

South Africa has five car export heroes, but will the industry survive the EV era?

What does South Africa give to other parts of the world? Wine and gold are probably what come to mind for most of us, and let's not forget the embarrassing pakslae handed out on the Rugby World Cup field every four years.

But what many don't realise is that Mzansi exports a significant number of cars and bakkies to over 150 countries around the world.

A record of just over 396,000 vehicles set sail from our harbours last year, which is not a huge number in world terms but still a very significant contribution to the country's manufacturing output and GDP.

South African exports have grown by 20 percent since 2014, and Naamsa, the Automotive Business Council, predicts the number will grow by six percent this year to around 420,000 units.

But which cars are South Africa's export heroes?

According to first quarter figures, from January to March 2024, the Volkswagen Polo is currently in pole position with 42,268 export sales, followed by the Mercedes C-Class at 16,168 and the BMW X3 at 16,154.

Below that we see a bakkie tussle, with the Ford Ranger (14,180) beating the Toyota Hilux (8,955).

Those numbers are largely driven by European exports, but Isuzu and Nissan are also slowly making inroads into African markets with export figures of 1,562 and 1,209 for the first quarter respectively.

The Toyota Corolla Cross (355) and Fortuner (309) also enjoy a small export following.

What does the future hold for our car factories?

South Africa's vehicle manufacturing industry has come a long way since apartheid days of ironclad protectionism, when exports were almost non-existent and manufacturers churned out multiple models each at significantly lower volumes than today.

But following the introduction of incentive programmes like the Motor Industry Development Plan (MIDP) of 1995 and the Automotive Production and Development Programme (APDP) that replaced it, most manufacturers have adopted a strategy of producing just one or two models at much higher volumes for export.

Thanks to our Free Trade Agreement with the European Union and duty free access to the US with the (African Growth and Opportunity Act) Agoa, South African vehicle exports have thrived since the early 2000s.

Today around two thirds of all the vehicles produced in South Africa are exported abroad, and according to Treasury, Europe and the UK absorb almost half of our auto production.

But what's currently keeping many auto execs up at night is that both the UK and EU are planning to ban the sales of new internal combustion vehicles from 2035.

What this means is that if South Africa does not start building electric cars by the early 2030s, our entire vehicle manufacturing industry could implode.

Our government is currently in a bind.

Factoring in the current power constraints and lucrative fuel levies, the state does not want to encourage South Africans to buy electric cars any time soon, which is why it hasn't followed the lead of many other nations in incentivising them.

But as announced in its 2024 Budget Speech, the government is introducing production incentives for EVs from 2026. Purchase incentives for local buyers, it says, will only kick in during Phase Two, likely later in the decade.

When announcing South Africa's EV White Paper in December 2023, Trade Minister Ebrahim Patel said his department was expecting the country to produce its first electric vehicle as early as 2026.

Do they know something we don't? It's an intriguing possibility, but to date no local manufacturer has made an announcement to that effect.

It's one thing to incentivise the production of electric vehicles in Mzansi, but many of our manufacturers don't want to build vehicles here for export unless there is also a significant local market for them.

Manufacturers like BMW and Mercedes, whose X3 and C-Class sell in minimal numbers locally, might be an exception to this, as their export models currently don't sell in significant volumes locally.

Ford SA has also invested in producing a plug-in hybrid (PHEV) version of Ranger at its Silverton plant for export but in the longer term it will need to introduce a fully electric model to keep its prolific EU exports alive.

Volkswagen on the other hand has stated it has no plans to produce electric models in South Africa until there is a market for them locally.

VWSA's Kariega plant in the Eastern Cape exported over 100,000 Polos in 2023 and that number is set to grow from 2024 as the facility becomes the world's sole exporter of Polo hatchbacks.

But storm clouds loom as VW reportedly plans to discontinue the Polo internationally towards the end of this decade.

VWSA CEO Martina Biene says the plant will focus on serving the African market going forward, and a R4 billion investment was recently announced for the production of a new budget SUV in the plant from 2027.

But without significant exports it's hard to imagine that this introduction will see the plant's volumes maintained once the Polo exports dry up.

It is worrying that South Africa is so reliant on vehicle exports to Europe. But perhaps there is some sense in forging trade agreements with other regions that are also likely to be slow to electrify, such as South America and Australasia? Just a thought.

Source: Jason Woosey - <https://www.persfin.co.za/motoring/industry-news/south-africa-has-five-car-export-heroes-but-will-the-industry-survive-the-ev-era-fbbf5b22-1767-47b9-b323-4c1cc3a0ae6d>

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