naamsa
THE AUTOMOTIVE BUSINESS COUNCIL

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Wednesday, November 15, 2023

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

RE: QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW MOTOR VEHICLE MANUFACTURING INDUSTRY / AUTOMOTIVE SECTOR: 3RD 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 third 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: THIRD QUARTER 2023

- Aggregate new vehicle sales during the third quarter 2023 recorded a decline of 1,8% compared to the corresponding quarter 2022 but an increase of 6,3% compared to the second quarter 2023;
- New energy vehicle sales by 17 industry brands increased by 111,9% from 953 units in the third quarter 2022 to 2,019 units in the third quarter 2023;
- Third quarter 2023 aggregate industry employment as at 30th September 2023 totalled 33,620 reflecting an increase of 123 jobs compared to the 33,497 industry head count as at the end of June 2023;
- Average industry capacity utilisation levels during the third quarter 2023 continued to reflect the recovery in vehicle production to pre-pandemic levels but the ongoing global semi-conductor shortage impacted OEMs differently while loadshedding at supplier level, unplanned outages and logistics challenges also impacted the operations of the companies in the various segments to different degrees;

- Aggregate capital expenditure by the major light vehicle manufacturers in 2022 amounted to R7,1 billion, linked to new generation model investments;
- During the third quarter 2023 vehicle exports increased by 19,1% to 116,362 units compared to the 97,689 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 third quarter 2023 compared to the third quarter 2022 as well as automotive business conditions and the country's economy in general for the next 6 months.

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Wednesday, November 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: 3RD 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 third 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 third quarter of 2023 may be set out as follows:

PERIOD	INDUSTRY TOTAL
Last pay week July 2023	33,448
Last pay week August 2023	33,704
Last pay week September 2023	33,620

Industry employment levels and trends reflect employees on the payroll of vehicle manufacturers. Aggregate industry employment as at 30th September 2023 totalled 33,620 reflecting an increase of 123 jobs compared to the 33,497 industry head count as at the end of June 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 steady 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
End of quarter 3, 2023	7,503

Aggregate independent vehicle importers employment as at 30th September 2023 totalled a head count of 7,503 reflecting a decline of 38 jobs, compared to the head count of 7,541 as at the end of June 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 well as vessel delays, shipping transit times, and rail disruptions and inefficiencies. Prices of imported components and raw materials remained subject to exchange rate movements and the g Catch-Up Session | naamsa President and CEOlobal 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 Q3

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	3rd Quarter 2023	3rd Quarter 2023 range [High]	[Low]
Cars	89.4%	69.9%	73.5%	75.5%	91.5%	92.1%	96.3%	99.0%	92.3%
Light Commercials	75.8%	59.8%	58.3%	65.2%	77.2%	77.7%	79.5%	100%	33.3%
Medium Commercials	65.4%	37.4%	47.0%	69.1%	70.5%	55.5%	57.5%	60.0%	54.9%
Heavy Commercials	74.0%	50.0%	63.6%	83.8%	84.7%	83.3%	72.7%	100%	54.9%

Average industry capacity utilisation levels during the third quarter 2023 continued to reflect the recovery in vehicle production to pre-pandemic levels but the ongoing global semi-conductor shortage impacted OEMs differently while loadshedding at supplier level, unplanned outages and logistics challenges 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 as well as higher levels of production for export markets.

5. INDUSTRY TRANSFORMATION - ACADEMIA INDUSTRY COMPLEX

In an evolving world that's embracing a greener future, transformation in the automotive sector is now embracing its role in the Just Energy Transition. Academia-Industry Complex is fast becoming, in the context of a Just Energy Transition for the automotive industry, an important lever for the sustained future of the industry. This refers to the intricate and collaborative relationship between academic institutions [universities and research centres] and the automotive industry as they work together to facilitate a fair and equitable transition to cleaner energy and sustainability within the automotive sector. This collaborative complex is essential for developing the knowledge, technologies, and workforce necessary for a Just Energy Transition.

In the previous quarter the automotive industry participated in four noteworthy conversations where the concept is being solidified. Firstly **naamsa**| The Automotive Business Council hosted the annual SA Auto Week where the interim results of the industry's comprehensive Skills Gap analysis were shared. The ultimate outcome of the analysis is a five-roadmap framework designed to bring academia, government, and industry closer in delivering future demanded skills to the marginalised citizens of the country.

Secondly the industry participated in the Institute for the Future of Work [IFOW] dialogue, where the industry shared with a panel of experts the composition of manufacturing jobs in the context of shifting product profiles to New Energy Vehicles. This was the reflection on the balancing act of merchandising operations in the context of high national unemployment numbers. Thirdly the industry participated in the in the e-Mobility Summit in the Eastern Cape, where the conversation revolved around how industry is interfacing with academia, government and community in preparations of the future of e-Mobility. Finally, the industry participated in the Presidential Climate Commission's Skills for a Just Climate Transition Indaba where the conversation clearly placed Academia-Industry Complex as an essential transformation lever for the country. Here's how it plays a crucial role in this context:

Research and Innovation - Academia is often at the forefront of research and innovation in areas such as electric vehicle technology, renewable energy integration, lightweight materials, and sustainable manufacturing processes. The automotive industry can collaborate with academic researchers to advance these technologies and solutions that are essential for a clean energy transition.

Workforce Development - Universities and TVETS play a critical role in educating and training the future workforce for the automotive sector. Joint collaboration with industry can help them develop programmes that focus on sustainable automotive engineering and management, providing the industry with a skilled workforce equipped to drive the transition.

Policy and Regulation Expertise - Academics often conduct research and analysis on the environmental, economic, and policy aspects of the automotive industry. The Complex can help policymakers and industry leaders make informed decisions regarding regulations, incentives, and standards that promote a just transition.

Technology Transfer - The academic sector can facilitate the transfer of new technologies and knowledge to the automotive industry. This includes licensing intellectual property, collaborating on research projects, and creating spin-off companies that commercialises innovations.

Public Awareness and Education - The Complex can contribute to public awareness and education about the importance of a Just Energy Transition in the automotive industry. This includes educating future consumers about the benefits of electric vehicles and environmentally sustainable transportation options.

A just energy transition for the automotive industry benefits from the collaboration between academia and the industry. It leverages the expertise, resources, and research capabilities of academic institutions while addressing the practical needs and market demands of the automotive sector. This Complex partnership is vital for ensuring that the transition is well-informed, equitable, and successful in reducing the environmental impact of the automotive industry while supporting the interests of workers and communities affected by the changes.

6. BUSINESS CONDITIONS, PERFORMANCE INDICATORS AND COMMENT

Business Conditions: Third Quarter: 2023

2023 Third quarter aggregate industry new passenger car sales at 86,829 units recorded a decline of 7,402 units, or a fall of 7,9% compared to the 94,231 new passenger cars sold during the corresponding quarter of 2022. Aggregate industry commercial vehicle sales during the third quarter of 2023, at 48,611 units, recorded an increase of 4,881 units, or a gain of 11,2% compared to the 43,730 units sold during the third quarter of 2022.

Industry domestic sales growth: Direction and extent of change [previous quarter's percentage changes are reflected in brackets]				
	Qtr. ended 30 September 2023 compared with previous Qtr. ended 30 June 2023		Qtr. ended 30 September 2023 compared with corresponding Qtr. ended 30 September 2022	
Passenger Cars	+6.1%	[-11.2%]	-7.9%	[-1.0%]
Light Commercial vehicles	+5.7%	[-4.5%]	+11.5%	[+34.9%]
Medium Commercial vehicles	+17.6%	[-7.6%]	-6.4%	[+8.5%]
Heavy Commercial vehicles	+15.0%	[+6.1%]	+0.4%	[-14.9%]
Extra Heavy Commercials	+7.9%	[+26.1%]	+22.5%	[+35.0%]
Buses	+13.7%	[+52.9%]	+0.5%	[+11.0%]

Aggregate new vehicle sales during the third quarter 2023 recorded a decline of 1,8% compared to the corresponding quarter 2022 but an increase of 6,3% compared to the second quarter 2023. The negative performance of the new vehicle market during the third quarter 2023 compared to the corresponding quarter 2022 is mirroring the stagnating macro-economic climate in the country. The positive performance during the third quarter 2023 compared to second quarter 2023 performance could be attributed to higher seasonal sales to the car rental industry while in the heavy commercial vehicle sector reflecting the increasing reliance on road transport due to rail inefficiencies which supported sales in these segments.

During the third quarter 2023, new energy vehicle [NEV] sales by 17 industry brands increased by 111,9% from 953 units in the third quarter 2022 to 2,019 units in the third 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 nine months of 2023 increased by a further 67,0% to 5,165 units compared to the 3,092 units in the first nine months of 2022. Battery electric vehicle sales of 720 units for the first nine months of 2023 already exceeded the 502 units sold for the full year 2022.

The following table reveals the diversity of drivetrain sales in the South African NEV landscape from 2018 through to 2023 Q3.

	Year 2018	Year 2019	Year 2020	Year 2021	Year 2022	3rd Quarter 2022	3rd Quarter 2023
Plug-in hybrid	89	72	77	51	122	22	89
Traditional hybrid	55	181	155	627	4,050	788	1,712
Electric	58	154	92	218	502	143	218
Total NEVs	**202**	**407**	**324**	**896**	**4,674**	**953**	**2,019**

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. The long-awaited announcement by the Minister of Finance in the Medium-Term Budget Policy Statement 2023 on 1 November 2023 recognised the significance of the automotive industry to the country's economy and that the transition to new energy vehicles [NEVs] posed an existential treat to South African vehicle production. In this regard the Minister said that National Treasury planned to implement tax and expenditure measures to support the industry's transition to NEVs. However, the details for this policy would only be announced in the 2024 Budget Review with considerations to domestic market demand stimulus measures, establishment of renewable energy-based charging infrastructure, and production support. Part of the broader strategy includes collaborating with other African countries to develop battery production capacity on the continent, by pooling the critical-mineral resource base that Africa was endowed with.

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.

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. For the first half of 2023, vehicle production totalled 4,85 million units, 12,4% ahead of the first half 2022, but was 1,82 million units or 4,0% below the pre-pandemic level of 2019 and it seems that global vehicle production might take four or more years to recover to the pre-COVID-19 level.

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.

Third quarter 2023 domestic vehicle production reflected an increase of 19,4% compared to the corresponding quarter 2022 on the back of particularly higher export sales as well as higher domestic new vehicle sales in some segments. Whereas in 2022 new vehicle sales were only 1,3% below the pre-pandemic level of 2019, vehicle production in 2022 was still 12,0% below the pre-pandemic level of 2019. The fourth quarter 2023 performance, therefore, would determine if the industry would have fully recovered of the impact of COVID-19 on vehicle production and sales in 2023, after three years. It should be noted that the heavy commercial vehicle sector already exceeded the pre-pandemic level in 2022 as the higher reliance on road transport, in view of rail transport inefficiencies, supported higher sales and production volumes in some segments of this sector.

The following table reflects South Africa's domestic vehicle production for 2018 to 2023 Q3.

	2018	2019	2020	2021	2022	2022 Q3	2023 Q3	% change Q3 2023/ Q3 2022
Passenger Cars	320,383	348,665	237,214	239,267	309,423	80,667	97,353	+20.7%
LCVs	261,086	254,417	185,691	232,166	215,472	60,341	71,906	+19.2%
MCVs	8,072	8,803	6,874	7,643	8,478	2,386	2,201	-7.8%
HCVs	5,590	5,220	4,208	5,151	6,270	1,653	1,605	-2.9%
XHCVs	13,751	13,817	11,484	14,175	15,501	4,294	5,290	+23.2%
Buses	1,178	999	745	685	745	213	224	+5.2%
	610,060	631,921	446,216	449,087	555,889	149,554	178,579	+19.4%

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 increased by 53,765 units to 351,785 units in 2022, up from 298,020 units exported in 2021, while the vehicle export value increased by R18,7 billion from the R138,3 billion in 2021 to a record R157,0 billion in 2022. 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 trading environment in South Africa is extremely competitive compared to global standards and in 2022 there were no less than 43 passenger car brands and 2,513 model derivatives, the greatest selection of market-size ratio found globally. 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. Considering that three out of every four vehicles exported were destined for the EU and the UK in 2022, along with 45,4% of the total automotive component export value, developments in the region have a measurable and direct impact on the South African automotive industry. 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 Q3

	2018	2019	2020	2021	2022	Q3 2022	Q3 2023	% change Q3 2023 / Q3 2022
Europe	233,772	285,599	197,355	229,672	255,709	71,790	89,173	+24.2%
Asia	50,277	39,879	29,440	24,170	35,154	10,435	10,700	+2.5%
Africa	23,988	23,382	16,987	21,825	22,564	4,967	6,513	+31.1%
North America	13,037	13,540	9,463	7,981	21,684	6,191	5,907	-4.6%
Australasia	22,767	17,350	13,698	10,621	12,389	3,104	3,249	+4.7%
Central America	1,511	5,651	3,156	3,045	2,759	801	544	-32.1%
South America	5,787	1,691	1,188	706	1,527	401	276	-31.2%
Total	351,139	387,092	271,287	298,020	351,786	97,689	116,362	+19.1%

During the third quarter 2023 vehicle exports increased by 19,1% to 116,362 units compared to the 97,689 units exported in the corresponding quarter 2022. Although still subdued, world economic growth forecasts and economic conditions seem to receive more favourable views for 2023 and 2024. The mixed export performance to the various regions, however, reflects that although the global economy is showing signs of improvement, the upturn remains weak and varies between the various regional markets.

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.

3rd Quarter 2023 vs 3rd Quarter 2022

PERFORMANCE INDICATOR	UP	SAME	DOWN
Domestic new vehicle sales	11.2%	44.4%	44.4%
Vehicle export sales	37.5%	37.5%	25.0%
Vehicle production volumes	12.5%	75.0%	12.5%
Vehicle import volumes	11.2%	33.3%	55.5%
Employment – vehicle manufacturing	25.0%	50.0%	25.0%
Capacity utilisation	22.3%	33.3%	44.4%
Investment expenditure	11.2%	33.3%	55.5%
General new vehicle business conditions	0%	11.2%	88.8%

The sentiment expressed by the **naamsa** CEOs generally reflect the persistent economic strain on businesses and consumers, despite the easing of inflation and the pause in interest rate increases by the South African Reserve Bank during the quarter. The new vehicle market continues to grapple with affordability as subdued demand for high-priced luxury items such as vehicles correlates with a stagnating economy, further depressed by elevated cost of living increases. Although the impact of loadshedding abated somewhat during the quarter, some unplanned outages along with ongoing logistics inefficiencies at ports and on rail continued to disrupt business operations.

Next 6-months

PERFORMANCE INDICATOR	UP	SAME	DOWN
Domestic new vehicle sales	37.5%	25.0%	37.5%
Vehicle export sales	11.2%	44.4%	44.4%
Vehicle production volumes	14.2%	42.9%	42.9%
Vehicle import volumes	28.6%	14.3%	57.1%
Employment – vehicle manufacturing	14.3%	57.1%	28.6%
Capacity utilisation	12.5%	50.0%	37.5%
Investment expenditure	37.5%	12.5%	50.0%
General new vehicle business conditions	12.5%	25.0%	62.5%

The views of the **naamsa** CEOs generally reflect a stable to negative outlook for all of the industry's key performance indicators, with a negative outlook for general business conditions over the next six months going into 2024. Although the South African Reserve Bank has increased its forecast for South Africa's GDP growth from 0,4% to 0,7% for 2023, the GDP growth forecast for 2024 remains muted and unchanged at 1%. Energy and logistical constraints remain binding on the growth outlook, limiting economic activity and increasing costs while the risks to the inflation outlook are still assessed to the upside. In addition, the ongoing absence of a new energy vehicle policy framework to support the inevitable transition to NEVs present major risks to business opportunities.

Brief Comment on business conditions and the medium-term outlook

The new vehicle market's weak performance during the quarter compared to the corresponding quarter 2022 could be attributed to ongoing economic constraints, rising cost of living expenses and restrictive borrowing costs, depressing demand for luxury items. Affordability, along with delayed replacement cycles, appear to be driving new passenger car sales. The light commercial vehicle [bakkie] segment continued to benefit from new locally manufactured model introductions while the heavy commercial vehicle segment benefitted from higher sales due to ongoing rail inefficiencies, forcing more goods onto roads.

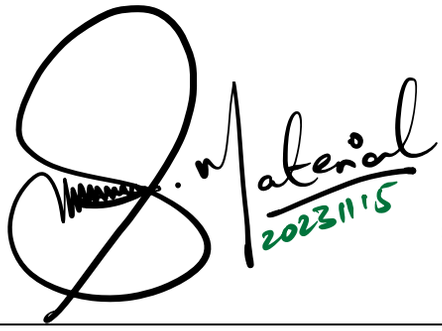
The pause in interest rate increases by the South African Reserve Bank during the quarter as well as the easing in inflation provided some support to counter the growing pressures on household incomes. However, the country's weak economic growth rate, although still marginally positive, remains a key challenge for the new vehicle market going forward in view of the close correlation between new vehicle sales and the GDP growth rate. Alongside faster economic growth and moderate inflation, lower i Catch-Up Session | naamsa President and CEOnterest rates would go a long way to support the new vehicle market over the medium term.

Vehicle exports performed well during the quarter, supporting higher vehicle production volumes as well as higher employment levels as employment in the vehicle manufacturing sector is generally linked to vehicle production. The longer-term global economic outlook remains clouded by risks to the inflation trajectory, the recent outbreak of the war between Israel and Hamas and the effects of climate change, but the vehicle export momentum is anticipated to remain upward for the balance of the year.

South African automotive trade [exports and imports combined] under the APDP2, amounting to R435,0 billion in 2022, comprised a significant 16,5% of South Africa's total trade GDP, up from 15,8% in 2021.

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

Kind regards,



Mikel M. MABASA
Chief Executive Officer
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