

## SA car exporters can benefit from US demand

A shortage of US railcars to transport cars and light trucks from Midwest plants to urban areas on the US east coast to meet pent-up demand should provide an opportunity for SA exporters of cars and bakkies, as SA exports will be landed at US east coast ports and can be easily shipped to dealers near the coast using non-rail means.

By [Helmo Preuss](#) 18 Jun 2012

US sales of new cars and light trucks rose by 20% year on year (y/y) in May, which has prompted forecasts of 14.5 million units for 2012 compared with 12.8 million in 2011.

SA exports to Europe have been under pressure due to the sovereign debt crisis in that region, so SA exporters have been looking to switch to other markets.

Exports of South African produced motor vehicles rose by only 2.5% year on year (y/y) to 22,620 vehicles in May, according to the National Association of Automobile Manufacturers of SA (Naamsa). Naamsa said export sales were expected to improve over the balance of the year as the Ford global compact vehicle export programme and the BMW new 3 series export volumes were ramped up.

The US Federal Reserve reported that US motor vehicle assemblies totalled 10.7 million units in May at a seasonally adjusted annualised rate, the highest monthly production level since August 2007. They were stable at the eight million annual production rate for most of 2010 and 2011 when American consumers were still recovering from the 2007/2009 recession and needed the "Cash for Clunkers" programme to scrap their old cars to replace them with more fuel efficient new cars.

The disruption to Asian car supply chains caused by the March 2011 Japanese tsunami and the September 2011 Thailand floods enabled North American plants to ramp up production to cope with pent-up demand. This has however created its own problem as there is now a shortage of railcars used to transport cars and light trucks from assembly plants in the Midwest to dealerships in the rest of the country.

That has meant that inventories awaiting shipment are now above 81,000 units compared with a more normal 69,000. This inventory could rise to above 100,000 as automobile manufacturers require special railcars, called autoracks, to transport vehicles. Bi-level autoracks carry 10 full-sized sports utility vehicles and bakkies, while tri-level autoracks transport 14 cars. It will take some time for additional autoracks to be manufactured so in the interim there is an opportunity for SA exporters of cars to fill the gap.

Motor vehicle manufacturing accounts for 4.9% of total SA manufacturing production. In April, motor vehicle manufacturing grew by 23.3% y/y and this high growth can continue if the US opportunity is used, as SA manufactured exports have preferential access to the US in terms of the African Growth and Opportunity Act.