

# South Africa

a competitive global supplier of automotive products

## VISION STATEMENT

"To remain a premier supplier of high quality, competitive automotive original equipment parts and accessories and vehicles to international markets"



Exporters comply with international standards including ISO 9000 & ISO 14000

Over 300 000 vehicles exported per annum

Combined vehicle and component exports in excess of US\$14 Billion per annum



# Developments in the South African Automotive industry and prospects beyond 2012

Presentation

by

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# Framework of presentation

- The South African Auto Industry in the Global Context
- Reflection of achievements under the MIDP
- Industry prospects for 2012 and beyond
- Roadmap to 2020

# Industry Performance Since 2000

## SA vehicle production vs. global production (selected years)

	2000	2006	2009	2010	2011	change 2011/10
<b>G l o b a l Production</b>	58,40 million	69,33 million	61,70 million	77,61 million	80,10 million	+3,2%
<b>South Africa Production</b>	0,357 million	0,588 million	0,374 million	0,472 million	0,538 million	+14,0%
<b>SA Share of G l o b a l Production</b>	0,61%	0,85%	0,61%	0,61%	0,66%	

SA share of Global GDP is 0,5%

# Growth in Auto Industry South Africa vs. Global

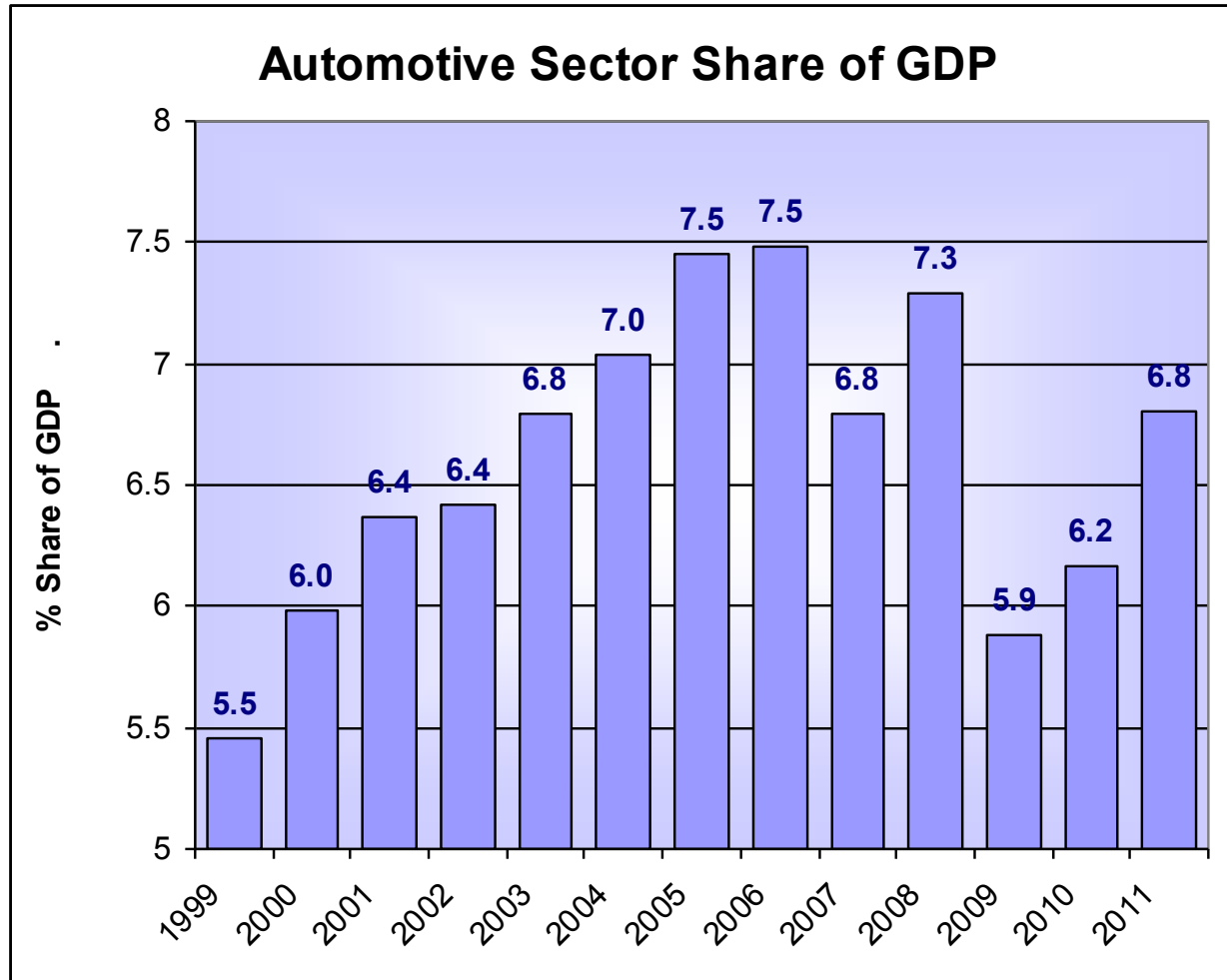
Year	Global Production (Million units)	SA Production (Million units)	SA Exports (Million units)	SA Component Exports (R Billion)
2000	57.8	0.357	0.068	12.6
2011	80.1	0.533	0.273	38.8
<b>% Growth 2011 vs. 2000</b>	<b>39%</b>	<b>59%</b>	<b>300%</b>	<b>208%</b>
<b>2012 FC</b>	<b>83</b>	<b>0.585</b>	<b>0.300</b>	<b>43</b>

# Auto industry contribution to SA GDP

- The Automotive Industry is the largest manufacturing sector in the SA economy and contributed 6,8% of SA GDP of R 2 964 billion in 2011.
- Higher domestic sales and exports and growing domestic production should result in the industry's contribution to GDP rising to over 7,0% for 2011
- Going forward, levels of vehicle production of around 1,2 million units by 2020 should elevate the industry's contribution to SA GDP to between 8% and 10%

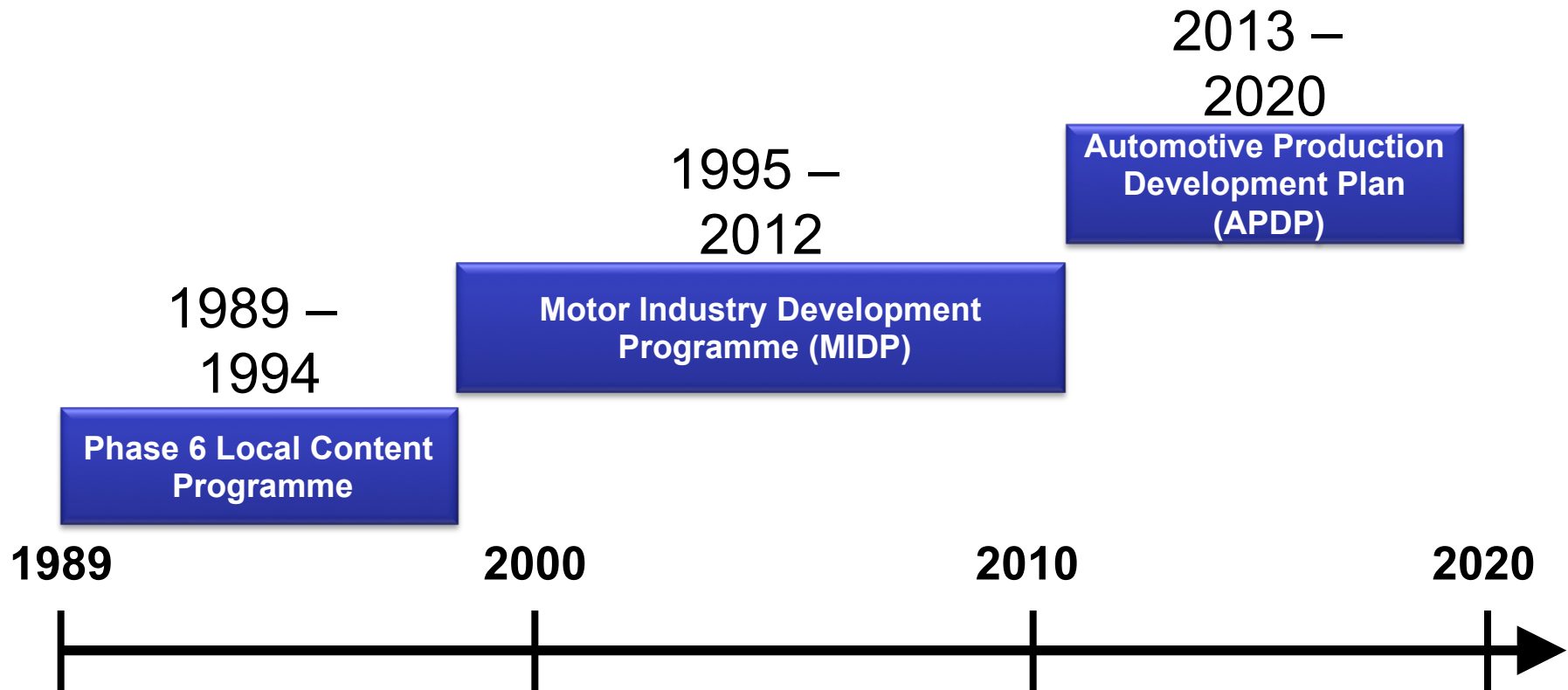
# Industry Performance Since 1999

## Sector growth





# The importance of consistency and certainty in Government Policy for the Auto Industry



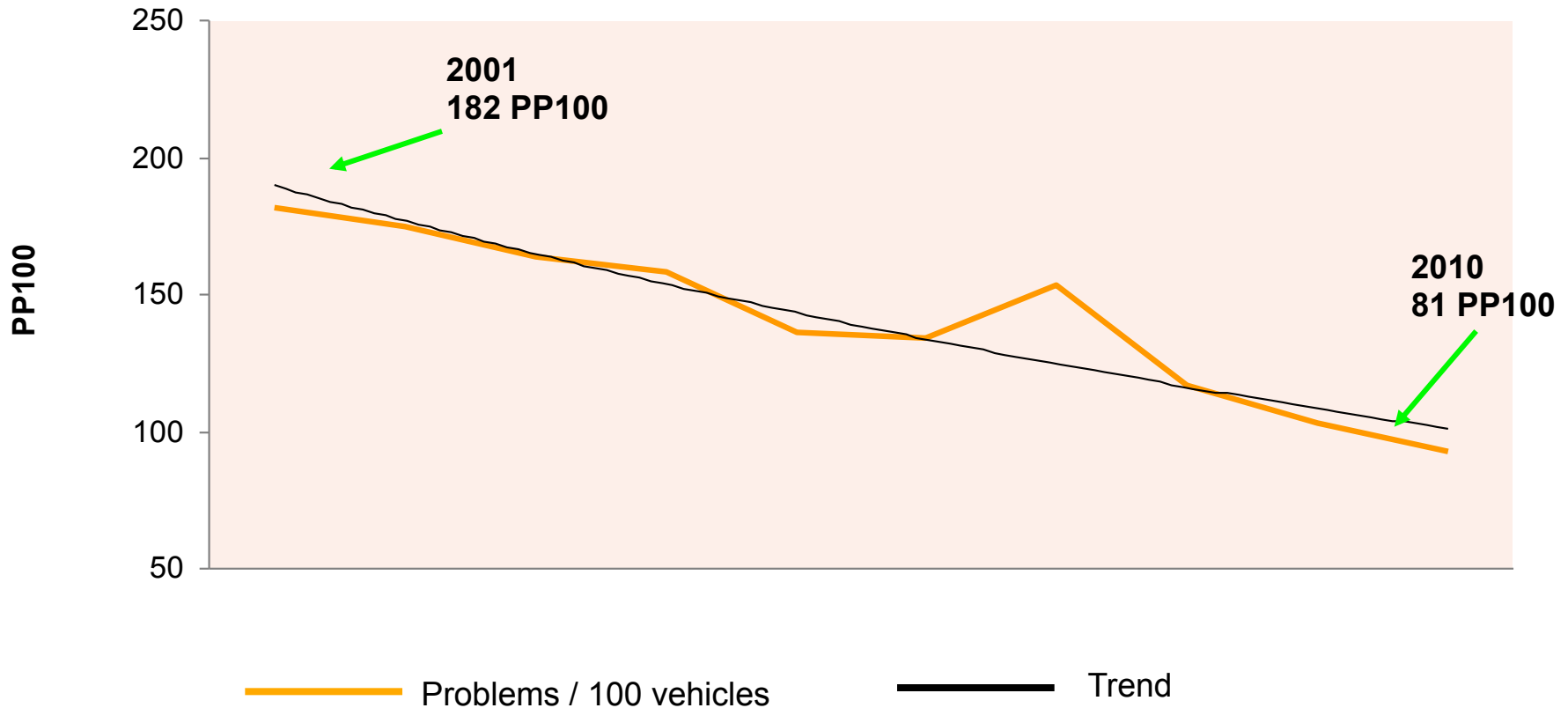


## Performance : Past 16 years

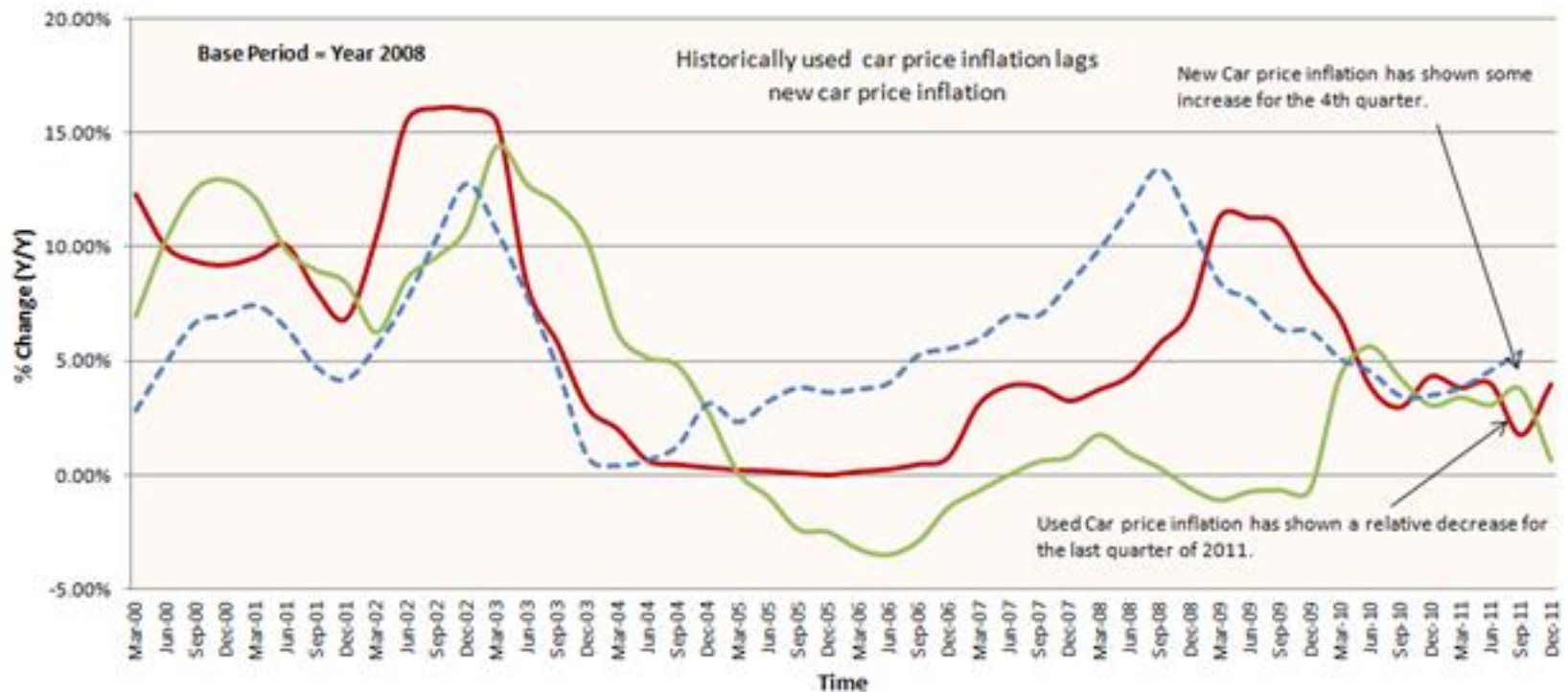
- Capital expenditure by 7 automakers nearly R44 billion
- Significant improvement in car product quality and vehicle affordability in real terms
- Substantial rationalisation of model platforms produced from 41 in 1995 to 15 in 2011
- Economy of scale benefits - higher average volumes of models produced and associated increased efficiencies
- R603 billion of vehicle and component exports growing at an annual compound rate of 20,5%
- Relative employment stability. Current employment levels, 29 000 at OEMs, 68 000 at component suppliers, 200 000 in motor trade, repair & servicing

# Industry Performance Since 2001

## Passenger Car Product Quality



# Vehicle price movements vs. CPI: 2000 - 2011



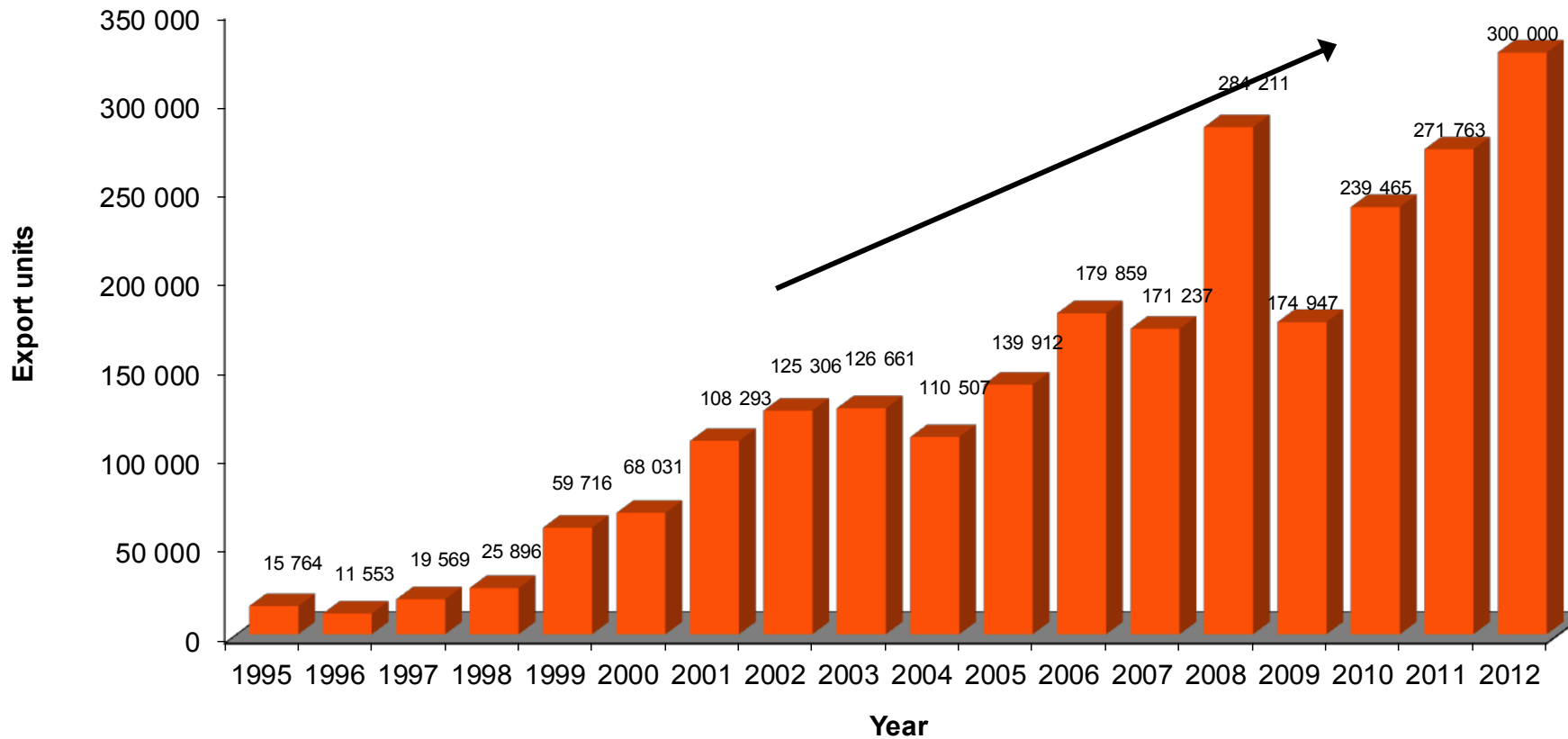
# Industry Performance Since 1995

## Model rationalisation

OEM	Pre 1995	2011
BMW	4	1
Fiat	2	-
GM	3	2
Ford	9	3
MBSA	5	2
Nissan	7	3
VW	5	2
Toyota	6	2
<b>Total</b>	<b>41</b>	<b>15</b>

# Industry Performance Since 1995

## Motor vehicle Export Trends (units)





General Motors – Isuzu KB to Africa



Toyota - Corolla to Europe and Africa



Nissan - Hardbody to Africa



Ford - Focus to Australia



Volkswagen - Polo series to Europe



BMW - 3-Series to Japan, Australia and USA



Mercedes Benz - C-Class to USA



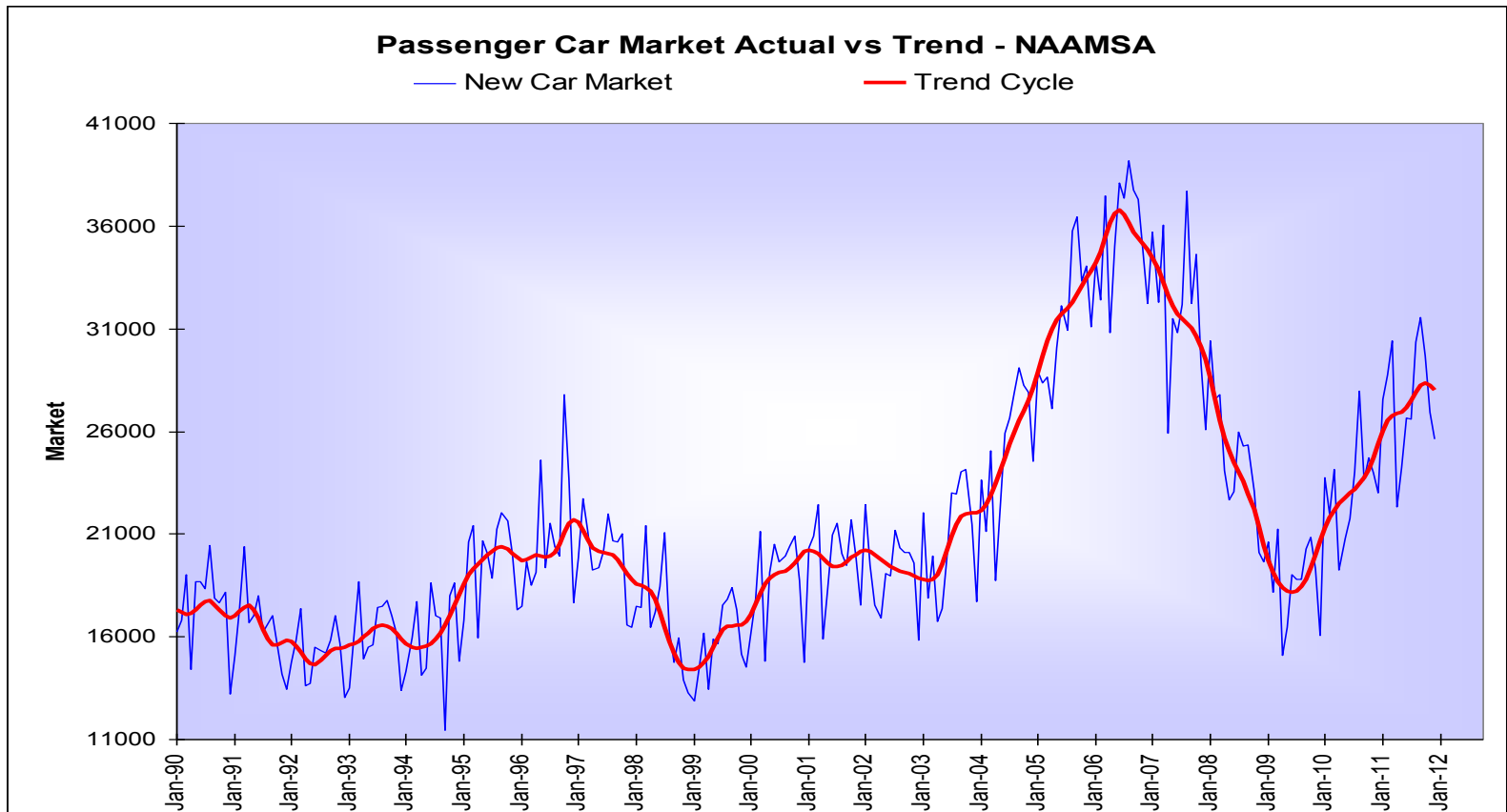
Toyota - Hilux to Europe and Africa



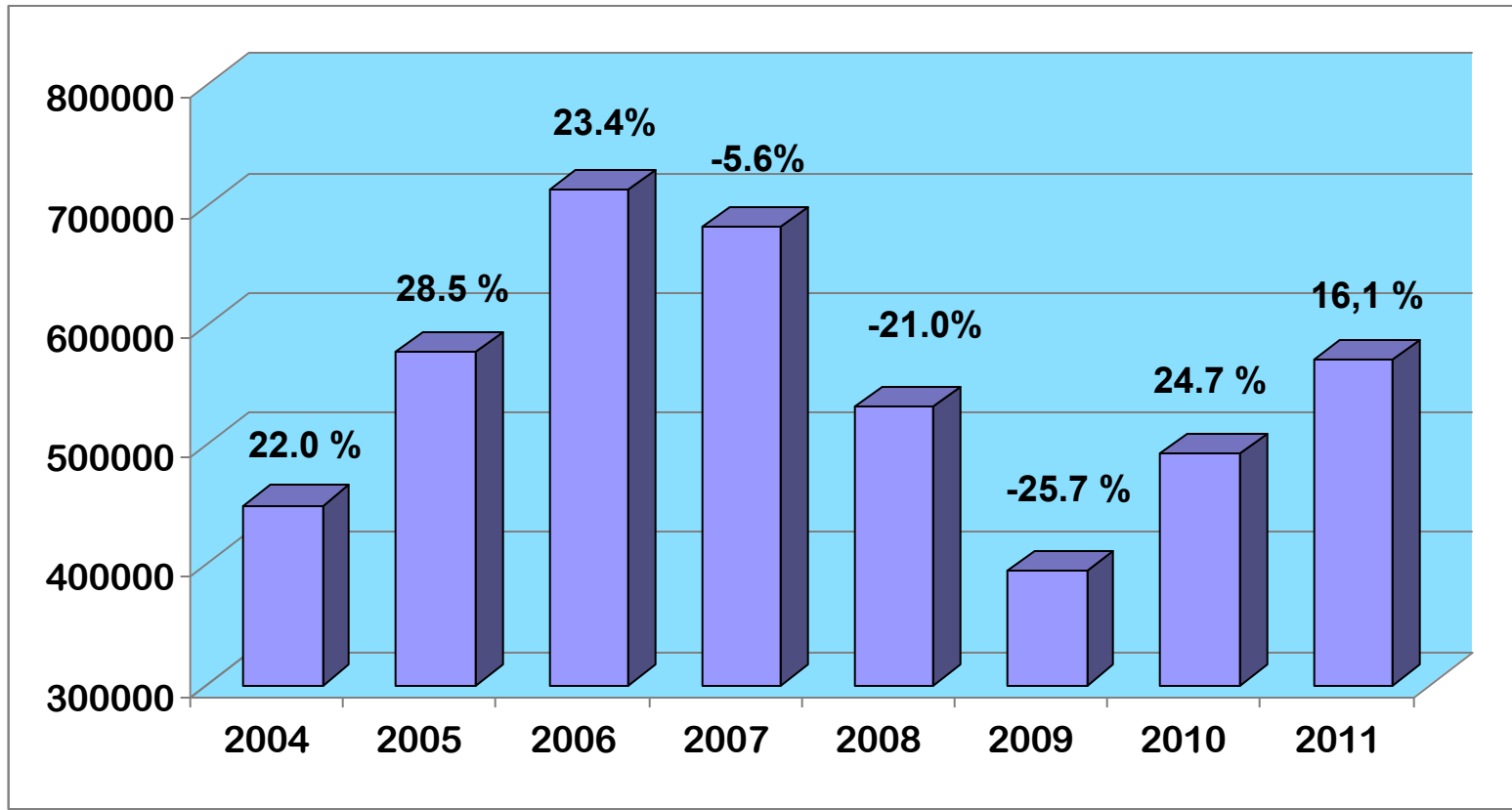
# Motor industry specific features: 2011

- Intensely competitive market and trading environment
- Subdued new vehicle price inflation
- Industrial action in supplier industry and LPG shortages temporarily impacted on industry production
- Component availability ex Japan and Thailand affected vehicle production
- Historically low interest rates and replacement demand resulted in increase in sales of about 85 000 units or 17,0% (2010: 97 685 vehicles or 24,7%)
- Strong contribution by car rental companies
- Enhanced vehicle affordability and quality, improved credit application approvals, attractively priced new entry level cars and new model introductions
- Overall, 2011 year of solid growth in domestic sales

# New vehicle sales trends



# Total vehicle market



# Top selling model ranges : Passenger cars

Passenger	2009	2010	2011	2011/2010 % Change
POLO VIVO	0	23297	34206	46.8
POLO CLASSIC	18288	17791	25535	43.5
COROLLA/VERSO/AURIS	18164	19388	19181	-1.1
FIGO	0	4380	15370	250.9
FORTUNER	7495	10757	11575	7.6
YARIS	11782	8549	10215	19.5
CHEV AVEO	4872	6120	9013	47.3
CHEV SPARK	3459	7108	7414	4.3
CHEV CRUZE	2026	4586	7297	59.1
GOLF 6	3938	6786	7123	5.0

# Market share figures: 2009 – 2011

## Total sales

Brand	2009	2010	2011	% Change
Toyota	22.9	20.5	19.2	-1.3
VW/Audi	13.3	14.3	17.5	3.2
GMSA	11.0	11.2	12.0	0.8
Ford Motor Co	9.7	8.8	8.8	0.0
Nissan	7.1	7.0	7.0	0.0
Mercedes-Benz SA	7.6	6.9	5.6	-1.3
BMW group	4.8	4.9	4.6	-0.3
Renault	1.8	2.0	1.9	-0.1
Honda	2.1	1.7	1.4	-0.3
Chrysler SA	1.0	1.0	1.2	0.2
Land Rover/Jaguar	1.2	1.1	1.1	-0.1
Suzuki Auto	1.0	1.0	1.0	0.0
PCSA	0.6	1.0	0.9	-0.1
Other	5.4	5.0	4.9	-0.5
<b>AMH</b>	<b>10.5</b>	<b>13.6</b>	<b>12.9</b>	<b>-0.7</b>
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

# Motor industry revenue (including VAT) 2008 - 2011

	<b>2008 (R million)</b>	<b>2009 (R million)</b>	<b>2010 (R million)</b>	<b>2011 (R million) projected</b>
New cars	84 803	64 565	90 500	108 000
New LCVs	35 095	26 358	31 000	36 000
MCV/HCVs	16 662	11 237	13 500	16 000
Total new vehicles	136 560	102 160	135 000	160 000
<b>Total industry</b>	<b>275 170</b>	<b>243 440</b>	<b>264 760</b>	<b>310 000</b>
<b>Vehicle exports</b>	<b>50 100</b>	<b>33 200</b>	<b>38 700</b>	<b>44 000</b>

**Export revenue not included in total industry figures**

# Considerations relevant to industry performance during 2012

## On the positive side

- Strong underlying momentum in sales to continue into 2012 supported by historic low interest rates, improved vehicle affordability, high technology model introductions, easier access for consumers to vehicle finance and pent up replacement demand.
- Demand by the car rental industry expected to remain relatively strong on the back of further growth in tourism and business travel.
- SA economy expected to grow at about 3% during 2012 supported by official measures to promote economic stability, investment, growth and employment. Automotive industrial policy also remains supportive of growth (APDP).
- Internationally, coordinated action and policies by monetary and fiscal authorities should support economic activity levels.
- Consumer sentiment and business confidence set to improve.
- Production for export markets expected to improve, despite Eurozone recession



# Considerations relevant to industry performance during 2012

## On the negative side

- Rising inflationary pressures (administered prices, energy, electricity) and associated risk of upward pressure on interest rates
- Household debt to disposable income remains high at about 75% down from 80% 18 months ago.
- Volatility in the exchange rate and the possibility of exchange rate depreciation as the global economy recovers.
- Sustainability of global recovery and financial challenges in Europe could impact on growth in vehicle exports.
- Rising tax burden affecting buyers and users of new motor vehicles.
- Impact of regulatory compliance – consumer protection legislation/ amendments to labour legislation
- Domestic political and international geo-political imponderables

# Sales by segment (NAAMSA and AMH)

Category	2009	2010	2011	% Change	2012 projection
Cars – NAAMSA	224 705	279 081	331 566	24.2	347 000
- AMH	33 424	58 049	64 726	11.5	72 000
<b>Total Cars</b>	<b>258 129</b>	<b>337 130</b>	<b>396 292</b>	<b>17.3</b>	<b>419 000</b>
LCV - NAAMSA	110 122	124 635	140 697	12.9	155 000
- AMH	8 037	9 121	8 604	-5.7	9 500
<b>Total LCV</b>	<b>118 159</b>	<b>133 756</b>	<b>149 301</b>	<b>11.6</b>	<b>164 500</b>
<b>MCV</b>	<b>7 229</b>	<b>7 557</b>	<b>9 259</b>	<b>22.5</b>	<b>9 800</b>
<b>HCV</b>	<b>11 705</b>	<b>14 464</b>	<b>17 389</b>	<b>20.6</b>	<b>19 200</b>
<b>GRAND TOTAL</b>	<b>395 222</b>	<b>492 907</b>	<b>572 241</b>	<b>16.1</b>	<b>612 500</b>

# Forecast for 2012: Domestic production

	2009	2010	2011	2012 Forecast	2013 Forecast
Cars	222 981	295 394	312 265	280 000	330 000
LCV	131 177	153 773	192 829	240 000	270 000
Trucks & Buses	19 765	22 882	27 451	30 000	34 300
TOTAL	373 923	472 049	532 545	550 000	634 300

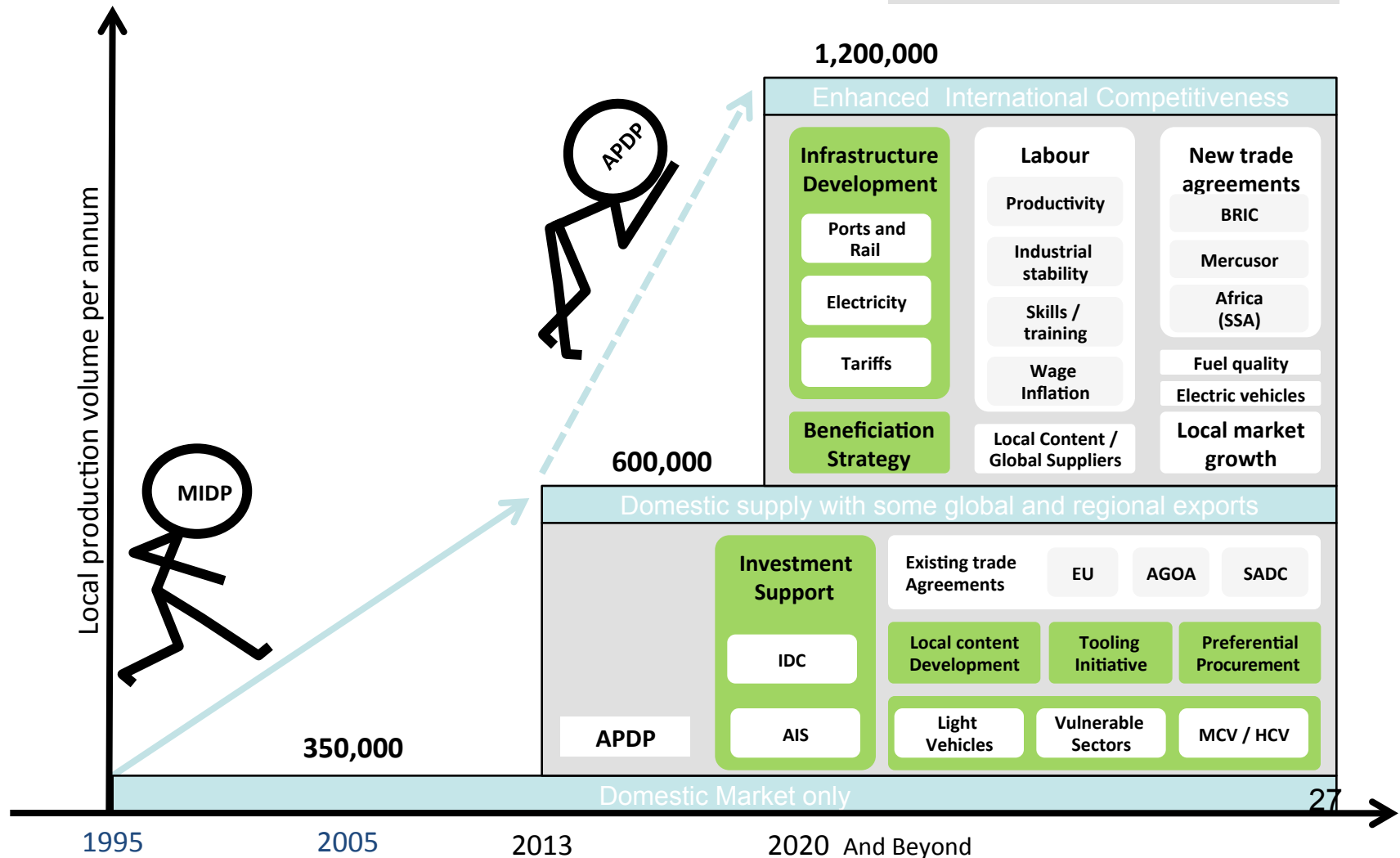
**2020 Objective: Annual domestic vehicle production of 1,2 million.**

# Key issues confronting the SA automotive industry: 2013 - 2020

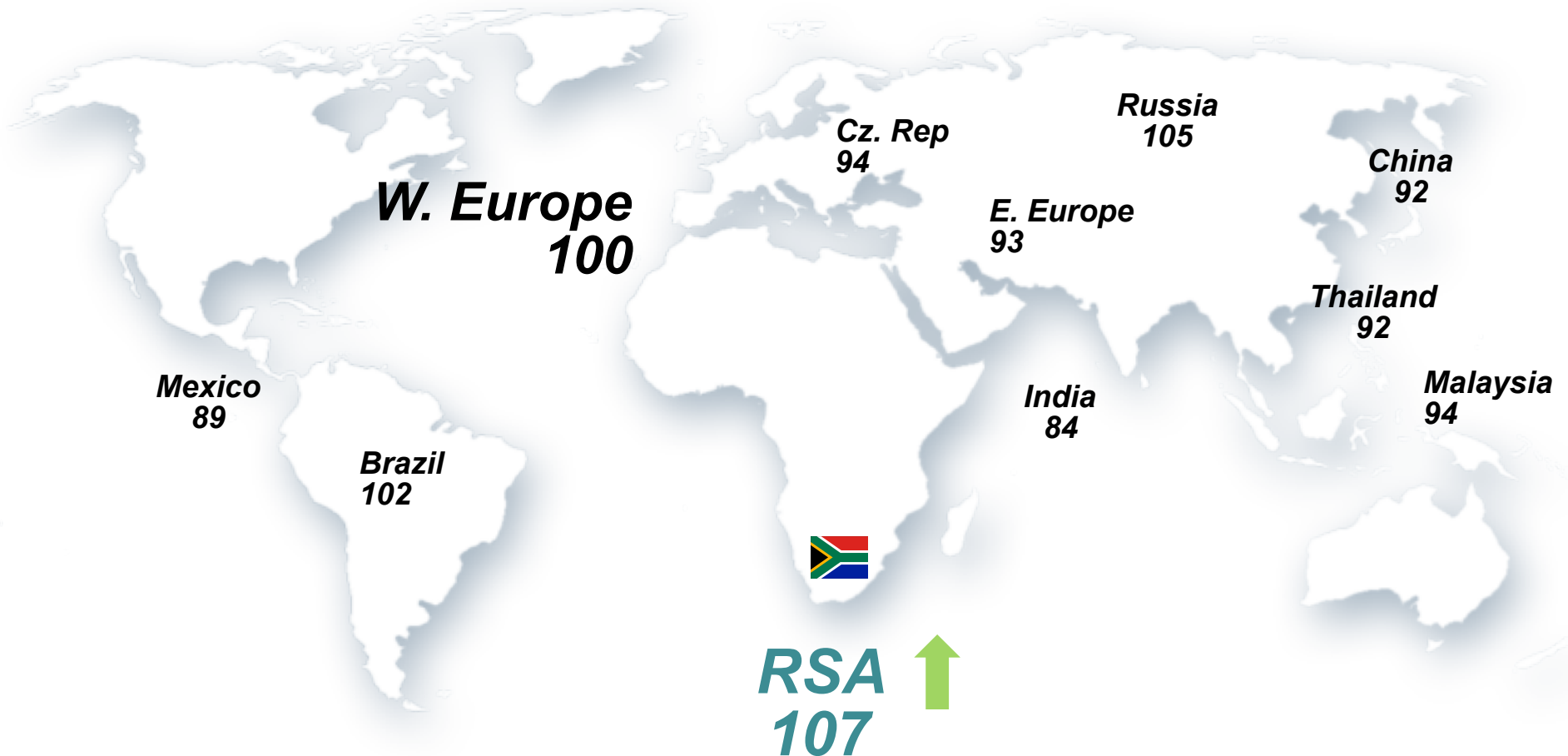
- SA's automotive policy regime is consistent with the vision for the industry, namely, to remain a premier supplier of high quality, competitive automotive original equipment parts, accessories and vehicles to international markets and, in the process, to achieve annual domestic vehicle production of close to 1,2 million vehicles by 2020
- The APDP provides a stable planning framework and support measures but the road map towards 1,2 million vehicles and the achievement of international competitiveness requires additional measures

# The roadmap towards 1.2 mil vehicles and achieving international competitiveness

Legend: IPAP 2 Other



# Supplier Cost Competitiveness 2012



# Imperatives to sustain (manufacturing) industry

- Policy certainty and predictability with appropriate levels of support and investment incentives
- Average annual volumes per platform produced to increase to globally competitive levels (minimum 80 000 units)
- Local Content levels to increase to 70% plus
- SA Supplier Competitiveness to improve to/align with average European costs
- Focused Industrialisation Strategy to broaden SA supplier chain and increase manufacturing depth
- Productivity to improve from 15 cars to 30 cars per employee per annum.
- Massive investment in Training and Skills development at all levels
- Substantial improvement in logistics competitiveness and infrastructure



## South Africa as a sub-contracting source

- World class logistics suitable for import & export operations
- Excellent infrastructure
- Abundant and cost competitive labour
- First world business sector
- High quality office and business park facilities
- Superior quality private schools and unmatched quality of life
- Internationally competitive incentives and support measures

# Overall conclusion

South African Vehicle Assemblers and Automotive Component Suppliers are committed to the long term sustainability of the Automotive industry and look forward to partnering with Government to grow the industry and create jobs whilst achieving international competitiveness

The ability to realise the 2020 vision and production target is dependant on active engagement between the following key stakeholders – NAAMSA, NAACAM, Government (Central and Provincial), Labour / NUMSA, Transnet and the IDC

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