

## naamsa | The Automotive Business Council Reports

The South African new vehicle market started the year off on a positive note, continuing its gradual recovery path towards pre-COVID 19 levels. Aggregate domestic new vehicle sales in January 2022, at 41 382 units, reflected an increase of 19,5%, compared to January 2021. Export sales, however, recorded a decline of 9,3%, to 19 089 units in January 2022 compared to the 21 051 vehicles exported in January 2021.

Overall, out of the total reported industry sales of 41 382 vehicles, an estimated 34 863 units, or 84,2%, represented dealer sales, an estimated 12,1% represented sales to the vehicle rental industry, 2,4% sales to government, and 1,3% to industry corporate fleets.

The January 2022 new passenger car market at 30 037 units was an impressive increase of 26,6%, compared to the 2 732 new cars sold in January 2021. The car rental industry supported the new passenger car market very well during the month and accounted for 15,3% of car sales in January 2022.

Domestic sales of new light commercial vehicles, bakkies and minibuses – at 9 629 units – was an increase of 3,8% over the figure a year ago. Medium and heavy truck segments of the industry reflected a mixed performance with sales of 465 and 1 251 units, respectively. This was a monthly year-on-year decline of 4,3% in the case of medium commercials and a gain of 9,6% in the case of heavy trucks and buses.

January 2022 export sales of 19 089 units reflected a fall of 9,3%, compared to the number exported in January 2021. Although the momentum on the vehicle export side at present is downwards, it is anticipated to gain traction during the year on the back of further new model introductions by major vehicle exporters as well as a more favourable global economic outlook.

In line with the moderate economic growth forecast for the country for 2022, the new vehicle market is expected to continue its gradual recovery to pre-COVID 19 levels, but at a slower pace. The South African Reserve Bank increased its benchmark repo rate by 25 basis points to 4% at its January 2022 meeting, as widely expected, due to increased inflation risks. This was the



second increase since November 2021 as the Committee believes a gradual rise in the repo rate will be sufficient to keep inflation expectations well anchored. Inflation has been fuelled, amongst others, by record-high fuel prices, rising food and energy costs as well as a depreciating Rand exchange rate.

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Vehicle exports are the lifeblood of the domestic OEMs and are important to the viability of the South African automotive industry, as exporting remains key to generating sufficient economies of scale and to achieving improved international competitiveness.

Consumer and business sentiment will therefore remain under pressure over the short to medium term while supply chain disruptions, such as the global shortage of semi-conductors, will also continue to hamper new vehicle sales and production during the year.

On the positive side, the new vehicle market trend over the next three years is expected to be upward, in close correlation with National Treasury's projected domestic economic growth outlook, averaging 1,7% for 2022, 2023 and 2024.

### Nada Comments: Vehicle Sales in South Africa Off to Flying Start in 2022

"The South African motor industry remains buoyant despite the disappointing state of the local economy. Total vehicle sales in January of 41 382 units showed a 19.5% increase over sales in the corresponding month a year ago. Franchised dealers were responsible for 84.2% of these sales, which gave them a flying start to a year that promises to build on the upward trend experienced in 2021," said Mark Dommissie, Chairperson of the National Automobile Dealers' Association (NADA).

"What is amazing is that these heartening figures were delivered despite shortages of some models due to ongoing component shortages, particularly semiconductors, which are likely to be with us for most of this year. This shortage of product also means that few manufacturers or distributors are offering incentives to buyers making January's performance even more impressive.

"Rising interest rates and fuel prices will obviously have some impact on the market in 2022, but generally the outlook is brighter than at the same stage last year when lockdown regulations were more stringent," added Dommissie.

"We are particularly glad to see the substantial month-on-month growth of 26.5% in January passenger car sales, as this signals improving consumer and business confidence, which are critical for growth in our industry. Commercial vehicle sales were lagging in January, but we believe the situation will improve in coming months," said Alex Boavida, Vice-Chairperson of NADA.

"January was interesting in that we saw better new car stock availability than in recent months, but with lower stocking levels of good used cars. However, this month should not be seen in isolation, and we need to monitor the new car versus used car situation in the months ahead to see the actual trend.

"The global supply of semiconductors or microchips remains a challenge for all brands, but in January there were some signals of the situation improving," added Boavida.

"Some sectors in the luxury segment of the car market showed improvements, such as Mercedes-Benz doubling its monthly sales compared to the averages seen in Q3 and Q4 of 2021. Another good example is Porsche that reported 204 units sold – a 114% increase on the figure in December 2021. Sales of other luxury brands seem to be stabilising, but no massive recovery in this portion of the market is expected in the short term," concluded the NADA Vice-Chairperson

### Wesbank Has Its Say: Solid Start to New Vehicle Sales

South Africans were faced with fuel price hikes and another increase in interest rates as they started the new year, but that did not deter them from buying new vehicles during January.



Mark Dommissie,  
Chairperson  
of the National  
Automobile Dealers'  
Association (NADA).

According to naamsa | the Automotive Business Council, January new vehicle sales increased 19.5% to 41 382 units compared to the start of 2021, creating a solid start to the year and the market's continued recovery.

"January new vehicle sales kicked off the year at similar levels to the momentum created during the second half of 2021," said Lebogang Gaoaksetse, Head of Marketing and Communications at WesBank, referring to four months of sales in the period exceeding 41 000 units. "While some purchase decisions may have been deferred out of December into the new year, January sales provide a solid start to the year, raising the hopes of manufacturers and dealers for ongoing market improvement."

While year-on-year comparisons remain difficult to interpret because of differing pandemic circumstances, WesBank remained positive for a continued slow recovery of the market during 2022.

"The 2021 annual market was up 22.1% to 464 122 units over the severely impacted 2020 sales (380 206), providing additional context of January's performance," Gaoaksetse commented. "Although consumers have faced their second interest rate increase since November and fuel prices continue their record high performances, confidence levels should continue to increase during the year as inhibiting pandemic regulations subside and economic improvement perseveres."

Both passenger cars and light commercial vehicles (LCVs) started the year positively, increasing 26.6% and 3.8% respectively. Dealer sales in the passenger car space outstripped the overall market, increasing 33.7%, a positive sign of consumer demand.

Sales into the rental market also indicate an increase in business confidence and a more positive outlook to tourism with sales in the channel up 21% during January.

"While gradual interest rate hikes are inevitable over the course of the year from their record lows, their impact should be considered within purchase decisions and affordability," said Gaoaksetse. "Rising costs of living amidst more slowly recovering earnings are expected to continue placing pressure on household incomes and the wherewithal for consumers to afford new vehicles during 2022. But price inflation in the pre-owned market and necessary replacement cycles some two years after the onset of the pandemic should be expected to fuel demand." ■

## Sales of SA-Made Cars and LCVs into Local Market Continue to Drop

Sales of locally manufacturers passenger cars and light commercial vehicles in South Africa have dropped by nearly 50% in the past 20 years. This is according to an article in the latest NADA newsletter – The Dealers' Voice – using data supplied by Lightstone Auto.

According to the report 82.5% of passenger cars and light commercial vehicles (LCVs) sold through the dealer retail channel in 2000 were made in South Africa. This fell to 47.8% in 2010 and was just under 43% in 2020.

Those manufacturing in India have made the most of this decline, with imports from that country to South Africa rocketing from almost nothing to just under 25%. Manufacturers in India selling vehicles here include Hyundai (17 959 vehicles sold that were manufactured in India), Suzuki (11 109), Renault (10 434), Ford (10 288), Toyota (7 633), and Mahindra (6 078).

Another rapidly growing newcomer is China, which accounted for only 0.95% in 2010 and 3.4% in 2020, but this share is expected to continue rising as Chinese brands such as Haval, GWM, Chery and BAIC gain traction.

Germany was the dominant exporter to SA in 2000 and 2010, but slipped to third in 2020, while Japan climbed from third to second over this time. ■