

# German auto industry strengthens ties with Africa

The German Association of the Automotive Industry (VDA) recently partnered with the African Association of Automotive Manufacturers (AAAM) as part of the PartnerAfrica project of the German Federal Ministry for Economic Cooperation and Development (BMZ).



Hildegard Müller, president of the VDA | photo supplied

The partnership-based cooperation between VDA and AAAM is mutually beneficial: in cooperation with local and regional structures it helps the automotive industry to improve access to sometimes difficult markets and at the same time it is in the interest of German development policy to improve local prospects by involving the private sector and to create sustainable jobs and sustainable mobility in partner countries.

For the VDA, cooperation with Africa focuses on the following priorities: expanding the sustainability strategy beyond products and production to include energy sources, such as e-fuels, and digital mobility solutions. In addition, strengthening the development partnership, increasing trade volume and investment, and further opening market access for manufacturers and suppliers.

Equally important is supporting the development of local supply and value chains. In addition to stakeholder management and partnerships, topics such as promoting training and employment are also part of the comprehensive programme.

## The motorisation rate in Africa

Africa has in some countries fast-growing economies with a young, growing population and rapid rates of urbanisation along with very low rates of motorisation. By 2035, the continent is expected to have the largest labour force potential in the world.

The automotive and logistics sector holds a key position due to its sustainable value creation in supplier networks, assembly plants, distribution structures and pan-African trade relations. And it offers great potential for innovation, growth and jobs. The motorisation rate in Africa is just 45 vehicles per 1000 inhabitants, which is significantly below the global average of 203 per 1000.

In 2019, the total volume of new vehicles sold in the African market (passenger cars) was 869,000 vehicles. Africa has great potential as a market and production location for the German automotive industry. In 2019, 62,000 passenger cars were exported from Germany to Africa. 49% of these went to South Africa, the most important market in Africa.

In 2019, 355,000 passenger cars were sold in South Africa, with German OEMs accounting for 34% or 119,000 cars.

Total passenger car production in Africa in 2019 was around 787,000 units. 44% of the total car production in Africa took place with 349,000 units in South Africa. German OEMs have steadily expanded their production in South Africa in recent years. Compared to 2010, their production has increased by 44% to 317,000 passenger cars in 2019. This means that 91% of passenger car production in South Africa is carried out by German manufacturers.

## **Increasing investments in Africa**

For the German automotive industry, Africa is becoming more and more important not only as an export destination but also as a local production site: In recent years, German automotive manufacturers and suppliers have made increasing investments not only in the established markets of the Mahgreb region and South Africa but also in future markets such as Ghana and Rwanda.

The untapped demand from Africa is coupled with a steady rise in consumer spending, which has risen over the past few years at an annual rate of 10%. The estimated sales forecast for new light vehicles in Africa will be 1.8 million in 2027. This is a doubling compared to the market volume of 2019.

VDA and AAAM strongly support the industrialisation on the African continent by sharing their industry knowledge, by creating platforms for exchange and by building bridges between countries and between public and private institutions. Furthermore, Africa is expected to play an increasing role in producing and exporting renewable energy. Therefore, a reliable trade framework between Africa and Europe is needed. Also, within Africa trade relations should be eased and intensified.

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