Africa Automotive Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 90 pages | Mordor Intelligence

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Report description:

Currently, the African automotive market is valued at USD 30.44 billion, and it is expected to reach USD 42.06 billion, registering a CAGR of 5.55% over the next five years.

The African automotive market was most severely affected by the COVID-19 pandemic. The market is expected to reach the pre-COVID demand rates from customer industries only in mid-2023. Until then, the production facilities are expected to recover with a skewed production schedule, which may fluctuate based on demand.

Over the medium term, the African automotive market is expected to grow rapidly due to supportive government incentives and increasing urbanization in the major countries in the region, which are encouraging infrastructural developments in the region, thus creating a positive outlook for the market. Several larger countries, such as Nigeria and Kenya, are also focusing on plans to develop domestic automotive production. For instance,

Key Highlights
Kenya's Current National Automotive Policy aims to increase the exports of automotive products to the East African region from 5% in 2018 to 15% by 2022. To achieve this, the government introduced incentive plans on locally assembled vehicles, which aim to replace imported vehicles with vehicles assembled locally. Such developments may boost the automotive market in Kenya.

However, increased competition from the used vehicle market and weak domestic vehicle production facilities, which are further compounded by constrained household finances (even with low-interest rates), are some major concerns for the automotive industry in the region. The government initiative for foreign investments in the automotive industry is expected to drive demand for this industry in the region during the next five years.

Countries like South Africa, Nigeria, and Kenya expected to experience positive growth due to the growing focus on improving local production and discouraging imports. For instance,

Key Highlights
The NAIDP imposed a 35% levy on automobile imports, over and above the 35% tariff already levied, for an effective total duty of 70%. The NAIDP also allows companies that manufacture or assemble cars in Nigeria to import one vehicle for every one manufactured in Nigeria. Nigeria slammed 70% import duty and levied on imported vehicles. This resulted in an increased volume of locally assembled and manufactured vehicles in the country, with most of the local companies seeing developments in their manufacturing processes and capacities.

Africa Automotive Market Trends

Growing Passenger Car Sales to Have Positive Impact on the Market

The growing presence of international automobile manufacturers and brands in the region and the consumer's ability to purchase new cars and maintain those, coupled with the growing consumer's interest in buying more than one passenger car to suit their daily needs and travel purposes, may improve the demand for cars across the region. For example, in 2021, African motorists purchased around 833,020 passenger cars, with South Africa being the top passenger car destination.

Several major OEMs from different parts of the world are launching the latest passenger car models in the region to enhance their sales and gain market share. For instance,

In August 2022, Mitsubishi Motors introduced the facelifted Triton range in the South African market. The Mitsubishi Triton 4x2 Single Cab is powered by Mitsubishi's proven DOHC intercooled 2.4-liter turbo-diesel engine, with 100 kW of power and 324 Nm of peak torque on tap. An overall fuel consumption average of 8.0 l/100 km will give fleet owners some comfort and relief from the high fuel prices. The 75-liter fuel tank will ensure economical long distance-travel.

With the growing focus on improved fuel economy and reduced exhaust emissions, the demand for and sales of electric vehicles, especially electric cars, are expected to witness fast growth during the forecast period.

In August 2022, Audi South Africa finalized the installation of 33 electric vehicle (EV) charging stations across the country. These represent a total of 70 charge point connectors and expand on the existing network in the country. The chargers range from 22kW (AC) to 80kW (DC) and 150kW (DC) ultra-fast charging and are immediately available to all South African electric vehicle drivers, regardless of model or brand ownership.

South Africa Expected to Play a Key Role in the Market Share

rican passenger cars market is the largest in the region. According to the National Association of Automobile Manufacturers of South Africa (NAAMSA), the total passenger car sales stood at 32,392 units in September 2022, up from 29,537 units in September 2021, registering a Y-o-Y growth of around 21.3%. In similar terms, the number of medium and heavy-duty commercial vehicle sales stood at 882 units and 490 units in September 2022, registering an increase in Y-o-Y growth of 6% and 20.7% compared to September 2021.

However, as the country is a hub for exports of passenger cars in several other parts of the world, especially Europe, it is projected to have notable growth. For instance, export sales recorded a second consecutive month of solid growth in January 2021, at 22,771 units, reflecting an increase of 6,468 units, or 39,7%, compared to the 16,303 vehicles exported in January 2020.

In the wake of such a positive environment across the country to capture the growing market share, some of the major OEMs worldwide are investing in the country, while others are focusing on expanding their customer base by launching attractive models. Several other OEMs are actively looking to export the latest models into the South African market. For instance,

In August 2022, Maruti Suzuki announced the pricing of the new Grand Vitara. The company showcased this model in South Africa as part of its export strategy. South Africa is set to become the first foreign market to receive the car, followed by other countries.

However, increased competition from the used vehicle market and weak domestic demand, which is further compounded by constrained household finances (even with low-interest rates), may restrain the market's growth during the forecast period. Successive government incentives and key players' active presence over the years have ensured that South Africa has a relatively globally-competitive vehicle manufacturing sector. Considering such developments, the market is expected to gain significant momentum over the forecast period.

Africa Automotive Market Competitor Analysis

The African automotive market is dominated by manufacturers such as Volkswagen AG, Toyota Motor Corporation, Groupe Renault (including Dacia Sales), Daimler AG, Ford Motor Company, Hyundai Motor Company, and Isuzu Motors. Manufacturers are focusing on various growth strategies, such as expansions, partnerships, product launches, and production capabilities, to hold a competitive edge in the market.

In November 2021, Toyota South Africa announced that the new Corolla Cross Hybrid compact SUV model would be produced in South Africa after Toyota made a commitment of ZAR 2.43 billion in investments earlier in 2020.
In November 2021, Volkswagen South Africa launched the second phase of its EV strategy. The second phase of Volkswagen's strategy will see the introduction of an all-electric ID.4 test fleet by the end of 2022.
In October 2021, Nissan Motor Company announced its strategy to make its Rosslyn plant in Pretoria the light commercial vehicle (LCV) hub for its African operations, which is gaining further impetus with the assembly of semi-knocked-down kits of the new Navara pickup scheduled to commence in Ghana early next year.

Additional Benefits:

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

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