

**naamsa**  
THE AUTOMOTIVE BUSINESS COUNCIL



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**Wednesday, May 12, 2021**

**REPRESENTATIVES AT GENERAL MEETINGS**

**RECIPIENTS OF NAAMSA MEDIA RELEASES**

**RE: QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW MOTOR VEHICLE MANUFACTURING INDUSTRY / AUTOMOTIVE SECTOR: 1<sup>ST</sup> QUARTER 2021**

**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 2021, as submitted to the Director-General, Department of Trade, Industry and Competition.

Industry vehicle sales, export and import statistics for 2012 through 2020, together with current projections for 2021, are reflected on the attachment to the submission.

**Key features: First Quarter 2021**

- **First quarter 2021 industry new passenger car sales recorded a decline of 7,9%, compared to the corresponding quarter of 2020 while commercial vehicle sales recorded an increase of 12,5% compared to the first quarter of 2020;**
- **First quarter 2021 industry employment reflected a decline of 237 jobs to reach 29 925 positions at end March 2021;**
- **Industry capacity utilisation levels in the various industry segments continued their gradual improvement, reflecting improved national and international market conditions for vehicle sales and exports;**

NATIONAL OFFICE BEARERS: President | Andrew KIRBY | Chief Executive Officer | Toyota South Africa Motors  
Vice-President: Manufacturing OEMs | Neale HILL | Managing Director | Ford Motor Company  
Vice-President: Retailing OEMs | Gary SCOTT | Chief Executive Officer | Kia Motors  
Vice-President: Heavy Commercial OEMs | Fabio SOUZA | Managing Director | Scania South Africa

EXECUTIVE DIRECTOR: Chief Executive Officer: Mikel MABASA

REGISTRATION DETAILS: PBO No.: 930/023/609 | VAT No.: 4070109972 | **naamsa** NPC: 2021/358607/08



- **Aggregate capital expenditure by the major vehicle manufacturers in 2020 recorded its highest level on record at R9,2 billion;**
- **First quarter 2021 total vehicle production reflected an increase of 10,6% compared to the corresponding quarter 2020 as the gradual improvement in the domestic and global new vehicle environment continued during the quarter;**
- **Vehicle exports continued their upward momentum during the first quarter, but a recovery to pre COVID-19 levels will depend on the economic climate of the industry's main trading partners; and**
- **The naamsa CEOs Confidence Index, as an in-house leading business confidence indicator of current and future developments in the domestic automotive industry, reflects the sentiment expressed by the naamsa CEOs for the first quarter 2021 compared to the first quarter 2020 as well as for automotive and general business conditions over the next six months.**

**Wednesday, May 12, 2021**

**Mme Malebo MABITJE-THOMPSON**

The Acting Director-General  
Department of Trade, Industry and Competition [DTIC]  
Private Bag X84  
**PRETORIA**  
0001

**RE: QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW VEHICLE MANUFACTURING INDUSTRY / AUTOMOTIVE SECTOR: QUARTER ENDED 31<sup>ST</sup> MARCH 2021**

**Dear Mme MABITJE-THOMPSON,**

On behalf of **naamsa** | The Automotive Business Council, all our members and the entire automotive industry in South Africa, I would like to officially congratulate you on your appointment as the Acting Director-General for the Department of Trade, Industry and Competition. Be assured of our support during your tenure in the office of the DG. **naamsa** would like to submit the following report on business conditions in the South African new motor vehicle manufacturing industry and the automotive sector during the first quarter of 2021.

**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 2021 may be set out as follows:

Period	Industry total
Last pay week January 2021	29,692
Last pay week February 2021	29,603
Last pay week March 2021	29,925

Industry employment levels and trends reflect employees on the payroll of vehicle manufacturers. Aggregate industry employment as at March 31, 2021 totalled 29,925 reflecting a decline of 237 jobs compared to the 30,162 industry head count as at the end of December 2020.

The **average monthly** vehicle manufacturing industry employment number for 2020 was 29,926 compared to the 30,250 in 2019. A new addition to the quarterly review of business conditions is employment levels on the payroll of the independent vehicle importers at their head offices and dedicated dealerships.

Period	Total
End of Quarter 4, 2020	5,579
End of Quarter 1, 2021	5,624

Aggregate independent vehicle importers employment as at March 31, 2021 totalled a head count of 5,624 reflecting an increase of 45 jobs, compared to the head count of 5,579 at the end of December 2020. A new addition to the quarterly review of business conditions is capital expenditure on an annual basis by the independent vehicle importers, at their head offices and dedicated dealerships.

Period	Total
2019	R54.8 mil
2020	R52.4 mil

The employment and capital expenditure data collection serve as important reference points to discern trends in the independent vehicle importers' landscape.

## 2. NUMBER OF SHIFTS

Pre COVID-19, various vehicle manufacturers operated on a three-shift basis as well as multi-shifts in selected areas such as machining, press shops, paint shop operations and body shops.

During the quarter, only one vehicle manufacturer operated on a combined single-, double- and three-shift basis, two manufacturers operated on a combined single- and double-shift basis, one manufacturer on a double-shift basis and three manufacturers on a single-shift basis.

### 3. AVAILABILITY AND PRICE TRENDS OF COMPONENTS AND RAW MATERIALS

#### 3.1. Imported components and raw materials

The availability and supply of imported components continued to be affected by COVID-19 related disruptions such as vessel and container shortages for some OEMs during the quarter. Prices of imported components and raw materials remained subject to exchange rate movements and the global price index.

#### 3.2. Local components and raw materials

The availability and supply of local components and raw materials continued to be affected by COVID-19 related disruptions such as a shortage of containers and delays of some imported sub-components. Some OEMs reported local steel shortages as well as a global shortage of electronic components, for instance semi-conductors, impacting on the supply chain. Raw material pricing trends remain a function of exchange rate movements and the global price index.

### 4. UTILISATION OF PRODUCTION CAPACITY: 2016 - 2021: Q1

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

	Year 2016	Year 2017	Year 2018	Year 2019	Year 2020	Quarter 1: 2021	Quarter 1: 2021 range	
							[High]	[Low]
<b>Cars</b>	76.0%	78.0%	82.0%	89.4%	69.9%	79.1%	100%	52.8%
<b>Light Commercials</b>	77.9%	85.3%	72.2%	75.8%	59.8%	60.6%	97%	33%
<b>Medium Commercials</b>	88.5%	82.9%	66.9%	65.4%	37.4%	38.7%	58.6%	18.7%
<b>Heavy Commercials</b>	80.0%	69.7%	60.6%	74.0%	50.0%	52.3%	100%	18.7%

Capacity utilisation levels, during the first quarter of 2021, reflect the gradual improved utilisation of production capacity levels in the various industry segments in terms of domestic new vehicle sales and exports, in line with the gradual improvement in markets conditions nationally and internationally.

## 5. VEHICLE MANUFACTURING INDUSTRY CAPITAL EXPENDITURE: 2014 - 2020

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 2014 through 2020, in **Rand millions**, are as follows:

Capital Expenditure	2014	2015	2016	2017	2018	2019	2020
Product/Local/Content/Export Investment/ Production Facilities	6,092.0	5,948.5	5,146.1	7,144.6	5,779.5	6,705.8	7,296.2
Land and Buildings	478.0	190.5	905.0	301.4	1,202.4	234.5	1,558.1
Support Infrastructure [I.T., R&D, Technical, etc.]	347.0	464.3	363.5	724.6	265.0	334.0	377.4
<b>Total</b>	<b>6,917.0</b>	<b>6,603.3</b>	<b>6,414.6</b>	<b>8,170.6</b>	<b>7,246.9</b>	<b>7,274.3</b>	<b>9,231.7</b>

Capital expenditure of R9,2 billion by the OEMs in 2020 represents the highest annual figure on record. The continued high levels in capital expenditure are due to investment projects by manufacturers in terms of the Automotive Production Development Programme [APDP], which are normally spread over multiple years and linked to higher levels of production for export markets.

## 6. BUSINESS CONDITIONS, PERFORMANCE INDICATORS AND COMMENT

### Business Conditions: First Quarter, 2021

2021 First quarter aggregate industry new car sales at 74,475 units recorded a decline of 6 363 units, or a fall of 7,9%, compared to the 80,838 new cars sold during the corresponding quarter of 2020. Aggregate industry commercial vehicle sales during the first quarter of 2021, at 40,961 units, recorded an increase of 4,544 units or a gain of 12,5% compared to the 36,417 units sold during the first quarter of 2020.

### Industry Domestic Sales Growth: Direction and Extent of Change

[previous quarter's percentage changes are reflected in brackets]

	Qtr. ended 31 March 2021 compared with <u>previous Qtr. ended 31 December 2020</u>		Qtr. ended 31 March 2021 compared with <u>corresponding Qtr. ended 31 March 2020</u>	
<b>Passenger Cars</b>	-2.9%	[+26.0%]	-7.9%	[-20.4%]
<b>Light Commercial vehicles</b>	+10.1%	[-8.9%]	+13.1%	[-8.2%]
<b>Medium Commercial vehicles</b>	-8.4%	[-14.4%]	-5.3%	[-19.3%]
<b>Heavy Commercial vehicles</b>	-7.8%	[-7.0%]	+15.6%	[-9.6%]

The various vehicle segments reflected a mixed performance compared to the corresponding quarter 2020. The positive improvement in particularly the performance of light commercial vehicles [bakkies] and heavy commercial vehicles is signalling improved business and consumer sentiment in line with consumers' preference for bakkies representing five of the top 10 selling models in the country while increased heavy commercial vehicle sales relate to increased economic activity in the economy.

### South Africa's Automotive Industry's Performance in a Global Context: 2014 - 2020 Production data

COVID-19 has turned out to be the biggest deterrent to growth for the global automotive industry in recent times, with supply chain bottlenecks and dwindling new vehicle sales resulting in losses worth billions. The most visible effect of COVID-19 is the fact that OEMs globally produced fewer vehicles in 2020 than in 2019. After a bleak 2019, which already saw a marked decline of 5,2% in global vehicle production, and which ended 10 years of growth, global vehicle production declined by a massive 15,8% to reach 77,62 million vehicles, down from the 92,18 million units produced in 2019.

The following table reflects South Africa's share of global vehicle production for 2014 to 2020 [in millions].

	2014	2015	2016	2017	2018	2019	2020	% change 2020/2019
<b>Global Production</b>	89.77	90.84	95.06	96.67	96.87	92.18	77.62	-15.8%
<b>South Africa Production</b>	0.568	0.617	0.600	0.601	0.61	0.63	0.45	-29.2%
<b>SA Share of Global Production</b>	0.63%	0.68%	0.63%	0.62%	0.64%	0.69%	0.58%	-15.9%

South Africa's share of global motor vehicle production in 2020 decreased to 0,58%, from the 0,69% in 2019, 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 1,08%. South Africa remained the dominant market on the African continent, and accounted for 447,218 vehicles, or 62,1% of the total African vehicle production of 720,156 vehicles.

South African vehicle production declined by a massive 184,703 vehicles, or 29,2%, from the record 631,921 units produced in 2019 to 447,218 units produced in 2020. First quarter 2021 total vehicle production reflected an increase of 10,6% compared to the corresponding quarter 2020 as the gradual improvement in the domestic and global new vehicle environment continued during the quarter.

The following table reflects South Africa's domestic vehicle production for 2016 to - 2021 Q1.

	2016	2017	2018	2019	2020	Q1: 2020	Q1: 2021	% change Q1: 2021/ Q1: 2020
<b>Passenger Cars</b>	336,458	330,575	320,383	348,665	238,216	72,637	71,872	-1.1%
<b>LCVs</b>	235,333	242,300	261,086	254,417	185,691	50,031	63,850	+27.6%
<b>MCVs</b>	8,635	8,006	8,072	8,803	6,874	1,832	1,714	-6.4%
<b>HCVs</b>	5,597	5,466	5,590	5,220	4,208	1,009	1,108	+9.8%
<b>XHCVs</b>	12,489	12,640	13,751	13,817	11,484	2,714	3,256	+20.0%
<b>Buses</b>	1,300	1,151	1,178	999	745	178	150	-15.7%
<b>TOTAL</b>	<b>599,812</b>	<b>600,138</b>	<b>610,060</b>	<b>631,921</b>	<b>447,218</b>	<b>128,401</b>	<b>141,950</b>	<b>+10.6%</b>

South Africa had a vehicle parc [number of registered vehicles] of 12,70 million at the end of 2020, of which 7,50 million or 59,1%, comprised passenger cars. Due to the annual scrappage rate and the significant decline in new vehicle sales in the country in 2020 the vehicle parc for 2019 and 2020 remained similar.



## Comment on Industry Export Performance by major region - 2016 to 2020

	2016	2017	2018	2019	2020	% change YTD 2020 / YTD 2019
<b>Europe</b>	196,727	190,503	233,772	285,599	197,355	-30.9%
<b>Asia</b>	46,655	52,827	50,277	39,879	29,440	-26.2%
<b>Africa</b>	21,505	21,848	23,988	23,382	16,983	-27.4%
<b>Australasia</b>	22,735	25,125	22,767	17,350	13,698	-21.1%
<b>North America</b>	52,024	43,393	13,037	13,540	9,463	-30.1%
<b>South America</b>	4,750	3,588	5,787	1,691	1,188	-29.8%
<b>Central America</b>	410	812	1,511	5,651	3,156	-44.2%
<b>Total</b>	<b>344,816</b>	<b>338,096</b>	<b>351,139</b>	<b>387,092</b>	<b>271,283</b>	<b>-29.9%</b>

Following record vehicle exports at 387,092 units in 2019, for the second consecutive year, 2020 vehicle exports at 271,288 units registered a massive decline of 115,804 units, or 29,9%, compared to 2019. Due to the severe global impact of COVID-19, vehicle exports to all major regions reflected substantial declines in 2020 compared to 2019. Europe, accounting for a substantial 197,355 vehicles, or 72,8% of total vehicle exports, dominated as a region.

Considering that three out of every four vehicles are destined for Europe, developments in the region have a direct and measurable impact on the domestic automotive industry. It is therefore important to note that the region's automotive market is gearing towards more environmentally friendly processes and vehicles. The UK, which has been the South African automotive industry's top vehicle export destination since 2014 up to 2020, has recently announced that the ban on new internal combustion engine vehicle sales would be brought forward by five years, from 2035 to 2030.

These decisions would require of the domestic automotive industry to accelerate its electric vehicle [EV] transformation in the country.

## 7. **naamsa CEOs Confidence Index**

Recently introduced to the **naamsa** quarterly review is the inclusion of a **naamsa** CEOs Confidence Index as an in-house leading business confidence indicator of current and future developments in the domestic automotive industry. The **naamsa** Confidence Index is built to enhance the quarterly reporting with opinions canvassed anonymously from each of the **naamsa** CEOs. The questions focus on views related to automotive business conditions in particular as well as the country's economy in general.

### Quarter 1: 2021 vs Quarter 1: 2020

Performance indicator	Up	Same	Down
Domestic new vehicle sales	46%	12%	42%
Vehicle export sales	13%	35%	52%
Vehicle production volumes	35%	39%	26%
Vehicle import volumes	30%	21%	49%
Employment – vehicle manufacturing	3%	66%	31%
Capacity utilisation	16%	36%	48%
Investment expenditure	9%	64%	27%
General new vehicle business conditions	39%	-	61%

The sentiment expressed by the **naamsa** CEOs generally reflect the comparison of a first quarter 2021, in gradual recovery mode, with the pre COVID-19 first quarter of 2020. Although domestic automotive industry business conditions during the first quarter remain unsatisfactory compared to the corresponding quarter of 2020, some CEOs of selected brands on the OEM, heavy commercial vehicle and independent vehicle importers' side reflected positive sentiment pertaining to their specific brands outperforming the current depressed market conditions.

## Next 6 Months

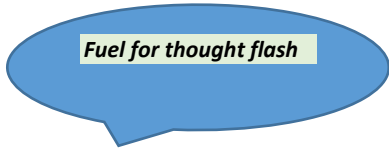
Performance indicator	Up	Same	Down
Domestic new vehicle sales	87%	7%	6%
Vehicle export sales	64%	32%	4%
Vehicle production volumes	64%	32%	4%
Vehicle import volumes	79%	21%	-
Employment – vehicle manufacturing	7%	93%	-
Capacity utilisation	64%	36%	-
Investment expenditure	21%	72%	7%
General new vehicle business conditions	62%	31%	7%

The general agreement by the **naamsa** CEOs is for much improved automotive business conditions over the next six months in line with the ongoing gradual improvement in the new vehicle market following the severe impact of COVID-19 on the industry's key performance indicators in 2020. The CEOs across all vehicle manufacturing segments as well as the CEOs of the independent vehicle importers are by and large positive about a robust recovery in the domestic as well as global new vehicle market over the next six months in line with the economic rebound in South Africa and international markets, from the very low base in 2020.

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

The industry started recapturing lost demand during the quarter in its recovery path, with the turnaround in the new vehicle market in particular commencing in March 2021. It should be noted that the current quarterly comparison relates to a quarter still in gradual recovery mode with a pre COVID-19 first quarter of 2020. Considering the close correlation between new vehicle sales and the country's GDP growth rate projected to be more than 3% in 2021, a healthy rebound in the new vehicle market performance is anticipated, from the very low base in 2020. Structural constraints in the economy, coupled with the growing debt of the country and the ongoing electricity capacity limitations in the country, however, do not bode well for a quick recovery to pre-COVID-19 levels. In addition, new vehicle sales in 2021 may also be hampered by stock shortages of some models in the coming months, caused by COVID-19 induced manufacturing supply chain disruptions, such as the current global shortage of semi-conductors, or computer chips, an important part of modern vehicles.

Vehicle exports continued their upward momentum during the first quarter in line with the rebound in the global economy and subsequent higher demand for vehicles in international markets. Considering that 63,7% of vehicle production was exported in 2020, vehicle exports remain key to the viability of the domestic automotive industry to generate sufficient economies of scale and improved international competitiveness.



**Nine of the top 10 selling vehicles in 2020 were South African-built passenger cars and light commercial vehicles. The top 10 most popular models sold included five light commercial vehicle models, namely, the Toyota Hilux, Ford Ranger, Isuzu D-Max, Toyota Hi-Ace, and Nissan NP200, and five passenger cars, namely, the Volkswagen Polo Vivo, Volkswagen Polo, Toyota Fortuner, Toyota Corolla Quest, and Ford EcoSport [imported from India, the only exception].**

**The standard attached schedule reflects updated industry sales, production, export and import numbers. Projections include forecasts for 2021 and 2022.**

Thank you once again for the opportunity to provide you with a quarterly update on some of our key salient performance indicators and happy to engage further on the contents of this report with you.

Kind regards,

**Mikel M. MABASA**  
Chief Executive Officer  
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