

# The Lightstone Confidence Indicator

September activity levels have increased to 5,1 – up from 4,9 in August and the first increase in activity levels since June. The predicted activity levels for the next 3 and next 6 months have also improved to the highest levels to date.

Current activity levels have improved since August for the MBR, Dealer and OEM sectors.

**Positive factors anticipated to have the biggest effect on future activity include:**

**18%**

the removal of lockdown restrictions

**10.7%**

optimism that the financial position of consumers will improve

**9.5%**

optimism that business volumes will improve

Respondents reported an increase in September in the impact of Covid-19 on their Workforce, up

**4%** since August

While respondents feel more positive about the future with business gradually improving, the overall sentiment is that the market is still quiet as consumers are struggling financially, banks are not approving financed deals and not much work are received from insurance companies.

**72%**

of respondents think that business would need more than 9 months to recover from the impact of Covid-19, with **59%** of OEMs and **56%** of 'Other' anticipating that recovery would take more than a year.

**Lightstone**

We simplify the complex



# Motor Industry Confidence Indicator

September 2020

Lightstone

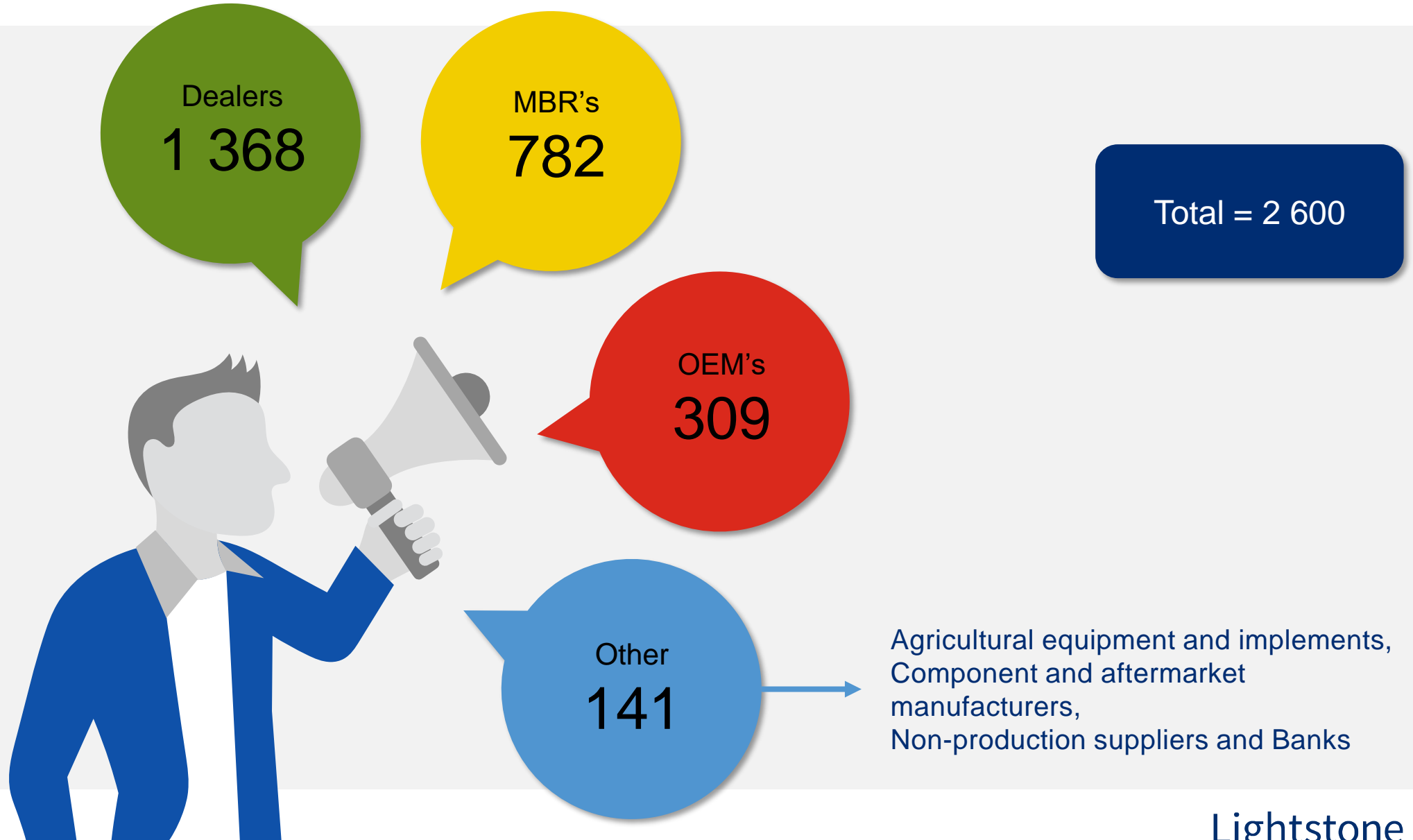
We simplify the complex

## Objectives

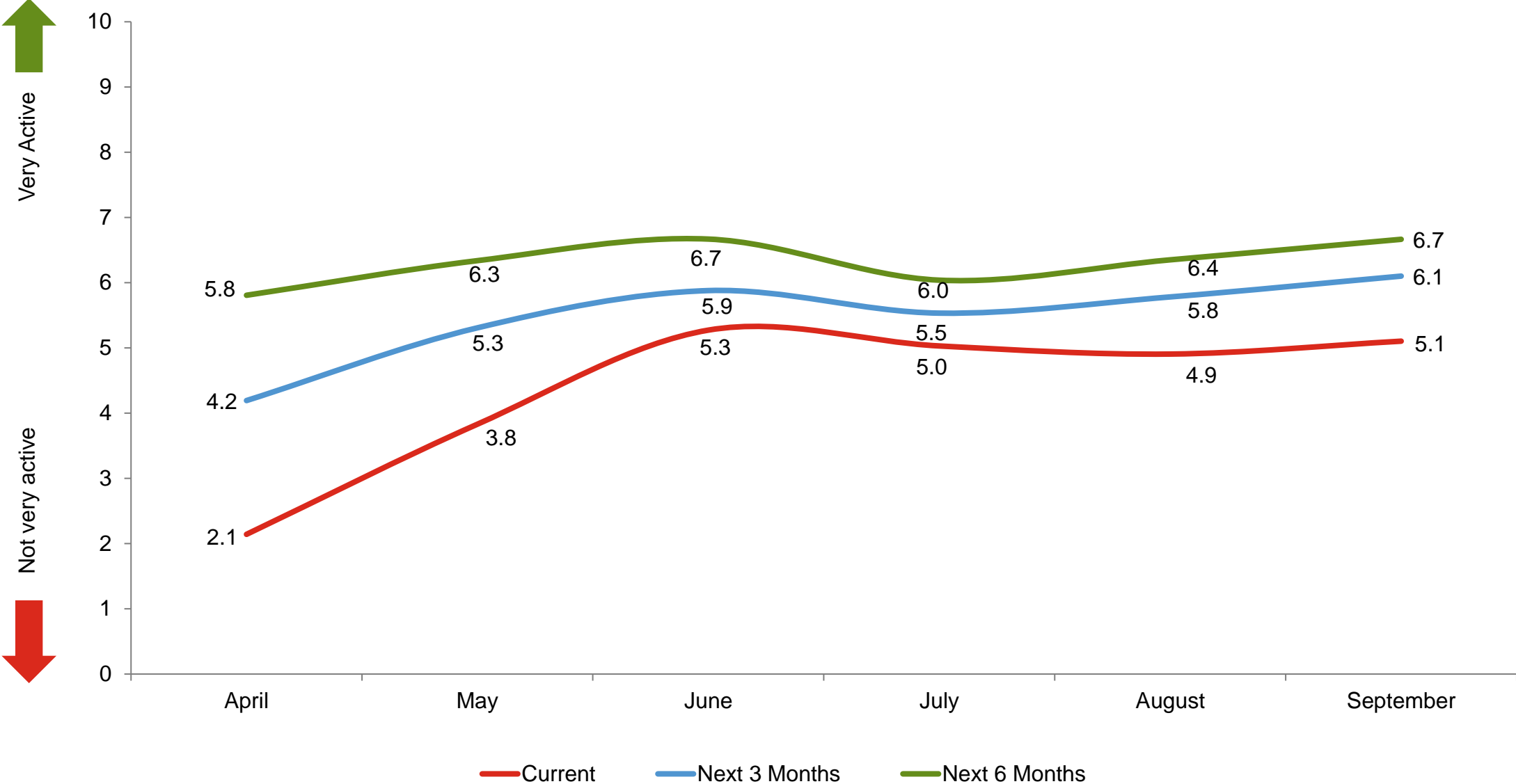
To measure and track the impact of COVID-19 on the various segments of the SA Motor Industry

- › Measure current market activity.
- › Measure expected market activity over the next 3 months.
- › Measure expected market activity over the next 6 months.
- › Identify the factors that will have the biggest effect on future activity.
- › Measure the impact of COVID-19 on:
  - Finance and liquidity
  - Workforce
  - Operations and supply chain
  - Strategy and brand
- › Measure the impact of COVID-19 on various aspects of the business.
- › Measure how monthly revenue is affected by the lockdown.
- › Measure how long it will take business to recover from the impact.
- › Identify the preparations done for the end of lockdown.
- › Identify measures taken to offer relief to consumers.
- › Identify innovations implemented to mitigate the impact of COVID-19.

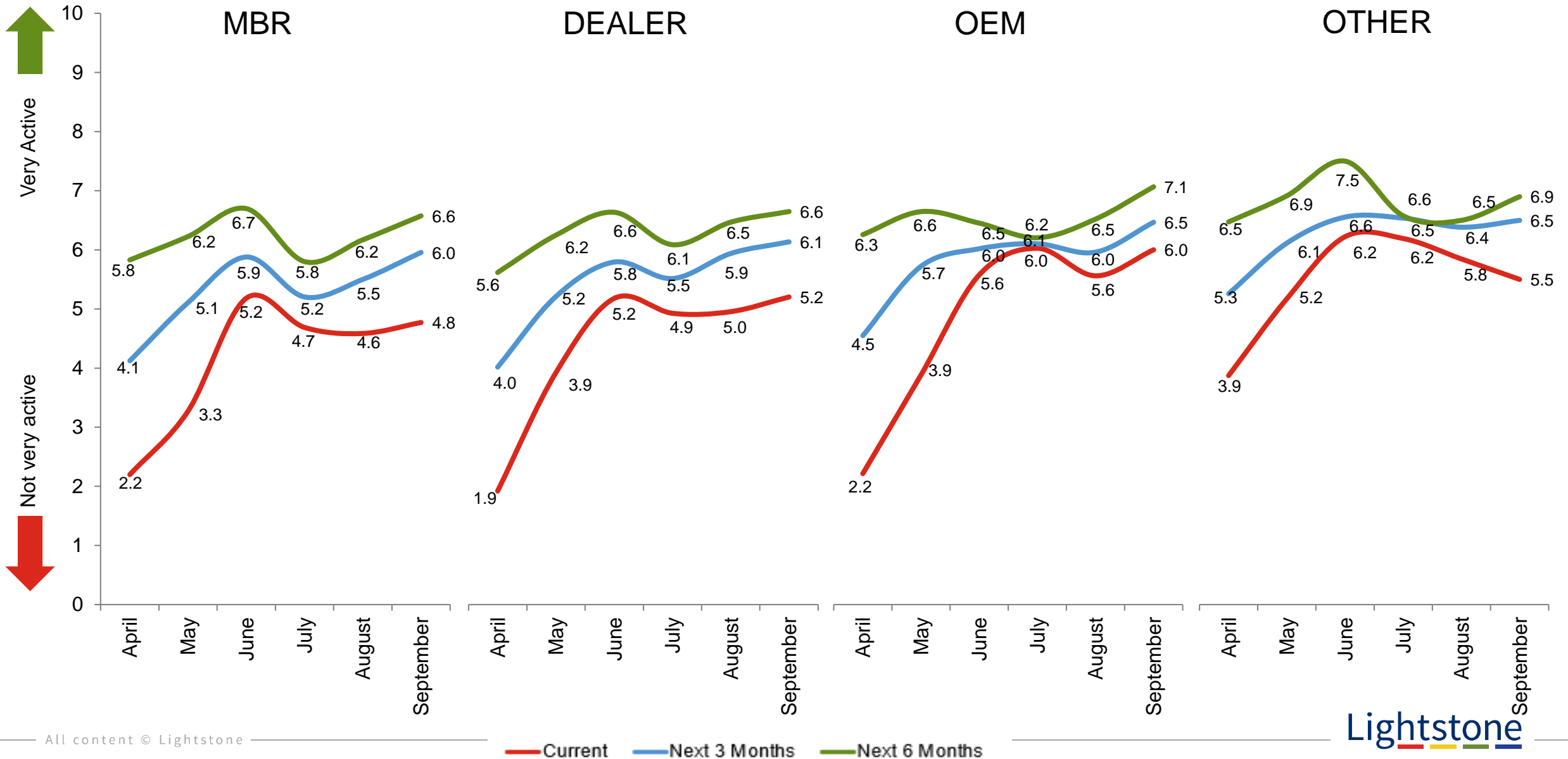
## Survey respondents



# Current and expected levels of market activity



# Current and expected levels of market activity by segment



## September 2020 level of activity: Top 5 themes and comments

01

### The market is very quiet

- “Volume of claims has declined drastically from when we were able to return to operations at the start of June 2020.”
- “The workshop is generally quiet, and staff are working reduced hours.”
- “Very few authorizations and assessments are being done.”

02

### Business is improving but not back to pre-Covid levels

- “Although we are still experiencing quiet days, the level of activity in the workshop has picked up.”
- “Business have definitely picked up in September compared to August and July.”
- “We are doing about 50% to 60% of the average turnover we used to do before lockdown.”

03

### Customers’ financial position don’t allow for purchases or repairs

- “The number of applications have slowed, and we have a lot more clients walking away from deals after being approved.”
- “Customers don’t want to purchase due to the pandemic and stress about income.”
- “Clients do not have the funds to pay the excess on their insurance or pay cash.”

04

### Low approval rate from the banks

- “I process a lot of applications, although mostly declined due to skipped payments or account defaults, or previously declined.”
- “More declined finance applications because the customer’s credit profiles are negatively affected as a result of Covid.”
- “The banks decline more applications now than before.”

05

### Very little work received from the insurance companies

- “Insurance work is scarce.”
- “Uneven and unfair distribution of work in the industry by the insurance companies.”
- “Claims volumes are still lower than before shutdown. Cars on the road are significantly less and restrictions on curfew, and people working from home have an impact on registered incidents.”

## 3 months level of activity: Top 5 themes and comments

01

### Optimism for a gradual increase in activity

- “We seem to be moving up in terms of activity compared to previous months.”
- “We have just gone into Level 1 and with summer approaching business normally picks up.”
- “We are hoping that there will be more work as the festive season starts.”

02

### Not anticipating much activity in the months to come

- “People are still struggling to get back on their feet after the no work effect. With the holidays around the corner, business normally get slower because no parts are available over the holiday season.”
- “Looking at the quantity of quotes we do, I cannot see any improvement yet. November is normally a good month, but we must bear in mind that during December we have our annual shutdown which will make it very limited trading.”

03

### Easing of the lockdown levels should boost business

- “As we move through the different lockdown levels people are starting to engage in more ‘normal’ business activities.”
- “Opening of the borders and the tourism industry should have increased traffic by then.”
- “Clients will need vehicles for work, holidays or business after the Covid levels are dropped.”

04

### Consumer confidence is very low

- “The reality of the financial impact on consumers is only now starting to hit home for many and may have a lagged effect / impact.”
- “Customers are approved for finance, but the threat of retrenchments and the economic outlook is hampering their decision to commit.”
- “Customers only repair what is really needed.”

05

### Economy is going to take a long time to recover

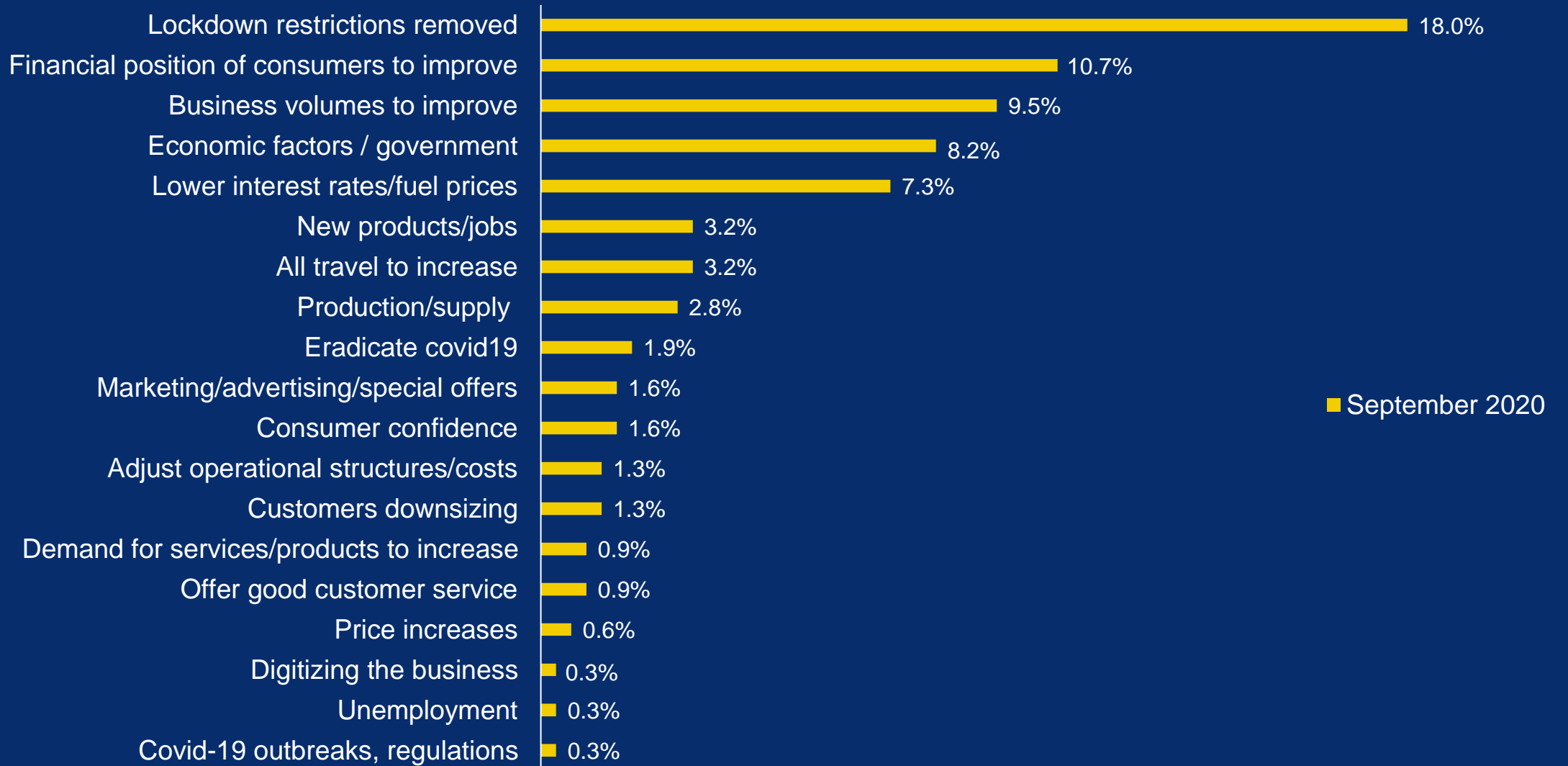
- “Economy will remain under strain for the next 2 to 3 years, interest rates are at an all time low and might encourage buying a new vehicle to limit the expenses on servicing and vehicles that are out of maintenance.”
- “The economy will not pick up in a short space of time.”



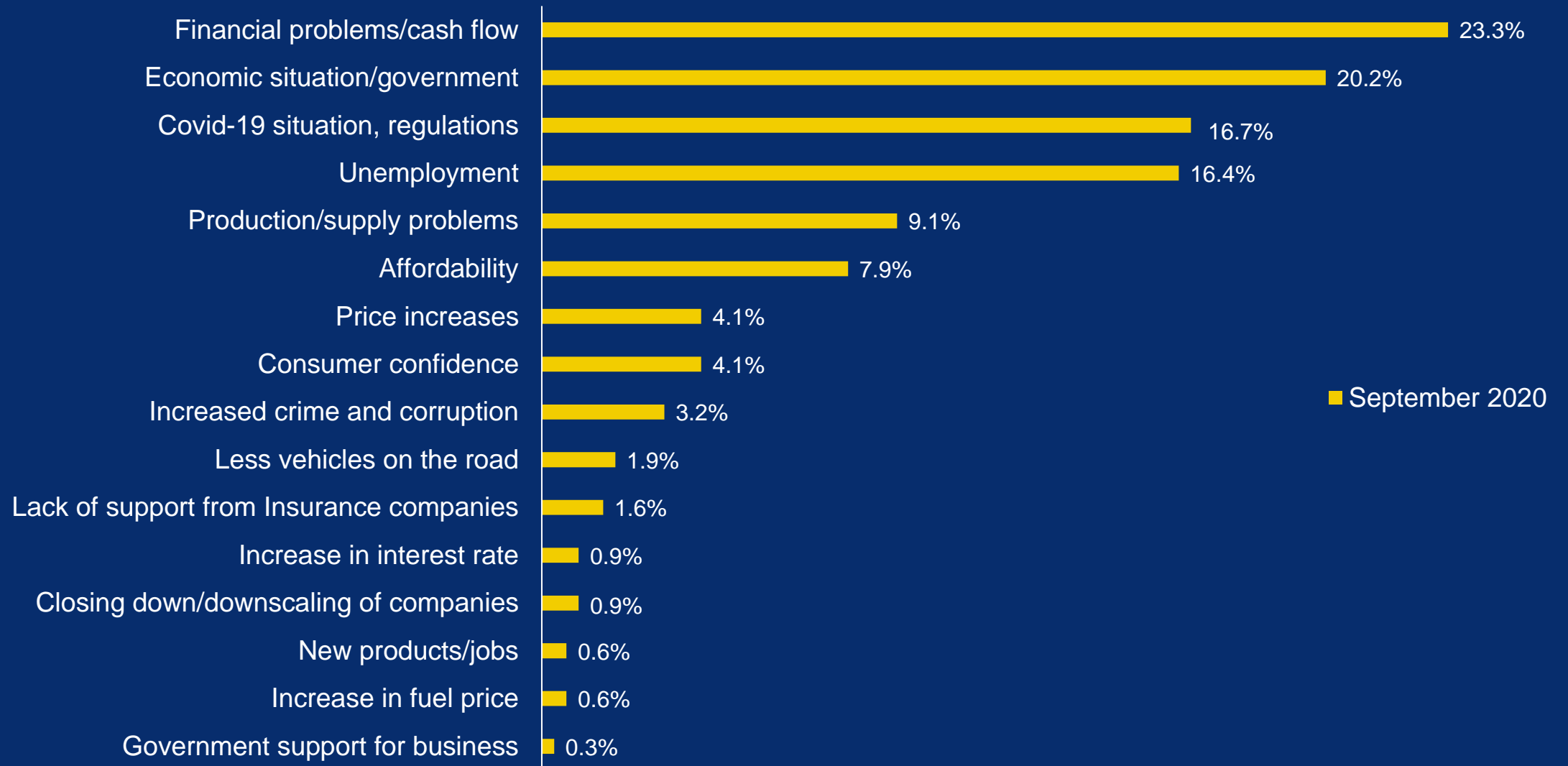
## 6 months level of activity: Top 5 themes and comments

01	<b>Hoping for an improvement in market activity</b> <ul style="list-style-type: none"><li>• “Hopefully, everybody will earn their salaries again, and retrenched people find jobs.”</li><li>• “The rainy months are still to come which does increase business in this industry.”</li><li>• “It will start picking up since the country has also been moved to level 1. This means more businesses will open and people might start moving a lot.”</li></ul>
02	<b>Economy will take a long time to recover</b> <ul style="list-style-type: none"><li>• “It should improve slightly but will still be very slow to recover to previous levels.”</li><li>• “The new normal has begun and the country will ease gradually into rebuilding the economy.”</li><li>• “Will depend on the ability of our local economy to recover and start operating again - we are seeing a high incidence of business closures and big impact on seasonal/holiday trade. Business closures will have a delayed and longer lasting impact.”</li></ul>
03	<b>Easing of lockdown restrictions should boost the economy</b> <ul style="list-style-type: none"><li>• “It will be a new year with hopefully everyone back at work and no more lockdown restrictions.”</li><li>• “Economy will open, the various sections will be able to function, e.g. tourism hence business economic improvement.”</li><li>• “We should be out of lockdown altogether and the economy should be picking up.”</li></ul>
04	<b>Not expecting much activity</b> <ul style="list-style-type: none"><li>• “People are unsure of everything and do not feel comfortable obtaining new debts as they are struggling financially.”</li><li>• “The first 3 months will be busy due to year end and after that everything will slow down due to the new year and school starting.”</li><li>• “I don’t see it picking up anytime soon.”</li></ul>
05	<b>Customer’s financial position is a concern</b> <ul style="list-style-type: none"><li>• “Coming to the year end, bonuses (if any) will be used to pay all outstanding accounts. Very few people will go on holiday.”</li><li>• “People are still recovering from being home and still do not have excess money and are cancelling claims.”</li><li>• “Clients will still be uncertain and with the start of the new school year clients will concentrate on school funds. Clients will keep their vehicles for longer.”</li></ul>

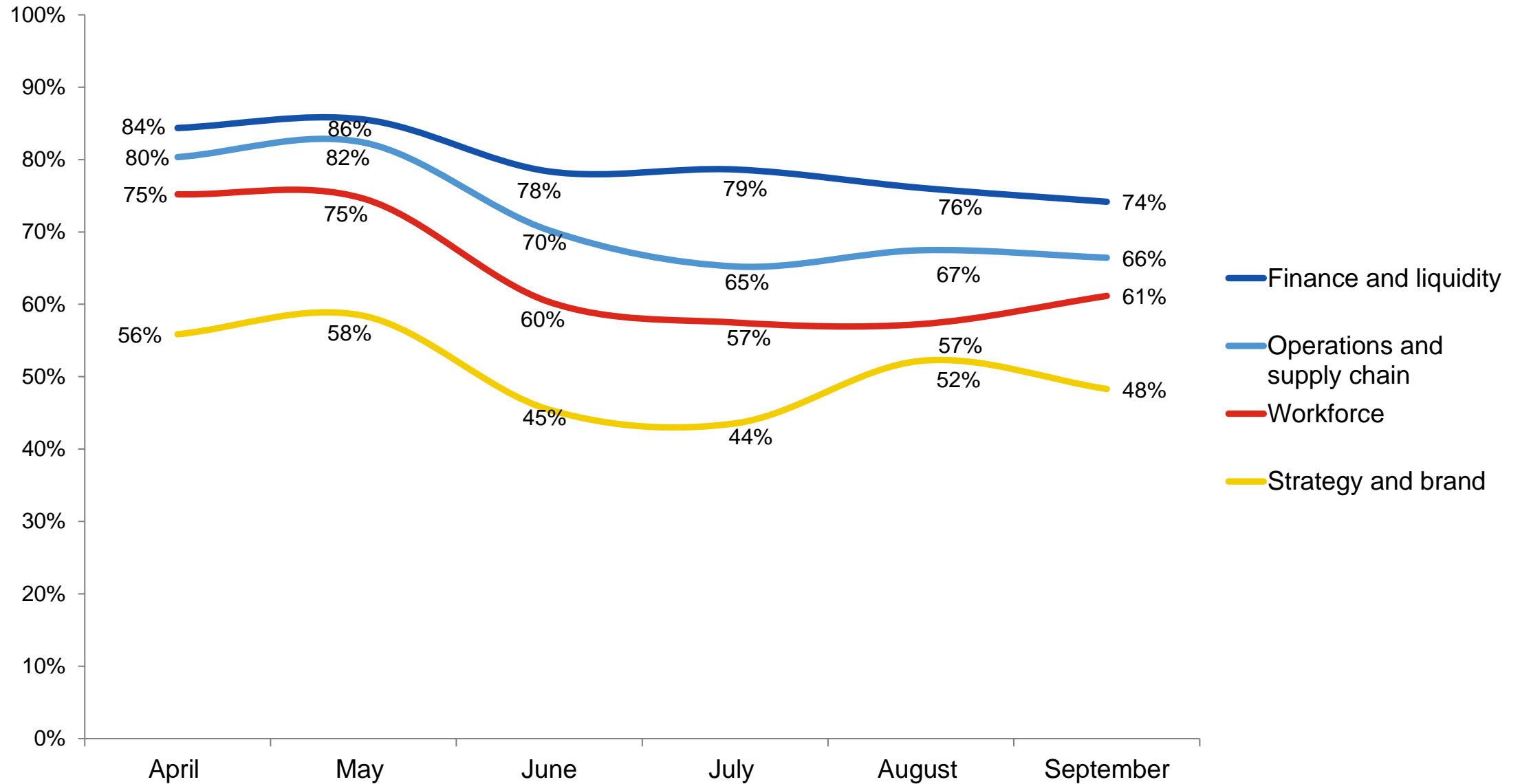
# Positive factors anticipated to have the biggest effect on future activity



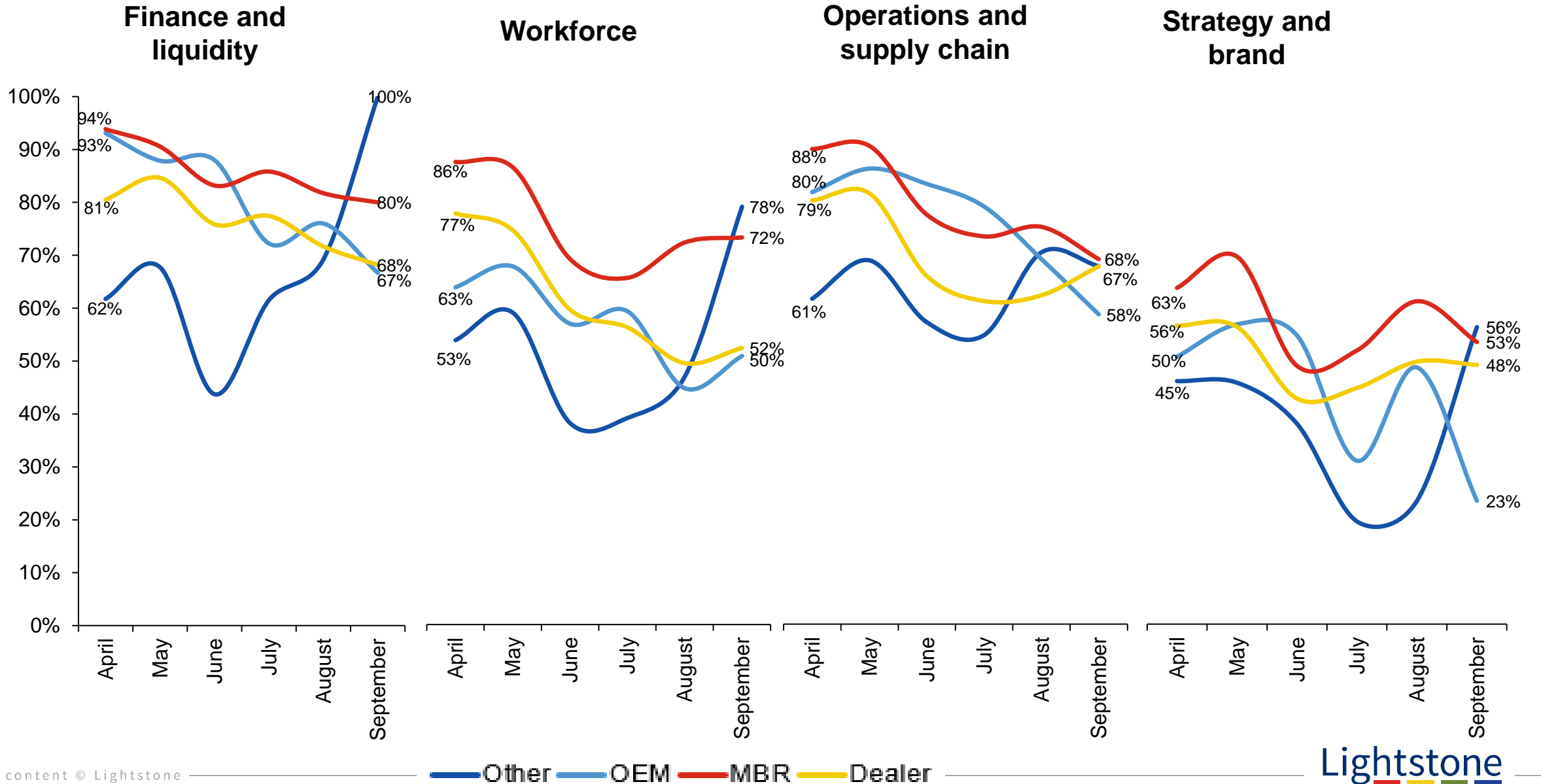
## Negative factors anticipated to have the biggest effect on future activity



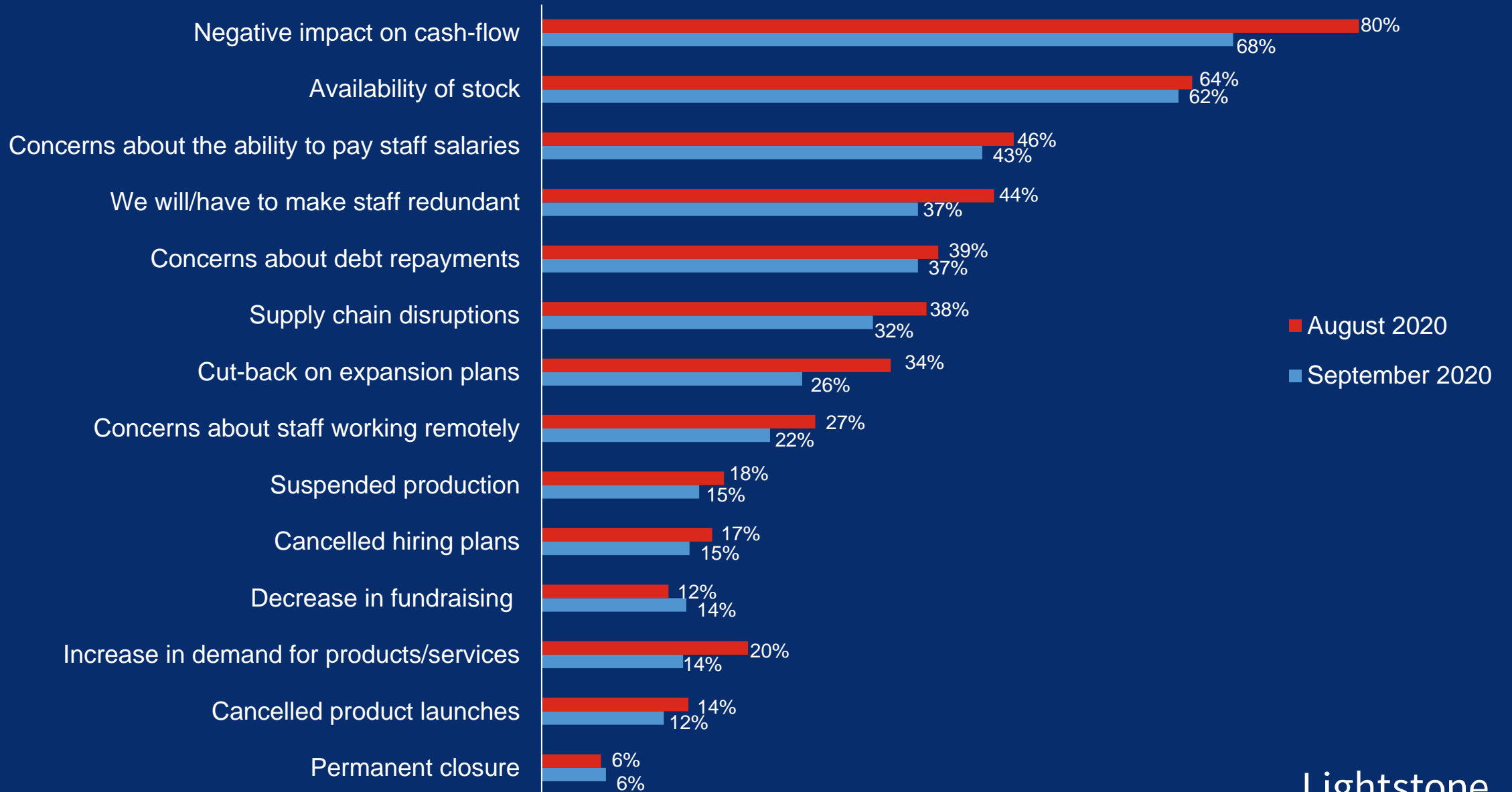
# COVID-19 impact on the following business areas rated as 'Severe' or 'Significant'



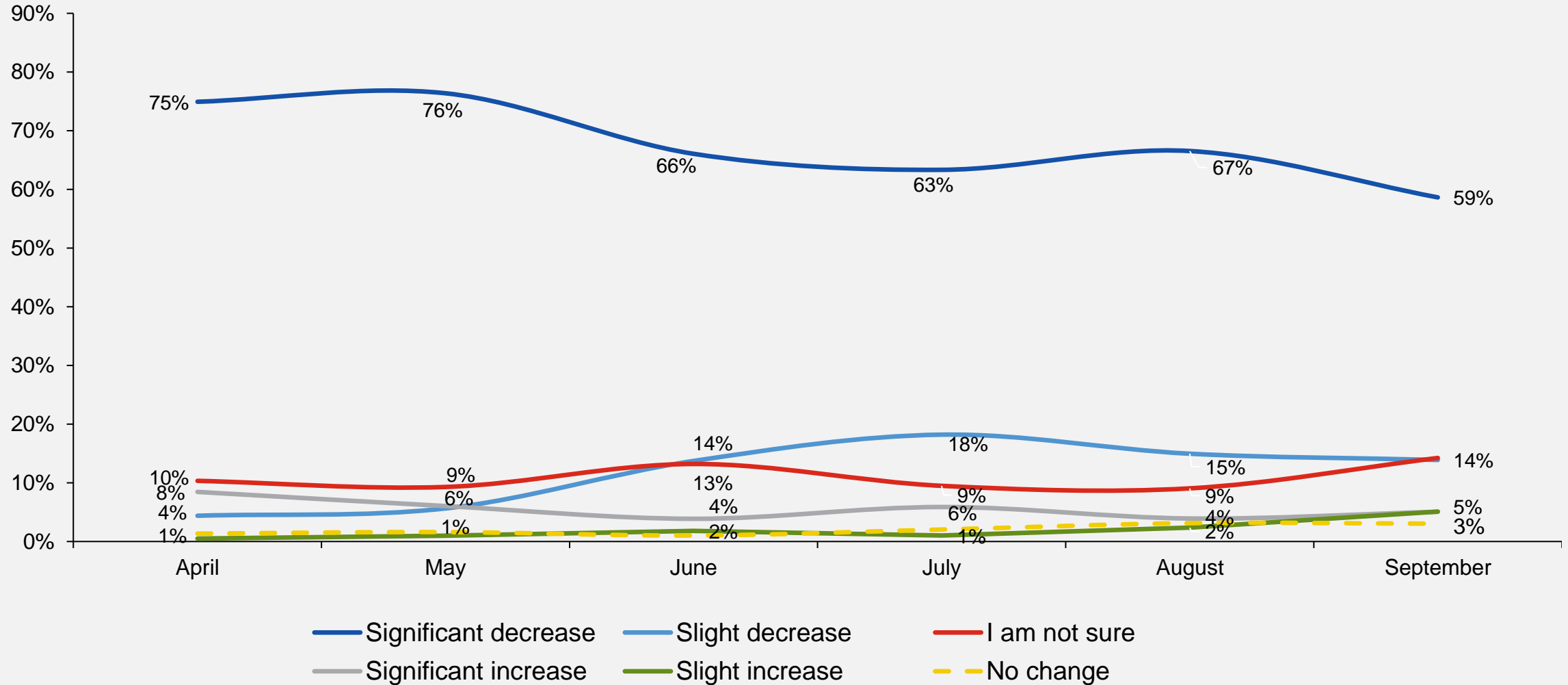
# 'Significant or 'Severe' impact of COVID-19 on various industry segments



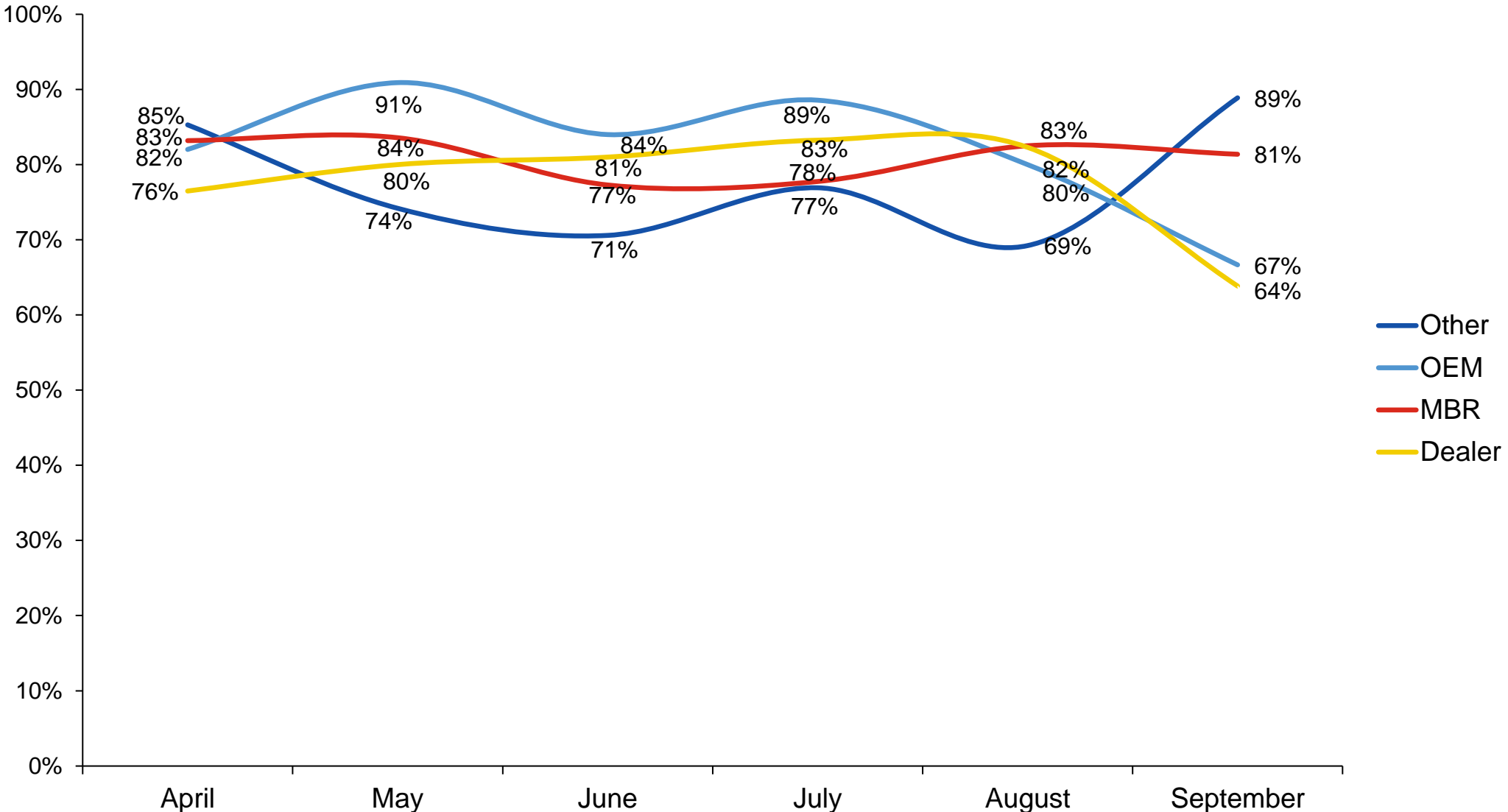
## The following business areas are listed as being impacted most by COVID-19



# Impact of the lockdown on monthly revenue

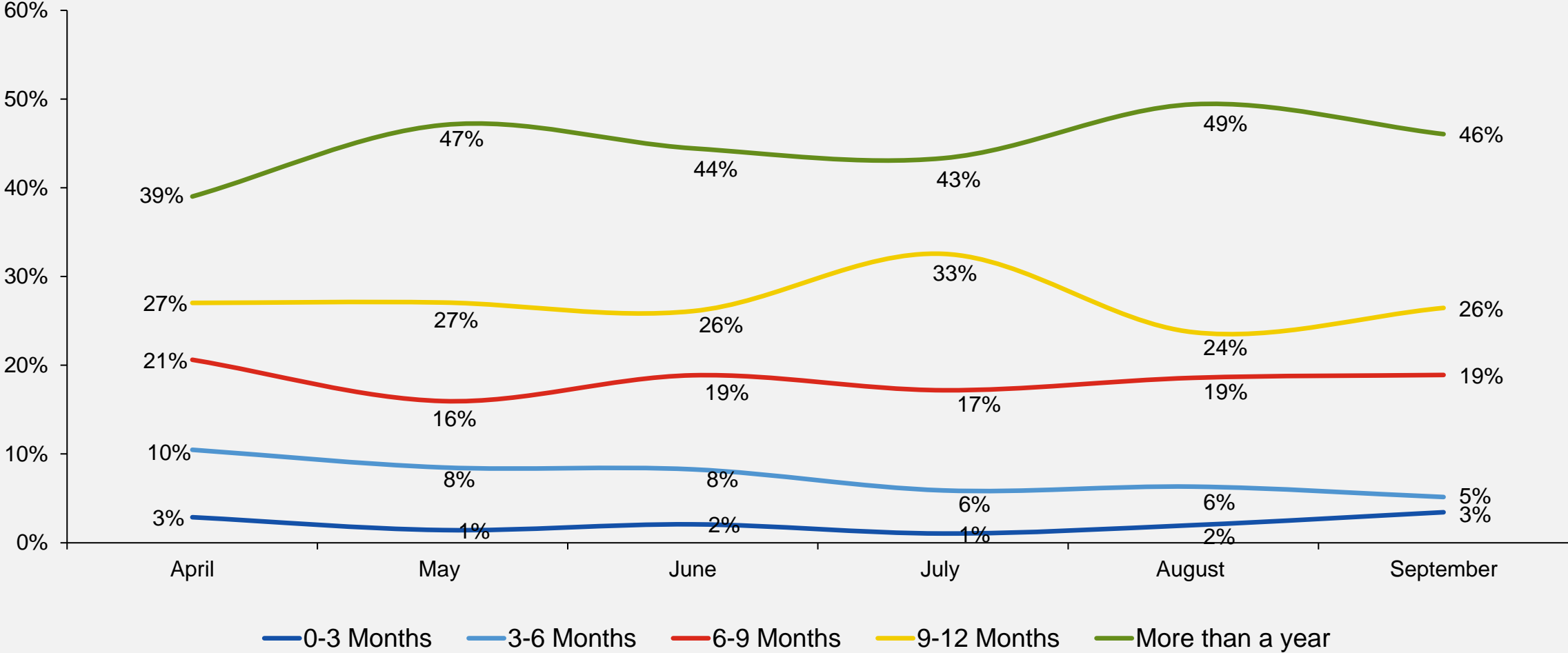


# Percentage of respondents reporting a decrease in monthly revenue during lockdown

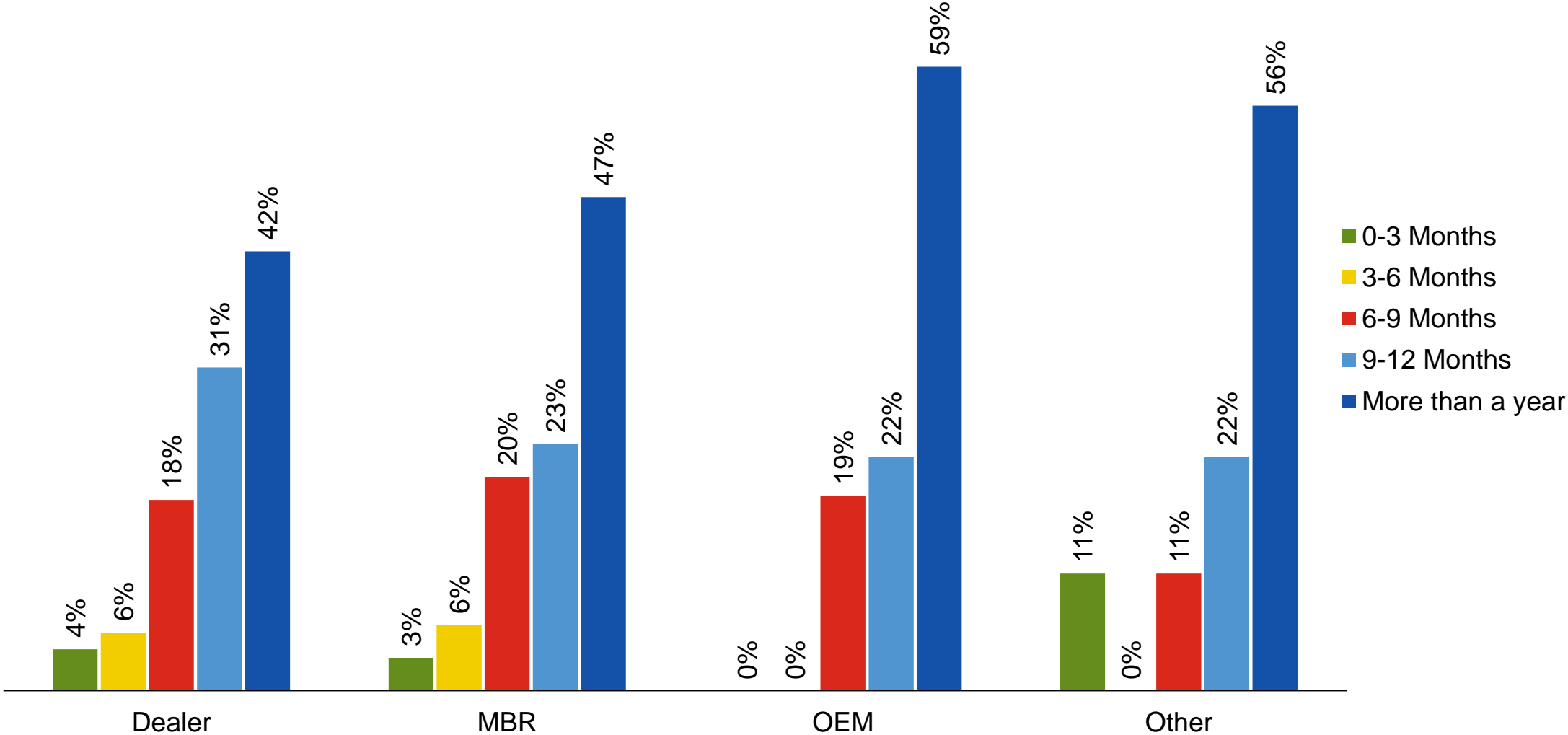




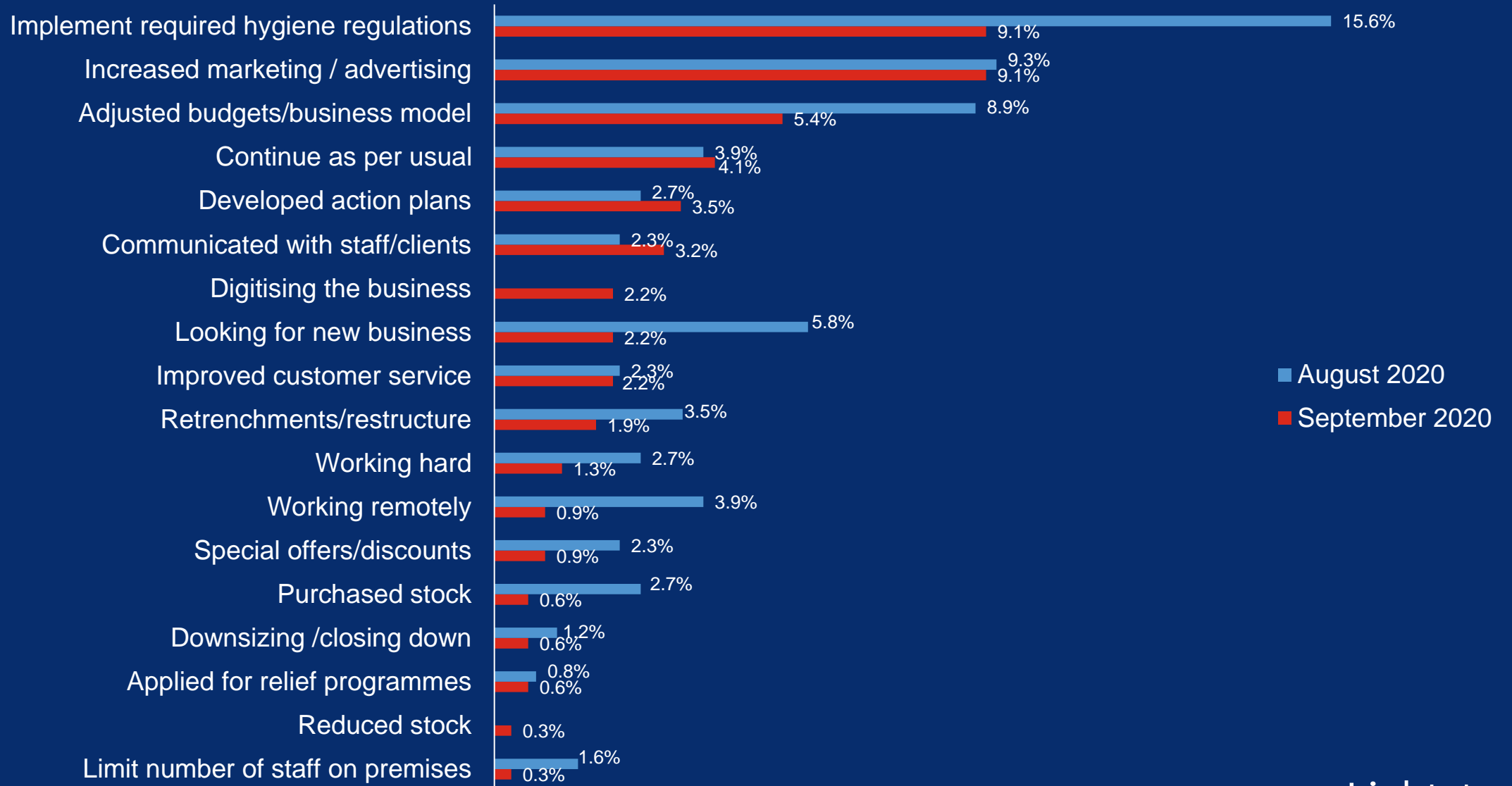
# Time needed by business to recover from the impact of COVID-19



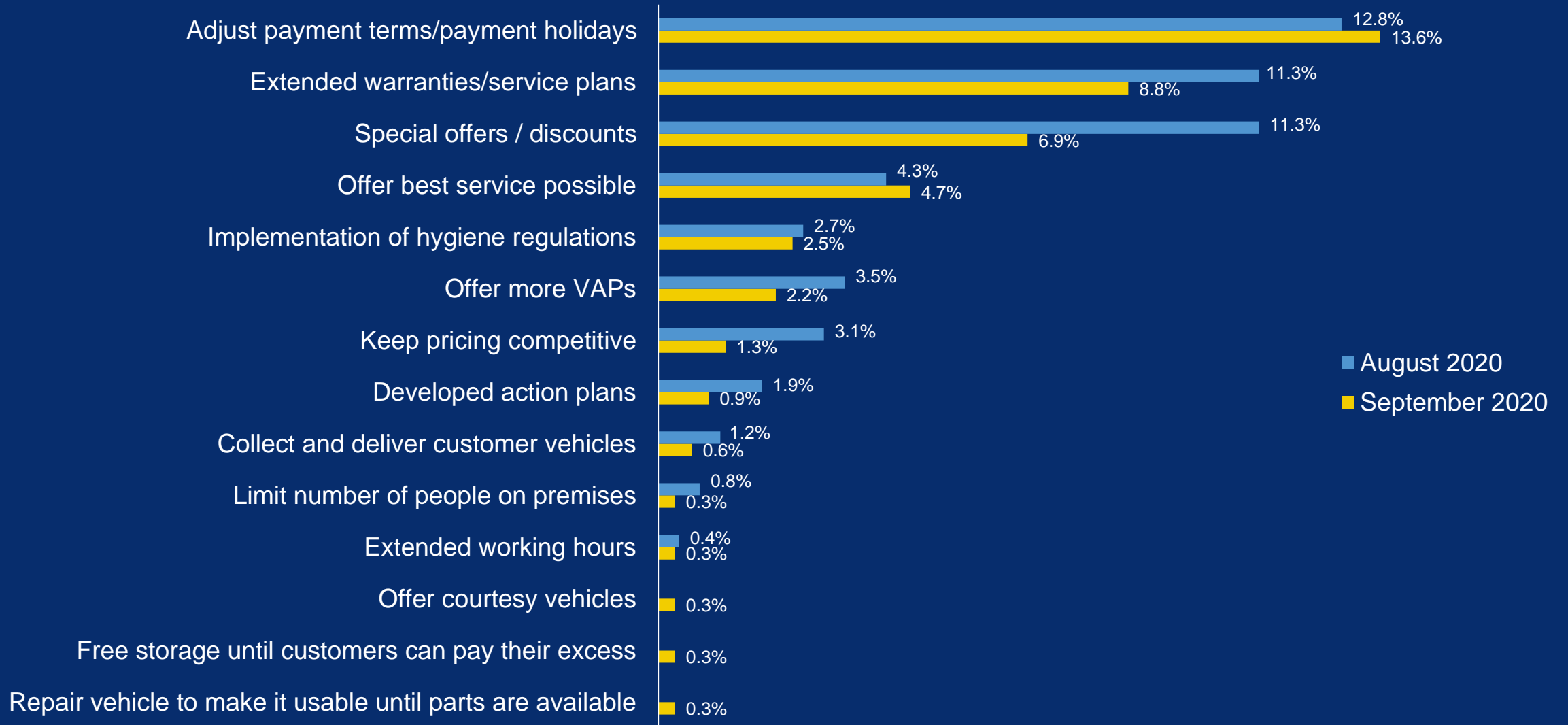
# Time needed by business to recover from the impact of COVID-19, by segment



# What have you done in preparation for your business at the end of lockdown?



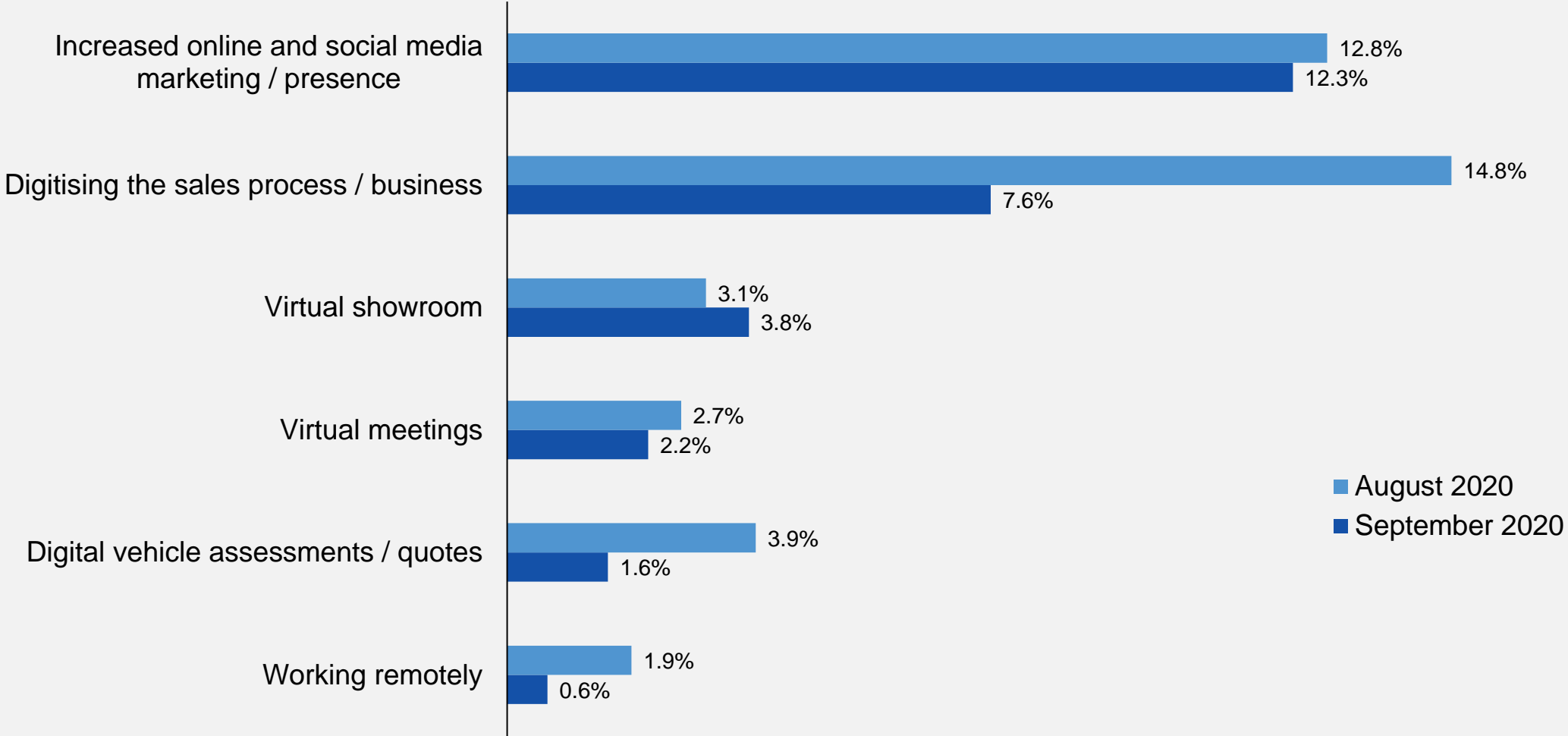
# What measures have you taken to offer relief to consumers?



# What innovations have you implemented to mitigate the impact of COVID-19?



# 28% of innovations involves embracing technology to conduct business online



## Contact us if you have any questions

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