

Ghana Automobile Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Ghanaian automobile market is expected to reach USD 10.64 billion, registering a CAGR of 15% during the forecast period.

Due to the outbreak of COVID-19, the automobile industry in Ghana faced considerable delays in 2020 due to supply chain disruptions in major automotive production hubs worldwide, leading to delays in the shipment of critical auto components to carry out vehicle assembly operations. However, the automotive industry witnessed significant growth in 2021, likely enhancing the demand for vehicles during the forecast period.

The automotive industry in the country consists of retailers of imported used vehicles and a few distributors who deal with retailing newly manufactured vehicles. The country imports about 100,000 vehicles per year. The United States, Japan, and Germany are the country's leading importers. The automotive industry contributes a quarter of the country's GDP. However, by 2022, it anticipates accounting for at least 30% of GDP, and the primary reason for the increase may be the automobile industry. Ghana is the third biggest economic country among West African countries. It is likely to experience growth in the automotive industry during the forecast period, owing to the increase in "Made in Ghana" vehicles initiated by Kantaka Group in 2016 and the increasing skilled-work force in the Ghanaian automotive industry.

Over the long term, the country's imports of automotive parts and components are likely to increase. The government has planned to reduce corporate tax to around 20-25% and remove special imports levied in the country under its manifesto. Ghana imports about 100,000 vehicles per year. About 90% are used vehicles, with an estimated value of USD 1.14 billion annually. The United States, Japan, and Germany are the leading suppliers.

Ghana Automobile Market Trends

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Growing Automobile Industry

Ghana's production industry receives proper aid from the local authorities, which has enabled it to emerge as one of the 40 quickest-growing commercial productions globally. The industry currently accounts for a quarter of the country's GDP. The automobile industry may be the primary reason for the increase, as it was projected to account for at least 30% of GDP last year.

With the impending abolishment of trade barriers under the African Continental Free Trade Area (AfCFTA), Ghana overtakes Nigeria by becoming a gateway to the rest of West Africa and a market leader in new car sales. The Government of Ghana offers 10-year tax breaks to the automotive manufacturing industry to make Ghana the regional hub for car assembly and enhance car sales in the local and regional markets. The enactment of stringent emission norms is likely to increase the demand for electric vehicles across the country. In Ghana, the Strategic National Energy Policy (SNEP) estimates that the transport sector consumes about 85% of diesel and 99.7% of gasoline in the economy.

As part of its transformational agenda, the Government of Ghana has identified vehicle assembly and automotive components manufacturing as a strategic anchor industry to be facilitated and supported as part of the Ten Point Plan for industrial development. As a result of this positive signal, Ghana attracts investment in vehicle assembly from leading original equipment manufacturers (OEMs) and investment partners, with positive projections of spillovers into local manufacturing. The Ministry of Trade and Industry developed a comprehensive package of incentives and policy measures to support the establishment of an automotive assembly and component manufacturing industry. This is a strategic anchor of industrialization and a new pillar of growth in Ghana.

Both commercial and passenger vehicles are forecast to increase at a healthy rate in Ghana because of the rising vehicle-per-population ratio. For instance, the Government of Ghana developed an electro-mobility policy incorporating implementation and market frameworks for the deployment and scale-up of electric vehicles in the previous year across the country. Domestic vehicle production and assembly have substantial multiplier effects on the economy and act as a catalyst for economic growth, leading to increased purchasing power. The market has seen continuous positive growth due to a boost in manufacturing, employment, industrialization, and export revenues. Currently, most of the consumers in the automobile segment belong to the affluent class. Therefore, the automobile industry in Ghana presents massive opportunities for the future as the burgeoning middle class is largely untapped in the country.

One of the major problems in Ghana that has been impeding the growth of the automobile sector is the lack of financial inclusion in the country. Automobile ownership is difficult for most people since they lack access to financial loans and other options like leases.

Increasing Passenger Car Demand

Approximately 62% of the new vehicle market comprised passenger vehicles as per new vehicle registrations in the previous year. Amid the growing GDP of the country and rising purchasing power, passenger vehicle sales are driven by government purchases. Major vehicle manufacturers are expanding their production facilities across the country, which is likely to witness major growth in the market. For instance, in April 2022, Nissan Motor Co. Ltd opened a new car assembly plant in Ghana. The new assembly facility has an area of about 5000 square meters and can produce more than 31,000 vehicles per year. In June 2021, Toyota Motor Corporation opened its second vehicle assembly plant in Ghana. With the new assembly plant, used vehicle imports were reduced and exports increased. Toyota invested an amount of USD 7 million with an annual production capacity of around 1,330 units.

The Government of Ghana attracts investment in vehicle assembly from leading original equipment manufacturers (OEMs) and investment partners to promote manufacturing facilities across the country. The Ministry of Trade and Industry developed a

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comprehensive package of incentives and policy measures to support the establishment of an automotive assembly and component manufacturing industry as a strategic anchor of industrialization and a new pillar of growth in Ghana.

Second-hand import vehicles dominate the passenger vehicle segment. A large share of the used vehicles is imported from the United States, as the vehicle specifications in the United States are more in line with the taste and demand of consumers in Ghana, which entry-level models from Europe are not designed to meet. Import restrictions on specific categories of vehicles (vehicles older than ten years and salvaged/accident vehicles) contribute to an increase in new car sales. Due to low disposable income and high costs associated with new vehicles, used vehicles dominate Ghana's automotive retail sector. These vehicles are mainly imported from regions with low resale or residual values of used vehicles like Europe, Japan, and the United States.

A common trend that can be seen is that a small percentage of new vehicles compete against a strong influx of much cheaper used imported vehicles. Vehicles tend to appreciate due to the limited supply of vehicles and import duties.

Ghana Automobile Market Competitor Analysis

The Ghanaian automobile market is dominated by a few players like BMW, Daimler, Nissan, Mitsubishi, Volkswagen, and Toyota Motors. Several vehicle manufacturers are expanding their manufacturing facilities across the country, which is likely to enhance vehicle production during the forecast period.

In August 2022, Volvo Group launched four new generation extra heavy commercial trucks, the Volvo FH, FH16, FM, and FMX in Ghana.

In March 2022, Silver Star Auto inaugurated an assembly plant in Tema, Ghana. The assembly plant produces the PEUGEOT 3008 and will soon produce the all-new LCV 1-ton pickup Peugeot Landtrek.

In August 2020, Volkswagen opened a vehicle assembly facility in Ghana to attract auto manufacturers and turn itself into a car-making hub. The Accra-based plant can assemble 5,000 units annually and will work on Volkswagen's Tiguan, Teramont, Passat, Polo, and Amarok models.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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