

Market Update

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The NZ Market Q4 2022

Quarterly new vehicle registrations for NZ continued to remain strong despite supply pressures, a gloomy economic outlook and global increases impacting the everyday cost of living.

With the Outlander, Eclipse Cross and ASX all in the Top 10 Mitsubishi passenger car sales have taken top spot for 2022 which has seen the marque outsell Toyota in passenger car sales. The traditional volume player the Corolla actually dropped out of the top 10. Toyota make some ground back with their light commercial team of Hilux and Hiace and still managed to take out the top spot in terms of overall market share with 17% while Mitsubishi (14%), Ford (9%) and Kia (7%) round out the Top 4.

2022 was the year EVs stormed the stage.

Tesla fulfilled their Model Y orders in the back half of 2022 and continued to push out the Model 3. BYD has appeared for the first time in NZ with the introduction of the Atto3 in Q3 2022 and they promise to continue with the introduction of two more vehicles, the Atto2 and Atto4, to the stable during Q3 2023.

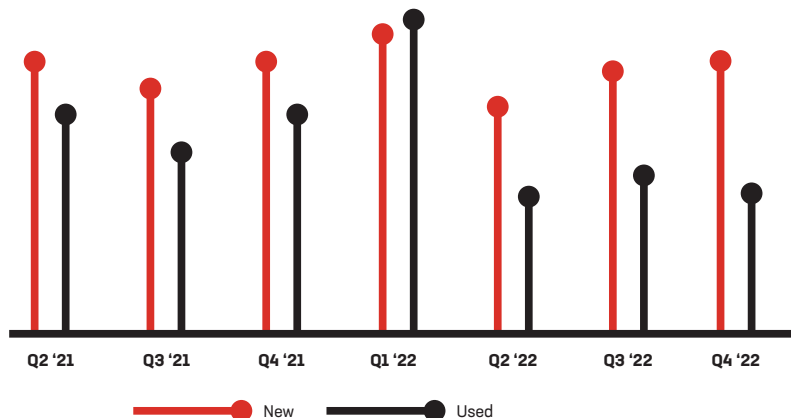
MG have increased sales by 39%, year on year, as the MG ZS in all of its EV, PHEV and petrol guises has sold well during the year. Also, worthy of note is the Polestar with sales of 819 units in 2022.

No doubt some of the hits have been due to stock availability, supply issues, shipping troubles and semi-conductor shortages and they have taken their toll on the likes of Mazda (down 35% year on year), Nissan (down 48% YOY) and Volkswagen (down 32% YOY) that have all dropped significantly between 2021 and 2022 sales numbers.

Registration Summary:

- SUV registrations feature in 9 of the Top 20 selling models of 2022 and, with Q4 registrations of 23,547 they have once again hit record numbers for a quarter.
- Ute registrations have returned to pre-“ute tax” rates of around 8,000 per quarter and feature in 1st, 2nd and fourth spots in terms of top selling vehicles for 2022.
- Used vehicle values in Japan have risen due to supply restraints and demand. Japanese competition for EV and hybrid vehicles echoes global increase in demand as Governments around the world move to introduce restrictions/taxes on importing high CO2 producing vehicles.

NZ Vehicle Registrations





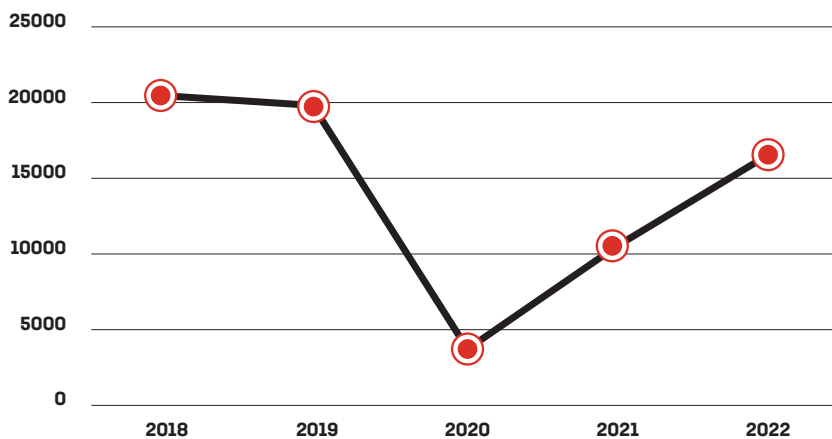
2023 Looking ahead

'The NZ Automotive sector will face extreme pressures into 2023'.

In NZ, we face our own perfect storm of low consumer confidence, interest rate increases, living cost increases, fuel price increases, ongoing COVID impacts and the global ripples of ongoing instability in Europe and China. We also face the additional pressures of the removal of government fuel subsidies in March, and do not have a totally clear picture of the downstream impact of the clean car scheme, or any further ongoing tweaks to the feebate scheme.

As a result, we expect fierce competition for new registration volumes and renewed pressure on used values.

Rental Registrations



Rental registrations have started to bounce back as travel recommences and welcome tourists return, but not yet to the levels pre-COVID. Toyota (4,578), Mitsubishi (3,637) and Kia (2,329) lead the suppliers to the rental car network.

Used import registrations are down over 10,000 units year on year. There were less than 23,000 units registered in Q4 2022, compared to the average for 2021 of over 32,000 units per quarter.

The top 10 used vehicle registrations for 2022 are listed right:

MAKE	MODEL	USED REG 2022
Toyota	Aqua	12,959
Toyota	Prius	6,227
Mazda	Axela	4,942
Nissan	Lef	3,588
Toyota	Corolla	2,949
Honda	Fit	2,893
Mitsubishi	Outlander	2,885
Nissan	X-Trail	2,872
Volkswagen	Golf	2,745
Subaru	Impreza	2,615





Top Models:

- The Toyota Hilux (2,169), Ford Ranger (4,130), Tesla Model Y (2,134) and Mitsubishi Outlander (1,965) make up the top selling vehicles of Q4 2022.
- For the year the sales of Ranger (#1 at 11,574) and Hilux (#2 at 9,787) and Triton (#4 at 6,137) made up the lions share of the Top 10.
- Pure EV's were well represented in the annual sales figures with the Model Y, which only started selling in August 2022, making sixth spot in the Top 10 with sales of 4,226 units during the year. The Model 3 achieved 13th place with 2,781 sales and BYD Atto 3 finished in 21st place with 1,686 sales for the year, once again, only being sold in the back half of 2022.
- Several of the Top 10 sellers were buoyed by having either PHEV's or hybrids in their range. The Outlander ranked third with 9,105 units, Rav4 5th with 5,863, Eclipse Cross 8th with 3,657 and MG ZS was 9th with 3,375 sales for 2022. Within these the Outlander had 2,243 PHEV's, Eclipse Cross had 2,705 and MG ZS had 647 PHEV's. The Rav4 had 3,841 hybrids in its tally for 2022.
- Rounding out the Top 10 was the Suzuki Swift in 7th place with sales of 3,931 units and the Mitsubishi ASX in 10th with 3,372 sales.

The top 20 makes YTD are below:

MAKE	Q3 '21	Q4 '21	Q1 '22	Q2 '22	Q3 '22	Q4 '22
Toyota	6,941	5,119	5,893	5,470	8,232	7,606
Mitsubishi	4,815	8,801	8,302	7,020	5,199	4,925
Ford	4,422	5,137	4,914	1,584	3,118	5,536
Kia	1,709	1,893	2,519	3,586	3,085	1,994
Tesla	1,453	1,124	1,301	12	2,880	2,814
Hyundai	1,743	2,303	2,428	2,238	1,832	1,755
Mazda	2,083	1,579	2,163	1,401	1,368	1,106
Suzuki	1,944	1,646	1,589	2,362	2,207	2,417
MG	1,049	1,188	1,489	1,204	1,197	1,433
Nissan	1,353	2,730	1,759	667	795	1,171
Isuzu	857	898	1,515	464	681	634
Honda	806	1,035	1,206	1,023	704	901
LDV	620	764	1,353	119	484	457
Volkswagen	1,204	967	938	900	872	1,037
Mercedes-Benz	737	560	871	647	610	777
Subaru	542	598	689	592	601	586
BMW	457	283	511	373	391	384
Ssangyong	318	292	496	120	188	130
Land Rover	186	139	465	465	324	166
Audi	395	381	455	485	309	354
Jeep	230	250	360	54	72	60
Others	4,5,926	5,874	6,715	4,489	5,481	5,888
New	38,278	42,437	47,035	35,079	40,630	42,131
Used	29,094	34,225	48,752	21,811	25,010	22,919



NZ Economic Outlook

NZIER reports in January that Business confidence has plummeted, with a net 73 percent of businesses expecting economic conditions to deteriorate over the coming month.

That measure of business sentiment is the weakest ever since the NZIER Quarterly Survey of Business Opinion (QSBO) began in 1961.

Westpac highlights the following serious economic challenges:

Economic Long Covid

Covid is continuing to disrupt global economies. As inflation runs red hot and global interest rates ratchet higher, the downside risks to global growth are mounting.

NZ Households Squeezed

2023 will be a turning point for the NZ economy. The strong economic conditions that we've seen over the past few years are set to give way to a period of weak domestic demand.

Interest hikes still to bite harder

As pressures on households' finances continue to mount, economic growth will drop sharply.

Consumer confidence crashes further

Consumer confidence fell sharply heading into the holiday season, dropping to its lowest level on record.

Running to a standstill

Westpac are forecasting that economic growth will essentially stall through mid-2023 and early-2024.

Consumer confidence is at its lowest level on record.

Consumer confidence



As 2022 draws to a close, confidence among New Zealand households has tumbled, dropping to its lowest levels since Westpac began surveying back in 1988.

Consumer confidence indices

	Dec-22	Sep-22	Change	Average
Consumer Confidence Index	75.6	87.6	-12.0	108.9
Present Conditions Index	71.0	81.9	-10.9	106.3
Expected Conditions Index	78.6	91.4	-12.8	110.7
Current financial situation	-30.9	-22.9	-8.0	-8.9
Expected financial situation	-12.6	-3.2	-9.4	10.8
1-year economic outlook	-41.5	-23.5	-18.0	-3.9
5-year economic outlook	-10.0	0.8	-10.8	27.2
'Good time to buy'	-27.1	-13.3	-13.8	22.9

[source: Westpac Economic Overview]





The Road To Electrification

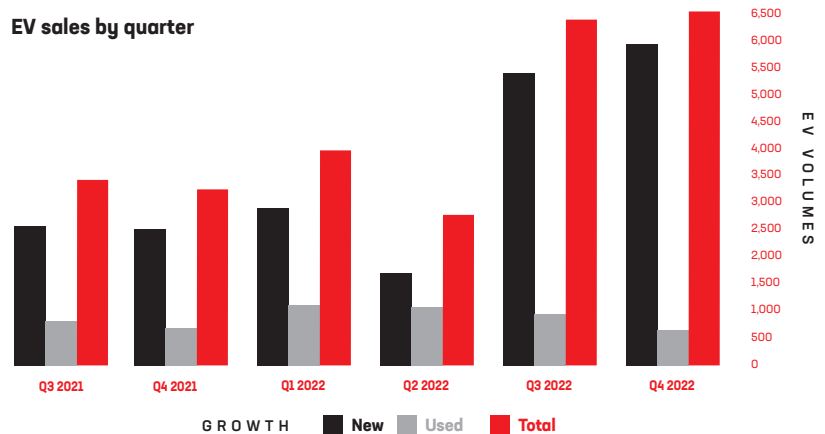


New EV registrations in NZ have once again increased.

The Tesla Model Y and BYD Atto3 both finished strongly during the last quarter of 2022 and these have boosted registrations in the last quarter. We are expecting a number of new model EV's next year so we expect the trend of increasing EV registrations to continue - as long as the supply chain can keep up. We also anticipate increased competition and pressure on pricing (both new and used) as more OEMs compete effectively in the EV space and global demand for product wains as economies struggle through recession in 2023.

Currently there are more that 50,000 battery electric vehicles in New Zealand but that makes up only 1% of the vehicles on the road. There is a long road to electrify the 4.5m vehicles on the roads in New Zealand. In Norway, they took 6 years to move from 1% of electric vehicle sales per annum to 50%. And, at that point, they still only had 10% of the fleet electrified. New Zealand has moved registrations of new electric vehicles from 1.6% in 2021 to 3.6% share in 2022 and that growth is expected to continue as the supply and availability of more EV's come to market during 2023.

EV sales by quarter



Global EV News

Prices of essential raw materials such as cobalt, lithium and nickel have surged.

In May 2022, lithium prices were over seven times higher than at the start of 2021. Unprecedented battery demand and a lack of structural investment in new supply capacity are key factors. Russia's invasion of Ukraine has created further pressure, Russia supplies approximately 20% of global high-purity nickel. Average battery prices had been falling continuously until 2022 when they rose again and if these raw metal prices remain as high ongoing, it is a further hurdle the industry faces in the road to electrification.



USA

The competition is fierce in the race for US EV registrations in the face of a challenging economic outlook. Tesla's recent global price drops has caused some alarm to the US markets and to some commentators, but in the US it has also had the effect of kicking the hornets' nest. That was surely the point, Tesla is cash rich and can ride a few economic bumps, it is also established and well prepared for some rough competition. The newer US EV producers like Rivian, Lucid and Fisker will face a serious stress test. The increasing pace at which traditional OEMs like Ford have both developed desirable EV product and increased production for the US market is recognition of how serious the rapidly evolving EV market is now in the US.

Europe

The European Automobile Manufacturers' Association (ACEA) Vehicle In Use 2023 summary report has just been published.

- Despite the strong increase in sales seen in recent years, electrically chargeable passenger cars (battery electric and plug-in hybrid) still make up only 1.5% of the total EU car fleet. In the EU, only three countries have a share of battery electric (BEV) cars higher than 2% - Denmark, Netherlands and Sweden.

- Outside of the EU Norway has 14.6 % BEV and Iceland 4.6 % BEV passenger cars.
- Diesel-powered light commercial vehicles are still dominant in the EU with 91% of the fleet running on diesel and just 0.6% of vans being battery electric.
- 96.4% of all trucks in the European Union run on diesel, while petrol fuels 0.5% of the fleet. Only 0.1% of trucks on EU roads have a zero-emission powertrain.
- Diesel buses account for 92.5% of the EU fleet, with only 1.3% being battery electric and 1.8% hybrid electric. However, significant shares of electric buses can be found in the Netherlands (14.5%) and Luxembourg (7.8%).

As Europe reels from COVID, economic pressures, and for most of 2022 the War in Ukraine, a recent analysis by McKinsey conducted for ACEA, suggests that—in even the most conservative scenario—the EU-27 will need at least 3.4 million additional operational public charging points by 2030 to meet its infrastructure goals, and that the pace of public charger installations will have to quadruple by 2025 to have any chance of meeting this goal. The rollout of required charging infrastructure is also needing considerable further investment in power grid upgrades and renewable-energy technology. Europe is clearly facing some major EV adoption challenges.

China

China dominates EV sales and adoption globally and big growth is anticipated this year.

According to analysis by Bernstein, Chinese EV makers such as BYD, XPeng and Li Auto are expected to become even more popular domestically this year and surpass European and American competition.

Europe is expected to buy three million EVs this year, with the US buying two million and China buying 10 million.

Neil Beveridge from Bernstein said: "China is expected to have the largest overall sales with 35% year-on-year growth in 2023, after two years of extremely rapid growth. To put this in perspective seven out of every 10 EVs are now sold in China."

Despite struggling with long COVID lock downs the International Monetary Fund says China will avoid recession and still grow its economy by 3.8% this year. China is now pushing hard to reopen its economy amid the pandemic.





Strength Through Adversity

This quarter, ending on a more positive note, we catch up with Daniel Cook, COO of Mitsubishi Motors New Zealand to gain his insights into how an OEM has not only coped through 2022, but thrived.



Congratulations on a stellar year - what are you most proud of as an OEM in 2022?

Our industry focuses on the numbers - how many retail sales did you achieve. Ultimately that's the benchmark of success and our year in 2022 was extraordinary just under 24,000 units delivered to kiwis. However, for me what's more rewarding is the key metrics around customer satisfaction - both those who purchase our vehicles and our dealers who deliver that customer experience. In November we were delighted to be announced by Canstar, as the 3rd most Customer Centric brand in New Zealand (all industries), significantly ahead of all our Automotive competition. This is a true reflection of the hard work being undertaken within our organisation, and within our dealer network to be uncompromising in the pursuit of customer pride. The Canstar research was supported by the recent MTA survey, which for the 4th year running, showed Mitsubishi Motors New Zealand (MMNZ) are the best ranked volume distributor by their dealer network. Our support of dealers enables them to provide the very best levels of customer service, and the results are showing through in the research, customer feedback and now the sales numbers.

What have been the biggest challenges for you as an OEM during the last two years of lockdowns and COVID-19?

MMNZ took a very different approach to many established OEMs during the initial lockdown, focusing on staff retention and welfare (including our dealers). This approach helped us to grow market penetration when the rebound commenced in mid-2020. Since then, our largest challenge has been securing enough product to meet our customers' demands. Our sales volumes have roughly doubled, and we now all know the value of a semi-conductor!

What are the key opportunities for the Auto industry and for Mitsubishi as we recover?

The last two years have shown businesses that our people are key. If we look after our people, they can do the very best for our customers. New Zealand is now facing a very severe skills shortage, so it's more important than ever to empower, train, mentor and reward our staff in a culture that promotes customer service. That's the battle ground for our industry in the years ahead, not on the sales frontlines.



Strength Through Adversity continued...

There have been multiple waves of government legislation condensed into a relatively short time frame. This has certainly resulted in a shift in adoption and acceptance of EV technology - was this acceptance simply inevitable in any case?

The government legislation has definitely galvanised the consumers and driven a sea-change in buying behaviour. This change was coming but has been significantly accelerated by the government actions. The issue for the foreseeable future is lack of global capacity to produce EV's. All manufactures are ramping up, but demand is simply outstripping the ability to supply. The other major issue is the level of tax now on utility vehicles. These are the backbone of rural New Zealand, and there are no practical and affordable alternatives to diesel in the near term. That means more production costs, which ultimately are passed on through our produce prices etc.

Could the transition have been handled better from an OEM perspective?

Absolutely, yes. The policy and direction have been very clear, but the implementation dangerously lacking. Government agencies have struggled with policy clarification, IT systems and the like which have impacted many of the smaller distributor's ability to prepare in time.

What plans are there for Mitsubishi moving to full EVs from PHEV?

Right now, PHEVs are the ideal solution for kiwis, as evidenced by their sales popularity. As the number one seller of PHEV'S we are very well placed for the next 2-3 years. After that, we will start to introduce full EV models to meet the market needs.

What are the key models for you in pipeline for 2023 and beyond?

New Triton is our key model introduction for late 2023. This diesel model remains a kiwi favourite and will continue to do so with the exciting new model we will release late next year.

