

SA AUTOMOTIVE MARKET ANALYSIS

naamsa – Absa Vehicle and Asset Finance

BULLETIN | AUGUST 2023



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THE AUTOMOTIVE BUSINESS COUNCIL






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The **naamsa-Absa Vehicle and Asset Finance** quarterly bulletin aims to unpack quarterly trends on vehicle key performance indicators, including new vehicle sales, exports, production and imports, segments, new energy vehicles, and detailed analysis of consumer trends.



INTRODUCTION

The direct economic factors affecting vehicle sales and production include interest rates, unemployment rates, domestic and global Gross Domestic Product [GDP] trends, disposable income, and exchange rates, while at the same time, determining the performance of various other industries linked to the automobile industry, including plastics, steel, aluminium, rubber, and computer chips. In July 2023, the South African Reserve Bank [SARB] paused interest rate hikes at 8,25% after ten consecutive hike rates totalling 475 cumulative basis points since November 2021.

The unchanged rates and improvements in inflation rates bode well for the car market as the second largest household investment cost for many South African consumers, considering the distressed borrowings patterns amongst households as debt service costs share of disposable income remain high at 8,4%, on average. The Producer Price index significantly eased in June 2023 to 4,8%, compared to the 7,3% rate recorded in May 2023. Growing concerns about global stagflation, the economic impact and disruption of supply chains resulting from the protracted geopolitical conflict, and the pace of tighter monetary policy in major markets potentially posing the risk of a potential global recession remain.



Sharon MODIBA

Executive: Economic Policy and
Data Management

More essential than usual, the economic turbulence and global supply chain effects, although still with us, the South African automotive industry continues to display courageous resilience in its market outlook for 2023. The extent of the upswing in the SAs half yearly new vehicle market exceeded expectations, despite ongoing increases in the total cost of ownership, the high production costs, loadshedding, and Transnet inadequacies for exports, among other supply shocks. SA vehicle exports momentum remains upward on the back of further new model introductions by major exporters in the domestic market.

On the new energy vehicle side, globally, one in every seven cars sold during Q1 2023 was an electric vehicle [EV]. New energy vehicles not only have clear benefits, such as being safer and less harmful to the environment, but also present the car industry with an opportunity to innovate and create stronger relationships with its customers than ever before.

In this **naamsa-Absa Vehicle and Asset Finance** 2nd publication for 2023, we analyse the half-yearly automotive Key performance [KPI] trends, which include new vehicle sales, production, exports, imports, the car market channels breakdown, new energy vehicles, as well as the half-yearly consumer trends.

Important: We commemorate the Women's month of August. The automotive industry strategic objective under the South African Automotive Masterplan [SAAM 2035] Transformation pillar aims to foster employment equity at senior management and technical levels, ensuring that opportunities are accessible to all. A reflection on the progress made in 2022 indicates that 29 black-owned businesses entered the automotive market in 2022, exceeding the expected annual target. Furthermore, 30% of these businesses are owned by women, and young people own an additional 30%. Ultimately, the industry and government aim to increase aggregate employment within the industry to a significant 224,000, making a tangible difference in the lives of countless individuals and communities, with a deliberate focus on bringing more women and youth to the industry.



AFRICA GROWTH AND OPPORTUNITY ACT [AGOA]

The South African automotive industry has been a major beneficiary of AGOA. As far as the domestic automotive industry is concerned, substantial two-way automotive trade has occurred between South Africa and the US since the inception of AGOA. South African automotive exports to the US increased by 447,3% between 2001 and 2022, while automotive imports from the US increased by 671,8%, proportionally much more than exports over the same period.

Total Automotive Export Value and Ranking by Country - 2021 to 2022

Country	2021 R million	2021 Ranking	2022 R million	2022 Ranking
Germany	66,468.8	1	71,523.5	1
USA	18,849.6	2	24,123.7	2

AGOA's mutual benefits include enabling exports, encouraging regional investment, enhancing private sector activity and economic growth, and generating demand for US goods and services as the region's economies develop.

AGOA has served as the bedrock of trade relations between the US and Sub-Saharan Africa, specifically in support of regional integration and the stimulation of regional value chains. The continuity of AGOA up to 2025 will strengthen trade relations between Southern Africa and the US and improve the scope of employment creation, industrial growth, and development in Africa. US business interests are well

represented in South Africa, with most of the leading multinational corporations actively participating in the South African economy. South Africa's continued eligibility in terms of AGOA is crucial since it does support the continued growth and development of the automotive industry in South Africa. As a critical automotive trading partner, South Africa must carefully consider its post-AGOA trade relations with the US.

The US was the SA auto industry's second-largest export destination and second-largest trading partner in 2022.

United States of America [USA] [Total trade R42,453.5 million] - 2022

Main Products	Exports from SA R24,123.7 million	Main Products	Imports into SA R18,329.8 million
Light Vehicles	15,332.3	Original Equipment Components	6,572.4
Catalytic Converters	5,379.1	Light Vehicles	4,542.0
Engine Parts	1,264.8	Engine Parts	722.4
Tyres	591.4	Transmission Shafts/Cranks	519.1
Radiators/Parts	318.8	Axles	477.9
Silencers/Exhausts	72.8	Automotive Tooling	410.9
Axles	70.3	Gauges/Instruments/Parts	393.6
Automotive Tooling	62.4	Steering wheels/Columns/Boxes	323.6
Gearboxes	59.8	Engines	291.0
Clutches/shaft Couplings	35.9	Brake Parts	218.0
Other	936.1	Other	3,858.9

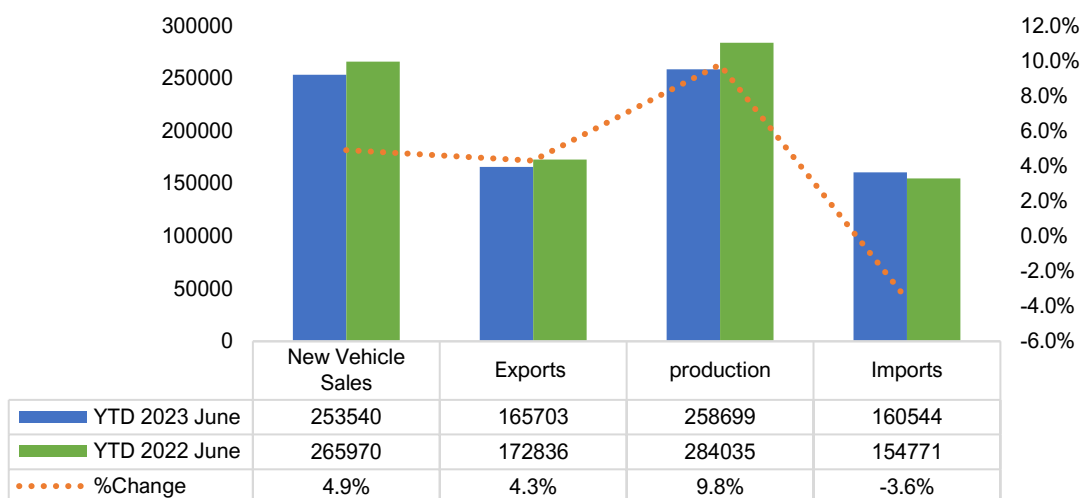
Source: naamsa, AIEC, 2023



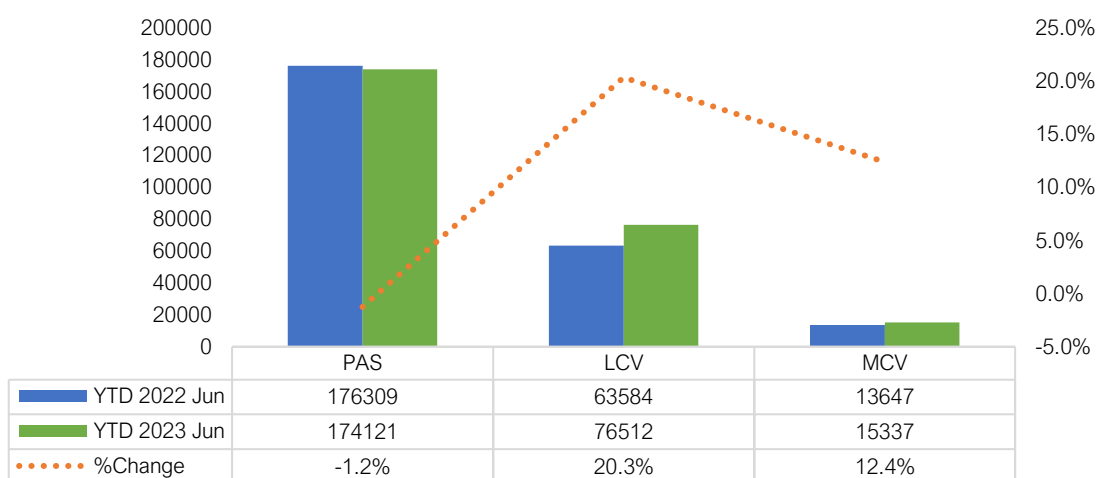
NEW VEHICLE SALES [YTD June 2023]

For the first half of 2023 [YTD June 2023], the new vehicle sales totaled 265,970 units, signaling an increase of 5%, compared to the 253,540 YTD June 2022 units. YTD June 2023 exports increased by 4% to 172,836 from 176,703 recorded for the same period last year. Production increased by 10% to reach 284 035, compared to 258,699 registered for YTD June 2022.

Total Market | YTD June 2023

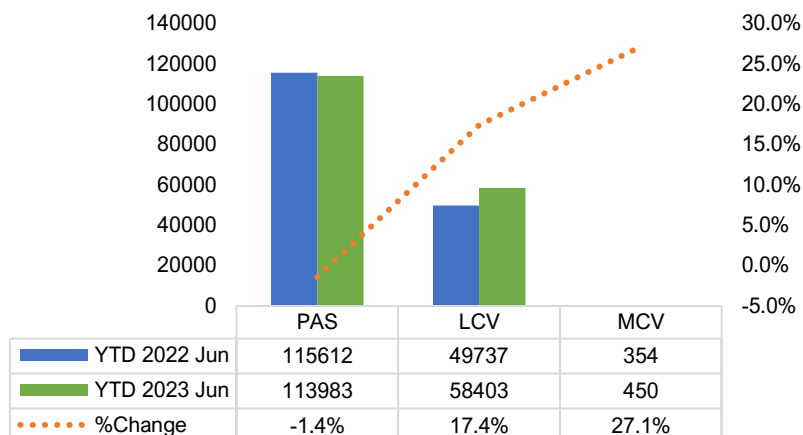


New Vehicle Sales | YTD June 2023





Exports |YTD JUNE 2023

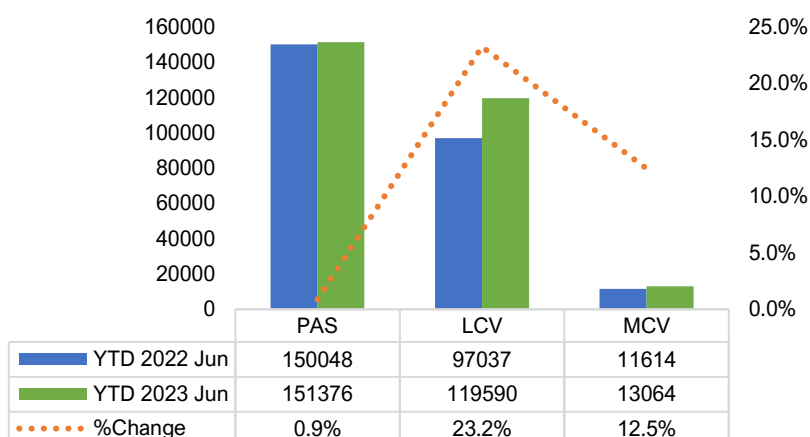


Imports declined by 4% at 154,771 units, compared to the 160,544 units recorded same period last year.

YTD June 2023, passenger cars new vehicle sales volumes at 174,121 declined by 2,188 units or 1,2%, compared to YTD June 2022 at 176,309 units.

Light commercial vehicles [LCVs] at 76,512 and Medium Heavy Commercial vehicles [MHCVs] at 15,337 new vehicle sales volumes increased by 12,928 units [20,3%] and 1,690 units [12,4%], compared to the same period last year at 63,584 and 13,647 units, respectively.

Production | YTD June 2023

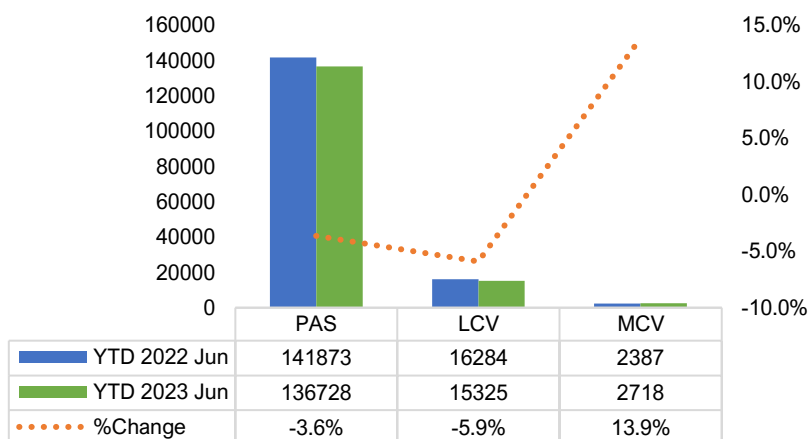


YTD June 2023, passenger cars export sales volumes at 113,983 declined by 1,629 units or 1,4%, compared to YTD June 2022 at 115,612 units.

LCVs at 58,403 and MHCVs at 450 exports sales volumes increased by 8,666 units [17,4%] and 96 units [27,1%], compared to the same period last year at 49,737 and 354 units, respectively.

YTD June 2023, passenger cars production volumes at 151,376 increased by 1,328 units or 0,9%, compared to YTD June 2022 at 150,048 units. LCVs at 119,590 and MHCVs at 11,614 production volumes increased by 22,553 units [23,2%] and 1,450 units [12,5%], compared to the same period last year at 97,037 and 11,614 units, respectively.

Imports | YTD June 2023



YTD June 2023, passenger cars import volumes at 136,728 decreased by 5,145 units or 3,6%, compared to YTD June 2022 at 141,873 units. LCVs imports at 15,325 declined by 959 units or 5,9%, compared to 16,284 units recorded in the same period last year. MHCVs at 2,718 imports volumes increased by 331 units [13,9%], compared to the same period the previous year, recorded at 2,387.



VEHICLE SALES CHANNEL SPLIT [YTD June 2023]

Given the multiplicity of economic negative considerations that still outweigh the positive, the trends in new vehicle sales by channel are encouraging. Out of the total reported YTD June 2023 industry sales of 265,970 vehicles, an estimated 227,137 units [or 85,3%] were sold through the dealer channel, 21,723 units [or 8,16%] represented sales to the rental industry, 3,5% to the government, and 3,09% to industry corporate fleets.

Main Channel	Market	YTD 2022 Jun	YTD 2023 Jun	%Change
DLR	PAS	146520	144494	-1,4%
GOV	PAS	2601	4310	65,7%
REN	PAS	22520	18821	-16,4%
SIN	PAS	4668	6496	39,2%
Total		176309	174121	-1,2%

Main Channel	Market	YTD 2022 Jun	YTD 2023 Jun	%Change
DLR	LCV	57187	68009	18,9%
GOV	LCV	3052	3977	30,3%
REN	LCV	2141	2858	33,5%
SIN	LCV	1204	1668	38,5%
Total		63584	76512	20,3%

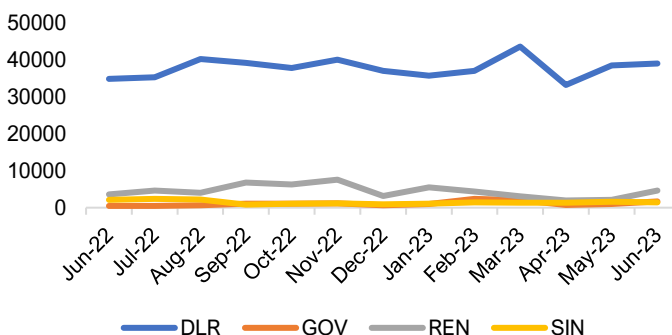
Main Channel	Market	YTD 2022 Jun	YTD 2023 Jun	%Change
DLR	MCV	2981	3355	12,5%
GOV	MCV	424	460	8,5%
REN	MCV	74	41	-44,6%
SIN	MCV	29	30	3,4%
Total		3508	3886	10,8%

Main Channel	Market	YTD 2022 Jun	YTD 2023 Jun	%Change
DLR	HCV, XHV, BUS	9967	11279	13,2%
GOV	HCV, XHV, BUS	132	131	-0,8%
REN	HCV, XHV, BUS	7	3	-57,1%
SIN	HCV, XHV, BUS	33	38	15,2%
Total		10139	11451	12,9%

Source: naamsa/Lightsone, 2023

The 144,494 passenger cars were sold through the dealer channel, and 18,821 were sold to rental companies for YTD June 2023. For the LCV market, the dealer channel sales increased by 18,9%, government sales by 30,3%, rental companies by 33,5%, and corporate fleet increased by a significant 38,5%, for YTD June 2023, compared to YTD June 2022. Notably, the MCV and heavy commercials markets for car rental sales declined by 44,6% and 57,1%, respectively. Month-on-month [June 2023 vs. May 2023], the four channels increased by 8,22%, with rentals increasing by 114,2%, followed by government sales at 71,4% and dealer monthly sales at 1,4%. For June 2023, corporate fleet sales declined by 10,1% compared to May 2023.

12 Months New Vehicle Sales | By Channel Split



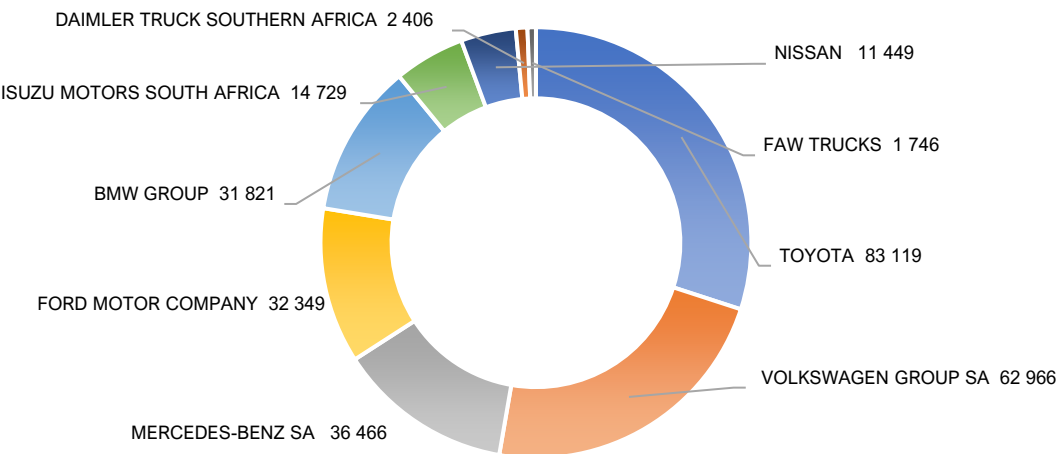
Source: naamsa/Lightsone, 2023



VEHICLE SALES BY MANUFACTURER [YTD June 2023]

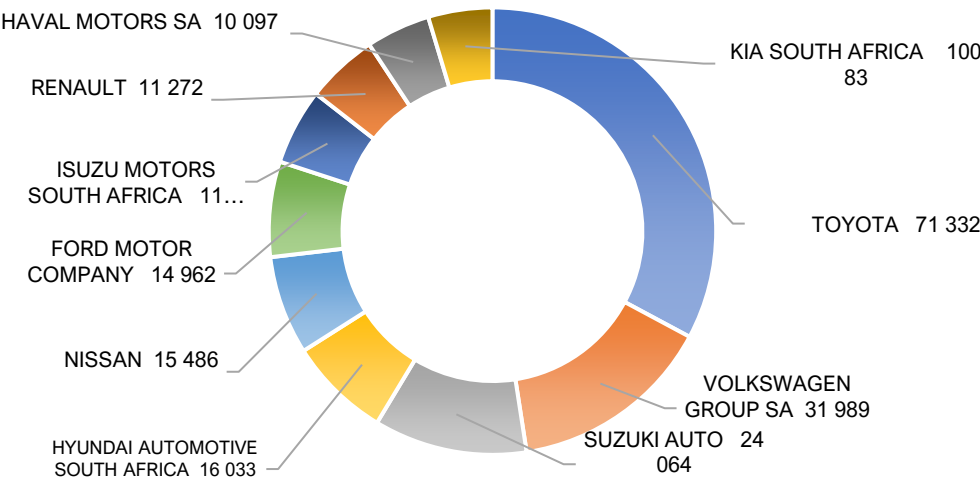
In the last six months, the SA market sold over 374 types of vehicles. The top 10 SA's vehicle production by brands accounted for 98% [or 278,665 units] of the overall volumes produced for the YTD June 2023, at 284,035.

Top 10 Vehicle Production by Manufacturer | YTD JUNE 2023



For the first half-yearly aggregate production, Toyota topped the YTD June 2023 charts at 83,119 units, followed by VWSA at 62,966 units, and then MBSA at 36,466 units. The top 10 SA's new vehicle sales by brands accounted for 81,7% [or 217,261 units] of the overall volumes produced for the YTD June 2023, at 265,970. Toyota [71,332], VWSA [31,989], Suzuki [24,064], Hyundai [16,033], and Nissan [15,486] were in the top 5.

Top 10 New Vehicle Sales by Manufacturer | YTD JUNE 2023

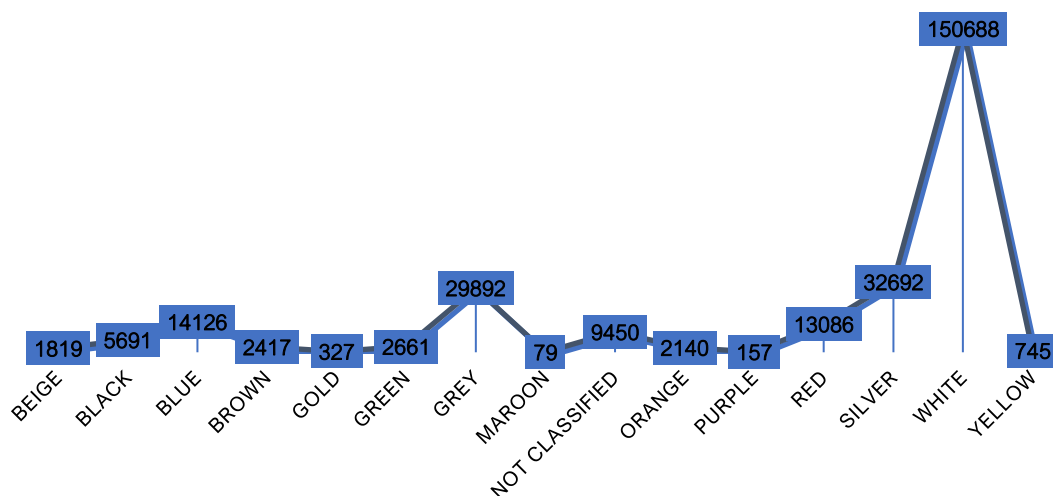




NEW VEHICLE SALES BY COLOUR [YTD June 2023]

In terms of colours, white vehicles are generally popular. For the YTD June 2023, the top 5 selling colours were white colour cars at 150,688, followed by silver cars at 32,692, grey at 29,892, blue at 14,126, and red at 13,086. The interesting features that make white cars more prominent are their safety net ability, including their visibility at night, colour accessibility, concealment of dents, and the natural ability to absorb less heat.

NEW VEHICLE SALES BY COLOUR | YTD JUNE 2023



NEW ENERGY VEHICLES [YTD June 2023]

For vehicle manufacturers across the globe, decarbonising road transport is a shared goal to which they are committed. The NEV transition to production tends to follow markets with policies that support the latter. Once concluded, the SA's new NEV policy will assist in bridging the gap of the APDP technology-neutral policy. The total new energy vehicle sales volumes increased by 47% at 3,146 in the first half of 2023, compared to the same period last year, recorded at 2,139 units. Electric vehicle sales increased by 143% at 506 units for YTD June 2023, compared to YTD June 2022, recorded at 207. For the same period under discussion, the plug-in-hybrids and traditional hybrids grew by 1% and 38%, respectively. NEV production increased by 152%, with passenger plug-in-hybrid at 2,508 units and traditional-hybrid at 1,145 units.

NEW ENERGY VEHICLES

Market	Fuel Type	YTD 2022 Jun	YTD 2023 Jun	%Change 2023 vs 2022
PAS, MHCV	Electric	207	502	143%
PAS	Plug-in Hybrid	82	83	1%
PAS	Traditional Hybrid	1850	2561	38%
Total		2139	3146	47%

PRODUCTION

Market	Fuel Type	YTD 2022 Jun	YTD 2023 Jun	%Change 2022 vs 2023
PAS	Plug-in Hybrid	0	2508	-
PAS	Traditional Hybrid	1451	1145	-21%
Total		1451	3653	152%



THE EVOLVING LANDSCAPE OF VEHICLE BUYING PATTERNS AMONG WOMEN IN SOUTH AFRICA

South Africa's economic milieu has been challenging in the first half of 2023, marked by a sharp rise in interest rates and escalating food inflation. With key considerations such as significant food and fuel prices impacting consumer buying decisions, purchasing power has been eroded. To curb escalating inflation, the South African Reserve Bank has increased rates by 450 basis points since November 2021. This rise in interest rates has had a significant impact on the cost of financing debt as well as on consumer affordability and is likely to result in many motorists opting to buy down.

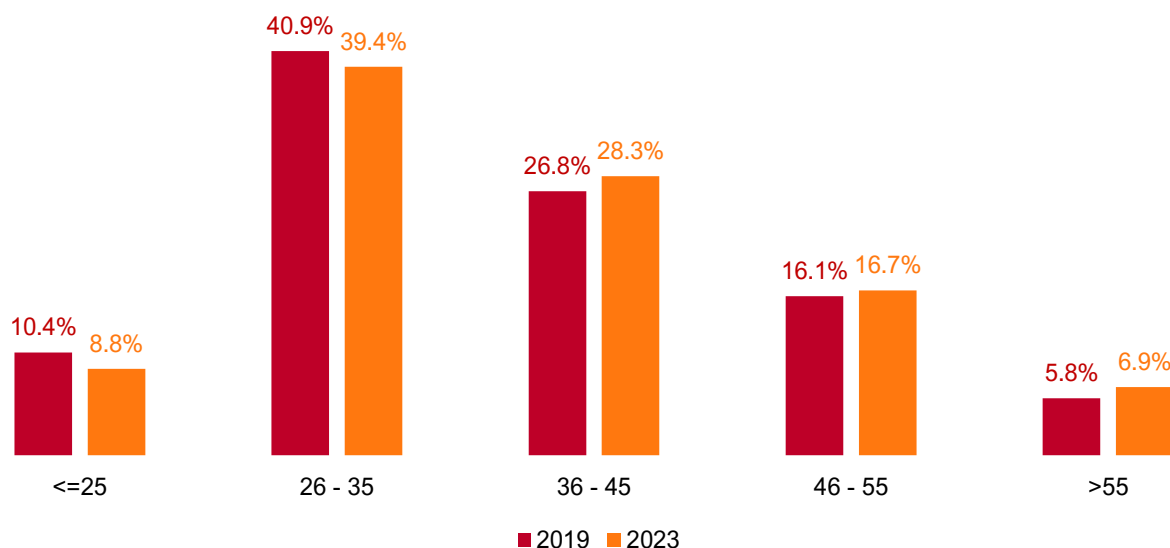
We have, however, noted a great deal of resilience in the vehicle market. In this release, we focus on the vehicle financing patterns of women in the first half of 2023 and how these have evolved over the course of the increasing rate cycle, as women adapt and navigate the changing terrain of vehicle purchasing.

Absa's application data for new and used passenger vehicles was used as the sample for this analysis and women accounted for 35% of vehicle financing applications in this period.

We've seen growth of 3,1% in applications from women in the first half of 2023, only slightly trailing the overall applications growth rate of 5,5%. This is a positive indicator for increased participation of women in vehicle ownership.

The largest group of women represented in the data are aged 26 to 35 years. However, the largest growth in vehicle buyers during the period analysed came from women that are over the age of 35 years. Applicants in this segment grew from 49% in 2019, when interest rates were similar to 2023 rates, to 52% in 2023.

FIGURE 1: APPLICATION BY AGE



The continued increase in new and used vehicle prices has emerged as a consequential factor impacting vehicle purchasing behaviours. This surge is primarily attributed to the weakening of the rand and increased production costs stemming from supply chain disruptions, which have led to stock shortages in the new vehicle market. These market dynamics have particularly influenced the vehicle purchasing patterns of women aged 35 and younger.



In the new vehicle market, the representation of this demographic segment has seen a downtick, sliding from 49% in 2019 to 46% in 2023.

The used vehicle market has experienced a similar trend; representation in this segment, which was once the majority at 53% in 2019, has contracted to 50% in 2023. Customers over 35 years are also feeling the strain. Their steady proportional growth in the new vehicle market slowed in 2023 as more opted to purchase used vehicles.

FIGURE 2: NEW VEHICLE APPLICATIONS

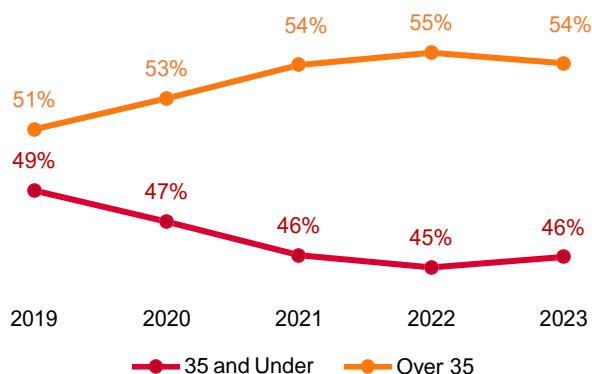
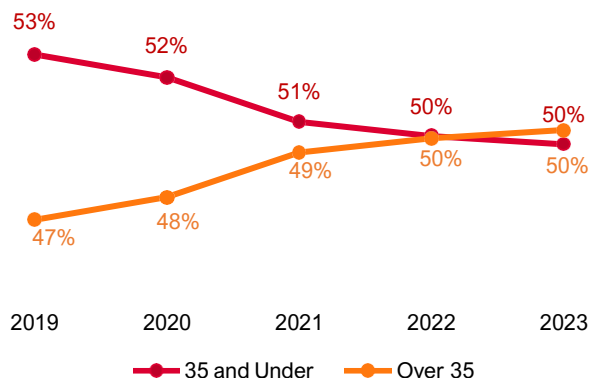


FIGURE 3: USED VEHICLE APPLICATIONS



Vehicle Brand Preference

In recent years, the vehicle brand with the most applications by women in the new vehicle market has been Volkswagen. However, in the first half of 2022, Hyundai took the lead and continued to do so in 2023, followed closely by Volkswagen and then Renault. Chery, a brand that re-entered the South African market in 2021, has enjoyed strong applications by women and in this short timeframe has received the seventh highest applications by women in the new vehicle market in 2023. Also noteworthy is Suzuki, which did not feature in the top ten in 2019 and has the fourth highest applications by women in 2023. The top 10 brands in the new vehicle market are primarily Japanese and South Korean manufacturer brands who have a larger offering of more affordable models.

Women are purchasing luxury brands in the used vehicle market, with Mercedes-Benz and BMW at the tail end of the top 10 list in this segment. Volkswagen, Hyundai and Toyota remain popular choices in this market.

FIGURE 4: NEW VEHICLE APPLICATIONS FROM WOMEN

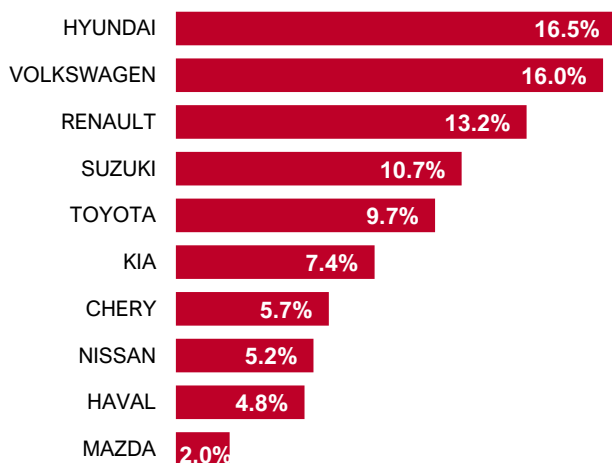


FIGURE 5: USED VEHICLE APPLICATIONS FROM WOMEN

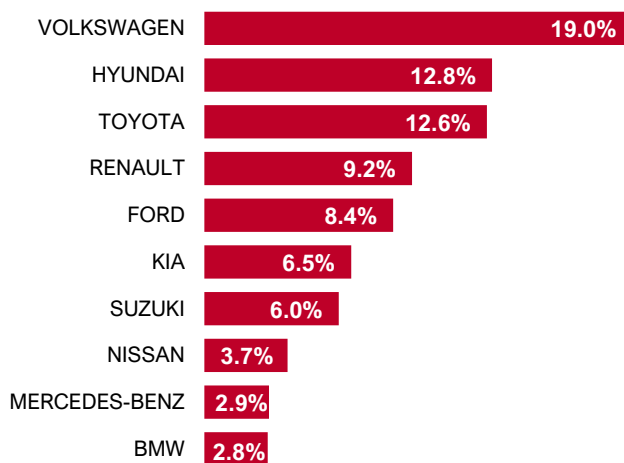
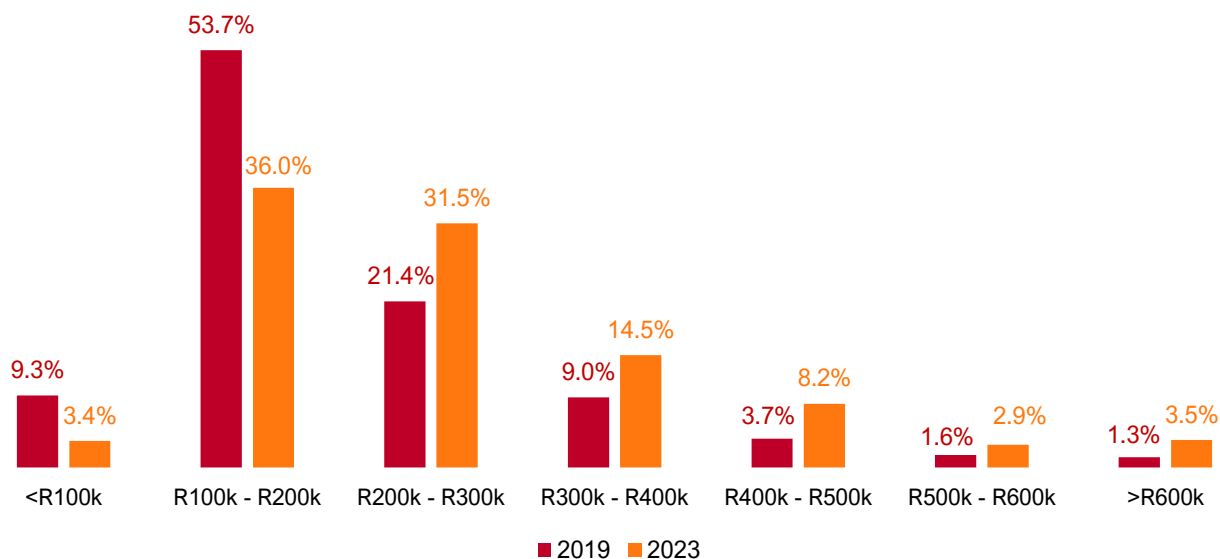




FIGURE 6: FINANCE APPLICATION AMOUNTS



Small hatchback city cars priced at R200 000 and less had the second highest number of applications in the new vehicle market, with the Hyundai Grand i10 having the most applications in this price range. The cost of ownership and fuel efficiency seems to be top of mind for women, with the top five vehicles in this category being light on fuel. Over half of new vehicle applications by women fell in the R200 000 to R400 000 range. This segment has a diverse mix of small hatchbacks and subcompact crossover SUVs, with the Volkswagen Polo Vivo having the most applications in this range. Venturing into the R400 000 to R600 000 range, compact crossover SUVs had the highest applications while, in the range greater than R600 000, mid-size SUVs had the most applications.

FIGURE 7: TOP FIVE VEHICLES IN NEW VEHICLE MARKET BY PRICE RANGE

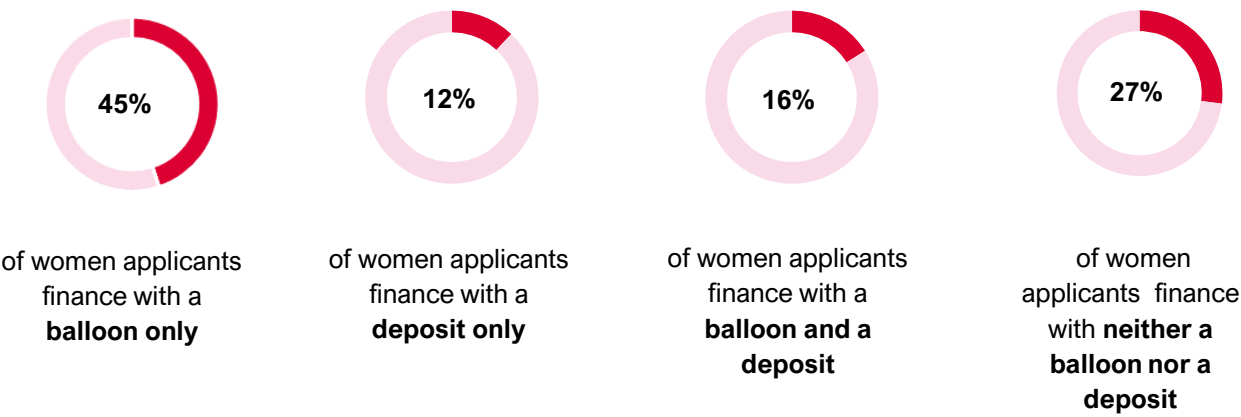




Vehicle Finance

There's a growing number of women that are choosing to finance vehicles with a balloon payment. The proportion of women that applied to finance with a balloon-only structure, and no deposit, has increased from 34% in 2019 to 45% in 2023 and is higher than the application average of 41% of consumers that finance with a balloon only. Similarly, the proportion of women financing with a balloon and a deposit, is growing. In 2019, 11% of women financed with this structure, while in 2023 16% chose this structure. The proportion of women financing with no deposit and no balloon, has been declining along with financing with a deposit only.

FIGURE 8: FINANCE STRUCTURE DISTRIBUTION



In summary, in the first six months of 2023, the number of women applying to finance vehicles has continued to increase, especially among those aged over 35 years. Practical small hatchbacks and subcompact crossovers are the most popular vehicle type, particularly those priced below R400,000. Hyundai emerged as the top choice among women applicants during the first half of 2023.

With household budgets placed under considerable pressure we expect that the manufacturers with a large mix of affordable and fuel-efficient models will remain popular with women. Many are likely to look for value in the used vehicle market, especially across more luxurious brands. In the face of significant vehicle price inflation, balloon payments are likely to appeal to a larger number of consumers, as this finance structure enables affordable repayment premiums and widens options when exploring the purchase of expensive new vehicles.

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INDUSTRY STRATEGY

RE-IMAGINING THE FUTURE, TOGETHER

OUR VISION: The most credible thought leader and a respected partner of a globally competitive and transformed automotive industry that contribute to the sustainable development of South Africa.

OUR MISSION: Play a transformative role towards a cleaner, safer and sustainable industry that creates prosperity for the people of South Africa.

STRATEGIC OBJECTIVES

PUBLIC POLICY |

Shape and influence the operating environment

TRANSFORMATION |

Invest in socio-economic progress

DATA MANAGEMENT |

Optimise the stock of knowledge

RESOURCE 4 SUCCESS

Responsive and modernised industry body

KEY FOCUS AREAS 2023

FLAGSHIP PROJECTS

SA Transition to NEVs

Just and Reliable Energy

Logistics and Infrastructure

Transformation Beyond Compliance

ADVOCACY PROJECTS

Intra-Africa Trade

SA Auto Week

Stakeholder Engagement

RESEARCH PROJECTS

Internal Review SAAM35 Assumptions

Optimise Research

Governance and Compliance

OUR PURPOSE | Responsibly advocate for just mobility solutions.

OUR VALUES | Partnership | Consistency | Trust

OUR GUIDING PRINCIPLES | Industry-Biased | Consensus-Driven | Member-Focused.

SA Auto Week

11 - 13 October 2023

Gallagher Estate, MIDRAND



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