



**NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SOUTH AFRICA**

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N8/1 (e-mail)  
29<sup>th</sup> March, 2017

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

Ladies and Gentlemen

**QUARTERLY REVIEW OF BUSINESS CONDITIONS: MOTOR VEHICLE MANUFACTURING INDUSTRY / AUTOMOTIVE SECTOR: 4<sup>TH</sup> QUARTER 2016**

**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 2016, as submitted to the Director-General, Department of Trade and Industry.

The release of the Review is later than usual due to the late submission of key data by one major manufacturer.

Industry vehicle sales, export and import statistics for 2000 through 2017 have been **updated** and are reflected on the attachment to the submission.

**Key features: Fourth Quarter 2016**

- **Aggregate Industry employment levels declined by 1900 jobs to 29 489 positions at end December, 2016**
- **Based on data collated at the beginning of the calendar year, 2017 Industry capital expenditure projected at R8.17 billion**
- **Industry capacity utilisation levels reflected a mixed picture with year on year reductions in the car, light and medium commercial manufacturing sectors versus a year on year improvement in the heavy truck sector.**
- **Domestic new vehicle sales in all sectors showed substantial declines. In contrast, export sales held steady**
- **Industry production expected to rise further over the next few years on the back of the Automotive Production Development Programme and an expected increase in vehicle exports**
- **2016 turned out, domestically, an extremely difficult year – offset to some extent by modest growth in new vehicle exports**
- **An analysis of 2016 export sales data is included in the review and reflects continuing sharp declines in sales to African markets**



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N8/1  
29<sup>th</sup> March, 2017

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

**QUARTERLY REVIEW OF BUSINESS CONDITIONS: NEW VEHICLE MANUFACTURING INDUSTRY / AUTOMOTIVE SECTOR: QUARTER ENDED 31<sup>st</sup> DECEMBER, 2016**

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 2016.

**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 2016 may be set out as follows –

	Industry Total
Last pay week October, 2016	30 153
Last pay week November, 2016	30 234
Last pay week December, 2016	29 489

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

Aggregate Industry employment as at 31<sup>st</sup> December, 2016 totalled 29 489 – reflecting a fall of 1 900 jobs or a decline of 6.0% compared to the 31 389 Industry head count as at the end of the third quarter of 2016.

Following stable industry employment over the past four years, fourth quarter 2016 employment levels declined fairly substantially principally due to the layoff of temporary workers at three major industry plants.

The average monthly industry employment number for 2016 was 30 953 (2015: 31 260).

## 2. NUMBER OF SHIFTS

A number of 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 now operate on a three shift basis. Three manufacturers operate double shifts in specific areas.

## 3. AVAILABILITY AND PRICE TRENDS OF COMPONENTS AND RAW MATERIALS

### 3.1 COMPONENTS

#### Imported Components

The availability and supply of imported original equipment components, during the fourth quarter of 2016, remained good.

During the quarter, the Rand strengthened further against major currencies, providing some relief on imported component prices.

#### Local Components

During the fourth quarter of 2017, the availability and supply of locally produced components, in general terms, remained satisfactory. The successful conclusion of a three year supplier industry wage agreement ensured no disruption at component suppliers.

Local component prices generally were affected by production price movements. Local steel prices increased significantly affecting local steel component pricing.

### 3.2 RAW MATERIALS

#### Imported Materials

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

Pricing likely to be affected by the imposition of a 10% duty on all imported steel except EU steel. The price of copper increased by 5.3% during the quarter.

#### Local Materials

Local raw material price movements were affected by exchange rate and commodity price movements.

During the quarter, local steel prices increased significantly by up to 14%.

#### 4. UTILISATION OF PRODUCTION CAPACITY: 2012 – 2016

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	4 <sup>th</sup> Quarter 2016	4 <sup>th</sup> Quarter 2016 Range (High) (Low)	
Cars	86.5%	68.0%	67.0%	80.4%	76.0%	74.8%	34.0%	100.0%
Light Commercials	87.8%	75.3%	80.5%	80.6%	77.9%	86.3%	71.5%	100.0%
Medium Commercials	84.3%	59.8%	85.7%	97.6%	88.5%	83.3%	78.9%	86.0%
Heavy Commercials	86.9%	69.3%	80.7%	77.4%	80.0%	77.8%	50.0%	100.0%

Following the relatively high sectoral capacity utilization levels in 2015, capacity utilisation levels, during 2016, with the exception of heavy commercial vehicles, recorded declines. Fourth quarter capacity utilisation in the light commercial sector showed a significant improvement.

#### 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 and various truck producers. Details of actual Industry capex for 2008 through 2016, in **Rand millions**, as well as the projection for 2017 – are as follows –

Capital Expenditure	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 projection
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
<b>Total</b>	<b>3 289.9</b>	<b>2 468.7</b>	<b>3 994.7</b>	<b>3 902.7</b>	<b>4 678</b>	<b>4 348</b>	<b>6 917</b>	<b>6 603.3</b>	<b>6 414.6</b>	<b>8 170.6</b>

2017 data is based on data supplied by the 7 major OEM's and estimates in respect of the Beijing Automotive International Corporation

The high levels in capital expenditure in recent and particularly future years may be attributed to Investment Projects by manufacturers in terms of the Automotive Production and Development Programme (APDP) and associated higher levels of production for export markets.

## 6. BUSINESS CONDITIONS, PERFORMANCE INDICATORS AND COMMENT

### Business Conditions: Fourth quarter, 2016

2016 fourth quarter aggregate Industry new car sales at 101 835 units recorded a decline of 12 668 units or a fall of -11.1% compared to the 114 503 new cars sold during the corresponding quarter of 2015. Aggregate Industry commercial vehicle sales during the fourth quarter of 2016 at 48 581 units recorded a decline of 5 645 units or a fall of -10.4% compared to the 54 226 units sold during the fourth quarter of 2015.

### Industry Domestic Sales Growth: Direction and Extent of Change (previous quarter's percentage changes are reflected in brackets)

	Qtr ended 31 Dec 2016 compared with <u>previous Qtr ended 30 Sept 2016</u>		Qtr ended 31 Dec 2016 compared with <u>corresponding Qtr ended 31 Dec 2015</u>	
Passenger Cars	-2.2%	(+12.6%)	-11.1%	(-15.3%)
Light Commercial vehicles	+1.2%	(+0.5%)	-9.1%	(-10.2%)
Medium Commercial vehicles	-3.3%	(+11.0 %)	-24.1%	(-14.2%)
Heavy Commercial vehicles	-3.9%	(-0.3%)	-13.8%	(+6.5%)

On a year on year comparative basis, all segments registered sharp declines.

### Comment on Industry Export Performance by continent

Changing Composition of SA Vehicle exports by major regions: 2014 – 2016				
	2014	2015	2016	% change 2016 / 2015
Africa	61 839	42 234	21 564	-48.9%
Europe	116 077	173 805	195 764	+12.6%
North America	48 408	54 000	52 430	-2.9%
Asia	33 520	34 306	47 616	+38.8%
Australasia	14 610	22 948	22 735	-0.9%
South America	2 482	6 554	4 750	-27.5%

Vehicle exports to Europe increased from a high base whilst export sales to Asia showed remarkable growth. Vehicle exports to African markets recorded substantial declines. This was due to a combination of factors including ad-hoc duty increases (Nigeria, Zimbabwe), regulatory restrictions (Algeria) and continued weak economic conditions in most African countries.

Ultimately, export sales remain a function of the growth performance of international markets and export sales continue to hold up relatively well.

### Comment on business conditions and industry prospects

The domestic new vehicle market continued to contract sharply, on a year on year basis, during the fourth quarter.

Looking ahead, the short to medium term domestic outlook remains one of low economic growth and further pressure on consumers' disposable income. Double digit new vehicle price increases, as a result of earlier exchange rate weakness and vehicle production inflation, during 2016, relatively high interest rates, low levels of consumer and business confidence – will further pressurize sales of new motor vehicles, particularly new cars.

One major positive feature providing optimism of a possible turnaround in economic activity levels is the composite leading business cycle indicator of the Reserve Bank which has increased for five consecutive months. Furthermore, the easing in South Africa's drought conditions should contribute positively to economic growth in 2017.

New vehicle sales for 2016, in aggregate terms, declined by 11.4% compared to calendar 2015 – serving to confirm the ongoing difficult economic conditions. On the assumption that the South African economy will expand by approximately 1.0% in 2017, new vehicle sales could improve modestly in volume terms – barring unforeseen political events and instability.

On the other hand, new vehicle exports for 2016 reached 344 859 units – an improvement of 3.3% on the 2015 total number of vehicles exported of 333 847 units. New vehicle exports in 2017 are expected to improve by around 10.0% in unit terms to reach a figure of around 375 000 vehicles. The expected global economic growth rate of around 3.5% should also serve to support SA vehicle exports

**The standard attached schedule reflects latest projections of industry sales, production, exports and imports. Projections include revised forecasts for the year 2017.**

**NMW VERMEULEN  
DIRECTOR**

**29<sup>TH</sup> MARCH, 2017**