



Motor Index

QUARTER 2 2026

New record high for the seasonally adjusted Drive Motor Index (DMI) during the 2nd quarter of 2026, boosted by the number and value of new vehicle sales.

Another Record for the DMI.

Drive.co.za has released the findings of the Drive Motor Index (DMI) for the 2nd quarter of 2026, which remains on an upward year-on-year trajectory. The DMI is also higher than prior to the Covid-19 pandemic.

BACKGROUND TO THE DMI

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 previous recipient of the FinMedia Economist of the Year award. 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.

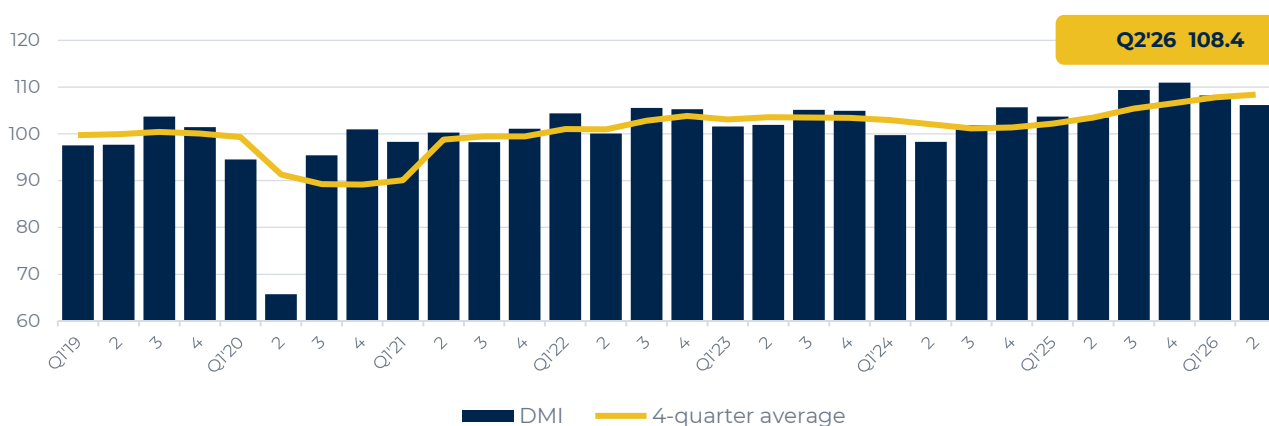
ABOUT DRIVE.CO.ZA

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 the risks associated with selling a used car.

DRIVE MOTOR INDEX (DMI) & FOUR-QUARTER AVERAGE

Index; Q1 2018 = 100



Sources: Naamsa; Stats SA; SARS; SARB; BetterBond; own calculations

Results of the DMI for the 2nd Quarter of 2026.

Following two successive quarters of new record highs for the DMI during the second half of 2025, it was inevitable that the DMI would take a knock in the first quarter of 2026, especially due to seasonality related to year-end bonuses paid in the fourth quarter of each year. Unfortunately, a marginal declining trend continued in the second quarter, due to a combination of a relatively high base effect and the increase in the prime lending rate during May. The sharp increases in the prices of petrol and diesel and lower levels of formal sector employment also played their part in a more muted economic environment facing the motor industry at large.

108.4

SEASONALLY ADJUSTED DMI
— NEW RECORD HIGH

+4.7%

HIGHER THAN A
YEAR AGO

+7.1%

IMPROVEMENT SINCE
Q3 2024 LOW

Fortunately, the seasonally adjusted DMI, based on a four-quarter average, has not lost steam yet, climbing to a new record high level of 108.4 in the second quarter of 2026, which is 4.7% higher than a year ago and 8.4% higher than in the first quarter of 2018, the inception date of the DMI. Since bottoming out in the third quarter of 2024, the DMI's four-quarter average has improved by 7.1%, reflecting a broad-based expansion of business conditions in the motor vehicle sector, despite a downward trend for vehicle exports.

Half of the twelve constituent indicators recorded positive year-on-year growth in Q2 2026 — with most of the heavily-weighted indicators performing exceptionally well.

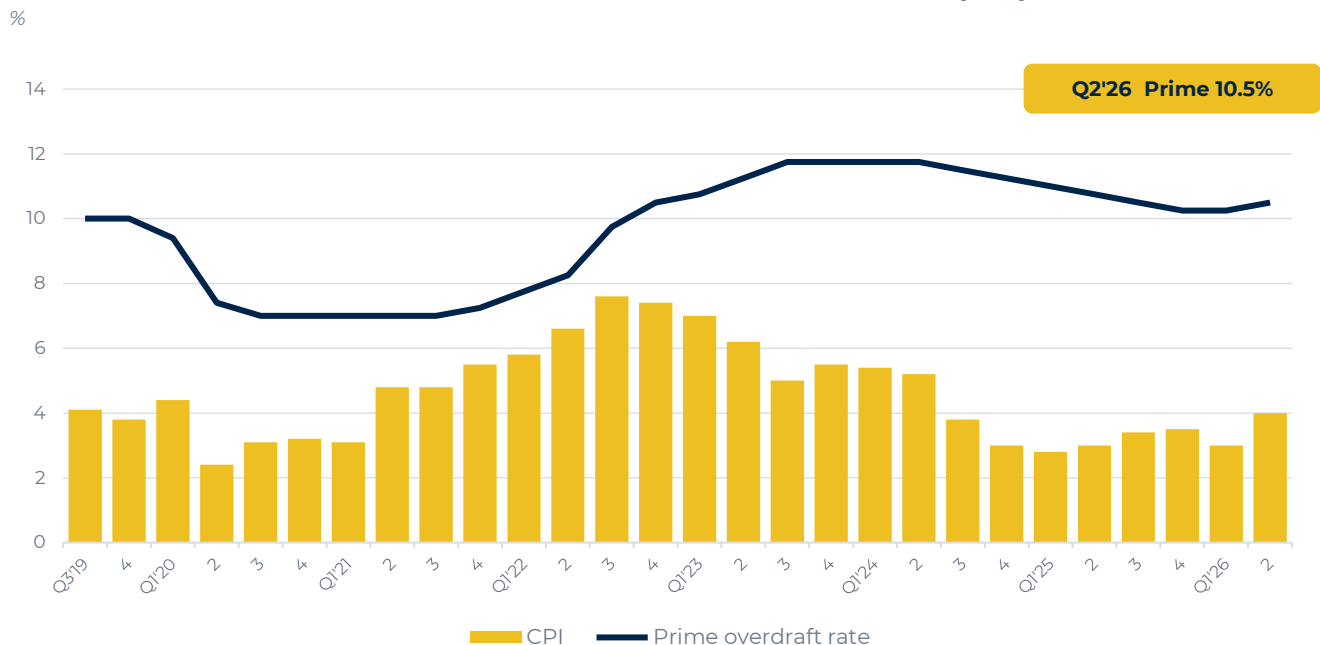
Rates On Hold, Inflation in the Balance.

Fortunately, the Monetary Policy Committee (MPC) of the Reserve Bank did not raise the prime lending rate again during its July policy meeting (via the official repo rate). This decision was probably informed, inter alia, by the strength of South Africa's currency, which continues to outperform virtually all of the global currencies of note and the recent drop in the consumer price index (CPI) from 5.5% to 4.3%.

The latest round of fuel price increases, combined with high price increases for electricity, may, however, lead to another increase in the CPI and force the hand of the MPC to raise the prime rate at its next meeting.

With a bit of luck, the weak GDP data for the second quarter of 2026 will prompt the MPC to keep rates on hold. The decision by the Reserve Bank to lower its target range for inflation from 3% to 6% has come back to haunt them, as it is high impossible to contain inflation in the presence of an oil price spike – especially for emerging markets that do not possess meaningful oil reserves or fuel refining facilities (such as South Africa).

PRIME OVERDRAFT RATE AND THE CONSUMER PRICE INDEX (CPI)



Note: CPI = y-o-y change; Sources: Stats SA; SARB • SARB CPI target range: 3%–6%

Twelve Indicators, One Composite Index.

During the second quarter of 2026, half 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 overall increase of 2.6%, substantially higher than the rate of increase of the country's GDP (year-on-year — see Table 1).

The quarter-on-quarter decline of 1.8% in the DMI was mainly caused by a modest slump in several of the key indicators comprising the DMI. Fortunately, the exports of vehicles and components, which is South Africa's fourth largest generator of foreign earnings on the trade account, picked up again during the second quarter, but not sufficiently to prevent the seasonally adjusted declining trend. The sharp increase in fuel sales was driven by the sharp price increases and not the volumes, but this indicator has a small weighting in the overall index.

TABLE 1: DRIVE MOTOR INDEX (DMI) - 2ND QUARTER 2026

% real change in constituent indicators	Q-o-Q	Y-o-Y
Number of vehicle sales	−5.2%	+13.7%
New vehicle sales values	−6.7%	+12.3%
DMI	−1.8%	+2.6%
Prime rate (reciprocal)	−2.4%	+2.4%
Avg BetterBond home buyer income	+0.1%	+1.9%
Fuel sales	+18.2%	+1.4%
S&P Global PMI for South Africa	+0.6%	+0.6%
Used vehicles sales values	−4.3%	−1.2%
Accessories sales	−4.3%	−8.1%
Exports of vehicles & components	+15.5%	−14.4%
Petrol price (reciprocal)	−21.7%	−17.5%
Workshop income	−4.2%	−29.3%
Diesel price (reciprocal)	−36.9%	−34.9%

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

Resilience Through the Interest Rate Cycle.

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 assisted a sound recovery of the motor trade sector.

TABLE 2: AVERAGE ANNUAL REAL % CHANGE IN THE DMI

Period	%
Since inception (Q1 2018)	+0.7%
During interest rate hiking cycle	-9.5%
Since interest rate declines	+3.9%

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

The resilience of the motor vehicle sector since the modest relaxation of monetary policy towards the end of 2024 has been demonstrated by its superior growth performance compared to the GDP. Since then, the latter has only managed a real increase of marginally more than one percent, compared to almost 4% for the DMI, backed by a combination of record-high vehicle sales (both for numbers and values) and higher income levels in the formal sectors of the economy.

~4%

REAL DMI GROWTH SINCE RATE CUTS BEGAN

>1%

REAL GDP GROWTH OVER THE SAME PERIOD

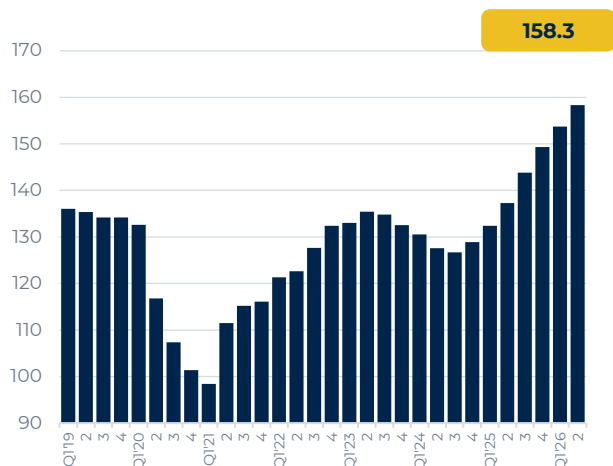
Vehicle Sales Lead the Recovery.

A year-on-year increase of 13.7% in the number of vehicle sales during the second quarter of 2026 has been reported by Naamsa, which is vastly superior to the figures for most other durable consumption goods. In addition to the positive impact of a lower cost of credit, this performance has been made possible by an exceptionally strong currency, which has led to an 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 car ownership.

NUMBER OF LOCAL VEHICLE SALES: 4-QUARTER AVERAGE

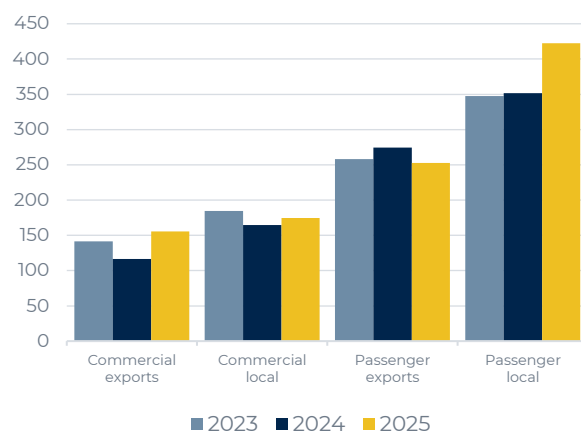
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Sources: Naamsa; own calculations

NUMBER OF NEW VEHICLE SALES

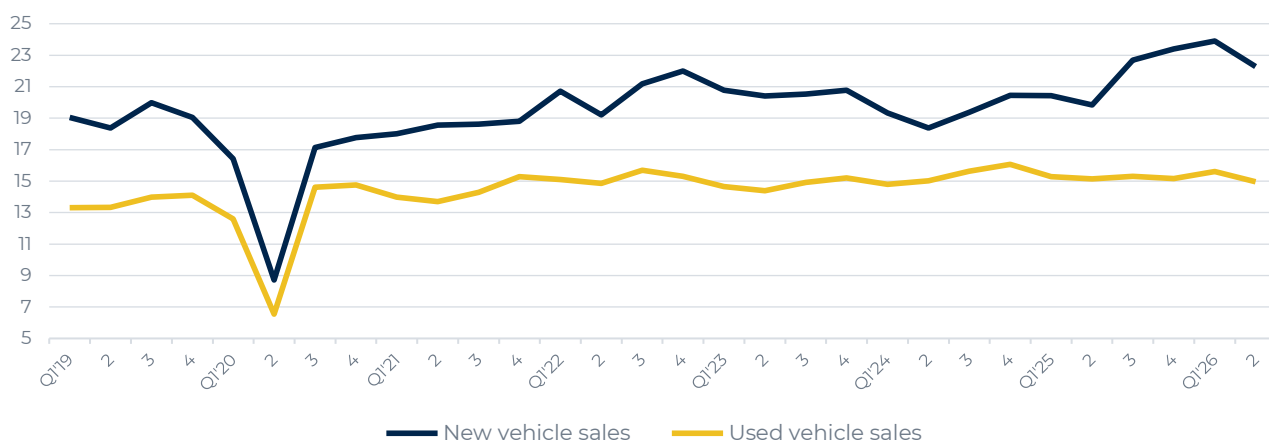
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Source: Naamsa

REAL VALUE OF NEW AND USED MOTOR VEHICLE SALES — MONTHLY AVERAGE

R billion



Source: Stats SA; own calculations

OUTLOOK

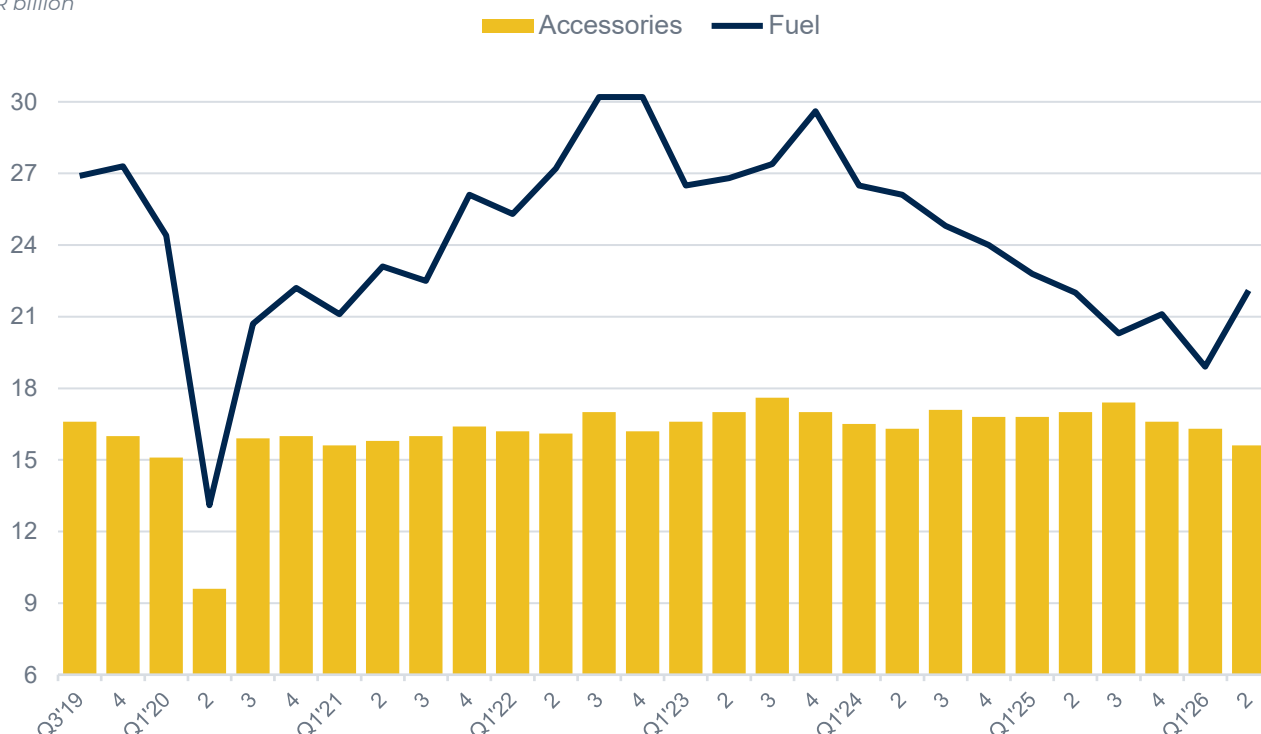
Looking Ahead.

Until the war broke out in the Middle East, it had become clear from a number of key indicators that the South African economy was poised to enter a new growth phase, especially with regard to fiscal stability, a strong balance of payments and buoyant retail sales. Although higher inflation and higher interest rates may postpone the prospect of getting closer to a 2% GDP growth rate, an end to hostilities in the Middle East and Russia/Ukraine is bound to lead to a sharp and pronounced drop in oil and fuel prices, followed by lower inflation.

This could pave the way for a next round of rate-cutting by the Reserve Bank, which is just what the economy and the motor trade need. A positive outlook is also reflected in the latest S&P Global Purchasing Managers' Index (PMI) for South Africa, which remains above the neutral level of 50.

AVERAGE MONTHLY VALUE - SALES OF VEHICLE ACCESSORIES & FUEL AT CONSTANT 2026 PRICES

R billion



Source: Stats SA; own calculations

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:

4.9%**CONTRIBUTION TO GDP**

An estimated 4.9% of GDP (2.9% manufacturing and 2% retail).

580k**JOBS SUPPORTED**

Combined employment across manufacturing, retail and strong multiplier effects — including filling stations, servicing & repairs, and fuel distribution.

R130bn**INVESTED SINCE DEMOCRACY**

Approximately R130 billion invested in the industry by domestic original equipment manufacturers.

17.7%**OF FACTORY OUTPUT**

South Africa's largest manufacturing sector — contributing 17.7% of total factory output in 2023, valued at R537 billion.

R240bn**EXPORTS IN 2023**

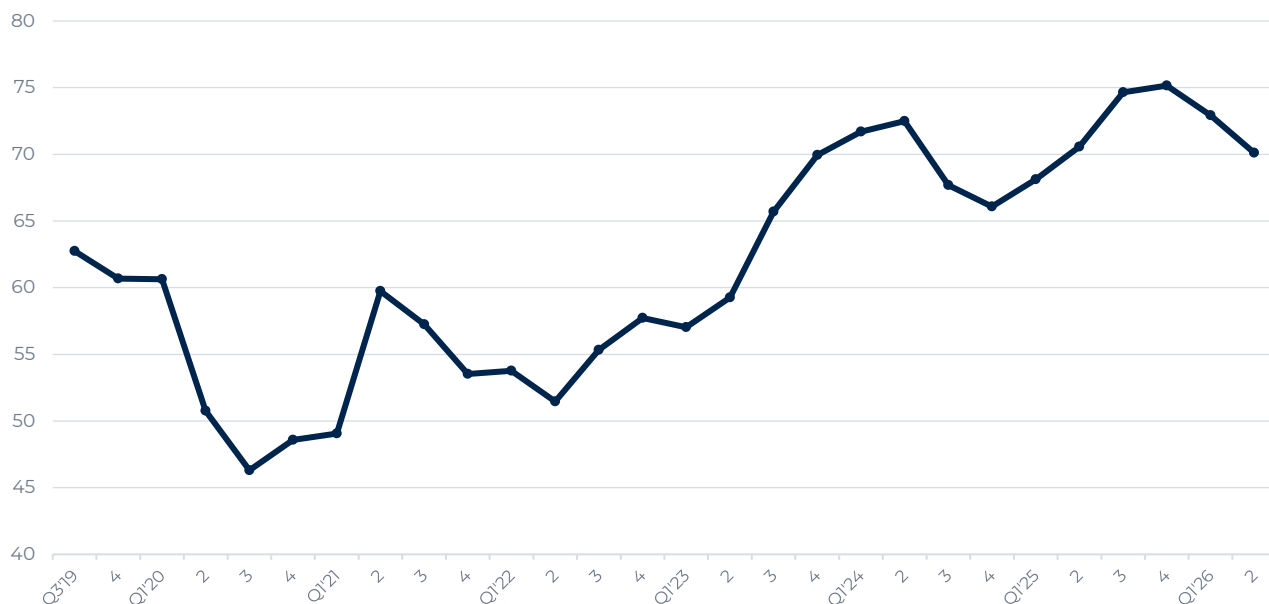
The third largest generator of foreign exchange — behind minerals and precious metals only.

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.

Exports Recover, but the Trend Still Slips.

EXPORT VALUE FOR VEHICLES & COMPONENTS AT CONSTANT 2026 PRICES

R billion

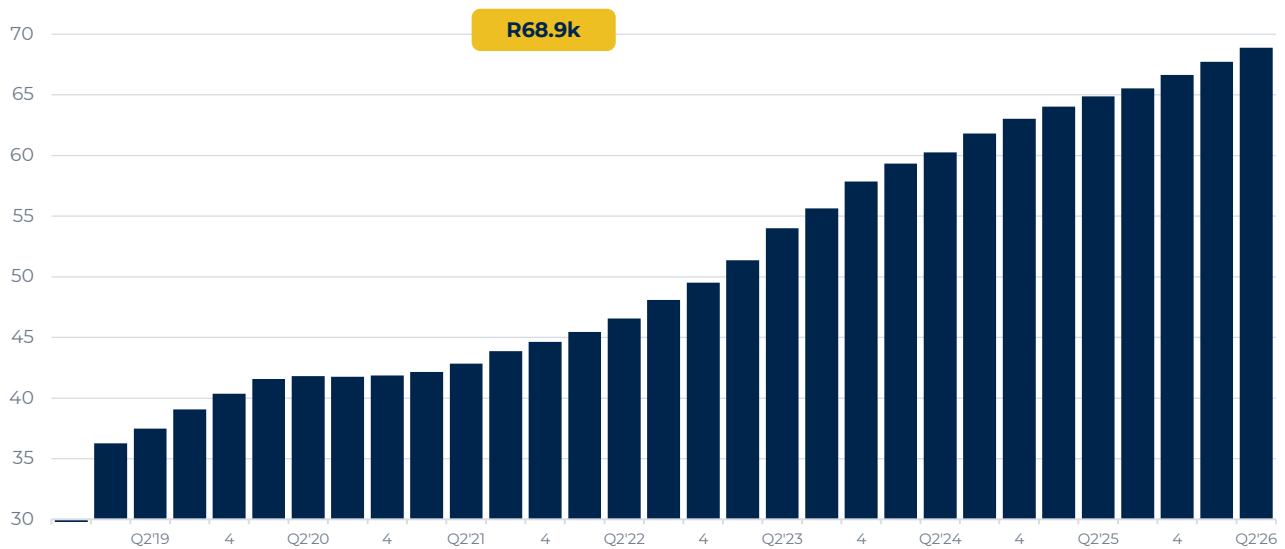


Note: 4-quarter average; Sources: SARS; own calculations

Rising Incomes Support Demand.

AVERAGE HOME BUYER INCOME AT CONSTANT 2026 PRICES

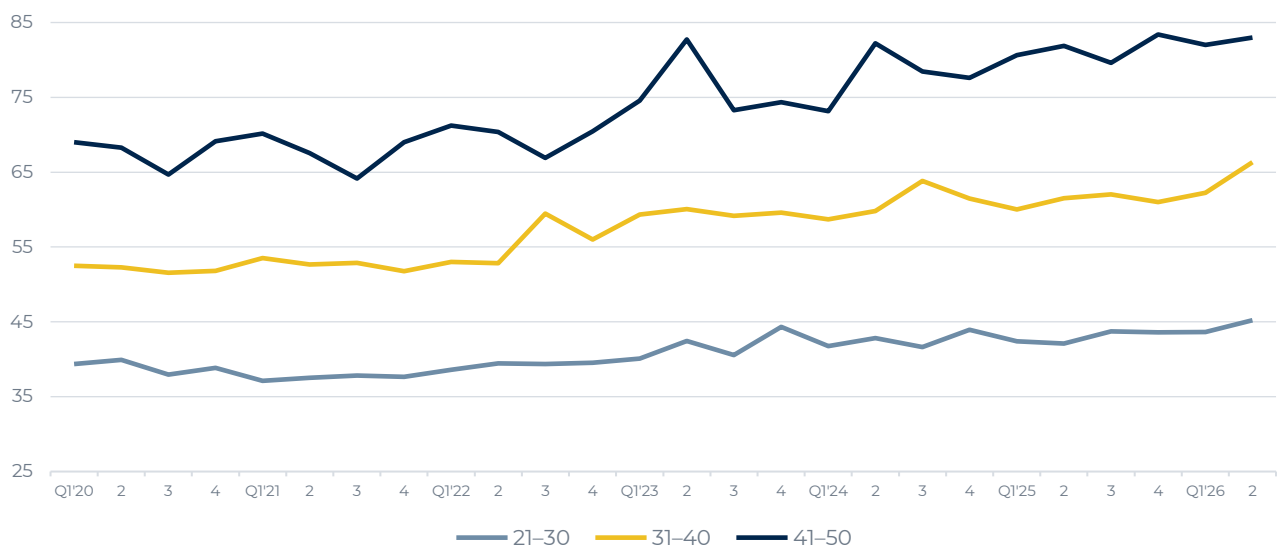
R'000



Sources: BetterBond; own calculations

AVERAGE REAL MONTHLY INCOMES OF HOME BUYERS FOR DIFFERENT AGE GROUPS

R'000



Note: For loan applications administered by BetterBond



Dr Roelof Botha

A DISTINGUISHED ECONOMIST & PUBLIC SPEAKER

Economic advisor to Drive.co.za, and author of the Drive Motor Index. A long-standing adjunct faculty member at the Gordon Institute of Business Science (GIBS) and a previous recipient of the FinMedia Economist of the Year award.

With over 40 years of experience, he is also a respected keynote speaker, financial editor, columnist and researcher. He regularly shares insights into South Africa's economic and political landscape and advises the Optimum Financial Services Group.



MOBILITY MADE SIMPLE.

Drive Motor Index · Quarterly economic research for South Africa's motor industry