

Monday, May 16, 2022

REPRESENTATIVES AT GENERAL MEETINGS  
RECIPIENTS OF naamsa MEDIA RELEASES

**RE: QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW MOTOR VEHICLE  
MANUFACTURING INDUSTRY / AUTOMOTIVE SECTOR: 1ST QUARTER 2022**

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 2022, as submitted to the Director-General, Department of Trade, Industry and Competition.

Industry vehicle sales, export, and import statistics for 2013 through 2021, together with current projections for 2022 and 2023, are reflected on the attachment to the submission.

**Key features: First Quarter 2022**

- The pace of recovery in industry new vehicle sales outperformed expectations in the first quarter 2022 with aggregate new vehicle sales recording an impressive increase of 18,0% compared to the corresponding quarter 2021;
- First quarter 2022 new energy vehicle (NEV) sales by 12 industry brands increased to 1,401 units, exceeding the total annual NEV sales in 2021 of 896 units by a massive 56,4%;
- First quarter 2022 industry employment reflected an increase of 293 jobs to reach 32,001 positions at end March 2022;
- Average industry capacity utilisation levels during the first quarter of 2022 reflected an overall improvement but ongoing COVID-19 supply chain disruptions and geopolitical risks impacted the various segments differently;

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**National Office Bearers:** President: **Neale HILL** | Managing Director | Ford Motor Company  
Vice-President: Manufacturing OEMs | **Billy TOM** | President and Chief Executive Officer | Isuzu Motors South Africa  
Vice-President: Retailing OEMs | **Gary SCOTT** | Chief Executive Officer | Kia South Africa  
Vice-President: Heavy Commercial OEMs | **Filip VAN DEN HEEDE** | Managing Director | UD Trucks  
Immediate Past President: **Andrew KIRBY** | President and Chief Executive Officer | Toyota South Africa Motors

**Executive Director:** Chief Executive Officer: **Mikel MABASA**

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

- Aggregate capital expenditure by the major vehicle manufacturers in 2021 recorded its second highest level on record at R8,8 billion;
- South African vehicle production increased year-on-year by 11,8% units in 2021, exceeding the modest year-on-year increase in global vehicle production of 3,1% in 2021 and subsequently South Africa's global vehicle production ranking improved to 21<sup>st</sup> in 2021, up from 22<sup>nd</sup> in 2020, and its global market share increased to 0,62%, up from 0,58% in 2020;
- First quarter 2022 domestic vehicle production reflected a modest increase of 1,3% compared to the corresponding quarter 2021 and all segments, except for the light commercial vehicle and the low volume bus segments, reflected increases in line with higher new vehicle sales and increased economic activity during the quarter;
- First quarter 2022 vehicle exports declined by 1,2% compared to the corresponding quarter 2021 as the repercussions of the geo-political conflict with Russia's invasion of the Ukraine hampered export volumes to key markets, in particular Europe; 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 2021.

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**Mme Malebo MABITJE-THOMPSON**  
Director-General  
Department of Trade, Industry and Competition  
Private Bag X84  
**PRETORIA**  
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**RE: QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW MOTOR VEHICLE MANUFACTURING INDUSTRY / AUTOMOTIVE SECTOR: 1ST QUARTER 2022**

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 first quarter of 2022.

**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 2022 may be set out as follows:

Period	Industry total
Last pay week January 2022	31,972
Last pay week February 2022	32,004
Last pay week March 2022	32,001

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

Aggregate industry employment as at 31<sup>st</sup> March 2022 totalled 32,001 reflecting an increase of 293 jobs compared to the 31,708 industry head count as at the end of December 2021.

The average monthly vehicle manufacturing industry employment number for 2021 was 30,697 compared to the 29,926 in 2020.

An 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
End of quarter 3, 2021	6,993
End of quarter 4, 2021	7,557
End of quarter 1. 2022	7,635

Aggregate independent vehicle importers employment as at 31<sup>st</sup> March 2022 totalled a head count of 7,635 reflecting an increase of 78 jobs, compared to the head count of 7 557 at the end of September 2021.

An 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	R62.6 mil
2020	R53.3 mil
2021	R32.5 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

In line with the steady recovery in vehicle production, various vehicle manufacturers have returned to operations 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 three-shift basis, two vehicle manufacturers operated on a combined single-, double- and three-shift basis, one manufacturer operated on a combined single- and 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 price trends of imported components continued to be affected by COVID-19 related disruptions, including the ongoing global shortage of semi-conductors impacting on vehicle manufacturing operations during the quarter. The increase in global crude oil pricing along with the repercussions of Russia’s invasion of Ukraine have resulted in higher logistics costs. 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 price trends of local components and raw materials continued to be affected by COVID-19 related disruptions such as the global semi-conductor shortage negatively impacting on vehicle manufacturing volumes as well as increases in raw material prices due to growing geopolitical tensions. Raw material pricing trends remained a function of exchange rate movements and the global price index.

### 4. UTILISATION OF PRODUCTION CAPACITY: 2017 - 2022 Q1

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

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	1 <sup>st</sup> Quarter 2022	1 <sup>st</sup> Quarter 2022 range (High) (Low)	
Cars	78.0%	82.0%	89.4%	69.9%	73.5%	86.3%	97.6%	72.5%
Light Commercials	85.3%	72.2%	75.8%	59.8%	58.3%	63.1%	95.5%	33.0%
Medium Commercials	82.9%	66.9%	65.4%	37.4%	47.0%	67.4%	96.0%	22.9%
Heavy Commercials	69.7%	60.6%	74.0%	50.0%	63.6%	80.2%	100%	22.9%

Average industry capacity utilisation levels continue to reflect the gradual recovery in vehicle manufacturing volumes, but the performance remained uneven amongst member companies in the various segments. Passenger car capacity utilisation levels increased in line with higher production volumes during the quarter, but light commercial vehicle capacity utilisations levels continued to be affected by the global shortage of semi-conductors, negatively impacting production volumes, while sales also declined during the quarter suggesting consumers’ demand for more affordable passenger cars.

## 5. VEHICLE MANUFACTURING INDUSTRY CAPITAL EXPENDITURE: 2015 - 2021

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 2015 through 2021, in Rand millions, are as follows:

Capital Expenditure	2015	2016	2017	2018	2019	2020	2021
Product/Local/Content/ Export Investment/ Production Facilities	5,948.5	5,146.1	7,144.6	5,779.5	6,705.8	7,296.2	4,910.8
Land and Buildings	190.5	905.0	301.4	1 202.4	234.5	1,558.1	3,641.4
Support Infrastructure (I.T., R&D, Technical, etc.)	464.3	363.5	724.6	265.0	334.0	377.4	248.5
<b>Total</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>	<b>8,800.7</b>

Capital expenditure of R8,8 billion in 2021 represented the second 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) and APDP2, 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, 2022

2022 First quarter aggregate industry new passenger car sales at 93,644 units recorded an impressive increase of 19,169 units, or a gain of 25,7% compared to the 74,475 new passenger cars sold during the corresponding quarter of 2021. Aggregate industry commercial vehicle sales during the first quarter of 2022, at 42,548 units, recorded an increase of 1,592 units, or a gain of 3,9% compared to the 40,956 units sold during the first quarter of 2021.

Industry domestic sales growth: Direction and extent of change (previous quarter's percentage changes are reflected in brackets)				
	Qtr. ended 31 March 2022 compared with <u>previous Qtr. ended 31 December 2021</u>		Qtr. ended 31 March 2022 compared with <u>corresponding Qtr. ended 31 March 2021</u>	
Passenger Cars	+15.9%	(+3.9%)	+25.7%	(+5.4%)
Light Commercial vehicles	+14.7%	(-5.1%)	+2.9%	(-1.2%)
Medium Commercial vehicles	-10.1%	(-4.2%)	+5.7%	(+7.7%)
Heavy Commercial vehicles	-1.4%	(-5.4%)	+11.1%	(+3.7%)

Aggregate new vehicle sales during the first quarter 2022 recorded a substantial increase of 18,0% compared to the corresponding quarter 2021. The various vehicle segments reflected an all-round positive performance compared to the corresponding quarter 2021 with the performance of the volume passenger car segment, in particular, very impressive. The positive performance of the passenger car segment could be attributed to domestic pent-up demand as well as a sound increase in seasonal contribution by the rental companies.

In 2021, traditional and plug-in hybrid vehicle sales increased to 678 units in 2021, up from the 232 units in 2020, while battery electric vehicle (BEV) sales increased from 92 units in 2020 to 218 units in 2021. During the first quarter 2022, new energy vehicle (NEV) sales by 12 industry brands increased to 1,401 units, exceeding the total annual NEV sales in 2021 of 896 units, by a massive 56,4%.

The following table reveals the diversity of drivetrain sales in the South African NEV landscape from 2017 through to 2021.

	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021	1 <sup>st</sup> Quarter 2022
Plug-in hybrid	121	89	72	77	51	32
Traditional hybrid	182	55	181	155	627	1,257
Electric	68	58	154	92	218	112
<b>Total NEVs</b>	<b>371</b>	<b>202</b>	<b>407</b>	<b>324</b>	<b>896</b>	<b>1,401</b>

On 18 May 2021, the DTIC published a Green Paper entitled “The South African Road to Production of Electric Vehicles”. The Green Paper highlighted that the NEV challenge in South Africa is two dimensional, encompassing both demand and supply side considerations, and that it is an inevitable transition for the South African automotive industry, as it will be the future driving technology adopted by the global automotive industry. The outcome of the jointly funded **naamsa** and DTIC NEV research study, to be finalised in 2022, will aim to develop an appropriate fiscal and regulatory framework that will make South Africa a leading, highly competitive location for global NEV production.

**South Africa’s Automotive Industry’s Performance in a Global Context: 2015 - 2021 production data**

In 2021, COVID-19 continued to impede personal mobility needs, while supply chain disruptions slowed down the post-pandemic recovery of the global new vehicle market. The intensifying global semi-conductor shortage continued to limit vehicle production around the world. Global vehicle production increased by a modest 3,1% to reach 80,2 million vehicles in 2021, up from the 77,7 million units produced in 2020, but it was still 13,0% below the pre-COVID-19 level of 92,2 million vehicles produced in 2019.

The following table reflects South Africa’s share of global vehicle production for 2015 to 2021 (in millions).

	2015	2016	2017	2018	2019	2020	2021	% change 2021 / 2020
Global Production	90.84	95.06	96.67	96.87	92.18	77.71	80.15	+3.1%
South Africa Production	0.617	0.600	0.601	0.61	0.63	0.45	0.50	+11.8%
SA Share of Global Production	0.68%	0.63%	0.62%	0.64%	0.69%	0.58%	0.62%	+6.9%

South African vehicle production increased by 11,8%, from 446,215 units produced in 2020 to 499,087 units produced in 2021, exceeding the modest year-on-year increase in global vehicle production of 3,1% in 2021. Subsequently the country’s global vehicle production ranking improved to 21<sup>st</sup> in 2021, up from 22<sup>nd</sup> in 2020, and its global market share increased to 0,62%. In terms of global LCV production, South Africa was ranked 14<sup>th</sup> with a market share of 1,25%. South Africa remained the dominant market on the African continent and accounted for 53,6% of the total African vehicle production in 2021.

First quarter 2022 domestic vehicle production reflected a modest increase of 1,3% compared to the corresponding quarter 2021. All segments, except for the light commercial vehicle and the low volume bus segments, reflected increases in line with higher new vehicle sales and increased economic activity during the quarter. The ongoing global shortage of semi-conductors continued to negatively impact light commercial vehicle production during the quarter.



The following table reflects South Africa's domestic vehicle production for 2017 to 2022 Q1.

	2017	2018	2019	2020	2021	2021 Q1	2022 Q1	% change Q1 2022 / Q1 2021
Passenger Cars	330,575	320,383	348,665	237,214	239,267	71,410	80,649	+12,9%
LCVs	242,300	261,086	254,417	185,691	232,166	63,850	55,928	-12,4%
MCVs	8,006	8,072	8,803	6,874	7,643	1,714	1,813	+5,8%
HCVs	5,466	5,590	5,220	4,208	5,151	1,108	1,443	+30,2%
XHCVs	12,640	13,751	13,817	11,484	14,175	3,256	3,459	+6,2%
Buses	1,151	1,178	999	745	685	150	96	-36,0%
	<b>600,138</b>	<b>610,060</b>	<b>631,921</b>	<b>446,216</b>	<b>449,087</b>	<b>141,488</b>	<b>143,388</b>	<b>+1,3%</b>

South Africa had a vehicle parc (number of registered vehicles) of 12,96 million at the end of 2021, of which 7,65 million, or 59,0%, comprised passenger cars.

The automotive industry continues to capitalise on the various trade arrangements enjoyed by South Africa with the European Union, the UK, the Southern African Development Community (SADC) and the USA, which enhance exports. Europe, accounting for a substantial 229,672 vehicles, or 77,1% of the total export volume during 2021, or nearly four out of every five vehicles exported, continued to dominate as a region.

Industry export performance by major region – 2017 to 2022 Q1

	2017	2018	2019	2020	2021	Q1 2021	Q1 2022	% change Q1 2022 / Q1 2021
Europe	190,503	233,772	285,599	197,355	229,672	69,119	66,454	-3.9%
Asia	52,827	50,277	39,879	29,440	24,170	7,771	6,254	-19.5%
Africa	21,848	23,988	23,382	16,987	21,825	5,362	6,584	+22.8%
Australasia	25,125	22,767	17,350	13,698	10,621	3,290	3,037	-7.7%
North America	43,393	13,037	13,540	9,463	7,981	2,894	5,329	+84.1%
Central America	812	1,511	5,651	3,156	3,045	784	518	-33.9%
South America	3,588	5,787	1,691	1,188	706	254	187	-26.4%
<b>Total</b>	<b>338,096</b>	<b>351,139</b>	<b>387,092</b>	<b>271,287</b>	<b>298,020</b>	<b>89,474</b>	<b>88,363</b>	<b>-1.2%</b>

During the first quarter 2022 vehicle exports declined by 1,2% to 88,363 units compared to the 89,474 units exported in the corresponding quarter 2021. The repercussions of the geopolitical conflict with Russia's invasion of the Ukraine hampered export volumes to key markets, in particular Europe.

South African vehicle exports remain a function of the direction and performance of global markets. Despite lower global growth prospects, a still positive global economic climate along with further new model introductions by major vehicle exporters in 2022 would provide the impetus for vehicle exports to regain their upward momentum over the short to medium term.

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

The **naamsa** CEOs Confidence Index is 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.

1<sup>st</sup> Quarter 2022 vs 1<sup>st</sup> Quarter 2021

Performance indicator	Up	Same	Down
Domestic new vehicle sales	85.7%	14.3%	-
Vehicle export sales	83.3%	16.7%	-
Vehicle production volumes	91.7%	8.3%	-
Vehicle import volumes	69.2%	23.1%	7.7%
Employment – vehicle manufacturing	30.8%	69.2%	-
Capacity utilisation	50.0%	50.0%	-
Investment expenditure	35.7%	57.1%	7.2%
General new vehicle business conditions	64.3%	21.4%	14.3%

The positive sentiment expressed by the **naamsa** CEOs generally reflect the healthy performance in the new vehicle market's key performance indicators during the first quarter 2022 compared with the corresponding quarter 2021. The growth-positive National Budget passed during the quarter, pent-up domestic demand as well as the normalising economic environment in the country with the further easing of COVID-19 lockdown restrictions, supported business and consumer sentiment and hence vehicle sales, imports, exports and production volumes.

## Next 6 months

Performance indicator	Up	Same	Down
Domestic new vehicle sales	92.9%	7.1%	-
Vehicle export sales	76.9%	15.4%	7.7%
Vehicle production volumes	66.7%	16.7%	16.6%
Vehicle import volumes	75.0%	25.0%	-
Employment – vehicle manufacturing	16.7%	75.0%	8.3%
Capacity utilisation	30.8%	53.8%	15.4%
Investment expenditure	30.8%	61.5%	7.7%
General new vehicle business conditions	64.3%	21.4%	14.3%

The **naamsa** CEOs remain confident that despite the prevailing COVID-19 related supply chain disruptions as well as the geopolitical conflict with Russia's invasion of the Ukraine, the gradual recovery in the domestic and global automotive industry will continue to support the industry's key performance indicators over the next six months, albeit at a slower pace. The domestic automotive industry remains resilient as well as geared for opportunities that continuously arise while adapting to the changed environment.

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

The pace of recovery in the domestic new vehicle market outperformed expectations during the first quarter 2022. The positive performance could be attributed to domestic pent-up demand and improved business conditions aligned with the normalising economic environment. However, the industry is expected to encounter a stop-start recovery over the balance of the year in view of prevailing COVID-19 related supply chain disruptions in China, insufficient stocks, and escalating energy and transportation cost increases.

The repercussions of the geo-political conflict with Russia's invasion of the Ukraine have already extended to rising food, energy and commodity prices, adversely impacting households and consumers should brace themselves for ongoing cost of living increases. In view of the escalating inflation risks, the SA Reserve Bank has raised interest rates in January and March 2022 and the upward trend is set to continue over the medium term in an effort to subdue inflation. The added shock of the flooding disaster in KwaZulu-Natal to domestic business conditions will be felt for some time to come. However, the new vehicle market trend is anticipated to remain upward over the medium term, albeit at a slower pace.

Vehicle exports volumes to key markets such as Europe, the domestic automotive industry's top export region, have been hampered by Russia's invasion of the Ukraine during the quarter.

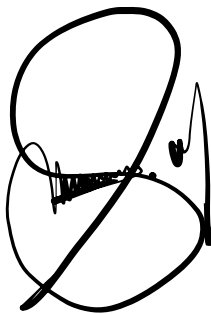
Although global growth is expected to moderate in 2022 if the conflict in Ukraine is drawn out, prospects for vehicle exports for the balance of the year remain optimistic on the back of further new locally manufactured model introductions and still favourable economic conditions abroad.

**Fuel for thought flash**

*The export value of vehicles and automotive components rebounded strongly by R31,8 billion, or 18,1%, from the R175,7 billion in 2020 to a record R207,5 billion in 2021, comprising 12,5% of total South African exports.*

The standard attached schedule reflects updated industry sales, production, export and import numbers. Projections include forecasts for 2022 and 2023.

Kind regards,



*Mikel M. Mabasa*  
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Chief Executive Officer  
naamsa | The Automotive Business Council