

NAAMSA MEDIA RELEASE: COMMENT ON THE DECEMBER 2015 MONTHLY SALES, CALENDAR 2015 NEW VEHICLE SALES STATISTICS AND PROSPECTS FOR 2016 – FOR IMMEDIATE RELEASE

1. BRIEF COMMENT ON DECEMBER, 2015 SALES

With the exception of light commercial vehicle sales, industry sales ended 2015 on a weak note with aggregate industry new vehicle sales at 49 250 units recording a decline of 2 171 vehicles or a fall of 4.1% compared to the total new vehicle sales of 51 421 units during the corresponding month of December, 2014. The December, 2015 new passenger car market and light commercial vehicle market reflected a year on year volume change of minus 7.6% in the case of cars and a gain of 4.6% in the case of light commercial vehicles. Sales of medium and heavy commercial vehicles declined by 2.1% year on year.

Export sales had recorded a fairly substantial decline in December, 2015 and at 17 391 units reflected a fall of 4 439 vehicles or 20.3% compared to the 21 830 vehicles exported during December, 2014.

2. COMMENT ON 2015 NEW VEHICLE SALES AND VEHICLE EXPORTS: A CHALLENGING YEAR WITH PROGRESSIVELY LOWER SALES OFFSET BY STRONG GROWTH IN VEHICLE EXPORTS

For the second year in succession, new vehicle sales during 2015 in South Africa recorded a year on year decline. A further slowdown in the domestic economy, increases in interest rates, pressure on consumers' disposable income and new vehicle inflationary pressures contributed to a fall in total domestic sales volumes of 4.1% for the year. In the event, aggregate sales during 2015 declined by 4.1% volume terms to 617 927 units compared to the sales total of 644 259 in 2014.

Aggregate annual industry sales by sector, over the past six years, were as follows –

Sector	2010	2011	2012	2013	2014	2015	2015 / 2014 % Change
Cars	337 130	396 292	442 604	450 296	438 942	412 826	-5.9%
Light Commercials	133 756	149 301	160 174	167 996	173 759	174 490	+0.4%
Medium Commercials	7 557	9 218	10 104	11 584	11 024	10 488	-4.9%
Heavy, Extra Heavy Commercials, Buses	14 464	17 438	17 737	19 340	20 534	20 123	-2.0%
Total Vehicles	492 907	572 249	630 619	649 216	644 259	617 927	-4.1%

Overall, 2015 turned out to be a difficult year for the South African automotive industry with domestic new vehicle sales under pressure, particularly at dealer level, despite attractive incentives and a strong contribution by the car rental sector which accounted for an estimated 12.5% of new car sales during the year. Industry trading conditions remained intensely competitive with over 52 brands and 2 595 model derivatives, in the new car and light commercial vehicle sectors, competing for consumers' franchise. Preliminary estimates indicate that motor industry new vehicle related sales turnover had grown by only about 3.6%, based on sales volumes and a weighted average estimated increase of about 6.5% in new vehicle prices, during 2015 to reach about R235 billion for the year. Industry new vehicle export sales were estimated to have added a further R80 billion to total Industry 2015 revenue.

2015 Vehicle exports represent the highest annual Industry export figure on record and total vehicle exports at 333 748 units were well up on the 276 936 vehicles exported in 2014.

2015 **Industry export sales data**, compared to the previous six years, were as follows –

	2010	2011	2012	2013	2014	2015	2015 / 2014 % Change
Cars	181 654	187 529	153 268	153 545	156 600	229 658	+46.7%
Light Commercials	56 950	84 125	123 648	121 653	118 922	102 983	-13.4%
Trucks & Buses	861	803	1 076	1 206	1 414	1 107	-21.7%
Total Exports	239 465	272 457	277 992	276 404	276 936	337 748	+20.5%

Assuming further improvement in the global economy – industry export sales during 2016 could improve by some 42 000 vehicles or about 12.5 % to reach a conservative projection of 380 000 export units.

3. INDUSTRY PROSPECTS FOR 2016: A CONTRASTING OUTLOOK – CONTINUED DIFFICULT DOMESTIC NEW VEHICLE TRADING ENVIRONMENT VERSUS FURTHER STRONG GROWTH IN VEHICLE EXPORTS / PRODUCTION

2016 is expected to be a lacklustre year for the SA automotive industry, particularly in the case of domestic new vehicle sales. Industry production levels, on the back of expected further growth in vehicle exports, should however remain in an upward phase.

Domestically, economic growth continues to disappoint and South Africa's fiscal position remains under pressure as a result of difficulties experienced by a number of state owned enterprises, rising expenditure on social programmes and increased debt servicing costs.

International events which dominated 2015 are likely to continue in the current year and these include the global economic slowdown notably in Asia, Africa, South America and parts of Europe and the associated relentless downward pressure on commodity prices. The turn in the United States credit cycle is also a factor.

South Africa's economic situation remains constrained with expectations of sluggish economic growth of around 1.0% at best. The volatile and sharply weaker exchange rate reflects poor international perceptions. The sharply lower value of the Rand will translate into upward pressure in inflation, particularly in the case of new vehicle prices in the coming year. The impact of the severe drought throughout the country will also negatively affect economic growth. Expectations of further increases in interest rates and administered prices (electricity, water, fuel) will further pressurise personal disposable income.

On the other hand, the global economic outlook, despite recent modest reductions in growth projections, remains positive and should continue to lend support to South Africa's improving vehicle export performance. Industry vehicle exports would remain a function of the performance and direction of global markets. Vehicle exports to the United States, Europe, Australasia and South America were expected to show good upward momentum.

South Africa's potential for economic growth remains solid but requires structural reforms and resolute implementation of the National Development Plan to encourage investment, growth and employment. The right policy approach, policy coherence and policy coordination represent important elements in the mix.

It is against this background that the outlook for domestic sales in 2016 remains uninspiring and, at this stage, a decline in total new vehicle sales of between 3.0% and 5.0% is anticipated. The consumer driven new car market is likely to show a decline in volumes at the upper end of the range with new commercial vehicle sales projected to perform better in relative terms.

The outlook for 2016 in terms of **Industry domestic vehicle sales by sector** is reflected in the table hereunder –

Sector	2010	2011	2012	2013	2014	2015	2016 Projected
Cars	337 130	396 292	442 604	450 296	438 942	412 826	393 000
Light Commercials	133 756	149 301	160 174	167 996	173 759	174 490	175 000
Medium Commercials	7 557	9 218	10 104	11 584	11 024	10 488	10 200
Heavy, Extra Heavy, Commercial Buses	14 464	17 438	17 737	19 340	20 534	20 123	20 000
Total Vehicles	492 907	572 249	630 619	649 216	644 259	617 927	598 200

Factoring in the expected improvement in exports, **domestic production** of motor vehicles in South Africa was expected to show an increase from 615 000 vehicles produced in 2015 to close on 660 000 vehicles in 2016 – an improvement in vehicle production of about 7.3%. This figure could prove conservative if vehicle exports expand more than currently anticipated.

The projected higher vehicle production was consistent with the official vision for the Industry which is to remain a premier supplier of high quality, competitive automotive original equipment parts and accessories and vehicles to international markets and, in the process, to achieve an annual domestic vehicle production figure of close to 1 million vehicles by 2020. One of the imperatives for the successful realisation of the objective of new vehicle production in South Africa around 1 million units per annum – was industrial relations stability and close cooperation between employers and unions to improve productivity and overall efficiencies.

Internationally and domestically, vehicle manufacturers would continue to focus on new models and products through sustained investment in new technologies. In South Africa, the industry continued to view the need for more environmentally friendly fuels and vehicles as important. Vehicle affordability was expected to feature prominently during the year and purchasers were expected to continue to focus on vehicle safety features, fuel efficiency and vehicle safety.

Best wishes for 2016 to the media and all automotive industry stakeholders.