naamsa
THE AUTOMOTIVE BUSINESS COUNCIL

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Monday, August 18, 2025

REPRESENTATIVES AT GENERAL MEETINGS
RECIPIENTS OF naamsa MEDIA RELEASES

RE: QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW MOTOR VEHICLE MANUFACTURING INDUSTRY / AUTOMOTIVE SECTOR: 2ND QUARTER 2025

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 second quarter of 2025, as submitted to the Director-General, Department of Trade, Industry and Competition [**the dtic**].

Industry vehicle sales, export, and import statistics for 2016 through 2024, together with current projections for 2025 and 2026, are reflected on the attachment to the submission.

KEY FEATURES: SECOND QUARTER 2025

- Second quarter aggregate industry employment as at 30th June 2025 totalled 32,426 reflecting an increase of 217 jobs compared to the 32,209 industry head count as at the end of March 2025;

- Aggregate new vehicle sales during the second quarter 2025 recorded an increase of 17,4% compared to the corresponding quarter 2024 and a decrease of 6,4% compared to the first quarter 2025;

- New energy vehicle [NEV] sales by 21 industry brands decreased by 10,8% from 4,122 units in the second quarter 2024 to 3,678 units in the second quarter 2025;

- Average industry capacity utilisation levels during the second quarter 2025 reflect the impact of supply chain disruptions due to ongoing port delays, although easing, along with domestic market affordability dynamics, and an uncertain export environment;

- Aggregate capital expenditure by the major light vehicle manufacturers in 2024 amounted to R7,3 billion, linked to new generation model investments;

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- South Africa’s global vehicle production market share decreased from 0,67% in 2023 to 0,65% in 2024, although its global vehicle production ranking improved from 22nd to 21st in view of the poorer performance by Italy dropping below South Africa in 2024;

- Second quarter 2025 domestic vehicle production reflected a decrease of 3,9% compared to the corresponding quarter 2024;

- Vehicle exports decreased by 3,6% in the second quarter 2025 compared to the corresponding quarter 2024 due to a notable decrease in exports to North America, in particular the US market; 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 second quarter 2025 compared to the second quarter 2024 as well as automotive business conditions and the country’s economy in general for the next 6 months.

Monday, August 18, 2025

Mr Simphiwe HAMILTON
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: 2ND QUARTER 2025

Dear Mr HAMILTON,

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 second quarter of 2025.

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 second quarter of 2025 may be set out as follows:

PERIOD	INDUSTRY TOTAL
Last pay week April 2025	32,307
Last pay week May 2025	32,449
Last pay week June 2025	32,426

Industry employment levels and trends reflect employees on the payroll of vehicle manufacturers. Aggregate industry employment as at 30th June 2025 totalled 32,426 reflecting an increase of 217 jobs compared to the 32,209 industry head count as at the end of March 2025.

The average monthly vehicle manufacturing industry employment number for 2024 was 33,154 compared to the 33,509 in 2023. Employment in the vehicle manufacturing industry is generally linked to production and the decrease in employment in 2024 related to lower vehicle production and vehicle exports for the period under review.

Employment levels on the payroll of the independent vehicle importers, at their head offices and dedicated dealerships.

PERIOD	TOTAL
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
End of quarter 4, 2024	7,580
End of quarter 1, 2025	7,575
End of quarter 2, 2025	7,682

Aggregate independent vehicle importers employment as at 30th June 2025 totalled a head count of 7,682 reflecting an increase of 107 jobs, compared to the head count of 7,575 as at the end of March 2025. Capital expenditure reported on an annual basis by the independent vehicle importers, at their head offices and dedicated dealerships, amounted to R63,6 million in 2024.

PERIOD	TOTAL
2019	R62.6 mil
2020	R53.3 mil
2021	R32.5 mil
2022	R54.3 mil
2023	R43.3 mil
2024	R63,6 mil

The employment and capital expenditure data collection serves as important reference points, mainly to discern trends in the independent vehicle importers' landscape.

2. NUMBER OF SHIFTS

Various OEMs 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 in line with a recovery in vehicle production volumes post the pandemic as well as in supporting higher vehicle export volumes. During the quarter, two OEMs operated on a three-shift basis, one OEM on a combined single, double and three-shift basis, one OEM on a double shift, one OEM on a combined single- and double-shift basis, and two OEMs on a single-shift basis.

3. AVAILABILITY AND PRICE TRENDS OF COMPONENTS AND RAW MATERIALS

3.1. <u>Imported components and raw materials</u>

Although easing, the availability and price trends of imported components still continued to be disrupted by the ongoing port and vessel delays while semi-conductor shortages affected one OEM during the quarter. Copper prices increased during the quarter. Prices of imported components and raw materials remained subject to exchange rate movements and the global price index.

3.2. <u>Local components and raw materials</u>

Although easing, port delays affected automotive component suppliers during the quarter while loadshedding also affected a supplier, disrupting supply chains. It was noted that the impact of reduced industry production volumes had affected component manufacturers economies of scale. In general, suppliers had been challenged to recover fixed costs and amortised investment due to industry volume being lower than what they quoted on. Reported that steel price decreased but that glass, plastic, lead, rubber and paint 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: 2021 - 2025 Q2

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

	Year 2021	Year 2022	Year 2023	Year 2024	Q1 2025	Q2 2025	Q2 2025 Range [High]	[Low]
Cars	73.5%	75.5%	92.8%	90.4%	88.9%	89.0%	100%	68.7%
Light Commercials	58.3%	65.2%	77.9%	74.4%	72.8%	63.5%	100%	33.3%
Medium Commercials	47.0%	69.1%	58.5%	39.4%	55.3%	31.4%	90.0%	10.0%
Heavy Commercials	63.6%	83.8%	79.6%	81.1%	77.6%	79.5%	100%	46.0%

Average industry capacity utilisation levels during the second quarter 2025 reflect the impact of supply chain disruptions due to ongoing port delays, although easing, along with domestic market affordability dynamics, and an uncertain export environment, all affecting the production volumes of the various vehicle manufacturers, while two major OEMs also briefly halted production during the quarter related to new model introductions.

5. VEHICLE MANUFACTURING INDUSTRY CAPITAL EXPENDITURE: 2019 - 2024

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 2019 through 2024, in Rand millions, are as follows:

CAPITAL EXPENDITURE	2019	2020	2021	2022	2023	2024
Product/Local/Content/ Export Investment/ Production Facilities	6,705.8	7,296.2	4,910.8	6,443.9	4,393.3	6,685.5
Land and Buildings	234.5	1,558.1	3,641.4	203.8	215.3	312.2
Support Infrastructure [I.T., R&D, Technical, etc.]	334.0	377.4	248.5	464.6	561.6	300.2
TOTAL	**7,274.3**	**9,231.7**	**8,800.7**	**7,112.3**	**5,170.2**	**7,297.9**

Capital expenditure amounted to R7,3 billion in 2024 [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. There has been an increasing trend in investments in hybrid and in particular plug-in hybrid models in the domestic market.

6. DRIVING INDUSTRY TRANSFORMATION | HARNESSING EMERGING TECHNOLOGIES IN SOUTH AFRICA'S AUTOMOTIVE INDUSTRY

The global automotive sector is in the midst of its most profound transformation in over a century. From electrification and artificial intelligence to connected mobility and smart manufacturing, new technologies are not simply reshaping vehicles, they are redefining the very foundations of how the industry designs, builds, sells, and sustains mobility solutions.

For South Africa, where the automotive industry contributes over 23% to GDP, accounts for nearly 23% of manufacturing output, and directly supports more than 115 000 high-skilled jobs, this transformation represents both a challenge and a unique opportunity. The stakes are clear: adapt to the demands of a new technological era or risk being left behind in an increasingly competitive and innovation-driven global market.

6.1. FROM LEGACY STRENGTHS TO FUTURE READINESS

South Africa is no stranger to automotive excellence. The country is home to seven global Original Equipment Manufacturers (OEMs), hundreds of Tier 1 and Tier 2 suppliers, and some of the most skilled workers in the sector. This industrial base has long served as a driver of exports, skills development, and technology transfer. Yet, global markets are shifting fast. The rise of zero-emission mobility, digital platforms, and data-driven customer experiences demands that South Africa reimagine its industry model. It is no longer enough to assemble vehicles competitively – we must build local capacity in the technologies that define tomorrow's mobility.

6.2. EMERGING TECHNOLOGIES AS CATALYSTS FOR TRANSFORMATION

The adoption of emerging technologies offers South Africa more than just operational efficiency; it is a lever for industrial revitalisation and economic transformation.

When strategically harnessed, these innovations can:

- Unlock new value chains such as battery pack assembly, EV charging networks, and advanced component manufacturing.
- Empower new market entrants, especially black-owned, women-led, and youth-driven enterprises, to participate meaningfully in the sector.
- Create Green jobs aligned with South Africa's Just Energy Transition and environmental commitments.
- Reposition the country as a technology-forward, future-ready automotive hub for the African continent.

6.3. WHAT TRANSFORMATION WILL REQUIRE

Realising this potential will demand more than incremental change. It will require a deliberate, co-ordinated, and future-focused transformation agenda that brings together policy, investment, skills, and partnerships.

1. Policy Alignment – Government must finalise and operationalise the New Energy Vehicle (NEV) White Paper and embed incentives that encourage technology localisation, green infrastructure investment, and skills upgrading.
2. Industry Investment – OEMs and suppliers must invest not only in new assets and processes, but also in the people and partnerships that will drive innovation.
3. Skills Development – Academic institutions, TVET colleges, and SETAs must adapt curricula to meet the demands of AI, robotics, electronics, and software integration in automotive production.
4. Collaborative Leadership – Industry bodies such as **naamsa** | The Automotive Business Council, in partnership with global technology leaders like Accenture, must convene platforms that foster alignment, share insights, and catalyse collective action.

6.4. **naamsa's** COMMITMENT TO TECHNOLOGY-LED TRANSFORMATION

Under its transformation mandate, **naamsa** is actively leading national consultations on technology integration, localisation, and competitiveness. By collaborating with technology partners like Accenture, the organisation is ensuring that global best practices and innovation frameworks are adapted to South Africa's industrial and socio-economic realities.

The vision is clear: South Africa should not stand at the edge of the technology revolution; it should be at its centre. This requires aligning industry growth with inclusive participation, skills readiness, and environmental responsibility.

6.5. FROM INSPIRATION TO INTENTION

The pace of change in the automotive industry is accelerating. But so too is the resolve of South Africa's automotive leadership to transform, adapt, and lead. Transformation in this context is not simply about equity in ownership, it is about embedding inclusivity, sustainability, and innovation into the DNA of the industry.

Harnessing emerging technologies offers South Africa a rare opportunity: to modernise its industrial base, to localise new value chains, and to create a globally competitive automotive ecosystem that delivers both economic growth and social impact.

In the words of **naamsa's** leadership: *We do not fear the future, we build it.* The time to act is now.

7. BUSINESS CONDITIONS, PERFORMANCE INDICATORS AND COMMENT

Business Conditions: Second Quarter: 2025

2025 Second quarter aggregate industry new passenger car sales at 94,327 units recorded an increase of 17,396 units, or a gain of 22,6% compared to the 76,931 new passenger cars sold during the corresponding quarter of 2024. Aggregate industry commercial vehicle sales during the second quarter of 2025, at 40,532 units, recorded an increase of 2,576 units, or a gain of 6,8% compared to the 37,956 units sold during the second quarter of 2024.

Industry domestic sales growth: Direction and extent of change [previous and corresponding quarter's percentage changes are reflected in brackets]				
	Qtr. ended 30 June 2025 compared with <u>previous Qtr. ended 31 March 2024</u>		Qtr. ended 30 June 2025 compared with <u>corresponding Qtr. ended 30 June 2024</u>	
Passenger Cars	-7.3%	[+2.4%]	+22.6%	[+20.1%]
Light Commercial vehicles	-6.0%	[+14.3%]	+8.1%	[-9.4%]
Medium Commercial vehicles	-6.0%	[-3.9%]	+16.2%	[+9.4%]
Heavy Commercial vehicles	+16.5%	[-11.3%]	+34.6%	[+10.8%]
Extra Heavy Commercials	+7.8%	[-12.0%]	-11.8%	[-10.5%]
Buses	+4.9%	[-35.9%]	-26.3%	[+21.9%]

Aggregate new vehicle sales during the second quarter 2025 recorded an increase of 17,4% compared to the corresponding quarter 2024 and a decrease of 6,4% compared to the first quarter 2025. Despite a slowdown in sales from the first to the second quarter 2025, the performance of the new vehicle market for the first half of 2025 has shown remarkable resilience, contradicting the weak economic growth environment. The robust volume passenger car market has been supported by a 30,4% increase in vehicle imports for the first half of 2025 compared to the corresponding period 2024, in particular by a growing influence of affordable Chinese brands.

Commercial vehicle sales segments reflected a mixed performance with higher activity in some segments, but business sentiment generally remained subdued due to cost pressures and global economic uncertainty.

New energy vehicle [NEV] sales by 21 industry brands decreased by 10,8% from 4,122 units in the second quarter 2024 to 3,678 units in the second quarter 2025, following an 14,0% increase during the first quarter 2025 compared to the first quarter 2024. For the full year 2024, NEV sales by 21 industry brands increased by 100,6% to 15,611 units compared to the 7,782 units in 2023 and comprised a notable 3,0% of the total new vehicle market in 2024 compared to 1,47% in 2023.

The following table reveals the diversity of drivetrain sales in the South African NEV landscape from 2020 through to 2025 Q2.

	Year 2020	**Year 2021**	**Year 2022**	**Year 2023**	**Year 2024**	**Q2:2024**	**Q2:2025**
Plug-in hybrid	77	51	122	368	738	160	547
Traditional hybrid	155	627	4,070	6,485	13,616	3,543	2,837
Electric	92	218	502	929	1,257	419	294
Total NEVs	**324**	**896**	**4,694**	**7,782**	**15,611**	**4,122**	**3,678**

An official mid-term review of the SAAM 2035, including the APDP2, was scheduled for 2026, but the domestic automotive industry has requested this be brought forward to 2025. The SAAM 2035 objectives were developed in 2018, before the bans on fossil-fuelled ICE vehicles in the EU and UK were announced. The world has also changed substantially since then, specifically in view of the disruptions caused by the global COVID-19 pandemic that set the global and domestic automotive industry back several years.

The basic premise is that the foundation of the APDP2 is solid and that it provides critical incentives and a policy framework to help drive investment, innovation, and job creation in the automotive industry, which has enabled South Africa to remain internationally competitive. At present, fierce competition is actually between governments around the world to attract investments in the EV space, and South Africa must act decisively to secure its place in the evolving automotive landscape. However, it is recognised that the NEV transition must be tailormade for a South African context and cannot be a carbon copy of what other countries and regions have done. It remains imperative that policy measures should not only apply to vehicle manufacturing but should also focus on stimulating NEV sales in the domestic market, otherwise most of these vehicles will be imported, which means South Africa could lose the economic contribution the automotive industry makes as the country's largest manufacturing sector. Opportunities are also available to South Africa in the beneficiation of minerals used in NEV components.

South African Automotive Industry's Performance in a Global Context: 2019 - 2024 production data:

Following a sound year-on-year gain of 10,2% in 2023, global vehicle production consolidated in 2024, decreasing by 1,0% to reach 92,5 million vehicles, down from the 93,5 million units produced in 2023. Available first quarter 2025 global vehicle production figures reflect a 5,9% increase compared to the corresponding quarter 2024. Global new vehicle sales reflected modest growth in 2024, increasing by 2,7% to 95,3 million units, up from 92,9 million units sold in 2023, supported by record EV sales, surging by 25,7% to 17,1 million units, up from 13,6 million units in 2023.

The following table reflects SA's share of global vehicle production for 2019 to 2024 [in millions].

	2019	2020	2021	2022	2023	2024	% change 2024 / 2023
Global Production	92.18	77.71	80.21	84.83	93.45	92.50	-1.0%
South Africa Production	0.63	0.45	0.50	0.56	0.63	0.60	-5.2%
SA Share: Global Production	0.69%	0.58%	0.62%	0.65%	0.67%	0.65%	-3.0%

South African vehicle production decreased by 5,2%, from 632,362 units in 2023 to 599,754 units in 2024, exceeding the global year-on-year decrease in global vehicle production of 1,0% in 2024.

South Africa's global vehicle production market share thus decreased from 0,67% in 2023 to 0,65% in 2024, although its global vehicle production ranking improved from 22nd to 21st in view of the poorer performance by Italy dropping below South Africa in 2024. In terms of global LCV production, the country was ranked 15th, with a market share of 1,05%. South Africa remained the dominant market on the African continent, and accounted for 599 754 vehicles, or 50,9% of the total African vehicle production of 1 177 400 vehicles in 2024.

Second quarter 2025 domestic vehicle production reflected a decrease of 3,9% compared to the corresponding quarter 2024. Sales of domestically manufactured passenger cars by the seven manufacturing OEMs decreased by 8,4% during the second quarter 2025 compared to the corresponding quarter 2024 and along with lower export volumes negatively impacted domestic vehicle production. This could partly be attributed to two major OEMs experiencing scheduled shutdowns of three weeks and four weeks, respectively, during the quarter, relating to new passenger car model preparations and introductions. Higher LCV (bakkie) production was supported by new model introductions while decreasing interest rates, a benign inflation backdrop, and improved credit access supported some of the commercial vehicle segments.

The following table reflects South Africa's domestic vehicle production for 2019 to 2025 Q2.

	2020	2021	2022	2023	2024	2024 Q2	2025 Q2	% change Q2:2025/ Q2:2024
Passenger Cars	237,214	239,266	309,423	336,012	350,384	94,931	74,090	-22.0%
LCVs	185,691	232,166	215,472	262,646	217,562	47,095	61,891	+31.4%
MCVs	6,874	7,643	8,478	8,362	7,778	1,644	1,907	+16.0%
HCVs	4,208	5,151	6,269	5,719	5,653	1,267	1,689	+33.3%

	2020	2021	2022	2023	2024	2024 Q2	2025 Q2	% change Q2:2025/ Q2:2024
XHCVs	11,484	14,175	15,498	18,841	17,382	4,435	3,952	-10.9%
Buses	745	685	745	782	995	273	207	-24.2%
TOTAL	**446,216**	**449,086**	**555,885**	**632,362**	**599,754**	**149,645**	**143,736**	**-3.9%**

South Africa had a vehicle parc [number of registered vehicles] of 13,36 million at the end of 2024, of which 7,95 million, or 59,5%, comprised passenger cars.

Vehicle exports decreased in 2024 for the first time since the COVID-19 affected 2020, to 390 844 units, down by 8 965 units, or 2,2% compared to the record performance of 2023, when the industry exported 399 809 units. The 390,844 left- and right-hand drive vehicles, comprising a massive 68,7% of light domestic vehicle production, were exported to 109 countries around the world in 2024. The domestic automotive sector has embraced the specific trade deals that South Africa has concluded over the past three decades, opening certain markets in Europe, the UK and Africa, among others. Via the EPAs with the EU and the UK, the region dominated exports and accounted for a substantial 75,7%, or three out of every four vehicles exported in 2024, with 52,1% of light vehicle production destined for the region.

The South Africa's automotive industry has long depended on a thriving export engine to sustain production volumes and attract investment. However, the trade policy shifts at present, particularly from the United States, pose a real challenge to that model. The domestic automotive industry's response, however, must be strategic in aiming to diversifying markets further, expanding regional trade, and continuing to advocate for fair and rules-based global trade systems. South Africa's automotive industry is a pivotal component of its economy, with exports imperative to obtain higher production volumes and economies of scale benefits.

In view of the inevitable transition toward EVs in major export regions, it is imperative for South Africa to accelerate the implementation of NEV-friendly policies or risk losing its edge in the global automotive manufacturing sector. Progressive automotive policy and flexibility to include alternative vehicle technologies in its policy framework, such as hybrids and plug-in hybrids, as well as demand-side support for consumers to stimulate NEV sales, remain highly relevant in futureproofing South Africa's vehicle production base to ensure that the country remains part of the global supply chain.

Industry export performance by major region - 2019 to 2025 Q2

	2020	2021	2022	2023	2024	Q2:2024	Q2:2025	% change Q2:2025/ Q2:2024
Europe	197,355	229,672	255,709	301,639	295,762	76,619	79,588	+3.9%

	2020	2021	2022	2023	2024	Q2:2024	Q2:2025	% change Q2:2025/ Q2:2024
North America	9,463	7,981	21,684	20,910	25,554	9,574	1,562	-82.7%
Asia	29,440	24,170	35,154	35,015	29,265	6,796	4,638	-31.8%
Africa	17,127	21,994	22,769	25,596	25,916	5,895	7,792	+32.2%
Australasia	13,698	10,620	12,389	12,483	10,875	3,177	4,199	+32.2%
Central America	3,156	3,045	2,759	2,952	2,593	695	1,429	+105.6%
South America	1,188	706	1,527	1,214	879	304	159	-47.7%
TOTAL	**271,427**	**298,188**	**351,991**	**399,809**	**390,844**	**103,060**	**99,367**	**-3.6%**

Vehicle exports decreased by 3,6% in the second quarter 2025 compared to the corresponding quarter 2024 due to a notable decrease in exports to North America, in particular the US market. On 3 April 2025 US President Trump announced sweeping tariff hikes, notably under the revived Section 232 trade measures, of 25% on vehicles and parts exported to the US. South Africa's vehicle exports to the US previously enjoyed tariff-free access under AGOA and the sudden imposition of these duties significantly alters market access conditions. South Africa's as well as all other markets' automotive exports to the US will now face material cost disadvantages, raising concerns about pricing competitiveness and profitability for multinational OEMs operating domestically. The Eastern Cape that led with vehicle production and exports in 2024 already saw a noticeable decrease in passenger car production and exports during the second quarter 2025, amounting to 29,7% and 31,9%, respectively, compared to the corresponding quarter 2024. The economic ecosystem around CKD manufacturing goes beyond the direct impact on component suppliers, also extending to areas such as logistics, tourism, hospitality, real estate, and personal services, amongst others, all benefitting from the ripple effects of a strong domestic manufacturing base.

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. 2nd Quarter 2025 vs 2nd Quarter 2024

PERFORMANCE INDICATOR	UP	SAME	DOWN
Domestic new vehicle sales	54%	23%	23%
Vehicle export sales	15%	46%	39%
Vehicle production volumes	36%	46%	18%

PERFORMANCE INDICATOR	UP	SAME	DOWN
Vehicle import volumes	46%	39%	15%
Employment - vehicle manufacturing	28%	36%	36%
Capacity utilisation	25%	25%	50%
Investment expenditure	33%	50%	17%
General new vehicle business conditions	46%	15%	39%

The sentiments expressed by the CEOs of **naamsa** during the second quarter of 2025 reflect a narrative marked by domestic and international economic uncertainty. The National Budget had been caught up in political wrangling for months and had to be reworked twice because of disagreements in the Government of National Unity (GNU) over plans to raise value-added tax (VAT) while a DA deputy minister was also dismissed during the quarter, further raising tensions. However, parliament managed to pass the budget's fiscal framework and revenue proposals during the quarter, removing a key pillar of uncertainty for investors in Africa's biggest economy. The National Energy Regulator of South Africa (NERSA) has also once again approved an electricity tariff increase for Eskom of an average 12,7% for the 2025/26 financial year, well above inflation, adding to cost pressures in the economy. However, with inflation continuing to ease to levels below or at the SARB’s 3%-6% target range during the quarter, the SARB's decision to lower interest rates by a further 25 basis points on 30 May was timely for the macro-economic environment to become more conducive to supporting consumer spending and business investment. Manufacturing and Importer CEOs experienced mixed fortunes but those offering affordable models were more positive about the KPIs and general business conditions during the quarter.

8.2. **Next 6-months**

PERFORMANCE INDICATOR	UP	SAME	DOWN
Domestic new vehicle sales	50%	25%	25%
Vehicle export sales	25%	50%	25%
Vehicle production volumes	46%	36%	18%
Vehicle import volumes	34%	33%	33%
Employment - vehicle manufacturing	36%	28%	36%
Capacity utilisation	42%	16%	42%
Investment expenditure	42%	42%	16%
General new vehicle business conditions	46%	27%	27%

The CEOs of **naamsa** continue to remain cautious about the business environment and the industry’s key performance indicators over the next six months as they envisage for the automotive industry to navigate a more complex environment. Global economic conditions remain uncertain in view of the US protectionist policies and impact on South Africa and its key trading partners. Consequently, this has caused the SARB to revise South Africa’s 2025 growth forecast down to 0,9% for 2025 following a much-improved initial forecast of 1,7% in January 2025. This year also marks a critical juncture for the domestic automotive sector as it prepares to sit down with government for the review of the South African Automotive Masterplan 2035 (SAAM 2035) and the Automotive Production and Development Programme Phase 2 (APDP2). The review will aim to align government policy with shifting global market dynamics, and to reset performance goals in light of emerging domestic and export challenges. While domestic new vehicle sales are likely to remain robust in the near term, mainly supported by an influx of new entrants with affordable models, the industry will need to closely monitor and navigate the current unpredictable climate.

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

The sustained performance in domestic new vehicle sales during the quarter reinforced the importance of macro-economic alignment, particularly between monetary and industrial policy, and underscored the agility of South Africa's automotive ecosystem in adapting to volatile global conditions. The first half of 2025 has shown just how resilient and responsive the domestic market truly is. Strong consumer demand, supported by positive economic fundamentals, has assisted the industry delivering impressive growth amid global turbulence. A further interest rate cut of 25 basis points during the quarter as well as inflation well contained have contributed to a more favourable economic environment for new vehicle sales. The market was notably supported by a rapid rise of imported models, reflecting a shift in buyer preferences toward affordable, high-specification models. The trend is expected to intensify as more brands enter the domestic market. While the automotive sector closes the first half of 2025 on solid footing, the second half of 2025 will see the industry navigating a more complex environment.

Although vehicle exports reflected a decrease during the quarter compared to the corresponding quarter 2024, vehicle exports were still 3,3% ahead for the first half of the year compared to the corresponding period 2024. However, the US tariff uncertainty is creating a very difficult environment for businesses and could hinder competitive strategies, delay capital investments, distort long-term planning and increase short-term operational volatility. Global economic growth is expected to be significantly and immediately curtailed as a result of the tariffs, causing competitive distortions and market dislocations elsewhere. For South Africa the primary impact relates to the loss of around 25 000 vehicles per annum to the US, but the secondary impact of increased competition for the bulk of vehicle exports to other markets could potentially pose an even bigger risk as every other country is in a similar position and will be pursuing alternative exports markets.

As **naamsa** celebrates its 90th anniversary in 2025, the industry reflects on its journey as one of South Africa's most successful industrial stories. From its earliest manufacturing milestones to its evolution into a globally integrated export base, the sector has remained a key driver of industrialisation, job creation, and technological advancement. Looking ahead, the sector now turns with intent to the 2025 SA Auto Week, set to take place from 1 to 3 October in the Eastern Cape. Under the theme, "Reimagining the Future, TOGETHER: Cultivating Inclusive Growth and Shared Prosperity," the event will provide a vital platform for global engagement, investment mobilisation, and public-private co-ordination, bringing together international and local stakeholders to chart a renewed path for investment, innovation, and industrial resilience in the decade ahead.

FUEL FOR THOUGHT FLASH

In 2024, the US was the South African automotive industry’s second largest single country trading partner with total trade reaching a value of R50,75 billion, consisting of R28,67 billion of vehicle and automotive component exports and R22,08 billion of vehicle and automotive component imports.

The standard attached schedule reflects updated industry sales, production, export and import numbers. Projections include forecasts for 2025 and 2026.

Kind regards,

18/08/2025

Tshetlhe LITHEKO
Acting Chief Executive Officer
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