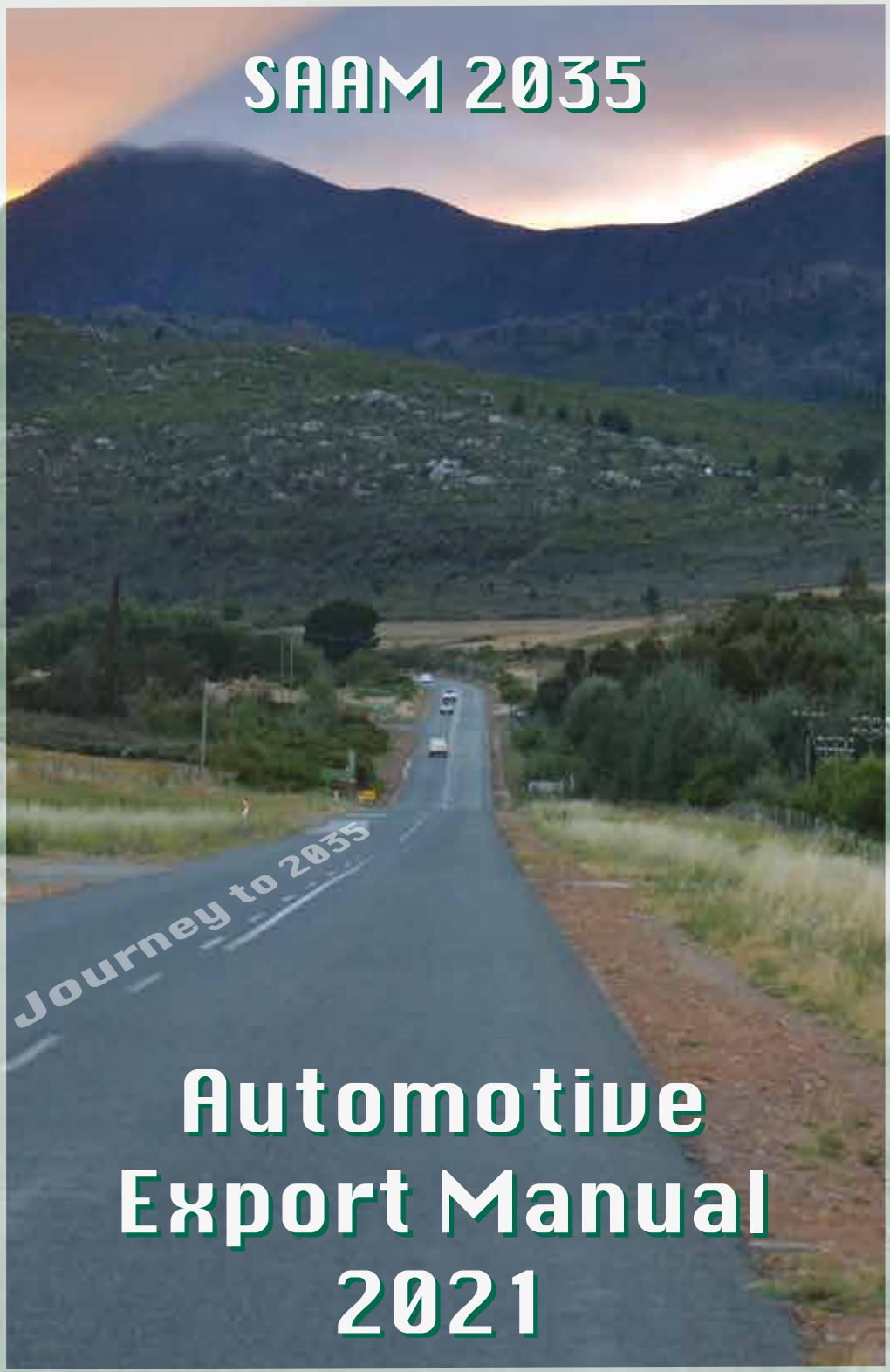
SAAM 2035



Automotive Export Manual 2021

South Africa

Inspiring new ways

ACKNOWLEDGEMENTS

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CONTENTS

ABBREVIATIONS

AAAM	African Association of Automotive Manufacturers
AfCFTA	African Continental Free Trade Area
AGOA	African Growth and Opportunity Act
AIEC	Automotive Industry Export Council
AIS	Automotive Investment Scheme
APDP	Automotive Production Development Programme
ASCCI	Automotive Supply Chain Competitiveness Initiative
BELN	Botswana, eSwatini (formerly Swaziland), Lesotho and Namibia
BRICS	Brazil, Russia, India, China and South Africa
CBU	Completely Built-up
CKD	Completely Knocked Down
COMESA	Common Market for Eastern and Southern Africa
CPI	Consumer Price Index
dtic	Department of Trade, Industry and Competition
EAC	East African Community
EU	European Union
EV	Electric vehicle
FDI	Foreign Direct Investment
FOB	Free on Board
FTA	Free Trade Agreement
GDP	Gross Domestic Product
IDZ	Industrial Development Zone
MERCOSUR	Mercado Común del Sur – Common Market of South America
MIDP	Motor Industry Development Programme
MIOSA	Motor Industry Ombudsman of South Africa
NAACAM	National Association of Automotive Component and Allied Manufacturers
naamsa	The Automotive Business Council
NADA	National Automobile Dealers' Association
NAFTA	North American Free Trade Area
OEM	Original Equipment Manufacturer (Vehicle Manufacturer)
OICA	International Organisation of Motor Vehicle Manufacturers
PTA	Preferential Trade Agreement
SA	South Africa
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
- 2021 -
SOUTH AFRICA PUBLICATION

Data has become the new currency, and if you can't measure it, you can't manage it. The right decision comes from combining initiative with deep market knowledge. Market intelligence will continue to provide companies with a competitive edge that will allow them to stay up to date with current market trends and will enable them to make sound decisions in an increasingly uncertain scenario.

The *Automotive Export Manual – 2021 – South Africa* publication is an annual publication produced and compiled by the Automotive Industry Export Council (AIEC) – the recognised source of South African automotive trade data. The 2021 publication, just as the previous 14 annual publications since 2007, provides a comprehensive guide to the export and import performance of the South African automotive industry under the current Automotive Production Development Programme (APDP). The aim of the manual is to identify and report on the major automotive export destinations, the major countries of origin, the main automotive export trade blocs, the most important automotive products being exported and imported, the top growth markets and products, as well as the impact of the trade arrangements enjoyed by South Africa on automotive trade patterns.

This publication provides detailed insight into the South African automotive industry and represents a key source of information for national and international stakeholders to optimise and capitalise on the multiple opportunities available in the country.

SOUTH AFRICA AND ITS AUTOMOTIVE INDUSTRY

The automotive industry the world over has experienced unprecedented challenges due to the emergence of the COVID-19 pandemic, with global lockdown restrictions implemented across all major automotive manufacturing countries. South Africa has not been insulated from this global health and economic challenge. This saw the entire domestic motor industry battle to survive after the suspension of vehicle production and retail trade activities that drove some of the domestic companies to review their annual business plans to remain liquid during the year under review. While lockdown restrictions were eased to allow the automotive sector to continue to manufacture and trade, the COVID-19 pandemic has negatively affected the domestic growth prospects through 2020, and potentially have longer economic implications, depending on the steps taken to guarantee business continuity in South Africa.

Undoubtedly, the emergence of COVID-19 has thrown the world into disarray, challenged the global order and upended accepted norms. For the globalised automotive industry, the pandemic has been the biggest deterrent to growth over the past century. Characterised by supply chain bottlenecks, dwindling new vehicle sales and directly affecting the global economy through the trade channel, the impact of the multi-wave pandemic on global markets is yet to be fully comprehended. Due to the lockdown measures, COVID-19 is a supply chain-led shock, which refers to the winding down of businesses with the consequent spill over onto the financial system. The stark difference, if compared with the 2008/9 global financial crisis, is that the impact on the global trade slowdown at that time was indirect and the shock was mainly demand-driven.

In the face of the current disruptions and economic instability, it is paramount for automotive industry leaders to gain a 360-degree understanding of their industry and to design long-term strategies across all verticals of the business. Industry role-players must be strategic in their market assessments in these challenging times, whether they are identifying new partners, benchmarking the competition, or analysing new growth opportunities. Transformational strategies will therefore become imperative for businesses to adapt, compete and succeed in the "new normal".

South Africa's future prospects depend on the development of a strong, knowledge-based, export-led economy. Following the sound upward momentum in vehicle exports under the Automotive Production Development Programme (APDP), and consecutive export records in 2018 and 2019, the total automotive export value declined by a substantial R26 billion, or 12,9%, from the R201,7 billion in 2019 to R175,7 billion in 2020. Vehicle exports declined by a massive 115 804 units to 271 288 units in 2020, from the record 387 092 vehicles exported in 2019, and the export value declined by a significant R26,8 billion from the R148,0 billion in 2019 to R121,2 billion in 2020. On the upside, automotive component exports reflected an increase of R0,8 billion to a record R54,5 billion in 2020 from the R53,7 billion in 2019. However, the domestic automotive industry's export destinations decreased to 147 countries in 2020 from the 151 destinations in 2019.

In 2020, the broader automotive industry's contribution to the gross domestic product (GDP) stood at 4,9% (2,8% manufacturing and 2,1% retail), down from 6,4% in 2019, reflecting the severe impact of COVID-19 on automotive manufacturing and retail as a consequence of the country lockdown restrictions during the year. As the largest manufacturing sector in the country's economy, a substantial 18,7% of value-addition within the domestic manufacturing output was derived from vehicle and automotive component manufacturing activity, continuing to position the industry and its broader value chain as a key player within South Africa's industrialisation landscape. The automotive sector remained one of the most visible sectors

receiving foreign direct investments, with the seven OEMs investing a record R9,2 billion in 2020, while the component sector invested R2,4 billion in 2020. Investment at this scale is significant and will promote local value-addition, while importantly, technology is also embodied in the investment. 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 2019 and 2020.

Key performance indicators under the APDP – 2019 to 2020

Indicator	Performance	
	2019	2020
Population	58,78 million	59,62 million
Consumer Price Index (CPI)	4,1%	3,3%
South Africa's GDP (current prices)	R5 077,6 billion	R4 974,0 billion
Broader automotive industry contribution to GDP	6,4%	4,9%
Vehicle and component production as % of South Africa's manufacturing output	27,6%	18,7%
Average monthly employment by vehicle manufacturers	30 250	29 926
Automotive component sector employment	80 000	76 800
Capital expenditure – vehicle manufacturers	R7,3 billion	R9,2 billion
Capital expenditure – component sector	R3,5 billion	R2,4 billion
Total South African new vehicle sales	536 612 units	380 206 units
Total South African vehicle production	631 921 units	447 218 units
South Africa's vehicle production as % of Africa's vehicle production	56,7%	62,1%
South Africa's global vehicle production ranking	22nd	22nd
South Africa's global vehicle production market share	0,69%	0,58%
Vehicle ownership ratio per 1 000 persons	179	176
Vehicle parc (number of registered vehicles)	12,70 million	12,70 million
Total automotive export earnings	R201,7 billion	R175,7 billion
Automotive export value as % of total South African export value	15,5%	13,9%
Number of export destinations	151	147
Number of export destinations with export values more than doubling year-on-year	19	22
Top automotive country export destination in Rand value terms	Germany	Germany
Total South African vehicle exports	387 092 units	271 288 units
Value of vehicle exports	R148,0 billion	R121,2 billion
Top vehicle export destination in volume terms	UK	UK
Value of automotive component exports	R53,7 billion	R54,5 billion
Top automotive export component category in Rand value terms	Catalytic converters	Catalytic converters
Top automotive trading partner (imports and exports) in Rand value terms	Germany	Germany
Top automotive trading region (imports and exports) in Rand value terms	EU	EU
Top country of origin for total automotive imports in Rand value terms	Germany	Germany
Top country of origin for vehicle imports	India	India

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

The global pandemic rocked the world to its very foundations, and ultimately there are no easy solutions to reigniting COVID-19 affected economies, with South Africa no exception to this. The economic scars of the crisis are profound, and the South African economy experienced its deepest economic contraction in a century, with the country's GDP slumping to -7,0% in 2020. It seems indisputable that the first and further waves of the pandemic, the country's lockdown restrictions, and whatever will come after that will have a lasting and devastating impact on South Africa's economy and its automotive industry. What promised to be a high point for the domestic automotive industry in 2020, with the APDP reaching the peak of its eight-year path, was annihilated by the global pandemic. COVID-19 has also resulted in the postponement of the South African automotive industry's journey to 2035 under the South African Automotive Masterplan (SAAM) 2021 - 2035, by six months, from 1 January 2021 to 1 July 2021.

Encouraging news is that the world economy is projected to recover in 2021, while it is also expected that South Africa's economic growth rate will rebound in 2021, setting the stage for a robust recovery from the very low base in 2020. In terms of the domestic automotive industry's recovery, much will depend on the recovery of its main trading partners and the pace at which the lockdown measures are phased out, considering that well over 60% of the country's vehicle production is exported.

Manufacturing is one of the sectors that can best assist in growing South Africa's economy, and therefore, the growth of the manufacturing sector needs to be accelerated. Manufacturing-driven growth has the highest impact on job creation, and with its linkages throughout the economy, the multiplier effects of manufacturing are higher than in most other sectors. The automotive industry is not only the largest manufacturing sector in the South African economy, but it also invests billions of Rand every year, and represents about 460 000 highly skilled, direct jobs in its formal sector supply chain. The domestic automotive sector has proved to be a reliable partner and dependable ally for government to position manufacturing as a catalyst for the development and inclusive growth in the country.

The domestic automotive sector has proved to be a reliable partner and dependable ally for government to position manufacturing as a catalyst for the development and inclusive growth in the country.

AUTOMOTIVE INDUSTRY EXPORT COUNCIL

The South African automotive industry is fully integrated into the global automotive environment, deeply entrenched in international supply chains, and dependent on foreign investment. The global response to COVID-19 – both economically and to the pandemic – has shown a multitude of different approaches by different countries. The pandemic is, above all, an accelerant to make changes happen faster and it will have a variety of impacts on the automotive environment, both domestically and internationally.

The global industrial landscape constantly has to deal with trade pressures and emerging challenges that alter the way businesses function. Change is an inescapable fact of life and means of survival, let alone a point of competitive advantage, and is something that businesses are familiar with. Buzzwords that increasingly appeared during the COVID-19 pandemic included "unprecedented" and the "new norm". It is imperative for global industries to rethink, reshape, and refocus their growth strategies to revive their businesses in 2021. For some businesses it may mean operating less frequently, for others it may mean changing product offerings or supply chain models. Although every country and every client will differ, the approach remains the same. An analysis of major global trends will provide insight, create an understanding of the global automotive markets, and enable companies to re-align their strategies with opportunities that may arise from these global trends.

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Ex-officio Member
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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. 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.

Mr Adriaan Adams
Ex-officio Member
dtic

The purpose of the AIEC is to assist companies in the automotive sector that are currently exporting, may be interested in exporting in future, or may become capable of exporting in future. Together with the dtic, the seven major light vehicle OEMs and NAACAM currently fund the AIEC as a way of contributing towards developing, broadening and deepening the automotive supply chain in the country.

Trading patterns and systems are changing, with new demands, investors and logistical systems emerging. As buying behaviours and competitive intensity drive the need for robust business models, business leaders need to leverage tailor-made strategies during these uncertain times to help them redefine their businesses and drive diverse growth propositions. To this end, international events provide a showcase for innovations in the entire value chain, provide an ideal meeting place for all involved in the industry, provide a platform for business and technological knowledge transfer, and also provide good networking opportunities for local and international exhibitors. 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.

In 2020, the dtic launched the Export Barriers Monitoring Mechanism (EBMM) which provides a single channel for companies to report and receive assistance in resolving export barriers to overcome export challenges. While the EBMM is open to receiving barriers encountered in all markets, it will have a particular focus on smoothing trade with the rest of Africa. These are effective ways of establishing and building business relationships in the pursuit of opportunities.

The two automotive national pavilions approved by the dtic for the 2020/2021 financial year included the Automechanika Middle East national pavilion in Dubai, UAE, that was initially scheduled to take place from 7 to 9 June 2020 but was subsequently postponed to 19 to 21 October 2020 (www.automechanika-dubai.ae.messefrankfurt.com), and the Automechanika Frankfurt national pavilion that was scheduled to take place in Germany from 8 to 12 September 2020 (www.automechanika.messefrankfurt.com). The South African automotive events planned for 2020/2021, included the South African Festival of Motoring that was scheduled to take place from 21 to 23 August 2020 at the Kyalami Grand Prix Circuit and the International Convention Centre, Johannesburg (www.safestivalofmotoring.com), and the NAACAM Show 2021, Africa's automotive component initiative (www.naacamshow.co.za). Due to COVID-19 restrictions and bans on travel, all the above-mentioned 2020 automotive events were cancelled or postponed to 2021.

The two international automotive national pavilions transferred to the 2021/2022 financial year include the Automechanika Middle East national pavilion in Dubai, UAE, initially scheduled to take place from 7 to 9 June 2021 but that was eventually postponed to 14 to 16 December 2021 (www.automechanika-dubai.ae.messefrankfurt.com) and the Automechanika Frankfurt national pavilion in Germany that was postponed to 14 to 18 September 2021 (www.automechanika.messefrankfurt.com). Automechanika Frankfurt will be taking place as a hybrid event for the first time, with the primary focus on the physical event, supplemented by providing all exhibitors with opportunities to network digitally with those members of the international B2B audience who cannot travel to Frankfurt due to the pandemic. The South African automotive events for 2021/2022 include the South African Festival of Motoring from 27 to 29 August 2021 at the Kyalami Grand Prix Circuit and International Convention Centre, Johannesburg (www.safestivalofmotoring.com), the NAACAM Show 2022, Africa's automotive component initiative (www.naacamshow.co.za), the South African Auto Week that is scheduled to take place in October 2021, and the Automechanika Johannesburg event (www.automechanikasa.co.za), coinciding with Futuroad Expo and Scalex Johannesburg, scheduled to take place from 15 to 18 March 2022.

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

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NAACAM SHOW 2022

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DATES AND VENUE FOR THE 2022 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 automotive industry associations in South Africa have a long-standing track record of making a difference, and providing a forum for members to share ideas and develop new ways to improve the industry. The benefits of being a member of an industry association include up-to-date, industry-specific resources and information, the concept of unity, and members being afforded the opportunity to shape important decisions, amongst many others. The organisational structure in the manufacturing and retail sectors of the domestic 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.

naamsa, The Automotive Business Council, has changed its naming convention at the beginning of 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 membership still represents the collective, non-competitive interests of the new vehicle manufacturing industry in South Africa comprising 20 companies involved in the production of passenger cars and commercial vehicles which collectively employ in the order of 30 000 people. **naamsa** also represents the interests of a further 21 companies involved in the importation and distribution of new motor vehicles in South Africa. Since 2021, **naamsa** has introduced associate membership to forge stronger partnerships between its traditional membership base of manufacturing and retailing OEMs to now include associate members represented by private sector companies with interest in the growth and development of the sector. For associate members, **naamsa** offers tangible benefits such as access to the latest comprehensive automotive industry data, trends, and insights, visibility to key industry issues, business exposure to the automotive industry domestically and globally, as well as secure preferential exhibitor rates on all **naamsa**-led industry events, seminars, trade shows and exhibitions, including discounted exhibition space during the South Africa Auto Week, the **naamsa** Conference, the South African Car Awards, **naamsa** Golf Days and at Meet-the-Buyer engagements. In addition, and in order to enhance its overall value proposition to all its members, **naamsa** has also introduced three new assets which include: the **naamsa** Dreams Academy, the Autolytics Bank and the South African Auto Week. 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 135 members, of which approximately 80% are first-tier suppliers with 204 regional manufacturing sites, in addition to 26 associate members that provide a wide range of services to members. The association currently also administers the South African Tyre Manufacturers Conference (SATMC), representing the four international companies that manufacture tyres in South Africa, namely Bridgestone, Continental, Goodyear and Sumitomo Rubber South Africa. Employment in the component sector, including enterprises that are not members of NAACAM, comprised around 76 800 people in 2020. 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 8 859 establishments across all sectors of the retail and wholesale motor industry, including motor vehicle dealers, motorcycle dealers, motor vehicle parts dealers, motor body repairers, motor vehicle component remanufacturers, tyre dealers, independent workshops, and fuel retailers, amongst others. The National

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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 about 1 300 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 with its vision of building a successful automotive ecosystem that will lead to a sustainable industry that creates significant jobs, while assisting in the industrialisation of the automotive sector in Africa. The aim of the AAAM is to unlock the economic potential of the African continent by promoting a policy environment that is conducive to the development of the automotive sector. The AAAM aims to connect the major countries in Africa to establish a pan-African automotive industry collaboration which would lead to the creation of an Automotive Pact. The AAAM's mandate is therefore to engage with governments, industry bodies and representatives from the African motor sector to provide advice on opportunities to formalise, develop and grow all aspects of the relevant domestic automotive industries. This includes promoting an investor-friendly regulatory framework that will support the development and implementation of policies to establish a viable automotive manufacturing industry on the continent for both vehicle assemblers and automotive component suppliers. More information on the AAAM can be accessed at www.aaamafrica.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 crippling effects of the COVID-19 pandemic resulted in a massive decline of 156 406 units, or 29,2%, in new vehicle sales, from the 536 612 units sold in 2019 to 380 206 units being sold in 2020. Vehicle sales are linked to the strength of the economy, and the pandemic not only deepened an existing economic recession in the country, but its severe impact resulted in the 2020 domestic new vehicle market dropping back to the levels of 18 years ago.

Sales of passenger cars and light commercial vehicles (LCVs), which contributed 64,8% and 29,2% of the total market, respectively, decreased by 30,6% and 27,6%, from 2019 to 2020. The South African truck market, comprising 6,0% of the total market, however, showed some resilience with year-on-year sales declining by 18,8%. Passenger car sales through the dealer channel, which is representative of consumer activity, comprised 85,5% of total sales in 2020, followed by 6,6% being attributed to the vehicle rental industry, 4,2% to government, and 3,7% to industry corporate fleet sales. The following table reveals the sales of passenger cars and commercial vehicles for 2016 through to 2020.

Sales of passenger cars and commercial vehicles – 2016 to 2020

Year	Passenger cars	Light commercial vehicles	Medium and heavy commercial vehicles and buses	Total new vehicle sales
2016	361 265	159 316	26 971	547 552
2017	368 114	163 317	26 273	557 704
2018	365 247	159 525	27 455	552 227
2019	355 379	153 221	28 012	536 612
2020	246 541	110 912	22 753	380 206

Source: **naamsa**/Lightstone Auto

The significant fall in aggregate new vehicle sales in 2020 occurred despite a 300-basis point interest rate cut during the year to a near 50-year low. South Africa entered a recession before the outbreak of COVID-19, which means middle class disposable income was already under pressure prior to the national lockdown. The vehicle rental industry, which is a major seasonal contributor to the new vehicle market, also effectively remained dormant due to the lockdown restrictions on business travel and tourism for most of the year. Sales to the rental industry consequently dropped by a significant 63,4% year-on-year in 2020. Market conditions in the passenger car and light commercial vehicle markets continued to be characterised by a buying down trend, with sales of pre-owned vehicles offering the most enticing option in the current economy. The premium car segment continued to experience significant pressure in 2020.

In 2020, domestic new vehicle price inflation rose above inflation, following more than two years of prices remaining below consumer price inflation. Research revealed that in the domestic market the most price-sensitive new vehicle price range is represented by vehicles sold in the price range from R214 200 to R303 283, where the price elasticity is -1.95. This means that a 1% increase in the price of new vehicles at this price point is associated with a 1.95% decrease in demand. In South Africa, new-vehicle pricing is not driven by demand but by factors such as exchange rate fluctuations, considering that 57% of passenger

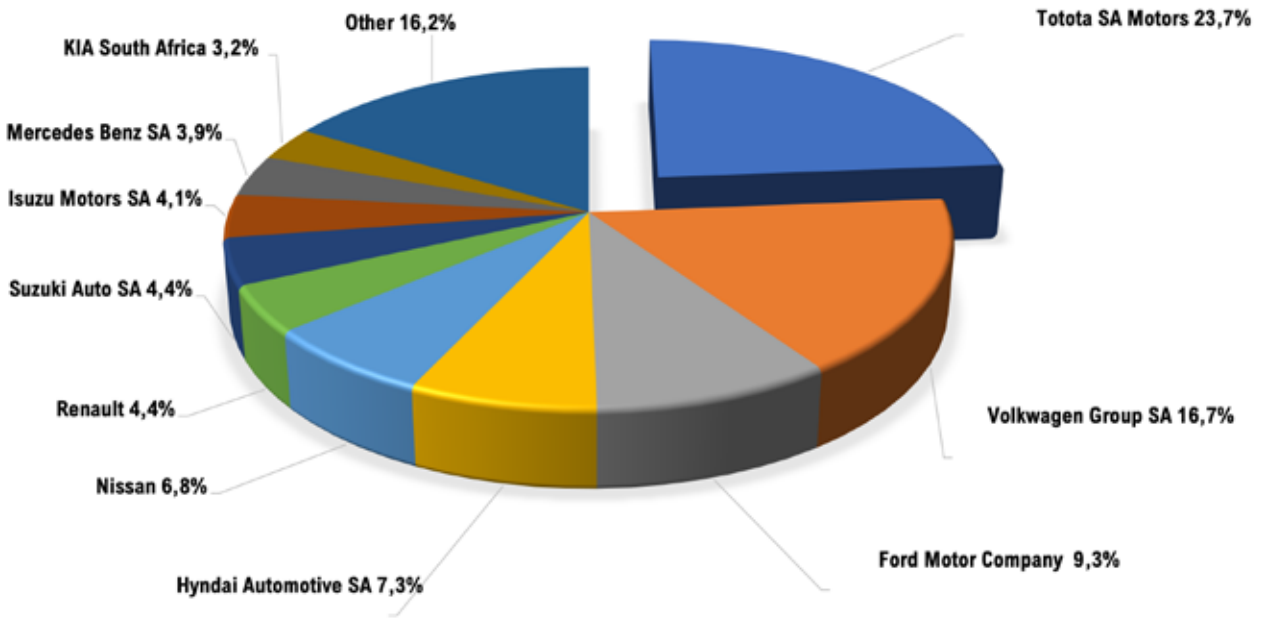
cars and light commercial vehicles were imported in 2020. The low CPI and interest rate environment are expected to remain unchanged for quite some time, and would benefit consumers from an affordability point of view in 2021.

Consumer choice and competitive pricing remain imperative to attract new buyers to the market. South Africa continues to represent one of the most competitive trading environments in the world, and in 2020, consumers were offered a choice of no fewer than 43 passenger car brands and 3 132 model derivatives. This afforded car buyers the widest choice to market-size ratio anywhere in the world. Similarly, in the light commercial vehicle segment, for the same period, there were 22 brands, with 689 model derivatives to choose from. OEMs continue to manufacture not only more models to meet customer expectations for greater choice, but 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 Toyota Hilux, with sales of 31 263 units, was the most popular model sold in the country in 2020, followed by sales of 19 750 units by the top-selling passenger car, the Volkswagen Polo Vivo. The Volkswagen Group brand retained leadership in the South African passenger car market for the ninth successive year, and its 21,8% share of the domestic passenger car market was the highest market share for all Volkswagen markets across the world. The Toyota Hilux was the top-selling one-ton light commercial vehicle for the 48th time in its 51 years on the domestic market. 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. Nine of the top 10 selling vehicles in 2020 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 Fortuner, Toyota Corolla Quest, and Ford EcoSport (imported from India, the only exception).

Toyota South Africa Motors celebrated 41 years of consecutive market leadership in 2020 with a market share of 23,7%, followed by Volkswagen Group South Africa, Ford Motor Company of Southern Africa and Hyundai Automotive South Africa. The following graph reveals the market shares of the top OEMs/ importers in the country in 2020.

New vehicle market share - 2020



Source: **naamsa**/Lightstone Auto

South Africa had a vehicle parc (number of registered vehicles) of 12,70 million at the end of 2020, of which 7,50 million, or 59,1%, comprised passenger cars. Due to the annual scrappage rate and the significant decline in new vehicle sales in the country in 2020, the vehicle parc for 2019 and 2020 remained similar. The average age of the passenger car parc in 2020 was 10 years; for the commercial vehicle parc, 10 years and one month; and overall, for the total vehicle parc, 10 years. The vehicle ownership ratio in South Africa is in the order of 176 vehicles per 1 000 persons.

In 2020, new diesel passenger car and light commercial vehicle sales accounted for 35,5% of the market share of total light vehicle sales, up from 35,1% in 2019. Traditional and plug-in hybrid vehicle sales comprised 232 units in 2020, down from the 253 units in 2019, while electric vehicle (EV) sales declined from 154 units in 2019 to 92 units in 2020. The world is changing to EVs, and fast, with several of South Africa's top export destinations announcing their intentions to ban the sale of new internal combustion engine vehicles from 2030 onwards. In 2020, **naamsa**, along with the dtic, jointly funded a research study entitled, "Harnessing electric vehicles for industrial development in South Africa" undertaken by Trade and Industrial Policy Strategies (TIPS). Culminating from the report was a **naamsa** Electromobility Road Map with recommendations to be implemented in 2021 to advance South Africa's evolution in the EV space.

The following tables reveal the split between the sales of new petrol and diesel cars and light commercial vehicles as well as hybrid and electric vehicles in South Africa from 2016 through to 2020.

Petrol versus diesel passenger cars and light commercial vehicle sales – 2016 to 2020

	2016	2017	2018	2019	2020
Diesel cars & Diesel light commercials	175 853	184 145	188 906	178 409	127 006
Petrol cars & Petrol light commercials	344 247	346 931	335 664	329 784	230 123
Total cars & light commercials	520 581	531 447	524 772	508 600	357 453
Diesel vehicles as % of total	33,8%	34,7%	36,0%	35,1%	35,5%

	2016	2017	2018	2019	2020
Diesel cars	63 765	65 516	62 659	55 551	35 221
Petrol cars	297 019	302 243	302 386	299 421	210 996
Plug-in hybrid	168	121	89	72	79
Traditional hybrid	213	182	55	181	153
Electric vehicles	100	68	58	154	92
Diesel light commercials	112 088	118 629	126 247	122 858	91 785
Petrol light commercials	47 228	44 688	33 278	30 363	19 127

Source: **naamsa**/Lightstone Auto

The heavy commercial vehicle sector in South Africa is characterised by a large number of players in a relatively low volume environment. In 2020, the medium commercial vehicle segment consisted of 18 brands with 173 model derivatives to choose from; in the heavy commercial vehicle segment there were 12 brands with 106 model derivatives; in the extra-heavy commercial vehicle segment there were 18 brands with 504 model derivatives; and in the bus segment there were 8 brands with 28 model derivatives.

The South African truck and bus market weathered the 2020 storm better than the light vehicle market did, declining year-on-year by 18,8%. Overall, sales in the medium commercial vehicle segment reflected a year-on-year decline of 22,5%; the heavy commercial vehicle segment decreased by 18,8%; the extra-heavy vehicle segment decreased by 16,1%; while bus sales fell by 22,2%. Underlying fragile business and consumer confidence, mainly due to the severe impact of the global COVID-19 pandemic, also impacted sales in this segment of the market in 2020. Flexibility and resilience to proactively and positively respond to change would be imperative for the heavy commercial vehicle sector's recovery in 2021.

Toyota was in number one position in the medium commercial vehicles segment, Isuzu topped the heavy commercial truck segment, Mercedes-Benz was the leader in the extra-heavy commercial vehicle segment, and MAN the leader in the bus segment in the South African market in 2020. The following table reveals the sales of medium, heavy, extra-heavy commercial vehicles and buses from 2016 through to 2020.

Sales of medium and heavy commercial vehicles and buses – 2016 to 2020

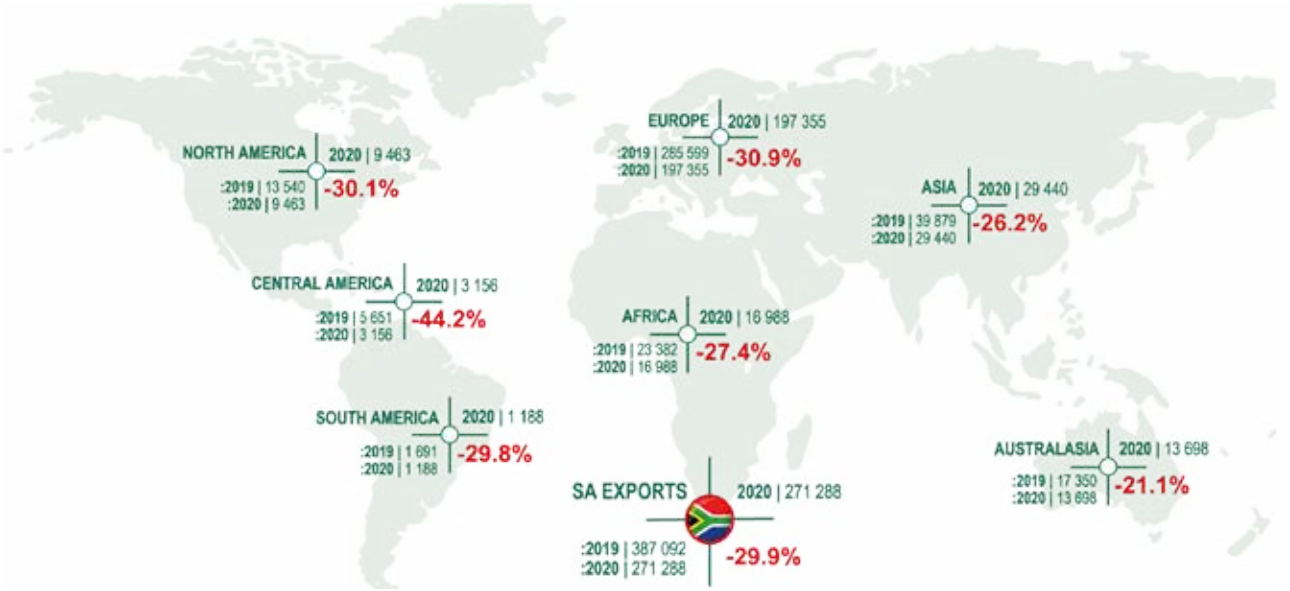
	Market				
	MCV	HCV	XHCV	Buses	Total
2016	8 436	5 468	11 815	1 252	26 971
2017	7 890	5 306	11 978	1 099	26 273
2018	7 885	5 374	13 126	1 070	27 455
2019	8 690	5 044	13 350	928	28 012
2020	6 735	4 096	11 200	722	22 753

Source: **naamsa**/Lightstone Auto

It is generally recognised that transportation equipment is a fundamental component of a modern economy and society. Medium and heavy commercial vehicles are regarded as productive assets and essential capital inputs in the economy. The world is dependent on the transport industry for construction, distribution, waste management and other essentials. South Africa has a road network of 754 600 km, the tenth longest in the world. The commercial vehicle sector links production sites to the points of consumption and provides a vital service to consumers. From harbours to borders, from rural areas to cities – thousands of trucks travel the country's roads daily. Without trucks and truck drivers, very limited supplies will reach their destinations.

It is generally recognised that transportation equipment is a fundamental component of a modern economy and society.

EXPORTS OF VEHICLES



Source: **naamsa**/Lightstone Auto

South Africa has an excellent track record as a reliable manufacturer and supplier of high-quality vehicles and automotive components to world markets. However, South African automotive export prospects are dependent on the health of the global economy. Since COVID-19 has severely impacted economic activity in every region of the world, domestic vehicle exports have been significantly affected by the fall in global vehicle demand. Consequently, 2020 vehicle exports registered a massive decline of 115 804 units, or 29,9%, to 271 288 units in 2020, from the record vehicle export performance of 387 092 units in 2019.

The 271 288 left- and right-hand drive vehicles were exported to 104 country destinations around the world in 2020. Passenger car exports comprised 178 788 units, or 65,9% of the total; light commercial vehicles comprised 91 942 units, or 33,9% of the total; and medium and heavy commercial vehicles and buses comprised 558 units, or 0,2% of the total. In 2020, light vehicle (passenger cars and light commercial vehicles) exports accounted for a significant 63,9% of total domestic light vehicle production. Passenger cars comprised 238 216 units, or 56,2% of total light vehicle production of 423 907 units of which 75,1% were exported in 2021, while LCVs comprised 185 691 units, or 43,8% of the total light vehicle production, of which 49,5% were exported.

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 2020 included the following:

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

Light commercial vehicle models manufactured in South Africa in 2020 included the following:

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

Vehicle exports are important to the viability of the domestic automotive industry, as exporting remains key to generating sufficient economies of scale and to achieving improved international competitiveness. Significant rationalisation of the production of light vehicle models in South Africa has taken place under the MIDP and the APDP, resulting in a reduction from 42 platforms in 1995 to 11 platforms in 2020. While in 2019, two models achieved production volumes in excess of 100 000 units, no models exceeded production volumes in excess of 100 000 units in 2020, due to the impact of COVID-19 lockdown restrictions on vehicle production, sales and exports.

The following table reveals that the top export destinations for passenger cars and LCVs in terms of number of units in 2020, were the UK, Germany, Japan, and France. VWSA, with its Polo model, remained the pacesetter in the country's vehicle exports in 2020.

Top 10 destinations for light vehicles (passenger cars and light commercial vehicles) exported – 2016 to 2020

Country	2016	2017	2018	2019	2020
Total (R billion)	**114,0**	**110,9**	**123,2**	**143,4**	**117,0**
Ranking of exporters **Number 1 to 5**	**MBSA** **VW** **BMW** **Ford** **Toyota**	**MBSA** **VW** **Ford** **BMW** **Toyota**	**MBSA** **VW** **Ford** **Toyota** **BMW**	**VW** **MBSA** **BMW** **Ford** **Toyota**	**VW** **MBSA** **BMW** **Ford** **Toyota**
UK	110 356	98 358	119 578	101 401	67 798
Germany	12 297	10 423	25 513	37 152	25 736
Japan	33 296	42 492	44 027	33 435	23 645
France	19 204	19 055	23 400	25 629	13 956
Australia	21 446	23 336	21 594	16 284	13 041
Italy	6 238	5 088	8 870	14 624	10 546
Belgium	8 116	6 902	6 338	11 379	10 048
USA	47 627	40 414	11 440	12 437	8 584
Netherlands	601	397	1 481	12 146	8 321
Austria	2 317	2 105	2 749	12 675	6 376
Other	82 268	88 535	85 013	109 103	82 679
Total (units)	**343 766**	**337 105**	**350 003**	**386 265**	**270 730**
Light vehicle production	**571 791**	**574 075**	**581 469**	**603 082**	**423 907**
% of production exported	**60,1%**	**58,7%**	**60,2%**	**64,1%**	**63,9%**

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

In terms of the timeframe envisaged for a full recovery to the pre-COVID-19 vehicle export levels, much will depend on improvements in the economic climates of the South African automotive industry's main trading partners. A rebound in the global economic growth rate is projected for 2021, mainly spurred by mass vaccination campaigns in various countries to taper the COVID-19 pandemic, which is encouraging news, as it will support domestic vehicle exports in regaining their upward momentum.

The domestic industry continues to capitalise on the various trade arrangements enjoyed by South Africa that enhance exports. Europe, accounting for a substantial 197 355 vehicles, or 72,8% of total vehicle exports, dominated as a region. Considering that three out of every four vehicles are destined for Europe, developments in the region have a direct and measurable impact on the domestic automotive industry. It is therefore important to note that the region's automotive market is gearing towards more environmentally friendly processes and vehicles. The UK, which has been the South African automotive industry's top vehicle export destination since 2014, has recently announced that the ban on new internal combustion engine vehicle sales would be brought forward by five years, from 2035 to 2030. These decisions would require of the domestic automotive industry to accelerate its EV transformation in the country.

The following table reveals that vehicle exports to all major regions declined from 2019 to 2020 as COVID-19 weighed in on economies all around the world in 2020.

Changing composition of South African vehicle exports by major regions: 2016 to 2020

Region	2016	2017	2018	2019	2020	% change 2020 / 2019
Europe	196 727	190 503	233 772	285 599	197 355	-30,9%
Asia	46 665	52 827	50 277	39 879	29 440	-26,2%
Africa	21 505	21 847	23 988	23 382	16 988	-27,4%
Australasia	22 735	25 125	22 767	17 350	13 698	-21,1%
North America	52 024	43 393	13 037	13 540	9 463	-30,1%
Central America	410	812	1 511	5 651	3 156	-44,2%
South America	4 750	3 588	5 787	1 691	1 188	-29,8%
Total	**344 816**	**338 095**	**351 139**	**387 092**	**271 288**	**-29,9%**

Source: **naamsa**/Lightstone Auto

Exports of medium and heavy commercial vehicles and buses comprised only 0,2% of the total vehicle exports in 2020, which in relation to passenger cars and light commercial vehicles, has been relatively insignificant in terms of total vehicle export volumes. However, for the heavy commercial vehicle and bus sector, exports remain a priority focus in achieving higher vehicle production volumes in view of a weak domestic market.

In 2020, a total of 588 trucks and buses were exported, down by 239 units, or 28,9%, from the 827 units exported in 2019. All but the medium commercial vehicle segment reflected substantial year-on-year declines in 2020. Extra-heavy commercial vehicle exports declined by 183 units, or 39,2%, from 467 units in 2019 to 284 units in 2020; heavy commercial vehicle exports declined by 61 units, or 34,1%, from 179 units in 2019 to 118 units in 2020; medium commercial vehicle exports increased by 26 units, or 23,0 %, from 113 units in 2019 to 139 units in 2020; while bus exports fell by 51 units, or 75,0%, from 68 units in 2019 to 17 units in 2020.

A large number of companies are active in the South African market, and in 2020, the following medium, heavy and extra-heavy commercial vehicle companies were represented in the country:

Babcock
Daimler Trucks and Buses Southern Africa (Freightliner and Fuso)
Fiat Chrysler Automobiles SA
Hyundai Automotive SA
Iveco
Bell Equipment
FAW Trucks
Ford Motor Company
Isuzu Motors SA
JMC

MAN
Powerstar SA
Tata Trucks
UD Trucks Southern Africa
Volkswagen Group SA
Peugeot Citroen SA
Scania
Toyota (Hino)
VECV South Africa
Volvo Group Southern Africa

In 2020, the following bus companies were represented in South Africa:

Isuzu Motors SA
MAN
Daimler Trucks and Buses Southern Africa
Tata
Iveco
MarcoPolo
Scania
Volvo Group Southern Africa

The following table reveals that the main export destinations for trucks and buses have consistently been South Africa's neighbouring countries in the Southern African Development Community (SADC) region, which is a free trade area. Zimbabwe was the overall top destination for all truck and bus exports in 2020, this included extra-heavy commercial vehicles and heavy commercial vehicles. The top destination for the exports of medium commercial vehicles was Mozambique, and Kenya was the top destination for buses.

Top destinations and region for medium, heavy commercial vehicles and buses exported – 2016 to 2020

Country	2016	2017	2018	2019	2020
Total (R billion)	**4,1**	**3,7**	**4,3**	**4,6**	**4,2**
Ranking of exporters **Number 1 to 5**	**Volvo Group** **Scania** **GM/Isuzu Trucks** **Iveco** **FAW**	**Volvo Group** **FAW** **Iveco** **MAN** **Scania**	**Volvo Group** **MAN** **Scania** **FAW** **MBSA**	**Volvo Group** **Toyota** **Scania** **MBSA** **MAN**	**Volvo Group** **UD Trucks** **Toyota** **Isuzu** **Scania**
Zimbabwe	294	181	277	294	180
Mozambique	201	227	304	199	150
Zambia	165	210	189	194	62
Malawi	64	92	47	28	61
Mauritius	15	20	65	31	34
Kenya	55	54	23	0	27
Mauritania	0	0	12	15	14
Tanzania	201	173	94	52	12
Uganda	43	19	111	6	11
Madagascar	0	0	1	0	7
Other	12	14	13	8	0
AFRICA	**1 041**	**980**	**1 126**	**825**	**558**
Total (units)	**1 050**	**990**	**1 136**	**827**	**558**

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

Regional market development is a key pillar of the SAAM 2021-2035 to achieve higher vehicle production volumes via exports in future. The implementation of the African Continental Free Trade Area (AfCFTA) on 1 January 2021 could assist the expansion of the domestic automotive industry's exports into Africa, in particular, to the large economies in West Africa and the fast-growing economies in East Africa.

IMPORTS OF VEHICLES

In 2020, the 203 570 new light vehicles (passenger cars and light commercial vehicles) imported into South Africa originated from 24 countries. Imports of light vehicles declined by a substantial 87 084 units, or 30,0%, from the 290 654 units in 2019 to 203 570 units in 2020, in line with the COVID-19 affected decline of 29,2% in aggregate new vehicle sales in the domestic market. Light vehicle imports, as percentage of total new vehicle sales in South Africa, declined marginally by 0,2% from 57,2% in 2019 to 57,0% in 2020.

In 2020, passenger car imports comprised 75,7%, and light commercial vehicles 15,3% of total light vehicles sold in South Africa. The country's consumers 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 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 APDP, as well as the previous MIDP, 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 Production Rebate Credit Certificates (PRCCs) 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 2020 was India, with 87 953 vehicles, accounting for 43,2% 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 2020. The following table reveals that in volume terms, India, followed by Japan, Germany, and South Korea were the top countries of origin for vehicles imported into South Africa in 2020. In import Rand value terms, India was also the main country of origin, closely 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 – 2016 to 2020

Country of origin	2016	2017	2018	2019	2020	2020
Total value (R billion)	**R53,6**	**R57,7**	**R57,1**	**R60,6**	**R36,6**	**Import Rand value %**
India	73 003	89 724	98 586	106 199	87 953	**22,1%**
Japan	36 059	37 795	36 386	34 351	22 280	**13,5%**
Germany	56 072	55 480	41 791	36 760	21 699	**19,9%**
South Korea	36 649	32 643	27 458	26 828	14 854	**3,0%**
Spain	14 544	10 387	9 439	11 946	10 702	**7,2%**
China	2 062	3 145	3 201	11 443	10 427	**4,7%**
UK	12 260	10 591	10 314	8 125	4 776	**4,0%**
Thailand	7 849	6 620	15 711	10 748	4 561	**2,2%**
Indonesia	5 793	5 476	7 928	7 882	3 697	**1,5%**
USA	8 330	6 690	4 523	4 191	3 513	**2,5%**
Other	38 871	34 714	36 860	32 181	19 108	**19,4%**
Number of light vehicle imports	**291 492**	**293 265**	**292 197**	**290 654**	**203 570**	**100%**
Total light vehicle market	**520 581**	**531 431**	**524 772**	**508 600**	**357 453**	
% of new vehicle market imported	**56,0%**	**55,2%**	**55,7%**	**57,2%**	**57,0%**	

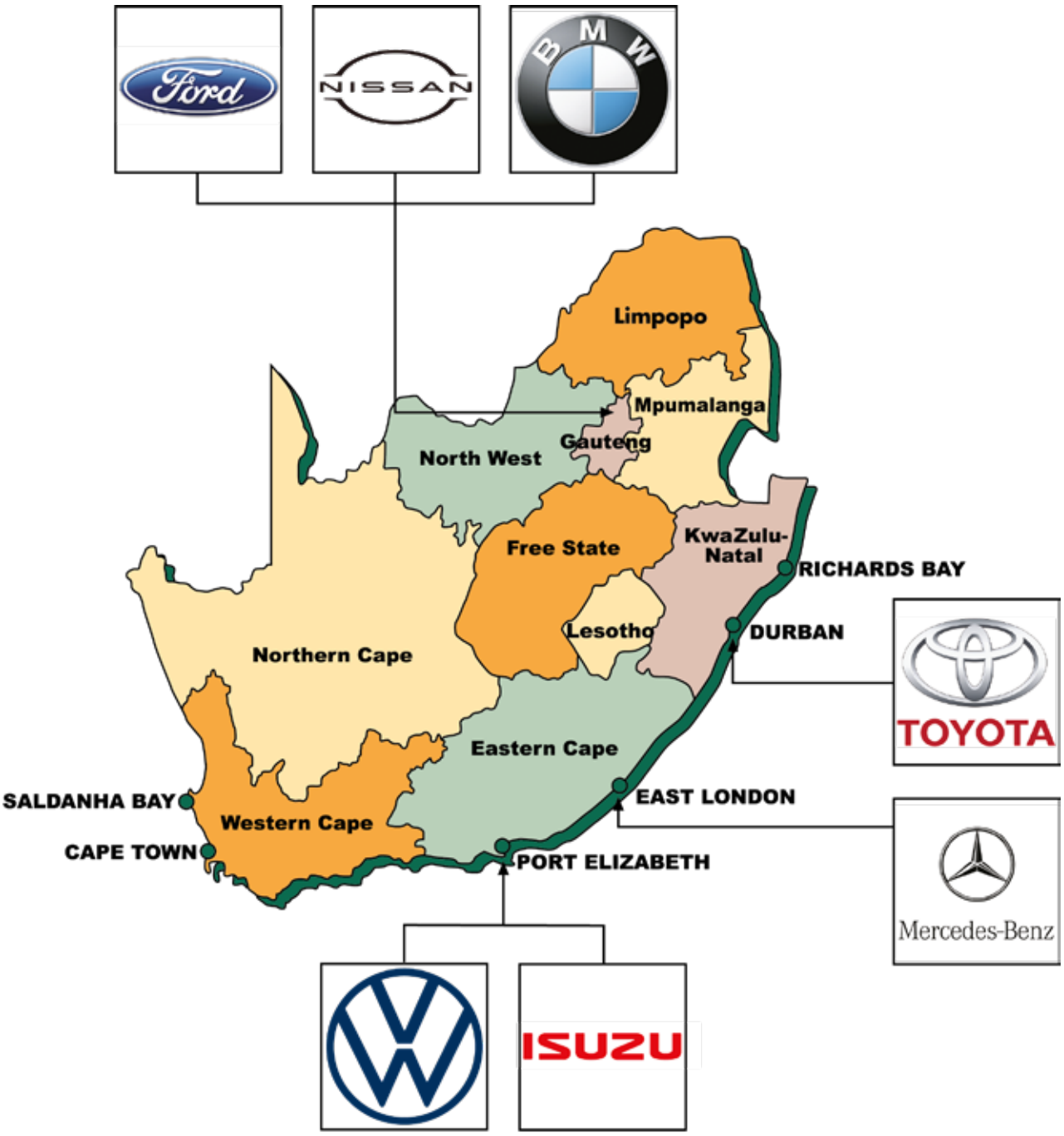
Source: **naamsa**/Lightstone Auto, SARS

A process of homologation is required before any motor vehicle model, domestically manufactured or imported, can be introduced into the South African market. The homologation procedure of the National Regulator for Compulsory Specifications (NRCS) 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 the type approval projects and develop smart surveillance processes. More information on the NRCS can be accessed at www.nrcs.org.za.

Used vehicle imports are not allowed into South Africa. Strict control measures ensure that only a limited number of legal import permits are issued to allow specified used vehicles into South Africa. 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.rtmc.co.za.

AUTOMOTIVE CLUSTERS



The South African automotive industry plays an instrumental role in South Africa's economy as its largest manufacturing sector. The country has capitalised on the wealth of experience brought about by the presence of all the major European, American and Japanese motor vehicle manufacturers. South Africa's attractiveness as an investment destination of choice, and production base for products to be exported to global markets, has been well established. With its advanced infrastructure, diverse economy, sophisticated capital markets and developed manufacturing capacity, South Africa is the ideal location for any company aspiring to reach the continental market more effectively, both from a cost and logistical point of view.

South Africa is a constitutional multi-party democracy, with three spheres of government, namely, local, provincial and national government. The country's constitution established nine provinces that vary substantially in size, prosperity, geography, ethnicity, population and performance. The automotive industry is strategically placed in Gauteng – the country's economic hub; the Eastern Cape – renowned for the largest Industrial Development Zone in the country; and KwaZulu-Natal – home to the largest port on the African continent. The automotive multinational corporations support the improvement of the country's biggest socio-economic challenge – unemployment – and make a vital contribution to the social upliftment of the communities in the regional clusters where the industry is concentrated.

Gauteng

Although it is the smallest province, it is the most populous, being home to 15,49 million people, or 26,0% of the national population of 59,62 million. Johannesburg is the capital of the Gauteng province, while Pretoria is the administrative capital of South Africa. The highest diversity in the country's automotive profile is found in the province, housing three OEMs and the highest number 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 Tshwane Automotive City, Africa's 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. The company has embarked on the project with the support of the national, provincial and local government to facilitate the creation of the R3,4 billion project. Along with the R15,8 billion investment announcement 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.

KwaZulu-Natal

KwaZulu-Natal represents the second-largest economy in the country, and is also the province with the second-highest population, with a share of 19,3%, or 11,53 million, of the country's 59,62 million population. The port of Durban, the continent's largest container port, is modern and well equipped and is the 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 R11,5 billion KwaZulu-Natal Automotive Supplier Park, aimed at centralising production, assembly, sequencing and warehousing and located in close proximity to the Toyota SA Motors plant.

Eastern Cape

The Eastern Cape accounts for 6,73 million, or 11,3%, of the country's 59,62 million population. The province is well served logistically with airports situated in Port Elizabeth (Gqeberha), East London (KuGompo), Mthatha and Bisho, and with ports situated in Port Elizabeth (Gqeberha), Coega and East London (KuGompo). The Coega IDZ is the largest IDZ in the country, and is the main catalyst for socio-economic development in the Eastern Cape, while the East London IDZ, one of the country's leading specialised industrial parks, has also established an Automotive Supplier Park. The biggest news for the Coega IDZ in 2016, was the announcement of an R11 billion investment by Chinese state-owned automotive manufacturer, Beijing Automotive International Corporation (BAIC), with a 65% stake in a joint venture with South Africa's Industrial Development Corporation (IDC) that had a 35% stake in the venture. The Eastern Cape OEMs once again accounted for the biggest proportion of light vehicle production, as well as light vehicle exports in 2020.

Automotive clusters – key automotive features – 2020

Key automotive features	Gauteng	KZN – KwaZulu-Natal	EC – Eastern Cape
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, Fiat Group, Ford, Hyundai Automotive, Iveco, JMC, MAN Truck & Bus, MarcoPolo, Peugeot Citroen, Powerstar SA, Scania, Tata Trucks, UD Trucks, VECV South Africa, and Volvo Group Southern Africa	Bell Equipment, MAN Truck & Bus and Toyota (Hino)	FAW Trucks, Isuzu Motors, Daimler Trucks and Buses Southern Africa (Freightliner and Fuso) and Volkswagen Group SA
Number of automotive component companies	200	80	150
Motor vehicle parc as % of South Africa's total vehicle parc of 12,70 million vehicles	38,3%	13,4%	6,7%
Passenger car sales as % of total 2020 passenger car sales of 246 541 units	36,7%	15,2%	4,5%
LCV sales as % of total 2020 LCV sales of 110 912 units	31,2%	12,7%	5,5%
MCV/HCV sales of 22 753 units	37,2%	14,3%	3,7%
Light vehicle production by OEMs in the province as % of total 2020 light vehicle production of 423 907 units	32,6%	24,6%	42,8%
Light vehicle exports by OEMs in the province as % of total 2020 light vehicle exports of 270 730 units	36,4%	15,4%	48,2%

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

INDUSTRIAL DEVELOPMENT CORPORATION of SOUTH AFRICA

The Industrial Development Corporation (IDC) is the largest Developmental Funding Institution in South Africa, providing funding to entrepreneurs and projects since its establishment in 1940. Through our Automotive & Transport Equipment Strategic Business Unit (SBU), the IDC has a range of funding support offerings in the industry.

Our Aim:

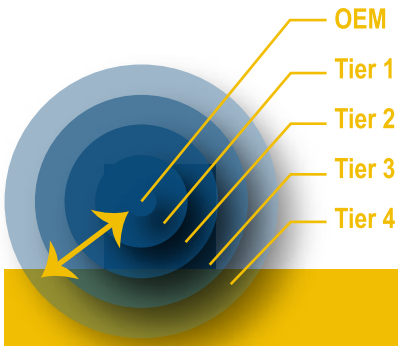
To activate and expand industrial capacity in the South African automotive industry through offering flexible funding solutions – This includes funding and developmental support to our business partners ranging from Original Equipment Manufacturers (OEMs), through all Tiers of their component supply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

Our Targeted Outcomes:

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

Our Service Offerings:

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



Who Can Apply?

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

IDC
Industrial Development Corporation
Your partner in development finance

Additional Value:

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

Application Steps:

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

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AUTOMOTIVE POLICY EVOLUTION AND THE SAAM

On Monday, 4 January 1897, barely a decade after Karl Benz and Gottlieb Daimler's first horseless carriages had been demonstrated to the public for the first time on German cobblestone, the first automobile, powered by the new-fangled internal combustion motor, ran on South African soil. Mr John Percy Hess of Pretoria was the first person who decided in 1896 to import a Benz "Velo" from Benz & Co of Mannheim Germany to South Africa. Mr Hess afterwards became the sole agent for Benz and Co in South Africa. The car was shipped from Germany to Port Elizabeth and then transported to Pretoria.

Ford was the first motor vehicle manufacturer in 1924 to establish a subsidiary company in South Africa to assemble completely built-up vehicles from completely knocked-down kits. It was followed by General Motors in 1926. The coastal location of Port Elizabeth in the Eastern Cape allowed for the easy importation of components.

In 1960, South Africa produced 120 000 vehicles, more than any other developing country in the world.

In 1975, 13 motor vehicle manufacturers (OEMs) were operating in South Africa and produced 39 models which were serviced by 300 component manufacturers. The GDP contribution of the automotive sector was 3,3%.

With the introduction of the Motor Industry Development Programme (MIDP) in 1995, government saw the automotive industry as a key growth area for the future, and the policy pursued could be termed "guided integration". The phased reduction in tariffs, combined with the encouragement of exports was aimed at achieving a greater level of specialisation and economies of scale, and support for improved productivity was aimed at improving the competitiveness of the domestic motor vehicle industry.

In 2006, eight OEMs were operating in the South African market, producing 21 models which were serviced by over 400 component manufacturers. Regarded as the country's largest manufacturing sector, the GDP contribution of the automotive sector was in the order of 7,5%. All-time, record-breaking levels for domestic new vehicle sales, domestic vehicle production, vehicle exports, the export of automotive components, as well as investments by the OEMs were recorded.

The origins of South Africa's inward-focused automotive industry developmental path can be traced back to the introduction of tariffs during the early part of the 20th century. High tariffs were placed on CBUs, which, when combined with a rapidly growing market, acted as a magnet to a large number of (initially) foreign OEMs that established assembly plants in the domestic market. These operations were very small in international terms with correspondingly high unit costs. Production was aimed solely at the domestic market, and South African assembly plants were kept isolated from the global production networks of the parent companies, except as markets for completely knocked-down (CKD) packs. The initial phase of automotive industry protection, lasting until 1961, was one of classic import substitution, favouring simple assembly for the domestic market. High protective tariffs on imported vehicles fostered the development of an industry of small plants producing a relatively wide variety of models in small volumes at high cost and with low local content.

The automotive sector was seen to have both growth potential and synergies with other economic sectors, and recommendations were made to develop the automotive industry in South Africa. Between 1961 and 1989, five distinct new phases of government support for the industry were identified. They featured continued domestic market protection and a variety of incentives and requirements for increased local content. The South African-based OEMs had to adapt and respond to the mass-based local content requirements to avoid paying excise penalties on their domestic operations. Unintended consequences of the programmes resulted in the domestic industry building the heaviest cars in the world. Phase VI, introduced in 1989, signalled a major policy shift through the promotion of automotive exports. The principal changes included a provision permitting exports to be counted towards local content, and a substantial reduction in local content requirements. The protected environment led to a proliferation of vehicle models being produced and the resulting low volumes per model were a significant cost-raising factor. Exports were also minimal. The local content programmes may be summarised as follows:

- Phase I (1961 – 1963) of the local content programme was introduced with the objective of increasing local content in mass from 15 to 40%. The ad valorem duty on imported motor cars was set at 35% plus an additional percentage up to a maximum of 100%, depending on the value and weight of the car. The level of excise rebates on motor cars varied between 15% (for local content of between 25% and 30% by weight) and 75% (for local content of more than 70%). Components generally attracted a duty of 20% ad valorem.

- Phase II (1964 – 1969) of the local content programme was introduced to increase the nominal local content in mass from 45% in 1964 to 55% in 1969. This was equivalent to a 50% net local content, as redefined when calculating the actual or true South African content.

- At the beginning of 1971, Phase III (1971 – 1976) of the local content programme was introduced with a minimum net local content of 52%, which was set to increase to 66% on 1 January 1977.

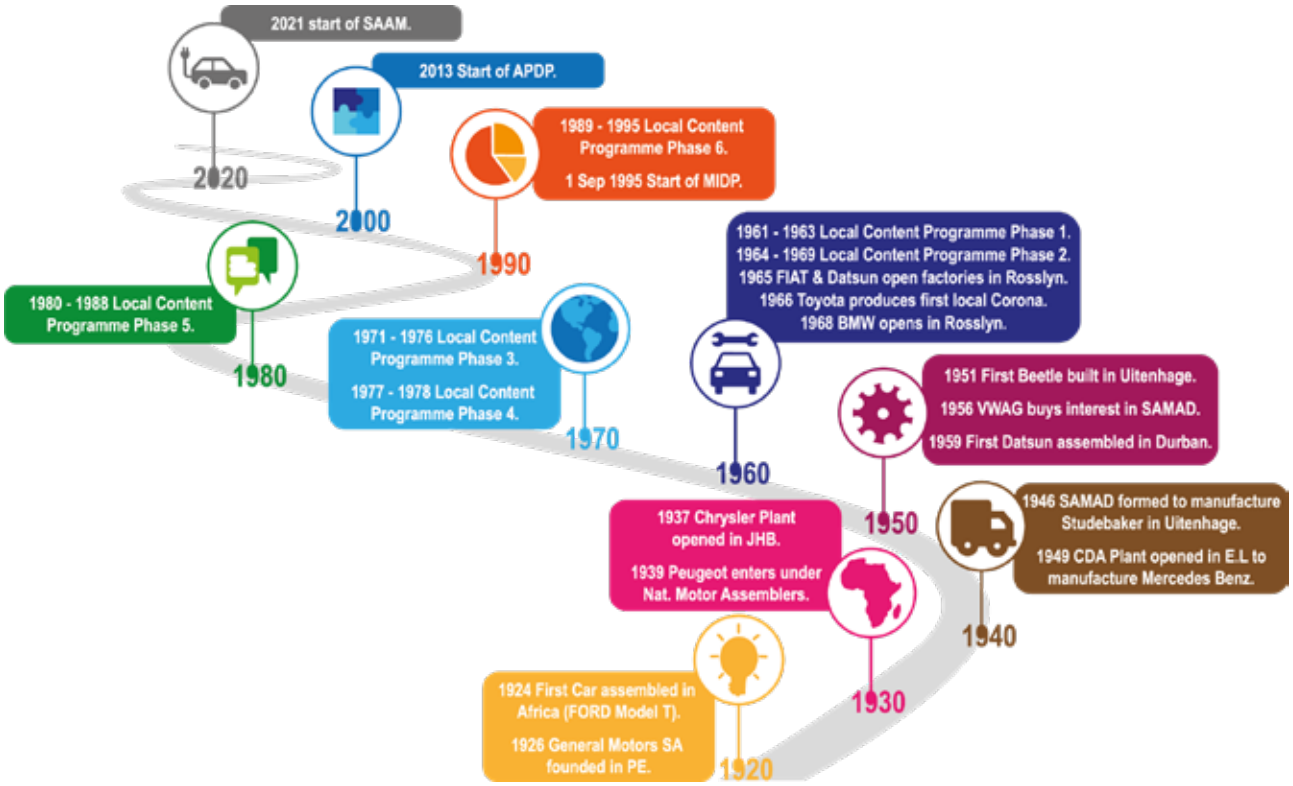
- Phase IV (1977 – 1978) of the local content programme comprised a two-year "standstill" phase. This was to assist industry to consolidate its position after the severe narrowing of profit margins during the previous three years. Worldwide inflation and the oil crisis were accompanied by price increases in steel and other materials. The rapid increases in costs, as well as the large investments required by Phase III, which had to be undertaken in conditions of rising costs of capital, resulted in serious financing and cash-flow difficulties for the industry. The sales duty on motor vehicles introduced in 1969 at a rate of 5% was raised to 10% in 1970 and 12.5% in 1977.

- Phase V (1980 – 1988) of the local content programme was introduced with a minimum net local content of 66% by mass, in respect of motor cars, and 50% by mass, in respect of light goods vehicles and minibuses.

- In 1989, Phase VI (1989 – 1995) of the local content programme was introduced and involved a radical change in the calculation of local content based on value, as opposed to mass. Phase VI encouraged local OEMs to increase local content from an industry average estimated at 55% at the inception of the programme to 75% (including exports) by 1997. Local content was defined as the ex-works price less foreign currency used, including profit and overheads. Exports were allowed and accounted for as part of the local content value. The import duty on aftermarket parts and components for motor vehicles was increased to 50% ad valorem and on passenger cars to 100% ad valorem, whether or not assembled. An excise duty of 40% on the value of locally assembled vehicles applied, of which up to 37,5% was rebated, based on the local content level.

The following figure reveals a visual historic timeline of government automotive policy intervention and industry actions in the domestic market.

Visual timeline of automotive policy intervention in South Africa



Source: AIEC

An import duty on cars was set at 15% ad valorem, and on aftermarket components it was set at 20% ad valorem in 1910. Ford, in 1924, and General Motors, in 1926, were the first wholly-owned subsidiaries of overseas parent companies to establish a manufacturing presence in the domestic market. The coastal allocation allowed for the easy importation of components. Production grew from 13 000 units in 1924 and peaked at 57 500 passenger cars and commercial vehicles before World War II in 1939. The growth in the market led to a third assembly plant, National Motor Assemblers Ltd, being established in Johannesburg in 1939.

The import and assembly of vehicles came to a standstill during World War II and was resumed again in 1946. After World War II, government targeted the automotive sector as an economic growth area. In 1947,

the import duties were increased to 25% and 30% ad valorem on cars, where the higher duties applied to the higher valued cars. During this period, sales doubled in 1947 and reached 86 118 units in 1948. A high rate of imports led to problems with the balance of payments, and import control was instituted through the granting of monetary quotas.

The boom in sales and the import control measures led to the establishment of another four assembly plants in the country. Sales averaged 36 000 units per annum between 1950 and 1954 due to the import control quotas and increased to 50 000 units per annum when the quota was increased. In 1957, with the elimination of control measures, sales increased to 100 000 units for the first time ever. In 1960, South Africa produced 120 000 vehicles, more than any other developing country.

A distinctive feature to the development of the South African automotive industry relates to the imposition of sanctions, which resulted in disinvestment by the two largest North American OEMs, General Motors and Ford, the early pioneers in South Africa, with both firms selling their holdings to domestic parties. At the same time, two new Japanese entrants that came to have a dominant share of the market, Toyota, and to a lesser extent Nissan, started to assemble vehicles in South Africa under franchise arrangements. Not all OEMs responded in this way to the sanctions environment, and the two German assemblers, Volkswagen and BMW continued to operate in South Africa through wholly-owned subsidiaries, whilst another German assembler, Mercedes-Benz, maintained its 50% equity in Mercedes-Benz South Africa. Apart from this direct German equity in the OEM industry, there was very little foreign presence in the industry through to the early 1990s.

In October 1992, a Motor Industry Task Group (MITG) was appointed to make recommendations that would encourage the automotive industry to become more productive, increasingly internationally competitive, and a provider of stable employment, as the future viability of the industry under Phase VI was in doubt. Furthermore, the burden placed on consumers by the industry had to be reduced.

On 1 January 1994, the import duty on passenger cars was reduced from 100% to 80% ad valorem, while the payment of a 15% surcharge on passenger cars and 5% on commercial vehicles was exempted. On 1 January 1995, there was a further reduction of the import duty to 75% ad valorem on passenger cars.

The MIDP, implemented on 1 September 1995, was the next and major stage in government intervention. The programme took account of the international realities facing the motor industry in South Africa at the time, namely, trade liberalisation, globalisation of markets against the background of rapid technological change, rising customer expectations, and markets that were becoming increasingly demanding and fast-moving in terms of fashions and trends. The MIDP was a sector-specific part of government's new industrial policy that was intended to rapidly increase the international competitiveness of the domestic automotive industry and facilitate the increased exports of CBUs and automotive components.

The programme continued the direction of Phase VI and entrenched the principle of export complementation. However, it went a step further by abolishing local content requirements and introducing a tariff phase-down. The critical component of the MIDP was the introduction of an export–import complementation scheme, which required that, for firms to gain competitive access into the small domestic market, they would need to export, either directly or indirectly, through their value chain. Moreover, by reducing the incentives over time, the MIDP represented a moving frontier. Initiatives, such as the investment incentive in the form of the Productive Asset Allowance (PAA), implemented in 2000, provided incentives for capital goods imports, which are targeted at export markets and which favour economies of scale.

The main elements of the MIDP included lowering levels of protection and export assistance derived from the ability to offset import duties. The phased reduction in tariffs, combined with the encouragement of exports, was aimed at achieving a greater level of specialisation and economies of scale, and support for improved productivity was aimed at improving the competitiveness of the domestic motor vehicle

industry. It is important to note that the tariff phase-down was taking place at a faster rate than as dictated by South Africa's obligation to the World Trade Organisation (WTO), namely, 50% ad valorem on CBUs and 30% ad valorem on components.

The MIDP had to a large extent achieved its stated objectives and in general its contribution to the domestic automotive industry has been regarded as positive. The programme was not intended to be a miracle solution but an interventionist programme to guide a small, ineffective industry's integration into the global automotive environment. The MIDP facilitated the outward orientation of the domestic automotive industry through its various policy mechanisms. Various external factors impacting on the business operations of the South African automotive industry and its role-players, however, fell outside the control of the MIDP. These include global developments, such as the global financial crisis in 2008/2009, logistics costs, raw material prices, currency movements, as well as administrative prices impacting on the cost of doing business in South Africa. However, the notion of providing long-term policy certainty to enhance investor confidence and to bid for long-term export contracts, contributed to ensuring that the domestic automotive industry remained in consideration for export-oriented, investment decisions.

Since the introduction of the MIDP (in 1995), significant structural changes have taken place in the South African automotive industry. The sector has grown in stature to become the leading manufacturing sector in the country's economy. The production of vehicle models has been rationalised significantly to achieve economies of scale benefits in the domestic and export markets. Consequently, the complexity of the component sector has also been reduced. Exports have fuelled the growth of the South African automotive industry, and the supply of automotive components and completely built-up units (CBUs) to the world has grown from virtually no exports before 1995, to becoming a major South African industrial activity. The surge in exports of CBUs and a diverse range of components to demanding world markets is indicative of the domestic industry's improved international competitiveness. In this regard, linkages with multinational companies, mainly to obtain project funding or the relevant licences or technology agreements to manufacture and export, were imperative and the export growth was accommodated by major investments in best practice assets and state-of-the-art equipment, skills upgrading, productivity gains and upgrading of the whole automotive value chain.

Other industries, due to their strong linkages with the automotive industry, also benefited from the growth in the automotive sector over the 17-year duration of the programme. These input industries include aluminium, chemicals, electronics, leather and textiles, platinum group metals, plastics, rubber, steel, machinery and equipment, as well as service industries such as engineering, logistics, tooling, and others such as financial, wholesale, retail and advertising.

In the context of the South African automotive industry, the distinctive feature of industrial policy affecting the sector is the effective array of selective policies that were adopted. A cause–effect relationship exists between government's developmental automotive policy and the operations and market structure that apply to the domestic automotive industry. The overall regulatory regime in South Africa is therefore very important in determining the actions of the domestic automotive firms, and the evolution of the automotive policy regime in South Africa had a decisive impact on the actions of the domestic automotive firms.

The way forward for the South African automotive industry has been clearly indicated under the Automotive Production Development Programme (APDP). Certainty provided through to the middle of 2021 has assisted in long-term strategic planning, while the programme encourages OEMs to produce at least 50 000 units per year (later changed to 10 000 with scaled incentives), thus bringing reasonable economies of scale. As was the case under the MIDP, those companies that are best and quickest at abiding by the new business rules of the new policy regime will be able to reap the benefits first.

For comparison purposes, the key performance indicators under the MIDP, commencing in 1995 and running out in 2012, and the APDP commencing in 2013 to initially 2020, but postponed to 30 June 2021,

may be illustrated as follows. Since a number of the 2020 key performance indicators have been distorted by the impact of COVID-19, the 2019 key performance indicators have been included as well to more fairly allow a comparison of the achievements under the APDP.

Key performance indicators: 1995 to 2020

Indicator	Performance			
	MIDP		APDP	
	1995	2012	2019	2020
Broader automotive industry contribution to GDP	6,5%	7,0%	6,4%	4,9%
Average monthly employment by vehicle manufacturers	38 600	29 180	30 250	29 926
Automotive component sector employment	60 800	70 000	80 000	76 800
Capital expenditure – vehicle manufacturers	R841 million	R4,7 billion	R7,3 billion	R9,2 billion
Total South African new vehicle sales	399 967 units	630 542 units	536 612 units	380 206 units
Number of passenger car model derivatives	356	2 659	3 507	3 132
Total South African vehicle production	389 392 units	538 600 units	631 921 units	447 218 units
Total automotive export earnings	R4,2 billion	R86,9 billion	R201,7 billion	R175,7 billion
Number of export destinations	62	152	151	147
Total South African vehicle exports	15 764 units	277 992 units	387 092 units	271 288 units
Value of vehicle exports	R0,9	R48,7 billion	R148,0 billion	R121,2 billion
Top vehicle export destination in volume terms	China	USA	UK	UK
Value of automotive component exports	R3,3 billion	R39,9 billion	R53,7 billion	R54,5 billion
Top automotive export component category in Rand value terms	Stitched leather seats	Catalytic converters	Catalytic converters	Catalytic converters
Number of model platforms	42	13	11	11
Models with production volumes > 40 000 units	0	5	5	5

Source: AIEC, Lightstone Auto

- Total number of vehicles exported under the MIDP between 1995 and 2012 – 2 412 229 units.
- Total number of vehicles exported under the APDP between 2013 and 2020 – 2 579 612 units.

Aligned with its long-term policy certainty strategy, government, on 22 November 2018, approved the South African Automotive Masterplan (SAAM) 2021 - 2035, which alongside amendments to the APDP, will take effect in 2021. Due to the impact of COVID-19, the implementation of the SAAM has been postponed from 1 January 2021 to 1 July 2021. The Guidelines for the APDP Phase 2 have been published on the website of the International Trade Administration Commission (ITAC) at www.itac.org.za/pages/services/tariff-investigations/apdp-documents.

The SAAM 2021-2035 calls for a major reappraisal of the automotive industry, both in terms of its scale and the way it operates. Targets include a doubling of jobs in vehicle and component manufacturing by 2035, based on the 2019 level, from 120 000 to 240 000; and a more-than doubling of vehicle production from 2019 levels, from 600 000 units to 1,4 million units per annum by 2035. In addition, the average value of local content in South African manufactured vehicles is targetted to rise from 40% to 60%. Together, it is hoped these initiatives will create the scale to enable mass entry into the predominantly white industry by black industrialists and entrepreneurs. The seven OEMs have established a R6 billion Automotive Industry Transformation Fund (AITF) to nurture black newcomers, mainly in components manufacture, logistics, services and motor dealerships. All these targets, however, were set before the inception of COVID-19. The reality is that in 2020, thousands of jobs were lost, and vehicle production plummeted in the domestic market.

The APDP Phase 2 will operate within the framework of the SAAM and provides the incentive framework for the industry for the period from 2021 to 2035. The framework places local value-addition at the centre of any future support for the industry.The APDP Phase 2 shifts support away from production sales value towards local value-addition, specifically through the introduction of a volume assembly localisation allowance (VALA), which will replace the current volume assembly allowance (VAA). The new-look APDP also increases the production incentive benefit from 20% to 25% on components. Component manufacturing in South Africa has been less embedded than is the case in automotive industries in other jurisdictions. For this reason, government decided to adjust its incentives to ensure the development of automotive component suppliers, as well as to support those suppliers exporting into automotive supply chains elsewhere in the world. APDP Phase 2 will also support the export of SKD kits to regional markets, provided that the kit comprises a complete vehicle.

The Production Rebate Credit Certificate (PRCC) will be replaced by duty credits (PRC) that are tied to local value-addition at duty value. The Automotive Investment Scheme (AIS) cash grant for capital investments has been retained and the base has been set at 20% (previously 20% plus 10%) with investments in green mobility solutions at 30%. There will be no changes to the tariff regime in respect of vehicles.

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". A key summary of the SAAM 2021-2035 objectives is as follows:

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

The automotive sector recognises that the SAAM vision will only be realised if the six development objectives are met. Achieving the SAAM objectives will require careful coordination and a close working relationship between government, the private sector and organised labour. Six industry development pillars have been identified as critical to the realisation of the SAAM. The six pillars relate to:

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

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

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

- Import Duty
- Vehicle Assembly Allowance (VAA) (rebate mechanism)
- Production Incentive (PI) (rebate mechanism)
- Automotive Investment Scheme (AIS) (cash grant)

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

Tariffs: There is a set tariff regime on vehicles and automotive components imported into South Africa. Import duties on vehicles and automotive components will remain at 2012 levels (25% on light vehicles and 20% on original equipment components) through to 2021. A preferential agreement results in imported vehicles from the EU paying only 18% duty. These tariffs are meant to provide adequate protection to justify continued domestic vehicle manufacturing. The purpose of the tariff structure under the APDP is to incentivise industry, and not to generate revenue.

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

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

[APDP Phase 2 – Volume Assembly Localisation Allowance (VALA) to replace Volume Assembly Allowance (VAA) in 2021: VALA is based on local value-addition and not manufacturing sales value. VALA is set at 35% of local value-add for OEMs above 10 000 vehicles produced annually per plant from 2026. Transition is set at 40% in 2021 and will reduce annually to 35% by 2026. 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): In 2013, the PI conversion factor started at 55% of the designated local value-addition, which was reduced progressively by 1% annually to 50%, in the form of duty-free import credits. The equivalent value is the incentive multiplied by the component/vehicle duty rate, so this represented from 5% to 11% (on components) of value-added in 2013, and was reduced to 4% to 10% by 2018. There was an additional amount for "vulnerable products" which earned a PI of 80% in 2013 and 2014, reduced thereafter by 5% annually to 50% in 2020, with the exception of catalytic converters, which remain at 65%. 'Value-added' has been defined in simple terms as the manufacturer's selling price less the value of non-qualifying material and imported components. The incentive is calculated through the supply chain and is earned by the end-user, which is the OEM, or, in the case of component exports or replacement parts, the component manufacturer.

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

- Aluminium
- Brass
- Leather
- Platinum Group Metals (PGMs)

- Stainless steel
- Steel

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

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

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

[The Production incentive benefit factor for components has been set at 62,5% at a 20% duty rate (5% support if 40% LVA). For OEMs manufacturing vehicles, the PI is 50% at a duty rate of 25% (also 5%). Duty credits (PRC) to replace Production Rebate Credit Certificates (PRCCs). Removal of vulnerable status benefits].

Automotive Investment Scheme (AIS):
The AIS marks the implementation of the first cash-based incentive for the South African automotive industry. The AIS represents the only industry support that is of physical cost to the fiscus in the form of a non-taxable cash grant. The total investment approved since the inception of the AIS until the end of 2020, amounts to R72,58 billion, while the sum total of incentives approved since inception amounts to R20,07 billion. Since inception, 549 projects have been approved under the AIS, creating 20 914 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 application stage until claim periods. At the time of going to print, the revised AIS Guidelines for the APDP Phase 2 have been published for comment on the website of the dtic at www.thedtic.gov.za.

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

A competitiveness improvement cost grant of 20% of qualifying costs 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.

[Several changes to the AIS published for comment at time of going to print].

The APDP applies to only light vehicles (passenger cars and light commercial vehicles), although components produced for heavy commercial vehicles also qualify for the Production Incentive (PI) 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 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 receive the benefit of the duty-free importation of all driveline components, which include the engines, transmissions, drive-axles and gearboxes. However, tyres, which are manufactured domestically, attract a 15% import duty. The SAAM 2021-2035 will also cover medium and heavy commercial vehicles, as well as motorcycles, but the VALA formula will not be applied to either category.

A key feature of the automotive industry in South Africa is the constructive way in which industry and government cooperate to maximise the contribution of the automotive sector to the economy under a Trade-Related Investment Measure (TRIM). The TRIM provides protection for foreign direct investment, whilst allowing duty rebates for localisation activities. The automotive sector is therefore often used as a benchmark for other sector development as the economic multiplier is significant.

The Masterplan specifically aims to increase the technological content of the domestic industry, by favouring technology transfer and investment by foreign players, as well as through cooperation with foreign universities and research centres to develop skills in the workforce. Understanding the skills and technologies most needed in South Africa can strategically position the country to becoming an early mover in the continental automotive hub of the future. Furthermore, domestic production of tools to supply the automotive plants is an important opportunity, in addition to component production and technology transfer, given the availability of raw materials and the need for South Africa to increase manufacturing capacity of a wide range of utensils.

The South Africa government fully realises the importance of a healthy and growing automotive industry in terms of being a large-scale employer, the largest manufacturing sector in the country's economy, and a very successful exporter.

The automotive sector is therefore often used as a benchmark for other sector development as the economic multiplier is significant.

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GLOBAL NEW VEHICLE MARKET ENVIRONMENT

Mobility is at the core of modern civilisation, and the way people and goods move impacts many aspects of life. The automotive industry, therefore, is one of the most significant contributors to the overall economy of the world. The industry plays a unique role in bringing together most of the major scientific and technological advancements globally, which is critical to global automotive multinational corporations' growth and performance. The outbreak of the global COVID-19 pandemic, however, has challenged traditional models of mobility, and highlighted the need for innovation and agility. Smarter mobility solutions have not only been influenced by the pandemic, but also by the social and environmental shifts currently being witnessed by the industry. The role of innovation in the future of the automotive industry is making mobility increasingly smart and sustainable. Effectively leveraging technology and innovation will shape the future of mobility. At this point in time, with the industry in a recovery mode, OEMs are required to present an ever more customer-centric experience, which requires that they be relevant, responsive, reliable and consistent.

COVID-19 has turned out to be the biggest deterrent to growth for the global automotive industry in recent times, with supply chain bottlenecks and dwindling new vehicle sales resulting in losses worth billions. The most visible effect of COVID-19 is the fact that OEMs globally produced fewer vehicles in 2020 than in 2019. After a bleak 2019, which already saw a marked decline of 5,2% in global vehicle production, and which ended 10 years of growth, the industry had to face the year 2020, in which global vehicle production declined by a massive 15,8% to reach 77,62 million vehicles, down from the 92,18 million units produced in 2019. Vehicle production declined in all major regions in 2020, with year-on-year declines of 23,5% in the EU, 20,5% in North America, and 30,4% in South America. Developed countries recorded a year-on-year decline in 2020 of 20,3% compared to the 11,7% recorded by emerging markets.

Globally, passenger car production continued its downward slide and declined by 11,3 million units, or 16,9%, from the 67,16 million units produced in 2019 to 55,83 million units in 2020. Light commercial vehicle production also declined by 16,1% from 20, 51 million units in 2019 to 17,21 million units in 2020; however, heavy commercial vehicle production reflected an improvement of 5% from 4,15 million units in 2019 to 4,36 million units in 2020. Fifteen countries exceeded the one million vehicle production mark in 2020, down from 18 in 2019, which is regarded as the international benchmark. Despite the year-on-year decline in vehicle production, China still topped the list with vehicle production of 25,23 million units in 2020, followed by the US with production of 8,82 million units, and Japan with production of million 8,07 units.

South African vehicle production declined by 29,2%, from the record 631 921 units produced in 2019 to 447 218 units produced in 2020, in line with the global impact of COVID-19 on vehicle production all around the world. However, the country's global vehicle production ranking remained at 22nd in 2020, although its market share declined to 0,58%. In terms of global LCV production, South Africa was ranked 15th with a market share of 1,08%. South Africa remained the dominant market on the African continent, and accounted for 447 218 vehicles, or 62,1% of the total African vehicle production of 720 156 vehicles.

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 in South Africa by 2035, which should

substantially improve the country's status and global vehicle production ranking. The following table reveals global vehicle production by country for 2019 and 2020.

Global vehicle production by country – 2019 to 2020

Country	Total units produced 2019	Total units produced 2020	Passenger cars	Commercial vehicles
1. China	**25 750 650**	25 225 242	19 994 081	5 231 161
2. USA	**10 892 884**	8 822 399	1 926 795	6 895 604
3. Japan	**9 684 507**	8 067 557	6 960 025	1 107 532
4. Germany	**4 947 316**	3 742 454	3 515 372	227 082
5. South Korea	**3 950 614**	3 506 774	3 211 706	295 068
6. India	**4 524 366**	3 394 446	2 851 268	543 178
7. Mexico	**4 013 137**	3 176 600	967 479	2 209 121
8. Spain	**2 822 632**	2 268 185	1 800 664	467 521
9. Brazil	**2 944 988**	2 014 055	1 608 870	405 185
10. Russia	**1 720 116**	1 435 335	1 260 517	174 818
11. Thailand	**2 013 710**	1 427 074	537 633	889 441
12. Canada	**1 916 585**	1 376 623	327 681	1 048 942
13. France	**2 175 350**	1 316 371	927 718	388 653
14. Turkey	**1 461 244**	1 297 878	855 043	442 835
15. Czech Republic	**1 433 961**	1 159 151	1 152 901	6 250
16. UK	**1 381 405**	987 044	920 928	66 116
17. Slovakia	**1 107 902**	985 000	985 000	-
18. Iran	**821 060**	880 997	826 210	54 787
19. Italy	**915 291**	777 165	451 826	325 339
20. Indonesia	**1 286 848**	691 286	551 400	139 886
21. Poland	**649 864**	451 382	278 900	172 482
22. South Africa	**631 921**	**447 218**	**238 216**	**209 002**
Global	**92 175 805**	**77 621 582**	**55 834 456**	**21 787 126**

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

The automotive industry globally had to operate at much lower market levels in 2020. Total global new vehicle sales contracted sharply by 12,45 million units, or 13,8%, from the 90,42 million units sold in 2019 to 77,97 million units being sold in 2020. In one of the most disruptive years in the history of the automotive industry, COVID-19 lockdown restrictive measures slowed down transportation across the globe with disruptions in the volume of operations due to movement restrictions, health screening and border controls and closures. Most markets reflected a revival in the second half of the year, but a recovery to pre-pandemic levels of output will be protracted, due to insufficient demand as consumers and businesses continue facing financial uncertainty.

In 2020, passenger car sales worldwide contracted year-on-year by 15,9%, from the 63,73 million units sold in 2019 to 53,60 million units being sold in 2020, while commercial vehicle sales declined by 8,7%, from the 26,70 million units sold in 2019 to 24,37 million units being sold in 2020. The Chinese new vehicle market contracted year-on-year in 2020 by only 1,9%, as the country recovered from the pandemic much faster than other regions. Despite the fact that this was the third consecutive year of weaker car sales in China, the Chinese new vehicle market remained by far the major market in the world in 2020.

Most of the damage occurred during the second quarter of 2020 when markets were closed unexpectedly due to countries' lockdowns. New vehicle sales in Japan, the US and India were down by double-digit percentages, while the European and South American new vehicle markets contracted by a quarter. This was the first time since 2012 that fewer than 15 million vehicles were sold in the US market. Germany remained the largest new vehicle market in Europe, although sales were down year-on-year by 18,6%. The Brazilian new light vehicle market, which expanded for three years up to 2019, declined year-on-year in 2020 by 26,2% while sales in India declined by 23,0%. Passenger vehicle registrations in Japan contracted by 11,4% to 3,81 million cars in 2020 – the lowest level since 2011 when Japan was hit by the tsunami. However, South Korea reflected a year-on-year increase of 6,2% in 2020, and reached sales of 1,91 million units, up from the 1,80 million units in 2019. This was mainly due to the growing need for personal mobility amid COVID-19, and most importantly, the 30% decline in consumption tax in the country.

As organisations seek to transform themselves, the need for newer and more intelligent strategies will pave the way for robust growth opportunities and game-changing developments that are key to driving demand and opening new revenue streams. The outlook for passenger car sales in 2021 is positive, although pre-pandemic levels will not be reached during 2021. Global vehicle sales are not expected to recover to 2019 levels until about 2023. Although commercial vehicle sales also declined, they are expected to recover by 2022, due to rising e-commerce and growing freight demand in China and emerging economies.The following table reveals total global vehicle sales by region for 2019 and 2020. Declines were experienced in all major regions due to the severe impact of COVID-19 disruptions across the globe, although Asia resisted reasonably well reflecting only a single digit year-on-year decline in 2020.

Global vehicle sales by region – 2019 to 2020

Region	Total sales - 2019	Total sales - 2020	% change 2020/2019
Europe	20 928 769	16 705 645	-20,2%
North America	20 334 190	16 956 845	-16,6%
South America	4 497 526	3 288 621	-26,9%
Africa	1 179 925	912 863	-22,6%
Asia	43 483 277	40 107 260	-7,8%

Source: OICA

Toyota Motor Corporation group ranked top for global vehicle sales for the first time in five years, on a robust pickup in sales in China and the US, overtaking Volkswagen AG of Germany. Toyota sold 9,53 million units globally in 2020, including those sold by the group's mini-vehicle brand, Daihatsu Motor Co. as well as truck manufacturer Hino Motors Ltd., with the overall figure down 11,3% from 2019. That compares with Volkswagen's 9,31 units, down 15,2% from a year earlier.

Global sales of electric vehicles (EVs) accelerated in 2020, rising by 43% to 3,24 million units compared to the 2,26 million units sold in 2019, despite the overall fall in new vehicle sales in 2020 due to the COVID-19 global pandemic. Europe has superseded China as the centre of EV growth. For the first time since 2015, EV sales in Europe have outpaced EV sales in China.

The long-term outlook for EVs remains bright, as fundamental cost and technology improvements outweigh the short-term impacts of the pandemic. OEMs are accelerating their EV launch plans, partly to comply with increasingly stringent regulations in Europe and China, along with a raft of new model launches and government-sponsored incentives. China and Europe combined would represent 72% of all passenger EV sales in 2030, driven by European vehicle CO2 regulations and China's EV credit system, fuel economy regulations and city policies restricting new internal combustion vehicle sales. OEMs will continue to focus their passenger EV efforts on the markets with the most stringent regulations for the next 10 years, leading to low rates of EV adoption in the rest of world. Price parity between EVs and internal combustion vehicles is projected to be reached by the mid-2020s in most segments, but there is a wide variation between geographies. Until these tipping points are reached, policy support is still required in most markets.

METHODOLOGY – AUTOMOTIVE TRADE DATA

The methodology utilised and applied in the *Automotive Export Manual – 2021 – South Africa* publication remains unchanged from the previous publications in order to enable meaningful comparisons. All values are presented in nominal prices. The trade data in this publication is reflected for South Africa. A significant change in the South African trade statistics, as approved by the Minister of Finance on 14 November 2013, was that South African trade with member countries of the Southern African Customs Union (SACU), comprising Botswana, eSwatini (formerly Swaziland), Lesotho and Namibia (BELN) would now be included in South Africa's trade data to provide a more accurate reflection of the country's trade. BELN country trade data had previously not been included in the country's trade statistics because of the free movement of goods between customs union member countries from a customs point of view within SACU. The automotive industry's trade performance has subsequently been revised with BELN country data, with retrospective effect, where applicable, in the 2014 to 2020, as well as in the 2021 publication.

The trade data in the *Automotive Export Manual – 2021 – South Africa* publication is based on the detailed Customs and Excise statistics for products eligible under the APDP, obtained from the South African Revenue Service (SARS). The Customs and Excise export values reflect free on board (FOB) values in nominal terms. The export values of the latest year (2020) 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 – 2021 – South Africa* publication as a cut-off level (measure) to determine the top South African export country destinations. For ease of reference and for comparison purposes, the data with respect to the component categories, where applicable, is placed in alphabetical order. Percentages are rounded off.

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

For currency comparison purposes, the following table reveals the movement of the Rand against the currencies of the South African automotive industry's main trading partners, namely, the EU, the UK, the US, Japan and China from 2016 through to 2020.

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

Currency	2016	2017	2018	2019	2020
Euro	16,28	15,04	15,60	16,17	18,77
Index 2016	100	92	96	99	115
UK Pound	20,00	17,15	17,63	18,44	21,09
Index 2016	100	86	88	92	105
US$	14,71	13,31	13,23	14,45	16,46
Index 2016	100	90	90	98	112
Japan (100 Yen)	13,54	11,87	11,97	13,26	15,42
Index 2016	100	88	88	98	114
Chinese Yuan	221,65	197,08	199,79	209,10	238,35
Index 2016	100	89	90	94	108

Source: South African Reserve Bank

South Africa's consumer price inflation (CPI) at 3,3% in 2020 recorded its second-lowest level in 51 years, only topped by the 1,4% in 2004, staying well within the South African Reserve Bank's (SARB) inflation target range of 3% to 6%. The country's economic growth rate slumped to -7,0%, after the very sharp downturn during the country's hard lockdown in the second quarter of 2020, as the COVID-19 global pandemic exacerbated the economic recession in the country. In response to the pandemic, global central banks reduced interest rates rapidly, while governments followed with fiscal support. The South African Reserve Bank (SARB) also lowered the repo rate by a cumulative 300 basis points in 2020 to a near 50-year low to provide relief to indebted consumers and businesses as they navigate the economic shock of the COVID-19 pandemic.

The Rand weakened in 2020 against major currencies, along with other risky assets, due to the impact of COVID-19 but recovered during the latter part of the year. The exchange rate affects inflation through two channels, namely, the price of imported finished products, as well as the price of input costs. Market sentiment is geared towards a recovery into 2021, but the economic environment, both globally and locally, will remain uncertain and volatile until vaccines are rolled out globally. The global recovery, however, is likely to be uneven, and pre-COVID levels are not likely to be reached quickly.

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EXPORTS TO REGIONS

The COVID-19 outbreak in 2020 had a direct impact on the global economy through the trade channel. Little did experts suspect that the uncertainties of lagging economic growth globally and turbulent geopolitical events during 2019 would be a precursor to the far greater disruptive uncertainties that confronted the world in the year ahead. The pandemic plunged many countries into recession in 2020, as measures needed to protect public health undercut an already fragile global economy, causing deep recessions in advanced economies and emerging markets, alike. The global economic downturn, which from a predicted 3,3% growth in 2020 to a decline of around 4,4%, was the biggest fall since the Great Depression of the 1930s. It is evident that the pandemic's universal toll on human life and mass disruption of manufacturing, production and supply chains worldwide have exacerbated the turbulence of the existing trade, economic and political uncertainties.

The speed and strength of recovery globally in 2021 will depend on the effectiveness of the support programmes governments and the international community put in place and, critically, on what policymakers do to respond to the new environment. The three main factors likely to determine the trajectory of the global economy in 2021 include the path of the pandemic and how it is managed; the vaccine and how it is rolled out; and the actions of governments in response to the pandemic. The World Bank's baseline forecast for global growth is that it will rebound to 4,2% in 2021, with advanced economies projected to grow by 3,9%, and emerging and developing economies to bounce back by 4,6%. Despite the current difficulties, the COVID-19 pandemic does present an opportunity for businesses to restructure and to pursue purpose-driven leadership and strategies to position them better for a sustainable future.

South Africa's trade negotiations are conducted alongside the country's partners in the Southern African Customs Union (SACU), comprising Botswana, eSwatini (formerly Swaziland), Lesotho, and Namibia, following the renewed SACU Agreement in 2004 that requires SACU to negotiate all trade agreements as a bloc. Access to global markets has been enhanced through bilateral agreements with most of South Africa's major trading partners. SACU, at present, enjoys free trade agreements (FTAs) with the 27-country European Union, 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 Southern African Development Community (SADC) free trade area, has a preferential trade agreement (PTA) with Mercosur, comprising Argentina, Brazil, Paraguay, Uruguay and Venezuela, while South Africa also enjoys duty-free and quota-free entry into the US market under the African Growth and Opportunity Act (AGOA), a unilateral trade preference programme.

A key pillar under the SAAM 2021-2035 for the South African automotive industry is regional market development. When concluded, the African Continental Free Trade Area (AfCFTA) will be the world's largest free trade area, since the formation of the World Trade Organisation (WTO). The AfCFTA would significantly boost African trade, particularly intra-regional trade in manufacturing, which is a priority for South Africa. The country is well-positioned to become a major supplier of industrial goods and value-added services to the continent, and will therefore enhance South Africa's role as a continental economic powerhouse, which provides the foundation for long-term growth.

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

European Union (EU)

The EU remained the domestic automotive industry's most important regional export destination in 2020, accounting for R105,0 billion, or 59,8%, of total automotive exports of R175,7 billion. The UK has been the domestic automotive industry's top destination for vehicle exports since 2014, up to 2020. Developments in the EU and the UK, therefore, have a measurable and direct impact on the South African automotive industry. In this regard, Brexit and announcements on the banning of the sales of new internal combustion engine vehicles by countries in Europe, such as the UK, have been closely monitored by the domestic automotive industry.

According to the International Organisation of Motor Vehicle Manufacturers (OICA), vehicle production in the EU declined by a substantial 23,5%, from 18,0 million units in 2019 to 13,77 million units in 2020. Germany, with vehicle production of 3,74 million units, led the region's production, followed by Spain with 2,27 million units, and France with 1,32 million units.

In 2020, new vehicle sales in the EU declined by 23,6% from 18,43 million units in 2019 to 14,08 million units in 2020. The top five major markets in the region reflected substantial year-on-year sales declines in 2020 due to the severe impact of COVID-19 on the new vehicle market. Germany, the major market in the region, reflected a year-on-year decline of 18,6% in 2020, followed by declines of 23,8% in France, 28,2% in the UK, and 31,4% in Spain. The estimated vehicle parc in the EU was in the order of 270 million units, and the motorisation rate at 580 vehicles per 1 000 persons. The following tables reveal the EU's vehicle production and sales for 2019 and 2020, as well as the vehicle production and sales for the top five vehicle production countries in the region.

EU vehicle production and sales – 2019 to 2020

	2019	2020	% change 2020/2019
Vehicle production	18 002 188	13 771 638	-23,5%
Vehicle sales	18 430 753	14 080 139	-23,6%

Source: OICA

Vehicle production and sales – top EU countries – 2019 to 2020

Country	Vehicle production		Vehicle sales	
	2019	2020	2019	2020
Germany	4 947 316	3 742 454	4 017 059	3 268 222
Spain	2 822 632	2 268 185	1 501 103	1 030 470
France	2 175 350	1 316 371	2 755 728	2 100 058
Czech Republic	1 433 961	1 159 151	281 423	228 834
UK	1 381 405	987 044	2 676 918	1 964 772

Source: OICA

The Brexit deal between the UK and the EU was settled just before the transitional deadline of 31 December 2020, with the formal departure of the UK from the EU on 31 January 2020. To ensure continuity and predictability in the UK–South Africa trade relations after the transition period, the UK has negotiated an agreement with South Africa, Botswana, Lesotho, eSwatini, Namibia and Mozambique, which largely replicates the terms of the SADC–EU EPA. These are all the countries that are party to the SADC–EU EPA and

are referred to as the Southern African Customs Union and Mozambique, or SACUM countries. The new trade agreement is therefore called the SACUM–UK EPA, which will replace the previous legal framework for SACUM–UK trade under the SADC–EU EPA.

South Africa enjoys preferential trade with the EU under the Southern African Development Community – European Union Economic Partnership Agreement (SADC–EU EPA). The EU and the six member states of the SADC, namely, Botswana, eSwatini (formerly Swaziland), Lesotho, Namibia, South Africa and Mozambique signed an Economic Partnership Agreement (EPA) on 10 June 2016, which came into force on 10 October 2016. The EPA between the EU and the SADC group replaced the trade provisions of the bilateral Trade, Development and Cooperation Agreement (TDCA) between South Africa and the EU, and aims to harmonise the trading regime between SACU as a whole and the EU. The EU–SADC EPA is the first EPA signed between the EU and an African region. All six countries, barring Mozambique, are also members of SACU. South Africa's rationale for participation in the EPA was an effort to harmonise the region's trade relations vis-à-vis the EU, with the aim of strengthening regional integration in SACU and the SADC, as well as further African integration, given that there are also EPA discussions underway with regional blocs in West, East and Central Africa.

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.

In order to progress the harmonisation of trade relations with Western Europe, SACU signed an FTA 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 brings about a number of benefits to South African exporters, which include duty-free market access for SACU products, including vehicles and automotive components, to EFTA markets. Automotive exports to EFTA markets, although still relatively small, amounted to R663,6 million in 2020, down from the R940,9 million in 2019.

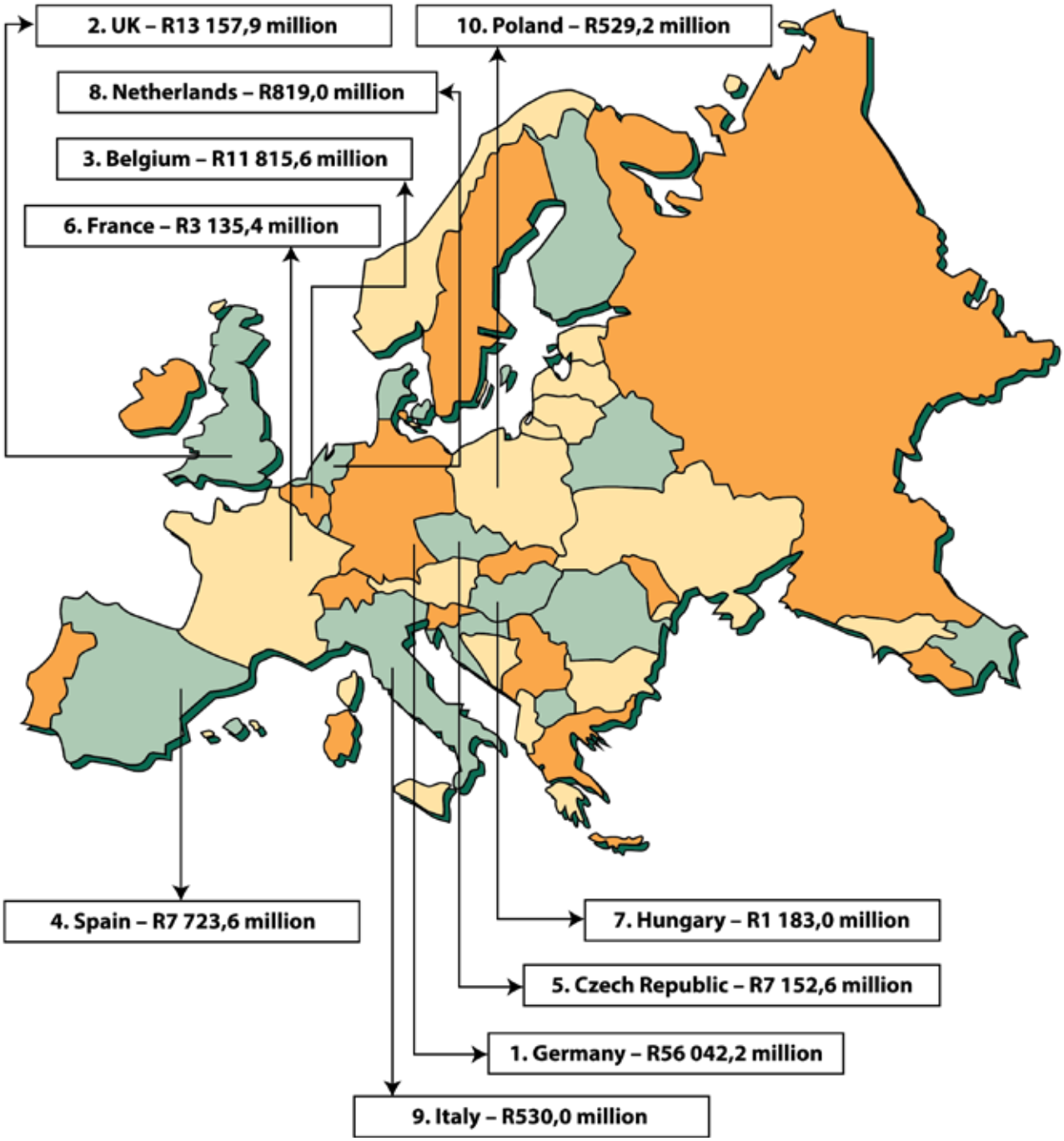
The following table reveals that total automotive exports (vehicles and components) to the EU amounted to R105,0 billion in 2020, substantially down by R24,7 billion, or 19,0%, if compared to the R129,7 billion export value in 2019. Exports in Euro terms declined by 30,2% year-on-year in 2020, reflecting the decline in real terms. Vehicle exports to the EU declined in volume terms by 30,9%, from the 285 599 units exported in 2019 to 197 355 units exported in 2020, and in value terms declined by R26,13 billion, or 24,9%, from R104,89 billion in 2019 to R78,76 billion in 2020. However, on the upside, automotive component exports increased by R1,47 billion, or 5,9%, from the R24,81 billion exported in 2019 to R26,28 billion in 2020, mainly due to the increase in catalytic converter exports to the region. Exports to the 13 new member countries, forming part of the expanded EU, comprised a significant R9,57 billion, or 9,1% of the R105,0 billion export value in 2020, compared to the R5,97 billion export value in 2019, mainly due to the more than doubling in the export value to the Czech Republic.

Exports to the EU by product category – 2016 to 2020

Component	2016	2017	2018	2019	2020
Total (R million)	**86 013,9**	**85 908,4**	**105 218,0**	**129 702,8**	**105 040,7**
Total (average Euro million)	**5 283,4**	**5 712,0**	**6 744,7**	**8 021,2**	**5 596,2**
Air conditioners	4,2	2,8	3,9	0,8	7,2
Alarm systems	18,6	8,0	6,5	16,9	5,1
Automotive glass	383,8	349,4	418,8	413,7	423,5
Automotive tooling	286,0	258,6	217,4	208,3	210,5
Axles	281,5	300,2	268,2	406,4	309,2
Batteries	4,9	3,3	6,3	28,4	55,3
Body parts / panels	100,5	126,0	139,7	337,5	74,0
Brake parts	78,0	65,3	99,6	74,3	38,2
Car radios	1,3	3,9	0,8	0,2	0,3
Catalytic converters	14 951,1	13 769,4	14 129,6	15 153,2	18 801,8
Clutches / shaft couplings	271,5	386,6	372,4	347,8	345,0
Engines	78,0	64,8	64,9	35,2	47,6
Engine parts	980,3	961,3	1 197,8	1 353,8	791,1
Filters	262,8	211,1	210,6	168,7	199,0
Gaskets	37,6	35,2	33,0	25,8	24,6
Gauges / instruments / parts	67,0	44,1	53,9	53,7	19,4
Gear boxes	12,9	15,4	19,5	17,6	35,0
Ignition / starting equipment	43,2	23,9	40,4	33,9	27,4
Jacks	4,3	2,2	1,4	1,0	0,7
Lighting equipment / parts	144,5	126,8	134,4	128,6	74,0
Radiators / parts	797,3	883,6	965,2	847,4	750,1
Road wheels / parts	118,0	267,0	206,2	191,8	91,5
Seats	2,3	3,1	2,3	3,1	5,9
Seat belts	0,6	0,5	0,6	1,0	0,9
Shock absorbers / suspension parts	421,5	434,1	453,5	410,2	321,5
Silencers / exhausts	306,6	295,8	276,5	211,8	124,2
Springs	8,1	8,8	12,4	15,6	26,1
Steering wheels / columns / boxes	10,3	11,8	12,2	8,6	11,6
Stitched leather seats / parts	693,0	438,2	448,5	160,2	53,9
Transmission shafts	137,3	158,4	150,6	155,1	131,7
Tyres	549,0	707,6	824,6	784,3	793,5
Wiring harnesses	60,4	34,8	22,5	21,4	24,7
Other parts	2 414,3	2 559,4	2 657,7	3 196,0	2 454,1
Light vehicles	62 454,5	63 318,6	81 759,5	104 888,0	78 759,0
Medium / Heavy vehicles	28,7	28,4	6,6	2,5	3,1

Source: AIEC, SARS

Top export destinations in the EU with export values – 2020 (R million)



Source: AIEC, SARS

Africa

According to the World Bank, sub-Saharan Africa's economies declined year-on-year by 3,7% in 2020 as a result of the COVID-19 pandemic and the accompanying lockdown measures, plunging the region into its first recession in 25 years. The pandemic-related disruptions have exposed African economies' overdependence on high commodity prices and exports of raw materials, which are the backbone of how their fiscus is financed. Considering that Africa comprised the domestic automotive industry's second-largest export region in 2020, accounting for R29,63 billion, or 16,9% of the country's total automotive exports of R175,7 billion, the fortunes of the continent impact on the success of the domestic automotive industry.

Vehicle production in Africa declined by a massive 35,3%, from 1,11 million units in 2019 to 720 156 units in 2020. The continent's market share comprised 0,93% of global vehicle production in 2020. South Africa with 447 218 units, accounted for 62,1% of Africa's total vehicle production, while Morocco with 248 430 units, and Egypt with 23 754 units accounted for the balance. Regarding passenger car production, South Africa with 238 216 units surpassed Morocco at 221 299 units, in 2020.

New vehicle sales in Africa declined by 22,6% from 1,18 million units in 2019 to 912 863 units in 2020. In South Africa, the continent's dominant market, new vehicle sales declined year-on-year by 29,2% in 2020, and in Morocco, sales declined by 19,7%, while sales in Egypt reflected an increase of 28,8% due to the deflation of the local currency in 2020. The estimated vehicle parc in Africa was in the order of 52,5 million units, and the motorisation rate 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 2019 and 2020, as well as the vehicle production and sales for the top three countries in Africa for 2019 and 2020.

Africa vehicle production and new vehicle sales – 2019 to 2020

	2019	2020	% change 2020/2019
Vehicle production	1 113 651	720 156	-35,3%
Vehicle sales	1 179 925	912 863	-22,6%

Source: OICA

Vehicle production and sales – top African countries – 2019 to 2020

Country	Vehicle production		Vehicle sales	
	2019	2020	2019	2020
South Africa	631 921	447 218	536 612	380 206
Morocco	403 218	248 430	165 916	133 308
Egypt	18 500	23 754	170 568	219 732

Source: OICA

Africa represents a risky but lucrative and growing regional market as the next frontier of growth. With a potential 850 million consumers on the continent and a steady rise in consumer spending, the untapped demand on the continent is yet to be realised. However, low purchasing power, the absence of suitable vehicle financing options, and fierce competition from low-cost, unregulated imported used vehicles remain the main factors inhibiting new vehicle sales in Africa.

The African Continental Free Trade Area (AfCFTA) holds enormous potential benefits for South African expansion into new markets in West, East and North Africa, notably in value-added products, and could serve as a catalyst to economic growth and investment in the country. The AfCFTA represents a US$3,4 trillion economic bloc, with a population of 1,3 billion across the continent, and will be important to drive Africa's economic growth. The liberalised trade regime has the potential to enable Africa to significantly boost intra-Africa trade, improve economies of scale and establish an integrated market. The successful implementation of AfCFTA would mitigate the negative COVID-19 effects on economic growth by enhancing regional trade and reducing trade costs. Intra-African investments, in particular, can be conducive to structural transformation and regional integration in that they can underpin African trade and its industrial contents, enable economies of scale and facilitate entry into regional and global value chains.

Up to February 2021, 54 of the 55 African Union member countries, excluding Eritrea, signed the AfCFTA, while 36 countries have ratified the agreement. Africa is made up of 34 least-developed countries, six small island developing states, and 16 land-locked developing countries, and the reality is that not all countries need to move at the same speed. The AfCFTA targets 90% of the scheduled tariffs of participating members being liberalised to zero over a five-year period for more advanced economies, and 10 years for less developed nations. The tariff phase-down will happen in equal instalments. An additional 7% of sensitive tariff lines will be liberalised over 10 years, and 3% of tariff lines can be excluded. The rules of origin, an essential step for determining which products should be subject to tariffs and duties, has not been completed yet.

Africa currently contributes only about 2% to global manufacturing and 3% to global trade. It is recognised that economic integration is not an event, but rather a process. Currently, intra-Asia trade is at 52%, intra-North America trade is at 50%, intra-Europe trade is at 70%, while intra-Africa trade is between 15% and 18%. However, the demand for manufactured goods already exists. The key to enhancing manufacturing in Africa, is to improve intra-African trade. Producing more of what Africa consumes and consuming more of what Africa produces will facilitate the development of supply chains that will offer small companies and countries opportunities to leverage their strengths and specialisations, and feed into large value chain networks that create more value through production, processing and distribution. The vision for intra-Africa trade is the free movement of made-in-Africa products. The United Nations Economic Commission for Africa estimates that the AfCFTA can double intra-Africa trade in five years, which bodes well for South Africa.

Ultimately, regional markets will trade vehicles and components. With an integrated market under the AfCFTA, abundant labour force, a wealth of natural resources, and a growing middle class, African countries are increasingly turning their attention to support the emergence of their automotive industries. However, unlocking the great potential on the continent requires an accommodative regulatory and policy environment. The essence of a successful automotive development policy is to induce the OEMs 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).

There are considerable economic benefits to having a fully-fledged integrated automotive manufacturing sector. It requires advanced manufacturing technologies, while it also creates a deep value chain and skilled employment. It will be in South Africa's national interest to develop the new car market in Africa and to be part of a larger automotive regional production system. The aim is, therefore, the establishment of a sub-Saharan African automotive development plan or Automotive Pact, built around South Africa, Nigeria, Kenya, Ghana, and potentially, one or two other larger economies. The proposed African Automotive Pact is one way of ensuring greater cooperation between key African countries in efforts to develop both the consumer market on the continent – in part by addressing the large level of second-hand car imports – and also to increase the production capacity across a few hubs in south, east, west and north Africa, and drawing in components from a wider pool of countries. The significant growth to potentially five-million

vehicles sold in Africa requires the implementation of effective automotive policy – the core focus of the African Association of Automotive Manufacturers (AAAM).

The independent 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. The AAAM is assisting partner country governments to develop work programmes to unlock these. South Africa is the only country in sub-Saharan Africa where vehicle manufacturing has reached the scale able to drive a cumulative process of linkage building. The country, with its expertise and geographic advantage is ideally placed to benefit from the increased demand for vehicles, semi-knocked down kits and automotive components on the continent. South Africa is playing a mentoring and knowledge-sharing role for African countries in terms of car assembly operations in their industrialisation policies. To this end, the AAAM is currently assisting a number of African countries with the formulation of automotive development policy options aimed at replicating a similar South African automotive ecosystem involving OEMs, suppliers, financiers, government and other relevant industry role-players in prospective African countries. This would support an industrialisation automotive pact, as seen in other large regional groups, such as the Association of Southeast Asian Nations (ASEAN).

The following table reveals South African automotive exports to the African continent. Annual comparisons should note that the 2017 to 2020 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 marginally by R21,0 million, or 0,1%, from R17,40 billion in 2019 to R17,42 billion in 2020, while total automotive exports, including BELN country data, declined by R2,26 billion, or 7,1%, from R31,90 billion in 2019 to R29,63 billion in 2020. Automotive component exports into the continent declined by 2,7%, from R12,93 billion in 2019 to R12,58 billion in 2020. Vehicle exports to African countries declined from 23 382 units in 2019 to 16 988 units in 2020, while the value of vehicle exports declined year-on-year by 10,1%.

South Africa is playing a mentoring and knowledge-sharing role for African countries in terms of car assembly operations in their industrialisation policies.

Exports to Africa by product category – 2017 to 2020

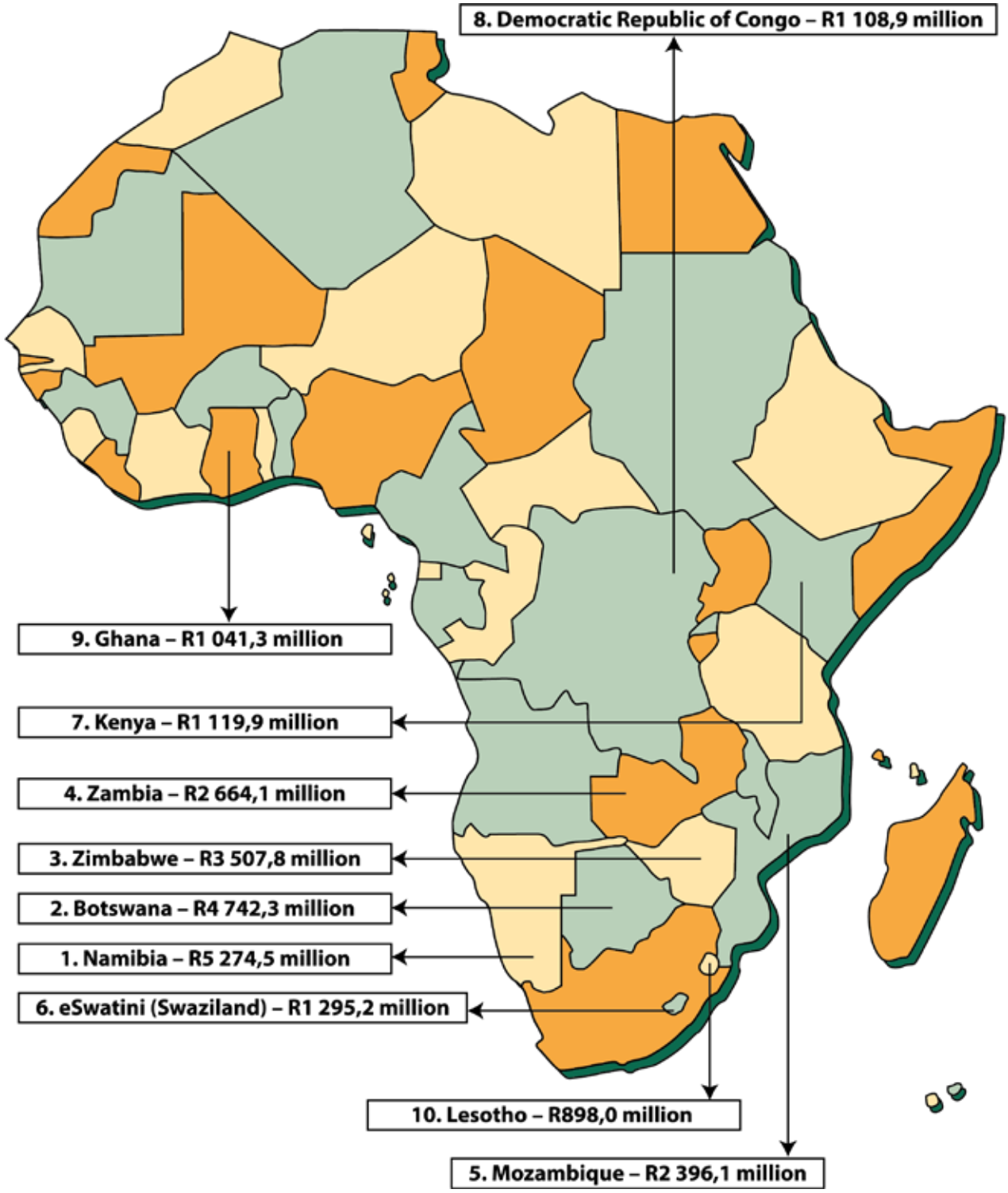
Component	2017*	2018*	2019*	2020*	2017**	2018**	2019**	2020**
Total (R million) Including BELN country data					29 721,1**	31 689,1**	31 895,5**	29 632,4**
Total (R million) excluding BELN country data	16 970,7*	17 805,7*	17 403,8*	17 422,7*				
Air conditioners	21,0	15,4	22,5	13,2	37,7	32,4	34,6	31,4
Alarm systems	35,9	43,4	51,5	46,1	68,1	64,7	78,4	65,7
Automotive glass	17,4	19,4	30,0	19,1	84,6	85,6	94,5	94,9
Automotive tooling	249,0	235,7	218,8	167,7	373,0	352,7	313,9	250,0
Axles	57,3	127,7	81,3	42,6	85,5	161,9	108,0	69,5
Batteries	250,1	245,6	194,8	201,2	383,7	415,1	376,5	356,0
Body parts / panels	37,5	67,9	59,2	45,6	106,4	145,3	132,5	147,1
Brake parts	86,4	75,6	96,2	89,3	192,2	192,1	212,7	198,7
Car radios	7,9	3,0	2,8	3,0	29,8	17,1	18,1	19,6
Catalytic converters	79,4	114,0	120,2	123,8	112,5	147,0	155,8	165,7
Clutches / shaft couplings	46,8	49,4	56,3	60,5	115,3	128,7	142,4	145,8
Engines	406,0	437,5	343,1	317,5	636,6	606,0	548,3	438,9
Engine parts	504,4	566,8	541,8	510,5	827,4	902,5	882,7	785,8
Filters	216,9	219,4	228,0	182,5	347,2	364,7	372,0	313,4
Gaskets	77,9	73,3	74,2	105,4	118,2	113,3	117,8	143,6
Gauges / instruments / parts	330,2	330,6	354,9	335,1	444,5	445,2	474,7	437,7
Gear boxes	45,3	78,2	108,4	70,6	96,8	141,3	148,4	108,7
Ignition / starting equipment	91,5	84,6	102,0	108,6	208,1	211,8	233,1	242,6
Jacks	17,4	20,3	17,3	21,6	24,2	28,8	30,9	29,1
Lighting equipment / parts	54,2	59,6	58,6	54,5	117,7	132,3	128,4	114,5
Radiators / parts	46,1	51,3	48,3	63,8	104,9	110,8	102,4	109,3
Road wheels / parts	27,2	29,4	39,7	29,3	67,7	70,0	78,3	55,4
Seats	9,6	9,3	14,3	11,5	20,2	22,1	27,1	22,4
Seat belts	3,0	2,9	2,4	3,1	6,6	6,4	6,2	6,0
Shock absorbers / suspension parts	35,5	43,4	42,8	38,4	92,5	119,5	129,2	108,4
Silencers / exhausts	6,4	8,2	8,7	7,3	15,9	17,3	16,5	14,3
Springs	13,9	15,5	13,2	20,1	23,7	23,7	22,8	28,8
Steering wheels / columns / boxes	15,1	12,2	11,5	15,9	35,5	37,3	35,1	39,7
Stitched leather seats / parts	7,7	7,1	6,6	5,4	21,7	19,2	18,3	14,2
Transmission shafts	399,3	456,9	437,3	523,0	560,1	654,5	627,4	704,4
Tyres	768,2	770,1	573,1	575,6	1 607,7	1 486,6	1 278,4	1 205,6
Wiring harnesses	19,3	19,6	20,4	21,8	118,6	53,6	66,0	64,2
Other parts	2 834,1	3 279,8	3 307,8	3 512,4	6 076,1	5 814,3	5 913,9	6 048,7
Light vehicles	8 159,9	7 583,5	7 679,2	7 743,4	12 980,2	14 324,7	14 579,4	13 125,2
Medium / Heavy vehicles	1 992,9	2 649,1	2 436,6	2 333,3	3 580,2	4 240,6	4 390,8	3 927,1

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 - 2020 (R million)



Source: AIEC, SARS

Southern African Development Community (SADC)

South Africa's economic prospects are becoming increasingly intertwined with those of the rest of the African continent. The country has been the leading importer and exporter in inter-African trade for the past decade. Intra-SADC trade accounts for about 24% of SADC's total trade, the highest amongst African regional economic communities, with 40% of intra-SADC trade accounted for by South Africa. The South African automotive industry's exports to the SADC comprised 81,2%, or R24,06 billion of its total R29,63 billion of automotive exports to the African continent in 2020. Exports of automotive goods to seven of the 15 countries within SADC exceeded the R1 billion level in 2020.

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. However, challenges with markets on the continent include market fragmentation, small national economies, over-reliance on primary commodity exports, a narrow export base, lack of export specialisation, under-developed regional value chains, and high regulatory and tariff barriers to 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 (formerly Swaziland), Lesotho, Namibia and South Africa, and a free trade area among the SADC countries.

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 SADC in August 1994. The SADC Protocol on Trade was signed on 24 August 1996, and amended in the years 2000, 2007 and 2008, with the specific simplification of rules of origin and other matters. The objective of the SADC Trade Protocol is to liberalise intra-regional trade by creating mutually beneficial trade arrangements, and thus improving investment and productivity in the region. The SADC-FTA was launched in 2008, when 85% of 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 Angola has sought accession to the SADC Protocol on Trade during 2020, proposing a tariff phase down on 90% of its tariff lines over 10 years.

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 SADC allows access to a market of approximately 356 million people and an estimated regional GDP of US$635 billion. In addition to CBU and automotive component exports, South Africa has also been expanding its footprint in Africa by starting to export semi knocked-down kits for assembly in some countries. The challenge for South Africa is to offer regional markets an alternative proposition to the importation of used vehicles.

Regarding the Tripartite Free Trade Area (TFTA) including 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 Tripartite was recognised as one of the stages towards the AfCFTA. The AfCFTA, however, moved with such speed that it overtook any progress that has

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 2017 to 2020 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 in order to facilitate historical comparisons. Although SACU is a customs union allowing for the free movement of goods between member states, trade with the BELN countries is regarded as imports and exports for statistical purposes only.

Total automotive exports to SADC, excluding BELN country data, declined by R541,7 million, or 4,4%, from R12,39 billion in 2019 to R11,85 billion in 2020. Total automotive exports, including BELN country data, declined by R2,82 billion, or 10,5%, from R26,88 billion in 2019 to R24,06 billion in 2020. The decline can mainly be attributed to the year-on-year decline in new vehicle sales of 23,8% from 19 143 units in 2019 to 14 579 units in 2020 in South Africa's customs union partners in SACU, resulting in the decline of exports to these four countries from R14,32 billion in 2019 to R12,21 billion in 2020.

The decline can mainly be attributed to the year-on-year decline in new vehicle sales of 23,8% from 19 143 units in 2019 to 14 579 units in 2020 in South Africa's customs union partners in SACU, resulting in the decline of exports to these four countries from R14,32 billion in 2019 to R12,21 billion in 2020.

Exports to SADC by product category – 2017 to 2020

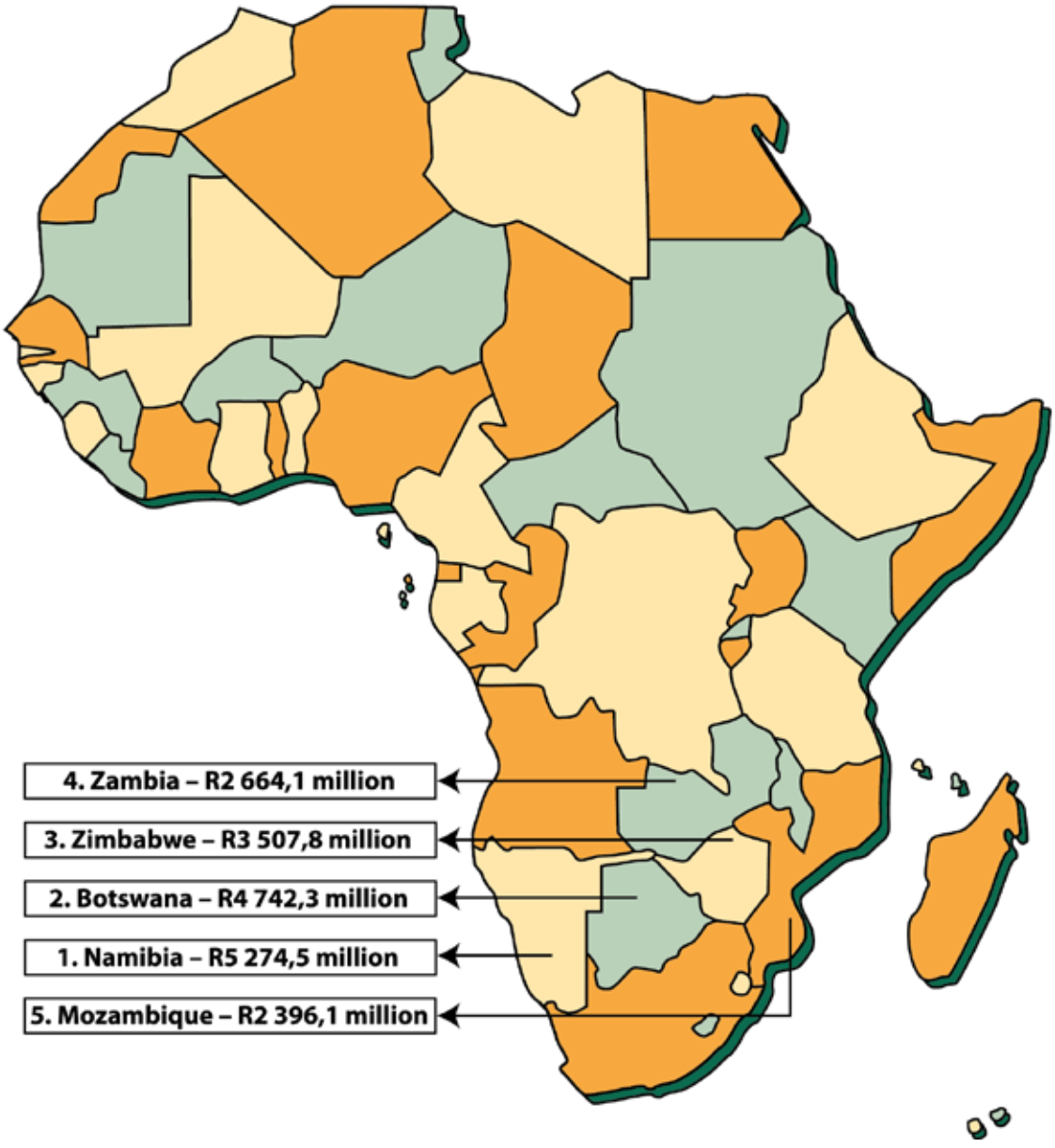
Component	2017*	2018*	2019*	2020*	2017**	2018**	2019*	2020*
Total (R million) Including BELN country data					25 560,6**	27 100,9**	26 879,0**	24 052,0**
Total (R million) Excluding BELN country data	12 810,4*	13 217,7*	12 386,7*	11 843,8*				
Air conditioners	18,6	11,7	17,1	10,8	35,3	28,7	29,2	29,0
Alarm systems	26,4	37,4	43,2	32,1	58,7	58,6	70,2	51,6
Automotive glass	14,0	15,0	16,1	13,4	81,2	81,3	80,6	89,2
Automotive tooling	163,0	185,1	157,8	128,9	287,0	302,1	252,8	211,1
Axles	52,1	122,1	77,5	39,9	80,3	156,2	104,2	66,7
Batteries	247,4	243,2	192,7	195,3	381,0	412,6	374,4	350,2
Body parts / panels	29,4	62,9	49,8	39,0	98,3	140,2	123,2	140,1
Brake parts	71,8	67,9	76,7	73,2	177,7	184,5	193,2	182,5
Car radios	7,1	2,5	2,3	2,4	28,9	16,6	17,6	19,0
Catalytic converters	65,9	100,5	103,1	103,6	99,0	133,5	138,7	145,5
Clutches / shaft couplings	40,5	43,5	45,0	50,2	109,0	122,8	131,2	135,4
Engines	386,2	422,5	326,9	307,8	616,8	590,9	532,1	429,2
Engine parts	428,9	492,6	431,6	413,1	751,9	828,3	772,6	688,4
Filters	187,1	196,8	175,1	164,2	317,3	342,2	319,1	295,1
Gaskets	65,3	63,9	66,4	89,4	105,6	103,9	110,0	127,6
Gauges / instruments / parts	270,0	272,2	292,2	278,0	384,3	386,7	412,0	380,1
Gear boxes	37,5	68,3	97,6	63,8	89,0	131,4	137,6	101,9
Ignition / starting equipment	82,8	76,8	91,3	96,1	199,4	204,0	222,4	230,1
Jacks	13,5	15,3	14,4	15,0	20,3	23,8	28,1	22,5
Lighting equipment / parts	43,0	45,8	46,4	41,6	106,6	118,6	116,2	101,5
Radiators / parts	32,1	46,9	37,7	54,3	90,9	106,4	91,9	99,8
Road wheels / parts	24,9	26,5	37,1	25,3	65,4	67,1	75,7	51,4
Seats	8,1	8,0	13,5	10,3	18,7	20,7	26,3	21,2
Seat belts	2,7	2,6	2,0	2,7	6,3	6,1	5,9	5,7
Shock absorbers / suspension parts	33,6	38,3	32,1	36,3	90,5	114,4	118,4	106,3
Silencers / exhausts	5,6	7,3	5,8	6,0	15,1	16,4	13,6	13,0
Springs	13,2	14,9	12,4	19,8	23,0	23,1	22,1	28,5
Steering wheels / columns / boxes	13,4	9,8	10,3	13,9	33,8	34,9	33,9	37,6
Stitched leather seats / parts	6,5	6,6	5,4	4,5	20,4	18,7	17,1	13,3
Transmission shafts	324,3	401,4	366,7	441,7	485,2	599,0	556,8	623,1
Tyres	606,8	584,2	417,9	445,5	1 446,3	1 300,8	1 123,2	1 075,4
Wiring harnesses	18,6	18,8	18,4	17,9	117,8	52,9	63,9	60,3
Other parts	2 330,4	2 717,6	2 854,7	2 907,7	5 572,3	5 252,0	5 460,8	5 444,1
Light vehicles	5 202,4	4 210,2	3 851,7	3 447,3	10 022,7	10 951,4	10 752,0	8 829,0
Medium / Heavy vehicles	1 937,3	2 578,6	2 397,8	2 252,8	3 524,6	4 170,1	4 352,0	3 846,6

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 – 2020 (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 2020. Exports to the region amounted to R16,63 billion, or 9,5%, of the total automotive exports of R175,7 billion in 2020. The US, with R14,53 billion, represented the major export destination in the region, followed by Mexico with R1,99 billion, and Canada with R109 million, in 2020.

Since the US, Canada and Mexico signed the North American Free Trade Area (NAFTA) in 1994, OEMs and automotive component suppliers in all three nations have worked to create a single North American automotive market. However, the three countries agreed to a revised deal called the US-Mexico-Canada-Agreement (USMCA) that entered into force on 1 July 2020. One of the key changes from its predecessor agreement includes greater incentives for vehicle production in the US, with quotas for Canadian and Mexican vehicle production. Under the rules of origin requirements stipulated in the USMCA, 75% of the value of a vehicle will have to come from within the country of origin, an increase from the 62,5% mandated by NAFTA. The implementation of this requirement would likely cause short-term supply chain disruptions between the member countries.

According to the International Organisation of Motor Vehicle Manufacturers (OICA), in 2020, vehicle production in USMCA declined by 20,5 %, from the 16,82 million units in 2019 to 13,38 million units in 2020, with the biggest year-on-year decline recorded in Canada. Vehicle production was dominated by the US, with the production of 8,82 million vehicles, or 66,0% of the region's total.

New vehicle sales in the region declined by 18,5%, from 20,33 million units in 2019 to 16,96 million units in 2020. The new vehicle market in Mexico contracted year-on-year by a substantial 28,2% in 2020, while for the first time since 2012, the US market was smaller than 15 million vehicle units. The estimated vehicle parc in USMCA was in the order of 272 million units, and the motorisation rate was at 790 vehicles per 1 000 persons. The following tables reveal USMCA's vehicle production and sales for 2019 and 2020, as well as the vehicle production and sales for the three countries for 2019 and 2020.

USMCA vehicle production and sales – 2019 to 2020

	2019		% change 2020/2019
Vehicle production	16 822 606	13 375 622	-20,5%
Vehicle sales	20 334 190	16 956 845	-18,5%

Source: OICA

Vehicle production and sales – USMCA countries – 2019 to 2020

Country	Vehicle production		Vehicle sales	
	2019	2020	2019	2020
USA	10 892 884	8 822 399	17 037 088	14 452 892
Mexico	4 013 137	3 176 600	1 359 884	976 373
Canada	1 916 585	1 376 623	1 937 218	1 527 580

Source: OICA

South African exports to the US are supported by unilateral preference schemes that the US grants to developing and sub-Saharan African countries through the General Systems of Preferences (GSP) and the

African Growth and Opportunity Act (AGOA), respectively. South Africa is a beneficiary of the US's GSP, which was instituted on 1 January 1976 and grants duty-free status to some goods. Since 2001, South African trade with the US has significantly increased due to AGOA, which is an extension of the GSP and allows duty-free access for additional products into the US. The cornerstone of AGOA is the expansion of development and trade with Africa. South Africa, together with 37 of the 49 sub-Saharan African countries, was designated as an eligible country in terms of the Act in 2020. The effective commencement date of the duty-free access provisions in terms of AGOA was 1 January 2001 to last until 30 September 2008, which was subsequently extended until 30 September 2015. In 2015, the programme was extended for a further 10 years to 2025 under the Trade Preferences Extension Act of 2015 that contained the AGOA Extension and Enhancement Act. Duty rates into the US range from 2,5% on passenger cars to 25% with regard to commercial vehicles. The rule of origin requirement is that 35% of the value-added on the output should come from 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.

It is South Africa's view that growing trade, investment and business relationships benefit both parties. 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 253,4% from 2001 to 2020, while automotive imports from the US increased by 363,0%, 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. South Africa will need to carefully consider its post-AGOA trade relations with the US.

The outcome of the Section 232 investigation that was initiated on 23 May 2018 to determine the effects on the US national security of the imports of automobiles, including cars, SUVs, vans and light trucks, and automotive parts into the US, is still awaited. If the proposed 25% import duty under Section 232 duty is imposed on automotive imports, including those from South Africa, AGOA benefits for South Africa would be significantly eroded, taking into account that Section 232 tariffs effectively suspend AGOA preferences. In view of the importance of the US market for the South African automotive industry, developments have been closely monitored regarding the outcome of the investigation.

The following table reveals that in 2020, exports to USMCA, at R16,63 billion, increased by R1,25 billion, or 37,2%, compared to the R12,12 billion exported in 2019, while in US dollar terms, the increase was at 20,5% year-on-year in 2020. The improved performance could be attributed to an increase in the export of catalytic converters to the region, as well as the export of high-end vehicle models to Mexico in 2020. Vehicle exports from South Africa to the US have declined over the past two years in view of the fact that the same models by BMW and Mercedes-Benz are manufactured in both countries and are therefore no longer exported in large volumes from South Africa to the US.

Substantial two-way automotive trade has taken place between South Africa and the US since the inception of AGOA.

Exports to USMCA by product category – 2016 to 2020

Component	2016	2017	2018	2019	2020
Total (R million)	**24 371,1**	**19 947,4**	**10 872,0**	**12 118,9**	**16 627,1**
Total (average US$ million)	**1 656,8**	**1 498,7**	**821,8**	**838,7**	**1 010,2**
Air conditioners	11,6	11,3	7,8	2,0	1,8
Alarm systems	1,3	1,0	1,9	4,7	1,9
Automotive glass	1,9	1,3	1,7	1,3	1,3
Automotive tooling	92,2	117,1	225,4	188,5	122,5
Axles	2,8	5,0	10,7	4,9	24,2
Batteries	2,6	1,6	2,3	0,1	0,1
Body parts / panels	4,8	2,6	5,4	8,5	3,9
Brake parts	4,3	3,8	4,3	7,8	0,7
Car radios	0,1	0,3	0,1	0,3	0,2
Catalytic converters	4 638,9	2 425,6	2 392,8	2 769,9	3 852,0
Clutches / shaft couplings	44,9	39,7	31,1	24,3	43,0
Engines	19,5	41,5	20,4	28,3	23,0
Engine parts	747,3	915,7	1 009,7	1 159,1	876,9
Filters	3,5	3,8	8,9	9,0	13,2
Gaskets	8,5	10,2	10,6	8,3	8,3
Gauges / instruments / parts	30,1	49,1	32,9	28,0	15,3
Gear boxes	26,9	47,2	51,2	56,0	36,4
Ignition / starting equipment	6,4	3,4	3,5	3,3	3,3
Jacks	2,7	0,3	1,2	0,6	0,3
Lighting equipment / parts	0,8	0,9	4,9	1,7	4,0
Radiators / parts	306,4	311,1	372,8	359,4	248,5
Road wheels / parts	2,8	1,8	1,6	11,2	1,6
Seats	1,6	3,0	3,7	3,5	21,1
Seat belts	0,2	0,1	0,7	0,1	0,1
Shock absorbers / suspension parts	52,4	28,0	31,1	18,7	53,0
Silencers / exhausts	177,3	109,0	75,0	84,1	91,9
Springs	0,4	0,1	0,3	0,6	0,4
Steering wheels / columns / boxes	2,9	2,9	10,9	10,2	1,7
Stitched leather seats / parts	6,3	6,2	19,5	13,3	20,5
Transmission shafts	41,3	36,7	34,3	56,2	27,8
Tyres	147,2	69,3	37,5	164,2	297,5
Wiring harnesses	24,3	15,4	14,9	18,9	9,1
Other parts	523,5	443,2	509,1	535,7	571,0
Light vehicles	17 403,9	15 238,0	5 933,6	6 535,0	10 250,0
Medium / Heavy vehicles	29,5	1,2	0,2	1,2	0,6

Source: AIEC, SARS

Top export destinations in USMCA with export values - 2020 (R million)

Source: AIEC, SARS

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

Trade with Mercosur remains relatively small in the context of South Africa's overall automotive trade regime. Mercosur is an economic and political bloc comprising Argentina, Brazil, Paraguay, Uruguay, and Venezuela, with Bolivia, Chile, Colombia, Ecuador, Guyana, Peru, and Suriname as associate members. The associate members receive tariff reductions but do not enjoy full voting rights or complete access to the markets of Mercosur's full members. Total automotive exports to Mercosur amounted to R1,26 billion, or 0,7% of total South African automotive exports of R175,7 billion in 2020. The bulk of exports to the region was destined for Argentina, accounting for R948,8 million, with Brazil accounting for R223,0 million of exports.

According to the International Organisation of Motor Vehicle Manufacturers (OICA), vehicle production in Mercosur declined by 30,4%, from 3,33 million units in 2019 to 2,31 million units in 2020. Brazil that dominates production in the region, recorded a year-on-year decline in vehicle production of 31,6%, from 2,94 million units in 2019 to 2,01 million units in 2020, negatively impacting the region's performance.

New vehicle sales in the region reflected a year-on-year decline of 25,2% in 2020, mainly due to the significant 26,2% year-on-year decline of sales in Brazil, the major market in the region. The estimated vehicle parc in Mercosur was in the order of 80,5 million units, and the motorisation rate was at 245 vehicles per 1 000 persons. The following table reveals Mercosur's vehicle production and sales for 2019 and 2020, as well as the vehicle production and sales for the top two countries.

Mercosur vehicle production – 2019 to 2020

	2019	2020	% change 2020/2019
Vehicle production	3 326 243	2 314 593	-30,4%
Vehicle sales	3 196 676	2 392 282	-25,2%

Source: OICA

Vehicle production and sales – top Mercosur countries – 2019 to 2020

Country	Vehicle production		Vehicle sales	
	2019	2020	2019	2020
Brazil	2 944 988	2 014 055	2 787 850	2 058 437
Argentina	314 787	257 187	408 826	333 845

Source: OICA

The Preferential Trade Agreement (PTA) between Mercosur and SACU came into force on 1 April 2016 and covers in the order of 1 000 tariff lines, offering preferential margins of between 10% and 100% on these tariff lines. The PTA was initially concluded in 2004, and it was updated and signed in 2008. The PTA was the first trade agreement concluded by SACU as a single entity. This agreement is also the first with another developing region, giving meaning to the objectives of the South-South cooperation. The PTA creates a basis for further integration and cooperation, including possible further exchanges of tariff preferences, and possible cooperation in other areas. Automotive products are excluded from the arrangement on the side

of both parties. However, future negotiations may involve the granting and winning of tariff concessions with regards to automotive products.

The decline in automotive exports to Mercosur over recent years could be attributed to the sharp decline of exports to Brazil, related to the country's Inovar-Auto 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. The 30% tax increase could be negated if the OEMs invested in research and development (R&D) in Brazil and achieved the production of more economical, lower-priced and safer vehicles. Inovar-Auto expired in 2017 and despite getting a lot of negative feedback, did manage to enhance investments, production, and thereby sales in the country, bringing in a bigger choice of vehicles and models.

The Rota (Route) 2030 – Mobility and Logistics Program replaced the Inovar-Auto Program. 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. 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. Thus, the initiative presents opportunities for companies in the sector to invest in the development and application of new technologies, thereby consolidating a competitive manufacturing model which can be inserted into the global production of motor vehicles. 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.

Rota 2030 offers a tax break of three percentage points on industrial products used in vehicles that have hybrid or electric engines, compared to conventional vehicles of a similar class, with an emphasis on supporting the local sourcing of parts. A key element of the programme involves annual tax credits of 1,5 billion Real (US$300 million) for vehicle manufacturers if they invest a minimum of 5 billion Real (US$1 billion) annually in R&D in Brazil. It also qualifies OEMs for discounts if they invest in Brazilian research projects and innovation. Component suppliers are not eligible for the tax incentives. Along with its aim of developing the domestic supply base, it is designed to promote the improvement of fuel consumption and safety. The benefits included in the programme will apply for a minimum period of five years, while the new scheme itself is expected to stay in place for up to 15 years.

The new policy will be divided into three phases, namely, phase I (2018-2022), phase II (2023-2027) and phase III (2028-2032). Several car safety policies will be mandated with gradual implementation expected over each five-year cycle. For instance, during phase I (from 2020-2022), every car sold in Brazil will need to have stability and traction control. Other requirements seen over the short-term are Isofix child-safe seats, as well as backrests and three-point seat belts for middle passengers of rear seats. Vehicle construction will improve, as side-impact tests will be mandatory. OEMs will also be required to improve energy efficiency by 11%, thus directly affecting fuel consumption. As this efficiency requirement is measured across all car models, OEMs will be able to offset high fuel-consuming vehicles with "green" models. This will result in more hybrid and electric vehicles (EVs) being offered to compensate for the less efficient vehicles. To enhance the agenda even further, Rota 2030 will give a 50% discount on the industrialised goods tax for these types of vehicles. Other fuel-saving changes could include turbo-charged engines, direct fuel injection, CVT gearboxes, better aerodynamics, and the use of better-quality steel, which is lighter in weight.

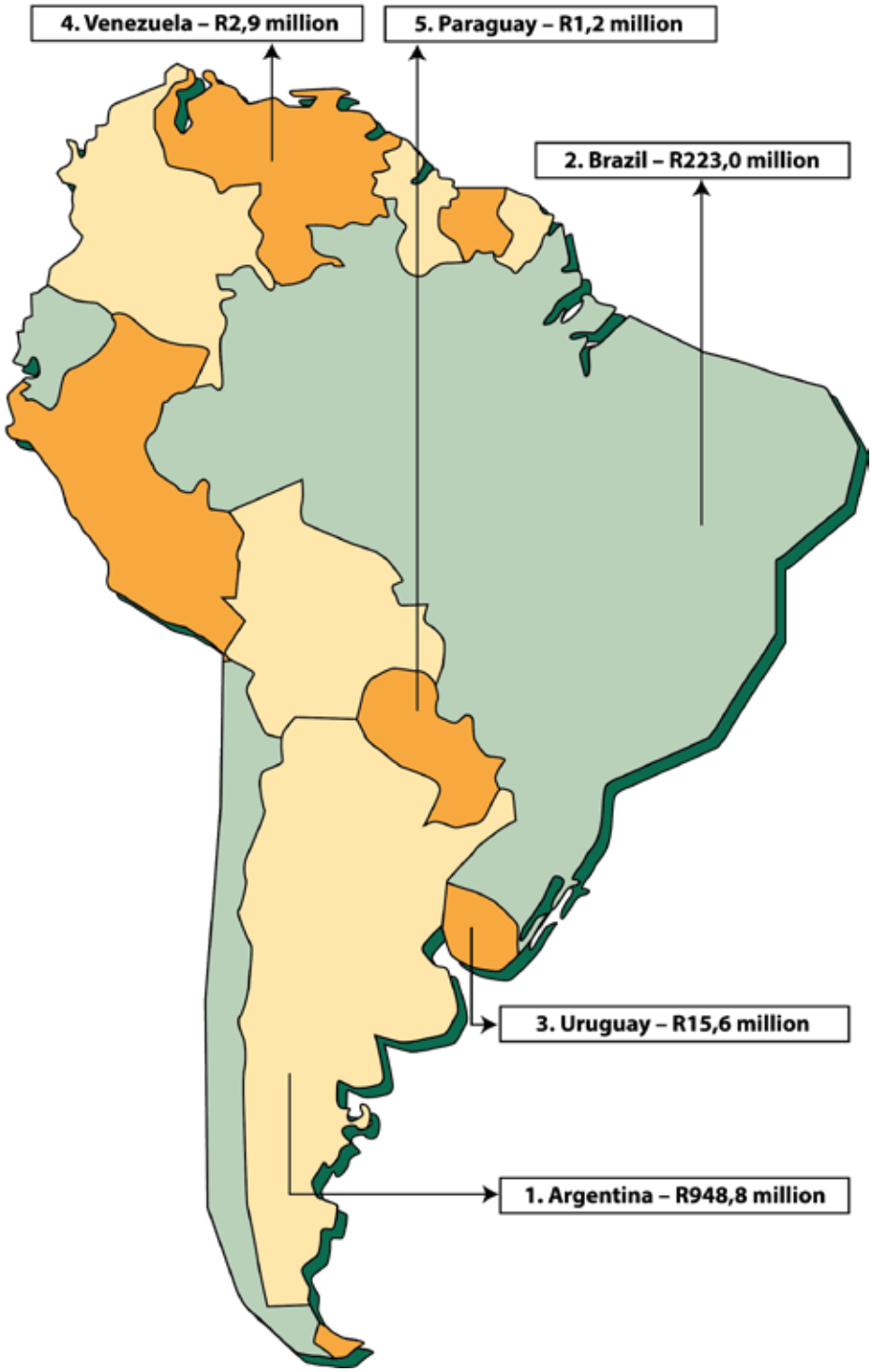
The following table reveals that automotive exports to Mercosur consisted of a limited range of products. Automotive exports to the region declined from R1,32 billion in 2019 to R1,26 billion in 2020. The substantial decline in vehicles and automotive components to Mercosur over recent years could mainly be attributed to the protectionist policies in Brazil succeeding in its objective of reducing new vehicle imports into the country.

Exports to Mercosur by product category – 2016 to 2020

Component	2016	2017	2018	2019	2020
Total (R million)	**1 764,7**	**1 427,9**	**1 646,4**	**1 319,0**	**1 264,8**
Air conditioners	1,0	0,6	-	-	-
Alarm systems	0,5	1,3	0,9	0,8	0,5
Automotive glass	0,9	-	-	-	-
Automotive tooling	22,5	4,2	9,1	31,4	26,2
Axles	11,3	5,9	5,1	1,0	1,1
Body parts / panels	1,4	0,3	0,2	0,3	0,8
Brake parts	0,8	0,3	0,1	0,2	-
Catalytic converters	196,9	222,0	256,6	257,6	328,1
Clutches / shaft couplings	3,3	3,7	5,8	8,7	5,9
Engines	-	8,0	0,1	-	0,1
Engine parts	319,4	284,7	314,8	315,6	291,3
Filters	4,4	5,8	1,3	2,2	1,0
Gaskets	1,3	0,4	0,4	0,4	0,5
Gauges / instruments / parts	9,5	9,4	13,8	13,7	1,4
Gear boxes	-	0,1	0,1	0,1	2,0
Ignition / starting equipment	1,5	1,6	0,1	0,1	0,8
Lighting equipment / parts	0,1	2,5	0,3	0,1	-
Radiators / parts	20,6	20,6	48,1	63,6	45,4
Road wheels / parts	46,1	89,7	114,0	69,5	73,8
Seats	0,2	-	-	0,1	-
Shock absorbers / suspension parts	0,4	0,1	0,7	0,4	-
Silencers / exhausts	19,0	11,2	8,7	6,7	8,5
Steering wheels / columns / boxes	1,0	-	-	-	0,5
Stitched leather seats / parts	1,8	0,8	1,8	1,3	0,6
Transmission shafts	45,7	60,1	120,2	85,7	48,9
Tyres	2,1	2,7	10,4	17,1	2,6
Wiring harnesses	3,6	0,4	0,2	0,4	0,6
Other parts	429,6	427,0	418,0	323,8	307,0
Light vehicles	617,5	260,2	315,6	115,7	117,2
Medium / Heavy vehicles	2,3	4,3	-	2,5	-

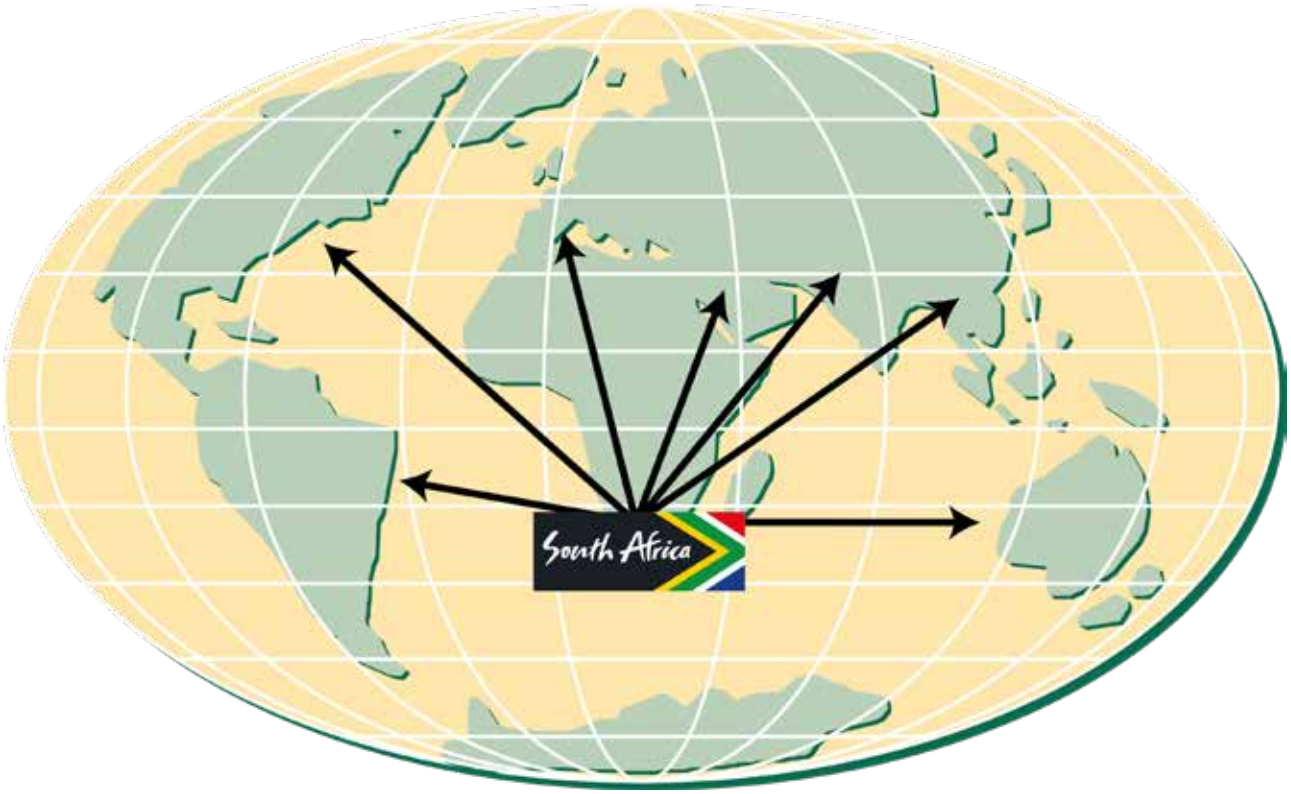
Source: AIEC, SARS

Top export destinations in Mercosur with export values - 2020 (R million)



Source: AIEC, SARS

EXPORTS TO COUNTRIES

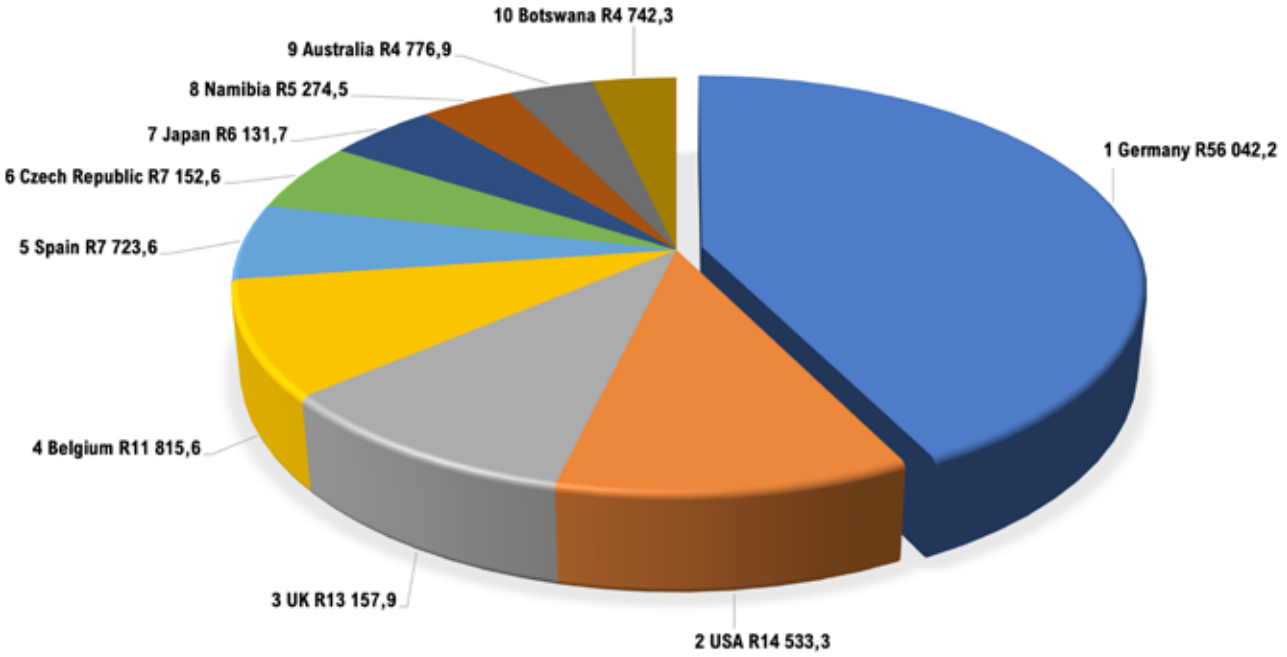


The magnitude of the disruption caused by the COVID-19 pandemic had a major impact on world economies in 2020, and industries are still trying to recover. The pandemic brought a sharp slowdown in global trade as a result of the disruption of global supply chains, blockages to transport, as well as decreased international demand. As the world moves into the second year of the COVID-19 pandemic, there remain several unknowns about the future trajectory of the virus and patterns of trade. Despite the spike in infections in many parts of the world, how well countries fare will eventually be determined by how quickly their economies and societies recover from their respective lockdowns, the roll-out of vaccinations, and by the success of the policies they have followed thus far. The recovery needs to be underpinned by economic reform policies that strengthen investor confidence and enhance sustained, job-rich growth. Significant fiscal and monetary support continues to underpin activity, but the extent of fiscal support is likely to vary significantly across advanced and emerging-market economies, and between wider regions. The recovery will, therefore, differ from country to country, and considerable divergence in future prospects is likely to persist.

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

The pandemic brought significant disruptions to South African trade and saw a strong decline in the export of automotive products. 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 – 2020 (R million)



Source: AIEC, SARS

The following table reveals that export destinations for values in excess of R1 million, reached a number of 147 in 2020, down from the 151 in 2019, with 24 countries recording export values in excess of R1 billion, and 66 countries recording export values in excess of R100 million. The South African automotive industry forms an important part of international supply chains by being fully integrated into the global automotive environment. Diversification into new emerging markets is a continuing trend and underlines the automotive industry's competitiveness drive and the continuous widening of the country's traditional trading base. The latter is highlighted by new export destinations appearing in the industry's export list of countries every year, as well as the specific destinations to which the export values have more than doubled on a year-on-year basis. From 2019 to 2020, the total export values more than doubled in the case of 22 countries, which include: Czech Republic, Guinea, Costa Rica, Russia, Morocco, Peru, Egypt, Mauritania, Equatorial Guinea, Bahamas, Iraq, Uruguay, Aruba, Brunei, Guyana, St Lucia, Ukraine, Venezuela, Chad, Nicaragua, Maldives and Cambodia.

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.

Total automotive export value and ranking by country – 2019 to 2020

Country	2019 R million	2019 Ranking	2020 R million	2020 Ranking
Germany	71 520,1	1	56 042,2	1
USA	10 331,4	4	14 533,3	2
UK	17 935,9	3	13 157,9	3
Belgium	18 466,5	2	11 815,6	4
Spain	7 980,0	5	7 723,6	5
Czech Republic*	3 467,2	10	7 152,6	6
Japan	7 745,7	6	6 131,7	7
Namibia	6 645,1	7	5 274,5	8
Australia	3 406,4	11	4 776,9	9
Botswana	5 240,4	8	4 742,3	10
Zimbabwe	3 053,3	12	3 507,8	11
France	4 315,3	9	3 135,4	12
Zambia	2 974,2	13	2 664,1	13
Mozambique	2 563,7	16	2 396,1	14
Mexico	1 625,6	17	1 985,4	15
South Korea	2 841,3	14	1 918,0	16
Thailand	2 765,0	15	1 885,6	17
eSwatini (formerly Swaziland)	1 539,1	19	1 295,2	18
Hungary	1 112,2	22	1 183,0	19
Kenya	1 206,1	21	1 119,9	20
Democratic Republic of Congo	1 232,6	20	1 108,9	21
Turkey	626,8	32	1 105,0	22
Ghana	936,4	25	1 041,3	23
United Arab Emirates	750,4	28	1 004,9	24
24 COUNTRIES ABOVE R1 BILLION				
Cape Verde Islands	570,9	36	968,2	25
India	1 597,7	18	960,7	26
Argentina	988,4	24	948,8	27
Lesotho	1 068,0	23	898,0	28
Taiwan	897,7	26	894,2	29
Netherlands	595,0	35	819,0	30
Malawi	680,3	30	668,8	31
Nigeria	487,0	40	616,3	32
Tanzania	673,1	31	614,6	33
Singapore	621,7	33	570,9	34
Saudi Arabia	722,1	29	537,1	35
Italy	431,1	42	530,0	36
Poland	607,0	34	529,2	37
Finland	269,8	52	467,8	38
Sweden	396,6	45	463,1	39
China	848,7	27	421,4	40

Norway	411,6	43	391,6	41
Angola	563,3	37	364,2	42
Gibraltar	342,0	47	329,6	43
Romania	283,3	51	325,3	44
Portugal	467,4	41	323,7	45
Uganda	285,3	49	306,8	46
Mauritius	397,9	44	290,1	47
Ivory Coast	242,2	53	270,6	48
Hong Kong, China	362,6	46	246,2	49
New Zealand	306,6	48	233,4	50
Switzerland	501,5	39	231,6	51
Austria	534,6	38	228,3	52
Brazil	234,6	55	223,0	53
Greece	284,8	50	210,4	54
Madagascar	201,3	58	200,1	55
Estonia	235,1	54	195,3	56
Malaysia	204,1	57	166,0	57
Gabon	189,8	61	163,6	58
Slovenia	223,1	56	140,9	59
Ethiopia	192,6	60	136,9	60
Kuwait	181,5	62	119,1	61
Senegal	149,3	64	116,2	62
Ireland	111,6	65	112,0	63
Canada	166,4	63	108,7	64
Denmark	80,1	72	107,8	65
Guinea*	50,4	81	103,2	66
66 COUNTRIES ABOVE R100 MILLION				
Mali	59,3	78	99,0	67
Qatar	110,1	66	94,8	68
Surinam	70,9	74	89,2	69
Panama	197,3	59	85,5	70
Costa Rica*	24,0	102	78,3	71
Chile	84,8	69	75,3	72
Russia*	34,7	93	72,1	73
Cameroon	63,7	77	71,0	74
Guadeloupe	52,4	80	67,4	75
Reunion	48,1	83	65,1	76
Oman	69,4	75	58,2	77
Morocco*	14,7	106	57,8	78
Djibouti	38,7	90	57,2	79
Trinidad & Tobago	81,7	71	56,4	80
Jamaica	47,8	85	56,0	81
Peru*	13,1	109	54,3	82
Egypt*	22,2	103	53,9	83

Guatemala	89,5	68	52,7	84
Kazakhstan	47,1	86	52,5	85
Togo	44,9	88	50,5	86
Dominican Republic	82,3	70	41,4	87
Iceland	27,8	99	40,4	88
Tunisia	49,0	82	35,3	89
Martinique	43,4	89	35,1	90
Cyprus	29,7	96	32,2	91
Mauritania*	8,2	118	32,1	92
Equatorial Guinea*	1,0	150	31,5	93
French Guiana	30,3	95	30,9	94
Seychelles	47,8	84	30,2	95
Bahamas*	3,5	136	30,2	96
Burkina Faso	72,1	73	30,0	97
Honduras	29,4	97	29,4	98
Iraq*	0,3	-	26,9	99
Benin	56,6	79	24,4	100
Sierra Leone	46,7	87	22,3	101
Indonesia	35,1	92	19,0	102
Rwanda	65,3	76	18,0	103
Philippines	26,6	100	17,9	104
Pakistan	36,3	91	15,8	105
Uruguay*	3,7	135	15,6	106
Aruba*	5,6	130	14,8	107
El Salvador	15,7	105	14,1	108
Republic of Congo	28,5	98	14,0	109
Antigua	7,6	121	13,9	110
Bahrain	9,6	116	13,7	111
Burundi	7,6	120	13,3	112
Sri Lanka	93,3	67	12,7	113
St Helena	7,4	123	12,4	114
Gambia	12,2	112	11,2	115
Israel	14,1	107	10,5	116
Liberia	19,6	104	9,5	117
Somalia	7,4	124	9,2	118
Eritrea	10,9	114	8,7	119
Brunei*	0,1	-	8,6	120
Latvia	5,3	131	7,7	121
Jordan	32,7	94	7,4	122
Colombia	4,0	134	7,0	123
Barbados	6,6	126	7,0	124
Guyana*	1,4	145	6,2	125
Netherlands Antilles	11,9	113	6,1	126
Ecuador	12,7	110	5,9	127

Niger	13,4	108	5,7	128
Andorra	2,7	138	5,1	129
Slovak Republic	8,0	119	5,0	130
St Lucia*	2,0	140	4,5	131
Ukraine*	-	-	3,1	132
Venezuela*	1,0	149	2,9	133
Vietnam Republic	8,4	117	2,4	134
Cuba	10,3	115	2,3	135
Nepal	1,4	146	2,2	136
Grenada	1,8	142	2,1	137
Papua New Guinea	4,1	133	2,0	138
Chad*	0,6	-	1,9	139
Nicaragua*	0,4	-	1,6	140
Bulgaria	1,6	144	1,2	141
Belize	1,4	147	1,2	142
Paraguay	6,4	127	1,2	143
Algeria	5,2	132	1,1	144
Maldives*	0,4	-	1,1	145
Cambodia*	0,4	-	1,0	146
East Timor	3,5	137	1,0	147
147 COUNTRIES ABOVE R1 MILLION				

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

New industrial countries have emerged and are now major players in the production of all manufactured products. This has increased the scale of industrialisation massively and has led to the inevitable formation of global production systems. The impetus to competitiveness is greater than ever. China is now at the centre of a production and trade system in Asia that matches those in North America and Europe.

For South Africa, admission into BRICS (Brazil, Russia, India, China and South Africa) on 24 December 2010 enhanced the country's international stature, and trade and economic relations with these major economic forces has compounded South Africa's position as a global player. BRICS is a forum for dialogue and cooperation on matters of common interest, including the economy, trade, finance, business, agriculture, health, science, and technology. China and India accounted for 94% of South African trade with BRICS.

In an automotive context, China was ranked the top global vehicle production country in 2020, with India in the 6th position, Brazil in 9th and Russia in 10th position. China and India were among South Africa's top 10 automotive trading partners in 2020. However, barring Russia, the automotive trade balance remained in favour of these countries. In 2020, the automotive import-to-export value ratio was 42,9 to 1 in favour of China, 11,2 to 1 in favour of India, 10,7 to 1 in favour of Brazil, and 0,54 to 1 in favour of Russia. Given the considerable potential to unlock the automotive industry's potential within and between BRICS countries and the rest of the world, access to trade and mutual cooperation needs to be enhanced.

China has been South Africa's overall top trading partner over recent years, and its engagement with Africa has been a megatrend for the past two decades. Therefore, of significance for Africa and sub-Saharan Africa, is China's economic growth since it bounced back from the COVID-19 pandemic, with the country also one of the major end-users of commodities. A commodity super cycle would pose one of the few positives and tailwinds for GDP growth, in the absence of the structural reform required in the continent's developing economics.

India's rising in the global economic rankings and as a BRICS partner also holds benefits for South Africa from a trade and investment perspective. The Southern African Customs Union (SACU) and India began a formal process of trade negotiations on a preferential trade agreement (PTA) in 2008. However, the proposed PTA has been dormant for some time, although updated trade data was exchanged and there was an initiation to revive the process in 2020, with the realisation that the world has changed. A PTA does not substantially cover all trade but is confined to products (or tariff lines) of special interest to the respective parties. Automotive products also feature in the list of export interest, and it could potentially enhance export and investment opportunities in the domestic automotive industry. India was South Africa's 9th largest automotive trading partner in 2020, and the domestic industry's main country of origin for vehicle imports in volume terms over recent years.

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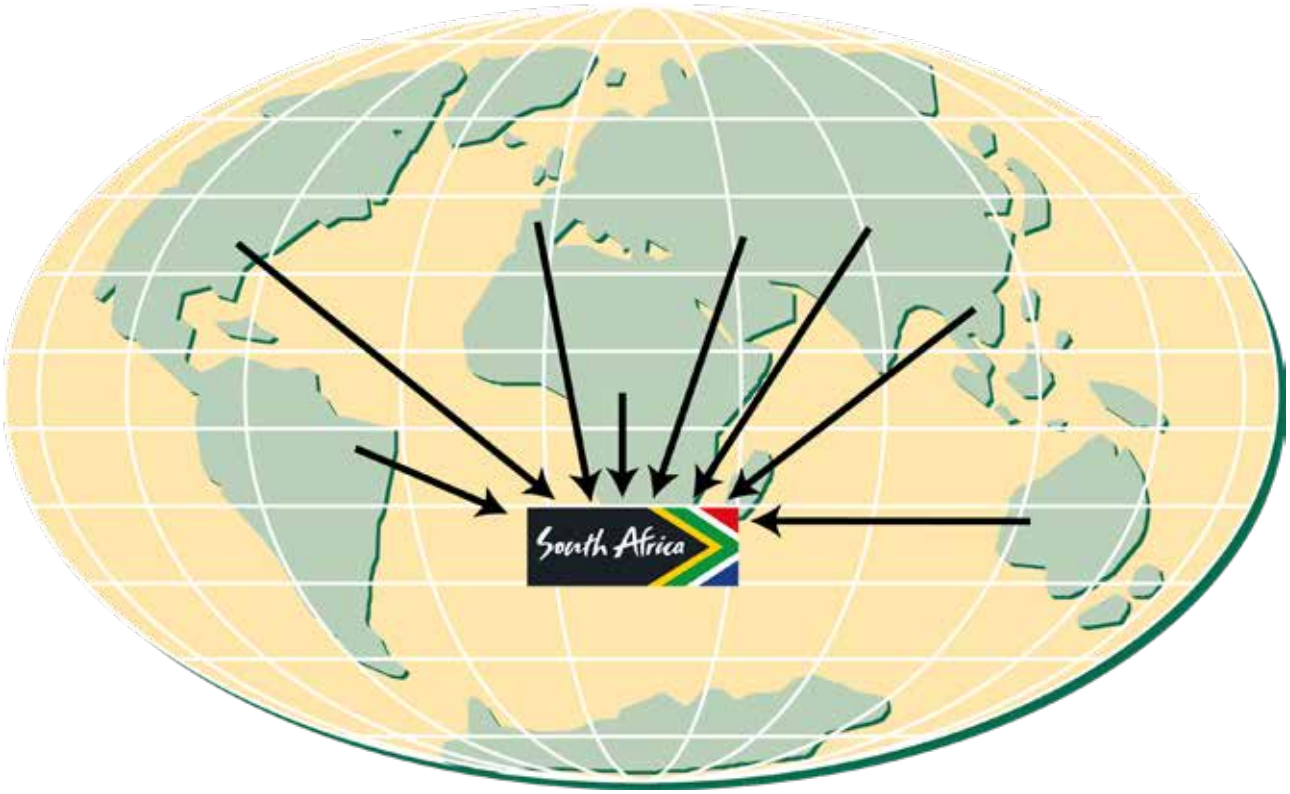
IMPORTS BY COUNTRY OF ORIGIN

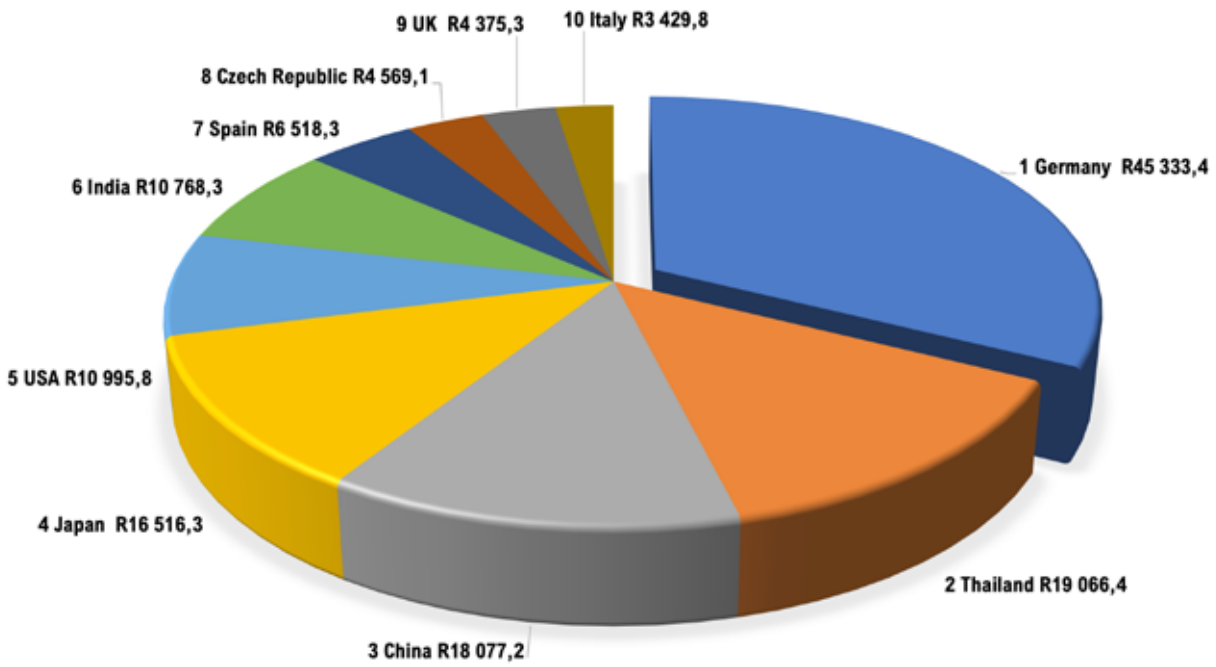


Imports of automotive products into South Africa remain a function of the success of the APDP, domestic market demand, and currency movements. Under the APDP, the level of imports remains a function of the success of the programme, as the benefits can only be used to rebate the import duties on vehicles and eligible automotive components that are imported. Imports of vehicles to complement the domestic market mix, imports of original equipment components not sourced in South Africa, as well as replacement parts imports for a vehicle parc of 12,70 million vehicles at the end of 2020, remained high.

For the domestic automotive industry, the Rand exchange rate is particularly important with regard to the exchange rates of the source countries for South African imports. At an individual company level, depending on the particular firm's balance of trade, the impact of exchange rate fluctuations may vary. Against the US dollar, the Rand depreciated by 13,9% on an annual average basis in 2020, against the Euro by 16,1%, against the Pound by 14,4%, against the Chinese Yuan by 14,0%, and against the Yen by 16,3%.

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 2020 were Thailand, where over 80% of imports comprised original equipment components for light commercial vehicles, and China, where over 70% of the imports comprised aftermarket parts.

Top automotive countries of origin – 2020 (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 2019 and 2020. From 2019 to 2020, the import values of Puerto Rico and Belarus more than doubled on a year-on-year basis.

Import value and ranking by country of origin – 2019 to 2020

Country	2019 R million	2019 Ranking	2020 R million	2020 Ranking
Germany	63 146,2	1	45 333,4	1
Thailand	22 497,3	2	19 066,4	2
China	18 623,4	4	18 077,2	3
Japan	22 110,0	3	16 516,3	4
USA	13 258,4	6	10 995,8	5
India	14 408,4	5	10 768,3	6
Spain	7 993,1	7	6 518,3	7
Czech Republic	7 369,1	8	4 569,1	8
UK	6 679,5	9	4 375,3	9
Italy	3 680,5	14	3 429,8	10
Sweden	4 885,3	10	3 241,9	11
Poland	3 115,7	16	2 922,8	12
Romania	4 632,9	11	2 909,0	13

South Korea	3 927,8	12	2 499,0	14
Brazil	3 450,7	15	2 379,5	15
Slovak Republic	2 690,4	17	2 356,0	16
France	3 774,8	13	2 337,3	17
Hungary	2 559,7	18	1 933,6	18
Mexico	2 433,0	20	1 875,1	19
Belgium	1 709,1	24	1 716,8	20
Turkey	2 297,1	21	1 594,5	21
Portugal	1 779,1	23	1 566,2	22
Botswana	1 790,6	22	1 303,6	23
Taiwan	1 335,8	27	1 211,0	24
Indonesia	1 595,3	26	1 046,6	25
25 COUNTRIES ABOVE R1 BILLION				
Austria	2 536,6	19	882,9	26
Argentina	1 685,9	25	838,9	27
Philippines	923,6	29	767,6	28
Netherlands	1 081,9	28	717,0	29
Malaysia	608,7	30	627,8	30
Denmark	511,5	31	473,6	31
Switzerland	328,1	34	349,9	32
Slovenia	359,6	33	341,9	33
Canada	389,5	32	305,1	34
Vietnam Republic	207,9	38	254,5	35
Australia	309,3	35	246,5	36
Finland	180,6	39	241,6	37
Bulgaria	230,5	36	221,3	38
United Arab Emirates	210,4	37	202,7	39
Israel	131,6	41	144,8	40
Singapore	88,4	44	118,3	41
Morocco	128,5	42	108,9	42
Luxembourg	136,7	40	107,1	43
Hong Kong, China	41,6	47	74,0	44
Norway	34,4	50	60,6	45
Lesotho	33,3	52	43,6	46
Russia	89,2	43	38,7	47
Bosnia & Herzegovina	24,3	57	28,6	48

Ireland	51,0	46	28,4	49
Puerto Rico*	2,2	-	28,0	50
Tunisia	29,9	55	26,8	51
Ukraine	24,9	56	26,7	52
eSwatini (formerly Swaziland)	40,4	49	26,3	53
Moldova	19,9	-	24,1	54
Malta	23,3	58	22,1	55
Egypt	21,6	59	21,4	56
Croatia	31,2	54	20,3	57
Belarus*	6,0	-	20,1	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

The COVID-19 global pandemic had a dual impact on the demand and supply side of South Africa's automotive trade. The South African automotive industry's top automotive regional trading partner in 2020 remained the EU. Vehicle and automotive component exports to the EU declined by R24,7 billion, or 19,0%, from R129,7 billion in 2019 to R105,0 billion in 2020, mainly as a result of the decline in vehicle exports to the region. The EU, Africa and USMCA were the regions providing a trade surplus in 2020. 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 – 2020

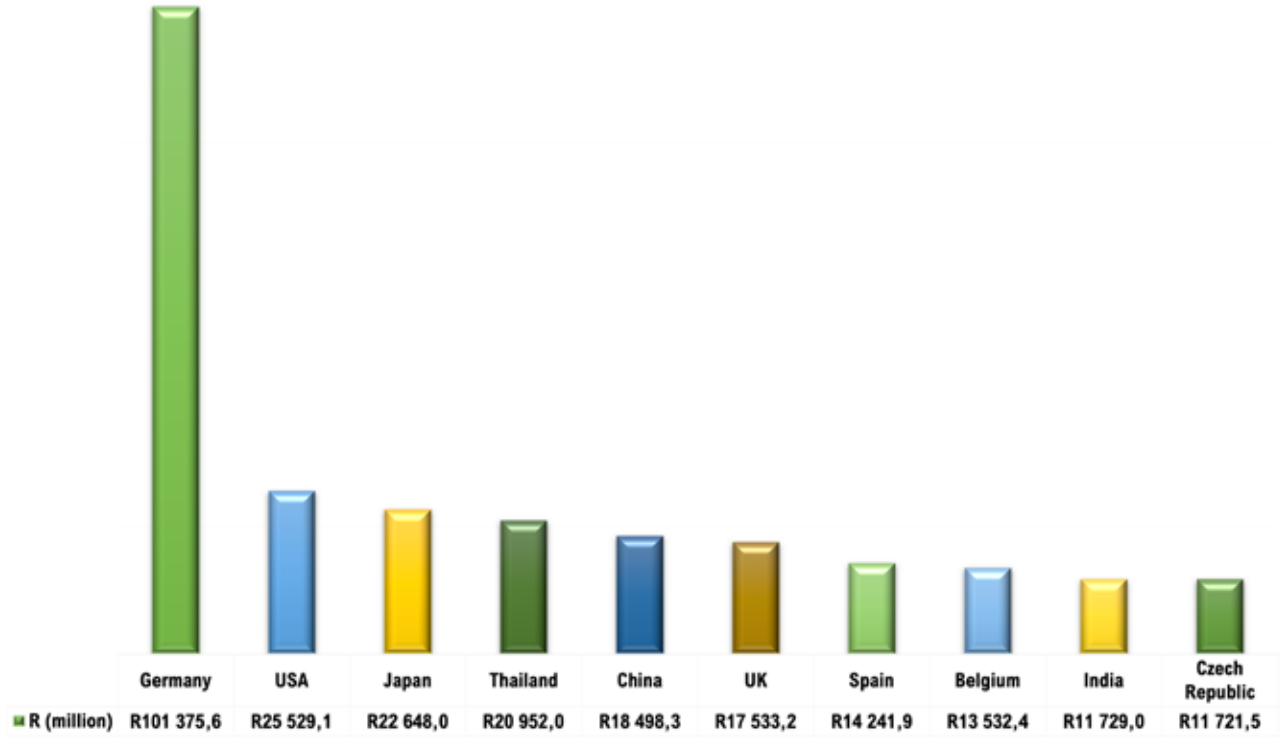
Year	Imports into SA (R billion)	Exports from SA (R billion)	Trade surplus/ (deficit) (R billion)
2020 Total	179,1	175,7	(3,4)
EU	86,3	105,0	18,7
USMCA	13,2	16,6	3,4
Africa (incl. SADC)	1,6	29,6	28,0
Mercosur	3,2	1,3	(1,9)
Asia	73,0	16,3	(56,7)
Other regions	1,8	6,9	5,1

Source: AIEC, SARS

As was the case for the past three decades, the domestic automotive industry's biggest single trading country partner (exports and imports combined) in 2020 remained Germany – home to BMW, Volkswagen and Mercedes-Benz. Total automotive trade between the two countries notched a significant R101,4 billion. The South African automotive industry's trade relationship with six countries reflected a surplus in 2020, if compared to the three countries in 2019. There were no changes in South Africa's top 10 trading partners in 2020, but the US improved its ranking year-on-year in 2020 from being ranked as number 5 to number 2, China from number 7 to number 5, and Spain from number 9 to number 7.

The COVID-19 global pandemic had a dual impact on the demand and supply side of South Africa's automotive trade.

South Africa's main automotive trading partners – 2020 (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 2020, and also reflect the top 10 products exported and imported, where applicable. Germany has remained the domestic automotive industry's main trading partner over the past three decades.

1. Germany (Total trade R101 375,6 million) – 2020

Main products	Exports from SA R56 042,2 million	Main products	Imports into SA R45 333,4 million
Light vehicles	44 474,6	Original equipment components	28 251,6
Catalytic converters	7 918,2	Light vehicles	7 296,0
Engine parts	653,7	Automotive tooling	1 190,6
Clutches / shaft couplings	327,9	Engine parts	669,9
Shock absorbers / suspension parts	315,7	MCV / HCV vehicles	522,9
Axles	292,0	Transmission shafts / cranks	395,4
Radiators / parts	239,8	Gauges / instrument parts	368,6
Filters	165,3	Tyres	305,9
Tyres	75,0	Axles	295,5
Automotive tooling	46,6	Filters	291,8
Other	1 533,4	Other	5 745,2

2. United States of America (USA) (Total trade R25 529,1 million) – 2020

Main products	Exports from SA R14 533,3 million	Main products	Imports into SA R10 995,8 million
Light vehicles	9 128,1	Original equipment components	4 867,4
Catalytic converters	3 206,1	Light vehicles	901,8
Engine parts	856,8	Engine parts	511,1
Radiators / parts	245,8	Transmission shafts / cranks	353,3
Tyres	219,1	Engines	270,7
Automotive tooling	74,8	Steering wheels / columns / boxes	263,6
Silencers / exhausts	50,4	Axles	263,5
Gear boxes	36,1	Gauges/ instrument parts	243,8
Transmission shafts / cranks	25,7	Tyres	162,9
Axles	24,2	Automotive tooling	153,0
Other	666,2	Other	3 004,7

3. Japan (Total trade R22 648,0 million) – 2020

Main products	Exports from SA R6 131,7 million	Main products	Imports into SA R16 516,3 million
Light vehicles	4 768,5	Original equipment components	8 017,1
Catalytic converters	330,4	Light vehicles	4 951,2
Tyres	136,3	Automotive tooling	582,0
Engine parts	39,8	MCV / HCV vehicles	314,0
Springs	4,4	Engine parts	287,3
Clutches / shaft couplings	3,3	Ignition / starting equipment	214,6
Stitched leather seats / parts	3,3	Tyres	209,7
Silencers / exhausts	2,9	Filters	137,2
Brake parts	2,5	Transmission shafts / cranks	118,2
Transmission shafts / cranks	0,6	Stitched leather seats / parts	111,1
Other	839,7	Other	1 573,9

4. Thailand (Total trade R20 952,0 million) – 2020

Main products	Exports from SA R1 885,6 million	Main products	Imports into SA R19 066,4 million
Catalytic converters	684,8	Original equipment components	15 410,5
Engine parts	457,8	Light vehicles	822,9
Transmission shafts / cranks	61,0	Tyres	414,2
Gear boxes	45,5	Stitched leather seats / parts	351,9
Tyres	12,5	Automotive tooling	344,7
Automotive tooling	10,8	Wiring harnesses	215,0
Car radios	7,5	Filters	181,0
Light vehicles	7,1	Engine parts	74,3
Clutches / shaft couplings	5,2	Brake parts	66,1
Radiators / parts	3,4	Car radios	44,8
Other	590,0	Other	1 141,0

5. China (Total trade R18 498,3 million) – 2020

Main products	Exports from SA R421,1 million	Main products	Imports into SA R18 077,2 million
Radiators / parts	83,9	Original equipment components	3 663,9
Tyres	63,6	Tyres	2 152,7
Light vehicles	31,0	Light vehicles	1 709,1
Transmission shafts / cranks	25,0	Automotive tooling	1 550,4
Automotive tooling	23,9	Engine parts	1 053,4
Clutches / shaft couplings	23,6	Transmission shafts / cranks	374,3
Springs	6,7	Brake parts	358,3
Engines parts	4,0	Engines	336,1
Gauges / instruments / parts	3,1	Ignition / starting equipment	310,4
Alarm systems	1,6	Radiators / parts	245,1
Other	154,7	Other	6 323,5

6. United Kingdom (UK) (Total trade R17 533,2 million) – 2020

Main products	Exports from SA R13 157,9 million	Main products	Imports into SA R4 375,3 million
Light vehicles	10 326,3	Original equipment components	1 492,0
Catalytic converters	2 052,7	Light vehicles	1 480,0
Automotive glass	141,7	Engines	188,8
Tyres	123,6	Engine parts	154,7
Road wheels / parts	64,6	Gauges / instruments / parts	114,4
Batteries	47,3	Automotive tooling	107,2
Engine parts	31,4	Catalytic converters	88,3
Automotive tooling	16,0	Alarm systems	60,8
Lighting equipment / parts	14,6	Filters	54,0
Transmission shafts / cranks	14,3	Transmission shafts / cranks	53,0
Other	325,4	Other	582,1

7. Spain (Total trade R14 241,9 million) – 2020

Main products	Exports from SA R7 723,6 million	Main products	Imports into SA R6 518,3 million
Light vehicles	6 083,4	Light vehicles	2 639,2
Catalytic converters	1 266,7	Original equipment components	2 330,6
Radiators / parts	122,9	Batteries	321,2
Tyres	43,2	Stitched leather seats / parts	120,5
Automotive glass	33,2	Shock absorbers / suspension parts	75,3
Automotive tooling	20,4	Automotive tooling	73,2
Silencers / exhausts	16,2	Engine parts	64,4
Steering wheels / columns / boxes	4,5	MCV / HCV vehicles	62,3
Engines	4,1	Tyres	51,6
Shock absorbers / suspension parts	3,4	Body parts / panels	34,9
Other	125,6	Other	745,1

8. Belgium (Total trade R13 532,4 million) – 2020

Main products	Exports from SA R11 815,6 million	Main products	Imports into SA R1 716,8 million
Light vehicles	10 789,6	Original equipment components	877,4
Tyres	232,5	Light vehicles	304,5
Automotive glass	161,6	MCV / HCV vehicles	159,6
Radiators / parts	74,0	Lighting equipment / parts	90,0
Automotive tooling	73,6	Automotive tooling	51,0
Engine parts	58,8	Engine parts	12,7
Body parts / panels	42,8	Transmission shafts / cranks	11,4
Catalytic converters	29,9	Engines	8,9
Brake parts	26,8	Catalytic converters	7,9
Filters	17,9	Shock absorbers / suspension parts	7,5
Other	308,1	Other	185,9

9. India (Total trade R11 729,0 million) – 2020

Main products	Exports from SA R960,7 million	Main products	Imports into SA R10 768,3 million
Engines	560,4	Light vehicles	8 092,0
Catalytic converters	300,0	Original equipment components	960,1
Transmission shafts / cranks	18,4	Engines	163,9
Radiators / parts	13,9	Engine parts	160,3
Automotive tooling	4,5	Gauges / instruments / parts	152,1
Road wheels / parts	4,2	MCV / HCV vehicles	117,5
Clutches / shaft couplings	3,8	Automotive tooling	87,7
Engine parts	1,7	Transmission shafts / cranks	69,2
Silencers / exhausts	0,4	Tyres	63,5
Shock absorbers / suspension parts	0,3	Silencers / exhausts	39,9
Other	53,1	Other	862,1

10. Czech Republic (Total trade R11 721,5 million) – 2020

Main products	Exports from SA R7 152,4 million	Main products	Imports into SA R4 569,1 million
Catalytic converters	6 774,8	Original equipment components	2 864,6
Radiators / parts	294,4	Light vehicles	319,0
Silencers / exhausts	36,4	Brake parts	210,8
Wiring harnesses	2,2	Stitched leather seats / parts	133,1
Engines	0,5	Batteries	117,0
Automotive tooling	0,4	Tyres	82,9
Stitched leather seats / parts	0,2	Lighting equipment / parts	77,9
Tyres	0,1	Automotive tooling	75,1
Filters	0,1	Engine parts	62,1
-		Filters	54,4
Other	43,3	Other	572,2

AUTOMOTIVE COMPONENTS - EXPORTS BY COUNTRY

The global automotive industry has entered an era of disruption and constant change. Staying ahead of these challenges is critical for supply chain success. A key consideration for automotive component manufacturers is that they need to be agile and flexible so that they are able to meet customer requirements in an uncertain environment with low demand that is impacting on short- to medium-term capacity management decisions. Concerns relating to the impact of the global pandemic on component suppliers are focused on the recovery of vehicle demand and production, depending on the duration of COVID-19, and if consumption and new vehicle purchases will recover. Besides the declining new vehicle market, component suppliers also have to deal with fluctuations and market uncertainty around short-term volumes, resulting in planning constraints and supplier plants operating at an imbalance.

Where many automotive suppliers globally have a competitive advantage because of access and proximity to traditional markets, or to economies of scale created by sheer volumes, South African component suppliers have to develop other areas of competitiveness – a key aspect of which is operational efficiency. Investing in research, embracing innovation and technology, and lowering manufacturing costs are imperative to enhancing international competitiveness.

In the COVID-19 environment in South Africa, many businesses have streamlined their production lines and processes, focusing on their core functions, working to contain costs, renegotiating leases, rationalising work forces and focusing on being higher-margin businesses. Although global economic integration comes with clear benefits through access to the technologies and innovations from across the world, these benefits of highly integrated supply-chains come with enormous vulnerabilities when disrupted. Policies in the global automotive environment related to reacting to crises are focused on the need of shortening global supply chains to succeed, and in managing supplies with more reliability. Diversification of supply chains is likely to be the "new normal" going forward. Companies will be wary of dependence on a single source, and it is expected that products will be sourced from numerous suppliers, as opposed to one or two, which is currently the norm. Visibility and a greater level of transparency across the supply chain will allow both clients and supply-chain service providers to optimise efficiencies and increase agility to withstand the highs and lows of a volatile trading environment or the impact of crises. COVID-19 has highlighted that flexible, resilient, dynamic supply chains are critical for companies aiming to succeed in the new business world and to survive future disruptions such as this.

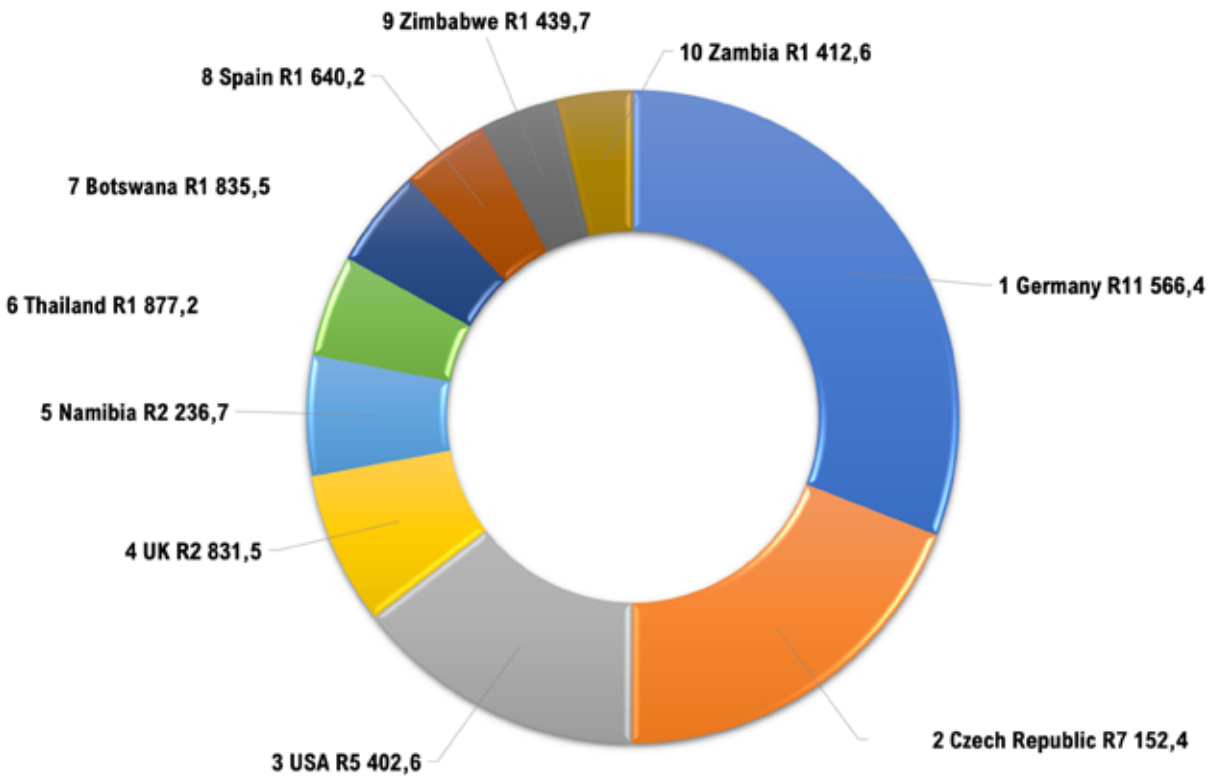
The pandemic has also highlighted a number of lessons for the domestic automotive industry, one being a lack of supplier development in South Africa. Very often OEMs focus their efforts on first-tier suppliers, with a lesser focus on lower-tier suppliers. To mitigate the risk of supply chain disruptions, the strategies of businesses must include the development of alternative suppliers and batch sizes. In this regard, the shallow lower-tier base in the country, in particular, is a focus area for intervention and transformation, as this space is expected to deliver many opportunities for the big drive in terms of developing transformed value chains and introducing new Black-owned entrants into the sector. Human resources development remains vital to picking up any economy's manufacturing capability and competitiveness, and the domestic automotive industry should enhance the development of the critical technical skills required in the manufacturing sector.

South African-owned companies are more represented within the second- and third-tier supplier bases that supply the sub-parts built into completed components. Transformation goes hand in hand with localisation. In this regard, the launch of a R6-billion Automotive Industry Transformation Fund (AITF) to

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

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

Top automotive component export destinations by value – 2020 (R million)



Source: AIEC, SARS

The following table reveals that the main destinations for automotive component exports remain developed markets. Germany, along with 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 markets such as the Czech Republic, Turkey, Mexico and South Korea in 2020 are underscoring South Africa's increasing status as a global player. As one of the key pillars of the SAAM 2021-2035, the implementation of the AfCFTA will

create the platform for South African automotive manufacturers to drive a strong regionalisation strategy in Africa.

Automotive component export value and ranking by country – 2019 to 2020

Country	2019 R million	2019 Ranking	2020 R million	2020 Ranking
Germany	14 144,7	1	11 566,4	1
Czech Republic	3 467,2	3	7 152,4	2
USA	4 814,1	2	5 402,6	3
UK	2 105,4	6	2 831,5	4
Namibia	2 467,9	5	2 236,7	5
Thailand	2 728,0	4	1 877,2	6
Botswana	2 015,0	8	1 835,5	7
Spain	2 064,9	7	1 640,2	8
Zimbabwe	1 107,5	14	1 439,7	9
Zambia	1 597,6	9	1 412,6	10
Japan	1 561,7	11	1 363,2	11
Belgium	992,4	15	1 026,1	12
Turkey	543,6	20	965,4	13
India	1 596,3	10	960,7	14
Argentina	902,5	16	893,7	15
Mexico	607,5	19	866,4	16
Netherlands	456,1	21	696,9	17
eSwatini (formerly Swaziland)	711,1	17	666,1	18
South Korea	404,2	23	653,9	19
Mozambique	1 249,6	12	586,2	20
Lesotho	443,5	22	495,3	21
Democratic Republic of Congo	1 111,3	13	441,5	22
China	630,5	18	390,1	23
Australia	303,8	27	377,2	24
Hungary	353,1	25	336,1	25
United Arab Emirates	263,1	29	332,7	26
Singapore	212,6	34	330,3	27
Finland	75,6	-	293,6	28
Tanzania	243,6	31	263,2	29
Malawi	225,6	33	236,0	30
Kenya	253,1	30	225,9	31
Poland	289,6	28	222,1	32
Brazil	228,4	32	221,9	33
France	139,7	37	181,7	34
Ghana	202,6	35	177,5	35
Taiwan	34,1	-	132,7	36
Canada	161,2	36	105,7	37
Guinea	43,4	-	100,7	38

Source: AIEC, SARS

The following tables reveal the automotive component export details for the export destinations recording an export value above R100 million, or 0,2%, of the total automotive component export value of R54,5 billion in 2020. It should be noted that various miscellaneous parts and sub-components, eligible in terms of the APDP and classifiable in the Customs Tariff as "other parts", have not been included in the following tables.

(1) Country	Germany R11 556,4 million				
	1 Catalytic converters R7 918,2	2 Engine parts R653,7	3 Clutches / shaft couplings R327,9	4 Shock absorbers / suspension parts R315,7	5 Axles R292,0
	6 Radiators / parts R239,8	7 Filters R165,3	8 Tyres R75,0	9 Automotive tooling R46,6	10 Silencers / exhausts R33,4

(2) Country	Czech Republic R7 152,4 million				
	1 Catalytic converters R6 774,8	2 Radiators / parts R294,4	3 Silencers / exhausts R36,4	4 Wiring harnesses R2,2	5 Engines R0,5
	6 Automotive tooling R0,4	7 Stitched leather seats / parts R0,2	8 Tyres R0,1	9 Filters R0,1	10 -

(3) Country	USA R5 402,6 million				
	1 Catalytic converters R3 206,1	2 Engine parts R856,8	3 Radiators / parts R245,8	4 Tyres R219,1	5 Automotive tooling R74,8
	6 Silencers / exhausts R50,4	7 Gear boxes R36,1	8 Transmission shafts / cranks R25,7	9 Axles R24,2	10 Engines R23,0

(4) Country	United Kingdom (UK) R2 831,5 million				
	1 Catalytic converters R2 052,7	2 Automotive glass R141,7	3 Tyres R123,6	4 Road wheels / parts R64,6	5 Batteries R47,3
	6 Engine parts R31,4	7 Automotive tooling R16,0	8 Lighting equipment / parts R14,6	9 Transmission shafts / cranks R14,3	10 Engines R9,9

(5) Country	Namibia R2 236,7 million				
	1 Tyres R238,6	2 Engine parts R147,0	3 Batteries R85,1	4 Transmission shafts / cranks R67,3	5 Filters R63,9
	6 Ignition / starting equipment R54,0	7 Automotive glass R49,9	8 Engines R42,2	9 Clutches / shaft couplings R40,6	10 Gauges / instruments / parts R40,2

(6) Country	Thailand R1 877,2 million				
	1 Catalytic converters R684,8	2 Engine parts R457,8	3 Transmission shafts / cranks R61,0	4 Gear boxes R45,5	5 Tyres R12,5
	6 Automotive tooling R10,8	7 Car radios R7,5	8 Clutches / shaft couplings R5,2	9 Radiators / parts R3,4	10 Shock absorbers / suspension parts R3,4

(7) Country	Botswana R1 835,5 million				
	1 Tyres R177,7	2 Engine parts R78,4	3 Engines R58,2	4 Ignition / starting equipment R57,3	5 Transmission shafts / cranks R53,1
	6 Gauges / instruments / parts R44,8	7 Filters R41,4	8 Batteries R35,3	9 Shock absorbers / suspension parts R32,0	10 Brake parts R31,6

(8) Country	Spain R1 640,2 million				
	1 Catalytic converters R1 266,7	2 Radiators / parts R122,9	3 Tyres R43,2	4 Automotive glass R33,2	5 Automotive tooling R20,4
	6 Silencers / exhausts R16,2	7 Steering wheels / columns / boxes R4,5	8 Engines R4,1	9 Shock absorbers / suspension parts R3,4	10 Engine parts R0,6

(9) Country	Zimbabwe R1 439,7 million				
	1 Tyres R138,7	2 Transmission shafts / cranks R129,9	3 Engine parts R98,5	4 Filters R54,8	5 Engines R49,1
	6 Batteries R39,5	7 Gauges / instruments / parts R36,4	8 Automotive tooling R23,7	9 Ignition / starting equipment R22,9	10 Catalytic converters R20,6

(10) Country	Zambia R1 412,6 million				
	1 Engines R137,7	2 Tyres R115,7	3 Engine parts R97,1	4 Transmission shafts / cranks R95,2	5 Batteries R85,8
	6 Filters R45,2	7 Gauges / instruments / parts R43,2	8 Ignition / starting equipment R39,2	9 Catalytic converters R27,9	10 Automotive tooling R22,7

(11) Country	Japan R1 363,2 million				
	1 Catalytic converters R330,4	2 Tyres R136,3	3 Springs R4,4	4 Engine parts R4,0	5 Clutches / shaft couplings R3,3
	6 Stitched leather seats / parts R3,3	7 Silencers / exhausts R2,9	8 Brake parts R2,5	9 Transmission shafts / cranks R0,6	10 Lighting equipment / parts R0,3

(12) Country	Belgium R1 026,1 million				
	1 Tyres R232,5	2 Automotive glass R161,6	3 Radiators / parts R74,0	4 Automotive tooling R73,6	5 Engine parts R58,8
	6 Body parts / panels R42,8	7 Catalytic converters R29,9	8 Brake parts R26,8	9 Filters R17,9	10 Lighting equipment / parts R17,8

(13) Country	Turkey R965,4 million				
	1 Catalytic converters R849,1	2 Silencers / exhausts R39,2	3 Transmission shafts / cranks R26,6	4 Batteries R25,8	5 Radiators / parts R3,0
	6 Tyres R2,2	7 Engine parts R1,9	8 Automotive tooling R1,5	9 Stitched leather seats / parts R0,5	10 Gauges / instruments / parts R0,4

(14) Country	India R960,7 million				
	1 Engines R560,4	2 Catalytic converters R300,0	3 Transmission shafts / cranks R18,4	4 Radiators / parts R13,9	5 Automotive tooling R4,5
	6 Road wheels / parts R4,2	7 Clutches / shaft couplings R3,8	8 Engine parts R1,7	9 Silencers / exhausts R0,4	10 Shock absorbers / suspension parts R0,3

(15) Country	Argentina R893,7 million				
	1 Engine parts R286,9	2 Catalytic converters R259,6	3 Road wheels / parts R73,7	4 Transmission shafts / cranks R37,8	5 Gear boxes R1,9
	6 Silencers / exhausts R1,5	7 Automotive tooling R1,4	8 Axles R0,9	9 Body parts / panels R0,6	10 Stitched leather seats / parts R0,3

(16) Country	Mexico R866,4 million				
	1 Catalytic converters R608,2	2 Tyres R71,7	3 Shock absorbers / suspension parts R43,9	4 Automotive tooling R43,6	5 Silencers / exhausts R41,5
	6 Clutches / shaft couplings R23,1	7 Engine parts R11,3	8 Stitched leather seats / parts R3,0	9 Radiators / parts R2,6	10 Transmission shafts / cranks R1,4

(17) Country	Netherlands R696,9 million				
	1 Tyres R217,1	2 Catalytic converters R42,3	3 Transmission shafts / cranks R28,4	4 Engine parts R19,1	5 Ignition / starting equipment R15,8
	6 Axles R12,2	7 Automotive tooling R10,6	8 Silencers / exhausts R7,5	9 Radiators / parts R7,4	10 Body parts / panels R4,8

(18) Country	eSwatini (formerly Swaziland) R666,1 million				
	1 Tyres R120,6	2 Engine parts R42,6	3 Brake parts R28,5	4 Batteries R21,5	5 Transmission shafts / cranks R19,9
	6 Ignition / starting equipment R17,5	7 Filters R16,1	8 Clutches / shaft couplings R13,9	9 Gauges / instruments / parts R13,3	10 Body parts / panels R10,1

(19) Country	South Korea R653,9 million				
	1 Catalytic converters R513,7	2 Engine parts R47,6	3 Automotive tooling R28,5	4 Silencers / exhausts R23,1	5 Filters R9,8
	6 Radiators / parts R8,3	7 Tyres R1,7	8 Stitched leather seats / parts R0,1	-	-

(20) Country	Mozambique R586,2 million				
	1 Transmission shafts / cranks R91,6	2 Engine parts R62,3	3 Gauges / instruments / parts R60,9	4 Engines R47,9	5 Tyres R43,6
	6 Filters R40,2	7 Batteries R26,9	8 Automotive tooling R25,3	9 Gaskets R24,1	10 Radiators / parts R23,4

(21) Country	Lesotho R495,3 million				
	1 Tyres R93,0	2 Transmission shafts / cranks R41,1	3 Body parts / panels R37,6	4 Engines R15,1	5 Batteries R13,0
	6 Brake parts R12,7	7 Automotive tooling R12,2	8 Filters R9,5	9 Engine parts R7,3	10 Shock absorbers / suspension parts R5,4

(22) Country	Democratic Republic of Congo (DRC) R441,5 million				
	1 Gauges / instruments / parts R87,4	2 Transmission shafts / cranks R85,6	3 Engine parts R62,2	4 Engines R45,6	5 Catalytic converters R27,8
	6 Tyres R22,5	7 Gaskets R13,3	8 Gear boxes R12,5	9 Automotive tooling R10,4	10 Batteries R9,9

(23) Country	China R390,1 million				
	1 Radiators / parts R83,9	2 Tyres R63,6	3 Transmission shafts / cranks R25,0	4 Automotive tooling R23,9	5 Clutches / shaft couplings R23,6
	6 Springs R6,7	7 Engine parts R4,9	8 Gauges / instruments / parts R3,1	9 Alarm systems R1,6	10 Silencers / exhausts R1,5

(24) Country	Australia R377,2 million				
	1 Tyres R31,5	2 Transmission shafts / cranks R23,3	3 Engines R12,0	4 Engine parts R9,9	5 Catalytic converters R9,6
	6 Axles R9,0	7 Automotive tooling R8,7	8 Wiring harnesses R8,6	9 Radiators / parts R7,9	10 Gauges / instruments / parts R7,7

(25) Country	Hungary R336,1 million				
	1 Catalytic converters R260,6	2 Transmission shafts / cranks R45,2	3 Air conditioners R5,5	4 Brake parts R3,7	5 Engine parts R2,5
	6 Gaskets R1,4	7 Clutches / shaft couplings R0,5	8 Automotive tooling R0,3	9 Seats R0,3	-

(26) Country	United Arab Emirates (UAE) R332,7 million				
	1 Tyres R54,8	2 Axles R16,4	3 Engine parts R15,3	4 Road wheels / parts R13,3	5 Gauges / instruments / parts R12,8
	6 Wiring harnesses R12,3	7 Automotive glass R12,0	8 Catalytic converters R10,2	9 Gear boxes R7,7	10 Air conditioners R6,9

(27) Country	Singapore R330,3 million				
	1 Automotive tooling R56,8	2 Air conditioners R21,8	3 Brake parts R10,7	4 Clutches / shaft couplings R7,0	5 Tyres R5,9
	6 Engine parts R4,7	7 Gauges / instruments / parts R4,3	8 Ignition / starting equipment R3,5	9 Seats R3,0	10 Stitched leather seats / parts R2,4

(28) Country	Finland R293,6 million				
	1 Catalytic converters R289,8	2 Wiring harnesses R0,8	3 Body parts / panels R0,2	4 Gauges / instruments / parts R0,1	5 Gaskets R0,1

(29) Country	Tanzania R263,2 million				
	1 Tyres R47,7	2 Gauges / instruments / parts R19,9	3 Batteries R16,0	4 Transmission shafts / cranks R14,3	5 Engine parts R12,9
	6 Catalytic converters R3,7	7 Radiators / parts R2,5	8 Gaskets R2,1	9 Automotive tooling R2,0	10 Alarm systems R2,0

(30) Country	Malawi R236,0 million				
	1 Tyres R44,5	2 Batteries R13,0	3 Engine parts R10,5	4 Filters R8,6	5 Brake parts R5,5
	6 Transmission shafts / cranks R4,4	7 Alarm systems R4,4	8 Gauges / instruments / parts R3,3	9 Clutches / shaft couplings R3,3	10 Automotive tooling R2,6

(31) Country	Kenya R225,9 million				
	1 Tyres R79,9	2 Engine parts R13,4	3 Gauges / instruments / parts R9,7	4 Catalytic converters R7,0	5 Automotive tooling R5,3
	6 Filters R5,1	7 Transmission shafts / cranks R4,3	8 Brake parts R4,1	9 Body parts / panels R2,7	10 Gaskets R2,4

(32) Country	Poland R222,1 million				
	1 Catalytic converters R87,0	2 Tyres R39,1	3 Stitched leather seats / parts R31,1	4 Radiators / parts R10,2	5 Silencers / exhausts R7,0
	6 Wiring harnesses R4,9	7 Filters R3,5	8 Seats R3,3	9 Automotive glass R2,6	10 Transmission shafts / cranks R0,6

(33) Country	Brazil R221,9 million				
	1 Catalytic converters R68,4	2 Radiators / parts R45,3	3 Automotive tooling R24,7	4 Silencers / exhausts R7,0	5 Clutches / shaft couplings R5,9
	6 Engine parts R2,7	7 Tyres R1,8	8 Ignition / starting equipment R0,7	9 Filters R0,6	10 Wiring harnesses R0,4

(34) Country	France R181,7 million				
	1 Automotive glass R42,1	2 Catalytic converters R21,2	3 Automotive tooling R17,7	4 Springs R15,5	5 Filters R11,3
	6 Tyres R8,0	7 Engine parts R5,8	8 Lighting equipment / parts R4,8	9 Gauges / instruments / parts R1,9	10 Alarm systems R1,9

(35) Country	Ghana R177,5 million				
	1 Gauges / instruments / parts R12,3	2 Engine parts R11,2	3 Transmission shafts / cranks R9,7	4 Tyres R8,9	5 Automotive tooling R4,1
	6 Lighting equipment / parts R4,0	7 Filters R3,8	8 Catalytic converters R2,6	9 Brake parts R2,1	10 Ignition / starting equipment R1,9

(36) Country	Taiwan R132,7 million				
	1 Catalytic converters R122,5	2 Tyres R7,5	3 Automotive tooling R0,4	4 Body parts / panels R0,2	5 Engine parts R0,1
	6 Lighting equipment / parts R0,1	7 Gauges / instruments / parts R0,1	-	-	-

(37) Country	Canada R105,7 million				
	1 Catalytic converters R37,7	2 Engine parts R8,9	3 Tyres R6,7	4 Automotive tooling R4,1	5 Gauges / instruments / parts R3,6
	6 Wiring harnesses R2,2	7 Transmission shafts / cranks R0,7	8 Stitched leather seats / parts R0,6	9 Seats R0,3	10 Lighting equipment / parts R0,3

(38) Country	Guinea R100,7 million				
	1 Transmission shafts / cranks R30,8	2 Engine parts R13,8	3 Ignition / starting equipment R3,7	4 Catalytic converters R3,6	5 Gauges / instruments / parts R3,6
	6 Automotive tooling R2,1	7 Engines R1,6	8 Gaskets R0,8	9 Tyres R0,7	10 Alarm systems R0,3

AUTOMOTIVE COMPONENTS - EXPORTS BY PRODUCT

Changes in technology are at the core of the transition to the vehicle of the future, which is primarily linked to electrics and electronics, connectivity, safety, environment and fuel efficiency. Successes have been influenced by different factors, including commitment to innovation, R&D capabilities, large and extensive supply chains, and large and global production capabilities. The COVID-19 pandemic, as well as the presence of industry disrupters have accelerated the OEMs' focus and adoption of new technologies. Domestic automotive component suppliers need to meet the increasing environmental pressures when selling their products into national and international OEM supply chains.

The automotive component sector in South Africa consists of a diverse group of various tier-level automotive suppliers. There are 187 first-tier suppliers, of which about 75% are foreign multinational companies. A distinct diverse range of original equipment components and aftermarket parts are manufactured in South Africa. The bulk of the domestically manufactured automotive components are sold as original equipment components to the OEMs, or as replacement parts. Domestic component suppliers' turnover sales in 2020 amounted to R78 billion, of which nearly half went to the OEMs and the balance to exports and the aftermarket. 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. Well trained and skilled employees are critical for the long-term success of a business.

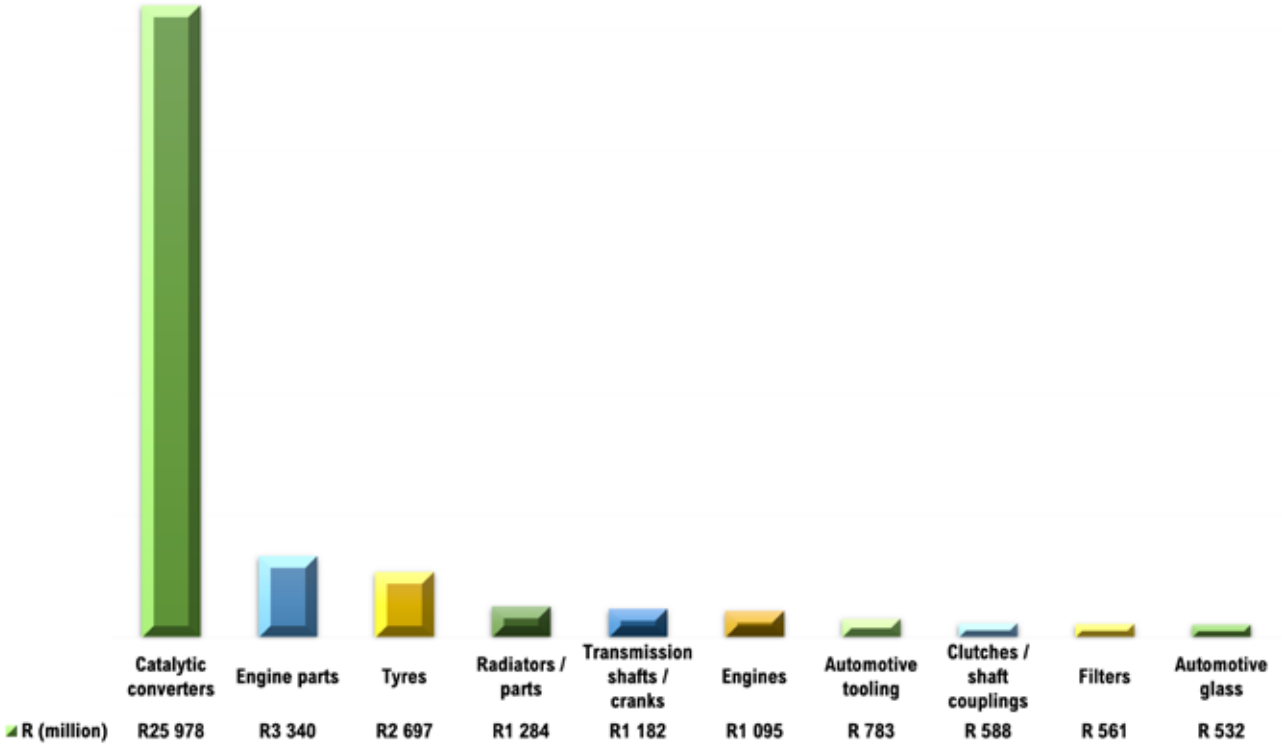
The COVID-19 disruptions to supply chains highlighted South Africa's and various other countries' reliance on imports, with prices and lead times having risen owing to the pandemic. Manufacturing has an important role to play in the South African economy, and when identifying opportunities to manufacture goods that can compete against imports, it is important to determine focus areas and where jobs can sustainably be created. However, for any localisation to be achieved, supplier competitiveness against global peers is key. Incentives in South Africa are administered by the dtic and are uniform throughout the country. Support for the South African automotive industry, however, exists at two levels – national and regional. National support, like the APDP and the Automotive Supply Chain Competitiveness Initiative (ASCCI), plays an important role in addressing common industry challenges in the context of the national economy.

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 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 level. 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 being 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.

Top automotive component exports by value – 2020 (R million)



Source: AIEC, SARS

The following table reveals the automotive component export ranking by product category from 2016 through to 2020. In 2020, automotive component exports increased by 1,5% to R54,5 billion, from R53,7 billion in 2019. Catalytic converters reflected a substantial increase in exports year-on-year in 2020, despite the COVID-19 impact on global markets, and comprised 47,7% of total automotive component exports, followed by engine parts, tyres and radiators. Considering South Africa's geographic location, the focus of exporters tends to be on high-value domestically beneficiated, 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, as well as the Duratorq TDCi turbodiesel engine for the Ford Ranger, Ford Raptor and Ford Everest sports-utility vehicle, both linked to export programmes, are manufactured in South Africa.

In 2020, automotive component exports increased by 1,5% to R54,5 billion, from R53,7 billion in 2019.

Automotive component export ranking by product category – 2016 to 2020

Component category	2016	2017	2018	2019	2020	% of total export value	Ranking
Total (R million) Including BELN country data	**53 041**	**50 275**	**51 296**	**53 667**	**54 476**		
Catalytic converters	21 892	18 702	19 220	20 359	25 978	47,7%	1
Engine parts	3 901	3 773	4 162	4 345	3 340	6,1%	2
Tyres	2 527	2 516	2 547	2 619	2 697	5,0%	3
Radiators / parts	1 378	1 525	1 659	1 536	1 284	2,4%	4
Transmission shafts / cranks	982	975	1 112	1 152	1 182	2,2%	5
Engines	2 110	2 447	1 874	1 904	1 095	2,0%	6
Automotive tooling	861	839	1 056	943	783	1,4%	7
Clutches / shaft couplings	538	653	612	608	588	1,1%	8
Filters	600	588	637	587	561	1,0%	9
Automotive glass	480	440	510	513	532	1,0%	10
Gauges / instruments / parts	627	626	635	657	514	0,9%	11
Shock absorbers / suspension parts	560	560	618	569	492	0,9%	12
Batteries	337	393	428	411	440	0,8%	13
Axles	362	401	464	529	432	0,8%	14
Silencers / exhausts	618	521	463	405	313	0,6%	15
Ignition / starting equipment	280	255	276	290	283	0,5%	16
Brake parts	297	274	305	315	263	0,5%	17
Gear boxes	137	187	222	229	257	0,5%	18
Road wheels / parts	427	531	438	382	243	0,5%	19
Body parts / panels	325	284	315	520	241	0,4%	20
Lighting equipment / parts	263	258	279	268	206	0,4%	21
Gaskets	184	171	162	159	186	0,3%	22
Wiring harnesses	415	257	147	151	131	0,2%	23
Stitched leather seats / parts	768	525	538	200	101	0,2%	24
Alarm systems	116	90	92	120	82	0,1%	25
Air conditioners	66	63	70	62	70	0,1%	26
Springs	45	48	45	50	68	0,1%	27
Seats	28	32	37	43	59	0,1%	28
Steering wheels / columns / boxes	43	53	65	59	59	0,1%	29
Jacks	38	30	34	35	34	0,1%	30
Car radios	21	36	18	19	28	0,1%	31
Seat belts	7	8	8	8	8	-	32
Other parts	11 808	12 214	12 248	13 620	11 926	21,9%	33

Source: AIEC, SARS

The following tables reveal the top five destinations for the automotive product category exports from South Africa for the period 2016 to 2020.

Catalytic converters (1)

Country	2016	2017	2018	2019	2020
Total (R million)	21 891,5	18 702,2	19 219,6	20 359,0	25 978,1
Germany	45%	48%	42%	40%	30%
Czech Republic	5%	7%	10%	16%	26%
USA	20%	12%	12%	11%	12%
UK	9%	9%	8%	6%	8%
Spain	7%	8%	8%	8%	5%

Engine parts (2)

Country	2016	2017	2018	2019	2020
Total (R million)	3 901,4	3 773,3	4 162,4	4 344,6	3 339,9
USA	19%	24%	24%	26%	26%
Germany	22%	23%	26%	28%	20%
Thailand	23%	18%	16%	13%	14%
Argentina	8%	8%	8%	7%	9%
Namibia	5%	5%	5%	5%	4%

Tyres (3)

Country	2016	2017	2018	2019	2020
Total (R million)	2 526,6	2 515,7	2 547,2	2 618,7	2 696,7
Namibia	13%	14%	12%	11%	9%
Belgium	1%	9%	16%	10%	9%
USA	6%	3%	1%	6%	8%
Netherlands	4%	5%	8%	6%	8%
Botswana	10%	12%	8%	8%	7%

Radiators and parts (4)

Country	2016	2017	2018	2019	2020
Total (R million)	1 377,5	1 525,1	1 658,7	1 536,3	1 283,5
Czech Republic	1%	1%	1%	10%	23%
USA	14%	13%	12%	21%	19%
Germany	35%	35%	34%	26%	19%
Spain	11%	11%	12%	11%	10%
China	6%	8%	6%	5%	7%

Transmission shafts and cranks (5)

Country	2016	2017	2018	2019	2020
Total (R million)	981,6	975,3	1 112,2	1 152,2	1 182,0
Zimbabwe	5%	6%	7%	7%	11%
Zambia	8%	7%	8%	7%	8%
Mozambique	10%	7%	7%	5%	8%
Democratic Republic of Congo	7%	8%	9%	8%	7%
Namibia	6%	7%	7%	6%	6%

Engines (6)

Country	2016	2017	2018	2019	2020
Total (R million)	2 109,8	2 446,6	1 873,7	1 903,8	1 094,8
India	67%	63%	59%	64%	51%
Zambia	8%	8%	10%	7%	13%
Botswana	2%	7%	5%	4%	5%
Zimbabwe	1%	1%	2%	2%	4%
Mozambique	5%	3%	6%	3%	4%

Automotive tooling (7)

Country	2016	2017	2018	2019	2020
Total (R million)	861,1	839,3	1 056,1	943,2	782,8
USA	9%	8%	14%	15%	10%
Belgium	4%	3%	4%	5%	9%
Singapore	-	-	-	1%	7%
Germany	9%	5%	7%	5%	6%
Mexico	1%	6%	7%	4%	6%

Clutches and shaft couplings (8)

Country	2016	2017	2018	2019	2020
Total (R million)	537,5	652,7	611,7	608,1	588,3
Germany	48%	57%	59%	52%	56%
Namibia	5%	5%	6%	7%	7%
Botswana	4%	3%	4%	4%	4%
China	5%	5%	6%	8%	4%
Mexico	2%	2%	2%	2%	4%

Filters (9)

Country	2016	2017	2018	2019	2020
Total (R million)	599,8	588,0	637,2	587,3	560,6
Germany	32%	26%	23%	23%	29%
Namibia	10%	11%	11%	11%	11%
Zimbabwe	12%	13%	12%	8%	10%
Zambia	6%	8%	8%	7%	8%
Botswana	8%	8%	9%	9%	7%

Automotive glass (10)

Country	2016	2017	2018	2019	2020
Total (R million)	479,5	439,5	509,5	513,1	532,3
Belgium	22%	25%	29%	26%	30%
UK	25%	26%	25%	26%	27%
Namibia	8%	8%	7%	6%	9%
France	9%	10%	10%	11%	8%
Spain	8%	8%	8%	6%	6%

Gauges, instruments and parts (11)

Country	2016	2017	2018	2019	2020
Total (R million)	626,6	625,5	634,8	657,0	514,4
Democratic Republic of Congo	11%	19%	17%	13%	17%
Mozambique	4%	4%	6%	8%	12%
Botswana	8%	8%	6%	7%	9%
Zambia	11%	6%	9%	9%	8%
Namibia	12%	8%	8%	8%	8%

Shock absorbers and suspension parts (12)

Country	2016	2017	2018	2019	2020
Total (R million)	560,2	560,0	618,0	568,6	492,4
Germany	75%	76%	72%	71%	64%
Mexico	-	-	-	-	9%
Botswana	3%	3%	5%	7%	7%
Namibia	5%	5%	5%	6%	5%
Zimbabwe	3%	3%	2%	2%	3%

Batteries (13)

Country	2016	2017	2018	2019	2020
Total (R million)	337,0	393,4	427,5	410,9	440,2
Zambia	20%	17%	17%	20%	19%
Namibia	23%	19%	22%	24%	19%
UK	-	-	-	6%	11%
Zimbabwe	7%	10%	7%	9%	9%
Botswana	13%	13%	13%	14%	8%

Axles (14)

Country	2016	2017	2018	2019	2020
Total (R million)	361,5	401,0	463,6	529,4	432,2
Germany	76%	73%	56%	75%	68%
USA	1%	1%	2%	1%	6%
Namibia	1%	4%	4%	3%	4%
Zimbabwe	1%	2%	3%	2%	4%
United Arab Emirates	1%	-	1%	-	4%

Silencers and exhausts (15)

Country	2016	2017	2018	2019	2020
Total (R million)	617,7	521,4	462,6	405,1	313,1
USA	28%	21%	15%	14%	16%
Mexico	1%	-	1%	7%	13%
Turkey	4%	7%	7%	9%	13%
Czech Republic	11%	15%	15%	5%	12%
Germany	19%	25%	25%	30%	11%

Ignition and starting equipment (16)

Country	2016	2017	2018	2019	2020
Total (R million)	279,5	254,8	275,6	290,1	283,4
Botswana	18%	20%	18%	20%	20%
Namibia	16%	18%	20%	17%	19%
Zambia	7%	7%	8%	9%	14%
Zimbabwe	10%	11%	8%	6%	8%
eSwatini (formerly Swaziland)	6%	7%	7%	6%	6%

Brake parts (17)

Country	2016	2017	2018	2019	2020
Total (R million)	297,1	274,3	304,8	315,3	263,3
Namibia	14%	14%	12%	12%	14%
Botswana	13%	10%	10%	11%	12%
eSwatini (formerly Swaziland)	8%	10%	10%	10%	11%
Belgium	22%	20%	21%	18%	10%
Zambia	6%	8%	7%	7%	8%

Gear boxes (18)

Country	2016	2017	2018	2019	2020
Total (R million)	136,7	186,5	222,0	229,4	256,8
Thailand	-	9%	1%	-	18%
USA	20%	25%	23%	24%	14%
Germany	3%	-	1%	2%	8%
Namibia	9%	7%	12%	9%	8%
Mozambique	7%	6%	7%	11%	5%

Road wheels and parts (19)

Country	2016	2017	2018	2019	2020
Total (R million)	427,4	530,7	438,3	382,0	243,1
Argentina	11%	17%	26%	18%	30%
UK	4%	10%	16%	35%	27%
Germany	10%	3%	4%	10%	9%
United Arab Emirates	1%	-	1%	-	5%
Namibia	7%	4%	5%	5%	5%

Body parts and panels (20)

Country	2016	2017	2018	2019	2020
Total (R million)	325,1	283,7	315,4	519,8	241,4
Belgium	5%	5%	5%	9%	18%
Lesotho	1%	1%	1%	1%	16%
Namibia	15%	12%	14%	8%	15%
Botswana	14%	8%	7%	4%	7%
Zimbabwe	1%	2%	3%	1%	7%

Lighting, signalling and wiping equipment (21)

Country	2016	2017	2018	2019	2020
Total (R million)	262,7	258,1	279,3	268,0	206,3
Namibia	13%	15%	16%	16%	16%
Germany	39%	34%	32%	29%	15%
Botswana	7%	8%	7%	8%	10%
Belgium	2%	6%	5%	10%	9%
UK	6%	6%	6%	4%	7%

Gaskets (22)

Country	2016	2017	2018	2019	2020
Total (R million)	184,2	170,8	162,2	158,8	185,7
Mozambique	7%	6%	8%	12%	13%
Zambia	11%	7%	7%	8%	11%
Namibia	9%	10%	11%	14%	10%
Democratic Republic of Congo	13%	11%	11%	7%	7%
Zimbabwe	4%	6%	6%	5%	7%

Wiring harnesses (23)

Country	2016	2017	2018	2019	2020
Total (R million)	415,3	257,3	146,9	150,5	131,3
Botswana	49%	36%	16%	22%	23%
United Arab Emirates	23%	31%	31%	11%	9%
Namibia	1%	2%	6%	7%	8%
Germany	11%	9%	9%	7%	7%
Australia	-	-	2%	5%	7%

Stitched leather seats and parts (24)

Country	2016	2017	2018	2019	2020
Total (R million)	767,5	524,7	538,1	200,1	101,0
Poland	22%	24%	25%	37%	31%
USA	1%	1%	3%	2%	17%
Germany	59%	51%	47%	32%	11%
Belgium	-	-	-	1%	5%
Romania	7%	6%	7%	9%	4%

Alarm systems (25)

Country	2016	2017	2018	2019	2020
Total (R million)	116,4	89,9	92,4	120,0	81,9
Zimbabwe	4%	6%	13%	8%	14%
Uganda	1%	-	1%	-	11%
Botswana	16%	14%	10%	12%	9%
Namibia	14%	14%	8%	7%	8%
Zambia	4%	4%	5%	9%	6%

Air conditioners (26)

Country	2016	2017	2018	2019	2020
Total (R million)	65,6	62,9	69,7	61,7	70,4
Singapore	1%	11%	2%	17%	31%
Namibia	5%	11%	11%	10%	16%
United Arab Emirates	-	1%	34%	21%	10%
Hungary	-	-	-	-	8%
Botswana	6%	11%	9%	5%	6%

Springs (27)

Country	2016	2017	2018	2019	2020
Total (R million)	44,8	48,2	45,1	50,4	68,0
France	4%	-	-	9%	23%
Mozambique	2%	3%	6%	6%	13%
China	1%	1%	1%	8%	10%
Germany	4%	8%	11%	10%	7%
Zimbabwe	14%	13%	13%	4%	7%

Seats (28)

Country	2016	2017	2018	2019	2020
Total (R million)	28,2	31,9	36,6	42,6	59,0
USA	1%	1%	1%	2%	35%
Botswana	16%	15%	17%	14%	9%
Namibia	15%	14%	12%	11%	8%
Zimbabwe	5%	7%	4%	13%	7%
Australia	1%	1%	5%	5%	6%

Steering wheels, columns and boxes (29)

Country	2016	2017	2018	2019	2020
Total (R million)	42,8	53,3	64,9	58,7	58,7
Namibia	23%	19%	19%	22%	21%
Botswana	7%	11%	9%	9%	10%
Zimbabwe	4%	6%	6%	4%	8%
Germany	2%	7%	10%	2%	8%
Spain	-	-	-	1%	8%

Jacks (30)

Country	2016	2017	2018	2019	2020
Total (R million)	38,0	29,5	34,1	35,2	34,0
Zimbabwe	13%	12%	10%	10%	19%
Namibia	8%	14%	15%	23%	10%
Zambia	9%	17%	10%	9%	10%
United Arab Emirates	1%	1%	1%	1%	9%
Nigeria	-	-	3%	-	7%

Car radios (31)

Country	2016	2017	2018	2019	2020
Total (R million)	21,0	36,2	18,4	19,0	27,7
Botswana	21%	36%	28%	42%	31%
Thailand	-	-	-	-	27%
Namibia	20%	21%	41%	28%	20%
eSwatini (formerly Swaziland)	8%	3%	5%	8%	5%
Zimbabwe	3%	1%	1%	-	3%

Seat belts (32)

Country	2016	2017	2018	2019	2020
Total (R million)	7,3	7,5	8,1	7,6	8,2
Namibia	27%	25%	27%	29%	19%
Zambia	7%	7%	7%	7%	14%
Botswana	14%	17%	12%	16%	12%
Zimbabwe	3%	4%	7%	5%	7%
Belgium	3%	4%5	5%	6%	6%

AUTOMOTIVE PARTS AND COMPONENTS - IMPORTS

The introduction of a new model generally starts off with lower local content levels that increases as large multinational automotive component suppliers follow the investments by the OEMs to supply systems in a just-in-time fashion to the manufacturing plants. The SAAM 2021-2035 objectives of expanding vehicle production volumes to 1,4 million vehicles per annum by 2035, with the accompanying much higher levels of localisation of automotive components in the country, would improve the viability of further foreign direct investment and export contracts in the future. The widening and deepening of the country's component-supplier base under the SAAM is an important focal point, as it will reduce the risks associated with exchange rate fluctuations and logistics costs.

Global sourcing principles apply in the vehicle manufacturing industry, and in those instances where the original equipment (OE) component is not manufactured in South Africa, the components need to be imported. Imports of OE components by the seven OEMs in South Africa declined by a substantial R24,5 billion, or 22,9%, to R82,3 billion in 2020 from the R106,8 billion in 2018, in line with the 29,2% COVID-19 affected decline in year-on-year vehicle production in the country. OE components are components or systems supplied directly to national or international OEMs and have global recognisable brands. High-value, capital-intensive componentry, such as the powertrain and telematics, which collectively account for about 50% to 60% of the value in a modern vehicle, are mainly imported into South Africa, and the remainder sourced in the domestic market.

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

Top 10 countries of origin for original equipment components imported (Chapter 98) – 2016 to 2020

Country	2016	2017	2018	2019	2020
Total (R billion)	**88,0**	**89,6**	**97,8**	**106,8**	**82,3**
Germany	46%	46%	38%	34%	34%
Thailand	16%	16%	17%	16%	19%
Japan	11%	11%	11%	10%	10%
USA	2%	3%	5%	5%	6%
China	4%	4%	4%	4%	4%
Czech Republic	1%	2%	4%	4%	3%
Spain	2%	2%	2%	3%	3%
Sweden	2%	2%	3%	4%	3%
Brazil	4%	3%	4%	3%	2%
UK	2%	2%	2%	2%	2%
Other	10%	9%	10%	15%	14%

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 original equipment components. The aftermarket has been more resilient and has not been as adversely affected by COVID-19 as the new vehicles and original equipment component market. In 2020, the import of replacement parts declined by R5,32 billion, or 8,5%, to R57,6 billion, down from the R62,9 billion in 2019. The reduction in demand differs between the various types of servicing parts supplied, in line with the COVID-19 disruptions in the domestic automotive sector.

COVID-19 has had a much greater impact on new vehicle sales volume than on the used vehicle market in South Africa. At twice the size of the new car market, used vehicles present an untapped opportunity for automotive aftermarket parts suppliers. Keeping older vehicles in good repair would help to keep them on the road longer, which increases aftermarket product volume, since older vehicles use more aftermarket products per kilometre driven than newer vehicles. Considering that consumers keep their cars for longer, the growing variety of models in the market, as well as the ever more complex technologies in vehicles, has led to an increasing demand in the number of aftermarket parts in the market over recent years. Many vehicle owners in South Africa have also opted for extended warranties and have to comply with the compulsory service intervals outlined in their policy guidelines at an accredited workshop.

Considering that the South African car parc is an aging one with 80% of cars out of warranty, servicing of these older vehicles becomes critical. (Aging car parc with 75% of all vehicles over the age of five years old). In addition, an ever-growing complexity is being added daily with the numbers of vehicle models from OEMs growing to satisfy sophisticated customer demands. The growth of cheaper parts from China, to service the increasing imported share of the vehicle parc of 12,70 million vehicles in 2020, for which most parts have to be imported, has exacerbated this trend.

The following table reveals the top 10 replacement parts imported to complement the parts not manufactured in the domestic market for 2016 to 2020.

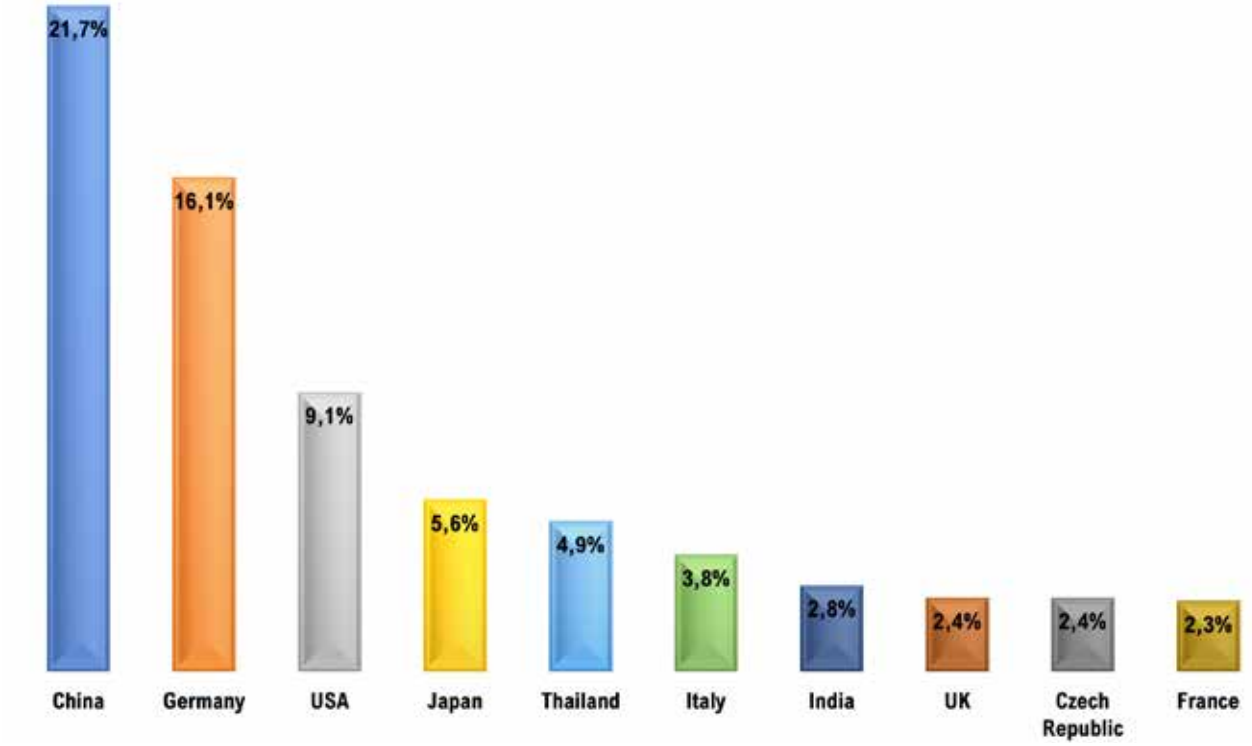
Top 10 replacement parts imported (R million) – 2016 to 2020

Parts category	2016	2017	2018	2019	2020
Automotive tooling	3 748	5 188	4 307	3 742	6 074
Tyres	6 067	5 819	6 401	6 150	4 766
Engine parts	4 412	4 200	4 247	4 364	4 239
Transmission shafts / cranks	1 942	2 103	2 123	2 163	2 091
Gauges / Instruments / parts	2 106	2 021	2 303	2 197	2 065
Engines	2 297	2 059	1 692	2 126	1 921
Stitched leather seats / parts	2 461	2 440	2 324	2 426	1 788
Wiring harnesses	2 254	2 063	2 150	2 255	1 661
Filters	1 210	1 385	1 499	1 489	1 455
Brake parts	1 229	1 141	1 302	1 678	1 342
Other	32 021	30 610	32 976	34 341	30 214
Total	**59 747**	**59 029**	**61 324**	**62 931**	**57 616**

Source: AIEC, SARS

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

Top countries of origin for imported replacement parts – 2020



Source: AIEC, SARS

The following table reveals the top 10 countries of origin for imported replacement parts from 2016 to 2020.

Top 10 countries of origin for imported replacement parts – 2016 to 2020

Country of origin	2016	2017	2018	2019	2020
China	16,8%	18,2%	19,6%	19,7%	21,7%
Germany	20,0%	19,5%	16,8%	16,7%	16,1%
USA	9,5%	9,2%	10,8%	9,8%	9,1%
Japan	5,9%	5,6%	5,9%	5,4%	5,6%
Thailand	4,8%	4,2%	4,3%	4,5%	4,9%
Italy	3,2%	3,4%	3,6%	3,4%	3,8%
India	2,2%	3,3%	2,7%	3,1%	2,8%
UK	3,1%	3,2%	2,8%	2,8%	2,4%
Czech Republic	2,6%	2,6%	2,5%	2,7%	2,4%
France	2,0%	1,9%	1,8%	2,4%	2,3%
Other	29,9%	28,9%	29,2%	29,5%	28,9%

Source: AIEC, SARS

AUTOMOTIVE INDUSTRY TRADE BALANCE

As the leading manufacturing sector in the South African economy, the automotive industry's export value under the APDP in 2020 amounted to R175,7 billion, which comprised a substantial 13,9% (15,5% in 2019) of total South African exports of R1 262,8 billion, while the industry's imports of R127,5 billion under the APDP comprised 11,8% (13,7% in 2019) of total South African imports of R1 080,0 billion.

The impact on both automotive exports and imports in Rand terms was emphasised by the COVID-19 pandemic in 2020. Under the APDP between 2013 and 2020, the nominal automotive export value grew by 71,8%, while the rate of the nominal import value was much slower, with an increase of 0,6%. The automotive export revenue of R175,7 billion in 2020 reflected a significant decline of R26,0, or 12,9%, compared to the R201,7 billion total export value in 2019, as the COVID-19 global pandemic disrupted the South African automotive industry's international trade. Vehicle exports of 271 288 units in 2020 declined by a massive 115 804 units from the record 387 092 units exported in 2019, consequently resulting in the vehicle export revenue declining by R26,8 billion, or 18,1%, to R121,2 billion, compared to the R148,0 billion in 2019. On the upside, automotive component exports reflected an increase of R0,8 billion, or 1,5%, from the R53,7 billion exported in 2019, to R54,5 billion exported in 2020, mainly driven by increased catalytic converter exports to the EU in line with new emission regulations in 2020. The automotive import value also declined by a substantial R47,1 billion, or 27,0%, from R174,6 billion in 2019 to R127,5 billion in 2020, in line with the decline in vehicle imports and original equipment component imports, as COVID-19 country lockdown restrictions severely impacted domestic new vehicle sales, exports and production.

Despite the decline in vehicle exports in 2020, vehicles have remained the key driver behind 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, has increased along with the import of aftermarket parts to support a growing 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 measurement encouragingly widened to R48,2 billion in 2020, its highest surplus on record, compared to the R27,1 billion in 2019.

The impact on both automotive exports and imports in Rand terms was emphasised by the COVID-19 pandemic in 2020.

APDP-related trade balance for the automotive industry: 2013 – 2020

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

2020	127,5	175,7	48,2
Vehicles	39,1	121,2	82,1
Automotive components (excluding aftermarket parts)	88,4	54,5	(33,9)

Source: AIEC, SARS

Under the APDP, the basis for calculating the duty-free import credits is based on value added through the supply chain in the automotive manufacturing industry. There are certain eligibility requirements under the APDP to ensure that the beneficiaries are companies producing substantial quantities of components for vehicle manufacturing, and to exclude accessories. The requirements include that automotive component manufacturers have to supply at least 25% of their total turnover, or R10 million annually, as part of an OEM supply chain domestically and/or internationally to comply under the APDP. In this regard, with the exception of automotive tooling, which is used in the production processes of vehicles and automotive components, the imported replacement parts are generally not linked to value-addition in the country under the APDP, and they are therefore not included in the automotive trade balance that is used to track the progress of the APDP. 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 small 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 2020 trade balance data under the APDP, based on a holistic view of total automotive exports and imports (including vehicles, OE components and aftermarket parts), total automotive imports amounted to R179,1 billion in 2020, down by a significant R54,6 billion, or 23,4%, compared to the R233,7 billion in 2019. The trade deficit in 2020 declined to R3,4 billion, its lowest deficit level on record, compared to the R32,0 billion in 2019.

The trade deficit in 2020 declined to R3,4 billion, its lowest level on record.

Automotive industry trade balance, including all automotive products – 2012 to 2020

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)**
Vehicles	39,1	121,2	82,1
Automotive components (including aftermarket parts)	140,0	54,5	(85,5)

Source: AIEC, SARS
*MIDP calculation

A close correlation exists between new vehicle sales and the GDP growth rate, and forecasts of an economic growth rate in excess of 3% in South Africa bodes well for a rebound in the domestic new vehicle market in 2021. Vehicle export numbers regained upward momentum during the fourth quarter of 2020, but a full recovery to pre-COVID-19 levels will remain a function of the direction and performance of global markets.

Vehicle export numbers regained upward momentum during the fourth quarter of 2020, but a full recovery to pre-COVID-19 levels will remain a function of the direction and performance of global markets.

SOUTH AFRICAN AUTOMOTIVE INDUSTRY GROWTH PROSPECTS

According to the Pan South African Language Board, the word "lockdown" has been used across the country a total 486 224 times and has come out on top as South Africa's word of the year for 2020. History has shown that when a global or even national crisis impacts a country, there is always a quantum or step-change in the market and in the business environment. No one can rightly predict the future, but decision-makers could create strategies to ensure that businesses have more robust plans to ensure they avoid being vulnerable during trying times. Growth is becoming increasingly difficult to achieve, with the COVID-19 pandemic drastically altering the global automotive landscape. Changes in user behavior patterns will trigger major shifts in consumption and business models. Manufacturing will change, remote working will change, digitisation will accelerate, and customers' buying patterns will be different. In the face of such disruptions and economic instability, it is paramount for industry leaders to design long-term strategies across all verticals of the business and capitalise on the most attractive opportunities.

The sharp drop in global and domestic market demand through the early part of 2020, caused by the abrupt and widespread stoppage of trade and economic activity has had a severe impact on the globally integrated South African automotive value chain. As an open economy, South Africa's fortunes depend to a large extent on the performance of the global economy. Export expansion and diversification are the main drivers of long-term economic growth. Unlike domestic demand, external demand is not constrained by the size of the economy. Export expansion, however, must be supported by an internal environment that will attract investment and increase international competition. Investment is a key enabler and driver of long-term economic growth and employment.

Manufacturing is one of the sectors that can best assist in growing South Africa's economy, and therefore, the sector's growth needs to be accelerated. A dynamic manufacturing base increases the economic multiplier in an economy and helps to expand the technological base, creating many more service-sector jobs. The South African automotive manufacturing industry remains the largest manufacturing sector and major driver of economic growth and development in the country. This is due largely to a supportive automotive industrial policy framework that has been sustained over nearly three decades.

The automotive sector recognises that the SAAM 2021-2035 vision – 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 – will only be realised if the six development objectives are met. Achieving the SAAM objectives will require careful coordination and a close working relationship between government, the private sector and organised labour. Six industry development pillars namely, localisation, domestic market optimisation, regional market development, infrastructure development, industry transformation, and the development of industry-required technologies and skills have been identified as critical to the realisation of the SAAM. In this regard, workstreams, chaired by the **naamsa** member company CEOs, have been established. The workstreams, feeding into the quarterly Executive Oversight Committee meetings, chaired by the Minister of Trade, Industry and Competition, to support the execution of the South African Automotive Masterplan (SAAM) 2021-2035 to grow the domestic automotive industry, gained momentum in 2020.

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

- Attracting new vehicle assembly opportunities through improved competitiveness and exports.
- Increased localisation of automotive components at all tier levels.
- Increased vehicle and automotive component exports into Africa.
- Pursuing new industrial/trade partnerships in Africa with other vehicle assembly countries.
- Regional integration opportunities via the African Continental Free Trade Area (AfCFTA).
- South Africa's participation in BRICS: trade and investment opportunities and improved access to the BRICS markets.
- Expand the exports of catalytic converters and platinum metal group products, such as fuel cells.
- Building partnerships with parastatals to improve efficiencies and reduce costs.
- Establishment of more R&D, engineering and testing facilities.
- Produce more "affordable vehicles".
- Growth of South African middle-class which would stimulate new vehicle sales.
- Beneficiation of materials fabricated for the automotive industry.
- South Africa's automotive export markets: strong growth anticipated through 2030.
- Introducing more environment-friendly and fuel-efficient vehicles, including electric vehicles.

Long term automotive policy certainty is a major attraction for global OEMs to South Africa, and with the SAAM 2021-2035 providing the framework to elevate the domestic automotive industry to the next level, 2021 promises to be an exciting year for the automotive industry in South Africa in its journey to 2035. The automotive industry remains the bedrock of South Africa's manufacturing sector and its social and economic impact in the country's economy will continue to extend well beyond vehicle and automotive component manufacturing in the coming years.

2021 promises to be an exciting year for the automotive industry in South Africa in its journey to 2035.

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Standard disclaimer

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

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