MOTOR INDEX

QUARTER 2 2025

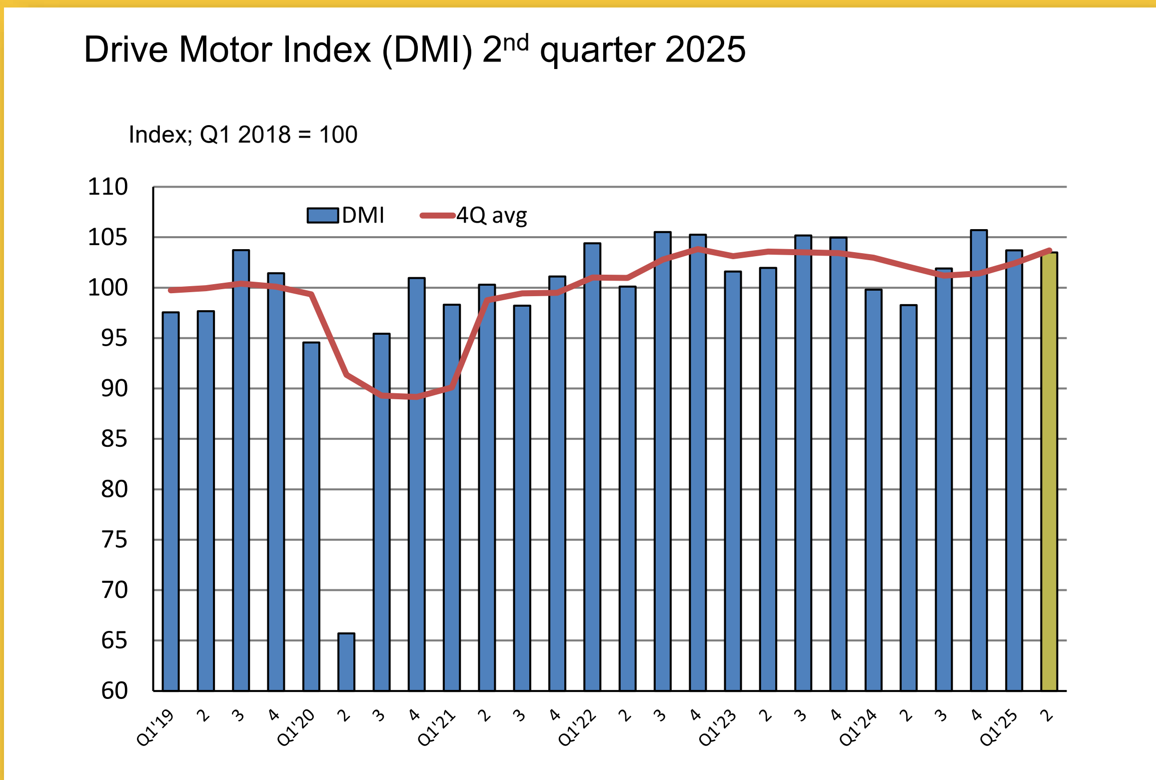
Drive Motor Index (DMI)

(DMI) remains steady in 2nd quarter of 2025, with year-on-year growth increasing by an impressive 5.3%

Drive.co.za has released the findings of the Drive Motor Index (DMI) for the 2nd quarter of 2025, which remains on an upward year-on-year trajectory. The DMI is also higher than prior to the Covid-19 pandemic, following a series of marginal reductions in the prime lending rate.

The DMI is a monthly barometer of business conditions in the motor sector, compiled by renowned economist Dr Roelof Botha, a long-standing adjunct faculty member at GIBS and economic advisor to the Optimum Investment Group and Currencies Direct. The DMI is a composite index that measures the real percentage change in key indicators of the motor vehicle industry (including manufacturing and sales of vehicles and associated indicators). It comprises twelve different indicators, weighted according to their perceived importance in gauging the overall state of the motor sector in South Africa.

Drive.co.za is one of the three fastest growing mid-size companies in South Africa and has recently won a Financial Times award for this achievement. Drive.co.za represents a seamless car subscription approach to permanently driving a new car, without the frustrations of legal ownership. It has fairly recently been adopted in South Africa and is based on a business model that has been successful in several high-income countries. It eliminates, inter alia, the need for bank credit applications and several other administrative tasks associated with personal car ownership, including licensing, traffic offences and insurance.



RESULTS
of the DMI for the 2nd quarter of 2025

The resumption of the rate-cutting cycle by the Monetary Policy Committee (MPC) of the South African Reserve Bank in May has undoubtedly played a major role in the upward trend of the DMI. Although the quarter-on-quarter index value remained virtually unchanged, the 4-quarter average value of 103.7 is the highest level since the 4th quarter of 2022, when the record high interest rates started to bite into the pockets of prospective car buyers.

There has been a further rate cut in July, which means that the prime rate is now 10.5%, which is 125 basis point slower than at the end of August 2024. Prior to the start of a marginal relaxation of monetary policy, the prime rate had stayed at 11.75% for 16 consecutive months.

It is encouraging to note that ten of the twelve indicators comprising the DMI experienced positive year-on-year growth during the 2nd quarter of 2025, including the three indicators that enjoy a combined weighting in the DMI of 50% (new & used vehicle sales and the number of vehicles sold).

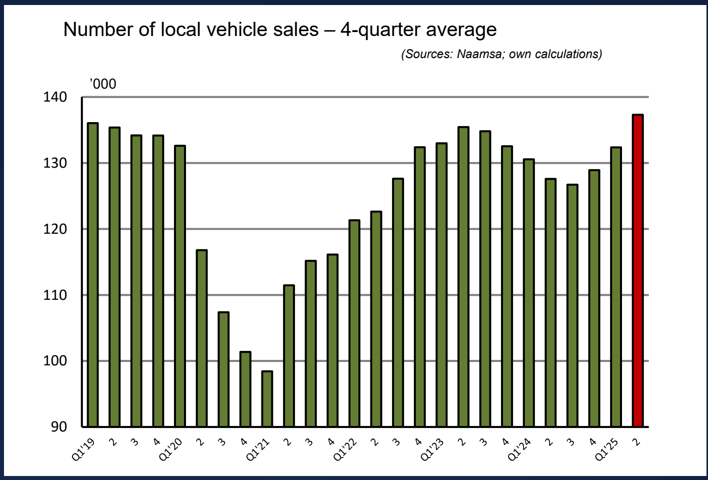
Unfortunately, the quarter-on-quarter performance of all three of these so-called "big-ticket" indicators were negative, albeit only marginal in the case of vehicle sales values.

Drive Motor Index (DMI) - 2nd quarter 2025
% Real change in constituent indicators

	Q-o-Q	y-o-y
Number of vehicle sales	-6.6	17.0
Petrol price (reciprocal)	3.0	16.3
Diesel price (reciprocal)	5.3	16.2
Exports of vehicles & components	16.8	14.3
Prime rate (reciprocal)	2.3	9.3
New vehicle sales values	-2.9	8.1
DMI	-0.2	5.3
Accessories sales	0.6	4.0
Avg BetterBond home buyer income	1.5	2.1
Used vehicles sales values	-1.0	0.8
S&P Global PMI for South Africa	4.4	0.7
Workshop income	4.6	-12.7
Fuel sales		

Notes:
1. Ranked by year-on-year real % change
2. Real vehicle sales values adjusted for qualitative coefficient

It should be pointed out that the DMI is expressed in real terms (i.e. relevant indicators have been adjusted for the effect of inflation). This means that the nominal year-on-year increase in the DMI is above %, which is considerably higher than growth trends in most other key sectors of economic activity and way above the nominal GDP growth rate for the first quarter of 2025.

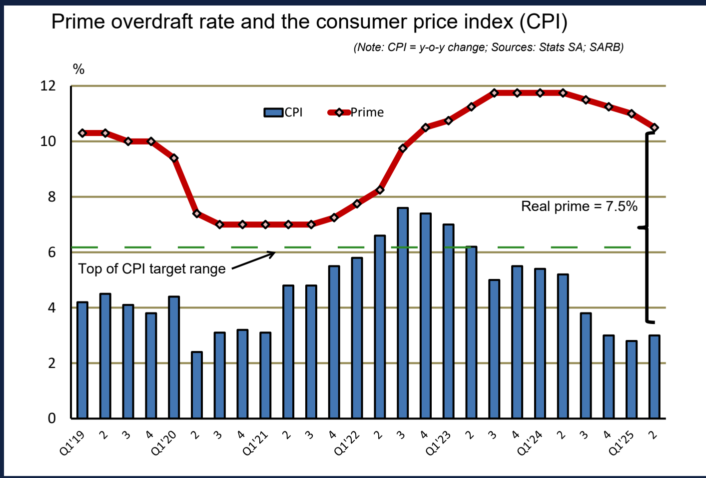


It is also encouraging to witness a return to an upward trajectory for one of the key indicators included in the DMI, namely the number of local vehicle sales. The figure shows four turning points in the trend for this indicator:

- Firstly, the dramatic decline induced by the lockdowns during the worst of the covid-1 pandemic
- This was followed by a sterling recovery to more or less the same level as prior to Covid, mainly as a result of pent-up demand, combined with a lowering of the repo rate by the MPC, which led to a decline in the prime rate of 300 basis points (from 10% to 7%)
- The supply-side shocks related to a 700% increase in global freight shipping costs and a 400% increase in the oil price shortly after the worst of the Covid-1 pandemic and the Russian military invasion of Ukraine led to a sharp increase in global inflation.

Despite the complete absence of demand inflation, the SA Reserve Bank raised the prime rate (via the repo rate) to its highest level in 15 years, causing a virtual standstill of economic growth. Predictably, fewer cars were sold between the 2nd quarter of 2023 and the 3rd quarter of 2024.

RESULTS
of the DMI for the 2nd quarter of 2025



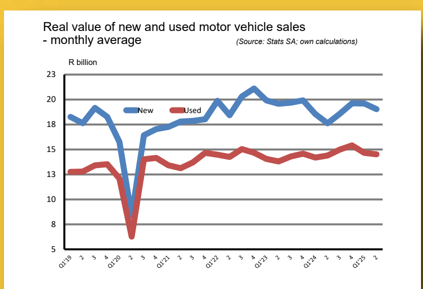
• The fourth trend reversal occurred after the first two interest rate cuts of 25 basis points each, confirming the negative relationship between interest rates and durable consumption expenditure.

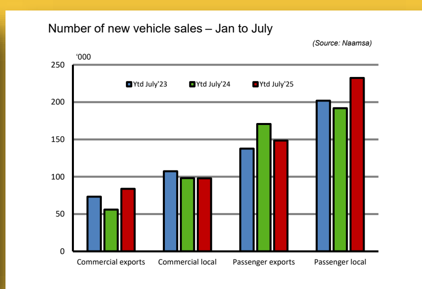
Importantly, the value of cars sold did not match the data on the numbers of cars sold, signalling a structural shift in the motor sector towards lower-priced vehicles, including strong growth in imports from Chinese brands.

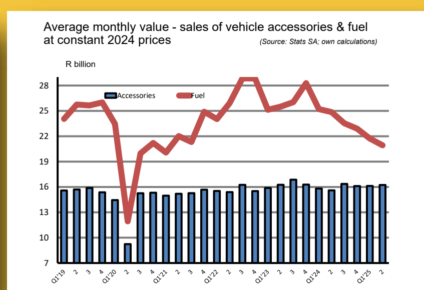
Fortunately, two more rate cuts occurred during the first half of 2025, lowering the prime rate to a level of 10.75 at the end of the 2nd quarter. A further cut of 25 basis points in July means that the real prime rate is currently 7.5% (after deducting the current consumer inflation rate of 3%).

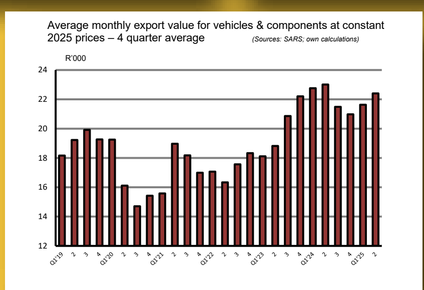
Although this is lower than at the end of the 1st quarter of 2025, it remains considerably higher than the average real prime rate of 5% that existed during the 1st quarter of 2020 – just prior to Covid. This suggests that scope exists for further rate cuts, but the MPC has established a reputation for being hawkish, with an apparent disregard for the relentless increase in unemployment.

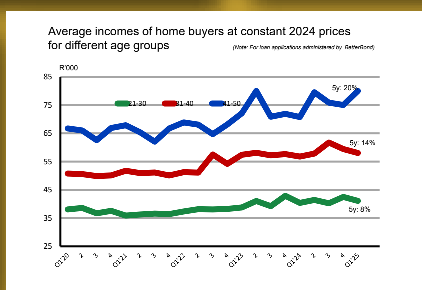
Hopefully, the dire need for higher growth will hold sway over the discussions at the next monetary policy meeting and result in a further rate cut. The National Treasury will be holding thumbs, as more fiscal resources are urgently needed to fund the repair and expansion of the country's infrastructure.











BACKGROUND
to the Drive Motor Index (DMI)

Dr Roelof Botha
Economic Advisor to the Penta Motor Group

A Distinguished Economist & Public Speaker

Botha delivers engaging keynote speeches on the country's economic and political landscape. With over 40 years of experience, he wears multiple hats as a lecturer, financial editor, columnist, and researcher.

His accurate economic forecasts have earned him recognition as the Finmedia Economist of the Year. Dr. Botha also teaches economics part-time at the Gordon Institute of Business Science (GIBS) and advises the Optimum Financial Services Group.

Beyond economics, Dr. Botha enjoys cricket, soccer coaching, and skydiving. Notably, his eldest son, who shares his name, has made significant contributions in Silicon Valley, co-founding PayPal and playing a key role in YouTube's acquisition by Google.

One of the reasons for the decision by Drive.co.za to undertake the research underpinning the index is the fact that different indicators relating to the motor industry often contradict each other within a particular month or even quarter. A need clearly existed for an overall time-series gauge of business conditions in this crucial sector, which makes a substantial contribution to South Africa's GDP. South Africa is fortunate to possess an independent, multi-brand, automotive industry (including the distribution, servicing and repair of vehicles). This sector plays an indispensable role in providing mobility to the whole of the population, promoting consumer choice, maintaining vehicles on the country's roads and providing ample facilities for refuelling and convenience store shopping.

Based on data from a variety of sources, including Statistics SA and the Automotive Business Council (Naamsa), salient macroeconomic characteristics of the motor industry at large include the following:

• Contribution to the gross domestic product (GDP) comprising an estimated 4.9% (2.9% manufacturing and 2% retail)

• The manufacturing and retail segments of the automotive industry, combined with the industry's strong multiplier effects, are responsible for an estimated combined employment number of 580,000 jobs in the South African economy. This figure includes estimates for the jobs at filling stations, vehicle servicing & repairs and the distribution of petrol & diesel for vehicle consumption.

• Since the transition to democracy, approximately R130 billion has been invested in the industry by domestic original equipment manufacturers

• Vehicle & component manufacturers represent South Africa's largest manufacturing sector. In 2023, this sector contributed 17.7% to the country's total factory output, valued at R537 billion.

• In 2023, the exports of vehicles and components amounted to R240 billion, making the industry the third largest generator of foreign exchange. Only minerals (including iron ore, coal, chromium and manganese) and precious metals are larger export earners.

Against this background, current and likely future trends in business activity in the motor industry value chain should be taken seriously by policy makers, in order to ensure that policies are in place to prevent job losses, whilst also maintaining South Africa's international competitiveness via sufficient economies of scale.