

PRESS RELEASE

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naamsa RELEASES THE AFRICAN GROWTH AND OPPORTUNITY ACT [AGOA] RESEARCH REPORT

IMPORTANT NOTICE: Please note that **naamsa** uses a different naming convention, namely **naamsa** | The Automotive Business Council or **naamsa**. The National Association of Automobile Manufacturers of South Africa is no longer a legal entity, and we wish to advise all reporters to use the new naming convention as above.

PRETORIA: Thursday, August 31, 2023: naamsa | The Automotive Business Council has today released the African Growth and Opportunity Act [AGOA] Research Report conducted by the Automotive Industry Export Council [AEIC] and administered from the **naamsa** Corporate Offices.

AGOA is a non-reciprocal preferential trade programme that the US offers to 49 sub-Saharan African countries. The Act is an extension of the US Generalised System of Preferences [GSP] and subject to annual Congressional re-authorisation. Notably, the newly added “AGOA products” include items such as apparel and footwear, wine, motor vehicles, selected additional automotive components, a variety of agricultural products, chemicals, and steel, amongst others.

AGOA has become a powerful symbol of the commitment the United States and Africa has made to one another’s prosperity. Since its inception in 2001, AGOA has served as the bedrock of trade relations between the US and sub-Saharan Africa, specifically in the support of regional integration and the stimulation of regional value chains through AGOA’s rules permitting cumulation among programme beneficiaries. The continuity of AGOA, via extensions up to 2025, strengthened trade relations and improved the scope of employment creation, industrial growth, and development in Africa, especially in South Africa.

South Africa was the continent’s largest beneficiary of AGOA in 2022, exporting a wide range of products, including vehicles to the US. Total South African exports to the US amounted to R178 billion in 2022 while imports amounted to R134 billion. US business interests are well represented in South Africa.

Most of the leading multinational corporations actively participating in the South African economy regard the country as the ideal location for any company aspiring to reach the continental market more effectively, both from a cost and logistical point of view. AGOA's mutual benefits include enabling exports, encouraging investment in the region, enhancing private sector activity and economic growth, and ultimately generating demand for US goods and services as the region's economies develop.

South Africa has accounted for well over 99% of the African automotive sector's exports to the US since AGOA's inception. The South African automotive industry has been the major beneficiary of AGOA, and substantial two-way automotive trade has taken place between South Africa and the US since its inception. There is overwhelming evidence that the various trade arrangements enjoyed by South Africa, such as AGOA, substantively secured, strengthened, and enhanced the domestic automotive industry's trade flows. AGOA stabilised and expanded the US as a significant automotive export and import market for the South African automotive industry.

The automotive sector is effectively a global production and trade sector and South African automotive exports to the US increased by 447,3% in nominal Rand terms between 2001 and 2022 under AGOA, while automotive imports from the US increased by 671,8% in nominal Rand terms, proportionally much more than exports over the same period. This trade arrangement provided impetus for the domestic automotive sector's vehicle export drive to the US which increased from 853 units in 2000 to 14,873 units in 2001, a massive increase of 1,643.6%.

BMW SA seized the opportunity to export left-hand drive 3-Series models to the US. Since 2007 Mercedes-Benz's new C-Class model has also found its way into the US market as its main export destination. Investment follows trade and significant investment programmes driven by export plans have been implemented by the OEMs. Investment expenditure by the OEMs increased by 33,0% from R1,56 billion in 2000 to R2,08 billion in 2001 when AGOA was implemented.

In 2022 the US comprised the domestic automotive industry's 2nd largest export destination, 6th largest country of origin and 2nd largest trading partner. Total automotive exports to the US amounted to R24,1 billion and total automotive imports from the US amounted to R18,3 billion in 2022. Exports mainly comprised passenger cars, catalytic converters, engine parts and tyres while imports mainly comprised original equipment components, passenger cars and arrange of aftermarket parts. Light vehicle exports in 2022 amounted to R15,3 billion, or 63,6%, of total automotive exports of R24,1 billion to the US.

Vehicle exports from South Africa to the US have declined over recent years since the same models by BMW and Mercedes-Benz are now being manufactured in both countries and are therefore no longer exported in large volumes. The 20 566 vehicles exported from South Africa to the US only comprised 0,14% of the total 14,23 million vehicles sold in the US and 0,72% of the total 2,86 million passenger cars sold in 2022. The import duty on passenger cars into the US is 2,5% ad valorem and on commercial vehicles 25% ad valorem and US consumers benefitted via duty savings on vehicles and selected automotive components to the value of R400,9 million in 2022.

The automotive industry remains the bedrock of South Africa's manufacturing sector and its social and economic impact in the country's economy continues to extend well beyond vehicle and automotive component manufacturing. As the largest manufacturing sector in the country's economy, a substantial 21,7% of value addition within the domestic manufacturing output was derived from vehicle and automotive component manufacturing in 2022, while the broader automotive industry's contribution to the GDP comprised 4,9% [2,9% manufacturing and 2,0% retail]. The export value of vehicles and automotive components increased by 9,5%, from the R207,5 billion in 2021 to a record R227,3 billion in 2022, comprising 12,4% of total South African exports.

Vehicle exports increased by 53 765 units to 351 785 units in 2022, up from 298 020 units exported in 2021. Automotive component exports reflected an increase of R1,1 billion from R69,2 billion in 2021 to a record R70,3 billion in 2022. In view of the strong relationship between imports and exports in the domestic automotive industry, automotive imports also increased to a record R207,7 billion in 2022, up from R168,4 billion in 2021, comprising mainly vehicle and original equipment component imports. The automotive trade surplus, however, remained in a positive position at R19,6 billion in 2022.

AGOA expires on 30 September 2025 and the scheduled expiration makes the future of US-Africa trade relations uncertain. The lingering post-AGOA relationship with African countries remains undefined but many options might be viable. AGOA's extension and South Africa's continued eligibility is crucial since it does support the continued growth and development of the automotive industry in South Africa. Moreover, the domestic automotive industry has not just been earmarked as one of the key drivers of industrialisation in South Africa, but also on the African continent. The Auto Pact developments in Africa, led by South Africa, to establish regional automotive hubs and value chain integration in the various regions under the framework of the African Continental Free Trade Area [AfCFTA] will be adversely affected should AGOA or South Africa's continued eligibility be discontinued.

The AfCFTA could also play a major role in AGOA's path forward as it will enhance regional trade by forming a single market and will create millions of jobs across the continent. The successful implementation of AfCFTA is likely to contribute to the successful implementation of an extended AGOA. AfCFTA, AGOA, and industrialisation all go hand in hand, but the challenge is finding the right configuration to make them mutually beneficial. In this context, continued access to the US market under AGOA is more important than ever and would also create increased imports from the US, hence building a major economic partnership between the US and sub-Saharan Africa.

The benefits stemming from AGOA for South Africa are much broader than the mere duty and quota-free access into the US. It also stimulates opportunities for a chain of collaborative arrangements with manufacturing companies from sub-Saharan African countries, to access the US duty free. AGOA has created in the order of 85,000 direct jobs and 426,000 indirect jobs in South Africa. Given the extension of South Africa's value chains throughout the region and its positive impact on other economies on the continent via enhanced intra-Africa trade and regional integration, it remains imperative for the continent's most advanced and regionally integrated economy to remain eligible in an extended AGOA. The aim of the AGOA report is to underscore the mutual benefits of this trade arrangement to the South African and US automotive industries, serving as input and motivation for an extension of the Act post 2025.

STATEMENT ENDS

ABOUT THE SA AUTOMOBILE INDUSTRY

- the automotive industry contributes 4.9% to GDP [2.9% manufacturing and 2.0% retail];
- in 2022, the export of vehicles and automotive components reached a record amount of R227,3 billion, equating to 12.4% of South Africa's total exports;
- the industry accounts for 21.7% of the country's manufacturing output;
- vehicles and components are exported to 152 international markets;
- the manufacturing segment of the industry presently employs in the order of 110,000 people across its various tiers of activity [from component manufacturing to vehicle assembly];
- combined with the industry's strong multiplier effect, the industry is responsible for approximately 457,000 jobs across the South African economy's formal sector.

NOTES FOR EDITORS

- Since 2021 **naamsa** introduced associate membership that offers tangible benefits such as access to information, visibility to key industry issues, business exposure, as well as related discounts;
- naamsa is a pre-eminent industry representative that actively and responsibly represents, promote, advance, and protect the interests of local manufacturers and assemblers of passenger, light, and heavy commercial vehicles as well as major importers and distributors of new vehicles in South Africa. We represent 41 companies;
- Our vision is to be the most credible and respected thought leader and partner of a globally competitive and transformed automotive industry that actively contribute to the sustainable development of South Africa;
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