

PRESS RELEASE

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naamsa releases December 2020 new vehicle stats, calendar 2020 new vehicle sales and prospects for 2021

PRETORIA: Thursday, January 07, 2021: NOTE TO THE MEDIA - naamsa says an extraordinary year that has brought unprecedented challenges to the country's economy in general and the automotive industry in particular, has come to a close.

1. BRIEF COMMENT ON DECEMBER, 2020 SALES

The new vehicle market continued to edge higher, albeit at a slower pace, during December 2020, with aggregate industry new vehicle sales at 37 493 units recording a decline of 4 190 vehicles or a fall of 10,1% compared to the total new vehicle sales of 41 683 units during the corresponding month of December, 2019. The December, 2020 new passenger car market and light commercial vehicle market reflected a mixed performance with a year-on-year volume decline of 14,4% in the case of new cars and an increase of 3,2% in the case of light commercial vehicles. Sales of heavy commercial vehicles and buses remained weak, declining year-on-year by 15,6%.

Export sales ended the year on a positive note recording a welcomed increase in December, 2020 and at 18 479 units reflected a gain of 4 919 vehicles or an increase of 36,3% compared to the 13 560 vehicles exported during December, 2019.

Overall, out of the total reported industry sales of 37 493 vehicles, an estimated 33 750 units or 90,0% represented dealer sales, an estimated 6,0% represented sales to the vehicle rental industry, 2,5% to government, and 1,5% to industry corporate fleets.

2. COMMENT ON 2020 NEW VEHICLE SALES AND VEHICLE EXPORTS: A YEAR CHARACTERISED BY AN ECONOMIC RECESSION DEEPENED BY THE SEVERE IMPACT OF THE GLOBAL COVID-19 PANDEMIC

Following the year-on-year decline in new vehicle sales of 2,8%, in volume terms, in 2019, the crippling effects of the COVID-19 pandemic resulted in a massive decline in new vehicle sales of 156 163 units, or 29,1%, from 536 612 units in 2019 to the 380 449 units in 2020. Vehicle sales are linked to the strength of the economy and the pandemic not only deepened an existing economic recession, but its severe impact resulted in that the domestic new vehicle market in 2020 dropped back to the levels of two decades ago.

The significant fall in aggregate new vehicle sales occurred despite a 300-basis point interest rate cut during the year to a near 50-year low. South Africa entered a recession before the outbreak of COVID-19, which means middle class disposable income was already under pressure prior to the national lockdown. The vehicle rental industry, which is a major seasonal contributor to the new vehicle market, also effectively remained dormant due to the lockdown restrictions on business travel and tourism for most of the year. Current market conditions in the passenger car and light commercial vehicle markets continued to be characterised by a buying down trend with sales of pre-owned vehicles being the most enticing option in the current economy. The premium car segment had continued to experience significant pressure in 2020.

Although 2020 sales of medium and heavy commercial vehicles showed signs of resilience, the weak performance compared to 2019 also mirrored the impact of the COVID-19 country lockdown restrictions coupled with the ongoing weak macro-economic climate in the country.

The following table summarises **annual aggregate industry sales by sector** since 2015 –

Sector	2015	2016	2017	2018	2019	2020	2020 / 2019 % Change
Cars	412 397	361 265	368 114	365 247	355 379	246 784	-30.6%
Light Commercials	174 812	159 316	163 317	159 525	153 221	110 929	-27.6%
Medium Commercials	10 522	8 436	7 890	7 913	8 690	6 736	-22.5%
Heavy Trucks, Buses	19 919	18 535	18 382	19 579	19 322	16 000	-17.2%
Total Vehicles	617 650	547 552	557 703	552 227	536 612	380 449	-29.1%

Source: **naamsa**, Lightstone Auto

2020 Vehicle exports had registered a massive decline of 115 273 vehicles or a fall of 29,8% from the 387 092 vehicles exported in 2019 to the 271 819 units exported in 2020. COVID-19 has impacted economic activity in every region of the world and South African vehicle exports had subsequently been affected by the fall in global vehicle demand because of the impact of the pandemic.

The following table reflects the **industry's export sales performance** over the past few years –

	2016	2017	2018	2019	2020	2020 / 2019 % Change
Cars	238 547	230 957	221 681	260 843	178 794	-31.5%
Light Commercials	105 219	106 148	128 322	125 422	92 473	-26.3%
Trucks & Buses	1 054	991	1 136	827	552	-33.3%
Total Exports	344 820	338 096	351 139	387 092	271 819	-29.8%

Source: **naamsa**, Lightstone Auto

The performance of vehicle exports remains reliant on the performance and direction of global markets and over the course of 2021 will remain linked to the duration and impact of new COVID-19 waves.

3. INDUSTRY PROSPECTS FOR 2021: EXPECTED REBOUND IN DOMESTIC NEW VEHICLE SALES, VEHICLE EXPORTS AND DOMESTIC PRODUCTION

The global pandemic rocked the world to its very foundations and ultimately there are no easy solutions to reigniting COVID-19 affected economies, with South Africa no exception to this. The country started 2021 on an adjusted level 3 lockdown to slow the spread of the pandemic as the number of COVID-19 cases soared past the one million mark. General expectations are for South Africa's economy to rebound sharply in 2021, from a very low base in 2020. However, tough months are still ahead before business and consumer confidence will be rebuilt. Prospects for faster growth over the medium term are likely to be constrained by new COVID-19 waves accompanied by stricter lockdown measures, needed fiscal tightening and persistent power-supply disruptions.

The new vehicle market is expected to still face severe challenges of slow demand, Rand exchange rate volatility and negative business and consumer sentiment during the first quarter of 2021. Although the current low interest rates, coupled with low inflation, could be regarded as a building block to stimulate the economy, a vehicle remains a big-ticket purchase consideration for any household budget and is consequently a key indication of market confidence. The focus for the industry now needs to shift to resilience, recovery, and creating strategies to deal with new business and consumer behaviour. The development of tested and proven vaccines and their distribution would transform things for the better, especially for the travel and leisure sector which could result in a marked recovery in the vehicle rental industry in 2021.

A sustained higher economic growth rate is essential to support higher domestic new vehicle sales volumes. The longer the constraints of COVID-19 continue, the greater the impact on the automotive industry and the broader economy. In terms of the domestic automotive industry's recovery, much will depend on the recovery of its main trading partners and the pace at which the lockdown measures are phased out, considering that well over 60% of the country's vehicle production is exported.

At this stage, a year-on-year improvement of around 15% in aggregate new vehicle sales volumes is projected for 2021.

Factoring in the expected year-on-year improvement in vehicle exports of around 20%, an improvement in industry vehicle production of about 18% is projected for 2021.

Manufacturing is one of the sectors that can best assist in growing South Africa's economy and, therefore, the manufacturing sector's growth must be accelerated. The automotive industry is not only the largest manufacturing sector in South Africa's economy, comprising nearly one third of manufacturing output, it also invests billions of rand every year and represents nearly 460 000 direct jobs. The automotive sector has proved to be a reliable partner and dependable ally for government to position manufacturing as a catalyst to development and inclusive growth in the country.

Best wishes for 2021 to the media and all automotive industry stakeholders.

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ABOUT THE SA AUTOMOBILE INDUSTRY

- the automotive industry contributes 6,4% to GDP [4,0% manufacturing and 2,4% retail];
- total automotive revenue in South Africa amounted to R500 billion in 2019;
- in 2019, the export of vehicles and automotive components reached a record amount of R201,7 billion, equating to 15,5% of South Africa's total exports;
- the industry accounts for 27,6% of the country's manufacturing output;
- vehicles and components are exported to 151 international markets;
- we are the country's 5th largest exporting sector out of all 104 sectors;
- the manufacturing segment of the industry presently employs more than 110,000 people across its various tiers of activity [from component manufacturing to vehicle assembly];
- combined with the industry's strong multiplier effect, the industry is responsible for approximately 457 000 jobs across the South African economy's formal sector.

NOTES FOR EDITORS

- **naamsa** is a pre-eminent industry representative that actively and responsibly represents, promote, advance, and protect the interests of local manufacturers and assemblers of passenger, light, and heavy commercial vehicles as well as major importers and distributors of new vehicles in South Africa. We represent 41 companies;
- Our vision is to be the most credible and respected thought leader and partner of a globally competitive and transformed automotive industry that actively contribute to the sustainable development of South Africa;
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OUR STRATEGY: REIMAGINING THE FUTURE TOGETHER

OUR AMBITION: "the most credible thought leader and respected partner of a globally competitive and transformed automotive industry that actively contribute to the sustainable development of South Africa".

OUR VALUES: Partnership | Consistency | Trust

