Q3

EDITION Q3 / OCTOBER 2023

Market Update

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INDEPENDENT INSIGHTS

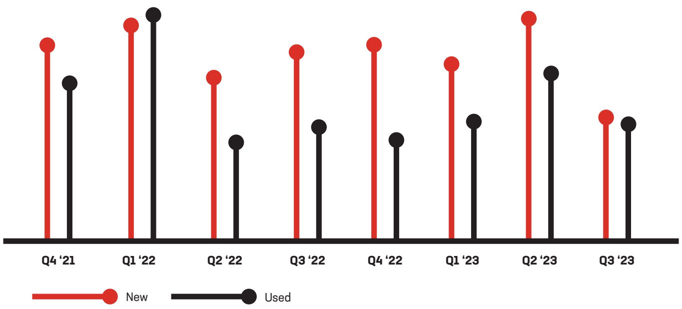
The NZ Market Q3 2023

Assuming the new National Government keep their word and scrap the clean car discount we can be certain that volumes of EV cars will rise prior to its scrapping, and conversely, that Ute registrations will hold off, pending a significant rise when the Ute tax is removed.

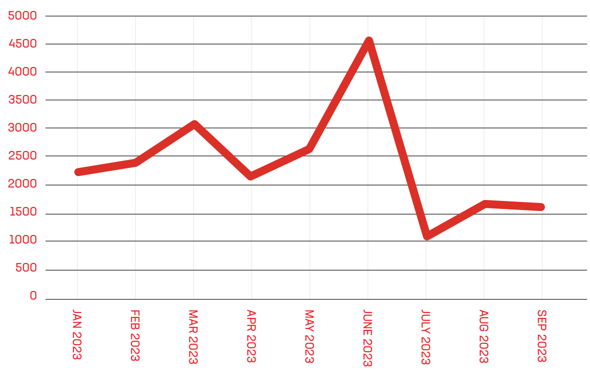
In a year littered with meteorological storms it seems fitting that the perfect storm of tax changes, cost-of-living crisis and the looming election have dropped new passenger and light commercial registrations down to a near all-time low. Quarter 3, 2023 saw just under 27,000 new passenger and light commercial vehicles registered. The average, post Covid, new vehicle registrations have been around 39,000 so the Q3 result seems very low. There are a few reasons for this:

- Clean Car Scheme changes – on 1 July 2023 the rebates on low emitting vehicles were reduced and the taxes on high emitting vehicles were increased. This resulted in many vehicles being pre-registered in June 2023 and correspondingly the July registrations were at a record low.
- Cost-of-living crisis –. It was reported in June 2023 that NZ recorded two consecutive quarters of negative growth, meaning the economy was in recession. There have been substantial increases in the cost-of-living over the last couple of years and these have now started to affect new vehicle purchases with consumer spending slowing as money becomes tighter.
- Election 2023 – With the election looming there has been uncertainty in the market. There is always an economic slowdown in the lead up to an election, but this time a change of Government will see the uncertainty of potential changes in the Clean Car Scheme, fuel taxes, roading, speed limits, to name a few, all of which are vehicle related.

NZ Vehicle Registrations



New Ute Registrations



Sources: NZTA

Vehicle Mix

The mix of passenger vehicles is slowly changing, with 29% of new passenger registrations in quarter 3 having a plug (either fully electric or plug-in). This is up from 22% in Q2 2023. Hybrids have also increased from 25% in Q2 to 30% in Q3. Petrol and diesel powered vehicles only made up 41% of new passenger vehicle registrations in Q3 2023, down from 53% in Q2 2023.

Used passenger registration numbers are following similar trends with petrol/diesel dropping from 51% in Q2 2023 to 36% in Q3 2023. On the flipside electric and hybrids have gone up from 51% of used passenger registrations in Q2 to 64% in Q3 2023. The top 10 used vehicle registrations for Q3 2023 are listed to the right:

The top 10 used vehicle registrations for Q3 2023 are listed below:

MAKE	MODEL	USED REG 2022
Toyota	Aqua	4,382
Toyota	Prius	2,923
Nissan	Leaf	1,083
Toyota	Corolla	1,071
Nissan	Note	1,019
Mazda	Axela	946
Honda	Fit	916
Toyota	C-HR	622
Mazda	Demio	621
Nissan	X-Trail	467

Perfect storm drops new car registrations to lock-down levels.

Top Models:

- Even though utes took a hit in the 3rd quarter as additional taxes took effect from 1 July 2023, the Ford Ranger still takes out top spot with 1964 units registered, with Toyota's Hilux taking third spot with 1,274
- Toyota's Rav4 (1,772) has, once again, taken 2nd spot in the quarter with hybrids making up most of the registrations (88%)
- Tesla's Model Y (938) is in 4th, with deliveries arrving just in time and nearly 700 registered in September alone
- Mitsubishi continues it's consistent form with the Outlander (765) in 5th and the Eclipse Cross (584) in 7th spot. Once again hybrids make up the majority of these with 81% and 60% respectively
- The bolter for the quarter is the Ford Everest with 646 units registered, taking out 6th spot
- The Suzuki Swift (547) takes 8th spot and the Toyota's of Yaris Cross (506) and the Corolla (489) take out 9th and 10th. Hybrids once again dominate these with 23% of the Swifts and 57% of the Yaris being hybrid. All of the Corolla are hybrid.

The top 20 makes YTD are below:

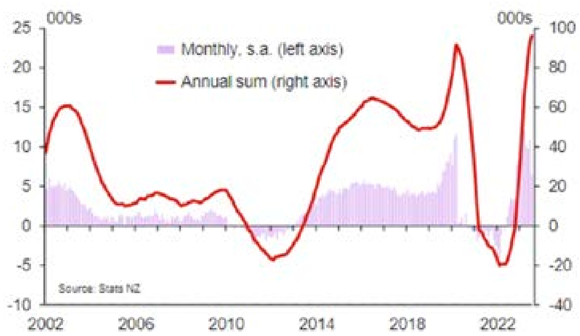
MAKE	Q2 '22	Q3 '22	Q4 '22	TOTALS'22	Q1 '23	Q2 '23	Q3 '23
Toyota	7008	8232	7606	28736	6864	10358	6109
Ford	1583	3118	5536	15214	4111	4436	3466
Mitsubishi	5467	5199	48925	23890	2849	5293	2296
Kia	3582	3085	1994	11174	3155	3283	1644
Tesla	12	2880	2814	7007	1234	1335	1068
Suzuki	2261	2207	2417	8473	2156	2422	1010
Hyundai	2237	1832	1755	8251	2511	2527	956
MG	1203	1197	1433	5320	1294	1662	865
Nissan	667	704	1171	4392	1354	1265	838
Volkswagen	900	872	1037	3780	807	1555	729
Mercedes-Benz	647	610	777	3020	639	567	698
Mazda	1400	1368	1106	6036	1258	1354	662
Honda	1022	704	901	3832	1156	986	482
BMW	373	391	384	1659	478	431	459
BYD	-	689	998	1687	994	845	440
Isuzu	464	681	634	3296	721	856	403
Subaru	592	601	586	2468	688	692	302
Lexus	271	228	186	1024	252	426	296
Skoda	625	536	699	2246	436	708	210
Haval	290	506	566	2282	547	1133	173
LDV	119	484	457	2413	417	407	74
Others	4356	4415	4149	18675	4059	4521	2713
New	**35079**	**40630**	**42131**	**164875**	**37980**	**47056**	**26884**
Used	**21811**	**25010**	**22919**	**118492**	**26029**	**36234**	**25336**

NZ Economic Outlook

The new government has plently to ponder. Wars, low consumer confidence, no respite in sight on interest rates and high living costs continue to spread economic gloom.

High net migration is being driven by booming tourism and visitors, rather than a much needed influx of skilled workers.

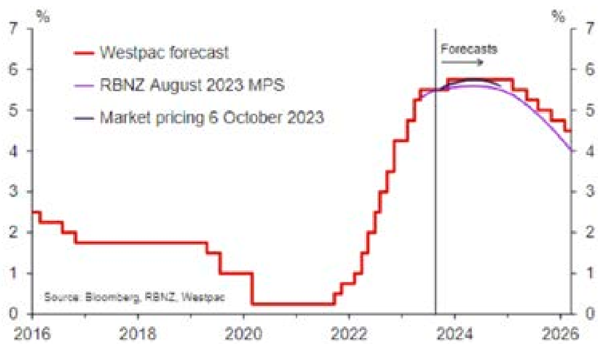
NZ Net Migration



Key Metrics Not Looking Good

	Last 3 months	Next 3 months	Next year
Global economy	↘	↘	↗
NZ economy	↓	→	↗
Inflation	→	↘	↓
Short-term interest rates	↗	↑	→
Long-term interest rates	↑	→	↘
NZD/USD	↘	↗	↗
NZD/AUD	→	→	↘

Cash Rate / Mortgages



NZ September REINZ House Sales v Prices

Sources: Westpac

The Road To Electrification

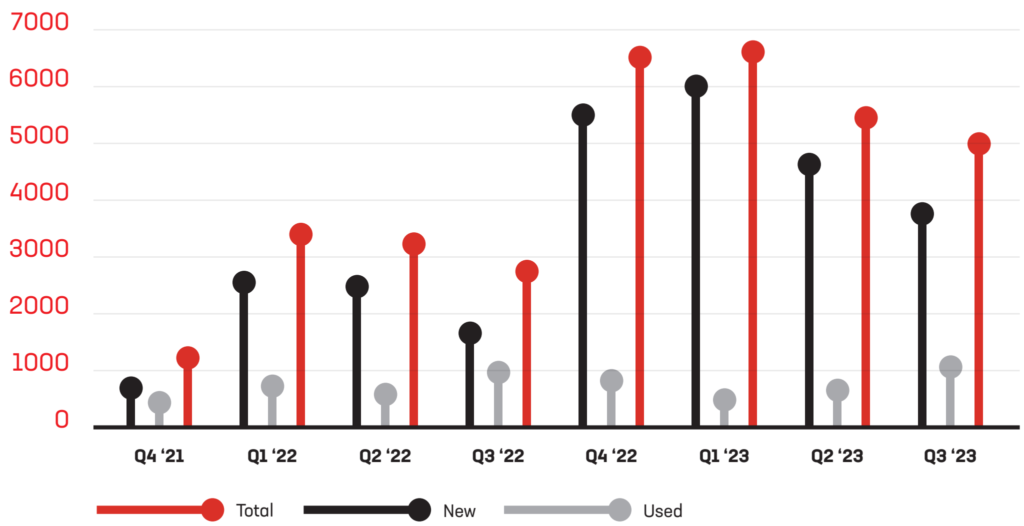
We see Chinese built product capturing a third of the Global Market by the end of the decade - including growing market share locally here in NZ.

New EV registrations have dropped once again. This we forecast in our Q2 Market Update and it seems consistent with the general market decline, discussed above, due to Clean Car Scheme changes, cost-of-living and the looming election.

We also discussed a steep fall in the registrations of hybrid vehicles which we saw fall from 11,185 in Q2 2023 to 7,859 in Q3 2023, as the government removed a swathe of vehicles that qualified for rebates to either no rebate, or in some extreme circumstances, incurring a small charge.

There are more EV's coming onto the market all the time and we have the Nissan Ariya, Kia EV9, BYD Seal, Toyota bZ4X, Polestar 3, Volvo EX, Cupra Tavascan and Jeep Avenger all waiting in the wings for release in the next 6 months or so. The graph (overleaf) highlights the Top 20 new BEV vehicles registered in 2023.

EV sales by quarter



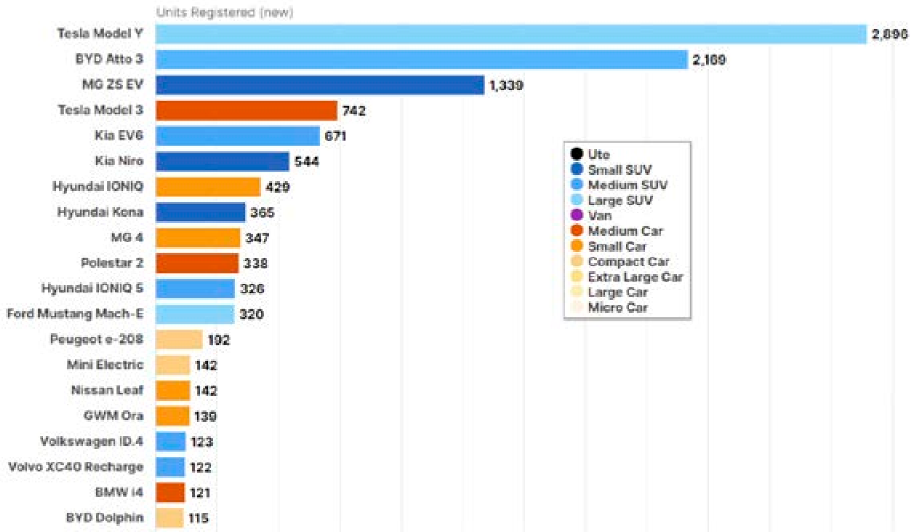
The Road To Electrification (continued)

The continuing arrival of new OEMs and models is fostering further price competition. The MG4 entered the market in Q3 2023 with 346 units registered coming at number 20 for the quarter. This was advertised as the cheapest EV and, post rebate, cost less than $40,000. In the beginning of October GWM announced price cuts on the Ora to drop the post rebate cost to less than $36,000, making it cheaper than an entry level Corolla. We expect to see more price pressures in the market as new brands enter and as models come up for replacement/facelifts.

Over the course of the last few years as demand has exceeded supply of EV's we have seen strong used prices. We expect that the market is about to see that pressure ease in the next year or so and for EV's to start to move in line with more traditional residual value positions.

Most Popular Battery Electric Vehicles in New Zealand

Year to date (2023)

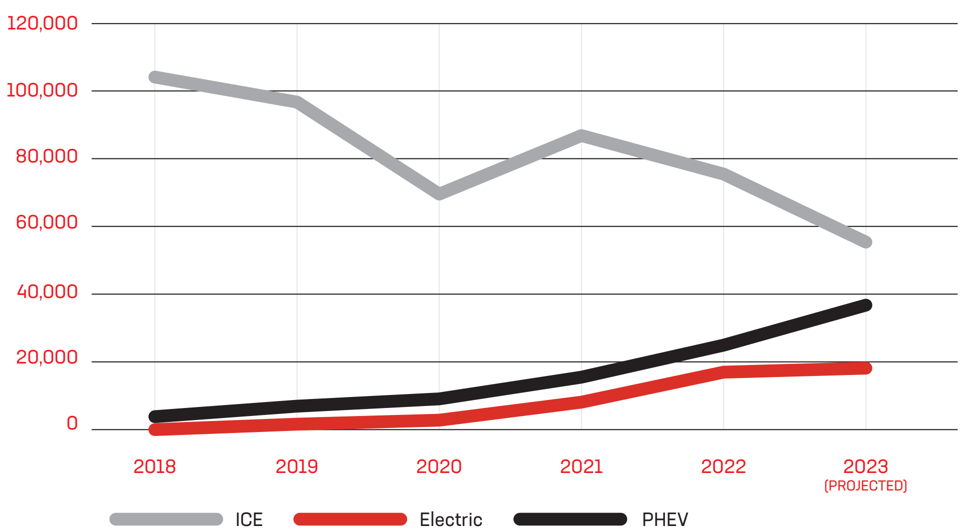


Change In Government Sees EV's Under Pressure

With the recent change in government we expect the Clean Car Scheme to be altered significantly, if not dropped all together. This election promise seems to be a cornerstone of the new government's policy and it will be interesting to see if there is an alternative that will maintain the momentum that has been seen the EV market grow over the past couple of years, illustrated below:

New Passenger Registration

By Motive Power - NZTA



The gloves are off!

In overseas markets, such as China and in parts of Europe, we have seen the emergence of the "true market", as OEM's compete with each other without the safety net of government incentives. This is the emerging scenario in New Zealand. The gloves are off!

We had anticipated that at some stage the cost of road usage would spread to EVs and we are now likely to see Road User Charges on EV's from 1 April next year. The level of those is still up for discussion,

Global EV News

Tesla is engaging in a battle with the emerging Chinese brands.

China

Chinese built New Electric Vehicles (NEVs) boom to +/- 8 Million units 2023

Tesla still lays claim to being the leading electric carmaker globally, but China's BYD is pushing hard and gaining ground each quarter.

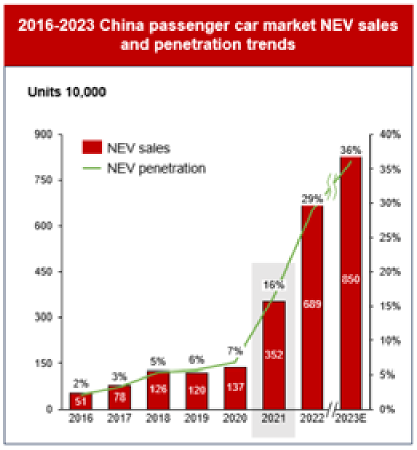
The competition within China has been intensified by rapidly developing local brands, with increasingly desirable models at competitive price points, and in an economy that is now spluttering following its own version of 'long COVID'.

Tesla delivered just over 74,000 China-made electric cars in September, according to data from the China Passenger Car Association, which is down 10.9% YOY and comes after the company started a series of competitive price drops at the end of 2022.

BYD delivered 286,903 vehicles in September, 40% up YOY and CPCA data also showed YOY increases for other Chinese brands, including Nio and Geely, whose EV sales increased by 43.7% and 34.9% respectively YOY.

We expect BYD to steal Tesla's Chinese BEV crown in the last quarter of 2023

We can expect to see Chinese carmakers like BYD, MG and Great Wall Motor (GWM) continue to grow and compete in NZ. We will also see other entrants, including, but not limited to, Chery and Nio.



NEV sales data from CPCA, desk research, Redbook analysis.
NEV: New Energy Vehicle
V: Battery Electric Vehicle

Global EV News (continued)

Europe

"Despite fierce competition from abroad, rising trade tensions and a complex regulatory environment, there is much that the European automotive industry can celebrate – and much for Europe to defend." - European Automobile Manufacturers' Association (ACEA).

The challenge to Tesla BEV dominance in China could also extend to Europe.

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Tesla registrations are up 240% YOY to end August 2023 across Europe. MG are up 169%.

This growth has come at the expense of the traditionally dominant European OEMs.

According to ACEA "European auto makers have invested roughly twice as much and almost four times more than their Japanese and Chinese counterparts, respectively – totalling around €60 billion."

'The European auto industry proved its substantial contribution to the EU economy. More than 13 million Europeans are now employed across the automotive value chain, that's around 200,000 more than in 2019 – equivalent to a sizeable 7% of the EU workforce.'

As the European producers struggle to compete with booming EV production and increasingly attractive brands built in China (including Tesla) the European Commission has launched an investigation (announced October 4th), with a particular focus on the subsidies received on non-EU new battery-powered electric vehicles.

Tesla could potentially emerge as a target and officials could impose anti-subsidy duties if they find that Tesla got a competitive advantage from Chinese state subsidies.

The probe is "not only limited to Chinese brand vehicles," and could be extended to "other producers' vehicles if they are receiving production-side subsidies," Valdis Dombrovskis, the EU's trade commissioner, stated in an interview with The Financial Times.

A primary concern is that the investigation and resulting fallout may impact both the EV industry in China and Europe's Economy. Until 2023 Europe has exported more cars to China than imported, however, for the first time in December 2022 it flipped completely.

Nearly half the cars exported from China are currently sold in Europe. Europe's loss may be a potential gain for other markets (e.g. APAC/NZ).

The UK Prime Minister, Rishi Sunak has announced a delay of five years to the total ban on the sale of new internal combustion engine vehicles to 2035, thereby aligning UK policy for the automotive sector with that of the EU. This had originally been set at 2030. Sighting the cost-of-living crisis he stated "....it should be you the consumer that makes that choice, not government forcing you to do it.

"Because the upfront cost still is high – especially for families struggling with the cost of living – small businesses are worried about the practicalities, and we've got further to go to get the charging infrastructure truly nationwide."

On a brighter note, the UK has launched its largest public EV charging GigaHUB in the Midlands. It hosts 30 ultra-fast 150kW charging bays and 150 7kW chargers.

The charging hub in the west Midlands sits at the heart of the UK motorway network and is powered by renewable energy, including a rooftop solar canopy. It is a joint venture between BP, Pulse, the EV Network and NEC.

Electric vehicles are taking a growing share of the UK's new-car market with one-in-five now being fully battery electric. As of July, there were about 840,000 BEVs on UK roads.

USA

According to Experian data from end June 2023 there are 287.6 million vehicles in operation in the USA. Of these only 1% are EVs, 2.7 million.

In the last 12 months the registrations of EVs went up and represent 7.5% of total registrations. 77% of EV registrations were in the luxury segment.

Better news for Tesla in the USA, it still totally dominates the US EV market luxury segment with 81.6% of sales across its models. The non-luxury models made up 23% of EV sales in the last 12 months were dominated by cars; Chevrolet Bolt, VW ID.4 and Ford Mustang Mach-E.

When examined on a state-by-state basis California leads the way in EV registrations with 35.7% of vehicles registered being an EV in the last 12 months. This uptake has been led until now by State support, (although the number of LYFTs and Ubers in California may also have something to do with it!).

Car of the year?

This quarter we speak to MG New Zealand.

MG have a ground-breaking EV with the MG4. It's not just well made, seriously capable and budget friendly. It's surprisingly good all round. In fact, it's a strong contender for Car of the Year...

MG has a long and respected history, dating back to the 1920's. How has that transitioned to the modern brand we see today and to recent success in New Zealand, particularly with the current wave of interest surrounding MG4?

MG Motors has more than earned its place on the world's automotive stage. It boasts a century-long heritage, one which is ingrained in communities around the globe - so many people have a heartfelt story and share a personal experience with MG from some point in their life.

And that's what brings us to today and the latest evolution of MG - and, especially, the all-new MG4.

A car's greatness can be measured in large part by how thrilling it is to drive. While entertainment isn't tied to horsepower alone, the MG4 is very much a people's car, each variant has a special place in New Zealand homes: The 51kw offers entry into the EV market, the 64kw offers luxury and the 77kw offer the ultimate peace of mind with 530kms of range while the XPower is one of the best at a supercar-like 'push you back in your seat' acceleration experience.

MG's Global Chief Designer, Oleg Son, signalled his inspiration of the colours chosen for the XPower, there was a green hue taken from the MG EX181 which, if you're not familiar with it, was the car piloted by Stirling Moss who broke the Class F land speed record in 1957 at the salt flats in Bonneville.

His innovation is present in the MG4 and has provided the groundwork for features, technology and design aesthetics in some of our future products.

MG NZ is a company built on identifying success and innovation. The MG4 and cars in our future are crafted around the driving experience, but at an accessible price point.

We've had great feedback on the MG4 and are equally as excited about the XPower, Cyberster, plus a whole bunch of other models in the pipeline.

We've come a long way but still have more roads to travel before we reach our destination.

What have been the biggest challenges for you in the local NZ Market, you've benefited from good supply, especially emerging from lockdowns and generic supply constraints?

We have grown so quickly which is both a blessing and a challenge because, thanks to our strong products, our dealer network, loyal customers and technological innovation, we are consistently refining our image.

Key to getting things up and running was coming to market with a compelling proposition, we were fortunate to be able to do this with the original MG ZS EV and the sub-$50K sticker price.

But we also need a dealer network to sell through. Our network has grown in a relatively short time frame to 18 locations around the country and some of the most recognisable names in the auto business feature MG in their stable, including Ebbett, Gazley, Cockram, Tristram and, most recently, Giltrap.

Our new models are outstanding and create desirability amongst Kiwi drivers and their families. Our product has been recognised by many of the country's motoring journalists with multiple awards and accolades. This has also helped MG establish trust and credibility in any increasingly congested new car market.

We offer a new model portfolio which has a mobility solution for people at all stages in their life, from the entry to the brand MG3 through to MG ZS, ZST SUV to the larger MG HS and of course the all new MG4 and X POWER.

But one consideration which has really put us on the 'want to buy' list of so many new car purchasers is our 'seven-year trifecta' of seven-year warranty, seven-year roadside assistance and seven-year WOF checks.

This not only provides new car buyers with outstanding peace of mind, but it's an added benefit for private owners when they come to sell and upgrade to a new MG, as the balance is transferable to the next owner.

What are the key opportunities for the Auto industry and for MG as we grow the EV market in NZ?

The number one opportunity for us here in NZ is access to new and exciting products. Our accelerated uptake of new energy vehicles over recent years brought unheralded attention to our market and resulted in an elevated position in terms of how we were considered when it comes to new models.

In the same breath though, we must also be mindful that many larger markets, especially those closer to the source of product, will be in a better position to secure supply - to the detriment of us here in New Zealand.

What do you think will happen to the growing EV market if the clean car scheme is effectively wiped out as a result of the election?

Let's look at it from the standpoint of the consumer. Those who own or have driven EVs rave about them. Sure, they have no tailpipe emissions and low operating costs, but people are also excited about EVs because they're fun to drive.

Nonetheless, consumers, understandably, still have questions: how much range, where can it charge, how long does it take to charge, and how much will it cost?

The auto industry, policymakers and partnering companies are in the process of answering those questions. Transforming personal transportation requires a comprehensive and synchronised path forward.

But we're on the start of an EV wave and this one doesn't show any signs of slowing down - at the moment.

Car of the year? (continued)

What do you think of plans for charging 'hubs' on our roads, they seem an obvious requirement – what else do we need to be doing better in NZ to bolster our EV network?

All of us in NZ are at the start of a journey, we have every exception this groundswell of EV acceptance to continue and, in time, recharging an EV will be as common practice as stopping at a fuel bowser for a refuel.

Saying that, EV uptake and infrastructure enhancement requires a joint effort from manufacturers, government and consumers to overcome the barriers that exist for switching to an electric vehicle.

MG Motors is offering customers, local businesses and hotels access to infrastructure through the 7kw and 11kw Aurora electric MG ChargeHub vehicle chargers.

What plans are there for MG models in the coming year or two for NZ?

Under the broader SAIC Group umbrella, and without promising anything, there are some very innovative vehicles which would be warmly welcomed in New Zealand.

Cyberster is the name on everyone's lips, but there are electric SUV's waiting in the wings which could well be game changes - if - launched Down Under.

Going forward, MG Motor New Zealand is focussed on offering a wide range of attainable and desirable new vehicles which fulfill the needs and requirements of active Kiwi families.