RedBook

Market Update

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RedBook
INDEPENDENT INSIGHTS

The NZ Market Q4 2023

Ute sales go on hold while the clean car scheme's final hurrah takes centre stage.

Government intervention has caused some of the biggest swings in the NZ car market over the last few years.

Politicians have a long history of pulling levers in order to drive market behaviour.

There was the removal of tariff protections in the 80's that started the demise of the local assembly industry, then the 90's saw import regulations relaxed which opened the door for grey imports, the 2000's saw left hand drive regulations made stricter and in the 2010's we have seen a procession of emission and safety related regulations which have bumped the market each time. The 2020's will be no different with the Clean Car Scheme driving the initial uptake of all vehicles with some form of electrification and, more recently, limited mostly to plugged in vehicles.

With the scheme axed on 31 December 2023 by the incoming Government we have seen ute registrations crash while everyone waits for the "ute tax" to be dropped on 1 January, as illustrated (below right).

We expect a steep increase in the numbers of utes registered in January and Q1 2024 that will counter the big fall in December.

Of course, while the Clean Car Scheme was running the registrations of electric vehicles increased significantly, never more evident than in December 2023 with the end of the scheme in sight as dealers, OEMs and customers rushed to utilize rebates.

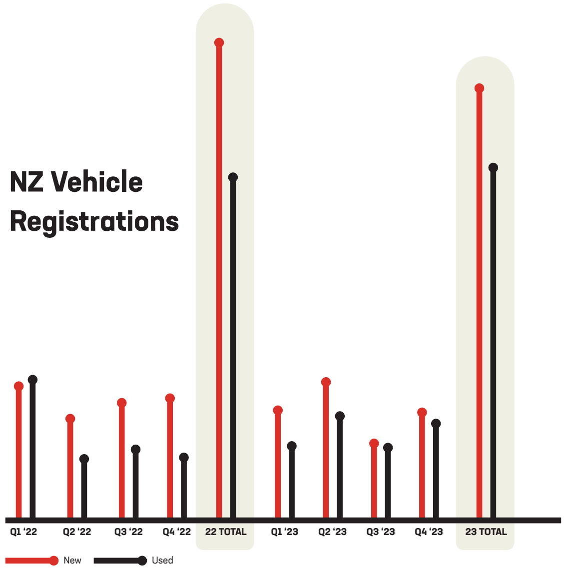
We expect sales of EV's and PHEV's to maintain a slower momentum in 2024.

The introduction of the new RUC charge for PHEV and full EV's is inevitable. It had to happen at some stage. It will simply mean that those driving an electric vehicle will be contributing to the much-needed upkeep of our crumbling infrastructure.

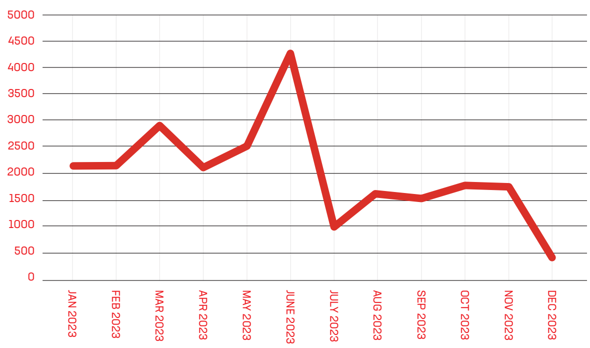
We do not believe it will significantly impact the volume of NZ new EV registrations in NZ in 2024 and beyond. For used EVs it is perhaps an impact on consumer adoption v used hybrids. The full impact, if any, will play out over time.

The OEM's and importers have to maintain an ever-falling average CO2 emission from the cars they put on the roads in any given year or face having to buy CO2 credits that, at present, have an undetermined price.

NZ Vehicle Registrations



New Ute Registrations



Sources: NZTA

Used Market

Used passenger registration numbers continue to follow similar trends as the new vehicles with petrol/diesel dropping from 51% in Q2 2023 to 36% in Q3 2023 and then 30% in Q4 2023. On the flipside electric and hybrids have gone up from 51% of used passenger registrations in Q2 to 64% in Q3 2023 to 69% in Q4 2023. The top 10 used vehicle registrations for Q4 2023 are listed right:

MAKE	MODEL	USED REG 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	CH-R	911
Mitsubishi	Outlander	840
Honda	Fit	827
Mazda	Demio	630

Volumes

Top Models:

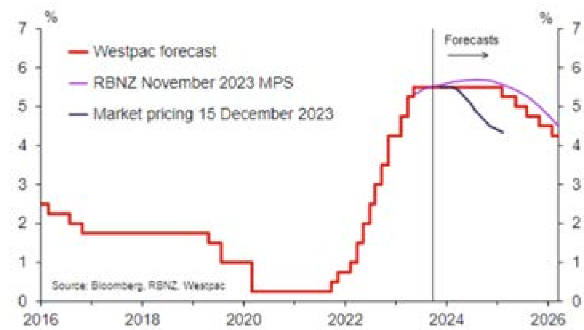
- **Toyota's Rav4 (2,960) has taken 1st spot in the quarter with hybrids making up most of the registrations.**
- **The removal of the Clean Car Scheme meant that registrations for utes held off until the new year and saw the Ranger drop to second with 2074 registrations in the quarter and the Hilux drop to 5th, with only 1204 units registered.**
- **While the MG4 was the biggest seller in December 2023, it came in at 3rd for the quarter with 1,444 units.**
- **The Tesla Model Y (1,039) and BYD Atto3 (1,011) took out 6th and 7th spots in a strong finish for EV's as buyers (and sellers) take the opportunity to claim the last of the EV rebates.**
- **Mitsubishi continues it's consistent form with the Outlander (1,441) in 4th and the Eclipse Cross (954) in 9th spot. Once again hybrids make up the majority of these to claim the EV rebates.**
- **Toyota picks up the last two spots in the Top 10 with the Yaris Cross (982) in 8th and the Corolla Cross (898) in 10th.**

The top 20 makes YTD are below:

MAKE	Q4 '22	TOTALS'22	Q1 '23	Q2 '23	Q3 '23	Q4 '23	TOTALS'23
Toyota	7606	28736	6864	10358	6109	9045	32376
Ford	5536	15214	4111	4436	3466	4168	16181
Mitsubishi	48925	23890	2849	5293	2296	2980	13418
MG	1433	5320	1294	1662	865	2289	6110
Kia	1994	11174	3155	3283	1644	1989	10071
Hyundai	1755	8251	2511	2527	956	1598	7592
BYD	998	1687	994	845	440	1441	3720
Suzuki	2417	8473	2156	2422	1010	1348	6936
Tesla	2814	7007	1234	1335	1068	1268	4905
Honda	901	3832	1156	986	482	1059	3683
Mazda	1106	6036	1258	1354	662	904	4178
Nissan	1171	4392	1354	1265	838	888	4345
Volkswagen	1037	3780	807	1555	729	759	3850
Mercedes-Benz	777	3020	639	567	698	651	2546
Skoda	699	2246	436	708	210	426	1780
Isuzu	634	3296	721	856	403	419	2399
BMW	384	1659	478	431	459	399	1767
Lexus	186	1024	252	426	296	336	1310
LDV	457	2413	417	407	74	326	1218
Subaru	586	2468	688	692	302	279	1961
Haval	566	2282	547	1133	173	40	1893
Others	4149	18675	4059	4521	2713	4574	16867
New	**42131**	**164875**	**37980**	**47056**	**26884**	**37186**	**149106**
Used	**22919**	**118492**	**26029**	**36234**	**25336**	**33413**	**121012**

NZ Economic Outlook

Official Cash Rate Forecast



The RBNZ has revised its position given a combined poor GDP forecast. The weak economic outlook means that any increase to the OCR is unlikely.

Westpac have revised their forecast:

- Recent GDP data shows a much weaker starting point for the economy.
- Headline inflation looks lower than previously forecast.
- OCR to stay at 5.5% through 2024 and gradual easing from early 2025

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	→	→	↘

Consumer Confidence

On a slightly brighter note, Westpac's long running Consumer Confidence Index picked up in December, rising 8.7 points to 88.9. This is starting from a very low starting point, but Westpac points to consumers expecting easing inflation and future tax cuts with the new government.

Sources: Westpac

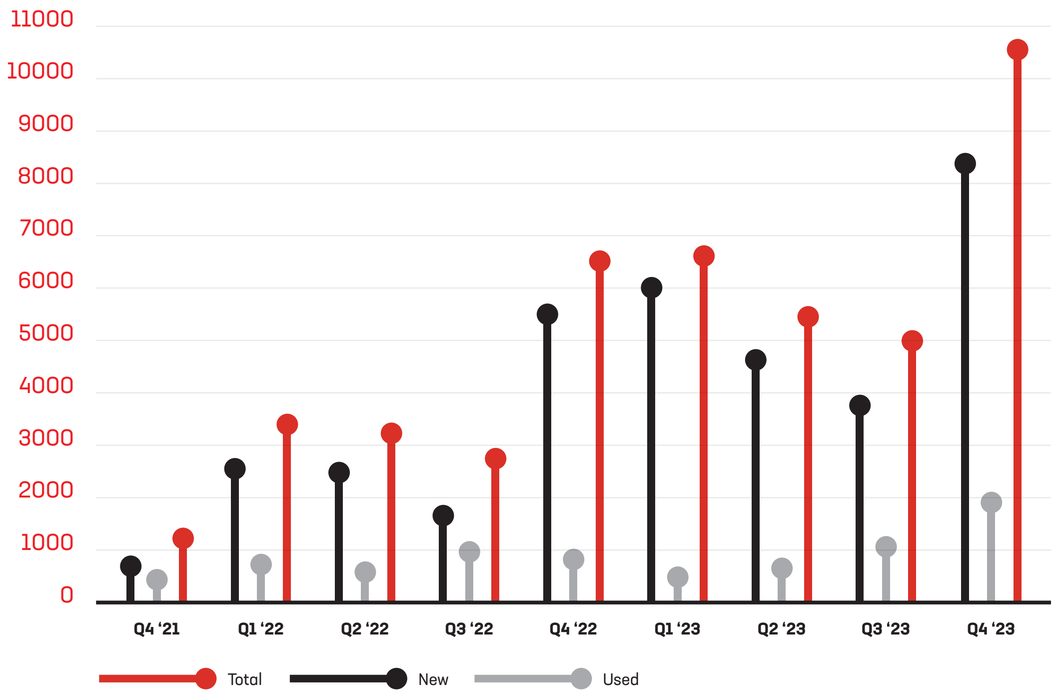
The Road To Electrification

The final push from the Clean Car scheme resulted in EV registrations three times the quarterly average.

New EV registrations had a final push as retailers rushed to deliver and/or register as many units as they could before the incentives were removed at midnight on 31 December 2023.

The highest selling vehicle in December 2023 was the Car of The Year, the MG4, with 622 units registered, a great all round EV which we highlighted in our last Market Update. Other notable EV sales in December were the BYD Atto3 (428) in at 4th and the Tesla Model Y (356) at 7th. We suspect that every available EV and PHEV was registered on or before 31 December 2023 and registrations in January will fall away dramatically to pre-CCS lows.

EV sales by quarter



What does 2024 hold for EV sales in NZ?

A return to real market dynamics and competition from Chinese brands is going to keep driving EV uptake in NZ.

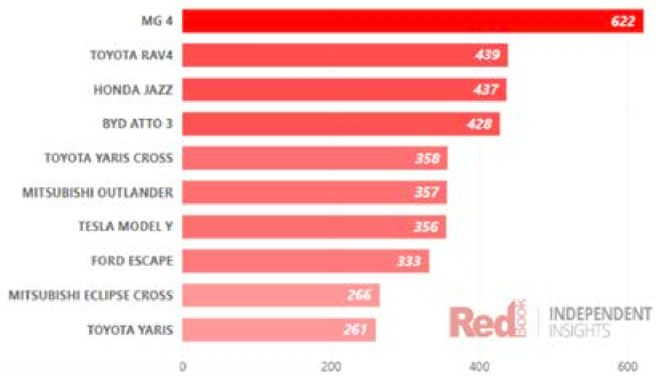
We expect a dramatic drop in registrations in Jan/Feb, given that many of the deliveries in those months were registered in the rush to beat the cut-off date at the very end of 2023. We can also expect to see a return to real market dynamics and increased market competition. Some OEMs have already reacted by dropping pricing to counter the loss of the incentives. Tesla has been steadily reducing pricing throughout 2023 and Ford dropped $5k off the Mach-e. The OEMs and distributors must meet certain emission targets based on the cars that they sell into the market each year or pay fees. The bottom line is that the OEM's and importers are still incentivised to sell low emitting vehicles, how they do that is up to them, but we will expect to see EV's and PHEV's feature. Furthermore, global manufacturers are moving to only supply low or zero emitting vehicles, with many pledging to be only producing EV's by 2030 or 2035.

The biggest driver of behaviour will be that Chinese brands and models are pushing the European, Japanese, and American brands very hard and it is this increased competition that is going to drive EV growth hardest.

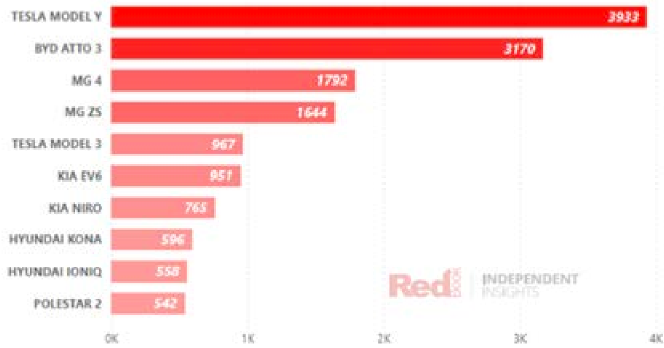
Last year saw the rise of the Chinese brands with BYD Atto3 at number 2 in the EV sales stats, the MG4 in at 3rd by creating a stir in the last quarter and the MG ZS at 4th. This year we will see the introduction of Omoda (Chery's EV brand) into the NZ market and we have yet to see how the BYD Seal will perform (which has already impressed). The EU countries are desperately trying protect their local vehicle manufacturers from the Chinese threat but, with no local manufacturers to protect, NZ can accept good quality and well-priced product from China with open arms. This bodes well for a 'colourful' 2024 in the EV market.

As discussed earlier a lot of what happens in the market can depend on what direction the Government takes. We saw huge swings with the Clean Car Discount scheme, but the current Government has indicated that investment in charging infrastructure to support the ever-growing fleet of EV's will be the direction they will take. Road User Charges on EVs will help pay for some of that. The lack of charging infrastructure has been a significant issue in overseas markets as the EV fleets have grown. Large European cities have very dense housing and access to home charging is limited; we are not convinced that the same issues apply in New Zealand. Whilst housing is becoming denser, there is still plenty of room to have access to a secure home charger in most new houses in NZ. Investment in roadside charging will certainly assist business travellers and tourists, and they are both important parts of our economy. Charging infrastructure is proving to be less of an issue for the average NZ EV driver.

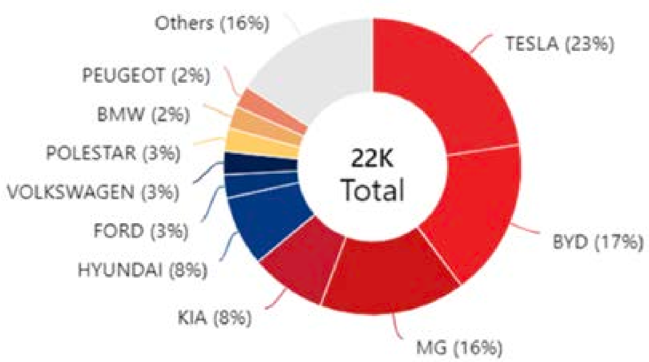
Top 10 Sellers - December 2033



BEV Top 10 Sellers - YTD (Jan-Dec) 2023



BEV Market Share by Brand (Top 10) - YTD (Jan-Dec) 2023



Global EV News

Chinese dominance in EV development continues to cause concern in both Europe and the USA as these established markets continue to move to try to lessen the impact on their domestic OEMs.

In September, the European Commission launched a probe into Chinese-made electric vehicles over subsidies they may have received, which was branded by Beijing as "protectionist".

China

The China Passenger Car Association (CPCA) stated on Jan 9 that China is estimated to have overtaken Japan as the world's largest auto exporter in 2023, as BYD , Chery and other domestic automakers increased impressive market penetration overseas.

The world's biggest auto producing market became the top auto exporter for the first time in 2023, with the CPCA announcing at a press conference that exports of cars jumped 62% to a record 3.83 million vehicles.

China's domestic auto market, the world's biggest, grew again in 2023, with vehicle sales rising 5.3% to 21.93 million for its third consecutive year of growth fuelled by increasing competition.

Sales of pure battery-powered vehicles in China climbed 20.8% last year after a 74.2% jump in 2022. Sales of plug-in hybrids, more economically affordable than pure electrics, grew 82.5% last year after a 160.5% surge a year earlier.

Competition is only expected to heat up further.

Popular Chinese smartphone maker Xiaomi applied for a sales licence for its first electric vehicle last month, the Xiaomi SU7 Sedan.

Xiaomi promptly announced it was aiming to become one of the world's top five automakers. The good looking electric 4-door 5-seater SU7 will start mass production in December 2023, and deliveries will begin in February 2024.

Europe

European car manufacturers continue to scramble to make up lost ground and protect their industry from overseas competitors.

On 21 December 2023 the EU and UK signed off on extending current battery and electric vehicle (EV) rules of origin under the Trade and Cooperation Agreement (TCA). European manufacturers welcome this solution, which will help support the competitiveness of Europe's electric vehicle manufacturing industry.

"The long-awaited deal to extend rules of origin by three years provides much-needed certainty to Europe's growing electric vehicle battery supply chain. Instead of penalising green industries, today's decision is recognition that it takes time to build up emerging value chains," noted Sigrid de Vries, ACEA Director General. *"It is also a strong signal that the EU is willing to uphold the competitiveness of its critical industries – the deal has potentially avoided a hefty €4.3 billion in tariff costs and saved some 480,000 units of electric vehicle (EV) production."*

The EU is at risk of losing ground to Chinese and US competitors. *"Unlike China and the US, the EU lacks a robust industrial strategy to boost electric vehicle manufacturing,"* added de Vries. *"While we applaud today's hard-fought decision, we must build on this positive collaboration to solve the immense challenge of building a mature EV battery supply chain in Europe."*

De Vries: *"Vehicle manufacturers want to lead Europe's green transition and build the future of EV manufacturing in Europe – for the benefit of all Europeans. Building on today's constructive decision from law makers, the focus should turn to framing a holistic EU industrial strategy for the entire green value chain, from R&D, mining, refining and manufacturing; to charging networks, energy supply, purchase incentives, and recycling."*

USA

In a blow to President Joe Biden's EV transition plans, the US House of representatives approved legislation to undo a Biden administration rule circumventing some of the 'Buy America' requirements meant to facilitate the proliferation of electric vehicle charging stations. Biden's proposed waiver to the 'Buy America' requirements had meant that EV charging stations could be sourced wholly or part built from non-US sourced materials or wholly built by other nations (e.g. China). Opponents of that waiver have argued that it allows US dollars to support non US based industries and impact US workers.

EV adoption is slow in the US and charging station infrastructure is one of the hurdles. Still, the BEV segment in the USA is expected to experience an annual growth rate (CAGR 2024-2028) of circa 19%, according to Statista.

By 2028, it is anticipated that the unit sales of Battery Electric Vehicles in the US will double to reach 2.12m vehicles.

OMODA
JAECOO

Special Feature

This quarter we talk with Omoda Jaecoo New Zeland Country Manager Andrew Sheldon about their plans for the future and about starting in New Zealand.

Please tell us a little of the history behind the growth of Chery and the roots of Omoda and Jaecoo

Chery was formed back in 1997 and have been China's largest passenger vehicle exporter for 21 years with over 13million customers worldwide. In 2012 Chery and Tata motors entered into a working agreement, this was for Chery to produce Jaguar / Land Rover models in China. In 2023 Chery achieved 1,881,316 sales, representing a 52.6% year on year growth. OMODA was previously sold under the Chery nameplate, late in 2022 a decision was made to position OMODA and JAECOO as independent New Energy Vehicle brands. Chery introduced the world to OMODA and JAECOO in April 2023 at the Shanghai Auto Show. With the core focus being on New Energy, OMODA and JAECOO will offer customers a range of Hybrid, PHEV and EV options. OMODA achieved great success in 2023 with more than 147 000 sales and plans to continue its success by achieving 1,4million sales by 2030.

What have been the biggest challenges for you setting up in the local NZ Market? What support do you have behind you for future customers and service delivery?

The biggest challenge has been all the uncertainty created by all the changes in the automotive industry over the past two years. For our industry to thrive we need stability and direction. This just allows for better planning and processes to be executed.

Whilst we will have an experienced staff compliment at our OMODA JAECOO NZ office, we also have access to both our Australia and China HQ teams to assist us if we encounter any substantial problems.

We have also partnered with a very stable and experienced dealer network, this is not the first time our dealer network would have dealt with new brands into the New Zealand market, our dealers know the how important the customer journey is for our success, and I believe we have the right team to look after our OMODA JAECOO customers.

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

We see the introduction high quality, safe and affordable Hybrid, PHEV and EV's as an opportunity for first time buyers to experience the pleasure and ease that comes with owning an EV. We need to break down the barriers and dispel any myths around EV ownership. The introduction of a larger and improved charging network across New Zealand would be the first step, let's get the infrastructure to a point where EV owners can feel confident about the charging options. Then we need to plan for the future, and possibly the best way to do this is EV driver education at school level.

All the Chinese OEMs are well placed to grow market share, how will you compete?

I believe the complete OMODA and JAECOO package we will offer customers will be the difference maker. OMODA and JAECOO will offer customers a high-quality product with exceptional levels specification at a competitive price. OMODA and JAECOO will offer kiwis a wide range of SUVs to cater for individual customer needs and we will also support our fleet with a comprehensive 7yr unlimited km warranty and roadside assistance program. Our Dealer network will play an integral part in this process, we have partnered with an experienced group of dealers that are well versed in how important customer service and relationships are.

What do you think will happen to the growing EV market now the clean car scheme has effectively been wiped out?

I expect New EV sales will slow for the first half of 2024, with possibly a higher uptake on pre-owned and imported EV's during this period. The second half of the year will be interesting to see if EV sales can return to 2023 levels, July to December I see EV sales improving, but not to 2023 levels.

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?

Charging hubs are a must, for EVs sales to grow, customers want the ease of pulling into a charging station finding a charger and moving on. Multiple charging stations will assist in reducing congestion and go a long way in building consumer confidence. As I mentioned earlier, Schools introducing EV driver education would go a long way in prepping the youth for the future of motoring. Until you spend some time in an EV, you won't appreciate how simple it is to operate daily. I believe most people overthink the charging process, so early education on this and driving experiences would be a big step forward.

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

OMODA plans to introduce 3 New models in the coming 15 months. We have the OMODA E5 and C5 due for launch in H1 2024, this will be followed by the OMODA C9 and C9 PHEV flagship later this year, then topped off with the OMODA C7 in Q1 2025. All the models mentioned will offer customers the benefit of either PHEV or EV options as well as an ICE option. JAECOO will follow the same plan as OMODA, introducing 3 models over the next 15 months, J7 first up in H1 2024 followed by J8 towards the end of the 2024 followed by J5 in Q1 2025.