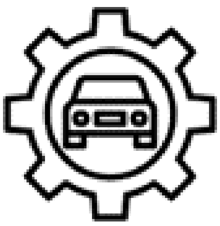
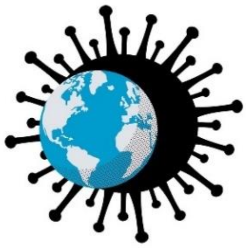

naamsa
NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SOUTH AFRICA
REIMAGINING
THE FUTURE TOGETHER
ECONOMIC IMPACT OF COVID-19 ON THE SOUTH AFRICAN AUTOMOTIVE SECTOR, MAY 2020





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Economic Impact of COVID-19 on the South African Automotive Industry

NAAMSA

PRETORIA | Date: MAY 2020

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1. AUTOMOTIVE SECTOR OVERVIEW

1.1. Economic Outlook

The automotive industry across the world is currently experiencing unprecedented challenges due to the global lockdowns implemented across all major automotive manufacturing countries to flatten the COVID-19 curve. South Africa is no exception to this, with the entire domestic motor industry having suspended production and trade activity in view of the nationwide lockdown imposed on midnight, 26 March 2020. The nationwide lockdown has since been further extended into a risk-based approach [Alert level 1-5]. The Coronavirus epidemic will negatively affect the global and domestic economic growth through the first half of 2020, and potentially longer, depending on the steps taken to guarantee business continuity in respective countries. Pre-Coronavirus, the growth rate in advanced economies was expected to be lower, in part due to trade tensions and the Brexit uncertainty. During the Coronavirus epidemic, global economic activities have reduced, with the global growth marked down to about 3.0% for the year 2020.

As it stands, South Africa has faced two terms of recession between 2018/2019 and has recently been downgraded into junk status -Investment sub-grade by the All credit ratings agency. In terms of employment, significant job losses and business failures are expected, with a partial rebound following the shutdown, see figure 1. The South African Reserve Bank [SARB] warns the country's economy could shrink by as much as 6,1% in 2020. Business confidence has been weak for some time, subsequently, the South African government has no immediate fiscal space to manoeuvre due to the widening fiscal deficit and debt burden-which is almost 66% of South Africa's total economy- and repayment of this debt is growing by more than 12% per annum. SA's headline fiscal deficit to widen to 13.3% of GDP in 2020, leading to net debt levels rising to over 75% of GDP by the end of this year.

The South African Reserve Bank [SARB] projected economic growth to improve to 2,2% in 2021 and to 2,7% in 2022 along with five further interest rate reductions of 25 basis points into the 1st quarter of 2021. The Consumer Price Index [CPI] is projected to be 3,6% in 2020 and 4,5% in 2021. Given that South Africa is a consumer-based economy, this ties into the very low inflation numbers that the country will experience in 2020 and 2021.

Figure 1: Partial Rebound Post Shutdown but offset by losses and business failures

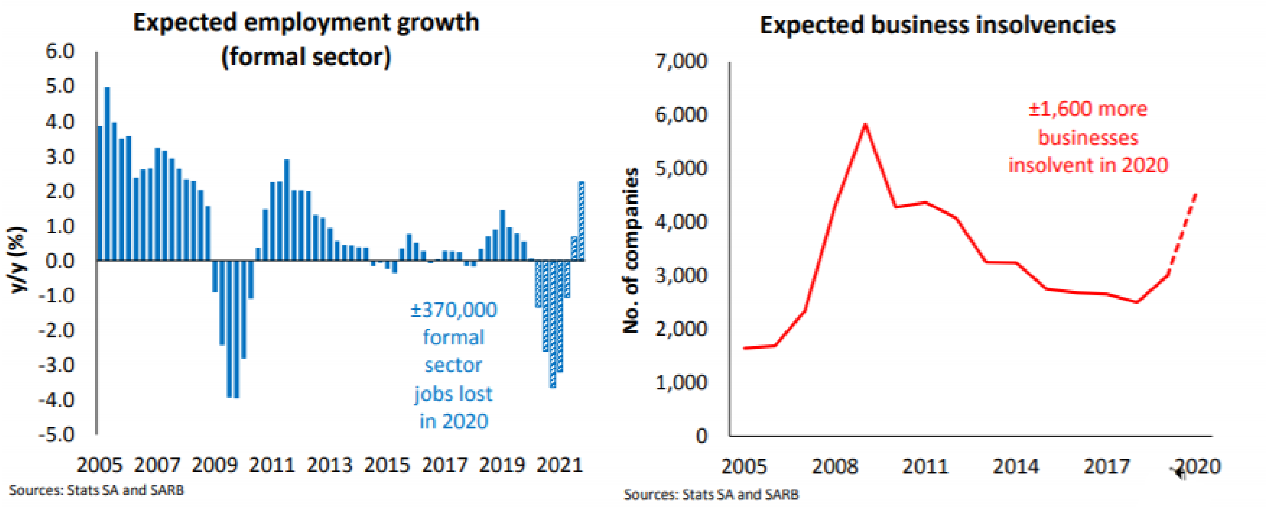
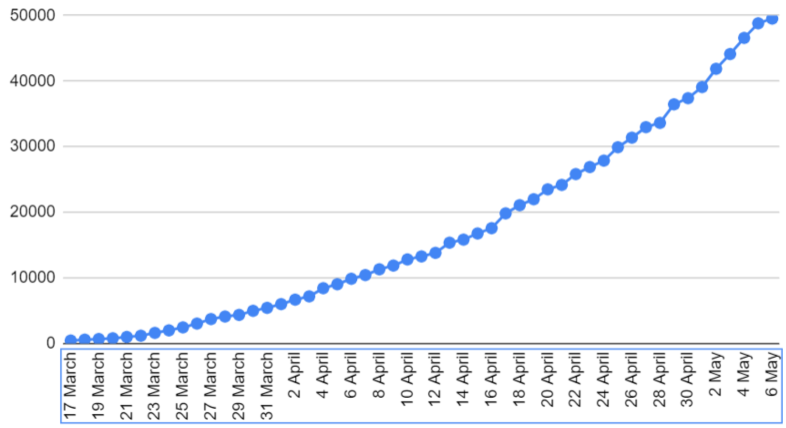


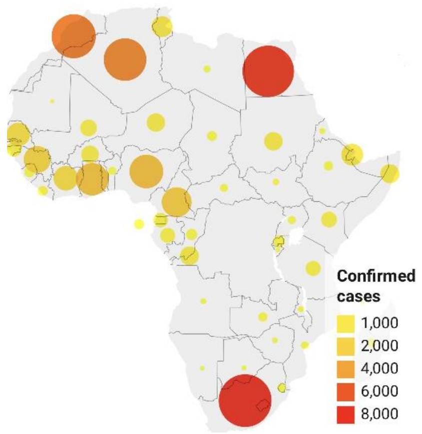
Figure 2: Confirmed COVID-19 cases in Africa Overtime



South Africa has the highest recorded cases of COVID-19 infections in Africa, see figure 2, 3 & 4[1]. Business activities in activities in Africa remain severely constrained, uncertainty is high as it remains unknown how long it will take to contain the virus. This means African government must put up a lockdown strategy that will circumvent a possible total collapse of economies. The lockdown feasibility strategy must consider; the relatively younger age demographics of African population compared to those in Asia and Europe, the living conditions of the majority of the population which make it less, and the potential the potentially devastating economic impacts produced by lockdowns. The South African government has so far shown exemplary leadership and has taken measures to reduce and contain the impact of the Coronavirus on our society and the economy through economic stimulus. Economic stimulus packages are detailed in section 3 of this report.

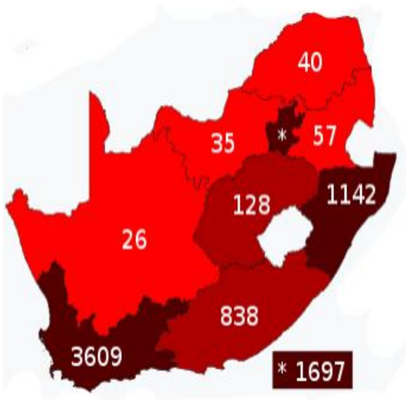
[1] As at 06th May 2020 there are 49 529 confirmed COVID-19 cases in the African continent, Recovery: 16 375; Deaths: 1954
-On the same date. South Africa stood at 7575, Recovery: 2746, Death 148, Tests conducted 268 064

Figure 3: COVID-19 Africa continent cases



Source: WHO; Johns Hopkins; nCoV, 2020

Figure 4: CODIV-19 South African cases



Source: SA health ministry, 2020

1.2. Description of the Automotive Sector

The share of the automotive sector in the manufacturing sector

As one of the largest manufacturing sectors in South Africa's economy, vehicle and component production accounted for 27.6% of the country's manufacturing output in 2019. The broader automotive industry's contribution to gross domestic product [GDP] was 6.4% which comprised 4.0% for manufacturing; and 2.4% for retail. Despite a six-year declining domestic market, vehicle production reached a record 631 983 vehicles in 2019 on the back of record exports of 387 125 units.

The Automotive sector is the 5th largest exporting sector out of all 104 sectors. The sector exported 64,1% of light vehicle production in 2019. The export of vehicles and automotive components reached a record amount of R201,7 billion, equating to 15.5% of South Africa's total exports. The country's weak macro-economic environment, pressure on consumers' disposable income and fragile business and consumer confidence, resulted in South African new-vehicle sales declining 2.8% year-on-year in 2019.

The manufacturing segment of the industry presently employs more than 112 250 people across its various tiers of activity [from component manufacturing to vehicle manufacturing], combined with the industry's strong multiplier effect, the industry is responsible for approximately 457,000 jobs across the South African economy's formal sector.

1.3. Industry value chain

- The automotive industry comprises the manufacture, sale, repair and recycling of motor vehicles and motor vehicle parts and accessories. There are four major segments.
  - ✓ Cars;
  - ✓ Light commercial vehicles [LCV], including bakkies and minibuses;
  - ✓ Medium commercial vehicles [MCV]; and
  - ✓ Heavy commercial vehicles [HCV] including trucks and buses.

- Various sectors contribute to the final product. The manufacturing process includes:
  - ✓ Foundry operations, which, whether integrated with motor vehicle assembly facilities or independent shops, cast metal products to produce motor vehicles and motor vehicle equipment;
  - ✓ Metal shaping and machining, where vehicle parts, including bumper bars, hubcaps and body parts are manufactured in metal galvanising and electroplating shops;
  - ✓ Metal coating to inhibit oxidation, prevent corrosion and extend the life of the product;
  - ✓ Motor vehicle assembly, and
  - ✓ Motor vehicle painting and finishing.

1.4. Automotive industry transformation initiatives

There are several OEM specific initiatives such as the R86 million VW black-supplier fund, R42 million Toyota black-empowerment trust, and Ford and Nissan incubations. The Automotive Supply Chain Competitiveness Initiative's [ASCCI] initiative involves a list of 119 black-owned companies who have the potential suppliers to become incorporated into the automotive supply chain.

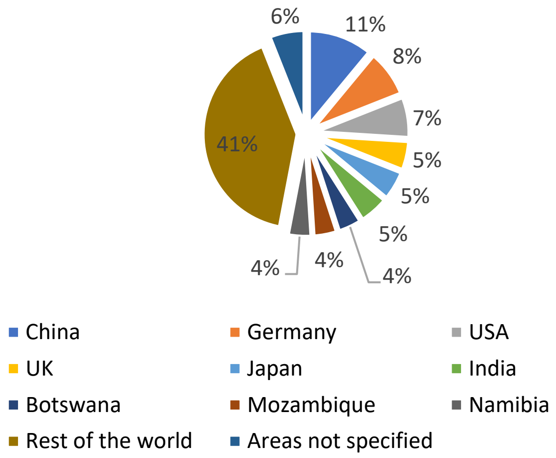
The Automotive Industry Transformation Fund [AITF] is a R6 billion industry-wide initiative, earmarked to transform the industry by broadening and deepening the participation of black and historically disadvantaged entrepreneurs, in efforts to grow and develop the South African automotive industry. The fund's mission is to accelerate the empowerment of black South Africans within the auto sector; the upskilling of black employees and aspirant auto entrepreneurs; the expansion of black-owned dealerships, authorised repair facilities and workshops; a substantial increase in the contribution of black-owned automotive component manufacturers within the automotive supply chain; and creating sustainable employment opportunities for young and female black South Africans.

The AITF will play a key role in the implementation of the South African Automotive Masterplan, especially on localisation and industry transformation. The SAAM 2021-2035 target is 25% of tier 2/3 suppliers being Black-owned by 2035, off a very low base currently.

2. IMPACT OF COVID-19 ON THE SOUTH AFRICAN AUTOMOTIVE SECTOR

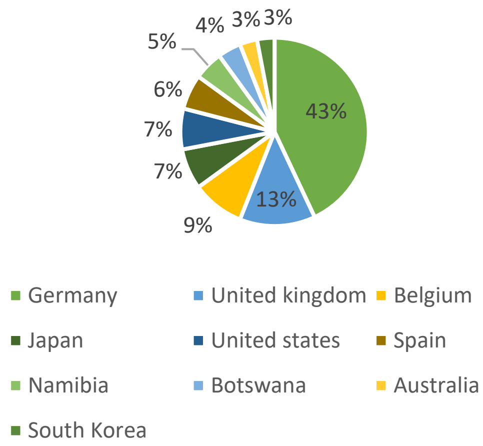
The uncertainty surrounding the duration and severity of the COVID-19 crisis makes it hard to anticipate how a recovery could unfold for the industry. The COVID-19 pandemic and its attendant effect on markets and commercial activity will likely present a range of challenges to the Automotive industry - challenges that could deepen depending on the severity and length of the crisis in South Africa and globally.

Figure 5: South African Total Manufacturing Exports per country



Source: NAAMSA using StatsSA, 2020

Figure 6: South African Automotive Industry's top export destination



Source: AIEC & SARS, 2019

"China, Europe & US have been severely affected by COVID-19 pandemic"

The South African automotive industry exported to 151 countries in 2019 to diversify risk, however, most of these countries have now been affected by COVID-19: Europe, Asia [China], and the US [see figure 6]. Consequently, the domestic markets ability to export will depend on the lockdown regulations and periods in trading countries. Naturally, this implies the SA automotive sector's supply chains and assembly lines have been negatively impacted. Additionally, even though sourcing principles still apply, the speed with which trading partners can recover and open trade is a critical factor for the All South African export-orientated sectors. The risk exposure to suppliers from affected COVID-19 countries could present a case for potential localisation opportunities in South Africa.

2.1. Global development

In a global context, China with vehicle production of 25,7 million vehicles in 2019, accounted for 28% of total global vehicle production of 91,8 million vehicles and sales of 25,8 million units, or 28,2%, of global vehicle sales of 91,3 million units. China's total vehicle production and sales market exceed European Union, United States, and Japan markets combined. China is currently the centre of the global automotive industry and many OEMs have partnerships with Chinese domestic OEMs and own plants in the country. Almost 80% of the world's automotive supply chain is connected to China. Developments in China, therefore, have a significant and measurable impact on the global automotive industry in general. The global automotive industry is expected to witness significant delays in demand for this year, with global vehicle sales forecast to decline by more than between 12% up to 20% based on various industry commentators. Vehicle sales in China fell by 20% in January 2020, by 80% in February 2020 and by 50% in March 2020 [China Automotive flash report, 2020]. The country resumed production of vehicle and component the last week of February 2020.

In 2019, China was South Africa's 7th largest automotive trading partner with imports of R18,6 billion of which R4,6 billion original equipment components and R12,5 billion aftermarket components. As a result of the knock-on effect from China, South Africa's new vehicle sales fell by nearly 30% in February 2020. By the last week of February, more than 90% of over 300 automotive component suppliers outside Hubei had resumed production. While all plants have reopened in China, production rates were however still low given the decline of orders from OEMs around the world, logistics problems as well as uncertainty around the coronavirus epidemic.

US market forecasts for 2020 US auto sales to be 14.4 million units, down by at least 15.3% year over year. The US volume downgrade forecast is 2.4 million units for 2020. Europe is South Africa's automotive sector main trading region. In monetary terms, the region comprised of R129,7 billion, or 64,3% of South Africa's vehicle and component exports sales and R119,2 billion, or 51%, of the country's vehicle and component imports of R233,7 billion for the 2019 period. While in volume terms, vehicle exports to the EU comprised 285 599 vehicles, or 73,8%, of total vehicle exports of 387 125 vehicles in 2019. EU passenger cars demand for the year 2020 is set at 15.6 million units, down by 13.6% from the 2019 passenger cars demand. This represents a volume downgrade of 1.9 million units versus pre-coronavirus settings [HIS Markit, 2020].

Europe vehicle demand for 2020 is projected to be down by 15 to 20% over 2019, US demand by 15 to 20%, China demand by 8 to 10% and the rest of the world by 15%. Total global vehicle sales forecast, and subsequently vehicle production, is projected to decline by around 15%+ to less than 80 million units in 2020 from 90,3 million units in 2019 due to the Covid-19 outbreak, with knock-on effects into 2021. A fall of 12% in global vehicle sales for 2020 would already be considerably worse than the two-year peak-to-trough decline of 8.0% during the global recession in 2008/2009.

2.2. Sub-Saharan Automotive industry development

SA Automotive footprint in Africa

The World Bank is forecasting that growth across sub-Saharan Africa [SSA] will fall sharply to between -2.1% and -5.1% in 2020, from an expansion of 2.4% in 2019, and plunge the region into its first recession in 25 years. Africa was the domestic automotive industry's second largest export region in 2019 with exports amounting to for R31,9 billion, or 15,8%, of the country's total automotive exports of R201,7 billion. The following table1 reveals that the main export destinations for trucks and buses have consistently been South Africa's neighbouring countries in the Southern African Development Community [SADC] region. Zimbabwe was the overall top destination for all truck and bus exports in 2019, and this included extra-heavy commercial vehicles, heavy commercial vehicles, and buses, while for medium commercial vehicles the top destination was Mozambique.

Table 1: Top destinations and region for medium, heavy commercial vehicles and buses exported - 2015 to 2019

Country	2015	2016	2017	2018	2019
Total [R billion]	3,9	4,1	3,7	4,3	4,6
Ranking of exporters Number 1 to Number 5	MAN Volvo Group Scania GMSA/Isuzu Trucks Iveco	Volvo Group Scania GM/Isuzu Trucks Iveco FAW	Volvo Group FAW Iveco MAN Scania	Volvo Group MAN Scania FAW MBSA	Volvo Group Toyota Scania MBSA MAN
Zimbabwe	278	294	181	277	294
Mozambique	213	201	227	304	199
Zambia	126	165	210	189	194
Tanzania	143	201	173	94	52
Mauritius	7	15	20	65	31
Malawi	64	64	92	47	28
Mauritania	0	0	0	12	15
Uganda	42	43	19	111	6
Angola	20	2	0	0	6
Saudi Arabia	0	0	0	4	2
Kenya	219	55	54	23	0
Other	28	10	14	10	0
AFRICA	1 112	1 041	980	1 126	825
Total [units]	1 120	1 050	990	1 136	827

Source : NAAMSA/Lightstone Auto, SARS, 2019

Even before the COVID-19 epidemic, the African continent has been going through challenges ranging from political to economic instability. China has a significant footprint in the manufacturing activities in Sub-Saharan Africa. Although China is slowly recovering from COVID-19 and began manufacturing activities, this has not translated into 'a green light' for most of the African country trading with china, as most are currently on lockdown. Companies with heavy production and sales footprint in Asia, Western Europa and North America will be highly affected if the wave of Coronavirus continues globally.

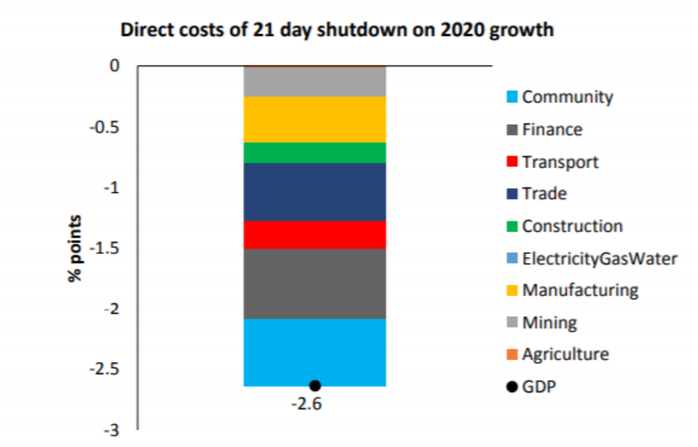
The rebound of African economies coming out of COVID-19 lockdowns should coincide with the implementation of the African Continental Free Trade Agreement [AfCFTA] in July 2020. The most important deliverable for AfCFTA after COVID-19 will be to harmonise investment, trade, and infrastructure environment to boost economic growth and manufacturing capabilities of African countries.

In relation to the automotive sector, the Automotive African Association of Automotive Manufacturers [AAAM] objective is to assist in advancing industrialisation and automotive manufacturing in Africa. After the epidemic, the main pillars driving the work of the AAAM should be reprioritised to drive the outcomes below;

- **Trade policy -** investment and manufacturing capability;
- **Technical matters -** the industry is immensely complicated [e.g. emission standards, vehicle inspection, fuel quality] and countries require technical expertise that will be able to speedily respond to the current crisis at hand among other issues;
- **Skills adjustments -** beyond the coronavirus crisis, it is clear that the right type of skills for the automotive industry needed to be developed in Africa are technical skills which will be able to operate in the innovation of mobility in the automotive sector and the gradual movement to digital migration.

2.3. Domestic market Impact

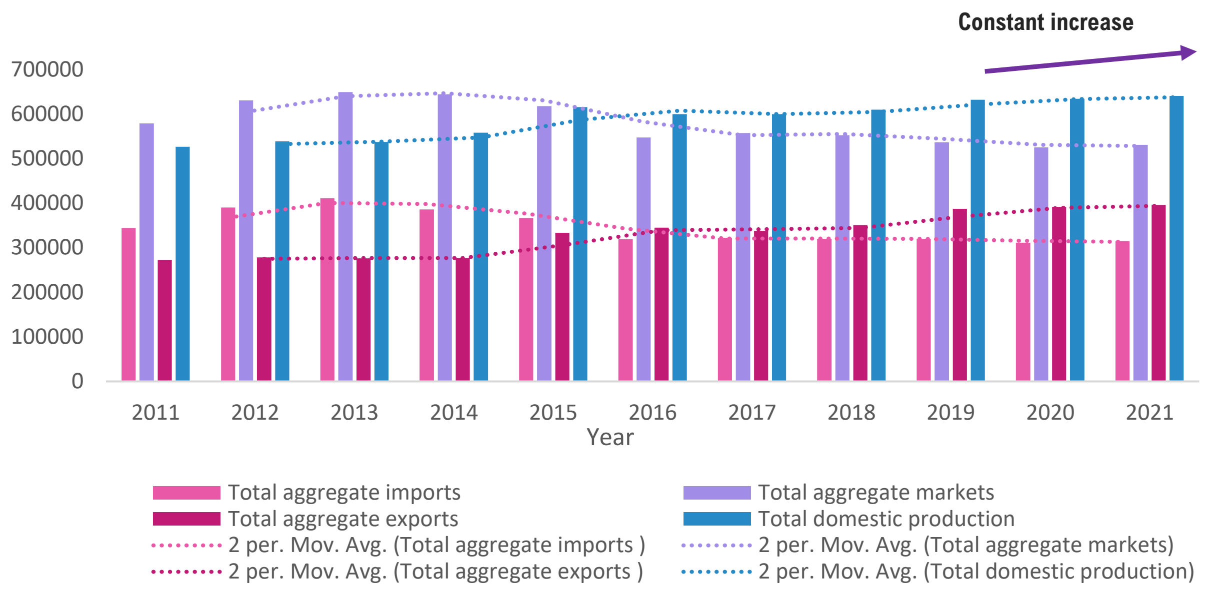
Figure 6: IMPACT OF THE 35 DAYS LOCKDOWN [SA]



Source: South African Reserve Bank, 2020

The Coronavirus has resulted in mass production shutdown and supply chain disruptions across various sectors of the economy. SARB [2020], has reported that the direct effect of the shutdown of industries is bound to detract from projected annual growth rates, shown in Figure 6. South Africa's Top 10 OEMs have diversified production and sales footprint in the world. However, with the envisaged distraction on the demand and supply side and a very uncertain economic outlook, the automotive industry, just like all other industries will have to undergo rapid consolidation. The direct impact on production, export and sales activities is shown in Figures 7 and 8.

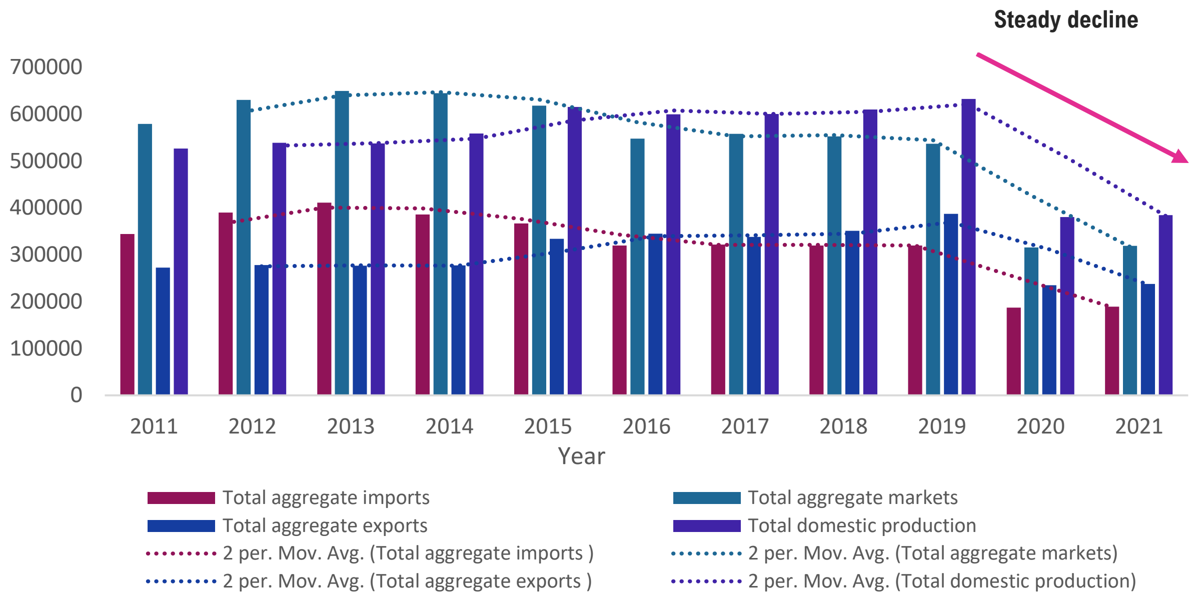
Figure 7: South African Automotive Market Volumes [Before COVID-19]



Source: NAAMSA, 2020

Figure 7 shows the overall performance of the automotive sector, in terms of production, exports, imports, and the aggregate market volumes. The 2020 and 2021 projections in figure 7 are based on NAAMSA's analysis and demand assumptions and do not factor in supply-side disruptions. On average, before the COVID-19 market disruptions, 2020 was projected to yield a total domestic of production, export of 634 400 and 391 900 units respectively, with a total aggregate market of 525 500 vehicles. Similarly, the projection for 2021, was set at 641 000, 396 000, and 531 000 units for total domestic production, total exports, and total aggregate market. In the absents of COVID-19 fuelled lockdowns and halt in production activities total domestic production, total exports, and aggregate markets show percentage point increases of 1,05; 1,05 and 1,04 respectively. The graph shows that over time, total aggregate imports have declined in the automotive sector. For the period between 2011 to 2019, imports decreased by 7,08% and prior COVID-19 epidemic, the projected decline for imports for the period 2011 to 2020 was 9,49%, which is 2,41% lower than in 2019. The predicted declines in imports are particularly important for the localisation targets set out in the South African Automotive Masterplan 2035.

Figure 8: South African Automotive Market Volumes [during COVID-19]

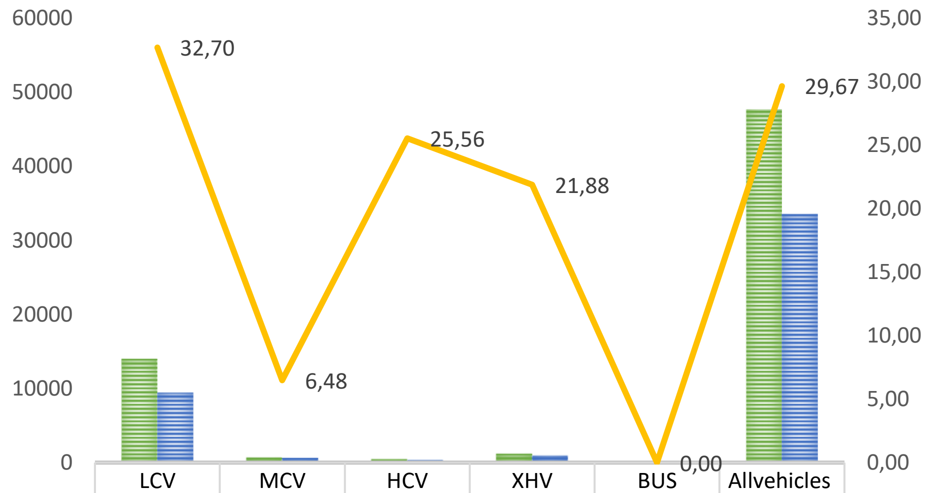


Source: NAAMSA, 2020

Figure 8 shows the South African automotive volume performance of vehicle aggregate imports, exports, production, and total market linked to the duration of the COVID-19 epidemic. The industry lost three working days during the of month March and a further whole month of April, negatively impacting production, domestic new vehicle sales, and exports. Taking into consideration the supply chain disruptions, possible global lockdown extension in SA and abroad, and that SA is said to be facing its first spread of the COVID-19 virus, the South African automotive market might take a knock as high as 40% in 2020 as predicted through the moving average trendline between 2019 and 2020.[2]

[2] Predictions are made on the worst-case scenario

Figure 9: South African Automotive Sector Local sales Market [Y-on-Y]



	LCV	MCV	HCV	XHV	BUS	Allvehicles
M 2019	14013	679	450	1179	81	47695
M 2020	9431	635	335	921	81	33546
Percentage change	32,70	6,48	25,56	21,88	0,00	29,67

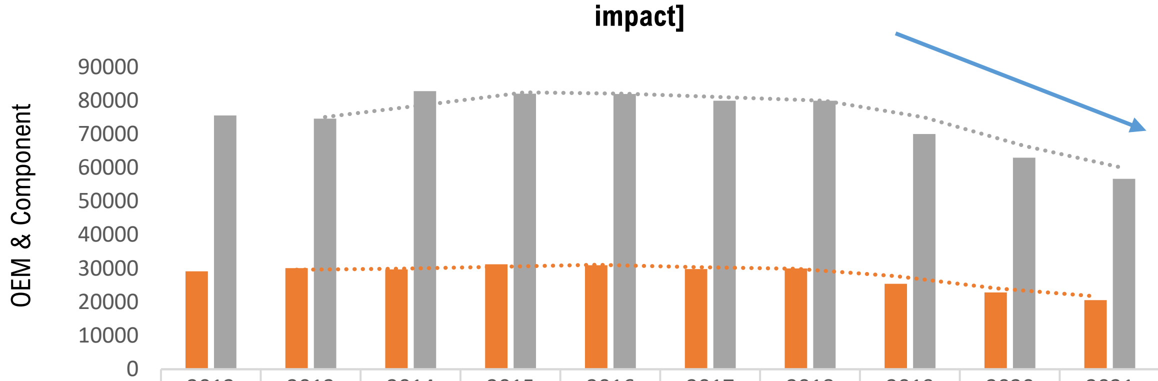
Source: NAAMSA, Lightstone, 2020

Figure 9 shows that in March 2020, aggregate domestic new vehicle sales numbers continued to decline at the back of the recent developments around the coronavirus and challenging economic conditions in the country. The new vehicle sales statistics for March 2020 reflects a substantial decline of 29,7% compared to March last year while export sales showed a huge fall of 21,5% compared to March last year. Light car vehicles reflect the highest decline of 32,70% y-on-y, base month-March. Medium and Heavy vehicle market showed a collective decline of 32,04%.

The extension of the national lockdown, totalling 25 working days, will have huge implication for production, new vehicle sales and exports for the month of April 2020. Vehicle sales and exports could decline as low as around 80% for the month of April. New vehicle sales statistics for April 2020 reflects the expected decline of 98,4% [36 213 units] from the 36 787 vehicles sold in April last year to the aggregate domestic sales of 574 units in April 2020. Equally, export sales at 901 units also registered a huge fall of 31 928 units or a decline of 97,3% compared to the 32 829 vehicles exported in April last year. Overall, out of the total reported industry sales of 574 vehicles, an estimated 275 units or 47,9% represented dealer sales, 37,8% sales to government, an estimated 12,4% represented sales to the vehicle rental industry, and 1,9% to industry corporate fleets.

It should be noted that A fall of between 12% and 40% for 2020 would be considerably worse than the two-year peak-to-trough decline of 8.0% during the global recession in 2008/2009.

Figure 10: Total Employment OEM & Component Manufacutures [COVID-19 impact]



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
OEM's	29180	30120	29715	31260	30953	29855	30050	25401	22860,9	20574,81
Component	75580	74640	82790	82100	82000	80000	80000	70040	63036	56732,4

Year

Source: AIEX, 2012-2019

The domestic automotive sector's significance is premised on its contribution to export earnings, employment, and GDP growth. The sector employs workers across various skills levels and is also and central to re-industrialising the economy of South Africa. In 2019 the automotive sector created 468 000 formal jobs in the automotive industry. A further 588 273 formal jobs were created through industry linkages with other industries in the value chain. In total, the automotive industry supports over 1 million employees in the formal sector. The automotive sector contribution to the total compensation of employees in the formal and informal sector is 3,5%, about R78,7% billion [Econometrix, 2020]. Workers compensation will be impacted because of the closure of business during the lockdown period.

Figure 10 estimates national lockdown periods could lead to job losses of between 21% and 30% in the automotive industry. The real effect will be known with time lags. *The automotive risk-adjusted proposed by NAAMSA members to the SA government will be discussed in section 5.*

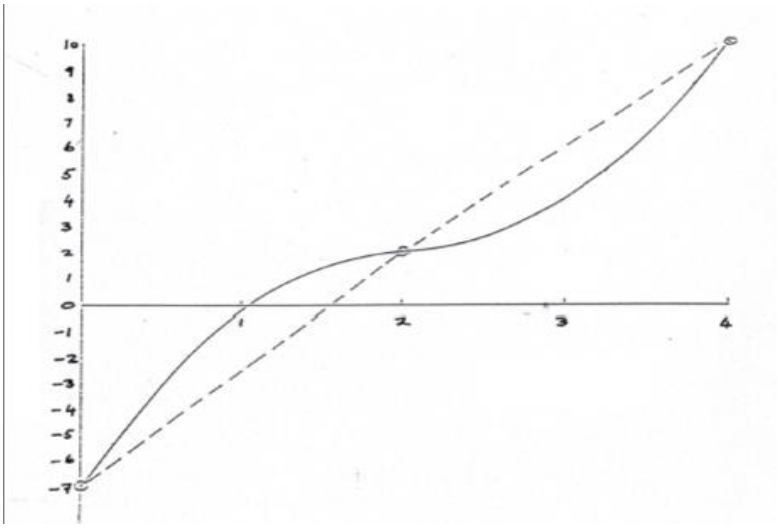
2.4. Economic Growth Impact

South African Reserve Bank

There is a close correlation between GDP growth and new vehicle sales. GDP growth in the range of 2,5% to 4,5% would tend to result in volume growth of 10% to 20% per annum. NAAMSA estimates that growth of between 1,5% and 2,5% is necessary to ensure modest growth in vehicle sales. Negative GDP growth of -4,5% would translate into negative volume growth of -20% and negative GDP growth of -6% to negative volume growth of -30%+. The SARB's latest prediction that the economy will contract by 4-6% in 2020. Such a contraction in GDP will mean it will be South Africa's worse economic performance since 1931 during the Great Depression. According to the World Bank, the potential macroeconomic impacts of the country's response to the global Covid-19 pandemic indicates that South Africa's GDP could slump by between 8% and 10% in 2020 and that more than a million jobs could be lost.

Figure 11: Relationship between GDP growth & domestic vehicle market growth

Local vehicle market growth



GDP Growth P.A. %

IMF predicts global growth will contract by 3% this year. This implies that COVID-19 impact on the economy is predicted to be the worst recession since the great depression of the 1930s and far worse than the global financial crisis of 2008/2009. Vehicle and automotive component export growth in 2020 will remain a function of the direction and performance of global markets. Vehicle sales declined by around 50% in coronavirus inflicted Western Europe in March and 40% in the US. Europe sales are expected to slump by over 80% in April 2020 while USA sales are expected to drop by at least 60%.

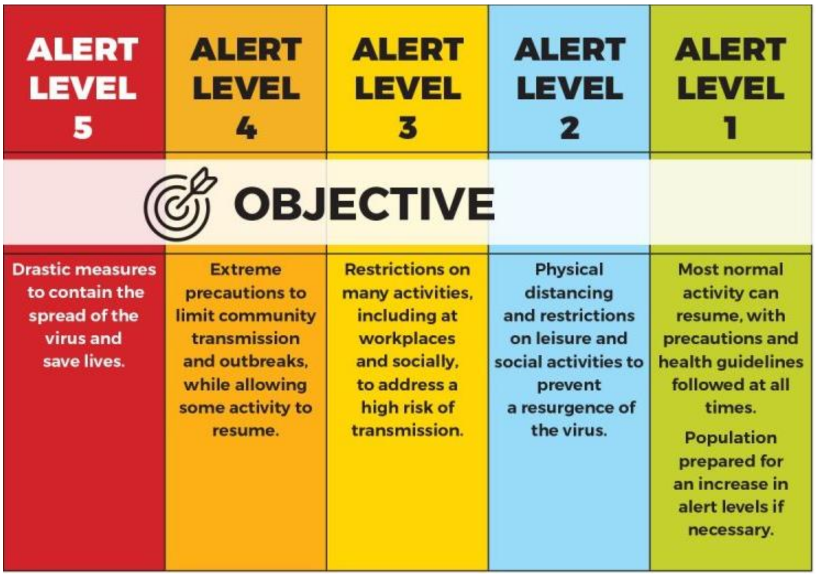
3. SA GOVERNMENT RESPONSE TO THE COVID-19

The South African government initially implemented a 21-day nationwide lockdown on the 26th March 2020, which was further extended by an additional two weeks [total of 35 nationwide lockdown days]. The lockdown will continue but will be regulated according to a risk-based approach [Alert levels 1-5]. The lockdown is set in terms of Section 27 [2] of the Disaster Management Act in efforts to flatten the COVID-19 curve.

In summary, the general lockdown regulations include;

- travel ban to countries regarded as high risk which include, China, France, Germany, Iran, Italy, South Korea, Spain, the UK, and the US.
- restrictions on the movement of persons and goods [confinement of persons: every person is confined to their place of residence unless strictly for the purpose of performing an essential service, obtaining an essential good or service, collecting a social grant, or seeking emergency, life-saving or chronic medical attention.
- border closures: all borders of South Africa have been closed for the duration of the lockdown save in relation to the transportation of fuel or essential goods.
- Additionally, the president has announced a risk-adjusted strategy aimed at easing the current lockdown restrictions over five levels depending on the risk of Coronavirus transmissions and exposure. The risk-adjusted approach and level lockdown strategy aim to strike a balance between containing the virus and the reopening economic activity.

Figure12: Levels of lockdown regulations



Source: PresidencyZA, 2020

As of May 01, 2020, the national alert level will be downgraded from Level 5 to Level 4. Under level 4, The automotive sector will operate at 50% level of employment. Unlike the initial lockdown, the duration of the level 4 extended lockdown is not specified at the moment, this is bound to add to uncertainty about the 2020 production, aggregate exports and sales targets as the SA automotive industry will be operating at limited capacity for an unknown period.

The following category of vehicles will trade under Alert Level 4:

- new and used retail sales of passenger cars [PCs], Light Commercial Vehicles [LCV], Medium Commercial Vehicles [MCV], Heavy Commercial Vehicles [HCV], Extra Heavy Commercial Vehicles [XHCV], inclusive of buses and trailers, and motorcycles;
- wholesale of new and used motor vehicles [PC, LCV, MCV, HCV, XHCV] by OEMs and importers;
- export and importation of all category of vehicles through our national ports of entry under strict guidelines; and
- trade-in purchases, vehicle lease scheme returns, and wholesale of used vehicles [all categories].

As a value-chain depended industry, the contemporaneous reopening of various administrative and other supporting functionaries of the automotive sector, such as roadworthy assessment and testing centres, other testing stations, and local licensing and registration departments, to allow for and facilitate the trading of vehicles, and the proper functioning of the vehicle supply chain is of utmost importance.

The fiscal and monetary stimulus package reliefs announced since the beginning of the crisis make up a total of R800 billion. This is almost 16% of SA GDP, in line with advanced economies and above most developing countries. The social and economic relief funds, tax reliefs, and economic stimulus packages are aimed at alleviating the deepening poverty faced by the majority of South Africans and to assist struggling businesses during the lockdown period.

From a monetary point of view, SARB reduced the repo rate by one percentage point and announced a programme to buy government bonds in the secondary market to inject liquidity into the market but will do so at market-related rates. The intervention by the South African Reserve Bank to cut the repo rate by 100 basis point will assist increasing capital and improving liquidity and reducing leverage. The national treasure in coordination with major banking institutions, and SARB have allocated a R200-billion loan scheme to help businesses pay salaries. For the automotive industry, the interest rate cut has eased monthly repayment instalments for car owners and buyers.

The fiscal allocation and additional economic stimulus announced by President Ramaphosa include;

- Establishing the Solidarity Fund, with about R1,8 billion raised so far,
- Employment Tax Incentive for private sector workers earning below R6,500pm providing relief to over 4 million workers.
- Tax compliant businesses with a turnover of less than R50 million will be allowed to delay 20% of their pay-as-you-earn liabilities over the next four months and a portion of their provisional corporate income tax payments without penalties or interest over the next six months. This intervention is expected to assist over 75 000 small and medium enterprises.
- Tax deferrals of R100 per year; 4 months holidays on skills levy; the fast tracking of VAT refunds; and deferred PAYE of 35%.
- Temporary reduction of employer and employee contributions to the Unemployment Insurance Fund and employer contributions to the Skill Development Fund.
- The DTIC had asked the Industrial Development Corporation [IDC] to establish a package valued at more than R3-billion to be used in the next quarter for “industrial funding”. the facility would help to address the situation of vulnerable firms and to fast-track funding for companies that are critical to South Africa’s efforts to fight the virus and the virus’ impacts. The facility would be available to South African businesses and that the elements to the package included a special intervention of R500-million that would be allocated for trade finance to import essential medical products, and secondly a R700-million facility for working capital, equipment and machinery.
- The Department of Small Business is addressing surges in demand to prioritise food security, including support for supply chains that are interrupted by large companies shutting down; working capital to ensure energy security; and working capital for component manufactures.
- A grant of R350 a month for the next six months will be paid to individuals who are currently unemployed and do not receive any other form of social grants or UIF,
- Increasing the money received by child-support grant beneficiaries - who will now receive an extra R300 in May and R500 more each month from June to October.

The leap of change in the South African economic and business environment because of COVID-19 is unprecedented. The social and economic stimulus response was against the backdrop of looming economic devastation, as business activities have come to a halt and workers are at home under lockdown. Recently, S&P's rating agency downgraded SA into further junk status, the action comes just over a month since Moody's, a rival rating agency, downgraded SA's sovereign credit rating to junk, citing a deterioration in SA's fiscal strength and "structurally very weak growth. The debt-to-GDP ratio is unlikely to stabilise, and it is predicted to rise to 84.7% by 2023.

The deepening economic challenges suggest that it will even take longer for the SA's economy to recover to acceptable growth rates [A possible L-Shape recovery path in 2021]. The cost of the lockdown has been estimated at R14-billion a day. Resuming economic activity at level 4 operations will go a long way in mitigating against the dire economic turmoil SA is likely to face in 2021 and beyond.

April is an extraordinary month for the manufacturing sector, particularly for the automotive sector whose business is rooted in the export market. Despite the automotive sector being granted permission to operate at 50% employment level 4 lockdown alert, subject to strict health protocols, the sector's production level is still expected to decline by at least 12% year-on-year.

The manufacturing industry is a sector that employs workers at various skill levels. The automotive sector employs just over 70% of blue-collar workers, the sector is highly labour intensive. Furthermore, the automotive sector is particularly vulnerable to market changes, as it is export oriented. A NAAMSA survey conducted in April showed that the lockdown could lead to job losses between 21% and 30% for the extended period of lockdowns. Reopening operations at Level 4 will allow for companies to revise their expectations and strategy for the year 2020. On the automotive retail and dealership network side, the extended lockdown as well and entire COVID19 pandemic will highly negatively affect the sector, valued at R48 billion investment and employing 60, 000 people, of whom mostly earn salaries through commissions. The industry has a lot consider in a short period, customers behaviours and patterns of trade have been certainly been impacted.

4. NAAMSA MEMBERS RESPONSE TO COVID-19 [CSI INITIATIVES]

In the past two months the automotive industry, like all other industries in South Africa, has been forced to confront the reality that the Coronavirus is likely to have a lasting impact on the day-to-day operations of the automotive industry, lives of ordinary South Africans and the economy as a whole. Since the announcement of the lockdown, the South African automotive industry has been actively involved in several initiatives driven by many of our members to support the country's efforts to prepare the public health system to respond to some of the challenges imposed by COVID-19 in many of our communities across the country. Some of NAAMSA members contribution include, but not limited to:

- the automotive sector is actively involved in the production of ventilators, face shields and masks to support essential workers with this much-needed equipment across the country;
- the industry further donated more than 471 vehicles which include, passenger, bakkies, 4x4 vehicles and trucks [and 922 parts] to support various initiatives that needed means of transport for medical

staff, support personnel and field workers, for the distribution of food parcels and conducting pre-screening of communities;

- more than100 vehicles to support approved food relief NGOs with the delivery of food to our affected communities;
- the industry provides repair and maintenance support for essential services vehicles during lockdown;
- vehicle owners and customers who are having vehicles with service and repair plans, have been granted extensions on their plans by most OEM's so that they do not forfeit their benefits because of the lockdown;
- In Port Elizabeth, a warehouse facility has been transformed to provide essential support as a field hospital and the Livingstone and Provincial Hospitals also in the Eastern Cape have been renovated to increase their capacity to accommodate COVID-19 patients who require screening, testing and hospitalisation;
- Temporary marque tents erected at Dora Nginza Hospital, Livingstone Hospital and Laetitia Bam Clinic in Kwanobuhle near Uitenhage, to serve as temporary testing facilities;
- to support health services, the automotive industry has been servicing oxygen and vacuum equipment's;
- we have joined forces with the University of Witwatersrand Reproductive Health and HIV Institute [WITS RHI] to support the Department of Health's COVID-19 screening programmes;
- Initiatives to provide schools with re-usable face masks, hand sanitizers, and the provision of clean water for hygiene and sanitation to where it is needed the most;
- Meals on Wheels initiative providing 1 500 meals per day for residents of Alexandra in Johannesburg during lockdown;
- we are also supporting the taxi industry with their massive awareness campaigns to help mitigate against the spread of COVID-19 through educational awareness materials provided to taxi drivers and passengers across the country; taxi rank cleaning and disinfection; and other awareness programmers on basic hygiene. The supply of sanitisers and masks initiatives to taxi operators and commuters is valued at R8,5 million [total value of the campaign is R10,3 m];
- Finally, regarding COVID-19 awareness campaigns and education companies have funded billboards erection and posters, flyers, vehicle decals and T-Shirts, all items have been created and will be distributed to Taxi Associations after lockdown;

The projects are undertaken in partnership with various NGO's and hospitals to drive corporate social responsibilities of the OEM's, Importers and distributors and Heavy & medium vehicle members.

NGO's;

Viva foundation in Mamelodi, Rada, Gift of Givers foundation, Laudium Disaster Management, Food forward, SA National Zakah, Red cross, Feeding SA Together, Minnie Dlamini Foundation, Back a Buddy Food packs, South African Red cross society, SOS NPO;

Hospitals and health institutions;

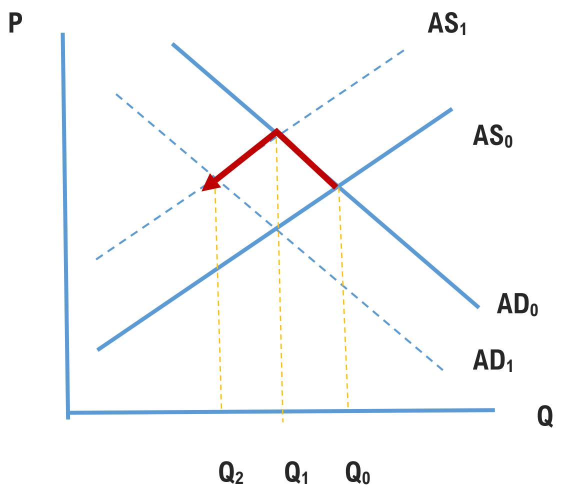
Nelson Mandela Bay hospital, Livingstone Provincial hospital, Dora Nginza hospital, Laetitia Bam clinic, transportation od medical supplies to Steve Biko hospital, the Department of Health's screening programme in Tshwane, the University of Witwatersrand Reproductive Health and HIV Institute [WITS RHI] to support the Department of Health [DoH]'s COVID-19 screening programme in the City of Tshwane, in the Gauteng province, Prince Mshiyeni Hospital in KZN, Medi Response emergency response team.

5. CONSIDERATION FOR THE SA AUTOMOTIVE INDUSTRY AND SCENARIO PLANNING

5.1. Automotive Industry Assessment: COVID-19 overall Impact on industry operations

The COVID-19 pandemic relates to three simultaneous shocks; health shock, which will stretch the resources of South Africa's healthcare system to its limit; economic shock, which will substantially reduce the SA fragile economic growth even further; and consequently the demand side relating to sales and exports. COVID-19 lockdown shocks reduce economic activity and negatively impact business from both the demand side and supply side of the automotive sector and the entire manufacturing value chain belt. Figure 13 and 14 depict COVID-19 related demand and supply surplus destructions. Eventually if not mitigated against through loosening up the lockdown levels with clear review time frames, the potential business and social disruption of COVID-19 will be larger than the loss experienced during recessionary periods.

Figure 13: PRE-COVID19 ECONOMIC DISTRESS AND INITIAL LOCKDOWN IMPACT ON THE SA AUTOMOTIVE INDUSTRY DEMAND AND SUPPLY ACTIVITIES



Supply Side Shocks;

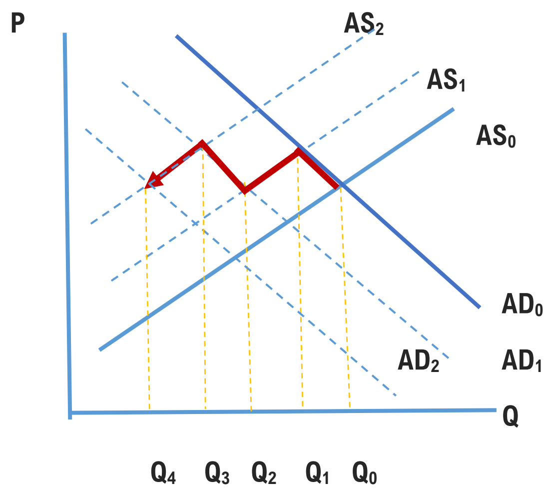
- Slow global economic growth, SA weak currency and recent double-dip recessions had a negative impact on input cost, components imports and the value of exports sales.
- Disruptions in global supply – Components imports affected.
- Workers are having been at home for the duration of the lockdown [2 months].
- vehicle exports are supplied at low quantities but for higher prices- affects consumers; the cost of inputs increase.

Therefore, supply shock - [AS_0 ⇨ AS_1]

Demand Side Shocks;

- NAAMSA announced that in March 2020, the aggregate domestic new vehicle sales numbers declined sharply by 29,7% and total vehicle exports fell by 21,5%, compared to the corresponding period last year on the back of the recent

Figure 14: COVID-19 EXTENDED LOCKDOWN SHOCKS ON THE SA AUTOMOTIVE INDUSTRY DEMAND AND SUPPLY ACTIVITIES. [FEEDBACK LOOP]



Supply side Shocks;

- Trade disruptions, global supply chain disruptions – Logistics network pressures.
- It becomes more difficult and expensive to import vehicle part from SA automotive trading partners being the hardest hit by the Coronavirus. The unknown duration of the trading partners lockdown adds to business planning pressures.
- Quarantine and social distancing – decline in labour supply.
- Prolonged production halts.

Supply feedback loop shocks [AS_0 ⇨AS_1 ⇨ AS_2]

Demand side Shocks;

- For April 2020, total vehicle units sold were 574, reflecting a 98,4% and vehicle exports declined by 97,3% compared to the same month last year. This is due to the prolonged shutdown in automotive sector activities, amongst other external factors, such as

developments around COVID-19 and compounded by persistent and recessionary pressures our economy has been experiencing in the recent past. ▪ Production investment initiatives activities halted for the duration of the COVID-19 uncertainty. **[AD_0 ⇨ AD_1]**	consumer behaviour etc. It is anticipated that vehicle sales and exports will decline by almost 45% for the month of MAY 2020 compared to the corresponding period last year. ▪ Uncertainty about the progress of the disease- Wait and see demand purchase disruptions occur. ▪ Households increase precautionary savings, avoiding purchasing vehicles for the foreseeable future. ▪ Liquidity concerns causing companies to hold-off on expansion programs. ▪ Loss of earnings for workers because of companies' cash flow concerns. ▪ Reduced trading hours at automotive retail sections affecting buyers. ▪ Uncertainty about economic policies and the overall economic effect COVID-19. **[AD_0 ⇨ AD_1 ⇨ AD_2]**

OVERALL EFFECTS

COVID-19 potentially will have more undesired consequences on the automotive sector.

- Uncertainty, panic, and lockdown policies to drive the large drop in demand and supply disruptions;
- Comparing figure 11 and 12, The overall COVID-19 effect has a larger impact on the economy than the previous economic depression loops.

Mitigation strategies

- Ultimately suppressing the virus will ultimately lead to improved economic activity.

Sectors are required to prepare the return to work planning tools and risk-adjusted measures to mitigate against the impact of COVID-19 on business activities and to reduce the risk of infection in all areas of operations after lockdown. The return to work strategies put entails business continuity considerations, the identification of organisational vulnerabilities, as well a review of the automotive customer and supplier behavioural shifts during the COVID1-19 epidemic.

While most of the industry scenario analysis have approximated their strategies to predicted lockdown dates and others according to the severity of shocks [mild, medium to severe etc.], this report considers the South African COVID-19 recorded lockdown extension reality thus far, long-term COVID-19 impact perspective, and collective recovery considerations for the automotive industry value chain.

INFLUENCING FACTORS	5.2 RETURN TO WORK SCENARIO STRATEGIES FOR THE AUTOMOTIVE SECTOR			
		SHORT TERM [35 DAYS LOCKDOWN AND TRADING PARTNERS LOCKDOWN]	**POSSIBLE DOMESTIC LONG-TERM EXTENSIONS AND TRADING PARTNERS DISRUPTIONS**	**RECOVERY STRATEGIES**
	BUSINESS CONTINUITY & FINANCING	Cost of doing business has significantly increased- The South African Rand has depreciated significantly against all major currencies during the Covid-19 pandemic, due to all three major credit rating agencies having had downgraded SA into non-investment grade[3]. The exchange rate affects inflation through two channels, namely, the prices of imported finished products, as well as	The automotive value chain and SKD assembly lines were shut down for the lockdown. The lockdown alert level proposed and the implementation Level 4 restrictions on employment level [50%] could lead to short-times for labour for an extended period, impacting production, sales, and export 2020 targets.	Set up of a Pandemic Response Team [PRT] which is a cross-functional team led by Plant Manager. The Plant Manager has overall responsibility for the site's pandemic preparedness and response plan, coordinating and aligning with industry established PRTs. Evaluate working capital and liquidity requirements.

[3] Moody's, Fitch and S&P rating agencies downgraded SA between the 27 March-29 April 2020

		the prices of input costs for the automotive sector *[automotive import distributors and import of components effects].*	Considerations for prior business expansion strategies and vehicle production orders may need to be reviewed in line with the country's lockdown extensions.	Control discretionary operating costs and CAPEX. Negotiate more flexible financing terms with lenders for the duration of the lockdowns. Due to the unexpected financial difficulties companies are experiencing currently and possibly for the rest of the 2020 financial year, fixed costs reliefs from the government to be applied for include, the consideration of ESKOM to introduce rebates and/ or waivers for the 2020 winter tariffs [June to August]. Considerations to be made as a qualification criteria for this tariff rebate can be any OEM or component company confirmed as a participant in the automotive manufacturing value chain, using the same auditable qualification criteria as for APDP [either R10 million p.a. or 25% of turnover into an OEM value chain].
	SUPPLY CHAIN DISRUPTIONS	Logistics challenges and delivery disruptions at the national ports of entry and on national roads because of miscommunication between different	Important considerations: Domestic market- Lockdown extensions lead to shortages in raw materials and input used in the production of cars.	Domestic market- Vehicle manufacturers produce vehicles on the strength of orders received from the dealers which accounts for more than 36% of all vehicles manufactured locally. During the lockdown period, there must be collaboration, synergy and alignment in the entire automotive value chain

		state-owned entities and law enforcement agencies. Important contemplations- during a pandemic, industrial sectors compete with the essential service- health sector for material inputs for ventilators and other medical machinery and equipment, causing supply chain delays for the duration COVID-19 epidemic.	Trading partners- Delayed response shocks due to significant reductions in imports and exports for 6-7 months due to lockdown in trading countries.	operation. Administrative and other functionaries, such as roadworthy assessment and testing centres, other testing stations, and local licensing and registration departments should be aligned to vehicle manufacturing and auto retail & dealership network. International supply back-lock disruptions will be depended on the speed at which our trading partners can recover from the Coronavirus crisis and be fully open to trade.
	PRODUCTION PRESSURES	The manufacturing sector has experienced production shortfalls due to supply chain disruptions of import goods sourced from China [January-Mid April 2020]. The lockdown regulations have impacted production. Exports fell by 21,5% as a result of the three days lost in March 2020. A full month of production has been lost in April 2020. Exports and sale have decreased by 90% for the month of April 2020.	Important considerations- Plant managers to reassess what proportion of the assembly sites operate manually vs. mechanized operation, to readjust contracts and production targets accordingly.	Reinvent and create new products [protective face shields, ventilators, for the duration of the lockdowns and the extensions, epidemic and the allowed minimum normal automotive vehicle production.

	LABOUR FORCE CONSIDERATIONS	A collective automotive industry position communique on the industry challenges and strategies surrounding COVID-19 developments should be continuously communicated with labour. This will assist in addressing unnecessary impasse between labour and employers that may arise because of prior obligations and some expectations having to be delayed or withdrawn due to the unplanned business challenges posed by the coronavirus epidemic.	Exposure of employees to the COVID-19 would need to be monitored through screening even after the relaxation of lockdown levels. If the workforce becomes a large part of the total number of COVID-19 infected cases in the country, then inadvertently production will be impacted. South African government COVID-19 advisors have argued that SA is in still in the early stages of the pandemic. In the long-run automotive companies will have to: - Reassess the ability to meet payroll, - The proportion of the workforce likely to be retrenched or short-time considerations?	Labour related risk and collective communication plan must be put in place, Put Supportive measures for employees COVID-19 screening and testing before and after returning to work as and when the need arises. Encourage self-isolation for employees who test positive to COVID-19. Prepare and implement numerous protection measures to enable employees to start work. - All employees to be provided with face masks and other Personal Protective Equipment [PPE]. - Encourage remote working for those employees who do not have to be on site. - Enforcement of social distancing of up to 1,5m across workstations at all our

				manufacturing facilities and at all shared spaces such as canteens, change rooms, meeting areas, and turnstiles. The government must assist with special incentives for employers who retain their staff to protect against job losses or short-time/short-pay strategies.
	MANAGING CONSUMER EXPECTATIONS	Uncertainty about the progress of the disease- "Wait and see" demand purchase disruptions. Households increase precautionary savings, avoiding purchasing vehicles for the foreseeable future.	E-commerce- remote/virtual vehicle sales will increase as most customers observe social distancing and COVID-19 lockdowns. Vehicle advertising strategies must factor this going forward.	Home services for customers- for the delivery of purchased vehicles and purchases of vehicle parts. As personal contact continues to be kept to a minimum, vehicle financing, insurance and all validation may have to move online. Online vehicle auctioning to be adopted.

5.3 THE AUTOMOTIVE INDUSTRY LOCKDOWN LIQUIDITY RELIEF PROPOSALS TO THE PRESIDENT OF THE REPUBLIC OF SOUTH AFRICA.

The automotive industry is currently under pressure like many sectors of the economy. The sector has presented measurable lockdown liquidity relief proposals to alleviate serious cashflow challenges and to ensure the survival of the industry post-COVID-19, while at the same time safe guarding the lives of more than half a million employees across our value chain by adhering to the presidential lockdown requirement for non-essential sectors:

The Automotive lockdown liquidity reliefs proposals are as follows;

5.3.1] Volume Assembly Allowance [VAA]

The achievement of rolling quarterly and annual volumes and the applicable VAA rate as required by the volume/rate sliding scale will be compromised with a resultant adverse impact on the VAA percentage earned by the OEM's.

- VAA Rate | It is proposed that the average actual VAA percentage used by the OEM's for the last 2 quarters of 2019 be applied to the 4 quarters of 2020 irrespective of actual production volumes unless an OEM exceeds this average percentage, in which case the higher rate may be used.

5.3.2] Product Rebate Credit Certificates [PRCC's]

Many OEMs are in a situation where PRCCs will expire as importing will be reduced for both for CKD and CBU/FBU over time as production and sales schedules are adjusted. Even when plants start producing again, it cannot be predicted at what point sales will pick up and business settle down to a normalised environment. Furthermore, it is expected that the process of applying for and the granting of PRCC's will be compromised as offices are closed in both the private and public sectors.

NAAMSA, therefore, requests consideration of the following:

- Extension of PRCCs to avoid expiry | All PRCC's already issued and unused to automatically extended for a minimum of 12 months from the date of expiry on the certificates. This to include all claims submitted to ITAC but not yet issued to the applicants;
- Submission of new PRCC claims | That the period allowed for the submission of new PRCC claims to be extended by 6 months on top of the 12 months already allowed. In addition, that the electronic submission of PRCC claims is accommodated with immediate effect. This should include the electronic signatures of the applicants and auditors.

5.3.3] Automotive Incentive Scheme [AIS]

This is a complex regulatory environment with many qualification criteria and checks and balances, most of which will be compromised during this period of COVID-19 disruption. NAAMSA, therefore, requests consideration of the following:

- New applications | That an extension in time of 60-days be granted to lodge new applications in addition to the current requirement to lodge applications within 180-days before the commencement of production;
- AIS applications already granted but against which claims still have to be lodged | These applications are required to designate a start of production [SOP] date which will now be compromised. The request is that the SOP dates must be extended by 6 months for both supplier and OEM applications so that claims against these approved applications are not denied. Submission of progress claims will be compromised as staff will not be available to complete and file these claim applications. In this case, NAAMSA suggests an extension of 3 months be allowed to lodge all claims;
- AIS - Settled claims - monitoring period | Achievement of the production volume and headcount targets during the monitoring period of 2 years after the final claim will be compromised. Consideration should be given as to how this will be accommodated in the audit. It may be appropriate to eliminate portions of 2020 from this monitoring period as a suggestion at this point not knowing by when the auto industry will be normalised again.

5.3.4] Quarterly Duty account submission to Customs:

The due date for submission is the 25 April. Our members will try to achieve this date, but working remotely and with auditing challenges, this date might be difficult to achieve.

- Extension of time to submit | It is proposed that the submission date to Customs is extended to the 25th May 2020 for the quarter ending March 2020. The DTIC approach Customs on behalf of the industry and confirm this new date for the account submission.

5.3.5] Effective date to commence the APDP Phase 2:

There are concerns amongst our members that the COVID-19 pandemic and related disruptive but necessary remedial actions along with APDP Phase 2 uncertainty may compromise the start date of January 2021. Whilst it is not the intention of NAAMSA members to insist on a postponement of this date, it may be a reality considering the following:

- The Regulations and supporting Guidelines have not been published and whilst the framework may be clear, the detail is not; and

- The calculation of VALA, conversion of PRCC's to PRC's, suppliers quarterly completion of the C1 schedules [starting with the third quarter of 2020 and to include imported raw materials] plus the compilation of the quarterly account for Customs, to list a few concerns, is unknown and internal systems amendments cannot be made in the remaining period before the effective date in January 2021.

The industry recommends that the effective date of APDP Phase 2 be postponed to July 2021.

5.3.6] Automotive Production Development Programme [APDP] and other related instruments:

5.3.6.1] APDP CKD Duty, CO2 Tax and Ad Valorem Duty on domestic vehicle production

- 1st Quarter 2020 due on the 25th April 2020 |we proposed that the 1st Quarter accounts be delayed to 25th July 2020 [due date for 2nd Qtr. payments];
- 2nd Quarter 2020 due on the 25th July 2020 | we proposed that the 2nd Quarter accounts be delayed to the 25th October 2020 [due date for 3rd Qtr. payments];
- 3rd Quarter 2020 due on the 25th October 2020 | we proposed that the 3rd Quarter accounts be delayed to the 25th January 2021 [due date for 4th Qtr. payments]; and
- 4th Quarter 2020 due on the 25th January 2021 | The industry will pay these accounts on the due date as planned should we not experience further disruptions.

5.3.6.2] Tyre waste levy - Quarterly Account

- In concurrence and in consultation with the Minister of Finance, we request a 60-day extension for all three quarters of 2020. The same principle as in 1.1 above should be considered.

5.3.6.3] CBU/FBU and Parts and Accessory Import Duties: Operating under the duty deferment system

- A 60-day extension for all clearances in the months of April, May and June payments. This should include all duties and levies payable e.g. CO2, Ad Valorem etc.

Note: Many of these clearances are carried out by Customs and Clearing agents so the above is a blanket request for all deferment due dates to be extended by 60-days for the months mentioned above.

5.3.6.4] Company Employee Taxes and Levies: Due by the 7th of each month

- PAYE; UIF and SDL | Postponement of payments by 60-days for the months on April, May and June.

5.3.6.5] Corporate Taxes:

- Provisional Income Tax | Allow all corporates one provisional tax payment deferment; and
- 30-days deferment | If Year-end is 30 June, Provisional Tax only due 31 July. Valid for 6 months i.e. to 30 September 2020.

5.3.6.6] Withholding Taxes:

- Withholding tax on interest - due end of the following month in which interest paid
  - Extend by 60days for the month of April to June 2020
- Withholding tax on royalties - due end of the following month in which royalties paid
  - Extend by 60days for the month of April to June 2020
- Withholding tax on dividends - due end of following month in which dividend paid
  - Extend by 60days for the month of April to June 2020

5.3.7] Value Added Tax [VAT]

- VAT due in the 2nd Quarter [April - June] to be deferred to the 3rd quarter July - December;
- Refunds for 2nd Quarter April - June to be offset against any VAT payments due by taxpayers in this period;
- Allow repayment of net VAT amount for Quarter April - June [i.e. net of all refunds + payments] over the 6-month period December to 2020; and
- Allow future refunds to be offset against any payments which would have been due over this period.

Note: The above relies on SARS maintaining current timings for VAT/Tax and related refunds.

The automotive industry supports the South African carefully considered approach to balance the need to resume economic activity with the imperative to contain the virus and save lives. The industry has taken prudent steps to reduce the risk of infection across the entire automotive value chain and save the lives of our employees and those they come into contact with. Additionally, in order to protect existing jobs of all employees, the industry to the best of its ability will the ensure the staffing schedules are on a rotational basis to afford every employee an opportunity to work and to earn an income as we ramp-up to 100%. We propose this staggered approach above because our country needs to balance the imperative to contain the virus and save lives with the need to resume economic activity, protect jobs and secure our people's livelihoods.

End of Report!

ADDITONAL NOTES FOR INFORMATION

- NAAMSA is a pre-eminent industry representative body that actively and responsibly represents, promote, advance and protect the interests of local manufacturers and assemblers of passenger, light and heavy commercial vehicles as well as major importers and distributors of new vehicles in South Africa. We represent 41 companies;
- Our vision is to the most credible and respected thought leader and partner of a globally competitive and transformed automotive industry that actively contribute to the sustainable development of South Africa;
- For more on this report contact: Michael M. MABASA, Chief Executive Officer, mike@naamsa.co.za or Sharon MODIBA, Executive manager: Economic Policy & Data Management,sharon@naamsa.co.za
- More information can be found on www.naamsa.co.za.

NAAMSA OFFICES: PRETORIA | MAY 2020