

PRESS RELEASE

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naamsa CEO CONFIDENCE INDEX

PRETORIA: Monday, May 27, 2024: naamsa | The Automotive Business Council says its **naamsa** CEOs Confidence Index is a powerful 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 of business conditions in the vehicle manufacturing industry and the new vehicle market environment 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.

The **naamsa** 1st quarter 2024 review reflected that nearly all new vehicle market performance indicators tilted into negative territory, 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 South African Reserve Bank still forecasts real GDP to expand by 1,2% in 2024, with growth to remain low due to inadequate energy supply, deteriorating logistics capacity along with low business and household confidence.

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 relating to the 1st quarter 2024 key performance indicators compared to the corresponding quarter 2023 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 relating to business conditions over the next six months, up to the third quarter 2024, reflect that the current market sentiment ranges from negative to cautious for all of the industry’s key performance indicators. 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.

naamsa OFFICES: PRETORIA | Monday, May 27, 2024.