naamsa
THE AUTOMOTIVE BUSINESS COUNCIL

Celebrating 100 Years of the South African Automotive Industry

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Monday, November 18, 2024

REPRESENTATIVES AT GENERAL MEETINGS
RECIPIENTS OF naamsa MEDIA RELEASES

RE: QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW MOTOR VEHICLE MANUFACTURING INDUSTRY / AUTOMOTIVE SECTOR: 3RD 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 third quarter of 2024, as submitted to the Director-General, Department of Trade, Industry and Competition [**the dtic**].

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: THIRD QUARTER 2024

- Third quarter 2024 aggregate industry employment as at 30th September 2024 totalled 33,309 reflecting an increase of 72 jobs compared to the 33,237 industry head count as at the end of June 2024;

- Aggregate new vehicle sales during the third quarter 2024 recorded a decline of 2,4% compared to the corresponding quarter 2023 and an increase of 15,0% compared to the second quarter 2024;

- New energy vehicle [NEV] sales by 17 industry brands increased by 88,0% from 2,034 units in the third quarter 2023 to 3,824 units in the third quarter 2024;

- Average industry capacity utilisation levels during the third quarter 2024 continued to reflect the impact of supply chain disruptions caused by the ongoing port congestion and delays while a constraint domestic new vehicle market along with lower vehicle export volumes impacted differently on the different OEMs' vehicle production volumes;

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

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

- Third quarter 2024 domestic vehicle production reflected a substantial decrease of 29,2% compared to the corresponding quarter 2023;

- Vehicle exports decreased by a substantial 37,1% in the third quarter 2024 compared to the corresponding quarter 2023 mainly due to a significant decline in exports to the EU as the Eurozone GDP grew by only 0,3% during the third quarter 2024 with Germany's GDP contracting by 0,1%.; 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 2024 compared to the third quarter 2023 as well as automotive business conditions and the country's economy in general for the next 6 months.

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Monday, November 18, 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: 3RD 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 third 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 third quarter of 2024 may be set out as follows:

PERIOD	INDUSTRY TOTAL
Last pay week July 2024	33,451
Last pay week August 2024	33,453
Last pay week September 2024	33,309

Industry employment levels and trends reflect employees on the payroll of vehicle manufacturers. Aggregate industry employment as at 30th September 2024 totalled 33,309 reflecting an increase of 72 jobs compared to the 33,237 industry head count as at the end of June 2024.

The average monthly vehicle manufacturing industry employment number for 2023 was 33,509 compared to the 33,321 in 2022. Employment in the vehicle manufacturing industry is generally linked to production and the 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
End of quarter 2, 2024	7,517
End of quarter 3, 2024	7,603

Aggregate independent vehicle importers employment as at 30th September 2024 totalled a head count of 7,603 reflecting an increase of 86 jobs, compared to the head count of 7,517 as at the end of September 2024. 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 continued to be disrupted by the ongoing vessel and port delays which negatively impacted vehicle production volumes during the quarter. The Rand exchange rate appreciated against major currencies during the quarter resulting in reduced landed prices of imported components and raw materials. 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 also affected automotive component suppliers and continued to disrupt supply chains during the quarter. The stronger Rand exchange rate during the quarter impacted favourably on the landed prices of imported requirements. Non-ferrous metal prices reduced but plastic and steel prices increased 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 Q3

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	Q2 2024	Q3 2024	Q3 2024 Range [High]	[Low]
Cars	69.9%	73.5%	75.5%	92.8%	93.4%	89.0%	90.9%	100%	66.0%
Light Commercials	59.8%	58.3%	65.2%	77.9%	71.3%	72.8%	77.8%	100%	33.3%
Medium Commercials	37.4%	47.0%	69.1%	58.5%	60.5%	31.8%	33.0%	60.0%	6.0%
Heavy Commercials	50.0%	63.6%	83.8%	79.6%	81.7%	78.6%	82.4%	100%	47.0%

Average industry capacity utilisation levels during the third quarter 2024 continued to reflect the impact of supply chain disruptions caused by the ongoing port congestion and delays while a constraint domestic new vehicle market along with lower vehicle export volumes impacted differently on the different OEMs' vehicle production volumes.

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 | THE AUTOMOTIVE INDUSTRY AS A CATALYTIC INDUSTRY IN SOUTH AFRICA

The automotive industry in South Africa is not only a significant contributor to GDP but also a catalytic sector, spurring growth across multiple industries and driving regional economic development. The industry acts as an anchor for industrialisation and provides a foundation for job creation, technological advancement, and infrastructure development. Recognising this, South Africa has made concerted efforts to attract investment in the automotive sector, particularly in regions like Limpopo and the Eastern Cape, which offer distinct advantages to the industry.

6.1. Limpopo's Strategic Mineral Wealth for Automotive Expansion

Limpopo's rich reserves of essential minerals like platinum, chrome, and manganese play a vital role in the automotive value chain. These minerals are key components in the production of catalytic converters, batteries, and other critical automotive parts. The region's potential as a mineral supplier aligns with the global automotive industry's shift toward electric vehicles [EVs] and environmentally sustainable technologies. The availability of these resources locally presents substantial investment opportunities for mineral processing and component manufacturing, potentially reducing the automotive sector's dependency on imports and creating a more robust, localised supply chain.

Recently, **naamsa** participated in the Limpopo Investment Conference, highlighting the province's role in supporting South Africa's automotive ambitions. At the conference, **naamsa** emphasised the importance of regional mineral processing facilities that could feed directly into the automotive value chain, especially as the country aims to become a significant player in the global EV market. Investments in mineral extraction and processing in Limpopo could open up new economic opportunities while positioning South Africa as a strategic player in the global supply chain for EV components.

6.2. **The Eastern Cape: South Africa's Automotive Manufacturing Hub**

The Eastern Cape serves as South Africa's automotive manufacturing powerhouse, hosting large assembly plants for brands like Isuzu, Volkswagen and Mercedes-Benz. With robust infrastructure, including the Coega and East London Special Economic Zones [SEZs], the Eastern Cape is well-equipped to support both domestic and export markets. The province produces over half of the country's motor vehicles, and its strategic ports facilitate the seamless export of South African-made vehicles worldwide.

The Eastern Cape's investment potential in the automotive sector was also highlighted in a recent investment conference, where **naamsa** participated to underscore the critical role of manufacturing support. Here, **naamsa** advocated for increased investment in component manufacturing, skills development, and infrastructure upgrades to bolster the automotive value chain. Through initiatives such as supplier development programs and local procurement incentives, the Eastern Cape is actively working to create a more inclusive and competitive automotive ecosystem.

6.3. **naamsa**'s Role and the Broader Economic Impact

naamsa's active participation in both Limpopo and Eastern Cape investment conferences over the past quarter demonstrates the organisation's commitment to strengthening South Africa's position in the global automotive landscape. By championing investment in these two provinces, **naamsa** is advocating for a balanced approach to automotive growth - one that combines raw material supply from mineral-rich regions with manufacturing capabilities in established hubs. This dual focus helps create a self-reliant ecosystem, reduces import dependencies, and encourages sustainable development within the country.

The automotive industry, with its complex supply chains and substantial demand for resources, acts as a driving force for regional and national development. Investment in this sector not only provides economic benefits but also fosters technological and industrial advancements, making it a true catalytic industry. By investing in both Limpopo's mineral processing capacities and the Eastern Cape's manufacturing infrastructure, South Africa can leverage its natural and industrial assets to become a competitive player in the global automotive market, particularly as the industry transitions towards new energy vehicles.

South Africa's automotive industry demonstrates how strategic investments can create a ripple effect, fostering growth in related sectors such as mining, manufacturing, and logistics. Through initiatives led by **naamsa** and supported by government and private stakeholders, the country aims to develop a more resilient and competitive automotive sector. With focused investment, South Africa is poised to harness its resources and capabilities, driving long-term industrial growth and positioning itself as a crucial hub in the global automotive value chain.

7. BUSINESS CONDITIONS, PERFORMANCE INDICATORS AND COMMENT

Business Conditions: Third Quarter: 2024

2024 Third quarter aggregate industry new passenger car sales at 90,460 units recorded an increase of 3,662 units, or a gain of 4,2% compared to the 86,798 new passenger cars sold during the corresponding quarter of 2023. Aggregate industry commercial vehicle sales during the third quarter of 2024, at 41,675 units, recorded a decline of 6,923 units, or a loss of 14,3% compared to the 48,598 units sold during the third quarter of 2023.

Industry domestic sales growth: Direction and extent of change [previous and corresponding quarter's percentage changes are reflected in brackets]				
	Qtr. ended 30 September 2024 compared with previous Qtr. ended 30 June 2024		Qtr. ended 30 September 2024 compared with corresponding Qtr. ended 30 September 2023	
Passenger Cars	+17.6%	[-9.2%]	+4.2%	[-5.8%]
Light Commercial vehicles	+8.6%	[-21.2%]	-15.9%	[-18.2%]
Medium Commercial vehicles	+31.4%	[-11.6%]	-2.3%	[-12.5%]
Heavy Commercial vehicles	+14.6%	[-3.8%]	-8.1%	[-7.8%]
Extra Heavy Commercials	+7.9%	[+9.1%]	-9.5%	[-9.5%]
Buses	-6.1%	[+73.5%]	+18.4%	[+44.0%]

Aggregate new vehicle sales during the third quarter 2024 recorded a decline of 2,4% compared to the corresponding quarter 2023 and an increase of 15,0% compared to the second quarter 2024. The slight year-on-year decline continue to reflect the multiple pressures in the economy, making affordability a significant factor in purchasing decisions. The uptick in overall July 2024 new vehicle sales could unfortunately not be sustained during the remainder of the third quarter. The volume passenger car segment, however, trended upward during the quarter, supported by seasonal sales to the vehicle rental industry as well as an increase in sales of selected imported brands. The quarter-on-quarter growth suggests some pent-up demand being realised but also merely just a poor second quarter performance.

During the third quarter 2024, new energy vehicle [NEV] sales by 17 industry brands increased by 88,0% from 2,034 units in the third quarter 2023 to 3,824 units in the third quarter 2024, following a 169,8% increase during the second quarter 2024 compared to the second quarter 2023. NEV sales increased by 65,8% to 7,783 units in 2023 compared to the 4,694 units in 2022 and breached the 1% mark for the first time in 2023, comprising 1,47% of the total new vehicle market compared to 0,88% of total new vehicle sales in 2022.

This trend, although from a low base, indicates a stronger shift toward sustainable mobility in South Africa, aligning with national environmental goals along with the growth in affordable imported EV brands. The appeal of these more budget-friendly NEV options will continue to drive further growth in the NEV segment.

The following table reveals the diversity of drivetrain sales in the South African NEV landscape from 2019 through to 2024 Q3.

	Year 2019	**Year 2020**	**Year 2021**	**Year 2022**	**Year 2023**	**Q3:2023**	**Q3:2024**
Plug-in hybrid	72	77	51	122	336	117	170
Traditional hybrid	181	155	627	4,070	6,518	1,699	3,330
Electric	154	92	218	502	929	218	324
Total NEVs	**407**	**324**	**896**	**4,694**	**7,783**	**2,034**	**3,824**

As the world moves towards more sustainable modes of transport, aligning South Africa's automotive policies with these trends is essential for the long-term success of the automotive sector. **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. 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.

Following the release of the EV White Paper, **naamsa** continued to propose for the inclusion of hybrids and plug-in hybrids as well as a NEV demand stimulus for market adoption before localisation to ensure that the APDP2 continues to drive growth and transformation in the South African automotive industry. In his keynote address to the SA Auto Week on Thursday, October 17, 2024, at the Cape Town International Convention Centre, President Cyril RAMAPHOSA said: "We are working to finalise comprehensive NEV policy guidelines that do not exclude alternative technologies such as hybrids and plug-in hybrids. Consideration must be given to incentives for manufacturers as well as tax rebates or subsidies for consumers to accelerate the uptake of electric vehicles. This is not just about creating a greener future but also about ensuring South Africa remains competitive in the global market."

naamsa unequivocally believes that the President's clear policy pronouncements he provided gives all stakeholders, including Government, the automotive industry, the labour movement and all other social partners the direction to work together in the finalisation of clear and comprehensive NEV policy guidelines in the best interest of South Africa.

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

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 after three years. Global new vehicle sales also increased by a sound 11,9% and totalled 92,7 million units in 2023, up from 82,9 million units sold in 2022, supported by another sharp year-on-year rise in EV sales of 35% in 2023. For the first half 2024 compared to the first half 2023, global vehicle production, however, only increased marginally by 0,2% with Europe and Africa reflecting declines of 3% and 1%, respectively.

The following table reflects SA'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 a record 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 54,1% of total African vehicle production and 50,7% of Africa's new vehicle sales.

Third quarter 2024 domestic vehicle production reflected a substantial decrease of 29,2% compared to the corresponding quarter 2023. Business conditions remained characterised by constrained economic conditions in the domestic as well as major export markets. Despite a commencement of an interest rate cutting cycle in South Africa and in other major markets internationally, this was not yet sufficient to make a significant difference in vehicle production volumes during the quarter.

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

	2019	2020	2021	2022	2023	2023 Q3	2024 Q3	% change Q3:2024/ Q3:2023
Passenger Cars	348,665	237,214	239,267	309,423	336,980	97,017	64,089	-33.9%
LCVs	254,417	185,691	232,166	215,472	262,646	71,903	53,439	-25.7%
MCVs	8,803	6,874	7,643	8,478	8,361	2,201	2,170	-1.4%
HCVs	5,220	4,208	5,151	6,269	5,721	1,605	1,441	-10.2%
XHCVs	13,817	11,484	14,175	15,498	18,841	5,290	4,826	-8.8%
Buses	999	745	685	745	783	224	253	+13.0%
TOTAL	**631,921**	**446,216**	**449,087**	**555,885**	**633,332**	**178,240**	**126,218**	**-29.2%**

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.

Vehicles manufactured in South Africa are destined mainly for the export market to obtain higher production volumes and also to generate rebate credits so that imported vehicles and growing choices demanded by a consumer-driven market can be offered at more favourable prices by rebating the relevant import duties.

A record 399, 594 left- and right-hand drive vehicles, comprising 66,5% of domestic vehicle production, were exported to 109 countries around the world in 2023. South Africa's advantageous access to world markets through bilateral trade arrangements with major regions and markets such as the European Union, the UK, the US and SADC continue to enhance vehicle exports.

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. However, Europe at present is overshadowed by the increasingly strict emissions regulations. These include stricter Euro VII emission standards to be implemented from 1 July 2025 while the sales of new ICE vehicles in the EU and the UK are legislated to be banned from 2035 onwards. Domestic vehicle production, therefore, needs to align with the overall technology shift of global value chains to safeguard the country's future vehicle exports.

Industry export performance by major region - 2019 to 2024 Q3

	2019	2020	2021	2022	2023	Q3:2023	Q3:2024	% change Q3:2024/ Q3:2023
Europe	285,599	197,355	229,672	255,709	301,640	89,172	50,358	-43.5%
North America	13,540	9,463	7,981	21,684	20,910	5,907	6,986	+18.3%
Asia	39,879	29,440	24,170	35,154	35,015	10,700	6,103	-43.0%
Africa	23,382	16,987	21,825	22,564	25,380	6,514	6,380	-2.1%
Australasia	17,350	13,698	10,621	12,389	12,483	3,249	2,462	-24.2%
Central America	5,651	3,156	3,045	2,759	2,952	544	726	+33.5%
South America	1,691	1,188	706	1,527	1,214	276	184	-33.3%
TOTAL	**387,092**	**271,287**	**298,020**	**351,786**	**399,594**	**116,362**	**73,199**	**-37.1%**

Vehicle exports decreased by a substantial 37,1% in the third quarter 2024 compared to the corresponding quarter 2023 mainly due to a significant decline in exports to the EU as the Eurozone GDP grew by only 0,3% during the third quarter 2024 with Germany's GDP contracting by 0,1%. Encouragingly, vehicle exports to the US increased, supported by the US federal Bank's 50-basis point reduction in interest rates during the quarter along with the domestic automotive industry utilising the benefits under AGOA. The escalating trade tensions between the European Union along with the US and China might have ripple effects for vehicle exports in future and would be closely watched.

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.

8.1. 3rd Quarter 2024 vs 3rd Quarter 2023

PERFORMANCE INDICATOR	UP	SAME	DOWN
Domestic new vehicle sales	27%	9%	64%
Vehicle export sales	14%	-	86%
Vehicle production volumes	14%	-	86%
Vehicle import volumes	18%	36%	46%
Employment - vehicle manufacturing	14%	29%	57%
Capacity utilisation	18%	36%	46%
Investment expenditure	13%	37%	50%
General new vehicle business conditions	18%	9%	73%

The general sentiment expressed by the **naamsa** CEOs during the third quarter 2024 reflected the continued challenging new vehicle sales environment constrained by weak demand and supply chain issues. Although the passenger car segment showed some signs of recovery during the quarter, the commercial vehicle market remained under pressure. Although business has seen significant improvements at port operations in reducing the backlog at the Durban Port during the quarter, challenges remained due to equipment shortages and constant breakdowns. Lower fuel prices, the absence of loadshedding for three consecutive quarters and an interest rate cut in September 2024 did provide some relief with CEOs of selected imported brands with affordable models more upbeat about general business conditions during the quarter.

8.2. Next 6-months

PERFORMANCE INDICATOR	UP	SAME	DOWN
Domestic new vehicle sales	18%	27%	55%
Vehicle export sales	30%	30%	40%
Vehicle production volumes	22%	22%	56%
Vehicle import volumes	27%	27%	46%
Employment - vehicle manufacturing	-	43%	57%
Capacity utilisation	20%	20%	60%
Investment expenditure	-	38%	62%
General new vehicle business conditions	27%	18%	55%

The sentiment of the **naamsa** CEOs generally reflect a circumspect outlook of business conditions and the industry's key performance indicators over the next six months, as the country's economic growth remains a concern. Despite some positive news during the quarter, the South African economy was still experiencing economic challenges, including high interest rates and a crippling unemployment rate, while fuel prices remained high since the COVID-19 pandemic in line with the economic challenges.

The positive performance of the passenger car segment during the quarter boded well for the market slowly recovering but the commercial vehicle segments remained constraint and reflected the sentiment expressed by those CEOs. Even though the interest rate cutting cycle commenced following several months of declining inflation along with decreasing fuel prices, providing much-needed relief to distressed consumers, it is recognised that it would take some time for the cumulative impact of these factors to translate in stronger new vehicle sales.

8.3. Brief Comment on business conditions and the medium-term outlook

Despite a spate of positive economic indicators, including the first cut in interest rates in four years by the South African Reserve Bank, inflation easing to 3,8% in September 2024, the lowest point since March 2021, a stronger Rand exchange rate, ongoing fuel price relief and three quarters of no loadshedding, the downward slope in new vehicle sales continued into the third quarter 2024. Cumulative new vehicle sales for the first nine months of the year were now tracking 5,8% below the corresponding period 2023.

However, the formation of the new government of national unity [GNU] has improved business confidence. The reformist agenda on the South African state of affairs, improving the business environment, has had substantial material evidence with improvements in the performance of the Rand, interest rates, and clearing of visa backlogs. The business community remains hopeful of many positive strides that will be made under the GNU collaboration to foster much-needed economic reforms in the country. Consumers and businesses could now also look forward to a start of an interest cutting cycle over the next 18 months, which cumulatively would begin to positively impact some level of relief in expensive debt and provide a stimulus to new vehicle market sentiment.

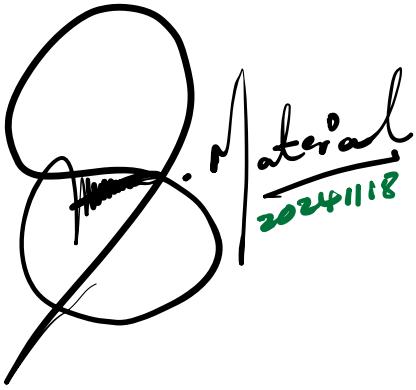
Vehicle exports dropped sharply during the third quarter 2024, now tracking 20,4% below the corresponding period 2023, with the substantial slump hinting to deeper challenges faced by the domestic automotive industry. The European Union, which accounts for 75% of South Africa's vehicle exports, has seen sluggish economic growth of 0,3% during the third quarter 2024, with projections indicating that Germany, the South African automotive industry's top export destination, was expected to end 2024 with an economic contraction of 0,2%. A model change by a major local OEM, stricter emissions regulations in the EU as well as an influx of cheaper electric vehicles from China all impacted on vehicle exports to the region in 2024. However, optimism remained that easing monetary policies in key export markets could eventually help reinvigorate vehicle export growth over the medium term.

FUEL FOR THOUGHT FLASH

From no exports before 1995, automotive exports became a major industrial activity and between 1995 and 2023, a massive 6,041,237 vehicles, generating an export revenue of R1,75 trillion along with automotive components with an export value of R959,5 billion, were exported to more than 150 markets.

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
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