

PRESS RELEASE

FOR IMMEDIATE RELEASE | Thursday, November 02, 2023

naamsa RESPONDS TO THE MEDIUM-TERM BUDGET SPEECH “THE LONG ROAD TO NEV POLICY CONTINUES ...”

IMPORTANT NOTICE: Note that **naamsa** has legally registered a different naming convention, namely **naamsa** | The Automotive Business Council or **naamsa**. The National Association of Automobile Manufacturers of South Africa is no longer a legal entity. We wish to advise all reporters to use the new naming conventions as advised above. Any journalist who chooses to continue using the old name, does so at their own risk since the old name is no longer official and cannot longer be attributable to **naamsa**.

PRETORIA: Thursday, November 02, 2023: naamsa | The Automotive Business Council notes the Medium-Term Budget Policy Statement [MTBPS] delivered by Enoch Godongwana, the Minister of Finance, in Parliament yesterday. The MTBPS statement followed a myriad of economic challenges affecting all industries and the economy, such as intermittent electricity supply, constrained production, and investment, and rising inflation rates affecting food and petrol prices straining household income.

Several global externalities remain persistent, including the sluggish global growth, bullish inflationary environment and increased geo-political tensions. Reflecting on the domestic market, the growth projections in the short-to-medium term are inadequate to drive developmental imperatives for the country. South Africa's GDP growth forecast has been revised down by 0,1% to 0,8% for 2023 and projected to average just 1,4% from 2024 to 2026.

The MTBPS announcement aptly illustrates how the negative economic considerations, outweigh the positive. South Africa's budget shortfall projection for 2023 has deteriorated, reaching 4,9% of the Gross Domestic Product [GDP], in contrast to the 4% approximation indicated in the budget of February 2023. The Finance Minister announced that government spending has exceeded revenue since the 2008 global financial crisis and will require an average of R553 billion per annum over the medium-term in borrowings to cover expenditure. On the expenditure side, the government will make available the allocation of funds for heavy personnel industries such as health, education, and police services and a further R34 billion allocations to the COVID-19 social relief distress grant.

Page 1 of 3

Non-Executive Directors: Billy TOM [President] | Peter VAN BINSBERGEN [Vice-President: Manufacturing OEMs] | Thato MAGASA [Vice-President: Retailing OEMs] | Jan AICHINGER [Vice-President: Heavy Commercial OEMs] | Neale HILL [Immediate Past President]

Executive Director: Mikel MABASA [Chief Executive Officer]

Registered Information: **naamsa** NPC, trading as **naamsa** | The Automotive Business Council
Registration No.: 2021/358607/08 | VAT No.: 475030895

THE NEW ENERGY VEHICLE [NEV] ANNOUNCEMENT

Like NO other industrial policy intervention in SA, the inevitable road to NEV policy announcement has been long and hard, not just to sustain but to also grow the automotive industry in the country. “While we are disappointed that the Minister has decided to kick the NEV policy announcement ‘can’ down to February next year, **naamsa** is pleased to hear that the National Treasury plans to implement tax and expenditure measures to support the industry’s transition to NEVs”, said Mikel Mabasa, **naamsa** CEO.

“We expected more from the Minister yesterday after numerous engagements we had with Government on this topic leading to the budget announcement. Government understands our challenges as a vehicle producing country with bigger ambitions to grow our global influence as we move to NEVs. Effectively, the Minister has bought himself more time to announce details for NEV policy which will now be during the 2024 Budget Review with considerations to domestic market demand stimulus measures, establishment of renewable energy-based charging infrastructure, and production support”, Mabasa said.

“South Africa has procrastinated far too long, and we believe that the NEV policy pronouncement should be made by President Cyril Ramaphosa during his State of the Nation Address and supported by fiscal measures the Minister of Finance promised to announce in the 2024 National Budget Review. This is crunch-time for the South African automotive industry, and we can no longer afford to be silent on policy choices the country should make about the future of this important sector in the economic life of South Africa and her people”, Mabasa said.

Mabasa says the economic muscle of the SA auto sector cannot be underestimated nor underplayed. He said “from 1995 to 2022, vehicle exported from South Africa into 152 different markets around the world totalled 5,641,644 units with an export value of R1,55 trillion. Additionally, automotive component exports amounted to R892,6 billion. Last year alone, the automotive export value amounted to R227,3 billion which consisted of a record R157,0 billion for vehicle exports and a record R70,3 billion in component exports. As one of the most visible sectors attracting foreign direct investments, vehicle and component sector investment in 2022 amounted to R11,6 billion.

Consumer interest in NEV products in our market is gaining some welcoming traction. In 2022, total NEV sales reflected a significant year-on-year increase of 421,7% at 4,764 units from 896 units in 2021. Sales of battery electric vehicles breached the 500 units per year mark in South Africa for the first time, with sales of 502 units last year. It is our considered view that a clearly articulated Government support intervention would undoubtedly go a long way in stimulating more demand and it will also accelerate investment and much greater interest in NEV technology and solutions.

Based on the new vehicle sales records released by **naamsa** yesterday, the year-to-date [YTD] September total NEVs increased by 67,0% year-on-year, at 5,165 units. The September 2023 YTD total NEV production increased by 112,4% at 5,670 units, and NEV Imports increased by 179,7%, recorded at 3,393, compared to the same period last year. Passenger and extra heavy commercial NEV production increased by 382,3%, and passenger traditional hybrid production increased by 10,2%. While the total NEV sales remain negligible as a percentage of total new vehicle sales, the NEV policy finalisation will give the industry a much-needed injection of confidence as an export-oriented industry whose 60% of production is for the global market.

FREIGHT, LOGISTICS, AND INFRASTRUCTURE DEVELOPMENT

The well-known implosions of SA's freight and rail network have cost the economy almost 5% in GDP losses and affected the livelihood of many industries adversely, with the mining industry having lost over R50 billion in revenue. Infrastructure development is one of the key pillars of the South African Automotive Masterplan 2035. Mass production at scale of a complex product such as a vehicle requires advanced infrastructure delivery systems, information and communication technology, bulk services, and logistics to facilitate trade. Therefore, establishing an Infrastructure Finance and Implementation Support Agency, as announced in the budget, is welcomed. However, it will be important for the work of the new agency to complement the already existing Presidential Infrastructure Coordination Commission Council [PICC], which is currently receiving public comments on the Draft Freight Logistics Roadmap in South Africa.

STATEMENT ENDS

ABOUT THE SA AUTOMOBILE INDUSTRY

- the automotive industry contributes 4.9% to GDP [2.9% manufacturing and 2.0% retail];
- in 2022, the export of vehicles and automotive components reached a record amount of R227,3 billion, equating to 12.4% of South Africa's total exports;
- the industry accounts for 21.7% of the country's manufacturing output;
- vehicles and components are exported to 152 international markets;
- the manufacturing segment of the industry presently employs in the order of 110,000 people across its various tiers of activity [from component manufacturing to vehicle assembly];
- combined with the industry's strong multiplier effect, the industry is responsible for approximately 457,000 jobs across the South African economy's formal sector.

NOTES FOR EDITORS

- Since 2021, **naamsa** introduced associate membership that offers tangible benefits such as access to information, visibility to key industry issues, business exposure, as well as related discounts;
- **naamsa** is a pre-eminent industry representative that actively and responsibly represents, promote, advance, and protect the interests of local manufacturers and assemblers of passenger, light, and heavy commercial vehicles as well as major importers and distributors of new vehicles in South Africa. We represent 41 companies;
- Our vision is to be the most credible and respected thought leader and partner of a globally competitive and transformed automotive industry that actively contributes to the sustainable development of South Africa;
- Enquiries: Mikel M. MABASA, Chief Executive Officer, mikel@naamsa.co.za;
- Contact Numbers: +27 12 807 0152 or +27 82 909 6621;
- More information can be found on www.naamsa.co.za.

naamsa OFFICES: PRETORIA | Thursday, November 02, 2023.