

The South African Automotive industry as a catalyst for [Re]-Industrialization

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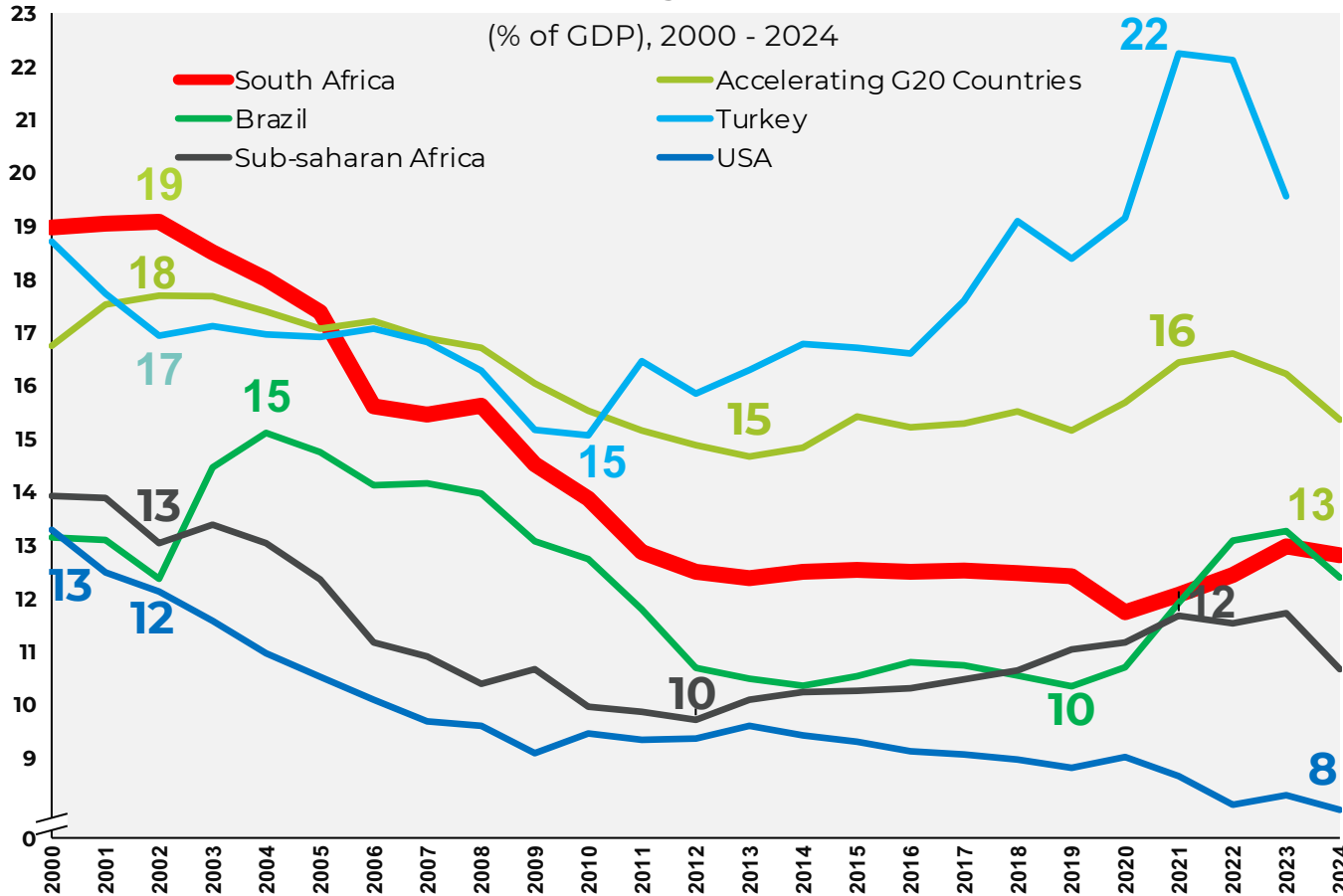
- (1) **South Africa Industrial Trends**
- (2) **Auto Sector Overview**
- (3) The **Four Forces** at our **Crossroads**
- (4) **Concrete Actions towards a High Road**
- (5) **Envisioning Possibilities : 20/20 Vision**





1. Contextualising South Africa's Manufacturing Contribution

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

Manufacturing value added



Country		GDP per Capita (Real, PPP, Current International \$1000s)
	Turkey	~40
Accelerating G20 Countries (Brazil, India, Indonesia, Mexico, Russia, Turkey, Saudi Arabia and Argentina)		
	South Africa	~15
	Brazil	~20
Sub-Saharan Africa		
	United States	~75

2. South Africa – Demonstrating Laggard Industrialisation Characteristics

Stagnating Industrial Performance



Below peers Industrial output per capita



Stalled Industrial productivity



Declining finished goods exports



We have the base but not the ecosystem to scale



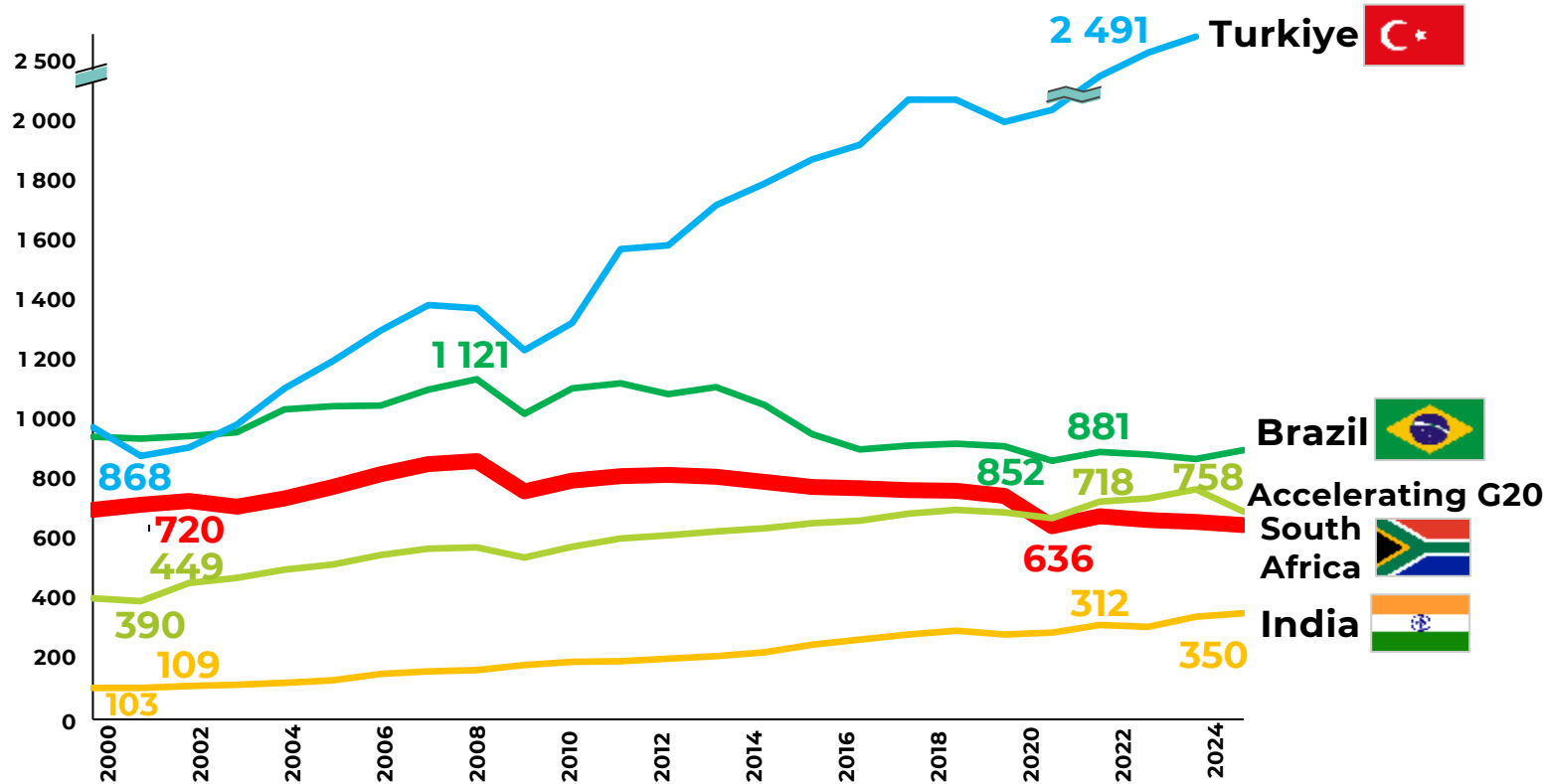
South Africa's Industrial Challenges

- **Manufacturing shrinking:** MVA dropped from **19% to 13%** of GDP.
- **Minimal growth:** MVA per capita **dropped by \$80 in 24 years.**
- **Low output per worker: \$11k vs G20's \$34k+.**
- **Flat productivity:** No growth since 2000; G20 grows 2–6% yearly.
- **Export downgrade:** Manufactured goods **fell from 60% to 45%.**
- **Raw goods dominate:** Weakens trade competitiveness.
- **Strong sectors exist:** Autos, agri-processing, chemicals, mining equipment.
- **Scaling is hurdled: Poor supplier networks, low innovation, weak coordination.**

3. Contextualising Manufacturing Value Added per capita

Manufacturing value added per capita

(constant 2015 US\$), 2000 - 2024



South African Manufacturing Subsector Trends

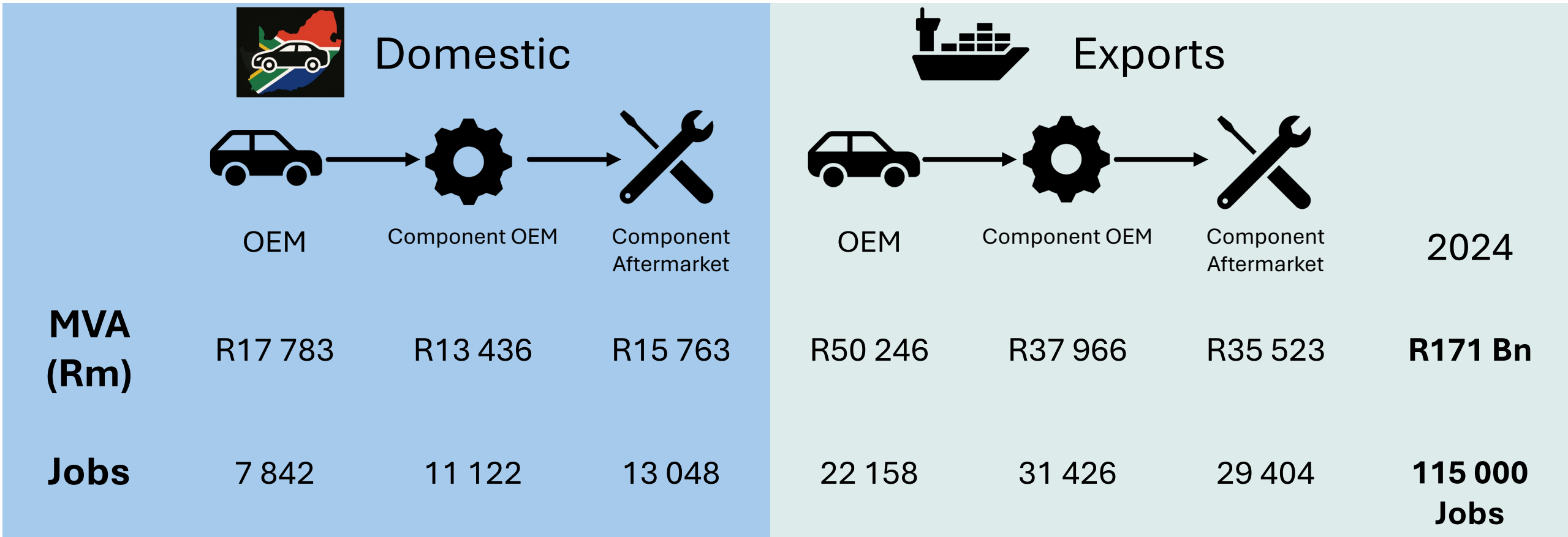
Subsector	2024
Automotive (Vehicles and Component Production)	22,6%

South Africa's Industrial Growth – Falling Behind

- **MVA per capita** dropped from **\$720 to \$640** over 24 years – almost no growth.
- **Türkiye tripled its MVA**, showing strong industrial progress.
- Like Brazil, **South Africa's industrial base hasn't led to growth**, pointing to **early deindustrialisation**.

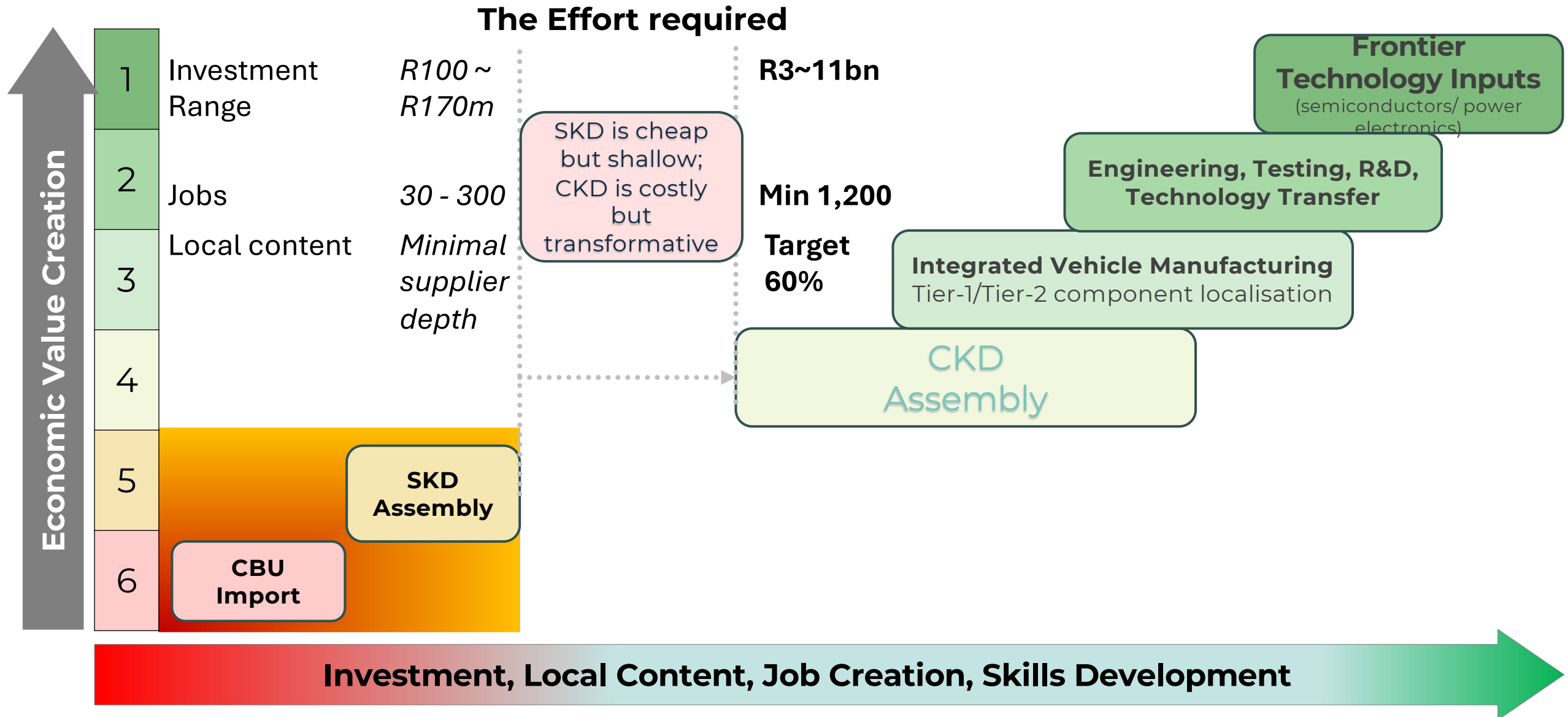
4. SA Automotive Sector – An Industrialisation Exemplar

South African automotive MVA was R171 billion in 2024, sustaining 115,000 jobs



A solid foundation with Immense Potential to catalyse South Africa's Industrialisation Aspirations

5. Demystifying Value creation in the Auto Industry

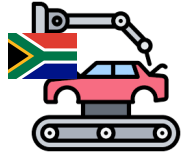


6. SA Auto Sector Overview: Sector Dynamics

Foundations



GDP Contribution : ~ **5.2%** in **2024**
(Manufacturing : 3.2%, Retail 2,0%)



SA Produced ~ **600k** vehicles in **2024**



Exports : ~**391k** units in **2024** (~2/3 of Output)



SA accounts for ~**51%** of **Africa's** vehicle **Output**



OEM footprint: 7 Global OEMs supported by
~**500 Suppliers**

Growth Levers



EU + UK support SA Vehicle Production,
opportunity for SA to leverage towards NEV



In SA NEVs are reshaping mobility
experiences in SA



Government EV investment: R1bn

Industry and Market Strain



Local content ~39%

Imports ~67% of domestic sales

Risks to Momentum



Lack NEV policy implementation



Limited growth for NEW car market in
Africa

7. The Four Forces at Our Crossroads

1

SA Market

(Lack of Scale)

2

Import Substitution

(Shift from CKD to CBU)

**Unlocking [Re]
Industrialisation**

4

NEV Transition

(Policy Uncertainty on NEV's)

3

SA Production

(Overly Reliant on One Region)

8. The Four Forces at Our Crossroads

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(Lack of Scale)

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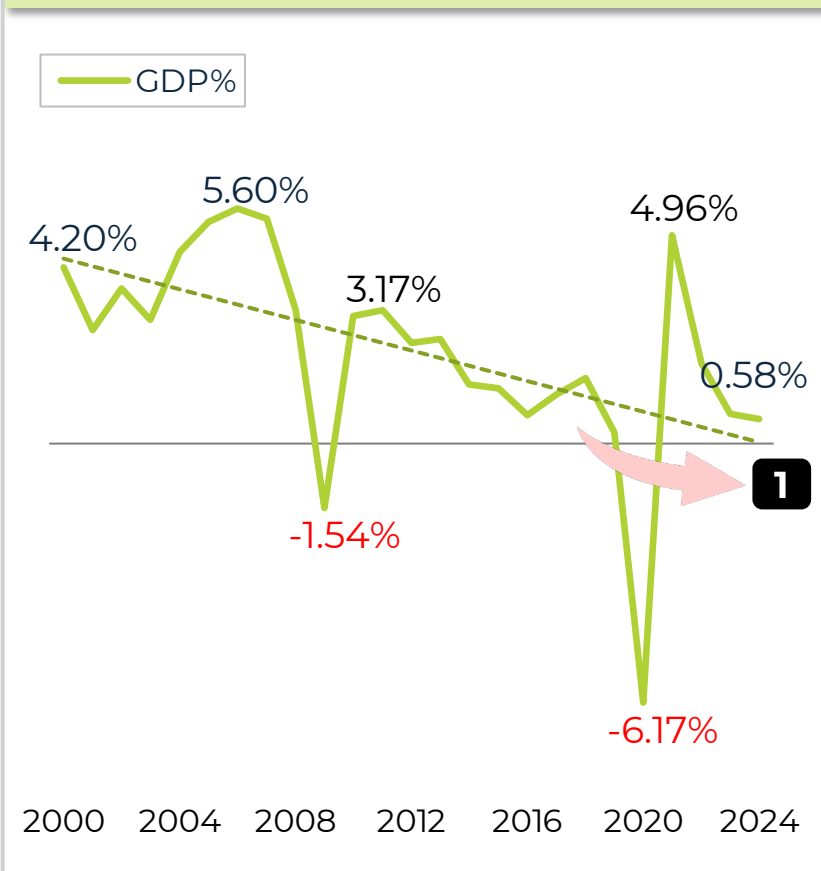
SA Production

(Overly Reliant on One Region)

9. Economic Indicators in Decline

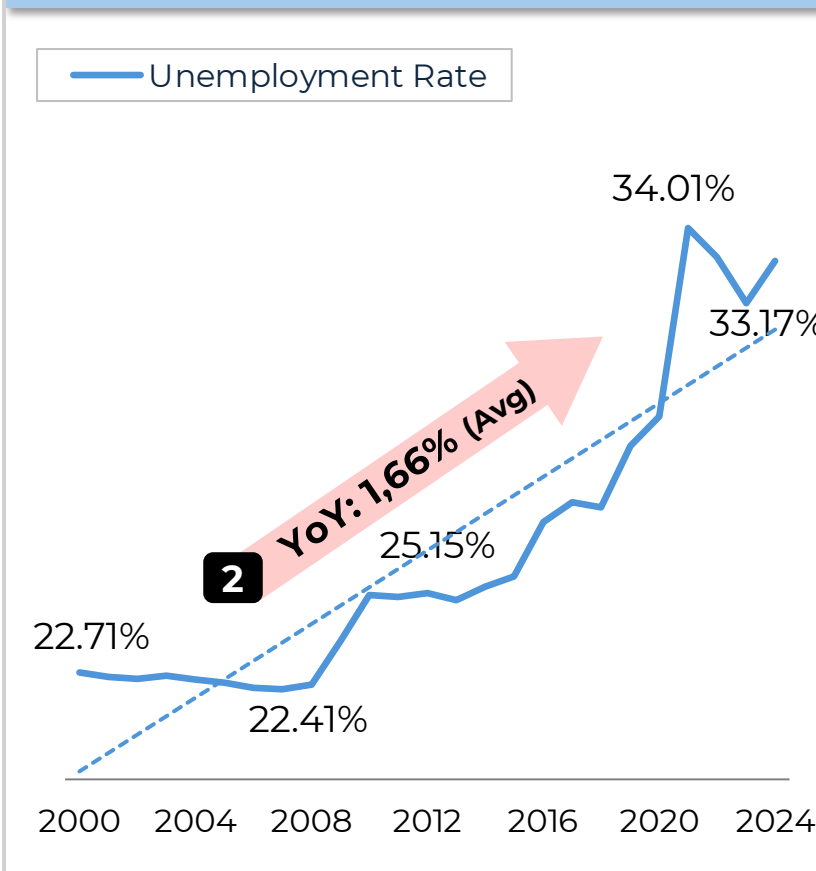
- 1** South Africa's economy has remained largely stagnant, averaging just **0,40% GDP growth** over the **past 5-years**.
- 2** Unemployment has **climbed** to **33,17%** in **2024**, representing a **steady 1,66% growth YoY** over the **past 24-years**.
- 3** Consumer confidence has **not recovered** to **pre-COVID levels**, highlighting **middle-class pressure** and **slower spending**.

1) GDP Growth in SA (Annual %) (2000 – 2024)



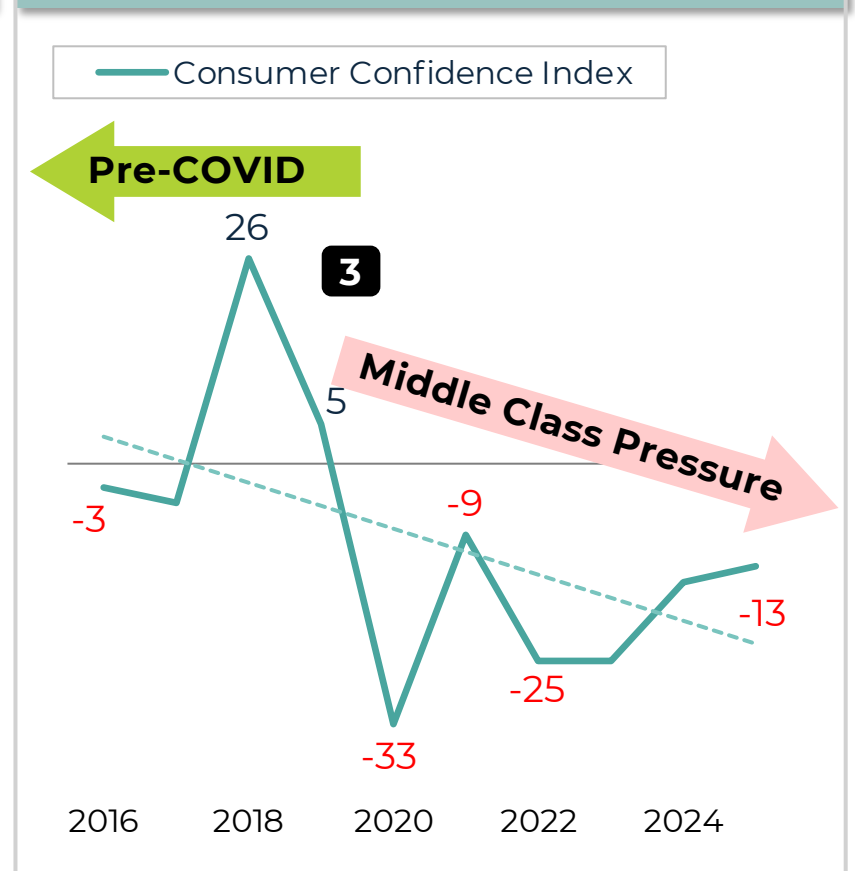
source: Statistic South Africa (statssa.gov.za)

2) Unemployment Rate in SA (2000 – 2024)



source: Statistic South Africa (statssa.gov.za)

3) Consumer Confidence Index (2016 – '24)

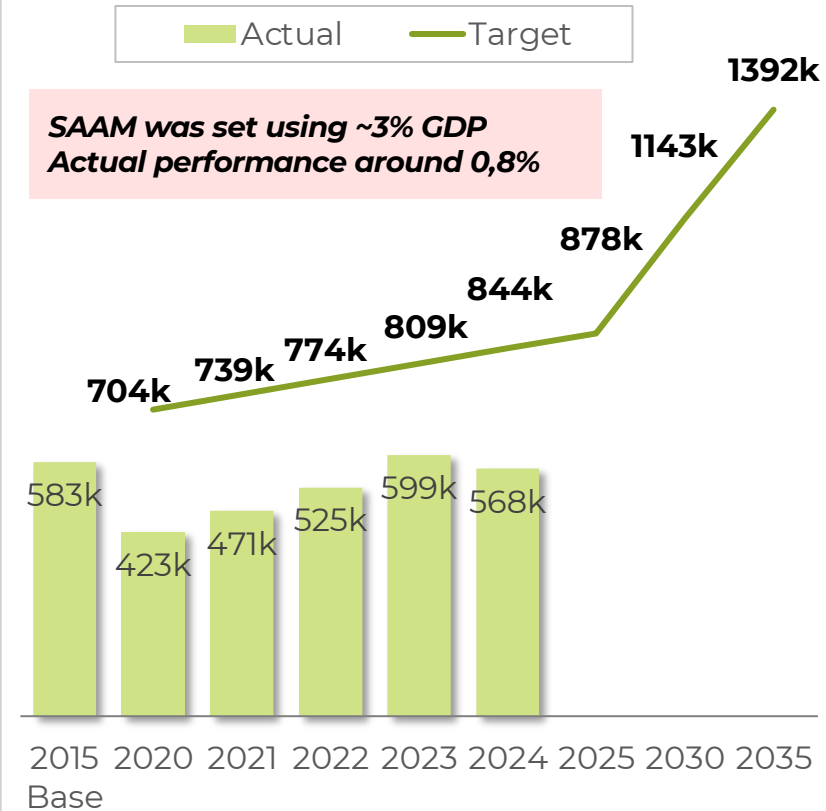


source: Bureau for Economic Research (BER)

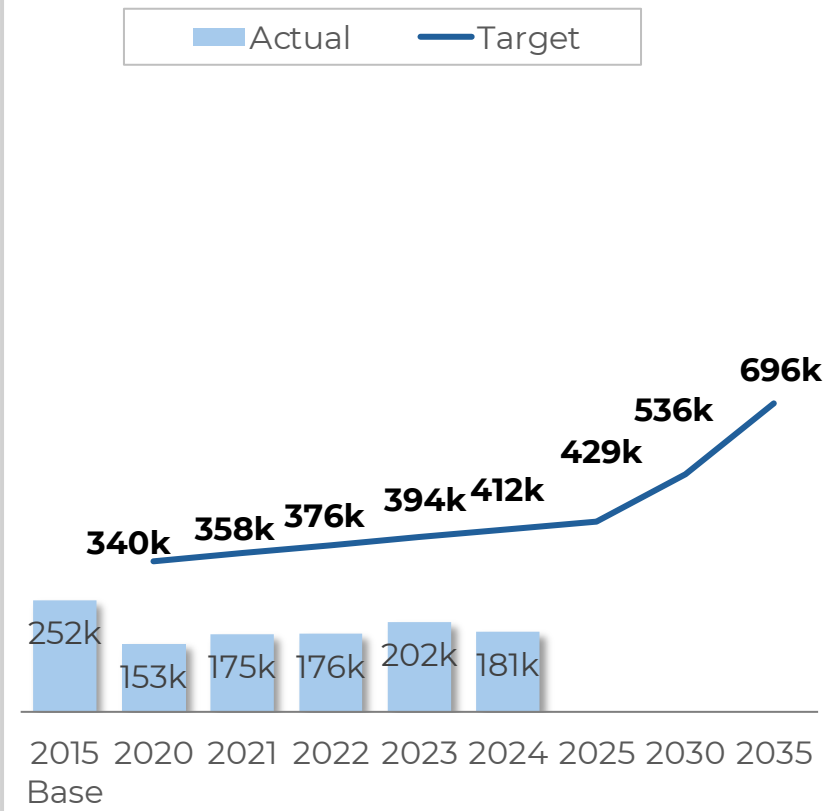
10. SA Market Performance vs SAAM Roadmap

- 1** SA production in 2024 lagged significantly, reaching **only half** of the SAAM target.
- 2** Domestic production has **underperformed** under **economic pressure**, with an significant **128% gap to target**.
- 3** SA export production falls **slightly below** target – **Africa underperforms** while **Europe** remains a **key market**.

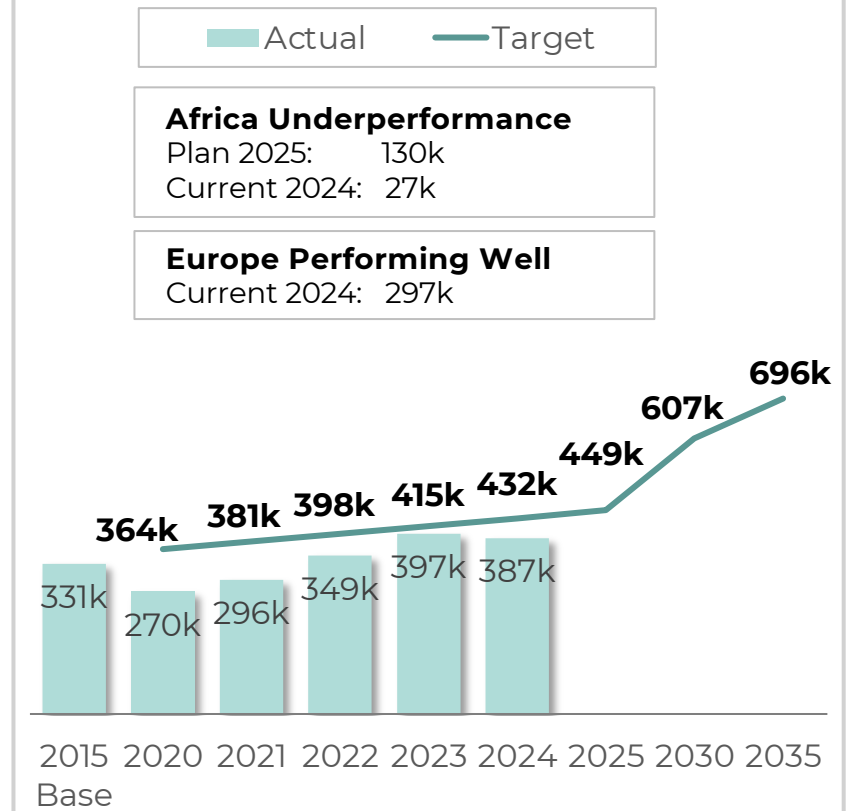
1) Total SA Production vs SAAM Target



2) SA Production for Domestic Market



3) SA Production for Export Markets

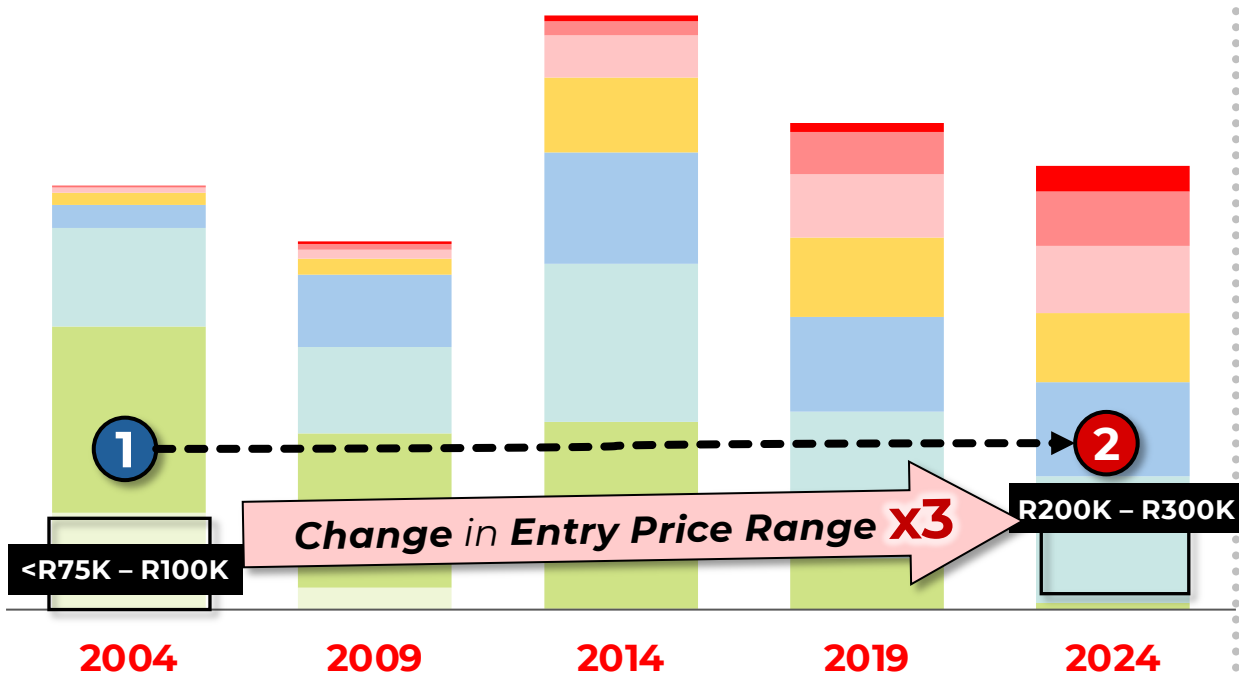


11. Vehicle Affordability & Ad Valorem Creep

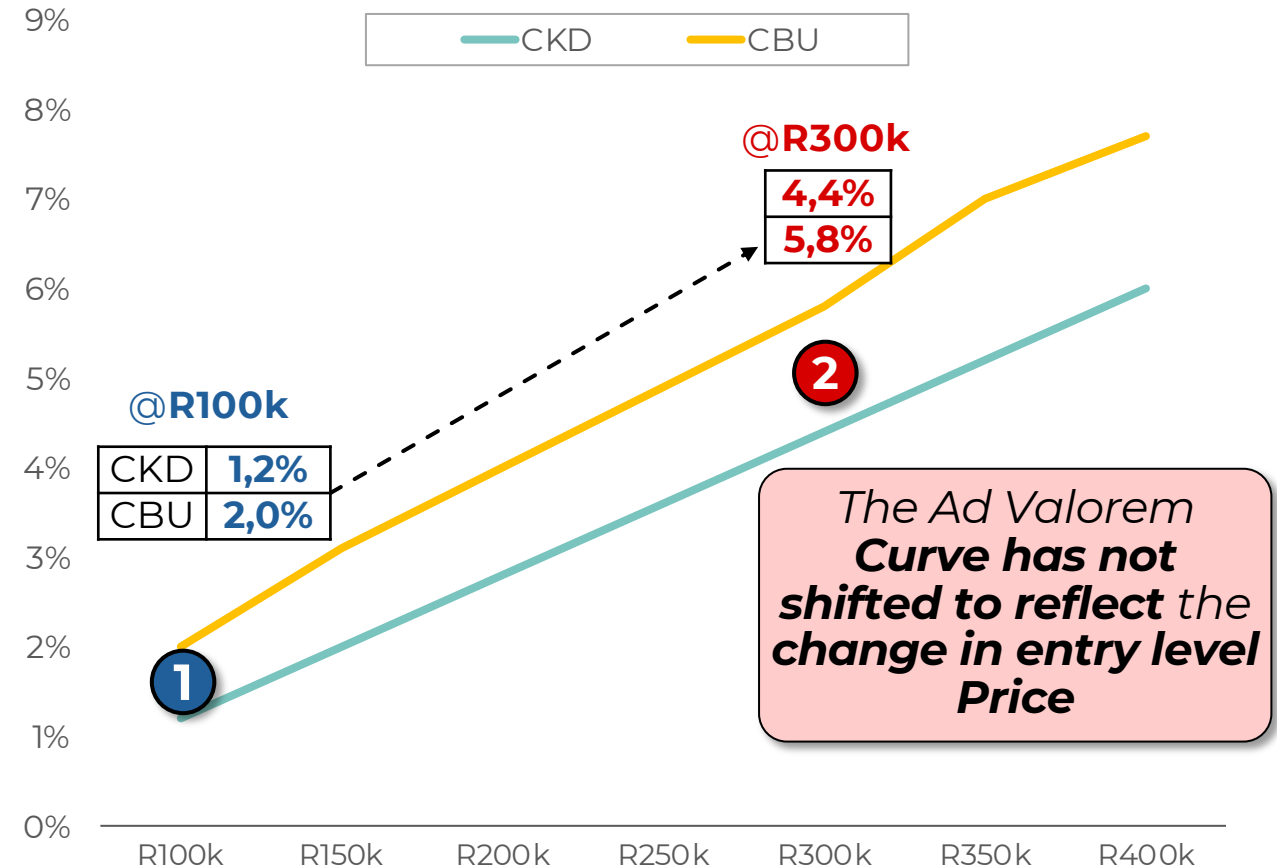
- 1** Entry-level car prices have **tripled** over the past **20 years** due to **weaker rand, inflation, higher standards/costs, etc.**
- 2** Entry price increases are **amplified** by the **unchanged Ad Valorem curve**, (*CKD 1,2% → 4,4%*), **impeding mobility accessibility.**

1) Change in Vehicle Price Ranges (2004-2024)

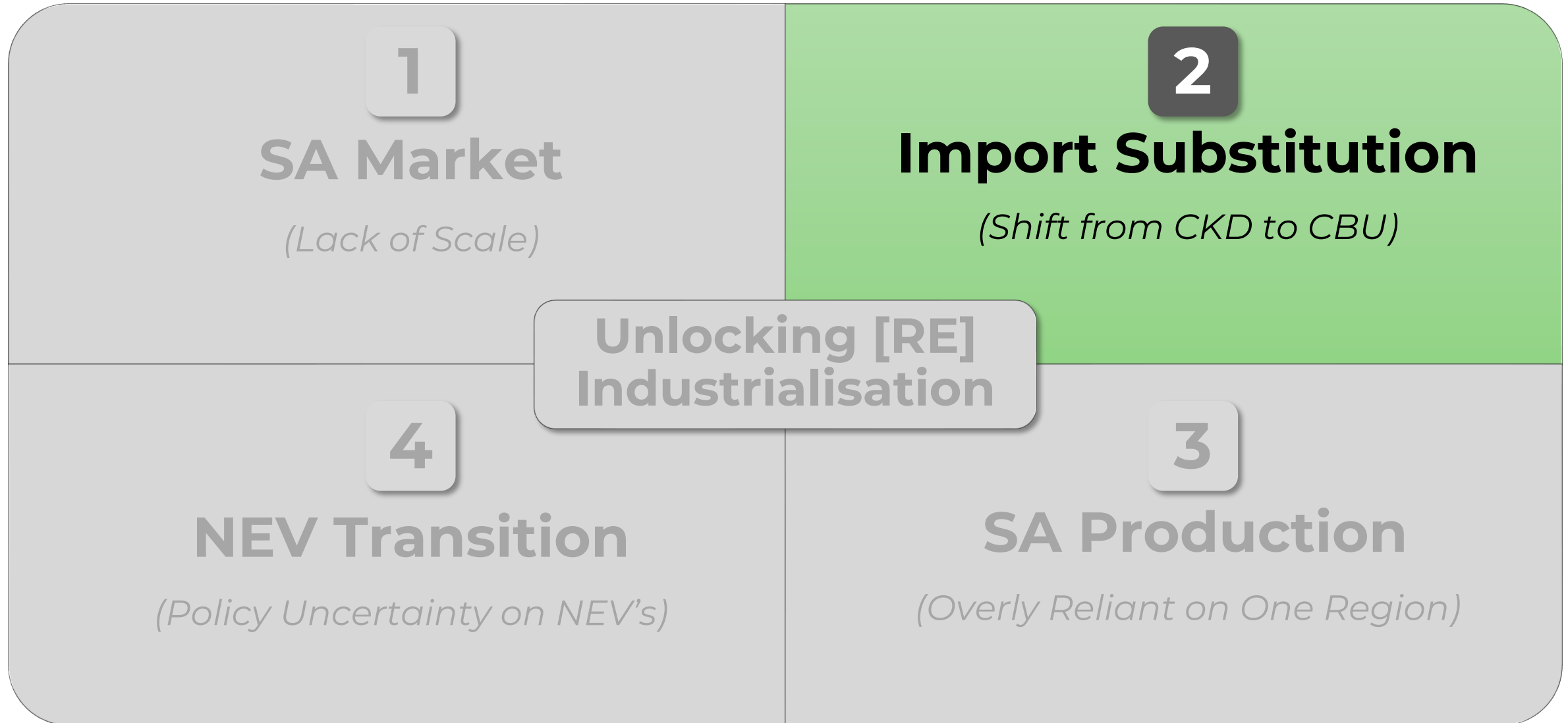
■ <R75K - R100K
 ■ R100K - R200K
 ■ R200K - R300K
 ■ R300K - R400K
■ R400K - R500K
 ■ R500K - R650K
 ■ R650K - R850K
 ■ R850K - R1M



2) Ad Valorem remains Unchanged (CKD & CBU)

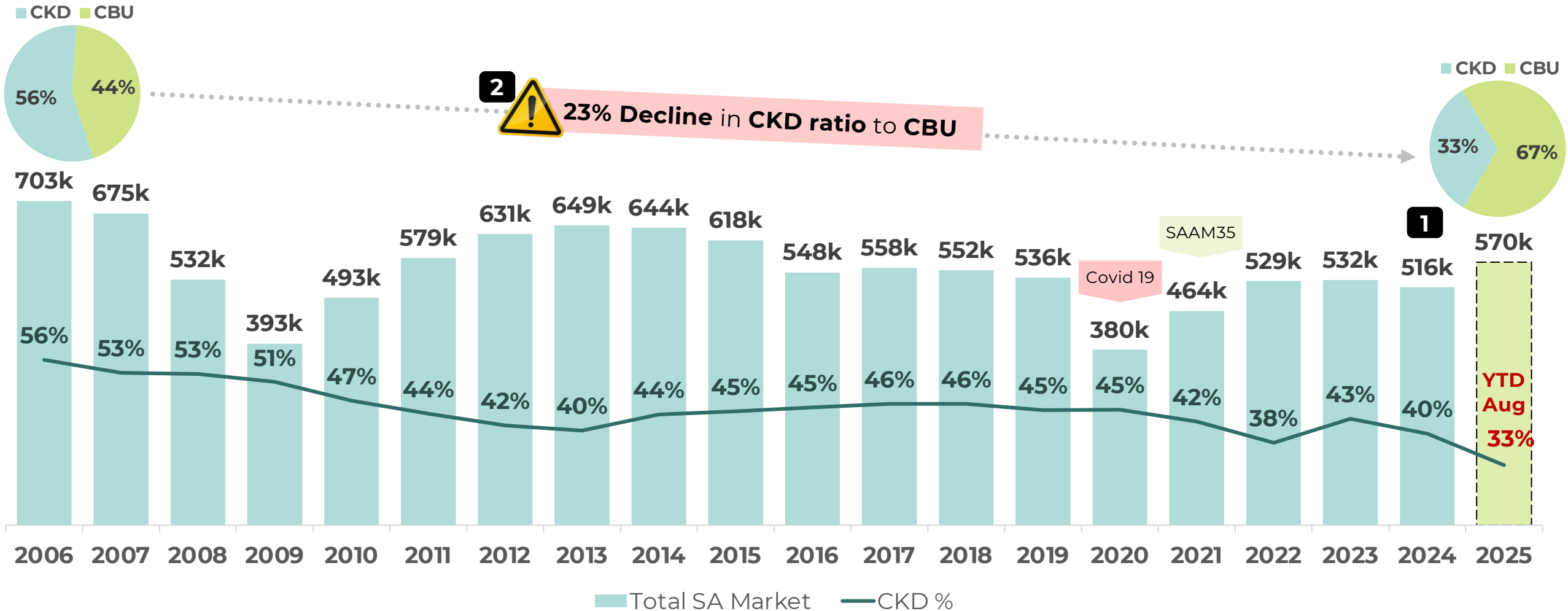


12. The Four Forces at Our Crossroads



13. SA Market (2006→2024) – Import Substitution

- 1** The SA market has remained flat since COVID, though the 2025 forecast shows a modest recovery.
- 2** Over the past 19-years, CKD share is down from 56%→33%, raising an import dominance risk. i.e. CKD 23% decline.
- 3** Sustaining CKD volumes is critical to preserving the domestic auto industry, local value creation and economic benefits.



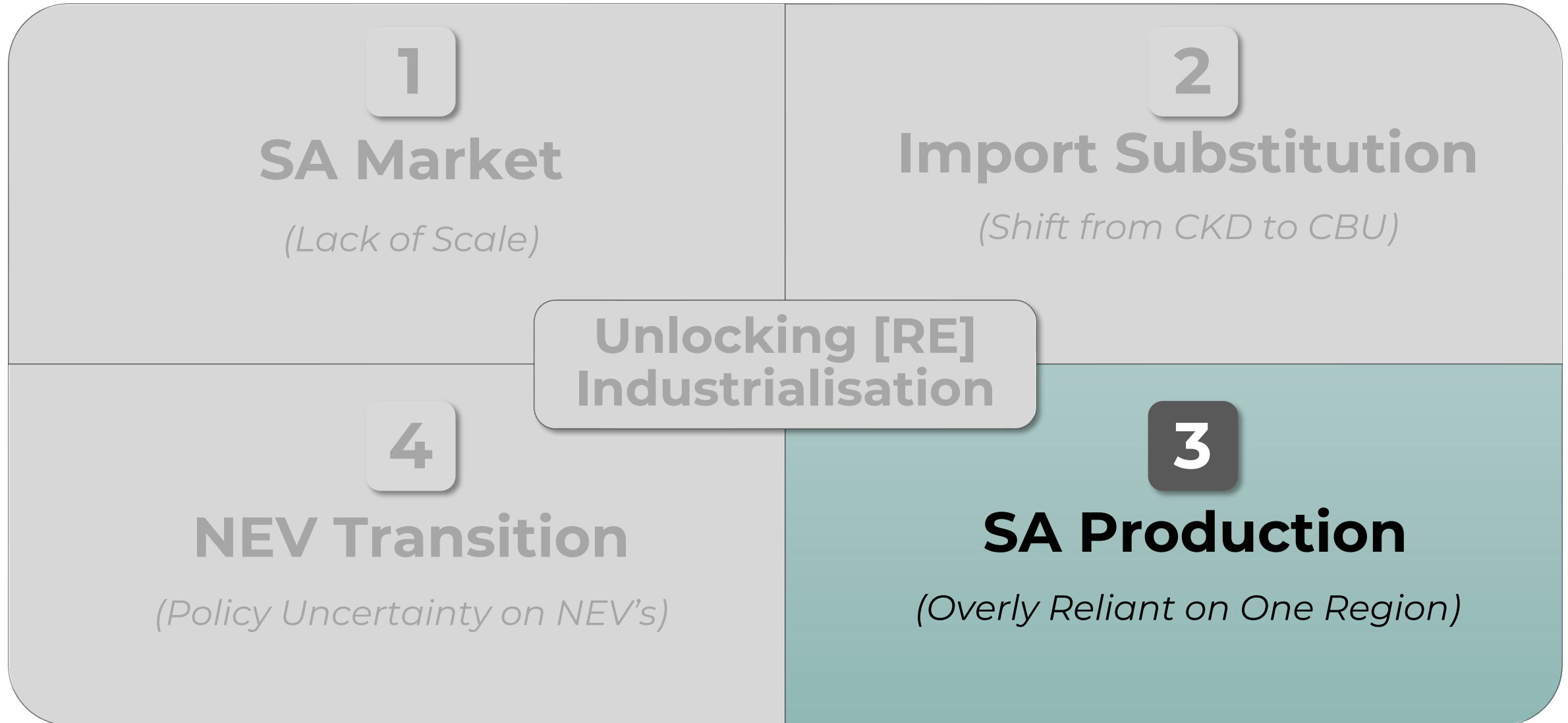
14. SA Market – CKD vs SKD

- 1** SKD lower requirements (*B-BBEE compliance, scale, and labour size*) make market entry easier, lacking pressure to transition to CKD.
- 2** SKD creates far fewer jobs than CKD, CKD transition is essential to safeguard the auto industry and our supplier base.
- 3** In equivalent vehicle segments, where CKD already exists, SKD is not additive, it is a net job reducer, eroding industrial depth and distorting prices,



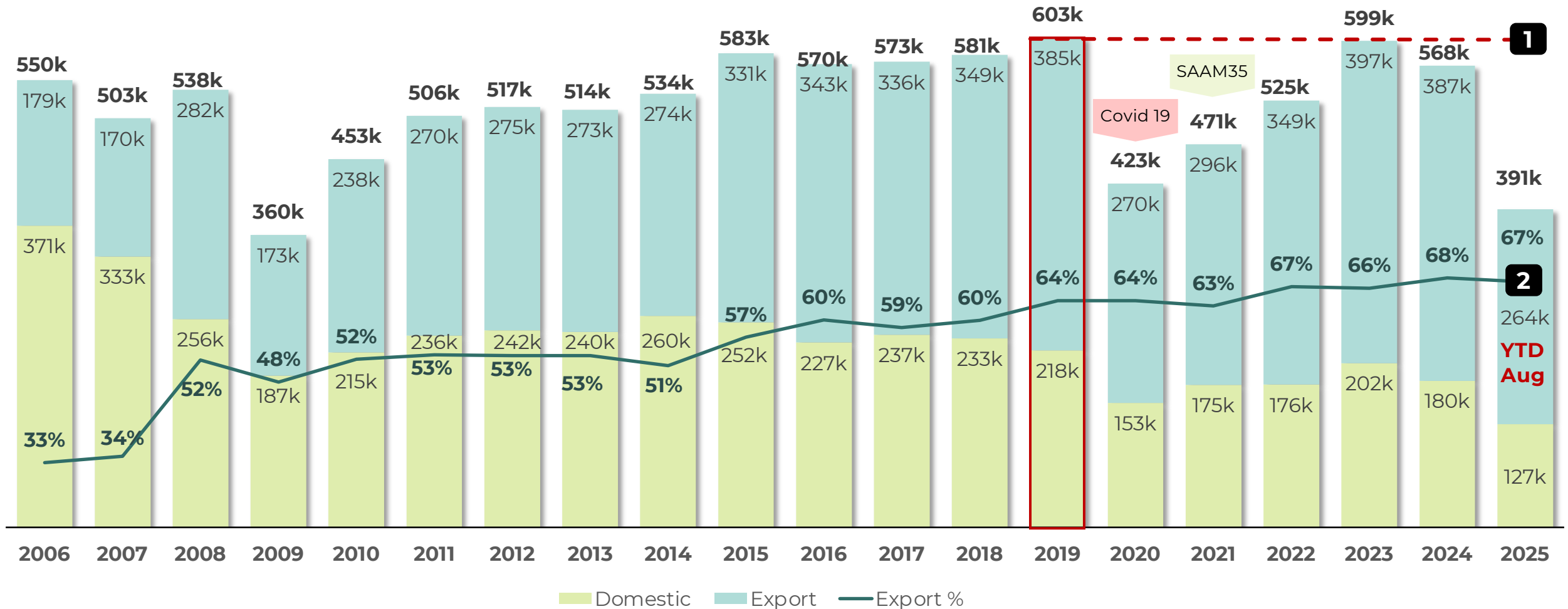
	CKD	SKD
1) Manuf. & Assy. Requirements	<ul style="list-style-type: none"> The bulk of the investment in SA. Set up cost – R3bn – R11bn Around 320 000m² site. 	<ul style="list-style-type: none"> The bulk of the investment is NOT in SA. (Abroad) Set up costs of R100m or lesser in SA. Light assembly facility ~ 24 000m²
2) Localisation	<ul style="list-style-type: none"> Targets 60% local content Builds long-term industrial depth. 	<ul style="list-style-type: none"> No government target. Minimal Manufacturing Value Added (MVA). Most of the value is created outside the country.
3) Employment	<ul style="list-style-type: none"> CKD sustains 8 jobs Min 1,000 to 7,000 heads at plant level. Development of professional & engineering skills. 	<ul style="list-style-type: none"> For the equivalent product, SKD sustains only 1 job Min 30 heads for low volume assembly. Basic assembly roles of low complexity
4) Duties Payable	<ul style="list-style-type: none"> Import duty rate of 20%. 	<ul style="list-style-type: none"> Average duty rate of 10% and 0% on some components

15. The Four Forces at Our Crossroads



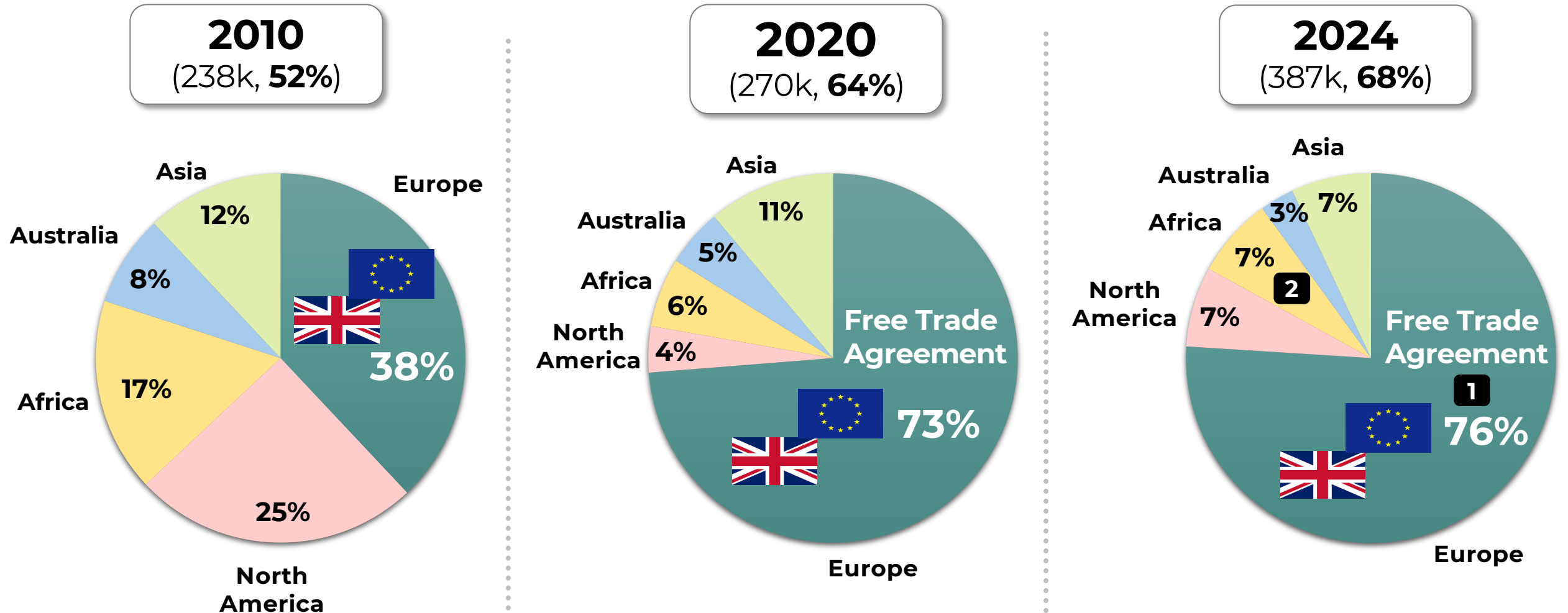
16. SA Total Production (2006→2024) – Passenger & LCV

- 1** SA production levels have yet to regain 2019 production levels (pre-covid).
- 2** Exports continue to rise (67% Aug YTD), while domestic sales are declining.

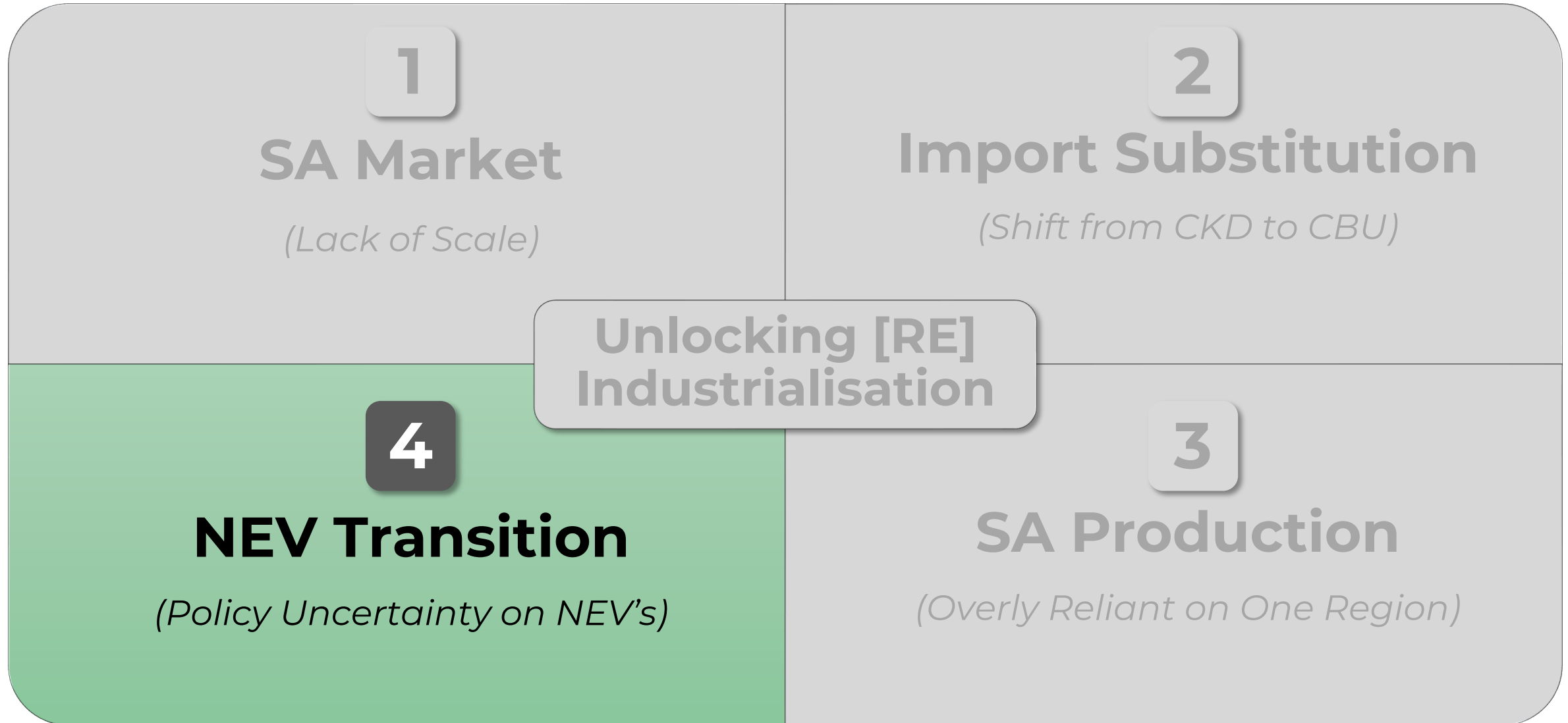


17. South African Export Market (2010 → 2020 → 2024)

- 1 Since 2010, exports to Europe have doubled while other regions have halved, highlighting South Africa's reliance on Europe.
- 2 Exports to Africa have decreased from 17% in 2010 to 7% in 2024.



18. The Four Forces at Our Crossroads



19. EU and UK NEV Regulations & Transition

1 Competitive NEV production in SA is essential to retain access to key and most profitable markets transitioning to electrification.



UK

1996 - 2027

Euro Emissions Regulations
(Euro 4, 5, 6, 7)

2024 - 2030

OEM ICE Quota System
with **Punitive** Measures
(**ZEV Mandate**)

2030

ICE
BAN

UK ZEV
Update

2035

Hybrid
BAN



EU

1996 - 2027

Fuel Emissions Regulations
(Euro 4, 5, 6, 7)

2025 - 2035

OEM Emissions Quota System
with **Punitive** Measures
(**CAFÉ**)

2035

ICE
BAN

20. Global NEV Intervention Policies

- 1 Countries have **promoted NEV adoption** through **regulatory enforcement** and **targeted incentives** for the **Auto Sector**.
- 2 Aligning to **global trends**, **South Africa** should **set clear goals** and **supportive policies** to accelerate the **shift to NEVs** in support of our **net-zero carbon emissions** by **2050**.



Targets

- **BEV 25%** '25 – '27
- **ICE Ban** by **2035**
- **Net-zero** emissions by **2050**

Regulation

- Fuel Emissions Reg (Euro 4,5,6 & 7)
- OEM Emissions Quota System

Enabling and or Penalising

- **CAFÉ Penalties**



- **ICE Ban** by **2030**
- **Hybrid ban** by **2035**

- Fuel Emissions Reg (Euro 4,5,6 & 7)
- OEM Emissions Quota System

- **ZEV Penalties**



- **100% Electrified Vehicles** by **2030**
- **Carbon Neutrality** by **2050**

- Mandatory annual emissions reporting

Tax relief:

- **Consumer**
- **Manufacturer**



- **20% of all Sales NEV** by **2025**
- **50% NEV** by **2035**
- **40% BEV** by **2030**

- Phased Approach – Quota & Credit-based system

- **Subsidies**
- **Tax Relief**
- **Purchase Subsidy**



- **50% of New sales NEV** by **2030 (EPA)**

- Automakers report emissions annually

- **Tax credits**
- **Manufacturing incentives & fines**



- **30% of Production NEV** by **2030**

- Mandatory GHG reporting

- **Consumer Tax incentives & fines**

21. Redefining the Auto Sector on the High Road with Concrete Actions

1 SA Market

→ Stimulate Demand

- **Realign** the **Ad-valorem Curve** to Current **2025 Values**. (Should fairly represent an entry level C-Segment i.e. R400K)



2 Import Substitution

→ Prioritising CKD

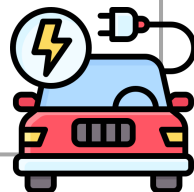
- **Increase CKD competitiveness** over **CBU's** to achieve a **more stable 50% mix**.
- **Phase out SKD Production**
- **Government to Purchase Local**



4 NEV Transition

→ Accelerate Policy Implementation

- **Urgently adopt and publish** an **inclusive NEV policy (HEV, PHEV, BEV, FCEV)** to drive demand, support manufacturing, and secure future OEM allocations.



3 SA Production

→ Diversifying our Export Portfolio

- **Fast track finalisation of AfCFTA Autos RoO** and **Tariff line agreements** to increase regional market trade.
- **Accelerate SA-EU EPA** to agree on revised **NEV RoO thresholds** to sustain this export destination.



22. Envisioning Possibilities: A 20:20 Vision

- 1** In combination these two 20% shifts would add R 21 billion in MVA to the economy (growing GDP by 0,3%).
- 2** Additionally, it will create 14,510 jobs that have strong multiplier effects across the South African economy.

20% INCREASE IN DOMESTIC PRODUCTION FOR THE LOCAL MARKET



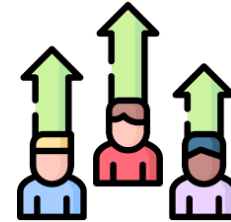
R 3,6 billion MVA
3,793 direct jobs



Local Production Growth
176,488 → **211,786 units**

(In 2015, production for the local market peaked at 246,582 units.)

20% INCREASE IN VEHICLE EXPORTS



R 17,4 billion MVA
10,717 direct jobs



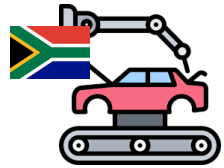
Vehicle Exports Growth
401,136 → **481,363 units**

(SAAM export projection for 2024 was 517,295 vehicles)

23. Panel Discussion Slide

1) SA Autos Quick Facts

The **South African Automotive Industry** has **Significant Potential**:



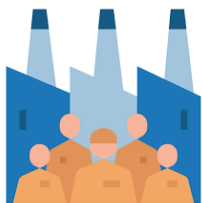
Domestic Production
> 600,000 p.a.



National Vehicle Fleet
> 11 Million Vehicles



Established **dealer and vehicle repair** infrastructure, **employing 175,000 people**



Local vehicle assembly and component production, **employing 115,000**, and presently **exporting 67%** of its **output**.

2) Envisioning Possibilities



GOAL:

Add R21 billion in **manufacturing value** and **create 14,510 jobs**.



Purposeful Unification:

A **Unified Approach** between **Government** and **Industry** is an **Imperative Towards [Re] Industrialising our Future**

END

