



NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SOUTH AFRICA

Leveraging synergies between the Metals and Engineering Sector and the Automotive Manufacturing Industry

NAAMSA Contribution

20th September, 2018

A high level of interdependence exists throughout the vehicle manufacturing value chain which includes the Steel, Metals and Engineering sectors. The performance of any specific part of the value chain will impact and influence other elements in the chain.

Membership of NAAMSA comprises 22 manufacturers of cars, light commercial vehicles, medium and heavy trucks, extra heavy trucks and buses. Seven major multi-national corporations – BMW, Ford, Isuzu, Mercedes-Benz, Nissan, Toyota, VWSA – are represented in South Africa and account for the bulk of new vehicle production which is focused on both the domestic and export markets.

Growth in vehicle production has been positive as illustrated by the following numbers – at 5 year intervals –

2000	356 800	
2005	525 227	
2010	472 049	
2015	617 680	
2018	609 000	} <i>Projections</i>
2019	662 000	
2020	688 000	

The auto industry accounted for 30.1% of SA manufacturing output in 2017 and the broader auto industry contributed 7.7% to the country's GDP.

The profile of the auto industry in SA continues to expand internationally.

- **The industry aims to increase vehicle production to around 1 million vehicles per annum**
- **Automotive exports recorded the second highest annual total of R164.9 billion in 2017 (2016: R171 billion) to 149 countries around the world. Growth prospects remain positive**
- **South Africa's ranking remains at 22nd in terms of global vehicle production with a global market share of 0.62% in 2017**
- **Industry employment remains stable with 30 000 headcount in vehicle manufacturing and 83 000 in component production**

When vehicle manufacturing expands production – other sectors throughout the value chain – benefit. At present, due to subdued economic growth, the domestic market is under pressure but production numbers continue to hold steady on the back of growing vehicle exports.

The post 2021 automotive developmental policy regime will have a major bearing on the performance and wellbeing of the automotive industry, including the metals and engineering industry.

The vision and objectives through 2035, include –

- To grow SA vehicle production to 1.0% of global output**
- To increase local content in SA assembled vehicles to 60% (from 40% at present)**
- To double total employment in the auto value chain**
- To improve auto industry competitiveness levels to that of leading international competitors**
- To transform the South African automotive value chain and to deepen value addition within SA auto supply chains**

The aspirational targets are ambitious and require support through six identified pillars, namely, local market development and optimization, regional market development, localization initiatives, infrastructure development, transformation and technology and skills development.

SAAM 2035 vision

A globally competitive auto industry that actively contributes to the sustainable development of SA's productive economy, creating prosperity for industry stakeholders and broader society

Objectives: 1% of global vehicle production, 60% local content, 100% employment growth, competitiveness to leading competitor standards, doubling of Black-owned firm contributions, increased value addition within GVCs

Local market
optimisation

1

Regional
market
development

2

Localisation

3

Infrastructure
development

4

Industry
transformation

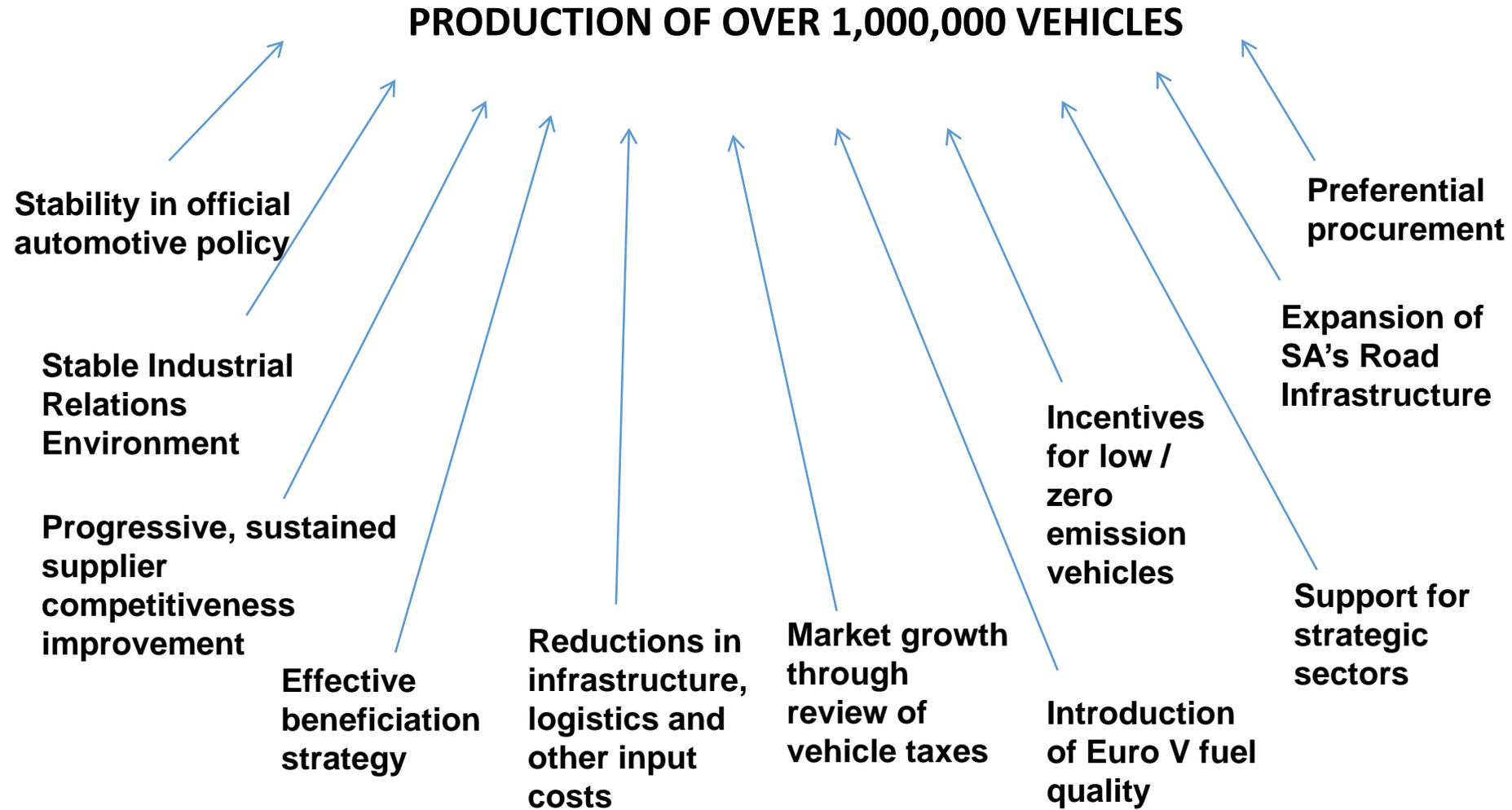
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Technology
and associated
skills
development

6

Enabling policy post-2020 (phase 5 of the SAAMP)

SUCCESSFUL REALIZATION OF GROWTH VISION: STRATEGIC INTERVENTIONS TO DELIVER ON THE POLICY OBJECTIVES

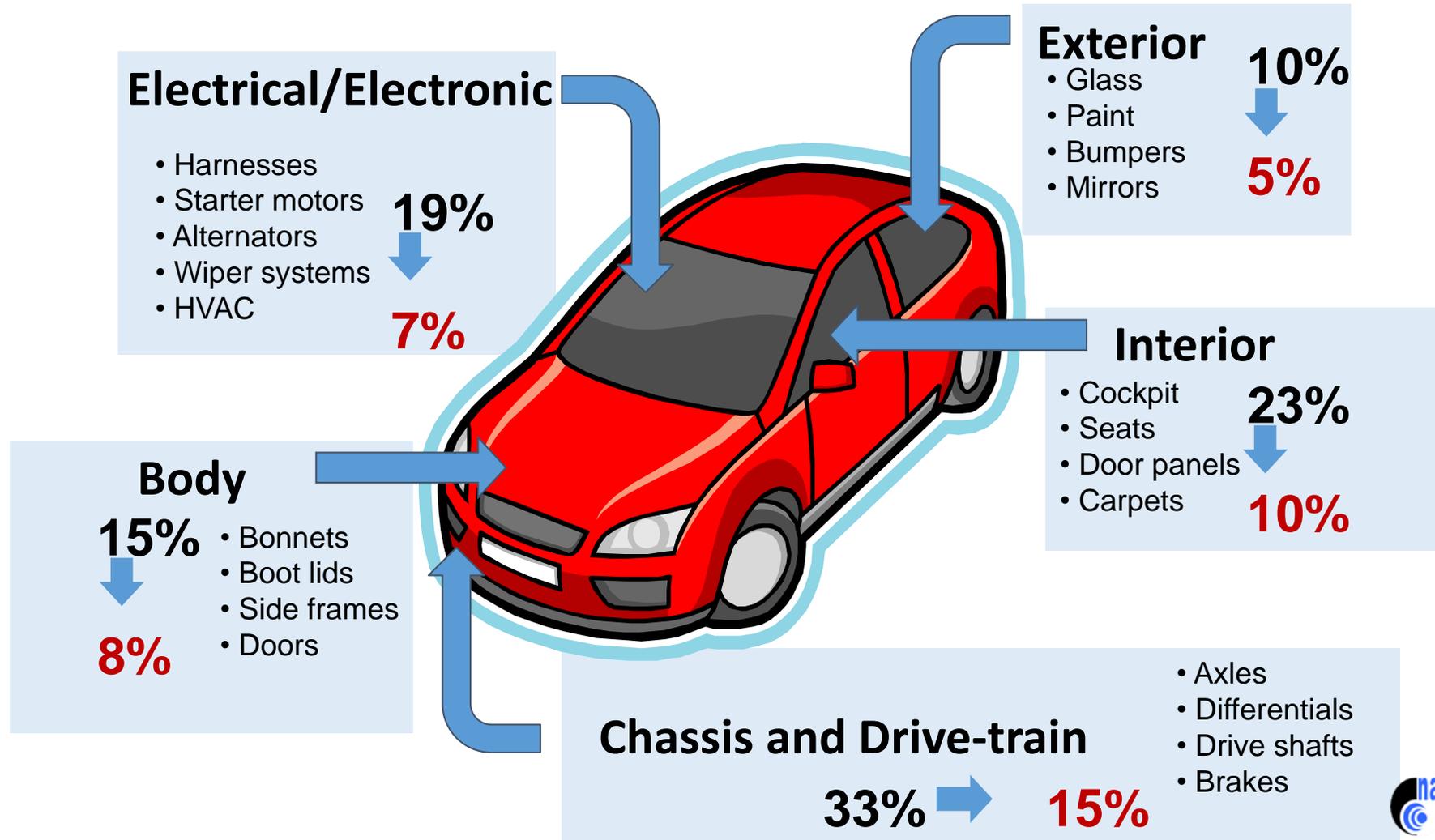


BUILDING BLOCKS: VALUE CHAIN

Indicative average local content as % of vehicle cost

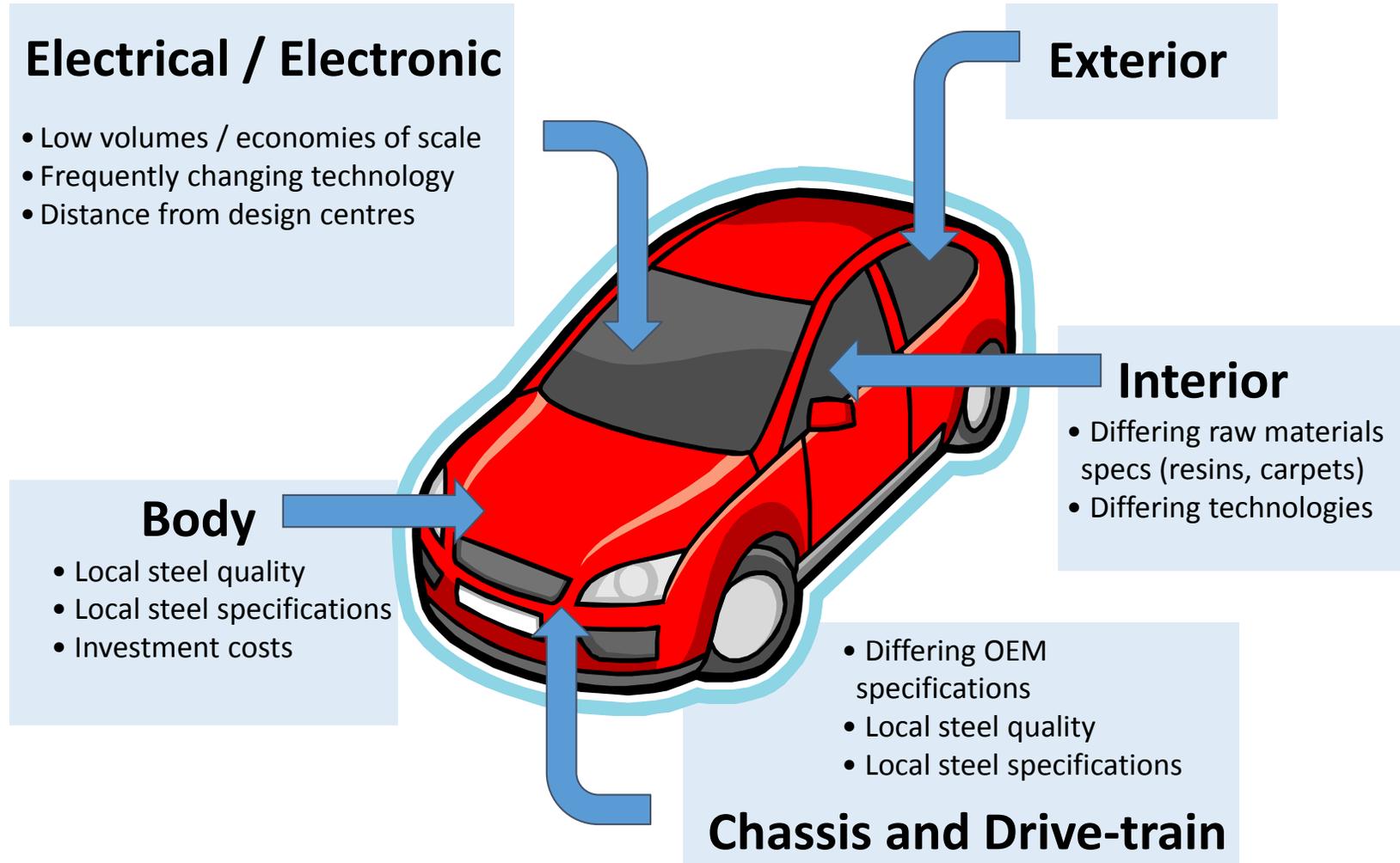
% black = % of total material cost

% red = average local content



BUILDING BLOCKS: VALUE CHAIN

Challenges in expanding and deepening local content



AUTO INDUSTRY OPPORTUNITIES

- Geographical
- South Africa
- A growing sector
- Solid business
- Sophisticated
- Strong culture
- Comparable
- Relatively low
- Relatively wide
- Relatively good
- SA automotive
- First world product
- Flexible production
- Excellent quality
- Abundant
- Active stakeholder
- Government
- South Africa's free trade agreements
- Skills development support programmes - especially by OEMs

- **Attracting new vehicle assembly operations to South Africa**

- **Increased localisation of automotive components**

- **Expand automotive component exports**

- **Increased vehicle exports to Africa**

- **Improve logistics efficiencies and reduce costs**

- **Establishment of more R&D, engineering & testing facilities**

- **New trade agreements**

- **Produce more “affordable” cars**

- **Beneficiation of steel, aluminium, chrome & PGMs in metal products fabricated for automotive industry**

- **SA’s auto export markets: strong growth through 2030**

- **Introducing more environment-friendly & fuel efficient vehicles**

- **Electric, low emission vehicles**

AUTOMOTIVE INDUSTRY THREATS

- **Slowdown in global markets**
- **Volatile exchange rate**
- **Delay in introducing cleaner fuels**
- **Competition from the fast growing automotive industries in some emerging markets – e.g. Morocco**
- **Rising cost of labour**
- **Rising cost of electricity**
- **High cost and low efficiency of logistics**
- **Security and stability of electricity supply**
- **Unstable labour environment and strikes**

Concluding remarks

The track record and performance of the SA Automotive Industry to date has been impressive. Going forward, the industry will have to cope with a number of challenges, however, none of them are insurmountable.

The growth potential of the South African automotive industry remains above average.

The realisation of higher vehicle production in South Africa will make a positive contribution to the future growth and development of the country – including the steel, engineering and metals sector – and create sustainable employment and inclusive growth.

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