	[+11.7%]	+5.5%	[+11.9%]
Heavy Commercial vehicles	-1.8%	[+18.0%]	-2.7%	[+1.8%]

Analysis of the figures reflects a mixed picture compared to the corresponding quarter 2018 with particularly the passenger car segment, supported by strong sales to the car rental industry, reflecting growth in all three months of the last quarter compared to the three months in the corresponding quarter, with an improvement in the medium commercial sector as well.

South Africa's Automotive Industry's Performance in a Global Context: 2001 - 2019 Production Data

Global new motor vehicle production in 2019 declined to 91 123 747 vehicles . This represents a decrease of 5 106 564 vehicles produced or 5,3% compared to the 96 230 311 new vehicles produced during 2018. South African vehicle production increased to 631 983 vehicles in 2019 from 610 060 units produced in 2018 – an improvement of 21 923 vehicles or +3.6%.

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

Production	2011	2012	2013	2014	2015	2016	2017	2018	2019	% change 2019 / 2018
Global	79.88	84.14	87.27	89.77	90.84	95.06	96.67	96.23	95.63	-5.3%
South African	0.533	0.547	0.546	0.568	0.617	0.600	0.601	0.61	0.63	+3.6%
SA Share of Global Prod	0.67%	0.65%	0.63%	0.63%	0.68%	0.63%	0.62%	0.64%	0.69%	+7.8. %

South Africa's share of global new motor vehicle production in 2019 improved to 0.69% with the country's ranking remaining at 22nd in the world. With regards to light commercial vehicle production South Africa was ranked 14th globally with a market share of 1.26%. The current global vehicle population exceeds one billion vehicles. South Africa's current vehicle population in 2019 was 12.70 million vehicles. 2020 Vehicle production is expected to expand to about 639 400 units.

Comment on Industry Export Performance by major region:

Changing Composition of SA Vehicle exports by major regions: 2016 – 2019					
	2016	2017	2018	2019	% change 2019 / 2018
Europe	196 727	190 503	233 772	285 599	+22.2%
Asia	46 655	52 827	50 277	39 879	-20.7%
Africa	21 505	21 848	23 988	23 415	-2.4%
Australasia	22 735	25 125	22 767	17 350	-23.8%
North America	52 024	43 393	13 037	13 540	+3.9%
South America	4 750	3 588	5 787	6 093	+5.3%
Central America	410	812	1 511	1 249	-17.3%
Total	344 816	338 096	351 139	387 125	+10.2%

Source: NAAMSA, AIEC, SARS, Lightstone Auto

Vehicle exports into Europe, North and South America reflected growth in 2019, with Europe on the whole dominating as a region accounting for a substantial 73,8% of total vehicle exports. Africa remains a priority focus for the domestic automotive industry and the low motorisation rate on the continent, growing middle class and the African Continental Free Trade Area should stimulate future demand, albeit from a low base. Exports to North America declined substantially since 2017, 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.

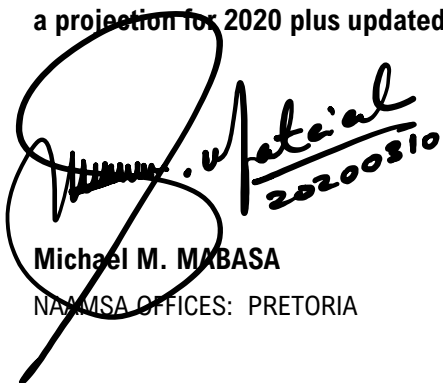
Vehicle exports at 387 125 units in 2019 achieved a new record, for the second consecutive year, and reflected a substantial increase of 35 986 vehicles, or 10,2%, compared to the 351 139 vehicles exported in 2018.

Brief Comment on business conditions and the medium-term outlook

Although some positive signs in the performance of the passenger car and medium commercial vehicle segments during the fourth quarter of the year compared to the corresponding quarter of 2018, the new vehicle market ended the year on its lowest level since 2010. Sustained weak demand for domestic new vehicles continued on the back of depressed consumer and business confidence, the recessionary economic conditions in the country, record-high unemployment and Eskom's ongoing electricity supply crisis. The new vehicle market is expected to face further consolidation until South Africa breaks out of its low growth trap and the economy is put on a higher growth path. NAAMSA expects that consumers and businesses will continue the buying down trend or delay purchasing decisions until there is greater economic stability. Demand for domestic new vehicles, particularly the new passenger car market, therefore, would continue to remain under pressure over the medium term

The strong growth of vehicle exports in recent years continues to underpin the key role that the South African automotive industry plays in the country's economy, despite the challenges. 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 2020 plus updated schedule



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