

Automotive EXPORT MANUAL

2022



Inspiring new ways



naamsa
THE AUTOMOTIVE BUSINESS COUNCIL

THE WORLD

GATHERS IN SOUTH AFRICA FOR THE

SOUTH AFRICAN
AUTOWEEK
an asset of naamsa NPC

24

30

OCTOBER

2022

THREE PROVINCES

GP | EC | KZN

- AUTO INDABA - Thought Leadership Conference;
- Business to Business Opportunities;
- OICA General Assembly and Council Meetings;
- Industry Careers and Skills Development;
- Auto Innovation and Excellence Awards; and
- Mobility Carnival.

ACKNOWLEDGEMENTS

Author: Dr Norman Lamprecht

The report was produced on behalf of the Automotive Industry Export Council using various official sources of domestic and international data.

The data processing and editing by Prof Alet Tolmay, and design and outlay of the publication by Dr Selma Schiller are acknowledged with appreciation.

The financial support provided by the Department of Trade, Industry and Competition, to ensure the success of the *Automotive Export Manual – 2022 – South Africa* project, is also gratefully acknowledged.

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

CONTENTS

Automotive Export Manual – 2022 – South Africa publication.....	4
South Africa and its automotive industry	5
The Automotive Industry Export Council.....	8
South African automotive industry organisational structure	13
The South African new vehicle market.....	15
Exports of vehicles	20
Imports of vehicles	25
Automotive clusters	28
Automotive policy regime	32
Global new vehicle market environment	36
Exports to regions.....	40
Exports to countries	62
Imports by country of origin	68
Main automotive trading regions and countries.....	72
Automotive industry trade balance	77
Automotive components – exports by country.....	80
Automotive components – exports by product	93
Automotive parts and components – imports.....	104
South African automotive industry growth prospects.....	107
Methodology and currency indices.....	109
Key motor industry contact details.....	111

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
APDP2	Automotive Production Development Programme Phase 2
ASCCI	Automotive Supply Chain Competitiveness Initiative
BELN	Botswana, eSwatini (formerly Swaziland), Lesotho and Namibia
CBU	Completely Built-up
CKD	Completely Knocked-Down
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer Price Index
DTIC	Department of Trade, Industry and Competition
EAC	East African Community
EU	European Union
NEV	New Energy 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	The Automotive Business Council
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

– 2022 –

SOUTH AFRICA PUBLICATION

The *Automotive Export Manual – 2022 – South Africa* is an annual publication produced and compiled by the Automotive Industry Export Council (AIEC) – the acknowledged source of South African automotive trade data. This publication, like its 15 predecessors since 2007, provides a comprehensive overview of the export and import performance of the South African automotive industry under the Automotive Production Development Programme (APDP) and APDP Phase 2 (APDP2). Among the topics covered in the Manual are the top automotive export destinations, the major countries of origin, the main export trade blocks, the top automotive products being exported and imported, as well as the top growth markets and products. The Manual further explores the impact of the trade arrangements enjoyed by South Africa in the trade of vehicles and related automotive components.

Our modern digital world is dominated by the power of information. We can gain a deeper understanding of trade flows and patterns by assessing and monitoring trade data and by examining its characteristics and changes over time, as well as across countries and regions. Global economic disruptions require businesses to adopt smart business models that will fuel their growth. A comprehensive database not only includes trade information, but also revenue flows, exchange rates, and domestic data, as informed by prevailing analysis and policy environment. Evidence-based policymaking depends on the use of sound and transparent data in any area of public policymaking, including trade policy.

This publication provides an unbiased overview of the South African automotive industry, and is a key source of information for national and international stakeholders seeking to develop sustainable business models and growth strategies.



SOUTH AFRICA AND ITS AUTOMOTIVE INDUSTRY

During 2021, the global pandemic of coronavirus disease 2019 (COVID-19) generated more waves and variants, contributing to economic and social disruption all over the world. In their attempts not to be hampered by regulations designed for the pre-pandemic period, governments actively sought to rebuild their economies through innovative policies that aspired to drive economic recovery and solve the world's most pressing social and environmental challenges. A new context presented new challenges, opportunities and imperatives for industrial policy – internationally, regionally and in South Africa.

The profound impact of the COVID-19 pandemic was felt by several sectors in the domestic economy, from stalled supply chains, to softening demand, to diminishing business, and international leisure. The impact had a very direct and detrimental impact on the South African economy. These developments have forced businesses to entirely rethink how they operate and to reimagine how to exist in the new normal. It is becoming clear that a significant portion of the new practices created to mitigate the effect of COVID-19 will remain after the pandemic. COVID-19 has raised levels of uncertainty and its effects will linger for years to come.

While disrupting the automotive markets in terms of sales and profitability, the pandemic has ignited the minds of many to enable the rapid transformation of particularly the e-mobility landscape, and allowed it to take centre stage in the global automotive environment, as well as in South Africa. The demand for new energy vehicles (NEVs) is driven largely by government incentives and the imperative to combat climate change in regions such as the European Union (EU) – the domestic automotive industry's top export region, which aims to become a zero-carbon economy – as well as increased consumer demand for greener products and a change in technology. These developments mean that vehicle manufacturers have little choice but to launch NEV product offensives. To maintain and further grow its automotive manufacturing ambitions, the South African automotive industry will have to adapt to the current rapid technological shift, and hence, the transition to NEVs will be a focal point for the domestic automotive industry in 2022.

Foreign direct investment is critical to propel growth and create jobs in the domestic economy. The automotive sector continues to remain one of the most visible sectors receiving foreign investments, with the seven OEMs investing R8,8 billion in 2021, the second highest annual figure on record, while the component sector also invested a significant R5,7 billion in 2021. In 2021, the broader automotive industry's contribution to the gross domestic product (GDP) comprised 4,3% (2,4% manufacturing and 1,9% retail). Classified as the anchor of the national industrial base and largest manufacturing sector in the country's economy, a substantial 17,3% of value addition within the domestic manufacturing output was derived from vehicle and automotive component manufacturing. Following the finalisation of Statistics South Africa's comprehensive overhaul of the country's national accounts, the automotive industry's contribution to the economy was revised for 2020 and 2021. The GDP rebasing and benchmarking exercise has resulted in an upward revision of the size of the South African economy, as well as changes to the composition of the supply and demand sides of economic activity. Overhauling the way in which the economy is measured provides a far more relevant and reliable measure of GDP. The revised GDP at current prices shows that the economy was 11,0% larger in 2020 than previously estimated.

The export value of vehicles and automotive components rebounded strongly by R31,8 billion, or 18,1%, from the R175,7 billion in 2020 to a record R207,5 billion in 2021, comprising 12,5% of total South African exports. Vehicle exports increased by 26 733 units to 298 020 units in 2021, from the 271 287 vehicles

exported in 2020, while the export value increased by R17,1 billion from the R121,2 billion in 2020 to R138,3 billion in 2021. Automotive component exports reflected an increase of R14,7 billion to a record R69,2 billion in 2021, from the R54,5 billion in 2020. The domestic automotive industry's export destinations increased to 152 countries in 2021 from the 147 destinations in 2020, with the export value doubling from 2020 to 2021 in the case of 32 of these countries.

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 2020 and 2021.

Key performance indicators under the APDP and APDP2 – 2020 to 2021

Indicator	Performance	
	2020	2021
Population	59,62 million	60,14 million
Consumer Price Index (CPI)	3,3%	4,5%
South Africa's GDP (current prices)	R5 521,1 billion	R6 206,3 billion
Broader automotive industry contribution to GDP	4,1%	4,3%
Vehicle and component production as % of South Africa's manufacturing output	17,0%	17,3%
Average monthly employment by vehicle manufacturers	29 926	30 697
Automotive component sector employment	76 800	78 874
Capital expenditure – vehicle manufacturers	R9,2 billion	R8,8 billion
Capital expenditure – component sector	R2,4 billion	R5,7 billion
Total South African new vehicle sales	380 207 units	464 493 units
Total South African vehicle production	446 215 units	499 087 units
South Africa's vehicle production as % of Africa's vehicle production	62,1%	53,6%
South Africa's global vehicle production ranking	22nd	21st
South Africa's global vehicle production market share	0,58%	0,62%
Vehicle ownership ratio per 1 000 persons	176	178
Vehicle parc (number of registered vehicles)	12,70 million	12,96 million
Total automotive export earnings	R175,7 billion	R207,5 billion
Automotive export value as % of total South African export value	13,9%	12,5%
Number of export destinations	147	152
Number of export destinations with export values more than doubling year-on-year	22	32
Top automotive country export destination in Rand value terms	Germany	Germany
Total South African vehicle exports	271 287 units	298 020 units
Value of vehicle exports	R121,2 billion	R138,3 billion
Top vehicle export destination in volume terms	UK	UK
Value of automotive component exports	R54,5 billion	R69,2 billion
Top automotive component export 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

Aligned with global trends, the South African economy and the domestic automotive industry sharply rebounded in 2021 from the low-based, COVID-19 affected 2020, but the growth experienced since the initial shock has not been sufficient to return to pre-pandemic levels. South Africa's GDP growth rate increased to 4,9% in 2021, the highest level over the past 14 years, following the country's deepest economic contraction in a century, when its GDP slumped to -6,4% in 2020. The COVID-19 pandemic has been one of the largest disruptors to global industries in history, and domestic automotive industry role-players are quite aware that the global pandemic will continue to have an adverse impact on the South African economy and automotive industry for some time to come. At the same time, however, the industry is geared for opportunities that continuously arise while adapting to the changed environment.

The South African automotive industry remains a vital sector in the country's economy, and it is interrelated with various other major sectors that depend on the success of the domestic automotive industry. As an export-oriented industry, the performance of the domestic automotive industry remains a function of the direction and performance of global markets. In the coming year a still-complex economic environment, characterised by major issues such as ongoing COVID-19 infection rates, above-target inflation, continuing supply chain risks, as well as escalating geo-political tensions due to the Russian invasion of Ukraine, is expected.

Of paramount importance to the South African automotive industry, as well as the country's economy, is the implementation of the South African Automotive Masterplan (SAAM) 2021-2035 on 1 July 2021, to launch the automotive industry's journey to 2035. The automotive industry remains critically important to spur domestic economic development, and this is premised on its evidential contribution to export earnings, employment, and GDP growth.

The automotive industry remains
critically important to spur
domestic economic development,
and this is premised on its
evidential contribution to export
earnings, employment, and GDP
growth.

AUTOMOTIVE INDUSTRY EXPORT COUNCIL

COVID-19 highlighted that global solutions are required to confront global problems. The global business environment is complex and dynamic, and can be described as a constantly changing and turbulent environment. The pace at which global automotive technology is advancing means that today's innovation is tomorrow's norm. Businesspeople and businesses therefore need to assess the business environment on a regular basis to identify current marketing behaviours, opportunities, or challenges.

Businesses not only need to reinvent themselves, but also need to adapt their business models to a changing world with new technologies and enhanced capabilities to ensure they remain relevant and sustainable into the future. Shocks like COVID-19 have laid bare the need to leverage digital technologies to develop a concerted export strategy and to consider targeted and diversified export markets. Innovative companies utilise the increased capabilities of digitalisation to promote products and services in a smarter and more cost-effective way to a vibrant e-smart society that thrived during the COVID-19 isolation period.

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 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, and about 500 automotive component suppliers in South Africa.



Mr Mikel Mabasa
Chief Executive Officer
naamsa



Dr Norman Lamprecht
Executive Manager
naamsa



Ms Shivani Singh
Commercial Director
NAACAM



Mr Mzwakhe Mbatha
Ex-officio Member
DTIC



Mr Adriaan Adams
Ex-officio Member
DTIC

The activities and administration of the AIEC are coordinated by the AIEC Board. The AIEC Board of Directors consists of Mr Mikel Mabasa (Chief Executive Officer – **naamsa** – Chairperson), Dr Norman Lamprecht (Executive Manager – **naamsa**), Ms Shivani Singh (Director Commercial – NAACAM), as well as two ex-officio members from the DTIC, Mr Mzwakhe Mbatha and Mr Adriaan Adams.

The DTIC pursues trade policy that builds industrial capacity, supports workers, women and communities, unlocks development across the continent, drives manufacturing exports, opens markets for local goods, and supports a domestic digital economy. 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 the development, broadening and deepening of 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. 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.

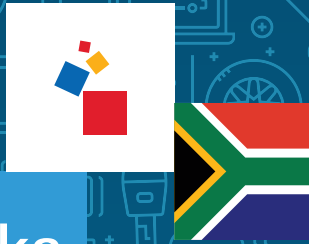
With the easing of lockdown restrictions, some organisers have attempted to hybridise their events, making it possible to attend them either physically or digitally. The future of mobility is unthinkable without intensive networking and data-based processes. Trade shows provide a platform for the linking of international buyers, sellers and investors, as well as allowing participants and visitors to profile and share market information and investment opportunities. In 2020 as well as 2021, COVID-19 social distancing norms compelled millions of businesses to cancel their brick-and-mortar events, and to shift to webinars and virtual events as an alternative way to connect with their distributed audiences. Driven by the long-term, sustainable impact of distributed and hybrid work, and the adoption of digital channels, webinars and virtual events represent a booming growth opportunity.

COVID-19 restrictions once again prevented physical participation in a national pavilion, with the two international automotive events in the 2021/2022 financial year, namely, the Automechanika Middle East event in Dubai, UAE, initially scheduled to take place from 7 to 9 June 2021, but postponed to 14 to 16 December 2021 (www.automechanika-dubai.ae.messefrankfurt.com) and the Automechanika Frankfurt event in Germany from 14 to 18 September 2021 (www.automechanika.messefrankfurt.com). The expanded Automechanika Frankfurt Digital Plus hybrid concept, which focused on an in-person trade fair supplemented by the ability to participate digitally via a variety of digital features such as live streams, intelligent matchmaking and one-to-one video calls, has created added value for the automotive industry. South African automotive exporters were able to participate in the hybrid Intra-Africa Trade Fair (IATF) 2021 (www.intrafricantradefair.com), held from 15 to 21 November 2021 in the Durban International Convention Centre, as well as the Expo 2020 held from 1 October 2021 to 31 March 2022 in the Dubai Exhibition Centre.

The two international automotive events of interest for the domestic automotive industry during the 2022/2023 financial year include the Automechanika Frankfurt event scheduled to take place from 13 to 17 September 2022 (www.automechanika.messefrankfurt.com) and the Automechanika Middle East event scheduled to take place from 22 to 24 November 2022 (www.automechanika-dubai.ae.messefrankfurt.com).

The 2022/2023 South African events include the Automechanika Johannesburg (www.automechanika.za.messefrankfurt.com/johannesburg) and Futuroad Expo events scheduled to take place from 7 to 10 June 2022 at Johannesburg Expo Centre, Nasrec, and the South African Auto Week scheduled to take place from 24 to 30 October 2022 (www.naamsa.co.za/saaw).

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



messe frankfurt

automechanika
JOHANNESBURG

7-10 June 2022
JHB Expo Centre, Nasrec

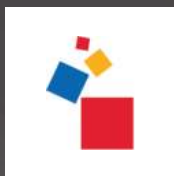
**Register for
your FREE
visitor pass**

automechanikasa.co.za

South Africa's leading
international trade fair
for the automotive
aftermarket industry
targeting trade visitors
from the Sub-Saharan
Region.

For more information, please contact:

Tracy Gounden - Portfolio Director on +27 (0) 82 063 8157 or Tracy.Gounden@za.messefrankfurt.com



messe frankfurt

futuroad expo
JOHANNESBURG

7-10 June 2022
JHB Expo Centre, Nasrec

**Truck, Bus and
Commercial
Vehicle Show**

**Register for
your FREE
visitor pass**
futuroad.co.za



For more information, please contact:

Tracy Gounden - Portfolio Director on +27 (0) 82 063 8157 or Tracy.Gounden@za.messefrankfurt.com

Supported by

WesBank



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 2023 SHOW WILL BE ANNOUNCED BY NAACAM

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 organisational structure in the manufacturing and retail sectors of the South Africa automotive industry include **naamsa** The Automotive Business Council, 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 with 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. The industry bodies act as the face and voice of the domestic automotive industry, and as such, go to great lengths to promote the benefits, strengths and values of the industry. A unified voice plays an important role in providing input to policymakers, providing networking opportunities to its members, giving a voice to the industry when it comes to regulations and new legislation, and providing relevant tools such as best practices to that particular industry.

“Our Brand is Stronger” - naamsa | The Automotive Business Council, changed its naming convention in 2021, from the previous National Association of Automobile Manufacturers of South Africa, as it now represents a wider community of stakeholders than only vehicle manufacturers, as was previously the case. **naamsa's** ambition is to be the most credible thought leader and respected partner of a globally competitive and transformed automotive industry that actively contributes to the sustainable development of South Africa. **naamsa's** membership still represents the collective, non-competitive interests of the new vehicle manufacturing industry in South Africa, comprising 21 companies involved in the production of passenger cars and commercial vehicles which collectively employ in the order of 30 700 people. **naamsa** also represents the interests of a further 20 companies involved in the importation and distribution of new motor vehicles in South Africa. However, in transforming its traditional role, **naamsa** has since 2021 expanded its membership base to include associate members, whether an individual, a firm, a company or a corporate body, to forge stronger partnerships between its manufacturing and associate members. **naamsa's** three assets include the South African Auto Week, **naamsa** Dreams Academy, and the Autolytics Bank. 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 137 manufacturing brands in its membership, of which approximately 80% are first-tier suppliers spread across 206 regional manufacturing sites, in addition to 25 associate members that provide a wide range of services to members. The association provides an administrative oversight service to the South African Tyre Manufacturers Conference (SATMC), representing the four international companies that manufacture tyres in South Africa, namely Bridgestone, Continental, Goodyear and Sumitomo Rubber South Africa. NAACAM further facilitates the Automotive Supply Chain Competitiveness Initiative (ASCCI). Employment in the component sector, including enterprises outside the NAACAM membership, comprised an estimated 78 874 people in 2021. 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 8 324 establishments across all sectors of the retail and wholesale motor industry, ranging from motor vehicle dealers, motorcycle dealers, motor vehicle parts dealers, motor body repairers, motor vehicle

component re-manufacturers, tyre dealers, independent workshops, and fuel retailers, amongst others. 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 is a professional body representing the interests of the 1 378 NADA members who make up 85% of franchised dealer networks in South Africa. NADA is a constituent association of the RMI. More information on the RMI can be accessed at www.rmi.org.za.

The **AAAM** was inaugurated in November 2015, and focuses on the expansion and deepening of the automotive industry across Africa by working with governments to shape policies and provide support that will attract investors, unlock the economic potential of the continent, and align a global network of stakeholders committed to the development of the automotive industry in Africa. 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. More information on the AAAM can be accessed at www.aamafrica.com.

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 MIOSA office acts as the only accredited dispute resolution forum that 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.

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 SOUTH AFRICAN NEW VEHICLE MARKET

The South African new vehicle market reflected a robust recovery in 2021, increasing by 22,2% to 464 493 units, compared to the severely COVID-19 affected 380 207 units in 2020. The strong performance underlined the resilience and determination of the South African motor industry that has had to deal with numerous challenges over the course of the year, ranging from global supply chain disruptions, insufficient model availability due to the global semi-conductor shortage, as well as several adverse events negatively impacting the domestic economy.

A close correlation exists between domestic new vehicle sales and the overall performance of the economy, and the new vehicle market's performance was aligned with the strong recovery in the country's GDP growth rate of 4,9% for 2021. Sales of passenger cars and light commercial vehicles (LCVs), which contributed 65,5% and 28,7% to the total market, respectively, increased by 23,4% and 20,0%, from 2020 to 2021. The South African truck market, comprising 5,8% of the total market, increased year-on-year by 19,0% in 2021. New vehicle sales through the dealer channel, which is representative of consumer activity, comprised 84,5% of total sales in 2021, followed by 10,1% attributed to the vehicle rental industry, 2,8% to industry corporate fleet sales, and 2,6% to government. The following table reveals the sales of passenger cars and commercial vehicles for 2017 through to 2021.

Sales of passenger cars and commercial vehicles – 2017 to 2021

Year	Passenger cars	Light commercial vehicles	Medium and heavy commercial vehicles and buses	Total new vehicle sales
2017	368 114	163 317	26 273	557 704
2018	365 247	159 525	27 455	552 227
2019	355 379	153 221	28 012	536 612
2020	246 541	110 912	22 754	380 207
2021	304 340	133 078	27 075	464 493

Source: **naamsa**/Lightstone Auto

Market conditions in the passenger car and light commercial vehicle markets continued to be characterised by a buying-down trend, with the used-to-new ratio increasing year-on-year to 2,3 in 2021, meaning that 2,3 used vehicles were sold for every one new vehicle sold. Trade-in values for quality used vehicles increased, as the shortage of used vehicle stock in the country grew. New vehicle buyers benefitted from favourable pricing trends in 2021 as well as the range of incentives being offered to stimulate the market. In South Africa, new-vehicle pricing is not driven by demand but by factors such as exchange rate fluctuations, considering that 60% of passenger cars and light commercial vehicles were imported in 2021.

There has been a shift in body-shape preferences over the past decade, with the Crossover/SUV body shape the best-selling category in 2021, followed by the 5-door Hatch and the Double Cab Pick-up, replacing the sales of the declining Sedan category. Sales to the vehicle rental industry, a major seasonal contributor to

the new vehicle market, increased year-on-year by a substantial 87,1% in 2021, enhanced by the opening up of the economy in line with the easing of the country's lockdown restrictions. The upward trend in interest rates and record fuel prices will, however, put added strain on consumers' disposable income and are expected to affect passenger car sales more than sales of commercial vehicles in 2022.

New ways of doing business have been accelerated as a side effect of the COVID-19 pandemic, which has put pressure on all aspects of the automotive industry to conduct business and engage customers very differently. A growing trend is that consumers increasingly rely on digital platforms to not only research, but also to conclude transactions, and retailers continue to invent innovative and effective ways of doing business. While OEMs are not only manufacturing more models to meet customers' expectations of greater choice, they are also introducing a greater range of model variations and body shapes of each model to give customers a greater ability to personalise the vehicle that they purchase. The trading environment in South Africa is extremely competitive compared to global standards, and in 2021 there were no less than 43 passenger car brands and 3 077 model derivatives, the greatest selection of market-size ratio found globally. Similarly, in the light commercial vehicle segment, for the same period, there were 23 brands, with 746 model derivatives to choose from.

South Africa had a vehicle parc (number of registered vehicles) of 12,96 million at the end of 2021, of which 7,65 million, or 59,0%, comprised passenger cars. The average age of the passenger car parc in 2021 increased to 10 years and three months; for the commercial vehicle parc, it increased to 10 years and four months; and overall, the age of the total vehicle parc increased to 10 years and four months. The vehicle ownership ratio in South Africa is in the order of 178 vehicles per 1 000 persons.

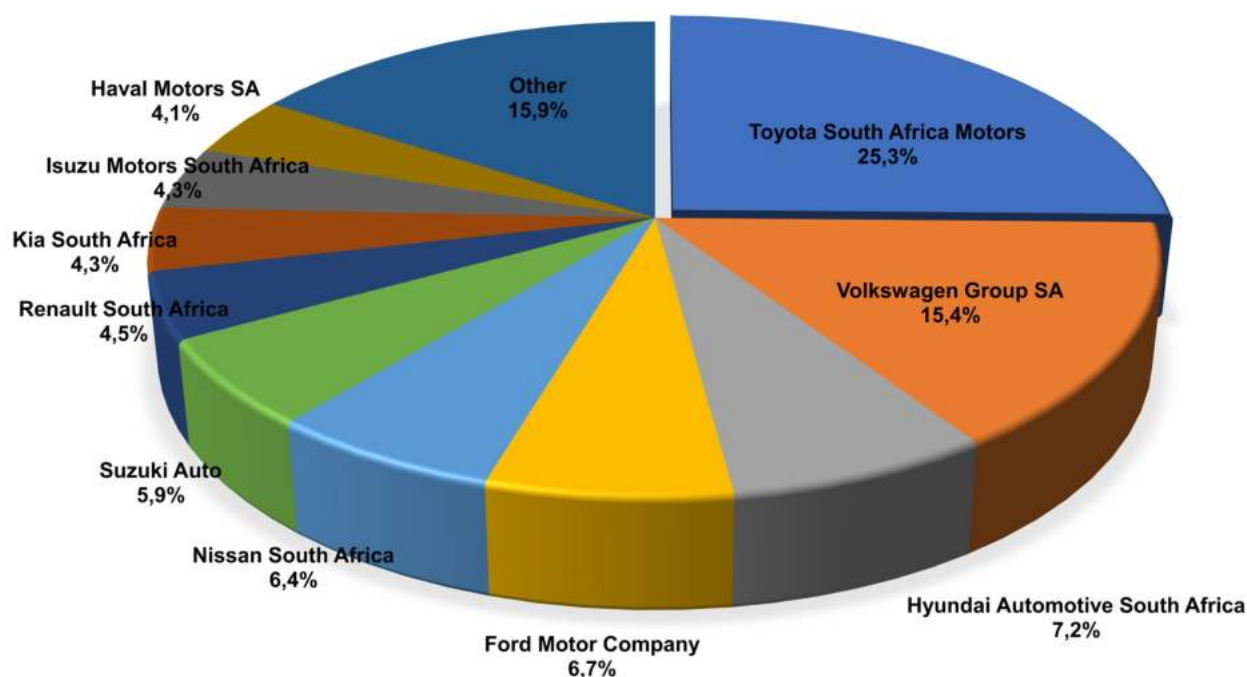
The Toyota Hilux, with sales of 36 085 units, once again took the laurels as the most popular model sold in the country in 2021, followed by the top-selling passenger car, the Volkswagen Polo Vivo with sales of 21 877 units. The Toyota Hilux has been the top-selling one-ton light commercial vehicle for the 49th time in its 52 years on the domestic market. Toyota South Africa Motors topped the light commercial vehicle market with a market share of 42,2%, while the Volkswagen Group brand retained leadership in the South African passenger car market for the tenth successive year, with a market share of 22,3% in 2021.

An interesting phenomenon is that South African motorists are more inclined to drive light commercial vehicles (bakkies), which have both commercial and leisure vehicle applications, than passenger cars. Out of the top 10 selling vehicles in 2021, eight 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, Isuzu D-Max, Toyota Hi-Ace, and Nissan NP200, and five passenger cars, namely, the Volkswagen Polo Vivo, Volkswagen Polo, Toyota Starlet (imported), Toyota Fortuner, and Toyota Urban Cruiser (imported).

Consumers continue to be brand loyal as Toyota celebrated 42 years of consecutive market leadership in 2021, with a market share of 25,3%, followed by Volkswagen Group of SA, Hyundai Automotive South Africa, Ford Motor Company of Southern Africa and Nissan South Africa. The following graph reveals the market shares of the top 10 OEMs/importers in the country in 2021.



New vehicle market share - 2021



Source: **naamsa**/Lightstone Auto

In 2021, new diesel passenger car and light commercial vehicle sales accounted for 33,7% of the market share of total light vehicle sales, down from 35,5% in 2020. Traditional and plug-in hybrid vehicle sales increased to 678 units in 2021, up from the 232 units in 2020, while electric vehicle (EV) sales increased from 92 units in 2020 to 218 units in 2021. As vehicle emission regulations tighten globally with associated costs, the global motor industry is shifting towards eco-friendly vehicles. On 18 May 2021, the DTIC published a Green Paper entitled "The South African Road to Production of Electric Vehicles". It aims to establish a clear policy foundation to coordinate a long-term strategy to position South Africa at the forefront of advanced vehicle and vehicle component manufacturing, complemented by a consumption leg. The Green Paper highlights that the new energy vehicle (NEV) challenge in South Africa is two dimensional, encompassing both demand and supply side considerations, and that it is an inevitable transition for the South African automotive industry, as it will be the future driving technology adopted by the global automotive industry. Affordability and limited choice have been noted as the main factors inhibiting NEV sales in the country. However, South African new-vehicle buyers will have a choice of around 20 battery electric vehicles (BEVs) by 2023, while the jointly funded **naamsa** and DTIC NEV research study, to be completed in 2022, will aim to develop an appropriate fiscal and regulatory framework that will make South Africa a leading, highly competitive location for global NEV production.

The following table reveals the split between the sales of new petrol and diesel cars and light commercial vehicles in South Africa, as well as the diversity of drivetrain sales in the South African NEV landscape from 2017 through to 2021.



Petrol versus diesel passenger cars and light commercial vehicle sales, as well as new energy vehicle sales – 2017 to 2021

	2017	2018	2019	2020	2021
Diesel cars & diesel light commercials	184 145	188 906	178 409	126 977	147 409
Petrol cars & petrol light commercials	346 931	335 664	329 784	230 152	289 113
Total cars & light commercials	531 447	524 772	508 600	357 453	437 418
Diesel vehicles as % of total	34,7%	36,0%	35,1%	35,5%	33,7%

	2017	2018	2019	2020	2021
Plug-in hybrid	121	89	72	77	51
Traditional hybrid	182	55	181	155	627
Electric vehicles	68	58	154	92	218

Source: **naamsa**/Lightstone Auto

Medium and heavy commercial vehicles are regarded as productive assets and essential capital inputs in the economy. There is an intrinsic link between a country's logistical costs and its productivity, competitiveness, and sustainable economic growth. High quality and durable transport plays a vital role in the delivery of services and products to communities throughout South Africa. A truck is a tool in an integrated solution to meet an operator's specific requirements. The commercial vehicle sector in South Africa is increasingly moving from being truck suppliers to organisations that can offer the best logistics solutions to meet the requirements of customers.

The heavy commercial vehicle sector in South Africa is characterised by a large number of players in a relatively low volume environment. In 2021, the medium commercial vehicle segment consisted of 18 brands with 198 model derivatives to choose from; in the heavy commercial vehicle segment there were 13 brands with 105 model derivatives; in the extra-heavy commercial vehicle segment there were 18 brands with 374 model derivatives; and in the bus segment there were eight brands with 40 model derivatives.

The South African truck and bus market also rebounded in 2021, increasing year-on-year by 4 321 units, or 19,0%, from the 22 754 units in 2020 to 27 075 units in 2021. Overall, sales in the medium commercial vehicle segment reflected a year-on-year increase of 11,7%; the heavy commercial vehicle segment increased by 21,8%; the extra-heavy vehicle segment increased by 24,2%; while bus sales declined by 8,7%. The extra-heavy commercial vehicle segment was the best performing segment overall in 2021, as sales benefitted from increased economic activity in the country.

The following table reveals the sales of medium, heavy, extra-heavy commercial vehicles and buses from 2017 through to 2021. Toyota took the lead in the medium commercial vehicle segment, Isuzu topped the heavy commercial truck segment, Daimler Trucks and Buses was in the number one position in the extra-heavy commercial vehicle segment, and MAN was the leader in the bus segment in the South African market in 2021.



Sales of medium and heavy commercial vehicles and buses – 2017 to 2021

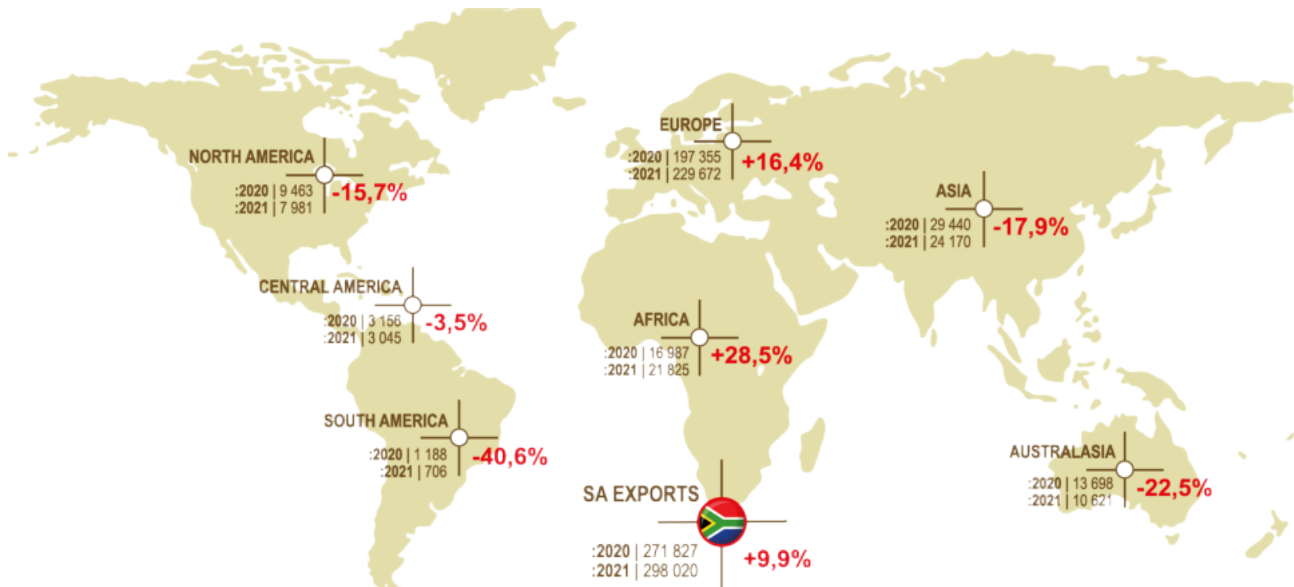
Market					
	MCV	HCV	XHCV	Buses	Total
2017	7 890	5 306	11 978	1 099	26 273
2018	7 885	5 374	13 126	1 070	27 455
2019	8 690	5 041	13 350	931	28 012
2020	6 735	4 091	11 200	728	22 754
2021	7 520	4 982	13 908	665	27 075

Source: **naamsa**/Lightstone Auto

The South African economy depends on the country's road transport network. Road transport plays an essential role in the country's national supply chain, with road networks carrying in the order of 80% of the country's goods, inbound and outbound. South Africa has a road network of 754 600 km, the tenth longest in the world.

South Africa has a road network of 754 600 km, the tenth longest in the world.

EXPORTS OF VEHICLES



Source: **naamsa**/Lightstone Auto

The automotive sector has evolved into a global production and trade system that allows it to optimise economies of scale, which are key to optimising advanced mass production. Vehicle exports, the lifeblood of the domestic OEMs, are important to the viability of the South African automotive industry, as exporting remains imperative to generating sufficient economies of scale and to achieving improved international competitiveness.

Vehicle exports registered an increase of 26 733 units, or 9,9%, to 298 020 units in 2021, from the 271 287 units exported in 2020. The 298 020 left- and right-hand drive vehicles were exported to 106 country destinations around the world in 2021. Passenger car exports comprised 173 774 units, or 58,3% of the total; light commercial vehicle exports comprised 123 667 units, or 41,5% of the total; and medium and heavy commercial vehicle and bus exports comprised 579 units, or 0,2% of the total.

During the first half of 2021, vehicle exports were still on par with the record pre-pandemic performance of 2019, however, the upward momentum ground to a halt during the second half of the year, due to the knock-on effects of adverse domestic economic events, which along with the global shortage of semi-conductors, also impacted domestic vehicle production. Passenger car production comprised 239 267 units, or 50,8% of the total light vehicle production of 471 433 units, of which 72,3% was exported in 2021, while LCV production comprised 232 166 units, or 49,2% of the total light vehicle production, of which 53,1% was exported. In 2021, light vehicle (passenger car and light commercial vehicle) exports accounted for a significant 63,1% of total domestic light vehicle production.

South African OEMs manufacture 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 2021 included the following:

BMW	X3
Ford	Everest
Mercedes-Benz	C-Class 4-Door
Toyota	Corolla 4-door previous series (designated Quest), Cross and Fortuner
Volkswagen	Polo, new and previous series (designated Vivo)

Light commercial vehicle models manufactured in South Africa in 2021 included the following:

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

During 2021, the domestic automotive industry's vehicle exports benefitted from favourable conditions abroad, as well as the introduction of new models by major domestic vehicle exporters. The following table reveals the top 10 vehicle export destinations from 2017 to 2021 for passenger cars and LCVs. In terms of number of units in 2021, the UK, Germany, France, Italy and Japan were the top export destinations. In 2021, VWSA, with its Polo model, maintained its top position for the third consecutive year.

Top 10 destinations for light vehicles (passenger cars and light commercial vehicles) exported – 2017 to 2021

Country	2017	2018	2019	2020	2021
Total (R billion)	110,9	123,2	143,4	117,0	133,2
Ranking of exporters	MBSA	MBSA	VW	VW	VW
Number 1 to 5	VW	VW	MBSA	MBSA	Ford
	Ford	Ford	BMW	BMW	Toyota
	BMW	Toyota	Ford	Ford	BMW
	Toyota	BMW	Toyota	Toyota	MBSA
UK	98 358	119 578	101 401	67 798	60 260
Germany	10 423	25 513	37 152	25 736	42 671
France	19 055	23 400	25 629	13 956	22 130
Italy	5 088	8 870	14 624	10 546	18 295
Japan	42 492	44 027	33 435	23 645	15 765
Belgium	6 902	6 338	11 379	10 048	11 752
Spain	5 770	10 833	11 217	7 345	10 876
Australia	23 336	21 594	16 284	13 041	9 676
Hungary	3 833	5 334	8 012	6 341	7 793
Austria	2 105	2 749	12 675	6 376	7 429
Other	119 743	81 767	114 457	85 898	90 794
Total (units)	337 105	350 003	386 265	270 730	297 441
Light vehicle production	574 075	581 469	603 082	422 905	471 433
% of production exported	58,7%	60,2%	64,0%	64,0%	63,1%
Number of base models produced	12	11	11	11	10
Average volume per model produced	47 840	52 861	54 826	38 446	47 143

Source: **naamsa**/Lightstone Auto, SARS

The only economically viable way to achieve positive economies of scale is for vehicle manufacturing plants to focus on longer production runs for a limited number of models, and then organise a global production and trade system that produces all their required models across several production centres linked to global demand patterns. Significant rationalisation of the production of light vehicle models in South Africa has taken place under the MIDP, the APDP, and the APDP2, resulting in a reduction from 42 platforms in 1995 to 10 platforms in 2021. The average volume per model produced increased from 38 446 units in 2020 to 47 143 units in 2021. One model achieved production volumes in excess of 100 000 units, and one model achieved production volumes of 95 866 units.

The domestic automotive industry continues to capitalise on the various trade arrangements enjoyed by South Africa that enhance exports. Europe, accounting for a substantial 229 672 vehicles, or 77,1% of the total, dominated as a region. Nearly four out of every five vehicles were destined for Europe in 2021. The EU region is currently developing legislation to ban the sales of fossil-fuel-reliant vehicles on their roads by 2035. The UK, which has been the South African automotive industry's top vehicle export destination since 2014, has announced that the ban on new internal combustion engine (ICE) vehicle sales would be brought forward by five years, from 2035 to 2030. What is required for the domestic automotive industry's transition to NEVs is a supportive regulatory framework in the form of incentives to address the price differential between NEVs and ICE vehicles, additional incentives to manufacture NEVs and NEV components, as well as the roll out of public charging stations across the country.

The following table reveals that vehicle exports to major regions reflected mixed performance from 2020 to 2021, as there has been uneven recovery in the major regions.

Changing composition of South African vehicle exports by major regions: 2017 to 2021

Region	2017	2018	2019	2020	2021	% change 2021 / 2020
Europe	190 503	233 772	285 599	197 355	229 672	+16,4%
Asia	52 827	50 277	39 879	29 440	24 170	-17,9%
Africa	21 847	23 988	23 382	16 987	21 825	+28,5%
Australasia	25 125	22 767	17 350	13 698	10 621	-22,5%
North America	43 393	13 037	13 540	9 463	7 981	-15,7%
Central America	812	1 511	5 651	3 156	3 045	-3,5%
South America	3 588	5 787	1 691	1 188	706	-40,6%
Total	338 095	351 139	387 092	271 287	298 020	+9,9%

Source: **naamsa**/Lightstone Auto

Exports of medium and heavy commercial vehicles and buses comprised only 0,2% of the total vehicle exports in 2021, 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 the weak domestic market.

A large number of companies are active in the South African market, and in 2021, the following medium, heavy and extra-heavy commercial vehicle companies were represented in the country:

Babcock
Bell Equipment

Mercedes-Benz SA
Powerstar SA

Daimler Trucks and Buses Southern Africa
FAW Trucks
Ford Motor Company
Hyundai Automotive SA
Isuzu Motors SA
Iveco
JMC
MAN

Scania
Stellantis
Tata Trucks
Toyota
UD Trucks Southern Africa
VECH South Africa
Volkswagen Group SA
Volvo Group Southern Africa

In 2021, the following bus companies were represented in South Africa:

Daimler Trucks and Buses Southern Africa
Isuzu Motors SA
Iveco
MAN
MarcoPolo

Mercedes-Benz
Scania
Tata
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, which is a free trade area. Zimbabwe was the overall top destination for all truck and bus exports in 2021, this included extra-heavy commercial vehicles and heavy commercial vehicles. The top destination for the exports of medium commercial vehicles was Mozambique, and Zambia was the top destination for buses.

Top destinations and region for medium, heavy commercial vehicles and buses exported – 2017 to 2021

Country	2017	2018	2019	2020	2021
Total (R billion)	3,7	4,3	4,6	4,2	5,1
Ranking of exporters Number 1 to 5	Volvo Group FAW Iveco MAN Scania	Volvo Group MAN Scania FAW MBSA	Volvo Group Toyota Scania MBSA MAN	Volvo Group UD Trucks Toyota Isuzu Scania	Volvo Group UD Trucks Toyota Scania Isuzu
Zimbabwe	181	277	294	179	245
Mozambique	227	304	199	150	146
Zambia	210	189	194	62	94
Malawi	92	47	28	61	32
Tanzania	173	94	52	12	15
Mauritania	0	12	15	14	14
Kenya	54	23	0	27	9
Mauritius	20	65	31	34	8
Mali	0	0	0	0	8
Pakistan	0	0	0	0	4
Other	33	125	14	18	4
Africa	980	1 126	825	557	574
Total (units)	990	1 136	827	557	579

Source: **naamsa**/Lightstone Auto, SARS

Regional market development is a key pillar of the SAAM 2021-2035 to enable the achievement of higher vehicle production volumes via exports in future. The African Continental Free Trade Area (AfCFTA), implemented on 1 January 2021 is expected to significantly increase traffic flows on all transport modes, including road. According to research findings, AfCFTA developments will require 1,84 million trucks for bulk cargo and 248 000 trucks for container cargo by 2030. This would increase to 1,95 million and 268 000 trucks, respectively, if planned infrastructure projects are also implemented, and which could open up significant opportunities for the domestic commercial vehicle sector.

The African Continental
Free Trade Area (AfCFTA),
implemented on 1 January 2021 is
expected to significantly increase
traffic flows on all transport
modes, including road.

IMPORTS OF VEHICLES



In 2021, the 262 281 new light vehicles (passenger cars and light commercial vehicles) imported into South Africa originated from 24 countries. Imports of light vehicles increased by a significant 58 709 units, or 28,8%, from the 203 572 units in 2020 to 262 281 units in 2021, in line with the 22,2% year-on-year rebound in the domestic new vehicle market in 2021. Light vehicle imports, as a percentage of total light new vehicle sales in South Africa, increased from 57,0% in 2020 to 60,0% in 2021. Passenger car imports accounted for 78,3% of total passenger car sales of 340 340 units in 2021, and light commercial vehicle imports accounted for 18,1% of total light commercial vehicle sales of 133 078 units in 2021.

Consumers in South Africa benefit from access to a wide variety of new models and a highly competitive pricing environment, as new vehicle demand in the country is met by a range of imported and domestically manufactured vehicles. The growth in the variety of vehicles in South Africa is a direct result of government's automotive policy regime whereby manufacturers earn duty credits with which they can cost-effectively import other low volume models not manufactured in the country. The current APDP2, as well as the previous policy regimes since 1995, 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. In order to offer imported vehicles at favourable prices, OEMs require the most favourable import duties. Vehicles manufactured in South Africa are mainly for the export market in order to obtain higher production volumes but also to generate rebate 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 top country of origin, in volume terms, for passenger cars and LCVs imported into South Africa in 2021 was India, with 129 364 vehicles, accounting for 49,3% of the total light vehicles imported. India has been established by several global brands as a production hub for entry-level and small vehicles, and most of the vehicles imported from India fell into these categories. Volkswagen's Polo Vivo was the only vehicle in these segments that was manufactured in South Africa in 2021. Imported Chinese brands gained traction in 2021, while vehicle imports from Germany slipped down to fourth position as the premium vehicle segment continued to remain under pressure in the domestic market. The following table reveals that in volume terms, India, followed by Japan, China, Germany, and South Korea were the top countries of origin for vehicles imported into South Africa in 2021. In import Rand value terms, India was also the main country of origin, followed by Germany, of which imports included the premium brands such as Audi, BMW, Mercedes-Benz and Porsche.

Top 10 countries of origin for light vehicles (passenger cars and light commercial vehicles) imported – 2017 to 2021

Country of origin	2017	2018	2019	2020	2021	2021
Total (R billion)	57,7	57,1	60,6	36,6	50,9	Import Rand value %
India	89 724	98 585	106 199	88 699	129 364	29%
Japan	37 795	36 386	34 351	21 491	24 152	11%
China	3 145	3 201	11 443	10 427	21 517	9%
Germany	55 480	41 791	36 760	21 660	19 801	15%
South Korea	32 643	27 458	26 828	14 854	17 478	5%
Spain	10 387	9 439	11 946	10 129	11 135	5%
Indonesia	5 476	7 928	7 882	3 697	7 782	2%
UK	10 591	10 314	8 125	4 776	4 413	3%
Portugal	51	0	0	174	3 555	3%
USA	6 690	4 523	4 191	2 757	2 416	5%
Other	41 283	52 572	42 929	24 908	20 668	13%
Number of light vehicle imports	293 265	292 197	290 654	203 572	262 281	100%
Total light vehicle market	531 431	524 772	508 600	357 453	437 418	
% of new vehicle market imported	55,2%	55,7%	57,2%	57,0%	60,0%	
Passenger car imports as % of total	72,4%	72,8%	75,1%	75,7%	78,3%	
LCV imports as % of total	16,5%	16,6%	15,6%	15,3%	18,1%	

Source: **naamsa**/Lightstone Auto, SARS

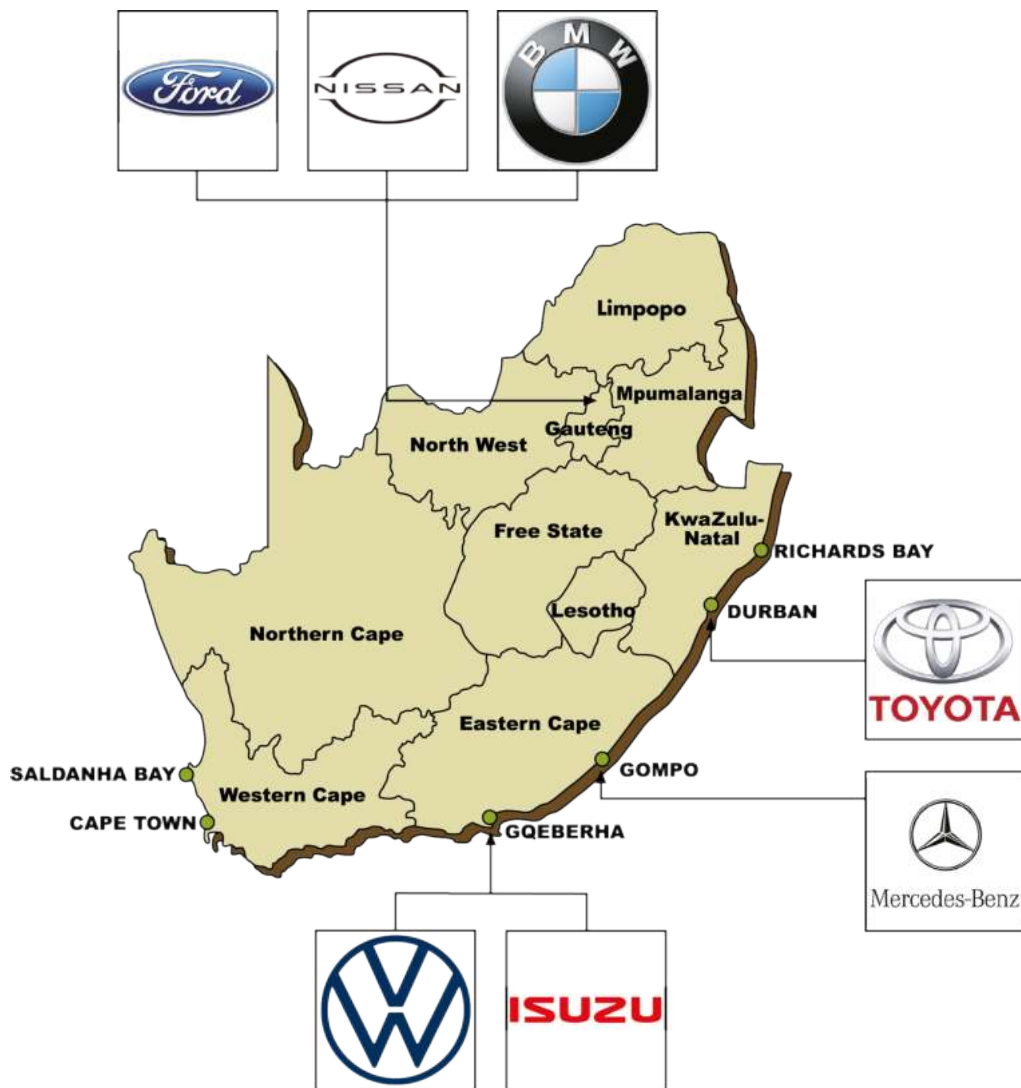
Used vehicle imports are not allowed into South Africa. Strict control measures ensure that only a limited number of legal import permits are issued to allow specified used vehicles into South Africa. In terms of current legislation, used vehicles qualifying for an import permit include those for immigrants, 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. Left-hand drive vehicles are also not allowed into the country.

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. More information with respect to used vehicle imports and relevant permit application forms can be accessed at www.itac.org.za and www.rtmco.co.za.

A process of homologation is required before any motor vehicle model, whether domestically manufactured or imported, can be introduced into the South African market. The homologation procedure of the National Regulator for Compulsory Specifications (NRCS) intends 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 2020, the NRCS initiated a Safer Vehicles 2025 project, aimed at improving the vehicle specifications in South Africa. Phase 1 of the NRCS project will review the automotive specifications (N1 and M1 vehicles), and referenced standards, while Phase 2 will improve the conformity of production requirements, reintroduce type approval projects, and develop smart surveillance processes. More information on the NRCS can be accessed at www.nrccs.org.za.

A process of homologation
is required before any
motor vehicle model,
whether domestically
manufactured or imported,
can be introduced into the
South African market.

AUTOMOTIVE CLUSTERS



The South African automotive industry has been earmarked as one of the drivers of industrialisation, not only in South Africa but also on the African continent as a whole. The country is a prime location for investors to capitalise on a wide range of market opportunities within the country, and to gain access to the entire African continent. COVID-19 has strengthened South Africa's footing as a springboard into Africa as global economies retract, with the continent presenting a plethora of opportunities to domestic companies seeking to grow their global footprint beyond the traditionally lucrative US and European markets. As the continent becomes more populous, companies that have been entrenched in Africa will be able to sell faster into the expanding African markets. The early entrants in Africa would have cemented their foundation and will have a competitive advantage in terms of domestic market knowledge, established relationships, and deep distribution channels to outcompete rivals entering later.

South Africa has common boundaries with Namibia, Botswana, Zimbabwe, Mozambique, Lesotho, and eSwatini. The country has nine provinces, which vary considerably in size. The smallest is Gauteng, a highly urbanised region, and the largest the vast, arid and empty Northern Cape, which makes up almost a third of South Africa's total land area. Each province has its own Legislature, Premier and Executive Council.

The seven OEMs, with their supplier base in close proximity, are strategically placed in Gauteng, the Eastern Cape and KwaZulu-Natal. Incentives, administered by the DTIC, are uniform throughout the country, while regional support mechanisms address the specific needs of the industry in the various geographic areas. The 12 special economic zones (SEZs) in South Africa remain attractive destinations owing to the financial and non-financial incentives and support services they offer to specific industrial segments. SEZs are one of the critical tools that the government has identified, not only to encourage investment, but to create jobs. SEZs are also developing additional services and offerings to meet demand from companies in new industrial segments, including renewable energy and advanced manufacturing.

Gauteng

Gauteng is the economic hub of the country and even though it is the smallest province, it is the most populous, being home to 15,81 million people, or 26,3% of the national population of 60,14 million. Johannesburg is the capital of the Gauteng province, while Pretoria is the administrative capital of South Africa. The province is an integrated industrial complex with major areas of economic activity in three subregional areas, namely, the Vaal Triangle, the East, West and Central Rand, and Pretoria. The highest diversity in the country's automotive profile is found in the province, housing three OEMs and the majority of first- and second-tier automotive component suppliers in the country. With its excellent manufacturing base, access to various logistics corridors, and links to established distribution networks, the province produces about a third of South Africa's GDP. The continent's biggest airport, OR Tambo International Airport, is at the core of the province's logistical network.

The City of Tshwane metropolitan area, which includes Pretoria, is home to many government departments and services. The Automotive Industry Development Centre (AIDC) manages the Automotive Supplier Park in Rosslyn, Pretoria. The AIDC will also deliver and operate Africa's Tshwane Automotive City, the first automotive city project, on behalf of the Gauteng provincial government. The innovative new Tshwane Automotive Special Economic Zone (TASEZ), adjacent to the Ford Motor Company of Southern Africa's Silverton vehicle plant in Pretoria, is a landmark public-private partnership. Along with the R15,8 billion investment in its South African manufacturing operations for the production of the new Ford Ranger, the largest ever investment in the domestic automotive industry, the TASEZ automotive component industrial park will play a significant role in bolstering further investment and job creation in the local economy. The government has so far contributed R2,5 billion towards the development of the zone while a further R4,3 billion in investments is expected from automotive component suppliers who will occupy facilities within the zone.

KwaZulu-Natal

KwaZulu-Natal, one of the country's most popular holiday destinations, represents the second-largest economy in the country, and is also the province with the second-highest population, with a share of 19,1%, or 11,51 million, of the country's 60,14 million population. The port of Durban, the continent's largest container port, is modern and well equipped, and is the country's primary import and export hub for most OEMs and independent vehicle importers in South Africa. Richards Bay is a second coastal entry point to the province and represents South Africa's busiest bulk port, with at its centre, the Richards Bay Industrial Development Zone (IDZ). King Shaka International Airport and the Dube TradePort at La Mercy provide easy access to Durban and also to international markets. The R17,6 billion Dube TradePort Special Economic Zone (SEZ) 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 – all enhancing South Africa's manufacturing and export capabilities. A new development in the province includes the KwaZulu-Natal Automotive Supplier Park, aimed at centralising production, assembly, sequencing and warehousing, and which is located in close proximity to the Toyota SA Motors plant.

Eastern Cape

The Eastern Cape, lying on the south-eastern South African coast, is a region of great natural beauty, and accounts for 6,68 million, or 11,1%, of the country's 60,14 million population. The province is well served logistically with airports situated in Gqeberha, Gomo, Mthatha and Bisho, and with ports situated in Gqeberha, Coega and Gomo. 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 region's automotive manufacturing growth is directly proportional to the socio-economic development of the Eastern Cape province, as automotive industry growth represents one of the province's main tools to prosperity for its people. The automotive industry is the backbone of the economy of the province, and the Eastern Cape OEMs once again accounted for the biggest proportion of light vehicle production, as well as light vehicle exports in 2021.

Automotive clusters – key automotive features – 2021

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, Ford, Hyundai Automotive, Iveco, JMC, MAN Truck & Bus, MarcoPolo, Powerstar SA, Scania, Stellantis, Tata Trucks, UD Trucks, VECH South Africa, and Volvo Group Southern Africa	Bell Equipment, MAN and Toyota	FAW Trucks, Isuzu Motors, Daimler Trucks and Buses Southern Africa and Volkswagen Group SA
Number of automotive component suppliers	200	80	150
Motor vehicle parc as % of South Africa's total vehicle parc of 12,96 million vehicles	38,3%	13,4%	6,7%
Passenger car sales as % of total 2021 passenger car sales of 304 340 units	35,1%	14,5%	4,4%
LCV sales as % of total 2021 LCV sales of 133 078 units	31,7%	13,7%	5,3%
MCV/HCV sales as % of total 2021 MCV/HCV sales of 27 075 units	36,7%	13,1%	3,8%
Light vehicle production by OEMs in the province as % of total 2021 light vehicle production of 471 433 units	33,8%	28,1%	38,1%
Light vehicle exports by OEMs in the province as % of total 2021 light vehicle exports of 297 441 units	39,1%	19,7%	41,2%

Source: NAACAM, **naamsa**/Lightstone Auto





INTO THE FUTURE

Established in 1940, the Industrial Development Corporation is the largest Development Funding institution in sub-Saharan Africa. The Corporation provides funding to entrepreneurs, businesses and project developers, among others. Through its Automotive & Transport Equipment Strategic Business Unit (SBU), the Corporation offers a range of funding support to businesses operating in this sector.

Our objective:

To activate and expand industrial capacity in the South African automotive sector by offering flexible funding solutions. This includes providing funding and development support to businesses ranging from Original Equipment Manufacturers (OEMs) through all tiers of their component supply chains.

Who can apply for funding?

- Automotive projects with funding needs of 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).
- Existing businesses: Debt funding applications for expansionary funding of existing businesses.
- Any Automotive OEM aiming to establish itself as a local manufacturer.
- Automotive Component Manufacturers (Tier 1 to Tier 3, accessories, aftermarket, vehicle conversions).

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**

Targeted Outcomes

- Increased vehicle production volume in South Africa.
- Deeper and wider localisation of automotive components in South Africa.
- Developmental outcomes (job creation, youth and women involvement, B-BBEE, etc)
- Support for organisations in the transition towards New Energy Vehicle (NEV) manufacturing/supply, including advancements through 4iR technologies.

*Our **in-depth specialised knowledge** of the global, regional and local automotive industry enables the Automotive & Transport Equipment SBU to **support project development**. The SBU nurtures relationships with industry stakeholders **ensuring access** to networks that include national and municipal government agencies and the private sector, **in support of our business partners' needs**.*

AUTOMOTIVE POLICY REGIME

Long-term planning is essential for the automotive sector, therefore OEMs need to have confidence in the longevity of the policies that are put in place. The effectiveness and efficiency of industrial policy interventions depend heavily on the ability of policymakers to tailor interventions to the specific needs of individual manufacturing sectors. A key feature of the South African automotive industry is the way government, along with all industry role-players, constructively cooperates to optimise the contribution of the automotive industry to the country's economy under the current automotive policy regime in the form of the Automotive Production Development Programme Phase 2 (APDP2) which is a Trade-Related and Investment Measure (TRIM). The TRIM allows safe and secure foreign direct investment (FDI) and allows duty rebates for the localisation of activities.

The APDP2 operates within the framework of the South African Automotive Masterplan (SAAM), which was implemented on 1 July 2021, and which provides the incentive framework for the industry for the period from 2021 to 2035. The SAAM 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”. The vision of the SAAM can be described in four components. The first component is the improvement of the industry's global competitive position. The second component is related to the industry's contribution to the transformation of the South African economy, and which includes employment equity through the greater inclusion of Black-owned firms. The transformation levels that have been set must be adhered to in order to participate in the benefits of both the APDP2 and AIS-2. The third component is related to the sustainable development of the South African economy, and includes aspects such as industry growth, employment levels, skills development, and environmentally friendly products and processes. The fourth component is related to the shared prosperity created by the industry, and includes the financial health and wellbeing of firms within the value chain, the fair remuneration of employees, and the holistic contribution of the value chain to the South African fiscus.

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 can 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 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.

Seven workstreams, chaired by the CEOs of **naamsa** member companies, have been established. The industry-required technologies and skills pillar has been divided into two separate workstreams. The workstreams, feeding into the quarterly Executive Oversight Committee meetings, chaired by the Minister of Trade, Industry and Competition, support the execution of the SAAM 2021-2035 to grow the domestic automotive industry, and have gained momentum since 2020.

The APDP2 contains many elements similar to the previous APDP policy regime. The APDP2 consists of the following four pillars that drive the programme:

- Import Duty (domestic industry protection)
- Volume Assembly Localisation Allowance (VALA) (duty rebate mechanism)
- Production Incentive (PI) (duty rebate mechanism)
- Automotive Investment Scheme (AIS) (cash grant)

The four key elements of the APDP2 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 25% on light vehicles and 20% on original equipment components through to 2035. A preferential agreement under the SADC-EU EPA has resulted in imported vehicles from the EU paying only 18% duty. These tariffs are meant to provide adequate protection to justify continued domestic vehicle manufacturing. The purpose of the tariff structure under the APDP2 is to incentivise industry, and not to generate revenue.

Volume Assembly Localisation Allowance (VALA): This support is based on local value-addition. The VALA is set at 35% of local value-add for OEMs above 10 000 vehicles produced annually per plant from 2026 on. Transition was set at 40% in 2021, and will reduce annually to 35% by 2026. This will provide a support level of 3,2% at 40% local content but could increase to 4,2% if local content increases to 60%.

Production Incentive (PI): Government has 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 APDP2 will also support the export of SKD kits to regional markets, provided that the kit comprises a complete vehicle. The production incentive benefit on components has been increased from 20% to an effective 25% by increasing the benefit factor for components from 50% to 62,5%. This results in a 5% support level at 20% duty. For OEMs manufacturing vehicles, the PI remains at 50% at a duty rate of 25% (also 5% support at a 40% LVA). Duty credits in the form of a Production Rebate Certificate (PRC) will replace Production Rebate Credit Certificates (PRCCs) under the APDP2. The vulnerable status PI benefits of high material content products, which have received additional support from the transition from the MIDP to the APDP, have been removed.

“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 OEM production incentive is calculated through the supply chain, and is earned by the OEM who pays the suppliers’ import duty via a quarterly duty account. In the case of suppliers, the component manufacturer earns the rebates for component exports and/or the manufacture of replacement parts.

Automotive Investment Scheme (AIS):

The AIS is designed to grow and develop the automotive industry through investment in new and/or replacement models and automotive components that will increase plant production volumes, sustain employment and/or strengthen the automotive value chain. The AIS represents the only industry support that is of physical cost to the fiscus in the form of 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. Investments in NEV projects can earn a cash grant of 30%. This support is available to encourage investments by OEMs and component manufacturers in a manner that supports productive capacity upgrading. For an OEM to claim the AIS, a minimum annual volume of 50 000 units is required.

The total investment approved since the inception of the AIS until the end of 2021, amounts to R86,8 billion, while the sum total of incentives approved since inception amounts to R23,5 billion. Since inception, 639 projects have been approved under the AIS, creating 23 279 additional jobs. The DTIC implemented a change to the AIS guidelines in 2017, applicable to all new applications approved from 1 September 2017, which requires applicants to maintain base-year employment levels throughout the entire incentive period from the application stage until claim periods.

A competitiveness improvement cost grant of 15% of qualifying costs will also be available for automotive component manufacturers. The objective of this benefit is to enhance the competitiveness of component manufacturers through the improvement of processes, products, quality standards, and related skills development through the use of business development services. The grant is a function of the expenditure incurred by component suppliers to improve competitiveness and must be linked to a new or replacement model of a light vehicle manufacturer.

The SAAM 2021-2035 also covers medium and heavy commercial vehicles, but VALA and PI incentives do not apply to the MCV/HCV assembly operations. The APDP2 applies to only light vehicles (passenger cars and light commercial vehicles), although components produced for heavy commercial vehicles also qualify for the PI as does the manufacture of local tooling. A PI, under the same regulations as applicable to light vehicles, can be earned on components produced for trucks. The PI, however, is earned by the component manufacturer and is 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% import duty, which is lower than the level on light commercial vehicles and passenger cars, which attract an import duty of 25% as well as a maximum ad valorem duty of 30%, depending on the free-on-board (FOB) value. Domestic assembly operations of trucks and buses, based on a SKD definition, 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.

As far as the NEV Road Map for South Africa is concerned, this is covered in the SAAM 2035, as the power train of the specified vehicles is not limited to ICE vehicles. It is imperative that the domestic market grows and increasingly sells NEVs, broadly in alignment with leading global markets. However, it is similarly important that the South African automotive value chain continues to develop in alignment with the objectives of the SAAM.

The automotive industry has the potential to catalyse South Africa's industrial development, hence, the ambitious targets set in the SAAM. While these may not be fully achievable given the impact of COVID-19 and the weak performance of the South African economy over recent years, the SAAM and its aspirational targets should remain critical guiding frameworks to drive decision-making in the automotive policy space. The South African 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.



		
<p>AUTOMOTIVE INVESTMENT HOLDINGS (Pty) Ltd</p> <p>AIH is a global business consulting and manufacturing company, covering all disciplines of the automotive value chain.</p> <p>Key service offerings include:</p> <ul style="list-style-type: none"> • Feasibility studies and business plans • Planning and implementation of Semi- and Complete Knock Down assembly operations • Supplier development and localisation • Logistics and supply chain planning and implementation • Infrastructure, plant and equipment planning and implementation • Business development and market strategies • Process and System Engineering <p><i>"Adding value across the automotive value chain"</i></p> <p>Contact Details Tel: +27 (79) 897 5214 Email: corrie@autoih.co.za johan@autoih.co.za Website: http://www.autoih.co.za</p>	<p>JFS TECHNOLOGY (Pty) Ltd</p> <p>JFS is a professional consultancy, which specializes in government policy formulation, government incentive administration and strategic planning to the automotive sector in Southern Africa and Africa.</p> <ul style="list-style-type: none"> • Incentive administration and optimization – a secure and highly successful administration and trading platform, customized to the needs of the OEM and component manufacturing clients, such as AIS, APDP and PI • Customs services – opinions and various specialized customs services involving duty and ad valorem minimization for our clients in the OEM and component manufacturing sectors • Government policy formulation – involved in policy formulation in SADC, ECOWAS and EAC • B-BBEE strategy solutions to improve scorecard of foreign owned OEMs and Tier 1 suppliers <p><i>"Automotive Industry Specialists"</i></p> <p>Contact Details Tel: +27 (82) 550 7683 Email: jcloete@jfstechology.co.za rcloete@jfstechology.co.za ecloete@jfstechology.co.za Website: http://www.jfstechology.co.za/</p>	<p>The PAC Group SA (Pty) Ltd</p> <p>Globally-integrated Automotive Engineering, Program and Construction Management & Process Consulting firm operating in 18 countries & 7 continents.</p> <p>PAC leverages its wide-ranging global expertise to deliver programs efficiently in both emerging and developed markets.</p> <p>PAC's expertise is from concept / feasibility phase through to project launch:</p> <ul style="list-style-type: none"> • Program Management • Construction Management • Manufacturing Engineering • Supply Chain services • Business Strategy and Transformation consulting • Product Engineering and Design • Plant Establishment and Launch <p><i>"Integrated Globally > Implementing Locally"</i></p> <p>Contact Details Tel: +27 (82) 550 3342 +27 (79) 897 5214 Email: paulo.fernandes@pacgroup.com johan.de.jager@pacgroup.com Website: http://www.pacgroup.com/</p>

GLOBAL NEW VEHICLE MARKET ENVIRONMENT

Mobility patterns across the world are influenced by mega trends, global events, changing work environments, and shifting industry structures, all of which have a direct correlation with vehicle utilisation preferences. The impact of the COVID-19 pandemic is still evolving and is expected to continue affecting the automotive industry for the foreseeable future. In the short term, reduced vehicle usage would be a direct outcome. Consequently, a sustained ripple effect on private vehicle sales, public transport, new mobility solutions adoption, trip patterns, urbanisation and infrastructure requirements could disrupt the entire automotive industry. The evolving dynamics are expected to significantly impact overall mobility patterns in the foreseeable future. Businesses, therefore, have to identify ways to overcome the potential challenges and create a growth matrix to fuel success, seek to capitalise on new growth avenues, create smart business models, and embrace the new-age transformations taking over the changing landscape.

In 2021, COVID-19 continued to impede personal mobility needs, while supply chain disruptions slowed down the post-pandemic recovery of the global new vehicle market. The intensifying global semi-conductor shortage continued to limit vehicle production around the world. Global vehicle production increased by a modest 3,1% to reach 80,2 million vehicles in 2021, up from the 77,7 million units produced in 2020, but it was still 13,0% below the pre-COVID-19 level of 92,2 million vehicles in 2019. Vehicle production increased in all major regions in 2021, except for the EU, which reflected a year-on-year decline of 5,0%.

Globally, passenger car production increased by 2,0%, from 55,9 million units in 2020 to 57,1 million units in 2021. Light commercial vehicle production increased by 8,0%, from 17,2 million units in 2020 to 18,6 million units in 2021, heavy commercial vehicle production reflected a decline of 1,3%, from 4,4 million units in 2020 to 4,3 million units in 2021, while bus production reflected a decline of 9,6%, from 220 151 units in 2020 to 199 063 units in 2021. Seventeen countries exceeded the one million vehicle production mark in 2021, up from 15 in 2020, which is regarded as the international benchmark. China comfortably remained the world's biggest market with vehicle production of 26,1 million units in 2021, followed by the US with production of 9,2 million units, while Japan retained the number-three slot with production of 7,8 million units. In 2021, India at number four and Korea at number five surpassed Germany in the global vehicle production rankings.

South African vehicle production increased by 11,8%, from 446 215 units produced in 2020 to 499 087 units produced in 2021, exceeding the global year-on-year increase in global vehicle production of 3,1% in 2021. Subsequently the country's global vehicle production ranking improved to 21st in 2021 and its global market share increased to 0,62%. 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 499 087 vehicles, or 53,6% of the total African vehicle production of 931 056 vehicles in 2021.

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. The South African automotive industry's growth strategies have been focused on becoming highly integrated into the global automotive environment on the back of increased foreign direct investment and trade. Under the SAAM 2021-2035, the objective is to produce 1% of global vehicle production, or 1,4 million vehicles, per annum 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 2021 and 2022.

Global vehicle production by country – 2020 to 2021

Country	Total units produced 2020	Total units produced 2021	Passenger cars	Commercial vehicles
1. China	25 225 242	26 082 220	21 407 962	4 674 258
2. USA	8 821 026	9 167 214	1 563 060	7 604 154
3. Japan	8 067 943	7 846 955	6 619 242	1 227 713
4. India	3 381 819	4 399 112	3 631 095	768 017
5. South Korea	3 506 774	3 462 404	3 162 727	299 677
6. Germany	3 742 570	3 308 692	3 096 165	212 527
7. Mexico	3 177 251	3 145 653	708 242	2 437 411
8. Brazil	2 014 055	2 248 253	1 707 851	540 402
9. Spain	2 268 185	2 098 133	1 662 174	435 959
10. Thailand	1 427 074	1 685 705	594 690	1 091 015
11. Russia	1 435 551	1 566 317	1 352 740	213 577
12. France	1 316 371	1 351 308	917 907	433 401
13. Turkey	1 297 878	1 276 140	782 835	493 305
14. Indonesia	690 176	1 121 967	889 756	232 211
15. Canada	1 376 127	1 115 002	288 235	826 767
16. Czech Republic	1 159 151	1 111 432	1 105 223	6 209
17. Slovakia	990 598	1 000 000	1 000 000	0
18. UK	987 044	932 488	859 575	72 913
19. Iran	880 997	894 298	838 251	56 047
20. Italy	777 057	795 856	442 432	353 424
21. South Africa	446 215	499 087	239 267	259 820
Global	77 711 725	80 154 988	57 054 295	23 100 693

Source: **naamsa**/ Lightstone Auto, OICA

A world of choice is available in today's new vehicle market with more than 400 different models available, while 14 major global corporations control more than 60 brands globally. Although developed economy markets continue to lead the development of the global automotive industry in terms of technology, safety and environmental standards, the future growth of the industry is likely to be strongly driven by emerging and middle-income markets. This is borne out by the fact that China alone was responsible for the major share of global vehicle consumption growth over the past decade, and that the existing profile of vehicle ownership densities in developing and developed economies points to strong emerging economy demand growth over the next 20 years.

In 2021, the global new vehicle market stabilised, increasing by 5,0%, from 78,8 million units in 2020 to 82,7 million units in 2021. Considering that the pandemic and the global semi-conductor shortage had a combined negative effect, the performance can be regarded as acceptable, although there is still a difference of 8,5 million units fewer sales than the pre-pandemic level.



Global vehicle sales by region – 2020 to 2021

Region	Total sales 2020	Total sales 2021	% change 2021/2020
Europe	16 712 898	16 874 893	+1,0%
North America	17 445 480	18 160 120	+4,1%
South America	3 369 352	3 841 032	+14,0%
Africa	924 046	1 145 007	+23,9%
Asia	40 322 544	42 663 736	+5,8%

Source: OICA

China remained the world's biggest market for new vehicles, with sales increasing by 3,8% to 26,3 million units in 2021, mainly due to the popularity of EVs, staying ahead of the US that saw sales increasing year-on-year by 3,5% to 15,4 million units, while Japan retained the number-three slot, despite sales declining year-on-year by 3,3% to 4,4 million units. The bulk of markets recovered slightly in 2021, despite the twin threats of COVID-19 and the global shortage of semi-conductors, with significant double-digit growth in major markets such as India and Australia. In Europe, the chip shortage affected the availability of new passenger cars sales, setting an unenviable record in 2021 – the worst for 36 years – as the market slumped to a level not seen since 1985. Germany, the major market in the region, spearheaded the decline, down by 10,1%.

Toyota, with increased year-on-year sales of 10,1%, retained its position as the leading vehicle manufacturer in the world with sales of 10,5 million units in 2021, ahead of the Volkswagen Group, which recorded 8,9 million sales. Toyota's figures include Hino trucks and those of minicar manufacturer Daihatsu, while the VW Group includes MAN and Scania trucks, and a Commercial Vehicles Division.

NEV sales have been particularly impressive over the last three years, even as the global pandemic shrank the market for conventional cars, and as manufacturers started grappling with supply-chain bottlenecks. The net growth in global car sales in 2021 came from NEVs. In 2020, the overall car market contracted, but NEV sales bucked the trend, rising to 3,24 million units, representing 6,0% of total passenger car sales. In 2021, NEV sales more than doubled to 6,6 million, representing 11,7% of the global passenger car market, and more than tripling their market share from two years earlier. The demand continues to soar thanks to the boost from the Chinese market, Tesla and Volkswagen Group.

China accounted for more than half of all electric cars sold, but there is also strong growth in Europe and the US. China led the global growth in the NEV markets in 2021, as sales nearly tripled to 3,4 million units. In other words, more NEVs were sold in 2021 in China alone, than were sold in the entire world in 2020. The Chinese government's official target is for NEVs to reach a market share of 20% in 2025, and their performance in 2021 suggests they are well on track to do so. The government extended NEV subsidies for a further two years after the pandemic broke out, albeit with a planned reduction of 10% in 2021, and 30% in 2022.

In Europe, NEV sales increased by nearly 70% in 2021, to 2,3 million units, with about half these plug-in hybrids. This is significant to South African vehicle manufacturers, as Europe is the country's main new vehicle export market. The surge in NEV sales in Europe in 2021 was partially driven by new carbon dioxide (CO₂) emissions standards. Purchase subsidies for NEVs were also increased and expanded in most major European markets.

The US made an impressive return to the NEV market in 2021, as sales more than doubled to surpass half a million units to double their market share to 4,5%. The US electric car market is still mostly dominated by Tesla, which accounts for more than half of all NEVs sold.

Overall, China, Europe and the US account for roughly two-thirds of the overall car market, but around 90% of electric car sales. In contrast, the market for electric cars is barely growing in Africa, Brazil, India, Indonesia and Japan. The price premium attached to electric cars and a lack of charging infrastructure are key reasons for the sluggish uptake.

Government policies remain the key driving force for global electric car markets, but their dynamism in 2021 also reflects a very active year on the part of the automotive industry. Targets and new model launches have helped strengthen the view that the future of cars is electric. NEVs have become the road transport technology of choice for many governments and the automotive industry. The US government in November announced an ambitious 50% electrification target for new cars by 2030, supported by the announcement of the installation of 500 000 charging points to help increase consumer confidence. In Europe, the EU Commission proposed bringing the CO² emission standard for new cars to zero by 2035. At the same time, several OEMs also announced electrification targets. As manufacturers sharpen their electrification strategies to compete for market share rather than considering NEVs mostly as policy compliance vehicles, more resources will be devoted to advertising, increasingly aggressive pricing and the development of ever more attractive electric models.

The global shortage of semi-conductors is problematic for NEVs, which require around twice as many chips as equivalent conventional vehicles, mostly owing to additional power electronics components. It is possible that without these disruptions, NEV sales could have been even higher in 2021. The current Russia-Ukraine conflict is anticipated to severely impact global NEV battery-cell production, as Ukraine is the world's third-largest producer of nickel and aluminium, two precious resources necessary in battery and NEV components. Ukraine also produces almost 70% of the world's neon gas needed for components such as chips, which are already suffering a global shortage. However, according to research firm IHS Markit, NEV sales will account for approximately 40% of the market by 2030, more than 50% by 2035, and up to 100% by 2050.

NEV sales will account for
approximately 40% of the
market by 2030, more than
50% by 2035, and up to
100% by 2050.

EXPORTS TO REGIONS

According to the World Bank, global economic growth is expected to decelerate markedly from 5,5% in 2021 to 4,1% in 2022 while the IMF has cut its global GDP forecast to 4,4%. The slowdown will coincide with a widening divergence in growth rates between advanced economies and emerging and developing economies. Growth in advanced economies is expected to decline from 5% in 2021 to 3,8% in 2022, and 2,3% in 2023, a pace that, while moderating, will be sufficient to restore output and investment to their pre-pandemic trend in these economies. In emerging and developing economies, however, growth is expected to drop from 6,3% in 2021 to 4,6% in 2022, and 4,4% in 2023. In addition, a notable deceleration in major economies, including the US and China, will weigh on external demand in emerging and developing economies. The downward revision for 2022 reflects various downside risks, including new COVID-19 variants, unanchored inflation expectations, and financial stress due to monetary policy tightening by major central banks. These challenges underscore the need to foster widespread vaccination, enhance debt sustainability, tackle climate change and inequality, and diversify economic activity.

Global trade policy can play an important and positive role in addressing these challenges if it is framed by the principles of fairness, equity, inclusivity and development. South Africa is a member of the 164-member World Trade Organisation (WTO) and supports the principles of a rules-based multilateral trading system, where independent arbitration rather than power relations resolves disputes. The key to the legitimacy and sustainability of the WTO lies in its ability to advance the developmental interests of developing countries that will constitute new sources of global growth and prosperity in the world economy. Meeting this challenge will serve to strengthen the multilateral, rules-based trading system, enhance its legitimacy and also create the basis for economic growth from which all WTO members can benefit.

South Africa's bilateral engagements are focused on expanding opportunities for higher value-added exports and encouraging inward investment to support its industrial policy objectives. South Africa has advantageous access to world markets through free trade agreements with major markets such as Europe and the UK, and a preferential trade arrangement with the US. South Africa is also a member of the Southern African Development Community (SADC) and the Southern African Customs Union (SACU). The country is seen to be a geographic gateway to the rest of the continent, and is strategically positioned for access to the African market. South Africa's trade negotiations are conducted alongside its country partners in SACU, comprising Botswana, eSwatini, Lesotho, and Namibia, following the renewed SACU Agreement in 2004 that requires SACU to negotiate all trade agreements as a bloc. SACU, at present, enjoys free trade agreements (FTAs) with the 27-country EU, the UK, as well as the European Free Trade Association (EFTA) comprising Iceland, Lichtenstein, Norway and Switzerland. SACU is also part of the 15-country SADC free trade area, has a preferential trade agreement (PTA) with the Common Market of South America (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.

The tables on the following pages reveal the South African automotive industry's trade patterns with major trading blocs, including the EU, which remains the South African automotive industry's main trading partner, Africa, SADC, the US-Mexico-Canada Agreement (USMCA) region, and Mercosur.



European Union (EU)

The European Union (EU), as a bloc, remained South Africa's largest trading region in 2021, with the Economic Partnership Agreements (EPAs) with the EU and the UK underpinning these relationships. The EU, along with the UK, accounted for R124,7 billion, or 60,1%, of total automotive exports of R207,5 billion. Considering that 49,6% of the total automotive component export value, and 77,1% of the domestic automotive industry's vehicle export volume were destined for the EU in 2021, developments in the region have a measurable and direct impact on the South African automotive industry. The transition to eco-friendly vehicles via government regulation, the pricing of carbon in the form of a tax on ICE vehicles, government-provided consumer incentive schemes, the availability of charging infrastructure, and an even stronger environmental consciousness among society in the EU are driving developments in the domestic automotive industry to a large extent.

According to the International Organisation of Motor Vehicle Manufacturers (OICA), vehicle production in the EU declined by 5,0%, from 13,80 million units in 2020 to 13,10 million units in 2021. Germany, with vehicle production of 3,31 million units, led the region's production, followed by Spain with 2,10 million units, and France with 1,35 million units.

New vehicle sales in the EU increase by a modest 0,1% from 13,63 million units in 2020 to 13,64 million units in 2021, which was still 23,7% below the pre-pandemic level of 17,88 million units in 2019. The impact of the chip shortage on vehicle output impacted negatively on the EU's sales performance. Germany, the major market in the region, reflected a year-on-year decline of 9,0% in 2021. While the supply chain disruptions hindered the sales of traditional models in 2021, over 20% of new cars sold in the EU in 2021 were 100% electric. The surge in NEV sales in Europe in 2021 was partially driven by new CO² emission standards. Purchase subsidies for NEVs were also increased and expanded in most major European markets. These developments are significant to the South African OEMs as Europe is the country's main new vehicle export market. The motorisation rate in the EU is at 580 vehicles per 1 000 persons. The following tables reveal the EU's vehicle production and sales for 2020 and 2021, as well as the vehicle production and sales for the top five vehicle production countries in the region.

EU vehicle production and sales – 2020 to 2021

	2020	2021	% change 2021/2020
Vehicle production	13 797 533	13 101 506	-5,0%
Vehicle sales	13 629 773	13 643 798	+0,1%

Source: OICA

Vehicle production and sales – top EU countries – 2020 to 2021

Country	Vehicle production		Vehicle sales	
	2020	2021	2020	2021
Germany	3 742 570	3 308 692	3 266 759	2 973 319
Spain	2 268 185	2 098 133	1 030 718	1 034 063
France	1 316 371	1 351 308	2 100 030	2 142 284
Czech Republic	1 159 151	1 111 432	228 834	236 221
Slovakia	990 598	1 000 000	84 909	87 349

Source: OICA

An EPA between a group of countries in SADC and the EU entered into force on 10 October 2016, replacing the Trade Development and Cooperation Agreement (TDCA). The SADC EPA group of countries does not consist of the entire SADC bloc, but rather members of the SACU, namely, Botswana, eSwatini (formerly Swaziland), Lesotho, Namibia, and South Africa, plus Mozambique, with an option for Angola to join in the future. The EPA has a strong focus on regional integration and the fostering of regional value chains in the SADC EPA group of countries. While the SADC-EU EPA is a reciprocal trade agreement, meaning both the EU and the SADC EPA group offer preferential market access to each other, the EU provides greater preferential and duty-free access, while the SADC EPA group are allowed to maintain protection of sensitive sectors. Recently, the terms of the EU EPA have been replicated under a new and separate EPA with the UK, which entered into force on 1 January 2021. This has allowed for the continuation of preferential trade between South Africa and the UK after Brexit. The new trade agreement with the UK is called the SACUM–UK EPA, which will replace the previous legal framework for SACUM–UK trade under the SADC–EU EPA.

Up to 2016, trade was 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, 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.

To progress 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 FTA has a number of benefits for 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 R837,1 million in 2021, up from the R663,6 million in 2020.

The following table reveals that total automotive exports (vehicles and components) to the EU amounted to R124,7 billion in 2021, up by R19,7 billion, or 18,8%, if compared to the R105,0 billion export value in 2020. Exports in Euro terms increased by 27,5% year-on-year in 2021, reflecting a substantial increase in real terms. Vehicle exports to the EU increased in volume terms by 16,4%, from the 197 355 units exported in 2020 to 229 672 units exported in 2021, and in value terms increased by R11,66 billion, or 14,8%, from R78,76 billion in 2020 to R90,42 billion in 2021. Automotive component exports increased by R8,04 billion, or 30,6%, from the R26,28 billion exported in 2020 to R34,32 billion in 2021, mainly due to the substantial increase in catalytic converter exports to the region. Exports to the 13 new member countries, now forming part of the expanded EU, comprised a significant R11,35 billion, or 9,1% of the R124,7 billion export value in 2021, compared to the R9,57 billion export value in 2020.

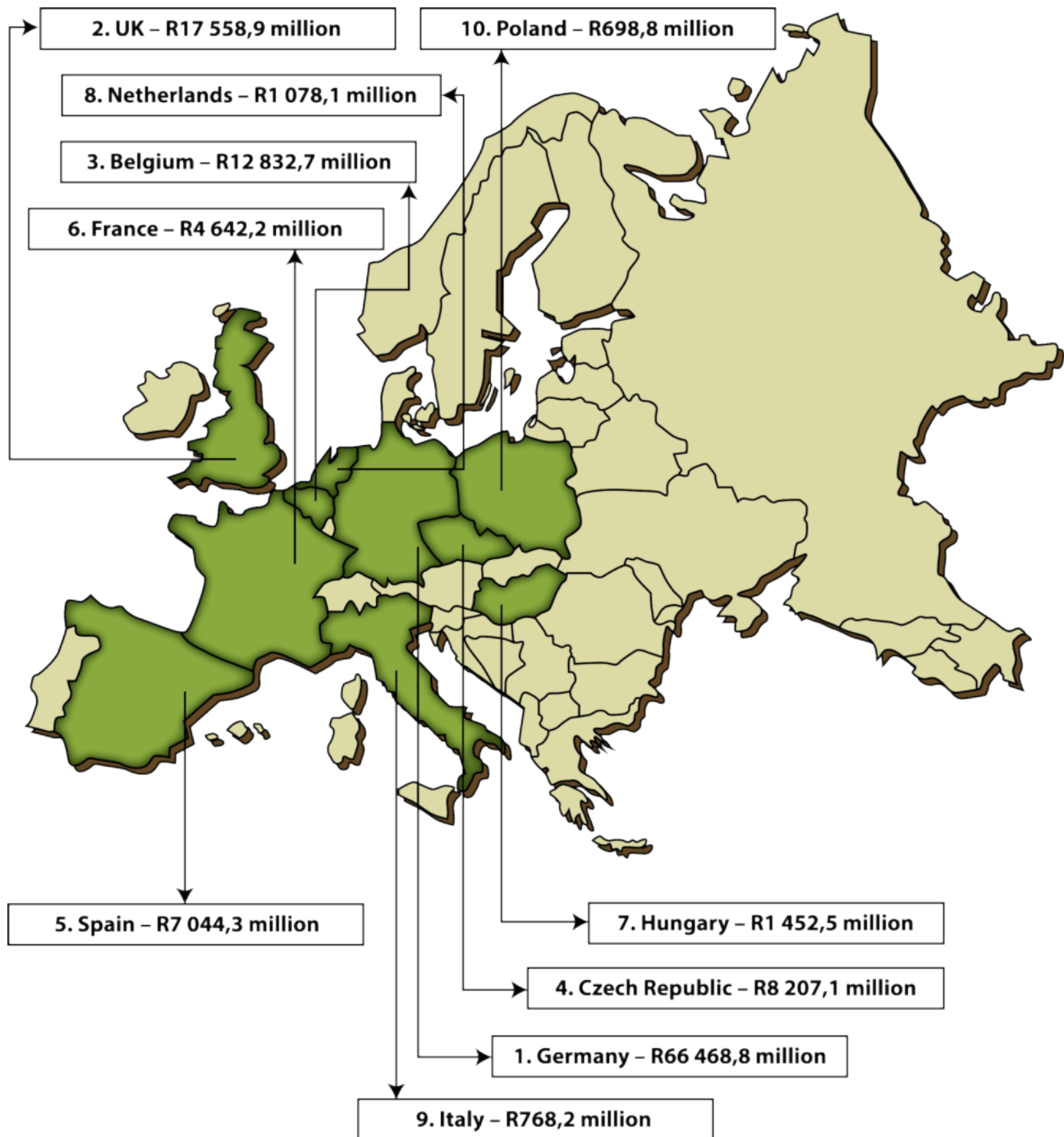


Exports to the EU by product category – 2017 to 2021

Component	2017	2018	2019	2020	2021
Total (R million)	85 908,4	105 218,0	129 702,8	105 040,7	124 749,5
Total (average Euro million)	5 712,0	6 744,7	8 021,2	5 596,2	7 136,7
Air conditioners	2,8	3,9	0,8	7,2	1,3
Alarm systems	8,0	6,5	16,9	5,1	7,1
Automotive glass	349,4	418,8	413,7	423,5	438,3
Automotive tooling	258,6	217,4	208,3	210,5	205,6
Axles	300,2	268,2	406,4	309,2	443,0
Batteries	3,3	6,3	28,4	55,3	46,9
Body parts / panels	126,0	139,7	337,5	74,0	102,5
Brake parts	65,3	99,6	74,3	38,2	22,1
Car radios	3,9	0,8	0,2	0,3	0,2
Catalytic converters	13 769,4	14 129,6	15 153,2	18 801,8	25 372,8
Clutches / shaft couplings	386,6	372,4	347,8	345,0	405,6
Engines	64,8	64,9	35,2	47,6	156,1
Engine parts	961,3	1 197,8	1 353,8	791,1	1 616,1
Filters	211,1	210,6	168,7	199,0	229,2
Gaskets	35,2	33,0	25,8	24,6	37,3
Gauges / instruments / parts	44,1	53,9	53,7	19,4	23,8
Gear boxes	15,4	19,5	17,6	35,0	22,3
Ignition / starting equipment	23,9	40,4	33,9	27,4	20,5
Jacks	2,2	1,4	1,0	0,7	0,9
Lighting equipment / parts	126,8	134,4	128,6	74,0	92,5
Radiators / parts	883,6	965,2	847,4	750,1	716,1
Road wheels / parts	267,0	206,2	191,8	91,5	41,5
Seats	3,1	2,3	3,1	5,9	4,3
Seat belts	0,5	0,6	1,0	0,9	1,2
Shock absorbers / suspension parts	434,1	453,5	410,2	321,5	278,8
Silencers / exhausts	295,8	276,5	211,8	124,2	188,7
Springs	8,8	12,4	15,6	26,1	25,6
Steering wheels / columns / boxes	11,8	12,2	8,6	11,6	13,6
Stitched leather seats / parts	438,2	448,5	160,2	53,9	23,7
Transmission shafts	158,4	150,6	155,1	131,7	141,6
Tyres	707,6	824,6	784,3	793,5	953,7
Wiring harnesses	34,8	22,5	21,4	24,7	30,4
Other parts	2 559,4	2 657,7	3 196,0	2 454,1	2 660,0
Light vehicles	63 318,6	81 759,5	104 888,0	78 759,0	90 396,0
Medium / Heavy vehicles	28,4	6,6	2,5	3,1	30,2

Source: AIEC, SARS

Top export destinations in the EU with export values – 2021 (R million)



Source: AIEC, SARS

Africa

The African continent remains a priority focus for the South African automotive industry, as the continent comprised its second-largest export region in 2021, accounting for R34,96 billion, or 16,8% of the country's total automotive exports of R207,5 billion. The International Monetary Fund's outlook for sub-Saharan Africa suggests a positive economic growth trajectory for 2022, although it will lag behind other regions in the world. It is estimated that the economy of the sub-Saharan region will grow by 3,8% in 2022, up from 3,7% in 2021. Global trends will largely shape the recovery, supported by favourable external conditions related to trade and commodity prices. However, it needs to be recognised that Africa is not comprised of homogenous countries. Instead, some smaller country economies that are diversified, that have governments working to attract investment, building key infrastructure, and enhancing manufacturing and services are expected to achieve above 6% growth. The laggards are some big African nations that rely mainly on resources for growth amid the challenging political and security environments.

Vehicle production in Africa increased by 16,4%, from 800 001 units in 2020 to 931 056 units in 2021. The continent's market share comprised 1,16% of global vehicle production in 2021. South Africa with 499 087 units, accounted for 53,6% of Africa's total vehicle production, while Morocco with 403 007 units, Egypt with 23 754 units and Algeria with 5 208 units accounted for the balance. Regarding passenger car production, Morocco with 338 339 units once again surpassed South Africa's 239 267 units produced in 2021.

New vehicle sales in Africa strongly rebounded by 23,9%, from the 924 046 units in 2020 to 1,15 million units in 2021. In South Africa, the continent's dominant market, new vehicle sales increased year-on-year by 22,2% in 2021, while in Egypt it increased year-on-year by 26,4%, and in Morocco by 31,6%. The motorisation rate in Africa is at 45 vehicles per 1 000 persons, which is significantly below the global average of 203 vehicles per 1 000 persons. The following tables reveal Africa's vehicle production and sales for 2020 and 2021, as well as the vehicle production and sales for the top three countries in Africa for 2020 and 2021.

Africa vehicle production and new vehicle sales – 2020 to 2021

	2020	2021	% change 2021/2020
Vehicle production	800 001	931 056	+16,4%
Vehicle sales	924 046	1 145 007	+23,9%

Source: OICA

Vehicle production and sales – top African countries – 2020 to 2021

Country	Vehicle production		Vehicle sales	
	2020	2021	2020	2021
South Africa	446 215	499 087	380 207	464 493
Morocco	328 280	403 007	133 308	175 435
Egypt	23 754	23 754	219 732	277 805

Source: OICA

Trade remains an important driver of economic growth and the means through which African nations can insulate themselves from economic shocks. The continent's bias towards the export of primary commodities, however, reduces the relative developmental value that would accrue from trade in higher value-added manufactured goods. It is evident that Africa has not captured enough trade and growth-enhancing benefits, as its portion of global trade has stagnated below 3%. Initially, the export of primary commodities helped African countries achieve some of the highest growth rates in the world, but this increased their exposure to global volatility and adverse trade shocks.

African economic integration, structural transformation and industrialisation lie at the heart of South Africa's trade policy agenda. Market integration and cross-border infrastructure development should create a dynamic for greater prosperity from which all African economies should benefit. To make significant progress, the continent needs to improve governance, continue with political reforms, enhance transparency, diversify its economy, invest in infrastructure, and proactively seek inbound investment to create more employment opportunities for its people. The pandemic has underpinned the need to expand and deepen regional value chains.

Africa has started to take concrete steps to write its own economic success story by opening up new areas of opportunity. In this context, the African Continental Free Trade Area (AfCFTA) has the potential to not only reduce the region's exposure to global disruptions but to enhance manufacturing and productivity on the continent. The AfCFTA, officially launched on 1 January 2021, has committed countries to eliminate 90% of tariffs on goods, progressively raising trade and services, and addressing a host of non-tariff barriers. As at the end of January 2022, 54 of the 55 African countries have signed the agreement, with 41 countries having ratified the agreement. Once countries start to trade, their commitments will apply retrospectively from 1 January 2021. If successfully implemented, the AfCFTA will create a single African market for over 1,3 billion persons with a total GDP of about three trillion Dollars which will make Africa the largest free trade zone in the world since the inception of the World Trade Organisation in 1994.

The AfCFTA is an important step in rationalising African regional trade, deepening economic integration and creating economies of scale and regional value chains to accelerate the process of industrialisation of African economies. The AfCFTA will provide new export opportunities for "Made in Africa" products, and enable member countries to trade with each other without tariffs or other hindrances. The enhancement of intra-African trade is essential to mitigate global volatility, and enhance the diversification and competitiveness of economies. Intra-African trade is expected to more than double in the first decade of implementation. An integrated African market is also likely to result in increased flows of FDI to the benefit of the participating economies, and these countries could shift FDI from natural resources to industry and manufacturing, as investors seek out the advantages of increased market size and enhanced economies of scale. The expanded integration of African economies into the global economy will also strengthen the countries' multilateral and bilateral trade positions.

Africa's path to prosperity lies in increased levels of industrial production. The automotive sector, whilst key for the industrialisation of Africa, is often associated with several challenges, including persistent market fragmentation, lack of regulatory alignment between African countries, lack of access to finance for consumers, lack of local component suppliers, and affordability. There is no single strategy which can be duplicated in each country, and each African country is independent which requires companies to develop specific business strategies.

The launch of the AfCFTA enhances pan-African trade and investment opportunities, especially for the automotive industry, and South Africa could capitalise on this, as the country is the biggest contributor to intra-African trade, which better positions it to accrue benefits from interconnected regional markets. It can leverage economies of scale, volume, and improved skill sets to facilitate Africa as an automotive powerhouse. However, the rules of origin for automotive products, an essential step for determining which products should be subject to tariffs and duties, have not been completed yet.

Intra-African trade can be bolstered and diversified by developing the Pan-African Auto Pact, which aims to expand the African new vehicle market from one to potentially five million units, and connecting African regions for the common good. The aim is the establishment of a sub-Saharan African automotive development plan or Automotive Pact, built around South Africa, Nigeria, Kenya, Ghana, Egypt, and potentially, one or two other larger economies. While the African market has one of the highest growth prospects across the world, South Africa is currently the only country in sub-Saharan Africa where vehicle manufacturing has reached the scale able to drive a cumulative process of linkage building. As the leading automotive producer in sub-Saharan Africa, it is essential that South Africa leads this process, while at the same time ensuring that participating countries receive mutual benefit from its establishment. A coalition of interested countries would see the development of manufacturing sites and allied industries and services, both for the OEM and supplier sector, thereby laying the foundation for Pan-African integrated automotive value chains which will incorporate neighbouring countries, thus building a regional and continental production network.

A concerted focus on successfully implementing an accommodative regulatory and policy environment is required to achieve sustained growth in Africa, and to unlock the great potential on the continent. The essence of a successful automotive development policy is to induce the OEM into a dynamic investment path that moves, over time and with achievable volumes of demand, from SKD (light manufacturing) to CKD (significant industrialisation), to integrated production plants (advanced manufacturing).

The independent African Association of Automotive Manufacturers (AAAM) was established in November 2015. It is the only African body focusing on the expansion and deepening of the automotive industry across the continent, by working with governments to shape and implement policies that will attract investors, unlock the economic potential of the continent and align a global network of stakeholders committed to the development of the automotive industry in Africa. To this end, the AAAM is currently assisting a number of prospective African countries with the formulation of automotive policy development options aimed at replicating an automotive ecosystem similar to the South African model, involving OEMs, suppliers, financiers, government and other relevant industry role-players.

The following table reveals South African automotive exports to the African continent. Annual comparisons should note that the 2018 to 2021 total automotive export data to Africa provides two comparisons: one comparison excludes exports to Botswana, eSwatini (formerly 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 includes 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, increased by R3,28 billion, or 18,8%, from R17,42 billion in 2020 to R20,70 billion in 2021, while total automotive exports, including BELN country data, increased by R5,33 billion, or 18,0%, from R29,63 billion in 2020 to R34,96 billion in 2021. Automotive component exports into the continent increased by 15,2%, from R12,58 billion in 2020 to R14,49 billion in 2021. Vehicle exports to African countries increased from 16 987 units in 2020 to 21 825 units in 2021, while the value of vehicle exports increased year-on-year by 20,0% in 2021.



Exports to Africa by product category – 2018 to 2021

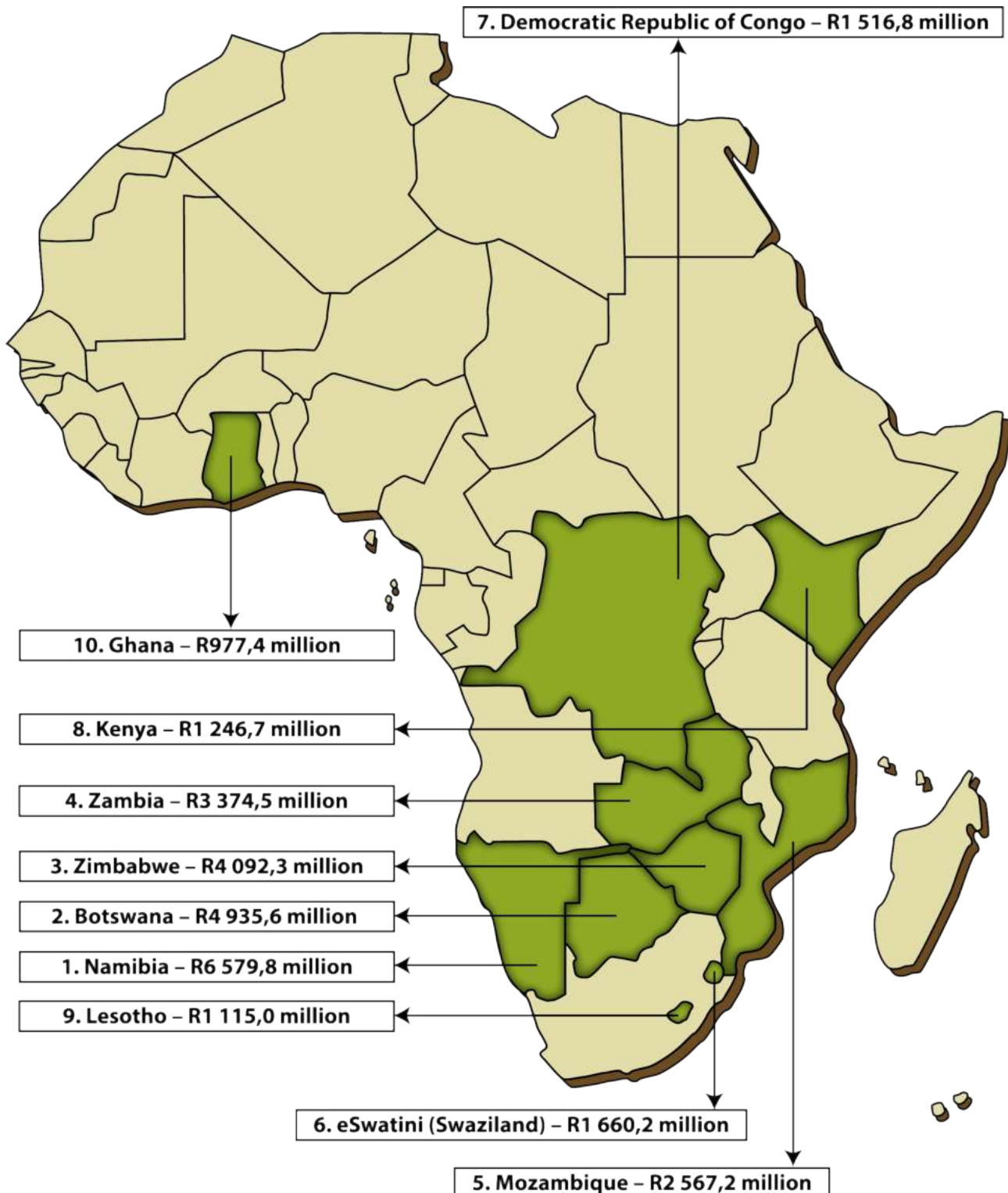
Component	2018*	2019*	2020*	2021*	2018**	2019**	2020**	2021**
Total (R million) including BELN country data					31 689,1**	31 895,5**	29 632,4**	34 961,9**
Total (R million) excluding BELN country data	17 805,7*	17 403,8*	17 422,7*	20 704,8*				
Air conditioners	15,4	22,5	13,2	17,2	32,4	34,6	31,4	31,2
Alarm systems	43,4	51,5	46,1	50,1	64,7	78,4	65,7	74,6
Automotive glass	19,4	30,0	19,1	21,0	85,6	94,5	94,9	84,5
Automotive tooling	235,7	218,8	167,7	236,4	352,7	313,9	250,0	352,8
Axles	127,7	81,3	42,6	79,1	161,9	108,0	69,5	109,5
Batteries	245,6	194,8	201,2	211,5	415,1	376,5	356,0	371,5
Body parts / panels	67,9	59,2	45,6	35,0	145,3	132,5	147,1	111,5
Brake parts	75,6	96,2	89,3	110,1	192,1	212,7	198,7	233,9
Car radios	3,0	2,8	3,0	2,1	17,1	18,1	19,6	19,2
Catalytic converters	114,0	120,2	123,8	123,1	147,0	155,8	165,7	170,4
Clutches / shaft couplings	49,4	56,3	60,5	71,2	128,7	142,4	145,8	163,3
Engines	437,5	343,1	317,5	363,0	606,0	548,3	438,9	447,7
Engine parts	566,8	541,8	510,5	579,2	902,5	882,7	785,8	906,7
Filters	219,4	228,0	182,5	226,4	364,7	372,0	313,4	395,2
Gaskets	73,3	74,2	105,4	128,6	113,3	117,8	143,6	170,0
Gauges / instruments / parts	330,6	354,9	335,1	382,9	445,2	474,7	437,7	513,4
Gear boxes	78,2	108,4	70,6	131,2	141,3	148,4	108,7	185,8
Ignition / starting equipment	84,6	102,0	108,6	96,6	211,8	233,1	242,6	238,2
Jacks	20,3	17,3	21,6	24,6	28,8	30,9	29,1	34,1
Lighting equipment / parts	59,6	58,6	54,5	85,5	132,3	128,4	114,5	160,0
Radiators / parts	51,3	48,3	63,8	39,3	110,8	102,4	109,3	96,4
Road wheels / parts	29,4	39,7	29,3	41,2	70,0	78,3	55,4	68,4
Seats	9,3	14,3	11,5	16,4	22,1	27,1	22,4	25,6
Seat belts	2,9	2,4	3,1	3,2	6,4	6,2	6,0	5,8
Shock absorbers / suspension parts	43,4	42,8	38,4	57,6	119,5	129,2	108,4	125,9
Silencers / exhausts	8,2	8,7	7,3	9,0	17,3	16,5	14,3	18,6
Springs	15,5	13,2	20,1	23,4	23,7	22,8	28,8	33,4
Steering wheels / columns / boxes	12,2	11,5	15,9	21,8	37,3	35,1	39,7	51,7
Stitched leather seats / parts	7,1	6,6	5,4	8,9	19,2	18,3	14,2	19,9
Transmission shafts	456,9	437,3	523,0	603,0	654,5	627,4	704,4	818,6
Tyres	770,1	573,1	575,6	682,8	1 486,6	1 278,4	1 205,6	1 320,9
Wiring harnesses	19,6	20,4	21,8	23,3	53,6	66,0	64,2	67,3
Other parts	3 279,8	3 307,8	3 512,4	3 969,1	5 814,3	5 913,9	6 048,7	7 066,3
Light vehicles	7 583,5	7 679,2	7 743,4	9 736,0	14 324,7	14 579,4	13 125,2	15 731,8
Medium / Heavy vehicles	2 649,1	2 436,6	2 333,3	2 495,0	4 240,6	4 390,8	3 927,1	4 737,8

Source: AIEC, SARS

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

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

Top export destinations in Africa with export values – 2021 (R million)



Source: AIEC, SARS

Southern African Development Community (SADC)

The South African automotive industry's exports to the Southern African Development Community (SADC) comprised R28,36 billion, or 81,1%, of its total export value of R34,96 billion to the African continent in 2021. In addition to completely built-up vehicles and automotive component exports, the domestic automotive industry has also been expanding its footprint in Africa by starting to export semi-knocked-down (SKD) kits for assembly in some countries. For South Africa to reap the benefits of an export-driven economy, the emphasis should be on resolving infrastructure bottlenecks, strengthening the corridor logistics network by reducing unnecessarily high transport-related costs, and ensuring the deeper regional integration of goods and services.

Increasing the export market footprint with value-added automotive products on the African continent would enhance the South African automotive industry's net trading position, as well as value addition within the domestic manufacturing output. SADC countries have consistently featured as top export destinations for automotive products over the past three decades, mainly due to close proximity, relatively easy access by road and rail, and free trade, subject to rules of origin. South Africa's participation in the SADC allows access to a market of approximately 363 million people and an estimated regional GDP of US\$627 billion. The export value of vehicles and automotive components to eight of the 15 countries within SADC exceeded the R1 billion level in 2021.

The SADC includes the following 15 countries: Angola, Botswana, Democratic Republic of Congo, eSwatini (formerly Swaziland), Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Tanzania, Zambia and Zimbabwe. South Africa joined the 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, thereby improving investment and productivity in the region. The SADC-FTA was launched in 2008, when 85% of the tariff lines became duty-free. 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. Currently, Angola and the Democratic Republic of Congo remain outside the agreement, but during 2020 Angola sought accession to the SADC Protocol on Trade.

The current long-standing regional integration initiatives between the countries of southern Africa include the Southern African Customs Union (SACU) with the member states of Botswana, eSwatini, Lesotho, Namibia and South Africa, and a free trade area among the SADC countries. Regional market development is one of the six key pillars under the SAAM 2021-2035. The benefits of regional integration include freer movement of goods, increased levels of intra-regional trade, exposure to a larger market, and economic development.

Regarding the Tripartite Free Trade Area (TFTA) including the SADC, the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA), the negotiations for regional integration preceded the start of the negotiations for the AfCFTA. The two important elements discussed were the rules of origin and offers for the elimination of import tariffs between countries, to create preferential market access. Rules of origin are an integral part of any preferential trade agreement, and are essential to avoid trade deflection and ensure that sufficient value is added in a manufacturing process to warrant

tariff preferences. As each of the three Regional Economic Communities (RECs) currently has their own set of rules of origin, particularly with regard to the automotive industry, and an FTA can ultimately have only one set of rules, this means that the current rules have to be consolidated. The TFTA was recognised as one of the stages towards the establishment of the AfCFTA. The development of the AfCFTA, however, occurred at such a speed that it overtook any progress that had been made under the TFTA. The TFTA has not entered into force but the AfCFTA, which was negotiated after the TFTA, has entered into force.

The following table reveals South Africa's automotive exports to SADC. Annual comparisons should take account of the following: the 2018 to 2021 total automotive export data to SADC provides two comparisons – one comparison excludes exports to Botswana, eSwatini (formerly Swaziland), Lesotho and Namibia, in line with the revised publishing format of South African trade data provided by SARS, and the other comparison includes exports to BELN countries 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, increased by R2,26 billion, or 19,1%, from R11,84 billion in 2020 to R14,10 billion in 2021. Total automotive exports, including BELN country data, increased by R4,31 billion, or 17,9%, from R24,05 billion in 2020 to R28,36 billion in 2021. The increase can mainly be attributed to the 17,0% year-on-year increase to South Africa's four customs union partners in SACU, from R12,21 billion in 2020 to R14,29 billion in 2021. New vehicle sales to Botswana, eSwatini, Lesotho and Namibia increased by 13,0% from 14 579 units in 2020 to 16 469 units in 2021.

New vehicle sales to
Botswana, eSwatini, Lesotho
and Namibia increased by
13,0% from 14 579 units in
2020 to 16 469 units in 2021.

Exports to SADC by product category – 2018 to 2021

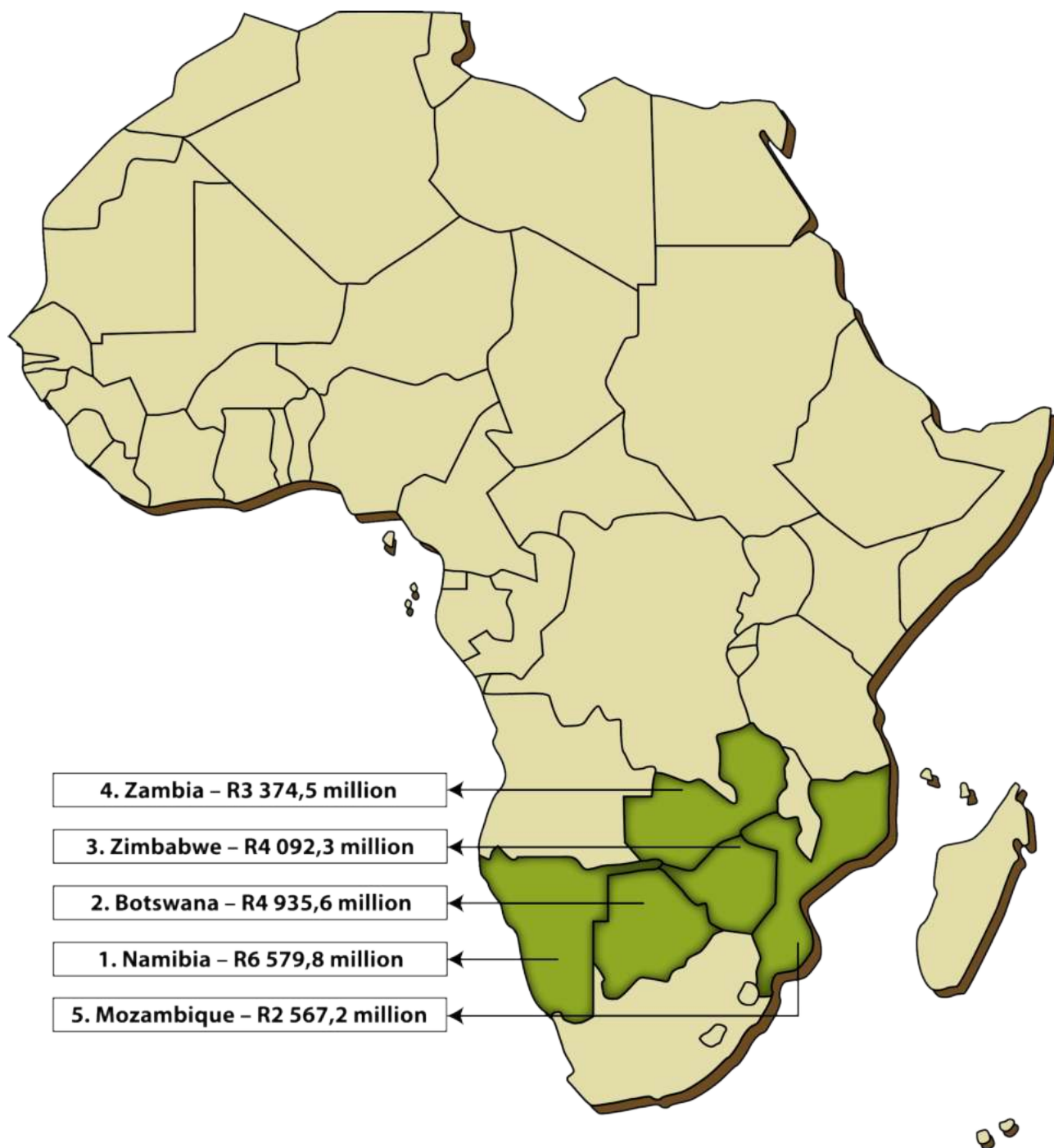
Component	2018*	2019*	2020*	2021*	2018**	2019**	2020**	2021**
Total (R million) Including BELN country data					27 100,9**	26 879,0**	24 052,0**	28 361,1**
Total (R million) Excluding BELN country data	13 217,7*	12 386,7*	11 843,8*	14 103,9*				
Air conditioners	11,7	17,1	10,8	13,4	28,7	29,2	29,0	27,4
Alarm systems	37,4	43,2	32,1	37,9	58,6	70,2	51,6	62,4
Automotive glass	15,0	16,1	13,4	15,5	81,3	80,6	89,2	78,9
Automotive tooling	185,1	157,8	128,9	178,8	302,1	252,8	211,1	295,3
Axles	122,1	77,5	39,9	70,9	156,2	104,2	66,7	101,3
Batteries	243,2	192,7	195,3	209,4	412,6	374,4	350,2	369,4
Body parts / panels	62,9	49,8	39,0	30,1	140,2	123,2	140,1	106,6
Brake parts	67,9	76,7	73,2	94,4	184,5	193,2	182,5	218,1
Car radios	2,5	2,3	2,4	1,8	16,6	17,6	19,0	18,8
Catalytic converters	100,5	103,1	103,6	105,5	133,5	138,7	145,5	152,8
Clutches / shaft couplings	43,5	45,0	50,2	60,2	122,8	131,2	135,4	152,2
Engines	422,5	326,9	307,8	345,0	590,9	532,1	429,2	429,8
Engine parts	492,6	431,6	413,1	459,7	828,3	772,6	688,4	787,2
Filters	196,8	175,1	164,2	199,9	342,2	319,1	295,1	368,7
Gaskets	63,9	66,4	89,4	113,2	103,9	110,0	127,6	154,6
Gauges / instruments / parts	272,2	292,2	278,0	327,3	386,7	412,0	380,1	457,9
Gear boxes	68,3	97,6	63,8	119,6	131,4	137,6	101,9	174,2
Ignition / starting equipment	76,8	91,3	96,1	86,6	204,0	222,4	230,1	228,3
Jacks	15,3	14,4	15,0	21,4	23,8	28,1	22,5	30,8
Lighting equipment / parts	45,8	46,4	41,6	73,7	118,6	116,2	101,5	148,2
Radiators / parts	46,9	37,7	54,3	33,6	106,4	91,9	99,8	90,7
Road wheels / parts	26,5	37,1	25,3	35,8	67,1	75,7	51,4	63,0
Seats	8,0	13,5	10,3	15,4	20,7	26,3	21,2	24,6
Seat belts	2,6	2,0	2,7	2,8	6,1	5,9	5,7	5,5
Shock absorbers / suspension parts	38,3	32,1	36,3	48,6	114,4	118,4	106,3	116,9
Silencers / exhausts	7,3	5,8	6,0	8,1	16,4	13,6	13,0	17,7
Springs	14,9	12,4	19,8	22,1	23,1	22,1	28,5	32,1
Steering wheels / columns / boxes	9,8	10,3	13,9	19,6	34,9	33,9	37,6	49,5
Stitched leather seats / parts	6,6	5,4	4,5	7,9	18,7	17,1	13,3	19,0
Transmission shafts	401,4	366,7	441,7	523,7	599,0	556,8	623,1	739,3
Tyres	584,2	417,9	445,5	541,8	1 300,8	1 123,2	1 075,4	1 179,9
Wiring harnesses	18,8	18,4	17,9	22,3	52,9	63,9	60,3	66,2
Other parts	2 717,6	2 854,7	2 907,7	3 326,0	5 252,0	5 460,8	5 444,1	6 423,2
Light vehicles	4 210,2	3 851,7	3 447,3	4 511,6	10 951,4	10 752,0	8 829,0	10 507,4
Medium / Heavy vehicles	2 578,6	2 397,8	2 252,8	2 420,3	4 170,1	4 352,0	3 846,6	4 663,2

Source: AIEC, SARS

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

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

Top export destinations in SADC with export values – 2021 (R million)



Source: AIEC, SARS

US-Mexico-Canada Agreement (USMCA)

The US-Mexico-Canada Agreement (USMCA) region represented South Africa's third largest export region in 2021. Exports to the region amounted to R20,32 billion, or 9,8% of total automotive exports of R207,5 billion in 2021. The US, with R18,85 billion, represented the major export destination in the region, followed by Mexico with R1,33 billion, and Canada with R137 million, in 2021.

According to the International Organisation of Motor Vehicle Manufacturers (OICA), in 2021, vehicle production in the USMCA bloc increased only marginally by 0,4%, from the 13,37 million units in 2020 to 13,43 million units in 2021, due to the year-on-year declines recorded in Canada and Mexico of 19,0% and 1,0%, respectively. Vehicle production was dominated by the US, with production of 9,17 million vehicles, or 68,3% of the region's total.

New vehicle sales in the region increased by 4,1%, from 17,45 million units in 2020 to 18,16 million units in 2021 but remained 12,8% below the pre-pandemic level of 20,82 million units in 2019. In 2021, the new vehicle market increased year-on-year by 3,5% in the US, by 7,5% in Canada and by 7,1% in Mexico. The motorisation rate in the USMCA region is at 790 vehicles per 1 000 persons. The following tables reveal the region's vehicle production and sales for 2020 and 2021, as well as the vehicle production and sales for the three countries for 2020 and 2021.

USMCA vehicle production and sales – 2020 to 2021

	2020	2021	% change 2021/2020
Vehicle production	13 374 404	13 427 869	+0,4%
Vehicle sales	17 445 480	18 160 120	+4,1%

Source: OICA

Vehicle production and sales – USMCA countries – 2020 to 2021

Country	Vehicle production		Vehicle sales	
	2020	2021	2020	2021
USA	8 821 026	9 167 214	14 881 356	15 408 565
Mexico	3 177 251	3 145 653	977 650	1 046 705
Canada	1 376 127	1 115 002	1 586 474	1 704 850

Source: OICA

The USMCA entered into force on 1 July 2020. Having been ratified by all three nations, the USMCA replaced and modernised the former North American Free Trade Agreement (NAFTA) of 1994. A section that was changed had to do with the vehicle manufacturing industry. The new agreement strengthened the rules of origins to exempt the vehicles produced in the region from taxes. Under the rules of origin requirements stipulated in the USMCA, 75% of the materials used to manufacture a car will have to be produced in North America in order to be tax exempt, up from the 62,5% that had been required under the NAFTA. Ultimately, by 2023, the agreement requires 75% of passenger vehicle and light truck components

to be manufactured in a USMCA country, without being subjected to tariffs. Decreased or eliminated tariffs reduce the costs of production and trade, which ultimately lowers retail prices for consumers and increases profits for companies.

In Africa, those countries that qualify for General Systems of Preferences (GSP) are also eligible for additional preferences under the African Growth and Opportunity Act (AGOA). First instituted in 1976, the GSP programme was designed to promote economic growth in developing countries by providing preferential duty-free treatment for over 3 500 types of products from designated beneficiary countries around the world. 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. South Africa, together with 35 of the 49 sub-Saharan African countries, was designated as an eligible country in terms of the Act in 2021. In combination, GSP and AGOA allow duty-free, quota-free access to the US market for 6 500 tariff lines. This increases the competitiveness of these goods in the US market, supporting the development of exports from Africa to the US, and providing an incentive for US businesses to source products from Africa. Since 2001, South African trade with the US has significantly increased. 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 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 had a success in assisting many African countries diversity their export portfolios and to improve their international competitiveness by making economic and commercial reforms. AGOA's mutual benefits include enabling exports, encouraging investment in the region, enhancing private sector activity and economic growth, and ultimately generating demand for US goods and services as the region's economies develop. As far as the domestic automotive industry is concerned, 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 300,6% from 2001 to 2021, while automotive imports from the US increased by 551,2%, proportionally much more than exports over the same period.

AGOA has served as the bedrock of trade relations between the US and sub-Saharan Africa, specifically in the support of regional integration and the stimulation of regional value chains. 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 Africa. US business interests are well represented in South Africa, with most of the leading multinational corporations actively participating in the South African economy. South Africa's continued eligibility in terms of AGOA is crucial, since it does support the continued growth and development of the automotive industry in South Africa. As an important automotive trading partner, South Africa will need to carefully consider its post-AGOA trade relations with the US.

The following table reveals that in 2021, exports to USMCA bloc, at R20,32 billion, increased by R3,69 billion, or 22,2%, compared to the R16,63 billion exported in 2020, while in US Dollar terms, the increase was at 36,1% year-on-year in 2021. The improved performance could be attributed to an increase in the export of catalytic converters and selected high-end models to the region in 2021. However, vehicle exports from South Africa to the US have declined over recent years in view of the fact that the same models by BMW and Mercedes-Benz are being 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 – 2017 to 2021

Component	2017	2018	2019	2020	2021
Total (R million)	19 947,4	10 872,0	12 118,9	16 627,1	20 317,3
Total (average US\$ million)	1 498,7	821,8	838,7	1 010,2	1 374,6
Air conditioners	11,3	7,8	2,0	1,8	0,5
Alarm systems	1,0	1,9	4,7	1,9	1,7
Automotive glass	1,3	1,7	1,3	1,3	0,7
Automotive tooling	117,1	225,4	188,5	122,5	138,9
Axles	5,0	10,7	4,9	24,2	49,3
Batteries	1,6	2,3	0,1	0,1	0,1
Body parts / panels	2,6	5,4	8,5	3,9	1,1
Brake parts	3,8	4,3	7,8	0,7	1,6
Car radios	0,3	0,1	0,3	0,2	-
Catalytic converters	2 425,6	2 392,8	2 769,9	3 852,0	4 440,7
Clutches / shaft couplings	39,7	31,1	24,3	43,0	45,9
Engines	41,5	20,4	28,3	23,0	5,1
Engine parts	915,7	1 009,7	1 159,1	876,9	1 120,4
Filters	3,8	8,9	9,0	13,2	18,9
Gaskets	10,2	10,6	8,3	8,3	8,7
Gauges / instruments / parts	49,1	32,9	28,0	15,3	11,3
Gear boxes	47,2	51,2	56,0	36,4	54,8
Ignition / starting equipment	3,4	3,5	3,3	3,3	4,9
Jacks	0,3	1,2	0,6	0,3	0,4
Lighting equipment / parts	0,9	4,9	1,7	4,0	2,9
Radiators / parts	311,1	372,8	359,4	248,5	270,5
Road wheels / parts	1,8	1,6	11,2	1,6	1,7
Seats	3,0	3,7	3,5	21,1	0,6
Seat belts	0,1	0,7	0,1	0,1	-
Shock absorbers / suspension parts	28,0	31,1	18,7	53,0	6,9
Silencers / exhausts	109,0	75,0	84,1	91,9	124,0
Springs	0,1	0,3	0,6	0,4	0,8
Steering wheels / columns / boxes	2,9	10,9	10,2	1,7	1,3
Stitched leather seats / parts	6,2	19,5	13,3	20,5	14,5
Transmission shafts	36,7	34,3	56,2	27,8	33,0
Tyres	69,3	37,5	164,2	297,5	387,5
Wiring harnesses	15,4	14,9	18,9	9,1	5,5
Other parts	443,2	509,1	535,7	571,0	829,1
Light vehicles	15 238,0	5 933,6	6 535,0	10 250,0	12 731,6
Medium / Heavy vehicles	1,2	0,2	1,2	0,6	2,4

Source: AIEC, SARS

Top export destinations in USMCA with export values – 2021 (R million)



Source: AIEC, SARS

Mercosur

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

Mercosur is an economic and political bloc comprising Argentina, Brazil, Paraguay, Uruguay, and Venezuela, with Bolivia, Chile, Colombia, Ecuador, Guyana, Peru, and Suriname as associate members. The associate members receive tariff reductions but do not enjoy full voting rights or complete access to the markets of Mercosur's full members. Total automotive exports to Mercosur remained relatively small in the context of South Africa's overall automotive trade regime, and amounted to R2,15 billion, or 1,0% of total South African automotive exports of R207,5 billion in 2021. The bulk of exports to the region was destined for Argentina, accounting for R1,36 billion million, with Brazil accounting for R716 million of exports.

According to the International Organisation of Motor Vehicle Manufacturers (OICA), vehicle production in Mercosur increased by a substantial 17,5%, from 2,32 million units in 2020 to 2,72 million units in 2021. Brazil, dominating production in the region, recorded a year-on-year increase in vehicle production of 11,6%, while Argentina recorded a significant increase of 69,0%, contributing to the positive performance in the region.

Economic growth in Latin America rebounded to an estimated 6,7% in 2021, driven by favourable external conditions. Strong demand in key export destinations, such as the US and China, and high commodity prices were also supportive of growth in 2021. New vehicle sales in the Mercosur region reflected a sound year-on-year increase of 14,0% in 2021, mainly due to the significant double-digit year-on-year increases in all the smaller markets in the region, except for Brazil, the major market in the region, reflecting a year-on-year increase of only 3,0% in 2021. The motorisation rate in Mercosur is at 245 vehicles per 1 000 persons. The following table reveals Mercosur's vehicle production and sales for 2020 and 2021, as well as the vehicle production and sales for the top two Mercosur countries.

Mercosur vehicle production – 2020 to 2021

	2020	2021	% change 2021/2020
Vehicle production	2 318 523	2 723 770	+17,5%
Vehicle sales	3 369 252	3 841 032	+14,0%

Source: OICA

Vehicle production and sales – top Mercosur countries – 2020 to 2021

Country	Vehicle production		Vehicle sales	
	2020	2021	2020	2021
Brazil	2 014 055	2 248 253	2 058 437	2 119 851
Argentina	257 187	434 753	334 316	370 283

Source: OICA

The Preferential Trade Agreement (PTA) between Mercosur and SACU entered 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. The 2nd Joint Administration Committee (JAC) Meeting between SACU and Mercosur was convened on 5 October 2021. The meeting agreed that it was premature to discuss the extension of the coverage of the PTA, especially since plans to do advocacy work for the PTA were disrupted by the COVID-19 pandemic. Automotive products are currently excluded from the arrangement on both parties' sides.

Although exports in a limited range of automotive products increased to Argentina from 2020 to 2021, 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 Program, with its objective of reducing automotive imports into the country. The Inovar-Auto Program that ran from 2013 to 2017, 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. Despite being criticised by the WTO for the unfair advantage being given to domestic OEMs, Inovar-Auto did manage to enhance investments, production, and thereby sales in the country.

The Rota (Route) 2030 – Mobility and Logistics replaced the Inovar-Auto Program, and is the new Brazilian automotive industrial policy for the next 15 years from 2018 through to 2032. Similar to the previous policy, Rota 2030 is based on tax incentives aimed at stimulating investment, and strengthening Brazilian companies in the automotive sector through the development and application of new technologies. 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 the emphasis on supporting the local sourcing of components. The main scope of the Program is to encourage R&D projects throughout the entire automotive supply chain, thus, it was extended to automotive components and strategic systems for production of vehicles, and not restricted to the OEMs. Rota 2030, however, excludes vehicle importers.

The Rota 2030 will bring higher predictability and legal security for investment and is an initiative to stimulate investment and to strengthen Brazilian companies in the automotive sector through the development and application of new technologies. With measurable goals, the Program will lead participants in cycles of adaptation to the new instruments, stimulating investment programming and reorienting towards the next steps. The Rota 2030 policy will be divided into three phases, being phase I (2018-2022), phase II (2023-2027) and phase III (2028-2032). Under the Program, manufacturers will have to meet new energy efficiency and safety standards, or will be fined if they do not. The aim of the scheme is to provide Brazil's consumers with safer and more fuel-efficient vehicles, while simultaneously making the country's automotive industry more competitive.

The following table reveals that automotive exports to Mercosur consisted of a limited range of products. Automotive exports to the region increased from R1,26 billion in 2020 to R2,15 billion in 2021, which could be attributed to an increase in catalytic converter exports to the region. The protectionist policies in Brazil succeeded in its objective of reducing automotive imports into the country, and has consequently, also negatively affected automotive exports from South Africa over recent years.

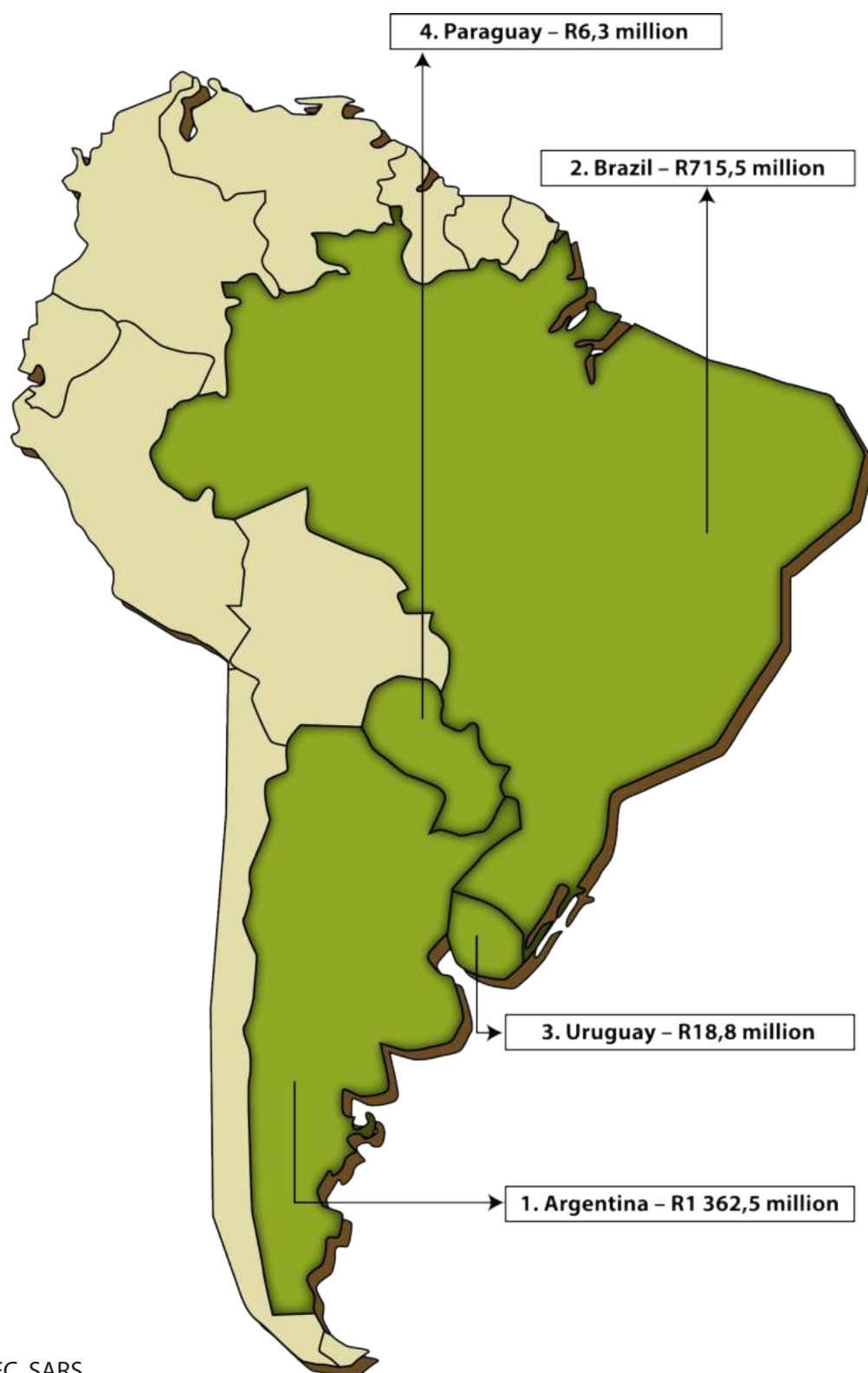


Exports to Mercosur by product category – 2017 to 2021

Component	2017	2018	2019	2020	2021
Total (R million)	1 427,9	1 646,4	1 319,0	1 264,8	2 146,5
Air conditioners	0,6	-	-	-	-
Alarm systems	1,3	0,9	0,8	0,5	0,5
Automotive tooling	4,2	9,1	31,4	26,2	33,2
Batteries	-	-	-	-	0,3
Axles	5,9	5,1	1,0	1,1	0,4
Body parts / panels	0,3	0,2	0,3	0,8	0,7
Brake parts	0,3	0,1	0,2	-	0,1
Catalytic converters	222,0	256,6	257,6	328,1	917,7
Clutches / shaft couplings	3,7	5,8	8,7	5,9	8,1
Engines	8,0	0,1	-	0,1	-
Engine parts	284,7	314,8	315,6	291,3	350,8
Filters	5,8	1,3	2,2	1,0	0,8
Gaskets	0,4	0,4	0,4	0,5	0,2
Gauges / instruments / parts	9,4	13,8	13,7	1,4	1,6
Gear boxes	0,1	0,1	0,1	2,0	0,3
Ignition / starting equipment	1,6	0,1	0,1	0,8	0,2
Lighting equipment / parts	2,5	0,3	0,1	-	0,1
Radiators / parts	20,6	48,1	63,6	45,4	61,6
Road wheels / parts	89,7	114,0	69,5	73,8	113,6
Seats	-	-	0,1	-	-
Shock absorbers / suspension parts	0,1	0,7	0,4	-	0,1
Silencers / exhausts	11,2	8,7	6,7	8,5	18,4
Steering wheels / columns / boxes	-	-	-	0,5	0,1
Stitched leather seats / parts	0,8	1,8	1,3	0,6	7,7
Transmission shafts	60,1	120,2	85,7	48,9	51,2
Tyres	2,7	10,4	17,1	2,6	7,9
Wiring harnesses	0,4	0,2	0,4	0,6	0,2
Other parts	427,0	418,0	323,8	307,0	523,3
Light vehicles	260,2	315,6	115,7	117,2	46,6
Medium / Heavy vehicles	4,3	-	2,5	-	0,8

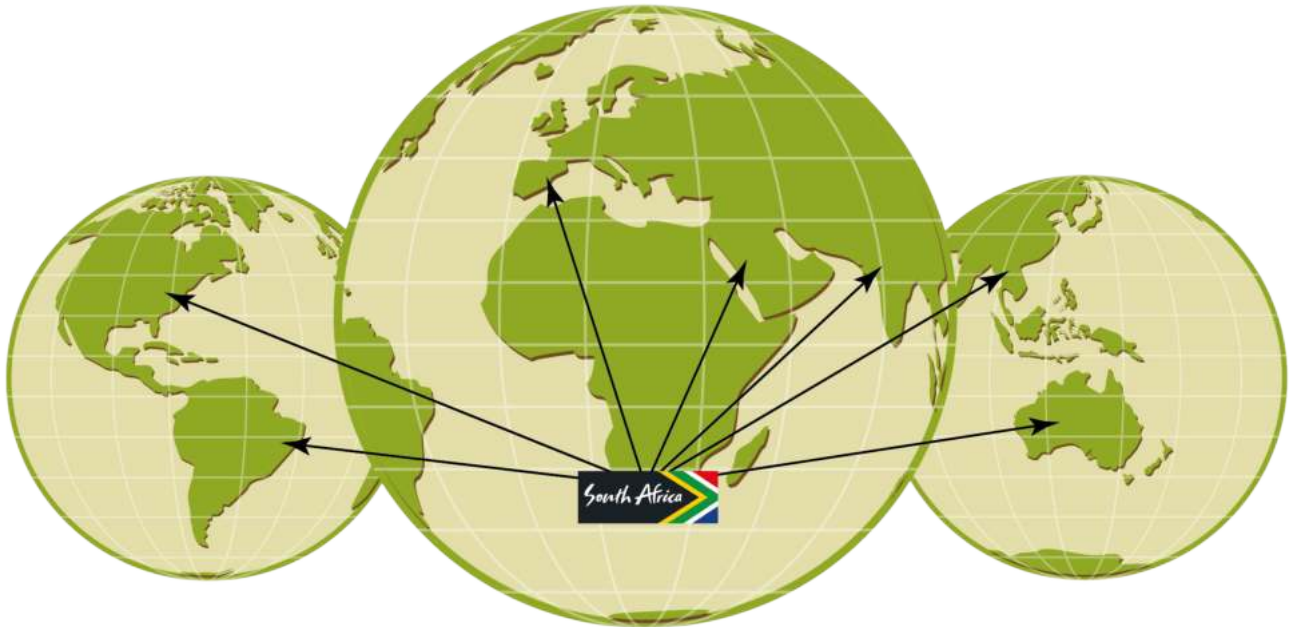
Source: AIEC, SARS

Top export destinations in Mercosur with export values – 2021 (R million)



Source: AIEC, SARS

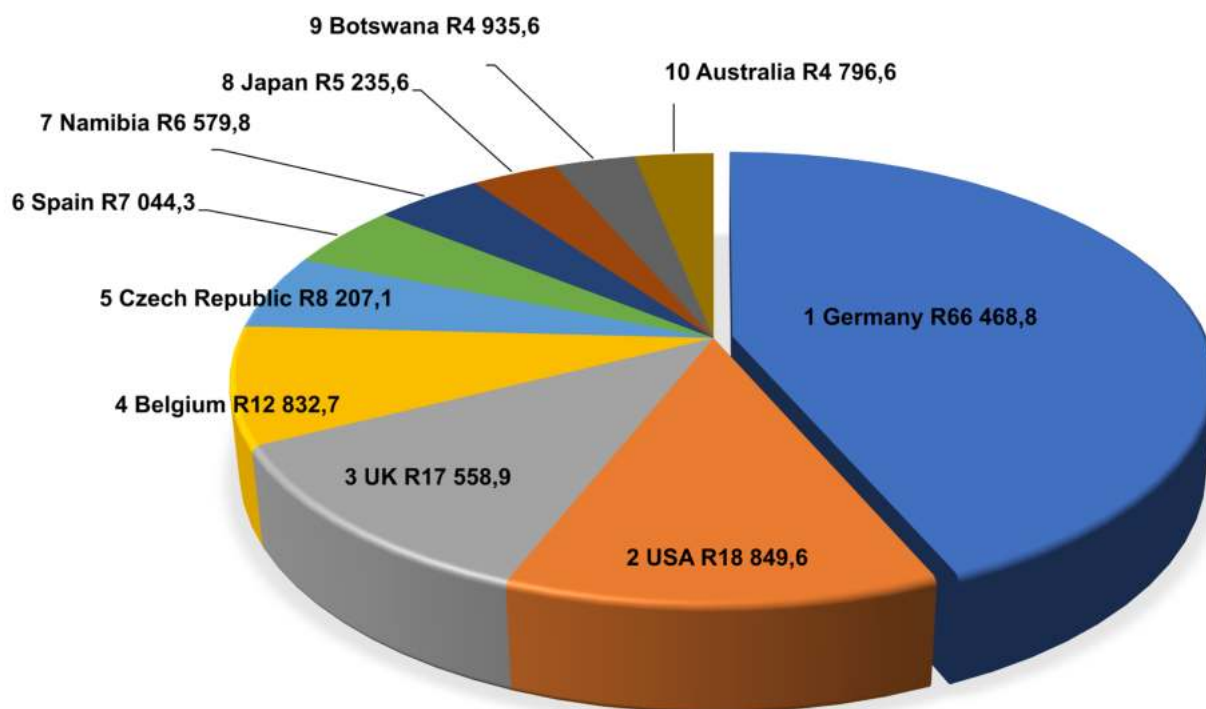
EXPORTS TO COUNTRIES



The positive trend in international trade in 2021 was largely the result of higher commodity prices, lower pandemic restrictions, and a strong recovery in the demand for goods and services owing to economic stimulus packages. However, the COVID-19 pandemic persisted in giving rise to unprecedented pressures on supply chains in 2021. Logistics disruptions, a global semi-conductor shortage and rising energy prices have continued to contribute to supply shortages and spiralling shipping costs. As a result, the automotive industry, in particular, has become strongly focused on improving reliability, and managing risks in their supply networks. It is expected that global supply chain pressures will persist in 2022, and efforts to shorten supply chains and to diversify suppliers could affect global trade patterns throughout the year. Global trade trends are expected to reflect macroeconomic trends, including persistent high inflation in major economies, potentially impacting trade growth, while the geo-political tension in Europe on the back of the Russia-Ukraine conflict also stands to impact the manufacturing value chains for automotive and other products. However, these developments could present opportunities for alternative exporting markets, while the regionalisation of trade flows is also expected to increase in parts of the world, particularly in line with regional initiatives such as the African Continental Free Trade Area (AfCFTA).

The South African government is pursuing a trade policy that supports the country's industrial development objectives, increases sustainable growth and decent well-paying jobs, and that widens economic inclusion. Additional pursuits of government's trade policy include enhancing environmental sustainability and enhancing South Africa's role in world trade relations. It is imperative for South African trade policy to support industrial development, to be a source of new jobs, and to expand the economy, as increased exports can drive sustainable growth. For greater economic resilience, now and in the future, South Africa's trade and industrial policy must focus on building more diversified production centres, both in South Africa, and in particular, across Africa. As an export-oriented industry, it remains essential for the domestic automotive industry to continue diversifying risk by pursuing wider geographical exposure to mitigate the impact of country or regional cyclical economic conditions.

South African automotive industry's top export destinations – 2021 (R million)



Source: AIEC, SARS

The following table reveals that export destinations for values in excess of R1 million increased from 147 countries in 2020 to 152 countries in 2021, with 29 countries recording export values in excess of R1 billion, and 68 countries recording export values in excess of R100 million. 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 have more than doubled on a year-on-year basis. From 2020 to 2021, the total export values more than doubled in the case of 32 countries, which include: China, Brazil, Austria, Egypt, Martinique, Iceland, Papua New Guinea, Sierra Leone, Jordan, El Salvador, Pakistan, Slovak Republic, Netherlands Antilles, Barbados, Georgia, Nicaragua, Paraguay, Dominica, Mayotte, Luxembourg, Chad, Vietnam Republic, Algeria, Bolivia, Antarctica, Iran, Lebanon, Yemen, Falkland Islands, Bangladesh, Bermuda, and Mongolia.



Total automotive export value and ranking by country – 2020 to 2021

Country	2020 R million	2020 Ranking	2021 R million	2021 Ranking
Germany	56 042,2	1	66 468,8	1
USA	14 533,3	2	18 849,6	2
UK	13 157,9	3	17 558,9	3
Belgium	11 815,6	4	12 832,7	4
Czech Republic	7 152,6	6	8 207,1	5
Spain	7 723,6	5	7 044,3	6
Namibia	5 274,5	8	6 579,8	7
Japan	6 131,7	7	5 235,6	8
Botswana	4 742,3	10	4 935,6	9
Australia	4 776,9	9	4 796,6	10
France	3 135,4	12	4 642,2	11
Zimbabwe	3 507,8	11	4 092,3	12
Zambia	2 664,1	13	3 374,5	13
Thailand	1 885,6	17	2 627,3	14
Mozambique	2 396,1	14	2 567,2	15
Cape Verde Islands	968,2	25	1 727,4	16
eSwatini (formerly Swaziland)	1 295,2	18	1 660,2	17
Turkey	1 105,0	22	1 642,1	18
Taiwan	894,2	29	1 623,8	19
Democratic Republic of Congo	1 108,9	21	1 516,8	20
Hungary	1 183,0	19	1 452,5	21
South Korea	1 918,0	16	1 437,6	22
India	960,7	26	1 389,9	23
Argentina	948,8	27	1 362,5	24
Mexico	1 985,4	15	1 330,9	25
Kenya	1 119,9	20	1 246,7	26
China*	421,4	40	1 246,3	27
Lesotho	898,0	28	1 115,0	28
Netherlands	819,0	30	1 078,1	29
29 COUNTRIES ABOVE R1 BILLION				
Ghana	1 041,3	23	977,4	30
Tanzania	614,6	33	829,7	31
Italy	530,0	36	768,2	32
United Arab Emirates	1 004,9	24	758,5	33
Brazil*	223,0	53	715,5	34
Poland	529,2	37	698,8	35
Austria*	228,3	52	655,9	36
Malawi	668,8	31	582,9	37
Saudi Arabia	537,1	35	515,2	38
Norway	391,6	41	500,7	39
Nigeria	616,3	32	476,2	40

Finland	467,8	38	475,6	41
Portugal	323,7	45	464,3	42
Greece	210,4	54	418,0	43
Sweden	463,1	39	416,5	44
Mauritius	290,1	47	393,7	45
Angola	364,2	42	378,9	46
Uganda	306,8	46	368,2	47
Hong Kong, China	246,2	49	336,9	48
Madagascar	200,1	55	334,6	49
New Zealand	233,4	50	332,3	50
Romania	325,3	44	324,4	51
Gibraltar	329,6	43	308,9	52
Estonia	195,3	56	306,1	53
Malaysia	166,0	57	305,2	54
Ivory Coast	270,6	48	297,5	55
Slovenia	140,9	59	278,9	56
Switzerland	231,6	51	246,9	57
Egypt*	53,9	83	223,0	58
Singapore	570,9	34	213,1	59
Ireland	112,0	63	191,5	60
Senegal	116,2	62	179,2	61
Gabon	163,6	58	168,0	62
Mali	99,0	67	156,5	63
Canada	108,7	64	136,9	64
Panama	85,5	70	131,4	65
Denmark	107,8	65	128,9	66
Guatemala	52,7	84	104,9	67
Suriname	89,2	69	102,4	68
68 COUNTRIES ABOVE R100 MILLION				
Guadeloupe	67,4	75	99,9	69
Martinique*	35,1	90	95,8	70
Iceland*	40,4	88	89,5	71
Reunion	65,1	76	85,8	72
Kuwait	119,1	61	82,2	73
Qatar	94,8	68	79,4	74
Cameroon	71,0	74	78,5	75
Ethiopia	136,9	60	75,2	76
Papua New Guinea*	2,0	138	72,8	77
Sierra Leone*	22,3	101	70,8	78
Jamaica	56,0	81	62,7	79
Oman	58,2	77	60,1	80
Guinea	103,2	66	58,5	81
Dominican Republic	41,4	87	58,0	82
Costa Rica	78,3	71	53,7	83

Morocco	57,8	78	49,3	84
Russia	72,1	73	48,3	85
Honduras	29,4	98	46,5	86
Trinidad & Tobago	56,4	80	44,7	87
Jordan*	7,4	122	44,6	88
Djibouti	57,2	79	44,1	89
Togo	50,5	86	42,9	90
Benin	24,4	100	42,5	91
French Guiana	30,9	94	42,2	92
Chile	75,3	72	41,6	93
El Salvador*	14,1	108	39,5	94
Tunisia	35,3	89	39,3	95
Cyprus	32,2	91	38,3	96
Burkina Faso	30,0	97	36,5	97
Pakistan*	15,8	105	35,5	98
Kazakhstan	52,5	85	34,6	99
Seychelles	30,2	95	33,3	100
Philippines	17,9	104	29,0	101
Bahrain	13,7	111	25,9	102
Indonesia	19,0	102	22,0	103
Slovak Republic*	5,0	130	21,9	104
Rwanda	18,0	103	20,5	105
Mauritania	32,1	92	20,5	106
Republic of Congo	14,0	109	20,4	107
Netherlands Antilles*	6,1	126	18,8	108
Uruguay	15,6	106	18,8	109
Peru	54,3	82	17,8	110
Antigua	13,9	110	17,5	111
Barbados*	7,0	124	16,9	112
St Helena	12,4	114	16,8	113
Israel	10,5	116	16,8	114
Gambia	11,2	115	16,7	115
Latvia	7,7	121	14,9	116
Georgia*	0,2	-	14,7	117
Eritrea	8,7	119	12,4	118
Burundi	13,3	112	11,4	119
Aruba	14,8	107	10,4	120
Liberia	9,5	117	9,2	121
Nicaragua*	1,6	140	7,4	122
Niger	5,7	128	6,7	123
Paraguay*	1,2	143	6,3	124
Ecuador	5,9	127	6,3	125
Dominica*	-	-	5,9	126
Mayotte*	-	-	5,9	127

Somalia	9,2	118	5,7	128
Luxembourg*	0,7	-	5,4	129
Chad*	1,9	139	5,4	130
Andorra	5,1	129	5,0	131
Vietnam Republic*	2,4	134	5,0	132
Sri Lanka	12,7	113	4,2	133
Colombia	7,0	123	4,1	134
Algeria*	1,1	144	4,1	135
Bahamas	30,2	96	3,6	136
Bolivia*	0,8	-	3,6	137
Antarctica*	-	-	3,2	138
Iran*	0,2	-	3,2	139
Guyana	6,2	125	2,9	140
Lebanon*	0,2	-	2,6	141
Grenada	2,1	137	2,5	142
Yemen*	0,7	-	2,1	143
Brunei	8,6	120	2,0	144
Falkland Islands*	0,9	-	1,8	145
Bangladesh*	0,4	-	1,3	146
Bermuda*	-	-	1,3	147
Iraq	26,9	99	1,2	148
Cambodia	1,0	146	1,1	149
Mongolia*	0,4	-	1,1	150
Belize	1,2	142	1,1	151
Ukraine	3,1	132	1,1	152
152 COUNTRIES ABOVE R1 MILLION				

Source: AIEC, SARS

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

The export-oriented South African automotive industry forms an important part of international supply chains by being fully integrated into the global automotive environment, and hence, the economic climate in international markets impacts the industry's export performance. Global growth is expected to remain robust but uneven, with rising divergence between advanced and emerging market economies. In 2022, the Eurozone and the US are expected to grow by +4,1% and +3,9%, respectively, while growth in China is expected to slow down to +5,2%, due to the ongoing disruptions in the real estate sector and the government's focus on financial stability. China's lowest contribution to global GDP growth since 2015 is likely to have negative spillover effects on emerging markets where the recovery will be shallower compared to past crises.

In an automotive context, the reach with respect to the number of destinations of vehicles and automotive component exports from South Africa remains high. The focus of the domestic automotive industry is to build on existing exports and to escalate the importance of exploring and exploiting new export opportunities. In 2021, the top export destinations for domestically manufactured vehicles and automotive components remained markets in the Eurozone, as well as the US.



IMPORTS BY COUNTRY OF ORIGIN

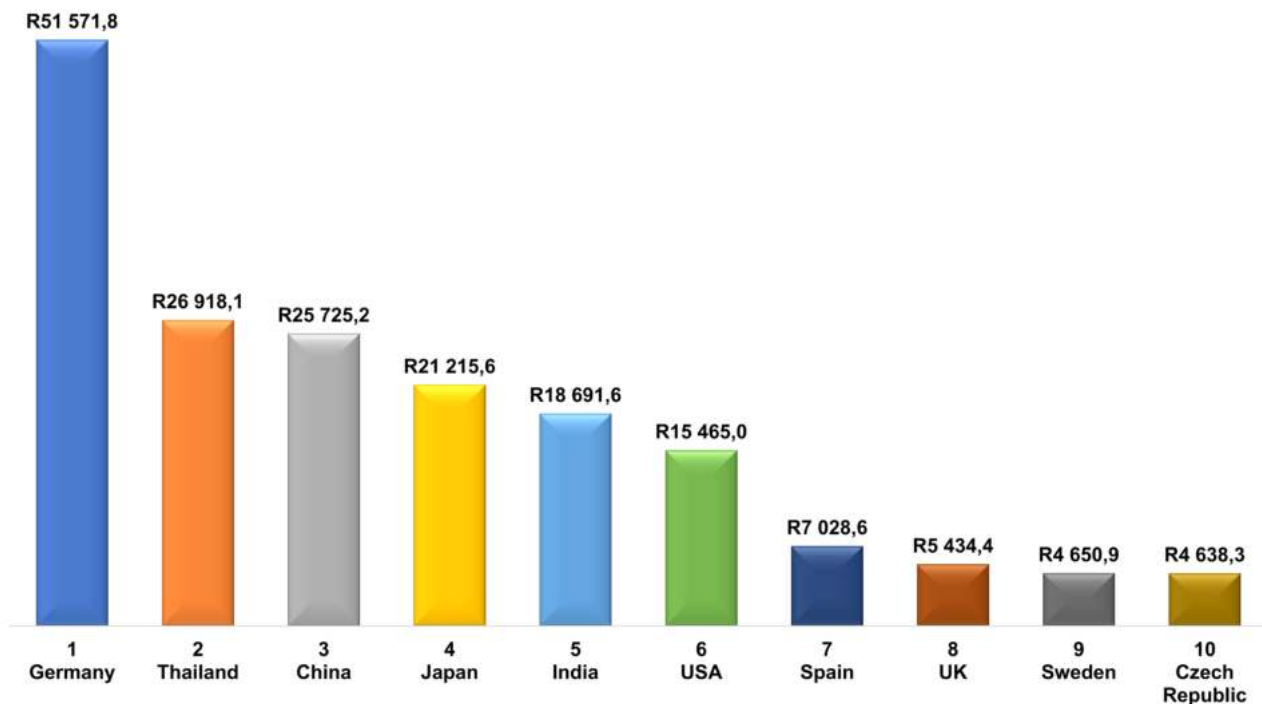


The COVID-19 global pandemic continued to have large and varied impacts on demand, supply and international trade in 2021. The pandemic-related disruptions to supply chains highlighted South Africa's and various other countries' reliance on imports, with prices and lead times having risen owing to the pandemic. For the domestic automotive industry, the level of imports remains a function of the success of the automotive policy regime, as the benefits can only be used to rebate the import duties on vehicles and eligible automotive components being imported. In 2021, the imports of vehicles, to complement the domestic market mix, once again afforded consumers the widest choice of new vehicle models to market-size ratio anywhere in the world. Significant value is added to the imports of original equipment components that are not sourced in South Africa, and that are used to manufacture vehicles for the domestic and export markets. Replacement parts for a vehicle parc of 12,96 million vehicles at the end of 2021, remained high, considering that 78,3% of passenger cars sold in the domestic market were imported.

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 appreciated by 10,2% on an annual average basis in 2021, against the Euro by 6,9%, against the Pound by 3,7%, against the Chinese Yuan by 3,9%, and against the Yen by 12,6%.

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 exceptions amongst the top countries of origin in 2021 were Thailand, where 82,8% of imports comprised original equipment components for light commercial vehicles, and China, where 64,0% of the imports comprised aftermarket parts.

Top automotive countries of origin – 2021 (R million)



Source: AIEC, SARS

The following table reveals the import values and rankings for the 58 countries of origin for vehicles and automotive component imports into South Africa, above the R20 million threshold, for 2020 and 2021. From 2020 to 2021, the import values of the Netherlands, Kenya, Russia and Tunisia more than doubled on a year-on-year basis.

Import value and ranking by country of origin – 2020 to 2021

Country	2020 R million	2020 Ranking	2021 R million	2021 Ranking
Germany	45 333,4	1	51 571,8	1
Thailand	19 066,4	2	26 918,1	2
China	18 077,2	3	25 725,2	3
Japan	16 516,3	4	21 215,6	4
India	10 768,3	6	18 691,6	5
USA	10 995,8	5	15 465,0	6
Spain	6 518,3	7	7 028,6	7
UK	4 375,3	9	5 434,4	8
Sweden	3 241,9	11	4 650,9	9
Czech Republic	4 569,1	8	4 638,3	10
South Korea	2 499,0	14	4 340,7	11
Brazil	2 379,5	15	3 634,6	12

Poland	2 922,8	12	3 470,4	13
Italy	3 429,8	10	3 409,6	14
Romania	2 909,0	13	3 184,4	15
Slovak Republic	2 356,0	16	2 773,3	16
Hungary	1 933,6	18	2 520,6	17
France	2 337,3	17	2 482,9	18
Portugal	1 566,2	22	2 252,0	19
Mexico	1 875,1	19	2 170,5	20
Belgium	1 716,8	20	2 117,6	21
Turkey	1 594,5	21	2 089,1	22
Indonesia	1 046,6	25	1 703,2	23
Netherlands*	717,0	29	1 617,0	24
Botswana	1 303,6	23	1 600,1	25
Austria	882,9	26	1 506,6	26
Taiwan	1 211,0	24	1 319,9	27
Argentina	838,9	27	1 188,3	28
Philippines	767,6	28	1 074,4	29
29 COUNTRIES ABOVE R1 BILLION				
Malaysia	627,8	30	867,7	30
Denmark	473,6	31	392,3	31
Slovenia	341,9	33	370,1	32
Vietnam Republic	254,5	35	335,4	33
Australia	246,5	36	322,4	34
Switzerland	349,9	32	312,2	35
Canada	305,1	34	298,8	36
United Arab Emirates	202,7	39	251,6	37
Finland	241,6	37	233,7	38
Bulgaria	221,3	38	191,5	39
Morocco	108,9	42	167,2	40
Israel	144,8	40	136,2	41
Luxembourg	107,1	43	98,0	42
Kenya*	2,1	-	93,9	43
Russia*	38,7	47	80,9	44
Singapore	118,3	41	73,6	45
Tunisia*	26,8	51	69,3	46
Hong Kong, China	74,0	44	40,1	47

Norway	60,6	45	40,0	48
Ukraine	26,7	52	37,0	49
Ireland	28,4	49	36,4	50
Croatia	20,3	57	33,5	51
Bosnia & Herzegovina	28,6	48	32,5	52
Lithuania	19,2	-	30,7	53
Malta	22,1	55	28,3	54
Lesotho	43,6	46	22,9	55
New Zealand	13,3	-	22,4	56
Egypt	21,4	56	21,7	57
Estonia	15,6	-	20,4	58
58 COUNTRIES ABOVE R20 MILLION				

Source: AIEC, SARS

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



MAIN AUTOMOTIVE TRADING REGIONS AND COUNTRIES

There is a strong relationship between imports and exports in the South African automotive industry. Successful exporters have also been likely to import a significant portion of their inputs under the APDP and APDP2. The domestic automotive industry's top automotive regional trading partner in 2021 remained the EU. Vehicle and automotive component exports to the EU increased by R19,7 billion, or 18,8%, from R105,0 billion in 2020 to R124,7 billion in 2021, mainly as a result of a significant rise in vehicle and catalytic converter exports to the region. Automotive imports from the EU increased by R13,8 billion, or 16,0%, from R86,3 billion in 2020 to R100,1 billion in 2021. The EU, Africa and USMCA were the regions providing a trade surplus in 2021. 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 – 2021

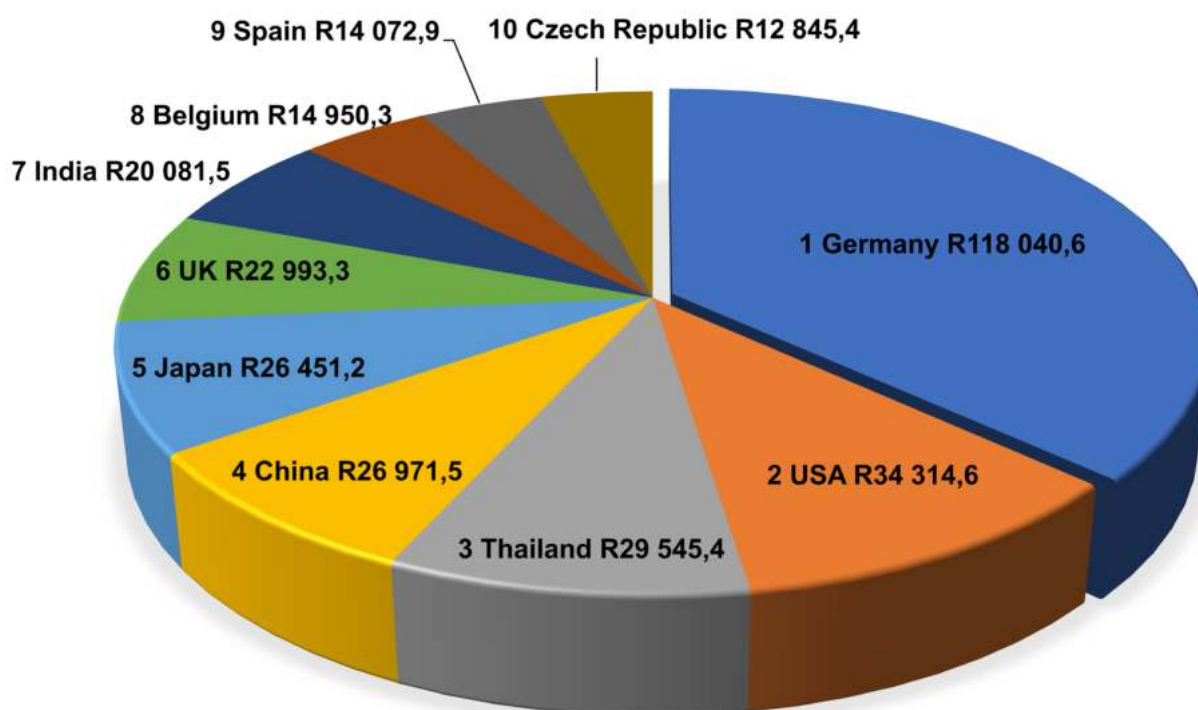
Year	Imports into SA (R billion)	Exports from SA (R billion)	Trade surplus/ (deficit) (R billion)
2021 Total	231,8	207,5	(24,3)
EU	100,1	124,7	24,6
USMCA	17,9	20,3	2,4
Africa (including SADC)	2,1	35,0	32,9
Mercosur	4,8	2,1	(2,7)
Asia	104,8	17,9	(86,9)
Other regions	2,1	7,5	5,4

Source: AIEC, SARS

As has been the case in the past three decades, the domestic automotive industry's biggest single trading country partner (exports and imports combined) in 2021 remained Germany – home to BMW, Volkswagen and Mercedes-Benz. Total automotive trade between the two countries notched a significant R118 billion. The South African automotive industry's trade relationship with six of its top trading countries reflected a surplus in 2021. While there were no changes in South Africa's top 10 trading partners in 2021, Thailand improved its ranking year-on-year in 2021, from being ranked as number 4 to number 3, China from number 5 to number 4, and India from number 9 to number 7.

The South African automotive industry's trade relationship with six of its top trading countries reflected a surplus in 2021.

South Africa's main automotive trading partners – 2021 (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 2021, and also reflect the top 10 products exported and imported, where applicable.

1. Germany (Total trade R118 040,6 million) – 2021

Main products	Exports from SA R66 468,8 million	Main products	Imports into SA R51 571,8 million
Light vehicles	48 720,0	Original equipment components	33 266,7
Catalytic converters	12 535,4	Light vehicles	7 507,6
Engine parts	1 453,3	Engine parts	746,1
Axles	436,6	Automotive tooling	507,2
Clutches / shaft couplings	377,6	Tyres	501,4
Shock absorbers / suspension parts	273,7	Transmission shafts / cranks	463,9
Radiators / parts	205,3	Gauges / instruments / parts	429,7
Filters	198,2	Steering wheels / columns / boxes	329,9
Engines	136,4	Filters	302,4
Tyres	105,8	Axles	290,7
Other	2 026,5	Other	7 226,2

2. United States of America (USA) (Total trade R34 314,6 million) – 2021

Main products	Exports from SA R18 849,6 million	Main products	Imports into SA R15 465,0 million
Light vehicles	11 817,0	Original equipment components	6 885,7
Catalytic converters	4 150,1	Light vehicles	2 727,0
Engine parts	1 106,3	Engine parts	566,7
Tyres	331,2	Transmission shafts / cranks	372,0
Radiators / parts	266,1	Axles	328,7
Automotive tooling	107,8	Steering wheels / columns / boxes	320,9
Silencers / exhausts	76,1	Automotive tooling	300,8
Gear boxes	54,8	Gauges/ instruments / parts	293,0
Axles	47,7	Engines	222,0
Transmission shafts / cranks	31,5	Tyres	196,6
Other	861,0	Other	3 251,6

3. Thailand (Total trade R29 545,4 million) – 2021

Main products	Exports from SA R2 627,3 million	Main products	Imports into SA R26 918,1 million
Catalytic converters	1 001,3	Original equipment components	22 291,7
Engine parts	574,7	Light vehicles	864,8
Transmission shafts / cranks	69,9	Tyres	724,8
Automotive tooling	24,6	Stitched leather seats / parts	415,0
Tyres	22,5	Wiring harnesses	287,4
Clutches / shaft couplings	7,6	Filters	236,1
Road wheels / parts	6,4	Automotive tooling	221,0
Light vehicles	5,2	Brake parts	97,3
MCV / HCV vehicles	4,4	Engine parts	92,9
Shock absorbers / suspension parts	2,8	Lighting equipment / parts	65,1
Other	907,9	Other	1 622,0

4. China (Total trade R26 971,5 million) – 2021

Main products	Exports from SA R1 246,3 million	Main products	Imports into SA R25 725,2 million
Light vehicles	343,3	Original equipment components	4 670,8
Engine parts	291,6	Light vehicles	4 412,8
Radiators / parts	85,9	Tyres	2 966,6
Gauges / instruments / parts	69,6	Automotive tooling	1 738,2
Transmission shafts / cranks	66,9	Engine parts	1 264,7
Automotive tooling	27,0	Transmission shafts / cranks	510,0
Clutches / shaft couplings	26,8	Engines	467,5
Tyres	24,9	Ignition / starting equipment	421,3
Shock absorbers / suspension parts	9,0	Brake parts	415,8
Silencers / exhausts	4,7	Radiators / parts	335,1
Other	296,6	Other	8 522,4

5. Japan (Total trade R26 451,2 million) – 2021

Main products	Exports from SA R5 235,6 million	Main products	Imports into SA R21 215,6 million
Light vehicles	3 643,5	Original equipment components	11 870,3
Catalytic converters	328,9	Light vehicles	5 763,5
Tyres	156,4	Engine parts	304,9
Engine parts	22,4	Tyres	265,8
Springs	11,7	MCV / HCV vehicles	260,6
Clutches / shaft couplings	7,3	Ignition / starting equipment	248,1
Brake parts	5,3	Automotive tooling	186,5
Gauges / instruments / parts	3,8	Stitched leather seats / parts	151,6
Stitched leather seats / parts	2,2	Filters	141,0
MCV / HCV vehicles	2,0	Transmission shafts / cranks	134,4
Other	1 052,1	Other	1 888,9

6. United Kingdom (UK) (Total trade R22 993,3 million) – 2021

Main products	Exports from SA R17 558,9 million	Main products	Imports into SA R5 434,4 million
Light vehicles	13 909,9	Original equipment components	2 350,5
Catalytic converters	2 949,8	Light vehicles	1 387,3
Tyres	195,6	Engines	294,7
Automotive glass	118,7	Automotive tooling	174,8
Batteries	35,2	Engine parts	155,2
Engine parts	26,5	Gauges / instruments / parts	124,5
Automotive tooling	18,9	Alarm systems	89,8
Lighting equipment / parts	15,5	Transmission shafts / cranks	60,2
MCV / HCV vehicles	11,6	Catalytic converters	56,1
Engines	10,4	Filters	48,6
Other	266,8	Other	692,7

7. India (Total trade R20 081,5 million) – 2021

Main products	Exports from SA R1 389,9 million	Main products	Imports into SA R18 691,6 million
Engines	686,2	Light vehicles	14 558,5
Catalytic converters	592,7	Original equipment components	1 551,2
Radiators / parts	21,9	Engine parts	209,5
Automotive tooling	15,2	MCV / HCV vehicles	201,4
Stitched leather seats / parts	8,2	Engines	194,4
Road wheels / parts	7,6	Gauges / instruments / parts	190,2
Transmission shafts / cranks	6,0	Automotive tooling	175,7
Engine parts	5,8	Tyres	102,0
MCV / HCV vehicles	3,9	Transmission shafts / cranks	98,0
Seats	2,6	Lighting equipment / parts	59,7
Other	39,8	Other	1 351,0

8. Belgium (Total trade R14 950,3 million) – 2021

Main products	Exports from SA R12 832,7 million	Main products	Imports into SA R2 117,6 million
Light vehicles	11 655,6	Original equipment components	1 564,7
Tyres	272,6	Light vehicles	124,7
Automotive glass	179,9	MCV / HCV vehicles	90,0
Engine parts	75,5	Lighting equipment / parts	59,0
Automotive tooling	50,1	Catalytic converters	14,7
Body parts / panels	46,6	Automotive tooling	14,2
Lighting equipment / parts	33,1	Engine parts	12,8
Radiators / parts	32,6	Transmission shafts / cranks	12,7
Clutches / shaft couplings	25,7	Shock absorbers / suspension parts	10,8
Brake parts	19,6	Gaskets	9,8
Other	441,4	Other	204,2

9. Spain (Total trade R14 072,9 million) – 2021

Main products	Exports from SA R7 044,3 million	Main products	Imports into SA R7 028,6 million
Light vehicles	5 485,8	Original equipment components	2 858,5
Catalytic converters	1 241,9	Light vehicles	2 420,9
Radiators / parts	92,3	Batteries	246,7
Tyres	47,2	Stitched leather seats / parts	131,1
Automotive glass	38,6	Shock absorbers / suspension parts	73,1
Silencers / exhausts	17,6	Tyres	70,9
Steering wheels / columns / boxes	9,4	MCV / HCV vehicles	69,2
MCV / HCV vehicles	3,8	Body parts / panels	68,7
Engine parts	2,8	Automotive tooling	62,1
Automotive tooling	2,1	Engine parts	56,3
Other	102,8	Other	971,1

10. Czech Republic (Total trade R12 845,4 million) – 2021

Main products	Exports from SA R8 207,1 million	Main products	Imports into SA R4 638,3 million
Catalytic converters	7 709,5	Original equipment components	2 777,0
Radiators / parts	365,8	Brake parts	180,4
Silencers / exhausts	92,6	Tyres	162,2
Wiring harnesses	2,3	Batteries	158,5
Engine parts	1,7	Automotive tooling	151,5
Gaskets	0,5	Stitched leather seats / parts	140,8
Stitched leather seats / parts	0,4	Engine parts	84,7
Engines	0,4	Lighting equipment / parts	84,7
Automotive tooling	0,2	Air conditioners	48,4
Brake parts	0,1	Filters	46,7
Other	33,6	Other	803,4

AUTOMOTIVE INDUSTRY TRADE BALANCE

Rising export revenues, underpinned by strong recoveries in South Africa's key trading partners, have been a highlight of the domestic economic recovery in 2021, and should continue to support the domestic economy. Total South African export revenue increased from R1 262,3 billion in 2020 to R1 660,3 billion in 2021 as rebounding global growth and a commodity bull cycle, driven by the Chinese demand for South African exported metals, supported the country's export performance. Total South African import revenue also increased from R1 080,2 billion in 2020 to R1 328,0 billion in 2021, illustrating the economy's substantial reliance on imported items to meet domestic demand.

As the leading manufacturing sector in the South African economy, the automotive industry's export value under the APDP and APDP2 in 2021 amounted to R207,5 billion, which comprised a sound 12,5% (13,9% in 2020) of total South African exports of R1 660,3 billion, while the industry's imports of R168,4 billion under the APDP and APDP2 comprised 12,7% (11,8% in 2020) of total South African imports of R1 328,0 billion.

Record automotive export revenue of R207,5 billion in 2021 reflected a significant increase of R31,8 billion, or 18,1%, compared to the R175,7 billion total export value in 2020 in line with the strong rebound in the domestic and global economic climate in 2021. Vehicle exports of 298 020 increased by 26 733 units from the 271 287 units exported in 2020, consequently resulting in the vehicle export revenue increasing by R17,1 billion, or 14,1%, to R138,3 billion, compared to the R121,2 billion in 2020. Automotive component exports reflected a substantial increase of R14,7 billion, or 27,0%, from the R54,5 billion exported in 2020, to a record R69,2 billion exported in 2021, mainly driven by increased catalytic converter exports to the EU, in line with stricter emission regulations in the region. The automotive import value also increased by R40,9 billion, or 32,1%, from R127,5 billion in 2020 to R168,4 billion in 2021, in line with the 28,8% year-on-year increase in vehicle imports and the 33,8% year-on-year increase in original equipment component imports.

Vehicle exports have remained the key driver of the automotive industry's healthy trade balance since 2008. The trade balance related to automotive components has remained negative, as original equipment component imports, to support higher vehicle production relating to higher export volumes, have increased along with the import of aftermarket parts to support a growing and ageing vehicle parc in the country. 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 localisation 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 and APDP2 measurement remained in a positive position at R39,1 billion in 2021, its second highest surplus on record, compared to the R48,2 billion in 2020.



APDP- and APDP2-related trade balance for the automotive industry: 2013 – 2021

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
2020	127,5	175,7	48,2
2021	168,4	207,5	39,1
Vehicles	53,4	138,3	84,9
Automotive components (excluding aftermarket parts)	115,0	69,2	(45,8)

Source: AIEC, SARS

Under the APDP and APDP2, 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 APDP and APDP2 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 and APDP2. Regarding this, 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 APDP2, and they are therefore not included in the automotive trade balance that is used to track the progress of the APDP and APDP2. Holistically, as was the measure under the MIDP, when imports of aftermarket parts 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 2021 trade balance data under the APDP and APDP2, based on a holistic view of total automotive exports and imports (including vehicles, OE components and aftermarket parts), total automotive imports amounted to R231,8 billion in 2021, up by a substantial R52,7 billion, or 29,4%, compared to the R179,1 billion in 2020. The trade deficit in 2021 increased to R24,3 billion compared to the R3,4 billion in 2020.



Automotive industry trade balance, including all automotive products – 2012 to 2021

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)
2020	179,1	175,7	(3,4)
2021	231,8	207,5	(24,3)
Vehicles	53,4	138,3	84,9
Automotive components (including aftermarket parts)	178,4	69,2	(109,2)

Source: AIEC, SARS

*MIDP calculation

New vehicle sales are linked to the health of the domestic economy, and the forecast is for South Africa's economic growth rate to decelerate substantially in 2022 compared to 2021. However, the new vehicle market trend is anticipated to remain upward over the medium term. A favourable global economic climate, along with further new model introductions by major vehicle exporters in 2022, would provide the impetus for vehicle exports to regain their strong upward momentum over the short to medium term.

A favourable global economic climate, along with further new model introductions by major vehicle exporters in 2022, would provide the impetus for vehicle exports to regain their strong upward momentum over the short to medium term.

AUTOMOTIVE COMPONENTS – EXPORTS BY COUNTRY

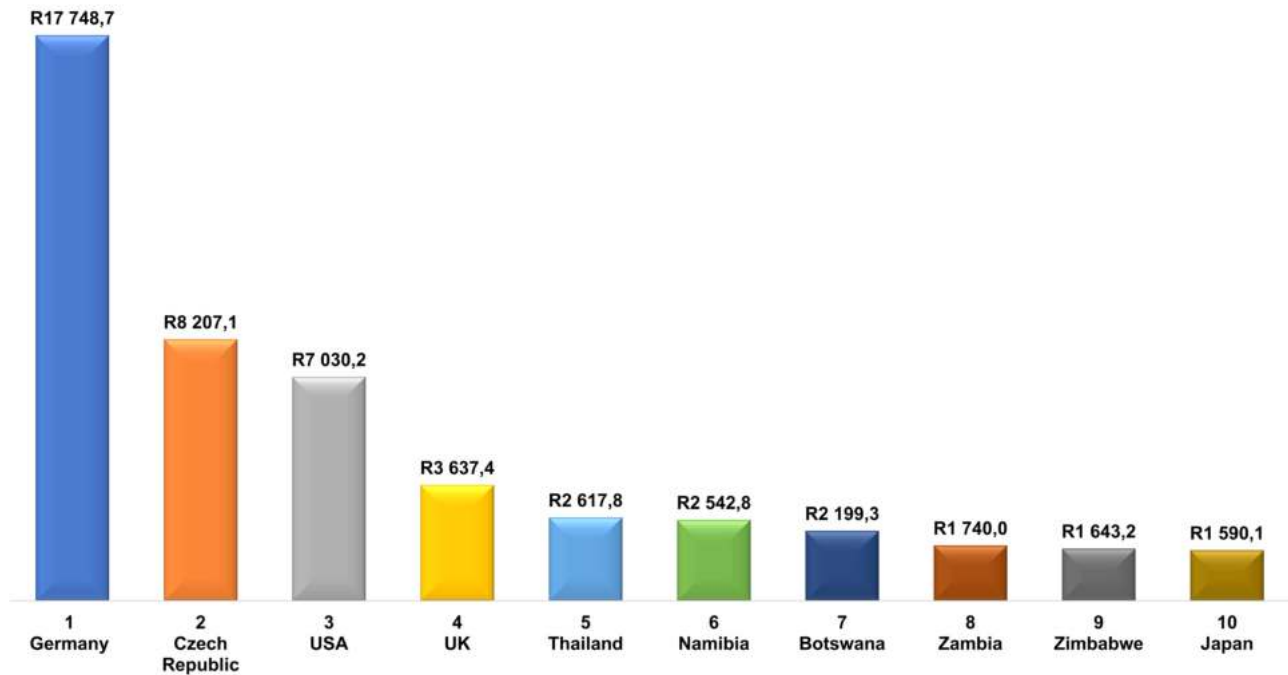
The global automotive industry has run into massive financial challenges resulting from a combination of economic shutdowns in 2020 and 2021, along with the ongoing semi-conductor crisis and the risk of other raw material shortages looming large on the horizon. Disruptive megatrends, such as supply chain disruptions, electrification, technology convergence, and new market entrants, continue to drive change for automotive component suppliers, even in long-entrenched segments of the industry. Increasingly strict legislation with respect to CO² emissions, the impact of government subsidies, and environmental pressure are the key drivers of risk in the clusters related to internal combustion engine (ICE) technology. Component clusters tied to electrified vehicles are growing at a frenetic pace, while ICE components are either stagnant or declining. Adding to the complexity, the transition is taking place at different speeds and levels of intensity across countries. Both in the near and long term, automotive component suppliers should adequately prepare their businesses for a future that is arriving faster than expected.

Suppliers increasingly need the ability to deal with the impact of globalisation, rapid and far-reaching technological changes, the era of hyper-competition, and customers who want it all. Automotive component suppliers, as part of a supply chain, need to utilise their resources for efficiency, effectiveness, compliance and agility in adapting to the new environment brought about by the pandemic, and, in doing so, drive innovation to survive and be successful. To ensure long-term corporate success, it is essential for automotive component suppliers, their customers and financing partners to establish a continuous and systematic approach to monitoring and evaluating internal and external risks. This requires a structured methodology that makes it possible to identify risks at an early stage and to react to them with the right countermeasures. Suppliers also need to improve their existing supply chain forecasting and planning capabilities to sense demand fluctuations in advance.

Vulnerabilities associated with an overdependence on fragile global supply chains have been exposed by the ensuing global pandemic. In response, global policymaking has increasingly focused attention on rebalancing and shortening global supply chains. COVID-19 has also highlighted the need for more resilient production systems and the policy space to diversify economies and add domestic value to production and exports. The situation showcased how inter-connected the domestic and global supply chain is, how important it is for supply chains to be agile, and that the logistic environment allows for quick adaptability.

There are 197 first-tier suppliers in South Africa, of which about 75% are foreign multinational companies. South African-owned companies are more represented within the second- and third-tier supplier bases that supply the sub-parts built into completed components. 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 is imperative. The AITF was established as a collective Equity Equivalent Investment Programme (EEIP), as defined in the BBBEE Codes, between the seven OEMs in South Africa. It aims to facilitate transformation across the sector's value chain through the provision of access to developmental funding, access to market, and access to capacity development for qualifying Black-owned entities. The AITF will play a key role in the implementation of the South African Automotive Masterplan (SAAM), especially in terms of localisation and industry transformation. The SAAM 2021-2035 target is in the order of 500 second- and third-tier 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 – 2021 (R million)



Source: AIEC, SARS

The following table reveals that the main destinations for automotive component exports remain developed markets. Germany and other developed markets have remained the South African automotive industry's top export destinations for component exports over the past three decades. However, continuous diversification, as well as the substantial increases year-on-year in exports to highly competitive markets such as Thailand, Turkey, India, China, Brazil, Argentina, and Malaysia in 2021, are underscoring South Africa's increasing status as a global player.

Substantial increases year-on-year in exports to highly competitive markets such as Thailand, Turkey, India, China, Brazil, Argentina, and Malaysia in 2021, are underscoring South Africa's increasing status as a global player.

Automotive component export value and ranking by country – 2020 to 2021

Country	2020 R million	2020 Ranking	2021 R million	2021 Ranking
Germany	11 566,4	1	17 748,7	1
Czech Republic	7 152,4	2	8 207,1	2
USA	5 402,6	3	7 030,2	3
UK	2 831,5	4	3 637,4	4
Thailand	1 877,2	6	2 617,8	5
Namibia	2 236,7	5	2 542,8	6
Botswana	1 835,5	7	2 199,3	7
Zambia	1 412,6	10	1 740,0	8
Zimbabwe	1 439,7	9	1 643,2	9
Japan	1 363,2	11	1 590,1	10
Turkey	965,4	13	1 570,8	11
Spain	1 640,2	8	1 554,7	12
Democratic Republic of Congo	441,5	22	1 408,4	13
India	960,7	14	1 386,0	14
Argentina	893,7	15	1 352,3	15
Mozambique	586,2	20	1 325,7	16
Belgium	1 026,1	12	1 177,1	17
China	390,1	23	903,0	18
Netherlands	696,9	17	868,5	19
eSwatini (formerly Swaziland)	666,1	18	730,5	20
Brazil	221,9	33	701,6	21
Lesotho	495,3	21	579,4	22
Australia	377,2	24	483,7	23
United Arab Emirates	332,7	26	472,4	24
Mexico	866,4	16	417,3	25
South Korea	653,9	19	380,7	26
Angola	72,5	-	315,3	27
Tanzania	263,2	29	314,1	28
Ghana	177,5	35	274,9	29
Finland	293,6	28	247,1	30
Poland	222,1	32	209,6	31
Malawi	236,0	30	203,8	32
Kenya	225,9	31	196,3	33
Taiwan	132,7	36	185,4	34
Mali	97,3	-	156,5	35
Saudi Arabia	21,2	-	150,7	36
France	181,7	34	142,8	37
Canada	105,7	37	135,8	38
Malaysia	43,4	-	135,6	39
Italy	97,1	-	127,9	40
Hungary	336,1	25	121,4	41
Austria	15,4	-	114,9	42
Nigeria	99,9	-	110,7	43
Madagascar	79,7	-	101,1	44

Source: AIEC, SARS

The following tables reveal the automotive component export details for the export destinations recording an export value above R100 million, or 0,1%, of the total automotive component export value of R69,2 billion in 2021. It should be noted that various miscellaneous parts and sub-components, eligible in terms of the APDP and APDP2 classifiable in the Customs Tariff as “other parts”, have not been included in the following tables.

(1) Country	Germany R17 748,7 million				
	1 Catalytic converters R12 535,4	2 Engine parts R1 453,3	3 Axles R436,6	4 Clutches / shaft couplings R377,6	5 Shock absorbers / suspension parts R273,7
	6 Radiators / parts R205,3	7 Filters R198,2	8 Engines R136,4	9 Tyres R105,8	10 Body parts / panels R45,8

(2) Country	Czech Republic R8 207,1 million				
	1 Catalytic converters R7 709,5	2 Radiators / parts R365,8	3 Silencers / exhausts R92,6	4 Wiring harnesses R2,3	5 Engine parts R1,7
	6 Gaskets R0,5	7 Stitched leather seats / parts R0,4	8 Engines R0,4	9 Automotive tooling R0,2	10 Brake parts R0,1

(3) Country	USA R7 030,2 million				
	1 Catalytic converters R4 150,1	2 Engine parts R1 106,3	3 Tyres R331,2	4 Radiators / parts R266,1	5 Automotive tooling R107,8
	6 Silencers / exhausts R76,1	7 Gear boxes R54,8	8 Axles R47,7	9 Transmission shafts / cranks R31,5	10 Clutches / shaft couplings R24,2

(4) Country	United Kingdom (UK) R3 637,4 million				
	1 Catalytic converters R2 949,8	2 Tyres R195,6	3 Automotive glass R118,7	4 Batteries R35,2	5 Engine parts R26,5
	6 Automotive tooling R18,9	7 Lighting equipment / parts R15,5	8 Engines R10,4	9 Transmission shafts / cranks R8,5	10 Body parts / panels R8,1

(5) Country	Thailand R2 617,8 million				
	1 Catalytic converters R1 001,3	2 Engine parts R574,7	3 Transmission shafts / cranks R69,9	4 Automotive tooling R24,6	5 Tyres R22,5
	6 Clutches / shaft couplings R7,6	7 Road wheels / parts R6,4	8 Shock absorbers / suspension parts R2,8	9 Lighting equipment / parts R2,7	10 Gear boxes R2,6

(6) Country	Namibia R2 542,8 million				
	1 Tyres R257,3	2 Engine parts R168,6	3 Filters R89,1	4 Transmission shafts / cranks R84,0	5 Batteries R73,4
	6 Automotive tooling R66,0	7 Ignition / starting equipment R56,7	8 Gauges / instruments / parts R47,8	9 Clutches / shaft couplings R44,5	10 Engines R44,4

(7) Country	Botswana R2 199,3 million				
	1 Tyres R191,5	2 Engine parts R109,7	3 Transmission shafts / cranks R62,3	4 Ignition / starting equipment R61,8	5 Gauges / instruments / parts R54,7
	6 Filters R50,3	7 Brake parts R39,8	8 Engines R33,1	9 Wiring harnesses R31,5	10 Batteries R30,8

(8) Country	Zambia R1 740,0 million				
	1 Transmission shafts / cranks R127,4	2 Engine parts R116,7	3 Tyres R106,6	4 Batteries R84,0	5 Engines R70,8
	6 Filters R47,5	7 Gear boxes R43,8	8 Gauges / instruments / parts R41,2	9 Brake parts R30,8	10 Gaskets R30,4

(9) Country	Zimbabwe R1 643,2 million				
	1 Tyres R197,3	2 Transmission shafts / cranks R120,0	3 Engine parts R108,6	4 Automotive tooling R69,1	5 Filters R63,8
	6 Gauges / instruments / parts R42,1	7 Batteries R41,1	8 Lighting equipment / parts R35,4	9 Engines R32,0	10 Catalytic converters R28,8

(10) Country	Japan R1 590,1 million				
	1 Catalytic converters R328,9	2 Tyres R156,4	3 Engine parts R22,4	4 Springs R11,7	5 Clutches / shaft couplings R7,3
	6 Brake parts R5,3	7 Gauges / instruments / parts R3,8	8 Stitched leather seats / parts R2,2	9 Silencers / exhausts R0,9	10 Lighting equipment / parts R0,8

(11) Country	Turkey R1 570,8 million				
	1 Catalytic converters R1 482,9	2 Silencers / exhausts R30,4	3 Tyres R18,6	4 Batteries R2,7	5 Engine parts R2,7
	6 Gear boxes R1,9	7 Automotive tooling R1,9	8 Gauges / instruments / parts R1,5	9 Steering wheels / columns / boxes R1,3	10 Engines R1,3

(12) Country	Spain R1 554,7 million				
	1 Catalytic converters R1 241,9	2 Radiators / parts R92,3	3 Tyres R47,2	4 Automotive glass R38,6	5 Silencers / exhausts R17,6
	6 Steering wheels / columns / boxes R9,4	7 Engine parts R2,8	8 Automotive tooling R2,1	9 Road wheels / parts R1,2	10 Alarm systems R0,5

(13) Country	Democratic Republic of Congo (DRC) R1 408,4 million				
	1 Transmission shafts / cranks R176,9	2 Gauges / instruments / parts R133,5	3 Engine parts R68,6	4 Engines R59,5	5 Gear boxes R27,1
	6 Automotive tooling R26,5	7 Tyres R24,0	8 Batteries R20,9	9 Gaskets R20,8	10 Catalytic converters R20,4

(14) Country	India R1 386,0 million				
	1 Engines R686,2	2 Catalytic converters R592,7	3 Radiators / parts R21,9	4 Automotive tooling R15,2	5 Stitched leather seats / parts R8,2
	6 Road wheels / parts R7,6	7 Transmission shafts / cranks R6,0	8 Engine parts R5,8	9 Seats R2,6	10 Clutches / shaft couplings R1,8

(15) Country	Argentina R1 352,3 million				
	1 Catalytic converters R381,6	2 Engine parts R344,4	3 Road wheels / parts R113,5	4 Transmission shafts / cranks R44,5	5 Stitched leather seats / parts R7,6
	6 Silencers / exhausts R4,8	7 Automotive tooling R2,0	8 Body parts / panels R0,6	9 Axles R0,4	10 Gaskets R0,2

(16) Country	Mozambique R1 325,7 million				
	1 Engines R155,3	2 Engine parts R90,5	3 Tyres R63,2	4 Gauges / instruments / parts R60,1	5 Transmission shafts / cranks R58,1
	6 Filters R53,9	7 Automotive tooling R35,2	8 Batteries R34,7	9 Gaskets R23,8	10 Brake parts R23,3

(17) Country	Belgium R1 177,1 million				
	1 Tyres R272,6	2 Automotive glass R179,9	3 Engine parts R75,5	4 Automotive tooling R50,1	5 Body parts / panels R46,6
	6 Lighting equipment / parts R33,1	7 Radiators / parts R32,6	8 Clutches / shaft couplings R25,7	9 Brake parts R19,6	10 Transmission shafts / cranks R19,2

(18) Country	China R903,0 million				
	1 Engine parts R291,6	2 Radiators / parts R85,9	3 Gauges / instruments / parts R69,6	4 Transmission shafts / cranks R66,9	5 Automotive tooling R27,0
	6 Clutches / shaft couplings R26,8	7 Tyres R24,9	8 Shock absorbers / suspension parts R9,0	9 Silencers / exhausts R4,7	10 Engines R4,3

(19) Country	Netherlands R868,5 million				
	1 Catalytic converters R486,0	2 Tyres R228,8	3 Automotive tooling R14,0	4 Engine parts R10,8	5 Ignition / starting equipment R8,5
	6 Transmission shafts / cranks R8,3	7 Filters R7,6	8 Silencers / exhausts R6,9	9 Gauges / instruments / parts R4,3	10 Road wheels / parts R1,8

(20) Country	eSwatini (formerly Swaziland) R730,5 million				
	1 Tyres R107,8	2 Engine parts R39,1	3 Batteries R34,8	4 Brake parts R27,9	5 Transmission shafts / cranks R20,0
	6 Gauges / instruments / parts R18,1	7 Filters R16,5	8 Ignition / starting equipment R15,9	9 Body parts / panels R14,6	10 Automotive tooling R13,2

(21) Country	Brazil R701,6 million				
	1 Catalytic converters R531,8	2 Radiators / parts R61,6	3 Automotive tooling R30,4	4 Silencers / exhausts R13,6	5 Clutches / shaft couplings R8,1
	6 Tyres R5,3	7 Transmission shafts / cranks R1,3	8 Engine parts R1,1	9 Filters R0,4	10 Stitched leather seats / parts R0,1

(22) Country	Lesotho R579,4 million				
	1 Tyres R81,6	2 Transmission shafts / cranks R49,3	3 Batteries R21,0	4 Brake parts R13,4	5 Filters R12,8
	6 Engine parts R10,1	7 Gauges / instruments / parts R10,0	8 Gear boxes R9,8	9 Automotive tooling R8,8	10 Radiators / parts R7,5

(23) Country	Australia R483,7 million				
	1 Catalytic converters R36,9	2 Transmission shafts / cranks R19,3	3 Tyres R19,2	4 Engine parts R17,0	5 Body parts / panels R16,9
	6 Wiring harnesses R16,3	7 Engines R6,3	8 Stitched leather seats / parts R5,9	9 Gauges / instruments / parts R5,3	10 Automotive tooling R5,2

(24) Country	United Arab Emirates (UAE) R472,4 million				
	1 Wiring harnesses R54,6	2 Tyres R40,8	3 Catalytic converters R20,5	4 Engine parts R15,3	5 Ignition / starting equipment R8,4
	6 Engines R5,2	7 Lighting equipment / parts R5,1	8 Gauges / instruments / parts R3,9	9 Transmission shafts / cranks R3,3	10 Automotive glass R2,7

(25) Country	Mexico R417,3 million				
	1 Catalytic converters R260,9	2 Silencers / exhausts R47,9	3 Tyres R32,5	4 Automotive tooling R25,9	5 Clutches / shaft couplings R21,6
	6 Engine parts R5,8	7 Radiators / parts R4,4	8 Axles R1,6	9 Lighting equipment / parts R1,0	10 Shock absorbers / suspension parts R0,5

(26) Country	South Korea R380,7 million				
	1 Catalytic converters R256,4	2 Engine parts R68,5	3 Silencers / exhausts R24,1	4 Radiators / parts R9,9	5 Automotive tooling R8,5
	6 Tyres R1,1	7 Stitched leather seats / parts R0,1	-	-	-

(27) Country	Angola R315,3 million				
	1 Tyres R39,3	2 Engine parts R38,6	3 Gauges / instruments / parts R22,1	4 Gear boxes R19,9	5 Engines R18,8
	6 Transmission shafts / cranks R17,7	7 Automotive tooling R10,2	8 Filters R9,4	9 Batteries R5,5	10 Brake parts R4,9

(28) Country	Tanzania R314,1 million				
	1 Tyres R52,6	2 Engine parts R14,6	3 Gauges / instruments / parts R10,7	4 Transmission shafts / cranks R10,0	5 Batteries R7,8
	6 Automotive tooling R5,2	7 Filters R3,2	8 Catalytic converters R3,0	9 Engines R2,9	10 Alarm systems R2,8

(29) Country	Ghana R274,9 million				
	1 Tyres R18,3	2 Engine parts R16,0	3 Gauges / instruments / parts R14,4	4 Transmission shafts / cranks R12,1	5 Automotive tooling R8,1
	6 Filters R6,7	7 Catalytic converters R6,1	8 Alarm systems R3,7	9 Brake parts R3,1	10 Clutches / shaft couplings R2,4

(30) Country	Finland R247,1 million				
	1 Catalytic converters R243,2	2 Transmission shafts / cranks R1,5	3 Wiring harnesses R0,2	4 Body parts / panels R0,1	-

(31) Country	Poland R209,6 million				
	1 Catalytic converters R91,9	2 Tyres R34,3	3 Radiators / parts R16,9	4 Wiring harnesses R10,2	5 Silencers / exhausts R4,6
	6 Filters R3,2	7 Automotive glass R2,4	8 Lighting equipment / parts R1,8	9 Stitched leather seats / parts R1,8	10 Automotive tooling R1,0

(32) Country	Malawi R203,8 million				
	1 Tyres R38,7	2 Batteries R9,7	3 Engine parts R9,4	4 Filters R8,9	5 Transmission shafts / cranks R7,8
	6 Alarm systems R4,8	7 Brake parts R3,9	8 Gauges / instruments / parts R3,5	9 Automotive tooling R3,3	10 Clutches / shaft couplings R3,0

(33) Country	Kenya R196,3 million				
	1 Tyres R63,0	2 Engine parts R11,9	3 Filters R9,1	4 Gauges / instruments / parts R7,6	5 Automotive tooling R7,0
	6 Transmission shafts / cranks R6,7	7 Brake parts R4,9	8 Lighting equipment / parts R2,6	9 Clutches / shaft couplings R2,6	10 Engines R2,3

(34) Country	Taiwan R185,4 million				
	1 Catalytic converters R171,6	2 Tyres R7,7	3 Lighting equipment / parts R0,4	4 Wiring harnesses R0,2	5 Automotive glass R0,2
	6 Silencers / exhausts R0,2	7 Engine parts R0,2	8 Automotive tooling R0,2	9 Body parts / panels R0,1	10 Gauges / instruments / parts R0,1

(35) Country	Mali R156,5 million				
	1 Engine parts R37,5	2 Transmission shafts / cranks R8,0	3 Tyres R2,9	4 Gauges / instruments / parts R2,5	5 Filters R2,1
	6 Gear boxes R2,0	7 Shock absorbers / suspension parts R1,9	8 Brake parts R1,8	9 Engines R1,6	10 Gaskets R1,5

(36) Country	Saudi Arabia R150,7 million				
	1 Tyres R46,5	2 Automotive tooling R41,2	3 Transmission shafts / cranks R10,0	4 Catalytic converters R2,1	5 Gauges / instruments / parts R1,0
	6 Engine parts R0,2	7 Gaskets R0,2	8 Engines R0,2	9 Brake parts R0,1	-

(37) Country	France R142,8 million				
	1 Automotive glass R48,7	2 Catalytic converters R10,7	3 Filters R10,4	4 Springs R9,5	5 Tyres R8,5
	6 Automotive tooling R6,8	7 Transmission shafts / cranks R3,2	8 Lighting equipment / parts R3,0	9 Engine parts R1,5	10 Gaskets R1,2

(38) Country	Canada R135,8 million				
	1 Catalytic converters R29,7	2 Tyres R23,9	3 Engine parts R8,4	4 Automotive tooling R5,2	5 Wiring harnesses R1,8
	6 Transmission shafts / cranks R1,5	7 Gauges / instruments / parts R0,8	8 Gaskets R0,6	9 Ignition / starting equipment R0,3	10 Stitched leather seats / parts R0,2

(39) Country	Malaysia R135,6 million				
	1 Catalytic converters R79,2	2 Tyres R11,8	3 Automotive tooling R8,0	4 Silencers / exhausts R1,2	5 Engine parts R1,1
	6 Engines R0,6	7 Gear boxes R0,5	8 Wiring harnesses R0,3	9 Transmission shafts / cranks R0,3	10 Stitched leather seats / parts R0,2

(40) Country	Italy R127,9 million				
	1 Silencers / exhausts R20,4	2 Automotive glass R17,8	3 Engine parts R12,0	4 Gaskets R5,3	5 Transmission shafts / cranks R4,6
	6 Automotive tooling R2,7	7 Tyres R1,9	8 Road wheels / parts R1,4	9 Gauges / instruments / parts R0,5	10 Gear boxes R0,4

(41) Country	Hungary R121,4 million				
	1 Transmission shafts / cranks R60,1	2 Engine parts R3,3	3 Catalytic converters R1,3	4 Brake parts R0,4	5 Gauges / instruments / parts R0,3
	6 Air conditioners R0,3	7 Alarm systems R0,2	8 Gaskets R0,1	9 Axles R0,1	10 Steering wheels / columns / boxes R0,1

(42) Country	Austria R114,9 million				
	1 Catalytic converters R84,0	2 Automotive tooling R21,1	3 Engine parts R3,5	4 Gauges / instruments / parts R0,3	-

(43) Country	Nigeria R110,7 million				
	1 Automotive tooling R21,7	2 Engine parts R14,1	3 Transmission shafts / cranks R10,8	4 Gauges / instruments / parts R8,5	5 Tyres R7,2
	6 Alarm systems R4,1	7 Engines R2,8	8 Road wheels / parts R2,0	9 Gaskets R1,3	10 Filters R0,6

(44) Country	Madagascar R101,1 million				
	1 Gaskets R10,7	2 Tyres R9,1	3 Filters R5,5	4 Gauges / instruments / parts R4,5	5 Transmission shafts / cranks R4,3
	6 Engine parts R3,4	7 Batteries R2,3	8 Brake parts R1,4	9 Automotive tooling R1,2	10 Ignition / starting equipment R1,2



AUTOMOTIVE COMPONENTS – EXPORTS BY PRODUCT

The global automotive industry has been severely affected by the COVID-19 pandemic, at an opportune time. Since 2019, and intensified by the outbreak of the pandemic in 2020, the overall sales figures for passenger cars have fallen sharply, linked to supply chain disruptions such as the global semi-conductor shortage. At the same time, the proportion of vehicles with alternative drives is on the rise. There is no doubt that global automotive production is in the process of radical and accelerated change that is driven by technology and alternate energy. As South Africa's automotive volumes are predominantly driven by export demand, the industry is highly vulnerable to changes in demand in export markets, in particular, Europe and the UK.

Globally, the automotive industry benefits when the supplier base is strong and competitive. At present, automotive component suppliers not only have to face the effects of the global pandemic but are also required to drive forward the transformation of the automotive value chain towards e-mobility. Rarely has the automotive sector faced such an array of opportunities and challenges. Big changes in the decade ahead on a global scale include new powertrains, relationships with consumers, modes of ownership, manufacturing processes, and technologies. Products related to the internal combustion engine (ICE) and exhaust systems are coming under increasing pressure, while electromobility is gaining in importance. The ICE vehicle area is confronted with a declining market volume, a high level of market consolidation and the severe negative effects of environmental legislation. This change carries enormous risks for many suppliers.

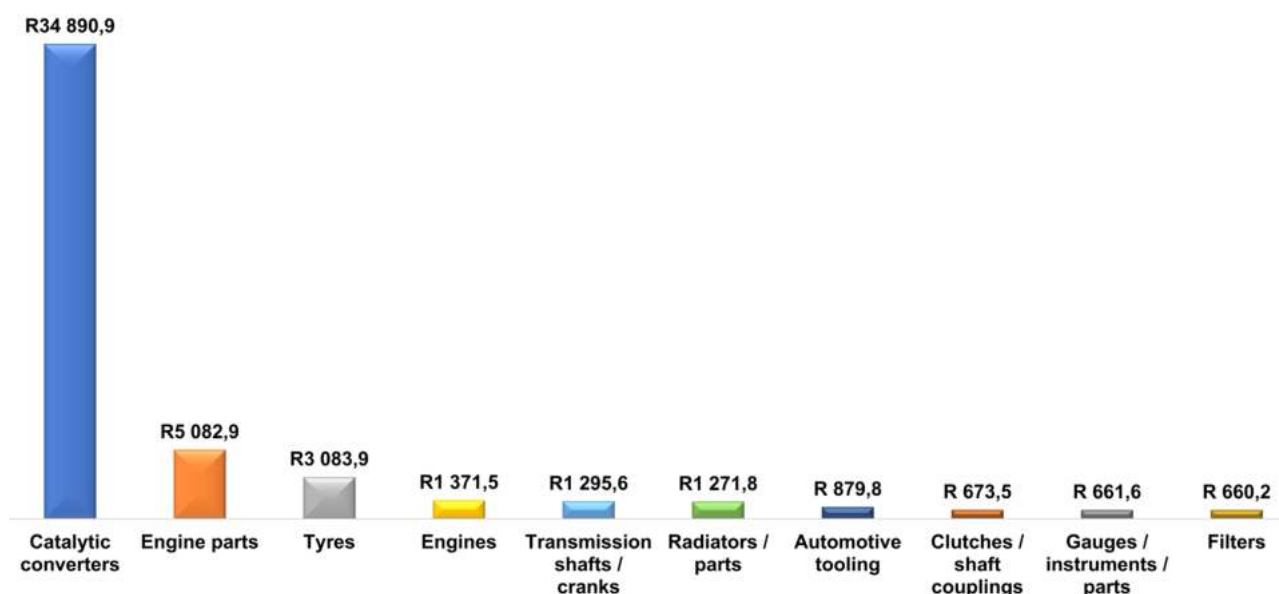
Due to the impact of the COVID-19 pandemic and faster NEV adoption, ICE vehicle sales in the passenger car segment almost certainly passed their peak in 2017 and are now in permanent decline. Automotive component suppliers that are slow in implementing the latest technological and consumer-driven trends, or to follow new regulations run the risk of failure. It is, therefore, more important than ever to maintain maximum efficiency, ensure cost-effective manufacturing and maintenance, and have the flexibility to respond to changes in the market. This can not only be achieved through major investment and innovations, but also in the little things that yield measurable results in terms of safety, quality, costs and productivity.

Key pillars of the SAAM 2021-2035 in the achievement of its objectives relating to supplier development, in particular, include localisation, industry transformation, and the development of industry-required technologies and skills. Fundamental changes in manufacturing processes and methodologies, quality management, materials management and supply chain logistics have created increasing pressure for automotive component suppliers to rapidly identify and embed critical skills to secure their global competitiveness. ASCCI, a national coordinating body 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 the current low levels of local content in domestically manufactured vehicles 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 that supply, or have the potential to supply components to the automotive sector.

In supporting sub-tier suppliers to unlock competitiveness gains, ASCCI implemented a World Class Manufacturing (WCM) programme, with the focus on lean principles and production optimisation methodologies. The subsidised programme has supported nearly 100 component suppliers since its inception, and will, in future, incorporate Industry 4.0 approaches to further bolster competitiveness and value-addition in the supply base. 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 to be felt more widely across the economy. ASCCI highlights not only the need for focused interventions, but also the value of cooperation among industry stakeholders in making these initiatives a success.

The automotive component sector in South Africa consists of a diverse group of various tier-level automotive suppliers. The bulk of the domestically manufactured automotive components are sold as original equipment components to the OEMs and the balance to exports and the aftermarket. Automotive parts and components include bodies, chassis, interiors, exteriors, seating, powertrains, electronics, mirrors, and roof systems and modules, amongst others, all assembled into a car to provide the best driving experience. A distinct diverse range of original equipment components and aftermarket parts is manufactured in South Africa.

Top automotive component exports by value – 2021 (R million)



Source: AIEC, SARS

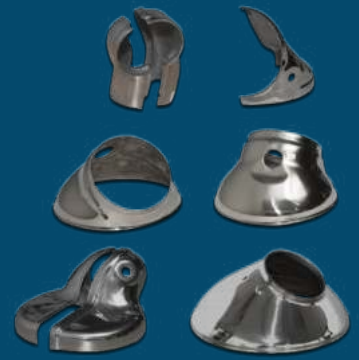
In 2021, automotive component exports increased by 27,0% to a record R69,2 billion, from R54,5 billion in 2020. Catalytic converters reflected a substantial increase in exports year-on-year in 2021 and comprised 50,4% of total automotive component exports, followed by engine parts, tyres and engines. A diverse range of original equipment components and aftermarket parts are manufactured in South Africa, but given South Africa's geographic location, the focus of exporters tends to be on high-value domestically beneficated, logistics-friendly automotive components. The country's manufacturing capabilities are illustrated by the fact that the EA111 engine for the VW Polo and Polo Vivo is manufactured in South Africa, while Ford has also invested a further R600 million in its Struandale engine plant in Gqeberha to support the launch of a new 3.0L V6 turbodiesel engine, as well as upgrades to the existing assembly line for the 2.0L Single Turbo and 2.0L Bi-Turbo diesel engines, all of which will be offered in the next generation Ford Ranger, set for launch in 2022. Both companies' engines are linked to export programmes. The following table reveals the automotive component export ranking by product category from 2017 through to 2021.

Automotive component export ranking by product category – 2017 to 2021

Component category	2017	2018	2019	2020	2021	% of total export value	Ranking
Total (R million) Including BELN country data	50 275	51 296	53 667	54 476	69 198		
Catalytic converters	18 702	19 220	20 359	25 978	34 891	50,4%	1
Engine parts	3 773	4 162	4 345	3 340	5 083	7,3%	2
Tyres	2 516	2 547	2 619	2 697	3 084	4,5%	3
Engines	2 447	1 874	1 904	1 095	1 372	2,0%	4
Transmission shafts / cranks	975	1 112	1 152	1 182	1 296	1,9%	5
Radiators / parts	1 525	1 659	1 536	1 284	1 272	1,8%	6
Automotive tooling	839	1 056	943	783	880	1,3%	7
Clutches / shaft couplings	653	612	608	588	674	1,0%	8
Gauges / instruments / parts	626	635	657	514	662	1,0%	9
Filters	588	637	587	561	660	1,0%	10
Axles	401	464	529	432	615	0,9%	11
Automotive glass	440	510	513	532	529	0,8%	12
Shock absorbers / suspension parts	560	618	569	492	430	0,6%	13
Batteries	393	428	411	440	429	0,6%	14
Silencers / exhausts	521	463	405	313	417	0,6%	15
Gear boxes	187	222	229	257	282	0,4%	16
Ignition / starting equipment	255	276	290	283	278	0,4%	17
Lighting equipment / parts	258	279	268	206	271	0,4%	18
Brake parts	274	305	315	263	270	0,4%	19
Body parts / panels	284	315	520	241	243	0,4%	20
Road wheels / parts	531	438	382	243	242	0,3%	21
Gaskets	171	162	159	186	226	0,3%	22
Wiring harnesses	257	147	151	131	194	0,3%	23
Alarm systems	90	92	120	82	92	0,1%	24
Stitched leather seats / parts	525	538	200	101	85	0,1%	25
Springs	48	45	50	68	74	0,1%	26
Steering wheels / columns / boxes	53	65	59	59	71	0,1%	27
Seats	32	37	43	59	43	0,1%	28
Jacks	30	34	35	34	36	0,1%	29
Air conditioners	63	70	62	70	35	-	30
Car radios	36	18	19	28	20	-	31
Seat belts	8	8	8	8	8	-	32
Other parts	12 214	12 248	13 620	11 926	14 434	20,8%	33

Source: AIEC, SARS

The following tables reveal the top five destinations for the automotive product category exports from South Africa for the period 2017 to 2021.



As a leading supplier of world class metal components, CRH-Africa is known for its complete product development process, engineering, tooling, and manufacturing expertise and capacity to produce value-added pressed metal components and assemblies.

CRH-Africa's two modern manufacturing plants are in the automotive hub of Gqeberha. With a staff complement of 494 personnel, CRH-Africa manufactures over 40 million pressed components and assemblies a year.

The Adient-PPC plant, owned by CRH, assembles over 200 000 seat frames for Tier 1 seat assemblers as well as vehicle original-equipment manufacturers in South Africa, including BMW, Nissan, Ford and VWSA.

Adient-PPC's core competencies include:

- Robotic welding
- E-Coating
- Laser welding
- Tube bending & forming

Adient Inc. and P Pather Capital are the main shareholders, and CRH-Africa can add manufacturing proficiency and close collaboration between product and design engineers, to deliver superior products.

CRH-Africa strives to maintain the highest standards of quality and safety and is proud to be IATF-16949:2016 accredited and compliant, providing customers with industry-leading metals technologies and expertise, a broad product portfolio and global customer service excellence.

CRH-Africa boasts a wide range of products including:

- Stainless steel pressings
- Metal seat frame structures
- Welded assemblies
- Stainless & mild steel assemblies
- Metal seat assemblies

A large portion of pressings are manufactured and sold to local Tier 1 catalytic converter assemblers, who export globally from South Africa. CRH-Africa also exports directly to South America, the US, Russia and the EU, providing world class pressed components and metal seat systems that offer safety, functionality and comfort with proven quality and on-time delivery.

The technological demands of the modern-day automotive sector require expertise which meets stringent criteria, and, with its strong team and project management focus, CRH-Africa is structured to support various industry sectors in South Africa and can supply the most relevant technologies and services.

We, CRH-Africa & Adient-PPC are proud to announce the winning of a selection of new projects, being the VW250 height adjuster for the VW Polo to be used in South Africa, Argentina, and the Czech Republic. The VW250 backrest latch mechanism successfully passed all BMG testing and is now being supplied to VWSA.



Catalytic converters (1)

Country	2017	2018	2019	2020	2021
Total (R million)	18 702,2	19 219,6	20 359,0	25 978,1	34 890,9
Germany	48%	42%	40%	30%	36%
Czech Republic	7%	10%	16%	26%	22%
USA	12%	12%	11%	12%	12%
UK	9%	8%	6%	8%	8%
Turkey	3%	3%	2%	3%	4%

Engine parts (2)

Country	2017	2018	2019	2020	2021
Total (R million)	3 773,3	4 162,4	4 344,6	3 339,9	5 082,9
Germany	23%	26%	28%	20%	29%
USA	24%	24%	26%	26%	22%
Thailand	18%	16%	13%	14%	11%
Argentina	8%	8%	7%	9%	7%
China	-	-	-	-	6%

Tyres (3)

Country	2017	2018	2019	2020	2021
Total (R million)	2 515,7	2 547,2	2 618,7	2 696,7	3 083,9
USA	3%	1%	6%	8%	11%
Belgium	9%	16%	10%	9%	9%
Namibia	14%	12%	11%	9%	8%
Netherlands	5%	8%	6%	8%	7%
Zimbabwe	8%	7%	4%	5%	6%

Engines (4)

Country	2017	2018	2019	2020	2021
Total (R million)	2 446,6	1 873,7	1 903,8	1 094,8	1 371,5
India	63%	59%	64%	51%	50%
Mozambique	3%	6%	3%	4%	11%
Germany	-	1%	-	3%	10%
Zambia	8%	10%	7%	13%	5%
Democratic Republic of Congo	1%	3%	4%	4%	4%

Transmission shafts and cranks (5)

Country	2017	2018	2019	2020	2021
Total (R million)	975,3	1 112,2	1 152,2	1 182,0	1 295,6
Democratic Republic of Congo	8%	9%	8%	7%	14%
Zambia	7%	8%	7%	8%	10%
Zimbabwe	6%	7%	7%	11%	9%
Namibia	7%	7%	6%	6%	6%
Thailand	7%	7%	11%	5%	5%

Radiators and parts (6)

Country	2017	2018	2019	2020	2021
Total (R million)	1 525,1	1 658,7	1 536,3	1 283,5	1 271,8
Czech Republic	1%	1%	10%	23%	29%
USA	13%	12%	21%	19%	21%
Germany	35%	34%	26%	19%	16%
Spain	11%	12%	11%	10%	7%
China	8%	6%	5%	7%	7%

Automotive tooling (7)

Country	2017	2018	2019	2020	2021
Total (R million)	839,3	1 056,1	943,2	782,8	879,8
USA	8%	14%	15%	10%	12%
Zimbabwe	4%	3%	2%	3%	8%
Namibia	7%	4%	4%	5%	8%
Belgium	3%	4%	5%	9%	6%
Germany	5%	7%	5%	6%	5%

Clutches and shaft couplings (8)

Country	2017	2018	2019	2020	2021
Total (R million)	652,7	611,7	608,1	588,3	673,5
Germany	57%	59%	52%	56%	56%
Namibia	5%	6%	7%	7%	7%
Botswana	3%	4%	4%	4%	4%
China	5%	6%	8%	4%	4%
Belgium	2%	2%	4%	2%	4%

Gauges, instruments and parts (9)

Country	2017	2018	2019	2020	2021
Total (R million)	625,5	634,8	657,0	514,4	661,6
Democratic Republic of Congo	19%	17%	13%	17%	20%
China	3%	1%	1%	1%	11%
Mozambique	4%	6%	8%	12%	9%
Botswana	8%	6%	7%	9%	8%
Namibia	8%	8%	8%	8%	7%

Filters (10)

Country	2017	2018	2019	2020	2021
Total (R million)	588,0	637,2	587,3	560,6	660,2
Germany	26%	23%	23%	29%	30%
Namibia	11%	11%	11%	11%	13%
Zimbabwe	13%	12%	8%	10%	10%
Mozambique	5%	5%	9%	7%	8%
Botswana	8%	9%	9%	7%	8%

Axles (11)

Country	2017	2018	2019	2020	2021
Total (R million)	401,0	463,6	529,4	432,2	614,6
Germany	73%	56%	75%	68%	71%
USA	1%	2%	1%	6%	8%
Zambia	3%	10%	1%	3%	4%
Namibia	4%	4%	3%	4%	3%
Zimbabwe	2%	3%	2%	4%	2%

Automotive glass (12)

Country	2017	2018	2019	2020	2021
Total (R million)	439,5	509,5	513,1	532,3	528,5
Belgium	25%	29%	26%	30%	34%
UK	26%	25%	26%	27%	22%
France	10%	10%	11%	8%	9%
Spain	8%	8%	6%	6%	7%
Germany	2%	3%	8%	4%	6%

Shock absorbers and suspension parts (13)

Country	2017	2018	2019	2020	2021
Total (R million)	560,0	618,0	568,6	492,4	430,2
Germany	76%	72%	71%	64%	64%
Namibia	5%	5%	6%	5%	7%
Botswana	3%	5%	7%	7%	6%
Zimbabwe	3%	2%	2%	3%	5%
Zambia	1%	1%	1%	2%	3%

Batteries (14)

Country	2017	2018	2019	2020	2021
Total (R million)	393,4	427,5	410,9	440,2	428,8
Zambia	17%	17%	20%	19%	20%
Namibia	19%	22%	24%	19%	17%
Zimbabwe	10%	7%	9%	9%	10%
UK	-	-	6%	11%	8%
eSwatini	1%	2%	3%	5%	8%

Silencers and exhausts (15)

Country	2017	2018	2019	2020	2021
Total (R million)	521,4	462,6	405,1	313,1	416,9
Czech Republic	15%	15%	5%	12%	22%
USA	21%	15%	14%	16%	18%
Mexico	-	1%	7%	13%	11%
Germany	25%	25%	30%	11%	8%
Turkey	7%	7%	9%	13%	7%

Gear boxes (16)

Country	2017	2018	2019	2020	2021
Total (R million)	186,5	222,0	229,4	256,8	281,5
USA	25%	23%	24%	14%	19%
Zambia	4%	4%	10%	4%	16%
Democratic Republic of Congo	2%	12%	13%	5%	10%
Namibia	8%	12%	9%	8%	9%
Angola	1%	3%	4%	5%	7%

Ignition and starting equipment (17)

Country	2017	2018	2019	2020	2021
Total (R million)	254,8	275,6	290,1	283,4	278,3
Botswana	20%	18%	20%	20%	22%
Namibia	18%	20%	17%	19%	20%
Zimbabwe	11%	8%	6%	8%	10%
Mozambique	5%	5%	8%	6%	7%
Zambia	7%	8%	9%	14%	6%

Lighting, signalling and wiping equipment (18)

Country	2017	2018	2019	2020	2021
Total (R million)	258,1	279,3	268,0	206,3	270,6
Namibia	15%	16%	16%	16%	15%
Germany	34%	32%	29%	15%	14%
Zimbabwe	5%	5%	3%	6%	13%
Belgium	6%	5%	10%	9%	12%
Botswana	8%	7%	8%	10%	10%

Brake parts (19)

Country	2017	2018	2019	2020	2021
Total (R million)	274,3	304,8	315,3	263,3	270,3
Namibia	14%	12%	12%	14%	16%
Botswana	10%	10%	11%	12%	15%
Zambia	8%	7%	7%	8%	11%
eSwatini	10%	10%	10%	11%	10%
Mozambique	5%	4%	6%	7%	9%

Body parts and panels (20)

Country	2017	2018	2019	2020	2021
Total (R million)	283,7	315,4	519,8	241,4	243,2
Belgium	5%	5%	9%	18%	19%
Germany	38%	39%	55%	6%	19%
Namibia	12%	14%	8%	15%	13%
Botswana	8%	7%	4%	7%	11%
Australia	1%	1%	1%	3%	7%

Road wheels and parts (21)

Country	2017	2018	2019	2020	2021
Total (R million)	530,7	438,3	382,0	243,1	241,5
Argentina	17%	26%	18%	30%	47%
Germany	3%	4%	10%	9%	11%
Namibia	4%	5%	5%	5%	6%
Botswana	2%	3%	5%	5%	4%
Zambia	2%	2%	3%	3%	4%

Gaskets (22)

Country	2017	2018	2019	2020	2021
Total (R million)	170,8	162,2	158,8	185,7	225,5
Zambia	7%	7%	8%	11%	13%
Mozambique	6%	8%	12%	13%	11%
Democratic Republic of Congo	11%	11%	7%	7%	9%
Namibia	10%	11%	14%	10%	9%
Zimbabwe	6%	6%	5%	7%	9%

Wiring harnesses (23)

Country	2017	2018	2019	2020	2021
Total (R million)	257,3	146,9	150,5	131,3	193,6
United Arab Emirates	31%	31%	11%	9%	28%
Botswana	36%	16%	22%	23%	16%
Australia	-	2%	5%	7%	8%
Zambia	2%	5%	4%	5%	6%
Namibia	2%	6%	7%	8%	6%

Alarm systems (24)

Country	2017	2018	2019	2020	2021
Total (R million)	89,9	92,4	120,0	81,9	91,8
Zimbabwe	6%	13%	8%	14%	10%
Botswana	14%	10%	12%	9%	10%
Zambia	4%	5%	9%	6%	10%
Namibia	14%	8%	7%	8%	9%
Mozambique	4%	6%	8%	5%	6%

Stitched leather seats and parts (25)

Country	2017	2018	2019	2020	2021
Total (R million)	524,7	538,1	200,1	101,0	84,7
Germany	51%	47%	32%	11%	20%
USA	1%	3%	2%	17%	17%
India	-	-	-	-	10%
Argentina	-	-	-	-	9%
Australia	-	1%	1%	2%	7%

Springs (26)

Country	2017	2018	2019	2020	2021
Total (R million)	48,2	45,1	50,4	68,0	73,9
Japan	11%	8%	11%	6%	16%
France	-	-	9%	23%	13%
Germany	8%	11%	10%	7%	10%
Zambia	6%	7%	7%	4%	9%
UK	8%	11%	8%	6%	9%

Steering wheels, columns and boxes (27)

Country	2017	2018	2019	2020	2021
Total (R million)	53,3	64,9	58,7	58,7	71,0
Namibia	19%	19%	22%	21%	21%
Spain	-	-	1%	8%	13%
Botswana	11%	9%	9%	10%	11%
Zimbabwe	6%	6%	4%	8%	11%
Lesotho	4%	5%	6%	6%	6%

Seats (28)

Country	2017	2018	2019	2020	2021
Total (R million)	31,9	36,6	42,6	59,0	42,8
Zimbabwe	7%	4%	13%	7%	12%
Australia	1%	5%	5%	6%	11%
Botswana	15%	17%	14%	9%	10%
Namibia	14%	12%	11%	8%	9%
Zambia	8%	7%	7%	5%	8%

Jacks (29)

Country	2017	2018	2019	2020	2021
Total (R million)	29,5	34,1	35,2	34,0	36,1
Zimbabwe	12%	10%	10%	19%	15%
Mozambique	6%	8%	9%	6%	13%
Zambia	17%	10%	9%	10%	12%
Namibia	14%	15%	23%	10%	12%
Democratic Republic of Congo	3%	4%	7%	6%	9%

Air conditioners (30)

Country	2017	2018	2019	2020	2021
Total (R million)	62,9	69,7	61,7	70,4	35,3
Namibia	11%	11%	10%	16%	18%
Zimbabwe	7%	3%	4%	4%	16%
Botswana	11%	9%	5%	6%	11%
Democratic Republic of Congo	3%	2%	-	2%	8%
Mozambique	6%	4%	12%	3%	7%

Car radios (31)

Country	2017	2018	2019	2020	2021
Total (R million)	36,2	18,4	19,0	27,7	20,2
Botswana	36%	28%	42%	31%	43%
Namibia	21%	41%	28%	20%	29%
eSwatini	3%	5%	8%	5%	10%
Thailand	-	-	-	27%	3%
Lesotho	1%	2%	3%	3%	3%

Seat belts (32)

Country	2017	2018	2019	2020	2021
Total (R million)	7,5	8,1	7,6	8,2	7,7
Namibia	25%	27%	29%	19%	18%
Botswana	17%	12%	16%	12%	12%
Belgium	4%	5%	6%	6%	11%
Mozambique	5%	4%	8%	5%	8%
Democratic Republic of Congo	11%	7%	3%	4%	8%



AUTOMOTIVE

PARTS AND COMPONENTS – IMPORTS

Original equipment (OE) components are components or systems supplied directly to national or international OEMs, and have global recognisable brands. Imports of OE components by the seven OEMs in South Africa increased by a substantial R27,8 billion, or 33,8%, to R110,1 billion in 2021, from the R82,3 billion in 2020, in line with the 11,8% year-on-year vehicle production increase in 2021, as well as in accommodating the introduction of new domestically manufactured models. The introduction of a new model generally starts off with lower local content levels, with the high-value componentry, such as the powertrain and telematics, which collectively account for about 50% to 60% of the value in a modern vehicle, being mainly imported into South Africa. Global sourcing principles apply in the vehicle manufacturing industry, and in those instances where the OE component is not manufactured in South Africa, the components need to be imported. The country's manufacturing capabilities are well illustrated by the fact that engines manufactured by two OEMs are sourced in the domestic market along with the remainder of the components. The widening and deepening of the country's component-supplier base under the SAAM 2035 is an important focal point, as it will reduce the risks associated with exchange rate fluctuations and logistics costs.

OE components are imported under Chapter 98 for CKD vehicle manufacturing in South Africa. The following table reveals that imports of original equipment components originated mainly from major vehicle production countries such as Germany, Thailand and Japan.

Top 10 countries of origin for original equipment components imported (Chapter 98) – 2017 to 2021

Country	2017	2018	2019	2020	2021
Total (R billion)	89,6	97,8	106,8	82,3	110,1
Germany	46%	38%	34%	34%	30%
Thailand	16%	17%	16%	19%	20%
Japan	11%	11%	10%	10%	11%
USA	3%	5%	5%	6%	6%
China	4%	4%	4%	4%	4%
Sweden	2%	3%	4%	3%	3%
Brazil	3%	4%	3%	2%	3%
Spain	2%	2%	3%	3%	3%
Czech Republic	2%	4%	4%	3%	3%
UK	2%	2%	2%	2%	2%
Other	9%	10%	15%	14%	15%

Source: AIEC, SARS

The independent aftermarket is responsible for the manufacturing and sales 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 OE components. In 2021, the import of replacement parts increased by a substantial R10,69 billion, or 18,6%, to R68,3 billion, up from the R57,6 billion in 2020.

A weak macroeconomic outlook, along with the global shortage of semi-conductors, the latter affecting vehicle production, and the subsequent limited stock availability or increasing waiting periods for specific models, has resulted in consumers and fleets holding onto their vehicles for longer. Keeping their cars for longer increases aftermarket product volume, since older vehicles use more aftermarket products per kilometre driven than newer vehicles. At more than twice the size of the new car market, used vehicles present an untapped opportunity for domestic automotive aftermarket parts suppliers. Aside from tyres and certain accessories, light vehicles do not make a substantial contribution to the volume of aftermarket products before they reach at least five years of age. The repair-age sweet-spot for most light vehicles ranges between six and ten years of vehicle age. Considering that the South African car parc is an aging one, increasing to 10 years and four months in 2021, with 71% being six years or older, servicing of these older vehicles becomes critical. Vehicle age is expected to continue climbing over the next few years, generating big aftermarket changes, ranging from the age boundaries of the repair-age sweet-spot to the types of products used in vehicle repair, where products are purchased and installed, and how they are distributed.

New product categories are currently emerging from evolving functional technologies and alternate powertrain systems, which will bolster aftermarket activity. However, even with rising new energy vehicle sales, it will take some years before this category is expected to have a meaningful impact on the aftermarket. Firstly, a significant portion of new energy vehicles on the road in 2030 will be HEVs and PHEVs, which have an internal combustion engine and an electric motor. HEVs and PHEVs use a wide array of conventional aftermarket parts. This means ICE cars and light commercial vehicles will continue to increase their aftermarket product volume to 2030 and beyond.

The following table reveals the top 10 replacement parts imported to complement the parts not manufactured in the domestic market for 2017 to 2021.

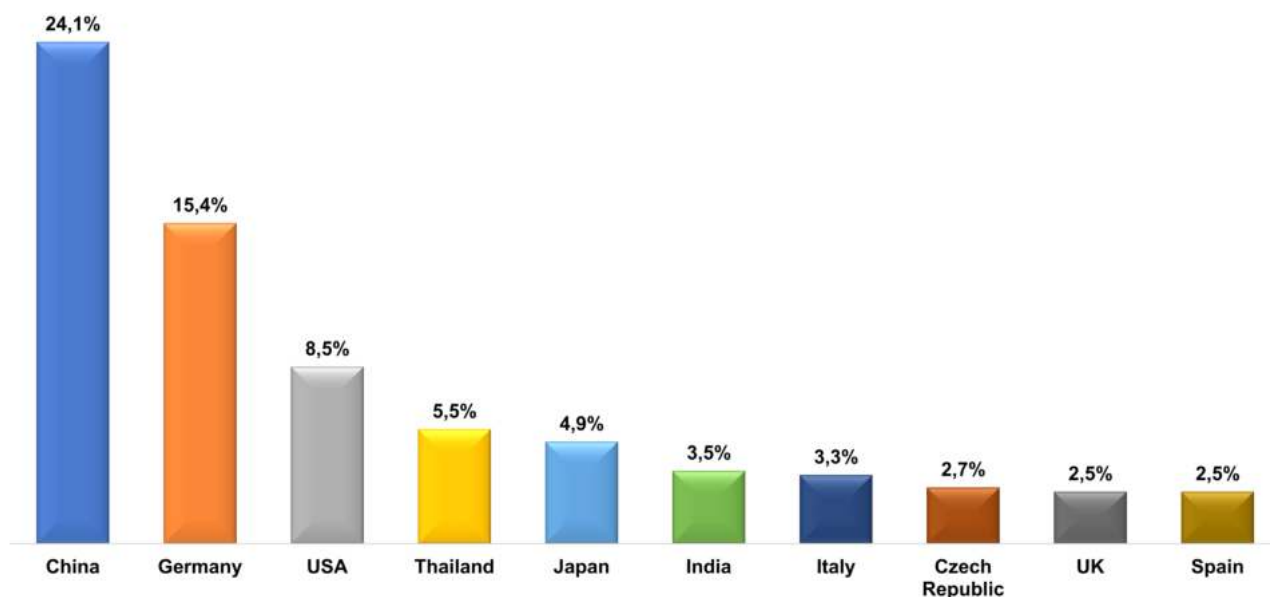
Top 10 replacement parts imported (R million) – 2017 to 2021

Parts category	2017	2018	2019	2020	2021
Tyres	5 819	6 401	6 150	4 766	6 698
Automotive tooling	5 188	4 307	3 742	6 074	4 944
Engine parts	4 200	4 247	4 364	4 239	4 883
Transmission shafts / cranks	2 103	2 123	2 163	2 091	2 461
Stitched leather seats / parts	2 440	2 324	2 426	1 788	2 453
Engines	2 059	1 692	2 126	1 921	2 323
Gauges / instruments / parts	2 021	2 303	2 197	2 065	2 229
Wiring harnesses	2 063	2 150	2 255	1 661	2 030
Filters	1 385	1 499	1 489	1 455	1 577
Brake parts	1 141	1 302	1 678	1 342	1 546
Other	30 610	32 976	34 341	30 214	37 163
Total	59 029	61 324	62 931	57 616	68 307

Source: AIEC, SARS

Light vehicle imports, as percentage of total new vehicle sales in South Africa, increased from 57,0% in 2020 to 60,0% in 2021, with passenger car imports accounting for 78,3% of total passenger car sales in 2021. Imports from the traditional markets such as Germany, Japan, the US, and the UK have declined over recent years, while imports from India and China have increased.

Top countries of origin for imported replacement parts – 2021



Source: AIEC, SARS

The following table reveals the top 10 countries of origin for imported replacement parts from 2017 to 2021.

Top 10 countries of origin for imported replacement parts – 2017 to 2021

Country of origin	2017	2018	2019	2020	2021
China	18,2%	19,6%	19,7%	21,7%	24,1%
Germany	19,5%	16,8%	16,7%	16,1%	15,4%
USA	9,2%	10,8%	9,8%	9,1%	8,5%
Thailand	4,2%	4,3%	4,5%	4,9%	5,5%
Japan	5,6%	5,9%	5,4%	5,6%	4,9%
India	3,3%	2,7%	3,1%	2,8%	3,5%
Italy	3,4%	3,6%	3,4%	3,8%	3,3%
Czech Republic	2,6%	2,5%	2,7%	2,4%	2,7%
UK	3,2%	2,8%	2,8%	2,4%	2,5%
Spain	2,8%	2,4%	2,4%	2,6%	2,5%
Other	28,0%	28,6%	29,5%	28,6%	27,1%

Source: AIEC, SARS



SOUTH AFRICAN AUTOMOTIVE INDUSTRY GROWTH PROSPECTS

Just as the attention globally started to drift away in 2022 from the once-in-a-century global health and economic crisis, the world was rocked by Russia's invasion of the Ukraine. The repercussions of the conflict have already extended to rising food, energy and commodity prices. Due to the interconnectedness of the global economy, the main risk is the potential impact on global growth, while the knock-on effects are likely to come in the form of further deteriorations in the global supply chain. As an open economy, South Africa's economy is closely linked to the fortunes and performance of the global economy.

The domestic automotive industry is expected to continue a stop-start recovery in view of prevailing COVID-19 related supply chain disruptions, insufficient stocks, and escalating energy and transportation cost increases in 2022. The overall business and trading environment plays a pivotal role in the behaviour of the domestic automotive industry and in attracting new businesses to South Africa. Building resilience against the many causes of business interruption is increasingly becoming a competitive advantage for companies. Companies are investing in tools and working with data to better understand risks, build inventories, buffers and redundancies in supply chains, and create better business continuity and contingency plans.

A key priority focus for the South African government is to create a conducive environment to attract investment into the manufacturing sector aimed at unlocking the country's real economic potential, and promoting job-rich results. In this regard, the corporate income tax rate that has been lowered to 27% from 28% in the National Budget 2022 aims to bring South Africa's corporate tax rates closer to international averages, and for the corporate tax system to support companies to grow, increase investment and employ more people.

Economic development requires the expansion and diversification of the industrial sector, which is still the main catalyst of productivity growth, rising wages, innovation and a key driver for service sector expansion. Industrialisation has come to be closely identified with persistently faster levels of economic growth and development, while increased exports can drive sustainable growth, generate decent well-paying jobs and widen economic inclusion. As one of the most visible sectors receiving foreign direct investments, the OEMs, along with the automotive component suppliers, play an integral part in the South African economy, given the automotive industry's unique ability to generate broader industrialisation.

The South African automotive industry has many existing strengths, of which national government support, an established OEM presence in South Africa with substantial amounts of sunk capital, demonstrated production capabilities across a range of vehicle and component product categories, a functioning industrial infrastructure, and preferential international market access, are some examples. 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. Amongst many others, increased regional vehicle and automotive component market demand opportunities in Africa via the African Continental Free Trade Area (AfCFTA) and the Auto Pact, as well as the imminent demand for new energy vehicles (NEVs) in the industry's traditional markets, mean that the domestic automotive industry will need to make significant investments in innovation and NEV technology.

South Africa has developed and maintained a world-class automotive manufacturing value chain through ongoing government support and constructive collaboration with global OEMs, component manufacturers and labour. The automotive policy regime in the country has been successful in supporting the growth and development of the domestic automotive industry, despite the negative domestic market conditions over recent years. The South African government's commitment to its automotive industry has given rise to the fortunes obtained in the country's economy and is set to continue further under the SAAM up to 2035.

South Africa has developed
and maintained a world-class
automotive manufacturing
value chain through ongoing
government support and
constructive collaboration
with global OEMs, component
manufacturers and labour.

METHODOLOGY AND CURRENCY INDICES

The methodology utilised and applied in the *Automotive Export Manual – 2022 – 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. Despite the free movement of goods between customs union member countries from a customs point of view within the Southern African Customs Union (SACU), South African trade with member countries, comprising Botswana, eSwatini, Lesotho and Namibia are included in South Africa's trade data to provide a more accurate reflection of the country's trade.

The trade data in the *Automotive Export Manual – 2022 – South Africa* publication is based on the detailed Customs and Excise statistics for products eligible under the APDP and APDP2, obtained from the South African Revenue Service (SARS). The Customs and Excise values reflect free on board (FOB) values in nominal terms. The export values of the latest year (2021) 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 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 – 2022 – 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 and APDP2. Due to certain limitations, Customs and Excise statistics cannot always distinguish between the automotive components eligible in terms of the APDP and APDP2 and non-eligible components, therefore certain categories, such as automotive tooling, may contain a small percentage of non-APDP/APDP2 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 2017 through to 2021.



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

Currency	2017	2018	2019	2020	2021
Euro	15,04	15,60	16,17	18,77	17,48
Index 2017	100	104	108	125	116
UK Pound	17,15	17,63	18,44	21,09	20,32
Index 2017	100	103	108	123	118
US\$	13,31	13,23	14,45	16,46	14,78
Index 2017	100	99	109	124	111
Japan (100 Yen)	11,87	11,97	13,26	15,42	13,47
Index 2017	100	101	112	130	113
Chinese Yuan	197,08	199,79	209,10	238,35	229,17
Index 2017	100	101	106	121	116

Source: South African Reserve Bank

South Africa's GDP growth rate, at 4,9% for 2021, reflected a healthy bounce-back from the economic effects of the global pandemic in 2020, despite a softer than expected second half of the year. However, the country's consumer price inflation (CPI) increased from 3,3% in 2020 to 4,5% in 2021. Inflation, stoked by record-high fuel prices, rising food costs, rising import prices due to supply constraints, and an expansion in domestic demand following the reopening of the economy, has breached 4,5% for the biggest part of 2021. In response to the growing inflation risks, the South African Reserve Bank (SARB) has raised the repo rate by 25 basis points, to 3,75% in 2021, the first rate hike in three years. While the SARB officially targets price growth in a band of 3% to 6%, it prefers to anchor expectations close to the midpoint of the range.

The Rand benefitted from a surge in commodity prices as well as a huge trade surplus and has outperformed most emerging market currencies in 2021. The exchange rate affects inflation through two channels, namely, the price of imported finished products, as well as the price of input costs. Commodity producing economies, including South Africa, will be influenced greatly by China's rate of economic growth and its demand for commodities in 2022. The stronger the commodity cycle, the more supportive it will be for the domestic currency. The outlook for 2022 globally is still highly uncertain, and as a small open economy, South Africa is vulnerable to volatility, both at a global level and at a regional level. The National Treasury projected in its February 2022 National Budget a weaker economic outlook with a projected GDP growth rate of 2,1% for 2022, as business and consumer sentiment remains subdued.

The Rand benefitted from a surge in commodity prices as well as a huge trade surplus and has outperformed most emerging market currencies in 2021.

KEY MOTOR INDUSTRY CONTACT DETAILS

Automotive Industry Export Council (AIEC)		
Telephone:	+27 12 807 0086/0152	P.O. Box 74166
Telefax:	+27 12 807 0671	Lynnwood Ridge
Website:	www.aiec.co.za	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)	Private Bag X84
Telephone:	+27 861 843 384 (Customer Care Centre)	Pretoria
Website:	www.thedti.gov.za	0001

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

National Association of Automotive Component & Allied Manufacturers (NAACAM)		
Telephone:	+27 11 392 4060/5748	Postnet Suite # 597
Telefax:	+27 86 659 0494	Private Bag 29
Website:	www.naacam.co.za	Gallo Manor, 2052

naamsa The Automotive Business Council		
Telephone:	+27 12 807 0086/0152	P.O. Box 74166
Telefax:	+27 12 807 0671	Lynnwood Ridge
Website:	www.naamsa.co.za	0040

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

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

Standard disclaimer

The trade data is based on eligible APDP and APDP2 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 APDP2 and non-APDP/APDP2 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.

ISBN 978-0-620-99608-2



IN ASSOCIATION WITH:



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA