

NATIONAL

Importers, EVs and car dealerships have a mountain to climb

SA's new-vehicle production is facing major challenges that will take time to overcome

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First, the good news: on Monday night, Volkswagen SA built its 1.5-millionth export vehicle. The bright red VW Polo GTI is destined for a UK customer.

The company's Kariega (formerly Uitenhage) assembly plant has been feeding overseas markets since 1992. With more than 21,000 export Polos already built in 2024, the company is beginning to eye its annual record of 108,422, set in 2019. In 2023, it built 101,557 cars.

However, the 1.5-million milestone can't mask challenges piling up for the SA motor industry at large. January's disappointing domestic new-vehicle sales were an early indicator of the potential stagnation to come. Any recovery is thought to be several months away.

Brandon Cohen, chair of the National Automobile Dealers' Association, said a growing number of independent new-car dealers were trying to sell their businesses. Lacking the financial and logistical muscle of large groups, they were struggling to turn a profit.

Having grown a measly 0.5% in 2023, the market is expected to grow only slightly faster this year. That would take it just above pre-Covid 2019 levels.

But it's not just about sales. As industry association Naamsa, which represents local vehicle manufacturers and importers, notes in its latest review, challenges are cropping up in just about every activity.

In the three months to December, bottlenecks at SA ports, notably Durban, delayed the delivery of imported vehicles. More critically, some local manufacturers had to reduce or even suspend production while they waited for imported components.

The problem was particularly acute in the fourth quarter of 2023, so it was no surprise to see assembly-plant capacity utilisation levels — the proportion of available manufacturing capacity actually used — drop sharply. In extreme cases, it was below 50%.

The situation would have been much worse were it not for exports. They set a new record in 2023 though even they fell away sharply at the end of the year. Because of exports, which accounted for 66.6% of vehicles built in 2023, aggregate industry production crept above pre-Covid levels.

In its review, published on Tuesday, Naamsa says the recent announcement by ArcelorMittal SA that it might close its Newcastle and Vereeniging long-steel mills is another blow to the industry. Besides the problem of finding new suppliers, the loss of an SA source will make it harder for companies to meet government-set local content targets.

Naamsa said: "[It] will affect original equipment supply, jeopardise domestic value addition and cause disruptions and increased costs in the domestic supply chain."

The biggest uncertainty of all is the future of electric vehicles (EV) in SA. In his budget speech on Wednesday, finance minister Enoch Godongwana is expected to provide more details of government plans to encourage their local manufacture after publication of an EV policy white paper in December.

A PWC report reveals that the global market for battery-electric vehicles (BEV), which are wholly dependent on plug-in recharging, topped 10-million for the first time in 2023. In SA, says the Naamsa review, the number was 931 — almost twice the 502 sold in 2022.

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