

SA AUTO MARKET ANALYSIS

 **AUTOLYTICS** naamsa
BANK

naamsa - Absa Vehicle and Asset Finance BULLETIN | May 2022

naamsa VEHICLE MARKET ANALYSIS AND TRENDS

Absa Vehicle and Asset Finance
Consumer Insights

PARTNERSHIP | CONSISTENCY | TRUST





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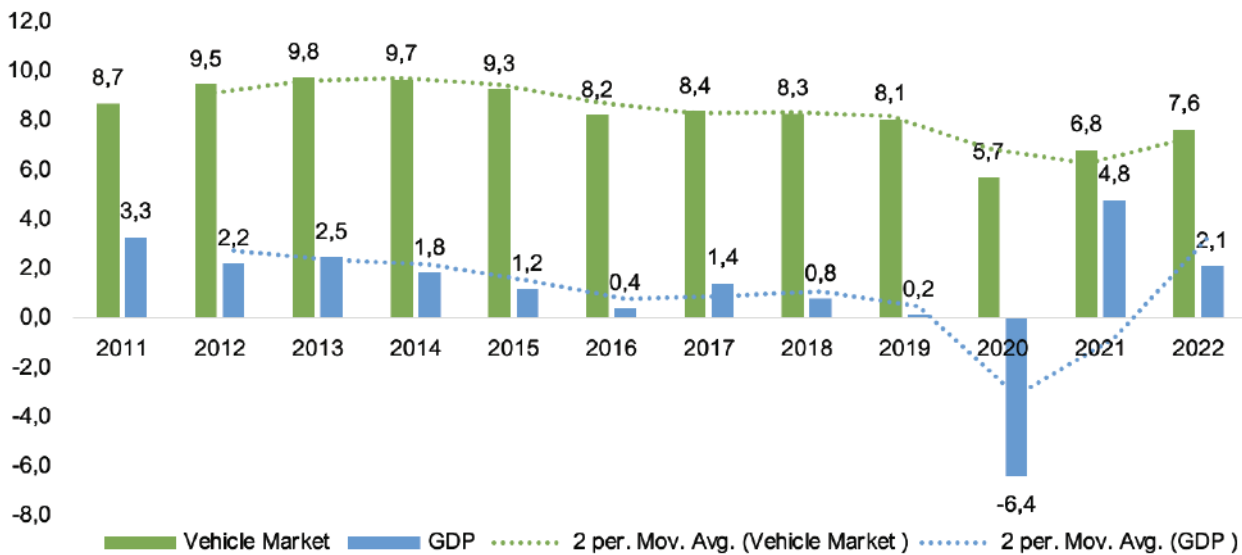
INTRODUCTION



Sharon MODIBA
Executive Economic Policy
and Data Management Solutions

Welcome to the May 2022 **naamsa** SA Auto Market Analysis bulletin publication, in partnership with Absa Vehicle and Asset Finance. The South African Automotive Industry is one of the country's largest manufacturing sectors and has played a significant role in developing the country's industrial capacity. The sector employs half a million people across the value chain and accounts for 4,3% [2,4% manufacturing and 1,9% retail] of the overall SA's GDP contribution and approximately 17,3% of SA's manufacturing output. The automotive key performance trends over the years have shown that sound automotive policy trajectory contributes positively to the growth and stability of the sector. Furthermore, when measured against SA's GDP projections, the automotive industry trends mirror a close correlation exists between domestic new vehicle sales and the overall performance of the economy, and the new vehicle market performance was aligned with the strong recovery in the country's GDP growth rate of around 5% for 2021.

FIGURE 1: SA VEHICLE MARKET SHARE vs. GDP GROWTH TRENDS



Source: Sharon MODIBA, **naamsa** 2022

Despite the KwaZulu-Natal floods fuelled supply chain disruption with the Durban ports, rail and road closure, Russia-Ukraine war financial & oil markets disruptions, SA fuel hikes, Eskom electricity shortages, and numerous public holidays, the April 2022 **naamsa** new vehicle sales release shows that the SA automotive sector held its own. The April 2022 YTD aggregate domestic sales increased by 14,8% at 173 299 units, compared to the 115,022 new vehicle sales recorded for the same period last year. Likewise, the April 2022 aggregate vehicle exports increased by 2,7% at 119 511 units, compared to the 151,022 aggregate export units recorded for the same period. The new vehicle sales outlook for 2022 is 505 000 units, and the export outlook is 335 700 units.

Disclaimer: The automotive performance indicators, namely, new vehicle sales, exports, production, and imports, are updated on the 10th working day of each month on the **naamsa** website.



naamsa VEHICLE SALES TRENDS and AUTO MARKET ANALYSIS

FIGURE 2: TOTAL NEW VEHICLE SALES

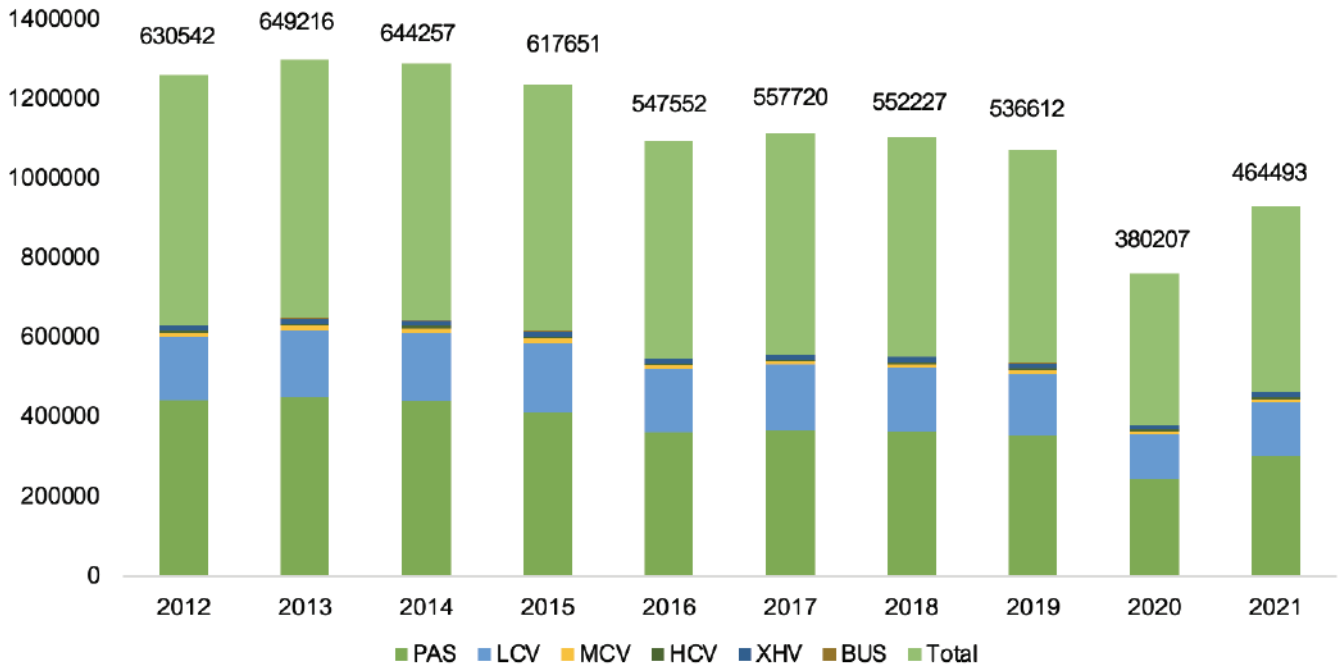
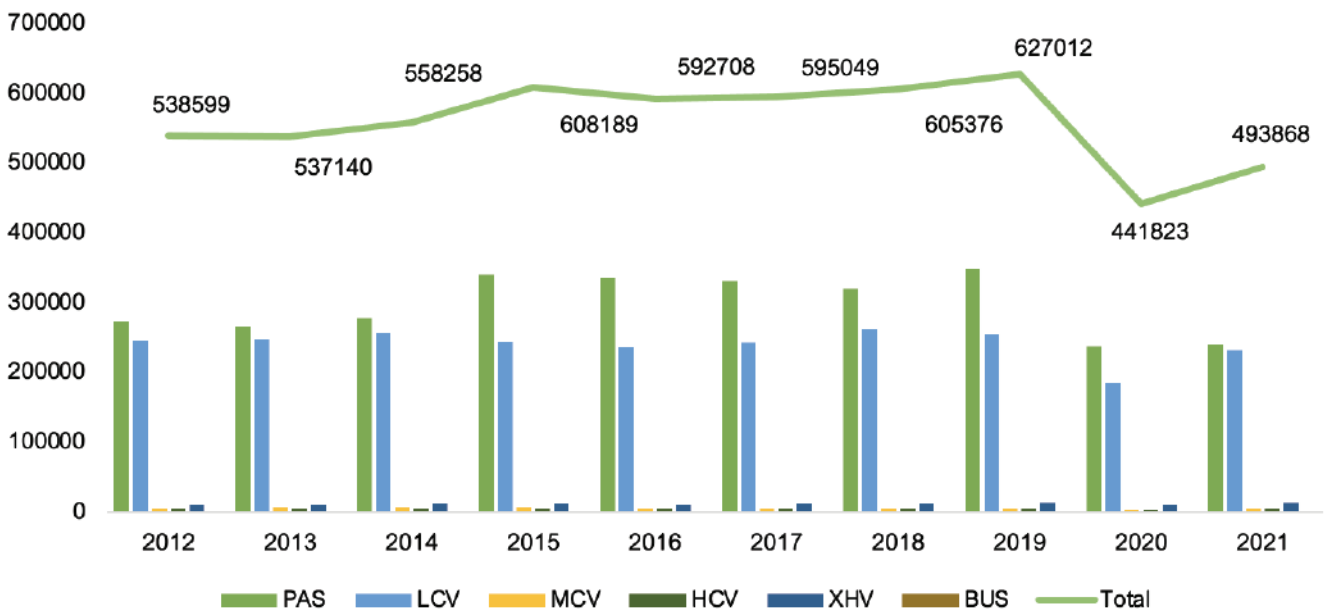


FIGURE 3: TOTAL VEHICLE PRODUCTION



Source: naamsa, 2022

Despite the KwaZulu-Natal floods fuelled supply chain disruption with the Durban ports, rail and road closure, Russia-Ukraine war financial & oil markets disruptions, SA fuel hikes, Eskom electricity shortages, and numerous public holidays, the April 2022 naamsa new vehicle sales release shows that the SA automotive sector held its own. The April 2022 YTD aggregate domestic sales increased by 14,8% at 173 299 units, compared to the 115,022 new vehicle sales recorded for the same period last year. Likewise, the April 2022 aggregate vehicle exports increased by 2,7% at 119 511 units, compared to the 151,022 aggregate export units recorded for the same period. The new vehicle sales outlook for 2022 is 505 000 units, and the export outlook is 335 700 units.

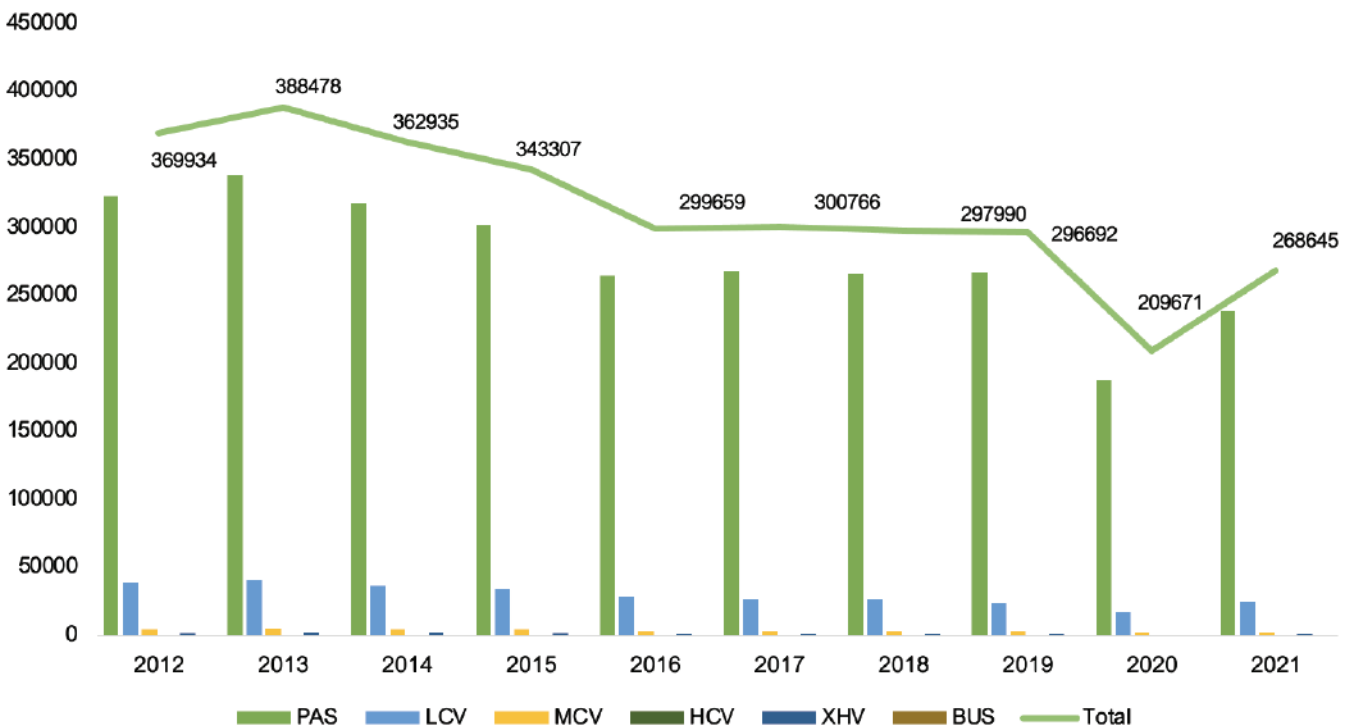
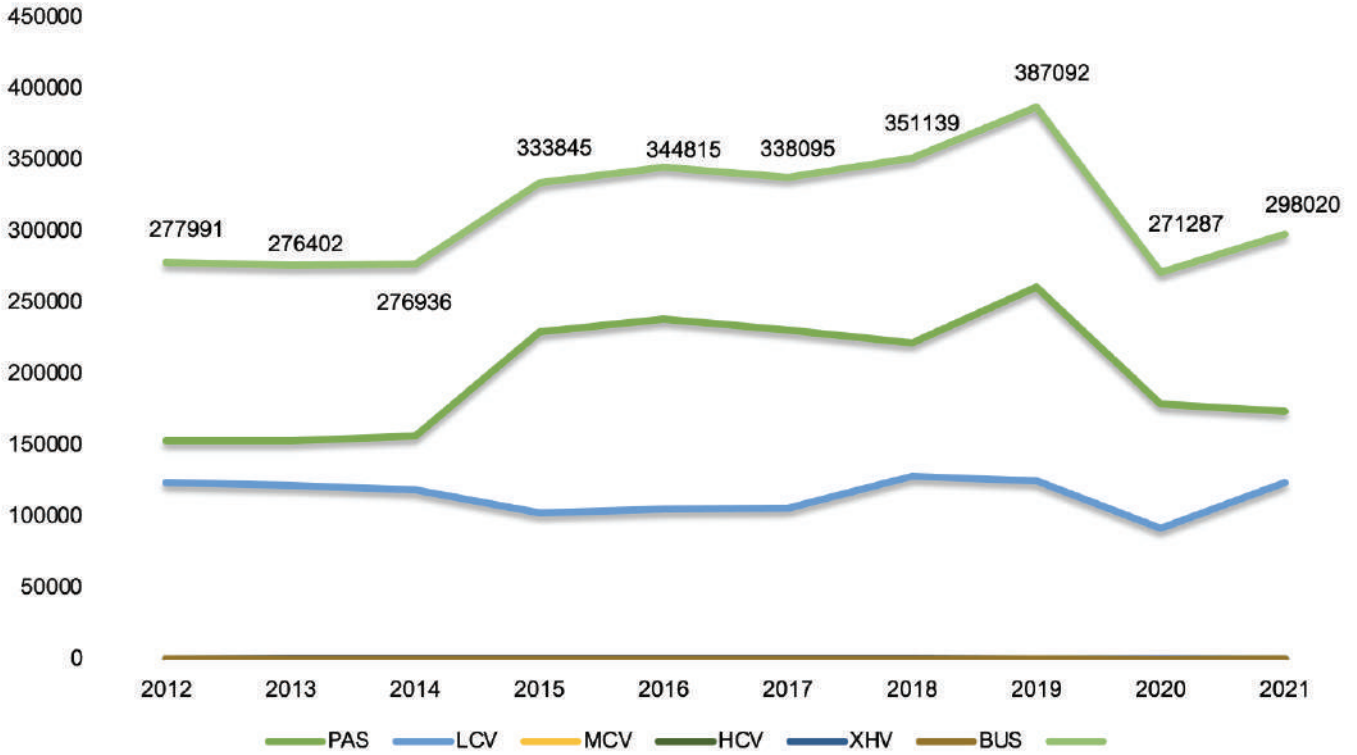
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TOTAL EXPORTS and TOTAL VEHICLE IMPORTS

FIGURE 4: TOTAL EXPORTS



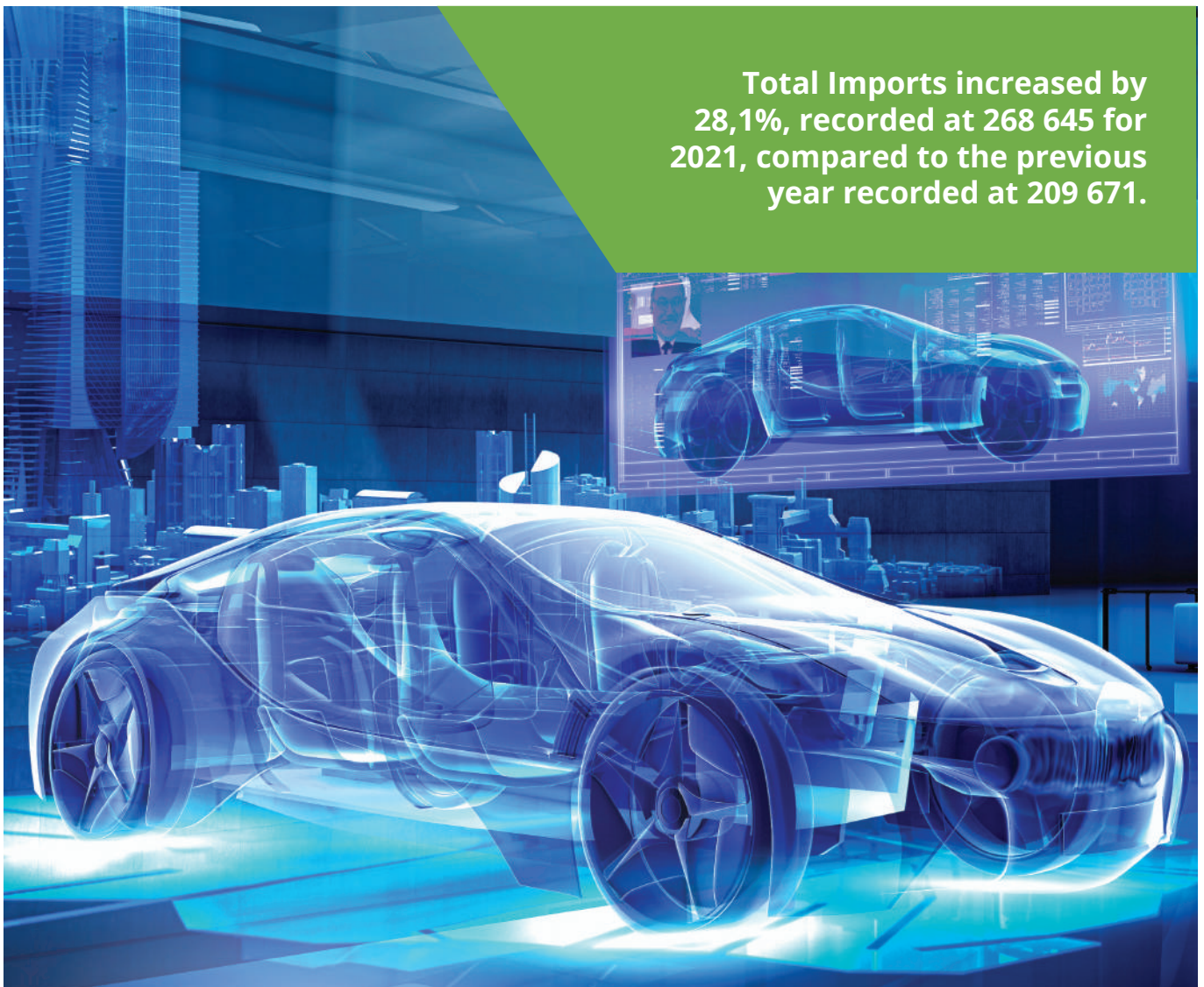
Source: naamsa, 2022]

3 155 622 vehicles were exported out of South Africa between 2012 and 2021. In 2021, aggregate exports increased by 9,9%, from 271 287 total exports recorded for 2020 to 298 020 total exports. The 2021 total exports were still 23,0% lower than the 2019 vehicle exports recorded at 387 092, the highest recorded export period over the last 10 years. Heavy commercial vehicles were the highest exported segment and recorded an increase of 44,4%, followed by light commercial vehicles at 34,5%. The bus segment increased by 17,6%.

The total export value increased by R171,1 billion from the R121,2 billion recorded in 2020 to R138,3 billion recorded in 2021.

In 2021, the automotive exports accounted for 12,5% of the total South African exports, with 152 total export market destinations (Dr Norman LAMPRECHT, naamsa, Automotive Export Manual 2022).

Total Imports increased by 28,1%, recorded at 268 645 for 2021, compared to the previous year recorded at 209 671. In 2021, passenger cars increased by 26,9% compared to 2020. The 2021 passenger car imports were still 10,7% lower than the 2019 statistics.

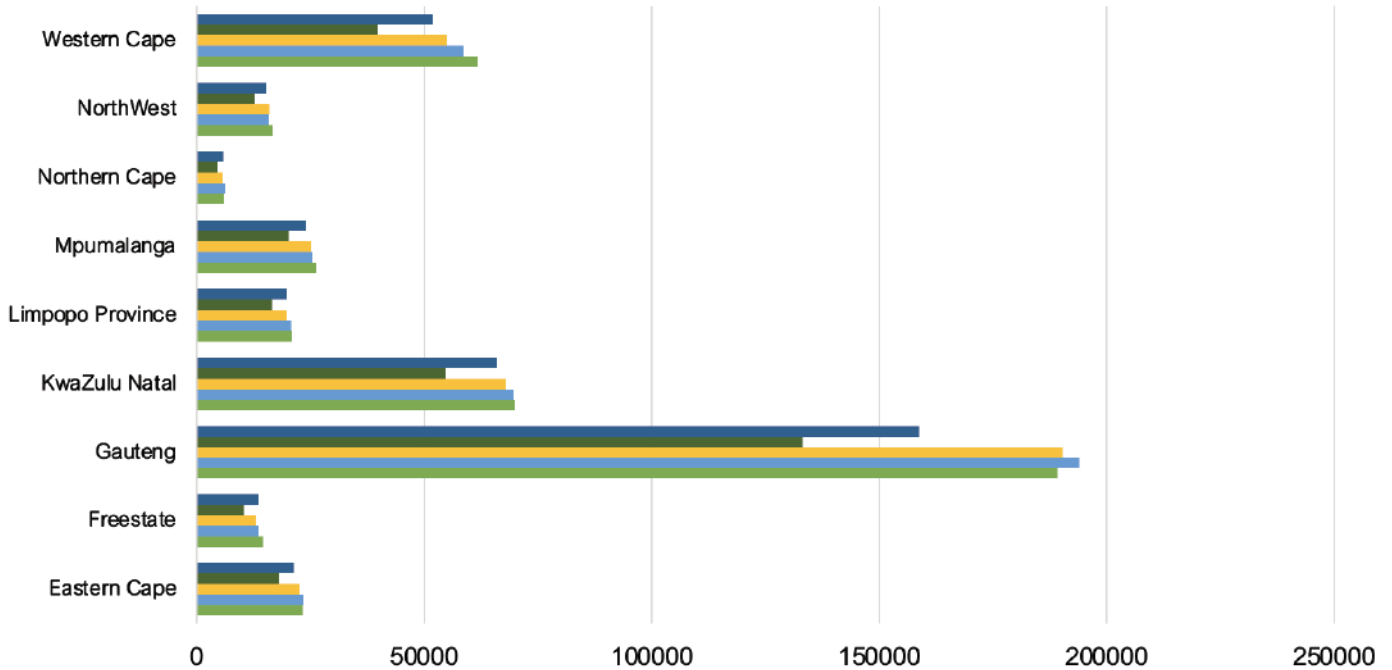


Total Imports increased by 28,1%, recorded at 268 645 for 2021, compared to the previous year recorded at 209 671.



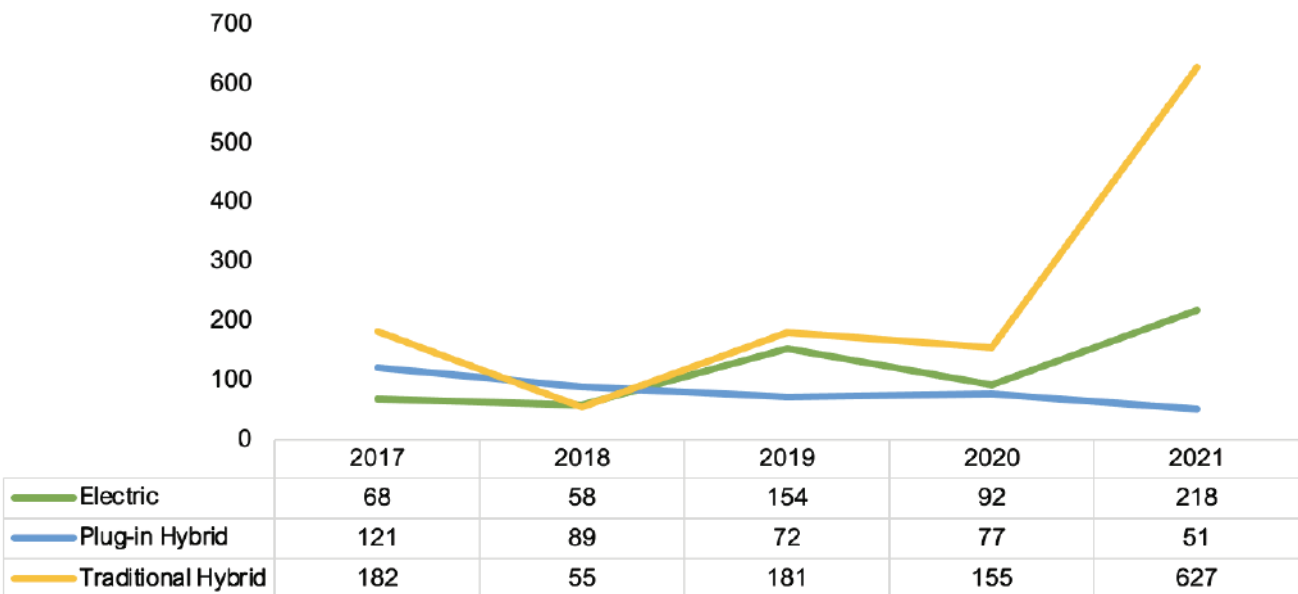
NEW VEHICLE SALES PROVINCIAL SPLIT NEW ENERGY VEHICLE SALES

FIGURE 6: NEW VEHICLE SALES PROVINCIAL SPLIT



	Eastern Cape	Freestate	Gauteng	KwaZulu Natal	Limpopo Province	Mpumalanga	Northern Cape	NorthWest	Western Cape
■ 2021	21346	13625	158783	65973	19764	24091	5887	15421	51959
■ 2020	18057	10431	133275	54837	16511	20254	4556	12701	39833
■ 2019	22607	13148	190472	67892	19804	25008	5773	15973	55157
■ 2018	23564	13659	194144	69622	20767	25557	6248	15864	58570
■ 2017	23336	14529	189306	70124	20965	26317	6155	16717	61659

FIGURE 7: NEW ENERGY VEHICLE SALES





NEV YTD
March 2022
LOCAL PRODUCTION-
 Traditional Hybrid | **1,110**

NEV YTD
TOTAL IMPORTS- 301
 Electric | **112**
 Plug-in | **32**
 Traditional Hybrid | **157**

In terms of new vehicle sales provincial split, the SA provinces new vehicle sales increased by 21,4% from 310 455 units sold in 2020 to the 376 849 total units sold in 2021. The highest 2021 sales were seen in Gauteng, followed by KZN and Western Cape at 158 783, 65 973 and 51 959, respectively. Over the last 5 years, 1 960 241 vehicles have been sold in SA provinces.

The automotive sector is in the midst of unprecedented change, marked by the continued advancement of New Energy Vehicles (NEV) and lower fuel emissions, a convergence of industries, transforming supply chains, and rapidly changing customer preferences geared towards more sustainable options. Over the last two years, the South African automotive industry has worked on the New Energy vehicle policy and has produced a green paper and a number of studies to assess feasibility.

Albeit a pre-dominant petrol and diesel market, the South African traditional hybrid, plug-in hybrid, and electric vehicle markets significantly increased, showing a collective mark-up of 176,5% in 2021 at 896 total NEV units, versus the corresponding year, recorded at 324 total NEV units. In 2021, electric vehicles surged by 136,9%, traditional hybrid increased by 304,5%, while a slight decline was seen in the hybrid market at 33,7%, all NEV markets compared to 2020, respectively. For the last 5 years, the NEV sales have increased by over 141,5%, from 371 units recorded in 2017 to 896 total units recorded in 2021. In terms of the 2022 year-to-date (YTD), as at March 2022, traditional hybrid local production was recorded at 1 110, total imports were recorded at 301, with EVs at 112 units, plug-in hybrids at 32 and traditional hybrid at 157.



GLOBAL OVERVIEW

FIGURE 8: TOTAL AFRICA VEHICLE SALES

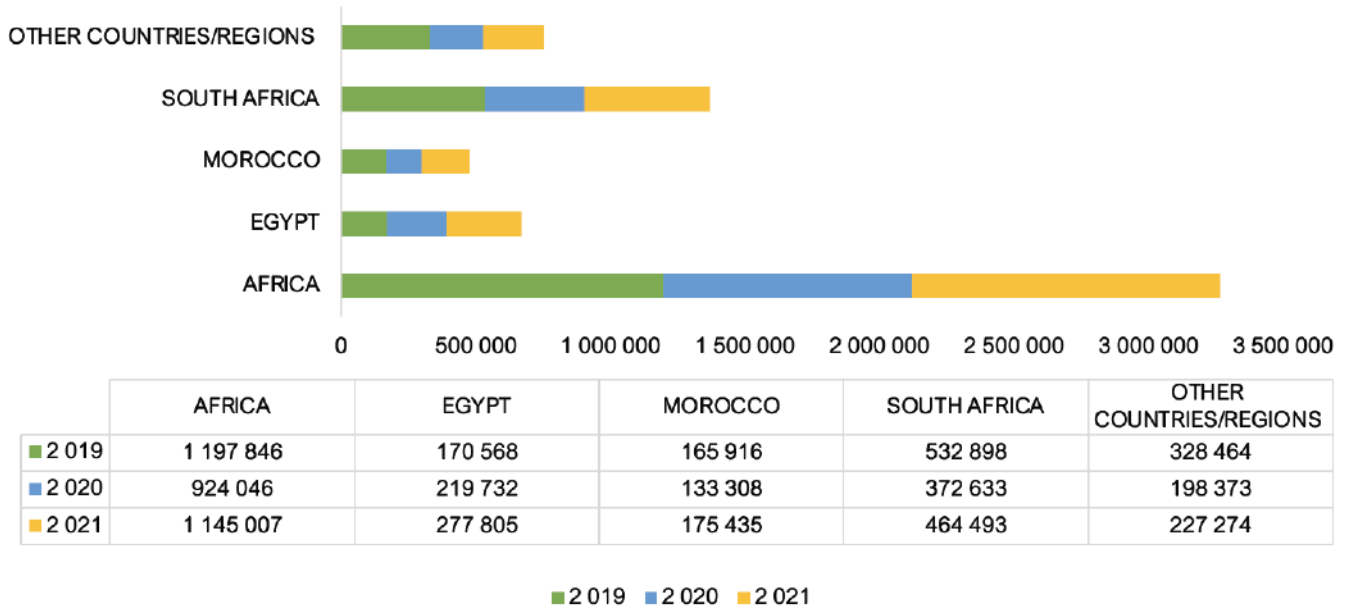


FIGURE 9: TOTAL GLOBAL SALES

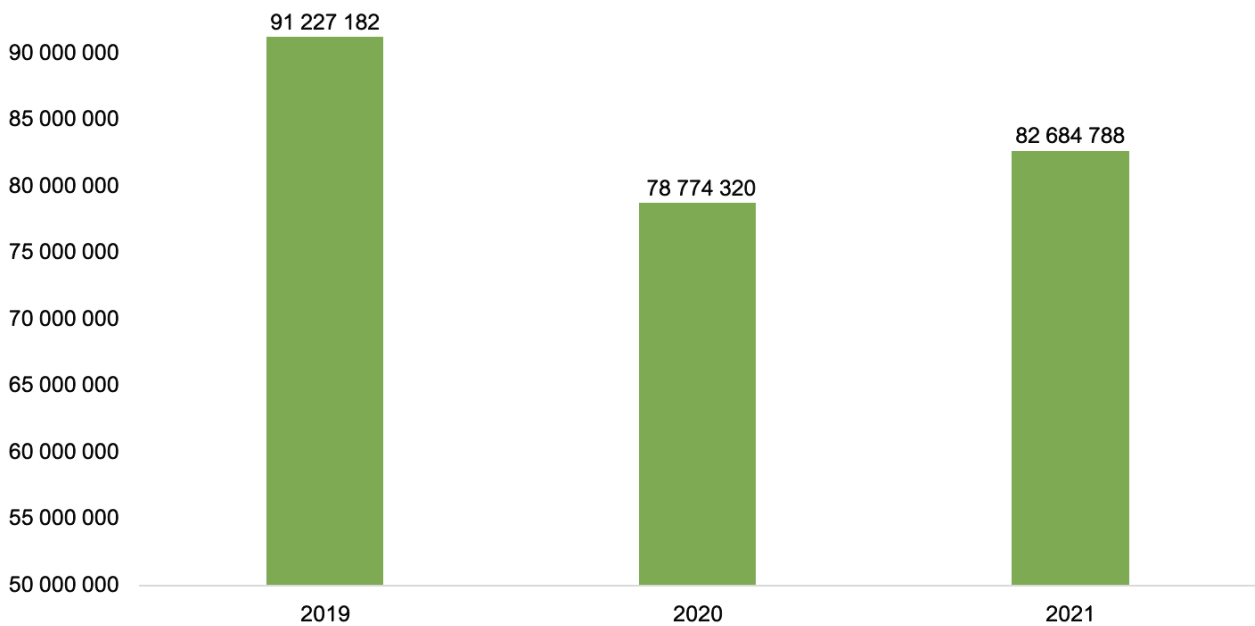
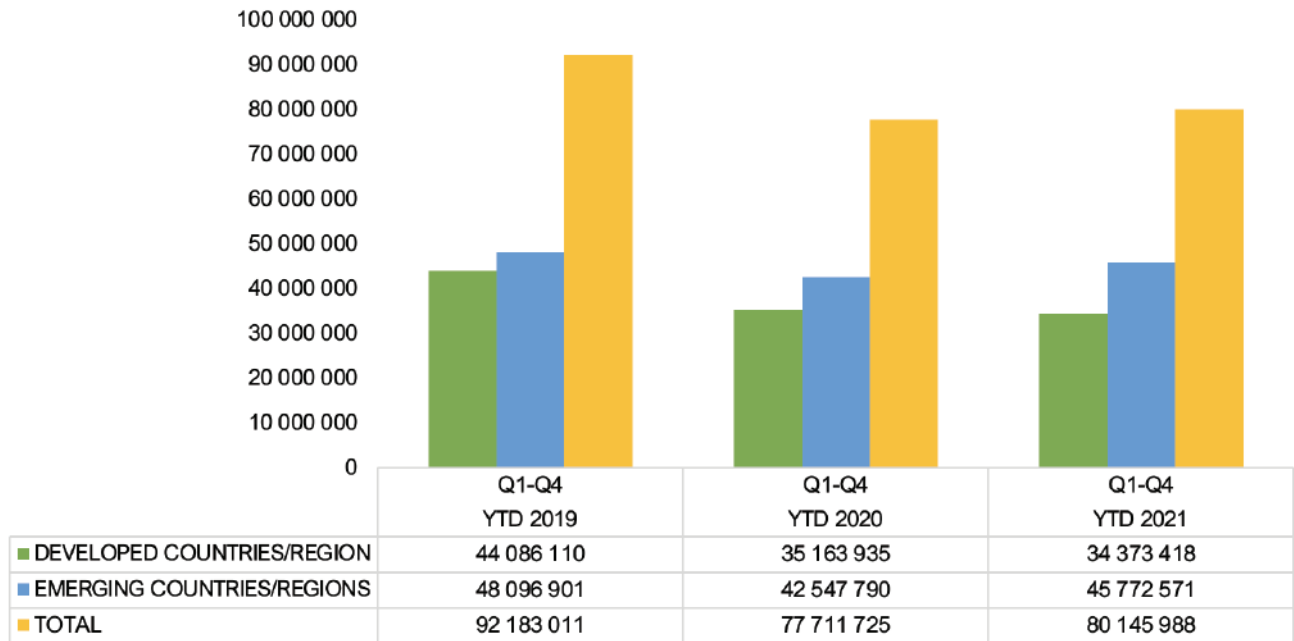


FIGURE 10: TOTAL GLOBAL PRODUCTION



Source: **naamsa** using OICA stats, 2022

Compared to the previous year, African region sales increased by 220 961 units or 23,9% in 2021. The 2021 regional new vehicle sales were 52 839 units, or 4,4% were lower than 2019 African regional statistics. Global total sales increased by 3 910 467 units or 4,9%, recorded at 82 684 788 for 2021, compared to the 78 774 320 units sales recorded for 2020. Although the global vehicle market has improved compared to the 2020 numbers, the 2021 global sales are still 8 542 394 or 9,4% lower than the pre-COVID19 2019 statistics, where the total global sales were recorded at 91 227 182.

Overall developed economies total production declined by 790 517 units or 2% from the 35 163 935 total production units recorded in 2020 to the 34 373 418 total production units recorded for 2021. Emerging economies increased by 3 224 780 units or 8%, registered at 45 772 571, compared to the previous year. The total global production for 2021 was 80 145 988 units, a 2 434 265 units or 3% increase compared to the previous year recorded at 77 711 725.



ABSA VEHICLE AND ASSET FINANCE



There has been a shift in the automotive industry in the past two years due to the Covid-19 pandemic. The lockdown restrictions that were implemented globally imposed shutdowns that impacted the automotive production sector. The plant shutdowns resulted in the shortage of key components in the assembly of vehicles, such as semiconductors and microchips. This components shortage has slowed down vehicle assemblies and has placed many vehicle models' production on standby resulting in a scarcity of new vehicle supply in the market to the point where demand has become higher than what the industry can supply. As a result, prices of new vehicles have increased, which has in turn also placed upward pressure on used vehicle prices.

Some factors that will affect vehicle prices and sales this year include inflation, soaring fuel prices and interest rate hikes. These factors directly impact consumer buying patterns. In addition, the Russia/Ukraine war will further complicate the vehicle manufacturing process imposing further computer chip shortages and supply-chain disruptions.

More auto plants are set to shut down or reduce production, causing a strain on the already existing vehicle backlog.

However, two years into the pandemic, the market has been recovering. New customer trends are emerging regarding customer brand preferences and financing options concerning vehicle age and average financed amounts.

We will compare applications for used and new vehicle financing before the pandemic from 2019 Q1 (referred to as 2019) to 2022 Q1 (referred to as 2022) to highlight the following: the financial implications of the pandemic on the buying patterns of new and used vehicles based on the vehicles (brand preference) consumers are buying; the finance amount that consumers are applying for; the age of the vehicles that consumers are buying (this is an indicator of affordability and vehicle availability in the market) and the gender split. The focus is on passenger vehicles only as they make up 73% of the vehicles in the market.



BRAND PREFERENCE



There have been slight shifts in consumer brand preferences, with Europe/USA original equipment manufacturers (OEM) losing 3pp (percentage points) to other country manufacturers (2pp to Japan/South Korea and 1pp to China/India) in the used vehicle market (figure 1). However, a more significant decrease is seen in the new vehicles market, with Europe/USA OEMs losing 8pp to other manufacturers and Japan/South Korea OEMs taking up the bulk of the share, up 6pp (figure 2). These shifts indicate a sentiment change in consumer brand preferences moving from high-ticket Europe/USA OEM vehicles to the lower-priced Japan/South Korea and China/India OEMs in 2022.

FIGURE 1: USED VEHICLE MANUFACTURER-CONSUMER PREFERENCE

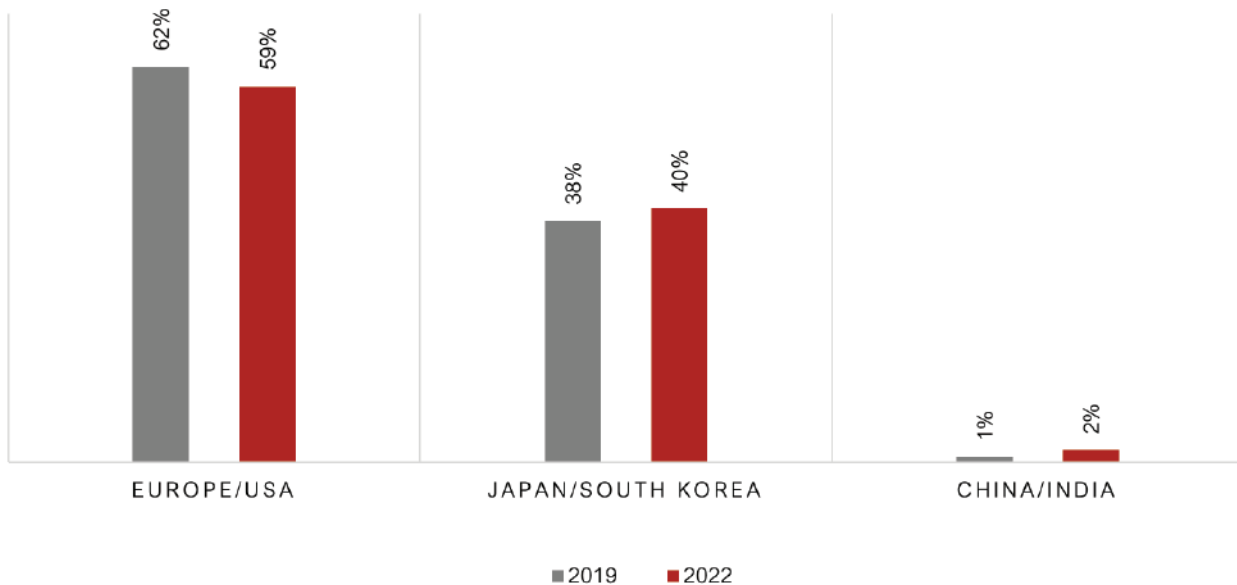
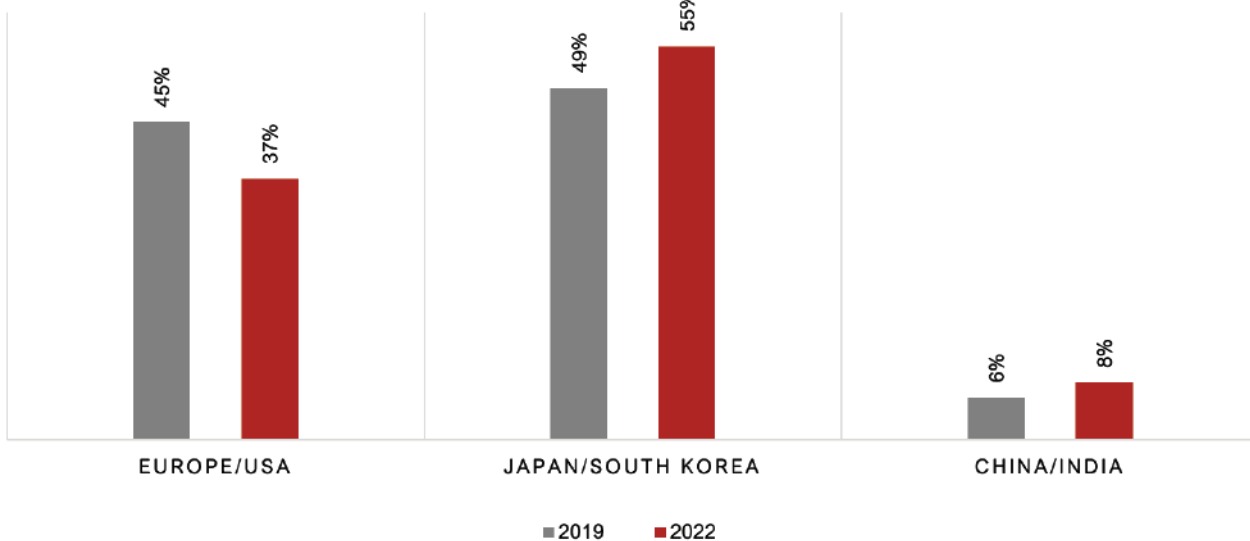


FIGURE 2: NEW VEHICLE MANUFACTURER- CONSUMER PREFERENCE



Approximately 60% of consumers financing used cars prefer Europe/USA brands, and this preference has remained mainly unchanged within this market, however within the new vehicles market, consumers are beginning to show a slightly stronger preference for Japan/South Korea brands (over 50% in 2022).

Application Financing Trends

Not surprisingly, the amount consumers apply for to finance their vehicles has increased since 2019. This is reflected across both used and new vehicles in 2022 (figure 3 and 4). In 2019, 60% of the applications to finance used vehicles were for amounts between R0 – R200,000, and in 2022, only 42% were in this range, a decrease of 18pp. The biggest growth in used vehicle financing amounts in 2022 range from between R200,000 and R300,000, which increased by 7pp from 2019.

Similarly, there is a significant decrease in the range between R100,000 and R200,000 that consumers applied for to finance new vehicles in 2022, reducing by 15pp. This decrease was offset by an increase in applications for new vehicle financing of amounts between R300,000 to R600,000, a majority being in the R500 000 to R600 000 and this range has increased by 7pp.

FIGURE 3: USED VEHICLE AVERAGE FINANCE AMOUNT

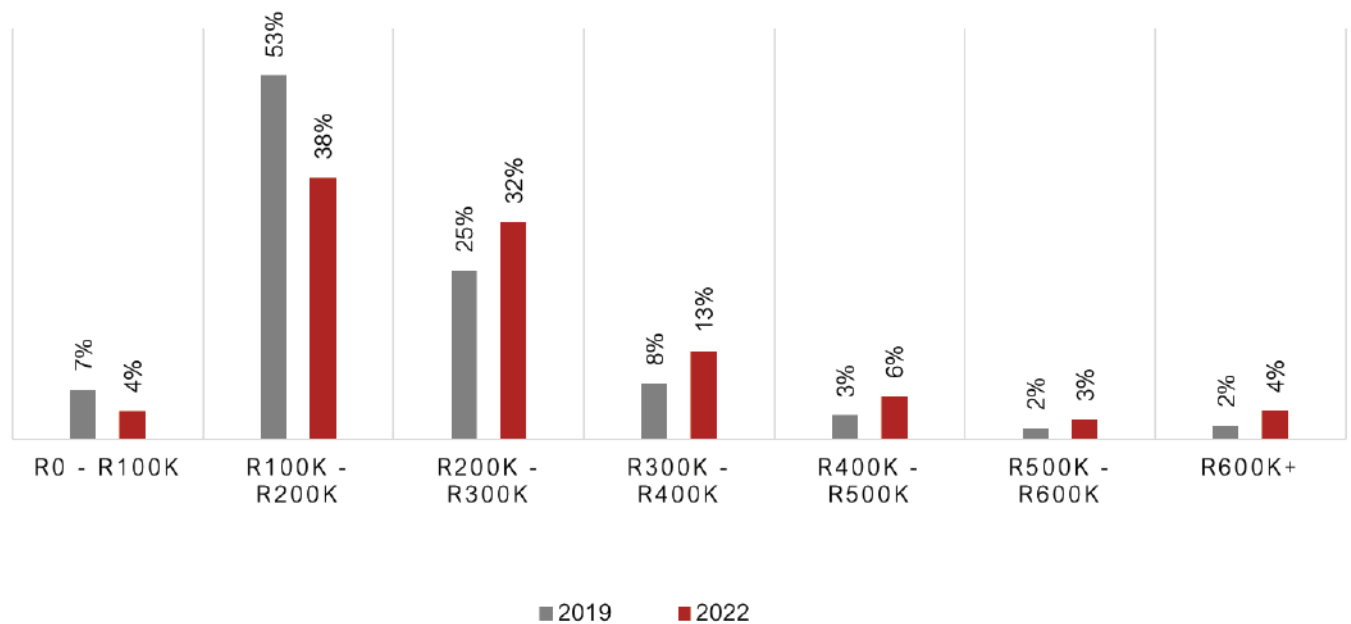
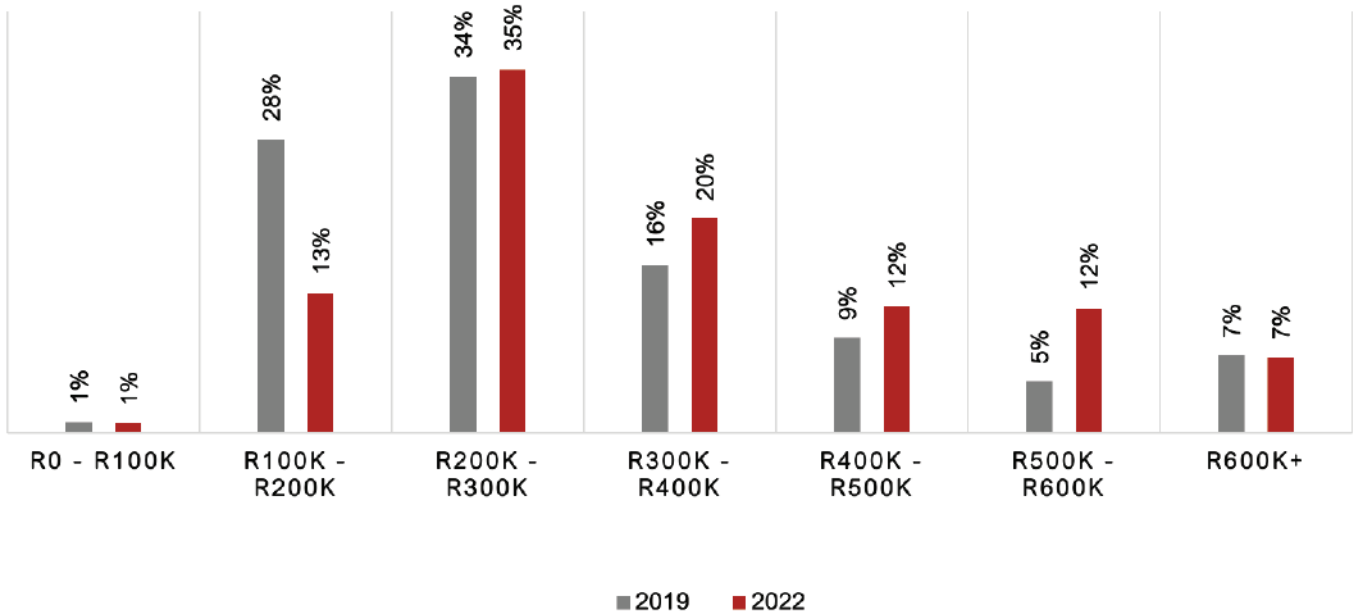


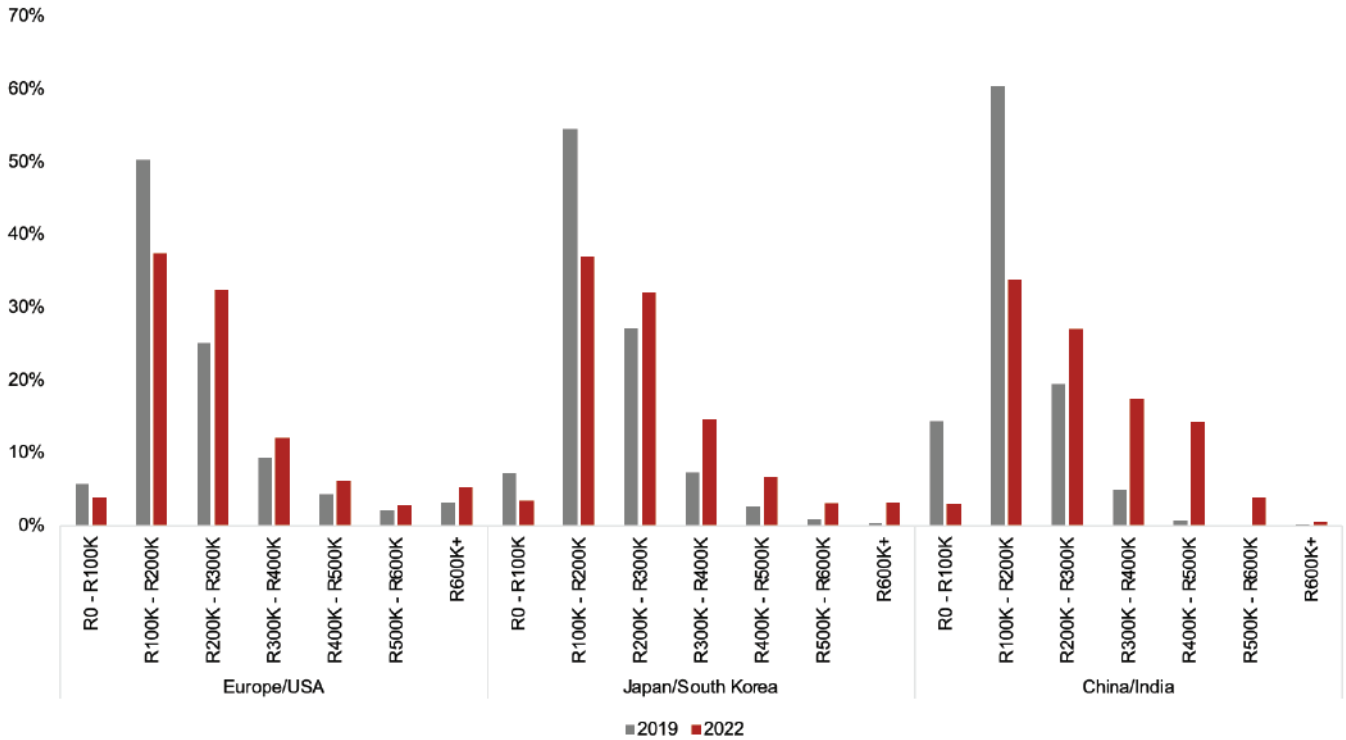


FIGURE 4: NEW VEHICLES AVERAGE FINANCE AMOUNT



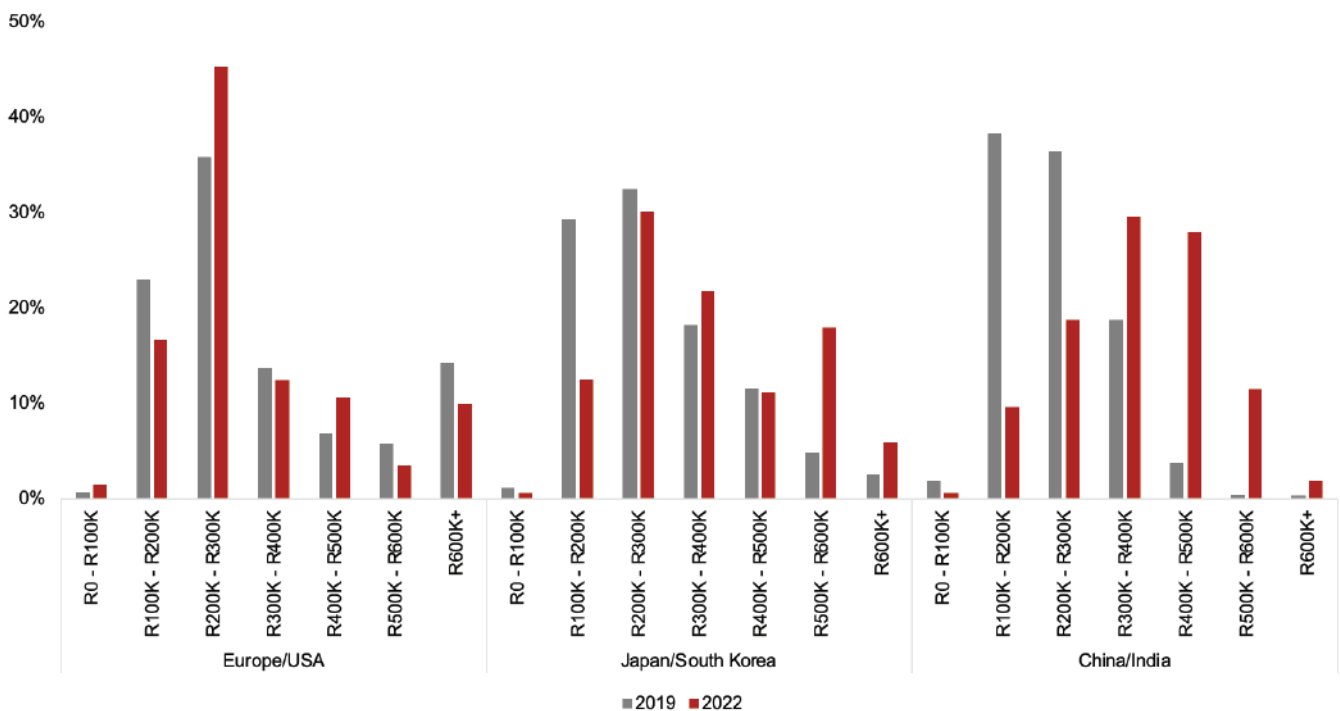
Europe/USA used vehicles priced between R100,000 and R300,000 made up 81% of the entire base in 2019, but this percentage has gone down to 74% in 2022 (figure 5). There was a 7pp increase in 2022 Q1 applications for vehicles priced above R300,000. In Q1 2019, Japan/South Korea used vehicles priced above R500,000 accounted for less than 0.5% of applications but make up 6% in 2022 Q1.

FIGURE 5: USED VEHICLES - OEM AVERAGE FINANCE APPLICATION AMOUNTS



Japan/South Korea new vehicles moved up by 13pp from 2019 for vehicles valued between R500,000 to R600,000 (figure 6). In 2019 Q1, vehicles over R500,000 from China/India OEMs accounted for less than 1%; however, in 2022, they make up 13% of the entire financed vehicles base in Q1.

FIGURE 6: NEW VEHICLE - OEM AVERAGE FINANCE APPLICATION AMOUNTS

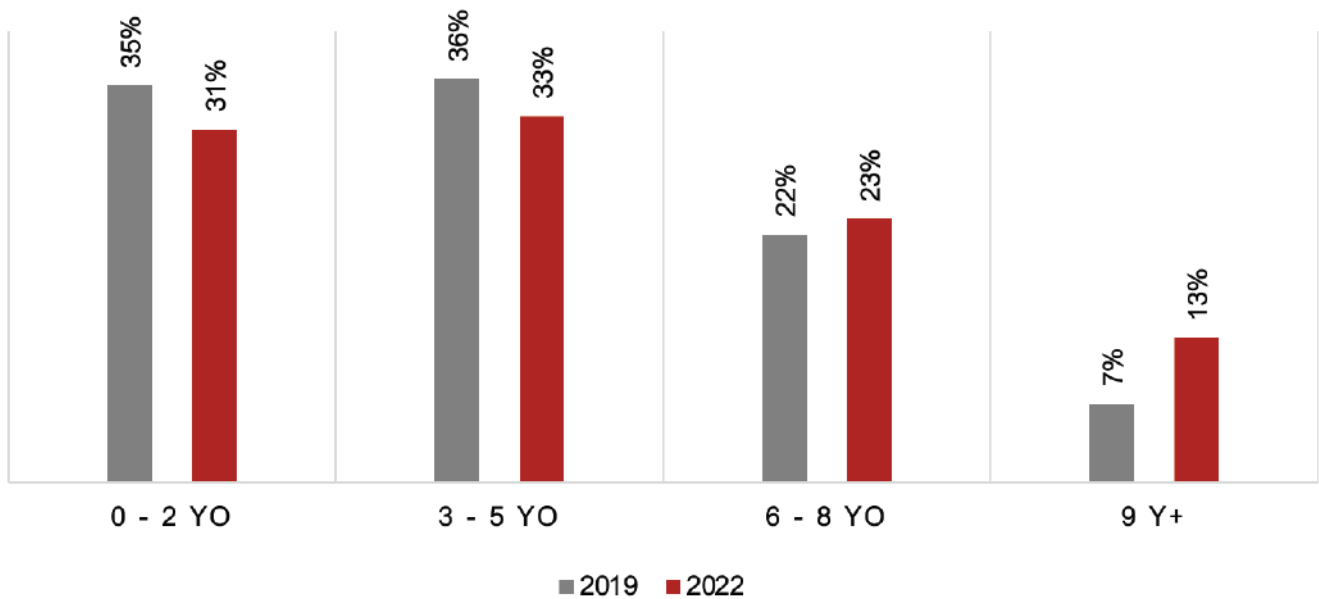




AGE OF VEHICLE AND GENDER PREFERENCES

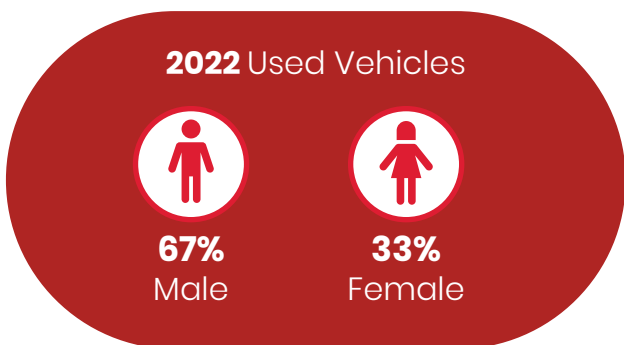


FIGURE 7: AGE OF VEHICLE

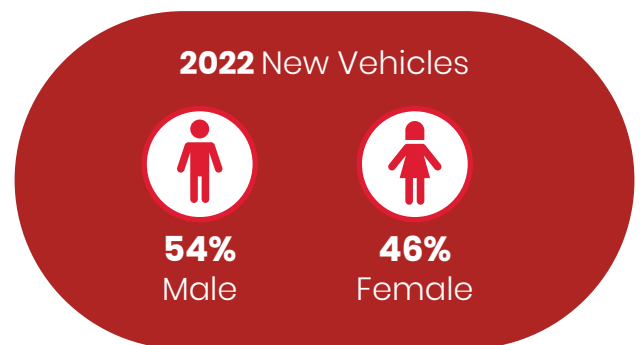


In 2019 Q1, 71% of the applications received to finance used vehicles were for vehicles between 0 – 5 years old, and this percentage has decreased to 64% in 2022 (figure 7). This is a testament to consumers moving to older vehicles due to limited stock in the market. A result of this is shown in how many consumers applied to finance cars that are aged 9 years and older. Vehicles in this range accounted for 13% of applications, which is a 6pp increase compared to 2019.

Gender: Used Vehicles



Gender: New Vehicles



In terms of gender, there has only been a 1pp increase in the number of female consumers applying for used vehicles in 2022 compared to 2019. However, there has been no change in new vehicle financing applications. The significant difference in gender is observed when comparing used vehicle applications with new vehicle applications; male consumers surpass female consumers in the used vehicle market while in the new vehicle market, the difference in applications between the genders is 8pp.

Interestingly, 36% of the female consumers applied to finance used cars that are between 0 – 2 years in 2022. This is a 5pp decrease from 2019 which was 41%. The difference between the male and female consumers who applied to finance vehicles that are 5 years old or less was 6pp in 2019 and 7pp in 2022. Female consumers are responsible for financing the newer cars in the used market.

Age of Vehicle	Female	Male	Total
0 -2 yo	41%	32%	35%
3 -5 yo	34%	36%	36%
6 - 8 yo	19%	23%	22%
9y+	5%	8%	7%

Age of Vehicle	Female	Male	Total
0 -2 yo	36%	29%	31%
3 -5 yo	32%	33%	33%
6 - 8 yo	21%	25%	23%
9y+	11%	14%	13%

TOTAL DOMESTIC SALES - YTD APR 2022

173,360 ↑ 14.79% vs. YTD Apr 2021 (151,022)

TOTAL EXPORTS - YTD APR 2022

117,560 ↑ 1.33% vs. YTD Apr 2021 (116,014)

TOTAL DOMESTIC PRODUCTION - YTD APR 2022

186,223 ↑ 1.82% vs. YTD Apr 2021 (182,895)

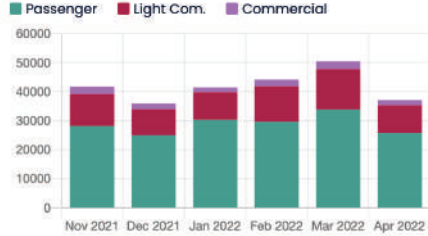
TOTAL IMPORTS - YTD APR 2022

104,697 ↑ 24.43% vs. YTD Apr 2021 (84,141)

Importance of the Automotive Industry in SA.

GDP 4.9%	MANUFACTURING 2.8%	RETAIL 2.1%	TOTAL EXPORTS 13.9%	MANUFACTURING OUTPUTS 18.7%
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SA & SACU Market Totals (previous 6 months)



Top 5 Manufacturers (Apr 2022)

Manufacturer	Passenger/LCV		Commercial		Total	
	Local	Export	Local	Export	Local	Export
	5052	8349	32	0	5084	8349
	8708	3619	244	10	8952	3629
	483	7047	54	0	537	7047
	867	5800	0	0	867	5800
	1960	3478	2	0	1962	3478

Vehicle Exports from SA (May 2021 - Apr 2022)

Continent	Sales
Europe	227,806
Africa	23,803
Asia	23,420
North America	10,993
Australasia	10,243
Central America	2,685
South America	616

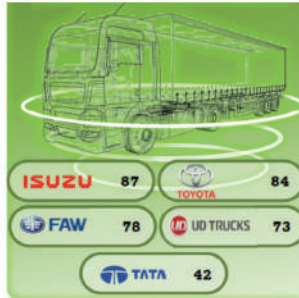
naamsa MGOZI

April 2022 TOP 5 MEDIUM COMMERCIAL VEHICLE BRANDS

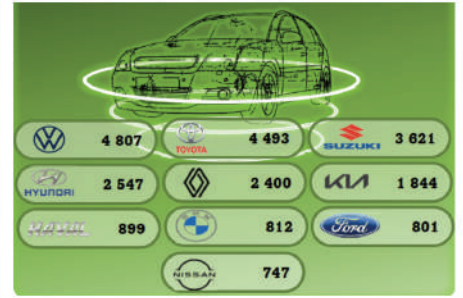


Monthly total medium CV new vehicle sales declined by 9.4% at 475, Heavy CV increased by 29.9% at 456, Extra Heavy CV declined by 15.7% at 931 and Bus sales remained steady at 34, all segments compared to the April 2021 new vehicle sales relative markets segments.

April 2022 TOP 5 HEAVY COMMERCIAL VEHICLE BRANDS



April 2022 TOP 10 PASSENGER BRANDS



Monthly total passenger new vehicle sales recorded an increase of 12.9% at 25,653 for April 2022, compared to the 22,729 new vehicles sales recorded for April 2021. Lights LCV declined by 11.9% at 9,558, compared to the LCV new vehicle sales recorded at 10,849 for the same period last year.

Statistics Research - View AIEC Website

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