



**naamsa**  
THE AUTOMOTIVE BUSINESS COUNCIL



+27 12 807 0152 | 0086



+27 12 807 0671



[info@naamsa.co.za](mailto:info@naamsa.co.za)



[naamsa.co.za](http://naamsa.co.za)

Alenti Office Park | Block F | 457 Witherite Street  
THE WILLOWS X82 | PRETORIA

P. O. Box 74166 | LYNNWOOD RIDGE | 0040

**PARTNERSHIP | CONSISTENCY | TRUST**

#MOBILITYMatters | #naamsaAutoLytics | #naamsaDreamsAcademy | #SA-AutoWeek

Monday, August 16, 2021

REPRESENTATIVES AT GENERAL MEETINGS  
RECIPIENTS OF NAAMSA MEDIA RELEASES

**RE: QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW MOTOR VEHICLE MANUFACTURING INDUSTRY / AUTOMOTIVE SECTOR: 2<sup>ND</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 Second Quarter of 2021, as submitted to the Acting Director-General at the Department of Trade, Industry and Competition.

Industry vehicle sales, export and import statistics for 2012 through 2020, together with current projections for 2021 and 2022, are reflected on the attachment to the submission.

**Key Features: Second Quarter 2021**

- Second Quarter 2021 industry new vehicle sales recorded a robust rebound of 148,6% compared to the severely COVID-19 affected corresponding quarter of 2020 but compared to the First Quarter 2021 the decline of 2,9% signals a slowdown in the pace of recovery;
- Second Quarter 2021 industry employment reflected an increase of 390 jobs to reach 30,315 positions at end June 2021;
- Industry capacity utilisation levels in the various industry segments continued their gradual improvement, reflecting improved market conditions national and internationally for new vehicle sales and vehicle 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;
- Second Quarter 2021 vehicle production, supported by robust global demand as well as a strong rebound in the domestic new vehicle market, reflected a massive increase of 173% compared to the severely affected COVID-19 corresponding quarter 2020;
- Vehicle exports continued their upward momentum during the second quarter and for the first half 2021 were now 66% above the corresponding first half 2020 but were still 0,9% below the corresponding quarter 2019; 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 second quarter 2021 compared to the second quarter 2020 as well as for automotive and general business conditions over the next six months.

Mme Malebo MABITJE-THOMPSON  
Acting Director-General  
Department of Trade, Industry and Competition  
Private Bag X84  
PRETORIA  
0001

**RE: QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW VEHICLE MANUFACTURING INDUSTRY/AUTOMOTIVE SECTOR: QUARTER ENDED JUNE 30, 2021**

Dear Mme MABITJE-THOMPSON,

naamsa | The Automotive Business Council 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 Second 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 second quarter of 2021 may be set out as follows:

Period	Industry total
Last pay week April 2021	30,197
Last pay week May 2021	30,354
Last pay week June 2021	30,315

Industry employment levels and trends reflect employees on the payroll of vehicle manufacturers. Aggregate industry employment as of June 30, 2021 totalled 30,315 reflecting an increase of 390 jobs compared to the 29,925 industry head count as at the end of March 2021. 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	6,406
End of Quarter 1 2021	6,471
End of Quarter 2 2021	6,577

Aggregate independent vehicle importers employment as of June 30, 2021 totalled a head count of 6,577 reflecting an increase of 106 jobs, compared to the head count of 6,471 at the end of March 2021.

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	R626 mil
2020	R53,3 mil

The employment and capital expenditure data collection serve as important reference points, mainly 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, two vehicle manufacturers 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 two 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 resulting in increased ocean freight rates during the quarter with the global shortage of semi-conductors, impacting on supply chains, remaining an ongoing concern. 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, such as semi-conductors, which remains an ongoing concern. Some OEMs reported local steel shortages associated with price increases. Raw material pricing trends remain a function of exchange rate movements and the global price index.

### 4. UTILISATION OF PRODUCTION CAPACITY: 2016 - 2021: Q2

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	1 <sup>st</sup> Quarter 2021	2 <sup>nd</sup> Quarter 2021	2 <sup>nd</sup> Quarter 2021 range	
								High	Low
Cars	76.0%	78.0%	82.0%	89.4%	69.9%	79.1%	76.6%	90.4%	51.0%
Light Commercials	77.9%	85.3%	72.2%	75.8%	59.8%	60.6%	61.0%	94.0%	31.0%
Medium Commercials	88.5%	82.9%	66.9%	65.4%	37.4%	38.7%	51.3%	79.2	23.4%
Heavy Commercials	80.0%	69.7%	60.6%	74.0%	50.0%	52.3%	72.3%	100%	23.4%

Average capacity utilisation levels, during the second quarter of 2021, continue to reflect the gradual recovery 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, although the recovery remains uneven amongst member companies in the various segments.

## 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 represented 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

### 6.1. Business Conditions: Second Quarter 2021

2021 Second quarter aggregate industry new car sales at 71,345 units recorded a massive increase of 43,140 units, or a gain of 153,0% compared to the 28,205 new cars sold during the severely COVID-19 affected corresponding quarter of 2020. Aggregate industry commercial vehicle sales during the second quarter of 2021, at 40,736 units, also recorded a huge increase of 23,850 units, or a gain of 141,2% compared to the 16,886 units sold during the second quarter of 2020.

Industry Domestic Sales Growth: Direction and Extent of Change [previous quarter's percentage changes are reflected in brackets]				
	Qtr. ended 30 June 2021 compared with <u>previous Qtr. ended 31 March 2021</u>		Qtr. ended 30 June 2021 compared with <u>corresponding Qtr. ended 30 June 2020</u>	
Passenger Cars	-4.2%	[-2.9%]	+153.0%	[-7.9%]
Light Commercial vehicles	-2.6%	[+10.1%]	+149.6%	[+13.1%]
Medium Commercial vehicles	+4.1%	[-8.4%]	+86.6%	[-5.3%]
Heavy Commercial vehicles	+14.0%	[-7.8%]	+114.8%	[+15.6%]

The various vehicle segments reflected a robust recovery compared to the corresponding quarter 2020 when the country's hard COVID-19 lockdown restrictions resulted in a temporary shutdown of vehicle production and sales for a period of five weeks at the time. The weaker performance in new passenger cars and bakkies during the second quarter 2021, compared with the previous quarter 2021 when the economy grew by an annualised 4,6%, signals ongoing fragile consumer confidence. The increase in medium and heavy commercial vehicle sales, however, relates to increased economic activity in line with the rebound in the economy.

## 6.2. 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
Global Production	89.77	90.84	95.06	96.67	96.87	92.18	77.62	-15.8%
South Africa Production	0.568	0.617	0.600	0.601	0.61	0.63	0.45	-29.2%
SA Share of Global Production	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 total African vehicle production of 720,156 vehicles.

Following record vehicle production of 631,921 units in 2019, vehicle production declined by a substantial 184,703 units, or 29,2% to 447,218 units in 2020. However, second quarter 2021 total vehicle production reflected a massive increase of 173% compared to the corresponding COVID-19 affected second quarter 2020 as the recovery in vehicle production continued in 2021, supported by robust global demand as well as a strong recovery in the domestic new vehicle market.

The following table reflects South Africa's domestic vehicle production: 2016 - 2021 Q2.

	2016	2017	2018	2019	2020	2020 Q2	2021 Q2	% change Q2 2021/ Q2 2020
Passenger Cars	336,458	330,575	320,383	348,665	238,216	27,975	70,410	+151.7%
LCVs	235,333	242,300	261,086	254,417	185,691	21,013	65,532	+211.9%
MCVs	8,635	8,006	8,072	8,803	6,874	961	1,794	+86.7%
HCVs	5,597	5,466	5,590	5,220	4,208	538	1,341	+149.3%
XHCVs	12,489	12,640	13,751	13,817	11,484	1,715	3,606	+110.3%
Buses	1,300	1,151	1,178	999	745	136	171	+25.7%
<b>TOTAL</b>	<b>599,812</b>	<b>600,138</b>	<b>610,060</b>	<b>631,921</b>	<b>447,218</b>	<b>52,338</b>	<b>142,854</b>	<b>+173.0%</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 year-on-year decline of 29,2% 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 - 2017 to 2021: H1

	2017	2018	2019	2020	H1: 2020	H1: 2021	% Change H1 2021 / H1 2020
Europe	190,503	233,772	285,599	197,355	78,520	139,638	+77.8%
Asia	52,827	50,277	39,879	29,440	12,357	15,949	+29.1%
Africa	21,848	23,988	23,382	16,983	6,937	10,888	+57.0%
Australasia	25,125	22,767	17,350	13,698	6,144	6,792	+10.6%
North America	43,393	13,037	13,540	9,463	3,318	5,149	+55.2%
South America	3,588	5,787	1,691	1,188	310	453	+46.1%
Central America	812	1,511	5,651	3,156	1,359	1,948	+43.3%
<b>Total</b>	<b>338,096</b>	<b>351,139</b>	<b>387,092</b>	<b>271,283</b>	<b>108,945</b>	<b>180,817</b>	<b>+66.0%</b>



The domestic automotive industry continues to capitalise on the various trade arrangements enjoyed by South Africa with the European Union, the Southern African Development Community [SADC] and the USA, which enhance exports. Scale is one of the imperatives pursued by the South African automotive industry. Most domestic OEMs have grown their volumes substantially, and now produce a very high proportion of vehicles for the export market.

The strong upward momentum in vehicle exports could be attributed to the robust recovery in demand in Europe, accounting for a substantial 139,638 vehicles, or 77,2% of the total export volume, or nearly four out of every five vehicles exported during the first half of 2021. However, although being 66% ahead of the corresponding period 2020, vehicle exports for the first half 2021 remain 0,9% below the level of the first half 2019. Much will therefore depend on the second half 2021 export performance on how quickly the industry could return to pre-COVID-19 record vehicle export levels.

### 6.3. naamsa CEOs Confidence Index

Introduced in 2020 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.

#### 2<sup>nd</sup> Quarter 2021 vs 2<sup>nd</sup> Quarter 2020

Performance indicator	Up	Same	Down
Domestic new vehicle sales	82,4%	-	17,6%
Vehicle export sales	26,7%	33,3%	40,0%
Vehicle production volumes	62,5%	12,5%	25,0%
Vehicle import volumes	64,7%	5,9%	29,4%
Employment – vehicle manufacturing	43,8%	37,5%	18,7%
Capacity utilisation	25,0%	56,3%	18,7%
Investment expenditure	18,8%	18,7%	62,5%
General new vehicle business conditions	70,6%	5,9%	23,5%

The sentiment expressed by the **naamsa** CEOs generally reflect a much improved second quarter 2021 compared to the severely affected COVID-19 second quarter 2020 when the country's hard lock down restrictions resulted in the temporary shutdown of vehicle production and sales for a period of five weeks during the quarter.

The CEOs of the OEMs and the heavy commercial vehicles segments were more upbeat about the rebound in the new vehicle market but some CEOs of selected imported brands reflected that business conditions during the second quarter remained unsatisfactory pertaining to their specific brands. Stock shortages caused by disruptions in the component supply chain, in particular the global semi-conductor shortages, remain a key area of concern.

### Next 6 months

Performance indicator	Up	Same	Down
Domestic new vehicle sales	86,7%	6,7%	6,6%
Vehicle export sales	78,6%	14,3%	7,1%
Vehicle production volumes	86,7%	-	13,3%
Vehicle import volumes	60,0%	26,7%	13,3%
Employment - vehicle manufacturing	7,2%	85,7%	7,1%
Capacity utilisation	40,0%	46,7%	13,3%
Investment expenditure	26,7%	40,0%	33,3%
General new vehicle business conditions	93,3%	-	6,7%

The vast majority of the **naamsa** CEOs are extremely positive that the automotive industry's key performance indicators, namely new vehicle sales, vehicle exports, vehicle imports and vehicle production as well as the general automotive business conditions will continue to improve over the next six months.

The domestic economy is reflecting a robust recovery from the COVID-19 affected -7% decline in 2020 while the global economy is also on the rebound. The domestic automotive industry, however, is still in recovery mode aiming to recoup some of the 2020 losses in sales and exports volumes and the cautious views expressed on the employment, investment and capacity utilisation performance indicators are indicative of the anticipated protracted return to pre-COVID-19 levels.

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

The new vehicle market showed strong signs of recovery during the second quarter 2021 compared to the severely affected COVID-19 second quarter 2020. The lower level of lockdown restrictions in the country during the second quarter 2021, interest rates remaining at their low levels, stronger sales through the dealer channels and renewed activity in the car rental industry supported the new vehicle market during the quarter. However, obstacles that continued to adversely impact on the industry during the quarter remained the persistent electricity supply disruptions, port delays, global supply chain disruptions, increasing logistical costs and the slow rollout of vaccines.

Of concern was the third wave of the pandemic and the implementation of the adjusted level 4 lockdown restrictions towards the end of the quarter which threatened to dent business and consumer sentiment and subsequently the momentum in consumption in the country. Although the new vehicle market for the first half of 2021 was now 40,1% above the corresponding period 2020, it was still 11,7% below the pre-COVID-19 first six months of 2019, highlighting that a full recovery would be protracted until around 2023. Vehicle exports for the first half of 2021 were substantially higher than the corresponding period 2020. The strong rebound in global economic activity in 2021 supported vehicle export volumes and the domestic automotive industry will continue to benefit from favourable conditions abroad. In terms of a timeframe for a full recovery to pre-COVID-19 vehicle record export levels, much will depend on the ongoing path and management of the global pandemic.

*Fuel for thought flash*

The automotive industry's trade surplus under the APDP widened to R48,2 billion in 2020, its highest surplus on record with the industry exporting vehicles and automotive components to 147 export destinations while importing vehicles and automotive components from 89 countries of origin. The standard attached schedule reflects updated industry sales, production, export and import numbers. Projections include forecasts for 2021 and 2022.

Kind regards,

**Mikel Materian MABASA**  
Chief Executive Officer  
naamsa | The Automotive Business Council

Page 11 of 11

REIMAGINING THE FUTURE TOGETHER | naamsa is the Automotive Business Council. We are a non-profit company.

Our mission is to actively and responsibly promote, represent, advance and protect our members' collective, non-competitive interests across the automotive value chain, to play a transformative role and contribute to the sustainable development of the country's productive economy.

