Q1

EDITION Q1 / 2024

Market Update

In this issue

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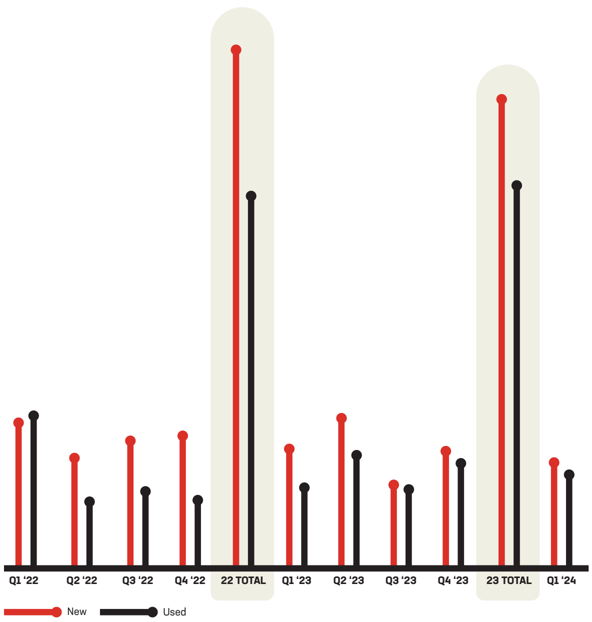
INDEPENDENT INSIGHTS

The NZ Market Q1 2024

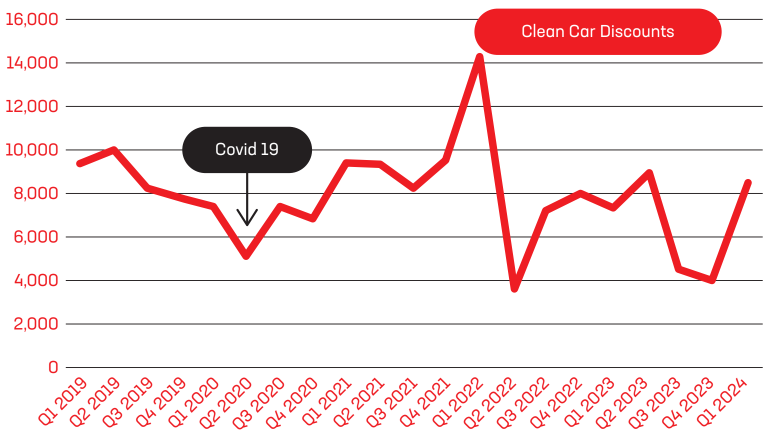
Utes Return to Favour & EV Sales Slow Post Demise of Clean Car Discount

- The first quarter of 2024 has seen the return of the ever-popular utility vehicle with utes taking out 4 of the top 10 sellers in Q1 2024 making up a quarter of all new vehicles registered in the quarter.
- Ute sales have had a wild ride over the last few years, Covid affected the entire market in early 2020 and while the market bounced back slowly, the introduction of the Clean Car Discount scheme struck a blow to utes with taxes imposed on nearly all utes.
- From 1 January 2024 those extra charges were removed.
- As predicted ute sales bounced back, in part bolstered by sales being held over until 2024 to avoid paying the Clean Car charges.
- However, the boost in ute sales has really only brought them more in line with previous averages, pre-Government intervention, and the rest of the market is struggling with a downturn of sales circa 10% evident across the market.

NZ Vehicle Registrations



New Ute Registrations



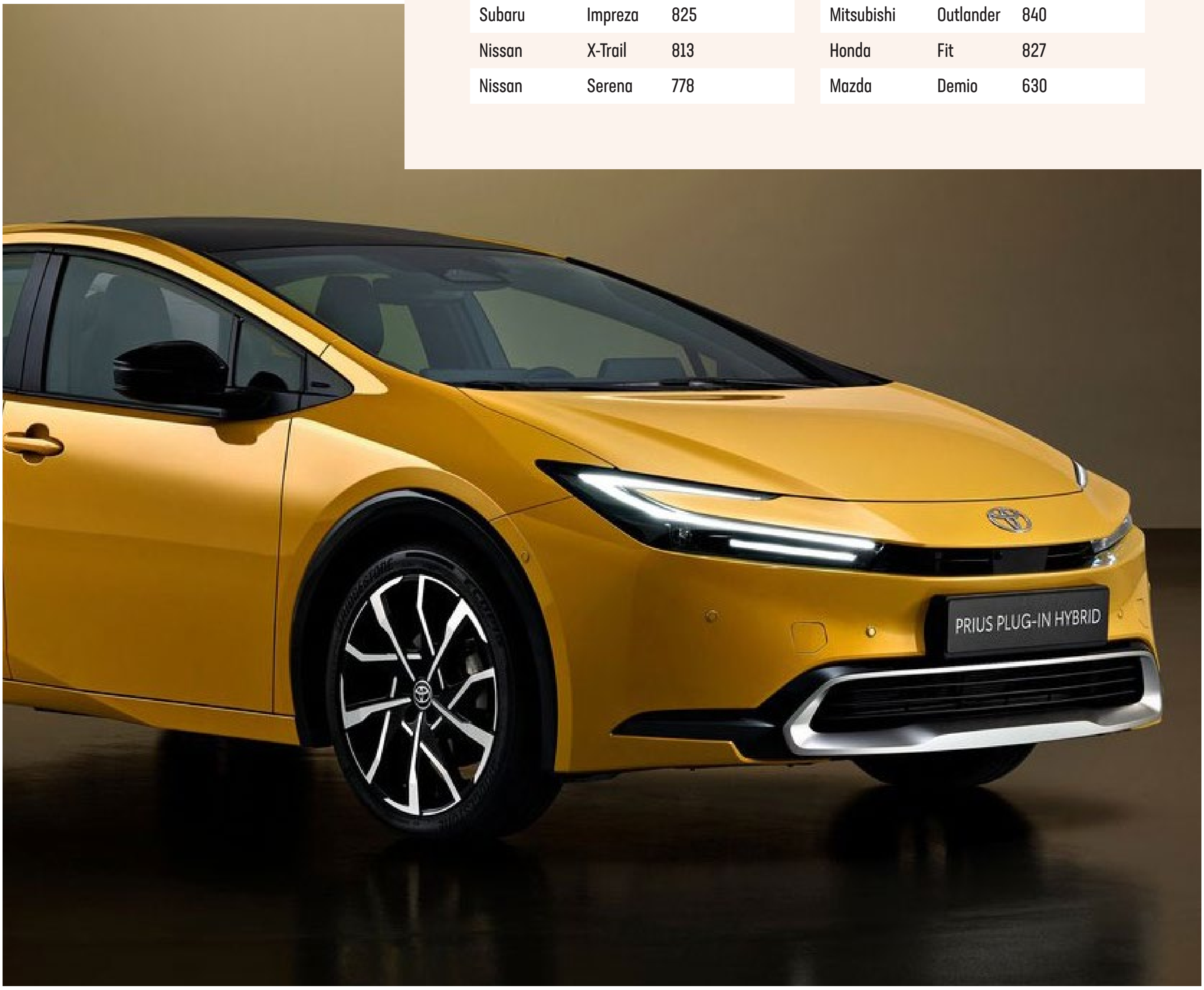
Behavioural Shift in Hybrid Imports

- Used passenger registration numbers are also lower, nearly 7% lower than the recent averages. Most notable is the significant reduction in hybrid vehicles being registered.
- The top 10 used vehicle registrations for Q1 2024 are listed (Right) and when compared to the Top10 in Q4 2023 we see the hybrids of the Aqua and Prius at much lower comparative volumes and the Nissan Leaf EV out of the Top 10 in 2024 YTD (it actually came in 28th with 184 units registered, a tenth of Q4 2023).

Hybrid Imports - Q1 '24 v Q4 '23

MAKE	MODEL	Q1 2024
Toyota	Aqua	2,838
Toyota	Prius	2,201
Mazda	Axela	1,199
Nissan	Note	1,085
Toyota	Corolla	988
Honda	Fit	891
Mazda	Demio	890
Subaru	Impreza	825
Nissan	X-Trail	813
Nissan	Serena	778

MAKE	MODEL	Q4 2023
Toyota	Aqua	6,694
Toyota	Prius	4,226
Nissan	Leaf	1,851
Toyota	Corolla	1,555
Nissan	Note	1,379
Mazda	Axela	1036
Toyota	C-HR	911
Mitsubishi	Outlander	840
Honda	Fit	827
Mazda	Demio	630



Volumes

It's been a tough 1st quarter for dealers & OEMs. We anticipate further competition through the next quarter and beyond.

This situation is reflective of our local economy, increasing global production capacity as supply recovers, and a continued flow of new entrants that continue to disrupt the status quo.

Top Models:

- The first quarter of 2024 unsurprisingly heralds the return of the Ranger and Hilux utes, with the Ford Ranger back in place as the top selling vehicle (3,432) and the Toyota Hilux second with 1,960 units registered.
- Mitsubishi's Triton (1,445) comes in at 4th while the Navara rounds out the utes in the Top 10 at number 8 with 689.
- Toyota's Rav4 (1,875) has dropped from 1st last quarter, to 2nd in Q1 2024 with hybrids making up most of these registrations.
- Mitsubishi have started the year strongly again with the Outlander (963) at number 5 and the ASX (921) in 6th spot.
- Kia enters the Top10 with the Seltos (689) at number 7, with Suzuki not far behind at number 8 with the Swift (680)
- Ford rounds out the Top 10 with the Everest (632) showing strong sales and bringing up another model to take some of the pressure off Ranger which is making up 70% of Fords total registrations in Q1 2024.

The top 20 makes YTD are below:

MAKE	TOTALS'22	Q1 '23	Q2 '23	Q3 '23	Q4 '23	TOTALS'23	Q1 '24
Toyota	28736	6864	10358	6109	9045	32376	6,994
Ford	15214	4111	4436	3466	4168	16181	4,922
Mitsubishi	23890	2849	5293	2296	2980	13418	3,975
MG	5320	1294	1662	865	2289	6110	725
Kia	11174	3155	3283	1644	1989	10071	2,217
Hyundai	8251	2511	2527	956	1598	7592	1,000
BYD	1687	994	845	440	1441	3720	125
Suzuki	8473	2156	2422	1010	1348	6936	1,391
Tesla	7007	1234	1335	1068	1268	4905	378
Honda	3832	1156	986	482	1059	3683	973
Mazda	6036	1258	1354	662	904	4178	942
Nissan	4392	1354	1265	838	888	4345	1,543
Volkswagen	3780	807	1555	729	759	3850	921
Mercedes-Benz	3020	639	567	698	651	2546	601
Skoda	2246	436	708	210	426	1780	300
Isuzu	3296	721	856	403	419	2399	774
BMW	1659	478	431	459	399	1767	452
Lexus	1024	252	426	296	336	1310	359
LDV	2413	417	407	74	326	1218	181
Subaru	2468	688	692	302	279	1961	492
Haval	2282	547	1133	173	40	1893	34
Others	18675	4059	4521	2713	4574	16867	4,560
New	**164875**	**37980**	**47056**	**26884**	**37186**	**149106**	**33,859**
Used	**118492**	**26029**	**36234**	**25336**	**33413**	**121012**	**28,576**

New Zealand Economic Outlook

Business Confidence Low - April 2024

Its not just a downturn on volumes and EV adoption facing the automotive industry in NZ in 2024.

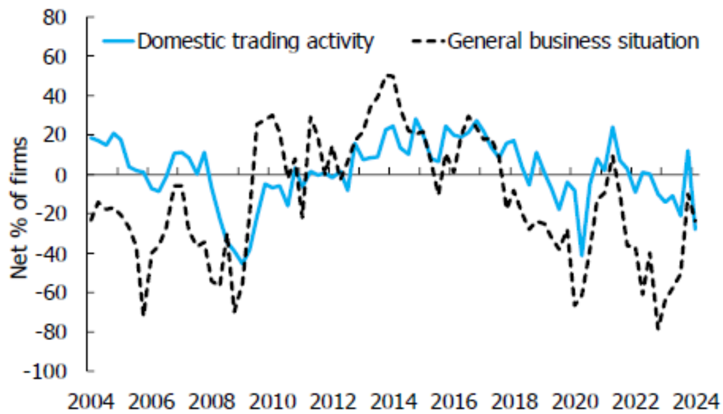
Having bounced up post the election, the very latest NZIER Quarterly Survey of Business Opinion (QSBO) shows a net 24 percent of businesses in the March quarter expect a deterioration in the general economic outlook over the coming months on a seasonally adjusted basis.

Trading activity was also glum, with a net 23 percent of businesses reporting a decline in activity over Q1 2024.

The decline in cost and pricing indicators suggests a further easing in inflation in the New Zealand economy. Higher interest rates look to have their intended impact on dampening demand and reducing inflation pressures. We forecast annual CPI inflation to ease back towards the Reserve Bank's 1 to 3 percent inflation target band in the second half of this year. This should give the central bank enough confidence to begin reducing the OCR next year.
Source: NZIER

Overall, the results point to higher interest rates having their intended effects in dampening demand to reduce inflation pressures in the New Zealand economy. Uncertainty over the new Government's plans regarding spending and public sector cutbacks is likely adding to the caution amongst businesses.
Source: NZIER

Economy wide: General Business Situation



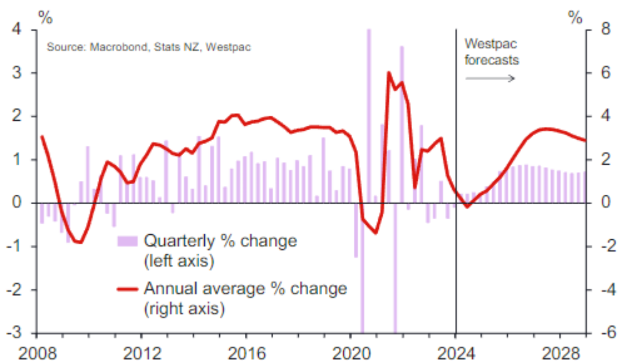
Source: NZIER

New Zealand Economic Outlook - Continued

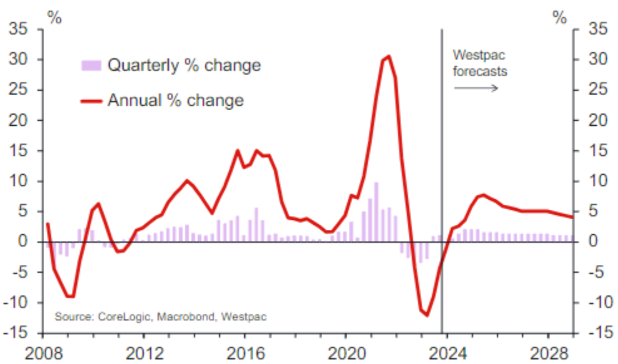
Westpac Summary Outlook December 2023

	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	→	→	↘

GDP Growth

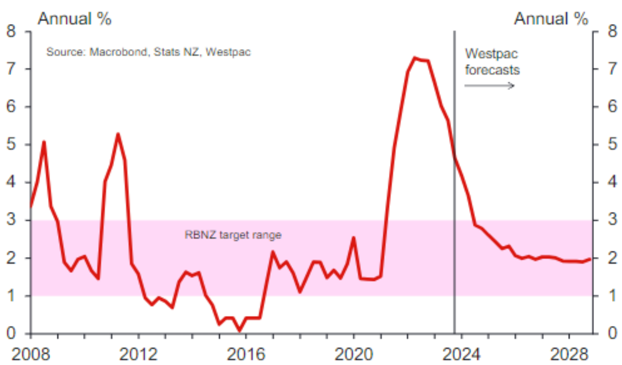


House Prices



Employment and Wage Growth

Consumer Price Inflation



The Road to Electrification

With the demise of the Clean Car discounts we have seen EV registrations slipping back dramatically to pre-CCD numbers over Q1 2024

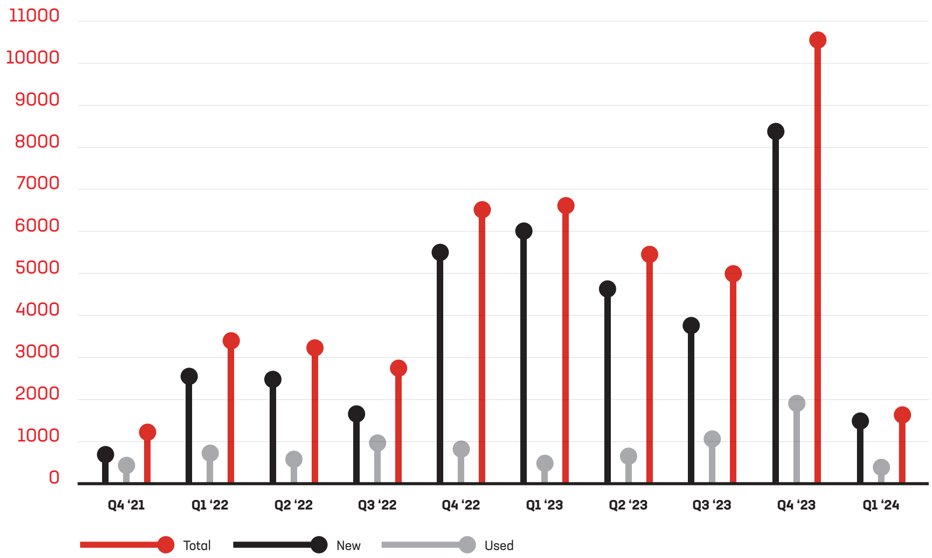
EV makers are continuing to reduce prices with Tesla dropping RRP's again in April 2024, the second drop this year.

There is more competition on the horizon as Europe and the US scurry to catch up with the Chinese EV manufacturers and retake lost ground.

In the meantime, the Chinese car makers are arriving here. We have Omoda going live in April 2024 with the C5, and Zeekr confirming it intends to enter the NZ market.

While pure electric car sales have declined significantly there is some hope in the fact that hybrid sales have maintained some momentum in both new car registrations and used vehicle registrations.

EV Sales by Quarter



The Road To Electrification (continued)

With the CO2 targets of the Clean Car Scheme increasing significantly from 2024 to 2025 (from 133.9 CO2g/km to 112.6 for passenger vehicles, and with commercials dropping from 201.9 to 155 CO2g/km), we are seeing hybrid options becoming available for many of the mainstream models.

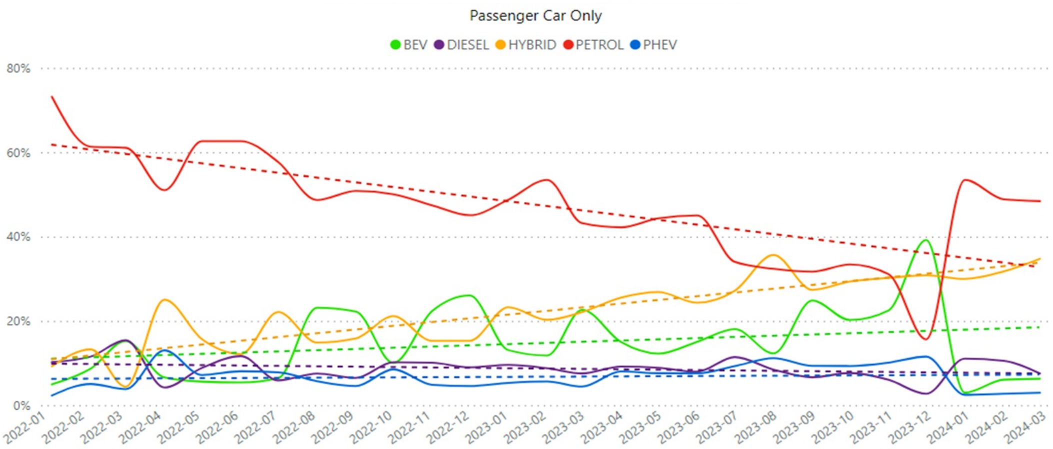
With utes making up 25% of the vehicles going onto the roads it is encouraging to see lower emitting ute options making their way into the NZ market.

While pure EV utes may also be arriving very soon, both Ford and Toyota have indicated they will be able to offer hybrid utes by 2025.

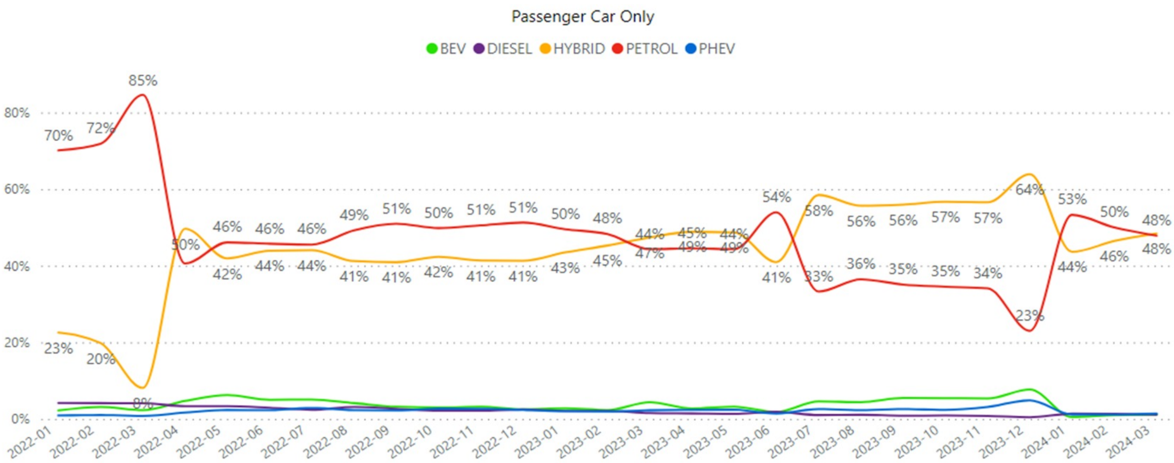
BYD have now released initial formal shots of their pending ute, which also looks promising.

> **It seems we can expect a raft of Hybrid and Electric utes and / or pick-up options to arrive through late 2024, into 2025 and beyond.**

New Vehicle Registration Percentage by Motive Power



Used Vehicle Registration Percentage by Motive Power



Global EV News

China

China's passenger car market will remain fiercely competitive in 2024, Cui Dongshu, secretary-general of the China Passenger Car Association (CPCA), has stated.

With high growth rates forecast in the coming years, 2024 will be a key year for new energy vehicle (NEV) OEMs to gain a foothold, and competition is destined to be fierce, he said.

"For conventional internal combustion engine vehicles, NEVs at the same price will put manufacturers under tremendous pressure," Cui said.

At the same time, traditional ICE vehicles were relying more on offering discounts to try to attract customers.

"In the passenger car price wars of previous years, carmakers typically made promotional efforts at the end of each year that were about 4 percentage points higher than at the end of the previous year," Cui noted.

"However, the price war in China's passenger car market in 2023 was intense, with year-end promotional efforts increasing by 6 percentage points over the same period of the previous year," according to Cui.

"Typically, passenger car prices stabilize between August and the end of each year, but the price war became more intense in the second half of 2023, with the end of the year seeing strong promotions," Cui noted.

"The root cause of the recent price war is that new technologies are replacing old ones and NEVs are replacing fuel vehicles," he said.

An example of this is BYD releasing two hybrid models in China at lower prices than the comparative ICE models. Other OEMs including SAIC-GM-Wuling and Neta Auto have since followed BYD's move.

China's BEV sales in March were 566,000 units, up 15.5% year-on-year and 92.5% from February, while PHEV sales totalled 317,000 units, up 95.1% year-on-year and 73.2% from February.

Overall, Chinas NEV (New Energy Vehicle) registration penetration reached 32.8% in March, up from 30.1% in February.

"Price war to remain fierce in 2024."

Says CPCA Secretary-General

Europe

Luca de Meo, CEO of Renault Group and President of ACEA: "EU car manufacturers are strongly committed to decarbonisation, investing over €250 billion in electrification, but we cannot make this transition alone. Europe needs to create the conditions for competitiveness and market demand for electric vehicles. These include charging and hydrogen refilling infrastructure, a sufficient supply of critical raw materials, better access to finance, and market incentives. In other words, a holistic industrial strategy will be the key to achieve Europe's green ambitions."

Stellantis CEO Carlos Tevares:

"We should move away from a dogmatic thinking where one size fits all," Tavares said at the automaker's Freedom of Mobility Forum. "I don't think this is going to work. What I would like to add is that the current EVs can be a solution for some of our societies."

Tavares said EV batteries will need a *"very significant breakthrough in terms of chemistry"* to cut their weight in half over the next decade. He said that the 1,000 pounds (about 500 kg) of raw materials currently needed to create a battery pack *"doesn't look like a very reasonable outcome"* from a cost and environmental perspective.

"The industry, based on new chemistries, needs to achieve in the next decade a breakthrough in terms of power density of the cells, so that we reduce by at least 50 percent the weight and the raw material usage of EVs. I think that that's on the way."

"Which, by the way, hopefully, will solve the problem of the scarcity of lithium."

Continued calls for industry strategy to meet green ambitions.

USA

Headlines in the US have been very much protective of their Automotive industry in the light of competitive threats from overseas.

A recent Fox News headline reads: *"Stop Chinese EVs before they destroy our auto industry".*

Americas Automotive production has slipped to 6th in the world last year, from 4th pre COVID, now falling behind Mexico, South Korea, Germany, Japan and China according to global consulting firm AlixPartners.

"My No. 1 competitor is the Chinese carmakers," said Carlos Tavares, CEO of Stellantis, *"This is going to be a big fight. There is no other way for a global carmaker like Stellantis that is operating all over the world than to go head-on with the Chinese carmakers. There is no other way."*

Concerns over EV battery lifetime, range anxiety and a lack of charging infrastructure are well publicised US EV adoption issues, but, according to Edmunds' 2024 EV consumer sentiment survey, there's also a wide gap between what car shoppers actually want and what is for sale.

Edmunds predicts the rate of EV growth will continue to slow through 2024, increasing to just 8% of new vehicle market share from 6.9% last year and 5.2% in 2022.

So, what do US EV shoppers actually want?

The top three things Edmunds says EV shoppers want include:

- Lower prices - Among those who intend to buy an EV, 47% want one for less than USD $40,000, and 22% are interested in EVs below USD $30,000.
- Cars and SUVs, not electric pickups: Current drivers of (mostly US made) pickups are the least compelled to try an EV, with 39% saying they wouldn't even consider one.

Among EV shoppers, 43% are interested in a car, 42% would consider an SUV/crossover and only 10% would consider a ute/pickup.

EVs from trusted brands: Toyota and Honda rank third and fourth in the US as the most trusted makers of consumer EVs, with Tesla and BMW taking out the top two.

Unless external factors come into play (e.g. enhanced government support as a change lever) the uptake of EVs in the US will continue to be slow until the criteria above are better met.

> **"Stop Chinese EVs before they destroy our auto industry."**
>
> Fox News

This quarter we feature a brand transition success story with KGM. We speak to their National Sales Manager, Penny Thorne.

A global Refresh of **Brand Vision**

Please tell us a little of the history behind the change of branding and name and what are the core values of the new KGM brand?

SsangYong New Zealand rebranded to KGM Motors (KGM) in March, 2024, ahead of the impending arrival of the stylish new KGM Torres SUV.

This announcement marked another significant step for the Korean manufacturer, as New Zealand embarks on its new era of innovation and global market expansion. Renaming as KGM signified a refresh of the brand vision, with a focus on pioneering the next generation of mobility solutions and incorporating cutting-edge technologies, such as, electrification, autonomous driving, and artificial intelligence.

KGM New Zealand's Head of Brand Marketing Daile Stephens said SsangYong's name change to KGM was a welcome opportunity to completely rebrand and create a step change to make a real impact in the New Zealand market.

"We are thrilled to have the chance to start afresh with KGM and will be investing significantly in the brand. We have a lot of faith in the KGM product, which comes with a solid engineering base and produces well-spec'd, reliable vehicles."

A global Refresh of **Brand Vision**

Stephens continued, *"This is an exciting time for us all as we reveal a refreshed, modern brand identity alongside the development to support the launch of new KGM products and technologies. We are embracing the change here in New Zealand with today being the start of a new journey to transform KGM into a brand for the future and continue to grow as a proud and respected SUV and ute brand."*

"Our aim is to elevate the offering of innovative KGM products in New Zealand with a refreshed brand identity, breaking away from the ordinary," Stephens said.

What have been the biggest challenges for you changing and building the new brand in the local NZ Market?

SsangYong had very little brand equity and KGM has none. Therefore, although this is a challenge, it provides us with an opportunity to show up in the market in unexpected ways and to do things differently to put KGM on the radar for purchasers and company fleet. Many consumers do not realise that KGM is a Korean manufactured brand, so, our challenge is competing against our largest Korean brand rivals Kia and Hyundai.

What are the key opportunities for KGM as you aim to grow in NZ?

As we introduce new models, such as the KGM Torres, the spotlight on the KGM brand highlights the model range (Rexton, Musso and Torres) and what these models have to offer purchasers. Torres unlocks the door to large corporate fleet, SME business fleet and consumer purchasers with not only its look, but its size, which slots it into the medium SUV market segment.

All the Chinese OEMs, some of whom are still to arrive in NZ, are also well placed to grow market share, how will you compete?

Our focus is on Korean Genuinely Made vehicles. We do not see KGM competing directly with many Chinese brands, purely due to the fact that our main competitors are Kia and Hyundai.

We are Korean born and future bound. Our focus is simple and our core values are quality, technology, space, lifestyle.

The Torres 2WD petrol has come to market priced competitively at $49,990 – less than SUV Family Car of the Year winner, the Honda CRV.

With the Torres EVX in pipeline - What do you think will happen to the EV market now the clean car scheme has effectively been wiped out?

Torres EVX is here now and available for purchase. Our strategy has always been focused on coming to the market strong on price, hence our $67,990 comes with an introductory special Recommended Retail Price for the first 40 units. The policies in place for companies around EV will not change and customers that are looking for good charge range (EVX is 462km) will always be there. If FBT is exempt for 5 years from new purchase, that may see a turn on EV.

> **"We are thrilled to have the chance to start afresh with KGM."**
>
> Penny Thorne

What impact do you see the introduction of RUCs having on the EV market in NZ?

Potentially this could start to even out ICE (utes particularly) to provide an opportunity to springboard the EV market back.

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

Torres 4WD arrives May 2024. Torres Coupe arrives first quarter 2025, which will offer the highest spec including panoramic sunroof Torres Pick Up also arrives first half of 2025.