



AUTOMOTIVE INDUSTRY EXPORT COUNCIL

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SEVERAL RECORDS AS AUTOMOTIVE INDUSTRY REBOUNDED IN 2021

Aligned with global trends, the South African economy and the domestic automotive industry sharply rebounded from the low-based, COVID-19 affected 2020, but the growth experienced since the initial shock has not been sufficient to return to pre-pandemic levels. However, despite the pandemic and supply chain disruptions such as the global shortage of semi-conductors, the industry's key performance indicators included several records in 2021. The domestic automotive industry's trade performance is again highlighted in the 2022 Automotive Export Manual publication, just released by Dr Norman Lamprecht on behalf of the Automotive Industry Export Council [AIEC].

Vehicle and automotive component exports increased by a substantial R31,8 billion, or 18,1%, from the R175,7 billion in 2020 to a record R207,5 billion in 2021, comprising 12,5% of total South African exports. Vehicle exports increased by 26 733 units to 298 020 units in 2021, from the 271 287 vehicles exported in 2020, while the export value increased by R17,1 billion from the R121,2 billion in 2020 to R138,3 billion in 2021. Automotive component exports reflected a substantial increase of R14,7 billion to a record R69,2 billion in 2021, from the R54,5 billion in 2020. This was mainly due to record catalytic converter exports of R34,9 billion. The domestic automotive industry's export destinations increased to 152 countries in 2021 from the 147 destinations in 2020, with the export value doubling from 2020 to 2021 in the case of 32 of these countries.

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

The trading environment in South Africa is extremely competitive compared to global standards, and in 2021 there were no less than 43 passenger car brands and 3 077 model derivatives, the greatest selection of market-size ratio found globally. Similarly, in the light commercial vehicle segment, for the same period, there were 23 brands, with 746 model derivatives to choose from. Consumers continue to be brand loyal

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as Toyota celebrated 42 years of consecutive market leadership in 2021, with a market share of 25,3%, followed by Volkswagen Group of SA, Hyundai Automotive South Africa, Ford Motor Company of Southern Africa and Nissan South Africa. An interesting phenomenon is that South African motorists are more inclined to drive bakkies, which have both commercial and leisure vehicle applications, than passenger cars. Out of the top 10 selling vehicles in 2021, eight were South African-built passenger cars and light commercial vehicles with the Toyota Hilux once again took the laurels as the most popular model sold in the country in 2021.

Vehicle exports, the lifeblood of the domestic OEMs, are important to the viability of the South African automotive industry, as exporting remains imperative to generating sufficient economies of scale and to achieving improved international competitiveness. In 2021, passenger car and light commercial vehicle exports accounted for a significant 63,1% of total domestic light vehicle production. Nearly four out of every five vehicles were destined for Europe in 2021 with the UK, Germany, France, Italy and Japan the top export destinations. VWSA, with its Polo model, maintained its top position for the third consecutive year. The top country of origin, in volume terms, for passenger cars and LCVs imported into South Africa in 2021 was India, with 129 364 vehicles, accounting for 49,3% of the total light vehicles imported. India has been established by several global brands as a production hub for entry-level and small vehicles, and most of the vehicles imported from India fell into these categories.

Globally in 2021, COVID-19 continued to impede personal mobility needs, while supply chain disruptions slowed down the post-pandemic recovery of the global new vehicle market. The intensifying global semiconductor shortage continued to limit vehicle production around the world. Global vehicle production increased by a modest 3,1% to reach 80,2 million vehicles in 2021, up from the 77,7 million units produced in 2020, but it was still 13,0% below the pre-COVID-19 level of 92,2 million vehicles in 2019. South African vehicle production increased by 11,8%, from 446 215 units produced in 2020 to 499 087 units produced in 2021, exceeding the global year-on-year increase in global vehicle production of 3,1% in 2021. Subsequently the country's global vehicle production ranking improved to 21st in 2021 from 22nd in 2020 and its global market share increased from 0,58% in 2020 to 0,62% in 2021. In terms of global LCV production, South Africa was ranked 14th with a market share of 1,25% in 2021. South Africa remained the dominant market on the African continent and accounted for 53,6% of the total African vehicle production of 931 056 vehicles in 2021.

New energy vehicle (NEV) sales have been particularly impressive over the last three years, even as the global pandemic shrank the market for conventional cars, and as manufacturers started grappling with supply-chain bottlenecks. The net growth in global car sales in 2021 came from NEVs. In 2020, NEV sales increased to 3,24 million units, representing 6,0% of total passenger car sales. In 2021, NEV sales more than doubled to 6,6 million, representing 11,7% of the global passenger car market. China led the global growth in the NEV markets in 2021, as sales nearly tripled to 3,4 million units. In other words, more NEVs were sold in 2021 in China alone, than were sold in the entire world in 2020. In South Africa, battery electric vehicle (BEV) sales increased from 92 units in 2020 to 218 units in 2021. Affordability and limited choice have been noted as the main factors inhibiting NEV sales in the country. However, South African new-vehicle buyers will have a choice of around 20 battery BEVs by 2023, while the outcome of the jointly funded **naamsa** and DTIC NEV research study, to be completed in 2022, will aim to develop an appropriate fiscal and regulatory framework that will make South Africa a leading, highly competitive location for global NEV production.

The reach with respect to the number of destinations of vehicles and automotive component exports from South Africa remains high. In 2021, the top export destinations remained markets in the Eurozone as well as the US. However, diversification into new emerging markets is a continuing trend and underlines the automotive industry's competitiveness drive and the continuous widening of the country's traditional trading base. The latter is highlighted by new export destinations appearing in the industry's export list of countries every year, as well as the specific destinations to which the export values have more than doubled on a year-on-year basis. From 2020 to 2021, out of the 152 export destinations, the total export values more than doubled in the case of 32 countries.

In 2021, automotive component exports increased by 27,0% to a record R69,2 billion, from R54,5 billion in 2020. Catalytic converters reflected a substantial increase in exports year-on-year to a record R34,9 billion in 2021 and comprised 50,4% of total automotive component exports, followed by engine parts, tyres and engines. Germany and other developed markets have remained the South African automotive industry's top export destinations for component exports over the past three decades. However, substantial increases year-on-year in 2021 in exports to highly competitive markets such as Thailand, Turkey, India, China, Brazil, Argentina, and Malaysia are underscoring South Africa's increasing status as a global player.

Imports of original equipment components by the seven OEMs in South Africa increased by a substantial R27,8 billion, or 33,8%, to R110,1 billion in 2021, from the R82,3 billion in 2020, in line with the 11,8% year-on-year vehicle production increase in 2021, as well as in accommodating the introduction of new domestically manufactured models. In 2021, the import of replacement parts increased by R10,69 billion, or 18,6%, to R68,3 billion, up from the R57,6 billion in 2020. A weak macroeconomic outlook, along with the global shortage of semi-conductors resulting in the unavailability of stock of certain models, has resulted in consumers and fleets holding onto their vehicles for longer. The repair-age sweet-spot for most light vehicles ranges between six and ten years of vehicle age. Considering that the South African car parc of 12,96 million vehicles is an aging one, increasing to 10 years and four months in 2021, with 71% being six years or older, servicing of these older vehicles becomes critical.

In 2022, the domestic automotive industry is expected to continue a stop-start recovery in view of prevailing COVID-19 related supply chain disruptions, insufficient stocks, and escalating energy and transportation cost increases. Building resilience against the many causes of business interruption is increasingly becoming a competitive advantage for companies.

Under the SAAM 2021-2035, which was implemented on 1 July 2021, the future is paved with numerous opportunities, revealing the extent of the potential for the long-term development of the South African automotive industry. Amongst many others, increased vehicle and automotive component market demand opportunities in Africa via the African Continental Free Trade Area (AfCFTA) and the Auto Pact, as well as opportunities resulting from the imminent demand for new energy vehicles (NEVs) in the industry's traditional markets, which would require for the domestic automotive industry to make significant investments in innovation and NEV technology.



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