naamsa
THE AUTOMOTIVE BUSINESS COUNCIL

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Our Strategy: Re-imagining the future, TOGETHER

Tuesday August 15, 2023

REPRESENTATIVES AT GENERAL MEETINGS
RECIPIENTS OF **naamsa** MEDIA RELEASES

RE: QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW MOTOR VEHICLE MANUFACTURING INDUSTRY / AUTOMOTIVE SECTOR: 2ND QUARTER 2023

Ladies and Gentlemen,

Attached is a copy of **naamsa**'s quarterly review of business conditions for the South African motor vehicle manufacturing industry, during the second quarter of 2023, as submitted to the Director-General, Department of Trade, Industry and Competition.

Industry vehicle sales, export, and import statistics for 2014 through 2022, together with current projections for 2023 and 2024, are reflected on the attachment to the submission.

KEY FEATURES: SECOND QUARTER 2023

- New vehicle sales during the second quarter 2023 recorded an increase of 8,6% compared to the corresponding quarter 2022 but a loss of 8,1% compared to the previous quarter 2023, reflecting the strain on consumers' budgets in view of a further interest rate increase and ongoing affordability considerations during the quarter;
- New energy vehicle [NEV] sales by 18 industry brands increased by 100,7% from 738 units in the second quarter 2022 to 1,481 units in the second quarter 2023;
- Second quarter 2023 aggregate industry employment as at 30thJune 2023 totalled 33,497 reflecting an increase of 105 jobs compared to the 33,392 industry head count as at the end of March 2023;
- Average industry capacity utilisation levels during the second quarter 2023 continued to reflect the recovery in vehicle production levels to pre-pandemic levels but the ongoing global semi-conductor shortage impacted OEMs differently while loadshedding and unplanned outages also impacted the operations of the companies in the various segments to different degrees;

Non-Executive Directors: Neale HILL [President] | Billy TOM [Vice-President: Manufacturing OEMs] | Gary SCOTT [Vice-President: Retailing OEMs] | Filip VAN DEN HEEDE [Vice-President: Heavy Commercial OEMs] | Andrew KIRBY [Immediate Past President]

Executive Director: Mikel MABASA [Chief Executive Officer]

Registered Information: **naamsa** NPC, trading as The Automotive Business Council
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- Aggregate capital expenditure by the major light vehicle manufacturers in 2022 amounted to R7,1billion, linked to new generation model investments;

- During the second quarter 2023 vehicle exports increased by 13,8% to 88,025 units compared to the 77,340 units exported in the corresponding quarter 2022; 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 2023 compared to the second quarter 2022 as well as automotive business conditions and the country's economy in general for the next 6 months.

Tuesday, August 15, 2023

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 MOTOR VEHICLE MANUFACTURING INDUSTRY / AUTOMOTIVE SECTOR: 2ND QUARTER 2023

Dear Mme MABITJE-THOMPSON,

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 second quarter of 2023.

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 2023 may be set out as follows:

PERIOD	INDUSTRY TOTAL
Last pay week April 2023	33,484
Last pay week May 2023	33,505
Last pay week June 2023	33,497

Industry employment levels and trends reflect employees on the payroll of vehicle manufacturers. Aggregate industry employment as at 30th June 2023 totalled 33,497 reflecting an increase of 105 jobs compared to the 33,392 - industry head count as at the end of March 2023.

The average monthly vehicle manufacturing industry employment number for 2022 was 33,321 compared to the 30,697 in 2021. Employment in the vehicle manufacturing industry is generally linked to production and the substantial increase in employment in 2022 was in line with the recovery in vehicle production to pre-pandemic levels as well as supported by the launch of new generation models by some OEMs for the period under review.

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 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
End of quarter 2, 2022	7,680
End of quarter 3, 2022	7,711
End of quarter 4, 2022	7,610
End of quarter 1, 2023	7,402
End of quarter 2, 2023	7,541

Aggregate independent vehicle importers employment as at 30th June 2023 totalled a head count of 7,541 reflecting an increase of 139 jobs, compared to the head count of 7,402 as at the end of March 2022.

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
2022	R54.3 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

In line with the steady recovery in vehicle production to pre-pandemic levels, 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 were affected by the ongoing global shortage of semi-conductors as well as the substantial depreciation of the Rand against major currencies 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

Loadshedding, unplanned power outages and inflationary pressures, along with the ongoing global semi-conductor shortage, continued to result in disruptions and increased costs in the domestic supply chain. Raw material pricing trends remain a function of exchange rate movements and the global price index.

4. UTILISATION OF PRODUCTION CAPACITY: 2019 - 2023 Q2

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

	Year 2019	Year 2020	Year 2021	Year 2022	1st Quarter 2023	2nd Quarter 2023	2nd Quarter 2023 range	
							[High]	[Low]
Cars	89.4%	69.9%	73.5%	75.5%	91.5%	92.1%	98.3%	84.2%
Light Commercials	75.8%	59.8%	58.3%	65.2%	77.2%	77.7%	100%	33.3%
Medium Commercials	65.4%	37.4%	47.0%	69.1%	70.5%	55.5%	67.0%	44.0%
Heavy Commercials	74.0%	50.0%	63.6%	83.8%	84.7%	83.3%	100%	66.0%

Average industry capacity utilisation levels during the second quarter 2023 continued to reflect the recovery in vehicle production levels to pre-pandemic levels but the ongoing global semi-conductor shortage impacted OEMs differently while loadshedding and unplanned outages also impacted the operations of the companies in the various segments to different degrees.

VEHICLE MANUFACTURING INDUSTRY CAPITAL EXPENDITURE: 2016 - 2022

naamsa reports the industry's aggregate capital expenditure on an annual basis. The aggregated data is based on capital expenditure details supplied by the major vehicle manufacturers. Details of actual industry capex for 2016 through 2022, in Rand millions, are as follows:

CAPITAL EXPENDITURE	2016	2017	2018	2019	2020	2021	2022
Product/Local/Content/ Export Investment/ Production Facilities	5,146.1	7,144.6	5,779.5	6,705.8	7,296.2	4,910.8	6,443.9
Land and Buildings	905.0	301.4	1 202.4	234.5	1,558.1	3,641.4	203.8
Support Infrastructure [I.T., R&D, Technical, etc.]	363.5	724.6	265.0	334.0	377.4	248.5	464.6
Total	**6,414.6**	**8,170.6**	**7,246.9**	**7,274.3**	**9,231.7**	**8,800.7**	**7,112.3**

Capital expenditure amounted to R7,1 billion in 2022. 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 new generation model investments and higher levels of production for export markets.

5. INDUSTRY TRANSFORMATION

In a strategic alliance, **naamsa** | the Automotive Business Council**,** partnered with Old Mutual to curate a momentous event, aptly named "Drivers of Change." This eagerly anticipated and well-attended gathering convened esteemed leaders from various sectors, including captains of industry, government representatives, and organised labour. The event's focal point was to transcend the confines of conventional compliance discussions and embark on an exploration of transformation within the automotive industry. The overarching objective was to pave the way for collaborative efforts that catalyse meaningful transformation, thereby bolstering the industry's pivotal role in the local economic framework.

At the heart of driving industry growth and progress stands the South African Automotive Masterplan 2035 [SAAM35]. Serving as a guiding beacon, this masterplan charts a course toward a more robust industry landscape. It establishes clear and concrete objectives, notably emphasising localisation. This strategic initiative aims to amplify the local content incorporated within domestically manufactured vehicles, with an audacious goal of reaching 60%. By doing so, the plan not only aims to fortify the economic foundation of the industry but also to stimulate a considerable surge in employment opportunities across the intricate automotive value chain.

In tandem with the push for increased localisation, SAAM35 underscores the imperative of enhancing value addition within the sector. By broadening and deepening the layers of value creation, the industry can unlock new dimensions of growth and innovation. Simultaneously, the masterplan envisions a doubling of employment opportunities within the automotive value chain, underscoring the overarching commitment to socio-economic advancement.

A pivotal directive within SAAM35 centres around industry-wide transformation. This strategic ambition seeks to redress imbalances in employment equity across all strata of the sector. One notable facet of this transformational drive is the empowerment of black-owned entities, spanning Tier 2 and Tier 3 operations, dealerships, and the wider spectrum of Independent Service Providers [ISPs] within the automotive domain.

In parallel, SAAM35 casts a spotlight on technology and skills development, crucial enablers of sustainable progress. The plan envisions substantial investments in pioneering technologies, while concurrently harmonising efforts to foster skill development. Moreover, SAAM35 emphasises the need for cleaner fuel quality that aligns with global standards, underscoring the industry's commitment to environmental sustainability.

One noteworthy shift in perception is the transformation of Original Equipment Manufacturers [OEMs] in their commitment to change. A remarkable achievement is observed as all manufacturing OEMs have attained a B-BBEE [Broad-Based Black Economic Empowerment] level of 3 or higher. Importantly, the average B-BBEE level among importers stands at 8, while Medium and Heavy Commercial Vehicle [MHCV] OEMs achieve an average B-BBEE level of 6.

In summary, the collaborative endeavour between **naamsa** and Old Mutual, epitomised by the "Drivers of Change" event, stands as a pivotal moment for the South African automotive industry. Guided by the principles of SAAM35, the industry is poised to undertake a transformative journey that amplifies its economic significance, while concurrently advancing equitable practices, technological innovation, and sustainable growth on the global stage.

6. BUSINESS CONDITIONS, PERFORMANCE INDICATORS AND COMMENT

Business Conditions: Second Quarter: 2023

2023 Second quarter aggregate industry new passenger car sales at 81,874 units recorded a decline of 791 units, or a fall of 1,0% compared to the 82,665 new passenger cars sold during the corresponding quarter of 2022. Aggregate industry commercial vehicle sales during the second quarter of 2023, at 45,525 units, recorded an increase of 10,842 units, or a gain of 31,3% compared to the 34,683 units sold during the second quarter of 2022.

Industry domestic sales growth: Direction and extent of change [previous quarter's percentage changes are reflected in brackets]				
	Qtr. ended 30 June 2023 compared with previous Qtr. ended 31 March 2023		Qtr. ended 30 June 2023 compared with corresponding Qtr. ended 30 June 2022	
Passenger Cars	-11,2%	[-1,0%]	-1,0%	[-1,5%]
Light Commercial vehicles	-4,5%	[+6,1%]	+34,9%	[+8,3%]
Medium Commercial vehicles	-7,6%	[-17,8%]	+8,5%	[+13,0%]
Heavy Commercial vehicles	+6,1%	[-15,0%]	-14,9%	[-10,2%]
Extra Heavy Commercials	+26,1%	[-6,3%]	+35,0%	[+11,9%]
Buses	+52,9%	[-48,5%]	+11,0%	[+28,0%]

Aggregate new vehicle sales during the second quarter 2023 recorded an increase of 8,6% compared to the corresponding quarter 2022 but a loss of 8,1% compared to the first quarter 2023. The strong performance of the new vehicle market during the second quarter 2023 compared to the corresponding quarter 2022 reflects the lower base effect due to the impact of the severe flooding in Kwazulu-Natal on vehicle production and supply chain disruptions at the time. The negative second quarter 2023 performance compared to first quarter 2023 performance highlights the strain on consumers' budgets with a further interest rate increase and ongoing affordability considerations during the quarter. The passenger car segment, in particular, remained under pressure in view of higher interest rates and inflationary pressures while the improved performance in the heavy commercial vehicle segments is mirroring the increasing reliance on road transport due to ongoing structural rail network challenges.

During the second quarter 2023, new energy vehicle [NEV] sales by 18 industry brands increased by 100,7% from 738 units in the second quarter 2022 to 1,481 units in the second quarter 2023. Following a significant year-on-year increase of 421,7% from 896 units in 2021 to 4,674 units in 2022, comprising 0,88% of total new vehicle sales, NEV sales for the first half of 2023 increased by a further 47,1% to 3,146 units compared to the 2,139 units in the first half of 2022. Battery electric vehicle sales of 502 units for the first half of 2023 were already at the level of the 502 units sold for the full year 2022.

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The following table reveals the diversity of drivetrain sales in the South African NEV landscape from 2018 through to 2023 Q2.

	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	2nd Quarter 2022	2nd Quarter 2023
Plug-in hybrid	89	72	77	51	122	50	58
Traditional hybrid	55	181	155	627	4,050	593	1,153
Electric	58	154	92	218	502	95	270
Total NEVs	**202**	**407**	**324**	**896**	**4,674**	**738**	**1,481**

A timely new energy vehicle [NEV] policy framework to support investment decisions for NEV manufacturing, to safeguard export volumes into the European market, is imperative for the domestic automotive industry's inevitable transition to eco-friendly vehicles. In its comprehensive NEV Thought Leadership Paper to support and strengthen the country's long-term strategy towards NEVs, released in February 2023, **naamsa** concluded that consumers are becoming smarter and technologically more educated and are demanding newer technology vehicles at a modest price.

Driving a meaningful NEV transition in South Africa will require a careful balance between incentivising a sustained shift in domestic market demand to NEVs; establishing an appropriately aligned, renewable energy-based charging infrastructure; and supporting a shift in South African vehicle production, away from ICE vehicles to a mix of hybrid electric vehicles [HEVs], plug-in hybrid electric vehicles [PHEVs], and battery electric vehicles [BEVs]. The **naamsa** NEV Thought Leadership Paper can be accessed at naamsa.net/nevs-thought-leadership-discussion.

South African Automotive Industry's Performance in a Global Context: 2016 - 2022 production data.

The global semi-conductor shortage resulted in around 4,2 million fewer vehicles produced in 2022, following a loss of about 7 million units globally in 2021. Furthermore, predications were that global vehicle production would decrease by at least one million vehicles in 2022 due to the Russia Ukraine geopolitical conflict. Although global vehicle production increased by 6,0% to reach 85,02 million vehicles in 2022, up from the 80,21 million units produced in 2021, it was still 7,7% below the pre-pandemic level of 92,12 million vehicles in 2019. Seventeen countries exceeded the one million vehicle production mark in 2022, which is regarded as the international benchmark.

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The following table reflects South Africa's share of global vehicle production for 2016 to 2022 [in millions].

	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**% change 2022 / 2021**
Global Production	95.06	96.67	96.87	92.18	77.71	80.21	85.02	+6,0%
South Africa Production	0.600	0.601	0.61	0.63	0.45	0.50	0.56	+11,4%
SA Share of Global Production	0.63%	0.62%	0.64%	0.69%	0.58%	0.62%	0.65%	+4,8%

South African vehicle production increased by 11,4%, from 499,087 units produced in 2021 to 555,889 units produced in 2022, exceeding the global year-on-year increase in global vehicle production of 6,0% in 2022. The country's global vehicle production market share thus increased to 0,65%, but its global vehicle production ranking declined to 22nd as Malaysia, ranked at number 20, surpassed South Africa's in the global rankings. In terms of global LCV [bakkie] production, South Africa was ranked 16th with a market share of 1,1%. South Africa remained the dominant market on the African continent and accounted for 54,4% of Africa's total vehicle production while Morocco, with 464 864 units, accounted for 45,5% of the total.

Second quarter 2023 domestic vehicle production reflected an increase of 23,0% compared to the corresponding quarter 2022. Vehicle production increases in most segments reflected the low base effect resulting from the impact of the devastating Kwazulu-Natal flooding on vehicle production and supply chain disruptions during the second quarter 2022. Light commercial vehicle production, however, was also supported by recent new domestically manufactured model introductions. In the heavy commercial vehicle segment, the mixed performance reflected a higher reliance on road transport in some segments, in view of rail transport inefficiencies, while in other segments the ongoing challenging business environment.

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The following table reflects South Africa's domestic vehicle production for 2018 to 2023 Q2.

	2018	2019	2020	2021	2022	2022 Q2	2023 Q2	% change Q2 2023/ Q2 2022
Passenger Cars	320,383	348,665	237,214	239,267	309,423	69,399	76,746	+10,6%
LCVs	261,086	254,417	185,691	232,166	215,472	41,109	59,591	+45,0%
MCVs	8,072	8,803	6,874	7,643	8,478	1,734	1,889	+8,9%
HCVs	5,590	5,220	4,208	5,151	6,270	1,638	1,393	-15,0%
XHCVs	13,751	13,817	11,484	14,175	15,501	3,615	4,906	+35,7%
Buses	1,178	999	745	685	745	203	191	-5,9%
	610,060	631,921	446,216	449,087	555,889	117,698	144,716	+23,0%

South Africa had a vehicle parc [number of registered vehicles] of 13,0 million at the end of 2022, of which 7,7 million, or 59,2%, comprised passenger cars.

Vehicle exports remain key for the domestic OEMs to generate economies of scale and to achieve improved international competitiveness. Vehicles manufactured in South Africa are destined mainly for the export market to obtain higher production volumes but also to generate rebate credits so that the imported vehicles and growing choices demanded by a consumer-driven market can be offered at more favourable prices by rebating the relevant import duties. The only economically viable way to achieve improved economies of scale is for OEMs to focus their plants on longer production runs for a limited number of models. The global OEM production and trade system enables production of all the required models across several production centres globally, linked to global demand patterns.

A significant 66,9% of domestic light vehicle production was exported in 2022. The domestic automotive industry continues to capitalise on the various trade arrangements enjoyed by South Africa with major markets such as Europe, the UK, and the US that enhance exports. Europe continued to dominate as a region and accounted for 72,7%, or nearly three out of every four vehicles exported in 2022. However, the future of South Africa's vehicle exports to Europe is overshadowed by the increasingly strict emission regulations. Domestic vehicle production, therefore, needs to align with the overall technology shift of the global value chains in which the OEMs operate to safeguard the country's future vehicle exports.

Industry export performance by major region - 2018 to 2023 Q2

	2018	2019	2020	2021	2022	Q2 2022	Q2 2023	% change Q2 2023 / Q2 2022
Europe	233,772	285,599	197,355	229,672	255,709	52,732	65,280	+23,8%
Asia	50,277	39,879	29,440	24,170	35,154	9,738	8,504	-12,7%
Africa	23,988	23,382	16,987	21,825	22,564	5,135	6,383	+24.3%
North America	13,037	13,540	9,463	7,981	21,684	5,735	3,741	-34,8%
Australasia	22,767	17,350	13,698	10,621	12,389	2,750	3,184	+15,8%
Central America	1,511	5,651	3,156	3,045	2,759	683	621	-9,1%
South America	5,787	1,691	1,188	706	1,527	567	312	-45,0%
Total	351,139	387,092	271,287	298,020	351,786	77,340	88,025	+13,8%

During the second quarter 2023 vehicle exports increased by 13,8% to 88,025 units compared to the 77,340 units exported in the corresponding quarter 2022. The stronger vehicle export performance could be attributed to the low base effect of the Kwazulu-Natal flooding impact on vehicle production and supply chain disruptions at the time. The mixed export performance to the various regions reflects that, although the global economy is showing signs of improvement, the upturn remains weak under the weight of high inflation and monetary policy tightening.

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7. 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.

2nd Quarter 2023 vs 2nd Quarter 2022

PERFORMANCE INDICATOR	UP	SAME	DOWN
Domestic new vehicle sales	38%	8%	54%
Vehicle export sales	46%	27%	27%
Vehicle production volumes	56%	11%	33%
Vehicle import volumes	39%	46%	15%
Employment – vehicle manufacturing	22%	45%	33%
Capacity utilisation	56%	11%	33%
Investment expenditure	23%	31%	46%
General new vehicle business conditions	31%	8%	61%

The sentiment expressed by the **naamsa** CEOs generally reflect the continued stressed business and consumer environment during the quarter. Headline inflation has been shaped primarily by fuel, electricity and food price inflation. The South African Reserve Bank has hiked interest rates for the 10th consecutive time since November 2021 to reach a 14-year high while the Rand depreciated to a record low during the quarter. Lower disposable income has resulted in a buy-down or delayed replacement cycle resulting in lower sales in the passenger car segment in particular where affordability appears to be driving new vehicle sales. Persistent loadshedding and unplanned outages during the quarter continued to disrupt business operations, impacting on business sentiment.

Next 6-months

PERFORMANCE INDICATOR	UP	SAME	DOWN
Domestic new vehicle sales	31%	15%	54%
Vehicle export sales	18%	55%	27%
Vehicle production volumes	20%	60%	20%
Vehicle import volumes	23%	46%	31%
Employment – vehicle manufacturing	0%	56%	44%
Capacity utilisation	20%	40%	40%
Investment expenditure	8%	54%	38%
General new vehicle business conditions	15%	15%	70%

The views of the **naamsa** CEOs by and large reflect a pessimistic outlook for all of the industry's key performance indicators over the next six months, indicating that the multiplicity of negative considerations would still outweigh the positive ones. Energy and logistical constraints remain binding on the domestic economic growth outlook, limiting economic activity and increasing costs. In addition, the current absence of a new energy vehicle policy framework to support the inevitable transition to NEVs present major risks to business opportunities. Although the SA Reserve Bank has slightly increased its forecast for South Africa's GDP growth from 0,3% to 0,4% for 2023, the gloomy medium-term outlook for business conditions in the new vehicle market correlates with a stagnating domestic economy.

Brief Comment on business conditions and the medium-term outlook

The new vehicle market's upbeat performance during the quarter compared to the corresponding quarter 2022 could be attributed to the low base effect resulting from the impact of the devastating Kwazulu-Natal flooding, disrupting industry operations at the time. However, business conditions remained challenging during the quarter with depressed consumer and business confidence levels, higher interest rates affecting disposable income, and a volatile and weakening Rand driving up costs. On the positive side, the easing in inflation and an improvement in significantly less daytime loadshedding during June 2023, as well as the renewed collaboration between business and government to urgently tackle key current challenges relating to energy, infrastructure and transport logistics, as well as combating crime, were welcomed developments. Successful collaboration efforts could assist to reduce policy uncertainty and promote a more predictable economic environment which would enable much higher levels of investment, growth and job creation as well as a break-out of the current low economic growth trap.

Given the domestic motor industry's export profile, the higher vehicle export performance during the quarter supported higher vehicle production volumes. The longer-term global economic outlook, however, remains clouded by risks to the inflation trajectory, ongoing geopolitical tensions and the effects of climate change. Sticky inflation in major economies suggests that average interest rates in these economies will remain high and, as a result, tighter global financial conditions are likely to persist. However, prospects for vehicle export growth for the balance of the year remain optimistic on the back of new model introductions by major exporters in the domestic market.

FUEL FOR THOUGHT FLASH

The extension of AGOA post-2025 and South Africa's continued eligibility in benefitting from this unilateral trade arrangement remain important as the US was the South African automotive industry's 2nd largest country export destination and 2nd largest trading partner in 2022.

The standard attached schedule reflects updated industry sales, production, export and import numbers. Projections include forecasts for 2023 and 2024.

Kind regards,

20230815

Mikel M. MABASA
Chief Executive Officer
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