



NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SOUTH AFRICA

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28th February, 2018

**REPRESENTATIVES AT GENERAL MEETINGS
RECIPIENTS OF NAAMSA MEDIA RELEASES**

Ladies and Gentlemen

**QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW MOTOR VEHICLE MANUFACTURING INDUSTRY /
AUTOMOTIVE SECTOR: 4TH QUARTER 2017**

Attached, for information purposes, is a copy of NAAMSA's quarterly review of business conditions for the South African motor vehicle manufacturing industry, during the fourth quarter of 2017, as submitted to the Director-General, Department of Trade and Industry.

Industry vehicle sales, export and import statistics for 2000 through 2017, together with current projections for 2018, are reflected on the attachment to the submission.

Key features: Fourth Quarter 2017

- **Fourth quarter 2017 industry employment reflected an improvement in headcount of 275**
- **Record aggregate investment by the major vehicle manufacturers in 2017 amounting to R8.17 billion.**
- **Industry capacity utilisation at lower than usual levels due to plant commissioning by one manufacturer and the effect of start-up and run-out models by another manufacturer**
- **Domestic new vehicle sales showed improvement, year on year, whilst export sales were lower**
- **2018 is likely to prove challenging, but holds out promise of modest growth in both domestic and export sales**
- **South Africa's share of global new vehicle production declined to 0.61% in 2017 down from 0.63% in 2016**

NAAMSA OFFICES: PRETORIA



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28th February, 2018

The Director-General: Mr L October
Department of Trade and Industry
Private Bag X84
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Dear Sir

**QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW VEHICLE MANUFACTURING INDUSTRY /
AUTOMOTIVE SECTOR: QUARTER ENDED 31ST DECEMBER, 2017**

NAAMSA submits the following report on business conditions in the South African new motor vehicle manufacturing Industry and the automotive sector during the fourth quarter of 2017.

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 fourth quarter of 2017 may be set out as follows –

	Industry Total
Last pay week October, 2017	29 832
Last pay week November, 2017	29 917
Last pay week December, 2017	29 808

Industry employment levels and trends reflect employees on the payroll of vehicle manufacturers.

Aggregate Industry employment as at 31st December, 2017 totalled 29 808 reflecting an increase of 275 jobs or a gain of 0.93% compared to the 29 533 Industry head count as at the end of September, 2017.

The **average monthly** industry employment number for 2017 was 30 050 (2016: 30 953).

2. NUMBER OF SHIFTS

Various manufacturers operate on a three shift basis as well as multi shifts in selected areas such as machining, press shops, paint shop operations and body shop.

Three manufacturers operate on a three shift basis. Four manufacturers operate double shifts in specific areas.

3. AVAILABILITY AND PRICE TRENDS OF COMPONENTS AND RAW MATERIALS

3.1 COMPONENTS

Imported Components

Prices of imported components were affected by exchange rate movements over the fourth quarter with the Rand strengthening against the US Dollar and weakening against the Euro, GBP, Japanese Yen and Thailand Baht.

Local Components

During the fourth quarter of 2017, the availability and supply of locally produced components, in general terms, remained satisfactory.

Fourth quarter component pricing was a function of producer price inflation.

3.2 RAW MATERIALS

Imported Materials

The availability of imported raw materials, where applicable, remained stable.

Pricing trends remain a function of exchange rate movements. Imported raw material price increases were reported in respect of lead, copper, aluminium and rubber. These were offset to a large extent by exchange rate strength.

Local Materials

Supply and availability remained stable. Local flat steel prices increased during the quarter – no further increase is expected for the first quarter of 2018.

4. UTILISATION OF PRODUCTION CAPACITY: 2011 – 2017

Average motor vehicle assembly Industry capacity utilisation levels, by sector and for the years/quarters indicated, may be illustrated as follows –

	Year 2012	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017	4 th Quarter 2017	4 th Quarter 2017 Range (High) (Low)	
Cars	86.5%	68.0%	67.0%	80.4%	76.0%	78.0%	76.3%	100.0%	35.0%
Light Commercials	87.8%	75.3%	80.5%	80.6%	77.9%	85.3%	76.0%	100.0%	26.0%
Medium Commercials	84.3%	59.8%	85.7%	97.6%	88.5%	82.9%	68.1%	105.0%	25.4%
Heavy Commercials	86.9%	69.3%	80.7%	77.4%	80.0%	69.7%	57.8%	78.0%	25.4%

Capacity utilisation levels, during the fourth quarter, were affected by plant commissioning as well as a result of start-up and run-out of models.

5. VEHICLE MANUFACTURING INDUSTRY CAPITAL EXPENDITURE: 2008 – 2017

NAAMSA reports the industry's aggregate capital expenditure on an annual basis. The aggregated data is based on Capital Expenditure details supplied by the seven major vehicle manufacturers. Details of actual Industry capex for 2008 through 2017, in **Rand millions**, are as follows –

Capital Expenditure	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Product/Local/Content/ Export Investment/ Production Facilities	2 807.7	2 215.9	3 351.1	3 522.7	3 837	3 605	6 092	5 948.5	5 146.1	7 144.6
Land and Buildings	329.1	178.7	441.2	176.4	432	424	478	190.5	905	301.4
Support Infrastructure (I.T., R&D, Technical, etc.)	153.1	74.1	202.4	203.6	409	319	347	464.3	363.5	724.6
Total	3 289.9	2 468.7	3 994.7	3 902.7	4 678	4 348	6 917	6 603.3	6 414.6	8 170.6

2017 data is based on data supplied by the 7 major OEM's

2017 Capital expenditure at R8.7 billion represents a new industry record. The high levels in capital expenditure are due to Investment Projects by manufacturers in terms of the Automotive Production and Development Programme (APDP) and the projected higher levels of production for export markets.

6. BUSINESS CONDITIONS, PERFORMANCE INDICATORS AND COMMENT

Business Conditions: Fourth quarter, 2017

2017 Fourth quarter aggregate Industry new car sales at 94 721 units recorded an improvement of 5 497 units or a gain of 6.2% compared to the 89 224 new cars sold during the corresponding quarter of 2016. Aggregate Industry commercial vehicle sales during the fourth quarter of 2017 at 46 802 units recorded a decrease of 638 units or a fall of 1.3% compared to the 47 440 units sold during the third quarter of 2016.

Industry Domestic Sales Growth: Direction and Extent of Change (previous quarter's percentage changes are reflected in brackets)				
	<u>Qtr ended 31 Dec 2017 compared with previous Qtr ended 30 Sept 2017</u>		<u>Qtr ended 31 Dec 2017 compared with corresponding Qtr ended 31 Dec 2016</u>	
Passenger Cars	-2.0%	(+11.2%)	+6.2%	(-7.2%)
Light Commercial vehicles	-7.1%	(-7.8%)	-1.4%	(+4.7%)
Medium Commercial vehicles	+4.8%	(+0.2%)	-8.0%	(-16.1%)
Heavy Commercial vehicles	-1.9%	(+9.6%)	+1.9%	(-0.1%)

Analysis of the figures indicates the lack of a clear trend in all of the segments.

South Africa's Automotive Industry's Performance in a Global Context: 2000 – 2017 Production data

Global new motor vehicle production in 2017 reached a record of 97 302 534 vehicles (2016: 95 057 929 units). This represents an increase of 2 244 605 vehicles produced or 2.4% compared to the 95.06 million new vehicles produced during 2016. South African vehicle production decreased to 592 145 vehicles in 2017 from 600 008 units produced in 2016 – a fall of 7 863 vehicles or -1.3%.

The following table reflects South Africa's share of Global **New Vehicle Production** (in millions) –

	2000	2010	2011	2012	2013	2014	2015	2016	2017	% change 2017 / 2016
Global Production	58.4	77.61	79.88	84.14	87.27	89.77	90.84	95.06	97.30	+2.4%
South Africa Production	0.357	0.472	0.533	0.547	0.546	0.568	0.617	0.600	0.592	-1.3%
SA Share of Global Production	0.61%	0.61%	0.67%	0.65%	0.63%	0.63%	0.68%	0.63%	0.61%	-3.2%

South Africa's share of global new motor vehicle production in 2017 amounted to 0.61% - above the country's share of global GDP of about 0.42%.

The current global vehicle population exceeds one billion vehicles. South Africa's current vehicle population is around 12.2 million vehicles.

2018 Vehicle production is expected to expand to about 635 000 units

Comment on Industry Export Performance by major region –

Changing Composition of SA Vehicle exports by major regions: 2014 – 2017					
	2014	2015	2016	2017	% change 2017 / 2016
Africa	61 014	41 431	21 509	21 848	1.6%
Europe	116 064	173 883	196 727	190 503	-3.2%
North America	48 136	53 606	52 024	43 393	-16.6%
Asia	34 031	34 929	46 665	52 827	13.2%
Australasia	14 608	22 946	22 735	25 125	10.5%
South America	2 482	6 554	4 750	3 588	-24.5%

Source: NAAMSA, AIEC, SARS, Lightstone Auto

Europe remains the dominant region for South African new vehicle exports. Potential new growth markets include Asia and Australasia. Interestingly, following three years of sharp declines in export sales to African markets – 2017 exports recorded a marginal increase suggesting that demand from the rest of Africa is stabilising at relatively low levels. Exports to North America declined and this trend is expected to continue as exports of the BMW 3-series to the United States come to an end.

Brief Comment on business conditions and the medium term outlook

Recent political developments have resulted in renewed optimism for South Africa and the economy over the medium term and hold out the promise of the beginning of a new, stronger growth path.

On the assumption that South Africa will avoid a further downgrade at the end of the first quarter of 2018, NAAMSA anticipates that economic growth could recover to a level above 1.5% in 2018. This would benefit new vehicle sales in particular which could then expand by between 2% and 4%. New vehicle price inflation, assisted by the stronger Rand, was currently at an annualised rate of around 2.5%, well below the inflation rate, and this, together with continued replacement demand, should serve to support new vehicle sales in the months ahead.

Industry new vehicle exports will remain a function of the performance and direction of global markets. Indications for the global economy are reasonably positive with the latest IMF projections anticipating global growth at around 3.7%. This should benefit vehicle exports to Europe, Australasia and Asia. NAAMSA anticipates that export sales could register modest upward momentum during 2018. At this stage, an increase of about 11% to a total of 366 050 export sales is anticipated for 2018.

The standard attached schedule reflects latest industry sales, production, export and import numbers and a projection for 2018.

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