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Thursday, November 12, 2026

REPRESENTATIVES AT GENERAL MEETINGS
RECIPIENTS OF naamsa MEDIA RELEASES

RE: QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW MOTOR VEHICLE MANUFACTURING INDUSTRY / AUTOMOTIVE SECTOR: 3RD QUARTER 2026

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 2026, as submitted to the Minister, Department of Trade, Industry and Competition [**the dtic**].

Industry vehicle sales, export, and import statistics for 2017 through 2025, together with current projections for 2026 and 2027, are reflected in the attachment to the submission.

KEY FEATURES: THIRD QUARTER 2026

- Aggregate new vehicle sales during the third quarter 2026 recorded an increase of 11,9% compared to the corresponding quarter 2025 and an increase of 15,7% compared to the second quarter 2026;
- Third quarter 2026 aggregate industry employment as at 30th September 2026 totalled 31,362 reflecting a decrease of 313 jobs compared to the 31,675 industry headcount as at the end of June 2026;
- Average industry capacity utilisation levels during the third quarter 2026 should be viewed against the backdrop of fluctuating market demand and export order volumes, which continue to shape capacity utilisation and overall manufacturing output;
- New energy vehicle [NEV] sales by 30 industry brands increased by 92,3% from 4,783 units in the third quarter 2025 to 9,196 units in the third quarter 2026;
- Aggregate capital expenditure by the major light vehicle manufacturers in 2025 amounted to R7,2 billion, linked to new generation model investments;
- South Africa's global vehicle production market share decreased from 0,65% in 2024 to 0,64% in 2025, while its global vehicle production ranking remained at 21st;
- Third quarter 2026 domestic vehicle production contracted by 9,1% compared to the corresponding quarter in 2025 and highlights the important divergence between domestic retail demand and export-oriented manufacturing activity;
- Vehicle exports decreased by 13,9% in the third quarter of 2026 compared to the corresponding quarter of 2025 due to decreasing exports to most major regions; 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 of 2026 compared to the third quarter of 2025, as well as automotive business conditions and the country's economy in general for the next 6 months.

naamsa NPC, trading as The Automotive Business Council
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THE AUTOMOTIVE BUSINESS COUNCIL

Monday, November 16, 2026

Minister Parks TAU
Minister of Trade, Industry and Competition
Department of Trade, Industry and Competition
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0001

RE: QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW MOTOR VEHICLE MANUFACTURING INDUSTRY / AUTOMOTIVE SECTOR: 3RD QUARTER 2026

Dear Minister TAU

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 2026.

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 2026 may be set out as follows:

PERIOD	INDUSTRY TOTAL
Last pay week July 2026	31,405
Last pay week August 2026	31,369
Last pay week September 2026	31,362

Industry employment levels and trends reflect employees on the payroll of vehicle manufacturers. Aggregate industry employment as at 30th June 2026 totalled 31,362 reflecting a decrease of 313 jobs compared to the 31,675 industry headcount at the end of June 2026.

The average monthly vehicle manufacturing industry employment number for 2025 was 32,115 compared to 33,154 in 2024. Employment in the vehicle manufacturing industry is generally linked to production, and the decrease in employment in 2025 was mainly related to lower vehicle production volumes at one major OEM moving from three shifts to two shifts at the end of 2024.

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 4, 2023	7,517
End of quarter 4, 2024	7,580
End of quarter 1, 2025	7,575
End of quarter 2, 2025	7,682
End of quarter 3, 2025	7,767
End of quarter 4, 2025	7,903
End of quarter 1, 2026	8,034
End of quarter 2, 2026	8,039
End of quarter 3, 2026	9,953

Aggregate independent vehicle importers employment as at 30th September 2026 totalled a headcount of 9,953, reflecting an increase of 1,914 jobs, compared to the headcount of 8,039 as at the end of June 2026. The increase could be attributed to new entrants starting to report employment data at their head offices and dealerships during the quarter.

Capital expenditure reported on an annual basis by the independent vehicle importers, at their head offices and dedicated dealerships, amounted to R18,1 million in 2025.

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
2025	R18,1 mil

The employment and capital expenditure data collection serves as important reference points, mainly to discern trends in the independent vehicle importers' landscape. As more new vehicle market entrants start to report data, the trends will become more pronounced.

2. NUMBER OF SHIFTS

Various OEMs are operating 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 one OEM on a single-shift basis.

3. AVAILABILITY AND PRICE TRENDS OF COMPONENTS AND RAW MATERIALS

3.1. Imported components and raw materials

Reported that equipment breakdowns and the transition to a new operating system, amongst others, at the Durban Gateway Terminal (DGT) contributed to ongoing berthing delays of containers of up to 25 days, making vessel arrival and berthing schedules unpredictable, resulting in production shift cancellations and production losses. Also reported that unprecedented power outages in Tshwane following a fire at a substation, during the quarter, resulted in unrecoverable production and financial losses, highlighting the challenges of protracted infrastructure development and resultant increases in the cost of doing business in the country. 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

Reported that port congestion along with equipment breakdowns and the transition to a new operating system, amongst others, at the Durban Gateway Terminal (DGT) contributed to ongoing berthing delays of containers of up to 25 days, resulting in production losses and the need to airfreight critical parts to mitigate supply risks. Raw material pricing trends remain a function of exchange rate movements and the global price index.

4. UTILISATION OF PRODUCTION CAPACITY: 2022 - 2026 Q3

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

	Year 2022	Year 2023	Year 2024	Year 2025	Q1 2026	Q2 2026	Q2 2026	Q3 2026 Range [High]	[Low]
Cars	75.5%	92.8%	90.4%	86.6%	78.6%	87.2%	89.9%	99.0%	66.7%
Light Commercials	65.2%	77.9%	74.4%	71.3%	74.3%	76.4%	83.7%	100%	60.0%
Medium Commercials	69.1%	58.5%	39.4%	45.5%	60.0%	86.0%	63.3%	99.0%	43.0%
Heavy Commercials	83.8%	79.6%	81.1%	77.6%	77.5%	88.5%	83.7%	100%	52.0%

Average industry capacity utilisation levels during the third quarter of 2026 should be viewed against the backdrop of fluctuating market demand and export order volumes, which continue to shape capacity utilisation and overall manufacturing output. The performance of the different OEMs in the different segments remained uneven during the quarter as determined by their respective business models and balance of trade.

5. VEHICLE MANUFACTURING INDUSTRY CAPITAL EXPENDITURE: 2019 - 2025

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 2025, in Rand millions, are as follows:

CAPITAL EXPENDITURE	2019	2020	2021	2022	2023	2024	2025
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	6, 264.7
Land and Buildings	234.5	1,558.1	3,641.4	203.8	215.3	312.2	410.3
Support Infrastructure [I.T., R&D, Technical, etc.]	334.0	377.4	248.5	464.6	561.6	300.2	512.5
TOTAL	**7,274.3**	**9,231.7**	**8,800.7**	**7,112.3**	**5,170.2**	**7,297.9**	**7,187.5**

Capital expenditure amounted to R7,2 billion in 2025 [excluding Mercedes-Benz SA]. The continued high levels of 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 plug-in hybrid models in the domestic market over recent years, with four of the OEMs that have already invested in these models.

6. TRANSFORMATION POWERS AHEAD: INDUSTRY POURS BILLIONS INTO A MORE INCLUSIVE FUTURE

A new generation of talent on the move.

Transformation is no longer just a pillar of the industry but a driving force. Domestic manufacturing OEMs were surveyed on their contribution, and the results are striking. Together they poured over R2 billion into enterprise and supplier development as well as skills development during the 2025/2026 financial year, and that is before counting EEIP contributions, which are excluded from this figure.

Focus Area	2025/2026 Figure	Note
Enterprise & supplier development and skills development	**Over R2 billion**	Excludes EEIP contributions
YES programme stipends and salaries	**Over R205m**	Young people entering the sector
Procurement from majority black-owned businesses	**Over R40 billion**	Goods and services
Procurement from black women-owned businesses	**R15 billion**	Part of the R40 billion

The impact goes even further. Through the YES programme, the automotive industry is opening the door to a new generation, with more than R205 million paid out in stipends and salaries to young people in the 2025/2026 financial year.

The buying power is just as remarkable. Over R40 billion was spent on procurement with majority black-owned businesses in the same period, and R15 billion of that went to black women-owned businesses.

The message is clear: the industry is backing black-owned enterprises across its supply chains and building real pathways for black talent to enter and thrive in the automotive sector.

7. BUSINESS CONDITIONS, PERFORMANCE INDICATORS AND COMMENT

Business Conditions: Third Quarter: 2026

2026 third-quarter aggregate industry new passenger car sales at 126,363 units recorded an increase of 14,447 units, or a gain of 12,9% compared to the 111,916 new passenger cars sold during the corresponding quarter of 2025. Aggregate industry commercial vehicle sales during the third quarter of 2026, at 50,766 units, recorded an increase of 4,458 units, or a gain of 9,6% compared to the 46,308 units sold during the third quarter of 2026.

Industry domestic sales growth: Direction and extent of change [previous and corresponding quarter's percentage changes are reflected in brackets]				
	Qtr. ended 30 September 2026 compared with previous Qtr. ended 30 June 2026		Qtr. ended 30 September 2026 compared with corresponding Qtr. ended 30 September 2025	
Passenger Cars	+15.7%	[-4.6%]	+12.9%	[+15.8%]
Light Commercial vehicles	+18.0%	[-11.0%]	+10.3%	[+6.9%]
Medium Commercial vehicles	+13.4%	[-0.6%]	+5.7%	[+6.0%]
Heavy Commercial vehicles	+14.2%	[-0.7%]	+10.4%	[+10.4%]
Extra Heavy Commercials	+0.2%	[+21.7%]	+9.4%	[+15.6%]
Buses	-8.7%	[+8.4%]	-45.2%	[+6.7%]

Aggregate new vehicle sales during the third quarter of 2026 recorded an increase of 11,9% compared to the corresponding quarter in 2025 and an increase of 15,7% compared to the second quarter of 2026. The new light vehicle market continued to be supported by the growing influx of imports, increasing by 17,2% in the third quarter of 2026 compared to the corresponding quarter of 2025. Sales of domestically manufactured light vehicles increased by 1,5% in the third quarter of 2026 compared to the third quarter of 2025. The improved sales performance in the heavy commercial vehicle segments during the quarter reflects higher business investment in fleet replacement and higher freight activity, and remains encouraging as it is an indicator of increased business activity in the economy.

New energy vehicle [NEV] sales by 30 industry brands increased by 92,3% from 4,783 units in the third quarter 2025 to 9,196 units in the third quarter 2026, following a 134,3% increase during the second quarter 2026 compared to the second quarter 2025. For the first nine months of the year, NEV sales of 22,389 units now comprised 4,5% of total new vehicle sales compared to 2,7% during the corresponding period in 2025 and already eclipsed the full year 2025 total of 16,703 units. It should be noted that the NEV sales performance in 2026 was supported by new entrants starting to report new vehicle sales data to **naamsa**/Lightstone Auto. For the full year 2025, NEV sales increased by 7,1% to 16,716 units compared to the 15,611 units in 2024.

The following table reveals the diversity of drivetrain sales in the South African NEV landscape from 2020 through to 2026 Q3

	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Q3:2025	Q3:2026
Traditional hybrid	155	627	4,070	6,485	13,616	12,818	3,555	4,423
Plug-in hybrid	77	51	122	368	738	2,810	996	3,459
Electric	92	218	502	929	1,257	1,088	232	1,314
Total NEVs	**324**	**896**	**4,694**	**7,782**	**15,611**	**16,716**	**4,783**	**9,196**

South Africa's NEV market is entering an important phase of accelerated growth, with electrification increasingly becoming a defining feature of the country's automotive industry's future. What was previously a relatively small and predominantly premium vehicle market is evolving into a broader market offering, encompassing conventional hybrids, plug-in hybrid electric vehicles [PHEVs] and battery electric vehicles [BEVs]. This transition reflects changing consumer preferences, technological developments, growing environmental considerations, rising fuel costs and the increasing availability of alternative powertrain technologies. Beyond passenger cars, green mobility is progressively extending into commercial vehicle segments, with early-stage adoption taking root across light and medium commercial vehicle segments. While these commercial vehicle volumes remain nascent, their emergence signals a vital broadening of South Africa's low-carbon transition from private commuting into commercial logistics and fleet operations. Sustaining this momentum requires aligning policy frameworks, expanding charging infrastructure, and

accelerating domestic manufacturing to convert growing domestic demand into localised industrial investment, employment, and long-term export competitiveness.

The South African government's policy response is particularly important because the inevitable transition to NEVs is not simply about introducing more electric vehicles into the domestic market. It is about transforming the country's automotive manufacturing capabilities, attracting new investment, developing domestic supply chains, protecting employment and ensuring that South Africa remains a competitive participant in the rapidly changing global automotive value chain. The 150% investment tax allowance for qualifying electric and hydrogen vehicle production introduced in March 2026 provides an important policy instrument. Nevertheless, further alignment of the APDP2, AIS and SAAM 2035 will be necessary to attract the next generation of automotive investments. The implementation of the SAAM 2035 and APDP2 review, therefore, remains imperative to provide a necessary roadmap for NEV production and domestic market growth while realigning the incentive framework to reflect changes in OEM capacity, driven by geopolitical factors. It is duly recognised that the decisions taken now will be instrumental in determining whether the country successfully secures its place in the next generation of global automotive value chains.

South African Automotive Industry's Performance in a Global Context: 2020 - 2025 production data:
Following a year-on-year gain of 0,9% in 2024, global vehicle production increased by 3,5% in 2025 to reach 96,4 million vehicles, up from the 92,7 million units produced in 2024. For the first half of 2026, global vehicle production, at 45,9 million units, remained constrained, rising by only 0,5% compared to the 45,7 million units produced during the first half of 2025

The following table reflects South Africa's share of global vehicle production for 2020 to 2025 [in millions]

	2020	2021	2022	2023	2024	2025	% change 2025 / 2024
Global Production	77.71	80.21	84.83	93.45	92.72	96.38	+3.5%
South Africa Production	0.45	0.50	0.56	0.63	0.60	0.62	+2.9%
SA Share: Global Production	0.58%	0.62%	0.65%	0.67%	0.65%	0.64%	-1.5%

Despite its established manufacturing capabilities, internationally recognised OEMs, sophisticated component supply chains and strong export orientation, South Africa remains a relatively small-scale global vehicle manufacturing country, with annual production volumes below one million vehicles. Producing 618,077 vehicles in 2025 and ranked 21st globally, the country remained within the second tier of international vehicle manufacturing economies. This positioning underscores the urgency of accelerating production volumes, deepening localisation, attracting new model and technology investments, and improving economies of scale. The transition towards NEVs presents both a significant opportunity and a competitive imperative. It should be noted that in terms of global LCV production, South Africa was ranked 15th, with a market share of 1,2% in 2025. The country also remains a major vehicle manufacturing and export hub for Africa and accounted for 50,3% of the total African vehicle production of 1,23 million vehicles in 2025, but needs greater scale to compete more effectively with the world's leading vehicle production economies.

Third quarter 2026 domestic vehicle production contracted by 9,1% compared to the corresponding quarter in 2025 and highlights the important divergence between domestic retail demand and export-oriented manufacturing activity. Although domestic sales volumes are growing, light vehicle production is decreasing as manufacturing capacity and production schedules remain closely linked to international demand. Production volumes in the heavy commercial vehicle segments benefited from increased business activity and higher export volumes.

The following table reflects South Africa's domestic vehicle production for 2020 to 2026 Q3

	2020	2021	2022	2023	2024	2025	2025 Q3	2026 Q3
Passenger Cars	237,214	239,266	309,423	336,012	350,384	327,990	91,144	85,666
LCVs	185,691	232,166	215,472	262,646	217,562	255,807	70,952	60,170
MCVs	6,874	7,643	8,478	8,362	7,778	8,296	2,204	2,365
HCVs	4,208	5,151	6,269	5,719	5,653	6,767	1,907	2,143
XHCVs	11,484	14,175	15,498	18,841	17,799	16,597	4,461	5,112
Buses	745	685	745	782	995	1,009	355	204
TOTAL	**446,216**	**449,086**	**555,885**	**632,362**	**600,171**	**616,466**	**171,227**	**155,660**

At the end of 2025, South Africa had a vehicle parc (number of registered vehicles) of 13,68 million, of which 8,18 million, or 59,8%, comprised passenger cars. Car ownership can have a profound impact on society, the economy, and individuals, from social dynamics and economic growth to personal freedom and lifestyle choices.

In 2025, vehicle exports increased to a record 414,271 units, up 5,9% compared to the 391,128 units exported in 2024 and remain one of the most important pillars of South Africa's automotive industry. The 414,271 left- and right-hand drive vehicles, comprising a substantial 70,5% of light domestic vehicle production, were exported to 109 countries around the world in 2025.

The South African industry has developed a strong export-oriented manufacturing platform, supplying vehicles to numerous international markets, particularly the European Union, the United Kingdom and African destinations. Via the EPAs with the EU and the UK, the region dominated and accounted for a substantial 80,3%, or four out of every five vehicles exported in 2025, with 56,8% of light vehicle production destined for the region. Vehicle exports are essential to achieving economies of scale, sustaining manufacturing capacity, supporting employment and justifying substantial capital investments by OEMs and component manufacturers. Strengthening export competitiveness must, therefore, remain a strategic priority for government and industry. This requires a concerted focus on securing market access, diversifying export destinations, improving port and rail efficiency, accelerating industrial competitiveness, attracting new model allocations and leveraging the opportunities presented by AfCFTA. Ultimately, South Africa's ability to grow its automotive

manufacturing footprint and achieve the ambitions of SAAM 2035 will depend substantially on its capacity to sustain and expand its international export markets.

Industry export performance by major region - 2020 to 2026 Q3

	2020	2021	2022	2023	2024	2025	Q3:2025	Q3:2026
Europe	197,355	229,672	255,709	301,639	295,762	332,695	91,951	78,770
North America	9,463	7,981	21,684	20,910	25,554	6,530	1,002	3,299
Asia	29,440	24,170	35,154	35,015	29,265	19,827	5,674	3,439
Africa	17,127	21,994	22,769	25,596	26,200	35,728	11,524	9,994
Australasia	13,698	10,620	12,389	12,483	10,875	13,104	3,562	2,523
Central America	3,156	3,045	2,759	2,952	2,593	5,816	1,883	1,080
South America	1,188	706	1,527	1,214	879	568	133	492
TOTAL	**271,427**	**298,188**	**351,991**	**399,809**	**391,128**	**414,268**	**115,729**	**99,597**

Vehicle exports decreased by 13,9% in the third quarter of 2026 compared to the corresponding quarter in 2025 due to decreasing exports to most major regions. Vehicle exports to North America remained affected by the Section 232 protectionist automotive tariff imposed by the US in 2025 and South Africa's AGOA eligibility, but exports to Canada, a new export destination, continued to increase during the quarter. Overall, for the first nine months of 2026 compared to the corresponding period in 2025, vehicle exports were down by 10,0% following eight consecutive months of decline since February 2026. Although passenger car exports increased by 0,9% for the first nine months of 2026 compared to the same period in 2025, the pressure on light commercial vehicle exports has been especially pronounced, decreasing by 29,9% over the same period, highlighting the vulnerability of individual vehicle segments to model transitions and changing international market dynamics. Heavy commercial vehicle exports continued to benefit from improved regional market demand.

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. Quarter 3 of 2026 vs Quarter 3 of 2025

PERFORMANCE INDICATOR	UP	SAME	DOWN
Domestic new vehicle sales	67%	0%	33%
Vehicle export sales	25%	25%	50%
Vehicle production volumes	25%	25%	50%
Vehicle import volumes	78%	22%	0%
Employment - vehicle manufacturing	0%	78%	22%
Capacity utilisation	22%	67%	11%
Investment expenditure	22%	56%	22%
General new vehicle business conditions	22%	45%	33%
Index	**33%**	**40%**	**27%**

As an important qualitative assessment of business conditions across South Africa's automotive industry, the sentiments of the CEOs expressed during the third quarter of 2026 reflect a mixed but generally weaker operating environment compared with the corresponding quarter in 2025, highlighting the divergence between resilient domestic new vehicle sales and mounting pressure on domestic manufacturing and the industry's export performance. The South African economic environment during the quarter remained characterised by renewed pressure on economic growth, business confidence and operating costs. While inflation remained relatively contained, increasing from 4,3% in July to 4,5% in September, renewed fuel price pressures prompted the South African Reserve Bank (SARB) to increase the repo rate by 25 basis points to 7,25% in September 2026, reversing the prospect of further monetary policy easing in the near term. Municipal electricity tariffs also increased by an average of approximately 9% from July 2026. Of particular concern was the contraction of 0,2% in GDP during the second quarter, resulting in a downward revision by the SARB of the full-year 2026 economic growth forecast to 1,2%. The sentiments expressed varied across the various light vehicle OEMs and independent importers, as well as across the heavy commercial vehicle OEMs. However, the central message for the domestic automotive industry is that South Africa entered the final quarter of 2026 with an improving domestic vehicle market but a more challenging macro-economic and international manufacturing environment.

8.2. Next 6 months

PERFORMANCE INDICATOR	UP	SAME	DOWN
Domestic new vehicle sales	56%	33%	11%
Vehicle export sales	25%	38%	37%
Vehicle production volumes	25%	50%	25%
Vehicle import volumes	70%	20%	10%
Employment - vehicle manufacturing	0%	78%	22%
Capacity utilisation	22%	67%	11%
Investment expenditure	11%	67%	22%
General new vehicle business conditions	22%	67%	11%

Index	**29%**	**53%**	**18%**

The sentiments and expectations of the CEOs of the **naamsa** companies for the next six months are characterised by cautious optimism regarding domestic new vehicle sales, but uncertainty linked to the looming municipal elections and subdued confidence in manufacturing, exports, investment and overall business conditions. The sustainability of domestic market growth will depend on consumer affordability, economic recovery, financing conditions and the ability of the manufacturing and retailing OEMs to respond to increasingly competitive market dynamics. Conversely, vehicle production and exports are likely to remain under pressure from subdued international demand, geopolitical uncertainty, changing global trade policies and intensifying competition between vehicle manufacturing economies. Investment sentiment will be particularly sensitive to the pace and outcome of the SAAM 2035 and APDP2 policy review, as well as the government's ability to provide a predictable, competitive and progressive automotive policy environment. The overriding message is one of cautious optimism tempered by the recognition that South Africa's automotive industry needs decisive policy interventions, stronger international competitiveness and renewed investment momentum, in particular the NEV segment, to secure sustainable future growth.

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

The upward momentum in the new vehicle market continued during the third quarter of 2026, but the contrast between the domestic new vehicle market performance and vehicle manufacturing activity was particularly noteworthy. Stronger new vehicle sales did not translate into corresponding growth in domestic vehicle production, reflecting the industry's significant dependence on export markets. The operating environment was further complicated by the contraction in South African GDP by 0,2% during the second quarter of 2026, renewed fuel price pressures, the September 2026 interest rate increase and continued uncertainty regarding the global economic outlook. The global transition towards EVs, changing international trade relationships, increased competition from emerging manufacturing economies and the realignment of global automotive supply chains will have far-reaching implications for South Africa's future automotive positioning. At the same time, domestic economic growth, consumer affordability, electricity costs, logistics efficiency and policy certainty will remain critical determinants of investment as well as consumer and business confidence. The successful implementation and recalibration of the SAAM 2035 and APDP2 will, therefore, be particularly important. Ultimately, the strategic imperative is to translate the resilience of the domestic market and the country's established automotive industrial capabilities into increased production volumes, new investment, expanding exports, greater local value addition and sustainable employment.

The vehicle export performance during the third quarter of 2026 remained disappointing, reflecting an increasingly challenging international trading environment characterised by geopolitical uncertainty, protectionist trade measures, subdued demand in key export markets, intensifying global competition and persistent domestic logistics constraints. In a recent Catalytic Paper study, “Stress Testing South Africa’s Automotive Export Market Resilience”, commissioned by **naamsa**, the research revealed that South Africa’s automotive export model is entering a period in which preferential tariffs must be reinforced by regulatory readiness, cleaner production, competitive infrastructure and a credible NEV pathway. The EU and UK will remain indispensable through 2035, and their tariff preferences continue to provide an advantage over non-FTA exporters to the region. The greater risk is that South Africa retains formal access while losing model relevance, carbon competitiveness and allocation priority. A successful response must, therefore, defend current European revenue, adapt the product mix through hybrids and plug-in hybrids, and transform the capability base for battery-electric vehicle production and African growth. These actions must run in

parallel. Delay would allow infrastructure weakness, policy uncertainty and the ICE-heavy export mix to compound, while a co-ordinated execution would preserve the industry's export platform while creating the basis for its next phase of growth.

FUEL FOR THOUGHT FLASH

South African automotive trade under the APDP2, amounting to a substantial R546,7 billion in 2025, comprised 15,3% of South Africa's total trade GDP.

The attached schedule reflects updated industry sales, production, export and import numbers. Projections include forecasts for 2026 and 2027.

Kind Regards



Dr Mncane MTHUNZI
Chief Executive Officer
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