



NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SOUTH AFRICA

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6th May, 2019

REPRESENTATIVES AT GENERAL MEETINGS

RECIPIENTS OF NAAMSA MEDIA RELEASES

QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW MOTOR VEHICLE MANUFACTURING INDUSTRY / AUTOMOTIVE SECTOR: 1ST 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 first 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: First Quarter 2019

- **First quarter 2019 industry employment remained stable;**
- **Aggregate capital expenditure by the major vehicle manufacturers in 2018 recorded its second highest level on record at R7,247 billion;**
- **Industry capacity utilisation reflected a mixed performance with passenger car capacity utilisation higher but other segments' capacity affected by low utilization levels at two plants;**
- **Domestic new passenger car sales declined but commercial vehicles performed better year on year, whilst export sales reflected substantial upward momentum during the quarter;**
- **Expectations for 2019 are for the new vehicle market to continue moving sideways in the domestic market but for further export sales growth; and**
- **South Africa's share of global new vehicle production increased marginally from 0.62% in 2018 to 0.64% in 2018**

NAAMSA OFFICES: PRETORIA



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6th May 2019

Mr. Lionel OCTOBER

Director-General

Department of Trade and Industry

Private Bag X84

PRETORIA

0001

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

Dear Mr. OCTOBER,

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 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 first quarter of 2019 may be set out as follows:

	Industry Total
Last pay week January, 2019	30 288
Last pay week February, 2019	30 011
Last pay week March, 2019	30 030

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

Aggregate Industry employment as at 31st March 2019 totalled 30 030, reflecting a marginal decline of 2 jobs compared to the 30 032 industry head count as at the end of December 2018.

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 first quarter with the Rand weakening.

Local Components

During the first quarter of 2019, 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. The supply of certain local components were placed under pressure due to Eskom load shedding during the 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 movement 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 while the quality of locally mined copper was no longer of satisfactory standard to meet material specification requirements

4. UTILISATION OF PRODUCTION CAPACITY: 2013 – 2018 AND FIRST QUARTER, 2019

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

	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	1 st Quarter 2019	1 st Quarter 2019 Range (High) (Low)	
Cars	68.0%	67.0%	80.4%	76.0%	78.0%	82.0%	95.1%	100.0%	87.5%
Light Commercials	75.3%	80.5%	80.6%	77.9%	85.3%	72.2%	60.7%	100.0%	28.1%
Medium Commercials	59.8%	85.7%	97.6%	88.5%	82.9%	66.9%	54.6%	96.9%	26.8%
Heavy Commercials	69.3%	80.7%	77.4%	80.0%	69.7%	60.6%	70.5%	119.8%	26.8%

Capacity utilisation levels, during the first 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	
Total	3 994.7	3 902.7	4 678	4 348	6 917	6 603.3	6 414.6	8 170.6	7 246.9

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 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, 2019

2019 First quarter aggregate Industry new car sales at 86 344 units recorded a decline of 9 501 units or a fall of -9.9% compared to the 95 845 new cars sold during the corresponding quarter of 2018. Aggregate industry commercial vehicle sales during the first quarter of 2019 at 46 926 units recorded an increase of 1 501 units or a gain of +3.3% compared to the 45 425 units sold during the first quarter of 2018.

Industry Domestic Sales Growth: Direction and Extent of Change (previous quarter's percentage changes are reflected in brackets)				
	Qtr ended 31 March 2019 compared with <u>previous Qtr ended 31 Dec 2018</u>		Qtr ended 31 March 2019 compared with <u>corresponding Qtr ended 31 March 2018</u>	
Passenger Cars	-6.8%	-3.8%	-9.9%	-2.2%
Light Commercial vehicles	+4.3%	-6.3%	+3.1%	-2.3%
Medium Commercial vehicles	-8.5%	+3.4%	+13.3%	+7.0%
Heavy Commercial vehicles	-23.8%	+2.6%	+1.0%	+14.0%

Analysis of the figures reflects a mixed picture with the passenger car segment performing relatively poorly compared to the other segments.

South Africa's Automotive Industry's Performance in a Global Context: 2000 – 2018 Production data (updated and corrected figures)

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 regards to light commercial vehicle production South Africa was ranked 15th 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 –
(The export sales figures have been corrected and updated)**

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

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.

Brief Comment on business conditions and the medium term outlook

NAAMSA expects that prospects for the new vehicle market, in particular the new passenger car market, would continue to be affected by the weak macro-economic environment in the country and enduring pressure on household disposable income. Rising fuel prices during the first quarter, coupled with a weakening rand exchange rate, continued to dampen already low consumer and business confidence levels, weighing on demand for new vehicles. However, an improved second half performance in terms of sales is expected following the general election as well as in anticipation of an improved economic growth rate for the year compared to 2018.

Vehicle exports are expected to continue their strong upward momentum for the balance of the year, which would benefit industry vehicle production levels.

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

Handwritten signature of Michael M. Mabasa in black ink. The signature is stylized and includes the name 'Michael M. Mabasa' and the date '20190506' written below it.

Michael M. MABASA
Executive Director and CEO
NAAMSA OFFICES: PRETORIA