Automotive Export Manual 2020

PROGRESS ON WHEELS

South Africa

Inspiring new ways

ACKNOWLEDGEMENTS

Author: Dr Norman Lamprecht

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AIEC
P O Box 74166
Lynnwood Ridge
0040
Tel: +27 12 807 0086
Fax: +27 12 807 0671
Website: www.aiec.co.za

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ABBREVIATIONS

AAAM	African Association of Automotive Manufacturers
AfCFTA	African Continental Free Trade Area
AGOA	African Growth and Opportunity Act
AIEC	Automotive Industry Export Council
AIS	Automotive Investment Scheme
APDP	Automotive Production Development Programme
ASCCI	Automotive Supply Chain Competitiveness Initiative
BELN	Botswana, eSwatini (Swaziland), Lesotho and Namibia
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
DTIC	The Department of Trade, Industry and Competition
EAC	East African Community
EU	European Union
EV	Electric vehicle
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
MIOSA	Motor Industry Ombudsman of South Africa
NAACAM	National Association of Automotive Component and Allied Manufacturers
NAAMSA	National Association of Automobile Manufacturers of South Africa
NADA	National Automobile Dealers' Association
OEM	Original Equipment Manufacturer (Vehicle Manufacturer)
OICA	International Organisation of Motor Vehicle Manufacturers
PTA	Preferential Trade Agreement
SA	South Africa
SAAM	South African Automotive Masterplan
SACU	Southern African Customs Union
SADC	Southern African Development Community
SARS	South African Revenue Service
USMCA	US-Mexico-Canada Agreement
WTO	World Trade Organisation

AUTOMOTIVE EXPORT MANUAL
– 2020 –
SOUTH AFRICA PUBLICATION

In the current disruptive era of change, it is essential for key players, investors, and stakeholders in the global automotive ecosystem to understand the market dynamics, leverage the available opportunities, and up their game. The business community, both inside and outside South Africa, needs information on the various aspects affecting investment and business ventures in the country in order to maximise the value of every decision or transaction. Market intelligence therefore provides companies with a competitive edge to stay up to date with relevant market trends and enables them to make informed decisions in the ever-changing global automotive landscape.

The *Automotive Export Manual – 2020 – 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 2020 publication, just as the previous annual 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 publication serves as an essential source for stakeholders, both in South Africa and internationally, to leverage a wealth of market intelligence related to decision-making opportunities in the South African automotive industry.

SOUTH AFRICA AND ITS AUTOMOTIVE INDUSTRY

The pace of technological change in the twenty-first century is unprecedented. Globally, the automotive industry is undergoing various profound changes, with evolving technologies and innovative business models continuing to transform the global automotive marketplace. Digital technology, customer sentiment and economic health have played a vital role in the evolution to date. The future of mobility, however, is evolving at an even more rapid pace to enable disruptive advancements, such as autonomous vehicles, connectivity, electrification and shared mobility. The shift to new technologies is targeted at reducing costs and increasing efficiencies to meet the increasing awareness of sustainability and green manufacturing issues. Identifying novel areas for expansion and optimising agile strategies are vital for automotive companies to achieve success. The year 2020 is expected to uncover new avenues of growth, and will present fresh perspectives and intelligent solutions for businesses to leverage, along with opportunities to reinvent and transform themselves.

Being fully integrated into the global automotive environment, multiple trends influence manufacturing in South Africa. This creates a complex and continuously shifting environment for decision-makers to navigate. The South African automotive sector is a major driver of higher added value throughout the economy and is therefore an essential part of deepening the level of industrialisation in the country's economy. The sector has proved to be a reliable partner and dependable ally for government to position manufacturing as a catalyst to development and inclusive growth in the country, as demonstrated by significant levels of automotive investments over recent years. The automotive sector has been one of the most visible sectors receiving foreign investments, with the seven OEMs investing R7,3 billion in 2019, while also making investment commitments of R40 billion over the next five years. Concurrently, the component sector invested R3,5 billion in 2019, whilst expecting to invest a further R20 billion in domestically sourced components over the next five years. Investment at this scale is significant and will promote local value-addition, while importantly, technology is also embodied in the investment.

The broader automotive industry's contribution to the GDP in 2019 stood at 6,4% (4,0% manufacturing and 2,4% retail). As the largest manufacturing sector in the country's economy, a substantial 27,6% of value-addition within the domestic manufacturing output was derived from vehicle and automotive component manufacturing activity, positioning the industry and its broader value chain as a key player within South Africa's industrialisation landscape. Manufacturing-driven growth has the highest impact on job creation, and with its linkages throughout the economy, the multiplier effects of manufacturing are higher than most other sectors.

In 2019, the domestic automotive industry once again excelled on the export side, despite facing domestic and foreign economic headwinds. The export value of vehicles and automotive components comprised a record R201,7 billion, equating to 15,5% of South Africa's total exports. A record 387 125 vehicles worth a record R148,0 billion, along with a record R53,7 billion in automotive components, were exported to 151 countries in 2019.

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 2018 and 2019.

Key performance indicators under the APDP – 2018 to 2019

Indicator	Performance	
	2018	2019
Population	57,73 million	58,78 million
Consumer Price Index (CPI)	4,7%	4,1%
South Africa's GDP (current prices)	R4 873,9 billion	R5 077,6 billion
Broader automotive industry contribution to GDP	6,8%	6,4%
Vehicle and component production as % of South Africa's manufacturing output	29,9%	27,6%
Average monthly employment by vehicle manufacturers	29 855	30 250
Automotive component sector employment	80 000	80 000
Capital expenditure – vehicle manufacturers	R7,2 billion	R7,3 billion
Capital expenditure – component sector	R3,5 billion	R3,5 billion
Total South African new vehicle sales	552 227 units	536 611 units
Total South African vehicle production	610 060 units	631 983 units
South Africa's vehicle production as % of Africa's vehicle production	54,3%	57,2%
South Africa's global vehicle production ranking	22nd	22nd
South Africa's global vehicle production market share	0,64%	0,69%
Vehicle ownership ratio per 1 000 persons	176	179
Vehicle parc (Number of registered vehicles)	12,46 million	12,70 million
Total automotive export earnings	R178,8 billion	R201,7 billion
Automotive export value as % of total South African export value	14,3%	15,5%
Number of export destinations	155	151
Number of export destinations with export values more than doubling year-on-year	25	19
Top automotive country export destination in Rand value terms	Germany	Germany
Total South African vehicle exports	351 139 units	387 125 units
Value of vehicle exports	R127,4 billion	R148,0 billion
Top vehicle export destination in volume terms	UK	UK
Value of automotive component exports	R51,3 billion	R53,7 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

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 country's delicate economic situation is underpinned by weak domestic demand exacerbated by current global challenges. However, 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 nearly three decades.

The automotive industry receives high levels of support in various countries all around the world in recognition of its significant contribution to the economy, in particular industrialisation, and South Africa is no exception to this. The South African automotive industry's performance is dependent on an intelligent partnership between the sector and government to develop the industry. One of the attractions of South Africa's automotive policy regimes over the past three decades has been its long-term vision and consistency. Looking ahead, the automotive sector and its social partners have already developed the South African Automotive Masterplan (SAAM) 2021-2035 to optimally develop the industry through to 2035. The Masterplan will create a framework to secure even higher levels of investments and production and will provide multinational vehicle and automotive component companies the consistency they need to invest confidently in South Africa.

ONE OF THE ATTRACTIONS OF SOUTH AFRICA'S AUTOMOTIVE POLICY REGIMES OVER THE PAST THREE DECADES HAS BEEN ITS LONG-TERM VISION AND CONSISTENCY.

THE AUTOMOTIVE INDUSTRY EXPORT COUNCIL

As new systems and smarter technologies converge, the global automotive industry will experience a transition in the way its businesses function. To cope with these changes, market players should be aware of the advances that take place and stay updated on the latest trends. Identifying innovative areas for expansion, and optimising responsive strategies are vital for exporters to achieve success. This is particularly important for the South African automotive industry which is characterised by exports. In order to pursue export opportunities, it is imperative for domestic automotive exporters to prepare for the way in which they might need to adapt and to decide how they want to approach innovation as well as export markets.

Established in 1999, the Automotive Industry Export Council (AIEC) 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, Industry and Competition (DTIC). The AIEC is funded by and represents the interests of seven major motor vehicle manufacturers/exporters, namely, BMW, Ford, Isuzu, Mercedes-Benz, Nissan, Toyota and Volkswagen, as well as 14 manufacturers/exporters of trucks and buses. Another funder is NAACAM, thus allowing for the representation of about 500 automotive component suppliers in South Africa across all tiers. The activities and administration of the AIEC are coordinated by the AIEC Board. The AIEC Board of Directors consists of Mr Renai Moothilal (Executive Director – NAACAM – Chairperson), Mr Mike Mabasa (Chief Executive Officer – NAAMSA), Dr Norman Lamprecht (Executive Manager – NAAMSA), as well as two ex-officio members from the Department of Trade, Industry and Competition, Mr Mzwakhe Mbatha and Mr Adriaan Adams.

Mr Renai Moothilal
Executive Director
NAACAM - Chairperson

Dr Norman Lamprecht
Executive Manager
NAAMSA

Mr Mike Mabasa
Chief Executive Officer
NAAMSA

Mr Mzwakhe Mbatha
Ex-officio Member
DTIC

Mr Adriaan Adams
Ex-officio Member
DTIC

The purpose of the AIEC is to assist companies in the automotive sector that are currently exporting, may be interested in exporting in future, or may become capable of exporting in future. Together with the DTIC, 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.

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. Events provide delegates and visitors with an ideal opportunity to stay abreast of legislative and other changes so they can better manage their businesses in the challenging economic times. International events also provide a showcase for innovations in the entire value chain, provide an ideal meeting place for all involved in the industry, provide a platform for business and technological knowledge transfer, and also provide good networking opportunities for local and international exhibitors. Event environments continue to become more and more appealing, with hosts and exhibitors hoping to connect with attendees in meaningful ways. Export promotion mechanisms that are employed by Trade and Investment South Africa (TISA) and the DTIC, 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 are effective ways of establishing and building business relationships in the pursuit of opportunities.

During the 2019/2020 financial year, the AIEC and automotive component manufacturing companies participated in the Automechanika Johannesburg national pavilion from 18 to 21 September 2019 at Nasrec, Johannesburg (www.automechanika.co.za). The AIEC, along with individual South African exhibitors, also participated in the NAACAM show at the Durban International Convention Centre from 12 to 14 March 2019 (www.naacamshow.co.za), the Automechanika Middle East event in Dubai from 10 to 12 June 2019 (www.automechanika-dubai.ae.messefrankfurt.com) and the South African Festival of Motoring from 22 to 25 August 2019 at the Kyalami Grand Prix Circuit and International Convention Centre, Johannesburg (www.safestivalofmotoring.com).

The two automotive national pavilions approved by the DTIC for 2020/2021 include the Automechanika Frankfurt national pavilion in Germany scheduled to take place from 8 to 12 September 2020 (www.automechanika.messefrankfurt.com) and the Automechanika Middle East national pavilion in Dubai, UAE scheduled to take place from 19 to 21 October 2020 (www.automechanika-dubai.ae.messefrankfurt.com). The South African automotive events for 2020/2021 include the NAACAM Show 2021 (www.naacamshow.co.za), Africa's automotive component initiative, as well as the Automechanika Johannesburg event (www.automechanika.co.za), coinciding with Futureroad Expo Johannesburg and Scalex Johannesburg, scheduled to take place from 14 to 17 September 2021.

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

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CONTACT US

Tracy Gounden – Show Director
Tracy.Gounden@za.messefrankfurt.com
+27 (0) 10 599 6166 | +27 (0) 82 063 8157

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CONTACT US

Tracy Gounden – Show Director
Tracy.Gounden@za.messefrankfurt.com
+27 (0) 10 599 6166 | +27 (0) 82 063 8157

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JOIN AUTOMOTIVE INDUSTRY COLLEAGUES TO DRIVE SA'S LARGEST MANUFACTURING SECTOR FORWARD

Africa's premier automotive component manufacturing growth, technology, transformation and stakeholder engagement forum. Galvanising the automotive industry around the ambitions of the SA Automotive Masterplan and driving its implementation

DATES AND VENUE FOR THE 2021 SHOW TO BE CONFIRMED

OUR OBJECTIVES

Bring together industry and stakeholder executives in the automotive industry to -

- Facilitate localisation, intra-African trade/ industrial linkages and exports from globally competitive sectors
- Enable Foreign Direct Investment (FDI) and technology partnerships
- Promote the development and growth of Black-owned suppliers in South Africa
- Facilitate outcomes-based dialogue

2019 Highlights

• Exhibition •
Showcasing the capabilities and offerings of the local automotive sector

• Localisation Exhibition •
Showcase of 1000+ products identified by OEMs and Tier 1 for localisation

• Buyer-Supplier Linkage Meetings •
Planned opportunities for buyers to meet potential suppliers

• Technical Demo Presentations •
Showcase innovative South African solutions in the automotive sector

• Conference/C-Suite Executives •
Addressing the key challenges facing the industry

• Transformation Launch Events •
Women, Youth and Dragon's Den

www.naacamshow.co.za

SOUTH AFRICAN AUTOMOTIVE INDUSTRY ORGANISATIONAL STRUCTURE

The automotive industry associations in South Africa have a track record of making a difference, as well as promoting the concept of unity, whilst affording members the opportunity to shape important decisions. The organisational structure in the manufacturing and retail sectors of the domestic automotive 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), while the Motor Industry Ombudsman of South Africa (MIOSA) is the industry's accredited dispute resolution forum.

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 30 250 people. NAAMSA also represents the interests of a further 21 companies involved in the importation and distribution of new motor vehicles in South Africa. From 2020 onwards NAAMSA will introduce associate membership that offers tangible benefits such as access to information, visibility to key industry issues, business exposure, as well as related discounts. The monthly NAAMSA/Lightstone Auto new vehicle sales reports and other data products are imperative for various government departments and analysts 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 approximately 130 manufacturing members, of which approximately 80% are first-tier suppliers across 200 regional manufacturing sites, in addition to 30 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 2019. 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 in the order of 8 000 member businesses across all sectors of the retail motor industry. The National Automobile Dealers' Association (NADA), incorporating the Motorcycle Dealers' Association, is one of the eight associations under the RMI brand focusing on new vehicle franchise dealerships and qualifying used vehicle outlets. NADA represents and promotes the interests of about 1 800 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 Pact. The AAAM's mandate is therefore to engage with governments, 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 industries. 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.

The Motor Industry Ombudsman of South Africa (MIOSA) was originally established as a voluntary organisation in the year 2000. Subsequently the South African Automotive Industry Code of Conduct (Code) was accredited by the Minister of Trade, Industry and Competition in October 2014, which made the Code a regulation of the Consumer Protection Act (CPA) and consequently the MIOSA achieved accreditation. The office of the MIOSA acts as the only accredited dispute resolution forum which regulates the interaction and provides for alternative dispute resolution between persons conducting business within the automotive and related industries in South Africa and consumers, and also among participants in the automotive and related industries. More information on the MIOSA can be accessed at www.miosa.co.za.

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.

THE SOUTH AFRICAN NEW VEHICLE MARKET

Vehicle sales are linked to the strength of the economy, and in 2019, the new vehicle market in South Africa continued to be affected by the subdued macro-economic environment and pressure on consumers' disposable income. Passenger cars and light commercial vehicles (LCVs), which contributed 66,2% and 28,6% of the total market, respectively, were down by 2,7% and 4,0%, from 2018 to 2019. The South African truck market, comprising 5,2% of the total market, however, provided some positivity with year-on-year sales increasing by 2,1%. Passenger car sales through the dealer channel, which is representative of consumer activity, comprised 80,9% of total sales in 2019, followed by 12,7% to the vehicle rental industry, 3,5% to industry corporate fleet sales and 2,9% to government. The following table reveals the sales of passenger cars and commercial vehicles for 2015 through to 2019.

Sales of passenger cars and commercial vehicles – 2015 to 2019

Year	Passenger cars	Light commercial vehicles	Medium and heavy commercial vehicles and buses	Total new vehicle sales
2015	412 397	174 812	30 441	617 650
2016	361 265	159 316	26 971	547 552
2017	368 114	163 317	26 273	557 704
2018	365 247	159 525	27 455	552 227
2019	355 378	153 192	28 041	536 611

Source: NAAMSA/Lightstone Auto

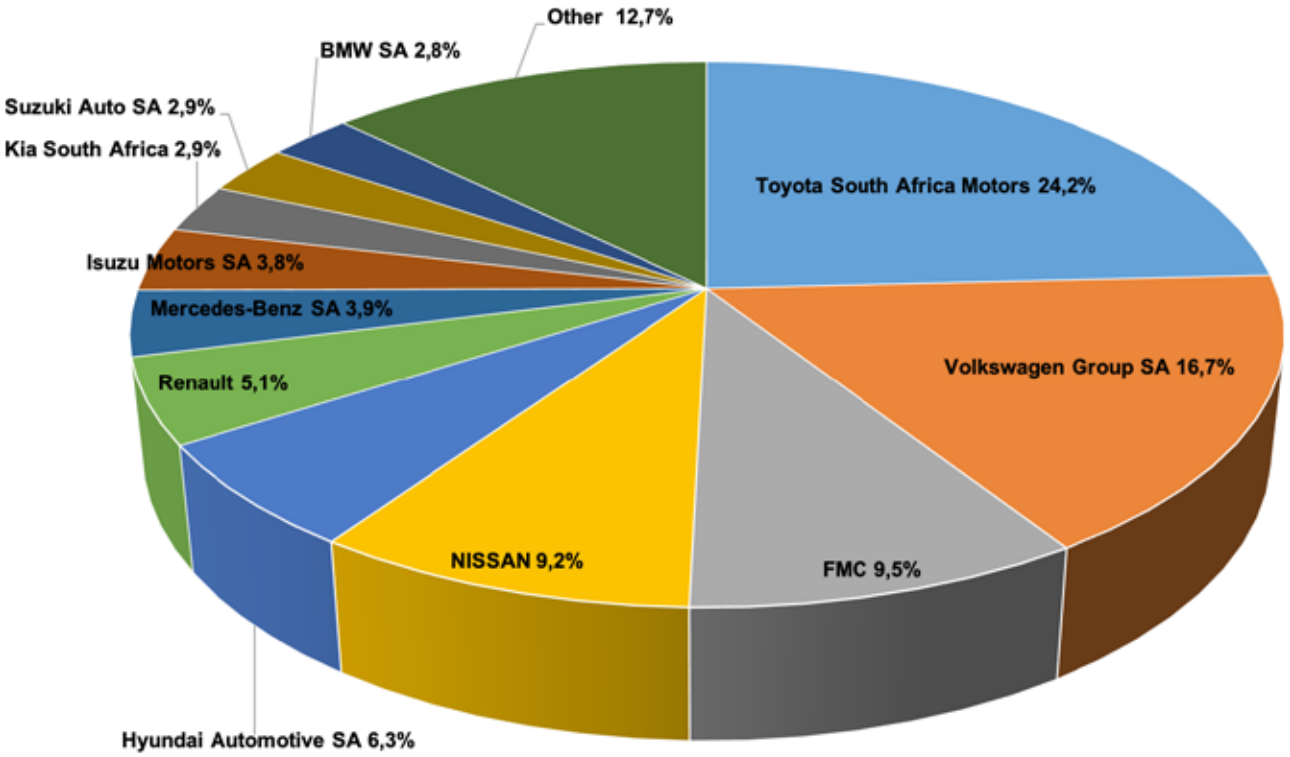
Despite new vehicle price increases having remained below inflation for the past two years, consumer buying power has effectively remained flat for the past six years. In an affordability-driven marketplace, market conditions in 2019 continued to be characterised by a buying-down trend, with sales of entry-level vehicles, small utility vehicles and crossovers performing well in relative terms. Some good news for consumers entering the buying market is low price increases, guaranteed buy-back options, marketing initiatives which include trade assistance to vehicle discounts to suit the consumer's pocket, and low inflation rates predicted for 2020. However, a higher domestic economic growth rate remains essential to support domestic new vehicle sales volumes.

OEMs are producing not only more models to meet customer expectations for greater choice, they are also introducing a greater range of model variations and body shapes of each model to give customers greater ability to personalise the vehicle that they purchase. South Africa has one of the most competitive trading environments in the world, and in 2019 offered consumers a choice of no fewer than 46 passenger car brands and 2 507 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 28 brands, with 526 model derivatives to choose from. South Africa had a vehicle parc (number of registered vehicles) of 12,70 million at the end of 2019, of which 7,49 million, or 59,0%, comprised passenger cars. The average age of the passenger car parc in 2019 was 10 years; for the commercial vehicle parc, 10 years and one month; and overall, for the total vehicle parc, 10 years. The vehicle ownership ratio in South Africa is in the order of 179 vehicles per 1 000 persons.

The Toyota Hilux, with 40 934 units, was the most popular model sold in the country in 2019, followed by sales of 29 681 units by the top-selling passenger car, the Volkswagen Polo Vivo. The Volkswagen Group brand retained leadership in the South African passenger car market for the eighth successive year. The Toyota Hilux has been the top-selling one-ton light commercial vehicle for the 47th time in its 50 years on the domestic market. An interesting phenomenon is that South African motorists are more inclined to rather drive light commercial vehicles (bakkies), which have both commercial and leisure vehicle applications, than passenger cars. Nine of the top 10 selling vehicles in 2019 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, Isuzu KB/D-Max, and Toyota Quantum, and five passenger cars, namely, the Volkswagen Polo Vivo, Volkswagen Polo, Renault Kwid (imported from India, the only exception) Toyota Fortuner, and the Toyota Corolla Quest.

Toyota celebrated 40 years of consecutive market leadership in 2019 with a market share of 24,2%, followed by Volkswagen Group SA, Ford Motor Company of Southern Africa and Nissan South Africa. The following graph reveals the market shares of the top OEMs/Importers in the country in 2019.

Overall new vehicle market share – 2019



Source: NAAMSA/Lightstone Auto

In 2019, new diesel passenger car and light commercial vehicle sales accounted for 35,0% of the market share of total light vehicle sales, down from 36,0% in 2018. The trend in Europe and the UK is to phase out diesel engines by making diesel fuel very expensive. Hybrid petrol and diesel vehicle sales in the domestic market comprised 253 units in 2019, up from the 144 units in 2018, while electric vehicle (EV) sales increased substantially from 58 units in 2018 to 154 units in 2019. Although domestic EV sales are still small, the worldwide rollout of zero emission EVs is increasing as a substantial number of global markets pursue a reduction in harmful emissions. It is clear that the rise of EVs is an inevitability rather than a possibility. The South African automotive industry, along with the DTIC, is not oblivious to the fact that the future and its export destinations are changing, and therefore research has been commissioned to support the evolution

and advancement of electromobility in South Africa. The following tables reveal the split between the sales of new petrol and diesel cars and light commercial vehicles as well as hybrid and electric vehicles in South Africa from 2015 through to 2019.

Petrol versus diesel passenger cars and light commercial vehicle sales – 2015 to 2019

	2015	2016	2017	2018	2019
Diesel Cars & Diesel Light Commercials	189 168	173 952	184 147	188 865	177 959
Petrol Cars & Petrol Light Commercials	397 430	345 829	346 918	335 705	330 204
Total Cars & Light Commercials	586 598	519 781	531 065	524 570	508 163
Diesel Vehicles as % of Total	32,2%	33,5%	34,7%	36,0%	35,0%

	2015	2016	2017	2018	2019
Diesel Cars	69 761	61 856	65 547	62 618	55 563
Diesel Hybrid	-	-	-	-	-
Petrol Cars	342 136	298 818	302 192	302 427	299 408
Petrol Hybrid	502	574	306	144	253
Electric	79	41	68	58	154
Diesel Light Commercials	119 407	112 096	118 600	126 247	122 396
Petrol Light Commercials	55 294	47 011	44 726	33 278	30 796

Source: NAAMSA/Lightstone Auto

The commercial vehicle sector links together production sites to the points of consumption and provides a vital service to consumers. It is not just movement itself, but how efficiently movement takes place, that fuels the economy. The heavy commercial vehicle sector in South Africa is characterised by a large number of company brands. In 2019, the medium commercial vehicle segment consisted of 17 brands with 146 model derivatives to choose from; in the heavy commercial vehicle segment there were 14 brands with 123 model derivatives; in the extra-heavy commercial vehicle segment there were 19 brands with 477 model derivatives; and in the bus segment there were 8 brands with 44 model derivatives.

The truck market is linked directly to the economy, as it is business confidence that inspires investment in trucks. Medium and heavy commercial vehicles are regarded as productive assets and essential capital inputs in the economy. Overall, sales in the various heavy commercial vehicle segments showed some resilience in 2019. Sales in the medium commercial vehicle segment reflected double-digit year-on-year growth of 10,6%, and in the extra-heavy commercial vehicle segment sales increased by 1,7% from 2018 to 2019. Heavy commercial vehicle sales, however, fell by 6,1% and bus sales by 13,3% from 2018 to 2019. In view of the prevailing challenging economic conditions, the number of infrastructure projects and road works remained subdued in 2019. This forced many clients to look at extending the lifecycles of their existing equipment, to consider pre-owned products, and to downscale their fleets instead of replacing them. Double-digit growth in the MCV segment and, on the other hand, a declining HCV segment is an indication that customers were buying down into the smaller, more affordable, vehicle segments. Online shopping and hub deliveries were also factors contributing to the increase in smaller trucks. The XHCV segment continued to grow on the back of the bulk movement of goods and commodities.

Isuzu held onto its number one position in the medium commercial truck segment of the South African market in 2019 and also retained its leadership position in the heavy commercial vehicle market. Volvo Group Southern Africa was the leader in the extra-heavy commercial vehicle segment, and MAN in the bus segment in 2019. The following table reveals the sales of medium, heavy, extra-heavy commercial vehicles and buses from 2015 through to 2019.

Sales of medium and heavy commercial vehicles and buses – 2015 to 2019

	Market				
	MCV	HCV	XHCV	Buses	Total
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	5 306	11 978	1 099	26 273
2018	7 885	5 374	13 126	1 070	27 455
2019	8 719	5 044	13 350	928	28 041

Source: NAAMSA/Lightstone Auto

In the tough economic environment in which today's road transport owners operate, it has become essential to extract the full lifespan potential from a vehicle at the lowest possible maintenance cost in order to retain a viable profit margin and remain competitive. Growth in the South African economy is dependent on a successful transport industry. 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.

EXPORTS OF VEHICLES

Despite a progressively declining domestic market, vehicle exports once again were on the rise in 2019, showing exceptional growth of 10,2% year-on-year. A record number of 387 125 left- and right-hand drive vehicles, up from the 351 139 vehicles in 2018, were exported to 105 country destinations around the world in 2019. Passenger car exports comprised 260 843 units, or 67,4% of the total; light commercial vehicles comprised 125 455 units, or 32,4% of the total; and medium and heavy commercial vehicles and buses comprised 827 units, or 0,2% of the total. In 2019, light vehicle (passenger cars and light commercial vehicles) exports accounted for a significant 64,1% of total domestic light vehicle production. Scale is one of the imperatives pursued by the South African automotive industry, and in 2019, two models achieved production volumes in excess of 100 000 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 in 1995 to 11 platforms in 2019.

Exporting remains key to generate sufficient economies of scale and to achieve improved international competitiveness. Most domestic OEMs have grown their volumes substantially, and now produce a very high proportion of vehicles for the export market. The following table reveals that the top export destinations for passenger cars and LCVs in terms of number of units in 2019, were the UK, Germany, Japan, and France. VWSA, with its Polo model, topped the country's export rankings in 2019.

Top 10 destinations for light vehicles (passenger cars and light commercial vehicles) exported – 2015 to 2019

Country	2015	2016	2017	2018	2019
Total (R billion)	**98,0**	**114,0**	**110,9**	**123,2**	**143,4**
Ranking of exporters **Number 1 to Number 5**	**MBSA** **VW** **BMW** **Ford** **Toyota**	**MBSA** **VW** **BMW** **Ford** **Toyota**	**MBSA** **VW** **Ford** **BMW** **Toyota**	**MBSA** **VW** **Ford** **Toyota** **BMW**	**VW** **MBSA** **BMW** **Ford** **Toyota**
UK	104 098	110 356	98 358	119 578	101 401
Germany	9 915	12 297	10 423	25 513	37 152
Japan	15 828	33 296	42 492	44 027	33 435
France	16 130	19 204	19 055	23 400	25 629
Australia	21 197	21 446	23 336	21 594	16 284
Italy	2 892	6 238	5 088	8 870	14 624
Austria	1 826	2 317	2 105	2 749	12 675
USA	48 899	47 627	40 414	11 440	12 437
Netherlands	396	601	397	1 481	12 146
Belgium	8 772	8 116	6 902	6 338	11 379
Other	102 772	82 268	88 535	85 013	109 136
Total (units)	**332 725**	**343 766**	**337 105**	**350 003**	**386 298**
Light vehicle production	**583 883**	**571 791**	**574 075**	**581 469**	**603 115**
% of production exported	**57,0%**	**60,1%**	**58,7%**	**60,2%**	**64,1%**

Source: NAAMSA/Lightstone Auto, SARS

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.

Passenger car models manufactured in South Africa in 2019 included the following:

BMW	X3
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 2019 included the following:

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

The domestic industry continues to capitalise on the various trade arrangements enjoyed by South Africa, which enhance exports. As a region, Europe, accounting for a substantial 285 599 vehicles, or 73,8% of the total, dominated as a region. Exports to North America declined substantially since 2017, 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. Vehicle exports to Africa declined marginally from 2018 to 2019 but the continent's medium- to long-term potential remains positive, representing a potentially lucrative market in close proximity to South Africa. The following table reveals that vehicle exports into Europe, South America and North America reflected growth in 2019.

Changing composition of South African vehicle exports by major regions: 2015 to 2019

Region	2015	2016	2017	2018	2019	% change 2019 / 2018
Europe	173 883	196 727	190 503	233 772	285 599	+22,2%
Asia	34 929	46 665	52 827	50 277	39 879	-20,7%
Africa	41 431	21 505	21 847	23 988	23 415	-2,4%
Australasia	22 946	22 735	25 125	22 767	17 350	-23,8%
North America	53 606	52 024	43 393	13 037	13 540	+3,9%
South America	6 554	4 750	3 588	5 787	6 093	+5,3%
Central America	496	410	812	1 511	1 249	-17,3%
Total	**333 845**	**344 816**	**338 095**	**351 139**	**387 125**	**+10,2%**

Source: NAAMSA/Lightstone Auto

Exports of medium and heavy commercial vehicles and buses comprised only 0,2% of the total vehicle exports in 2019, which in relation to passenger cars and light commercial vehicles, has been relatively insignificant in terms of total vehicle export volumes. However, for the heavy commercial vehicle and bus sector, exports remain a priority focus in achieving higher vehicle production volumes in view of a weak domestic market.

In 2019, a total of 827 trucks and buses were exported, down by 309 units, or 27,2%, from the 1 136 units exported in 2018. All segments reflected substantial year-on-year declines in 2019. Extra-heavy commercial vehicle exports declined by 159 units, or 25,4%, from the 625 units in 2018 to 466 units in 2019; heavy commercial vehicle exports declined by 36 units, or 16,7%, from 216 units in 2018 to 180 units in 2019; medium commercial vehicle exports declined by 74 units, or 39,6 %, from 187 units in 2018 to 113 units in 2019; while bus exports fell by 40 units, or 37,0%, from the 108 units in 2018 to 68 units in 2019.

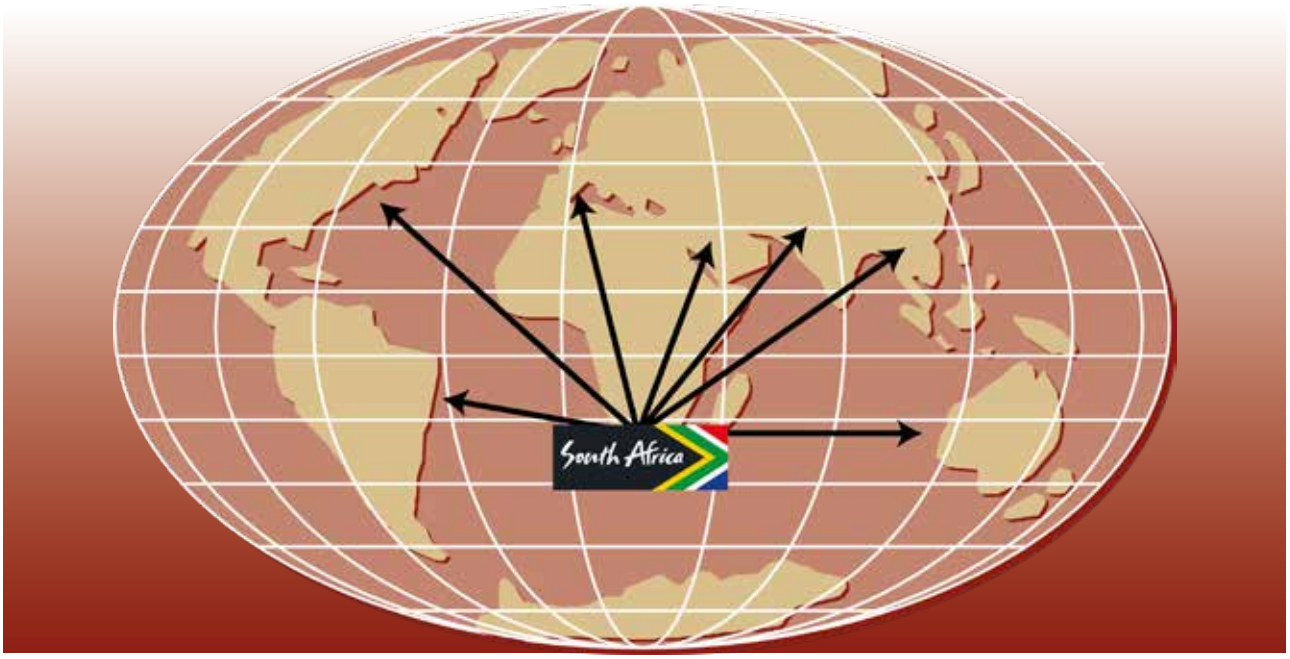
A large number of companies are active in the South African market and in 2019, the following medium, heavy and extra-heavy commercial vehicle companies were represented in the country:

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

In 2019, the following bus companies were represented in South Africa:

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

The following table reveals that the main export destinations for trucks and buses have consistently been South Africa's neighbouring countries in the Southern African Development Community (SADC) region. Zimbabwe was the overall top destination for all truck and bus exports in 2019, and this included extra-heavy commercial vehicles, heavy commercial vehicles, and buses, while for medium commercial vehicles the top destination was Mozambique.



Top destinations and region for medium, heavy commercial vehicles and buses exported – 2015 to 2019

Country	2015	2016	2017	2018	2019
Total (R billion)	3,9	4,1	3,7	4,3	4,6
Ranking of exporters Number 1 to Number 5	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	Volvo Group Toyota Scania MBSA MAN
Zimbabwe	278	294	181	277	294
Mozambique	213	201	227	304	199
Zambia	126	165	210	189	194
Tanzania	143	201	173	94	52
Mauritius	7	15	20	65	31
Malawi	64	64	92	47	28
Mauritania	0	0	0	12	15
Uganda	42	43	19	111	6
Angola	20	2	0	0	6
Saudi Arabia	0	0	0	4	2
Kenya	219	55	54	23	0
Other	28	10	14	10	0
AFRICA	**1 112**	**1 041**	**980**	**1 126**	**825**
Total (units)	**1 120**	**1 050**	**990**	**1 136**	**827**

Source: NAAMSA/Lightstone Auto, SARS

Since SADC, which is a 15-country free trade area, is currently proving to be such an important export destination for South African truck and bus exports, regional economic integration is a key pillar of the SAAM 2021-2035 to achieve higher vehicle production volumes and exports in future, amongst others. In this regard, the African Continental Free Trade Area (AfCFTA), to be implemented on 1 July 2020, could assist the domestic industry's export expansion into Africa, in particular, to the large economies in West Africa and the fast-growing economies in East Africa.

REGIONAL ECONOMIC INTEGRATION IS A KEY PILLAR OF THE SAAM 2021-2035 TO ACHIEVE HIGHER VEHICLE PRODUCTION VOLUMES AND EXPORTS IN FUTURE.

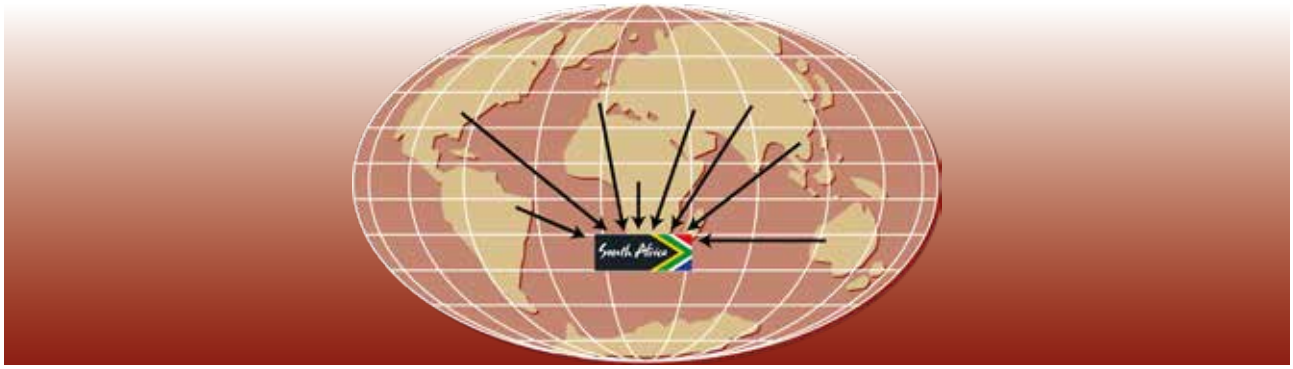
IMPORTS OF VEHICLES

South African new vehicle demand is met by a range of imported and domestically manufactured vehicles. In 2019, the 290 624 new light vehicles (passenger cars and light commercial vehicles) imported into South Africa originated from 25 countries. Imports of light vehicles declined by 1 573 units, or 0,5%, from the 292 197 units in 2018 to 290 624 units in 2019, in line with the decline of 2,8% in aggregate new vehicle sales in the domestic market. Light vehicle imports increased to 57,1% of the total light vehicle sales in 2019, up from the 55,7% in 2018, as domestic light vehicle sales declined proportionally more than the decline in vehicle imports.

A process of homologation is required before any motor vehicle model, domestically manufactured or imported, 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.

In order to offer imported vehicles at favourable prices, OEMs require the most favourable import duties. Vehicles manufactured in South Africa are not necessarily destined for sale in the domestic market, but are destined to generate import credits so that the imported vehicles and growing choices demanded by a consumer-driven market can be offered at more favourable prices by rebating the relevant import duties. The growth in variety of vehicles in South Africa is therefore a direct result of government's automotive policy regime whereby manufacturers earn duty credits with which they can cost-effectively import other vehicles. In 2019, passenger car imports comprised 75,1% and light commercial vehicles 15,6% of total light vehicles sold in South. Significant rationalisation of vehicle models manufactured in South Africa has taken place over recent years, as the policy regime encourages 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. South African consumers therefore benefit from access to a wide variety of new models and a highly competitive pricing environment in which vehicle price inflation has remained below the CPI over the past two years.

The top country of origin, in volume terms, for passenger cars and LCVs imported into South Africa in 2019 was India, with 106 199 vehicles, accounting for 36,5% of the total light vehicles imported. As a production hub for entry-level and small vehicles, most of the vehicles imported from India fell in these categories. Volkswagen's Polo Vivo was the only vehicle in these segments manufactured in South Africa in 2019. 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 2019. In import Rand value terms, Germany, of which imports included the premium brands such as Audi, BMW, Mercedes-Benz and Porsche, was the main country of origin in 2019.



Top 10 countries of origin for light vehicles (passenger cars and light commercial vehicles) imported – 2015 to 2019

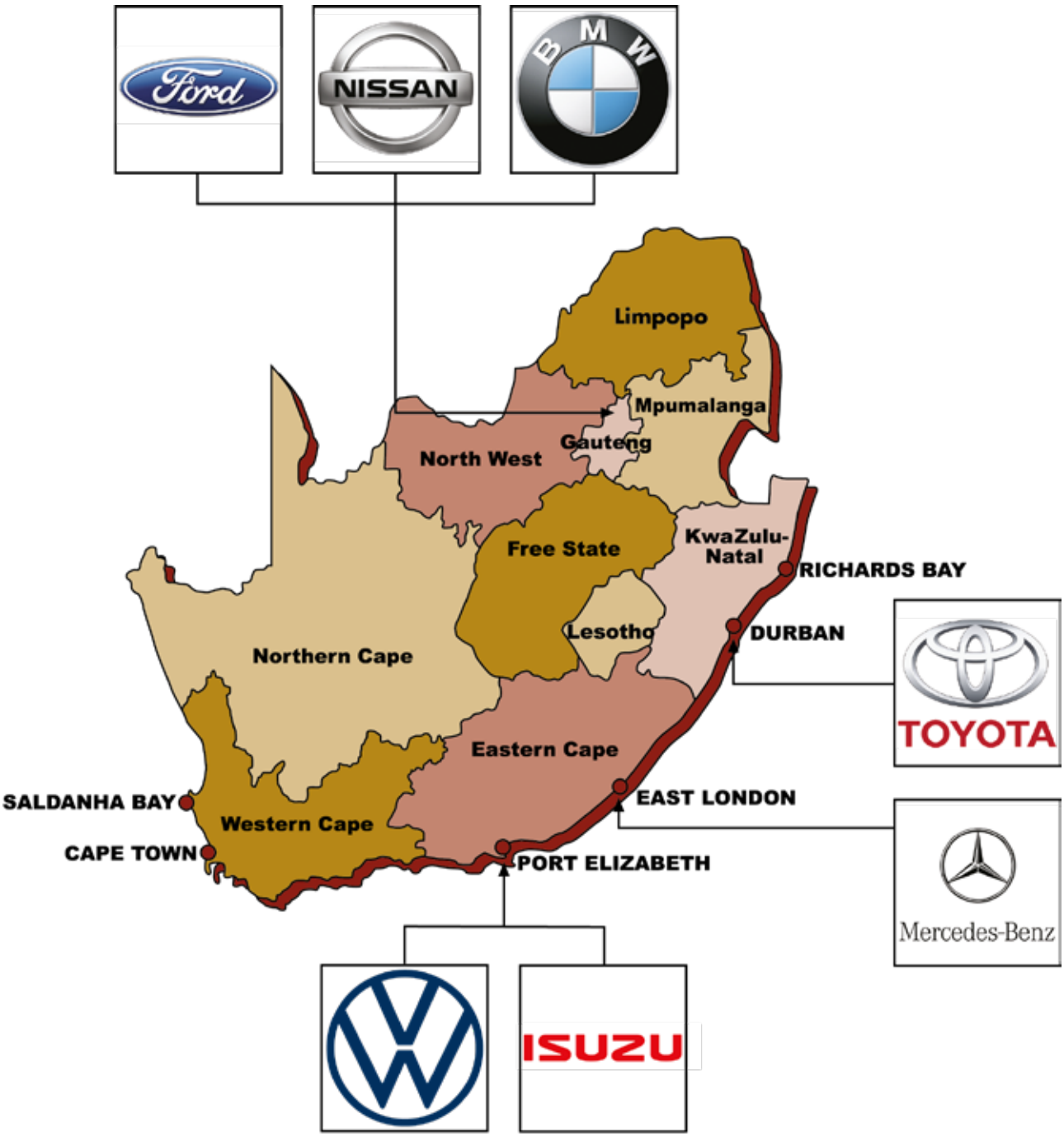
Country of origin	2015	2016	2017	2018	2019	2019
Total value (R billion)	**R59,6**	**R53,6**	**R57,7**	**R57,1**	**R60,6**	**Import Rand value %**
India	87 892	73 003	89 724	98 586	106 199	**18,1%**
Germany	58 366	56 072	55 480	41 791	36 759	**26,4%**
Japan	34 753	36 059	37 795	36 386	34 351	**12,6%**
South Korea	40 343	36 649	32 643	27 458	26 828	**4,0%**
Spain	17 980	14 544	10 387	9 439	11 946	**5,3%**
China	4 202	2 062	3 145	3 201	11 443	**2,5%**
Thailand	9 213	7 849	6 620	15 711	10 748	**3,5%**
UK	15 817	12 260	10 591	10 314	8 125	**4,5%**
Indonesia	6 231	5 793	5 476	7 928	7 882	**1,8%**
Romania	7 308	6 295	5 052	5 773	6 077	**3,7%**
Other	52 344	40 906	36 352	35 610	30 266	**17,6%**
Number of light vehicle imports	**334 449**	**291 492**	**293 265**	**292 197**	**290 624**	**100%**
Total light vehicle market	**587 209**	**520 581**	**531 431**	**524 772**	**508 570**	
% of new vehicle market imported	**57,0%**	**56,0%**	**55,2%**	**55,7%**	**57,1%**	

Source: NAAMSA/Lightstone Auto, SARS

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. The National Transport Information System (NaTIS) 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 related to vehicles manufactured. Left-hand drive vehicles are also not allowed into the country. More information with respect to used vehicle imports and relevant permit application forms can be accessed at www.itac.org.za.

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.

AUTOMOTIVE CLUSTERS



South Africa has a sophisticated business regulatory environment, in line with the best in the world. The country offers a unique combination of developed world infrastructure and logistics networks, and a diversified emerging market economy adhering to global standards. The composition of South Africa's GDP is similar to those of developed economies, diversified and positioned to generate sustainable long-term returns on invested capital. South Africa's strategic location at the core of major routes affirms itself as a key hub for local, regional and global trade flows. 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 and wanting to expand their existing plants into the continent.

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 DTIC 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, in contrast, offer the opportunity to address the specific needs of industry in relevant geographic areas.

South Africa's constitution established nine provinces which vary substantially in size, prosperity, geography, ethnicity, population and performance. Per capita GDP is highest in Gauteng and lowest in the Eastern Cape. The automotive industry makes a huge impact on the economies of Gauteng, the Eastern Cape and KwaZulu-Natal. The OEMs, along with their suppliers, are at the centre of the three regional clusters. The multinational corporations make a vital socio-economic contribution to the social upliftment of the communities in the regional clusters where the industry is concentrated.

Gauteng

Gauteng produces about a third of South Africa's GDP. Although it is the smallest province, it is also the most populous, being home to 15,18 million people, or 25,8%, of the national population of 58,78 million. Johannesburg is the capital of the Gauteng province, while Pretoria is the administrative capital of South Africa. Gauteng is close to the northern borders of South Africa making it an ideal gateway to sub-Saharan Africa. The province offers an excellent manufacturing base, with access to various logistics corridors and links to established distribution networks. 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. The highest diversity in the country's automotive profile is found in the province, housing three OEMs and the highest number of automotive component suppliers in the country. Ford Motor Company of Southern Africa has embarked on a landmark public-private partnership with national, provincial and local government to facilitate the creation of the Tshwane Automotive Special Economic Zone (SEZ) adjacent to Ford's Silverton vehicle plant in Pretoria. The Tshwane Automotive SEZ is an automotive component industrial park that will play a significant role in bolstering further investment and job creation in the local economy. The first phase of the Tshwane Automotive SEZ is scheduled to be completed by the end of 2020. SEZs offer quite a number of benefits, such as a preferential corporate tax regime; building allowances; employee tax incentives; favourable customs regulations; VAT exemptions; and support for capital investment. The Automotive Industry Development Centre (AIDC) will deliver and operate the Tshwane Automotive City, Africa's first automotive city project, on behalf of the Gauteng provincial government, of which the Tshwane Automotive SEZ is a sub-project. The AIDC also manages the Automotive Supplier Park in Rosslyn, Pretoria.

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 19,2%, or 11,29 million, of the country's 58,78

million population. Durban is South Africa's third-largest city and the country's primary import and export hub for most OEMs and vehicle importers. 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. The second phase of the Dube TradePort will provide 45 ha of prime industrial land which will generate more than R18 billion investment up to 2024.

Eastern Cape

The Eastern Cape, comprising 6,71 million, or 11,4%, of the country's 58,78 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 industrial Development Corporation (IDC) offers a range of flexible funding solutions to support the South African automotive industry. In this regard the R11 billion joint venture between the IDC and Chinese state automotive manufacturer, Beijing Automotive International Corporation (BAIC), its first overseas project of this magnitude, is a case in point. BAIC is taking a 65% stake in a joint venture with the IDC, a 35% stake, in the Coega IDZ. This follows the R600 million investment of First Automotive Works (FAW), also a Chinese enterprise, in the Coega IDZ. The Eastern Cape OEMs once again accounted for the biggest proportion of light vehicle production and light vehicle exports in 2019.

The following table reveals the key automotive features in the three automotive clusters in 2019.

THE EASTERN CAPE OEMS ONCE AGAIN ACCOUNTED FOR THE BIGGEST PROPORTION OF LIGHT VEHICLE PRODUCTION AND LIGHT VEHICLE EXPORTS IN 2019.

Automotive clusters – key automotive features – 2019

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 Automotive, 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 Motors, 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 12,70 million vehicles	38,5%	13,4%	6,7%
Passenger car sales as % of total 2019 passenger car sales of 355 378 units	35,8%	12,8%	3,8%
LCV sales as % of total 2019 LCV sales of 153 192 units	34,6%	12,2%	5,2%
MCV/HCV sales as % of total 2019 MCV/HCV sales of 28 041 units	37,1%	13,1%	3,9%
Light vehicle production by OEMs in the province as % of total 2019 light vehicle production of 603 115 units	33,2%	23,1%	43,7%
Light vehicle exports by OEMs in the province as % of total 2019 light vehicle exports of 386 298 units	36,5%	13,7%	49,8%

Source: NAACAM, NAAMSA/Lightstone Auto
KZN – KwaZulu-Natal, EC – Eastern Cape

Automotive Supplier Park

Prime manufacturing location within Gauteng's Automotive Hub

Strategic Location
Close proximity to OEM plants including Nissan, BMW, Tata, Iveco and Ford.

Shared Infrastructure and Facilities
ICT services, centralised security, logistics services, conference facilities, canteen, healthcare facilities and the Gauteng Automotive Learning Centre.

State-of-the-art ICT infrastructure
IP Telephony service, broadband internet and email, server access, ICT support, access control and CCTV monitoring.

World-class production environment
Modern with aesthetically-appealing gardens and common areas.

Turnkey building development
Factories developed to tenant requirements and legislative approvals.

Logistics networks
Access to warehousing and distribution services, a centrally-located container depot, and railway lines.

Affordable costs of operations
Dynamically-designed factories that are energy efficient and meet ISO standards.

Automotive technical support and Productivity Programmes
Supplier and Enterprise Development, Skills Development and Training, amongst others.

Automotive Supplier Park

aidc
Automotive Industry Development Centre
Your partner in becoming globally competitive
A subsidiary of the Gauteng Growth and Development Agency

GAUTENG
GGDA GAUTENG GROWTH AND DEVELOPMENT AGENCY

Contact:
Japhta Mashaba
Tel: (+27) 12 564 5164
Email: jmashaba@aidc.co.za

www.aidc.co.za

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:

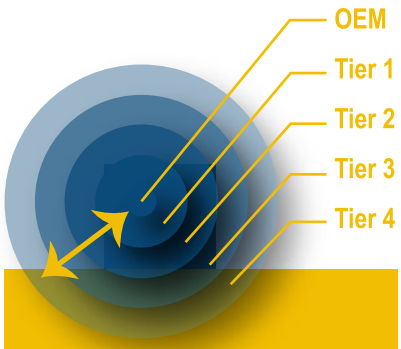
To activate and expand industrial capacity in the South African automotive industry through offering flexible funding solutions – This includes funding and developmental support to our business partners ranging from Original Equipment Manufacturers (OEMs), through all Tiers of their component supply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



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.

IDC
Industrial Development Corporation
Your partner in development finance

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:

IDC Head Office
19 Fredman Drive, Sandown
PO Box 784055, Sandton 2146,
South Africa
Tel: (+27 11) 269 3000
Fax: (+27 11) 269 3116

AUTOMOTIVE POLICY REGIME

Since the automotive industry is such an important part of the manufacturing sector, many developing countries have incentivised domestic automotive production. An analysis of the global automotive industry showed that all countries with automotive sectors had support programmes. A well-developed manufacturing sector creates embedded jobs, deepens and broadens domestic value chains, advances technology, and supports skills development in a country.

For the past three decades, the automotive industry has been fundamental to South Africa's economy. The South Africa government fully realises the importance of a healthy and growing automotive industry in terms of being a large-scale employer, the largest manufacturing sector in the country's economy, and a very successful exporter. The stability in automotive support since 1995 has significantly enhanced investor confidence, and since the introduction of the Motor Industry Development Programme (MIDP) and Automotive Production Development Programme (APDP), exports and capital investments in the industry have surged.

Aligned with its long-term policy certainty strategy, government, on 22 November 2018, approved the South African Automotive Masterplan (SAAM) 2021-2035, which alongside amendments to the APDP, will take effect in 2021. The SAAM is the newly developed strategy plan for the long-term development of the South African automotive industry. The APDP Phase 2 will now operate within the framework of the Masterplan, and provides 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 investment and production and will enable the industry to plan for the future and invest with confidence.

The framework places local value-addition at the centre of any future support for the industry. The APDP Phase 2 shifts support away from production sales value towards value-addition through the introduction of a Volume Assembly Localisation Allowance (VALA) which will replace the current Vehicle Assembly Allowance (VAA). The new-look APDP also increases the production incentive benefit to 25% on components. Component manufacturing in South Africa has been less embedded than is the case in automotive industries in other jurisdictions. For this reason, government decided to adjust its incentives to ensure the development of automotive component suppliers, as well as to support those suppliers exporting into automotive supply chains elsewhere in the world.

The Production Rebate Credit Certificate (PRCC) will be replaced by duty credits that are tied to local value-addition. The Automotive Investment Scheme (AIS) cash grant for capital investments has been retained but will reduce by 5% in those instances where non-South African tooling and machinery are employed. There will be no changes to the tariff regime in respect of vehicles, but South Africa would be pursuing negotiations with the EU in a bid to address anomalies that exist in the Economic Partnership Agreement (EPA) with regard to the duty-free treatment of vehicles with engines below 1 000 cc. South Africa will seek a single tariff regime across all light vehicles, including electric vehicles.

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". A key summary of the SAAM 2021-2035 objectives 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 automotive sector recognises that the SAAM vision will only be realised if the six development objectives are met. Achieving the SAAM objectives will require careful coordination 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:

- local market optimisation,
- regional market development,
- localisation,
- infrastructure development,
- industry transformation, and
- the development of industry-required technologies and skills.

The original framework of the APDP is outlined below. The APDP Phase 2 will contain many elements similar to the current APDP policy regime. The APDP Phase 2 policy amendments under the SAAM 2021-2035 will be indicated in **bold brackets** below.

The APDP consists of four pillars that drive the programme:

- Import Duty
- Vehicle Assembly Allowance (VAA) (rebate mechanism)
- Production Incentive (PI) (rebate mechanism)
- 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 light 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.

[APDP Phase 2 – No change to CBU and CKD tariffs. Align CBU import duties under the EU-SADC EPA (subject to engagements with the EU)].

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 further reduced 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 in line with the target of significantly expanding domestic production.

[APDP Phase 2 – Volume Assembly Localisation Allowance (VALA) to replace Vehicle Assembly Allowance (VAA) in 2021: VALA is based on local value-addition and not manufacturing sales value. VALA is set at 35% of local value-add for OEMs above 10 000 vehicles produced annually per plant from 2026. Transition is set at 40% in 2021 and will reduce annually to 35% by 2026].

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 from 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.

[APDP Phase 2 – Production incentive benefit factor increased to 25% (was 20%) for components (representing an increase from 10% to 12,5% of value-addition). Duty credits to replace Production Rebate Credit Certificates (PRCCs). Removal of vulnerable status benefits].

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 March 2020 amounts to R69,60 billion, while the sum total of incentives approved

since inception amounts to R19,29 billion. Since inception, 528 projects have been approved under the AIS, creating 20 479 additional jobs. The DTIC 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 DTIC. 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 is also 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.

[APDP Phase 2 – Maintain cash grant for investment but reduced by 5% if not utilising South African tooling/machinery].

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). 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. The level of protection on heavy commercial vehicles has 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. The SAAM 2021-2035 will also cover medium and heavy commercial vehicles, as well as motorcycles, but the VALA formula will not be applied to either category.

A key feature of the automotive industry in South Africa is the constructive way in which industry and government cooperate 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 often used as a benchmark for other sector development.

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 industrial/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 to the BRICS markets.
- Expand the exports of catalytic converters and platinum group metal 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.

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Contact Details

Tel: +27 (79) 897 5214
Email: corrie@autoih.co.za
johan@autoih.co.za
Website: http://autoih.co.za

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Contact Details

Tel: +27 (82) 550 7683
Email: jcloete@jfstechnology.co.za
rcloete@jfstechnology.co.za
ecloete@jfstechnology.co.za
Website: http://www.jfstechnology.co.za/

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Contact Details

Tel: +27 79 897 5214
Email: Johan.deJager@ebp-management.com
Website: www.ebp-consulting.com

GLOBAL NEW VEHICLE MARKET FEATURES

The automotive sector has always been driven by ingenious innovations. Technologies, such as next-generation robotics, digitalisation, connectivity, artificial intelligence, 3D printing, advanced materials, and autonomous products, however, could change not only the kind of products produced but also the way in which manufacturing happens. The roles of stakeholders in the manufacturing ecosystem could become radically different when new technologies change the way in which they communicate, collaborate and share data. In the wake of autonomy and vehicle-to-vehicle connectivity, telematics service providers have also evolved from being only telematics providers to technology innovation partners. Extensive investment continues in the new wave of technology and productive processes that demand new skills and complex problem-solving abilities. The changing economics of production and distribution, along with shifts in consumer demand and the emergence of smart products, are pushing manufacturers to explore radical new ways of creating value. Since there is a significant need for manufacturers to reinvent the car-buying experience, OEMs currently offer the greatest product choice the market has ever seen. Equally, customer expectations for reliability and performance have never been greater.

In 2019, global vehicle production declined by 5,2% to reach 91,79 million vehicles, down from the 96,87 million units produced in 2018. Vehicle production declined in all major regions in 2019, with year-on-year declines of 4,7% in the EU, 3,7% in North America, and 3,0% in South America. The major contributor to the decline, however, was China where production fell by nearly 2,1 million vehicles, or 7,5% from 2018 to 2019. Passenger car production continued its slide and declined by 4,6 million units, or 6,4%, from the 71,75 million units produced in 2018 to 67,15 million units in 2019. Eighteen countries exceeded the one million vehicle production mark in 2019, down from 20 in 2018, which is regarded as the international benchmark. Despite the year-on-year decline in vehicle production, China still topped the list with vehicle production of 25,72 million units in 2019, followed by the US with production of 10,88 million units, and Japan with production of 9,68 million units. Production declined in most of the world's largest vehicle producing economies, although some marginal growth has been recorded in selected markets, including Brazil, Spain, Slovakia, Malaysia and Romania. In 2019, Germany reclaimed its fourth place in the global vehicle production rankings from India, the latter experiencing a substantial double-digit 12,2% year-on-year decline in vehicle production volumes.

South Africa is regarded as a global second-tier player, and forms part of the group of countries producing below one million vehicles per annum. South African vehicle production increased by 3,6% to a record 631 983 units in 2019 from the 610 060 units produced in 2018, supported by the industry's record vehicle export performance. However, the country's global vehicle production ranking remained at 22nd in 2019, although its market share improved to 0,69%. In terms of global LCV production, South Africa was ranked 14th with a market share of 1,25%. South Africa remained the dominant market on the African continent and accounted for 57,2% of total African vehicle production of 1,12 million vehicles. However, Morocco, conveniently positioned next to the EU market, for the third successive year, produced more passenger cars than South Africa. Under the SAAM 2021-2035, the objective is to produce 1% of global vehicle production, or 1,4 million vehicles, per annum in South Africa by 2035, which should substantially improve the country's status and global vehicle production ranking. The following table reveals global vehicle production by country for 2018 and 2019.

Global vehicle production by country – 2018 to 2019

Country	Total units produced 2018	Total units produced 2019	Passenger cars	Commercial vehicles
1. China	27 809 196	25 720 665	21 360 193	4 360 472
2. USA	11 297 911	10 880 019	2 512 780	8 367 239
3. Japan	9 729 594	9 684 298	8 328 756	1 355 542
4. Germany	5 120 409	4 661 328	4 661 328	-
5. India	5 142 809	4 516 017	3 623 335	892 682
6. Mexico	4 100 770	3 986 794	1 382 714	2 604 080
7. South Korea	4 028 834	3 950 617	3 612 587	338 030
8. Brazil	2 881 018	2 944 988	2 448 490	496 498
9. Spain	2 819 565	2 822 355	2 248 019	574 336
10. France	2 267 764	2 202 460	1 675 198	527 262
11. Thailand	2 167 694	2 013 710	795 254	1 218 456
12. Canada	2 025 794	1 916 585	461 370	1 455 215
13. Russia	1 768 546	1 719 784	1 523 594	196 190
14. UK	1 604 328	1 381 405	1 303 135	78 270
15. Turkey	1 550 260	1 461 244	982 642	478 602
16. Czech Republic	1 442 884	1 433 963	1 427 563	6 400
17. Indonesia	1 343 714	1 286 848	1 045 666	241 182
18. Slovakia	1 093 215	1 100 000	1 100 000	-
19. Italy	1 062 332	915 305	542 007	373 298
20. Iran	1 095 210	821 060	770 000	51 060
21. Poland	659 652	649 864	434 700	215 164
22. South Africa	610 060	631 983	348 665	283 318
Global	**96 869 020**	**91 786 861**	**67 149 196**	**24 637 665**

Source: Lightstone Auto/NAAMSA, OICA

Total global new vehicle sales contracted sharply by 3,76 million units, or 4,0%, from the 95,06 million units in 2018 to 91,30 million units in 2019, the steepest year-on-year decline since the global financial crisis in 2008. A major factor in the worldwide decline can be attributed to falling demand in China, the world's largest vehicle market, by 8,2%, or 2,31 million units, from the 28,08 million vehicles in 2018 to 25,77 million in 2019. Weak credit growth, new emissions standards and the elimination of tax incentives for electric vehicle purchases depressed passenger car sales in China, in particular, to decline by 9,6%, from 23,71 million units in 2018 to 21,44 million units in 2019.

The downturn in the global passenger car market, which declined in total by 4,35 million units, or 6,3%, from 68,69 million units in 2018 to 64,34 million units in 2019, has been the key force behind the slump in global vehicle production volumes in 2019. Most of the gains in the European new car market in 2019 accrued to the German market where sales were up by 5,0%. Car sales in France also increased by 1,9% but the UK new car market contracted by 2,4%. The trend towards light trucks (including many SUVs and crossovers) continued in the US in 2019. While the sales of traditional passenger cars in the US contracted by 11,1%, light truck sales were up 3,0% to register a record 73,0% market share. In 2019, new car sales in India were down 14,9%, due to new regulations on safety and emissions, plus taxation – the weakest performance of all the major car markets in the world. Subsequently the Indian total new vehicle market fell below 3 million vehicles for the first time in three years. During 2018, the Indian new car market was bigger than the German market but it has now fallen behind Germany again. The Brazilian new passenger

car market was the only major car market in the world reflecting passenger car sales growth, with a 7,6% year-on-year increase in 2019, the third consecutive year of growth.

The following table reveals total global vehicle sales by region for 2018 and 2019. Declines were experienced in all major regions, except for Europe which increased by 1,6% year-on-year, due to last-minute purchases made in December 2019 ahead of the new EU emissions regulations taking effect in January 2020.

Global vehicle sales by region – 2018 to 2019

Region	Total sales 2018	Total sales 2019	% change 2019/2018
EU	17 472 462	17 751 446	+1,6%
North America	21 107 852	20 815 530	-1,4%
Mercosur	3 326 363	3 269 503	-1,7%
Africa	1 235 507	1 177 247	-4,7%
Asia	47 410 253	44 003 150	-7,2%

Source: OICA

Despite shrinking markets, the Volkswagen Group maintained its top position in global vehicle sales for the fourth consecutive year, growing its global sales by 1,3% to a record-high 10,97 million vehicles in 2019, followed by Toyota with sales of 10,74 million vehicles, and the Nissan/Renault/Mitsubishi alliance with sales of 10,16 million vehicles.

Overall, the 2019 global EV market share, with sales of 2,21 million vehicles, comprised 2,5% of total new vehicle sales, an increase from the 2,2% market share of 2018. The main growth driver was Europe, whilst China – though still leading in volume and EV market share – paused to refresh its incentives landscape. Globally, electric mobility is expanding at a rapid pace. The growth of EVs has largely been driven by government policy, including public procurement programmes, financial incentives reducing the cost of purchase of EVs, tightened fuel-economy standards and regulations on the emission of local pollutants, low- and zero-emission vehicle mandates, and a variety of local measures, such as restrictions on the circulation of vehicles based on their pollutant emission performances. In South Africa, progress has also been made to establish infrastructure and to rollout a national network of charging stations. Charge points are also being installed at a wide variety of locations, such as shopping malls and car parks.

The automotive industry continues to face further consolidation, and jobs will migrate to lower-cost countries as companies struggle to develop cleaner vehicles in an economic downturn. The investments in low-emission powertrains are being made at a time that passenger car sales are declining, so OEMs will have to cut costs to off-set the expense. OEMs and their suppliers will need to make greater use of lower-cost manufacturing locations and seek broader partnerships to share the costs of the investments.

IN SOUTH AFRICA, PROGRESS HAS ALSO BEEN MADE TO ESTABLISH INFRASTRUCTURE AND TO ROLLOUT A NATIONAL NETWORK OF CHARGING STATIONS.

METHODOLOGY – AUTOMOTIVE TRADE DATA

The methodology utilised and applied in the *Automotive Export Manual – 2020 – 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, eSwatini (Swaziland), Lesotho and Namibia would now be included in South Africa's trade data to provide a more accurate reflection of the country's trade. BELN country trade data had previously not been included in the country's trade statistics because of the free movement of goods between customs union member countries from a customs point of view within SACU. The automotive industry's trade performance has subsequently been revised with BELN country data, with retrospective effect, where applicable, in the 2014 to 2019, as well as in the 2020 publication.

The trade data in the *Automotive Export Manual – 2020 – 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 (2019) 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 and import 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 – 2020 – 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 2015 through to 2019.

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

Currency	2015	2016	2017	2018	2019
Euro	14,14	16,28	15,04	15,60	16,17
Index 2015	100	115	106	110	114
UK Pound	19,49	20,00	17,15	17,63	18,44
Index 2015	100	103	88	90	95
US$	12,75	14,71	13,31	13,23	14,45
Index 2015	100	115	104	104	113
Japan (100 Yen)	10,53	13,54	11,87	11,97	13,26
Index 2015	100	129	113	114	126
Chinese Yuan	202,72	221,65	197,08	199,79	209,10
Index 2015	100	109	97	99	103

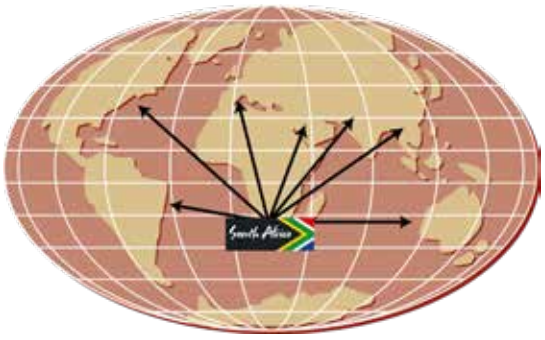
Source: South African Reserve Bank

South Africa's consumer price inflation (CPI) at 4,1% in 2019, fell to its lowest level in almost eight years while staying within the South African Reserve Bank's (SARB) inflation target range of 3% to 6% for more than two years. The country's economic growth rate slumped to 0,2% in 2019, in the context of weak domestic demand and depressed business confidence. Given that South Africa is a consumer-based economy, this tied into the very low inflation numbers that the country has experienced over recent years. With the inflation outcomes largely favourable in 2019, it offered policymakers some space to reduce interest rates by 25 basis points in July 2019.

The Rand depreciated against all major currencies from 2018 to 2019. The exchange rate affects inflation through two channels, namely, the prices of imported finished products, as well as the prices of input costs. The Rand exchange rate has reacted differently to different countries, and for the domestic automotive industry, this is particularly important with regard to the exchange rates of the source countries for imported products.

THE EXCHANGE RATE AFFECTS INFLATION THROUGH TWO CHANNELS, NAMELY, THE PRICES OF IMPORTED FINISHED PRODUCTS, AS WELL AS THE PRICES OF INPUT COSTS.

EXPORTS TO REGIONS



Trade tensions have been the feature of the global economy since 2017, but their costs have become much clearer in 2019. According to the World Bank, global trade growth in 2019 slowed down to its weakest level since the financial crisis a decade ago. Manufacturing sectors have been contracting world-wide, while trade-exposed economies have seen sharp slowdowns. The growth differential between advanced economies and emerging markets – the key rationale for investing in emerging markets – has also fallen close to zero, excluding China, and would be zero without China. Trade tensions weigh in on market confidence, and tariff increases could disrupt global value chains and further reduce global trade. Global trade in goods will likely stay weak in 2020, as disruptions caused by Covid-19 (coronavirus) have staunched the movement of international commerce, already slowed by tariffs and uncertainty. South Africa is highly exposed to economic conditions in China and the world economy in general, and the Covid pandemic is expected to stifle export-oriented industries and manufacturing. South African exporting companies will be required to consider various scenarios for the world economy and global trade patterns in the short to medium term.

South Africa's trade negotiations are being conducted alongside the country's partners in the Southern African Customs Union (SACU), comprising Botswana, eSwatini (Swaziland), Lesotho, and Namibia, 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, as well as 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.

Regional integration arrangements continue to 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 African continent is on the cusp of becoming a more attractive export option in view of the AfCFTA which, from 1 July 2020, will commence with a 90% tariff liberalisation process. When concluded, the AfCFTA will be the world's largest free trade area since the formation of the World Trade Organisation (WTO).

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, Africa, the Southern African Development Community (SADC), the US-Mexico-Canada Agreement (USMCA) region, and the Common Market of South America (Mercosur).

European Union

Trade with the 28-country European Union (EU) is well entrenched and the region remained the domestic automotive industry's most important regional export destination in 2019, accounting for R129,7 billion, or 64,3%, of total automotive exports of R201,7 billion. The UK was the domestic automotive industry's top destination for vehicle exports in 2019 and total automotive exports to the UK amounted to R17,9 billion. Considering the significance of the EU and the UK to the domestic automotive industry, political developments relating to the potential trade implications of Brexit for South Africa will be closely monitored, since the export of goods will be one of the areas most tangibly affected. Risks, as well as potential opportunities, for the South African automotive industry will be evaluated as they unfold.

According to the International Organisation of Motor Vehicle Manufacturers (OICA), vehicle production in the EU declined by 4,7%, from 18,60 million units in 2018 to 17,74 million units in 2019. Germany, with vehicle production of 4,66 million units led the region's production, followed by Spain with 2,82 million units, and France with 2,20 million units. In 2019, new vehicle sales in the EU, supported mainly by the 5,1% year-on-year increase in Germany, posted the highest level since 2007, while the EU was the only region recording a year-on-year increase in sales. Record sales of electrified vehicles, as well as SUV sales and last-minute purchasing activity to get ahead of new January 2020 EU emissions regulations, supported the positive performance. The estimated vehicle parc in the EU was in the order of 270 million units, and the motorisation rate at 580 vehicles per 1 000 persons. The following tables reveal the EU's vehicle production and sales for 2018 and 2019, as well as the vehicle production and sales for the top five countries in the region.

EU vehicle production and sales – 2018 to 2019

EU	2018	2019	% change 2019/2018
Vehicle production	18 604 079	17 735 151	-4,7%
Vehicle sales	17 472 462	17 751 446	+1,6%

Source: OICA

Vehicle production and sales – top countries – 2018 to 2019

Country	Vehicle production		Vehicle sales	
	2018	2019	2018	2019
Germany	5 120 409	4 661 328	3 822 060	4 017 059
Spain	2 819 565	2 822 355	1 563 496	1 501 260
France	2 267 764	2 202 460	2 632 621	2 693 977
UK	1 604 328	1 381 405	2 734 276	2 676 918
Czech Republic	1 442 884	1 433 963	281 893	281 423

Source: OICA

South Africa currently enjoys preferential trade with the EU under the Southern African Development Community – European Union Economic Partnership Agreement (SADC–EU EPA). The EU and the six member states of SADC, namely Botswana, eSwatini (Swaziland), Lesotho, Namibia, South Africa and Mozambique signed an Economic Partnership Agreement (EPA) on 10 June 2016, which came into force on 10 October 2016. The EPA between the EU and the SADC group replaced the trade provisions of the bilateral Trade, Development and Cooperation Agreement (TDCA) between South Africa and the EU and

will harmonise the trading regime between SACU as a whole and the EU. The SADC–EU EPA is the first EPA signed between the EU and an African region. All six countries, barring Mozambique, are also members of SACU.

Up to 2016, trade had been governed by the trade chapter of the 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 was reduced to zero 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.

The SADC-EU EPA is a building block for regional integration. EPA rules of origin allow for extended cumulation that can facilitate intra-regional trade and industrialisation. Manufacturers in either a SADC EPA state or the EU can use originating materials in either country as if they originated in their own country to grant preferential originating status on goods traded between them. 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. 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 of strengthening regional integration in SACU and SADC, as well as further African integration, given that there are also EPA discussions underway with regional blocs in West, East and Central Africa.

With the formal departure of the United Kingdom from the EU on 31 January 2020, Britain has moved into transition, during which its EU membership will in effect continue in terms of the negotiated withdrawal agreement. To ensure continuity and predictability in the UK–South Africa trade relations after the transition period, the UK has negotiated an agreement with South Africa, Botswana, eSwatini, Lesotho, Namibia and Mozambique, which largely replicates the terms of the SADC-EU EPA. These are all the countries that are party to the SADC-EU EPA, and are referred to as the Southern African Customs Union and Mozambique, or SACUM countries. The new trade agreement is therefore called the SACUM–UK EPA, which will replace the previous legal framework for SACUM-UK trade under the SADC-EU EPA. However, existing trade and other arrangements between South Africa and the UK, as well as with the EU, will remain in place until the end of 2020, while the UK and the EU negotiate the terms of their future economic relations and a possible free trade agreement during this transition period.

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. The EFTA consists of Iceland, Liechtenstein, Norway and Switzerland. The EFTA offered South Africa full duty- and quota-free access for industrial products. For its part, South Africa offered the 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 R940,9 million in 2019, down from the R1 001,6 million in 2018.

The following table reveals that total automotive exports (vehicles and components) to the EU amounted to R129,7 billion in 2019, substantially up by R24,5 billion, or 23,3%, compared to the R105,2 billion export value in 2018. Exports in Euro terms increased by 18,9% year-on-year in 2019, reflecting the increase in real terms. Vehicle exports to the EU increased in volume terms from 233 772 units in 2018 to 285 599 units in 2019, and in value terms increased by R23,1 billion, or 28,3%, from R81,76 billion in 2018 to R104,89 billion in 2019. Automotive component exports increased by R1,36 billion, or 5,8%, from the R23,45 billion exported in 2018 to R24,81 billion in 2019. Exports to the 13 new member countries, forming part of the expanded EU, comprised R5,97 billion, or 4,6%, of the R129,7 billion export value in 2019, compared to the R4,50 billion export value in 2018.

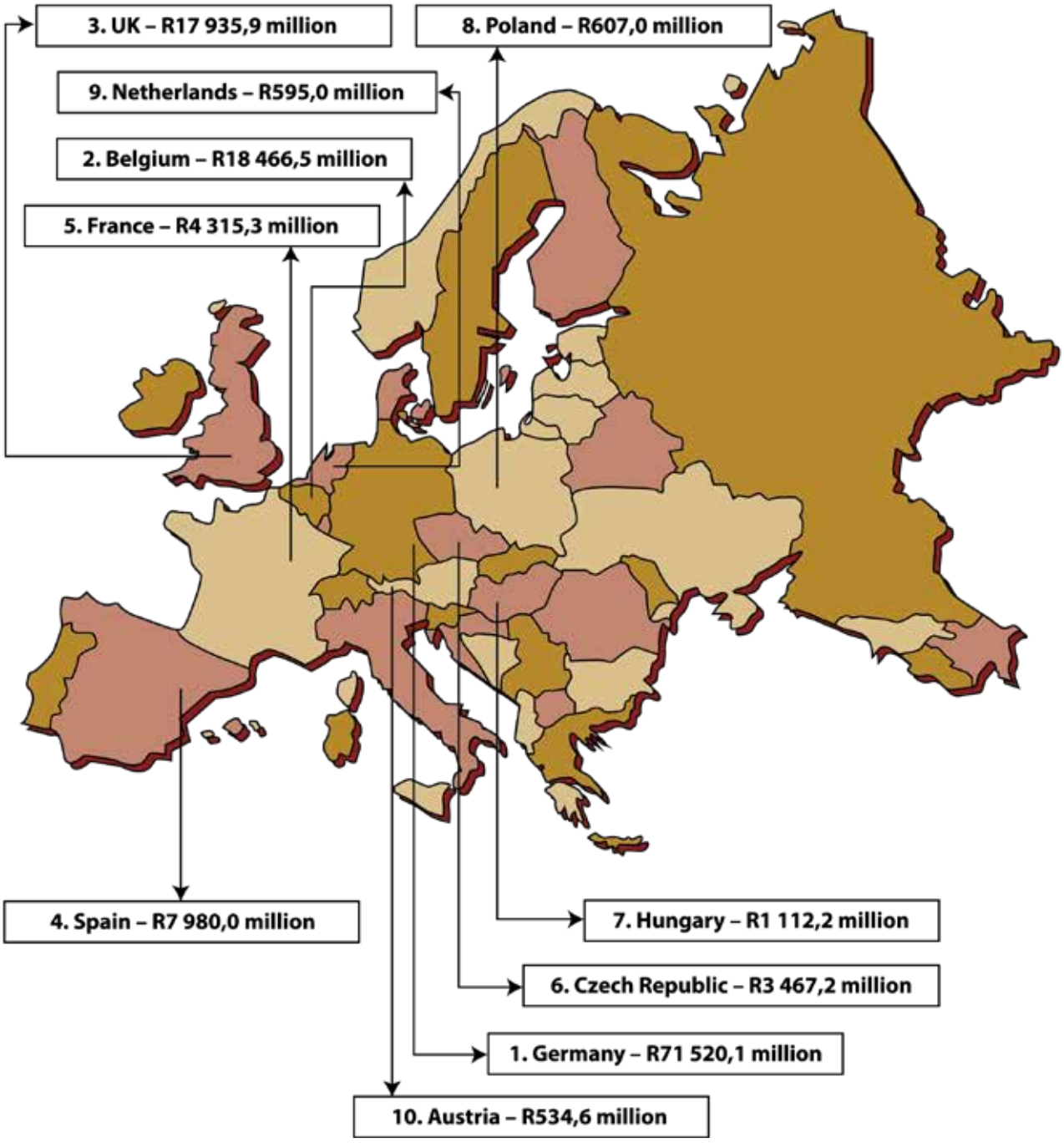
Exports in Euro terms increased by 18,9% year-on-year in 2019, reflecting the increase in real terms.

Exports to the EU by product category – 2015 to 2019

Component	2015	2016	2017	2018	2019
Total (R million)	**67 113,9**	**86 013,9**	**85 908,4**	**105 218,0**	**129 702,8**
Total (average Euro million)	**4 746,4**	**5 283,4**	**5 712,0**	**6 744,7**	**8 021,2**
Air conditioners	38,9	4,2	2,8	3,9	0,8
Alarm systems	14,2	18,6	8,0	6,5	16,9
Automotive glass	307,2	383,8	349,4	418,8	413,7
Automotive tooling	229,1	286,0	258,6	217,4	208,3
Axles	195,2	281,5	300,2	268,2	406,4
Batteries	70,2	4,9	3,3	6,3	28,4
Body parts / panels	91,1	100,5	126,0	139,7	337,5
Brake parts	29,3	78,0	65,3	99,6	74,3
Car radios	1,1	1,3	3,9	0,8	0,2
Catalytic converters	13 904,5	14 951,1	13 769,4	14 129,6	15 153,2
Clutches / shaft couplings	221,5	271,5	386,6	372,4	347,8
Engines	75,2	78,0	64,8	64,9	35,2
Engine parts	1 109,5	980,3	961,3	1 197,8	1 353,8
Filters	171,3	262,8	211,1	210,6	168,7
Gaskets	41,3	37,6	35,2	33,0	25,8
Gauges / instruments / parts	62,3	67,0	44,1	53,9	53,7
Gear boxes	4,7	12,9	15,4	19,5	17,6
Ignition / starting equipment	19,5	43,2	23,9	40,4	33,9
Jacks	5,8	4,3	2,2	1,4	1,0
Lighting equipment / parts	136,8	144,5	126,8	134,4	128,6
Radiators / parts	685,4	797,3	883,6	965,2	847,4
Road wheels / parts	121,8	118,0	267,0	206,2	191,8
Seats	3,7	2,3	3,1	2,3	3,1
Seat belts	0,6	0,6	0,5	0,6	1,0
Shock absorbers / suspension parts	324,6	421,5	434,1	453,5	410,2
Silencers / exhausts	236,8	306,6	295,8	276,5	211,8
Springs	3,3	8,1	8,8	12,4	15,6
Steering wheels / columns / boxes	11,1	10,3	11,8	12,2	8,6
Stitched leather seats / parts	916,6	693,0	438,2	448,5	160,2
Transmission shafts	194,1	137,3	158,4	150,6	155,1
Tyres	425,5	549,0	707,6	824,6	784,3
Wiring harnesses	92,0	60,4	34,8	22,5	21,4
Other parts	1 983,1	2 414,3	2 559,4	2 657,7	3 196,0
Light vehicles	45 376,1	62 454,5	63 318,6	81 759,5	104 888,0
Medium / Heavy vehicles	10,5	28,7	28,4	6,6	2,5

Source: AIEC, SARS

Top export destinations in the EU with export values – 2019 (R million)



Source: AIEC, SARS

Africa

The success of the South African automotive industry is closely linked to the fortunes of the African continent. The continent comprised the domestic automotive industry's second largest export region in 2019, accounting for R31,9 billion, or 15,8%, of the country's total automotive exports of R201,7 billion. Africa remains a priority focus for the domestic automotive industry but represents a challenging market for OEMs as there is little demand for new cars. It should, however, be appreciated that Africa has a mixture of markets, small and large, left- and right-hand drive, with some economies and infrastructure more developed than others. Africa is made up of 34 least-developed countries, six small island developing states and 16 land-locked developing countries. There are 22 sub-Saharan African countries that have French as their official language, representing a total market of about 300 million people.

According to the International Organisation of Motor Vehicle Manufacturers (OICA), vehicle production in Africa grew by 0,3%, from 1,10 million units in 2018 to 1,11 million units in 2019. The continent's market share comprised 1,2% of global vehicle production in 2019. South Africa, with 631 983 units, accounted for 57,2% of Africa's total vehicle production, while Morocco, with 394 652 units, Algeria with 60 012 units and Egypt, with 18 500 units accounted for the balance. With regard to passenger car production, Morocco, at 360 110 units in 2019, for the third successive year, surpassed South Africa's passenger car production of 348 665 units. New vehicle sales in Africa declined by 4,7% from 1,24 million units in 2018 to 1,18 million units in 2019. Sales in Morocco declined by 6,5% year-on-year, and in South Africa, the continent's dominant consumption market, by 2,8% year-on-year in 2019. The estimated vehicle parc in Africa was in the order of 52,5 million units, and the motorisation rate at 43 vehicles per 1 000 persons. The following tables reveal Africa's vehicle production and sales for 2018 and 2019, as well as the vehicle production and sales for the top five countries.

Africa vehicle production and new vehicle sales – 2018 to 2019

Africa	2018	2019	% change 2019/2018
Vehicle production	1 102 036	1 105 147	+0,3%
Vehicle sales	1 235 507	1 177 247	-4,7%

Source: OICA

Vehicle production and sales – top countries – 2018 to 2019

Country	Vehicle production		Vehicle sales	
	2018	2019	2018	2019
South Africa	610 060	631 983	552 227	536 611
Morocco	402 085	394 652	177 359	165 916
Algeria	70 597	60 012	127 300	125 000
Egypt	18 500	18 500	184 456	170 000
Tunisia	-	-	51 427	48 700

Source: OICA

South Africa and Morocco constituted the main new vehicle markets on the continent. Low purchasing power, the absence of suitable vehicle financing options, and fierce competition from low-cost imported used vehicles are the main factors dampening new vehicle sales in Africa. However, with 850 million consumers on the continent, the potential African new vehicle consumer market is yet to be realised. Used car imports are not allowed into South Africa and into Morocco, hence the reason for the successful growth and development of their automotive industries.

Large infrastructure projects linking African countries and increasing intra-African trade could be the platforms to launch the continent into a new era of prosperity. Infrastructure projects, such as rail and energy corridors that traverse the continent, could be game changers as they serve to foster competition, innovation and productivity. Investment in infrastructure also tends to increase business confidence, and simultaneously lowers transaction costs by making it easier for businesses to move people, goods and services.

In this regard, the implementation of the African Continental Free Trade Area (AfCFTA) on 1 July 2020 marks the beginning of a promising decade for Africa. Up to March 2020, 54 of the 55 African Union member countries have signed the AfCFTA, while 29 countries have ratified the agreement. The condition for the AfCFTA to come into effect was ratification by 22 member countries. The AfCFTA targets 90% of the scheduled tariffs of participating members being liberalised to zero over five years. The tariff phase-down will happen in equal instalments. The trade regime may allow least developed countries 15 years to comply, whereas South Africa and other more developed nations on the continent must do so within five years. An additional 7% of sensitive tariff lines will be liberalised over 10 years, and 3% of tariff lines can be excluded. Tariff concessions, rules of origin and protocols governing services are still to be agreed on. Africa lags behind other regions in terms of internal trade. Currently, intra-Asia trade is at 52%, intra-North America trade is at 50%, intra-Europe trade is at 70%, while intra-Africa trade is between 16% and 18%. The vision for intra-Africa trade is for free movement of made-in-Africa products. The United Nations Economic Commission for Africa estimates that the AfCFTA can double intra-Africa trade in five years, which bodes well for South Africa. The AfCFTA presents an opportunity for expansion to new markets in West and North Africa, notably in value-added products.

The AfCFTA covers a market of more than 1,3 billion people in 55 countries, with a combined GDP of more than US$3,2 trillion. The AfCFTA would be the world's largest free trade area since the formation of the WTO. The goal of AfCFTA is to fulfil the need and critical importance of creating an expanded and secure market for goods and services of member states of the African Union through adequate infrastructure, reduction or progressive elimination of tariffs, and the elimination of non-tariff barriers to trade and investment. The most important benefit will be the development of value chains spanning multiple countries, which will enhance exports of value-added products to the rest of the word as the continent industrialises.

The favourable conjunction of events needs to be seized as a strategic opportunity in Africa. In this regard, the automotive industry could play a big part in elevating the continent. Africa has been identified as the last frontier of growth for the automotive industry. Integration is essential to overcome the limitations of small, fragmented economies. African government-led proactive industrial policies are crucial, and should work towards ensuring system coherence with other major regional producers, such as South Africa. 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. The proposed African Automotive Pact is one way of ensuring greater cooperation between key African countries to develop both the consumer market on the continent – in part by addressing the large level of second-hand car imports – and also to increase the production capacity across a few hubs in south, east, west and north Africa, and drawing in components from a wider pool of countries.

The independent African Association of Automotive Manufacturers (AAAM), together with the relevant countries, aim to develop a self-sustaining and internationally competitive African automotive industry. The AAAM is assisting partner country governments to develop work programmes to unlock these. The founding of the 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 is currently assisting a number of African countries with the formulation of automotive development policy options aimed at replicating a similar South African automotive ecosystem involving OEMs, suppliers,

financiers, government and other relevant industry role-players in prospective African countries. This would support an industrialisation Automotive Pact, as seen in other large regional groups, such as the Association of Southeast Asian Nations (ASEAN).

It is important to ensure that appropriate institutions support the policy to address issues such as homologation, standards, intellectual property protection and border control which are critical success factors in the establishment of functional automotive industries in any country. An Automotive Pact built around three or four nodal points and an associated spread of value-adding activity to neighbouring countries that participate in the value chain based on their comparative locational advantages will be pursued. Activities include unpacking the partner country's component import basket and surveying the national car parc to identify components with high localisation potential. The aim is also to help relevant countries understand the value chains behind such components to determine what needs to be in place to ensure a successful investment project, and also to guide targeted support to potential component manufacturing entrants.

The focus on Africa aligns well with the focus of the South African Automotive Masterplan (SAAM) 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, regional memberships, suitability of products, and its understanding of business conditions and practices in other African countries, places it in the favourable position of being the ideal partner for African countries. The main reason 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 2016 to 2019 total automotive export data to Africa provides two comparisons: one comparison includes exports to Botswana, eSwatini (Swaziland), Lesotho and Namibia (BELN countries) in line with the revised publishing format of South African trade data provided by SARS, and the other comparison excludes exports to BELN 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 BELN countries is regarded as imports and exports for statistical purposes only. Total automotive exports to Africa, excluding BELN country data, declined by R401,9 million, or 2,3%, from R17,81 billion in 2018 to R17,40 billion in 2019, while total automotive exports, including BELN country data, increased by R206,4 million, or 0,7%, from R31,69 billion in 2018 to R31,90 billion in 2019. Automotive component exports into the continent declined by 1,4%, from R13,12 billion in 2018 to R12,93 billion in 2019. Although vehicle exports to African countries declined from 23 988 units in 2018 to 23 415 units in 2019, the value of vehicle exports increased year-on-year by 2,2%.

THE FOCUS ON AFRICA ALIGNS WELL WITH THE FOCUS OF THE SOUTH AFRICAN AUTOMOTIVE MASTERPLAN (SAAM) 2021-2035.

Exports to Africa by product category – 2016 to 2019

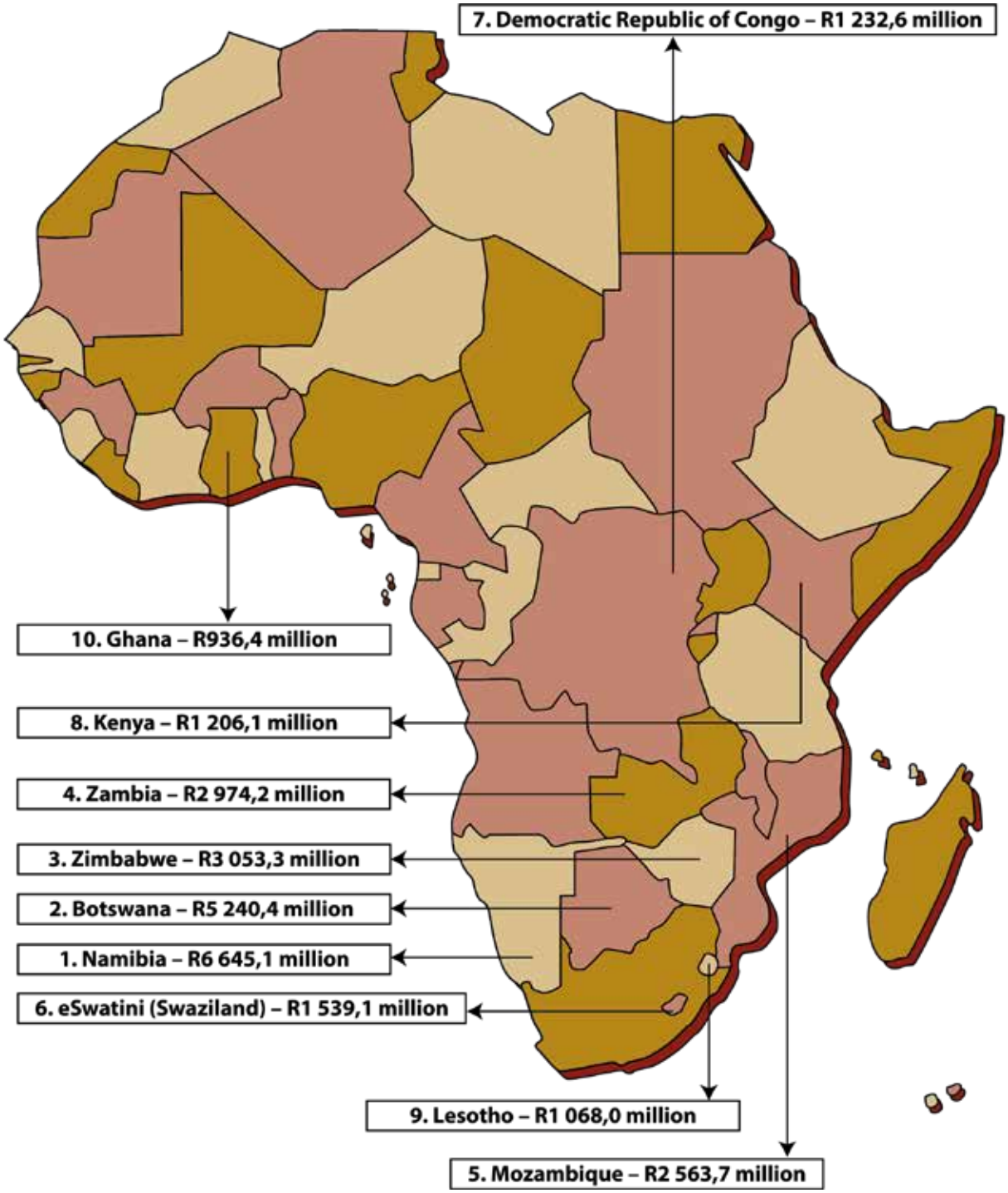
Component	2016*	2017*	2018*	2019*	2016**	2017**	2018**	2019**
Total (R million) Including BELN country data					31 277,3**	29 721,1**	31 689,1**	31 895,5**
Total (R million) Excluding BELN country data	14 628,2*	16 970,7*	17 805,7*	17 403,8*				
Air conditioners	33,1	21,0	15,4	22,5	46,3	37,7	32,4	34,6
Alarm systems	45,2	35,9	43,4	51,5	89,3	68,1	64,7	78,4
Automotive glass	18,0	17,4	19,4	30,0	89,5	84,6	85,6	94,5
Automotive tooling	222,4	249,0	235,7	218,8	333,3	373,0	352,7	313,9
Axles	45,3	57,3	127,7	81,3	61,5	85,5	161,9	108,0
Batteries	205,5	250,1	245,6	194,8	328,1	383,7	415,1	376,5
Body parts / panels	24,1	37,5	67,9	59,2	134,8	106,4	145,3	132,5
Brake parts	84,7	86,4	75,6	96,2	198,2	192,2	192,1	212,7
Car radios	7,7	7,9	3,0	2,8	18,6	29,8	17,1	18,1
Catalytic converters	84,8	79,4	114,0	120,2	110,3	112,5	147,0	155,8
Clutches / shaft couplings	40,9	46,8	49,4	56,3	105,2	115,3	128,7	142,4
Engines	382,9	406,0	437,5	343,1	493,4	636,6	606,0	548,3
Engine parts	466,9	504,4	566,8	541,8	815,7	827,4	902,5	882,7
Filters	187,7	216,9	219,4	228,0	308,9	347,2	364,7	372,0
Gaskets	95,0	77,9	73,3	74,2	131,1	118,2	113,3	117,8
Gauges / instruments / parts	304,3	330,2	330,6	354,9	441,0	444,5	445,2	474,7
Gear boxes	33,5	45,3	78,2	108,4	93,9	96,8	141,3	148,4
Ignition / starting equipment	87,0	91,5	84,6	102,0	204,9	208,1	211,8	233,1
Jacks	20,3	17,4	20,3	17,3	27,0	24,2	28,8	30,9
Lighting equipment / parts	50,1	54,2	59,6	58,6	108,1	117,7	132,3	128,4
Radiators / parts	37,2	46,1	51,3	48,3	88,2	104,9	110,8	102,4
Road wheels / parts	25,5	27,2	29,4	39,7	80,7	67,7	70,0	78,3
Seats	6,9	9,6	9,3	14,3	16,8	20,2	22,1	27,1
Seat belts	2,4	3,0	2,9	2,4	6,0	6,6	6,4	6,2
Shock absorbers / suspension parts	34,7	35,5	43,4	42,8	82,5	92,5	119,5	129,2
Silencers / exhausts	4,8	6,4	8,2	8,7	15,3	15,9	17,3	16,5
Springs	13,7	13,9	15,5	13,2	20,9	23,7	23,7	22,8
Steering wheels / columns / boxes	9,7	15,1	12,2	11,5	26,2	35,5	37,3	35,1
Stitched leather seats / parts	5,9	7,7	7,1	6,6	41,3	21,7	19,2	18,3
Transmission shafts	406,1	399,3	456,9	437,3	562,9	560,1	654,5	627,4
Tyres	850,3	768,2	770,1	573,1	1 619,2	1 607,7	1 486,6	1 278,4
Wiring harnesses	20,3	19,3	19,6	20,4	229,0	118,6	53,6	66,0
Other parts	2 848,9	2 834,1	3 279,8	3 307,8	5 798,2	6 076,1	5 814,3	5 913,9
Light vehicles	5 750,8	8 159,9	7 583,5	7 679,2	14 566,8	12 980,2	14 324,7	14 579,4
Medium / Heavy vehicles	2 171,6	1 992,9	2 649,1	2 436,6	3 984,2	3 580,2	4 240,6	4 390,8

Source: AIEC, SARS

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

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

Top export destinations in Africa with export values – 2019 (R million)



Source: AIEC, SARS

Southern African Development Community (SADC)

South Africa's participation in SADC, comprising 15 sub-Saharan African countries, allows access to a market of approximately 354 million people and an estimated regional GDP of US$600 billion. Trade within Africa is dominated by trade within regional blocs, not between regional blocs. This is highlighted by South Africa's automotive exports to SADC, which comprised 84,3%, or R26,88 billion, of its total R31,90 billion of automotive exports to the African continent in 2019. SADC is a free trade area and countries in the region have consistently featured as top export destinations for automotive products over the past three decades, due to close proximity, relatively easy access by road and rail, and free trade, subject to rules of origin. Exports of automotive goods to eight of the 15 countries within SADC exceeded the R1 billion level in 2019.

The benefits of regional integration include freer movement of goods, increased levels of intra-regional trade, exposure to a larger market, and economic development. The long-standing regional integration initiatives between the countries of southern Africa, include the Southern African Customs Union (SACU) member states of Botswana, eSwatini (Swaziland), Lesotho, Namibia and South Africa, and a free trade area among the SADC countries.

With regards to SADC, the region operates as a free trade area and includes the following 15 countries: Angola, Botswana, Democratic Republic of Congo, eSwatini (Swaziland), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, 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. The current rule of origin for SADC in terms of vehicles is a maximum of 60% imported content (40% local 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.

South Africa's economic prospects are becoming increasingly intertwined with those of the rest of the African continent. The trend will be for Regional Economic Communities (RECs) and large countries within RECs to accelerate steps towards integration. 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 is anchored on the developmental integration approach, which recognises the complementaries between market integration, industrial development and the addressing of infrastructure constraints. The TFTA provides a 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 740 million people, which is over half the total African population and economy. In addition, while the powerhouses in western and southern Africa struggle to gain meaningful momentum, the continent's growth is driven by east Africa.

In terms of 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.

Although some overlapping occurs, with the same countries being part of more than one Regional Economic Community (REC), vehicle and automotive component exports to the three RECs in 2019 amounted to R26,88 billion with respect to SADC (R27,10 billion in 2018); R2,24 billion with respect to the EAC (R2,29 billion in 2018); and R11,96 billion with respect to COMESA (R12,79 billion in 2018). In addition to CBU and automotive component exports, South Africa has also been expanding its footprint in Africa by starting to export knocked-down kits for assembly in some EAC countries. 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. 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 2016 to 2019 total automotive export data to SADC provides two comparisons – one comparison includes exports to Botswana, eSwatini (Swaziland), Lesotho and Namibia in line with the revised publishing format of South African trade data provided by SARS, and the other comparison excludes exports to BELN 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 BELN countries is regarded as imports and exports for statistical purposes only. Total automotive exports to SADC, excluding BELN country data, declined by R831,0 million, or 6,3%, from R13,22 billion in 2018 to R12,39 billion in 2019. Total automotive exports, including BELN country data, declined by R221,9 million, or 0,8%, from R27,10 billion in 2018 to R26,88 billion in 2019. Despite the marginal year-on-year decline in 2019, several SADC countries have consistently remained amongst the South African automotive industry's top export destinations over the past three decades.

Several SADC countries have consistently remained amongst the South African automotive industry's top export destinations over the past three decades.

Exports to SADC by product category – 2016 to 2019

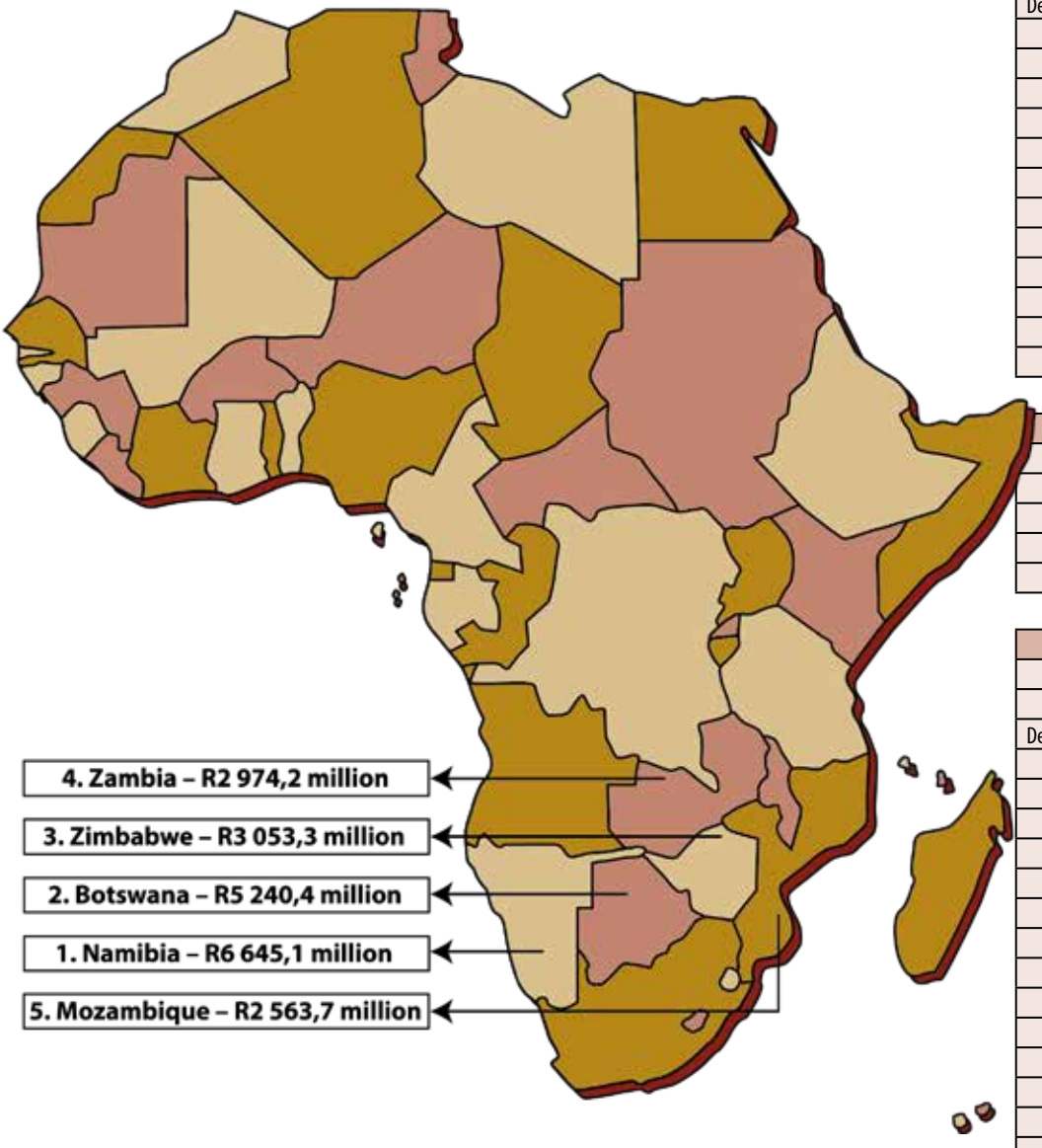
Component	2016*	2017*	2018*	2019*	2016**	2017**	2018**	2019**
Total (R million) Including BELN country data					27 279,5**	25 560,6**	27 100,9**	26 879,0**
Total (R million) Excluding BELN country data	10 630,4*	12 810,4*	13 217,7*	12 386,7*				
Air conditioners	32,3	18,6	11,7	17,1	45,5	35,3	28,7	29,2
Alarm systems	27,6	26,4	37,4	43,2	71,7	58,7	58,6	70,2
Automotive glass	14,0	14,0	15,0	16,1	85,5	81,2	81,3	80,6
Automotive tooling	131,7	163,0	185,1	157,8	242,6	287,0	302,1	252,8
Axles	41,2	52,1	122,1	77,5	57,4	80,3	156,2	104,2
Batteries	203,7	247,4	243,2	192,7	326,3	381,0	412,6	374,4
Body parts / panels	18,7	29,4	62,9	49,8	129,4	98,3	140,2	123,2
Brake parts	66,9	71,8	67,9	76,7	180,4	177,7	184,5	193,2
Car radios	6,6	7,1	2,5	2,3	17,5	28,9	16,6	17,6
Catalytic converters	54,6	65,9	100,5	103,1	80,1	99,0	133,5	138,7
Clutches / shaft couplings	33,7	40,5	43,5	45,0	98,0	109,0	122,8	131,2
Engines	357,7	386,2	422,5	326,9	468,2	616,8	590,9	532,1
Engine parts	372,5	428,9	492,6	431,6	721,3	751,9	828,3	772,6
Filters	157,8	187,1	196,8	175,1	279,0	317,3	342,2	319,1
Gaskets	84,0	65,3	63,9	66,4	120,1	105,6	103,9	110,0
Gauges / instruments / parts	244,7	270,0	272,2	292,2	381,4	384,3	386,7	412,0
Gear boxes	26,4	37,5	68,3	97,6	86,8	89,0	131,4	137,6
Ignition / starting equipment	74,9	82,8	76,8	91,3	192,8	199,4	204,0	222,4
Jacks	17,4	13,5	15,3	14,4	24,1	20,3	23,8	28,1
Lighting equipment / parts	40,6	43,0	45,8	46,4	98,6	106,6	118,6	116,2
Radiators / parts	32,0	32,1	46,9	37,7	83,0	90,9	106,4	91,9
Road wheels / parts	21,7	24,9	26,5	37,1	76,9	65,4	67,1	75,7
Seats	5,7	8,1	8,0	13,5	15,6	18,7	20,7	26,3
Seat belts	1,6	2,7	2,6	2,0	5,2	6,3	6,1	5,9
Shock absorbers / suspension parts	32,5	33,6	38,3	32,1	80,3	90,5	114,4	118,4
Silencers / exhausts	4,0	5,6	7,3	5,8	14,5	15,1	16,4	13,6
Springs	11,8	13,2	14,9	12,4	19,0	23,0	23,1	22,1
Steering wheels / columns / boxes	8,1	13,4	9,8	10,3	24,6	33,8	34,9	33,9
Stitched leather seats / parts	5,7	6,5	6,6	5,4	41,1	20,4	18,7	17,1
Transmission shafts	328,4	324,3	401,4	366,7	485,2	485,2	599,0	556,8
Tyres	680,0	606,8	584,2	417,9	1 448,9	1 446,3	1 300,8	1 123,2
Wiring harnesses	16,9	18,6	18,8	18,4	225,6	117,8	52,9	63,9
Other parts	2 372,9	2 330,4	2 717,6	2 854,7	5 322,2	5 572,3	5 252,0	5 460,8
Light vehicles	3 137,8	5 202,4	4 210,2	3 851,7	11 953,8	10 022,7	10 951,4	10 752,0
Medium / Heavy vehicles	1 964,3	1 937,3	2 578,6	2 397,8	3 776,9	3 524,6	4 170,1	4 352,0

Source: AIEC, SARS

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

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

Top export destinations in SADC with export values – 2019 (R million)



SADC
Angola*
Botswana
Democratic Republic of Congo*
eSwatini (Swaziland)
Lesotho
Madagascar
Malawi
Mauritius
Mozambique
Namibia
Seychelles
South Africa
Tanzania
Zambia
Zimbabwe

EAC
Burundi*
Kenya*
Rwanda*
Tanzania
Uganda*

COMESA
Burundi*
Comoros*
Democratic Republic of Congo*
Djibouti*
Egypt*
Eritrea*
eSwatini (Swaziland)
Ethiopia*
Kenya*
Libya*
Madagascar
Malawi
Mauritius
Rwanda*
Seychelles
Sudan*
Uganda*
Zambia
Zimbabwe

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

Source: AIEC, SARS

US-Mexico-Canada Agreement (USMCA)

The US-Mexico-Canada Agreement (USMCA) region represented South Africa's third largest export region in 2019. Exports to the region amounted to R12,12 billion, or 6,0%, of the total automotive exports of R201,7 billion in 2019. The US, with R10,33 billion represented the major export destination in the region, followed by Mexico, with R1,63 billion, and Canada, with R166 million, in 2019.

Since the US, Canada and Mexico signed the North American Free Trade Area (NAFTA) in 1994, OEMs and automotive component suppliers in all three nations have worked to create a single North American automotive market. However, the three countries agreed to a revised deal in September 2018, called the US-Mexico-Canada-Agreement (USMCA) which will enter into force in 2020, as all three members have now ratified the agreement. Under the rules of origin requirements stipulated in the USMCA, 75% of the value of a vehicle will have to come from within the country of origin, an increase from the 62,5% mandated by NAFTA. The implementation of this requirement would likely cause short-term supply chain disruptions between the member countries.

According to the International Organisation of Motor Vehicle Manufacturers (OICA), vehicle production in USMCA in 2019 declined by 3,7%, from the 17,42 million units in 2018 to 16,78 million units in 2019, with year-on-year declines recorded in all three countries in the region. Vehicle production was dominated by the US, with the production of 10,88 million vehicles, or 64,8%, of the region's total. New vehicle sales also declined by 1,4%, from 21,11 million units in 2018 to 20,82 million units in 2019. The estimated vehicle parc in USMCA was in the order of 272 million units, and the motorisation rate was at 790 vehicles per 1 000 persons. The following tables reveal USMCA's vehicle production and sales for 2018 and 2019, as well as the vehicle production and sales for the top countries.

USMCA vehicle production and sales – 2018 to 2019

USMCA	2018	2019	% change 2019/2018
Vehicle production	17 424 475	16 783 398	-3,7%
Vehicle sales	21 107 852	20 815 530	-1,4%

Source: OICA

Vehicle production and sales – top countries – 2018 to 2019

Country	Vehicle production		Vehicle sales	
	2018	2019	2018	2019
USA	11 297 911	10 880 019	17 701 402	17 480 004
Mexico	4 100 770	3 986 794	1 421 458	1 359 671
Canada	2 025 794	1 916 585	1 984 992	1 975 855

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 Generalised System 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, including vehicles. 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, the programme was extended for a further 10 years to 2025 under the Trade Preferences Extension Act of 2015 that contained the AGOA Extension and Enhancement Act. 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. AGOA aims to assist African countries to grow their exports, diversify their industries, and to have manufacturing capacity, with the view that over time they can improve and be able to trade even beyond AGOA. 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. The continuity of AGOA up to 2025 will strengthen further trade relations between southern African and the US and will improve the scope of employment creation, industrial growth and development in the southern African region. It is South Africa's view that growing trade, investment and business relationships benefit both parties. 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 the continued growth and development of the automotive industry in South Africa. Substantial two-way automotive trade has taken place between South Africa and the US since the inception of AGOA. South African automotive exports to the US increased by 157,6% from 2001 to 2019, while automotive imports from the US increased by 458,2%, proportionally much more than exports over the same period.

The outcome of the Section 232 investigation, initiated on 23 May 2018 to determine the effects on the US national security of the imports of automobiles, including cars, SUVs, vans and light trucks, and automotive parts into the US, is still awaited. If the proposed 25% import duty under Section 232 duty is 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.

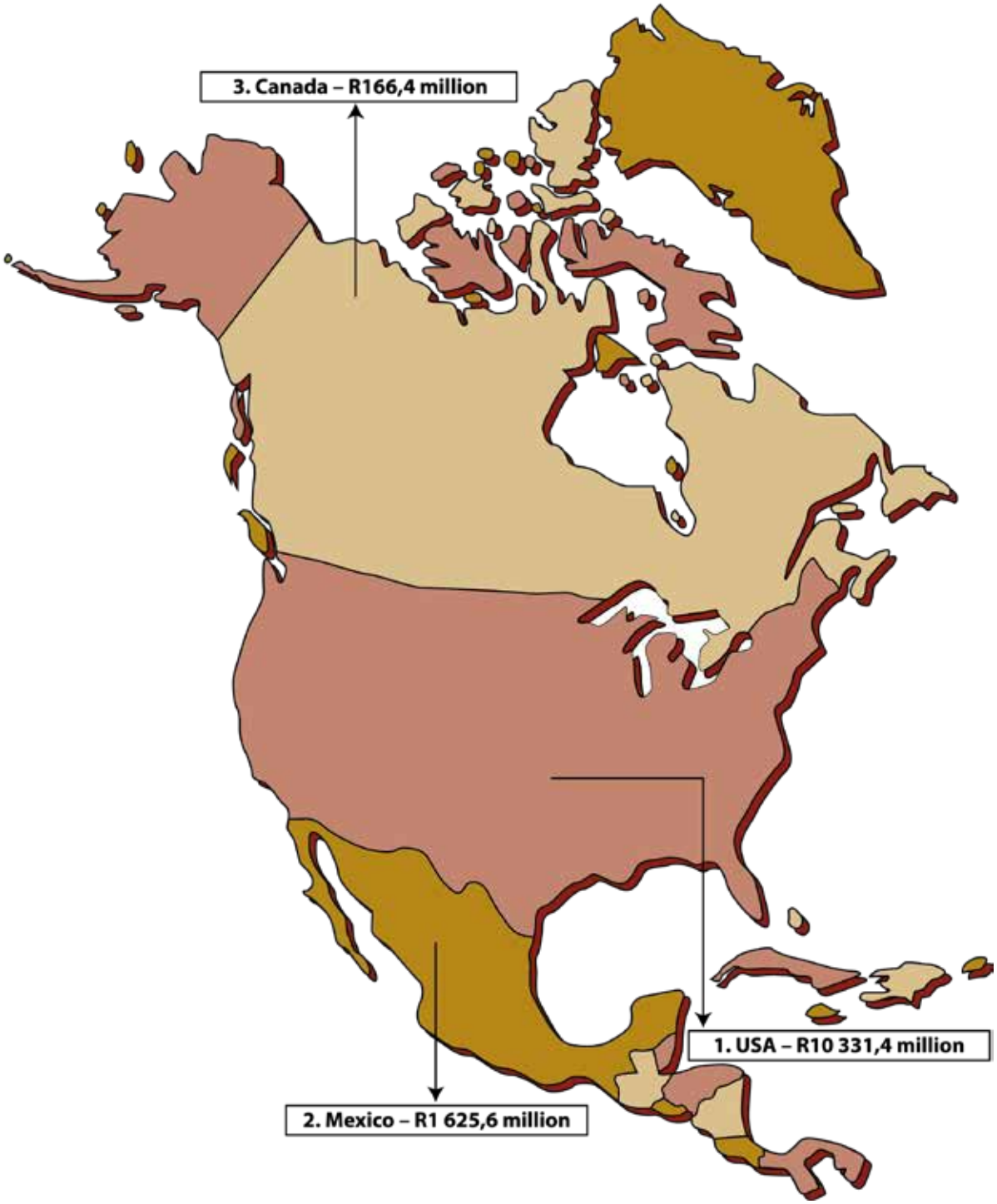
The following table reveals that in 2019, exports to USMCA, at R12,12 billion, increased by R1,25 billion, or 11,5%, compared to the R10,87 billion exported in 2018, while in US dollar terms, the increase was at 2,1% year-on-year in 2019. The reason for the increase in automotive exports could be attributed to the increase in vehicle exports to the US in 2019. Vehicle exports to the US in 2019, at 12 437 units, were up by 997 units from the 11 440 units exported in 2018. However, vehicle exports from South Africa to the US declined over recent years in view of the fact that the same models by BMW and Mercedes-Benz are manufactured in both countries and are therefore no longer exported in large volumes from South Africa to the US.

Exports to USMCA by product category – 2015 to 2019

Component	2015	2016	2017	2018	2019
Total (R million)	**22 756,9**	**24 371,1**	**19 947,4**	**10 872,0**	**12 118,9**
Total (average US$ million)	**1 784,9**	**1 656,8**	**1 498,7**	**821,8**	**838,7**
Air conditioners	6,5	11,6	11,3	7,8	2,0
Alarm systems	3,3	1,3	1,0	1,9	4,7
Automotive glass	0,8	1,9	1,3	1,7	1,3
Automotive tooling	140,9	92,2	117,1	225,4	188,5
Axles	80,9	2,8	5,0	10,7	4,9
Batteries	0,1	2,6	1,6	2,3	0,1
Body parts / panels	0,5	4,8	2,6	5,4	8,5
Brake parts	2,6	4,3	3,8	4,3	7,8
Car radios	-	0,1	0,3	0,1	0,3
Catalytic converters	4 355,2	4 638,9	2 425,6	2 392,8	2 769,9
Clutches / shaft couplings	35,1	44,9	39,7	31,1	24,3
Engines	15,4	19,5	41,5	20,4	28,3
Engine parts	924,0	747,3	915,7	1 009,7	1 159,1
Filters	1,9	3,5	3,8	8,9	9,0
Gaskets	9,8	8,5	10,2	10,6	8,3
Gauges / instruments / parts	55,0	30,1	49,1	32,9	28,0
Gear boxes	59,6	26,9	47,2	51,2	56,0
Ignition / starting equipment	4,6	6,4	3,4	3,5	3,3
Jacks	1,5	2,7	0,3	1,2	0,6
Lighting equipment / parts	3,0	0,8	0,9	4,9	1,7
Radiators / parts	300,3	306,4	311,1	372,8	359,4
Road wheels / parts	48,2	2,8	1,8	1,6	11,2
Seats	0,8	1,6	3,0	3,7	3,5
Seat belts	-	0,2	0,1	0,7	0,1
Shock absorbers / suspension parts	57,6	52,4	28,0	31,1	18,7
Silencers / exhausts	179,3	177,3	109,0	75,0	84,1
Springs	0,5	0,4	0,1	0,3	0,6
Steering wheels / columns / boxes	2,9	2,9	2,9	10,9	10,2
Stitched leather seats / parts	8,9	6,3	6,2	19,5	13,3
Transmission shafts	24,3	41,3	36,7	34,3	56,2
Tyres	136,5	147,2	69,3	37,5	164,2
Wiring harnesses	10,3	24,3	15,4	14,9	18,9
Other parts	598,0	523,5	443,2	509,1	535,7
Light vehicles	15 684,9	17 403,9	15 238,0	5 933,6	6 535,0
Medium / Heavy vehicles	3,7	29,5	1,2	0,2	1,2

Source: AIEC, SARS

Top export destinations in USMCA with export values – 2019 (R million)



Source: AIEC, SARS

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

Trade with Mercosur remains relatively small in the context of South Africa's overall automotive trade regime. 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. Total automotive exports to Mercosur amounted to R1,32 billion, or 0,7%, of total South African automotive exports of R201,7 billion in 2019. The bulk of exports to the region was destined for Argentina, accounting for R988,4 million, with Brazil only accounting for R234,6 million of exports.

According to the International Organisation of Motor Vehicle Manufacturers (OICA), vehicle production in Mercosur declined by 3,0%, from 3,42 million units in 2018 to 3,32 million units in 2019. Although Brazil dominated production in the region and recorded a 2,2% year-on-year increase in vehicle production, a sharp year-on-year decline of 32,5% in vehicle production in Argentina negatively impacted the region's performance. New vehicle sales in the region reflected a year-on-year decline of 1,7% in 2019 due to the significant 47,2% year-on-year decline of sales in Argentina. The estimated vehicle parc in Mercosur was in the order of 80,5 million units and the motorisation rate was at 245 vehicles per 1 000 persons. The following tables reveal Mercosur's vehicle production and sales for 2018 and 2019, as well as the vehicle production and sales for the top countries.

Mercosur vehicle production – 2018 to 2019

Mercosur	2018	2019	% change 2019/2018
Vehicle production	3 423 143	3 319 361	-3,0%
Vehicle sales	3 326 363	3 269 503	-1,7%

Source: OICA

Vehicle production and sales – top countries – 2018 to 2019

Country	Vehicle production		Vehicle sales	
	2018	2019	2018	2019
Brazil	2 881 018	2 944 988	2 468 434	2 787 850
Argentina	466 649	314 787	773 641	408 674

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 cooperation. The PTA creates a basis for further integration and cooperation, including possible further exchanges of tariff preferences, and possible cooperation in other areas. 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 decline in automotive exports to Mercosur over recent years could be attributed to the sharp decline of exports to Brazil, related to the country's Inovar-Auto programme with its objective to reduce automotive imports into the country. Inovar-Auto has been running since the start of 2013 until 2017 and 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 research and development (R&D) in Brazil and achieved the production of more economical, lower-priced and safer vehicles. Inovar-Auto expired in 2017 and despite getting a lot of negative feedback, did manage to enhance investments, production, and thereby sales in the country, bringing in more choice of vehicles and models.

The Rota (Route) 2030 – Mobility and Logistics Program replaced the Inovar-Auto programme. Similar to the previous policy, Rota 2030 is based on tax incentives and the primary intention is to focus on energy efficiency and sustainability. This comprehensive economic platform is meant to progress innovation in areas such as R&D, vehicle safety, and logistics, among others. The programme is especially aimed at persuading the Brazilian automotive industry to accelerate its development in the production of hybrid and electric vehicles. The aim of the scheme is to provide Brazil's consumers with safer and more efficient vehicles, while simultaneously making the country's automotive industry more competitive.

Rota 2030 offers a tax break of three percentage points on industrial products used in vehicles that have hybrid or electric engines, compared to conventional vehicles of a similar class, with an emphasis on supporting local sourcing of parts. A key element of the programme involves annual tax credits of 1,5 billion real ($310m) for vehicle manufacturers, if they invest a minimum of 5 billion real (US$1,1 billion) annually in R&D in Brazil. It also qualifies OEMs for discounts if they invest in Brazilian research projects and innovation. Component suppliers are not eligible for the tax incentives. Along with its aim of developing the domestic supply base, it is designed to promote the improvement of fuel consumption and safety. The benefits included in the programme will apply for a minimum period of five years, while the new scheme itself is expected to stay in place for up to 15 years.

The new policy will be divided into three phases, namely, phase I (2018-2022), phase II (2023-2027) and phase III (2028-2032). Several car safety policies will be mandated with gradual implementation expected over each five-year cycle. For instance, during phase I, every car sold in Brazil will need to have stability and traction control. Other requirements seen over the short-term are Isofix child-safe seats, as well as backrests and three-point seat belts for middle passengers of rear seats. Vehicle construction will prove to be better as side impact tests will be mandatory. OEMs will also be required to improve energy efficiency by 11%, thus directly affecting fuel consumption. As this efficiency requirement is measured across all car models, OEMs will be able to offset high fuel-consuming vehicles with "green" models. This will result in more hybrid and electric vehicles (EVs) being offered to compensate for the less efficient vehicles. To enhance the agenda even further, Rota 2030 will give a 50% discount on the IPI industrialised goods tax for these types of vehicles. Other fuel savings changes could include turbo-charged engines, direct fuel injection, CVT gearboxes, better aerodynamics, and the use of better quality steel, which is lighter in weight.

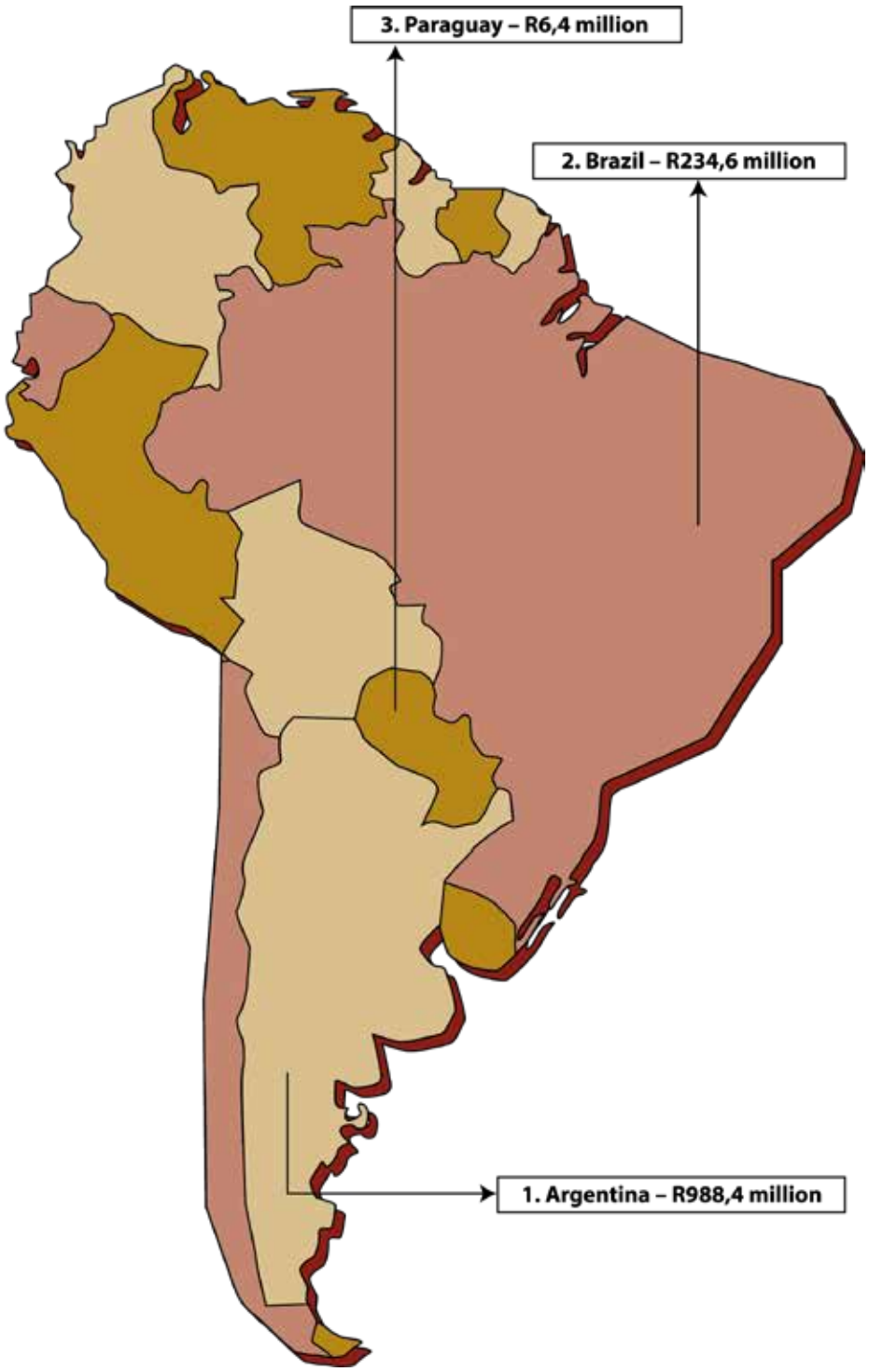
The following table reveals that automotive exports to Mercosur consisted of a limited range of products. Automotive exports to the region declined from R1,65 billion in 2018 to R1,32 billion in 2019. The substantial decline in vehicles and automotive components to Mercosur over recent years could mainly be attributed to the protectionist policies in Brazil succeeding in its objective of reducing new vehicle imports into the country.

Exports to Mercosur by product category – 2015 to 2019

Component	2015	2016	2017	2018	2019
Total (R million)	**3 481,7**	**1 764,7**	**1 427,9**	**1 646,4**	**1 319,0**
Air conditioners	-	1,0	0,6	-	-
Alarm systems	0,1	0,5	1,3	0,9	0,8
Automotive glass	1,2	0,9	-	-	-
Automotive tooling	9,5	22,5	4,2	9,1	31,4
Axles	14,7	11,3	5,9	5,1	1,0
Batteries	0,6	-	-	-	-
Body parts / panels	0,5	1,4	0,3	0,2	0,3
Brake parts	0,4	0,8	0,3	0,1	0,2
Catalytic converters	174,6	196,9	222,0	256,6	257,6
Clutches / shaft couplings	4,0	3,3	3,7	5,8	8,7
Engines	-	-	8,0	0,1	-
Engine parts	232,8	319,4	284,7	314,8	315,6
Filters	1,7	4,4	5,8	1,3	2,2
Gaskets	0,9	1,3	0,4	0,4	0,4
Gauges / instruments / parts	7,8	9,5	9,4	13,8	13,7
Gear boxes	-	-	0,1	0,1	0,1
Ignition / starting equipment	0,1	1,5	1,6	0,1	0,1
Lighting equipment / parts	0,3	0,1	2,5	0,3	0,1
Radiators / parts	17,4	20,6	20,6	48,1	63,6
Road wheels / parts	92,7	46,1	89,7	114,0	69,5
Seat belts	0,1	-	-	-	-
Seats	0,2	0,2	-	-	0,1
Shock absorbers / suspension parts	-	0,4	0,1	0,7	0,4
Silencers / exhausts	14,8	19,0	11,2	8,7	6,7
Steering wheels / columns / boxes	-	1,0	-	-	-
Stitched leather seats / parts	3,4	1,8	0,8	1,8	1,3
Transmission shafts	68,8	45,7	60,1	120,2	85,7
Tyres	0,6	2,1	2,7	10,4	17,1
Wiring harnesses	0,4	3,6	0,4	0,2	0,4
Other parts	399 2	429,6	427,0	418,0	323,8
Light vehicles	2 427,7	617,5	260,2	315,6	115,7
Medium / Heavy vehicles	7,2	2,3	4,3	-	2,5

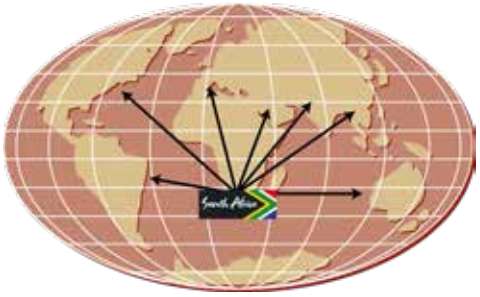
Source: AIEC, SARS

Top export destinations in Mercosur with export values – 2019 (R million)



Source: AIEC, SARS

EXPORTS TO COUNTRIES



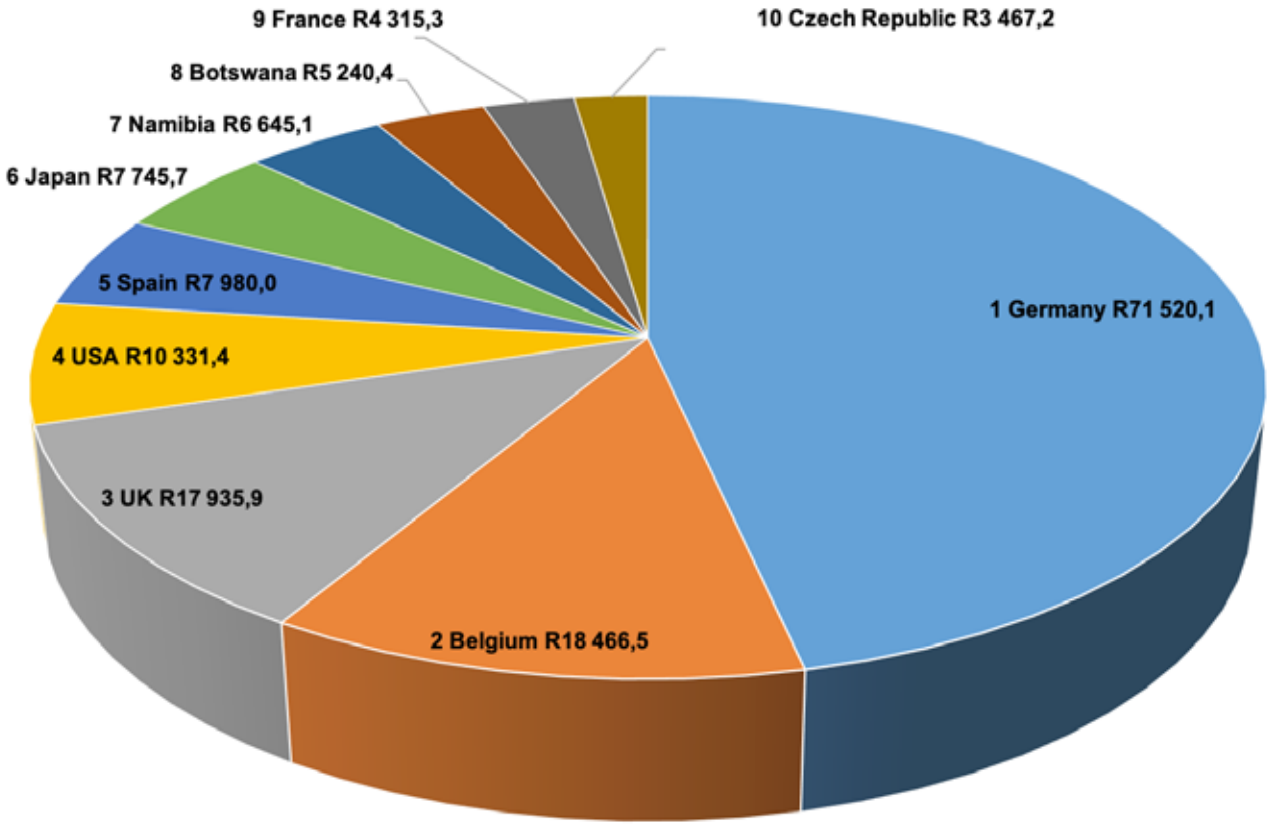
In the age of global value chains, all countries have much to gain by speeding up reforms that increase commerce and enhance growth. Countries need trade to develop as an open, predictable environment benefits everyone. The pattern of globalisation – the fragmentation of global supply chains and rapid changes in technology – has created competitive complementaries that developing markets must exploit. Cheaper transport and globalisation have carved up supply chains and distributed the various stages of production around several countries.

Many countries, including South Africa, have accepted that a multilateral rules-based system is desirable. 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. It creates space for developed and developing countries alike to participate in negotiating binding and enforceable rules, and remains in the interest of small open economies like in South Africa. However, global political trends are putting the WTO trading system under great strain. International trade and manufacturing activity have softened, trade tensions remain elevated, and some large emerging markets have experienced substantial financial market pressures. Advanced economy performances remained generally healthy but in emerging markets, by contrast, growth has underperformed due to trade problems and dollar strength.

The focus of the South African automotive industry is to expand on existing exports and to escalate the importance of seeking new markets and new export opportunities. The country's established export markets in the Eurozone and North America remain important. Africa and Asia have also become important destinations for South African automotive products. It remains essential for the domestic automotive industry to continue diversifying risk by pursuing a wider geographical exposure to mitigate the impact of country or regional cyclical economic conditions.

THE FOCUS OF THE SOUTH AFRICAN AUTOMOTIVE INDUSTRY IS TO EXPAND ON EXISTING EXPORTS AND TO ESCALATE THE IMPORTANCE OF SEEKING NEW MARKETS AND NEW EXPORT OPPORTUNITIES.

South African automotive industry's top export destinations – 2019 (R million)



Source: AIEC, SARS

The following table reveals that export destinations, for values in excess of R1 million, reached a number of 151 in 2019, down from the 155 in 2018, with 23 countries recording export values in excess of R1 billion, and 66 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 2018 to 2019, the total export values more than doubled in the case of 19 countries, which include: China, Saudi Arabia, Cape Verde Islands, Austria, Kuwait, Jordan, Niger, Lebanon, Gambia, Cuba, Slovak Republic, Belarus, Afghanistan, Aruba, Uruguay, Haiti, Nepal, Belize and Venezuela.

From 2018 to 2019, the total export values more than doubled in the case of 19 countries.

Total automotive export value and ranking by country – 2018 to 2019

Country	2018 R million	2018 Ranking	2019 R million	2019 Ranking
Germany	57 614,3	1	71 520,1	1
Belgium	11 537,3	3	18 466,5	2
UK	17 170,1	2	17 935,9	3
USA	9 304,7	5	10 331,4	4
Spain	7 913,9	6	7 980,0	5
Japan	9 429,6	4	7 745,7	6
Namibia	6 682,4	7	6 645,1	7
Botswana	4 828,9	8	5 240,4	8
France	3 076,7	13	4 315,3	9
Czech Republic	2 259,1	16	3 467,2	10
Australia	4 142,7	9	3 406,4	11
Zimbabwe	3 460,2	11	3 053,3	12
Zambia	3 359,9	12	2 974,2	13
South Korea	3 492,7	10	2 841,3	14
Thailand	2 400,2	15	2 765,0	15
Mozambique	2 519,2	14	2 563,7	16
Mexico	1 409,2	18	1 625,6	17
India	1 507,5	17	1 597,7	18
eSwatini (Swaziland)	1 295,5	21	1 539,1	19
Democratic Republic of Congo	1 295,2	22	1 232,6	20
Kenya	1 152,7	24	1 206,1	21
Hungary	881,7	27	1 112,2	22
Lesotho	1 076,6	25	1 068,0	23
23 COUNTRIES ABOVE R1 BILLION				
Argentina	1 318,0	19	988,4	24
Ghana	857,0	28	936,4	25
Taiwan	1 221,8	23	897,7	26
China*	263,0	50	848,7	27
United Arab Emirates	1 299,2	20	750,4	28
Saudi Arabia*	331,6	43	722,1	29
Malawi	689,3	31	680,3	30
Tanzania	621,7	33	673,1	31
Turkey	747,9	29	626,8	32
Singapore	634,3	32	621,7	33
Poland	519,2	34	607,0	34
Netherlands	921,4	26	595,0	35
Cape Verde Islands*	223,8	52	570,9	36
Angola	501,2	36	563,3	37
Austria*	186,7	56	534,6	38
Switzerland	701,5	30	501,5	39
Nigeria	481,2	37	487,0	40

Portugal	422,2	40	467,4	41
Italy	507,6	35	431,1	42
Norway	211,0	54	411,6	43
Mauritius	461,3	38	397,9	44
Sweden	418,0	41	396,6	45
Hong Kong, China	443,2	39	362,6	46
Gibraltar	267,3	48	342,0	47
New Zealand	286,6	46	306,6	48
Uganda	392,6	42	285,3	49
Greece	322,7	44	284,8	50
Romania	319,4	45	283,3	51
Finland	165,1	59	269,8	52
Ivory Coast	217,8	53	242,2	53
Estonia	265,0	49	235,1	54
Brazil	188,1	55	234,6	55
Slovenia	120,4	67	223,1	56
Malaysia	175,3	58	204,1	57
Madagascar	277,8	47	201,3	58
Panama	253,2	51	197,3	59
Ethiopia	140,3	62	192,6	60
Gabon	142,6	61	189,8	61
Kuwait*	8,7	116	181,5	62
Canada	158,6	60	166,4	63
Senegal	139,8	63	149,3	64
Ireland	119,2	68	111,6	65
Qatar	185,4	57	110,1	66
66 COUNTRIES ABOVE R100 MILLION				
Sri Lanka	60,4	78	93,3	67
Guatemala	55,9	82	89,5	68
Chile	131,8	64	84,8	69
Dominican Republic	78,7	75	82,3	70
Trinidad & Tobago	129,9	65	81,7	71
Denmark	106,1	70	80,1	72
Burkina Faso	38,5	92	72,1	73
Surinam	74,6	76	70,9	74
Oman	84,1	74	69,4	75
Rwanda	125,4	66	65,3	76
Cameroon	42,1	90	63,7	77
Mali	48,3	87	59,3	78
Benin	100,7	71	56,6	79
Guadeloupe	99,3	72	52,4	80
Guinea	54,4	83	50,4	81
Tunisia	27,5	101	49,0	82
Reunion	106,8	69	48,1	83

Seychelles	36,1	95	47,8	84
Jamaica	50,3	85	47,8	85
Kazakhstan	46,2	89	47,1	86
Sierra Leone	36,4	94	46,7	87
Togo	31,1	100	44,9	88
Martinique	59,9	79	43,4	89
Djibouti	62,2	77	38,7	90
Pakistan	48,5	86	36,3	91
Indonesia	38,5	91	35,1	92
Russia	34,9	96	34,7	93
Jordan*	5,4	126	32,7	94
French Guiana	57,5	81	30,3	95
Cyprus	25,8	104	29,7	96
Honduras	47,2	88	29,4	97
Republic of Congo	31,8	98	28,5	98
Iceland	89,1	73	27,8	99
Philippines	32,4	97	26,6	100
Georgia	22,4	106	24,4	101
Costa Rica	53,7	84	24,0	102
Egypt	26,8	103	22,2	103
Liberia	19,2	108	19,6	104
El Salvador	14,6	112	15,7	105
Morocco	31,3	99	14,7	106
Israel	37,9	93	14,1	107
Niger*	1,1	153	13,4	108
Peru	27,2	102	13,1	109
Ecuador	8,4	118	12,7	110
Lebanon*	4,6	128	12,6	111
Gambia*	2,2	140	12,2	112
Netherlands Antilles	15,4	110	11,9	113
Eritrea	10,7	114	10,9	114
Cuba*	2,9	136	10,3	115
Bahrain	19,8	107	9,6	116
Vietnam Republic	8,6	117	8,4	117
Mauritania	14,8	111	8,2	118
Slovak Republic*	2,7	137	8,0	119
Burundi	1,8	142	7,6	120
Antigua	6,8	122	7,6	121
Belarus*	0,1	-	7,4	122
St Helena	8,3	119	7,4	123
Somalia	6,0	124	7,4	124
Bolivia	1,1	154	7,4	125
Barbados	13,4	113	6,6	126
Paraguay	7,1	121	6,4	127

Afghanistan*	0,5	-	6,3	128
Bangladesh	6,7	123	6,2	129
Aruba*	2,3	139	5,6	130
Latvia	17,5	109	5,3	131
Algeria	5,4	125	5,2	132
Papua New Guinea	2,9	135	4,1	133
Colombia	4,3	129	4,0	134
Uruguay*	0,5	-	3,7	135
Bahamas	4,8	127	3,5	136
East Timor	3,6	131	3,5	137
Andorra	2,2	141	2,7	138
Haiti*	0,8	-	2,5	139
St Lucia	4,2	130	2,0	140
Sudan	1,8	143	1,8	141
Grenada	1,2	150	1,8	142
Myanmar	2,6	138	1,6	143
Bulgaria	59,5	80	1,6	144
Guyana	1,3	149	1,4	145
Nepal*	0,3	-	1,4	146
Belize*	0,4	-	1,4	147
Falkland Islands	0,9	-	1,3	148
Venezuela*	-	-	1,0	149
Equatorial Guinea	1,3	146	1,0	150
Bermuda	0,6	-	1,0	151
151 COUNTRIES ABOVE R1 MILLION				

Source: AIEC, SARS
*Countries with export values more than doubling year-on-year

The importance of BRICS (Brazil, Russia, India, China and South Africa) and South-South cooperation has grown tremendously in light of the recent increase in protectionist measures pursued by traditional powerhouses in North America and Europe. The five member countries are all regional or sub-regional economic leaders. South Africa is rich in natural resources, and its financial, energy, telecommunication, architecture, agricultural and automotive industries all wield decisive positions in Africa. For South Africa, admission into BRICS on 24 December 2010 has enhanced the country's international stature, and trade and economic relations with these major economic forces has compounded South Africa's position as a global player. China remained South Africa's top export destination, comprising 10,7% of South Africa's total exports in 2019, and also remained the top country of origin comprising 18,5% of total South African imports in 2019. South Africa's trade (exports and imports) with the other BRICS countries has grown at a faster rate than the country's overall global trade over recent years. Trade with BRICS comprised 20,7% of the South Africa's total trade in 2019, thus accentuating the importance of other BRICS countries in South Africa's trade basket.

In an automotive context, China was ranked the top global vehicle production country in 2019, with India in the 5th position, Brazil in 8th and Russia in 13th position. China and India were among South Africa's top 10 automotive trading partners in 2019. However, the automotive trade balance remained in favour of all four of these countries. In 2019, the automotive import to export value ratio was 21,9 to 1 in favour of China, 14,7 to 1 in favour of Brazil, 9,0 to 1 in favour of India, and 2,6 to 1 in favour of Russia. Given the

considerable potential to unlock the automotive industry's potential within and between BRICS countries and the rest of the world, access to trade and mutual cooperation need to be enhanced.

India's rising in the global economic rankings and as a BRICS partner has benefits for South Africa from a trade and investment perspective. The Southern African Customs Union (SACU) and India began a formal process of trade negotiations on a preferential trade agreement (PTA) in 2008. However, the proposed PTA has been dormant for some time but a further meeting between SACU and India is scheduled for early 2020. A PTA does not substantially cover all trade but is confined to products (or tariff lines) of special interest to the respective parties. Automotive products also feature in the list of export interest, and could potentially enhance export and investment opportunities in the domestic automotive industry. India was South Africa's 8th largest automotive trading partner in 2019, and the domestic industry's main country of origin for vehicle imports in volume terms over recent years.

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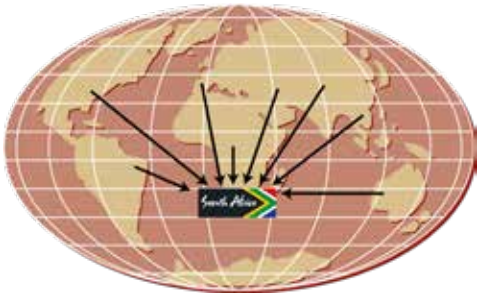
IMPORTS BY COUNTRY OF ORIGIN

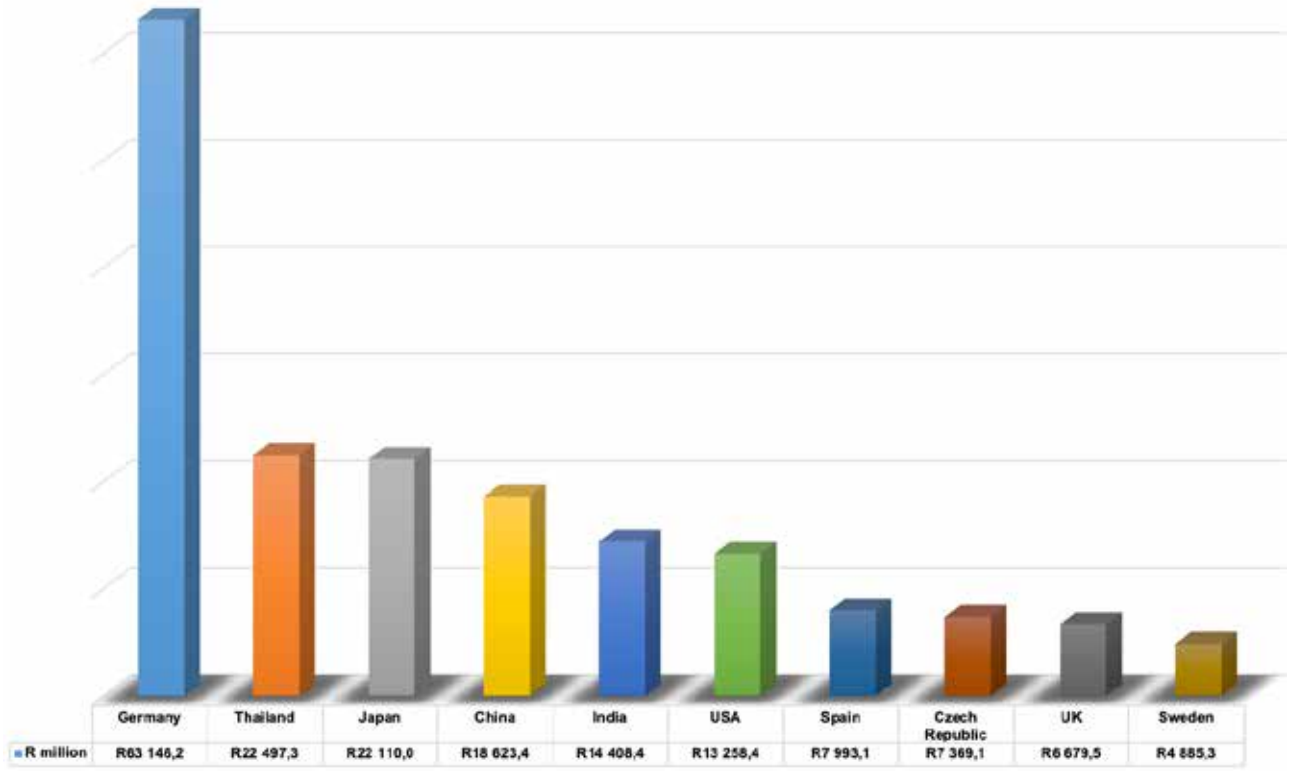


The countries of origin for vehicles and automotive components imported into South Africa generally reflect the global linkages with the head offices of parent companies. The notable exception amongst the top countries of origin in 2019 was China, where the bulk of the imports were for aftermarket parts.

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. Imports of vehicles and original equipment components, as well as replacement parts for the growing vehicle parc of 12,70 million vehicles at the end of 2019, remained high.

For the domestic automotive industry, the Rand exchange rate is particularly important with regard to the exchange rates of the source countries for South African imports. At an individual company level, depending on the particular firm's balance of trade, the impact of exchange rate fluctuations may vary. Against the US dollar, the Rand depreciated by 9,2% on an annual average basis in 2019, against the Euro by 3,7%, against the Pound by 4,6%, against the Chinese Yuan by 4,7%, and against the Yen by 10,8%.

Top automotive countries of origin – 2019 (R million)



Source: AIEC, SARS

The following table reveals the import values and rankings for the countries of origin for vehicles and automotive component imports into South Africa, above the R20 million threshold, for 2018 and 2019. From 2018 to 2019, the import values of Austria and Latvia more than doubled on a year-on-year basis.

Import value and ranking by country of origin – 2018 to 2019

Country	2018 R million	2018 Ranking	2019 R million	2019 Ranking
Germany	61 387,8	1	63 146,2	1
Thailand	22 927,2	2	22 497,3	2
Japan	20 907,5	3	22 110,0	3
China	17 693,4	4	18 623,4	4
India	11 466,7	6	14 408,4	5
USA	12 795,2	5	13 258,4	6
Spain	6 708,5	8	7 993,1	7
Czech Republic	5 295,0	9	7 369,1	8
UK	7 191,3	7	6 679,5	9
Sweden	3 706,2	12	4 885,3	10
Romania	3 489,3	14	4 632,9	11
South Korea	5 213,6	10	3 927,8	12
France	3 215,7	15	3 774,8	13
Italy	3 535,7	13	3 680,5	14
Brazil	4 286,9	11	3 450,7	15
Poland	3 062,7	16	3 115,7	16
Slovak Republic	2 444,3	18	2 690,4	17
Hungary	1 874,5	21	2 559,7	18
Austria*	865,0	28	2 536,6	19
Mexico	2 791,7	17	2 433,0	20
Turkey	1 949,6	19	2 297,1	21
Botswana	1 727,5	22	1 790,6	22
Portugal	1 259,1	26	1 779,1	23
Belgium	1 423,1	24	1 709,1	24
Argentina	1 565,7	23	1 685,9	25
Indonesia	1 875,8	20	1 595,3	26
Taiwan	1 408,1	25	1 335,8	27
Netherlands	977,6	27	1 081,9	28
28 COUNTRIES ABOVE R1 BILLION				
Philippines	859,6	29	923,6	29

Malaysia	705,8	30	608,7	30
Denmark	434,9	32	511,5	31
Canada	500,9	31	389,5	32
Slovenia	271,6	35	359,6	33
Switzerland	321,5	34	328,1	34
Australia	332,8	33	309,3	35
Bulgaria	159,5	38	230,5	36
United Arab Emirates	181,8	37	210,4	37
Vietnam Republic	132,9	40	207,9	38
Finland	225,9	36	180,6	39
Luxembourg	126,4	41	136,7	40
Israel	134,1	39	131,6	41
Morocco	87,7	42	128,5	42
Russia	76,0	43	89,2	43
Singapore	72,6	44	88,4	44
Namibia	71,7	45	76,0	45
Ireland	40,3	47	51,0	46
Hong Kong, China	57,1	46	41,6	47
Zambia	39,1	48	41,0	48
eSwatini (Swaziland)	39,1	49	40,4	49
Norway	23,5	54	34,4	50
Democratic Republic of Congo	19,1	-	33,4	51
Lesotho	23,5	55	33,3	52
Latvia*	0,8	-	31,9	53
Croatia	26,9	53	31,2	54
Tunisia	35,2	50	29,9	55
Ukraine	21,3	56	24,9	56
Bosnia & Herzegovina	16,3	-	24,3	57
Malta	32,6	51	23,3	58
Egypt	27,1	52	21,6	59
Lithuania	16,8	-	20,5	60
New Zealand	18,2	-	20,4	61
61 COUNTRIES ABOVE R20 MILLION				

Source: AIEC, SARS

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

MAIN AUTOMOTIVE TRADING REGIONS AND COUNTRIES

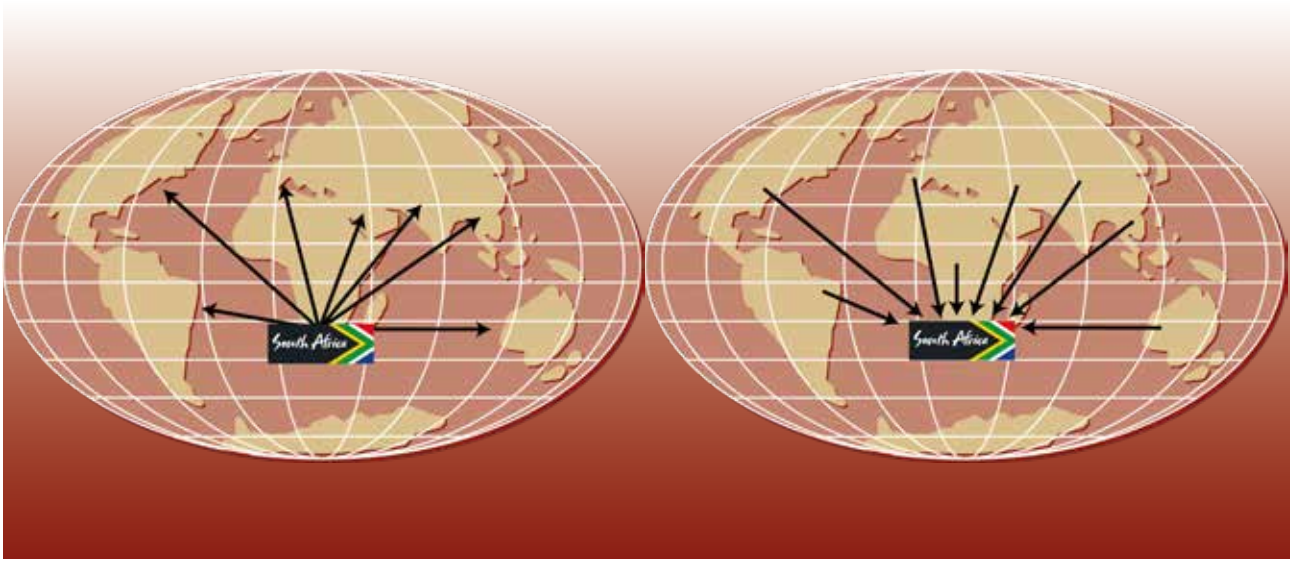
South Africa's top automotive regional trading partner in 2019 remained the European Union (EU). Vehicle and automotive component exports to the EU increased by R24,5 billion, or 23,3%, from R105,2 billion in 2018 to R129,7 billion in 2019, mainly driven by increasing vehicle exports to the region. The following table reveals that the EU and Africa were the two regions providing a trade surplus in 2019. The largest deficit was recorded with the 48-country Asia region, including countries such as China, Japan, India and Thailand.

South Africa's main automotive regional trade partners - 2019 (R billion)

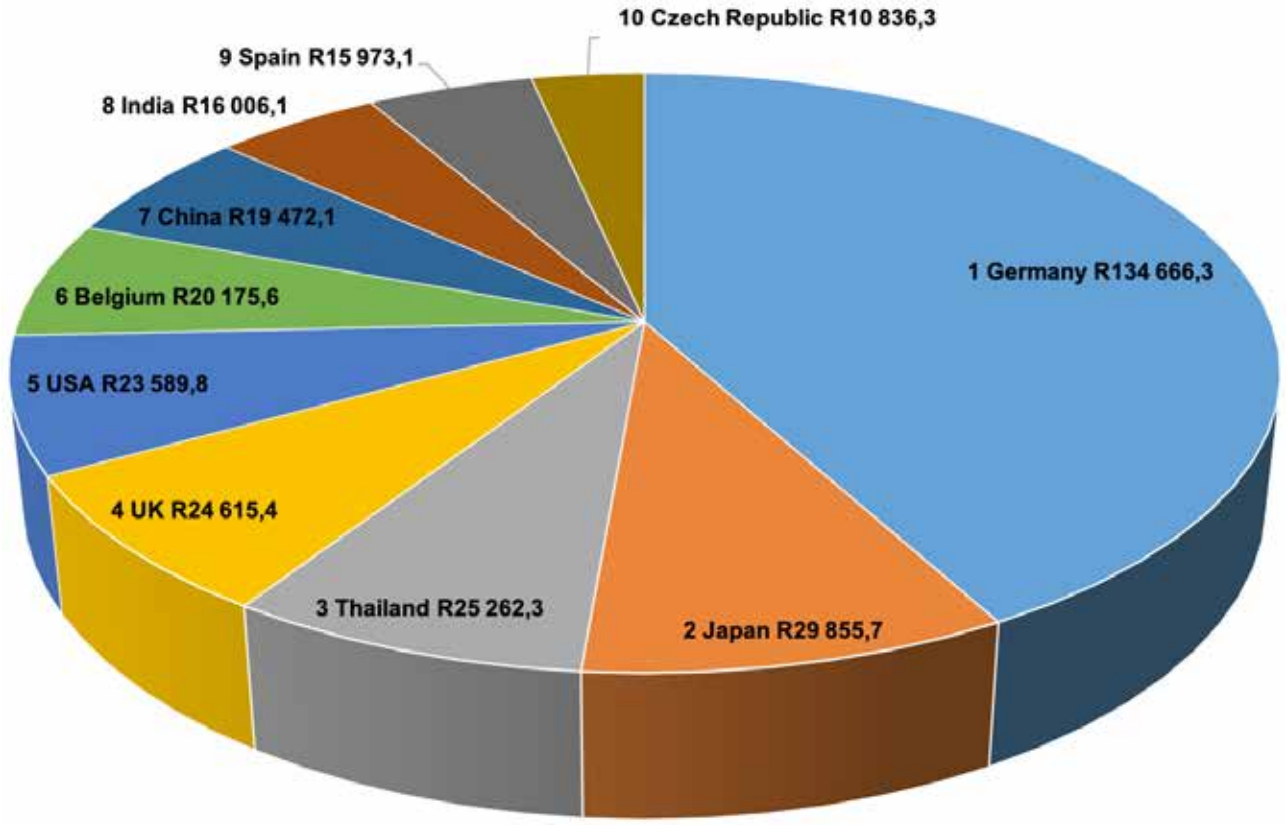
Year	Imports into SA (R billion)	Exports from SA (R billion)	Trade surplus/ (deficit) (R billion)
2019 Total	**233,7**	**201,7**	**(32,0)**
EU	119,2	129,7	10,5
USMCA	16,1	12,1	(4,0)
AFRICA (incl. SADC)	2,2	31,9	29,7
Mercusor	5,1	1,3	(3,8)
ASIA	89,0	20,7	(68,3)
Other regions	2,1	6,0	3,9

Source: AIEC, SARS

South Africa's main automotive country trading partners (exports and imports combined) for 2019, reflected South Africa's global linkages with the OEMs' parent companies in Germany, the US and Japan. The domestic automotive industry's biggest single trading country partner in 2019 was Germany – home to BMW, Volkswagen and Mercedes-Benz. Total automotive trade between the two countries notched a significant R134,7 billion. With the exception of Germany, the UK and Belgium, South Africa's relationship with other automotive trading partners in the top 10 was in deficit. The only change in 2019 was that the Czech Republic replaced South Korea in South Africa's top 10 trading partners.



South Africa's main automotive trading partners – 2019 (R million)



Source: AIEC, SARS

The following tables reveal details and rankings of the South African automotive industry's top 10 automotive trading partners in 2019, and also reflect the top 10 products exported and imported, where applicable. Germany has remained the domestic automotive industry's main trading partner over the past three decades.

1. Germany (Total trade R134 666,3 million) – 2019

Main products	Exports from SA R71 520,1 million	Main products	Imports into SA R63 146,2 million
Light vehicles	57 372,8	Original equipment components	35 785,9
Catalytic converters	8 217,3	Light vehicles	16 008,5
Engine parts	1 218,4	MCV / HCV vehicles	859,2
Radiators / parts	404,9	Engine parts	716,9
Shock absorbers / suspension parts	402,2	Automotive tooling	678,2
Axles	397,6	Tyres	556,2
Clutches / shaft couplings	316,0	Axles	437,3
Body parts / panels	283,5	Transmission shafts / cranks	434,4
Filters	137,8	Gauges / instruments / parts	377,7
Tyres	137,1	Brake parts	336,9
Other	2 632,5	Other	6 955,0

2. Japan (Total trade R29 855,7 million) – 2019

Main products	Exports from SA R7 745,7 million	Main products	Imports into SA R22 110,0 million
Light vehicles	6 183,9	Original equipment components	10 656,8
Catalytic converters	245,6	Light vehicles	7 609,2
Tyres	136,3	MCV / HCV vehicles	423,6
Wiring harnesses	5,8	Tyres	349,1
Springs	5,3	Engine parts	304,8
Silencers / exhausts	4,9	Automotive tooling	212,8
Engine parts	4,4	Ignition / starting equipment	211,3
Stitched leather seats / parts	3,4	Filters	165,1
Brake parts	2,2	Transmission shafts / cranks	147,5
Clutches / shaft couplings	2,0	Stitched leather seats / parts	123,7
Other	1 151,9	Other	1 906,1

3. Thailand (Total trade R25 262,3 million) – 2019

Main products	Exports from SA R2 765,0 million	Main products	Imports into SA R22 497,3 million
Catalytic converters	747,4	Original equipment components	17 511,8
Engine parts	556,0	Light vehicles	2 119,0
Transmission shafts / cranks	126,1	Tyres	444,1
Light vehicles	33,4	Stitched leather seats / parts	363,1
Clutches / shaft couplings	5,5	Wiring harnesses	227,6
Shock absorbers / suspension parts	4,0	Filters	225,6
MCV / HCV vehicles	2,6	Engine parts	80,3
Gauges / instruments / parts	1,3	Brake parts	75,0
Brake parts	1,1	Car radios	71,1
Silencers / exhausts	0,9	Lighting equipment / parts	49,5
Other	1 286,7	Other	1 330,2

4. United Kingdom (UK) (Total trade R24 615,4 million) – 2019

Main products	Exports from SA R17 935,9 million	Main products	Imports into SA R6 679,5 million
Light vehicles	15 828,7	Light vehicles	2 707,4
Catalytic converters	1 199,4	Original equipment components	2 240,4
Road wheels / parts	133,7	Engines	221,8
Automotive glass	131,3	Automotive tooling	196,6
Tyres	55,1	Engine parts	163,3
Engine parts	49,5	Gauges / instruments / parts	146,1
Gauges / instruments / parts	25,8	Alarm systems	88,7
Batteries	24,2	Catalytic converters	53,3
Automotive tooling	20,3	Transmission shafts / cranks	52,1
Engines	16,6	Filters	42,6
Other	451,3	Other	767,2

5. United States of America (USA) (Total trade R23 589,8 million) – 2019

Main products	Exports from SA R10 331,4 million	Main products	Imports into SA R13 258,4 million
Light vehicles	5 514,7	Original equipment components	5 813,0
Catalytic converters	2 272,9	Light vehicles	1 275,2
Engine parts	1 147,0	Engine parts	579,5
Radiators / parts	327,9	Transmission shafts / cranks	367,0
Tyres	153,8	Steering wheels / columns / boxes	312,3
Automotive tooling	143,6	Tyres	287,7
Silencers / exhausts	56,8	Axles	285,7
Gear boxes	55,4	Gauges / instruments / parts	267,2
Transmission shafts / cranks	43,4	Engines	250,1
Engines	28,2	Automotive tooling	208,5
Other	587,7	Other	3 612,2

6. Belgium (Total trade R20 175,6 million) – 2019

Main products	Exports from SA R18 466,5 million	Main products	Imports into SA R1 709,1 million
Light vehicles	17 474,1	Original equipment components	852,4
Tyres	253,7	Light vehicles	375,5
Automotive glass	134,7	Lighting equipment / parts	101,9
Radiators / parts	69,6	Automotive tooling	65,8
Engine parts	65,1	Catalytic converters	23,5
Brake parts	56,1	Engine parts	17,9
Automotive tooling	51,4	MCV / HCV vehicles	16,0
Body parts / panels	47,0	Transmission shafts / cranks	15,5
Lighting equipment / parts	27,8	Gauges / instruments / parts	8,2
Catalytic converters	26,2	Shock absorbers / suspension parts	7,0
Other	260,8	Other	225,4

7. China (Total trade R19 472,1 million) – 2019

Main products	Exports from SA R848,7 million	Main products	Imports into SA R18 623,4 million
Light vehicles	218,2	Original equipment components	4 579,8
Radiators / parts	72,7	Tyres	2 324,7
Automotive tooling	68,3	Light vehicles	1 529,0
Clutches / shaft couplings	46,7	Engine parts	891,7
Tyres	27,1	Automotive tooling	848,8
Transmission shafts / cranks	7,9	Stitched leather seats / parts	377,4
Gauges / instruments / parts	7,5	Transmission shafts / cranks	368,3
Engines parts	5,5	Brake parts	350,9
Springs	3,9	Road wheels / parts	286,3
Body parts / panels	1,6	Ignition / starting equipment	285,5
Other	389,3	Other	6 781,0

8. India (Total trade R16 006,1 million) – 2019

Main products	Exports from SA R1 597,7 million	Main products	Imports into SA R14 408,4 million
Engines	1 210,4	Light vehicles	10 982,3
Catalytic converters	216,1	Original equipment components	1 367,1
Automotive tooling	53,4	Engines	179,7
Road wheels / parts	27,3	Engine parts	169,9
Radiators / parts	20,5	Gauges / instruments / parts	149,2
Transmission shafts / cranks	5,1	Automotive tooling	132,5
Engine parts	4,5	MCV / HCV vehicles	127,8
Clutches / shaft couplings	3,7	Tyres	84,3
Tyres	1,4	Transmission shafts / cranks	68,8
MCV / HCV vehicles	1,1	Brake parts	46,9
Other	54,2	Other	1 099,9

9. Spain (Total trade R15 973,1 million) – 2019

Main products	Exports from SA R7 980,0 million	Main products	Imports into SA R7 993,1 million
Light vehicles	5 915,1	Light vehicles	3 238,5
Catalytic converters	1 597,5	Original equipment components	3 069,1
Radiators / parts	168,2	Batteries	167,6
Tyres	38,6	Stitched leather seats / parts	161,6
Automotive glass	32,8	MCV / HCV vehicles	157,1
Silencers / exhausts	29,4	Tyres	118,4
Automotive tooling	28,9	Engine parts	72,2
Gear boxes	4,4	Shock absorbers / suspension parts	59,6
Engine parts	1,9	Automotive tooling	59,4
Axles	1,4	Body parts / panels	52,0
Other	161,8	Other	837,6

10. Czech Republic (Total trade R10 836,3 million) – 2019

Main products	Exports from SA R3 467,2 million	Main products	Imports into SA R7 369,1 million
Catalytic converters	3 227,1	Original equipment components	4 542,1
Radiators / parts	153,8	Light vehicles	1 121,6
Silencers / exhausts	19,5	Brake parts	286,2
Road wheels / parts	7,0	Stitched leather seats / parts	154,8
Engine parts	1,4	Tyres	150,5
Wiring harnesses	1,3	Lighting equipment / parts	103,0
Automotive tooling	0,4	Batteries	85,4
Seats	0,3	Engine parts	70,9
Stitched leather seats / parts	0,1	Automotive tooling	67,2
Gauges / instruments / parts	0,1	Filters	48,4
Other	56,2	Other	739,0

AUTOMOTIVE COMPONENTS – EXPORTS BY COUNTRY

Localisation is a critical tool for industrialisation. 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. Wider and deeper localisation, therefore, remains one of the decisive 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.

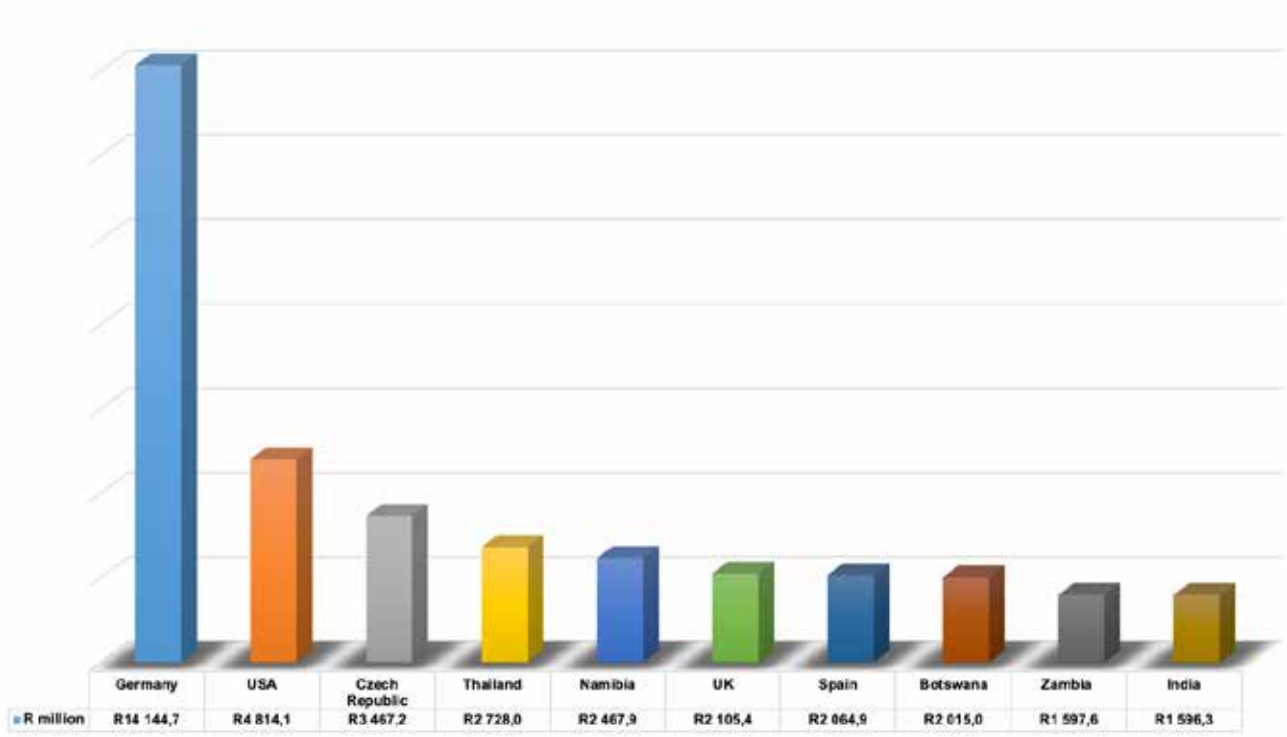
The automotive component sector in South Africa consists of a diverse group of various tier-level automotive suppliers. There are in the order of 180 first-tier suppliers, of which about 75% are foreign multinational companies. The shallow lower-tier base in the country, in particular, is a focus area 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, as the Tier 1 firms also need to deliver on localisation opportunities. Wider localisation rests with the OEMs, while deeper location rests mainly with the first-tier suppliers.

Domestic automotive component suppliers are, in many cases, well positioned to grow through increased localisation and/or exports but increasing levels of investment and skills development spent would be required to unlock more opportunities. Opportunities for domestic component suppliers continue to exist with domestic OEMs in the areas of supplying larger volumes of current products, supplying additional products in the existing range, and supplying newly developed products. OEMs are embracing advanced manufacturing technologies to enhance productivity and quality, while the component sector needs to grow its base of Tier 2 and 3 suppliers. South African-owned companies are more represented within the second- and third-tier supplier bases that supply the sub-parts built into completed components.

Transformation goes hand in hand with localisation. In this regard, the launch of a R6-billion Automotive Industry Transformation Fund (AITF) to support black participation in the automotive industry supply chain, will be imperative. The AITF marks the start of a sector-wide initiative to transform the automotive industry by broadening and deepening the participation of black and historically disadvantaged entrepreneurs in the sustainable growth and development of the industry. The Fund means that South Africa's big OEMs – BMW, Ford, Isuzu, Mercedes-Benz, Nissan, Toyota and Volkswagen – will, for the first time, meaningfully participate and comply with all five elements of the generic broad-based black economic empowerment (BBBEE) scorecard, including the ownership element. In essence, the initiative represents an equity equivalent project, in lieu of the BBBEE scorecard ownership points.

The Fund's mission will be to accelerate the empowerment of black South Africans within the automotive sector; the upskilling of black employees and aspirant automotive entrepreneurs; the expansion of black-owned dealerships, authorised repair facilities and workshops; a substantial increase in the contribution of black-owned automotive component manufacturers within the automotive supply chain; and creating sustainable employment opportunities for young and female black South Africans. The AITF will play a key role in the implementation of the South African Automotive Masterplan (SAAM), especially on localisation and industry transformation. The SAAM 2021-2035 target is in the order of 500 Tier 2 and 3 suppliers, of which 25%, or 130, of these suppliers, need to be Black-owned by 2035, off a very low base currently.

Top automotive component export destinations by value – 2019 (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 for 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 the Czech Republic, China, Mexico and Singapore, are a case in point. The South African automotive industry 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 having a domestic focus.

EMERGING MARKETS ARE STARTING TO FEATURE AS IMPORTANT EXPORT DESTINATIONS FOR THE COUNTRY'S AUTOMOTIVE COMPONENT EXPORTS.

Automotive component export value and ranking by country – 2018 to 2019

Country	2018 R million	2018 Ranking	2019 R million	2019 Ranking
Germany	13 700,5	1	14 144,7	1
USA	4 357,1	2	4 814,1	2
Czech Republic	2 259,1	6	3 467,2	3
Thailand	2 391,5	4	2 728,0	4
Namibia	2 519,6	3	2 467,9	5
UK	2 319,4	5	2 105,4	6
Spain	1 926,6	8	2 064,9	7
Botswana	1 964,7	7	2 015,0	8
Zambia	1 620,9	9	1 597,6	9
India	1 507,5	10	1 596,3	10
Japan	1 479,3	11	1 561,7	11
Mozambique	1 359,4	12	1 249,6	12
Democratic Republic of Congo	1 196,3	14	1 111,3	13
Zimbabwe	1 256,3	13	1 107,5	14
Belgium	1 185,1	15	992,4	15
Argentina	1 045,0	16	902,5	16
eSwatini (Swaziland)	625,9	19	711,1	17
China	251,4	30	630,5	18
Mexico	423,9	22	607,5	19
Turkey	628,4	18	543,6	20
Netherlands	790,9	17	456,1	21
Lesotho	440,4	21	443,5	22
South Korea	592,2	20	404,2	23
Angola	313,3	25	393,7	24
Hungary	414,5	23	353,1	25
Austria	9,2	-	348,3	26
Australia	271,3	28	303,8	27
Poland	309,2	26	289,6	28
United Arab Emirates	337,6	24	263,1	29
Kenya	194,5	32	253,1	30
Tanzania	201,6	31	243,6	31
Brazil	185,2	33	228,4	32
Malawi	252,6	29	225,6	33
Singapore	96,8	-	212,6	34
Ghana	291,1	27	202,6	35
Canada	157,0	34	161,2	36
France	128,3	37	139,7	37
Malaysia	100,1	41	112,7	38

Source: AIEC, SARS

The following tables reveal the automotive component export details for the export destinations recording an export value above R100 million, or 0,2%, of the total automotive component export value of R53,7 billion in 2019. 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 R14 144,7 million				
	1 Catalytic converters R8 217,3	2 Engine parts R1 218,4	3 Radiators / parts R404,9	4 Shock absorbers / suspension parts R402,2	5 Axles R397,6
	6 Clutches / shaft couplings R316,0	7 Body parts / panels R283,5	8 Filters R137,8	9 Tyres R137,1	10 Silencers / exhausts R123,5

(2) Country	USA R4 814,1 million				
	1 Catalytic converters R2 272,9	2 Engine parts R1 147,0	3 Radiators / parts R327,9	4 Tyres R153,8	5 Automotive tooling R143,6
	6 Silencers / exhausts R56,8	7 Gear boxes R55,4	8 Transmission shafts / cranks R43,4	9 Engines R28,2	10 Gauges / instruments / parts R24,1

(3) Country	Czech Republic R3 467,2 million				
	1 Catalytic converters R3 227,1	2 Radiators / parts R153,8	3 Silencers / exhausts R19,5	4 Road wheels / parts R7,0	5 Engine parts R1,4
	6 Wiring harnesses R1,3	7 Automotive tooling R0,4	8 Seats R0,3	9 Stitched leather seats / parts R0,1	10 Gauges / instruments / parts R0,1

(4) Country	Thailand R2 728,0 million				
	1 Catalytic converters R747,4	2 Engine parts R556,0	3 Transmission shafts / cranks R126,1	4 Clutches / shaft couplings R5,5	5 Shock absorbers / suspension parts R4,0
	6 Gauges / instruments / parts R1,3	7 Brake Parts R1,1	8 Silencers / exhausts R0,9	9 Stitched leather seats / parts R0,8	10 Tyres R0,7

(5) Country	Namibia R2 467,9 million				
	1 Tyres R286,8	2 Engine parts R197,3	3 Engines R114,6	4 Batteries R97,2	5 Transmission shafts / cranks R72,5
	6 Filters R66,3	7 Gauges / instruments / parts R54,8	8 Ignition / starting equipment R48,0	9 Lighting equipment / parts R41,6	10 Clutches / shaft couplings R40,1

(6) Country	United Kingdom (UK) R2 105,4 million				
	1 Catalytic converters R1 199,4	2 Road wheels / parts R133,7	3 Automotive glass R131,3	4 Tyres R55,1	5 Engine parts R49,5
	6 Gauges / instruments / parts R25,8	7 Batteries R24,2	8 Automotive tooling R20,3	9 Engines R16,6	10 Gaskets R12,5

(7) Country	Spain R2 064,9 million				
	1 Catalytic converters R1 597,5	2 Radiators / parts R168,2	3 Tyres R38,6	4 Automotive glass R32,8	5 Silencers / exhausts R29,4
	6 Automotive tooling R28,9	7 Gear boxes R4,4	8 Engine parts R1,9	9 Axles R1,4	10 Transmission shafts / cranks R1,0

(8) Country	Botswana R2 015,0 million				
	1 Tyres R200,3	2 Engine parts R87,7	3 Engines R77,1	4 Transmission shafts / cranks R58,1	5 Batteries R57,6
	6 Ignition / starting equipment R57,1	7 Filters R54,0	8 Gauges / instruments / parts R45,1	9 Automotive tooling R41,4	10 Shock absorbers / suspension parts R38,6

(9) Country	Zambia R1 597,6 million				
	1 Engines R140,7	2 Engine parts R116,7	3 Tyres R94,1	4 Transmission shafts / cranks R85,3	5 Batteries R81,7
	6 Gauges / instruments / parts R60,3	7 Filters R41,6	8 Catalytic converters R30,8	9 Automotive tooling R28,6	10 Ignition / starting equipment R25,5

(10) Country	India R1 596,3 million				
	1 Engines R1 210,4	2 Catalytic converters R216,1	3 Automotive tooling R53,4	4 Road wheels / parts R27,3	5 Radiators / parts R20,5
	6 Transmission shafts / cranks R5,1	7 Engine parts R4,5	8 Clutches / shaft couplings R3,7	9 Tyres R1,4	10 Silencers / exhausts R0,7

(11) Country	Japan R1 561,7 million				
	1 Catalytic converters R245,6	2 Tyres R136,3	3 Wiring harnesses R5,8	4 Springs R5,3	5 Silencers / exhausts R4,9
	6 Engine parts R4,4	7 Stitched leather seats / parts R3,4	8 Brake parts R2,2	9 Clutches / shaft couplings R2,0	10 Gauges / instruments / parts R1,1

(12) Country	Mozambique R1 249,6 million				
	1 Tyres R69,1	2 Engine parts R67,1	3 Engines R65,5	4 Transmission shafts / cranks R60,8	5 Gauges / instruments / parts R50,8
	6 Filters R50,1	7 Axles R46,4	8 Automotive tooling R37,2	9 Batteries R31,1	10 Gear boxes R24,5

(13) Country	Democratic Republic of Congo (DRC) R1 111,3 million				
	1 Transmission shafts / cranks R97,1	2 Gauges / instruments / parts R84,4	3 Engine parts R74,0	4 Engines R73,3	5 Catalytic converters R30,2
	6 Gear boxes R29,0	7 Tyres R22,8	8 Automotive tooling R21,8	9 Body parts / panels R15,7	10 Batteries R13,2

(14) Country	Zimbabwe R1 107,5 million				
	1 Tyres R92,0	2 Transmission shafts / cranks R77,8	3 Engine parts R71,3	4 Filters R45,3	5 Batteries R35,1
	6 Gauges / instruments / parts R30,7	7 Engines R29,9	8 Automotive tooling R22,3	9 Ignition / starting equipment R18,8	10 Catalytic converters R16,4

(15) Country	Belgium R992,4 million				
	1 Tyres R253,7	2 Automotive glass R134,7	3 Radiators / parts R69,6	4 Engine parts R65,1	5 Brake parts R56,1
	6 Automotive tooling R51,4	7 Body parts / panels R47,0	8 Lighting equipment / parts R27,8	9 Catalytic converters R26,2	10 Clutches / shaft couplings R25,1

(16) Country	Argentina R902,5 million				
	1 Engine parts R311,7	2 Catalytic converters R220,5	3 Road wheels / parts R69,5	4 Transmission shafts / cranks R35,7	5 Silencers / exhausts R2,2
	6 Stitched leather seats / parts R0,3	7 Wiring harnesses R0,3	8 Shock absorbers / suspension parts R0,3	9 Filters R0,2	10 Gauges / instruments / parts R0,2

(17) Country	eSwatini (Swaziland) R711,1 million				
	1 Tyres R127,5	2 Engine parts R44,9	3 Brake parts R30,1	4 Transmission shafts / cranks R22,9	5 Ignition / starting equipment R18,8
	6 Filters R16,0	7 Clutches / shaft couplings R15,9	8 Gauges / instruments / parts R14,6	9 Batteries R14,3	10 Radiators / parts R9,7

(18) Country	China R630,5 million				
	1 Radiators R72,7	2 Automotive tooling R68,3	3 Clutches / shaft couplings R46,7	4 Tyres R27,1	5 Transmission shafts / cranks R7,9
	6 Gauges / instruments / parts R7,5	7 Engine parts R5,5	8 Springs R3,9	9 Body parts / panels R1,6	10 Alarm systems R0,9

(19) Country	Mexico R607,5 million				
	1 Catalytic converters R454,5	2 Automotive tooling R38,7	3 Radiators / parts R31,0	4 Silencers / exhausts R26,3	5 Stitched leather seats / parts R9,3
	6 Clutches / shaft couplings R9,2	7 Road wheels / parts R8,4	8 Tyres R8,3	9 Engine parts R5,5	10 Transmission shafts / cranks R0,5

(20) Country	Turkey R543,6 million				
	1 Catalytic converters R462,1	2 Silencers / exhausts R37,2	3 Radiators / parts R8,9	4 Transmission shafts / cranks R7,2	5 Tyres R4,6
	6 Automotive tooling R3,2	7 Engine parts R0,9	8 Stitched leather seats / parts R0,8	9 Gauges / instruments / parts R0,6	10 Shock absorbers / suspension parts R0,2

(21) Country	Netherlands R456,1 million				
	1 Tyres R155,5	2 Catalytic converters R86,1	3 Transmission shafts / cranks R49,6	4 Radiators / parts R47,7	5 Ignition / starting equipment R12,6
	6 Engine parts R8,3	7 Silencers / exhausts R6,6	8 Automotive tooling R5,4	9 Gauges / instruments / parts R4,5	10 Alarm systems R2,7

(22) Country	Lesotho R443,5 million				
	1 Tyres R90,7	2 Transmission shafts / cranks R36,7	3 Brake parts R14,0	4 Batteries R12,6	5 Automotive tooling R11,4
	6 Engine parts R11,0	7 Filters R7,6	8 Shock absorbers / suspension parts R7,2	9 Ignition / starting equipment R7,2	10 Gauges / instruments / parts R5,3

(23) Country	South Korea R404,2 million				
	1 Catalytic converters R306,7	2 Silencers / exhausts R35,0	3 Automotive tooling R20,1	4 Engine parts R16,3	5 Filters R8,7
	6 Radiators / parts R6,5	7 Tyres R2,8	8 Axles R0,1	-	-

(24) Country	Angola R393,7 million				
	1 Engine parts R67,9	2 Gauges / instruments / parts R35,1	3 Tyres R31,2	4 Automotive tooling R27,6	5 Filters R16,7
	6 Transmission shafts / cranks R14,3	7 Engines R12,6	8 Batteries R9,2	9 Body parts / panels R8,8	10 Gear boxes R8,1

(25) Country	Hungary R353,1 million				
	1 Catalytic converters R268,4	2 Transmission shafts / cranks R42,8	3 Brake parts R3,2	4 Clutches / shaft couplings R2,4	5 Engine parts R2,3
	6 Gaskets R2,3	7 Springs R0,1	8 Gauges / instruments / parts R0,1	-	-

(26) Country	Austria R348,3 million				
	1 Catalytic converters R345,3	2 Engine parts R0,5	3 Gauges / instruments / parts R0,2	4 Shock absorbers / suspension parts R0,1	-

(27) Country	Australia R303,8 million				
	1 Transmission shafts / cranks R28,2	2 Gauges / instruments / parts R24,5	3 Engines R7,8	4 Wiring harnesses R7,3	5 Tyres R5,9
	6 Engine parts R4,9	7 Automotive tooling R4,6	8 Body parts / panels R4,1	9 Axles R4,1	10 Filters R4,1

(28) Country	Poland R289,6 million				
	1 Tyres R79,5	2 Stitched leather seats / parts R75,0	3 Catalytic converters R54,2	4 Silencers / exhausts R13,0	5 Lighting equipment / parts R7,1
	6 Gauges / instruments / parts R3,8	7 Wiring harnesses R3,7	8 Automotive glass R3,1	9 Filters R2,4	10 Automotive tooling R1,8

(29) Country	United Arab Emirates (UAE) R263,1 million				
	1 Tyres R90,7	2 Gauges / instruments / parts R32,6	3 Wiring harnesses R16,0	4 Air conditioners R13,2	5 Engines R12,6
	6 Engine parts R8,1	7 Alarm systems R6,9	8 Ignition / starting equipment R5,7	9 Body parts / panels R3,6	10 Filters R3,1

(30) Country	Kenya R253,1 million				
	1 Tyres R83,6	2 Automotive tooling R31,8	3 Engine parts R18,2	4 Gauges / instruments / parts R5,4	5 Filters R5,0
	6 Transmission shafts / cranks R4,9	7 Brake parts R3,7	8 Clutches / shaft couplings R3,0	9 Lighting equipment / parts R2,6	10 Gear boxes R2,4

(31) Country	Tanzania R243,6 million				
	1 Tyres R57,1	2 Transmission shafts / cranks R19,3	3 Engine parts R12,9	4 Gauges / instruments / parts R11,3	5 Batteries R10,9
	6 Filters R3,7	7 Automotive tooling R3,5	8 Axles R3,2	9 Brake parts R3,2	10 Ignition / starting equipment R3,1

(32) Country	Brazil R228,4 million				
	1 Radiators / parts R63,5	2 Catalytic converters R37,0	3 Automotive tooling R29,9	4 Gauges / instruments / parts R12,4	5 Tyres R10,7
	6 Clutches / shaft couplings R8,7	7 Silencers / exhausts R4,5	8 Engine parts R3,6	9 Filters R1,3	10 Axles R1,0

(33) Country	Malawi R225,6 million				
	1 Tyres R34,8	2 Batteries R10,6	3 Engine parts R8,1	4 Filters R8,1	5 Gauges / instruments / parts R7,8
	6 Automotive tooling R5,8	7 Transmission shafts / cranks R5,1	8 Clutches / shaft couplings R4,4	9 Brake parts R4,3	10 Alarm systems R3,5

(34) Country	Singapore R212,6 million				
	1 Tyres R10,4	2 Air conditioners R10,3	3 Ignition / starting equipment R9,7	4 Brake parts R7,3	5 Clutches / shaft couplings R5,7
	6 Automotive tooling R5,6	7 Seats R5,5	8 Engine parts R4,0	9 Transmission shafts / cranks R3,5	10 Gear boxes R1,8

(35) Country	Ghana R202,6 million				
	1 Engine parts R32,8	2 Transmission shafts / cranks R16,1	3 Gauges / instruments / parts R14,9	4 Tyres R14,9	5 Automotive tooling R6,5
	6 Filters R4,2	7 Catalytic converters R3,8	8 Alarm systems R3,0	9 Brake parts R3,0	10 Engines R1,9

(36) Country	Canada R161,2 million				
	1 Catalytic converters R42,6	2 Transmission shafts / cranks R12,3	3 Steering wheels / columns / boxes R8,7	4 Wiring harnesses R7,9	5 Engine parts R6,6
	6 Automotive tooling R6,2	7 Gauges / instruments / parts R3,5	8 Seats R2,8	9 Tyres R2,1	10 Alarm systems R1,9

(37) Country	France R139,7 million				
	1 Automotive glass R54,1	2 Catalytic converters R26,3	3 Filters R10,2	4 Lighting equipment / parts R4,6	5 Springs R4,3
	6 Alarm systems R2,8	7 Automotive tooling R2,7	8 Gauges / instruments / parts R2,5	9 Tyres R2,3	10 Engine parts R1,9

(38) Country	Malaysia R112,7 million				
	1 Engines R45,5	2 Tyres R31,2	3 Engine parts R4,5	4 Automotive tooling R3,7	5 Body parts / panels R2,6
	6 Silencers / exhausts R1,3	7 Axles R0,6	8 Transmission shafts / cranks R0,6	9 Alarm systems R0,5	10 Gauges / instruments / parts R0,5

AUTOMOTIVE COMPONENTS – EXPORTS BY PRODUCT

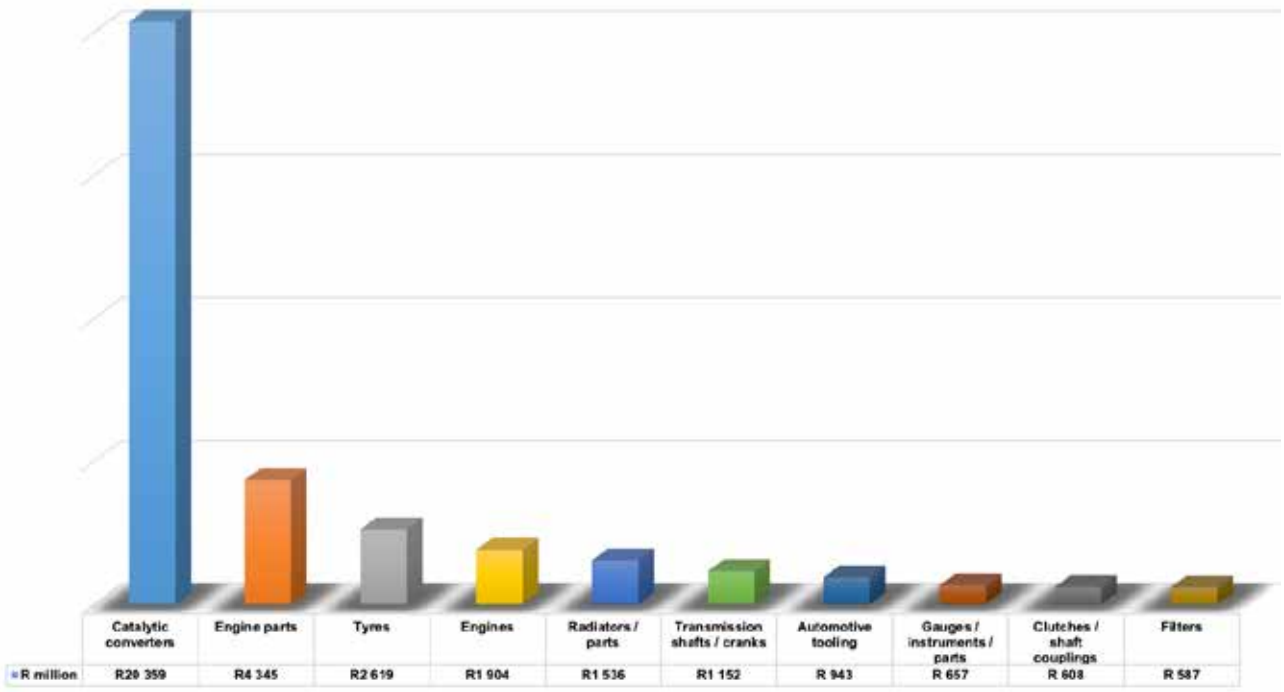
Technology is currently the dominating factor in supplier strategy, as automotive component suppliers are rushing into new technologies to deliver the grand vision of the automotive industry – electric vehicles, connected cars and autonomous driving. The cost of remaining in the contest has gone up in the past few years, and only the biggest suppliers can afford the rising costs of acquiring the technologies that will make the industry's vision become a reality. The ability of suppliers to grow remains dependent on satisfying customers. Firms must focus on meeting customer requirements, performing against competitors and being viewed as long-term suppliers, as well as unlocking additional growth avenues and opportunities.

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. A NAACAM analysis indicates that 48,9% of domestic component suppliers' turnover sales of R89,2 billion in 2019 went to the OEMs, 33,4% to exports, 14,5% to the aftermarket, and 3,2% to other component sales.

There are certain eligibility requirements under the APDP to ensure that the beneficiaries are companies producing substantial quantities of components for vehicle manufacturing, and to exclude accessories. The requirements include that 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. Domestic automotive component manufacturers are active in the export market, selling their products into international OEM supply chains. The requirements for successful export growth include economies of scale, cost competitiveness, reliability of supply, and just-in-time delivery performance. 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 coordinating body, the Automotive Supply Chain Competitiveness Initiative (ASCCI) was established in December 2013, with the mandate of coordinating 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. Against the backdrop of current low levels of local content and the ambitious targets outlined in the SAAM 2021-2035, a key priority for ASCCI is to deepen local manufacturing value-addition through localisation by developing opportunities for the local sourcing of components at Tier 1 and 2 levels. In this regard, the development of a Black Supplier Database, as part of the Supplier Capability programme, provides a single go-to listing of black-owned manufacturers which supply or have the potential to supply components to the automotive sector. The ASCCI Empowerment Portal provides an openly accessible online platform for black-owned manufacturers to list their businesses, and for procurement professionals and other relevant stakeholders to access details relating to these businesses. The increase of local value-addition is key, not only to the sustainability of the South African automotive industry, but also to allow the multitude of benefits that the sector delivers being felt more widely across the economy. ASCCI highlights not only the need for focused interventions, but also the value of cooperation between stakeholders in the industry in making these initiatives a success.

Top automotive component exports by value – 2019 (R million)



Source: AIEC, SARS

The following table reveals the automotive component export ranking by product category from 2015 through to 2019. In 2019, automotive component exports increased by 4,7% to R53,7 billion, from R51,3 billion in 2018. 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 2019, as the focus of exporters tends to be on high-value domestically beneficiated, logistics-friendly automotive components. The increased performance in engines and engine parts exports relate 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.

Automotive component export ranking by product category – 2015 to 2019

Component category	2015	2016	2017	2018	2019	% of total export value	Ranking
Total (R million) Including BELN country data	**49 641**	**53 041**	**50 275**	**51 296**	**53 667**		
Catalytic converters	20 326	21 892	18 702	19 220	20 359	37,9%	1
Engine parts	3 941	3 901	3 773	4 162	4 345	8,1%	2
Tyres	2 193	2 527	2 516	2 547	2 619	4,9%	3
Engines	1 448	2 110	2 447	1 874	1 904	3,5%	4
Radiators / parts	1 190	1 378	1 525	1 659	1 536	2,9%	5
Transmission shafts / cranks	1 060	982	975	1 112	1 152	2,1%	6
Automotive tooling	1 459	861	839	1 056	943	1,8%	7
Gauges / instruments / parts	685	627	626	635	657	1,2%	8
Clutches / shaft couplings	430	538	653	612	608	1,1%	9
Filters	460	600	588	637	587	1,1%	10
Shock absorbers / suspension parts	480	560	560	618	569	1,1%	11
Axles	421	362	401	464	529	1,0%	12
Body parts / panels	301	325	284	315	520	1,0%	13
Automotive glass	389	480	440	510	513	1,0%	14
Batteries	358	337	393	428	411	0,8%	15
Silencers / exhausts	535	618	521	463	405	0,8%	16
Road wheels / parts	471	427	531	438	382	0,7%	17
Brake parts	230	297	274	305	315	0,6%	18
Ignition / starting equipment	257	280	255	276	290	0,5%	19
Lighting equipment / parts	237	263	258	279	268	0,5%	20
Gear boxes	145	137	187	222	229	0,4%	21
Stitched leather seats / parts	993	768	525	538	200	0,4%	22
Gaskets	192	184	171	162	159	0,3%	23
Wiring harnesses	260	415	257	147	151	0,3%	24
Alarm systems	102	116	90	92	120	0,2%	25
Air conditioners	102	66	63	70	62	0,1%	26
Steering wheels / columns / boxes	39	43	53	65	59	0,1%	27
Springs	28	45	48	45	50	0,1%	28
Seats	26	28	32	37	43	0,1%	29
Jacks	36	38	30	34	35	-	30
Car radios	24	21	36	18	19	-	31
Seat belts	7	7	8	8	8	-	32
Other parts	10 816	11 808	12 214	12 248	13 620	25,4%	

Source: AIEC, SARS

The following tables reveal the top five destinations for the automotive product category exports from South Africa for the period 2015 to 2019.

Catalytic converters (1)

Country	2015	2016	2017	2018	2019
Total (R million)	20 325,7	21 891,5	18 702,2	19 219,6	20 359,0
Germany	44%	45%	48%	42%	40%
Czech Republic	3%	5%	7%	10%	16%
USA	20%	20%	12%	12%	11%
Spain	9%	7%	8%	8%	8%
UK	9%	9%	9%	8%	6%

Engine parts (2)

Country	2015	2016	2017	2018	2019
Total (R million)	3 941,4	3 901,4	3 773,3	4 162,4	4 344,6
Germany	25%	22%	23%	26%	28%
USA	23%	19%	24%	24%	26%
Thailand	21%	23%	18%	16%	13%
Argentina	6%	8%	8%	8%	7%
Namibia	4%	5%	5%	5%	5%

Tyres (3)

Country	2015	2016	2017	2018	2019
Total (R million)	2 193,0	2 526,6	2 515,7	2 547,2	2 618,7
Namibia	12%	13%	14%	12%	11%
Belgium	1%	1%	9%	16%	10%
Botswana	12%	10%	12%	8%	8%
Netherlands	2%	4%	5%	8%	6%
USA	6%	6%	3%	1%	6%

Engines (4)

Country	2015	2016	2017	2018	2019
Total (R million)	1 447,9	2 109,8	2 446,6	1 873,7	1 903,8
India	60%	67%	63%	59%	64%
Zambia	9%	8%	8%	10%	7%
Namibia	3%	2%	2%	3%	6%
Botswana	4%	2%	7%	5%	4%
Democratic Republic of Congo	3%	2%	1%	3%	4%

Radiators and parts (5)

Country	2015	2016	2017	2018	2019
Total (R million)	1 190,2	1 377,5	1 525,1	1 658,7	1 536,3
Germany	36%	35%	35%	34%	26%
USA	19%	14%	13%	12%	21%
Spain	11%	11%	11%	12%	11%
Czech Republic	-	1%	1%	1%	10%
China	3%	6%	8%	6%	5%

Transmission shafts and cranks (6)

Country	2015	2016	2017	2018	2019
Total (R million)	1 060,0	981,6	975,3	1 112,2	1 152,2
Thailand	12%	11%	7%	7%	11%
Democratic Republic of Congo	11%	7%	8%	9%	8%
Zambia	6%	8%	7%	8%	7%
Zimbabwe	5%	5%	6%	7%	7%
Namibia	5%	6%	7%	7%	6%

Automotive tooling (7)

Country	2015	2016	2017	2018	2019
Total (R million)	1 458,7	861,1	839,3	1 056,1	943,2
USA	8%	9%	8%	14%	15%
China	-	3%	1%	5%	7%
India	2%	1%	1%	2%	6%
Belgium	3%	4%	3%	4%	5%
Germany	3%	9%	5%	7%	5%

Gauges, instruments and parts (8)

Country	2015	2016	2017	2018	2019
Total (R million)	685,3	626,6	625,5	634,8	657,0
Democratic Republic of Congo	13%	11%	19%	17%	13%
Zambia	8%	11%	6%	9%	9%
Namibia	12%	12%	8%	8%	8%
Mozambique	6%	4%	4%	6%	8%
Botswana	4%	8%	8%	6%	7%

Clutches and shaft couplings (9)

Country	2015	2016	2017	2018	2019
Total (R million)	429,8	537,5	652,7	611,7	608,1
Germany	47%	48%	57%	59%	52%
China	5%	5%	5%	6%	8%
Namibia	6%	5%	5%	6%	7%
Botswana	5%	4%	3%	4%	4%
Belgium	3%	3%	2%	2%	4%

Filters (10)

Country	2015	2016	2017	2018	2019
Total (R million)	460,1	599,8	588,0	637,2	587,3
Germany	28%	32%	26%	23%	23%
Namibia	8%	10%	11%	11%	11%
Botswana	9%	8%	8%	9%	9%
Mozambique	5%	4%	5%	5%	9%
Zimbabwe	15%	12%	13%	12%	8%

Shock absorbers and suspension parts (11)

Country	2015	2016	2017	2018	2019
Total (R million)	480,3	560,2	560,0	618,0	568,6
Germany	67%	75%	76%	72%	71%
Botswana	3%	3%	3%	5%	7%
Namibia	4%	5%	5%	5%	6%
USA	12%	9%	5%	5%	3%
Zimbabwe	5%	3%	3%	2%	2%

Axles (12)

Country	2015	2016	2017	2018	2019
Total (R million)	421,0	361,5	401,0	463,6	529,4
Germany	45%	76%	73%	56%	75%
Mozambique	5%	1%	5%	10%	9%
Namibia	3%	1%	4%	4%	3%
Zimbabwe	1%	1%	2%	3%	2%
Zambia	1%	4%	3%	10%	1%

Body parts and panels (13)

Country	2015	2016	2017	2018	2019
Total (R million)	301,3	325,1	283,7	315,4	519,8
Germany	24%	24%	38%	39%	55%
Belgium	4%	5%	5%	5%	9%
Namibia	13%	15%	12%	14%	8%
Botswana	10%	14%	8%	7%	4%
Hong Kong, China	-	-	-	-	3%

Automotive glass (14)

Country	2015	2016	2017	2018	2019
Total (R million)	389,0	479,5	439,5	509,5	513,1
Belgium	20%	22%	25%	29%	26%
UK	23%	25%	26%	25%	26%
France	9%	9%	10%	10%	11%
Germany	11%	8%	2%	3%	8%
Spain	8%	8%	8%	8%	6%

Batteries (15)

Country	2015	2016	2017	2018	2019
Total (R million)	357,9	337,0	393,4	427,5	410,9
Namibia	15%	23%	19%	22%	24%
Zambia	13%	20%	17%	17%	20%
Botswana	9%	13%	13%	13%	14%
Zimbabwe	9%	7%	10%	7%	9%
Mozambique	23%	24%	23%	21%	8%

Silencers and exhausts (16)

Country	2015	2016	2017	2018	2019
Total (R million)	535,3	617,7	521,4	462,6	405,1
Germany	18%	19%	25%	25%	31%
USA	33%	28%	21%	15%	14%
Turkey	3%	4%	7%	7%	9%
South Korea	3%	4%	7%	9%	9%
Spain	4%	8%	7%	11%	7%

Road wheels and parts (17)

Country	2015	2016	2017	2018	2019
Total (R million)	471,1	427,4	530,7	438,3	382,0
UK	-	4%	10%	16%	35%
Argentina	17%	11%	17%	26%	18%
Germany	13%	10%	3%	4%	10%
India	23%	40%	19%	9%	7%
Botswana	4%	5%	2%	3%	5%

Brake parts (18)

Country	2015	2016	2017	2018	2019
Total (R million)	229,7	297,1	274,3	304,8	315,3
Belgium	10%	22%	20%	21%	18%
Namibia	13%	14%	14%	12%	12%
Botswana	17%	13%	10%	10%	11%
eSwatini (Swaziland)	10%	8%	10%	10%	10%
Zambia	7%	6%	8%	7%	7%

Ignition and starting equipment (19)

Country	2015	2016	2017	2018	2019
Total (R million)	256,6	279,5	254,8	275,6	290,1
Botswana	19%	18%	20%	18%	20%
Namibia	17%	16%	18%	20%	17%
Zambia	7%	7%	7%	8%	9%
Mozambique	9%	4%	5%	5%	8%
eSwatini (Swaziland)	5%	6%	7%	7%	6%

Lighting, signalling and wiping equipment (20)

Country	2015	2016	2017	2018	2019
Total (R million)	236,9	262,7	258,1	279,3	268,0
Germany	35%	39%	34%	32%	29%
Namibia	11%	13%	15%	16%	16%
Belgium	2%	2%	6%	5%	10%
Botswana	5%	7%	8%	7%	8%
Zambia	4%	4%	4%	4%	5%

Gear boxes (21)

Country	2015	2016	2017	2018	2019
Total (R million)	144,8	136,7	186,5	222,0	229,4
USA	41%	20%	25%	23%	24%
Democratic Republic of Congo	4%	2%	2%	12%	13%
Mozambique	6%	7%	6%	7%	11%
Zambia	4%	4%	4%	4%	10%
Namibia	14%	9%	7%	12%	9%

Stitched leather seats and parts (22)

Country	2015	2016	2017	2018	2019
Total (R million)	992,7	767,5	524,7	538,1	200,1
Poland	14%	22%	24%	25%	37%
Germany	59%	59%	51%	47%	32%
Romania	6%	7%	6%	7%	9%
Mexico	-	-	-	1%	5%
Botswana	1%	1%	1%	1%	3%

Gaskets (23)

Country	2015	2016	2017	2018	2019
Total (R million)	192,0	184,2	170,8	162,2	158,8
Namibia	11%	9%	10%	11%	14%
Mozambique	11%	7%	6%	8%	12%
Zambia	5%	11%	7%	7%	8%
UK	9%	6%	9%	8%	8%
Democratic Republic of Congo	12%	13%	11%	11%	7%

Wiring harnesses (24)

Country	2015	2016	2017	2018	2019
Total (R million)	260,2	415,3	257,3	146,9	150,5
Botswana	43%	49%	36%	16%	22%
United Arab Emirates	2%	23%	31%	31%	11%
USA	3%	2%	2%	5%	7%
Germany	28%	11%	9%	9%	7%
Namibia	1%	1%	2%	6%	7%

Alarm systems (25)

Country	2015	2016	2017	2018	2019
Total (R million)	102,3	116,4	89,9	92,4	120,0
Botswana	11%	16%	14%	10%	12%
Zambia	4%	4%	4%	5%	9%
Mozambique	8%	6%	4%	6%	8%
Zimbabwe	5%	4%	6%	13%	8%
UK	1%	5%	4%	2%	7%

Air conditioners (26)

Country	2015	2016	2017	2018	2019
Total (R million)	102,2	65,6	62,9	69,7	61,7
United Arab Emirates	11%	-	1%	34%	21%
Singapore	8%	1%	11%	2%	17%
Mozambique	5%	14%	6%	4%	12%
Namibia	9%	5%	11%	11%	10%
Zambia	5%	9%	8%	6%	9%

Steering wheels, columns and boxes (27)

Country	2015	2016	2017	2018	2019
Total (R million)	38,9	42,8	53,3	64,9	58,7
Namibia	14%	23%	19%	19%	22%
Canada	7%	6%	1%	16%	15%
Belgium	17%	16%	9%	6%	9%
Botswana	10%	7%	11%	9%	9%
Lesotho	5%	4%	4%	5%	6%

Springs (28)

Country	2015	2016	2017	2018	2019
Total (R million)	27,6	44,8	48,2	45,1	50,4
Japan	16%	11%	11%	8%	11%
Germany	1%	4%	8%	11%	10%
France	-	4%	-	-	9%
UK	7%	4%	8%	11%	8%
Namibia	8%	6%	8%	9%	8%

Seats (29)

Country	2015	2016	2017	2018	2019
Total (R million)	25,6	28,2	31,9	36,6	42,6
Botswana	17%	16%	15%	17%	14%
Zimbabwe	4%	5%	7%	4%	13%
Singapore	9%	18%	9%	11%	13%
Namibia	13%	15%	14%	12%	11%
Zambia	7%	9%	8%	7%	7%

Jacks (30)

Country	2015	2016	2017	2018	2019
Total (R million)	35,5	38,0	29,5	34,1	35,2
Namibia	4%	8%	14%	15%	23%
Botswana	7%	5%	5%	6%	11%
Zimbabwe	19%	13%	12%	10%	10%
Mozambique	12%	14%	6%	9%	9%
Zambia	12%	9%	17%	10%	9%

Car radios (31)

Country	2015	2016	2017	2018	2019
Total (R million)	23,5	21,0	36,2	18,4	19,0
Botswana	23%	21%	36%	28%	42%
Namibia	28%	20%	21%	41%	28%
eSwatini (Swaziland)	5%	8%	3%	5%	8%
Zambia	12%	21%	14%	7%	4%
Democratic Republic of Congo	6%	-	2%	2%	3%

Seat belts (32)

Country	2015	2016	2017	2018	2019
Total (R million)	6,8	7,3	7,5	8,1	7,6
Namibia	28%	27%	25%	27%	29%
Botswana	10%	14%	17%	12%	16%
Mozambique	7%	4%	5%	4%	8%
Zambia	7%	7%	7%	7%	7%
Belgium	3%	3%	4%	5%	6%

AUTOMOTIVE PARTS AND COMPONENTS – IMPORTS

Original equipment (OE) component imports by the seven OEMs in South Africa increased to R106,8 billion in 2019, up by R9,0 billion, or 9,2%, from the R97,8 billion in 2018, in line with the industry's record vehicle production volume, supported by the record vehicle export volume in 2019. OE components are components or systems supplied directly to national or international OEMs and have global recognisable brands. In this regard, global sourcing principles apply in the vehicle manufacturing industry and in those instances where the OE components are not manufactured in South Africa, the components are imported. High value, capital-intensive componentry, such as the powertrain 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.

The SAAM 2021-2035 objectives of expanding vehicle production volumes to 1,4 million vehicles per annum by 2035, with the accompanying much higher levels of localisation of automotive components in the country, would improve the viability of further foreign direct investment and export contracts in future. The widening and deepening of the country's component-supplier base under the SAAM is an important focal point, as it will reduce the risks associated with exchange rate fluctuations and logistics costs.

The following table reveals that imports of original equipment components originated mainly from major vehicle production countries such as Germany, Thailand, Japan, the US and China.

Top 10 countries of origin for original equipment components imported (Chapter 98) – 2015 to 2019

Country	2015	2016	2017	2018	2019
Total (R billion)	**79,6**	**88,0**	**89,6**	**97,8**	**106,8**
Germany	47%	46%	46%	38%	34%
Thailand	12%	16%	16%	17%	16%
Japan	15%	11%	11%	11%	10%
USA	2%	2%	3%	5%	5%
China	4%	4%	4%	4%	4%
Czech Republic	1%	1%	2%	4%	4%
Sweden	2%	2%	2%	3%	4%
Spain	2%	2%	2%	2%	3%
Brazil	5%	4%	3%	4%	3%
UK	2%	2%	2%	2%	2%
Other	8%	10%	9%	10%	15%

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 2019, the import value of replacement parts increased by R1,6 billion, or 2,6%, to R62,9 billion, up from the R61,3 billion in 2018.

In 2019, imported passenger cars and light commercial vehicles accounted for 57,1% of the total passenger car and light commercial vehicle market in South Africa. A brand conscious, consumer-driven domestic market prompted the widest choice of new passenger cars to market-size ratio in the world. Considering that consumers keep their cars for longer due to the current weak macro-economic climate in the country, the growing variety of models in the market, as well as the ever more complex technologies in vehicles, has led to increases in the number of aftermarket parts in the market. The growth of cheaper parts from China, to service the increasing imported share of the vehicle parc of 12,70 million vehicles in 2019, for which most parts have to be imported, has exacerbated this trend.

The following table reveals the top 10 replacement parts imported to complement the parts not manufactured in the domestic market for 2015 to 2019.

Top 10 replacement parts imported (R million) – 2015 to 2019

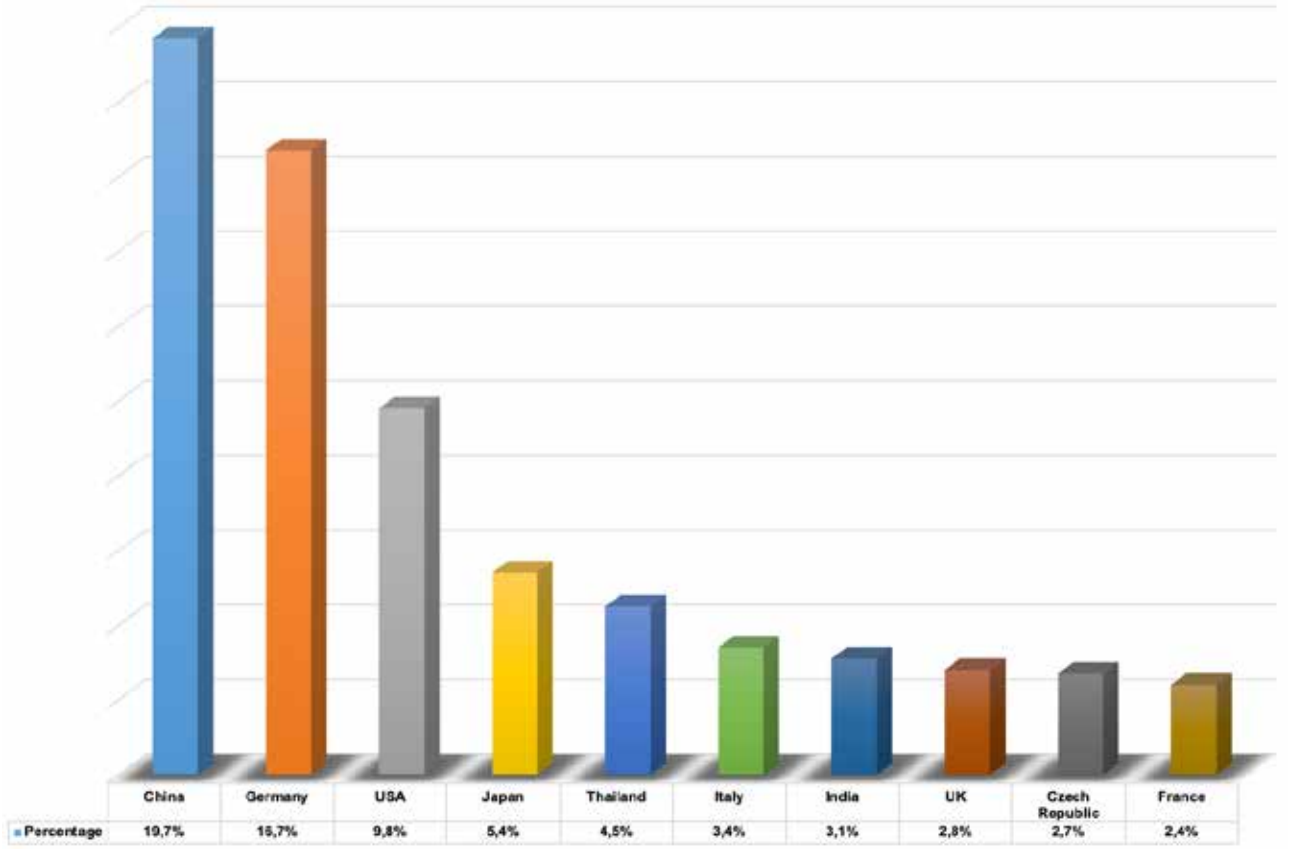
Parts category	2015	2016	2017	2018	2019
Tyres	4 771	6 067	5 819	6 401	6 150
Engine parts	4 231	4 412	4 200	4 247	4 364
Automotive tooling	5 084	3 748	5 188	4 307	3 742
Stitched leather seats / parts	1 985	2 461	2 440	2 324	2 426
Wiring harnesses	1 870	2 254	2 063	2 150	2 255
Gauges / instruments / parts	1 895	2 106	2 021	2 303	2 197
Transmission shafts / cranks	2 065	1 942	2 103	2 123	2 163
Engines	2 811	2 297	2 059	1 692	2 126
Brake parts	1 277	1 229	1 141	1 302	1 678
Filters	979	1 210	1 385	1 499	1 489
Other	28 413	32 021	30 610	32 976	34 341
Total	**55 381**	**59 747**	**59 029**	**61 324**	**62 931**

Source: AIEC, SARS

The countries of origin for the aftermarket parts imported, with the exception of China, were aligned with the main countries of origin for passenger cars and commercial vehicles. Imports from the traditional markets such as Germany, the US, Japan, and the UK have declined over recent years, while imports from China have increased, indicating the influence and cost competitiveness of this dominant automotive powerhouse.

IMPORTS FROM CHINA HAVE INCREASED, INDICATING THE INFLUENCE AND COST COMPETITIVENESS OF THIS DOMINANT AUTOMOTIVE POWERHOUSE.

Top countries of origin for imported replacement parts – 2019



Source: AIEC, SARS

The following table reveals the top 10 countries of origin for imported replacement parts for 2015 to 2019.

Top 10 countries of origin for imported replacement parts – 2015 to 2019

Country of origin	2015	2016	2017	2018	2019
China	16,8%	16,8%	18,2%	19,6%	19,7%
Germany	18,8%	20,0%	19,5%	16,8%	16,7%
USA	9,4%	9,5%	9,2%	10,8%	9,8%
Japan	7,3%	5,9%	5,6%	5,9%	5,4%
Thailand	4,7%	4,8%	4,2%	4,3%	4,5%
Italy	3,2%	3,2%	3,4%	3,6%	3,4%
India	2,3%	2,2%	3,3%	2,7%	3,1%
UK	3,6%	3,1%	3,2%	2,8%	2,8%
Czech Republic	2,4%	2,6%	2,6%	2,5%	2,7%
France	2,1%	2,0%	1,9%	1,8%	2,4%
Other	29,4%	29,9%	28,9%	29,2%	29,5%

Source: AIEC, SARS

AUTOMOTIVE INDUSTRY TRADE BALANCE

The South African automotive industry is currently in a healthy position in terms of having a positive balance of trade account under the APDP, with the number of exported built-up vehicles and components growing. As the leading manufacturing sector in South Africa's economy, the automotive industry's export value under the APDP in 2019 amounted to a record R201,7 billion, which comprised a significant 15,5% (14,3% in 2018) of the total South African exports of R1 297,0 billion, while the industry's imports of R174,6 billion under the APDP comprised 13,7% (13,1% in 2018) of the total South African imports of R1 273,3 billion.

Under the APDP between 2013 and 2019, the nominal automotive export value grew by 96,4%, while the rate of the nominal import value was much slower, with an increase of 37,8%. The record automotive export value of R201,7 billion in 2019 reflected a substantial increase of R22,9, or 12,8%, compared to the R178,8 billion total export value in 2018. Record vehicle exports of 387 125 units in 2019 resulted in the vehicle export revenue increasing by R20,5 billion, or 16,1%, to R148,0 billion compared to the R127,5 billion in 2018, while automotive component exports reflected an increase of R2,4 billion, or 4,7%, from the R51,3 billion exported in 2018, to R53,7 billion exported in 2019. The automotive import value also increased by R12,6 billion, or 7,8%, from R162,0 billion in 2018 to R174,6 billion in 2019, mainly due to an increase in original equipment component imports to accommodate higher vehicle production volumes.

Vehicles remained the key driver behind the automotive industry's healthy trade balance over recent years. Record vehicle exports and a decline in vehicle imports, due to a weak domestic market, have resulted in a positive trade balance for vehicles over recent years, but the trade balance related to automotive components has remained negative. The objectives under the SAAM 2021-2035, to increase vehicle production to 1,4 million vehicles per annum by 2035, as well as to raise local content levels in South African manufactured vehicles from an average of 40% to 60% by 2035, amongst others, will contribute to the reliance on imported components declining substantially in future.

The following table reveals that the trade surplus under the APDP measurement widened to R27,1 billion in 2019, its highest level on record, compared to the R16,8 billion in 2018.

VEHICLES REMAINED THE KEY DRIVER BEHIND THE AUTOMOTIVE INDUSTRY'S HEALTHY TRADE BALANCE OVER RECENT YEARS.

APDP-related trade balance for the automotive industry: 2013 – 2019

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
2019	174,6	201,7	27,1

2019	174,6	201,7	27,1
Vehicles	64,0	148,0	84,0
Automotive components (excluding aftermarket parts)	110,6	53,7	(56,9)

Source: AIEC, SARS
Including BELN (Botswana, eSwatini (Swaziland), Lesotho and Namibia) country trade data

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. 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 track the progress of the APDP. Holistically, as was the measure under the MIDP, when aftermarket parts imports are included in the calculation, 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 2019 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 R233,7 billion in 2019, up R14,6 billion, or 6,7%, compared to the R219,1 billion in 2018. The imported replacement parts, not linked to value-addition in the country under the APDP, with the exception of automotive tooling, amounted to R62,9 billion in 2019, reflecting an increase of 2,6%, compared to the R61,3 billion imported in 2018. The import value of aftermarket parts from China, in particular, reflected substantial growth over recent years. The trade deficit in 2019 declined to R32,0 billion, compared to the R40,3 billion in 2018, 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 2019

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)
2019	233,7	201,7	(32,0)

2019	233,7	201,7	(32,0)
Vehicles	64,0	148,0	84,0
Automotive components (including aftermarket parts)	169,7	53,7	(116,0)

Source: AIEC, SARS
*MIDP calculation
Revised retrospective from 2012 to include BELN (Botswana, eSwatini (Swaziland), Lesotho and Namibia) country trade data

Vehicle and automotive component export growth in 2020 will remain a function of the direction and performance of global markets, while imports of new vehicles into South Africa are linked to the strength of the economy and movements in the Rand exchange rate. Low economic growth prospects, set to continue in South Africa in 2020, will continue to dampen the imports of vehicles but OE component imports are set to grow in line with higher vehicle production levels to support higher anticipated vehicle exports. Aftermarket parts and component imports will also grow in line with the growing vehicle parc in the country. Considering the continued upward momentum in exports, subject to the global impact of Covid-19, along with a weak domestic market, it is anticipated that the automotive industry's trade balance is set to improve further in 2020.

SOUTH AFRICAN AUTOMOTIVE INDUSTRY GROWTH PROSPECTS

The South African automotive industry, dominated by multinational corporations, is integrated into the global automotive environment. As next-generation technologies and innovations come into play, the automotive industry continues to transform itself, motivated by consumers' need for newer and more intelligent products and services. Many of these massive global changes are not within anyone's control, however, the vision of the SAAM 2021- 2035 – 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 – is within the South African automotive industry's control.

The future of the automotive industry in South Africa lies in large-scale vehicle production, with high levels of localisation and significant employment multipliers. To this end the Executive Oversight Committee, chaired by the Minister of Trade, Industry and Competition (DTIC) has set-up six Task Teams, to achieve the objectives of the SAAM 2021- 2035, that will focus on each of the SAAM's pillars, namely, localisation, domestic market optimisation, regional market development, infrastructure development, industry transformation, and the development of industry-required technologies and skills. In addition, the evolution of electric vehicles in South Africa is an important development for the domestic automotive industry in its pursuance of positioning and advancing itself in the global automotive landscape.

Under the APDP, the South African automotive industry continued to excel in 2019. Record vehicle production of 631 983 vehicles in 2019, record vehicle exports of 387 125 units, continued high levels of investment in the domestic automotive industry, and the large scale employment of high skilled jobs are testimony to the largest manufacturing sector's contribution to the South African economy. Government fully realises the importance of a healthy and growing automotive industry in the country, and the DTIC is looking to replicate the success of the APDP in other sectors of the economy.

In order to achieve higher levels of economic growth, an industrial revival is required in South Africa through a combination of rising domestic demand, increased localisation and higher exports. Supporting domestic manufacturing will have the effect of creating opportunities for new entrants to markets, increasing job creation, and supporting skills development and training. The yardstick for global investors and business people should be to look beyond short-term volatility, and to instead, assess a full set of factors that determine the prosperity of the country. South Africa ranked highly in certain key World Economic Forum Global Competitiveness 2019 indicators. The country was ranked first in budget transparency, second with regards to the equity market capitalisation/GDP ratio, fourth in terms of the cost of starting a business, and ranked seventh in terms of road connectivity.

Globally, there is an interdependent relationship between the automotive industry and governments – the automotive industry depends on government support to improve viability, while governments support automotive industries to spur economic development. In South Africa it is no different, as the success of the country's automotive industry has and will continue to be of central importance to the future growth and prosperity of the country's economy.

KEY MOTOR INDUSTRY CONTACT DETAILS

Automotive Industry Export Council (AIEC)	
Telephone: +27 12 807 0086/0152 Telefax: +27 12 807 0671 Website: www.aiec.co.za	P O Box 74166 Lynnwood Ridge 0040

Department of Trade, Industry and Competition (DTIC) Trade and Investment South Africa (TISA) Export Marketing & Investment Assistance Scheme (EMIA)	
Telephone: +27 12 394 9500 (International) Telephone: 0861 843 384 (Customer Care Centre) Website: www.thedtic.gov.za	Private Bag X84 Pretoria 0001

Motor Industry Ombudsman of South Africa (MIOSA)	
Telephone: +27 86 11 64 672 Telefax: +27 86 630 6141 Website: www.miosa.co.za	Meiring Naude Road Scientia 627-J Pretoria, 0184

National Association of Automotive Component & Allied Manufacturers (NAACAM)	
Telephone: +27 11 392 4060 Telefax: +27 86 659 0494 Website: www.naacam.co.za	Postnet Suite # 597 Private Bag 29 Gallo Manor, 2052

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

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

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