MOTOR INDEX

QUARTER 4 2025

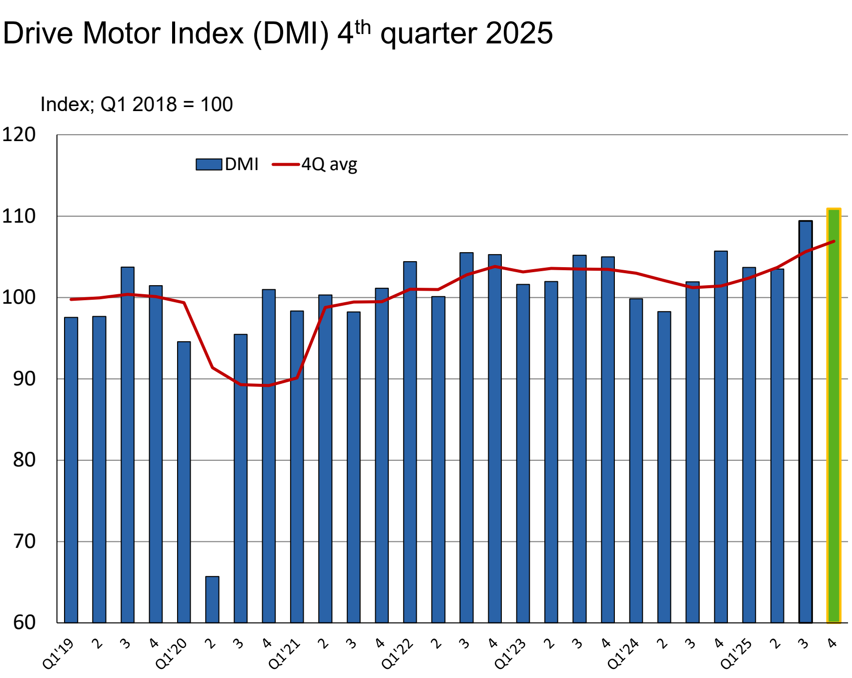
Drive Motor Index (DMI)

Drive Motor Index (DMI) reaches another record high in 4th quarter of 2025, with year-on-year growth increasing by an impressive 5%

Drive.co.za has released the findings of the Drive Motor Index (DMI) for the 4th quarter of 2025, 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 the Optimum Investment Group and 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 nine 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 and insurance.



RESULTS
of the DMI for the 4th quarter of 2025

Due to seasonality related to year-end bonuses paid in the fourth quarter of each year and the lower level of economic activity arising from summer holidays that stretch into the subsequent first quarter of the following year, it is prudent to also take the DMI's four-quarter average into account.

On this basis, the upward cycle was restored immediately after interest rates started to decline (in the fourth quarter of 2024). Since bottoming out, the DMI's four-quarter average has improved by 5.6% - a most welcome development that has injected new life into the motor vehicle sector.

The prime rate has now been lowered by 150 basis points (from a high of 11.75% in May 2023 to 10.25% in November 2025). Unfortunately, the Monetary Policy Committee (MPC) of the Reserve Bank refused to lower the repo rate further at its meeting in January 2026, but interest rates may still come down further this year, especially due to the sharp decline in South Africa's benchmark long-term interest rate (the 10-year bond government bond yield).

Despite the negative year-on-year declines in seven of the DMI's constituent indicators, the ones that carry the highest weighting managed to perform exceptionally well, resulting in an impressive overall increase of 5% (see table 1). This growth rate is more than double the latest year-on-year real GDP growth rate of 2% (during the third quarter of 2025 – Stats SA will publish the fourth quarter GDP data in March).

Although the exports of vehicles and components managed a solid year-on-year increase, the double-digit quarter-on-quarter decline is a point of concern, especially against the background of heightened global competition in the vehicle manufacturing industry. The fact that the section for exports of vehicles and components is the third largest contributor to South Africa's goods export earnings, warrants attention by the Department of Trade, Industry and Competition to review its policy stance on local subsidisation and the possibility of anti-dumping tariffs on imported vehicles.

Table 1: Drive Motor Index (DMI) - 4th quarter 2025
% Real change in constituent indicators

	Q-o-Q	Y-o-Y
Number of vehicle sales	1.2	16.0
New vehicle sales values	3.1	14.3
Prime rate (reciprocal)	2.5	9.7
DMI	**1.4**	**5.0**
Avg. BetterBond home buyer income	10.7	4.6
Exports of vehicles & components	-10.3	2.8
Petrol price (reciprocal)	1.3	-0.6
Accessories sales	-4.0	-0.9
Diesel price (reciprocal)	0.6	-3.3
S&P Global PMI for South Africa	-6.9	-3.9
Used vehicles sales values	-0.7	-5.4
Fuel sales	5.1	-11.5
Workshop income	-6.2	-28.0

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 and the economy as a whole took two hefty knocks since 2020 - firstly as a result of the Covid-19 lockdowns and subsequently due to the interest rate hiking cycle between 2022 and the third quarter of 2024.

Table 2: Average annual real % change in the DMI and the GDP [1]

	DMI	GDP
Since inception (Q1 2018)	0.9	0.6
Since pre-Covid (Q3 2019) [2]	0.5	0.5
During interest rate hiking cycle	0.1	0.8
Since interest rate declines	7.1	0.9

Notes:
1. In order to eliminate seasonal influences, the calculations are based on 4-Q averages
2. Based on the last comparable quarter before the Covid pandemic

Since interest rates started to decline towards the end of 2024, the GDP growth rate has only improved marginally, whilst the DMI has made a remarkable recovery, outperforming the economy by an impressive margin.

The year-on-year increase of 16% in the number of vehicle sales, as recorded by Naamsa, is nothing short of spectacular. In addition to the positive impact of a lower cost of credit, two other factors played a role in the sterling performance of the DMI during 2025, namely rising salaries and the influx of a variety of relatively cheap cars imported from China. The year-on-year decline in the value of used vehicle sales may be attributed, inter alia, to a combination of higher inventory levels and discounts offered on trade-ins for new vehicles.

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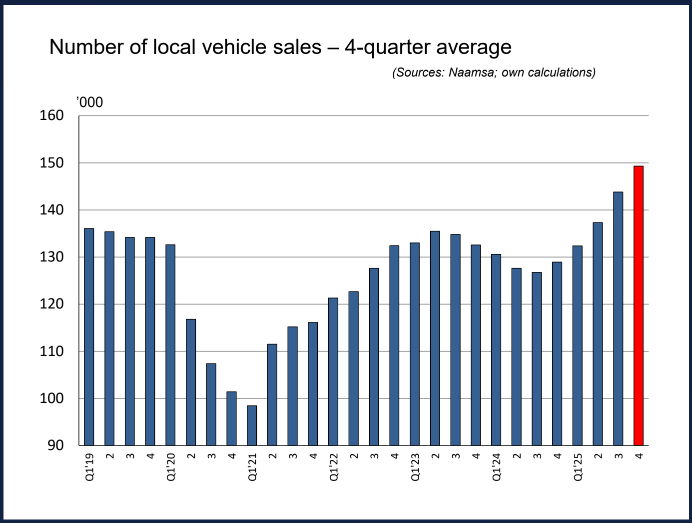
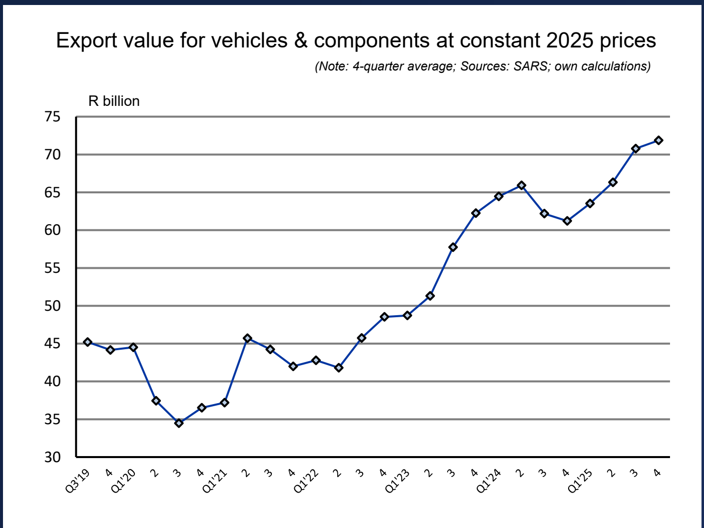


Against the background of a National Budget that has provided tax payers with a windfall of nearly R14 billion and new policy initiatives aimed at repairing and expanding the country's infrastructure, the DMI is poised to continue its upward momentum in 2026.



Any further interest rate cuts will seal the deal for the motor vehicle sector, with the current strength of South Africa's currency making it easier for the hawkish MPC to provide further breathing space for millions of indebted consumers.

An interesting feature of the quarter-on-quarter performances for the values of fuel sales and accessory sales is their divergent trend, which often occurs during the fourth quarter. This is mainly due to the summer holiday season, when most households have to budget for unavoidable travel expenses, with fuel on top of the list, whilst accessories fall into the nice-to-have category.

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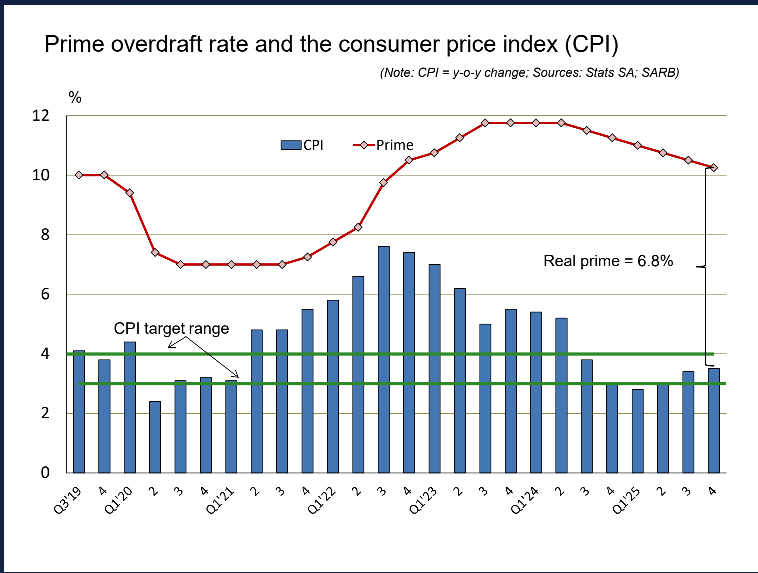

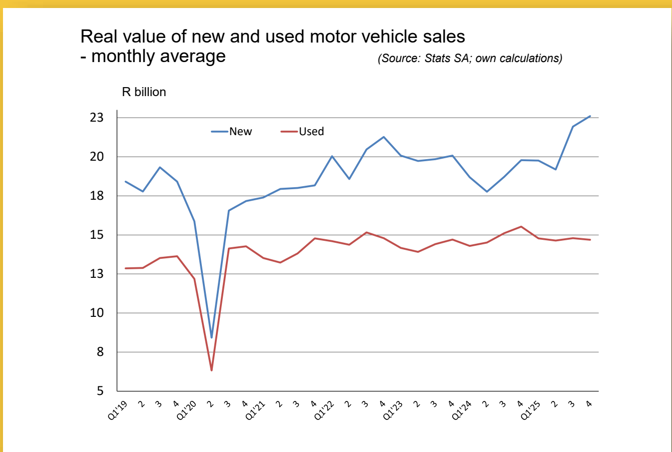

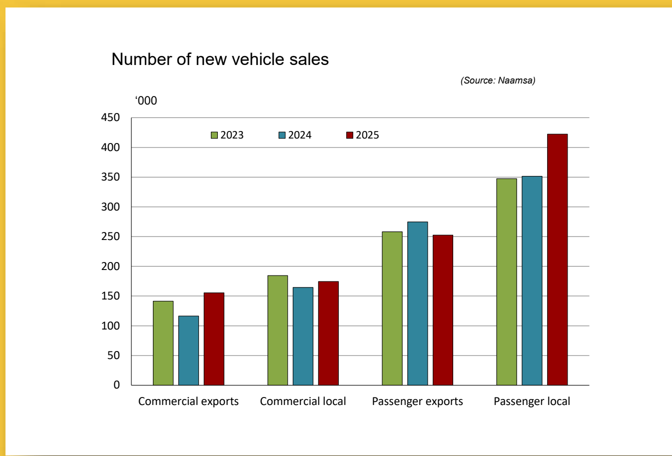

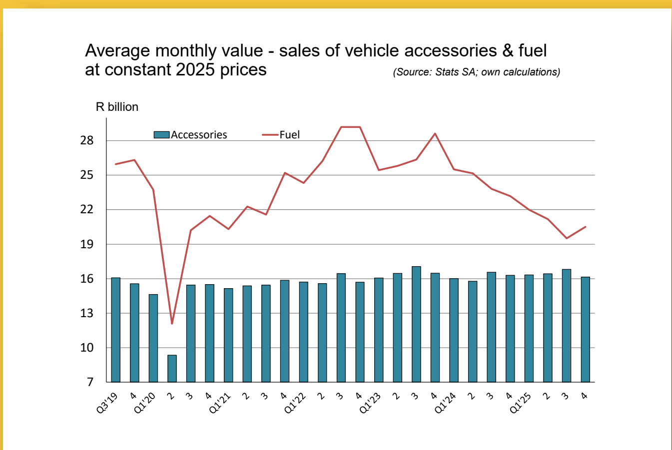

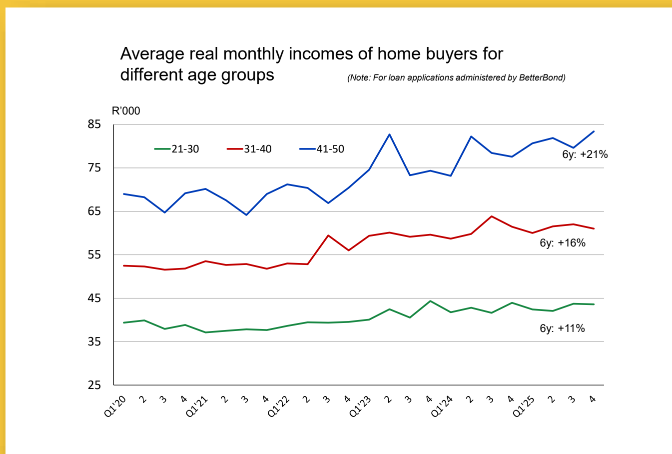

BACKGROUND
to the Drive Motor Index (DMI)

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.

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.