naamsa
THE AUTOMOTIVE BUSINESS COUNCIL
Celebrating 100 Years of the South African Automotive Industry
Block F Alenti Office Park
457 Witherite St | The Willows X82
PRETORIA | 0184
info@naamsa.co.za
www.naamsa.net
+27 12 807 0152

Tuesday, May 21, 2024

REPRESENTATIVES AT GENERAL MEETINGS
RECIPIENTS OF naamsa MEDIA RELEASES

RE: QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW MOTOR VEHICLE MANUFACTURING INDUSTRY / AUTOMOTIVE SECTOR: 1st QUARTER 2024

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 first quarter of 2024, as submitted to the Director-General, Department of Trade, Industry and Competition.

Industry vehicle sales, export, and import statistics for 2015 through 2023, together with current projections for 2024 and 2025, are reflected on the attachment to the submission.

KEY FEATURES: FIRST QUARTER 2024

- 2024 marks the centenary celebration of vehicle manufacturing in South Africa when domestic assembly operations began with the iconic Model T Ford on 19 January 1924;

- First quarter 2024 aggregate industry employment as at 31st March 2024 totalled 33,374 reflecting a decline of 5 jobs compared to the 33,379 industry head count as at the end of December 2023;

- Aggregate new vehicle sales during the first quarter 2024 recorded a decline of 5,6% compared to the corresponding quarter 2023 and a marginal increase of 0,2% compared to the fourth quarter 2023;

- New energy vehicle [NEV] sales by 15 industry brands increased by 82,7% from 1,665 units in the first quarter 2023 to 3,042 units in the first quarter 2024.;

- Average industry capacity utilisation levels during the first quarter 2024 reflected the ongoing supply chain disruptions caused by port congestion and delays on vehicle production while the ongoing global semi-conductor shortage impacted OEMs differently;

- Aggregate capital expenditure by the major light vehicle manufacturers in 2023 amounted to R5,2 billion, linked to new generation model investments;

- South African vehicle production market share increased from 0,65% in 2022 to 0,67% in 2023, but its global vehicle production ranking remained at 22nd.

- First quarter 2024 domestic vehicle production reflected a decline of 2,2% compared to the corresponding quarter 2023 linked to a constraint domestic new vehicle market along with lower vehicle exports;

- Vehicle exports lost momentum and declined by 3,7% from the first quarter 2023 to the first quarter 2024, following the record export performance of 399,594 vehicles exported in 2023;

- 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 2024 compared to the first quarter 2023 as well as automotive business conditions and the country's economy in general for the next 6 months.

Block F Alenti Office Park
457 Witherite St | The Willows X82
PRETORIA | 0184

info@naamsa.co.za
www.naamsa.net
+27 12 807 0152

Tuesday, May 21, 2024

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: 1ST QUARTER 2024

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 first quarter of 2024.

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 2024 may be set out as follows:

PERIOD	INDUSTRY TOTAL
Last pay week January 2024	33,300
Last pay week February 2024	33,459
Last pay week March 2024	33,374

Industry employment levels and trends reflect employees on the payroll of vehicle manufacturers. Aggregate industry employment as at 31st March 2024 totalled 33,374 reflecting a decline of 5 jobs compared to the 33,379 industry head count as at the end of December 2023.

The average monthly vehicle manufacturing industry employment number for 2023 was 33,509 compared to the 30,321 in 2022. Employment in the vehicle manufacturing industry is generally linked to production and the substantial increase in employment in 2023 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, 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
End of quarter 4, 2023	7,517
End of quarter 1, 2024	7,485

Aggregate independent vehicle importers employment as at 31st March 2024 totalled a head count of 7,485 reflecting a decline of 32 jobs, compared to the head count of 7,517 as at the end of December 2023.

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
2023	R43.3 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 still affected by the ongoing global shortage of semi-conductors in the case of some OEMs and in particular by the ongoing port congestion and consequent delays affecting vehicle production, resulting in premium costs to receive the imported parts in time 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

Port congestion and delays resulting in delays of up to 30 days in the offloading of vessels, concerns about the future availability and costs of long steel products following the announcement by ArcelorMittal South Africa of the closure of its long-steel mills in Newcastle and Vereeniging, and industrial action at two automotive component suppliers affected the availability and price trends of local components and raw materials during the quarter. Raw material pricing trends remain a function of exchange rate movements and the global price index.

4. UTILISATION OF PRODUCTION CAPACITY: 2020 - 2024 Q1

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

	Year 2020	Year 2021	Year 2022	Year 2023	Q1 2024	Q1 2024 Range [High]	[Low]
Cars	69.9%	73.5%	75.5%	92.8%	93.4%	100%	78%
Light Commercials	59.8%	58.3%	65.2%	77.9%	71.3%	100%	33.3%
Medium Commercials	37.4%	47.0%	69.1%	58.5%	60.5%	79.0%	42.0%
Heavy Commercials	50.0%	63.6%	83.8%	79.6%	81.7%	100%	58.0%

Average industry capacity utilisation levels during the first quarter 2024 reflected the ongoing supply chain disruptions caused by port congestion and delays on vehicle production while the ongoing global semi-conductor shortage impacted OEMs differently.

5. VEHICLE MANUFACTURING INDUSTRY CAPITAL EXPENDITURE: 2017 - 2023

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 2017 through 2023, in Rand millions, are as follows:

CAPITAL EXPENDITURE	2017	2018	2019	2020	2021	2022	2023
Product/Local/Content/ Export Investment/ Production Facilities	7,144.6	5,779.5	6,705.8	7,296.2	4,910.8	6,443.9	4,393.3
Land and Buildings	301.4	1,202.4	234.5	1,558.1	3,641.4	203.8	215,3
Support Infrastructure [I.T., R&D, Technical, etc.]	724.6	265.0	334.0	377.4	248.5	464.6	561,6
TOTAL	**8,170.6**	**7,246.9**	**7,274.3**	**9,231.7**	**8,800.7**	**7,112.3**	**5,170.2**

Capital expenditure amounted to R5,2 billion in 2023 [excluding Mercedes-Benz SA]. The continued high levels in capital expenditure over recent years 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 investment cycles as well as higher levels of production for export markets.

6. TRANSFORMATION- ADDRESSING LOCALISATION CHALLENGES IN SOUTH AFRICAN AUTOMOTIVE PRODUCTION

6.1. Introduction

South Africa's automotive industry has long grappled with the challenge of increasing local content in vehicles produced domestically. Despite aspirations to reach 60% local value addition [LVA] by 2035, recent figures show a trend below expectations, with local content at 40% in 2023, peaking at 48% in 2018. This section delves into the factors contributing to this trend and explores solutions aimed at achieving higher localisation levels, including initiatives like the Automotive Industry Transformation Fund [AITF] and the Automotive Supply Chain Competitiveness Initiative [ASCCI].

6.2. Current Status

In 2023, South Africa's automotive industry achieved a local content level of 40%, showcasing a notable gap of 20% from the targeted 60% local content by 2035. This gap, despite the production of 633,332 units in 2023, underscores the challenges faced in scaling up local content within the industry. A comparative perspective reveals that the United Kingdom, with an annual production of 1,050,000 vehicles, also maintains a 40% local content level. This parallel underscore the shared challenges across automotive industries globally in enhancing local content despite variations in production volumes.

6.3. **Challenges**

- Incremental Growth: The projected annual growth rate of 2,2% in local value addition from 2019 is not being met, hindering progress towards the 60% target; and
- Black Supplier Development: While there is an aim to have 30% of local content sourced from Black lower-tier suppliers, the industry currently stands at around 10% in this regard.

6.4. **Initiatives to Address Challenges**

- **Automotive Industry Transformation Fund [AITF]**: This fund is designed to tackle the development of Black suppliers by providing funded market access opportunities. It aims to increase the participation of Black-owned businesses in the automotive supply chain; and
- **Automotive Supply Chain Competitiveness Initiative [ASCCI]**: This initiative focuses on matching opportunities to Black suppliers within the supply chain, creating pathways for them to contribute significantly to local content.

6.5. **Step Solution to Localisation Challenge**

- **Supplier Development Programs**: Implement robust programs to develop and empower Black-owned businesses, providing them with the necessary skills, resources, and access to markets within the automotive industry;
- **Technology Transfer**: Facilitate technology transfer initiatives between global automotive players and local suppliers to enhance local capabilities and competitiveness;
- **Policy Support**: Advocate for policies that incentivise local sourcing and collaboration between OEMs [Original Equipment Manufacturers] and local suppliers, creating a conducive environment for increased local content.
- **Capacity Building**: Invest in infrastructure and capacity building measures to support the growth of local suppliers, ensuring they can meet the quality and quantity requirements of OEMs.
- **Collaborative Platforms**: Foster collaboration and knowledge-sharing platforms between OEMs, suppliers, and industry stakeholders to identify and address challenges collectively, driving sustainable localization efforts.

6.6. **Conclusion**

Achieving higher levels of local content in South African automotive production requires a concerted effort from all industry players, government bodies, and stakeholders. Initiatives like the Automotive Industry Transformation Fund and the Automotive Supply Chain Competitiveness Initiative are steps in the right direction, but sustained commitment and innovative approaches are crucial to overcoming localisation challenges and realizing the industry's full potential.

7. BUSINESS CONDITIONS, PERFORMANCE INDICATORS AND COMMENT

Business Conditions: First Quarter: 2024

2024 First quarter aggregate industry new passenger car sales at 84,777 units recorded a decline of 7,469 units, or a fall of 8,1% compared to the 92,246 new passenger cars sold during the corresponding quarter of 2023. Aggregate industry commercial vehicle sales during the first quarter of 2024, at 46,021 units, recorded a decline of 303 units, or a loss of 0,7% compared to the 46,324 units sold during the first quarter of 2023.

Industry domestic sales growth: Direction and extent of change [previous quarter's percentage changes are reflected in brackets]				
	Qtr. ended 31 March 2024 compared with previous Qtr. ended 31 December 2023		Qtr. ended 31 March 2024 compared with corresponding Qtr. ended 31 March 2023	
Passenger Cars	-2.2%	[-0.1%]	-8.1%	[-6.9%]
Light Commercial vehicles	+9.2%	[-10.1%]	-1.0%	[-3.3%]
Medium Commercial vehicles	-14.9%	[-1.1%]	-8.6%	[-11.6%]
Heavy Commercial vehicles	-5.4%	[-11.9%]	+1.6%	[-8.7%]
Extra Heavy Commercials	-15.1%	[-9.5%]	+5.1%	[+16.0%]
Buses	-34.3%	[+11.1%]	+26.9%	[-0.4%]

Aggregate new vehicle sales during the first quarter 2024 recorded a decline of 5,6% compared to the corresponding quarter 2023 and a marginal increase of 0,2% compared to the fourth quarter 2023. The declining trend in the new vehicle market, commencing in August 2023, continued into the first quarter of 2024, further hampered by the ongoing port challenges and consequent supply chain disruptions caused during the fourth quarter 2023.

Due to persistent cost pressures, affordability remained a decisive factor in new vehicle purchasing decisions. New domestically manufactured light commercial vehicle models contributed to the modest improved performance compared to the previous quarter while year-on-year the extra heavy commercial vehicle sector continued to benefit from the reliance on road transport due to rail inefficiencies.

During the first quarter 2024, new energy vehicle [NEV] sales by 15 industry brands increased by 82,7% from 1,665 units in the first quarter 2023 to 3,042 units in the first quarter 2024. 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 increased by another 65,7%% to 7,746 units in 2023. NEV sales breached the 1% for the first time and comprised 1,45% of the total new vehicle market in 2023 compared to 0,88% of total new vehicle sales in 2022.

The following table reveals the diversity of drivetrain sales in the South African NEV landscape from 2019 through to 2023 Q4.

	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Q1:2023	Q1:2024
Plug-in hybrid	72	77	51	122	333	25	138
Traditional hybrid	181	155	627	4,050	6,484	1,408	2,574
Electric	154	92	218	502	929	232	330
Total NEVs	407	324	896	4,674	7,746	1,665	3,042

The dtic's Electric Vehicle White Paper, unveiled in December 2023, outlines a comprehensive electric vehicle roadmap for South Africa and the structure of a suite of policy interventions tailored to the automotive industry. The primary goal of the White Paper is to set a course to transition the automotive industry from primarily producing Internal Combustion Engine [ICE] vehicles to a dual platform that includes electric vehicles [EVs] in the production and consumption mix, alongside ICE vehicles in South Africa by 2035.

This vision is aligned with the foundational objectives outlined in the South African Automotive Masterplan [SAAM] 2035 to shape the nation's automotive industry. The White Paper aims to unlock the full potential of NEVs in South Africa. This step not only supports the country's efforts to combat climate change but also aligns the domestic automotive industry with the changing demand in export markets, along with positioning South Africa as a key player in the global shift towards sustainable transportation.

The introduction of an investment allowance for new EV investments, as announced in the February 2024 Budget Review, set to commence in March 2026, to claim 150% of qualifying investment spending in the first year, is a crucial step in attracting investments, fostering innovation, and enhancing the growth of the sector within South Africa. An electric vehicle stimulation policy is something the sector has been working towards for some time. As South Africa's most successful non-commodity manufacturing industry, it is critical to the domestic economy that the automotive industry achieves its potential through 2035.

South African Automotive Industry's Performance in a Global Context: 2018 - 2023 production data.

After three years of challenges, the global automotive industry has weathered the storm remarkably well in coping with issues ranging from semi-conductor shortages, inventory challenges, and supply chain disruptions, to raw material price swings. Global vehicle production increased by 10,3% to reach 93,5 million vehicles in 2023, up from the 84,8 million units produced in 2022, exceeding the pre-pandemic level of 91,9 million vehicles in 2019.

The following table reflects South Africa's share of global vehicle production for 2018 to 2023 [in millions].

	2018	2019	2020	2021	2022	2023	% change 2023 / 2022
Global Production	96.87	92.18	77.71	80.21	84.83	93.55	+10.3%
South Africa Production	0.61	0.63	0.45	0.50	0.56	0.63	+13.9%
SA Share of Global Production	0.64%	0.69%	0.58%	0.62%	0.65%	0.67%	+3.1%

South African vehicle production increased by 13,9%, from 555,885 units in 2022 to 633,332 units in 2023, exceeding the global year-on-year increase in global vehicle production of 10,3% in 2023. The country's global vehicle production market share thus increased from 0,65% in 2022 to 0,67% in 2023, but its global vehicle production ranking remained at 22nd. In terms of global LCV production, South Africa was ranked 15th with a market share of 1,2%. South Africa remained the dominant market on the African continent, and accounted for 633 332 vehicles, or 54,1% of the total African vehicle production of 1,171,422 vehicles in 2023.

First quarter 2024 domestic vehicle production reflected a decline of 2,2% compared to the corresponding quarter 2023, linked to a constraint domestic new vehicle market along with lower vehicle exports. Despite record light vehicle exports in 2023 supporting higher vehicle production volumes, the high-volume passenger car segment has not returned to pre-pandemic levels yet in 2023, after three years.

The following table reflects South Africa's domestic vehicle production for 2019 to 2024 Q1.

	2019	2020	2021	2022	2023	2023 Q1	2024 Q1	% change Q1:2024/ Q1:2023
Passenger Cars	348,665	237,214	239,267	309,423	336,980	74,630	77,479	+3.8%
LCVs	254,417	185,691	232,166	215,472	262,646	59,999	54,009	-10.0%
MCVs	8,803	6,874	7,643	8,478	8,361	2,076	1,852	-10.8%
HCVs	5,220	4,208	5,151	6,269	5,721	1,322	1,331	+0.7%
XHCVs	13,817	11,484	14,175	15,498	18,841	3,882	4,023	+3.6%
Buses	999	745	685	745	783	128	163	+27.4%
	631,921	**446,216**	**449,087**	**555,885**	**632,972**	**142,037**	**138,857**	**-2.2%**

South Africa had a vehicle parc [number of registered vehicles] of 13,13 million at the end of 2024, of which 7,79 million, or 59,3%, comprised passenger cars.

Record high vehicle exports of 399, 594 units ensured that the automotive sector outperformed the rest of the manufacturing sector in 2023, despite a constrained new vehicle market environment. Vehicle exports remain imperative to support higher vehicle production volumes, which in turn enable the domestic OEMs to generate rebate credits so that the imported vehicles and growing choices by a consumer-driven market can be offered at more favourable prices by rebating the relevant import duties. A significant 66,5% of domestic light vehicle production was exported in 2023.

Germany surpassed the UK, which dominated the rankings for nine consecutive years since 2014, to move into top position in 2023, followed by Japan, Italy and France. VWSA, with its Polo model, maintained its top position for the fifth consecutive year in 2023. South Africa's bilateral trade arrangements continue to generate significant gains for the domestic automotive industry.

Europe continued to dominate as a region and accounted for a substantial 75,5%, or three out of every four vehicles exported in 2023, with 50,3% of light vehicle production destined for the region. The legislation to ban the sales of new internal combustion engine [ICE] vehicles in the EU and the UK by 2035 in favour of EVs, limits a slow transition approach, given the high export exposure of the domestic automotive industry and the required timeframe to respond. The transition to NEVs is therefore not merely a strategic option but a necessity and an urgent imperative.

Industry export performance by major region - 2019 to 2024 Q1

	2019	2020	2021	2022	2023	Q1:2023	Q1:2024	% change Q1:2024/ Q1:2023
Europe	285,599	197,355	229,672	255,709	301,640	65,363	58,964	-9.8%
Asia	39,879	29,440	24,170	35,154	35,015	7,217	6,452	-10.6%
Africa	23,382	16,987	21,825	22,564	25,380	5,668	5,537	-2.3%
North America	13,540	9,463	7,981	21,684	20,910	3,291	7,070	+114.8%
Australasia	17,350	13,698	10,621	12,389	12,483	2,643	2,841	+7.5%
Central America	5,651	3,156	3,045	2,759	2,952	401	565	+40.9%
South America	1,691	1,188	706	1,527	1,214	228	235	+3.1%
Total	387,092	271,287	298,020	351,786	399,594	84,811	81,664	-3.7%

Vehicle exports declined by 3,7% from the first quarter 2023 to the first quarter 2024. Globally, business and consumer confidence remained fragile, as megatrends, including the climate transition and technological disruption, converged. Though global inflation is easing, growth is stalling, financial conditions remain tight, global tensions are deepening, and inequalities are rising which would continue to hamper the domestic automotive industry's export performance in 2024.

8. 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.

1st Quarter 2024 vs 1st Quarter 2023

PERFORMANCE INDICATOR	UP	SAME	DOWN
Domestic new vehicle sales	13%	0%	87%
Vehicle export sales	29%	42%	29%
Vehicle production volumes	29%	29%	42%
Vehicle import volumes	13%	50%	37%
Employment – vehicle manufacturing	0%	57%	43%
Capacity utilisation	13%	13%	74%
Investment expenditure	13%	62%	25%
General new vehicle business conditions	13%	13%	74%

The sentiment expressed by the **naamsa** CEOs is in line with expectations of a taxing first half of the year with business conditions remaining challenging. The downward slope in new vehicle sales that commenced in the third quarter 2023 continued into the first quarter 2024 as the economy remained trapped in a high interest rate environment along with a volatile Rand exchange rate and premium fuel prices, all contributing to an affordability crisis faced by consumers of new vehicles. Port congestion challenges still continued during the quarter, resulting in supply chain disruptions negatively impacting on costs, vehicle production and new vehicle sales. However, some CEOs of selected imported brands with affordable models as well as some heavy commercial vehicle OEMs capitalising on the dependency on road transport due to rail inefficiencies expressed a more positive sentiment during the quarter.

Next 6-months

PERFORMANCE INDICATOR	UP	SAME	DOWN
Domestic new vehicle sales	25%	25%	50%
Vehicle export sales	43%	28%	29%
Vehicle production volumes	29%	14%	57%
Vehicle import volumes	13%	62%	25%
Employment – vehicle manufacturing	14%	72%	14%
Capacity utilisation	25%	37%	38%
Investment expenditure	0%	87%	13%
General new vehicle business conditions	13%	0%	87%

The views of the **naamsa** CEOs continued to reflect that the current market sentiment ranges from negative to cautious for all of the industry's key performance indicators over the next six months. Uncertainty around the looming National elections as well as the timing of the interest rate cutting cycle and the anticipated extent of the rate cuts also influenced sentiment.

Despite various challenges and elements of economic uncertainty, OEMs and importers continue to launch new products into the marketplace. Although there was some relief with loadshedding as well as an easing of the logistics challenges during the quarter, the automotive sector's productivity relies heavily on infrastructure investment, sustainable energy supply, and the revitalisation of South Africa's ports, rail and roads. A conducive framework remains crucial to support these critical elements as businesses rely on an enabling environment to grow.

Brief Comment on business conditions and the medium-term outlook

The new vehicle market at present is performing in line with expectations of a year of two halves consisting of a taxing first half, but with brighter economic prospects expected during the second half of the year. Nearly all new vehicle market performance indicators tilted into negative territory during the first quarter 2024, underscoring the constraint economic environment in the country, amplified by weak consumer and business demand.

Despite an easing in loadshedding and port delays during the quarter, near-term domestic economic activity remains weak amid subdued household spending. The country continues to face the challenges of persistent inflation and a stagnant economy. Inflation data suggests that the path back to the central bank mid-point target of 4,5% has slowed and become more uncertain, which in turn impacts on the timing of the commencement of the interest rate cutting cycle. The South African Reserve Bank still forecasts real GDP to expand by 1,2% in 2024 and 1,4% in 2025, with growth to remain low due to inadequate energy supply, deteriorating logistics capacity along with low business and household confidence.

Following the release of **the dtic'**s EV White Paper in December 2023, the announcement in the February 2024 Budget Speech of an introduction of an investment allowance for new EV investments, set to commence in March 2026, to claim 150% of qualifying investment spending in the first year, is a crucial step in attracting investments, fostering innovation, and enhancing the growth of the automotive sector within South Africa. The domestic automotive industry is celebrating the centenary of vehicle manufacturing in the country in 2024. The development of the automotive industry has been a remarkable story of innovation, entrepreneurship, and economic growth in South Africa and the industry is keen for 2024 to turn out to be another memorable year.

Following the record export performance in 2023, vehicle exports lost momentum during the first quarter 2024 quarter. Sluggish global growth, a persistent bullish inflationary environment and soaring geo-political tensions remain persistent factors impeding vehicle exports. However, an easing in global inflation could see a softening in interest rates in the second half of the year which would support the South African automotive industry's export performance.

FUEL FOR THOUGHT FLASH

Record vehicle exports ensured that the automotive industry outperformed the rest of the manufacturing sector as the value of vehicle and automotive components to 148 countries once again set a new record, reaching R270,8 billion in 2023, comprising a substantial 14,7% of total South African exports.

The standard attached schedule reflects updated industry sales, production, export and import numbers. Projections include forecasts for 2024 and 2025.

Kind regards,

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