



B20 South Africa: Implications for industrialisation and the South African automotive sector

A B20 South Africa Industrial Innovation and
Transformation Task Force presentation

October 2025



B20 South Africa overview

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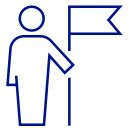
CEO, Toyota SA

B20 overview

The Business 20 (B20) is the official G20 dialogue forum for the global business community



B20 **develops recommendations** to be handed over to the G20, **crafted by G20 business leaders** and **shared at the B20 Summit**



The **B20 Summit hosts up to 3,000 global business leaders**, organisation heads and experts **from ~25 countries**



Business Unity South Africa (BUSA) will lead B20 South Africa in 2025 – the **first B20 hosted by an African nation**

Core pillars

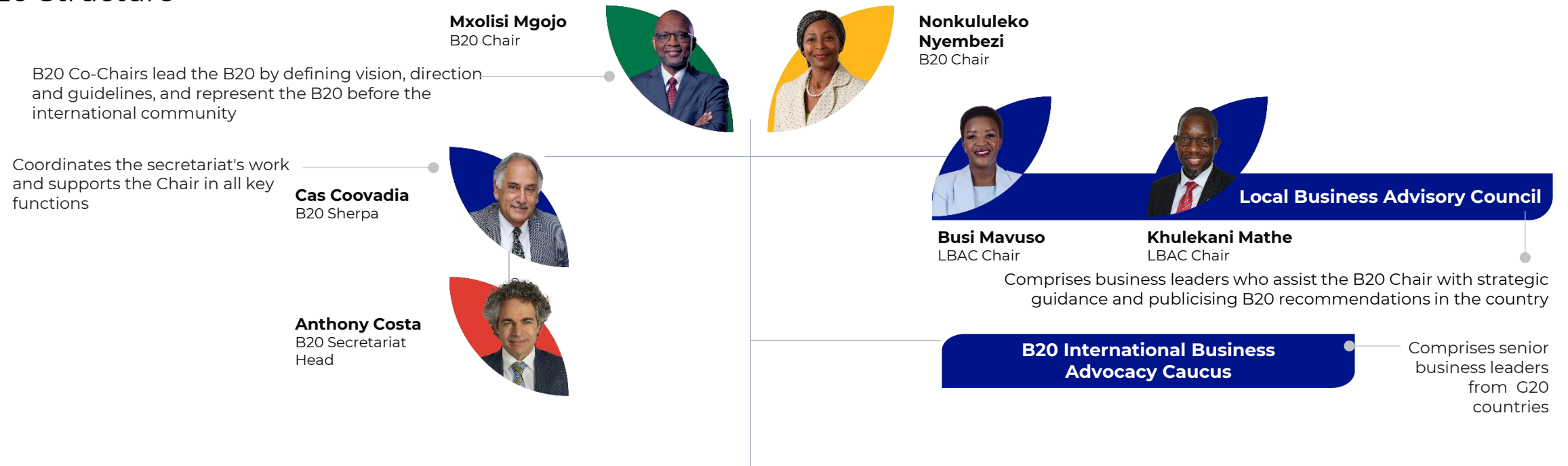
- 1** **Unlock inclusive growth** and enable widespread economic participation
- 2** **Invest in human capital** and re-energise a thriving skills market
- 3** **Drive industry reforms to build resiliency** into global and regional supply chains
- 4** **Strengthen the role and involvement of Women and SMEs** in Business

B20 South Africa theme

Inclusive Growth and Prosperity through Global Cooperation

The B20 South Africa leadership structure

B20 Structure



Task Forces

Chairs

Trade & Investment



Busi Mabuza
Chair, IDC

Employment & Education



Paul Hanratty
CEO Sanlam

Energy Mix & Just Transition



Daniel Mminele
Chair, Nedbank

Digital Transformation



Phuti Mahanyele
CEO, Naspers SA

Finance & Infrastructure



Sim Tshabalala
Group CEO, Standard Bank

Integrity & Compliance



Ruwayda Redfearn
CEO, Deloitte Africa

Sustainable Food Systems & Agriculture

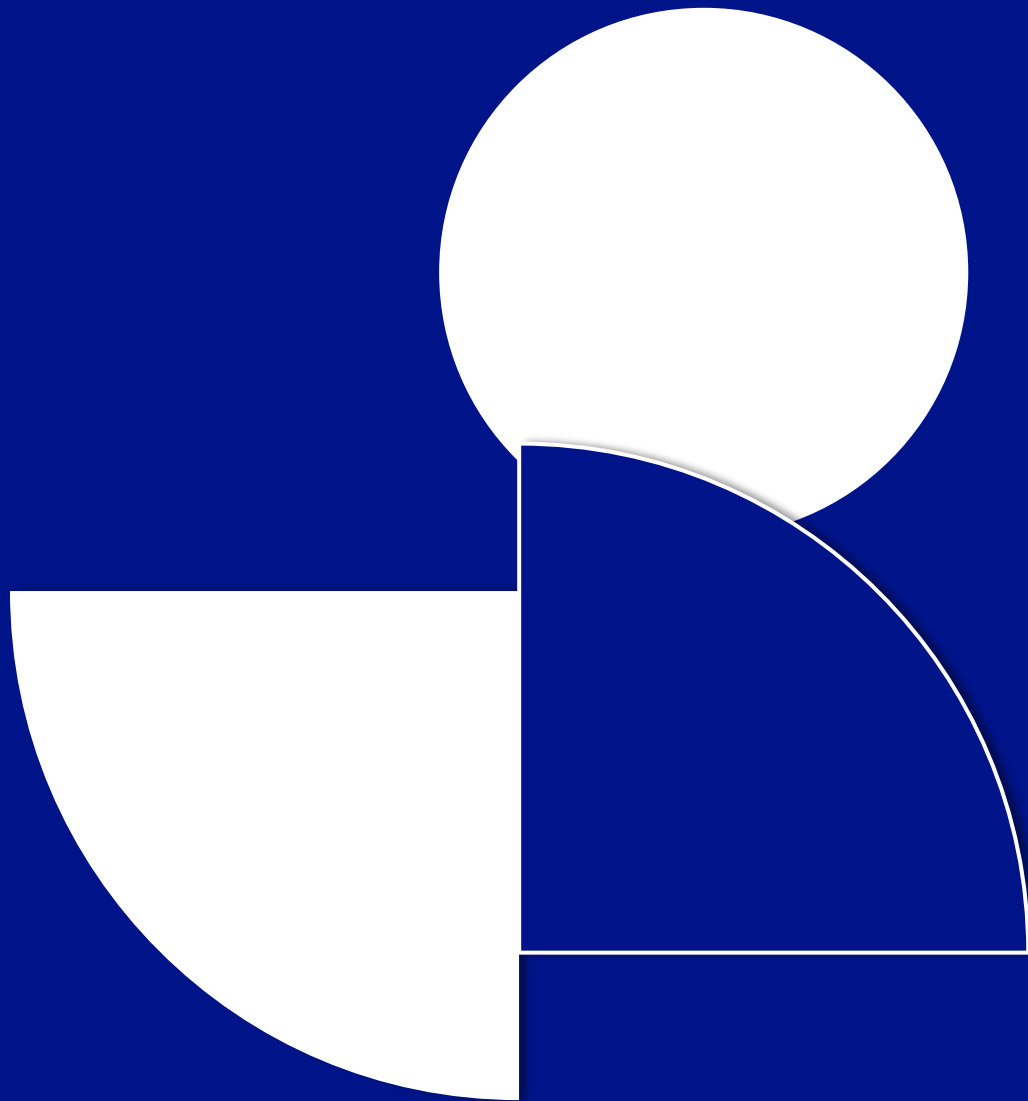


Debra Mallowah
Head of Africa, Bayer

Industrial Transformation & Innovation



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Overview of B20 Industrial Transformation & Innovation Task Force Insights

Starting point: Industrialisation remains the most powerful driver of economic transformation

Industrialisation...



Builds national resilience in a volatile world

In an era of geopolitical shifts and systemic shocks, industrial capability is essential for resilience, innovation, and long-term economic security



Drives inclusive growth and structural competitiveness

Industrialisation expands employment across skill levels, raises incomes, and improves productivity, enabling economies to move up value chains and sustain long-run competitiveness



Remains the most proven pathway to prosperity

Countries¹ that sustained ~7% real GDP growth over a decade did so through manufacturing-led development, gradually shifting into higher-value, tech-enabled production. Services and tech alone can't deliver jobs, exports, or competitiveness at scale

1. Examples include Vietnam (2000–2010), Ethiopia (2004–2014), and Bangladesh (2009–2019), all of which achieved 7%+ average annual GDP growth anchored by manufacturing.

South Africa risks being left behind

Our industrial performance is stagnating



Industrial output per capita remains well below peers



Industrial productivity has stalled



Our finished goods exports are declining



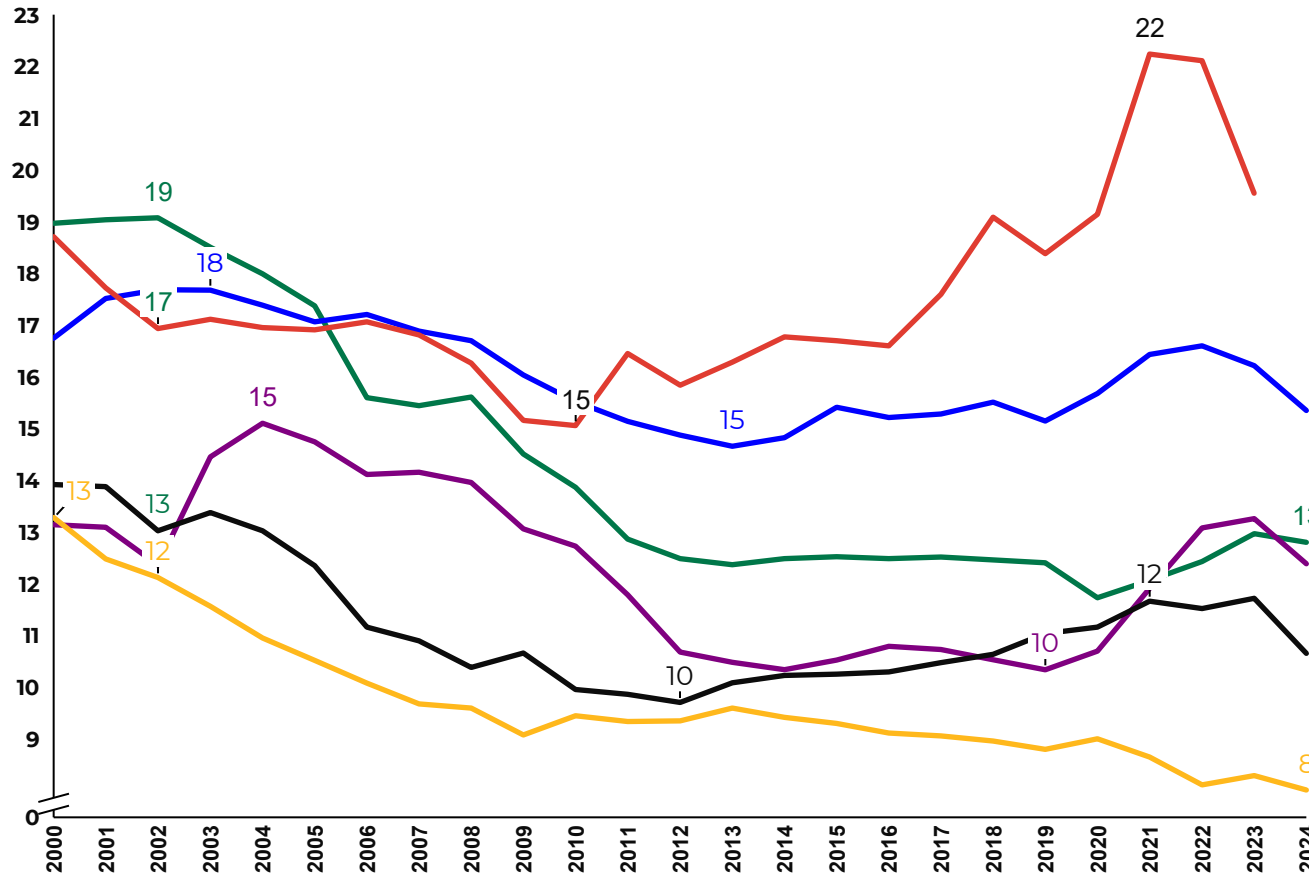
We have the base but not the ecosystem to scale







- **Manufacturing Value Added (MVA)** as a share of GDP declined from **~19% (2000)** to **~13% (2024)** – a steeper drop than in **Africa (~14% to ~11%)** and the **G20 (~20% to ~15%)**
- **Medium- and high-tech manufacturing** remains at **~24% of total output**, while G20 peers have scaled to **~34–38%**, with top performers like Korea exceeding **50%**
- G20 peers improved from **~\$2,000 to ~\$3,500**, with China alone jumping from **~\$1,100 to \$5,500+**
- **MVA per worker** in South Africa is **\$11k** (2024) while G20 peers now average **~\$34.1k**, with Germany and the US at **>\$70k–80k**
- South Africa's productivity has remained flat since 2000, while **G20 peers average 2–6% annual growth**
- Manufactured goods fell from **~60% to ~45%** of total exports
- Our export mix has shifted toward **raw and low-value goods**, weakening industrial trade performance while G20 countries are investing in **digital trade, logistics, and modern supply chains** to boost high-value exports
- South Africa has industrial depth in **autos, agri-processing, chemicals, and mining equipment**
- However, **gaps in supplier networks**, innovation investment, and institutional coordination are **limiting** our **ability to scale and compete globally**

South Africa's manufacturing contribution declined more sharply than peer economies

Manufacturing value added, (% of GDP), 2000 - 2024



Example country	GDP per capita (Real, PPP, current international \$1,000s) ²
Türkiye 	~40
Accelerating G20 countries ¹	
South Africa 	~15
Brazil 	~20
Sub-Saharan Africa	
United States 	~75

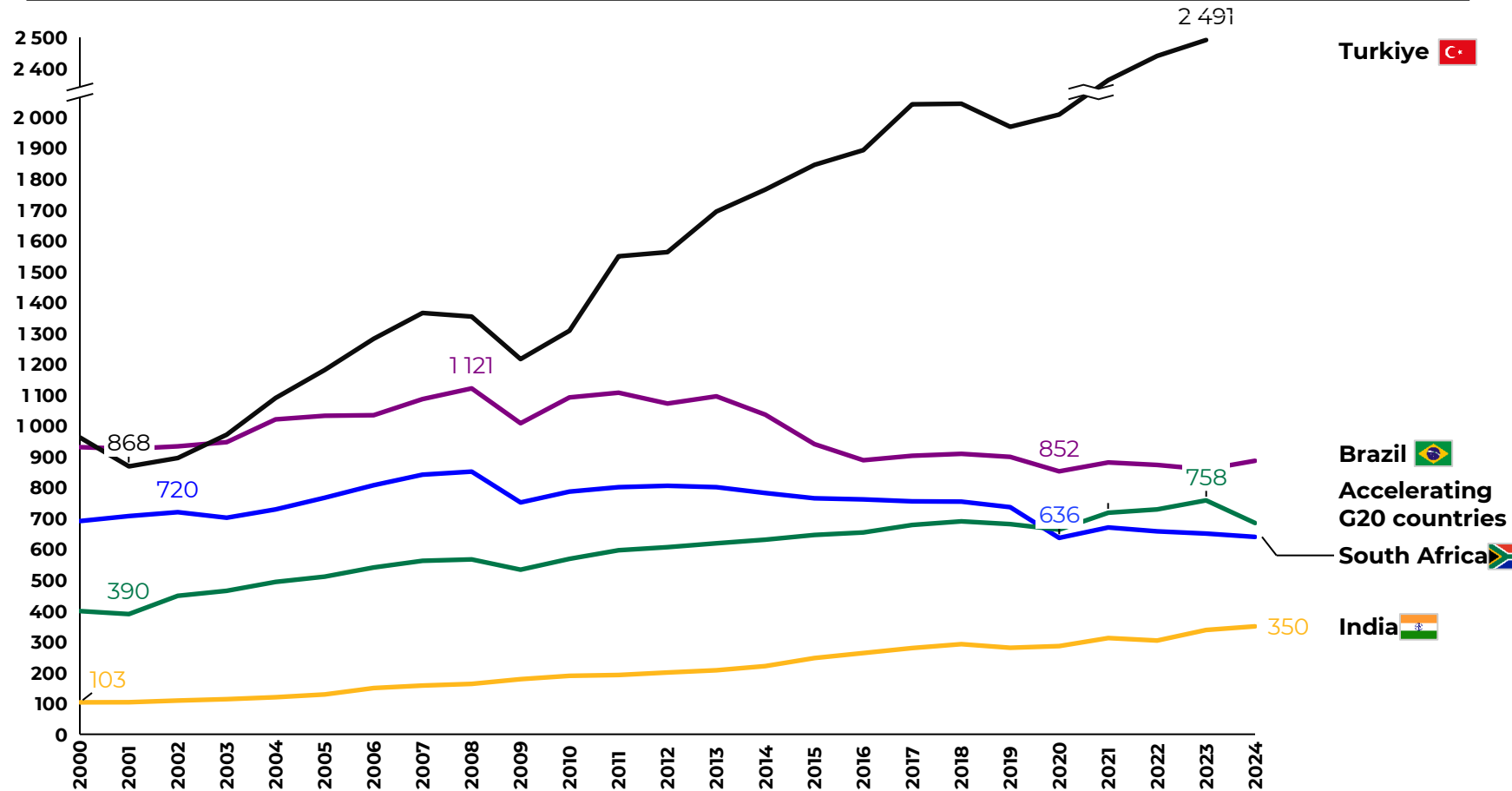
Observation: South Africa lost industrial momentum while others reinforced their manufacturing base:

- **Strong start, declining performance:** South Africa led peers in 2000 with 19% MVA/GDP but fell to 13% by 2024
- **Meanwhile, peers advanced:** Türkiye rose from 19% to 22% by 2021

1. Accelerating G20 countries: Brazil, India, Indonesia, Mexico, Russia, Turkey, Saudi Arabia and Argentina
 2. World Bank, 2023, 2024

South Africa's manufacturing value-added per capita has stagnated while peers gain

Manufacturing value added per capita, (constant 2015 US\$), 2000 - 2024



Key insights

- In 2000, South Africa's MVA per capita was ~\$720 (2015 USD). By 2024 it sits near ~\$640 after a trough of ~\$636 in 2020 - flat over two decades
- Türkiye surged from ~\$870 to ~\$2,490 - roughly 3× growth, the strongest among the comparison set
- South Africa, like Brazil, has **not translated industrial base** into sustained industrial growth, signalling **premature deindustrialisation**

Note: **Accelerating G20 countries:** Brazil, India, Indonesia, Mexico, Russia, Turkey, Saudi Arabia and Argentina
 Source: World Bank World Development Indicators

Yet, peer economies have sustained high economic growth by expanding both services and manufacturing

India



Türkiye



Context

- Aimed at addressing India's weakening growth rate and attract global manufacturing investments
- Primarily focused on boosting domestic manufacturing and exports in multiple sectors, e.g. auto, electronics, textiles

- Dependence on Import Substitution industrialisation causing balance of payments crisis and runaway inflation
- Implemented policies aimed at promoting exports and liberalising the market



Approach

- Economy-wide (horizontal) strategy

- Supporting a competitive market environment



Industrialisation readiness

- Simplified business regulations to expedite regulatory processes for setting up businesses

- Enhanced access to raw materials through the Mining Board



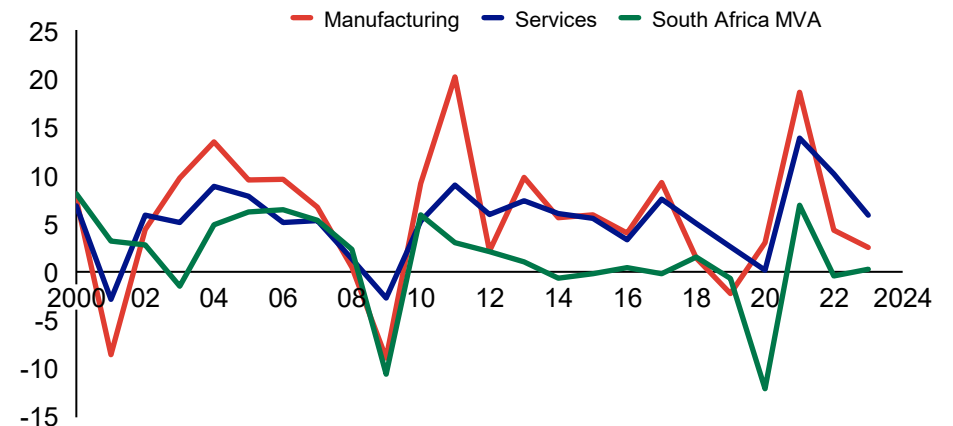
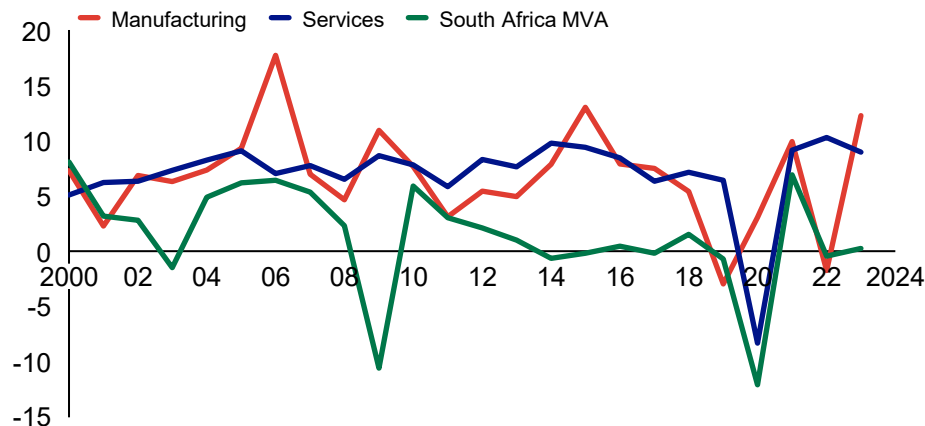
Competitiveness

- Set up the Production Linked Scheme to increase domestic production capacity and opened sectors up to FDI
- Developed transport and other infrastructure to support industrial growth

- Provide investment incentives including tax credits and grants for companies investing in metal production
- Reduce tariffs and offer VAT exemptions on key inputs including raw materials



Annual growth in value added in manufacturing and services, %, 2000-23





Pressure is mounting: Global industrial trends are redrawing the rules of competitiveness



Industry 4.0 adoption

Smart factories, automation, and AI are becoming baseline expectations, not differentiators



Green regulation pressure

Carbon intensity and energy efficiency now shape cost, access to capital, and trade viability



Rising protectionism

Tariffs, subsidies, and industrial policy are redrawing global trade and investment flows



Regionalised supply chains

Global firms are moving production closer to markets, prioritising speed and resilience



Investment realignment

FDI is shifting toward politically aligned, policy-coherent, and execution-ready economies



Accelerating tech curve

Digital twins, analytics, and robotics are becoming standard in manufacturing operations



Economies like South Africa need to adapt and accelerate industrial strategy to remain competitive

The auto industry finds itself in one of its most **significant transformations**

Technology



ICE



ZEV



28% p.a.

Global EV sales growth in 2025; EV market in South Africa still nascent

Customer



Hardware focus



Software differentiation



2-3x

software content per vehicle since 2015

Geoeconomics



Global trade



Protectionism



100%

US EV tariffs on Chinese-produced EVs

Industry



From established supply chains



To new eco-systems with entirely new players



30-40%

of battery EV's value lies in the battery, led by new players

Industrialisation state of South Africa's auto sector: strong base, but under pressure to localise and electrify



The auto sector's performance is mixed



Output and productivity lag peers



Exports and investment remain vital



Structural pressures in the ecosystem



Strong base, but scaling is at risk

- Broader industry contributed **~5.3% of GDP in 2023** (3.2% manufacturing; 2.1% retail)
- Momentum has softened: motor vehicles and other transport equipment **output fell sharply in late-2024** (-18.7% YoY in Sep; -20.8% YoY in Dec), and **early-2025 factory PMI dipped below 50¹**
- **Local content ~39%** vs **60% SAAM 2035 target**; imports take share
- Productivity indicators (e.g., MVA per capita) have been broadly flat vs peers
- SA produced **~633k vehicles in 2023**; exports hit a **record ~400k units (2023)** and **~391k (2024)**-roughly **two-thirds of output shipped abroad**
- SA remains the **continent's production leader (~51% of Africa's output in 2024)**
- Government approved **R1 bn** to catalyse **EV/battery production**, targeting **~R30 bn** in private investment
- **Imports ~64% of domestic sales; 12 company closures** and **4,000+ job losses** in two years amid low localisation
- Competitiveness constrained by **supplier depth, logistics and power** (frequently cited by industry and surveys)
- SA hosts **~500 component suppliers** supporting seven major OEMs (BMW, Ford, Isuzu, Mercedes-Benz, Nissan, Toyota, VW)
- NEV share has more than doubled off a low base²

1. Refers to a country's Manufacturing Purchasing Managers' Index, a monthly economic indicator based on surveys of purchasing managers that shows the health of the manufacturing sector. A PMI above 50 signals expansion, while a reading below 50 indicates a contraction
 2. New Energy Vehicle is an all-encompassing term for cars that use alternative power sources instead of traditional fossil fuels. NEVs include fully electric vehicles, plug-in hybrids, and hybrid electric vehicles

Three levers are highlighted for innovation-led industrialisation

1 Enable & renew industrial growth through innovation

- **Align industrial strategies with with long-term priorities**, sector prioritisation and investment-led plans
- **Strengthen public-private platforms** to turn strategies into action
- **Support industrial renewal through innovation ecosystems**, foresight infrastructure, and adaptive institutions

2 Broaden & deepen value chain capabilities

- **Boost company competitiveness**, including SMEs, via bundled supplier development
- **Align workforce** skills to industry demand using flexible training models
- **Reduce trade friction, e.g.**, through digital logistics platforms, and cross-border infrastructure

How can we **accelerate progressive industrialisation** through **innovation** and **sustainable technologies**?

3 Embrace future-focused sustainable technologies and digitalisation

- **Accelerate green industrialisation**, including advancing decarbonisation, energy and resource efficiency, and circular, low-waste production
- **Enable advanced tech adoption** with financing and investment tools
- **Build enabling ecosystems** (ports, tech hubs, traceability tools) to scale sustainable production



These levers translated into three recommendations with clear actions for delivery



R1.

Support governments to **collaborate with the private sector** to create industrial strategies that fit business needs, align with national plans, and use innovation platforms, data, and R&D to **enable long-term competitiveness**

R2.

Strengthen value chain competitiveness and inclusive industrial employment by **enabling business upgrading, regional trade integration, and workforce development** aligned with strategic sectors and cross-border production systems

R3.

Accelerate the **adoption of sustainable and Industry 4.0 technologies** in manufacturing through **clear incentives, demonstration platforms, and public-private delivery models** that reduce adoption risks, unlock investment, and build future readiness

Key Actions

A.1.1. Establish stronger, purpose-fit public-private platforms

A.1.2. Build and enhance national foresight systems for resilience

A.1.3. Expand promotion of industrial innovation tools and capabilities, R&D and **tech collaboration**

A.1.4. Build empowered delivery institutions

A.2.1. Strengthen suppliers through support & partnerships

A.2.2. Expand trade & exports via corridors & business linkages

A.2.3. Align skills with industry through **flexible, local training**






A.2.4. Promote inclusive industrial employment

A.3.1. Launch public-private platforms to localise advanced solutions


A.3.2. Expand shared infrastructure and support for **tech adoption**

A.3.3 Scale incentives and financing for green & digital tech

Four cross-cutting enablers support the defined actions

<p>Cross-cutting enabler</p> <hr/> <p>Enabler links to Industrial Transformation and Innovation agenda</p> <hr/> <p>Potential key instruments</p> 	 <p>Strategic industrial finance</p> <hr/> <p>Supports firm investment in productivity, innovation, and decarbonisation by aligning capital with industrial priorities</p> <hr/> <ul style="list-style-type: none"> • Development bank credit lines for SME upgrading and green technology • Blended finance platforms to crowd in private investment • Fiscal incentives tied to localisation/innovation outcomes 	 <p>Competitive & connected industrial infrastructure</p> <hr/> <p>Addresses cost, scale, and logistics bottlenecks that constrain firm competitiveness and value chain participation</p> <hr/> <ul style="list-style-type: none"> • Industrial zones with shared services and transport access • Energy and logistics corridors to reduce market friction • PPP-aligned infrastructure pipelines 	 <p>Streamlined & transparent trade systems</p> <hr/> <p>Enables SME participation and industrial scale by reducing compliance barriers and aligning products standards</p> <hr/> <ul style="list-style-type: none"> • Digitalised firm registration, tax, and customs processes • Mutual recognition of product standards and certifications • One-stop border posts and harmonised customs protocols 	 <p>Innovation-enabling regulations</p> <hr/> <p>Creates predictable frameworks to accelerate adoption of new technologies and reduce risk for innovators</p> <hr/> <ul style="list-style-type: none"> • Regulatory sandboxes and fast-track approval pathways • Digital product passports, traceability systems, and anti-counterfeit platforms • Strategy levers: tax incentives, infrastructure investment
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Case study examples: South Africa and Morocco show how targeted auto strategies can scale exports and deepen value chains

	 Joint industrial strategy and execution	 Deepening value chains and enabling capital
Case example	 Driving transformation through national industrial alignment	 Strengthening supply chain participation through localisation strategy
Strategic shift	Prioritised auto as a national industrial anchor Aligned FDI with value chain growth	Shifted to export-led, high-volume production Aimed to localise and sustain jobs
What enabled it	Industrial zones (Tangier Med, Kenitra) Export incentives and skill academies Strategic investment in transport, energy, and port infrastructure	Long-term auto strategy (MIDP → APDP) Conditional duty rebates and supplier programs Public investment in port-linked infrastructure and industrial platforms
What it delivered	Auto exports grew: 0.5% → ~20% of exports, 2000-23 Attracted \$4B+ in FDI Sector now employs 180K+ people	Auto exports grew: 0.5% → ~14.7% of exports, 1995-22 600K+ vehicles produced in 2024 110K+ jobs supported

Looking ahead

B20 recommendations have been taken to the **G20** to shape global frameworks and national strategies

For South Africa and its auto sector, this opens the door to:

- **Scaling localisation** through regional value chains
- Unlocking new corridors for **green, export-led growth**
- Investing in enabling infrastructure – **energy, logistics, ports, and industrial corridors**
- Positioning industry as a driver of **resilience, jobs, and competitiveness**
- **Expanding critical minerals beneficiation**, especially in the development of batteries and EV components
- **Establishing development illustration platforms** to showcase scalable, investable projects
- **Expanding R&D investment in the Global South** – strengthening independent centres of excellence (including universities) to move beyond company-bound R&D and build shared innovation capacity

The opportunity now is to move – from **consensus to commitment, from ambition to action**



Thank you!

