

2023 Sees Growth In South Africa's Auto Exports

As someone who loves cars, I have always been curious about how the automotive industry is doing. I often wonder, how many South Africans buy cars each year, and how does this industry contribute to our GDP?

Well, I have got some exciting news to share: In 2023, the South African automotive industry hit a record high for vehicle exports. This achievement is thanks to positive changes in regulations and increased investments in the sector.

To be specific, a total of 399,594 vehicles were exported, and the overall production reached 633,332 vehicles. This is a remarkable recovery from the 2020 production level of 441,822 vehicles. In terms of revenue, the industry generated an impressive R270.8 billion from vehicle and component exports in 2023. This represents a strong growth of 19.1% compared to the previous year.

What's even more exciting is that exports to African countries amounted to 25,381 vehicles. This shows great potential for further expansion, especially with the African Continental Free Trade Area (AfCFTA) in place.

Today, key stakeholders in the automotive sector, including CEOs of major OEMs, component manufacturers, and the Minister of Trade, Industry, and Competition, convened in Gqeberha, Eastern Cape, to review the industry's progress over recent years.

Despite facing significant challenges such as the COVID-19 pandemic, global recession, supply chain disruptions, floods, and semiconductor shortages leading to production challenges, the South African automotive industry has continued its growth.

Commenting on the developments in the industry, Minister Ebrahim Patel remarked:

“Our automotive industry has shown remarkable resilience and growth, in the face of considerable global challenges, highlighting its pivotal role in driving economic growth and fostering regional trade opportunities under the AfCFTA. Over the past five years, the DTIC has spearheaded key interventions to bolster the automotive sector, including implementing the master plan, securing market access agreements, and facilitating over R60 billion in investments.

“Stellantis's arrival in South Africa will create more jobs and consolidate South Africa's position amongst the top 25 car producers globally. Already South Africa accounts for more than 50% of vehicles produced on the African continent. Today's gathering of industry leaders reflects our collective commitment to furthering the success of South Africa's automotive sector.”

Over the past five years, the Department of Trade, Industry, and Competition (the DTIC) has spearheaded ten key interventions to bolster the automotive sector:

Implementation of the Masterplan from 2021, following refinements to the Plan and Regulations.

Agreement on modalities for African Market Access under the AfCFTA, including kit exports in the Automotive Production and Development Programme (APDP).

Securing a UK free-trade deal post-Brexit to preserve preferential market access.

Agreement on a R6 billion Auto Industry Transformation Fund with OEMs and subsequent implementation.

Auto component deal in 2023 with up to R690 million in grants and R1.5 billion procurement for black manufacturers. Facilitated over R60 billion in investments for plant upgrades, new models, and component manufacturing.

- Plans for a new auto factory by Stellantis for Peugeot vehicle production in South Africa.
- Commencement of new car production by BAIC through semi-knock-down assembly.
- Launch of the Tshwane Automotive Special Economic Zone (SEZ) with 11 factories employing 3,300 workers.
- Completion of the Electric Vehicle (EV) Policy in December 2023, with new incentives announced in February 2024.

Several noteworthy projects have also been launched during this period, with the following announcements in the just the last year:

- On 29 June 2023, BMW SA announced that it will invest R4,5 billion over five years to prepare the manufacturing plant in Rosslyn for the production of the X3 Plug-in Hybrid. This will make the BMW SA Rosslyn plant the second in the world to produce and export its X3 plug-in hybrid model.
- On 31 August 2023 at the NAACAM show, 16 companies made investment pledges worth more than R4.8 billion between now and Dec 2024. The investments expected to support more than 10,000 jobs.
- On 13 September 2023, Stellantis announced an investment of R3 billion to develop a new car manufacturing facility in Coega to produce in SA from 2026. The investment will create 1,000 jobs.
- On 02 October 2023, Sumitomo Rubber SA announced an investment of R1,7 billion for the upgrading of the manufacturing plant in Ladysmith.
- On 08 November 2023, Ford Motor Company of Southern Africa announced an investment of an additional R5.2 billion in the Silverton Assembly Plant for PHEV production. This follows the R16 billion previously announced.
- On 27 November 2023, Mercedes-Benz South Africa announced the investment of R100 million for the expansion of the photovoltaic renewable energy project for the East London Manufacturing Plant.
- On 18 April 2024, Volkswagen South Africa (VWSA) announced an investment of R4 billion in their assembly plant in Kariega, EC to introduce a new SUV model built on the polo platform. This investment will sustain 3500 direct jobs and support 50,000 indirect jobs.

These investments reflect a strong commitment from key players in the automotive industry to expand production capacity, drive innovation, and create sustainable job opportunities in South Africa's automotive sector.

The automotive manufacturing industry accounts for 3.2% of South Africa's GDP, while the retail value chain adds another 2.1%, according to figures compiled by the National Association of Automobile Manufacturers of South Africa. The industry employs 116 069 people, largely across the provinces of the Eastern Cape, Gauteng, and KwaZulu-Natal, growing by 6 214 in the sector since the master plan came under implementation.

The South African automotive manufacturing industry is the 22nd largest in the world in terms of several vehicles produced, and is the largest on the African continent, accounting for more than 54% of vehicles assembled on the continent in 2023.

Source: Mthobeli Jiwulane - <https://transformsa.co.za/2024/06/2023-sees-growth-in-south-africas-auto-exports/>

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