

Automotive Export Manual 2019



Inspiring new ways

ACKNOWLEDGEMENTS

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ABBREVIATIONS

AGOA	African Growth and Opportunity Act
AIEC	Automotive Industry Export Council
AIS	Automotive Investment Scheme
APDP	Automotive Production Development Programme
BLNS	Botswana, Lesotho, Namibia and Swaziland (renamed eSwatini)
BRICS	Brazil, Russia, India, China and South Africa
CBU	Completely Built-up
CKD	Completely Knocked Down
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer Price Index
DTI	The Department of Trade and Industry
EAC	East African Community
EU	European Union
FDI	Foreign Direct Investment
FOB	Free on Board
FTA	Free Trade Agreement
GDP	Gross Domestic Product
IDZ	Industrial Development Zone
MERCOSUR	Mercado Común del Sur – Common Market of South America
MIDP	Motor Industry Development Programme
NAACAM	National Association of Automotive Component and Allied Manufacturers
NAAMSA	National Association of Automobile Manufacturers of South Africa
NAFTA	North American Free Trade Area
OEM	Original Equipment Manufacturer (Vehicle Manufacturer)
OICA	International Organisation of Motor Vehicle Manufacturers
PTA	Preferential Trade Agreement
SA	South Africa
SACU	Southern African Customs Union
SADC	Southern African Development Community
SARS	South African Revenue Service
WTO	World Trade Organisation

AUTOMOTIVE EXPORT MANUAL – 2019 – SOUTH AFRICA PUBLICATION

Market intelligence provides companies with a competitive edge. It entails the provision of information about a company's markets (national or international), which has been gathered and analysed specifically for the purpose of accurate and confident decision-making in determining corporate strategies to either develop, penetrate or grow the market. Accurate and timeous data provides insight into current trading conditions, acts as an indicator of where the market is headed and assists companies to develop appropriate and enhanced strategies. Hence, in a rapidly changing business environment, the high value of data requires the availability of an efficient data management system to be prepared for both current and future business operations, and also to identify risks and pursue opportunities.

The *Automotive Export Manual – 2019 – South Africa* publication is an annual publication produced and compiled by the Automotive Industry Export Council (AIEC) – the recognised source of South African automotive trade data. The 2019 publication, as well as the previous 12 publications since 2007, provides a comprehensive guide on the export and import performance of the South African automotive industry under the current Automotive Production Development Programme (APDP). The aim of the manual is to identify and report on the major automotive export destinations, the major countries of origin, the main automotive export trade blocs, the most important automotive products being exported and imported, the top growth markets and products, as well as the impact of the trade arrangements enjoyed by South Africa on automotive trade patterns.

This Automotive Export Manual has become an essential publication that provides data to provide automotive decision-makers both in South Africa and internationally with market intelligence on the performance of automotive exports and imports in the country.



SOUTH AFRICA AND ITS AUTOMOTIVE INDUSTRY

The global economy is entering the Fourth Industrial Revolution, or Industry 4.0 – defined by evolving technological trends that are spearheading the computerisation of manufacturing and which have the potential to profoundly change the lives of millions of people around the world. Increasingly, technology is connecting the digital world with the physical one, resulting in new innovations such as artificial intelligence and self-driving cars. Smarter equipment and devices result in many advantages, while new technologies make production and use of new innovations cheaper and easier than ever. The benefits of Industry 4.0 span across several areas, such as cost, productivity, profitability and operations and manufacturers are actively seeking to control, streamline, optimise or enhance their operations.

The automotive industry is regarded as one of the most global of all industries with value chains spanning multiple countries across the globe. Consequently, the global automotive industry is predicated around trade as not even the US or China can produce every single automotive product. The emerging circumstances of Industry 4.0 call on countries to be more resolute and indeed smart in advancing their own national interests. Multidisciplinary solutions will be required to meet the additional demand and complexity of projects. Crucial steps to successfully make the transition include, responding effectively to changes by assisting business leaders and employees to become sensitive to the new environment, retraining, acquiring new skills, and setting up structures that support research and development with a focus on Industry 4.0 transition.

In South Africa, the automotive industry continues to reflect the power of combining good industrial policy and foreign investment, and is not only the backbone of the industrialisation drive in South Africa but is also key to ensuring greater economic growth. Manufacturing-driven growth has the highest impact on job creation. Furthermore, with its linkages throughout the economy, the country's automotive industry is a turbo-charged engine for the manufacture and export of vehicles and automotive components to world markets.

In 2018, the export of automotive products reached a record amount of R178,8 billion, equating to 14,3% of South Africa's total exports. As the largest manufacturing sector in the country's economy, vehicle and component production accounted for 29,9% of South Africa's manufacturing output in 2018, while the broader automotive industry's contribution to the GDP stood at 6,8% (4,3% manufacturing and 2,5% retail). In addition, investments by the seven major OEMs in the country amounted to a further substantial R7,2 billion in 2018, along with the investment of R3,5 billion by the automotive component suppliers. The total automotive revenue in the ambit of the automotive business sphere in South Africa amounted to R503 billion in 2018.

The direct value-addition impact of the automotive industry on the South African economy is multiple times the level of support it receives from government, most of which is paid in the form of duty rebates, rather than direct fiscal costs. The following table highlights the significant social and economic contribution made by the domestic automotive industry in the context of the South African economy for 2017 and 2018.



Key performance indicators under the APDP – 2017 to 2018

Indicator	Performance	
	2017	2018
Population	56,52 million	57,73 million
Consumer Price Index (CPI)	5,3%	4,7%
South Africa's GDP (current prices)	R4 653,6 billion	R4 873,9 billion
Broader automotive industry contribution to GDP	6,9%	6,8%
Vehicle and component production as % of South Africa's manufacturing output	30,1%	29,9%
Average monthly employment by vehicle manufacturers	30 050	29 855
Automotive component sector employment	80 000	80 000
Capital expenditure – vehicle manufacturers	R8,2 billion	R7,2 billion
Capital expenditure – component sector	R4,0 billion	R3,5 billion
Total South African new vehicle sales	557 703 units	552 226 units
Total South African vehicle production	601 338 units	610 854 units
South Africa's vehicle production as % of Africa's vehicle production	58,8%	54,3%
South Africa's global vehicle production ranking	22 nd	22 nd
South Africa's global vehicle production market share	0,62%	0,64%
Vehicle ownership ratio per 1 000 persons	176	176
Vehicle parc (number of registered vehicles)	12,21 million	12,46 million
Total automotive export earnings	R164,9 billion	R178,8 billion
Automotive export value as % of total South African export value	13,9%	14,3%
Number of export destinations	149	155
Number of export destinations with export values more than doubling year-on-year	16	25
Top automotive country export destination in Rand value terms	Germany	Germany
Total South African vehicle exports	338 096 units	351 139 units
Value of vehicle exports	R114,6 billion	R127,5 billion
Top vehicle export destination in volume terms	UK	UK
Value of automotive component exports	R50,3 billion	R51,3 billion
Top automotive export component category in Rand value terms	Catalytic converters	Catalytic converters
Top automotive trading partner (imports and exports) in Rand value terms	Germany	Germany
Top automotive trading region (imports and exports) in Rand value terms	EU	EU
Top country of origin for total automotive imports in Rand value terms	Germany	Germany
Top country of origin for vehicle imports	India	India

Source: AIEC, Econometrix, NAAMSA/Lightstone Auto, NAACAM, OICA, SARS, StatsSA

The automotive industry in South Africa is a success story owing to the partnership between government and the sector to develop the industry. The automotive industry is a crucial job creator in the country's economy and makes a significant contribution to the South African economy as a whole in terms of GDP, employment, compensation, government revenue, exports and capital investment.

It is encouraging that in spite of domestic and foreign economic headwinds, the seven OEMs have made investment commitments of R40 billion over the next five years. Investment at this scale is significant and will promote local value-addition, with almost R25 billion expected to be invested in domestically sourced components. The industry is therefore of key importance to the domestic economy, while the socio-economic contribution of the multinational corporations in the country is vital in contributing to the social upliftment of the regional communities where the industry is concentrated.

Government's announcement of its commitment and support post-2020 provides an attractive proposition to global OEMs and their suppliers to realise the aspirations of a significant expansion in vehicle production volumes, much higher levels of localisation, substantial employment growth, as well as transformation in the domestic automotive industry.

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REPRESENTATIVE SOUTH AFRICAN AUTOMOTIVE INDUSTRY BODIES

South Africa's pro-automotive government policy programme, favourable trade agreements, public-private partnerships, and industry associations have created an appealing environment for global automotive OEMs and automotive component suppliers to manufacture products in South Africa. Automotive industry bodies in the manufacturing and retail sectors of the industry include the National Association of Automobile Manufacturers of South Africa (NAAMSA), the National Association of Automotive Component and Allied Manufacturers (NAACAM), and the Retail Motor Industry Organisation (RMI). The major OEMs in South Africa, as well as NAACAM, are also affiliated to the independent African Association of Automotive Manufacturers (AAAM).

Businesses need a strong collective voice to do business in domestic and global markets. Representation at the highest levels, when new legislation is introduced or when changes to legislation may impact on businesses' ability to do business or to protect their investments, is imperative. The automotive industry bodies in South Africa have a track record of making a difference and promoting the concept of unity, whilst affording members the opportunity to shape important decisions.

NAAMSA represents the collective, non-competitive interests of the new vehicle manufacturing industry in South Africa and comprises 20 companies involved in the production of passenger cars and commercial vehicles which collectively employ in the order of 30 000 people. NAAMSA also represents the interests of a further 21 companies involved in the importation and distribution of new motor vehicles in South Africa. The monthly NAAMSA/Lightstone Auto new vehicle sales reports and other data products are not only used by automotive industry professionals but also by various government departments and analysts looking to assess the financial health of the country. More information on NAAMSA and its activities can be accessed at www.naamsa.co.za.

NAACAM represents the interests of the automotive component manufacturers in the country. The association has 120 members, of which approximately 80% are first-tier suppliers with 200 regional manufacturing sites, in addition to 27 associate members who provide a wide range of services to members. The association currently also administers the South African Tyre Manufacturers Conference (SATMC) representing the four international companies that manufacture tyres in South Africa, namely Bridgestone, Continental, Goodyear and Sumitomo. Employment in the component sector, including enterprises that are not members of NAACAM, comprised around 80 000 people in 2018. More information on NAACAM, including the profiles and contact details of the major automotive component suppliers in South Africa, can be accessed at www.naacam.co.za.

The **RMI** represents the retail motor trade sector of the automotive industry, which includes more than 7 500 member businesses across 14 trade associations that are serviced out of six offices around the country. The National Automobile Dealers' Association (NADA) is one of the 14 trade associations focusing on new vehicle franchise dealerships and qualifying used vehicle outlets. NADA represents and promotes the interests of 1 323 franchise and pre-owned motor vehicle dealers in South Africa. More information on the RMI can be accessed at www.rmi.org.za.

The **AAAM** was inaugurated in November 2015. The aim of the AAAM is to unlock the economic potential of the African continent by promoting a policy environment that is conducive to the development of the automotive sector. The AAAM aims to connect the major countries in Africa to establish a pan-African automotive industry collaboration which would lead to the creation of an automotive cluster. The AAAM's mandate is therefore to engage with government, industry bodies and representatives from the African motor sector to provide advice on opportunities to formalise, develop and grow all aspects of the relevant domestic automotive industry. This includes promoting an investor-friendly regulatory framework that will support the development and implementation of policies to establish a viable automotive manufacturing industry on the continent for both vehicle assemblers and automotive component suppliers.

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THE AUTOMOTIVE INDUSTRY EXPORT COUNCIL

The global automotive landscape today is vastly different from that of 10, or even five years ago, and companies need to respond effectively to the changes. Exporters want to achieve the right exposure, establish and maintain their company's position in a particular foreign market, while still being in control of what happens to the company's product/s, its clients, its company's reputation and brand, and of course, achieve results.

The Automotive Industry Export Council (AIEC) was established in 1999 and serves as the umbrella body for the South African automotive industry's export promotion and development activities, and represents an important link between the industry and the Department of Trade and Industry (Dti). The purpose of the AIEC is to provide a cost-effective means of assisting companies in the automotive sector that are currently exporting, may be interested in exporting in future, or may become capable of exporting in future. The activities and administration of the AIEC are co-ordinated by the AIEC Board. The AIEC Board of Directors consists of Mr Renai Moothilal (Executive Director – NAACAM – Chairperson), Dr Norman Lamprecht (Executive Manager – NAAMSA), Mr Mike Mabasa (Executive Director – NAAMSA), as well as two ex-officio members from the Department of Trade and Industry, Mr Mzwakhe Mbatha and Mr Adriaan Adams.



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Mr Mzwakhe Mbatha
Ex-officio Member
DTI



Mr Adriaan Adams
Ex-officio Member
DTI

The AIEC represents the interests of seven major motor vehicle manufacturers/exporters, namely, BMW, Ford, Isuzu, Mercedes-Benz, Nissan, Toyota and Volkswagen, as well as 13 manufacturers/exporters of trucks and buses, and about 500 automotive component suppliers in South Africa.

Together with the Dti, the seven major light vehicle OEMs and NAACAM currently fund the AIEC as a way of contributing towards developing, broadening and deepening the automotive supply chain in the country, and also to support smaller enterprises to ultimately become part of the supply chain.

Export promotion mechanisms that are employed by Trade and Investment South Africa (TISA) and the Dti, through support from the Export Marketing and Investment Assistance (EMIA) scheme, include national pavilions at trade shows, trade missions, and investment and trade initiatives. These interventions are aimed at creating visibility and market access for South African automotive component manufacturers to enable them to diversify into new export markets, as well as to integrate into global and regional value chains.

One of the AIEC's key service offerings to stimulate export growth and deepen the export base is to facilitate participation in major automotive events abroad. Personal contact at trade shows, in particular those with a regional impact, remains a priority focus in the pursuit of opportunities. This is an effective way of establishing and building business relationships and forms the foundation for business strategies. During the 2018/2019 financial year, the AIEC and automotive component manufacturing companies participated in the Automechanika Frankfurt national pavilion in Germany from 11 to 15 September 2018 (www.automechanika.messefrankfurt.com), the South African national pavilion at Midest, Lyon, from 5 to 8 March 2019 (www.midest.com), as well as the NAACAM Show 2019, South Africa's automotive component initiative, from 12 to 14 March 2019 (www.naacamshow.co.za).

South African automotive events in the 2019/2020 financial year include the South African Festival of Motoring scheduled to take place from 22 to 25 August 2019 at the Kyalami Grand Prix Circuit and International Convention Centre, Johannesburg (www.safestivalofmotoring.com) and a national pavilion at the Automechanika Johannesburg event which coincides with Futureroad Expo Johannesburg (commercial vehicles) and Scalex Johannesburg (transport systems, infrastructure and logistics solutions), scheduled to take place from 18 to 21 September 2019 at Nasrec, Johannesburg (www.Automechanikasa.co.za).

More information on the Automotive Industry Export Council can be accessed at www.aiec.co.za.



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THE SOUTH AFRICAN NEW VEHICLE MARKET

South African new vehicle demand is met by a range of imported and domestically manufactured vehicles. The country has one of the most competitive trading environments in the world, and in 2018 offered consumers a choice of no fewer than 49 passenger car brands and 3 716 model derivatives. This afforded car buyers the widest choice to market-size ratio anywhere in the world. Similarly, in the light commercial vehicle segment, for the same period, there were 30 brands, with 656 model derivatives to choose from. South Africa had a vehicle parc (number of registered vehicles) of 12,46 million at the end of 2018, of which 7,34 million, or 58,9%, comprised passenger cars. The average age of the passenger car parc in 2018 was 9 years and 10 months, for the commercial vehicle parc, 10 years, and overall for the total vehicle parc, 9 years and 11 months. The vehicle ownership ratio in South Africa is in the order of 176 vehicles per 1 000 persons.

A close correlation exists between domestic new vehicle sales and the overall performance of the economy, as well as business and consumer confidence levels. Due to low GDP growth and pressure on consumers' disposable income, South African new vehicle sales retreated into negative territory in 2018, to 552 226 units, down by 1,0% from the 557 703 units sold in 2017. Passenger cars and light commercial vehicles (LCVs), which contributed 66,1% and 28,9% of the total market, respectively, were down by 0,8% and 2,4%, from 2017 to 2018. Record fuel prices, a VAT increase from 14% to 15% in 2018, increases in emissions taxes, and the fuel levy all contributed to consumers delaying purchasing decisions. The 0,25% increase in interest rates, announced in November 2018, also negatively impacted new vehicle sales. However, new passenger car pricing in real terms continued to decline and ongoing incentivisation improved affordability. The South African truck market, however, provided some optimism with year-on-year sales increasing by 4,8%. The following table reveals the sales of passenger cars and commercial vehicles for 2014 through to 2018.

Sales of passenger cars and commercial vehicles – 2014 to 2018

Year	Passenger cars	Light commercial vehicles	Medium and heavy commercial vehicles and buses	Total new vehicle sales
2014	438 937	173 811	31 509	644 257
2015	412 397	174 812	30 441	617 250
2016	361 265	159 316	26 971	547 552
2017	368 114	163 317	26 272	557 703
2018	365 242	159 449	27 535	552 226

Source: NAAMSA/Lightstone Auto

The domestic new vehicle market is likely to consolidate further in 2019. Current market conditions are characterised by a buying-down trend in favour of entry-level vehicles, as well as small SUVs and crossovers, and moving out of the premium market segment. SUVs, however, comprised a substantial 28,8% of total passenger car sales, and the performance of this popular segment was aligned with global trends. Passenger car sales through the dealer channel, which is representative of consumer activity, comprised 81,0% of total sales in 2018, followed by 12,8% to the vehicle rental industry, 3,6% to industry corporate fleet sales and 2,6% to government.

The business environment is changing at a rapid pace in view of new technologies, changed customer expectations and new market players. Qualified sales and service partners, an established logistics network, a strong product portfolio and extremely loyal customers would place a company on a strong footing for the future. A wide variety of tailor-made offerings and solutions, adapted to changing customer needs, will be key ingredients for success.

Passenger car models manufactured in South Africa in 2018 included the following:

BMW	3-Series 4-door and X3 (launched in 2018)
Ford	Everest
Mercedes-Benz	C-Class 4-door
Toyota	Corolla 4-door new and previous series (designated Quest) and Fortuner
Volkswagen	Polo new and previous series (designated Vivo)

Light commercial vehicle models manufactured in South Africa in 2018 included the following:

Ford	Ranger
Isuzu Motors	KB and D-Max
Nissan	NP200, NP300 Hardbody
Toyota	Hilux and Quantum

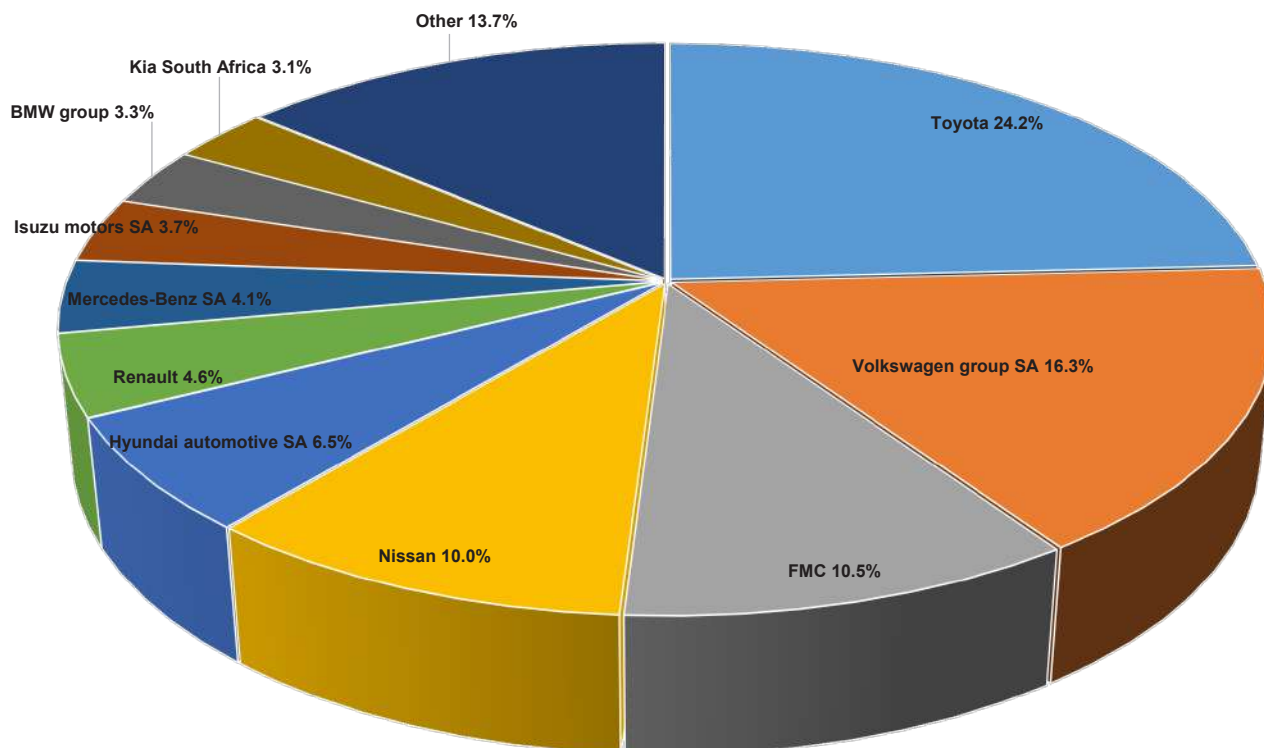
Toyota was the leading automotive brand in South Africa in 2018, celebrating 39 years of market leadership with a market share of 24,2%, followed by Volkswagen Group of SA, Ford Motor Company of Southern Africa and Nissan South Africa. The Volkswagen Group brand retained leadership in the South African passenger car market for the eighth successive year, with the Polo Vivo and Polo once again the two best-selling passenger cars in the country in 2018.

Nine of the top 10 selling vehicles in 2018 were South African-built passenger cars and light commercial vehicles. The top 10 most popular models sold included five light commercial vehicle models, namely, the Toyota Hilux, Ford Ranger, Nissan NP200, Toyota Quantum, and Isuzu KB/D-Max and five passenger cars, namely, the Volkswagen Polo Vivo, Volkswagen Polo, Toyota Fortuner, Hyundai Grand i10 (imported from India, the only exception), and the Toyota Corolla Quest.

Light commercial vehicles remained the most popular vehicle sold in South Africa. The Toyota Hilux has been the top-selling one ton light commercial vehicle for the 46th time in its 49 years on the domestic market. This also ensured that a light commercial vehicle remained the most popular vehicle sold in the South African market, with the Hilux selling 40 022 units and the Ford Ranger selling 30 135 units, followed by sales of 26 514 units by the top-selling passenger car, the Volkswagen Polo Vivo. The following graph reveals the market shares of the top 10 OEMs/Importers in the country in 2018.



Overall new vehicle market share – 2018



Source: NAAMSA/Lightstone Auto

In 2018, new diesel passenger car and light commercial vehicle sales accounted for 35,9% of the market share of total light vehicle sales, up from 34,6% in 2017. The trend in Europe and the UK is on phasing out diesel engines by making diesel fuel very expensive. Hybrid petrol and diesel vehicle sales in the domestic market comprised 144 units in 2018, down from the 303 units in 2017, while electric car sales declined from 68 units in 2017 to 58 units in 2018.

Although electric vehicles (EVs) are making headlines, they are not yet a market force and currently comprise only about 1,5% to 2% of global vehicle sales. EV sales, in general, enjoy support from a large number of governments worldwide in an effort to reduce the transport industry's carbon footprint within cities, especially those battling pollution. An increasing number of South African OEMs have indicated that they plan to introduce EVs in the next two years in the domestic market. An increase in sales would depend on customer preferences and the development of public charging infrastructure. The following table reveals the split between the sales of new petrol and diesel cars and light commercial vehicles in South Africa from 2014 through to 2018.

Petrol versus diesel passenger cars and light commercial vehicle sales – 2014 to 2018

	2014	2015	2016	2017	2018
Diesel cars and diesel LCVs	190 332	190 305	175 842	184 000	188 284
Petrol cars and petrol LCVs	421 756	396 397	344 258	347 060	336 286
Total cars and LCVs	612 088	586 702	520 100	531 060	524 570
Diesel vehicles as % of total cars and LCV sales	31,1%	32,4%	33,8%	34,6%	35,9%

Source: NAAMSA/Lightstone Auto

The heavy commercial vehicle sector in South Africa is characterised by a large number of company brands. The challenge does not lie in the total numbers but in the massive variety of vehicle applications that make up the relatively small market, from a 4-ton gross vehicle mass (GVM) freight carrier up to a 56-ton gross combination mass (GCM) vehicle combination. In 2018, the medium commercial vehicle segment consisted of 17 brands with 156 model derivatives to choose from; in the heavy commercial vehicle segment there were 14 brands with 135 model derivatives; in the extra-heavy commercial vehicle segment there were 19 brands with 502 model derivatives; and in the bus segment there were 8 brands with 46 model derivatives.

In 2018, the following medium, heavy and extra-heavy commercial vehicle companies were represented in South Africa:

Babcock	Bell Equipment	Eicher Trucks
FAW Trucks	Fiat Chrysler Automobiles SA	Ford Motor Company
Hyundai Automotive SA	Isuzu Motors SA	Iveco
JMC	MAN	Mercedes-Benz SA (Freightliner and Fuso)
Peugeot Citroen SA	Powerstar SA	Scania
Tata Trucks	Toyota (Hino)	Volkswagen Group SA
Volvo Group Southern Africa		

In 2018, the following bus companies were represented in South Africa:

Isuzu Motors SA	Iveco	MAN
MarcoPolo	Mercedes-Benz	Scania
Tata	Volvo Group Southern Africa	

The truck market is linked directly to the economy as it is business confidence that inspires investment in trucks. Mobility and economic growth enjoy a mutually reinforcing, interdependent relationship due to the strong correlation between economic growth and the ability to move goods and services. A key driver of economic growth is the investment in transport, logistics and infrastructure, to improve the movement of goods.

All heavy commercial vehicle segments recorded improvements from 2017 to 2018, reflecting an improvement in capital investment, but this could largely be attributed to replacement of ageing vehicles within existing fleets rather than expansion of those fleets. The sharp increase in diesel prices remains a source of great concern to the transport industry. Isuzu Truck South Africa has held onto its position for five consecutive years as the best-selling truck brand in the medium and heavy commercial segments, Volvo Group Southern Africa was the leader in the extra-heavy commercial vehicle segment, and MAN in the bus segment in 2018. The following table reveals the sales of medium, heavy, extra-heavy commercial vehicles and buses from 2014 through to 2018.

Sales of medium and heavy commercial vehicles and buses – 2014 to 2018

MEDIUM AND HEAVY COMMERCIAL VEHICLES AND BUSES					
Market					
	MCV	HCV	XHCV	Buses	Total
2014	10 983	5 487	13 775	1 264	31 509
2015	10 522	5 668	13 128	1 123	30 441
2016	8 436	5 468	11 815	1 252	26 971
2017	7 890	5 305	11 978	1 099	26 272
2018	7 914	5 392	13 159	1 070	27 535

Source: NAAMSA/Lightstone Auto

The commercial vehicle sector provides a vital service to consumers. It is not just movement itself, but how efficiently movement takes place, that fuels the economy. This means the better the road network and its maintenance, the more effective the transport businesses, and the more sophisticated the logistics solutions, the more smoothly the economy will run.

Growth in the South African economy is dependent on a successful transport industry. Medium and heavy commercial vehicles are regarded as productive assets and essential capital inputs in the economy. The level of protection on these vehicles has therefore been set at 20% ad valorem, which is lower than the level on light commercial vehicles and passenger cars, which attract an import duty of 25% ad valorem. Assembly operations of trucks and buses receive the benefit of the duty-free importation of all driveline components, which include the engines, transmissions, drive-axles and gearboxes. However, tyres, which are manufactured domestically, attract a 15% import duty.

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EXPORTS OF VEHICLES

South Africa manufactures a broad range of vehicles, including passenger cars, light commercial vehicles, medium commercial vehicles, heavy commercial vehicles, extra-heavy commercial vehicles and buses. Domestic vehicle production increased to 610 854 units in 2018, from 601 338 units in 2017 – rising by 9 516 vehicles, or 1,6%. Vehicle production in 2018 was supported by the record number of 351 139 left- and right-hand drive vehicles that were exported to 104 countries around the world.

In 2018, light vehicle (passenger cars and light commercial vehicles) exports accounted for 60,1% of total domestic light vehicle production. Of the 351 139 units exported in 2018, passenger car exports comprised 221 681 units, or 63,1% of the total; light commercial vehicles comprised 128 322 units, or 36,6% of the total; and medium and heavy commercial vehicles and buses comprised 1 136 units, or 0,3% of the total. Five OEMs have export contracts beyond Africa, with two OEMs producing mainly for the South African and sub-Saharan African market.

The South African market is generally not large enough to generate sufficient economies of scale, consequently exporting remains key to achieving improved international competitiveness, and hence, ensuring the sustainability and viability of the vehicle manufacturing industry in South Africa. Domestically manufactured vehicles are therefore not necessarily destined for sale in the domestic market, but are destined to generate import credits so that the imported vehicles demanded by consumers can be offered at more favourable prices by rebating the import duty.

Most OEMs have grown their volumes substantially and now produce a very high proportion of vehicles for the export market. During 2018, three models achieved production volumes in excess of 100 000 units and one at 99 700 units. Significant rationalisation of the production of light vehicle models in South Africa has taken place under the MIDP and the APDP, resulting in a reduction from 42 platforms two decades ago to 11 platforms in 2018. A key challenge that remains in the industry is to raise local value-addition levels in South African manufactured vehicles, which would result in benefits such as improved supplier efficiencies, the avoidance of currency volatility, logistics cost savings, domestic job creation, skills development, and technology transfers.

The following table reveals that the top export destinations for passenger cars and LCVs in terms of number of units in 2018 were the UK, Japan, Germany and France. Mercedes-Benz, with its C-Class model, continued to be the pace-setter in terms of exported vehicles in 2018. Although the appetite of African countries to import built-up vehicles from South Africa increased again in 2018, no African country, for the third consecutive year, featured under South Africa's top 10 vehicle export destinations. Kenya, with 3 213 units, was the top destination for South African vehicle exports on the African continent in 2018. Regulation changes deprived support for new imported vehicles purchases in a number of countries on the continent. Developments in Algeria and Nigeria in particular, two of the domestic industry's top export destinations in recent years, exacerbated the situation.



Top 10 destinations for light vehicles (passenger cars and light commercial vehicles) exported – 2014 to 2018

Country	2014	2015	2016	2017	2018
Total (R billion)	66,3	98,0	114,0	110,9	123,2
Ranking of exporters Number 1 to Number 5	Toyota BMW VW Ford MBSA	MBSA VW BMW Ford Toyota	MBSA VW BMW Ford Toyota	MBSA VW Ford BMW Toyota	MBSA VW Ford Toyota BMW
UK	61 073	104 098	110 356	98 358	119 578
Japan	25 097	15 828	33 296	42 492	44 027
Germany	9 337	9 915	12 297	10 423	25 513
France	13 558	16 130	19 204	19 055	23 400
Australia	13 100	21 197	21 446	23 336	21 594
USA	42 319	48 899	47 627	40 414	11 440
Spain	3 351	4 541	3 895	5 770	10 833
Italy	1 403	2 892	6 238	5 088	8 870
Belgium	4 788	8 772	8 116	6 902	6 338
Poland	981	947	5 188	5 285	5 425
Other	100 515	99 506	76 103	79 982	72 985
Total (units)	275 522	332 725	343 766	337 105	350 003
Light vehicle production	533 650	583 883	571 791	574 075	582 183
% of production exported	51,6%	57,0%	60,1%	58,7%	60,1%

Source: NAAMSA/Lightstone Auto, SARS

A strong domestic and regional base is imperative for exports to other regions. The following table reveals that vehicle exports into Europe, Africa, Central and South America reflected growth in 2018, with the EU, on the whole, dominating as a region. Africa's medium- to long-term potential remains positive as the continent has a low level of motorisation, as well as a growing middle class – ingredients which predict a growing demand for new vehicles. The increase in vehicle exports into Africa suggests that demand from the continent has stabilised and is starting to recover, albeit from a low base over the past three years, compared to the 61 015 vehicles exported in 2014. Exports to North America declined substantially from 2017 to 2018, which could be attributed to the same BMW and Mercedes-Benz models being manufactured in the US, which used to be the top export market for previous model ranges manufactured in South Africa by the two OEMs.

A strong domestic and regional base is imperative for exports to other regions.

Changing composition of South African vehicle exports by major regions: 2014 to 2018

Region	2014	2015	2016	2017	2018	% change 2018 / 2017
Europe	116 064	173 883	196 727	190 503	233 772	+22,7%
Asia	34 031	34 929	46 655	52 827	50 277	-4,8%
Africa	61 015	41 431	21 505	21 848	23 988	+9,8%
Australasia	14 608	22 946	22 735	25 125	22 767	-9,4%
North America	48 136	53 606	52 024	43 393	13 037	-70,0%
South America	2 482	6 554	4 750	3 588	5 787	+61,3%
Central America	600	496	410	812	1 511	+86,1%
Total	276 936	333 845	344 816	338 096	351 139	+3,9%

Source: NAAMSA/Lightstone Auto

Exports of medium and heavy commercial vehicles and buses comprised only 0,3% of the total vehicle exports in 2018, and in relation to passenger cars and light commercial vehicles, have been relatively insignificant in terms of volumes. In 2018, a total of 1 136 trucks and buses were exported, up by 145 units, or 14,6%, from the 991 units exported in 2017. With the exception of extra-heavy commercial vehicle exports, which declined by 5,6%, from 662 units in 2017 to 625 units in 2018, the other segments performed exceptionally well. Heavy commercial vehicle exports reflected a year-on-year increase of 35%, from 160 units in 2017 to 216 units in 2018; medium commercial vehicle exports increased by a substantial 61,2%, from 116 units in 2017 to 187 units in 2018; while bus exports rose by a significant 107,7% to 108 units in 2018 from the 52 units in 2017.

Mozambique was the overall top destination for all truck and bus exports in 2018. For extra-heavy commercial vehicles and buses, the top destination in 2018 was Mozambique, while for heavy commercial and medium commercial vehicles the top destination was Zimbabwe. The following table reveals that the main export destinations for trucks and buses have consistently been South Africa's neighbouring countries in the SADC region.

*Mozambique was the overall
top destination for all truck
and bus exports in 2018.*

Top destinations and region for medium, heavy commercial vehicles and buses exported – 2014 to 2018

Country	2014	2015	2016	2017	2018
Total (R billion)	3,7	3,9	4,1	3,7	4,3
Ranking of exporters Number 1 to Number 5	MAN Scania Iveco UD Trucks GM/Isuzu Trucks	MAN Volvo Group Scania GMSA/Isuzu Trucks Iveco	Volvo Group Scania GM/Isuzu Trucks Iveco FAW	Volvo Group FAW Iveco MAN Scania	Volvo Group MAN Scania FAW MBSA
Mozambique	153	213	201	227	304
Zimbabwe	315	278	294	181	277
Zambia	392	126	165	211	189
Uganda	8	42	43	19	111
Tanzania	159	143	201	173	94
Mauritius	7	7	15	20	65
Malawi	42	64	64	92	47
Kenya	191	219	55	54	23
Mauritania	0	0	0	0	12
Turkey	0	0	0	0	6
Other	147	28	12	14	8
Africa	1 404	1 112	1 041	981	1 126
Total (units)	1 414	1 120	1 050	991	1 136

Source: NAAMSA/Lightstone Auto, SARS

In a weak domestic market, exports into Africa remain a priority focus for commercial vehicle manufacturers to increase production volumes. Regional economic integration is an essential mechanism when it comes to connecting African countries. However, regional integration is not feasible without transport playing a critical and strategic role. Within Africa in particular, trucks are required to travel long distances to transport and deliver goods. Transport is being regarded as an important growth enabler, and the growing business ties between South Africa and the rest of the continent could assist the domestic industry's export expansion into Africa.

*Regional economic integration
is an essential mechanism
when it comes to connecting
African countries.*

IMPORTS OF VEHICLES

In 2018, the 291 402 new light vehicles (passenger cars and light commercial vehicles) imported into South Africa originated from 24 countries. Imports of light vehicles declined by 1 863 units, or 0,6%, from the 293 265 units in 2017 to 291 402 units in 2018, in line with the decline of 1,0% in aggregate new vehicle sales in the domestic market. Light vehicle imports comprised 55,5% of the total light vehicle sales in 2018, slightly up from the 55,2% in 2017.

In 2018, 72,6% of passenger cars sold in South Africa were imported. An important aspect of the South African automotive industry is the relationship between imports and domestic production as governed by the automotive policy regime in South Africa. The previous MIDP and current APDP encourage domestic OEMs to manufacture high volumes of selected models linked to export contracts to obtain economies of scale, coupled with low-volume models imported to complement domestic market mixes. The OEMs and independent vehicle importers can offset vehicle and original equipment component import duties through duty rebate mechanisms that have been structured to support both the competitiveness and sustainability of the domestic automotive industry.

South African consumers benefit from access to a wide variety of new models and a highly competitive pricing environment. Every brand has a benchmark product in just about every segment of the market. The domestic model mix is thus arranged to provide the most effective marketing combination of domestically manufactured and imported models to satisfy a consumer-driven market.

India, with 98 586 units and accounting for 33,8% of the total light vehicles imported, was the top country of origin in volume terms for passenger cars and LCVs imported into South Africa in 2018. India's profile is suited to produce small vehicles, which dominate its large domestic market, and global OEMs have therefore recognised India's capabilities in this product range by allocating their global production of small vehicles to the country. Most of the vehicles imported from India into the domestic market were therefore entry-level or small vehicles. Volkswagen's Polo Vivo was the only vehicle in these segments manufactured in the country in 2018.

Although the volume leader with respect to imports was India, the value of Indian imports was less than half of those imported from Germany, which included the premium brands such as Audi, BMW, Mercedes-Benz and Porsche. The following table reveals that in volume terms, India, followed by Germany, Japan and South Korea were the top countries of origin for vehicles imported into South Africa in 2018.

Every brand has a benchmark product in just about every segment of the market.

Top 10 countries of origin for light vehicles (passenger cars and light commercial vehicles) imported – 2014 to 2018

Country of origin	2014	2015	2016	2017	2018	2018
Total value (R billion)	R53,7	R59,6	R53,6	R57,7	R57,1	Import value %
India	95 279	87 892	73 003	89 724	98 586	15%
Germany	60 012	58 366	56 072	55 480	41 791	22%
Japan	30 891	34 753	36 059	37 795	36 386	12%
South Korea	49 211	40 343	36 649	32 643	27 458	6%
Thailand	8 816	9 213	7 849	6 620	15 711	6%
UK	20 472	15 817	12 260	10 591	10 314	7%
Spain	15 124	17 980	14 544	10 387	9 439	5%
Indonesia	7 033	6 231	5 793	5 476	7 928	2%
France	10 619	9 231	8 348	6 255	6 670	2%
Romania	4 339	7 308	6 295	5 052	5 773	2%
Other	50 807	47 315	34 620	33 242	31 346	21%
Number of light vehicle imports	352 603	334 449	291 492	293 265	291 402	
Total light vehicle market	612 748	587 209	520 581	531 431	524 691	
% of new vehicle market imported	57,5%	57,0%	56,0%	55,2%	55,5%	

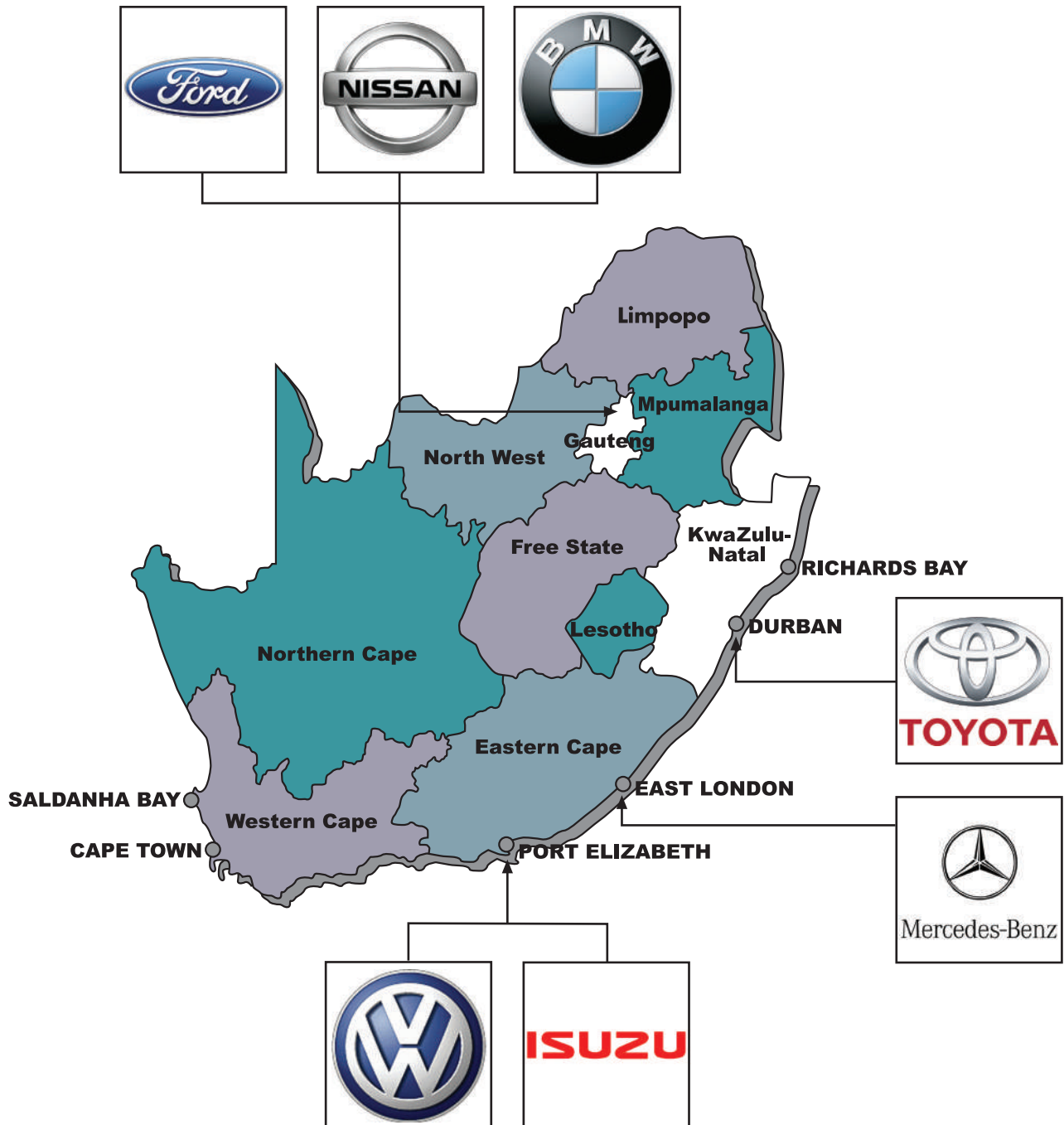
Source: NAAMSA/Lightstone Auto, SARS

A process of homologation is required before any motor vehicle model can be introduced into the South African market. The homologation procedure of the National Regulator for Compulsory Specifications (NRCS) is intended to ensure that all new vehicle models comply with the relevant South African legislation, standards and specifications, as well as codes of practice, before use by the public on public roads. This eliminates the risk of having to withdraw a sub-standard motor vehicle model from the market, and it reduces the possibility of resultant legal action against the supplier.

Used vehicle imports are not allowed into South Africa. Strict control measures ensure that only a limited number of legal import permits are issued to allow specified used vehicles into South Africa. In terms of current legislation, used vehicles qualifying for an import permit include those for immigrants, returning South African residents and nationals, specifically adapted vehicles for persons with physical disabilities, vehicles inherited by South African citizens/nationals, vintage and collectors' passenger vehicles, and racing cars. Without a legal import permit, imported used vehicles cannot be registered on the National Transport Information System (NaTIS). The system also combats stolen and non-complying vehicle registrations. All vehicle manufacturing plants in South Africa have been linked to the on-line system to facilitate the collation of data of vehicles manufactured. Left-hand drive vehicles are also not allowed into the country. More information with respect to used vehicle imports and relevant application forms can be accessed at www.itac.org.za.



AUTOMOTIVE CLUSTERS



As the only African member of the G20 and BRICS, South Africa established itself as a dynamic democracy and a regional powerhouse with the most modern and diversified economy on the continent. South Africa remains one of the most appealing destinations in Africa for foreign direct investment, and its demographic profile ensures that it is the ideal springboard to focus on Southern Africa and beyond. With the largest presence of multinationals on the continent, South Africa is the multinationals' location of choice. Investors seeking to enter the South African market, also often use the country as a gateway into the rest of the African continent. South Africa's strategic location at the core of major routes affirms itself as a key hub for local, regional and global trade flows.

South Africa's constitution established nine provinces, each with its own premier, cabinet and legislature. The provinces vary substantially in size, prosperity, geography, ethnicity, population and performance. Per capita GDP is highest in Gauteng and lowest in the Eastern Cape. National, provincial and local government support, in collaboration with several automotive industry associations, has created a favourable environment for vehicle and automotive component production in South Africa. Incentives are administered by the Dti and are uniform throughout the country. However, support for the South African automotive industry exists at two levels – national and regional. National support, like the APDP and the Automotive Supply Chain Competitiveness Initiative (ASCCI), plays an important role in addressing common industry challenges in the context of the national economy. Regional support mechanisms, by contrast, offer the opportunity to address the specific needs of industry in specific geographic areas, and might include mechanisms to foster skills and training development, innovation, and provincial agencies that focus on facilitating export growth or attracting foreign direct investment (FDI), amongst others.

The automotive industry makes a huge impact on the economies of Gauteng, the Eastern Cape and KwaZulu-Natal. The OEMs are at the centre of the three regional clusters, and along with their suppliers, are supported across the economic landscape at national, provincial and municipal levels.

Gauteng

Gauteng produces about a third of South Africa's GDP. Although it is the smallest province, it is the most populous, being home to 14,72 million people, or 25,5%, of the national population of 57,73 million. Johannesburg is the capital of the Gauteng province, while Pretoria is the administrative capital of South Africa. The province is strategically located on the African continent which makes it a key investment destination for the rest of the world, and a trade gateway for imports and exports. The country's biggest airport, OR Tambo International Airport, is at the core of the province's logistical network. Tshwane, which includes Pretoria, is home to many government departments and services, and is the base of the automotive industry in Gauteng. The highest diversity in the country's automotive profile is found in Gauteng, with the province housing three OEMs and the highest number of automotive component suppliers in the country.

KwaZulu-Natal

KwaZulu-Natal represents the second-largest economy in the country, after Gauteng, and is also the province with the second-highest population, with a share of 19,7%, or 11,38 million, of the country's 57,73 million population. Durban is South Africa's third-largest city and the country's busiest port. The port of Durban is modern and well equipped and the city has emerged as the de facto coastal trade gateway to southern Africa. It boasts the largest port in Africa, in terms of value of cargo, and is South Africa's premier general cargo and container port. Richards Bay is South Africa's busiest bulk port, with at its centre, the Richards Bay Industrial Development Zone (IDZ), a purpose-built and secure industrial estate. King Shaka International Airport and the Dube TradePort at La Mercy provide easy access to Durban and also to international markets. The Dube TradePort is Africa's first purpose-built aerotropolis. It is the only facility in

Africa that brings together an international airport, a cargo terminal, warehousing, offices, a retail sector, hotels, and an agricultural area. An expansion of R18 billion has recently been announced for another round of development of the aerotropolis.

Eastern Cape

The Eastern Cape, comprising 6,52 million, or 11,3%, of the country's 57,73 million population, enjoys an abundance of natural and human resources, as well as an established industrial infrastructure that drives the economy of the province. The province is well served logistically with airports situated in Port Elizabeth, East London, Mthatha and Bisho, and with ports situated in Port Elizabeth, Coega and East London. The Coega IDZ is the largest IDZ in the country, and is the main catalyst for socio-economic development in the Eastern Cape, while the East London IDZ, one of the country's leading specialised industrial parks, has also established an Automotive Supplier Park. The biggest news for the Coega IDZ in 2016 was the announcement of an R11 billion investment by Chinese state automotive manufacturer, Beijing Automotive International Corporation (BAIC) and South Africa's Industrial Development Corporation (IDC). BAIC is taking a 65% stake in a joint venture with the IDC, at 35%, in the Coega IDZ. This follows the R600 million investment of First Automotive Works (FAW), also a Chinese enterprise.

Automotive clusters – key automotive features – 2018

Key automotive features	Gauteng	KZN	EC
Number of OEMs (manufacturing plants)	BMW SA Nissan SA Ford Motor Company of Southern Africa	Toyota SA Motors	Volkswagen Group SA Mercedes-Benz SA Isuzu Motors SA Ford Motor Company of Southern Africa engine plant
Medium, heavy, extra-heavy commercial vehicle and bus companies	Babcock, Eicher Trucks, Fiat Group, Ford, Hyundai, Iveco, JMC, MAN Truck & Bus, MarcoPolo, Peugeot Citroen, Powerstar SA, Scania, Tata Trucks and Volvo Group Southern Africa	Bell Equipment, MAN Truck & Bus and Toyota (Hino)	FAW Trucks, Isuzu Truck, Mercedes-Benz SA (Freightliner and Fuso) and Volkswagen Group SA
Number of automotive component companies	200	80	150
Motor vehicle parc as % of South Africa's total vehicle parc of 12,46 million vehicles	38,5%	13,3%	6,6%
Passenger car sales as % of total 2018 passenger car sales of 365 242 units	35,2%	12,6%	3,8%
LCV sales as % of total 2018 LCV sales of 159 449 units	34,6%	12,4%	5,4%
MCV/HCV sales as % of total 2018 MCV/HCV sales of 27 535 units	37,7%	13,4%	4,6%
Light vehicle production by OEMs in the province as % of total 2018 light vehicle production of 582 183 units	33,2%	23,5%	43,3%
Light vehicle exports by OEMs in the province as % of total 2018 light vehicle exports of 350 003 units	34,6%	14,8%	50,6%

Source: NAACAM, NAAMSA/Lightstone Auto

INDUSTRIAL DEVELOPMENT CORPORATION of SOUTH AFRICA

The Industrial Development Corporation (IDC) is the largest Developmental Funding Institution in South Africa, providing funding to entrepreneurs and projects since its establishment in 1940.

Through our Automotive & Transport Equipment Strategic Business Unit (SBU), the IDC has a range of funding support offerings in the industry.

Our Aim:

To activate and expand industrial capacity in the South African automotive industry through offering flexible funding solutions – This includes funding and developmental support to our business partners ranging from Original Equipment Manufacturers (OEMs), through all Tiers of their component supply chain.

Our Targeted Outcomes:

- Increased vehicle production volume in South Africa;
- Deeper and wider localization of automotive components in South Africa;
- Developmental outcomes (job creation, youth & woman involvement, BEE, etc.)

Our Service Offerings:

- Our in-depth specialized knowledge of the global, regional & local Automotive Industry enables our SBU to support project development;
- Our SBU nurtures relationships with all industry stakeholders ensuring access to networks that include national- & municipal government agencies, as well as private institutions to support our business partner's needs.

Additional Value:

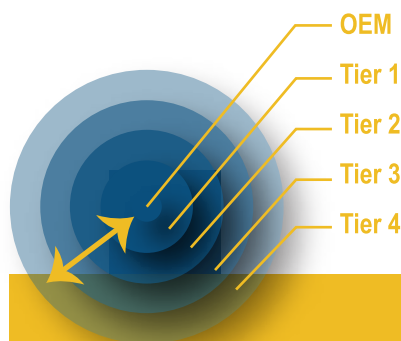
- Our funding can be utilized for procuring productive assets as well as working capital to stimulate industrial activity;
- Funding terms can be customized to suit your needs, including capital repayment moratoriums and adjustable funding periods.

Application Steps:

1. Submit a Business Plan
2. Basic Assessment of Business Plan (High level desktop analysis)
3. Due Diligence Investigation (In-depth analysis: Market, Technical, Financial, Environmental, Legal, etc.)
4. Credit Committee (Approve / Reject)
5. Legal Agreements
6. Disbursement

Contact Us:

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Fax: (+27 11) 269 3116



Who Can Apply?

- Automotive Projects with funding needs up to R1.5 billion (ZAR)
- New Projects: Debt or equity funding to support project development for start-ups (equity would depend on strategic nature of the project); and
- Existing Businesses: Debt funding applications for expansionary funding of existing businesses.



Your partner in development finance

AUTOMOTIVE POLICY REGIME

On 22 November 2018, Cabinet adopted Phase 2 of the APDP, to support the South African Automotive Masterplan (SAAM) from 2021 to 2035. SAAM is the newly developed strategy plan for the long-term development of the South African automotive industry, and the APDP Phase 2 will now operate within the framework of the Masterplan. The framework places local value-addition at the centre of any future support for the industry. The SAAM's 2035 vision is the achievement of "a globally competitive and transformed industry that actively contributes to the sustainable development of South Africa's productive economy, creating prosperity for industry stakeholders and broader society". Amendments to the APDP will provide the incentive framework for the industry for the period from 2021 to 2035. The Masterplan will create a framework to secure even higher levels of investments and production, and will enable the industry to plan for the future and invest with confidence. A key summary of the SAAM 2021-2035 is as follows:

- Grow South African vehicle production to 1% of global production by 2035;
- Increase local content in South African manufactured vehicles to 60%;
- Double automotive employment in the supply chain;
- Improve automotive industry competitiveness levels to that of leading international competitors;
- Transformation of the South African automotive value chain; and
- Deepen value-addition within South African automotive value chains.

The Masterplan will have to cement the domestic industry's position in a rapidly changing and ever-more competitive global environment. The APDP Phase 2 operates within the framework of the Masterplan, as do interventions in a number of other focus areas. The sector recognises that the SAAM vision will only be realised if the six development objectives are met. Achieving the SAAM objectives indicated will require careful co-ordination and a close working relationship between government, the private sector and organised labour. Six industry development pillars have been identified as being critical to the realisation of the SAAM. The six pillars relate to domestic market optimisation, regional market development, localisation, infrastructure development, industry transformation and the development of industry-required technologies and skills.

The APDP policy amendments under the SAAM 2021-2305 are summarised in the following tables, covering light vehicles, medium and heavy commercial vehicles, and motorcycles.



Light vehicle policy amendments – 2021 to 2035

Incentive	Amendments	SAAM Rationale
Tariffs (CBU and CKD)	<ul style="list-style-type: none"> No change to CBU and CKD tariffs Align CBU duties from the EU-SADC EPA (subject to engagements with the EU) 	<ul style="list-style-type: none"> South African market adequately protected Address misalignment
Vehicle assembly (VALA)	<ul style="list-style-type: none"> Volume Assembly Localisation Allowance (VALA) to replace Volume Assembly Allowance (VAA) in 2021: VALA based on local value addition and not manufacturing sales value VALA set at 35% of local value add for OEMs above 10 000 units annually from 2026. Transition set at 40% in 2021 and reducing annually 	<ul style="list-style-type: none"> Tie incentive directly to South African localisation levels of OEMs, thereby eliminating existing VAA distortions Existing OEM model investments covered by transition to VALA over six years (2021-2026) Ensure CKD duty exposure for local market assembly
Production (Production incentive)	<ul style="list-style-type: none"> Production incentive benefit factor increased to 25% (was 20%) for components (increase from 10% to 12,5% of value addition) Duty credits to replace Production Rebate Credit Certificates (PRCCs) Removal of vulnerable status benefits 	<ul style="list-style-type: none"> Incentive for deeper localisation: Additional support for Tier 1 and Tier 2 automotive activity Increased support for aftermarket and export component production Remove use of PRCC distortions within the APDP
Investment (AIS)	<ul style="list-style-type: none"> Maintain cash grant for investment, but reduce by 5% if not South African tooling/machinery 	<ul style="list-style-type: none"> Maintain capital investment support, but encourage sourcing of SA tooling and machinery
Other policy elements	<ul style="list-style-type: none"> Introduce new CBU import certification – minimum dealerships and service parts supply 	<ul style="list-style-type: none"> Ensure SA vehicle market has established dealership, workshop infrastructure, and parts availability

MCV/HCV policy amendments – 2021 to 2035

Incentive	Amendments	SAAM Rationale
Tariffs (CBU and CKD)	<ul style="list-style-type: none"> No change to present base duty structure (20% CBU and 0% CKD) 	<ul style="list-style-type: none"> M&HCVs are intermediate capital inputs Tariff structure deemed appropriate
Vehicle assembly (VALA)	<ul style="list-style-type: none"> Not applicable to M&HCVs 	<ul style="list-style-type: none"> As intermediate capital inputs, low volume assembly of imported CBU sub-systems deemed appropriate
Production (Production incentive)	<ul style="list-style-type: none"> Component firms to continue earning PI for M&HCV parts production Benefit level to be adjusted as per light vehicle amendments, and to be earned as a PRC, and no longer a PRCC 	<ul style="list-style-type: none"> As per light vehicle programme – bolster incentive for feasible component production in South Africa
Investment (AIS)	<ul style="list-style-type: none"> As per light vehicle recommendation 	<ul style="list-style-type: none"> Support SA automotive industry investments, especially when using local tooling and machinery
Other policy elements	<ul style="list-style-type: none"> SA to introduce new M&HCV CBU import certification – minimum number of dealerships and specified supply of service parts 	<ul style="list-style-type: none"> Ensure SA M&HCV market comprises models, with established dealership/workshop infrastructures, and associated parts availability



Motorcycle policy amendments – 2021 to 2035

Incentive	Amendments	SAAM Rationale
Tariffs*	<ul style="list-style-type: none"> • Increase South African tariff to WTO bound rate of 10% 	<ul style="list-style-type: none"> • Provide a base level of protection for the SA motorcycle market
Assembly (VALA)	<ul style="list-style-type: none"> • Not applicable to motorcycles 	<ul style="list-style-type: none"> • Motorcycle market of low volume
Production (Production incentive)	<ul style="list-style-type: none"> • Component firms to earn PI for motorcycle parts production • Benefit level to be the same as for vehicles 	<ul style="list-style-type: none"> • Support component production for motorcycle assembly within region
Investment (AIS)	<ul style="list-style-type: none"> • Motorcycle component supply to qualify as per motor vehicles 	<ul style="list-style-type: none"> • Ensure SA is part of the production value chain
Other	<ul style="list-style-type: none"> • Establishment of regional automotive production plan 	<ul style="list-style-type: none"> • Motorcycle assembly ideal for African industrialisation

*Tariffs to be introduced as part of regional trade negotiations that establish motorcycles as a component of a regional automotive production network

The APDP Phase 2 shifts the support away from production sales value towards value-addition through the introduction of a volume assembly localisation allowance (VALA), which will replace the current volume assembly allowance (VAA). However, the VALA formula will be phased in between 2021 and 2026 to ensure no disruption to existing OEM model investments. VALA will phase down from 40% in January 2021 to 35% from January 2026 on local value-addition for OEM volumes above 10 000 units per annum. The amendments recognised the benefits of having a deep and diverse supply chain, which should prove to be in the long-term interest of South Africa as a manufacturer of automotive products.

Besides the adjustment to the vehicle assembly formula, the new-look APDP also increases the production incentive benefits. The production rebate credit certificates (PRCCs) will be replaced by a Production Rebate Credit (PRC) that is tied to local value-addition. The AIS cash grant for capital investments has been retained, but will be reduced by 5% in those instances where non-South African tooling and machinery is employed. The AIS will be augmented to include an incentive for investments in new technologies, including investments related to the introduction of electric or hybrid drive trains. However, details would be shared only once the National Treasury had approved the incentive.

No changes to the tariff regime in respect of vehicles were announced, but South Africa would be pursuing negotiations with the EU in a bid to address anomalies that exist in the SADC-EPA with regard to the duty-free treatment of vehicles with engines below 1000cc. The South African government will seek a single tariff regime across all light vehicles, including electric vehicles which are currently set at 25% import duty from the EU. The APDP amendments also include medium and heavy commercial vehicles, as well as motorcycles, but the VALA formula would not be applied in either category.

The APDP Phase 2 will contain many elements similar to the current APDP policy regime. This is to guarantee that OEMs investing in the country are able to adequately plan production lines, production inputs and workforce requirements. The aim of government is to continue providing long-term policy certainty for investors in the automotive sector, so that it may achieve the objective of increased production volumes, improved local value-addition, and the achievement of visible transformation across the value chain. Long-term government support for the automotive industry is the major reason for the continuing health of this vital sector in the South African economy. The stability in support since 1995 has significantly enhanced investor confidence. Since the introduction of the MIDP and APDP, exports and capital investments in the industry have surged. Policy certainty in South Africa allows for major foreign direct investments in domestic vehicle manufacturing facilities, while enhancing the sophisticated automotive component sector.

The original framework of the APDP is outlined below.

The APDP is a Trade Related Investment Measure (TRIM) and consists of four pillars that drive the programme:

1. Import Duty
2. Vehicle Assembly Allowance (VAA) (rebate mechanism)
3. Production Incentive (PI) (rebate mechanism)
4. Automotive Investment Scheme (AIS) (cash grant)

The four key elements of the APDP may be described as follows:

Tariffs: There is a set tariff regime on vehicles and automotive components imported into South Africa. Import duties on vehicles and automotive components will remain at 2012 levels (25% on light vehicles and 20% on original equipment components) through to 2020. A preferential agreement results in imported vehicles from the EU paying only 18% duty. These tariffs are meant to provide adequate protection to justify continued domestic vehicle manufacturing. The purpose of the tariff structure under the APDP is to incentivise industry, and not to generate revenue.

Vehicle Assembly Allowance (VAA): This support is in the form of a rebate calculated on the ex-factory vehicle price and is applicable to domestic vehicle manufacturers of light motor vehicles. It was set at 20% in 2013, reduced to 19% in 2014, and to 18% in 2015. The realisable component import duty rebate to the OEMs is the above value multiplied by the duty rate of 20%. This represented 4% of the ex-factory vehicle price in 2013, which was reduced to 3,6% in 2015. This support effectively provides a lower duty rate for domestic vehicle manufacturers and is intended to provide enough encouragement for high-volume vehicle production.

Production Incentive (PI): In 2013, the PI conversion factor started at 55% of the designated local value-addition, which was reduced progressively by 1% annually to 50%, in the form of duty-free import credits. The equivalent value is the incentive multiplied by the component/vehicle duty rate, so this represented between 5% to 11% (on components) of value-added in 2013, and was reduced to 4% to 10% by 2018. There is an additional amount for “vulnerable products” which earned a PI of 80% in 2013 and 2014, reduced thereafter by 5% annually to 50% in 2020, with the exception of catalytic converters, which will remain at 65%. “Value-added” has been defined in simple terms as the manufacturer’s selling price less the value of non-qualifying material and imported components. The incentive is calculated through the supply chain and is earned by the end user, which is the OEM, or, in the case of component exports or replacement parts, the component manufacturer.

There are certain eligibility requirements to ensure that the beneficiaries are companies producing substantial components for vehicle manufacturing, and to exclude accessories. While materials are generally excluded from value-added, certain local materials, which have been domestically beneficiated to suit automotive specifications, have a standard 25% of their value included in the value-addition, or 40% (reduced by 5% annually from 2015 to 25% in 2017) where they are used to produce vulnerable products. The value-add support is planned to encourage increasing levels of local value-addition along the automotive value chain, with positive spin-offs for employment creation. A 25% standard value is regarded as local value-added on the following qualifying raw materials originating in the Southern African Customs Union (SACU) which have been beneficiated to suit automotive specifications:

- Aluminium
- Brass

- Leather
- Platinum Group Metals (PGMs)
- Stainless steel
- Steel

With regard to vulnerable products, these high material content products have received additional support to avoid a sudden and significant loss of export business due to the transition from the export-oriented MIDP. In this regard, 40% of the standard material(s) listed above, and applicable to the following list of products, was initially regarded as local value-added:

- Alloy wheels
- Aluminium products (engine and transmission components, heat exchangers and tubes, suspension components and heat shields)
- Cast iron components (engine/axle/brake/transmission and related types of components)
- Catalytic converters
- Flexible couplings
- Leather interiors
- Machined brass components
- Steel jacks

The 40% level was reduced by 5 percentage points per annum from 1 January 2015 to reach 25% from 1 January 2017 onwards.

Automotive Investment Scheme (AIS): The AIS marks the implementation of the first cash-based incentive for the South African automotive industry. The AIS represents the only industry support that is of physical cost to the fiscus in the form of a non-taxable cash grant. The total investment approved since inception of the AIS until the end of 2018 amounts to R60,39 billion, while the sum total of incentives approved since inception amounts to R16,91 billion. Since inception, 477 projects have been approved under the AIS, creating 19 294 additional jobs. The Dti implemented a change to the AIS guidelines in 2017 for all new applications approved from 1 September 2017 which now requires applicants to maintain base year employment levels throughout the entire incentive period, from application stage until claim periods.

The AIS became effective in July 2009, immediately after the announcement of the APDP framework. The amended AIS guidelines, including the People-Carrier AIS, became effective in July 2014, and provided clarity on the non-taxability of the grant, as well as on the eligibility of automotive tooling companies to apply for the same benefits as those enjoyed by component manufacturers under the scheme. The AIS provides for a non-taxable cash grant of 20% of the value of qualifying investment in productive assets by light motor vehicle manufacturers, and increased support of 25% of the value of qualifying investment in productive assets by component manufacturers and tooling companies, as approved by the Dti. In addition, by achieving certain performance objectives, companies will be able to earn an additional 5% or 10%. This support is available to encourage investments by OEMs and component manufacturers in a manner that supports productive capacity upgrading.

A competitiveness improvement cost grant of 20% of qualifying costs will also be available for automotive component manufacturers. The objective of this benefit is to enhance the competitiveness of component manufacturers through the improvement of processes, products, quality standards and related skills development through the use of business development services. The grant is a function of the expenditure incurred by component suppliers to improve competitiveness, and must be linked to a new or replacement model of a light vehicle manufacturer.

The APDP applies to only light vehicles (passenger cars and light commercial vehicles), although components produced for heavy commercial vehicles also qualify for the Production Incentive (PI). In

parallel with the launch of the APDP, other significant developments on other complementary fronts include the design of the Electric Vehicle Roadmap, and the medium and heavy commercial vehicle (MCV/HCV) development strategy. The medium and heavy commercial vehicle sector and bus sector have also received increased attention. The rationale behind this is the fact that the MCV/HCV sector is labour intensive in terms of assembly, while a more active sector could also broaden South Africa's component manufacturing industry. It is believed that this could be an opportunity for the component sector to grow its base and create additional employment. Progress includes the Automotive Investment Scheme (AIS) for this sector which was published in November 2014 and was backdated to April 2014. The intention is to use AIS support to drive the future growth and development of the MCV/HCV sector and to promote additional localisation and employment creation. A PI, under the same regulations as for light vehicles, can be earned on components produced for trucks. The PI, however, is earned by the component manufacturer and not passed through to the heavy commercial vehicle manufacturer, as is done on light vehicles.

A key feature of the automotive industry in South Africa is the constructive way in which industry and government co-operate to maximise the contribution of the automotive sector to the economy under a Trade Related Investment Measure (TRIM). The TRIM provides protection for foreign direct investment whilst allowing duty rebates for localisation activities. The automotive sector is therefore increasingly being used as a benchmark for other sectors. It is recognised that the achievement of the economic objectives of the country will largely depend on the ongoing successes of the domestic automotive industry, as one of the prioritised sectors in the country's economy.

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GLOBAL NEW VEHICLE MARKET FEATURES

Modern vehicles are rolling computers. The speed at which automotive technology is advancing means that today's innovation is tomorrow's standard, and OEMs can no longer be market leaders just by differentiating on the latest technology trends. The four automotive megatrends, namely, mobility, independent driving, digitisation and electrification will continue to shape the future of the automotive industry and will also affect the supplier industry. With the rise of connected cars and artificial intelligence, OEMs will require a suite of solution providers and data aggregators to deliver meaningful data to consumers across industries, government agencies, and smart city implementers. The new synergies among automotive and ICT companies are giving rise to a new breed of business models. When developing these models, OEMs have to take into account the value customers place on data, mobility, connectivity, customer centricity, and cybersecurity. Consequently, innovation will continue to be a priority among top OEMs.

In 2018, global vehicle production declined by 1,1% to reach 95,6 million vehicles, down from the 96,7 million units produced in 2017. The weaker performance could mainly be attributed to the 2,04 million units, or 2,8%, decline in passenger car production from the 72,72 million produced in 2017 to the 70,68 million produced in 2018. Twenty countries exceeded the one million vehicle production mark in 2018, which is regarded as the international benchmark. Despite a year-on-year decline of 1,21 million units, or 4,2%, China still topped the list with vehicle production of 27,8 million units in 2018, followed by the US with production of 11,3 million units, and Japan with production of 9,7 million units in 2018. Production declined in most of the world's largest vehicle producing economies, including Germany, Canada, South Korea, Spain, the UK and Iran, but major growth has been recorded in Thailand, Indonesia, Brazil and India, the latter which surpassed Germany into fourth place in the global vehicle production rankings in 2018. Global production follows demand, therefore production increasingly focuses on high growth markets, or economies adjacent to large developed markets.

South Africa is regarded as a global tier 2 player, and forms part of the group of countries producing below one million vehicles per annum. South African vehicle production increased by 1,6% to 610 854 units in 2018 from the 601 338 units in 2017, supported mainly by record vehicle exports. However, the country's global vehicle production ranking remained at 22nd in 2018, with a market share of 0,64%. In terms of global LCV production, South Africa was ranked 15th with a market share of 1,24%, while with regards to global passenger car production, the country was ranked 26th with a market share of 0,46% in 2018. South Africa remained the dominant market on the African continent and accounted for 54,3% of total vehicle production in Africa. However, Morocco, conveniently positioned next to the EU market, for the second successive year, produced more passenger cars than South Africa. The following table reveals global vehicle production by country for 2017 and 2018.

*Modern vehicles are
rolling computers.*

Global vehicle production by country – 2017 to 2018

Country	Total units produced 2017	Total units produced 2018	Passenger cars	Commercial vehicles
1. China	29 015 434	27 809 196	23 709 782	4 099 414
2. USA	11 189 985	11 314 705	2 795 971	8 518 734
3. Japan	9 690 674	9 728 528	8 358 220	1 370 308
4. India	4 792 231	5 174 645	4 064 774	1 109 871
5. Germany	5 645 584	5 120 409	5 120 409	0
6. Mexico	4 094 832	4 100 525	1 575 808	2 524 717
7. South Korea	4 114 913	4 028 834	3 661 730	367 104
8. Brazil	2 736 802	2 879 809	2 386 758	493 051
9. Spain	2 848 317	2 819 565	2 267 396	552 169
10. France	2 226 000	2 270 000	1 763 000	507 000
11. Thailand	1 988 823	2 167 694	877 015	1 290 679
12. Canada	2 194 003	2 020 840	655 896	1 364 944
13. Russia	1 551 909	1 767 674	1 563 572	204 102
14. UK	1 749 385	1 604 328	1 519 440	84 888
15. Turkey	1 695 731	1 550 150	1 026 461	523 689
16. Czech Republic	1 305 865	1 345 041	1 345 041	0
17. Indonesia	1 218 106	1 343 714	1 055 774	287 940
18. Slovakia	1 032 445	1 090 000	1 090 000	0
19. Italy	1 142 210	1 060 068	670 932	389 136
20. Iran	1 515 396	1 095 526	1 027 313	68 213
21. Poland	689 783	659 646	451 600	208 046
22. South Africa	601 338	610 854	321 097	289 757
Global	96 671 427	95 634 593	70 678 747	24 926 233

Source: Lightstone Auto/NAAMSA, OICA

Global passenger car and LCV sales fell as the European, US and Chinese markets stalled in 2018. China continued to lead the world rankings with 28,08 million sales, followed by Europe with 17,7 million sales, and the US with 17,3 million sales. In what was one of the most significant results from 2018, India became the world's fourth largest car market, as it was finally able to outsell Germany. Elsewhere, Russia climbed the rankings and overtook South Korea, while Argentina and Turkey – two big producers of vehicles – saw declines, having felt the effects of challenging economic times. Meanwhile, Latin America outsold Japan, recording 5,6 million and 5,2 million sales, respectively.

The dip in the Chinese market, in particular, had ramifications for the rest of the global market in 2018, as China makes up nearly 30% of global vehicle sales and any change that happens there is felt across the rest of the world. Besides declining sales in China, the automotive industry had to deal with uncertainty in the European market following the fallout from Brexit and the introduction of more complex environmental regulations. Many OEMs also felt the effect of trade tensions between the world's biggest economies, political changes in key markets, and new threats to the status quo of the industry.

It was a particularly challenging year for the global passenger car market as year-on-year sales declined for the first time since 2009. However, electric vehicles (EVs) recorded their best-ever year. Passenger electric

cars recorded 1,26 million sales in 2018, up by a huge 74%. It was one of the highest increases among all car categories in the global market. Firstly, the Chinese demand for EVs soared in 2018, as this car-type gained more visibility among consumers, partly due to being promoted by local governments for their environmental impact. Secondly, Tesla finally took off. The Model 3 became the world's best-selling EV, as it was supported by sales in North America.

A record 29,77 million SUVs were sold in 2018, comprising 36% of passenger car sales, with volume up by 7% on the 2017 figures. Even though growth in this segment remained strong, it was the lowest growth result over the past four years and was almost half of the growth registered in 2017, when sales increased year-on-year by 13%. The continuous demand for SUVs came at the expense of sales of traditional cars, as global volume totalled 5,2 million units, up by 5% from 2017. The Ford F-series maintained its position as the world's best-selling vehicle, as it was the only vehicle to register more than one million sales. This was due to the enormous popularity of the vehicle in the US, where 84% of its global volume was recorded. The Toyota Corolla also maintained its position in the rankings, where it was once again the second-best selling vehicle in the world. The Toyota Rav4 became the world's best-selling SUV, and fourth best-selling car.

Demand for vehicles remains high and currently there are globally approximately 1,3 billion vehicles on the road. Driven by emerging market consumption, China, with a significant sales growth of 198,9% over the past decade, from 9,4 million units in 2008 to 28,1 million units in 2018, is largely responsible for global vehicle sales growth increasing by 50,5% from 63,8 million units to 96 million units over the same period. China's vehicle production of 27,81 million units and sales of 28,08 million units in 2018 were both higher than the next three major markets, namely the US, Japan and India combined.

The trends in China and India are clearly emphasising the shift from the "traditional west" to the "emerging east" in terms of vehicle production and consumption. Hence, global liberalisation of the automotive industry has benefitted developing economies with their strong demand and cheaper factors of production.

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METHODOLOGY – AUTOMOTIVE TRADE DATA

The methodology utilised and applied in the *Automotive Export Manual – 2019 – South Africa* publication remains unchanged from the previous publications in order to enable meaningful comparisons. All values are presented in nominal prices. The trade data in this publication is reflected for South Africa. A significant change in the South African trade statistics, as approved by the Minister of Finance on 14 November 2013, was that South African trade with member countries of the Southern African Customs Union (SACU), comprising Botswana, Lesotho, Namibia and Swaziland (renamed eSwatini) (BLNS), would now be included in South Africa's trade data to provide a more accurate reflection of the country's trade. BLNS country trade data had previously not been included in the country's trade statistics because of the free movement of goods between member countries from a customs point of view within SACU. The automotive industry's trade performance has subsequently been revised with BLNS country data, with retrospective effect, where applicable, in the 2014 to 2018 as well as in the 2019 publication.

The trade data in the *Automotive Export Manual – 2019 – South Africa* publication is based on the detailed Customs and Excise statistics for products eligible under the APDP, obtained from the South African Revenue Service (SARS). The Customs and Excise export values reflect free on board (FOB) values in nominal terms. The export values of the latest year (2018) are used to rank the countries in order of priority, from the most to the least important export country destination. The same principle is applied so as to prioritise the export data regarding regions, vehicles and component categories. There are 263 country export destinations listed by SARS. For purposes of relevance, one million Rand (R1 million) is used in the *Automotive Export Manual – 2019 – South Africa* publication as a cut-off level (measure) to determine the top South African export country destinations. For ease of reference and for comparison purposes, the data with respect to the component categories, where applicable, is placed in alphabetical order. Percentages are rounded off.

The main purpose of this publication is to discern and highlight trends in export and import data, to prioritise export country destinations, to prioritise countries of origin, to identify opportunities via potential country and region growth destinations, to measure the impact of the country's trade arrangements on automotive trade patterns, as well as to identify growth in products exported to specific country destinations. The publication also serves as a guide to track the export and import performance of the South African automotive industry under the APDP. Due to certain limitations, Customs and Excise statistics cannot always distinguish between the automotive components eligible in terms of the APDP and non-eligible components, therefore certain categories, such as automotive tooling, may contain a small percentage of non-APDP components.

For currency comparison purposes, the following table reveals the movement of the Rand against the currencies of the South African automotive industry's main trading partners, namely, the EU, the UK, the US, Japan and China from 2014 through to 2018.



Currency indices for the Rand versus major trading partners (foreign currency: Rand – annual averages)

Currency	2014	2015	2016	2017	2018
Euro	14,40	14,14	16,28	15,04	15,60
Index 2014	100	98	113	104	108
UK Pound	17,86	19,49	20,00	17,15	17,63
Index 2014	100	109	120	96	99
US\$	10,84	12,75	14,71	13,31	13,23
Index 2014	100	118	136	123	122
Japan (100 Yen)	10,26	10,53	13,54	11,87	11,97
Index 2014	100	103	132	116	117
Chinese Yuan	176,05	202,72	221,65	197,08	199,79
Index 2014	100	115	126	112	113

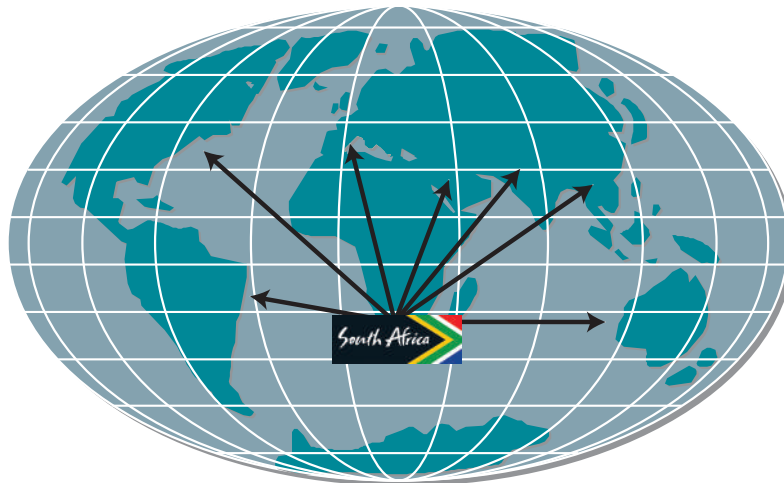
Source: South African Reserve Bank

The primary mandate of the South African Reserve Bank (SARB) is to achieve and maintain price stability in the interest of balanced and sustainable economic growth. The goal of price stability is quantified by the setting of an inflation target range of 3% to 6%. The country's consumer price inflation (CPI) of 4,7% in 2018 had remained within the target band. South Africa's central bank, in November 2018, increased its benchmarking lending rate for the first time in nearly three years, by 25 basis points to 6,75% despite weak economic growth, in an effort to curb inflation. The SARB stated that delaying the adjustment could cause inflation expectations to become entrenched at higher levels, and spur a stronger monetary policy response in future. Among the risks for inflation identified by the monetary policy committee was the strength of the US dollar, sustained high oil prices, escalating trade tensions and higher domestic electricity prices.

The Rand performed well against most major currencies from 2017 to 2018. However, exchange rate forecasts for the Rand remain widely dispersed. The continued tightening in global financial conditions, a change in investor sentiment towards emerging markets, escalating trade conflicts, and geo-political developments remain the key risks to the Rand. The domestic economic outlook remains challenging, although growth in 2019 is still expected to outperform the outcomes of recent years.

*The Rand performed well
against most major currencies
from 2017 to 2018.*

EXPORTS TO REGIONS



Free trading relations, which have underpinned the globalisation process, are being seriously challenged for the first time in many years, mainly due to developments in the US and the UK. In a situation where trading patterns are changing, the level of uncertainty for the global and South African automotive industry remains high.

South Africa's trade negotiations are being conducted alongside the country's partners in the Southern African Customs Union (SACU), comprising Botswana, Lesotho, Namibia and Swaziland (renamed eSwatini), following the renewed SACU Agreement in 2004 that requires SACU to negotiate all trade agreements as a bloc. Access to global markets has been enhanced through bilateral agreements with most of South Africa's major trading partners and by participating in regional economic communities. SACU, at present, enjoys free trade agreements (FTAs) with the 28-country European Union and the European Free Trade Association (EFTA) comprising Iceland, Lichtenstein, Norway and Switzerland. SACU is also part of the 15-country Southern African Development Community (SADC) free trade area, has a preferential trade agreement (PTA) with Mercosur, comprising Argentina, Brazil, Paraguay, Uruguay and Venezuela, while South Africa also enjoys duty-free and quota-free entry into the US market under the African Growth and Opportunity Act (AGOA), a unilateral trade preference programme.

South Africa is a member of the 164-member World Trade Organisation (WTO). Global trading in automotive products is particularly influenced by multilateral agreements under the auspices of the WTO and the increasingly bilateral or regional agreements which are signed between different geographical areas. Given escalating trade protectionism in key export markets around the world, regional integration arrangements offer South Africa an opportunity to expand into new markets. With regards to the latter, South Africa's current regional trade negotiations include the tripartite free trade area (TFTA) consisting of the Southern African Development Community (SADC), the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA). The TFTA will serve as a building block for the African Continental Free Trade Area (AfCFTA). The AfCFTA is aimed at creating a single continental market for goods and services, allowing for the free movement of business persons and investments, and expanding intra-Africa trade through better harmonisation and co-ordination. This would unlock an improvement in intra-Africa traded goods and services, better customs co-operation between the countries, the elimination of non-tariff barriers, and the improvement of investment prospects on the back of economies of scale.

The tables on the following pages reveal the South African automotive industry's trade patterns with major trading blocs, including the European Union (EU), which remains the South African automotive industry's main trading partner, the North American Free Trade Area (NAFTA), Africa, the Southern African Development Community (SADC) and the Common Market of South America (Mercosur).

European Union

Europe remained the domestic automotive industry's most important regional export destination in 2018, accounting for R105,2 billion, or 58,8%, of total automotive exports of R178,8 billion. In view of the significance of the EU for the South African automotive industry, developments in the region have a direct and measurable impact on the South African automotive industry's overall performance. The UK political developments, therefore, have been closely monitored, since a great deal is at stake for South Africa in the eventual outcome of Brexit, considering the relevance of the EU and the UK for the domestic automotive industry.

According to the International Organisation of Motor Vehicle Manufacturers (OICA), vehicle production in the EU declined by 2,6% from 18,37 million units in 2017 to 17,89 million units in 2018. Germany, with vehicle production of 5,12 million units led the region, followed by Spain with 2,82 million units, and France with 2,27 million units. The estimated vehicle parc in the EU was in the order of 303 million units, and the motorisation rate at 581 vehicles per 1 000 persons. The following table reveals the EU's vehicle production for 2017 and 2018.

EU vehicle production – 2017 to 2018

	2017	2018	% change 2018/2017
Vehicle production	18 369 704	17 893 218	-2,6%

Source: OICA

The trade framework between South Africa and the EU is well entrenched, and up to 2016, had been governed by the Trade, Development and Co-operation Agreement (TDCA) which became effective on 1 January 2000. The automotive part of the TDCA was only concluded on 15 December 2006. As a result, the 3% import duty on original equipment components and the 4,5% duty on aftermarket parts were reduced to duty-free on 15 December 2006, while the 10% import duty on passenger cars was reduced to 3,5% on 15 December 2006, was further reduced to 1,5% on 1 January 2007, and fell away completely in January 2008.

South Africa, in turn, granted the EU a 7% preference on passenger cars and light commercial vehicles and an 8% preference on medium and heavy commercial vehicles and buses. Original equipment components received no preference, but a large number of aftermarket automotive parts qualified for lower import duties. In order to qualify for zero tariffs into the EU, South African vehicles and automotive components must contain at least 60% local content with respect to the rules of origin. The definition of local content includes South African raw materials, labour, parts, transport, manufacturing costs and profit margins, as well as the value of components and sub-components originally sourced from the EU.

On 10 June 2016, the EU and six member states of SADC, namely Botswana, Lesotho, Mozambique, Namibia, South Africa and Swaziland (renamed eSwatini) signed an Economic Partnership Agreement (EPA), which came into force on 10 October 2016. The EPA between the EU and the SADC group replaced the trade provisions of the bilateral TDCA between South Africa and the EU, and will harmonise the trading regime between SACU as a whole and the EU. The EU-SADC EPA is the first EPA signed between the EU and an African region. All of the six countries, barring Mozambique, are also members of SACU.

The new deal preserves coherence within SACU, particularly with regard to maintaining the common external tariff. South Africa's rationale for participation in the EPA was an effort to harmonise the region's

trade relations vis-à-vis the EU, with the aim to strengthen regional integration in SACU and SADC, as well as further African integration, given that there are also EPA discussions under way with regional blocs in West, East and Central Africa.

The EPA is intended to be development-oriented and will allow for deeper regional integration. The EPA allows for more flexibility on rules of origin, and under the SADC-EU EPA, manufacturers in either a SADC EPA state or the EU can use originating materials in the other country as if they originated in their own country to grant preferential originating status on goods traded between them. Since the EPA rules of origin allow for extended cumulation, they will also facilitate intra-regional trade and industrialisation, as countries will be able to source inputs from any other country in the respective EPA or another EPA region to benefit from duty- and quota-free access to the EU. Overall the EPA represents a commercial improvement over the TDCA, and will translate into better trade performance, and aspire towards greater integration and industrialisation.

In view of the free trade agreement (FTA) that SACU enjoys with the EU and also for the harmonisation of trade relations with Western Europe, SACU signed a free trade agreement with the European Free Trade Association (EFTA), which came into force on 1 May 2008. EFTA consists of Iceland, Liechtenstein, Norway and Switzerland. EFTA offered South Africa full duty- and quota-free access for industrial products. For its part, South Africa offered EFTA what it had already offered the EU on both processed agricultural products and industrial products, with some marginal adjustments. The free trade agreement brings about a number of benefits to South African exporters, which include duty-free market access for SACU products, including vehicles and automotive components, to EFTA markets. Automotive exports to EFTA markets, although still relatively small, amounted to R1 001,6 million in 2018, up from the R725,2 million in 2017.

The following table reveals that total automotive exports (vehicles and components) to the EU amounted to R105,2 billion in 2018, substantially up by R19,3 billion, or 22,5%, compared to the R85,9 billion export value in 2017. Exports in Euro terms increased by 17,9% year-on-year, reflecting the increase in real terms. Vehicle exports to the EU increased in volume terms from 190 503 units in 2017 to 233 772 units in 2018 and in value terms increased from R63,3 billion in 2017 to R81,8 billion in 2018. Automotive component exports increased by R0,89 billion, or 3,9%, from the R22,56 billion exported in 2017 to R23,45 billion in 2018. Exports to the 13 new member countries, forming part of the expanded EU, comprised R4,50 billion, or 4,3%, of the R105,2 billion export value in 2018, compared to the R3,64 billion export value in 2017.

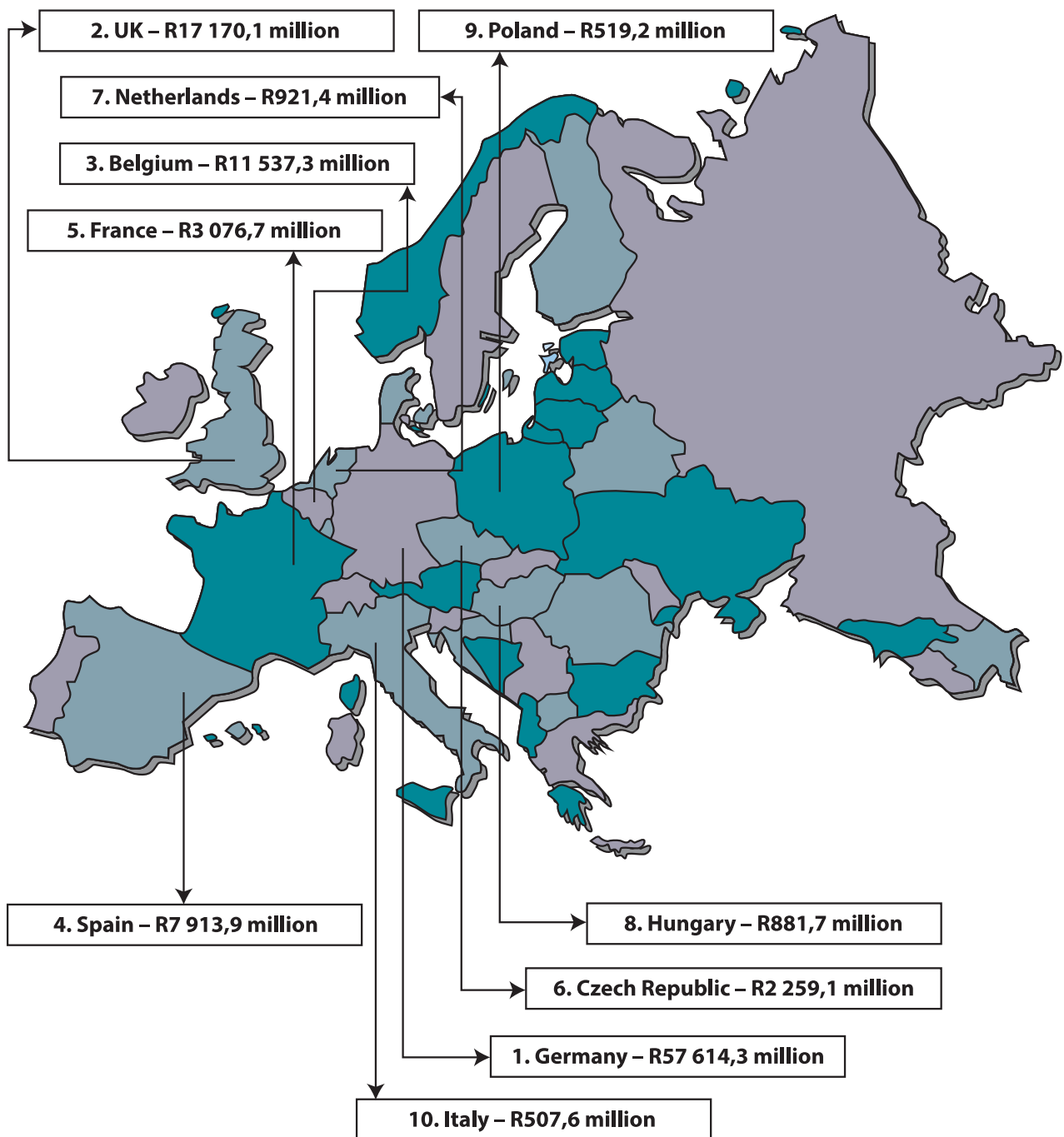
The EPA is intended to be development-oriented and will allow for deeper regional integration.

Exports to the EU by product category – 2014 to 2018

Component	2014	2015	2016	2017	2018
Total (R million)	43 801,2	67 113,9	86 013,9	85 908,4	105 218,0
Total (average Euro million)	3 041,8	4 746,4	5 283,4	5 712,0	7 736,1
Air conditioners	31,2	38,9	4,2	2,8	3,9
Alarm systems	22,2	14,2	18,6	8,0	6,5
Automotive glass	380,4	307,2	383,8	349,4	418,8
Automotive tooling	202,3	229,1	286,0	258,6	217,4
Axles	146,0	195,2	281,5	300,2	268,2
Batteries	103,0	70,2	4,9	3,3	6,3
Body parts / panels	59,4	91,1	100,5	126,0	139,7
Brake parts	33,2	29,3	78,0	65,3	99,6
Car radios	1,1	1,1	1,3	3,9	0,8
Catalytic converters	14 124,0	13 904,5	14 951,1	13 769,4	14 129,6
Clutches / shaft couplings	196,9	221,5	271,5	386,6	372,4
Engines	9,2	75,2	78,0	64,8	64,9
Engine parts	1 366,8	1 109,5	980,3	961,3	1 197,8
Filters	164,3	171,3	262,8	211,1	210,6
Gaskets	41,7	41,3	37,6	35,2	33,0
Gauges / instruments / parts	94,9	62,3	67,0	44,1	53,9
Gear boxes	18,3	4,7	12,9	15,4	19,5
Ignition / starting equipment	35,6	19,5	43,2	23,9	40,4
Jacks	0,9	5,8	4,3	2,2	1,4
Lighting equipment / parts	145,0	136,8	144,5	126,8	134,4
Radiators / parts	690,3	685,4	797,3	883,6	965,2
Road wheels / parts	81,7	121,8	118,0	267,0	206,2
Seats	1,6	3,7	2,3	3,1	2,3
Seat belts	1,3	0,6	0,6	0,5	0,6
Shock absorbers / suspension parts	388,6	324,6	421,5	434,1	453,5
Silencers / exhausts	214,3	236,8	306,6	295,8	276,5
Springs	6,3	3,3	8,1	8,8	12,4
Steering wheels / columns / boxes	13,1	11,1	10,3	11,8	12,2
Stitched leather seats / parts	1 244,1	916,6	693,0	438,2	448,5
Transmission shafts	286,0	194,1	137,3	158,4	150,6
Tyres	443,6	425,5	549,0	707,6	824,6
Wiring harnesses	94,5	92,0	60,4	34,8	22,5
Other parts	1 472,5	1 983,1	2 414,3	2 559,4	2 657,7
Light vehicles	21 653,5	45 376,1	62 454,5	63 318,6	81 759,5
Medium / Heavy vehicles	33,4	10,5	28,7	28,4	6,6

Source: AIEC, SARS

Top export destinations in the EU with export values – 2018 (R million)



Source: AIEC, SARS

NAFTA (North American Free Trade Area)

The North American Free Trade Area represented South Africa's third largest export region in 2018. The US, Canada and Mexico manage trade within NAFTA which entered into force in 1994. Exports to NAFTA amounted to R10,87 billion, or 6,1%, of total automotive exports of R178,8 billion in 2018.

According to the International Organisation of Motor Vehicle Manufacturers (OICA), vehicle production in NAFTA in 2018 declined marginally by 0,2%, from the 17,48 million units in 2017 to 17,44 million units in 2018. Vehicle production was dominated by the US with production of 11,31 million, or 64,9%, of the region's total. The estimated vehicle parc in NAFTA was in the order of 325 million units, and the motorisation rate was at 670 vehicles per 1 000 persons. The following table reveals NAFTA's vehicle production for 2017 and 2018.

NAFTA vehicle production – 2017 to 2018

	2017	2018	% change 2018/2017
Vehicle production	17 478 820	17 436 070	-0,2%

Source: OICA

South African exports to the US are supported by unilateral preference schemes that the US grants to developing and sub-Saharan African countries through the General Systems of Preferences (GSP) and the African Growth and Opportunity Act (AGOA), respectively. South Africa is a beneficiary of the US's GSP, which was instituted on 1 January 1976 and grants duty-free status to some goods. Since 2001, South African trade with the US has significantly increased due to AGOA, which is an extension of the GSP and allows duty-free access for additional products into the US. The cornerstone of AGOA is the expansion of development and trade with Africa. South Africa, together with 39 of the 49 sub-Saharan African countries, has been designated as an eligible country in terms of the Act. The effective commencement date of the duty-free access provisions in terms of AGOA was 1 January 2001 to last until 30 September 2008, which was subsequently extended until 30 September 2015. In 2015, President Barack Obama signed into law the Trade Preferences Extension Act of 2015 that contained the AGOA Extension and Enhancement Act, which extended the programme for a further 10 years to 2025. Its renewal for a 10-year period represented the longest-ever extension in the programme's history.

Under AGOA, 98% of South African exports to the US enter the country without tariffs or quotas. A major portion of the country's exports to the US consists of manufactured goods, such as vehicles, which have assisted in enhancing manufacturing in South Africa. Duty rates into the US range from 2,5% on passenger cars to 25% with regard to commercial vehicles. The rule of origin requirement is that 35% of the value added on the output should come from the production activities in the country claiming AGOA preference. The 35% value added can be met by including the production of raw materials from other AGOA beneficiaries.

AGOA has served as the bedrock of trade relations between the US and sub-Saharan Africa. US business interests are well represented in South Africa, with most of the leading multinational corporations actively participating in the South African economy. Continued eligibility by South Africa in terms of AGOA is essential since it does support continued growth and development of the automotive industry in South Africa, which contributed 6,8% to South Africa's GDP in 2018. The considered view is that growing trade,

investment and business relationships benefit both parties, and there are considerable mutual benefits to be derived from two-way trade in vehicles and components, for both the US and South Africa. Multinational corporations source their requirements globally at world best prices, therefore, US companies benefit from duty-free access to products manufactured in South Africa. Furthermore, the South African automotive industry is increasingly involved in regional integration and the building of capacity in other African countries. Both the US and countries involved under AGOA have the potential of generating economic benefits from trade as AGOA countries continue to develop, modernise and industrialise.

However, on 23 May 2018 the US Secretary of Commerce initiated an investigation to determine the effects on the national security of the imports of automobiles, including cars, SUVs, vans and light trucks, and automotive parts into the US. This investigation was initiated under Section 232 of the Trade and Expansion Act of 1962, as amended. If the Secretary finds that automobiles and/or automotive parts are being imported into the US in such quantities or under such circumstances as to threaten to impair the national security, the Secretary shall recommend actions and steps that should be taken to adjust automobile and/or automotive parts imports so that they will not threaten to impair the national security. If Section 232 duties were to be imposed on automotive imports, including those from South Africa, AGOA benefits for South Africa would be significantly eroded, taking into account that Section 232 tariffs effectively suspend AGOA preferences. In view of the importance of the US market for the South African automotive industry, developments have been closely monitored with regards to the outcome of the investigation.

The following table reveals that in 2018, exports to NAFTA, at R10,87 billion, declined by 45,5%, compared to the R19,45 billion exported in 2017, while in US dollar terms, the decline was at 45,3% year-on-year in 2018. The reason for the decline in automotive exports could mainly be attributed to the decline in vehicle exports to the US in 2018. Vehicle exports to the US in 2018, at 11 440 units, were down by 28 974 units from the 40 414 units exported in 2017. Exports comprised mainly of the left-hand drive BMW 3-series, as well as smaller volumes of the new generation Mercedes-Benz C-Class and the Ford Ranger. However, the BMW 3-series was replaced by the X3 model in South Africa in 2018 which is also being manufactured in the US, and therefore not exported from South Africa to the US anymore.

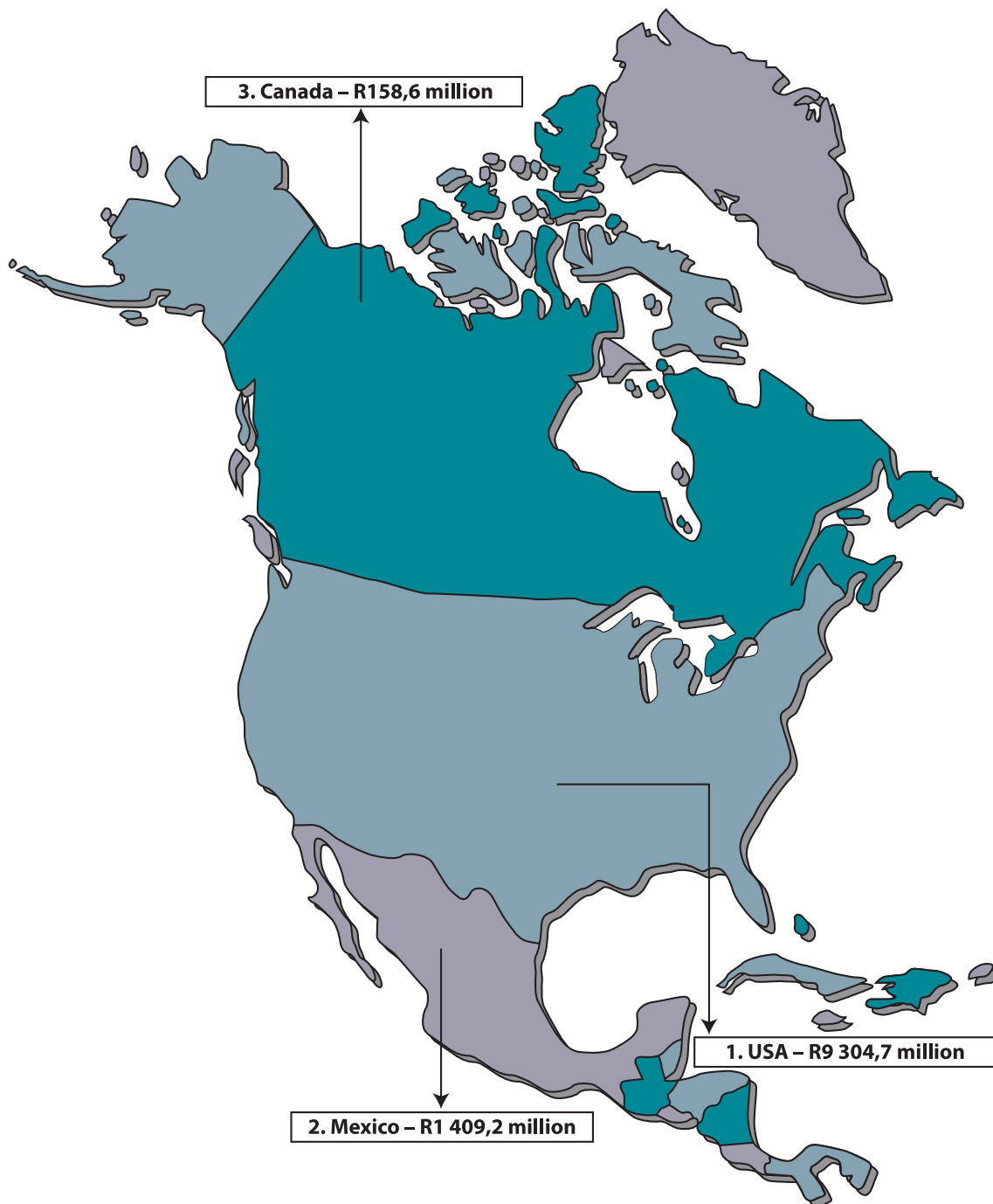
Both the US and countries involved under AGOA have the potential of generating economic benefits from trade as AGOA countries continue to develop, modernise and industrialise.

Exports to NAFTA by product category – 2014 to 2018

Component	2014	2015	2016	2017	2018
Total (R million)	18 691,1	22 756,9	24 371,1	19 947,4	10 872,0
Total (average US\$ million)	1 724,3	1 784,9	1 656,8	1 498,7	819,9
Air conditioners	3,1	6,5	11,6	11,3	7,8
Alarm systems	1,5	3,3	1,3	1,0	1,9
Automotive glass	0,4	0,8	1,9	1,3	1,7
Automotive tooling	45,4	140,9	92,2	117,1	225,4
Axles	125,0	80,9	2,8	5,0	10,7
Batteries	0,6	0,1	2,6	1,6	2,3
Body parts / panels	3,4	0,5	4,8	2,6	5,4
Brake parts	2,0	2,6	4,3	3,8	4,3
Car radios	-	-	0,1	0,3	0,1
Catalytic converters	3 241,0	4 355,2	4 638,9	2 425,6	2 392,8
Clutches / shaft couplings	35,2	35,1	44,9	39,7	31,1
Engines	3,5	15,4	19,5	41,5	20,4
Engine parts	814,7	924,0	747,3	915,7	1 009,7
Filters	3,5	1,9	3,5	3,8	8,9
Gaskets	6,6	9,8	8,5	10,2	10,6
Gauges / instruments / parts	30,8	55,0	30,1	49,1	32,9
Gear boxes	49,4	59,6	26,9	47,2	51,2
Ignition / starting equipment	4,1	4,6	6,4	3,4	3,5
Jacks	1,4	1,5	2,7	0,3	1,2
Lighting equipment / parts	8,7	3,0	0,8	0,9	4,9
Radiators / parts	248,4	300,3	306,4	311,1	372,8
Road wheels / parts	19,4	48,2	2,8	1,8	1,6
Seats	0,5	0,8	1,6	3,0	3,7
Seat belts	-	-	0,2	0,1	0,7
Shock absorbers / suspension parts	43,7	57,6	52,4	28,0	31,1
Silencers / exhausts	165,0	179,3	177,3	109,0	75,0
Springs	0,3	0,5	0,4	0,1	0,3
Steering wheels / columns / boxes	14,2	2,9	2,9	2,9	10,9
Stitched leather seats / parts	11,2	8,9	6,3	6,2	19,5
Transmission shafts	20,8	24,3	41,3	36,7	34,3
Tyres	48,4	136,5	147,2	69,3	37,5
Wiring harnesses	6,5	10,3	24,3	15,4	14,9
Other parts	260,5	598,0	523,5	443,2	509,1
Light vehicles	13 471,2	15 684,9	17 403,9	15 238,0	5 933,6
Medium / Heavy vehicles	0,7	3,7	29,5	1,2	0,2

Source: AIEC, SARS

Top export destinations in NAFTA with export values – 2018 (R million)



Source: AIEC, SARS

Africa

Africa remains a priority focus for the South African automotive industry, and the continent accounted for R31,69 billion, or 17,7%, of South Africa's total automotive exports of R178,8 billion in 2018. Automotive exports to Africa increased by R1,97 billion, or 6,6%, from the R29,72 billion exported in 2017.

According to the International Organisation of Motor Vehicle Manufacturers (OICA), vehicle production in Africa grew by 12,1%, from 1 003 859 units in 2017, to 1 125 636 units in 2018. The continent's market share comprised 1,2% of global vehicle production in 2018. South Africa, with 610 854 units, accounted for 54,3% of Africa's total vehicle production, while Morocco, with 402 085 units, Egypt, with 71 400 units, and Algeria with 70 597 units, accounted for the balance. With regard to passenger car production, Morocco, at 368 601 units in 2018, for the second successive year, surpassed South Africa's passenger car production of 321 097 units. The estimated vehicle parc in Africa was in the order of 44,8 million units, and the motorisation rate was at 42 vehicles per 1 000 persons. The following table reveals Africa's vehicle production for 2017 and 2018.

Africa vehicle production and sales – 2017 to 2018

	2017	2018	% change 2018/2017
Vehicle production	1 003 859	1 125 636	+12,1%

Source: OICA

South Africa and northern African countries constituted the main new vehicle markets on the continent. Due to the absence of suitable vehicle financing options, and fierce competition from low-cost imported used vehicles dampening new vehicle sales, the potential African new vehicle consumer market is yet to be realised. Used car imports are not allowed in South Africa and in northern African countries, and hence the reason for the successful growth and development of their automotive industries.

The African continent remains an untapped opportunity for global OEMs intent on growing their global business, as new vehicles sales are projected to reach two million units per annum in the next five to 10 years. The good news is that Afrilennials, as opposed to Millennials, still want to own a vehicle. They are the first generation of the middle class that are actively in asset-catch-up mode. Africa offers growth that continues to outpace established nations. The continent is as big as the US, Western and Eastern Europe, India and China combined, and in 2018 had a population of 1,29 billion. As the continent becomes more populous, companies with an established presence in Africa will be better positioned to sell into burgeoning African markets. They will have the advantage of local market knowledge and connections, as well as established distribution channels to beat out rivals who failed to invest early. Africa, however, is not one homogenous entity where each country can be approached with the same business strategy. It is a heterogeneous jigsaw puzzle of different economies and consists of vastly different, disconnected countries and economies.

To consider the context of an African average growth rate of 3,6% for 2019/2020, as projected by the World Bank, it is important to look at the various regions, rather than looking at Africa as a continent. Large economies are also growing at a much slower pace than the smaller economies. East Africa is a region of small countries, and the top fastest growing countries in Africa are smaller economies with growth rates in excess of 6%. The fastest growing countries on the African continent are those that have introduced policies that make it easy to do business, cut red tape and have rational and clear tax regimes. Infrastructure has also been a barrier to growth. If Africa is to seize the opportunities of the future, it needs to mobilise large-scale, sustained investment, especially in infrastructure. Infrastructure is the backbone of a country's economy and it has a ripple effect to open up markets, accelerate industrialisation and unlock manufacturing.

The success of the South African automotive industry is closely linked to the fortunes of Africa. At present the automotive industry plays a disproportionately small manufacturing role in the region outside of South Africa. This is to the detriment of the region, resulting in limited industrial activity, employment, and technology transfer. South Africa needs to be part of a larger automotive regional production system. The aim is therefore the establishment of a sub-Saharan African automotive development plan or Automotive Pact, built around South Africa, Nigeria, Kenya, Ghana, and potentially one or two other larger economies. This will lead to an associated spread of value-adding activity to neighbouring countries that participate in the value chain based on their comparative locational advantages. Key to the plan is unlocking automotive value-addition within the sub-Saharan African economy, and substantially growing CBU production in the region.

Countries that invest in developing the industrial capacity to create and manufacture motor vehicles will build businesses, create jobs, grow their economies, and generate skills and capabilities that are transferable to multiple industries and sectors. It is, however, recognised that the development of all global automotive industries had been preceded by government policy intervention. If African governments do not develop sustainable, long-term automotive industry policies, including policy measures that address the issue of the sale of used vehicles, they will fail to develop automotive sectors within their economies. The absence of such policies provides challenges to establishing vehicle finance houses within many African countries, which further hinders the sale of new vehicles, as it affects affordability. The necessity of regions or countries is therefore in developing sustainable, long-term automotive industry policies, which will include putting some form of limitation on used car imports if they wish to develop their domestic motor industries.

The founding of the independent African Association of Automotive Manufacturers (AAAM) was based on the strategic view that Africa is extremely important to the future of the OEMs in South Africa, and as such, South Africa is playing a mentoring and knowledge-sharing role for African countries considering car assembly operations in their industrialisation policies. The AAAM, together with the relevant countries, aim to develop a self-sustaining and internationally-competitive African automotive industry. As a result, the promotion of a cohesive automotive strategy for the African continent has been gaining new impetus.

The focus on Africa aligns well with the focus of the South African Automotive Masterplan 2021-2035, which has a major focus on regional integration and trade. South Africa is the only country in sub-Saharan Africa where vehicle manufacturing has reached the scale able to drive a cumulative process of linkage building. The country, with its expertise and geographic advantage is ideally placed to benefit from the increased demand for vehicles and automotive components on the continent. South Africa's proximity, compared to other emerging markets, and its understanding of business conditions and practices in other African countries, places it in the favourable position of being the ideal partner for becoming increasingly involved with semi-knocked down assembly operations in African countries. The incentive for South Africa to assist other countries in the region lies in the economies of scale and increased foreign investment that can be realised in the long term in terms of specialising in certain models and parts in different countries.

The following table reveals South African automotive exports to the African continent. Annual comparisons should take account of the following – the 2015 to 2018 total automotive export data to Africa provides two comparisons: one comparison includes exports to Botswana, Lesotho, Namibia and Swaziland (renamed eSwatini) (BLNS countries) in line with the revised publishing format of South African trade data provided by SARS, and the other comparison excludes exports to BLNS countries in order to facilitate historical comparisons. Although SACU is a customs union allowing for the free movement of goods between member states, trade with the BLNS countries is regarded as imports and exports for statistical purposes only. Total automotive exports to Africa, excluding BLNS country data, increased by R835 million, or 4,9%, from R16,97 billion in 2017 to R17,81 billion in 2018, while total automotive exports, including BLNS country data, increased by R1,97 billion, or 6,6%, from the R29,72 billion in 2017 to R31,69 billion in 2018. Vehicle exports to 33 African countries increased from the 21 847 units in 2017 to 23 988 units in 2018. Automotive component exports into the continent declined marginally by 0,3%, from R13,16 billion in 2017 to R13,12 billion in 2018.

Exports to Africa by product category – 2015 to 2018

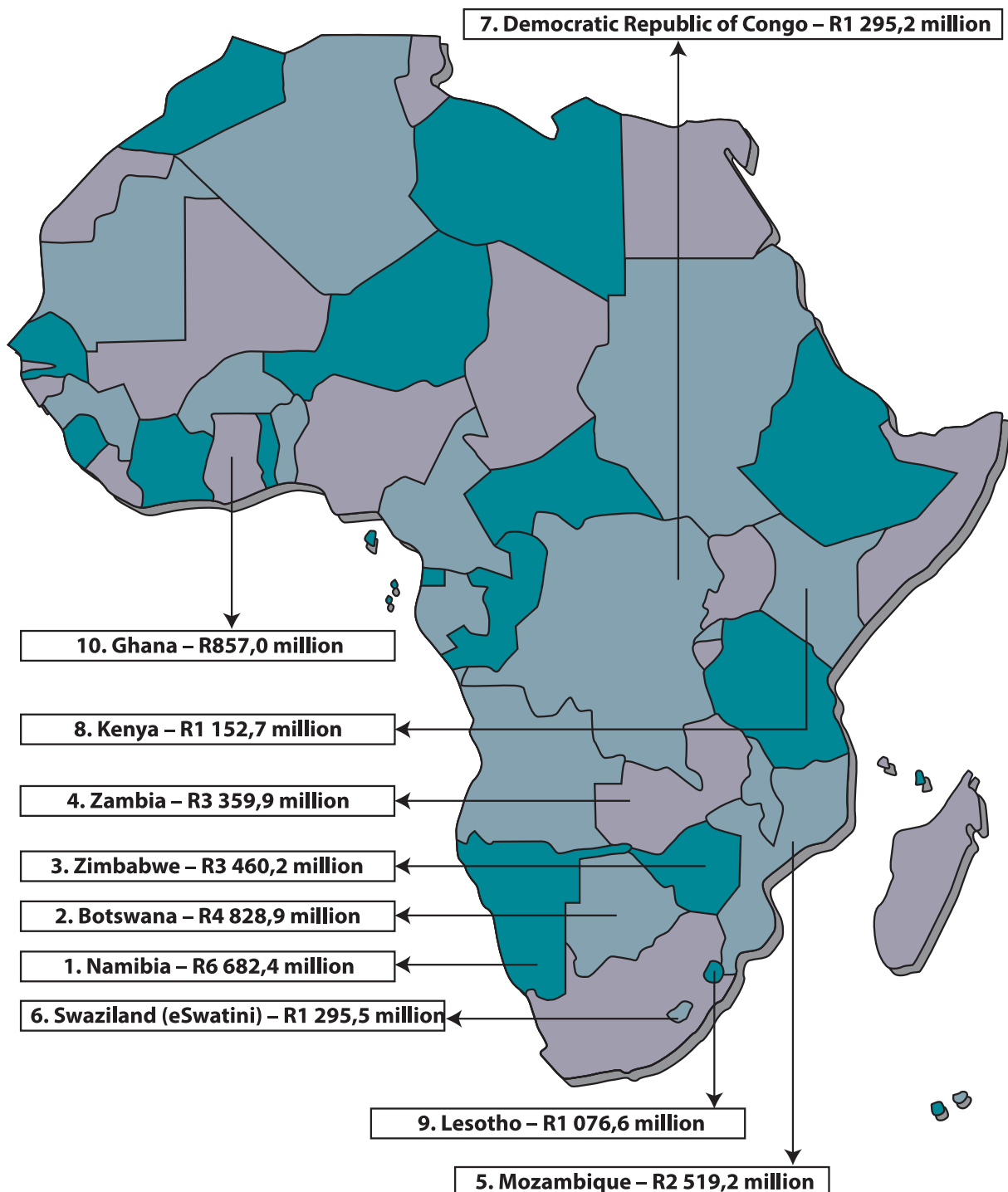
Component	2015*	2016*	2017*	2018*	2015**	2016**	2017**	2018**
Total (R million) Including BLNS country data					34 090,2**	31 277,3**	29 721,1**	31 689,1**
Total (R million) Excluding BLNS country data	17 598,8*	14 628,2*	16 970,7*	17 805,7*				
Air conditioners	23,5	33,1	21,0	15,4	42,3	46,3	37,7	32,4
Alarm systems	45,2	45,2	35,9	43,4	77,7	89,3	68,1	64,7
Automotive glass	17,2	18,0	17,4	19,4	73,4	89,5	84,6	85,6
Automotive tooling	540,3	222,4	249,0	235,7	688,6	333,3	373,0	352,7
Axles	51,3	45,3	57,3	127,7	128,3	61,5	85,5	161,9
Batteries	190,2	205,5	250,1	245,6	285,2	328,1	383,7	415,1
Body parts / panels	38,2	24,1	37,5	67,9	126,7	134,8	106,4	145,3
Brake parts	79,2	84,7	86,4	75,6	182,1	198,2	192,2	192,1
Car radios	7,5	7,7	7,9	3,0	22,1	18,6	29,8	17,1
Catalytic converters	99,5	84,8	79,4	114,0	118,3	110,3	112,5	147,0
Clutches / shaft couplings	36,7	40,9	46,8	49,4	95,6	105,2	115,3	128,7
Engines	333,2	382,9	406,0	437,5	443,0	493,4	636,6	606,0
Engine parts	475,7	466,9	504,4	566,8	791,5	815,7	827,4	902,5
Filters	179,3	187,7	216,9	219,4	273,6	308,9	347,2	364,7
Gaskets	90,4	95,0	77,9	73,3	133,7	131,1	118,2	113,3
Gauges / instruments / parts	358,9	304,3	330,2	330,6	480,0	441,0	444,5	445,2
Gear boxes	35,8	33,5	45,3	78,2	79,0	93,9	96,8	141,3
Ignition / starting equipment	96,6	87,0	91,5	84,6	207,1	204,9	208,1	211,8
Jacks	23,1	20,3	17,4	20,3	28,0	27,0	24,2	28,8
Lighting equipment / parts	47,8	50,1	54,2	59,6	89,6	108,1	117,7	132,3
Radiators / parts	28,8	37,2	46,1	51,3	73,5	88,2	104,9	110,8
Road wheels / parts	36,8	25,5	27,2	29,4	82,4	80,7	67,7	70,0
Seats	8,4	6,9	9,6	9,3	18,1	16,8	20,2	22,1
Seat belts	2,8	2,4	3,0	2,9	5,9	6,0	6,6	6,4
Shock absorbers / suspension parts	45,8	34,7	35,5	43,4	79,3	82,5	92,5	119,5
Silencers / exhausts	5,4	4,8	6,4	8,2	14,5	15,3	15,9	17,3
Springs	7,8	13,7	13,9	15,5	13,6	20,9	23,7	23,7
Steering wheels / columns / boxes	11,0	9,7	15,1	12,2	23,8	26,2	35,5	37,3
Stitched leather seats / parts	4,3	5,9	7,7	7,1	54,1	41,3	21,7	19,2
Transmission shafts	389,6	406,1	399,3	456,9	542,7	562,9	560,1	654,5
Tyres	762,6	850,3	768,2	770,1	1 455,0	1 619,2	1 607,7	1 486,6
Wiring harnesses	21,5	20,3	19,3	19,6	139,4	229,0	118,6	53,6
Othr parts	3 204,5	2 848,9	2 834,1	3 279,8	6 273,4	5 798,2	6 076,1	5 814,3
Light vehicles	8 487,9	5 750,8	8 159,9	7 583,5	17 091,8	14 566,8	12 980,2	14 324,7
Medium / Heavy vehicles	1 812,0	2 171,6	1 992,9	2 649,1	3 856,9	3 984,2	3 580,2	4 240,6

Source: AIEC, SARS

* Comparison excluding BLNS (Botswana, Lesotho, Namibia and Swaziland (renamed eSwatini)) country exports

** Comparison including BLNS (Botswana, Lesotho, Namibia and Swaziland (renamed eSwatini)) country exports

Top export destinations in Africa with export values – 2018 (R million)



Source: AIEC, SARS

Southern African Development Community (SADC)

South Africa's automotive exports to the Southern African Development Community (SADC) comprised 85,5%, or R27,10 billion, of its total R31,69 billion of automotive exports to the African continent in 2018. Exports of automotive goods to nine of the 15 countries within SADC exceeded the R1 billion level in 2018. The free trade area within SADC, as well as the geographical proximity of these markets, which are relatively easily accessible by road or by rail, contributed to the significant automotive trade with neighbouring countries.

South Africa's participation in SADC, comprising 15 sub-Saharan African countries, allows access to a market of approximately 352 million people and an estimated regional GDP of US\$600 billion. SADC which operates as a free trade area includes the following 15 countries: Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland (renamed eSwatini), Tanzania, Zambia and Zimbabwe. South Africa joined SADC in August 1994. The SADC Protocol on Trade was signed on 24 August 1996 and amended in the years 2000, 2007 and 2008, with the specific simplification of rules of origin and other matters. The objective of the SADC Trade Protocol is to liberalise intra-regional trade by creating mutually beneficial trade arrangements, and thus improving investment and productivity in the region.

The SADC FTA was launched in 2008 when 85% of tariff lines became duty-free. Currently, Angola and the Democratic Republic of Congo remain outside the agreement. SADC member states are committed to eliminating barriers to trade, to ease customs procedures, harmonise trade policies, prohibit unfair business practices, and to eliminate about 98% of SADC's merchandise trade to zero tariffs. To date, all signatories, except for Zimbabwe, have translated their commitments into domestic enabling legislation. The current rule of origin for SADC in terms of vehicles is a maximum of 60% imported content, expressed as a percentage of the ex-works price, plus a completely knocked-down (CKD) assembly rule. For automotive components, the rule is a maximum of 50% imported content.

Trade within Africa is dominated by trade within regional blocs, not between regional blocs. In SADC, the focus currently is on consolidating the achievements of the free trade area, and working to extend African integration through the pursuit of the tripartite free trade area (TFTA) including SADC, the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA). The TFTA aims to bring about a unified and liberalised single market. The TFTA is anchored on the developmental integration approach, which recognises the complementarities between market integration, industrial development and the addressing of infrastructure constraints. The TFTA provides better alignment of trade rules between countries, and the standardisation of tariffs and duties. There are numerous benefits that would accrue to South Africa as a result of the agreement. These include access to new and dynamic markets characterised by a combined GDP of US\$1,3 trillion and a combined population of about 733 million people, which is over half the total Africa population and economy. Some TFTA countries, such as Ethiopia, Rwanda and Tanzania, are among the fastest growing economies on the continent. This has the potential to stimulate industrial development, investment and job creation.

With regard to the TFTA negotiations, SACU has exchanged offers with the EAC in 2016 and with Egypt in 2017, with Ethiopia to follow. The two important elements that were discussed in consultation between

South Africa's social partners at the National Economic Development and Labour Council (Nedlac) are the rules of origin and offers for the elimination of import tariffs between countries, to create preferential market access. SACU, of which South Africa is the dominant member, is negotiating as a group in the TFTA. The ratification of the TFTA would bring exporters a step closer to enjoying preferential treatment under the agreement. To date, 22 of 26 members have signed the agreement and it will enter into full force once it has been ratified by 14 countries. So far, besides South Africa, only Egypt, Uganda and Kenya have ratified the agreement.

Some overlapping occurs with the same countries being part of more than one Regional Economic Community (REC) but vehicle and automotive component exports to the three RECs in 2018 amounted to R27,11 billion with respect to SADC (R25,56 billion in 2017); R2,29 billion with respect to the EAC (R1,92 billion in 2017); and R12,79 billion with respect to COMESA (R9,51 billion in 2017). Presently, South Africa does not import automotive goods in significant numbers from any African country. The greatest barrier to regional integration is the lack of demand, capacity and industry in other countries. Regional integration is not only critical and important, but is a necessary tool and strategy for development. Establishing regional value chains via the harmonisation of trade regimes, increased market liberalisation, and various other areas of co-operation remain important to present the South African automotive industry with increased export opportunities in future. Regional integration is about co-operation and economies of scale. Volumes can only be achieved if member states continue to make it easier to trade across regional borders. For South African-based OEMs to attain higher production volumes, exports to regional markets should be an attractive proposition. The challenge for South Africa is to offer regional markets an alternative proposition to the importation of used vehicles. In this regard, motorcycle manufacturing in the region, as part of the SAAM 2021-2035 policy amendments, could be ideal for industrialisation in the region.

The TFTA not only marks an important step in promoting regional integration in Africa but is also a building block for the African Continental Free Trade Area (AfCFTA). Continental integration has long been recognised as critical to advancing Africa's endogenous growth and development. Beyond the TFTA, the AfCFTA will provide new export opportunities for South African automotive products in West Africa and North Africa. The AfCFTA is also being pursued under the development integration approach which combines market integration with industrial and infrastructure development. The AfCFTA has the potential to establish a sizeable market for a range of manufactured products, and in doing so will support the industrialisation of African countries. Improved transport, logistics and foreign investment, however, are essential to smooth the way for the African continent to reduce trade hurdles. Africa's competitive labour advantage must be accompanied by quality transport hubs, more efficient cross-border movement of goods and services, better port procedures and predictable logistics management.

The AfCFTA will bring together all African countries with a combined population of 1,29 billion people and a combined GDP of more than US\$2,3 trillion. Africa is divided into 55 national markets of varying size and diverging growth patterns, none of which on its own has the population or market to support deep industrialisation. Of the 55 African Union member states, 44 signed the agreement to create the AfCFTA on 21 March 2018. Five more countries signed the AfCFTA on 1 July 2018, including South Africa, taking the total to 49. The countries which have not signed yet are Benin, Botswana, Eritrea, Guinea-Bissau, Nigeria and Zambia. The current agreed Phase 1 covers trade in goods and services, it addresses the issues of trade liberalisation, non-tariff barriers, rules of origin, trade facilitation (co-operation between Customs authorities and document harmonisation), transit and transit facilities, technical barriers to trade, standards, institutional arrangements and dispute settlement. To come into effect, the AfCFTA has to be ratified by 22 countries.

Economic integration, in particular, remains a critical component of the continent's efforts to ensure sustainable and inclusive economic growth, particularly in promoting economies of scale, enabling competitiveness, promoting diversification and addressing constraints in supply. South Africa has been at the forefront of growth in intra-Africa trade and is one of the key sources of investment in the rest of

Africa. These investments are critical in promoting intra-regional value chains and are mutually beneficial in that they not only provide benefits to the countries in which South African firms invest, but also create job opportunities in South Africa. South Africa's economic growth is intrinsically linked to Africa's economic growth, and its sustained growth is dependent on its ability to integrate into the regional, continental and global markets.

The following table reveals South Africa's automotive exports to SADC. Annual comparisons should take account of the following – the 2015 to 2018 total automotive export data to SADC provides two comparisons: one comparison includes exports to Botswana, Lesotho, Namibia and Swaziland (renamed eSwatini) (BLNS countries) in line with the revised publishing format of South African trade data provided by SARS, and the other comparison excludes exports to BLNS countries in order to facilitate historical comparisons. Total automotive exports to SADC, excluding BLNS country data, increased by R407 million, or 3,2%, from R12,81 billion in 2017 to R13,22 billion in 2018. Total automotive exports, including BLNS country data, increased by R1,54 billion, or 6,0%, from R25,56 billion in 2017 to R27,10 billion in 2018. Several SADC countries have consistently remained amongst the South African automotive industry's top export destinations over the past three decades.

South Africa's economic growth is intrinsically linked to Africa's economic growth, and its sustained growth is dependent on its ability to integrate into the regional, continental and global markets.

Exports to SADC by product category – 2015 to 2018

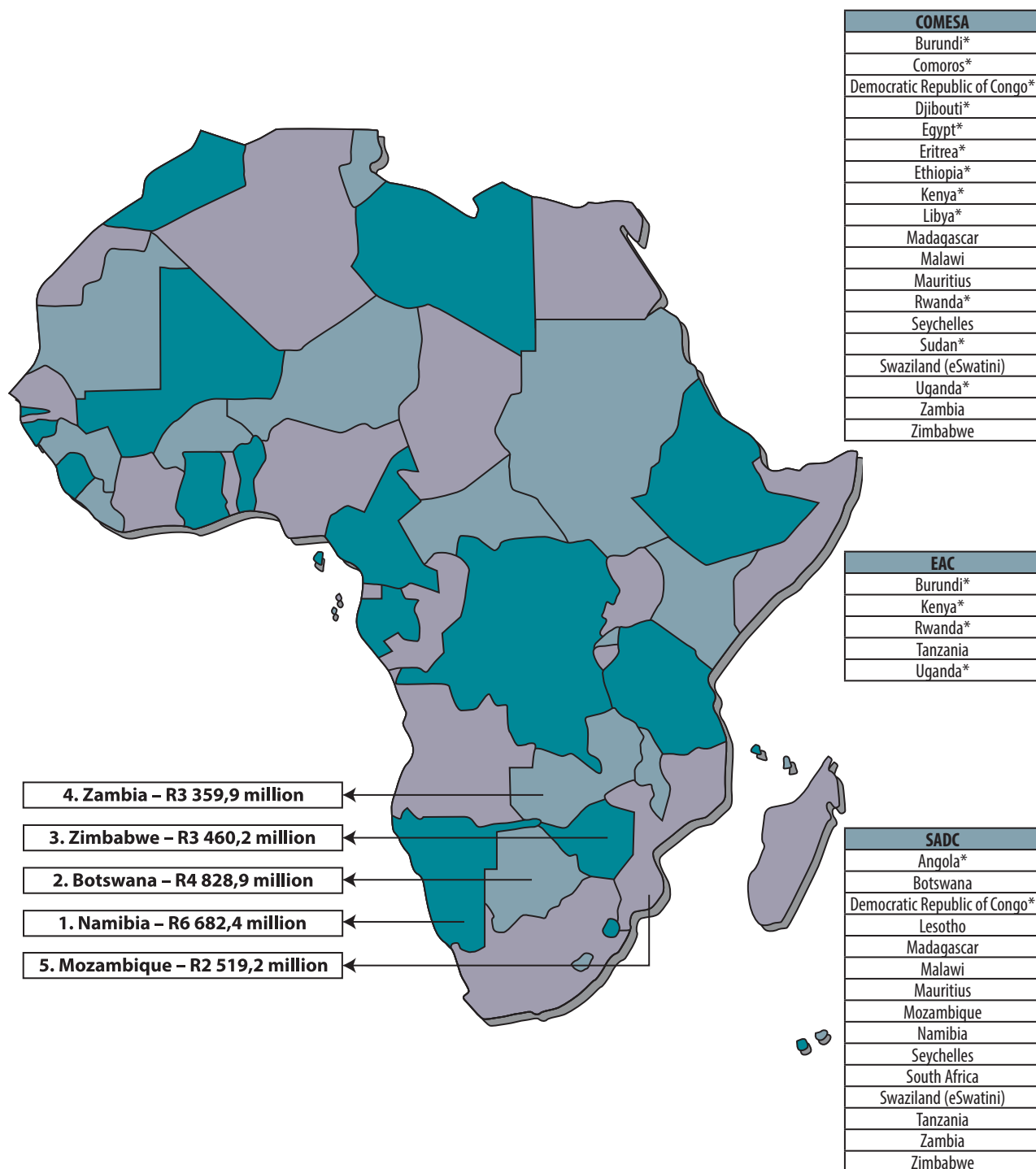
Component	2015*	2016*	2017*	2018*	2015**	2016**	2017**	2018**
Total (R million) Including BLNS country data					27 318,0**	27 279,5**	25 560,6**	27 100,9**
Total (R million) Excluding BLNS country data	10 826,6*	10 630,4*	12 810,4*	13 217,7*				
Air conditioners	19,5	32,3	18,6	11,7	38,3	45,5	35,3	28,7
Alarm systems	32,4	27,6	26,4	37,4	64,9	71,7	58,7	58,6
Automotive glass	13,6	14,0	14,0	15,0	69,8	85,5	81,2	81,3
Automotive tooling	193,7	131,7	163,0	185,1	342,0	242,6	287,0	302,1
Axles	48,8	41,2	52,1	122,1	125,8	57,4	80,3	156,2
Batteries	185,6	203,7	247,4	243,2	280,6	326,3	381,0	412,6
Body parts / panels	34,2	18,7	29,4	62,9	122,7	129,4	98,3	140,2
Brake parts	65,6	66,9	71,8	67,9	168,5	180,4	177,7	184,5
Car radios	6,5	6,6	7,1	2,5	21,1	17,5	28,9	16,6
Catalytic converters	76,1	54,6	65,9	100,5	94,9	80,1	99,0	133,5
Clutches / shaft couplings	32,0	33,7	40,5	43,5	90,9	98,0	109,0	122,8
Engines	325,8	357,7	386,2	422,5	435,6	468,2	616,8	590,9
Engine parts	410,7	372,5	428,9	492,6	726,5	721,3	751,9	828,3
Filters	155,7	157,8	187,1	196,8	250,0	279,0	317,3	342,2
Gaskets	79,2	84,0	65,3	63,9	122,5	120,1	105,6	103,9
Gauges / instruments / parts	279,7	244,7	270,0	272,2	400,8	381,4	384,3	386,7
Gear boxes	31,7	26,4	37,5	68,3	74,9	86,8	89,0	131,4
Ignition / starting equipment	82,2	74,9	82,8	76,8	192,7	192,8	199,4	204,0
Jacks	18,7	17,4	13,5	15,3	23,6	24,1	20,3	23,8
Lighting equipment / parts	40,3	40,6	43,0	45,8	82,1	98,6	106,6	118,6
Radiators / parts	24,9	32,0	32,1	46,9	69,6	83,0	90,9	106,4
Road wheels / parts	32,0	21,7	24,9	26,5	77,6	76,9	65,4	67,1
Seats	6,2	5,7	8,1	8,0	15,9	15,6	18,7	20,7
Seat belts	2,4	1,6	2,7	2,6	5,5	5,2	6,3	6,1
Shock absorbers / suspension parts	43,9	32,5	33,6	38,3	77,4	80,3	90,5	114,4
Silencers / exhausts	4,6	4,0	5,6	7,3	13,7	14,5	15,1	16,4
Springs	7,2	11,8	13,2	14,9	13,0	19,0	23,0	23,1
Steering wheels / columns / boxes	9,0	8,1	13,4	9,8	21,8	24,6	33,8	34,9
Stitched leather seats / parts	4,1	5,7	6,5	6,6	53,9	41,1	20,4	18,7
Transmission shafts	342,4	328,4	324,3	401,4	495,5	485,2	485,2	599,0
Tyres	603,6	680,0	606,8	584,2	1 296,0	1 448,9	1 446,3	1 300,8
Wiring harnesses	20,7	16,9	18,6	18,8	138,6	225,6	117,8	52,9
Other parts	2 705,6	2 372,9	2 330,4	2 717,6	5 774,5	5 322,2	5 572,3	5 252,0
Light vehicles	3 354,6	3 137,8	5 202,4	4 210,2	11 958,5	11 953,8	10 022,7	10 951,4
Medium / Heavy vehicles	1 533,4	1 964,3	1 937,3	2 578,6	3 578,3	3 776,9	3 524,6	4 170,1

Source: AIEC, SARS

* Comparison excluding BLNS (Botswana, Lesotho, Namibia and Swaziland (renamed eSwatini)) country exports

** Comparison including BLNS (Botswana, Lesotho, Namibia and Swaziland (renamed eSwatini)) country exports

Top export destinations in SADC with export values – 2018 (R million)



*The countries marked with an asterisk are the ones to which South Africa does not yet have preferential access to with regards to the TFTA.

Source: AIEC, SARS

Mercosur (Mercado Común del Sur - Common Market of South America)

Mercosur is an economic and political bloc comprising Argentina, Brazil, Paraguay, Uruguay, and Venezuela, with Bolivia, Chile, Colombia, Ecuador, Guyana, Peru, and Suriname as associate members. The associate members receive tariff reductions but do not enjoy full voting rights or complete access to the markets of Mercosur's full members. Trade with Mercosur remains relatively small in the context of South Africa's overall automotive trade regime. Total automotive exports to Mercosur amounted to R1,65 billion, or 0,9%, of total South African automotive exports of R178,8 billion in 2018. The decline in automotive exports to Mercosur over recent years could be attributed to the sharp decline of automotive exports to Brazil, related to the country's Inovar-Auto programme with its objective to reduce automotive imports into the country.

According to the International Organisation of Motor Vehicle Manufacturers (OICA), vehicle production in Mercosur increased by 4,2%, from 3,16 million units in 2017 to 3,29 million units in 2018. Brazil dominated production in the region and recorded a 5,2% year-on-year increase in vehicle production, from the 2,74 million units produced in 2017 to 2,88 million units in 2018. The estimated vehicle parc in Mercosur was in the order of 58,1 million units and the motorisation rate was at 232 vehicles per 1 000 persons. The following table reveals Mercosur's vehicle production for 2017 and 2018.

Mercosur vehicle production – 2017 to 2018

	2017	2018	% change 2018/2017
Vehicle production	3 158 210	3 291 458	+4,2%

Source: OICA

The Preferential Trade Agreement (PTA) between Mercosur and SACU came into force on 1 April 2016 and covers in the order of 1 000 tariff lines, offering preferential margins of between 10% and 100% on these tariff lines. The PTA was initially concluded in 2004, and it was updated and signed in 2008. The PTA was the first trade agreement concluded by SACU as a single entity. This agreement is also the first with another developing region, giving meaning to the objectives of the South-South co-operation. The PTA creates a basis for further integration and co-operation, including possible further exchanges of tariff preferences, and possible co-operation in other areas. The aim of the agreement is to strengthen existing relations, promote the expansion of trade, and to establish the conditions for the creation of a FTA between Mercosur and SACU. Automotive products are excluded from the arrangement on the side of both parties. However, future negotiations may involve the granting and winning of tariff concessions with respect to automotive products.

The Brazilian government had been discussing a new automotive policy to replace Inovar-Auto, which expired on 31 December 2017. In November 2018, at the inauguration ceremony of the Salão do Automóvel (International Motor Show) in São Paulo, President Temer signed the decree called "Rota 2030" (the Road to 2030) on new rules for Brazil's vehicle manufacturing industry to shape the evolution of the sector for the next 10 years. The signing took place hours after the Senate passed the measure to create the initiative. The programme has installed a new tax regime for OEMs in Brazil, and they will have to invest in new products,

and new technology research and development in vehicle production to make the Brazilian motor industry competitive on a global scale. Rota 2030 is anticipated to attract more investment to the country with more advanced technologies to be showcased in the next edition of the Salão do Automóvel. The Brazil automotive sector represents in the order of 22% of the country's GDP and generates over 1,3 million jobs.

With Inovar-Auto, the country was accused of protectionism by several countries. The programme has introduced large increases in the taxation on all cars, especially imports, although manufacturers conforming to a lengthy set of regulations could avoid the charges on their products. Inovar-Auto added a 30% tax to industrial products, except those built in Mexico or the Mercosur countries. Moreover, the increase was in addition to a 35% import duty applicable to vehicles. The 30% tax increase could be negated if OEMs invested in R&D in Brazil and achieved the production of more economical, lower priced and safer vehicles.

The main opportunity offered by Inovar-Auto was the motivation for the automotive industry to internalise international technology and to decrease the wide gap with respect to technological development that exists between Brazil and developed countries. Inovar-Auto has been running since the start of 2013 and was valid until 2017. The tax increase was mostly felt by those automotive component manufacturers and OEMs without plants in Brazil, or those that only assembled vehicles in the country with a high level of imported components. Inovar-Auto had succeeded in its objective of reducing imports of vehicles into Brazil.

In March 2016, the Brazilian authorities published a list of automotive components that were not being manufactured in Brazil, and which would since then attract an import tariff of 2%, compared to the 14%, 16% and 18% tariffs that had been previously charged. The list included 61 automotive parts, some of which are still subject to import quotas. The tax reduction was requested by industry associations, and was aimed at increasing the competitiveness of the domestic OEMs. The products listed include gasoline and diesel engines, volumetric pumps and gear boxes, amongst others, which could potentially present opportunities for exporters from South Africa.

The following table reveals that automotive exports to Mercosur consisted of a limited range of products. Automotive exports to the region increased from R1,43 billion in 2017 to R1,65 billion in 2018. The bulk of exports to the region was destined for Argentina, accounting for R1,32 billion, with Brazil only accounting for R188 million of exports. The substantial decline in vehicles and automotive components to Mercosur over recent years could mainly be attributed to the protectionist policies in Brazil succeeding in its objective of reducing new vehicle imports into the country.

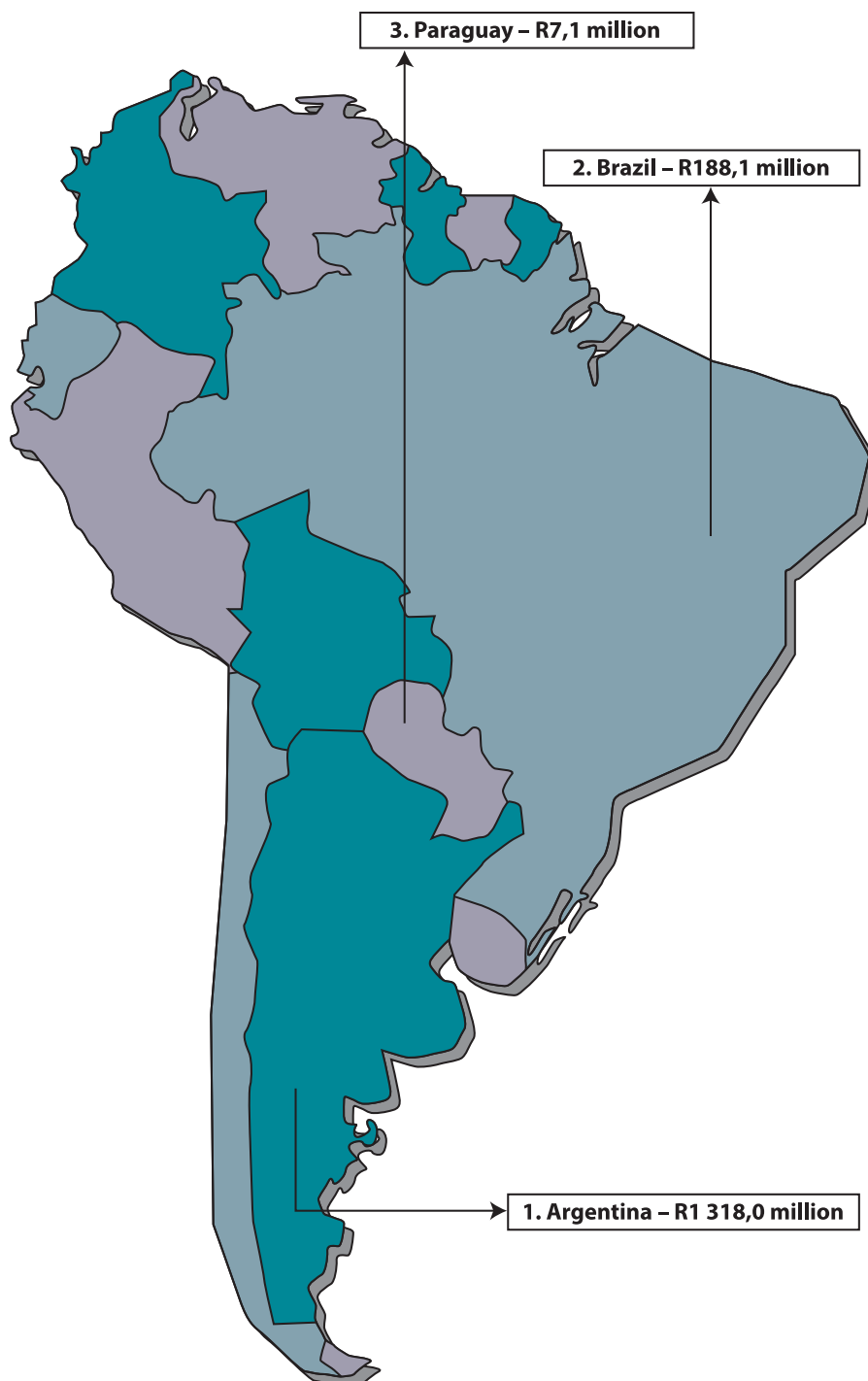
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Exports to Mercosur by product category – 2014 to 2018

Component	2014	2015	2016	2017	2018
Total (R million)	2 270,8	3 481,7	1 764,7	1 427,9	1 646,4
Air conditioners	0,1	-	1,0	0,6	-
Alarm systems	0,5	0,1	0,5	1,3	0,9
Automotive glass	0,9	1,2	0,9	-	-
Automotive tooling	44,7	9,5	22,5	4,2	9,1
Axles	1,5	14,7	11,3	5,9	5,1
Batteries	0,2	0,6	-	-	-
Body parts / panels	5,0	0,5	1,4	0,3	0,2
Brake parts	0,1	0,4	0,8	0,3	0,1
Car radios	0,9	-	-	-	-
Catalytic converters	243,4	174,6	196,9	222,0	256,6
Clutches / shaft couplings	5,7	4,0	3,3	3,7	5,8
Engines	0,5	-	-	8,0	0,1
Engine parts	215,2	232,8	319,4	284,7	314,8
Filters	2,2	1,7	4,4	5,8	1,3
Gaskets	0,5	0,9	1,3	0,4	0,4
Gauges / instruments / parts	3,3	7,8	9,5	9,4	13,8
Gear boxes	0,1	-	-	0,1	0,1
Ignition / starting equipment	0,1	0,1	1,5	1,6	0,1
Lighting equipment / parts	0,2	0,3	0,1	2,5	0,3
Radiators / parts	0,1	17,4	20,6	20,6	48,1
Road wheels / parts	152,1	92,7	46,1	89,7	114,0
Seat belts	-	0,1	-	-	-
Seats	0,2	0,2	0,2	-	-
Shock absorbers / suspension parts	0,2	-	0,4	0,1	0,7
Silencers / exhausts	27,1	14,8	19,0	11,2	8,7
Springs	0,2	-	-	-	-
Steering wheels / columns / boxes	0,1	-	1,0	-	-
Stitched leather seats / parts	2,1	3,4	1,8	0,8	1,8
Transmission shafts	67,6	68,8	45,7	60,1	120,2
Tyres	14,0	0,6	2,1	2,7	10,4
Wiring harnesses	1,3	0,4	3,6	0,4	0,2
Other parts	540,3	399,2	429,6	427,0	418,0
Light vehicles	939,3	2 427,7	617,5	260,2	315,6
Medium / Heavy vehicles	0,9	7,2	2,3	4,3	-

Source: AIEC, SARS

Top export destinations in Mercosur with export values – 2018 (R million)



Source: AIEC, SARS

EXPORTS TO COUNTRIES

According to the World Bank, global economic growth is projected to moderate from 3% in 2018 to 2,9% in 2019 amid rising downside risks. International trade and manufacturing activity have softened, trade tensions remain elevated, and some large emerging markets have experienced substantial financial market pressures. A deceleration in global growth may start to weigh on export growth going forward, and thus, in an emerging borderless, connected and globalised economy new strategies will be key to maintaining and increasing the importance of global trade. International trade is a primary vehicle for the movement of international capital to developing nations, which ultimately drives economic development. Although the world trade in goods is maintaining a healthy robust recovery, it still might falter if trade tensions escalate further and if governments resort to restrictive trade policies. New trade restrictions could trigger cycles of retaliation that weigh on global trade and output, and a cycle of retaliation is the last thing the world economy needs.

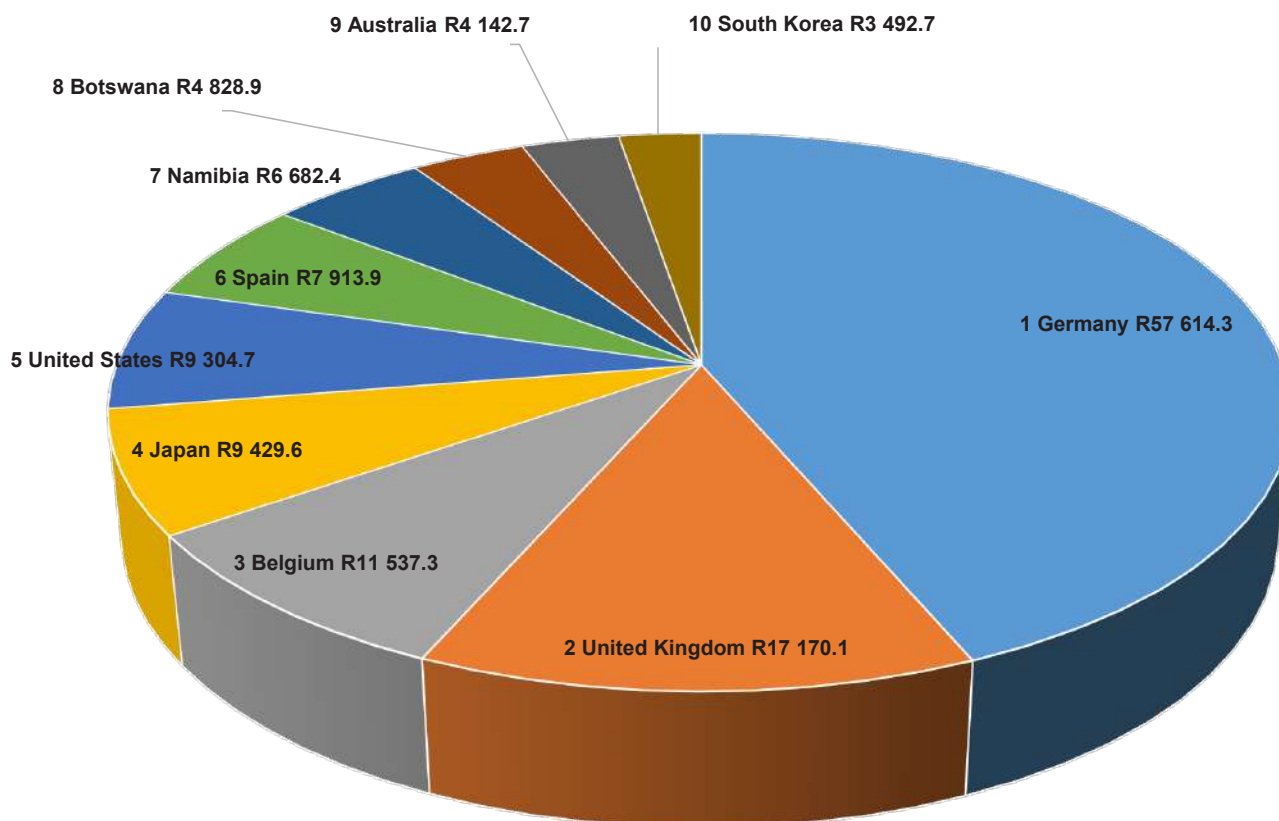
Global trade has operated within a rules-based framework, with at its pinnacle the 164 membership World Trade Organisation's (WTO) multilateral trading system, established in 1994. Many countries, including South Africa, have accepted that a multilateral rules-based system is desirable. It creates space for developed and developing countries alike to participate in negotiating binding and enforceable rules.

South Africa's established export markets in the Eurozone and NAFTA remain important as they are long-standing relationships that come with technology and knowledge transfers, and offer markets that are not without further possibilities. However, in recent years, Africa and Asia have become important destinations for South African automotive products, as these economies have grown and trade ties have strengthened. The wider geographical exposure also mitigates the impact of domestic or regional cyclical economic conditions by diversifying risk.

It is therefore becoming increasingly important for the domestic automotive industry to diversify into new markets with exports, and to intensify its present export basket of value-added, manufactured and beneficiated automotive products. Diversity places the emphasis on high-growth emerging markets and will facilitate opportunities for collaboration between large businesses, such as the OEMs and first-tier automotive component suppliers and SMMEs, and create export-orientated opportunities for these enterprises in the automotive supply chain.

It is therefore becoming increasingly important for the domestic automotive industry to diversify into new markets with exports.

South African automotive industry's top export destinations - 2018 (R million)



Source: AIEC, SARS

The focus of the domestic automotive industry is to build on existing exports and to escalate the importance of exploring and exploiting new export opportunities. The following table reveals that export destinations, for values in excess of R1 million, reached the record number of 155 in 2018, up from the 149 in 2017, with 25 countries recording export values in excess of R1 billion, and 71 countries recording export values in excess of R100 million. The South African automotive industry forms an important part of international supply chains by being fully integrated into the global automotive environment. Diversification into new emerging markets is a continuing trend and underlines the automotive industry's competitiveness drive and the continuous widening of the country's traditional trading base. The latter is highlighted by new export destinations appearing in the industry's export list of countries every year, as well as the specific destinations to which the export values more than doubled on a year-on-year basis. From 2017 to 2018, the total export values more than doubled in the case of 25 countries, which include: the UK, Mexico, Switzerland, Nigeria, Cape Verde Islands, Benin, Cameroon, Georgia, Barbados, Paraguay, Algeria, Bahamas, St Lucia, East Timor, Dominica, Central African Republic, Macao, Slovak Republic, Andorra, Puerto Rico, Tokelau Islands, Equatorial Guinea, Syria, Malta and Fiji.



Total automotive export value and ranking by country – 2017 to 2018

Country	2017 R million	2017 Ranking	2018 R million	2018 Ranking
Germany	46 721,7	1	57 614,3	1
UK*	8 474,3	5	17 170,1	2
Belgium	13 948,1	3	11 537,3	3
Japan	8 884,8	4	9 429,6	4
USA	18 821,2	2	9 304,7	5
Spain	7 440,8	6	7 913,9	6
Namibia	7 124,8	7	6 682,4	7
Botswana	4 702,9	9	4 828,9	8
Australia	4 724,5	8	4 142,7	9
South Korea	2 403,4	13	3 492,7	10
Zimbabwe	2 560,5	12	3 460,2	11
Zambia	2 905,6	11	3 359,9	12
France	3 136,1	10	3 076,7	13
Mozambique	1 973,6	15	2 519,2	14
Thailand	2 166,0	14	2 400,2	15
Czech Republic	1 485,1	18	2 259,1	16
India	1 938,4	16	1 507,5	17
Mexico*	278,7	45	1 409,2	18
Argentina	1 203,9	20	1 318,0	19
United Arab Emirates	756,1	27	1 299,2	20
Swaziland (renamed eSwatini)	1 375,8	19	1 295,5	21
Democratic Republic of Congo	1 027,6	22	1 295,2	22
Taiwan	1 110,5	21	1 221,8	23
Kenya	985,8	24	1 152,7	24
Lesotho	1 552,7	17	1 076,6	25
25 COUNTRIES ABOVE R1 BILLION				
Netherlands	528,2	33	921,4	26
Hungary	804,3	26	881,7	27
Ghana	988,1	23	857,0	28
Turkey	736,1	28	747,9	29
Switzerland*	230,9	49	701,5	30
Malawi	683,8	30	689,3	31
Singapore	697,3	29	634,3	32
Tanzania	565,8	32	621,7	33
Poland	596,1	31	519,2	34
Italy	479,8	34	507,6	35
Angola	408,8	37	501,2	36
Nigeria*	198,2	51	481,2	37
Mauritius	411,0	36	461,3	38
Hong Kong, China	354,1	39	443,2	39
Portugal	341,6	40	422,2	40

Sweden	285,7	43	418,0	41
Uganda	269,5	46	392,6	42
Saudi Arabia	195,9	53	331,6	43
Greece	182,8	56	322,7	44
Romania	285,1	44	319,4	45
New Zealand	304,1	41	286,6	46
Madagascar	223,6	50	277,8	47
Gibraltar	169,0	58	267,3	48
Estonia	139,4	62	265,0	49
China	298,1	42	263,0	50
Panama	188,8	55	253,2	51
Cape Verde Islands*	101,6	68	223,8	52
Ivory Coast	240,0	48	217,8	53
Norway	418,9	35	211,0	54
Brazil	148,3	60	188,1	55
Austria	196,1	52	186,7	56
Qatar	368,0	38	185,4	57
Malaysia	149,7	59	175,3	58
Finland	192,6	54	165,1	59
Canada	848,0	25	158,6	60
Gabon	145,0	61	142,6	61
Ethiopia	255,1	47	140,3	62
Senegal	107,6	67	139,8	63
Chile	73,4	78	131,8	64
Trinidad & Tobago	92,9	71	129,9	65
Rwanda	95,3	69	125,4	66
Slovenia	120,5	63	120,4	67
Ireland	74,7	77	119,2	68
Reunion	116,8	64	106,8	69
Denmark	94,4	70	106,1	70
Benin*	40,7	95	100,7	71
71 COUNTRIES ABOVE R100 MILLION				
Guadeloupe	78,9	75	99,3	72
Iceland	75,4	76	89,1	73
Oman	110,3	65	84,1	74
Dominican Republic	69,7	82	78,7	75
Surinam	50,3	88	74,6	76
Djibouti	57,9	84	62,2	77
Sri Lanka	44,1	94	60,4	78
Martinique	79,6	74	59,9	79
Bulgaria	172,2	57	59,5	80
French Guiana	53,1	86	57,5	81
Guatemala	70,1	81	55,9	82
Guinea	46,9	91	54,4	83

Costa Rica	39,2	97	53,7	84
Jamaica	51,6	87	50,3	85
Pakistan	109,2	66	48,5	86
Mali	87,4	73	48,3	87
Honduras	46,0	92	47,2	88
Kazakhstan	36,6	98	46,2	89
Cameroon*	17,1	112	42,1	90
Indonesia	29,7	105	38,5	91
Burkina Faso	72,7	79	38,5	92
Israel	45,9	93	37,9	93
Sierra Leone	53,3	85	36,4	94
Seychelles	47,4	89	36,1	95
Russia	22,0	109	34,9	96
Philippines	61,2	83	32,4	97
Republic of Congo	20,8	110	31,8	98
Morocco	36,6	99	31,3	99
Togo	35,4	100	31,1	100
Tunisia	34,7	101	27,5	101
Peru	40,7	96	27,2	102
Egypt	34,7	102	26,8	103
Cyprus	25,3	107	25,8	104
Croatia	47,1	90	25,2	105
Georgia*	0,5	-	22,4	106
Bahrain	33,7	103	19,8	107
Liberia	32,3	104	19,2	108
Latvia	13,2	115	17,5	109
Netherlands Antilles	8,8	118	15,4	110
Mauritania	28,2	106	14,8	111
El Salvador	13,3	114	14,6	112
Barbados*	1,6	141	13,4	113
Eritrea	8,7	119	10,7	114
Nicaragua	5,7	125	10,1	115
Kuwait	89,8	72	8,7	116
Vietnam Republic	10,5	117	8,6	117
Ecuador	12,8	116	8,4	118
St Helena	17,6	111	8,3	119
Brunei	4,6	129	8,1	120
Paraguay*	0,2	-	7,1	121
Antigua	6,2	123	6,8	122
Bangladesh	7,4	121	6,7	123
Somalia	5,3	128	6,0	124
Algeria*	1,6	143	5,4	125
Jordan	71,2	80	5,4	126
Bahamas*	2,0	139	4,8	127

Lebanon	5,3	127	4,6	128
Colombia	5,5	126	4,3	129
St Lucia*	0,4	-	4,2	130
East Timor*	1,2	144	3,6	131
Dominica*	0,4	-	3,5	132
Central African Republic*	0,5	-	3,4	133
Macao*	-	-	3,0	134
Papua New Guinea	2,7	134	2,9	135
Cuba	13,6	113	2,9	136
Slovak Republic*	0,3	-	2,7	137
Myanmar	3,5	132	2,6	138
Aruba	3,5	133	2,3	139
Gambia	7,8	120	2,2	140
Andorra*	-	-	2,2	141
Burundi	5,9	124	1,8	142
Sudan	2,5	135	1,8	143
Puerto Rico*	0,1	-	1,8	144
Tokelau Islands*	-	-	1,5	145
Equatorial Guinea*	0,5	-	1,3	146
Syria*	0,1	-	1,3	147
Antarctica	2,2	137	1,3	148
Guyana	1,6	142	1,3	149
Grenada	1,7	140	1,2	150
Malta*	-	-	1,2	151
Fiji*	0,5	-	1,2	152
Niger	1,1	147	1,1	153
Bolivia	7,0	122	1,1	154
Iran	2,2	136	1,0	155
155 COUNTRIES ABOVE R1 MILLION				

Source: AIEC, SARS

*Countries with export values more than doubling year-on-year

In recent years, the importance of BRICS and south-south co-operation has grown tremendously, especially in light of the recent increase in protectionist measures pursued by traditional powerhouses in North America and Europe. Located in Asia, Africa, Europe and South America, the five member countries of BRICS are all regional or sub-regional economic leaders. For South Africa, admission into BRICS (Brazil, Russia, India, China and South Africa) on 24 December 2010 has enhanced the country's international stature, and trade and economic relations with these major economic forces. Although South Africa's economy is small compared with the other BRICS countries, the country's invitation into BRICS was a show of confidence in Africa's largest economy and the realisation of the importance of South Africa, not only in Africa, but on the global stage.

Every BRICS country has different resource endowments, industrial advantages and economic systems, each complementing an already solid foundation for industrial co-operation. With a population of 1,3 billion, China is the second largest economy in the world and is increasingly playing an important and influential role in the development of the global economy. Integrating South Africa into BRICS and continental value chains will play a critical role in expanding its growth momentum. Both South Africa's

exports to and imports from other BRICS countries have grown at a faster rate than South Africa's global trade, thus increasing the importance of other BRICS countries in South Africa's trade basket. South Africa's participation in BRICS, therefore, provides opportunities to build its domestic manufacturing base, enhance value-added exports, promote technology sharing, support small business development and expand trade and investment opportunities. This is more likely to be achieved through participation in the value chains of these countries.

In an automotive context, China, with 27,81 million units, was the biggest global vehicle-producing country in 2018, with India in the 4th position, Brazil in 8th and Russia in 13th position. China and India were among South Africa's top 10 automotive trading partners in 2018. However, the automotive trade balance remains in favour of all four of these countries. In 2018, the automotive import to export value ratio was 67,3 to 1 in favour of China, 22,8 to 1 in favour of Brazil, 7,6 to 1 in favour of India, and 2,2 to 1 in favour of Russia. Hence, the need for BRICS nations to identify complementarities, share experiences and promote capacity building in automotive trade and investment-related issues.

With regard to India, the Southern African Customs Union (SACU) and India began a formal process of trade negotiations on a preferential trade agreement (PTA) in 2008. The proposed PTA has been dormant for some time but has been resuscitated through a directive of the SACU Ministers of Trade to consider additional tariff lines for preferences to India, while also increasing the margins. A PTA is confined to products (or tariff lines) of special interest to the respective parties and could be used as an incremental building block to enhance trade in future. Automotive products also feature in these lists of export interest and could potentially enhance trade and investment opportunities in the domestic automotive industry. Many synergies between South Africa and India already exist that could be used to enhance two-way automotive trade between the two countries. India was South Africa's 8th largest automotive trading partner in 2018, as well as the domestic industry's main country of origin for vehicle imports in volume terms over recent years. Although the South African automotive industry is pursuing efforts to increase and diversify its automotive exports to India, it relies on government to focus on resolving barriers that are impeding infrastructure and trade.

*China and India were
among South Africa's top
10 automotive trading
partners in 2018.*

AUTOMOTIVE COMPONENTS – EXPORTS BY COUNTRY

South African component manufacturers have a proven track record as competent, professional and reliable suppliers who respect intellectual property obligations, manufacture to the highest international quality standards and supplier requirements to many of the world's largest OEMs, either directly, or as tier suppliers into their global value chains. The automotive component sector in South Africa consists of a diverse group of various tier-level automotive suppliers. There are in the order of 180 first-tier suppliers of which about 75% are foreign multinational companies. South African-owned companies are more represented within the second- and third-tier supplier bases that supply the sub-parts built into completed components. At present, the OEMs create and capture the most value from the sector, while in comparative economies there are many more domestic suppliers undertaking a greater level of value addition. The shallow lower-tier base in the country, in particular, is a focus area for intervention and rejuvenation, as this space is expected to deliver many opportunities for the big drive in terms of developing transformed value chains and introducing new black-owned entrants into the sector.

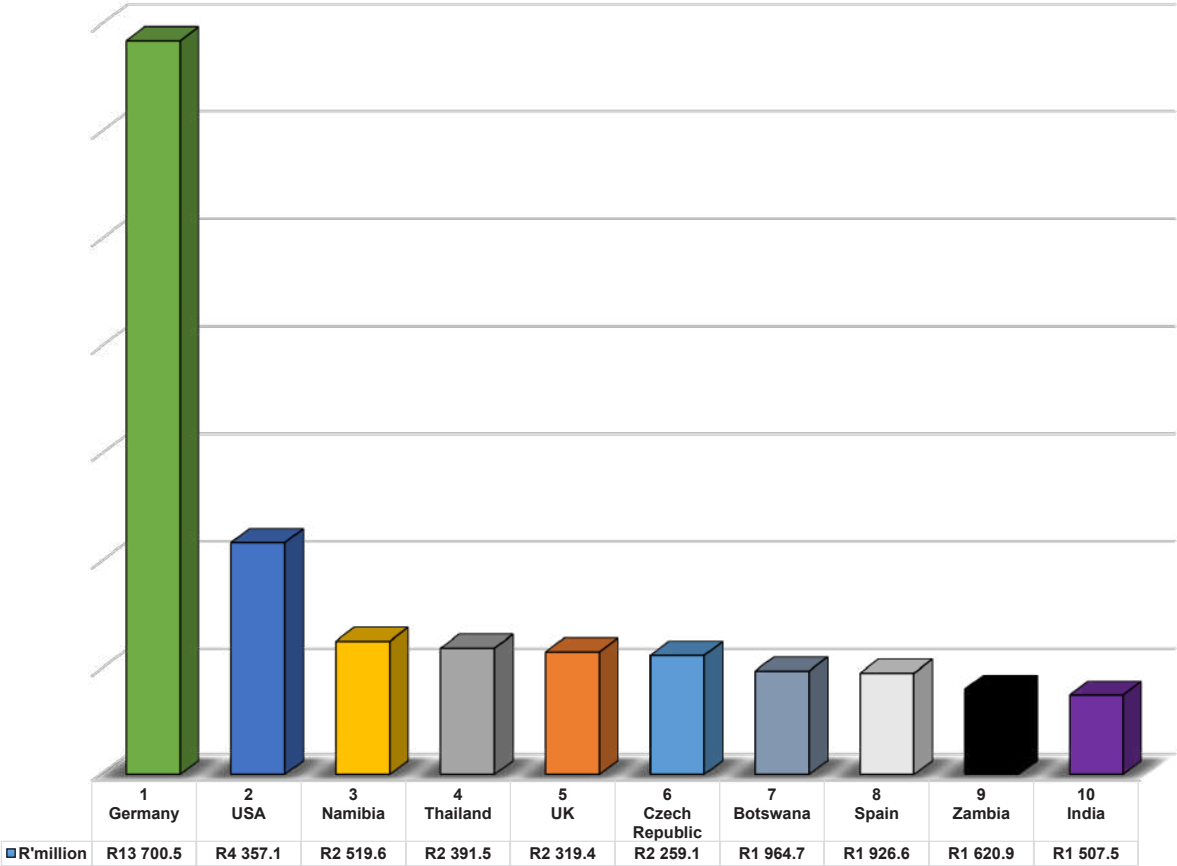
Localisation, however, is not the sole domain of the OEMs, but also the Tier 1 firms need to duplicate localisation opportunities. Developing localisation is a multi-dimensional challenge requiring a multi-faceted response. At the most basic level it is associated with improving South Africa's factor cost profile (overheads, labour, and materials costs) and productivity, along with the economy's ability to ensure technology and skills availability ahead of industry demand. Additional key elements relate to the creation of targeted specialisation within the automotive value chain, and the potential to strategically link South Africa's materials base with emerging automotive opportunities.

The automotive sector is the mainstay of the country's industrialisation landscape, and a deep and competitive supply chain is where the major economic benefits would be leveraged. The post-2020 policy environment has heightened the focus on localisation. Although a major portion of the domestic vehicle production is exported, a vibrant and growing domestic market is also vital for the automotive industry that is expected to make huge investments in localisation. Export volumes are decided by the parent companies, and are dependent on the cost and reliability of production. Higher vehicle production volumes will improve industry competitiveness through improved economies of scale and the broader benefits associated with increased product and production specialisation. However, whilst the production of the local OEMs is crucial, the largest economic spin-offs will be realised in the supply chain. Wider and deeper localisation, therefore, remains one of the critical factors in ensuring the sustainability of the South African automotive industry. Localisation of components creates jobs, increases international competitiveness, facilitates technology transfer and deepens industrialisation.

Transformation goes hand in hand with localisation. The automotive industry supports this imperative, especially that of black supplier development. Various automotive industry initiatives are underway to identify and develop black-owned businesses which would benefit from a government funding programme for black industrialists, and which would contribute towards further value-addition and diversification. At industry level, the focus is on an ambitious multi-billion Rand initiative known as the Automotive Transformation Fund – a proposed black-managed fund to drive automotive industry black supplier development, downstream enterprise supplier development, upstream dealer initiatives, and job creation. In essence, the initiative represents an equity equivalent project in lieu of the BBBEE scorecard ownership points. At individual company level, OEMs, component manufacturers, as well as importers and distributors, are pursuing a broad range of transformation projects with a specific focus on enterprise development,

black component supplier development in the automotive sector value chain, as well as black-owned dealerships. The deepening of the local component supplier base under the APDP is important, as it will reduce the risks associated with exchange rate fluctuations and logistics costs.

Top automotive component export destinations by value – 2018 (R million)



Source: AIEC, SARS

The following table reveals that the main destinations for automotive component exports remain first-world markets. Germany has remained the South African automotive industry’s top export destination for component exports over the past three decades. However, emerging markets are starting to feature as important export destinations for the country’s automotive component exports, indicating progress in the South African component manufacturers’ ability to compete globally. In this regard, significant increases in component exports to Thailand, the Czech Republic, South Korea and Mexico are a case in point. South African automotive manufacturers will also increasingly need to drive a strong regionalisation strategy in Africa as one of the key pillars of the SAAM 2021-2035. The approach to localisation is to view it as a regional imperative, as opposed to a domestic focus.



Automotive component export value and ranking by country – 2017 to 2018

Country	2017 R million	2017 Ranking	2018 R million	2018 Ranking
Germany	14 100,4	1	13 700,5	1
USA	4 235,0	2	4 357,1	2
Namibia	2 610,8	3	2 519,6	3
Thailand	2 159,1	6	2 391,5	4
UK	2 179,0	5	2 319,4	5
Czech Republic	1 485,1	10	2 259,1	6
Botswana	2 123,6	7	1 964,7	7
Spain	2 210,2	4	1 926,6	8
Zambia	1 582,2	9	1 620,9	9
India	1 938,0	8	1 507,5	10
Japan	1 440,0	11	1 479,3	11
Mozambique	1 093,7	13	1 359,4	12
Zimbabwe	1 149,6	12	1 256,3	13
Democratic Republic of Congo	846,1	17	1 196,3	14
Belgium	931,2	16	1 185,1	15
Argentina	1 002,6	14	1 045,0	16
Netherlands	463,2	21	790,9	17
Turkey	721,6	18	628,4	18
Swaziland (renamed eSwatini)	624,3	19	625,9	19
South Korea	527,6	20	592,2	20
Lesotho	984,4	15	440,4	21
Mexico	277,9	25	423,9	22
Hungary	242,8	29	414,5	23
United Arab Emirates	374,2	22	337,6	24
Angola	325,3	23	313,3	25
Poland	316,6	24	309,2	26
Ghana	202,5	31	291,1	27
Australia	235,1	30	271,3	28
Malawi	257,6	27	252,6	29
China	276,2	26	251,4	30
Tanzania	245,4	28	201,6	31
Kenya	172,1	34	194,5	32
Brazil	143,3	36	185,2	33
Canada	195,9	32	157,0	34
Nigeria	87,1	-	139,4	35
Italy	97,2	-	134,9	36
France	146,1	35	128,3	37
Madagascar	70,9	-	109,8	38
Romania	90,7	-	105,1	39
Panama	60,0	-	103,3	40
Malaysia	60,1	-	100,1	41

Source: AIEC, SARS

The following tables reveal the automotive component export details for the 41 export destinations recording an export value above R100 million, or 0,2%, of the total automotive component export value of R51,3 billion in 2018. It should be noted that various miscellaneous parts and sub-components, eligible in terms of the APDP and classifiable in the Customs Tariff as "other parts", have not been included in the following tables.

(1) Country	Germany R13 700,5 million				
	1 Catalytic converters R8 093,8	2 Engine parts R1 083,0	3 Radiators / parts R564,1	4 Shock absorbers / suspension parts R448,0	5 Clutches / shaft couplings R357,9
	6 Axles R259,7	7 Stitched leather seats / parts R251,3	8 Filters R145,6	9 Body parts / panels R121,7	10 Silencers / exhausts R113,4

(2) Country	USA R4 357,1 million				
	1 Catalytic converters R2 218,9	2 Engine parts R1 007,6	3 Radiators / parts R200,7	4 Automotive tooling R150,9	5 Silencers / exhausts R68,5
	6 Gear boxes R51,1	7 Transmission shafts / cranks R33,4	8 Tyres R32,9	9 Gauges / instruments / parts R31,6	10 Shock absorbers / suspension parts R29,9

(3) Country	Namibia R2 519,6 million				
	1 Tyres R298,9	2 Engine parts R191,6	3 Batteries R95,7	4 Transmission shafts / cranks R79,9	5 Filters R68,9
	6 Engines R55,2	7 Ignition / starting equipment R53,8	8 Gauges / instruments / parts R52,6	9 Lighting equipment / parts R45,9	10 Body parts / panels R43,3

(4) Country	Thailand R2 391,5 million				
	1 Catalytic converters R835,1	2 Engine parts R661,5	3 Transmission shafts / cranks R81,0	4 Shock absorbers / suspension parts R9,5	5 Tyres R9,2
	6 Filters R7,1	7 Clutches / shaft couplings R5,9	8 Axles R1,7	9 Gear boxes R1,6	10 Wiring harnesses R1,5

(5) Country	United Kingdom (UK) R2 319,4 million				
	1 Catalytic converters R1 606,3	2 Automotive glass R129,5	3 Road wheels / parts R72,2	4 Tyres R52,6	5 Engine parts R36,8
	6 Gauges / instruments / parts R34,9	7 Automotive tooling R28,4	8 Engines R24,1	9 Lighting equipment / parts R16,1	10 Gaskets R12,8

(6) Country	Czech Republic R2 259,1 million				
	1 Catalytic converters R2 003,9	2 Road wheels / parts R106,3	3 Silencers / exhausts R68,1	4 Radiators / parts R13,0	5 Automotive tooling R7,6
	6 Engine parts R2,7	7 Wiring harnesses R1,7	8 Stitched leather seats / parts R1,5	9 Lighting equipment / parts R0,7	10 Brake parts R0,1

(7) Country	Botswana R1 964,7 million				
	1 Tyres R213,7	2 Engine parts R100,3	3 Engines R87,1	4 Transmission shafts / cranks R60,1	5 Filters R56,6
	6 Automotive tooling R56,3	7 Batteries R56,2	8 Ignition / starting equipment R48,4	9 Gauges / instruments / parts R40,2	10 Brake parts R32,0

(8) Country	Spain R1 926,6 million				
	1 Catalytic converters R1 487,4	2 Radiators / parts R201,5	3 Silencers / exhausts R48,9	4 Automotive glass R40,3	5 Filters R18,9
	6 Automotive tooling R17,7	7 Tyres R7,4	8 Transmission shafts / cranks R5,5	9 Gear boxes R4,7	10 Engine parts R1,6

(9) Country	Zambia R1 620,9 million				
	1 Engines R189,8	2 Tyres R121,7	3 Engine parts R110,0	4 Transmission shafts / cranks R84,5	5 Batteries R74,6
	6 Gauges / instruments / parts R54,3	7 Filters R50,4	8 Automotive tooling R47,3	9 Axles R45,1	10 Catalytic converters R22,0

(10) Country	India R1 507,5 million				
	1 Engines R1 100,1	2 Catalytic converters R248,5	3 Road wheels / parts R37,3	4 Radiators / parts R22,0	5 Automotive tooling R21,0
	6 Clutches / shaft couplings R7,4	7 Gauges / instruments / parts R5,2	8 Transmission shafts / cranks R3,4	9 Filters R3,2	10 Engine parts R2,4

(11) Country	Japan R1 479,3 million				
	1 Catalytic converters R183,1	2 Tyres R16,2	3 Automotive tooling R13,2	4 Stitched leather seats / parts R12,5	5 Engine parts R6,2
	6 Springs R3,7	7 Silencers / exhausts R3,3	8 Brake parts R2,7	9 Clutches / shaft couplings R1,9	10 Body parts / panels R0,5

(12) Country	Mozambique R1 359,4 million				
	1 Engine parts R122,7	2 Engines R111,0	3 Batteries R88,1	4 Tyres R84,3	5 Transmission shafts / cranks R77,8
	6 Axles R44,4	7 Gauges / instruments / parts R37,2	8 Filters R33,7	9 Automotive tooling R33,5	10 Body parts / panels R24,1

(13) Country	Zimbabwe R1 256,3 million				
	1 Tyres R167,4	2 Engine parts R87,4	3 Transmission shafts / cranks R82,3	4 Filters R74,8	5 Gauges / instruments / parts R34,0
	6 Engines R32,5	7 Batteries R31,0	8 Automotive tooling R26,8	9 Catalytic converters R24,8	10 Ignition / starting equipment R22,8

(14) Country	Democratic Republic of Congo (DRC) R1 196,3 million				
	1 Gauges / instruments / parts R107,0	2 Transmission shafts / cranks R104,2	3 Engine parts R65,6	4 Engines R56,7	5 Automotive tooling R37,4
	6 Tyres R30,4	7 Gear boxes R26,6	8 Catalytic converters R24,3	9 Gaskets R17,2	10 Axles R14,7

(15) Country	Belgium R1 185,1 million				
	1 Tyres R415,3	2 Radiators / parts R146,2	3 Automotive glass R145,8	4 Catalytic converters R88,8	5 Brake parts R64,6
	6 Engine parts R51,5	7 Automotive tooling R40,9	8 Filters R28,1	9 Body parts / panels R15,7	10 Clutches / shaft couplings R13,7

(16) Country	Argentina R1 045,0 million				
	1 Engine parts R313,8	2 Catalytic converters R240,5	3 Road wheels / parts R113,9	4 Transmission shafts / cranks R39,6	5 Silencers / exhausts R3,1
	6 Shock absorbers / suspension parts R0,7	7 Stitched leather seats / parts R0,5	8 Automotive tooling R0,3	9 Radiators / parts R0,2	10 Gaskets R0,1

(17) Country	Netherlands R790,9 million				
	1 Catalytic converters R437,0	2 Tyres R192,5	3 Radiators / parts R37,8	4 Transmission shafts / cranks R31,4	5 Ignition / starting equipment R8,8
	6 Engine parts R6,6	7 Automotive glass R6,4	8 Stitched leather seats / parts R5,0	9 Silencers / exhausts R4,8	10 Automotive tooling R4,6

(18) Country	Turkey R628,4 million				
	1 Catalytic converters R544,1	2 Silencers / exhausts R31,1	3 Radiators / parts R26,5	4 Tyres R14,6	5 Stitched leather seats / parts R3,2
	6 Transmission shafts / cranks R1,2	7 Automotive tooling R1,1	8 Engine parts R0,9	9 Clutches / shaft couplings R0,6	10 Springs R0,3

(19) Country	Swaziland (renamed eSwatini) R625,9 million				
	1 Tyres R131,6	2 Engine parts R35,6	3 Brake parts R29,7	4 Ignition / starting equipment R18,2	5 Transmission shafts / cranks R18,1
	6 Clutches / shaft couplings R14,6	7 Filters R13,0	8 Gauges / instruments / parts R12,2	9 Body parts / panels R10,1	10 Gaskets R8,9

(20) Country	South Korea R592,2 million				
	1 Catalytic converters R454,3	2 Silencers / exhausts R40,0	3 Automotive tooling R37,5	4 Filters R20,2	5 Radiators / parts R13,5
	6 Engine parts R10,8	7 Tyres R1,2	8 Transmission shafts / cranks R0,3	9 Lighting equipment / parts R0,3	10 Stitched leather seats / parts R0,2

(21) Country	Lesotho R440,4 million				
	1 Tyres R72,4	2 Transmission shafts / cranks R39,6	3 Engines R20,7	4 Brake parts R16,9	5 Automotive tooling R11,4
	6 Batteries R9,9	7 Gauges / instruments / parts R9,5	8 Shock absorbers / suspension parts R8,6	9 Engine parts R8,1	10 Filters R6,9

(22) Country	Mexico R423,9 million				
	1 Radiators / parts R171,9	2 Catalytic converters R125,0	3 Automotive tooling R73,1	4 Clutches / shaft couplings R14,1	5 Silencers / exhausts R6,4
	6 Tyres R4,6	7 Stitched leather seats / parts R2,7	8 Shock absorbers / suspension parts R1,2	9 Engine parts R0,4	10 Brake parts R0,1

(23) Country	Hungary R414,5 million				
	1 Catalytic converters R343,6	2 Transmission shafts / cranks R36,8	3 Stitched leather seats / parts R3,3	4 Engine parts R1,5	5 Brake parts R1,1
	6 Gaskets R0,6	7 Automotive tooling R0,4	8 Shock absorbers / suspension parts R0,1	9 Gear boxes R0,1	10 Radiators / parts R0,1

(24) Country	United Arab Emirates (UAE) R337,6 million				
	1 Tyres R62,1	2 Automotive tooling R52,7	3 Wiring harnesses R45,6	4 Air conditioners R23,7	5 Gauges / instruments / parts R22,2
	6 Ignition / starting equipment R14,2	7 Engine parts R6,7	8 Body parts / panels R4,6	9 Axles R4,3	10 Engines R4,3

(25) Country	Angola R313,3 million				
	1 Tyres R73,9	2 Engine parts R49,9	3 Automotive tooling R20,3	4 Gauges / instruments / parts R14,0	5 Filters R13,8
	6 Transmission shafts / cranks R11,9	7 Engines R11,0	8 Batteries R7,5	9 Gear boxes R5,6	10 Body parts / panels R4,5

(26) Country	Poland R309,2 million				
	1 Stitched leather seats / parts R133,5	2 Tyres R26,4	3 Silencers / exhausts R19,4	4 Lighting equipment / parts R8,8	5 Automotive glass R6,2
	6 Filters R5,1	7 Catalytic converters R3,3	8 Wiring harnesses R3,1	9 Gauges / instruments / parts R0,8	10 Transmission shafts / cranks R0,2

(27) Country	Ghana R291,1 million				
	1 Tyres R44,4	2 Gauges / instruments / parts R15,7	3 Transmission shafts / cranks R12,9	4 Engine parts R11,3	5 Lighting equipment / parts R6,2
	6 Catalytic converters R5,5	7 Automotive tooling R4,9	8 Filters R4,6	9 Brake parts R2,4	10 Gaskets R2,0

(28) Country	Australia R271,3 million				
	1 Gauges / instruments / parts R15,6	2 Filters R11,8	3 Transmission shafts / cranks R10,2	4 Engine parts R7,1	5 Automotive tooling R6,7
	6 Tyres R6,2	7 Body parts / panels R4,7	8 Alarm systems R4,2	9 Silencers / exhausts R3,9	10 Axles R3,7

(29) Country	Malawi R252,6 million				
	1 Tyres R54,2	2 Batteries R18,4	3 Engine parts R10,1	4 Filters R7,9	5 Transmission shafts / cranks R7,6
	6 Gauges / instruments / parts R7,3	7 Brake parts R5,1	8 Alarm systems R4,5	9 Clutches / shaft couplings R4,2	10 Engines R2,9

(30) Country	China R251,4 million				
	1 Radiators / parts R94,7	2 Automotive tooling R56,0	3 Clutches / shaft couplings R39,1	4 Engine parts R7,6	5 Tyres R7,5
	6 Transmission shafts / cranks R6,3	7 Gauges / instruments / parts R4,1	8 Silencers / exhausts R1,4	9 Brake parts R1,0	10 Gear boxes R0,8

(31) Country	Tanzania R201,6 million				
	1 Tyres R41,3	2 Transmission shafts / cranks R19,5	3 Engine parts R13,0	4 Gauges / instruments / parts R10,0	5 Batteries R7,2
	6 Engines R4,7	7 Filters R3,5	8 Automotive tooling R3,2	9 Catalytic converters R2,9	10 Body parts / panels R2,0

(32) Country	Kenya R194,5 million				
	1 Tyres R56,6	2 Engine parts R14,3	3 Gauges / instruments / parts R10,7	4 Automotive tooling R9,7	5 Filters R4,8
	6 Transmission shafts / cranks R3,6	7 Brake parts R2,5	8 Clutches / shaft couplings R2,1	9 Gaskets R2,1	10 Ignition / starting equipment R2,1

(33) Country	Brazil R185,2 million				
	1 Radiators / parts R47,9	2 Catalytic converters R16,0	3 Gauges / instruments / parts R12,8	4 Automotive tooling R8,1	5 Clutches / shaft couplings R5,8
	6 Silencers / exhausts R5,6	7 Axles R4,9	8 Tyres R2,4	9 Stitched leather seats / parts R1,3	10 Filters R0,8

(34) Country	Canada R157,0 million				
	1 Catalytic converters R48,9	2 Steering wheels / columns / boxes R10,5	3 Wiring harnesses R7,8	4 Air conditioners R6,7	5 Engines R3,5
	6 Seats R3,2	7 Lighting equipment / parts R2,1	8 Engine parts R1,7	9 Stitched leather seats / parts R1,6	10 Automotive tooling R1,4

(35) Country	Nigeria R139,4 million				
	1 Tyres R27,0	2 Automotive tooling R21,2	3 Engine parts R8,7	4 Filters R5,3	5 Gauges / instruments / parts R4,5
	6 Transmission shafts / cranks R2,5	7 Air conditioners R2,1	8 Gaskets R1,3	9 Jacks R1,0	10 Alarm systems R1,0

(36) Country	Italy R134,9 million				
	1 Automotive glass R23,7	2 Automotive tooling R23,6	3 Silencers / exhausts R9,1	4 Catalytic converters R7,8	5 Engine parts R6,0
	6 Gaskets R4,0	7 Tyres R3,7	8 Transmission shafts / cranks R1,6	9 Gauges / instruments / parts R1,1	10 Road wheels / parts R1,0

(37) Country	France R128,3 million				
	1 Automotive glass R48,9	2 Filters R11,5	3 Tyres R11,3	4 Catalytic converters R8,4	5 Engines R7,6
	6 Automotive tooling R4,6	7 Lighting equipment / parts R4,5	8 Engine parts R2,4	9 Transmission shafts / cranks R2,2	10 Gauges / instruments / parts R1,9

(38) Country	Madagascar R109,8 million				
	1 Engine parts R28,6	2 Transmission shafts / cranks R11,5	3 Gauges / instruments / parts R4,9	4 Gaskets R4,1	5 Batteries R2,4
	6 Filters R1,8	7 Tyres R1,8	8 Catalytic converters R1,3	9 Automotive tooling R1,3	10 Ignition / starting equipment R1,3

(39) Country	Romania R105,1 million				
	1 Stitched leather seats / parts R35,0	2 Catalytic converters R34,2	3 Road wheels / parts R1,0	4 Silencers / exhausts R0,5	5 Alarm systems R0,1
	6 Automotive tooling R0,1	-	-	-	-

(40) Country	Panama R103,3 million				
	1 Transmission shafts / cranks R2,3	2 Engine parts R2,1	3 Axles R2,0	4 Stitched leather seats / parts R1,2	5 Jacks R1,2
	6 Gauges / instruments / parts R1,1	7 Radiators / parts R0,7	8 Brake parts R0,5	9 Shock absorbers / suspension parts R0,5	10 Gaskets R0,4

(41) Country	Malaysia R100,1 million				
	1 Engines R42,0	2 Tyres R28,8	3 Automotive tooling R7,4	4 Body parts / panels R2,7	5 Silencers / exhausts R2,7
	6 Axles R2,2	7 Engine parts R1,1	8 Gear boxes R0,7	9 Gaskets R0,5	10 Gauges / instruments / parts R0,5



AUTOMOTIVE COMPONENTS – EXPORTS BY PRODUCT

A diverse range of original equipment components and aftermarket parts are manufactured in South Africa. The bulk of the domestically manufactured automotive components are sold as original equipment components to the OEMs or as replacement parts. However, automotive component manufacturers are also active in the export market, selling their products into international OEM supply chains. Requirements for successful export growth include economies of scale, cost competitiveness, reliability of supply, and just-in-time delivery performance.

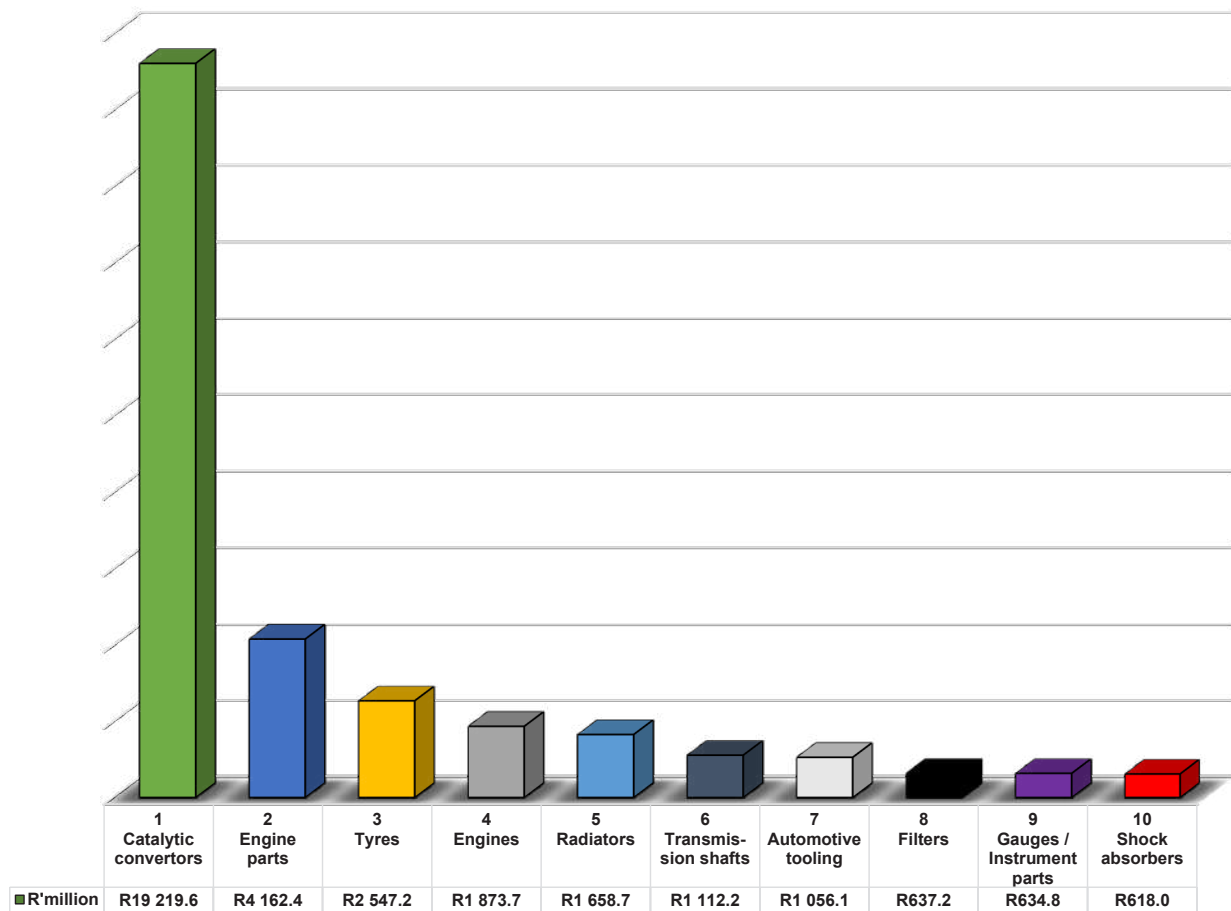
Along with other vehicle manufacturing subsidiaries, South Africa is strategically located to manufacture certain vehicle models for the global market, which means that a domestically manufactured vehicle is identical to vehicles manufactured elsewhere. This implies that domestic automotive component suppliers must be able to deliver technology and quality levels that are on par with those found anywhere else in the world, at a comparable cost. The South African Automotive Supplier Benchmarking Report 2018 shows that South African component suppliers have advanced their competitiveness and productivity in recent years. Suppliers are making real progress, and leading performance is attainable and possible within the domestic environment.

The country's automotive component sector will be well served by implementing innovative growth strategies in the short to medium term. These include pursuing increased value-addition of products through forward or backward vertical integration; assessing whether the company's existing manufacturing capability and technology fit the needs of what is driving domestic and targeted export markets; as well as securing contracts linked to large-scale export platforms. The potential for high value-adding automotive component manufacturing segments, such as the drivetrain and telematics segments, exists under the SAAM 2021-2035, as higher vehicle production volumes would make investment projects more viable.

However, for any localisation to be achieved, supplier competitiveness against global peers is key. Since localisation is a critical tool for industrial development, a national co-ordinating body, the Automotive Supply Chain Competitiveness Initiative (ASCCI) was established in December 2013, with the mandate of co-ordinating supply chain development activities within the South African automotive industry. ASCCI is a jointly-funded, collaborative initiative between the suppliers, OEMs, government and labour, with the objectives of increasing supplier manufacturing value-add, enabling local supply chain capabilities, increasing local content, growing employment, and advancing transformation. The increase of local value-addition is key not only to the sustainability of the local automotive industry but to the multitude of benefits that the sector delivers being felt more widely across the economy. For example, projects involving 75 suppliers over the last three years significantly reduced waste and improved processes to support their competitiveness. ASCCI highlights not only the need for focused interventions, but also the value of co-operation between stakeholders in the industry in making these initiatives a success.



Top automotive component exports by value – 2018 (R million)



Source: AIEC, SARS

The following table reveals the automotive component export ranking by product category from 2014 through to 2018. In 2018, automotive component exports, including sales to the BLNS (Botswana, Lesotho, Namibia and Swaziland (renamed eSwatini)) countries, increased by 2,0% to R51,30 billion, from R50,28 billion in 2017. South Africa remains a strategic supplier of catalytic converters to the world, and by value, this component category maintained its dominant export position under the APDP in 2018, as the focus of exporters tends to be on high-value domestically beneficiated, logistics-friendly automotive components. The significant increase in the exports of engines over recent years relates to the EA111 engine for the VW Polo and Polo Vivo, and the Duratorq TDCi turbodiesel engine for the Ford Ranger, Ford Raptor and Ford Everest sports-utility vehicle, both linked to export programmes, and which are manufactured in South Africa, illustrating the country's manufacturing capabilities.

South Africa remains a strategic supplier of catalytic converters to the world.

Automotive component export ranking by product category – 2014 to 2018

Component category	2014	2015	2016	2017	2018	% of total export value	Ranking
Total (R million) Including BLNS country data	45 682	49 641	53 041	50 275	51 296		
Catalytic converters	19 493	20 326	21 892	18 702	19 220	37,5%	1
Engine parts	3 732	3 941	3 901	3 773	4 162	8,1%	2
Tyres	2 206	2 193	2 527	2 516	2 547	5,0%	3
Engines	364	1 448	2 110	2 447	1 874	3,7%	4
Radiators / parts	1 172	1 190	1 378	1 525	1 659	3,2%	5
Transmission shafts / cranks	1 102	1 060	982	975	1 112	2,2%	6
Automotive tooling	936	1 459	861	839	1 056	2,1%	7
Filters	475	460	600	588	637	1,2%	8
Gauges / instruments / parts	640	685	627	626	635	1,2%	9
Shock absorbers / suspension parts	518	480	560	560	618	1,2%	10
Clutches / shaft couplings	383	430	538	653	612	1,2%	11
Stitched leather seats / parts	1 286	993	768	525	538	1,0%	12
Automotive glass	451	389	480	440	510	1,0%	13
Axles	377	421	362	401	464	0,9%	14
Silencers / exhausts	504	535	618	521	463	0,9%	15
Road wheels / parts	367	471	427	531	438	0,9%	16
Batteries	383	358	337	393	428	0,8%	17
Body parts / panels	269	301	325	284	315	0,6%	18
Brake parts	225	230	297	274	305	0,6%	19
Lighting equipment / parts	239	237	263	258	279	0,5%	20
Ignition / starting equipment	255	257	280	255	276	0,5%	21
Gear boxes	153	145	137	187	222	0,4%	22
Gaskets	176	192	184	171	162	0,3%	23
Wiring harnesses	264	260	415	257	147	0,3%	24
Alarm systems	125	102	116	90	92	0,2%	25
Air conditioners	94	102	66	63	70	0,1%	26
Steering wheels / columns / boxes	51	39	43	53	65	0,1%	27
Springs	35	28	45	48	45	0,1%	28
Seats	21	26	28	32	37	0,1%	29
Jacks	39	36	38	30	34	0,1%	30
Car radios	25	24	21	36	18	0,1%	31
Seat belts	7	7	7	8	8	-	32
Other parts	9 315	10 816	11 808	12 214	12 248	23,9%	

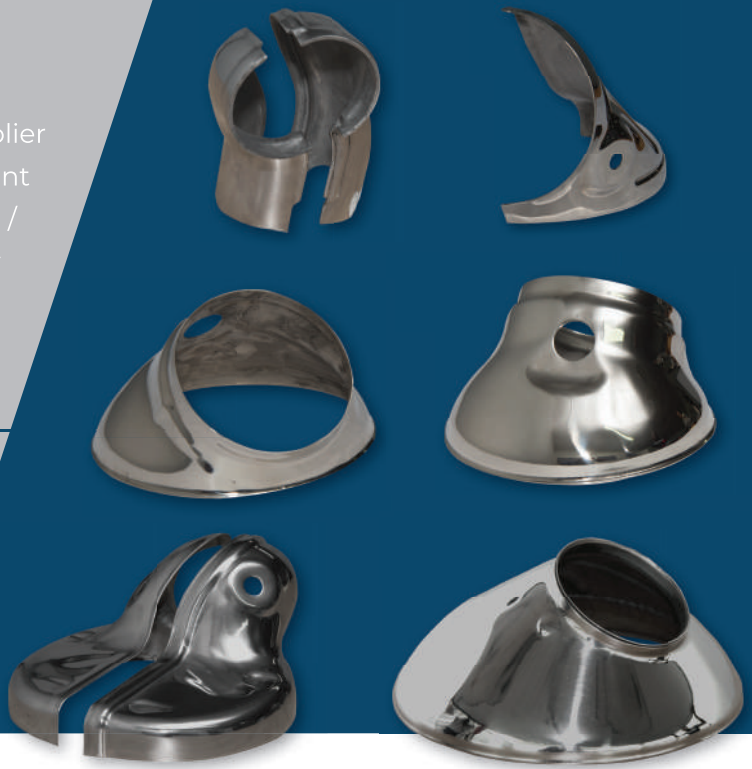
Source: AIEC, SARS

The following tables reveal the top five destinations for the automotive product category exports from South Africa from 2014 through to 2018.

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Catalytic converters (1)

Country	2014	2015	2016	2017	2018
Total (R million)	19 492,7	20 325,7	21 891,5	18 702,2	19 219,6
Germany	42%	44%	45%	48%	42%
USA	15%	20%	20%	12%	12%
Czech Republic	4%	3%	5%	7%	10%
UK	6%	9%	9%	9%	8%
Spain	9%	9%	7%	8%	8%

Engine parts (2)

Country	2014	2015	2016	2017	2018
Total (R million)	3 732,4	3 941,4	3 901,4	3 773,3	4 162,4
Germany	20%	25%	22%	23%	26%
USA	22%	23%	19%	24%	24%
Thailand	13%	21%	23%	18%	16%
Argentina	5%	6%	8%	8%	8%
Namibia	3%	4%	5%	5%	5%

Tyres (3)

Country	2014	2015	2016	2017	2018
Total (R million)	2 205,8	2 193,0	2 526,6	2 515,7	2 547,2
Belgium	2%	1%	1%	9%	16%
Namibia	10%	12%	13%	14%	12%
Botswana	11%	12%	10%	12%	8%
Netherlands	2%	2%	4%	5%	8%
Zimbabwe	8%	7%	8%	8%	7%

Engines (4)

Country	2014	2015	2016	2017	2018
Total (R million)	363,7	1 447,9	2 109,8	2 446,6	1 873,7
India	-	60%	67%	63%	59%
Zambia	29%	9%	8%	8%	10%
Mozambique	15%	7%	5%	3%	6%
Botswana	15%	4%	2%	7%	5%
Democratic Republic of Congo	8%	3%	2%	1%	3%

Radiators and parts (5)

Country	2014	2015	2016	2017	2018
Total (R million)	1 172,1	1 190,2	1 377,5	1 525,1	1 658,7
Germany	12%	36%	35%	35%	34%
Spain	10%	11%	11%	11%	12%
USA	17%	19%	14%	13%	12%
Mexico	4%	6%	8%	8%	10%
Belgium	9%	8%	8%	7%	9%

Transmission shafts and cranks (6)

Country	2014	2015	2016	2017	2018
Total (R million)	1 102,1	1 060,0	981,6	975,3	1 112,2
Democratic Republic of Congo	8%	11%	7%	8%	9%
Zambia	10%	6%	8%	7%	8%
Zimbabwe	4%	5%	5%	6%	7%
Thailand	8%	12%	11%	7%	7%
Chile	2%	1%	1%	1%	7%

Automotive tooling (7)

Country	2014	2015	2016	2017	2018
Total (R million)	935,8	1 458,7	861,1	839,3	1 056,1
USA	3%	8%	9%	8%	14%
Germany	4%	3%	9%	5%	7%
Mexico	1%	2%	1%	6%	7%
Botswana	2%	2%	2%	6%	5%
China	2%	-	3%	1%	5%

Filters (8)

Country	2014	2015	2016	2017	2018
Total (R million)	474,8	460,1	599,8	588,0	637,2
Germany	25%	28%	32%	26%	23%
Zimbabwe	16%	15%	12%	13%	12%
Namibia	8%	8%	10%	11%	11%
Botswana	8%	9%	8%	8%	9%
Zambia	8%	9%	6%	8%	8%

Gauges, instruments and parts (9)

Country	2014	2015	2016	2017	2018
Total (R million)	640,3	685,3	626,6	625,5	634,8
Democratic Republic of Congo	13%	13%	11%	19%	17%
Zambia	7%	8%	11%	6%	9%
Namibia	7%	12%	12%	8%	8%
Botswana	5%	4%	8%	8%	6%
Mozambique	4%	6%	4%	4%	6%

Shock absorbers and suspension parts (10)

Country	2014	2015	2016	2017	2018
Total (R million)	517,7	480,3	560,2	560,0	618,0
Germany	75%	67%	75%	76%	72%
Botswana	4%	3%	3%	3%	5%
USA	8%	12%	9%	5%	5%
Namibia	2%	4%	5%	5%	5%
Zimbabwe	5%	5%	3%	3%	2%

Clutches and shaft couplings (11)

Country	2014	2015	2016	2017	2018
Total (R million)	382,8	429,8	537,5	652,7	611,7
Germany	46%	47%	48%	57%	59%
China	4%	5%	5%	5%	6%
Namibia	5%	6%	5%	5%	6%
Botswana	4%	5%	4%	3%	4%
USA	7%	5%	6%	4%	3%

Stitched leather seats and parts (12)

Country	2014	2015	2016	2017	2018
Total (R million)	1 285,9	992,7	767,5	524,7	538,1
Germany	59%	59%	59%	51%	47%
Poland	12%	14%	22%	24%	25%
Romania	2%	6%	7%	6%	7%
Croatia	-	-	2%	8%	5%
USA	1%	1%	1%	1%	3%

Automotive glass (13)

Country	2014	2015	2016	2017	2018
Total (R million)	450,6	389,0	479,5	439,5	509,5
Belgium	19%	20%	22%	25%	29%
UK	24%	23%	25%	26%	25%
France	14%	9%	9%	10%	10%
Spain	5%	8%	8%	8%	8%
Namibia	6%	8%	8%	8%	7%

Axles (14)

Country	2014	2015	2016	2017	2018
Total (R million)	377,3	421,0	361,5	401,0	463,6
Germany	36%	45%	76%	73%	56%
Zambia	2%	1%	4%	3%	10%
Mozambique	1%	5%	1%	5%	10%
Namibia	2%	3%	1%	4%	4%
Democratic Republic of Congo	6%	3%	5%	2%	3%

Silencers and exhausts (15)

Country	2014	2015	2016	2017	2018
Total (R million)	503,8	535,3	617,7	521,4	462,6
Germany	18%	18%	19%	25%	25%
USA	32%	33%	28%	21%	15%
Czech Republic	5%	8%	11%	15%	15%
Spain	2%	4%	8%	7%	11%
South Korea	2%	3%	4%	7%	9%

Road wheels and parts (16)

Country	2014	2015	2016	2017	2018
Total (R million)	367,1	471,1	427,4	530,7	438,3
Argentina	22%	17%	11%	17%	26%
Czech Republic	-	-	7%	17%	24%
UK	1%	-	4%	10%	16%
India	7%	23%	40%	19%	9%
Namibia	6%	12%	5%	19%	5%

Batteries (17)

Country	2014	2015	2016	2017	2018
Total (R million)	383,4	357,9	337,0	393,4	427,5
Namibia	8%	15%	23%	19%	22%
Mozambique	25%	23%	24%	23%	21%
Zambia	13%	13%	20%	17%	17%
Botswana	9%	9%	13%	13%	13%
Zimbabwe	6%	9%	7%	10%	7%

Body parts and panels (18)

Country	2014	2015	2016	2017	2018
Total (R million)	269,4	301,3	325,1	283,7	315,4
Germany	14%	24%	24%	38%	39%
Namibia	16%	13%	15%	12%	14%
Mozambique	2%	2%	1%	2%	8%
Botswana	12%	10%	14%	8%	7%
Belgium	4%	4%	5%	5%	5%

Brake parts (19)

Country	2014	2015	2016	2017	2018
Total (R million)	225,2	229,7	297,1	274,3	304,8
Belgium	10%	10%	22%	20%	21%
Namibia	12%	13%	14%	14%	12%
Botswana	14%	17%	13%	10%	10%
Swaziland (renamed eSwatini)	10%	10%	8%	10%	10%
Germany	8%	7%	6%	8%	10%

Lighting, signalling and wiping equipment (20)

Country	2014	2015	2016	2017	2018
Total (R million)	239,0	236,9	262,7	258,1	279,3
Germany	45%	35%	39%	34%	32%
Namibia	6%	11%	13%	15%	16%
Botswana	4%	5%	7%	8%	7%
UK	5%	5%	6%	6%	6%
Belgium	2%	2%	2%	6%	5%

Ignition and starting equipment (21)

Country	2014	2015	2016	2017	2018
Total (R million)	255,2	256,6	279,5	254,8	275,6
Namibia	12%	17%	16%	18%	20%
Botswana	16%	19%	18%	20%	18%
Zimbabwe	8%	9%	10%	11%	8%
Zambia	11%	7%	7%	7%	8%
Swaziland (renamed eSwatini)	5%	5%	6%	7%	7%

Gear boxes (22)

Country	2014	2015	2016	2017	2018
Total (R million)	153,4	144,8	136,7	186,5	222,0
USA	32%	41%	20%	25%	23%
Botswana	21%	12%	32%	17%	14%
Namibia	13%	14%	9%	7%	12%
Democratic Republic of Congo	2%	4%	2%	2%	12%
Mozambique	3%	6%	7%	6%	7%

Gaskets (23)

Country	2014	2015	2016	2017	2018
Total (R million)	176,1	192,0	184,2	170,8	162,2
Namibia	7%	11%	9%	10%	11%
Democratic Republic of Congo	16%	12%	13%	11%	11%
UK	9%	9%	6%	9%	8%
Mozambique	7%	11%	7%	6%	8%
Zambia	8%	5%	11%	7%	7%

Wiring harnesses (24)

Country	2014	2015	2016	2017	2018
Total (R million)	264,4	260,2	415,3	257,3	146,9
United Arab Emirates	-	2%	23%	31%	31%
Botswana	52%	43%	49%	36%	16%
Germany	9%	28%	11%	9%	9%
Namibia	1%	1%	1%	2%	6%
Canada	-	1%	4%	4%	5%

Alarm systems (25)

Country	2014	2015	2016	2017	2018
Total (R million)	124,5	102,3	116,4	89,9	92,4
Zimbabwe	4%	5%	4%	6%	13%
New Zealand	1%	-	-	1%	11%
Botswana	13%	11%	16%	14%	10%
Namibia	11%	15%	14%	14%	8%
Democratic Republic of Congo	2%	5%	2%	3%	6%

Air conditioners (26)

Country	2014	2015	2016	2017	2018
Total (R million)	94,2	102,2	65,6	62,9	69,7
United Arab Emirates	-	11%	-	1%	34%
Namibia	7%	9%	5%	11%	11%
Canada	3%	4%	11%	14%	10%
Botswana	7%	5%	6%	11%	9%
Zambia	4%	5%	9%	8%	6%

Steering wheels, columns and boxes (27)

Country	2014	2015	2016	2017	2018
Total (R million)	50,5	38,9	42,8	53,3	64,9
Namibia	10%	14%	23%	19%	19%
Canada	1%	7%	6%	1%	16%
Germany	8%	2%	2%	7%	10%
Botswana	6%	10%	7%	11%	9%
Belgium	12%	17%	16%	9%	6%

Springs (28)

Country	2014	2015	2016	2017	2018
Total (R million)	35,2	27,6	44,8	48,2	45,1
Zimbabwe	6%	6%	14%	13%	13%
Germany	2%	1%	4%	8%	11%
UK	13%	7%	4%	8%	11%
Namibia	8%	8%	6%	8%	9%
Japan	13%	16%	11%	11%	8%

Seats (29)

Country	2014	2015	2016	2017	2018
Total (R million)	21,3	25,6	28,2	31,9	36,6
Botswana	20%	17%	16%	15%	17%
Namibia	9%	13%	15%	14%	12%
Singapore	9%	9%	18%	9%	11%
Canada	2%	-	5%	9%	9%
Zambia	10%	7%	9%	8%	7%

Jacks (30)

Country	2014	2015	2016	2017	2018
Total (R million)	39,1	35,5	38,0	29,5	34,1
Namibia	4%	4%	8%	14%	15%
Zimbabwe	18%	19%	13%	12%	10%
Zambia	22%	12%	9%	17%	10%
Mozambique	5%	12%	14%	6%	9%
Botswana	3%	7%	5%	5%	6%

Car radios (31)

Country	2014	2015	2016	2017	2018
Total (R million)	25,4	23,5	21,0	36,2	18,4
Namibia	21%	28%	20%	21%	41%
Botswana	13%	23%	21%	36%	28%
Zambia	16%	12%	21%	14%	7%
Swaziland (renamed eSwatini)	6%	5%	8%	3%	5%
UK	1%	1%	1%	3%	3%

Seat belts (32)

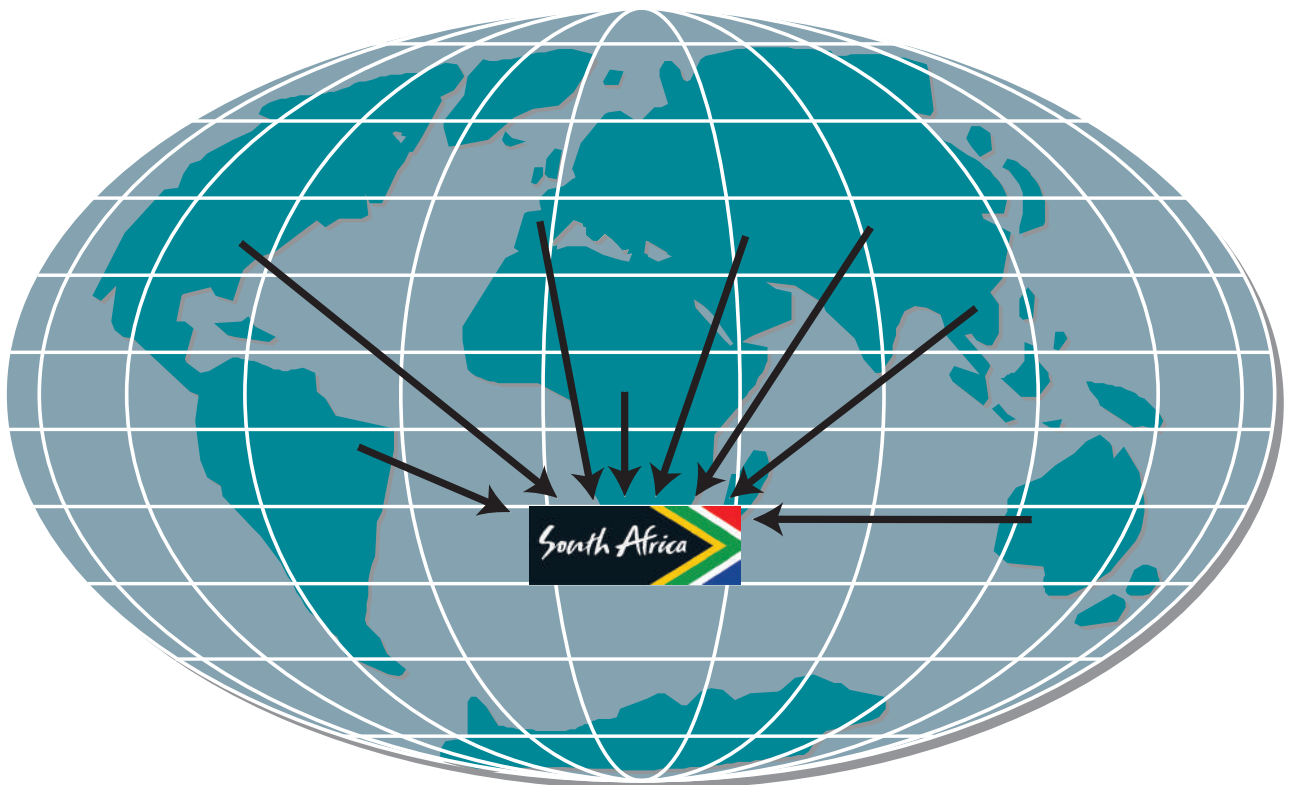
Country	2014	2015	2016	2017	2018
Total (R million)	6,8	6,8	7,3	7,5	8,1
Namibia	14%	28%	27%	25%	27%
Botswana	15%	10%	14%	17%	12%
USA	-	-	3%	1%	9%
Democratic Republic of Congo	6%	12%	5%	11%	7%
Zambia	8%	7%	7%	7%	7%



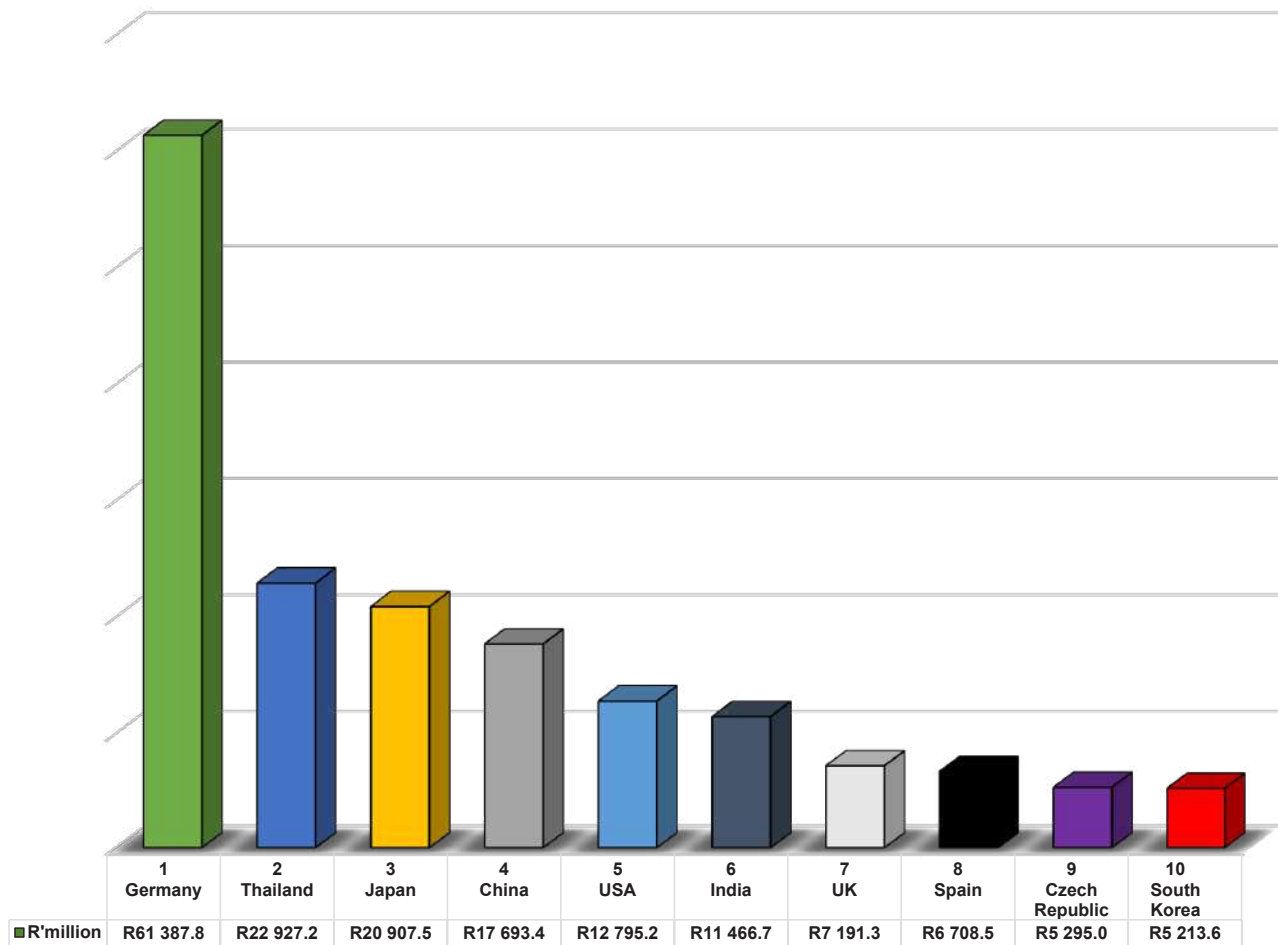
IMPORTS BY COUNTRY OF ORIGIN

Imports of automotive products into South Africa remain a function of the success of the APDP, domestic market demand, and currency movements. Under the APDP, the level of imports remains a function of the success of the programme, as the benefits can only be used to rebate the import duties on vehicles and eligible automotive components that are imported. To offer imported cars at favourable prices, OEMs require the most favourable import duties. South African manufactured vehicles are not necessarily for domestic sales, but to generate import credits so that the imported vehicles demanded by the market or original equipment components to accommodate production of the domestically manufactured vehicles could be offered at more favourable prices by rebating the relevant import duties. Imports of vehicles and original equipment components as well as replacement parts for the growing vehicle parc of 12,46 million vehicles at the end of 2018, remained high.

The movement of the Rand remained relatively stable on a nominal trade-weighted basis in 2018. The Rand exchange rate, however, has reacted differently to different countries, and this is particularly important with regard to the exchange rates of the source countries for South African imports. Against the US dollar the Rand appreciated, for the second successive year, by 0,6% on an annual average basis in 2018, but marginally depreciated against the Euro by 3,7%, against the Pound by 2,8%, against the Chinese Yuan by 1,4%, and against the Yen by 0,8%. At an individual company level, depending on the particular firm's exposure to imports and exports, and the firm's balance of trade, the impact of exchange rate fluctuations may vary.



Top automotive countries of origin – 2018 (R million)



Source: AIEC, SARS

The countries of origin for vehicles and automotive components imported into South Africa generally reflect the global linkages with the head offices of parent companies. The notable exception amongst the top countries of origin in 2018 was China, where most of the imports were for aftermarket parts.

The countries of origin for vehicles and automotive components imported into South Africa generally reflect the global linkages with the head offices of parent companies.

The following table reveals the import values and rankings for the 57 countries of origin for vehicles and automotive component imports into South Africa, above the R20 million threshold, for 2017 and 2018.

Import value and ranking by country of origin – 2017 to 2018

Country	2017 R million	2017 Ranking	2018 R million	2018 Ranking
Germany	69 333,0	1	61 387,8	1
Thailand	18 711,0	3	22 927,2	2
Japan	20 142,0	2	20 907,5	3
China	15 007,1	4	17 693,4	4
USA	10 951,0	6	12 795,2	5
India	11 482,5	5	11 466,7	6
United Kingdom	7 241,5	7	7 191,3	7
Spain	6 381,9	8	6 708,5	8
Czech Republic	3 661,5	12	5 295,0	9
South Korea	4 633,1	9	5 213,6	10
Brazil	3 712,8	11	4 286,9	11
Sweden	3 044,1	13	3 706,2	12
Italy	3 897,7	10	3 535,7	13
Romania	2 165,7	16	3 489,3	14
France	2 538,5	15	3 215,7	15
Poland	2 736,0	14	3 062,7	16
Mexico	1 571,7	21	2 791,7	17
Slovak Republic	2 018,1	18	2 444,3	18
Turkey	2 095,2	17	1 949,6	19
Indonesia	1 247,6	24	1 875,8	20
Hungary	1 600,2	19	1 874,5	21
Botswana	1 598,9	20	1 727,5	22
Argentina	1 069,8	27	1 565,7	23
Belgium	1 086,9	26	1 423,1	24
Taiwan	1 289,3	23	1 408,1	25
Portugal	1 139,4	25	1 259,1	26
26 COUNTRIES ABOVE R1 BILLION				
Netherlands	1 503,9	22	977,6	27
Austria	890,7	28	865,0	28
Philippines	854,3	29	859,6	29
Malaysia	602,5	30	705,8	30

Canada	555,4	31	500,9	31
Denmark	306,2	33	434,9	32
Australia	300,8	34	332,8	33
Switzerland	370,6	32	321,5	34
Slovenia	161,6	37	271,6	35
Finland	210,9	36	225,9	36
United Arab Emirates	107,3	41	181,8	37
Bulgaria	82,2	43	159,5	38
Israel	150,7	38	134,1	39
Vietnam Republic	112,4	40	132,9	40
Luxembourg	140,4	39	126,4	41
Morocco	71,1	44	87,7	42
Russia	48,4	48	76,0	43
Singapore	63,8	46	72,6	44
Namibia	102,5	42	71,7	45
Hong Kong, China	41,3	50	57,1	46
Ireland	55,7	47	40,3	47
Zambia	37,2	49	39,1	48
Swaziland (renamed eSwatini)	14,3	-	39,1	49
Tunisia	69,0	45	35,2	50
Malta	28,8	50	32,6	51
Egypt	15,8	-	27,1	52
Croatia	18,6	-	26,9	53
Norway	26,9	51	23,5	54
Lesotho	277,9	35	23,5	55
Ukraine	21,2	52	21,3	56
Angola	5,6	-	20,2	57
57 COUNTRIES ABOVE R20 MILLION				

Source: AIEC, SARS



AUTOMOTIVE PARTS AND COMPONENTS – IMPORTS

Original equipment component imports by the OEMs amounted to R97,8 billion in 2018, up by 9,2% from the R89,6 billion in 2017. The increase is in line with new model launches and higher year-on-year vehicle production volumes supported by record vehicle exports in 2018. Global sourcing principles apply in the vehicle manufacturing industry, and original equipment components are components or systems supplied directly to the national or international OEMs and have global recognisable brands. High value, capital-intensive componentry, such as the drivetrain and telematics, which collectively account for about 50% to 60% of the value in a modern vehicle, are mainly imported into South Africa and the remainder sourced in the domestic market.

After local value-adding processes, completely built-up vehicles are then exported or sold in the domestic market. The development and deepening of the South African component-supplier base under the APDP is an important focal point, as it will reduce the risks associated with exchange rate fluctuations and logistics costs. Higher volumes relating to the expansion of vehicle production in the country under the APDP and APDP Phase 2 post-2020, as well as various supplier competitiveness initiatives and localisation efforts, could improve the viability of further foreign direct investment and export contracts in future.

The following table reveals that imports of original equipment components in 2018 originated mainly from Germany, Thailand and Japan.

Top 10 countries of origin for original equipment components imported (Chapter 98) – 2014 to 2018

Country	2014	2015	2016	2017	2018
Total (R billion)	70,2	79,6	88,0	89,6	97,8
Germany	38%	47%	46%	46%	38%
Thailand	12%	12%	16%	16%	17%
Japan	20%	15%	11%	11%	11%
USA	3%	2%	2%	3%	5%
China	3%	4%	4%	4%	4%
Czech Republic	1%	1%	1%	2%	4%
Brazil	5%	5%	4%	3%	4%
Sweden	3%	2%	2%	2%	3%
Spain	2%	2%	2%	2%	2%
UK	3%	2%	2%	2%	2%
Other	10%	8%	10%	9%	10%

Source: AIEC, SARS

The independent aftermarket is responsible for the manufacture and sale of automotive replacement parts and accessories through independent retailers and repair shops directly to the consumer rather than to the OEMs themselves. The aftermarket also re-manufactures, distributes, retails and installs motor vehicle parts and products, other than the original equipment components.

In 2018, imported passenger cars accounted for 72,6% of the total passenger car market in South Africa, as a brand conscious, consumer-driven market prompted the widest choice of new passenger cars to market-size ratio in the world. The growing variety of models and ever more complex technologies have therefore led to an increasing number of aftermarket parts in the market. The growth of cheaper products, imported mainly from China, has exacerbated this trend. In 2018, the import of replacement parts increased by R2,3 billion, or 3,9%, to R61,3 billion, from the R59,0 billion in 2017.

The following table reveals the import of aftermarket parts to complement the parts not manufactured in the domestic market, and more particularly, to service the increasing imported share of the vehicle parc of 12,46 million vehicles in 2018 for which most parts have to be imported.

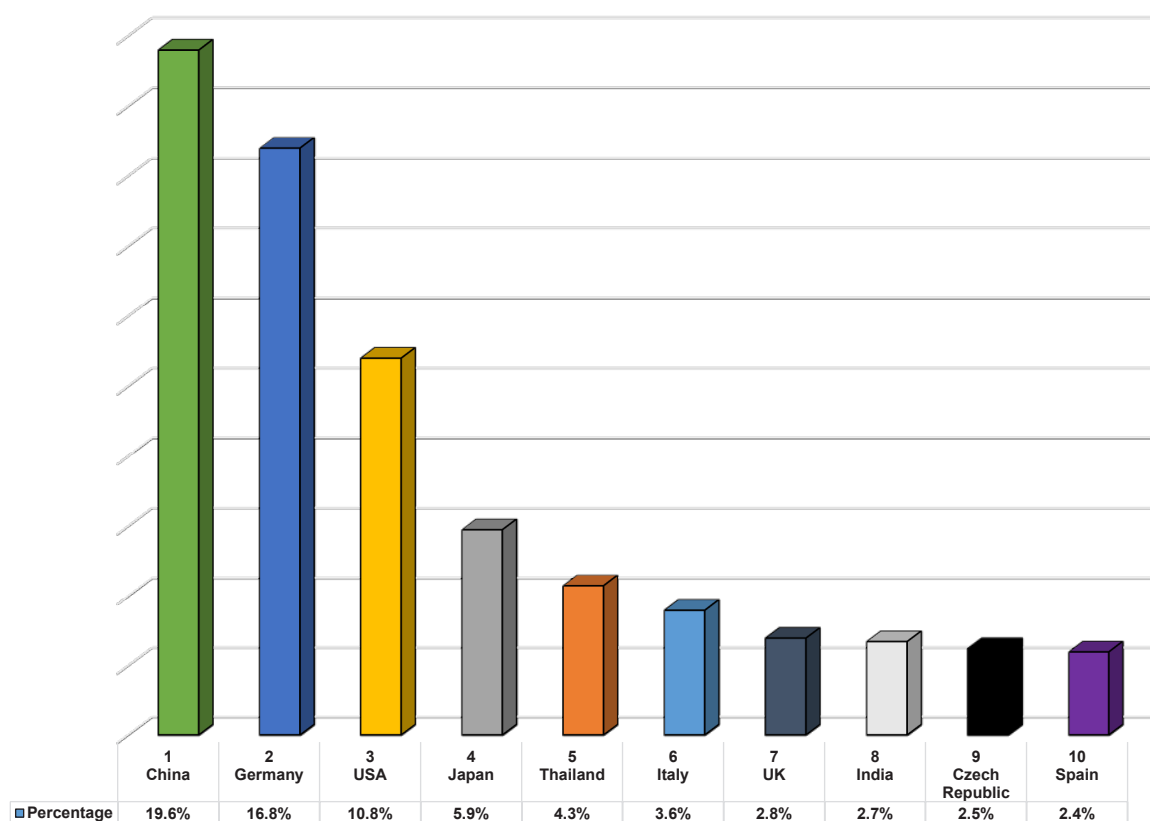
Top 10 replacement parts imported (R million) – 2014 to 2018

Parts category	2014	2015	2016	2017	2018
Tyres	4 856	4 771	6 067	5 819	6 401
Automotive tooling	4 095	5 084	3 748	5 188	4 307
Engine parts	3 879	4 231	4 412	4 200	4 247
Stitched leather seats / parts	1 592	1 985	2 461	2 440	2 324
Gauges / Instruments / parts	1 622	1 895	2 106	2 021	2 303
Wiring harnesses	1 011	1 870	2 254	2 063	2 150
Transmission shafts / cranks	1 913	2 065	1 942	2 103	2 123
Engines	1 707	2 811	2 297	2 059	1 692
Filters	896	979	1 210	1 385	1 499
Brake parts	1 212	1 277	1 229	1 141	1 302
Other	25 264	28 413	32 021	30 610	32 976
Total	48 047	55 381	59 747	59 029	61 324

Source: AIEC, SARS

The growing variety of models and ever more complex technologies have therefore led to an increasing number of aftermarket parts in the market.

Top countries of origin for imported replacement parts - 2018



Source: AIEC, SARS

The following table reveals that the countries of origin for the aftermarket parts imported, with the exception of China which moved to the top country of origin in 2018, were aligned with the main countries of origin for new passenger cars and commercial vehicles. Imports from the traditional markets such as Germany, Japan and the UK have declined over recent years, while imports from China have increased, indicating the cost competitiveness of this increasingly dominant automotive force.

Top 10 countries of origin for imported replacement parts – 2014 to 2018

Country of origin	2014	2015	2016	2017	2018
China	16,1%	16,8%	16,8%	18,2%	19,6%
Germany	19,3%	18,8%	20,0%	19,5%	16,8%
USA	9,6%	9,4%	9,5%	9,2%	10,8%
Japan	6,6%	7,3%	5,9%	5,6%	5,9%
Thailand	4,5%	4,7%	4,8%	4,2%	4,3%
Italy	3,8%	3,2%	3,2%	3,4%	3,6%
UK	4,1%	3,6%	3,1%	3,2%	2,8%
India	2,0%	2,3%	2,2%	3,3%	2,7%
Czech Republic	2,2%	2,4%	2,6%	2,6%	2,5%
Spain	2,5%	2,0%	2,2%	2,8%	2,4%
Other	29,3%	29,5%	29,7%	28,0%	28,6%

Source: AIEC, SARS

THE AUTOMOTIVE INDUSTRY'S TRADE BALANCE

South Africa's exports of R1 246,9 billion in 2018 surpassed imports of R1 235,6 billion to register a surplus of R11,3 billion. As the leading manufacturing sector in South Africa's economy, the automotive industry's export value under the APDP in 2018, amounted to R178,8 billion, which comprised a substantial 14,3% (13,9% in 2017) of the total South African exports of R1 246,9 billion, while the industry's imports of R162,0 billion under the APDP comprised 13,1% (14,0% in 2017) of the total South African imports of R1 235,6 billion.

Under the APDP between 2013 and 2018, the nominal automotive export value grew by 74,1%, while the rate of the nominal import value was much slower, with an increase of 27,9%. Record automotive exports of R178,8 billion in 2018 reflected a substantial increase of R13,9, or 8,4%, compared to the R164,9 billion total export value in 2017. Record vehicle exports of 351 139 units in 2018 resulted in the vehicle export revenue increasing by R12,9 billion, or 11,3%, to R127,5 billion compared to the R114,6 billion in 2017, while automotive component exports also reflected an increase of R1,0 billion, or 2,0%, from the R50,3 billion exported in 2017 to R51,3 billion exported in 2018.

Over recent years the trade balance related to vehicles has remained positive but the trade balance related to automotive components has remained negative. Since the South African vehicle manufacturing industry accounted for only 0,64% of global vehicle production in 2018, the industry remains reliant on global design, technologically sophisticated plant and machinery, and imported high-value components. This has contributed to the outflow of foreign exchange. Since the APDP Phase 2 post-2020 places localisation at the centre of any future support for the industry, with government having set the target of raising local content in South African manufactured vehicles from the current less than 40% to 60% by 2035, the reliance on imported components is set to decline substantially in future.

The following table reveals that the trade surplus under the APDP measurement widened to R16,8 billion in 2018, compared to the R10,3 billion in 2017, mainly due to an increase in original equipment component imports to accommodate higher vehicle production and new model launches in 2018.

*Under the APDP between
2013 and 2018, the nominal
automotive export value
grew by 74,1%.*

APDP-related trade balance for the automotive industry: 2014 – 2018

Year	Imports into SA (R billion)	Exports from SA (R billion)	Trade surplus/ (deficit) (R billion)
2013	126,7	102,7	(24,0)
2014	131,5	115,7	(15,8)
2015	146,2	151,5	5,3
2016	147,9	171,1	23,2
2017	154,6	164,9	10,3
2018	162,0	178,8	16,8

2018			
Vehicles	59,9	127,5	67,6
Automotive components (excluding aftermarket parts)	102,1	51,3	(50,8)

Source: AIEC, SARS

Including BLNS (Botswana, Lesotho, Namibia and Swaziland (renamed eSwatini)) country trade data

It should be noted that under the APDP, the basis for calculating the duty-free import credits is based on value-added through the supply chain in the automotive manufacturing industry. There are certain eligibility requirements under the programme, to ensure that the beneficiaries are companies producing substantial quantities of components for vehicle manufacturing, and to exclude accessories. Automotive component manufacturers have to supply at least 25% of their total turnover, or R10 million annually, as part of an OEM supply chain domestically and/or internationally to comply under the APDP. In this regard, with the exception of automotive tooling, which is used in the production processes of vehicles and automotive components, the imported replacement parts are generally not linked to value-addition in the country under the APDP, and they are therefore not included in the automotive trade balance which is used to monitor the progress of the APDP. When all automotive products, including vehicles, OE components and aftermarket parts are included, the industry as a whole, still reflects a trade deficit (refer to the memo item and the following table).

Memo item:

For the purposes of comparison of the 2012 MIDP data with the 2013 to 2018 trade balance data under the APDP, based on a holistic view of total automotive exports and imports (including vehicles, OE components and aftermarket parts), total automotive imports amounted to R219,1 billion in 2018, up R10,7 billion, or 5,1%, compared to the R208,4 billion in 2017. The imported replacement parts, not linked to value-addition in the country under the APDP, with the exception of automotive tooling, amounted to R61,3 billion in 2018, reflecting an increase of 3,9% compared to the R59,7 billion imported in 2017. The trade deficit declined in 2018 to R40,3 billion, compared to the R43,5 billion in 2017, and narrowed substantially from its peak of R63,8 billion in 2013, to reflect a significant reduction in real terms over recent years.



Automotive industry trade balance, including all automotive products – 2012 to 2018

Year	Imports into SA (R billion)	Exports from SA (R billion)	Trade surplus/(deficit) (R billion)
2012*	137,2	94,9	(42,3)
2013	166,5	102,7	(63,8)
2014	177,9	115,7	(62,2)
2015	196,7	151,5	(45,2)
2016	204,0	171,1	(32,9)
2017	208,4	164,9	(43,5)
2018	219,1	178,8	(40,3)
Vehicles	59,9	127,5	67,6
Automotive components (including aftermarket parts)	159,2	51,3	(107,9)

Source: AIEC, SARS

*MIDP calculation

Revised retrospective from 2012 to include BLNS (Botswana, Lesotho, Namibia and Swaziland (renamed eSwatini)) country trade data

Generally, domestic economic growth rates are the most important driver of market demand and therefore new vehicle and automotive component export growth in 2019 will remain a function of the direction and performance of global markets, domestic OEMs' export programmes, and movements in the Rand exchange rate. In view of the dependence on exports, domestic OEMs and automotive component suppliers remain exposed to international market developments that are outside their control and influence.

Generally, domestic economic growth rates are the most important driver of market demand and therefore new vehicle and automotive component export growth in 2019 will remain a function of the direction and performance of global markets, domestic OEMs' export programmes, and movements in the Rand exchange rate.

MAIN AUTOMOTIVE TRADING REGIONS AND COUNTRIES

South Africa's top regional trading partner in 2018 remained the European Union (EU). Vehicle and automotive component exports to the EU increased from R85,9 billion in 2017 to R105,2 billion in 2018, mainly driven by record vehicle exports to the region. Africa was the only region providing a trade surplus in 2018. Elsewhere, the country's automotive trade was in deficit in 2018.

South Africa's main automotive regional trade partners

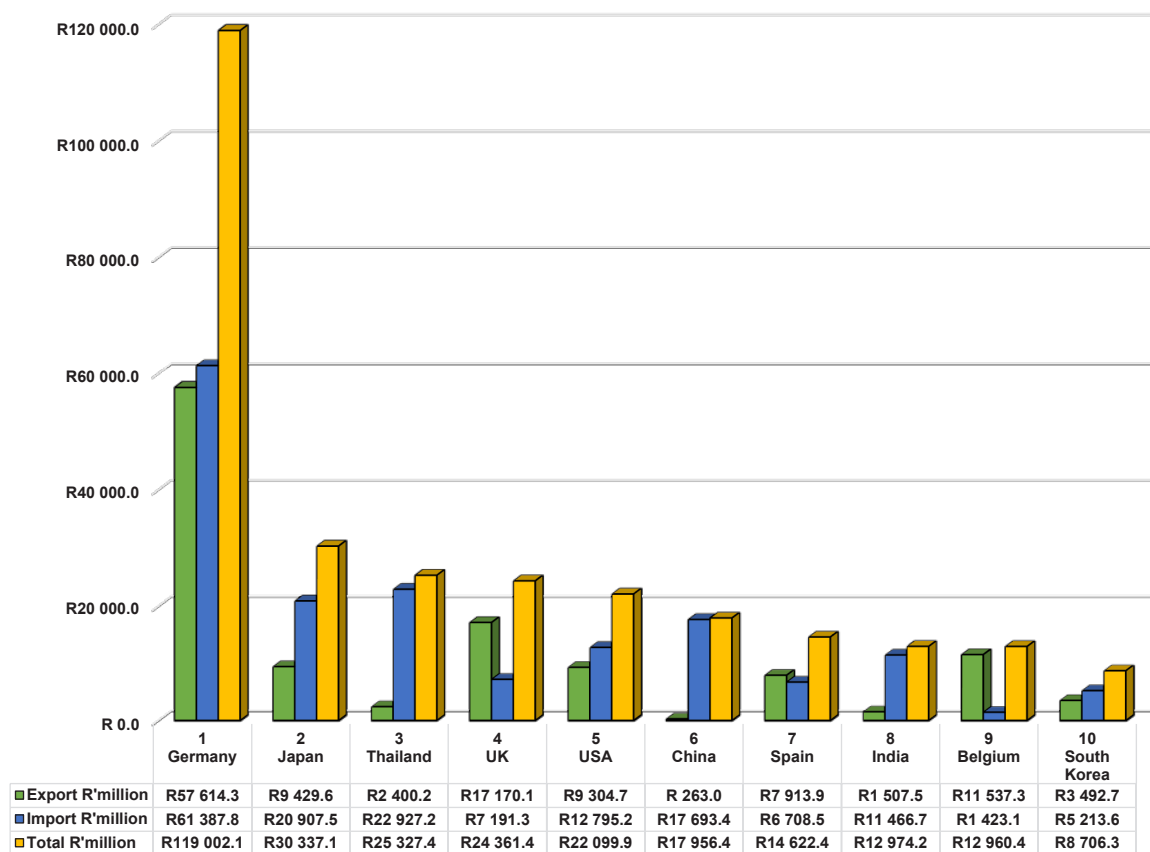
Year	Imports into SA (R billion)	Exports from SA (R billion)	Trade surplus/ (deficit) (R billion)
2018 Total	219,1	178,8	(40,3)
EU	107,8	105,2	(2,6)
NAFTA	16,1	10,9	(5,2)
AFRICA (incl. SADC)	2,1	31,7	29,6
MERCOSUR	5,9	1,6	(4,3)
OTHER REGIONS	87,2	29,4	(57,8)

Source: AIEC, SARS

The South African automotive industry's biggest single trading country partner in 2018 was Germany – home to BMW, Volkswagen and Mercedes-Benz. The total automotive trade between the two countries notched a significant R119,0 billion. With the exception of the UK, Spain and Belgium, South Africa's relationship with other automotive trading partners in the top 10 was in deficit. South Africa's main automotive trading partners (exports and imports combined) for 2018, reflected the country's global linkages with the OEMs' parent companies in Germany, the US and Japan.

*South Africa's top
regional trading partner
in 2018 remained the
European Union.*

South Africa's main automotive trading partners - 2018



Source: AIEC, SARS

The following tables reveal details and rankings of the South African automotive industry's top 10 automotive trading partners in 2018, and also reflect the top 10 products exported and imported, where applicable. Germany remained the domestic automotive industry's main trading partner over the past three decades.

1. Germany (Total trade R119 002,1 million) – 2018

Main products	Exports from SA R57 614,3 million	Main products	Imports into SA R61 387,8 million
Light vehicles	43 911,2	Original equipment components	37 297,2
Catalytic converters	8 093,8	Light vehicles	12 837,0
Engine parts	1 083,0	MCV / HCV vehicles	978,2
Radiators / parts	564,1	Engine parts	717,2
Shock absorbers / suspension parts	448,0	Automotive tooling	588,3
Clutches / shaft couplings	357,9	Tyres	524,9
Axles	259,7	Transmission shafts / cranks	460,6
Stitched leather seats / parts	251,3	Gauges / instrument parts	408,8
Filters	145,6	Steering wheels / columns / boxes	284,0
Body parts / panels	121,7	Body parts / panels	276,8
Other	2 378,0	Other	7 014,8

2. Japan (Total trade R30 337,1 million) – 2018

Main products	Exports from SA R9 429,6 million	Main product	Imports into SA R20 907,5 million
Light vehicles	7 950,3	Original equipment components	10 427,1
Catalytic converters	183,1	Light vehicles	6 775,1
Tyres	16,2	Automotive tooling	444,6
Automotive tooling	13,2	Tyres	374,7
Stitched leather seats / parts	12,5	Engine parts	299,9
Engine parts	6,2	Ignition / starting equipment	222,9
Springs	3,7	Filters	184,0
Silencers / exhausts	3,3	Transmission shafts / cranks	172,9
Brake parts	2,7	Stitched leather seats / parts	107,5
Clutches / shaft couplings	1,9	Clutches / shaft couplings	98,8
Other	1 236,5	Other	1 800,0

3. Thailand (Total trade R25 327,4 million) – 2018

Main products	Exports from SA R2 400,2 million	Main products	Imports into SA R22 927,2 million
Catalytic converters	835,1	Original equipment components	16 857,2
Engine parts	661,5	Light vehicles	3 443,4
Transmission shafts / cranks	81,0	Stitched leather seats / parts	445,6
Shock absorbers / suspension parts	9,5	Tyres	314,9
Tyres	9,2	Wiring harnesses	214,2
Light vehicles	8,4	Filters	208,8
Filters	7,1	Engine parts	85,6
Clutches / shaft couplings	5,9	Car radios	82,1
Axles	1,7	Brake parts	60,8
Gear boxes	1,6	Lighting equipment / parts	49,1
Other	779,2	Other	1 165,5

4. United Kingdom (UK) (Total trade R24 361,4 million) – 2018

Main products	Exports from SA R17 170,1 million	Main products	Imports into SA R7 191,3 million
Light vehicles	14 850,7	Light vehicles	3 739,4
Catalytic converters	1 606,3	Original equipment components	1 751,4
Automotive glass	129,5	Engines	208,5
Road wheels / parts	72,2	Engine parts	168,3
Tyres	52,6	Gauges / instruments / parts	139,0
Engine parts	36,8	Alarm systems	92,8
Gauges / instruments / parts	34,9	Catalytic converters	91,1
Automotive tooling	28,4	Automotive tooling	89,5
Engines	24,1	Transmission shafts / cranks	70,0
Lighting equipment / parts	16,1	Filters	50,3
Other	318,5	Other	791,0

5. United States of America (USA) (Total trade R22 099,9 million) – 2018

Main products	Exports from SA R9 304,7 million	Main products	Imports into SA R12 795,2 million
Light vehicles	4 946,9	Original equipment components	4 576,5
Catalytic converters	2 218,9	Light vehicles	1 612,4
Engine parts	1 007,6	Automotive tooling	682,3
Radiators / parts	200,7	Engine parts	568,4
Automotive tooling	150,9	Transmission shafts / cranks	369,4
Silencers / exhausts	68,5	Tyres	363,4
Gear boxes	51,1	Engines	321,2
Transmission shafts / cranks	33,4	Gauges/ instrument parts	276,5
Tyres	32,9	Axles	258,3
Gauges / instrument parts	31,6	Steering wheels / columns / boxes	215,3
Other	562,2	Other	3 551,5

6. China (Total trade R17 956,4 million) – 2018

Main products	Exports from SA R263,0 million	Main products	Imports into SA R17 693,4 million
Radiators / parts	94,7	Original equipment components	4 172,5
Automotive tooling	56,0	Tyres	2 415,5
Clutches / shaft couplings	39,1	Light vehicles	1 363,7
Light vehicles	8,7	Automotive tooling	903,4
Engines parts	7,6	Engine parts	835,3
Tyres	7,5	Stitched leather seats / parts	390,3
Transmission shafts / cranks	6,3	Transmission shafts / cranks	319,4
Gauges / instruments / parts	4,1	Brake parts	311,0
Silencers / exhausts	1,4	Road wheels / parts	282,3
Brake parts	1,0	Ignition / starting equipment	278,2
Other	36,6	Other	6 421,8

7. Spain (Total trade R14 622,4 million) – 2018

Main products	Exports from SA R7 913,9 million	Main products	Imports into SA R6 708,5 million
Light vehicles	5 987,2	Light vehicles	2 753,9
Catalytic converters	1 487,4	Original equipment components	2 360,9
Radiators / parts	201,5	Tyres	210,3
Silencers / exhausts	48,9	Stitched leather seats / parts	154,3
Automotive glass	40,3	Batteries	134,2
Filters	18,9	MCV / HCV vehicles	113,2
Automotive tooling	17,7	Automotive tooling	67,9
Tyres	7,4	Engine parts	53,9
Transmission shafts / cranks	5,5	Shock absorbers / suspension parts	44,0
Gear boxes	4,7	Brake parts	43,2
Other	94,4	Other	772,7

8. India (Total trade R12 974,2 million) – 2018

Main products	Exports from SA R1 507,5 million	Main products	Imports into SA R11 466,7 million
Engines	1 100,1	Light vehicles	8 749,6
Catalytic converters	248,5	Original equipment components	1 016,4
Road wheels / parts	37,3	Gauges / instruments / parts	162,5
Radiators / parts	22,0	Engine parts	135,6
Automotive tooling	21,0	Automotive tooling	110,7
Clutches / shaft couplings	7,4	Engines	92,8
Gauges / instruments / parts	5,2	Tyres	82,4
Transmission shafts / cranks	3,4	MCV / HCV vehicles	75,4
Filters	3,2	Transmission shafts / cranks	69,3
Engine parts	2,4	Lighting equipment / parts	46,2
Other	57,0	Other	925,8

9. Belgium (Total trade R12 960,4 million) – 2018

Main products	Exports from SA R11 537,3 million	Main products	Imports into SA R1 423,1 million
Light vehicles	10 352,0	Light vehicles	746,8
Tyres	415,3	Original equipment components	207,3
Radiators / parts	146,2	Lighting equipment / parts	84,6
Automotive glass	145,8	MCV / HCV vehicles	46,6
Catalytic converters	88,8	Automotive tooling	19,4
Brake parts	64,6	Engine parts	18,2
Engine parts	51,5	Transmission shafts / cranks	12,1
Automotive tooling	40,9	Catalytic converters	9,3
Filters	28,1	Automotive glass	7,2
Body parts / panels	15,7	Gauges / instruments / parts	7,2
Other	188,4	Other	264,4

10. South Korea (Total trade R8 706,3 million) – 2018

Main products	Exports from SA R3 492,7 million	Main products	Imports into SA R5 213,6 million
Light vehicles	2 900,5	Light vehicles	3 695,3
Catalytic converters	454,3	Original equipment components	278,4
Silencers / exhausts	40,0	Tyres	152,2
Automotive tooling	37,5	Batteries	124,3
Filters	20,2	MCV / HCV vehicles	95,2
Radiators / parts	13,5	Filters	61,3
Engine parts	10,8	Automotive tooling	59,7
Tyres	1,2	Clutches / shaft couplings	59,1
Transmission shafts / cranks	0,3	Engine parts	41,5
Lighting equipment / parts	0,3	Engines	29,2
Other	14,1	Other	617,4

SOUTH AFRICAN AUTOMOTIVE INDUSTRY GROWTH PROSPECTS

Rapid technological advances in the global automotive manufacturing landscape have changed the way in which vehicle and automotive component manufacturers function – from product design and development, to production optimisation, to techniques selected to penetrate new markets, and in delivering products to customers. Interest and investment in disruptive technologies have increased significantly in recent years. Amidst all these global developments, South Africa needs to advance its own national interests. South Africa critically needs to achieve higher economic growth to fulfil its potential and to address the many challenges in the country in terms of development and employment. The South African automotive manufacturing industry remains the most dynamic manufacturing sector and major driver of economic growth and development for the country. This is due largely to a supportive automotive industrial policy framework that has been sustained over the last three decades.

As the most sophisticated industrial manufacturing base on the African continent, South Africa remains an attractive destination of choice for companies wanting to establish manufacturing plants or wanting to expand their existing plants. The disruptions currently faced by the South African automotive industry include, responding to market changes, optimising regional integration (exports into Africa), establishing infrastructure as an enabler (cleaner fuels, paved roads, port and rail), achieving global competitiveness, and developing an inclusive value chain (empowerment, training initiatives in both up- and downstream operations).

However, under the SAAM 2021-2035, the future is paved with numerous opportunities revealing the extent of the potential for the long-term development of the South African automotive industry which may be summarised as follows:

- Attracting new vehicle assembly opportunities through improved competitiveness and exports.
- Increased localisation of automotive components at all tier levels.
- Increased vehicle and automotive component exports into Africa.
- Pursuing new trade partnerships in Africa with other vehicle assembly countries.
- Regional integration opportunities via the Tripartite Free Trade Area (TFTA) and the African Continental Free Trade Area (AfCFTA).
- South Africa's participation in BRICS: trade and investment opportunities and improved access into the BRICS markets.
- Expand the exports of catalytic converters and platinum metal group products, such as fuel cells.
- Building partnerships with parastatals to improve efficiencies and reduce costs.
- Establishment of more R&D, engineering and testing facilities.
- Produce more “affordable vehicles”.
- Growth of South African middle class which would stimulate new vehicle sales.

- Beneficiation of materials fabricated for the automotive industry.
- South Africa's automotive export markets: strong growth anticipated through 2030.
- Introducing more environment-friendly and fuel efficient vehicles, including electric vehicles.

Under the APDP, leading global OEMs have already invested R40 billion into the South African automotive industry. Automotive exports have doubled over the past decade from the 174 947 vehicles exported in 2009 to the 351 159 vehicles exported in 2019, with the sector producing 610 854 vehicles in 2018, and supporting in the order of 110 000 highly skilled jobs. An enabling operating policy environment, a reduction in the cost of doing business, a reduction in regulatory compliance procedures, the roll-out of modern infrastructure, and a greater focus on areas of competitive advantage remain key focus areas.

The South African government recognises the critical importance of the automotive industry to the country's economy and remains committed to further supporting investment and development of the automotive industry in line with the National Industrial Policy Framework (NIPF) and the Industrial Policy Action Plan (IPAP). In this regard, the announcement of the APDP Phase 2, as part of the South African Automotive Masterplan 2021-2035, as well as interventions in a number of focus areas, will aspire to create a framework to secure even higher levels of investments, and vehicle and component production in the country.

In this regard, the announcement of the APDP Phase 2, as part of the South African Automotive Masterplan 2021-2035, as well as interventions in a number of focus areas, will aspire to create a framework to secure even higher levels of investments, and vehicle and component production in the country.

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National Association of Automotive Component & Allied Manufacturers (NAACAM)	
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Telefax: +27 86 659 0494	Private Bag 29
Website: www.naacam.co.za	Gallo Manor, 2052

National Association of Automobile Manufacturers of South Africa (NAAMSA)	
Telephone: +27 12 807 0086/0152	P O Box 74166
Telefax: +27 12 807 0671	Lynnwood Ridge
Website: www.naamsa.co.za	0040

National Union of Metalworkers of South Africa (NUMSA)	
Telephone: +27 11 689 1700/1/2/3	P O Box 260483
Telefax: +27 11 833 6330/6408	Excom, 2023

Retail Motor Industry Organisation (RMI)	
Telephone: +27 11 789-2542/886-6300	P O Box 2940
Telefax: +27 11 789-4525	Randburg
Website: www.rmi.org.za	2125



Standard disclaimer

The trade data is based on eligible APDP products. The AIEC cannot vouch for the accuracy of the information obtained from the source. Due to certain limitations, Customs and Excise statistics cannot always distinguish between automotive components eligible in terms of the APDP and non-APDP components. The main purpose of this trade data is to discern trends in exports and export destinations, as well as imports and countries of origin.

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