

MOTOR INDEX

QUARTER 1 2026

Drive Motor Index (DMI)

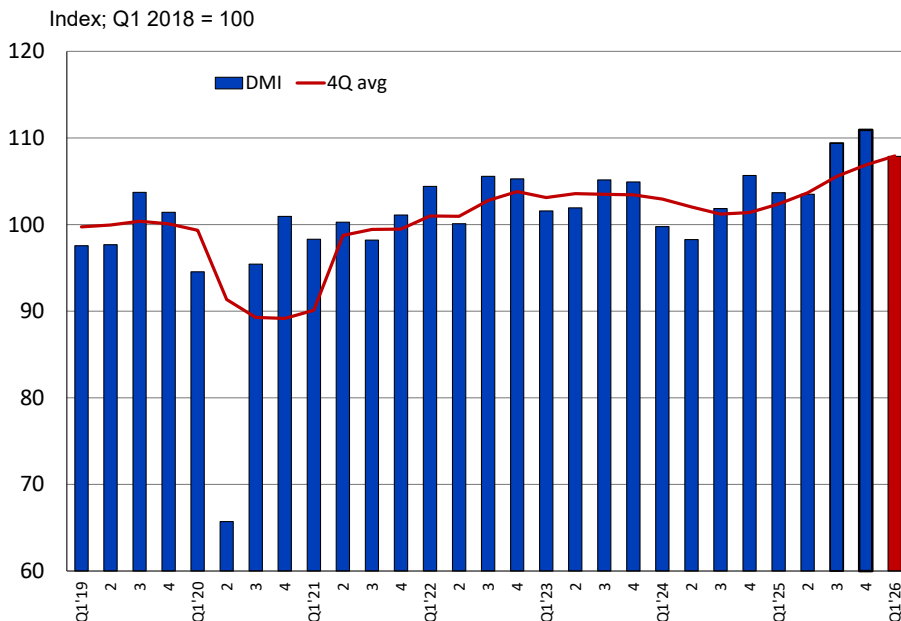
Drive Motor Index (DMI) records impressive year-on-year growth of 4.1% during the first quarter of 2026, boosted by new and used vehicle sales

Drive.co.za has released the findings of the Drive Motor Index (DMI) for the 1st quarter of 2026, which remains on an upward year-on-year trajectory. The DMI is also higher than prior to the Covid-19 pandemic.

The DMI is a quarterly 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 Drive.co.za. 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 top-ten fastest growing mid-size companies on the African continent 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 myriad of frustrations encountered with legal ownership. This concept has 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, insurance, depreciation and risks associated with the selling of a used car.

Drive Motor Index (DMI) 1st quarter 2026



RESULTS

of the DMI for the 1st quarter of 2026

Due to seasonality related to year-end bonuses paid in the fourth quarter of each year and the lower level of economic activity that is observed for many key economic indicators during the subsequent first quarter of the following year, it is customary to take four-quarter averages into account. On this basis, the upward cycle in the motor vehicle sector at large was restored soon after interest rates started to decline (in the third quarter of 2024), as witnessed by the recent record high for the DMI.

Since bottoming out, the DMI's four-quarter average has improved by 4.1% year-on-year, which is a most welcome development that is reflected in a broad-based expansion of business conditions in the motor vehicle sector.

Unfortunately, the Monetary Policy Committee (MPC) of the Reserve Bank increased its official repo rate again at its meeting in May 2026, which has lifted the prime rate to 10.5%. However, the prime rate remains 125 basis points lower than the peak of 11.75% that lasted for 16 consecutive months. The resultant decline in the rate of demand growth in the economy predictably led to six successive quarters of GDP growth below one per cent. Hopes for further rate cuts in 2026 have been dashed by the sharp rise in fuel prices that have accompanied the war in the Middle East, which has led to the inflation rate rising from 3% to 4% in the space of one month, following a global trend of rising prices.

It should be pointed out that the decision last year to abandon the inflation target range of 3% to 6% and replace it with a target point for the consumer price index (CPI) of 3% has restricted the flexibility of accommodating temporary higher inflation caused by price shocks. In the event of a swift ending to the war in the Middle East and a reopening of the Strait of Hormuz, there is no doubt that global oil prices and inflation will decline rapidly.

During the first quarter of 2026, eight of the twelve constituent indicators of the DMI recorded positive year-on-year growth, with most of the ones that carry a high weighting in the composite index performing exceptionally well, resulting in an impressive overall increase of 4.1% (year-on-year - see table 1).

The quarter-on-quarter decline of 2.8% in the DMI was mainly caused by a slump in the exports of vehicles and components, which is due to South Africa's slow transition to the manufacture of electric vehicles as well as an overvalued currency. The traditional seasonal influence of muted expenditure on durable goods during the first quarter of every year has also played a role in the disappointing quarter-on-quarter reading of the DMI.

Table 1: Drive Motor Index (DMI) - 1st quarter 2026

% Real change in constituent indicators		
	Q-o-Q	Y-o-Y
New vehicle sales values	2.0	16.7
Number of vehicle sales	1.3	12.1
Diesel price (reciprocal)	6.4	8.5
Petrol price (reciprocal)	5.0	8.5
Prime rate (reciprocal)	0.0	7.3
S&P Global PMI for South Africa	3.6	4.3
DMI	-2.8	4.1
Avg BetterBond home buyer income	-7.9	3.1
Used vehicles sales values	1.8	1.2
Accessories sales	-2.9	-3.9
Exports of vehicles & components	-21.7	-13.7
Fuel sales	-11.9	-17.9
Workshop income	-3.3	-23.1

Notes:

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

It is clear from the data provided in table 2 that the automotive industry took a hefty knock as a result of the interest rate hiking cycle that commenced in November 2021, taking the prime lending rate to a 15-year high of 11.75%. The monetary policy authorities only started lowering rates in September 2024, which eventually led to marginally higher GDP growth and a recovery of the motor trade sector.

Table 2: Average annual real % change in the DMI

	%
Since inception (Q1 2018)	1.0
During interest rate hiking cycle	-1.8
Since interest rate declines	4.7

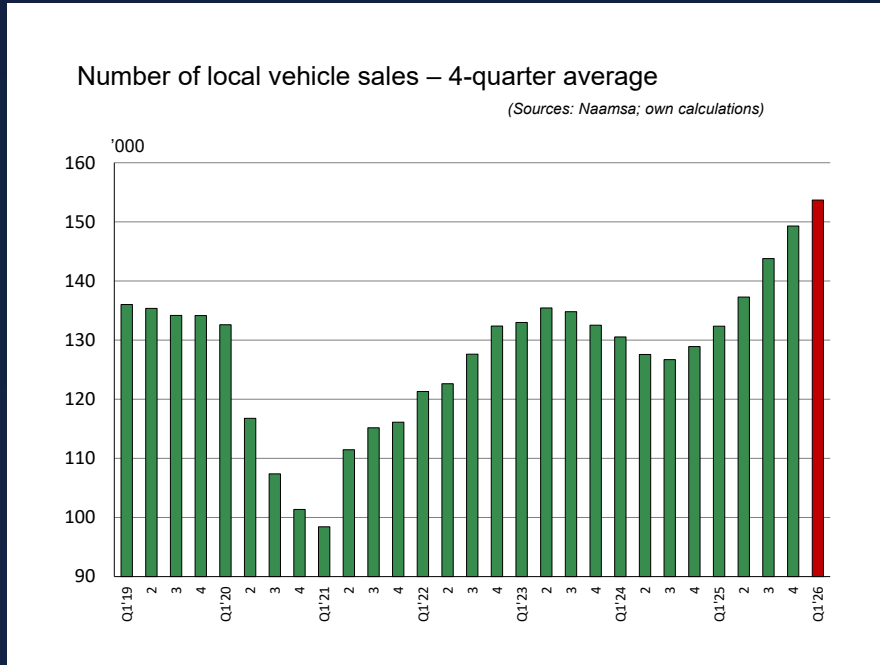
Note: Based on 4-Q average (to eliminate seasonal influences)

The resilience of the motor vehicle sector has been demonstrated by its superior growth performance compared to the GDP. The latter only managed a real increase of 1.1% in 2025, compared to last year's growth rate of 5% for the DMI, backed by record-high vehicle sales values. A year-on-year increase of more than 12% in the number of vehicle sales during the first quarter of 2026, was reported by Naamsa, which is vastly superior than the figures for most other durable consumption goods. This performance has been made possible by the positive impact of a lower cost of credit as well as the influx of a variety of relatively cheap cars imported from countries in South East Asia.

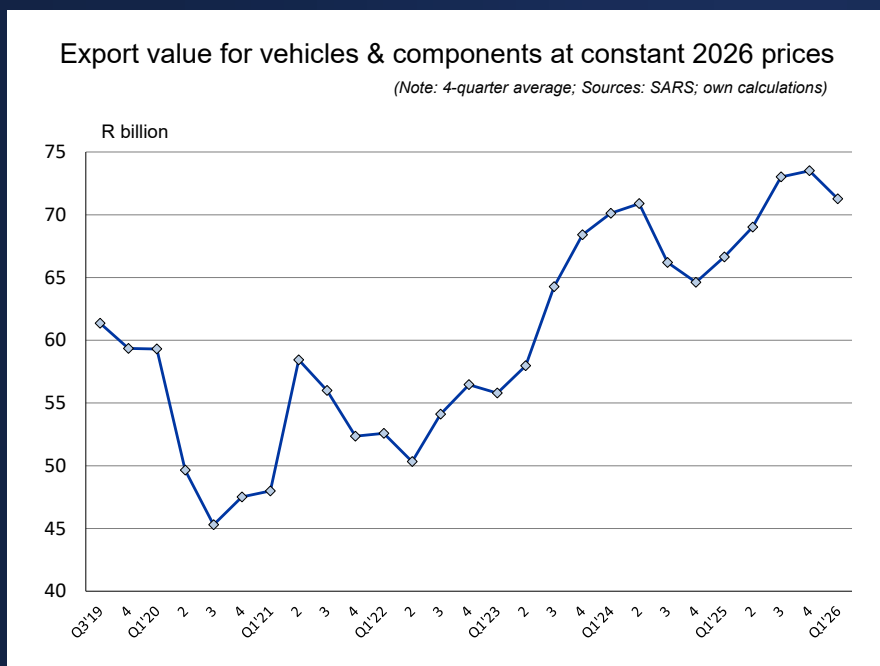
According to the National Automobile Dealers' Association (NADA), consumers have become more value-conscious and are spending more time comparing the total costs of car ownership before committing to a purchase, but mobility remains one of the most important objectives. The introduction by Drive.co.za of a change to the concept of mobility eliminates, to a large extent, the fears and risks associated with the ownership of a car.

RESULTS

of the DMI for the 1st quarter of 2026



Looking ahead it is clear from increases in recently published key indicators that the South African economy is poised to enter a new growth phase. Although higher inflation and higher interest rates may postpone the prospect of getting closer to a 2% GDP growth rate, the imminent decline in oil prices is bound to regenerate the recovery of the economy. This view is reflected in the April S&P Global Purchasing Managers' Index (PMI) for South Africa, which recorded its highest reading in four years, as well as the latest reading of the Reserve Bank's composite leading business cycle index (BCI), which remains on a pronounced upward trend.



RESULTS

of the DMI for the 1st quarter of 2026

The relevance of the automotive industry and of the DMI

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.

BACKGROUND

to the Drive Motor Index (DMI)



Dr Roelof Botha
Economic Advisor to Drive.co.za



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.

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