



# The South African Automotive Industry Report

2026

## About this report

This report was commissioned by PKF Johannesburg as part of its 2026 industry research series. It was prepared by Krutham. It provides an independent assessment of South Africa's automotive industry, covering the domestic vehicle market, manufacturing and supply chains, trade and industrial policy, the transition to new-energy vehicles, vehicle ownership and the outlook for the sector. The analysis and conclusions are those of Krutham and are based on the information and data available at the time of publication.



## About Krutham

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# Executive summary

South Africa's automotive industry is one of the country's largest and most important manufacturing and export sectors, but a growing divide is emerging between the domestic market and the local production base. In 2025, the broader industry contributed 5.2% of GDP, accounted for close to a quarter of manufacturing value added and generated R291bn in automotive exports. However, these headline figures mask a shift in the underlying structure of the industry. South Africans are buying more vehicles, but imports are meeting an increasing share of this demand, while local manufacturers are depending more on export markets to sustain production volumes. South Africa retains a competitive manufacturing base, although its strength is concentrated in a relatively narrow range of vehicles and components rather than spread across the market.

The country remains Africa's largest vehicle producers, but its global footprint is small, accounting for only about 0.64% of global vehicle production – and government and industry aim to get that up to about 1%, through the South African Automotive Masterplan (SAAM) 2035, the Electric Vehicles White Paper and targeted fiscal incentives such as the 150% investment allowance for qualifying NEV manufacturing. Government policy has shifted from protecting domestic assembly towards positioning South Africa as a producer of both conventional internal combustion engine vehicles and new-energy vehicles.

The domestic market has entered its strongest growth phase in a decade. New-vehicle sales rose 15.7% in 2025 and continued to grow at double-digit rates through the first seven months of 2026. The recovery is being driven by unusually low new-vehicle inflation, wider model choice, stronger instalment credit growth and the rapid entry of lower-priced imported vehicles, particularly from China and India. These factors have made new vehicles more affordable. The competitive landscape is also evolving: India has become the dominant source of imported light vehicles, while Chinese brands have grown from a marginal position in 2021 to roughly one-fifth of passenger and light-commercial sales by early 2026.

South Africa's automotive industry has historically relied on three main advantages: preferential market access to Europe and selected developed markets, a sophisticated supplier base and an export-focused manufacturing base. These advantages remain important, but they face growing pressure from the global shift towards new-energy vehicles (NEVs), heightened geopolitical fragmentation, the European Union's Carbon Border Adjustment Mechanism (CBAM), competition from lower-cost manufacturing hubs such as Morocco, Thailand and Mexico, and domestic constraints in electricity, freight logistics and municipal infrastructure.

01

# Industry overview: Scale, structure and business model.

# Industry overview: Scale, structure and business model

South African consumers are moving towards electric vehicles gradually, with hybrids and plug-in hybrids accounting for most of the early growth. The EU and UK are moving considerably faster. The main pressure on the industry comes primarily from export markets rather than from domestic EV demand. South Africa already produces the BMW X3 PHEV (plug-in hybrid electric vehicle), Ford Ranger PHEV and Toyota Corolla Cross hybrid, and has emerging battery-pack capability, demonstrating that local plants can secure electrified model allocations. The larger capability gaps are upstream in battery cells, electric motors, e-axes and power electronics, while established areas such as catalytic converters and combustion systems become less relevant as battery electric vehicles (BEVs) penetration rises.

The transition does not require the wholesale replacement of the supplier base, but rather a managed shift from combustion-specific capabilities towards technologies that remain relevant across power types or become more important within electrification. The industry remains viable, investable and strategically important, but it is also more contested, more reliant on imports in the domestic market and more dependent on a small number of global model allocations than headline sales figures suggest.

## 1.1 Economic importance and footprint

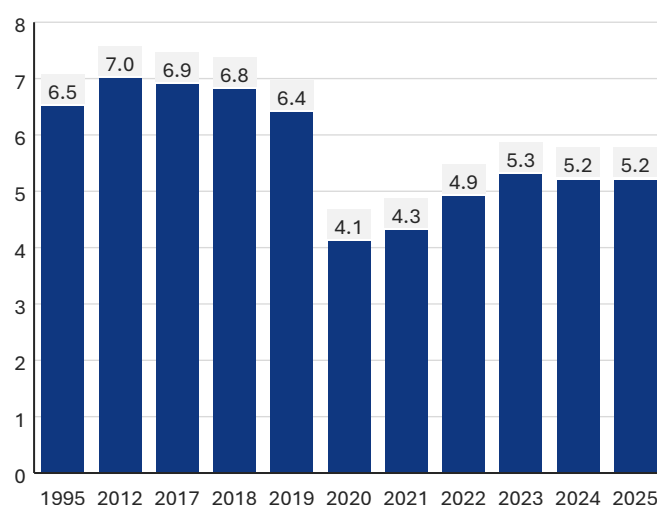
South Africa's automotive industry is one of the country's most important industrial sectors. It combines a sizeable domestic vehicle market with Africa's largest vehicle-production base and a substantial component and supplier industry. Its importance extends well beyond vehicle assembly: the sector is a major contributor to manufacturing activity, employment and merchandise trade, while supporting a wider commercial ecosystem spanning dealerships, logistics, finance, insurance, maintenance and aftermarket services.

The structure of the industry is equally important. South Africa has both a large domestic vehicle market and a substantial manufacturing base, but the two overlap much less than headline sales and production volumes suggest.

The domestic market is increasingly supplied by imports, while local assembly is highly export-oriented and concentrated in a relatively small number of vehicle models. This combination – substantial domestic demand, specialised local manufacturing and high export dependence – characterises the South African automotive industry.

**Figure 1: Automotive contribution to GDP (% share)**

% of GDP



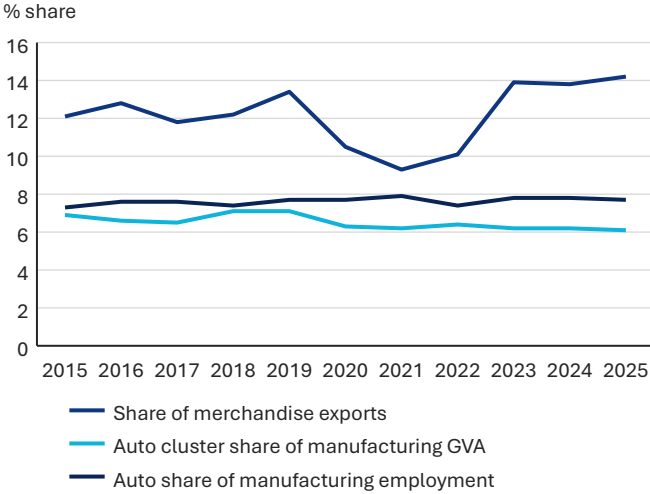
Source: Naamsa, Stats SA. The broad measure includes manufacturing and retail activity.

The automotive industry has an unusually broad footprint across the South African economy. On the broad measure, the sector contributed 5.2% of GDP in 2025, split between 3.3 percentage points from manufacturing and 1.9 from retail. Vehicle and component manufacturing generated 23.8% of manufacturing value addition, while automotive exports reached R291bn, equivalent to 15.6% of South African exports. These measures have different denominators and should not be added together, but collectively they show the industry's importance across production, trade and consumer-facing activity.

The long-run GDP figures show that the sector’s share of the economy has not risen in line with its export performance. The broad automotive contribution increased from 6.5% in 1995 to 7.0% in 2012, remained close to 7% through 2018 and then fell sharply during the pandemic. It has since recovered to 5.2%, but remains below its pre-2020 level. Automotive exports and nominal turnover can reach record levels while the sector’s share of GDP remains lower if domestic value addition, retail activity or growth elsewhere in the economy move differently. The industry has therefore not become smaller overall, but the sources of its contribution to the economy have changed. The sector’s share of the economy is below the levels recorded before 2020, but it remains one of South Africa’s largest manufacturing clusters and an unusually important source of export earnings. Its importance goes beyond its contribution to GDP, with the industry accounting for a sizeable share of manufacturing value addition, employment and merchandise exports.

Automotive’s share of merchandise exports rose sharply after 2022. It reached its highest level in 2025, while its share of manufacturing gross value added (GVA) edged lower and its share of manufacturing employment remained broadly stable. The sector is becoming more important to South Africa’s foreign exchange earnings without a commensurate increase in its share of domestic manufacturing value or jobs. This suggests that the export model is working at the level of foreign-exchange generation, but that deeper industrialisation – more local content, supplier value and employment per vehicle – is lagging. The strategic objective should be to preserve the export platform while increasing the domestic value in each unit produced.

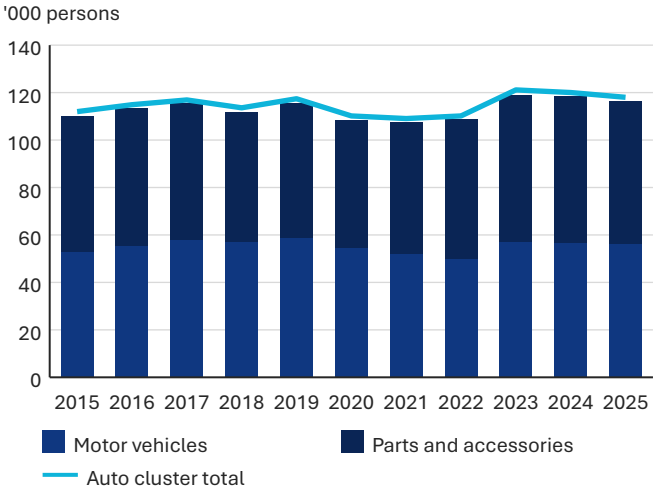
Figure 2: Automotive weight in the economy (%share)



Source: SARS, Stats SA, Krutham. GVA: gross value added.

Employment also illustrates the depth of the value chain. Direct vehicle and component manufacturing supports roughly 113,000 jobs. Final assembly is the most visible part of the industry, but component manufacturing accounts for at least as much direct employment. Assembly volumes determine plant utilisation, while local content and supplier depth determine how much domestic value and employment each vehicle ultimately supports.

Figure 3: Automotive manufacturing employment by activity (persons)



Source: Stats SA. Definitions differ from Naamsa's direct-industry estimate.

Key insight:

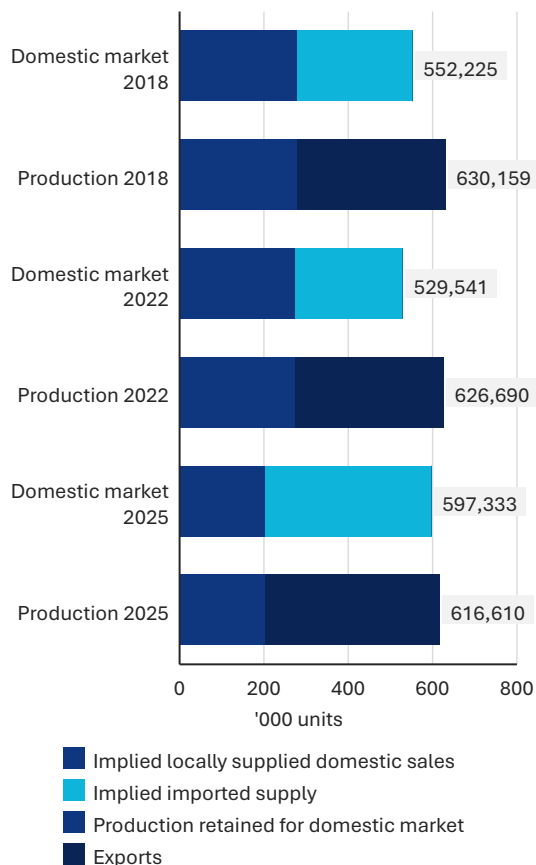
South Africa’s automotive industry is a large manufacturing cluster, export industry, employer and consumer-facing ecosystem, with economic value distributed across assembly, components and downstream activities.

Employment has been resilient rather than expansionary. Total automotive manufacturing employment fluctuated within a relatively narrow band of 110,000-120,000 over the decade, fell during the pandemic, recovered strongly in 2023 and then eased again. The absence of sustained employment growth despite rising export values points to productivity gains, automation and a production model that is increasingly capital- and scale-intensive. The composition shows that parts and accessories account for a very large share of direct employment, which means localisation has a disproportionate labour-market payoff. Securing a new assembly programme protects visible original equipment manufacturer (OEM) jobs, but increasing the local component share determines how much additional employment and value is created beyond the assembly line.

## 1.2 A large domestic market and an export-oriented production base

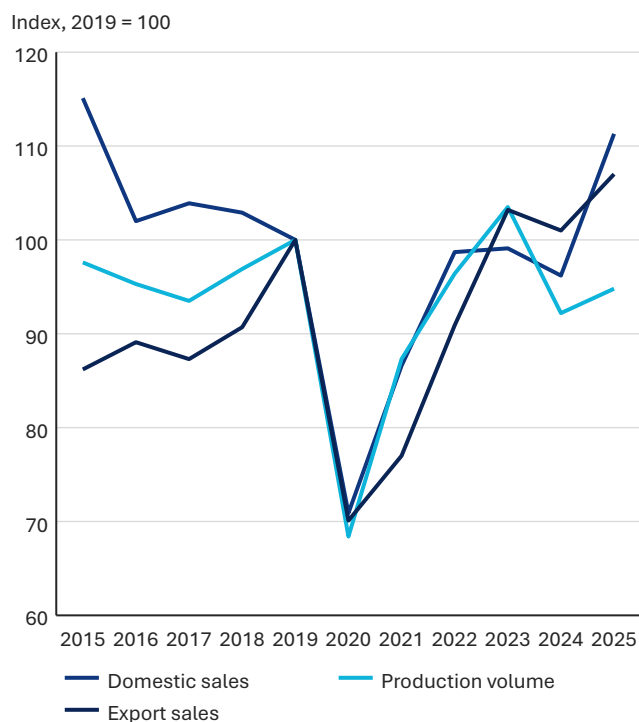
South Africa has both a sizeable domestic vehicle market and a substantial production base. In 2025, 597,338 new vehicles were sold domestically while 618,077 vehicles were produced locally. The similarity of those totals is misleading, however, because South Africa does not primarily consume what it manufactures. More than 414,000 locally produced vehicles were exported, while imports supplied most domestic light-vehicle demand and 82.8% of passenger-car sales. Back in 2018, roughly half of domestic demand was supplied locally, and a little over half of production was exported. By 2025, only around one-third of domestic sales were locally supplied, while about two-thirds of production was exported. The domestic market and the manufacturing base have moved in opposite directions, with domestic consumption becoming more import-dependent, while local production has become more export dependent. This is not automatically inefficient, but it weakens the link from domestic demand to domestic industry. A strong sales year increasingly benefits dealers, importers, financiers and the aftermarket without guaranteeing a comparable lift in South African manufacturing.

**Figure 4: Domestic demand and local production – import and export shares (units, %)**



Source: Naamsa, SARS, Stats SA.

**Figure 5: Domestic new vehicle sales, production and exports (index, 2019 = 100)**



Source: Naamsa, SARS, Stats SA.

The divergence has developed progressively rather than appearing in a single year. Domestic sales have recovered strongly from their pandemic-era trough, but local production has not increased at the same pace. Exports and production have remained more closely linked to each other, while the domestic market has increasingly separated from the two.

Between 2019 and 2025, domestic sales increased while production remained below the 2019 level. The implication is not that the domestic and manufacturing markets are disconnected, but that they respond to different drivers. Domestic sales determine the opportunity available to retailers, importers, financiers and the aftermarket; local content determines the domestic industrial value of production; and exports provide the volumes required to sustain the major assembly plants.

### Key insight:

Strong domestic vehicle demand does not automatically translate into stronger South African manufacturing. The amount of domestic demand captured locally does not depend on what South African plants produce, the scale of the plants depends heavily on export demand.

### 1.3 Production footprint, specialisation and international scale

The composition of production helps explain this structure. South Africa does not manufacture a broad representation of the vehicles sold in its domestic market. Local assembly is concentrated in pickups and light-commercial vehicles, premium export models and a relatively small number of passenger models. There is much less production capacity for small and entry-level passenger vehicles which account for a significant and growing share of domestic demand. This specialisation allows individual South African plants to form part of global production networks and, in some cases, to be important or exclusive production hubs for particular models.

Toyota and Ford account for much of South Africa's pickup in production – Volkswagen for high-volume passenger vehicles, BMW and Mercedes-Benz for premium export models and Isuzu for commercial vehicles. This specialisation supports scale, quality and export integration, rather than matching domestic demand. Table 1 shows a sector in transition: BMW and Ford already have meaningful plug-in-hybrid capability, Toyota has established hybrid production, Chery offers a potential new route to localisation, Nissan has exited manufacturing, and the decision on a successor model for Mercedes-Benz remains unresolved.

**Table 1: Major South African vehicle-production footprint**

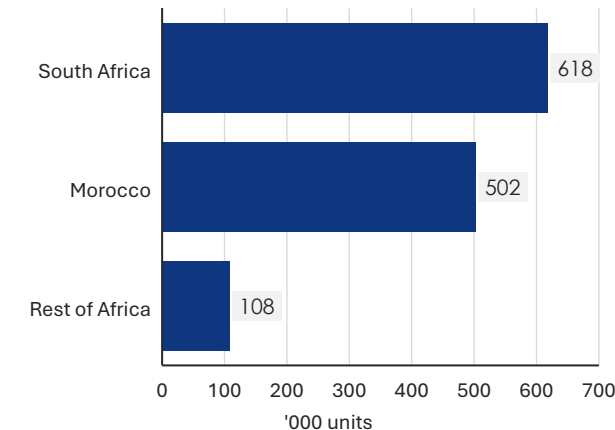
| Producer      | Plant           | Core local products                   | Segment and powertrain                                       | Current position                                                  |
|---------------|-----------------|---------------------------------------|--------------------------------------------------------------|-------------------------------------------------------------------|
| Toyota        | Prospecton, KZN | Hilux, Fortuner, Corolla Cross, Hiace | Pickup, SUV, passenger; ICE and hybrid                       | Largest local producer. Ninth-generation Hilux line-off July 2026 |
| Volkswagen    | Kariega, EC     | Polo, Polo Vivo                       | Passenger; ICE                                               | High-volume passenger platform. Third model committed for 2027    |
| Ford          | Silverton, GP   | Ranger including PHEV                 | Pickup; ICE and PHEV                                         | Global Ranger export hub. Utilisation sensitive to export demand  |
| BMW           | Rosslyn, GP     | X3 including PHEV                     | Premium SUV; ICE and PHEV                                    | Sole global source of the X3 plug-in hybrid                       |
| Mercedes-Benz | East London, EC | C-Class                               | Premium passenger; ICE and hybrid                            | Established export programme. Successor allocation unresolved     |
| Isuzu         | Struandale, EC  | D-Max                                 | Pickup; ICE                                                  | Established pickup platform                                       |
| Chery         | Rosslyn, GP     | Jetour T-series initially             | SUV and crossover; ICE with electrified capability indicated | Incoming. Assets acquired July 2026; production planned from 2027 |
| Nissan        | Rosslyn, GP     | Withdrawn from manufacturing          | N/A                                                          | Retains sales and distribution; Navara now imported               |
| Stellantis    | Coega, EC       | Proposed                              | Not specified                                                | Proposed only; should not be counted as current capacity          |

Source: Producer announcements; Naamsa.

South Africa is Africa’s largest vehicle producer and accounts for roughly half of continental production, but produced only around 0.64% of global vehicles in 2025. Its international position is stronger in light-commercial vehicles than in total vehicle production, consistent with the country’s pickup and commercial-vehicle specialisation. This makes plant-specific competitiveness, trade access and global OEM strategy unusually important. The Automotive Masterplan ambition of 1% of global production would require a substantial increase in output. Achieving it would require additional global model allocations and significantly higher utilisation of the existing plants network, together with new capacity where economically justified.

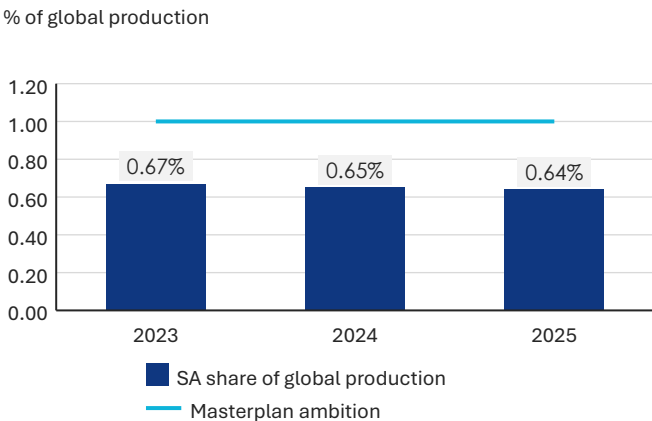
**Key insight:**  
South Africa’s manufacturing advantage is specialised rather than broad-based. That helps explain both its export strength and the high level of import penetration in the domestic passenger market.

Figure 6a: African vehicle production, 2025



Source: OICA; Naamsa.

Figure 6b: South Africa share of global production



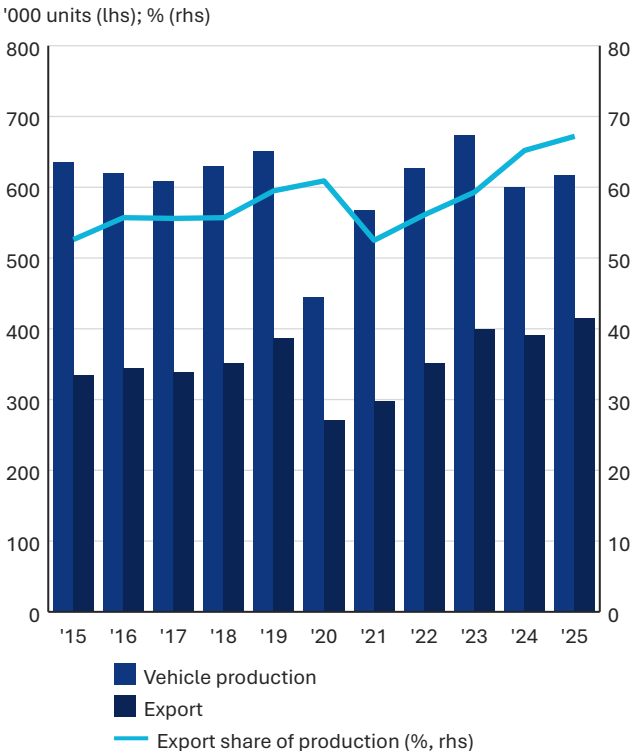
Source: OICA; Naamsa.

This combination of a large share of African production and a small share of global production is important for the industry’s economics. South Africa is established enough to support sophisticated multinational production programmes, but not large enough to compete on volume across every vehicle segment. Specialisation, supplier capability, trade access and the allocation of individual global models are therefore particularly important.

### 1.4 The export-led production model

Exports provide the volumes that the South African domestic market cannot support on its own. Vehicle exports accounted for around 67% of total production in 2025, up from 61% in 2019, while roughly seven in 10 locally produced light vehicles were sold abroad. The industry has become more dependent on exports, even as the domestic market has recovered. Exports allow South African plants to produce at volumes well above those that domestic demand for locally produced models could support. A strong global model can support thousands of jobs and local suppliers, even when domestic demand is weak, but a loss of a model or a fall in external demand can rapidly reduce plant utilisation. The growing share of exports makes trade-policy stability, reliable logistics and successful negotiations over successor models increasingly important.

Figure 7: New vehicle production, exports and the export share of production (units, %)

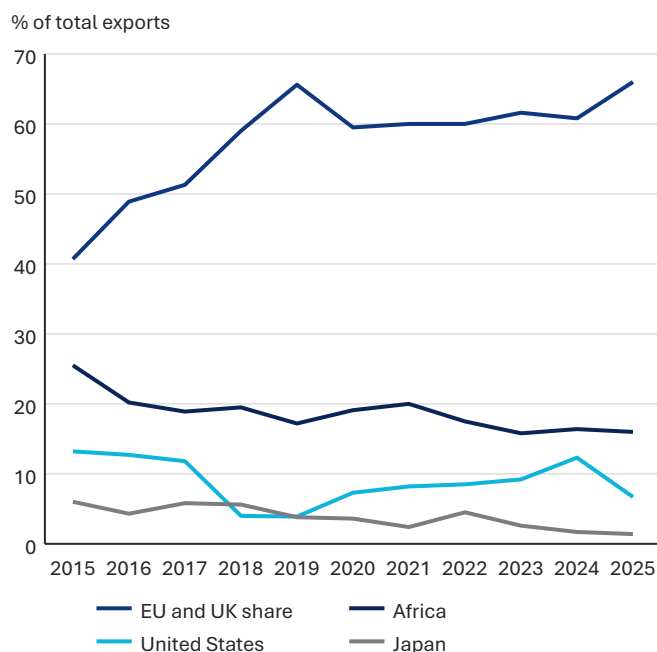


Source: Naamsa; SARS.

Exports are the basis of the local assembly model. Individual plants form part of multinational production networks and require access to markets substantially larger than South Africa to produce at an efficient scale. Plant utilisation and future investment depend not only on domestic economic conditions but on international demand, trade arrangements, logistics competitiveness and, critically, whether South African plants continue to secure future global model allocations.

South Africa exports to a wide range of countries, but remains economically dependent on a relatively small number of major external markets. The European Union (EU) and United Kingdom (UK) together accounted for almost two-thirds of South African automotive export value in 2025, while Africa remained the second-largest regional market, although considerably smaller. The US and Japan accounted for relatively small and volatile shares. This concentrated export market has historically been an advantage because preferential access to large, high-income markets has allowed for efficient production volumes. It now presents a risk as those same markets tighten their emissions and powertrain requirements. Maintaining access to these export markets increasingly depends on meeting European technology requirements as well as retaining favourable tariff access.

**Figure 8: Export concentration by destination (% of total exports)**



Source: SARS.

#### Key insight:

The industry has four main features. It is economically significant, with a large manufacturing, employment and export footprint; it has a large domestic market, increasingly supplied through imports; its production base is specialised, particularly in pickups, light commercials and selected global passenger models; and local manufacturing is fundamentally export-led, making international competitiveness and model allocation central to its long-term industrial position.



# 02 Domestic market and competitive reset.

The South African Automotive Industry Report 2026

## 02

# Domestic market and competitive reset

South Africa's domestic vehicle market has recovered strongly across both passenger and commercial vehicles, with the recovery continuing into 2026. It has been supported by unusually low new-vehicle price inflation, a wider choice of models and relatively strong credit growth, rather than simply by higher household incomes or lower interest rates. At the same time, much of the additional demand has been met by imports, particularly in the passenger market, changing both where vehicles are sold locally and the competitive structure of the market.

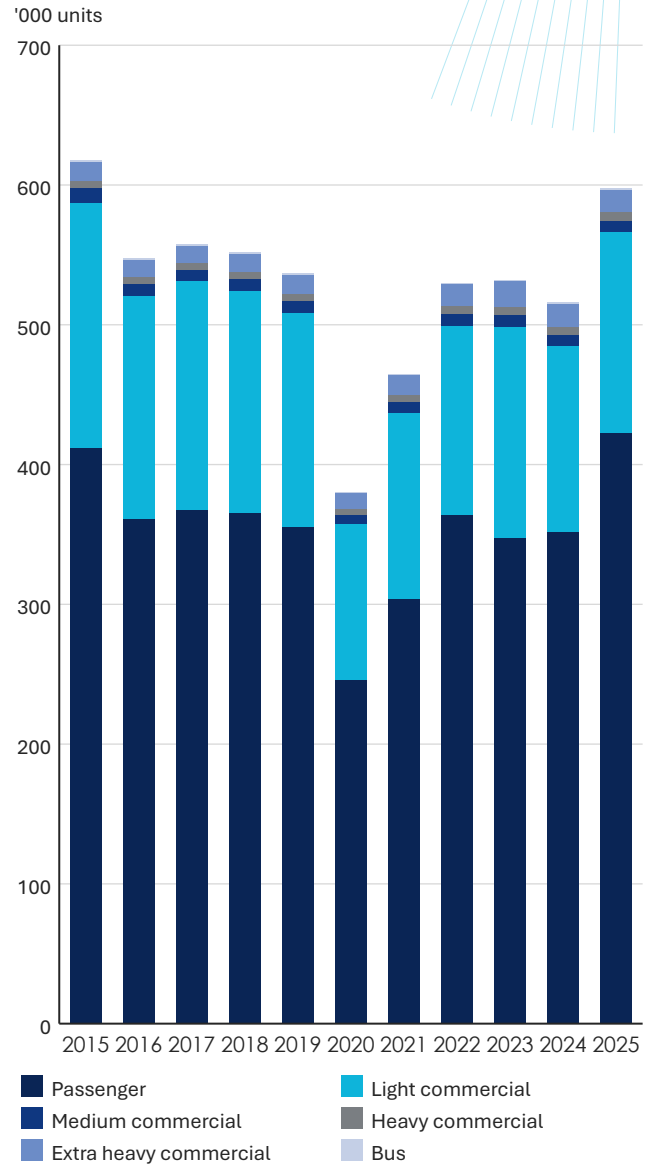
There are two sides to the domestic market: demand is currently strong, but the market has become more import-intensive and considerably more competitive. Understanding the recovery requires separating the strength of vehicle demand from the question of who is supplying it.

### 2.1 Demand recovery and the 2026 pulse

New-vehicle sales increased 15.7% in 2025 to 597,338 units, the strongest performance in a decade. The recovery continued into 2026 with sales from January to July reaching 372,770 units, 12.7% higher than in the same period of 2025. Passenger-vehicle sales rose 13.8% and light-commercial vehicle sales 10.1%. Passenger vehicles accounted for most of the additional sales, but commercial-vehicle demand remained firm.

Figure 9 shows that annual sales gradually weakened before 2020, followed by the sharp fall during the pandemic, and a recovery that accelerated strongly in 2025. The return towards 600,000 annual sales is significant, but the composition of the recovery reflects that growth in passenger vehicle sales is more sensitive to affordability, credit and product choice, while commercial growth is more closely linked to business activity and fleet replacement.

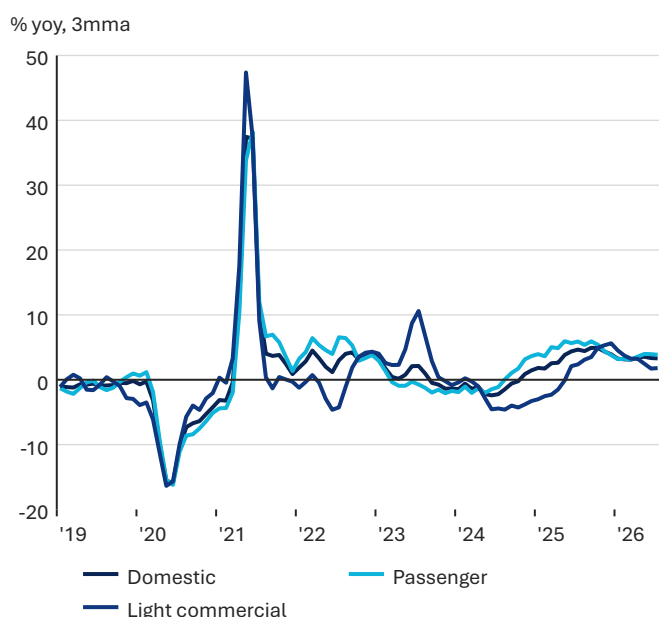
**Figure 9: Domestic new-vehicle sales (units)**



Source: Naamsa.

The annual data understate how sustained the current recovery has been. Passenger-vehicle sales strengthened through much of 2025 and have continued to grow at double-digit rates into 2026, while light-commercial vehicle sales have also continued to rise. This sets the current recovery apart from a short-lived rebound or one driven by a single strong month. By mid-2026, however, growth rates had eased from their peaks, in line with weaker dealer confidence and renewed financing and fuel pressures. Growth is still positive, but the pace of acceleration has slowed.

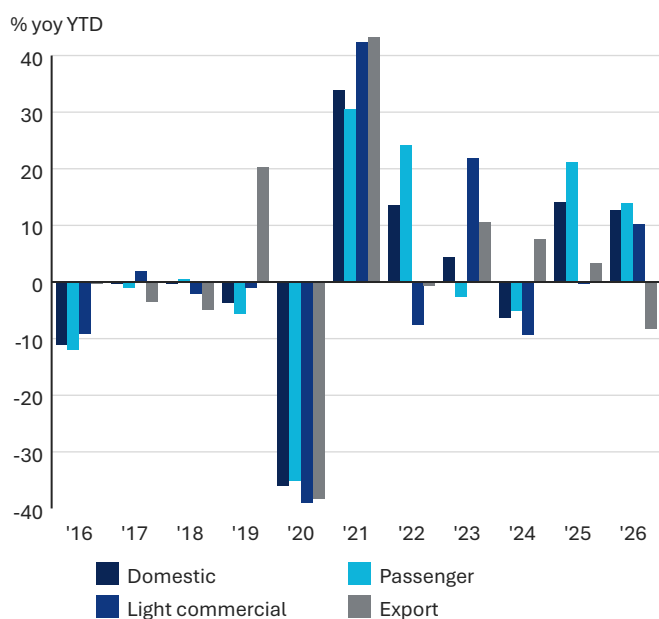
**Figure 10: Sales momentum (%yoy, three-month moving average)**



Source: Naamsa.

Passenger vehicles account for most of the recent increase in total sales, in line with the affordability and product-choice trends discussed below, while the recovery in light and heavier commercial vehicles points to stronger business demand. The year-to-date figures show a particularly clear difference between domestic sales and exports. Domestic, passenger and light-commercial vehicle sales have grown in 2026, while exports have contracted. In earlier years the two often moved together because they were affected by the same shocks, but the latest divergence highlights the mismatch between local production and local demand.

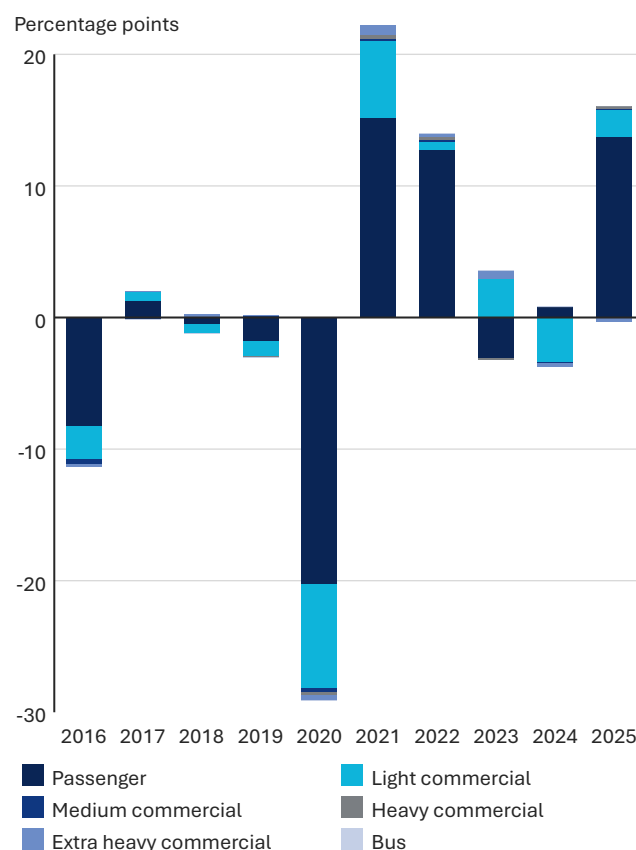
**Figure 11: New vehicle sales YTD growth – domestic vs exports (%yoy YTD)**



Source: Naamsa.

Figure 12 shows the importance of passenger vehicles, which account for most of the movement during major up and down cycles. They accounted for most of the 2020 contraction, the 2021 rebound and the strong 2025 growth. Light-commercial vehicles made a meaningful contribution, while the other commercial categories contributed relatively little to total percentage-point growth because of their smaller volumes. Headline new-vehicle sales are therefore driven mainly by the passenger market, although commercial vehicles remain strategically important to domestic manufacturing. This helps explain how a recovery in consumer demand can coincide with weak production when the fastest-growing passenger segments are predominantly imported.

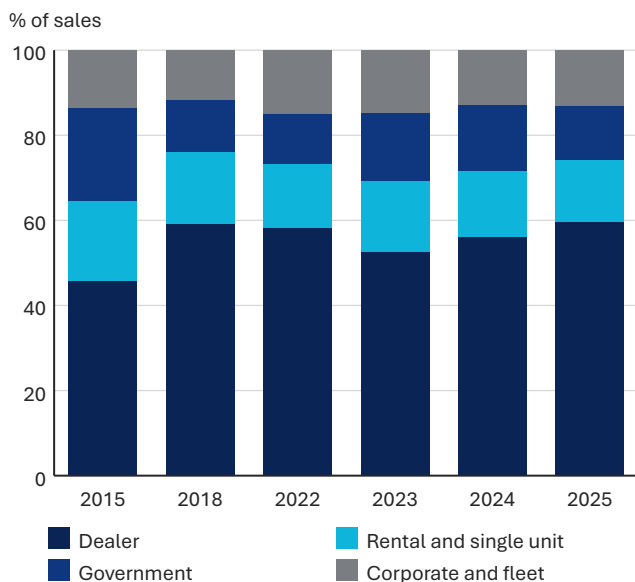
**Figure 12: Contributions to new-vehicle sales growth by segment (percentage points)**



Source: Naamsa.

The sales channel suggests that the recovery has been driven mainly by the market rather than unusually strong fleet or government procurement. Dealers are the main route to market, while rental, government and corporate-fleet sales account for much smaller and more volatile shares. In July 2026, 84.8% of reported sales were through dealers. This suggests that the current recovery has been supported predominantly by household and small-business demand rather than a temporary increase in institutional buying.

**Figure 13: New-vehicle sales channel composition (% of total new-vehicle sales)**



Source: Naamsa.

### Key insight:

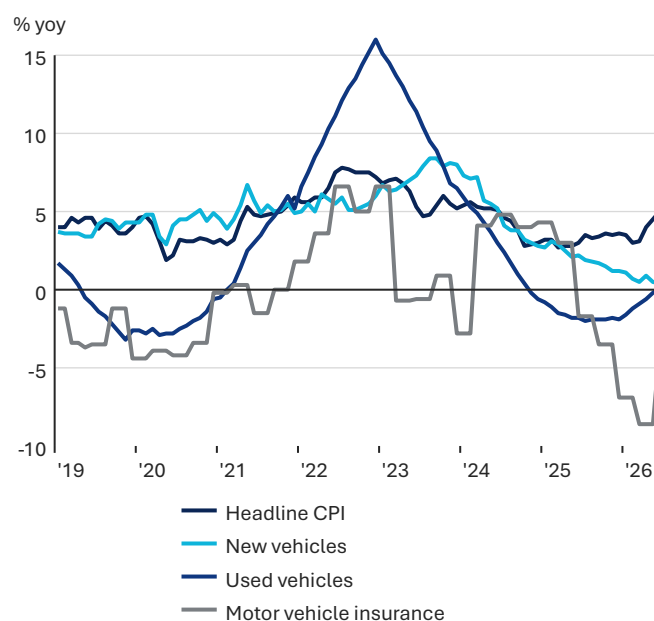
The domestic market is genuinely strong and the improvement is reasonably broad, although passenger vehicles remain the principal source of growth. The question is why demand has remained so strong despite the weakness of the wider economy.

## 2.2 Affordability, finance and total ownership cost

The recovery has been supported more by affordability and greater choice than by higher incomes or lower interest rates. New-vehicle inflation fell from above 5% in mid-2024 to around 0.4% yoy by June 2026, well below headline inflation, while used-vehicle prices were broadly flat. At the same time, lower-priced imported models increased the range of vehicles available at lower price points. Financing provided further support, with household instalment-sale credit growth rising to 10.4% yoy by June.

New-vehicle inflation has fallen to exceptionally low levels even while ownership costs remain high. Used-vehicle inflation, which surged during the pandemic supply shortage, has since returned to normal levels. Consumers are looking beyond the purchase price to the total cost of owning a vehicle. Manufacturers that can offer a competitive purchase price together with fuel efficiency, warranty coverage, predictable servicing costs and affordable insurance can gain market share even when household finances are under pressure.

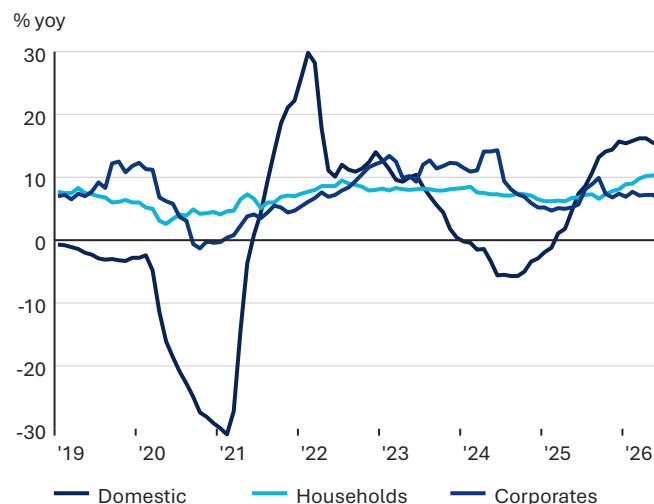
**Figure 14: Vehicle and ownership-cost inflation (%yoy)**



Source: Stats SA.

The credit figures confirm that financing has supported the recovery in vehicle sales. Household instalment-sale credit growth has strengthened alongside vehicle sales, while corporate credit has also improved. The relationship is not direct because credit values are affected by vehicle prices, loan terms and the mix of new and used vehicles, but the trend is consistent with stronger financing activity. The risk is that some of the current strength in new lending may be coming from longer terms and balloon payments, which reduce monthly repayments but push the risk further into the future. Strong credit growth supports near-term sales and bank revenue, but it needs to be considered alongside loan term, arrears and residual values rather than on its own.

**Figure 15: Vehicle sales and instalment credit (%yoy)**

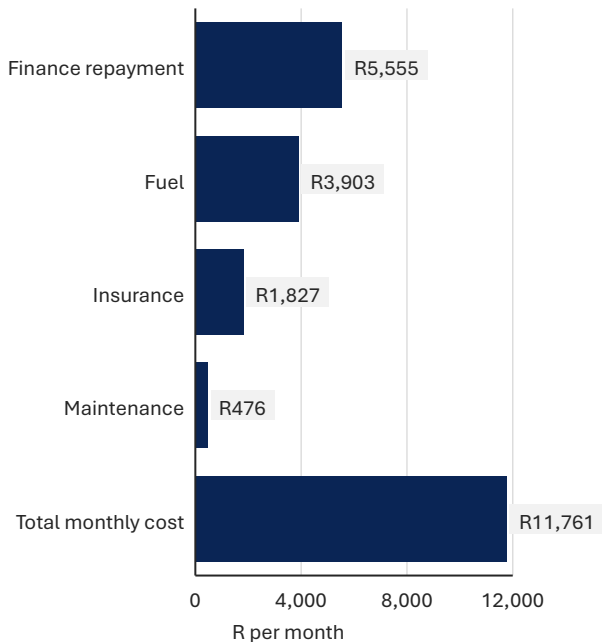


Source: Naamsa, SARF.

Affordability is determined by more than the purchase price. A financed vehicle brings recurring monthly costs, including the instalment, fuel, insurance and maintenance. Vehicle prices can therefore become more affordable even as the overall cost of ownership rises. A mid-range vehicle costing around R294,000, for example, has a published monthly ownership cost of about R11,760, with the finance repayment and fuel accounting for most of the total.

The breakdown shows why the purchase price alone is not a sufficient measure of affordability. For the vehicle in this example, finance and fuel account for roughly four-fifths of the monthly cost, while insurance is another significant expense. Maintenance is the smallest monthly cost, but can vary as vehicles age or parts become harder to obtain. A small change in interest rates or fuel prices can therefore outweigh a meaningful discount on the vehicle itself. For consumers, the key consideration is monthly cash flow; for OEMs and dealers, financing packages, fuel efficiency and maintenance plans are therefore part of product competitiveness.

Figure 16: Monthly average cost of vehicle ownership (R per month)

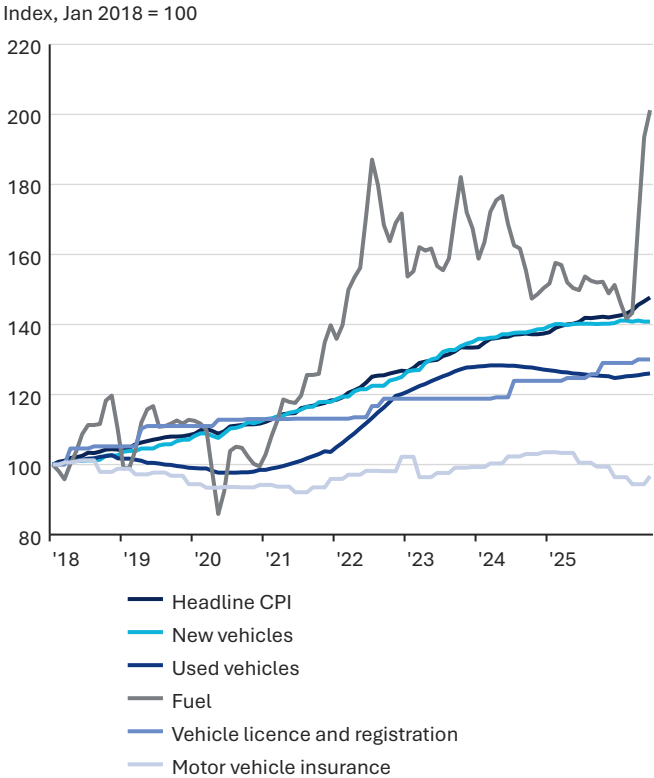


Source: WesBank total cost of ownership analysis; Stats SA CPI sub-indices for cost components. Reference vehicle priced at approximately R294,000.

The indexed comparison shows that ownership costs have not moved uniformly. Fuel has been by far the most volatile component and rose sharply in 2026, while insurance and licensing costs have continued to increase. New- and used-vehicle prices have risen more steadily. Consumers therefore face ownership costs that are beyond their control when choosing a vehicle.

This affects the relative affordability of different vehicle types. Lower fuel consumption, comprehensive warranties and lower insurance or repair costs can make a significant difference to affordability over the life of a vehicle, even where purchase prices are similar. The growing complexity of newer vehicles may, however, lead to higher repair and insurance costs.

Figure 17: Ownership-cost components against headline inflation (index, Jan 2018=100)

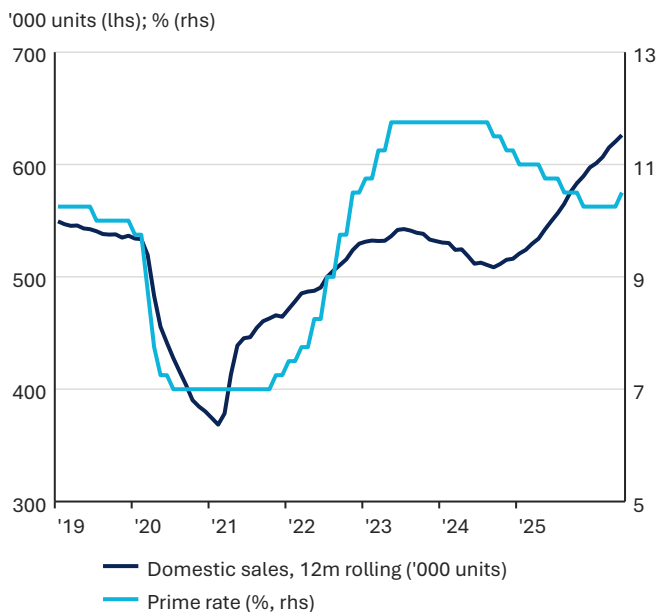


Source: Stats SA CPI sub-indices via Quantec EasyData, indexed to January 2016.

This distinction has become more important over time. Vehicle purchase prices have risen slower than headline inflation, while several of the costs of running a vehicle have increased faster. Domestic sales have therefore recovered despite higher overall ownership costs, making fuel efficiency, warranty coverage and financing terms more important when consumers choose a vehicle. One factor to note on total ownership costs is that some Chinese manufacturers are offering extended warranty benefits, and this might start affecting the headline numbers.

The favourable conditions supporting demand became less consistent during the second quarter of 2026. The fuel shock lifted headline inflation and significantly increased running costs, while monetary policy tightened and the prime rate rose. Vehicle sales remained strong, but some of the affordability gains that had supported the earlier recovery were eroded.

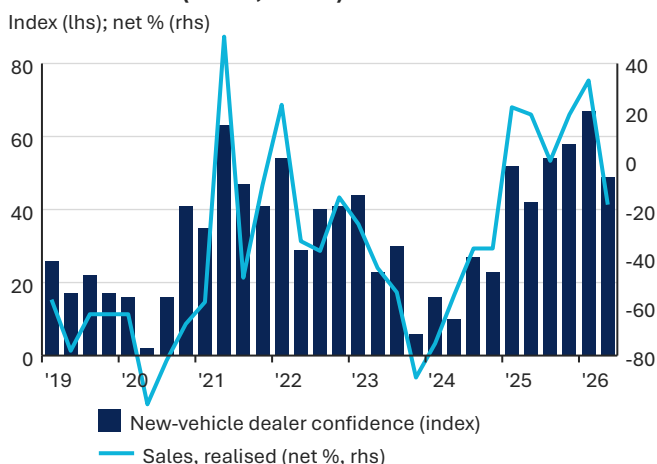
**Figure 18: Prime rate and new-vehicle sales momentum (units – 12m rolling, %)**



Source: Naamsa, SARB.

Survey data provide the clearest indication that conditions have become less supportive. New-vehicle dealer confidence rose to 67 in Q1 2026, its highest level in 13 years, before falling to 49 in Q2. Used-vehicle dealer confidence fell from 60 to 36 over the same period, while the BER realised-sales balance moved from +33 to -18. Dealer sentiment has therefore weakened before any similar decline has appeared in monthly sales. The difference between sales and survey data should be seen as a warning rather than a contradiction. Dealers see changes in enquiries, margins, incentives, financing approvals and stock levels before they appear in overall registrations. If confidence remains below 50, the strong growth in sales volumes is likely to slow later in 2026.

**Figure 19: New-vehicle dealer confidence and realised sales (index, net %)**



Source: BER. Confidence is the percentage of respondents rating conditions as satisfactory and runs from 0 to 100, with 50 marked. Realised sales is a separate survey balance and can be negative; the two series should be compared for direction, not level.

The near-term domestic outlook is consequently not as positive as the headline sales data suggest. Strong volumes, low new-vehicle inflation and a wider choice of models support demand, but higher financing and running costs have reduced some of that support. Dealer sentiment should therefore be treated as an early warning indicator rather than assuming that the double-digit sales growth recorded through July will continue at the same pace.

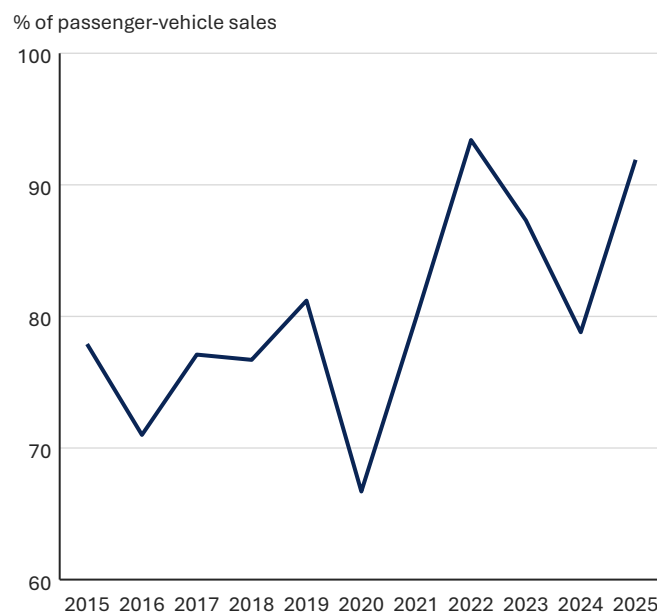
#### Key insight:

The domestic recovery has been supported by unusually favourable vehicle pricing, wider choice and credit growth, but ownership costs and financing conditions matter just as much as purchase prices. Those favourable conditions weakened during Q2, even though this had not yet been reflected in sales volumes.

## 2.3 Imports and the product mismatch

The recovery in domestic demand has not led to a similar increase in demand for locally manufactured vehicles. Imports accounted for 69.1% of light-vehicle demand in 2025 and 82.8% of passenger-car sales, while light-vehicle imports rose by 28.6% to 391,287 units. Imports therefore now account for most passenger vehicles sold in South Africa.

**Figure 20: Import penetration of the domestic passenger vehicle market (% of PV sales)**

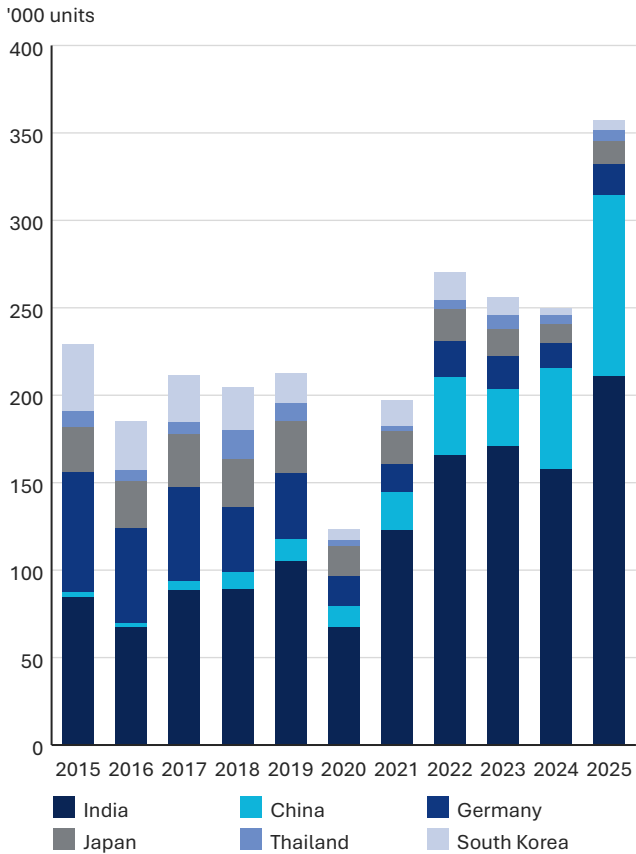


Source: Naamsa. 2025 endpoints: 82.8% of passenger-car sales and 69.1% of light-vehicle sales.

As Section 1 established, this partly reflects the structure of South African manufacturing rather than simply foreign brands displacing locally produced vehicles. Local plants specialise in pickups and light-commercial vehicles, premium export models and a relatively narrow set of passenger vehicles. Much of the strongest domestic demand, however, is for smaller and more affordable passenger vehicles. Imports therefore fill a gap in the range and volume of vehicles produced locally.

The mix of imports has shifted decisively towards India and China. India’s growth reflects its role as a high-volume global production base for established OEMs, while China’s growth is more recent and more disruptive. Germany, Japan, Thailand and South Korea remain important, but their share has declined as lower-cost Asian imports have grown.

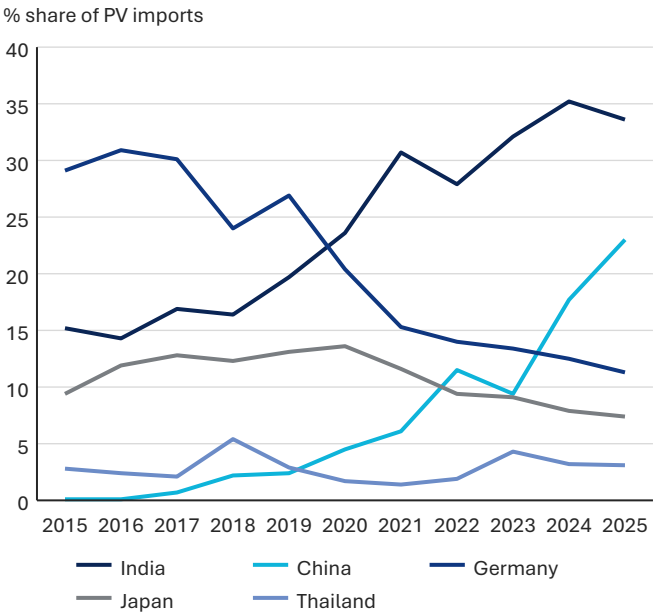
**Figure 21: Vehicle imports by country of origin (units)**



Source: Naamsa; SARS.

India and China should, however, be viewed differently. Imports from India often come from established global brands, while imports from China increasingly come from Chinese-owned brands that are changing technology, specification and pricing. Indian imports increase import dependence; Chinese imports increase import dependence while also changing the competitive structure of the market.

**Figure 22: Passenger vehicles import composition by origin (% share of total PVs)**



Source: Naamsa, SARS.

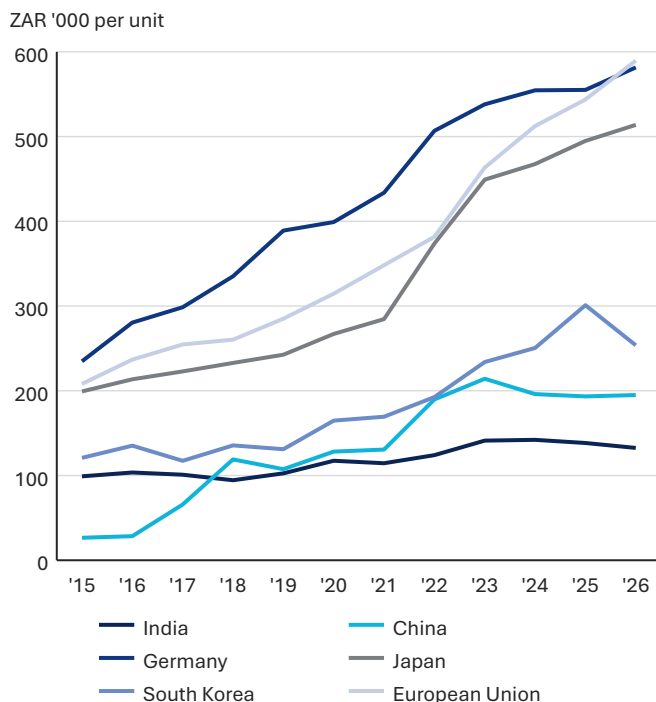
Changes in the source of vehicle imports have also affected affordability. Average import values vary substantially by country of origin, because of differences in vehicle segment, specification and model mix. They should not be treated as like-for-like vehicle prices, but they help explain how changes in the source of imports can materially change the range of prices available to South African consumers.

The implied unit values show how the source of imports affects the range of prices in the market. Imports from India and China have lower average customs values than those from Germany and the EU, although these figures reflect differences in model size, specification and segment rather than like-for-like prices. Even so, the pattern helps explain why the source of imports matters for demand. A shift towards lower-value production hubs increases the number of vehicles available below key affordability thresholds, allowing more consumers to qualify for finance and putting downward pressure on the prices charged by established brands.

**Key insight:**

Rising imports reflect both increased competition for consumers and the mismatch between the vehicles South Africans increasingly buy and those produced by local plants. India primarily reflects this production mismatch, while China also represents a change in the competitive structure of the market itself.

**Figure 23: Implied import unit values by origin (ZAR per unit)**



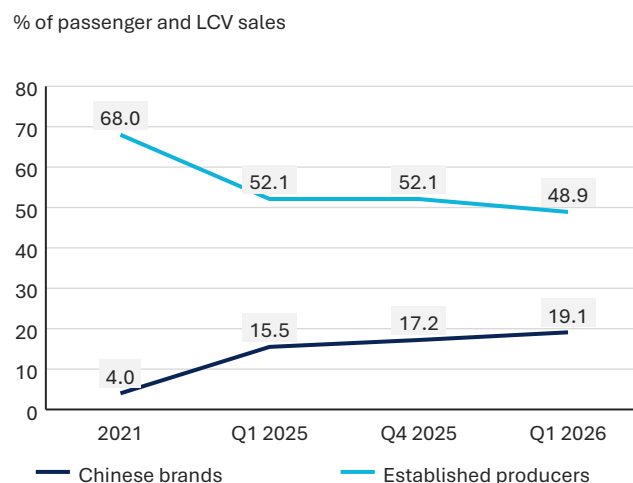
India and China present different forms of competition. India principally serves as a global production hub for established manufacturers, especially for smaller and entry-level vehicles. An Indian-built vehicle can therefore increase import penetration without changing the brand structure of the South African market. India supplied 56.2% of imported light vehicles in 2025.

China is different. It supplied 23.3% of imported light vehicles in 2025, up from 17.1% in 2024, but its importance extends beyond production origin. Chinese manufacturers are simultaneously expanding their own brands, introducing new technology and specifications at competitive price points and, increasingly, considering or committing to local manufacturing. China's rise therefore affects both the consumer market and the future structure of domestic production.

## 2.4 Competitive reset

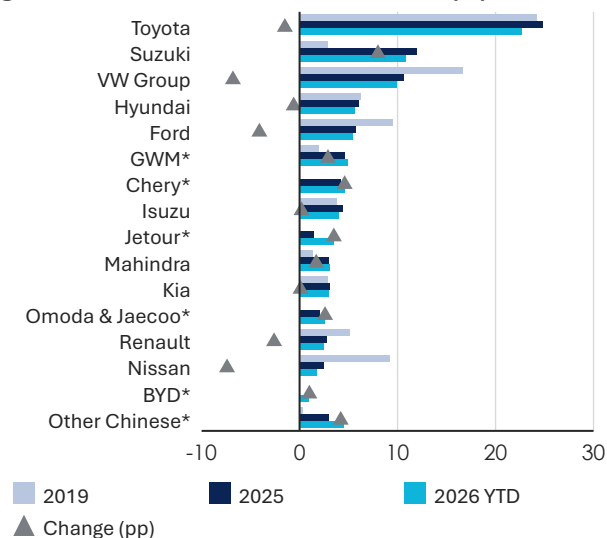
The rise of Chinese imports has brought a broader change in competition. Chinese brands collectively accounted for roughly one-fifth of passenger and light-commercial sales by early 2026, compared with around 4% in 2021, while the combined share of established domestic producers fell below half. The change has not been driven by a single new entrant: the number of Chinese brands and models has expanded rapidly, increasing competition across a wider range of prices and vehicle categories.

**Figure 24: Chinese brands against established producers (% of passenger and LCV sales)**



Toyota's leading position remains unusually resilient, but the market below it has become much more fragmented. Several established manufacturers have lost share since 2019, while the Suzuki, GWM and Chery brands and other newer entrants have grown. Therefore, the chart shows both a concentration at the top and greater competition below it. The manufacturer-level figures also show why brand names should not be considered in isolation. Corporate groups increasingly operate several brands, particularly Chinese groups, and their competitive position can look very different when assessed at group rather than brand level. Both need to be tracked for commercial strategy: brands determine consumer behaviour, while groups determine investment, localisation and distribution economics.

**Figure 25: Manufacturer market shares (%)**



The change can also be seen in individual manufacturers' market shares. Toyota remains the largest participant, but competition below it has increased considerably, with new entrants gaining share while several long-established manufacturers have lost ground.

Brand definitions need to be treated carefully. Naamsa reports several brands belonging to the same corporate group separately, which can significantly change the rankings. Chery, Jetour, Omoda and Jaecoo, for example, can be analysed either as individual brands or as part of the same broader manufacturer group. Both approaches are useful, but they answer different questions and should not be combined within the same series.

The domestic-market recovery has therefore coincided with a significant shift in market share. Consumers have benefited from greater choice and a wider range of prices, but the increase in imports means that stronger domestic sales do not automatically lead to equivalent gains in local manufacturing. Whether the next phase of competition leads to more domestic production and supplier value will depend on localisation, investment and future model allocations – the focus of Section 3.



03

# Manufacturing platform: Recovery, investment, industrial depth.

## 03

# Manufacturing platform: Recovery, investment, industrial depth

South Africa's manufacturing platform has recovered from the disruption of the early 2020s, but the recovery remains incomplete and increasingly dependent on the success of the next round of investment. Production and exports strengthened in 2025, while major new model programmes are being introduced. Yet output remains below its pre-pandemic peak, the real capital stock has declined, and local content remains well below the Automotive Masterplan target. The main question is therefore whether the current recovery can lead to greater scale, investment and domestic value addition.

### 3.1 Production has recovered, but not yet regained scale

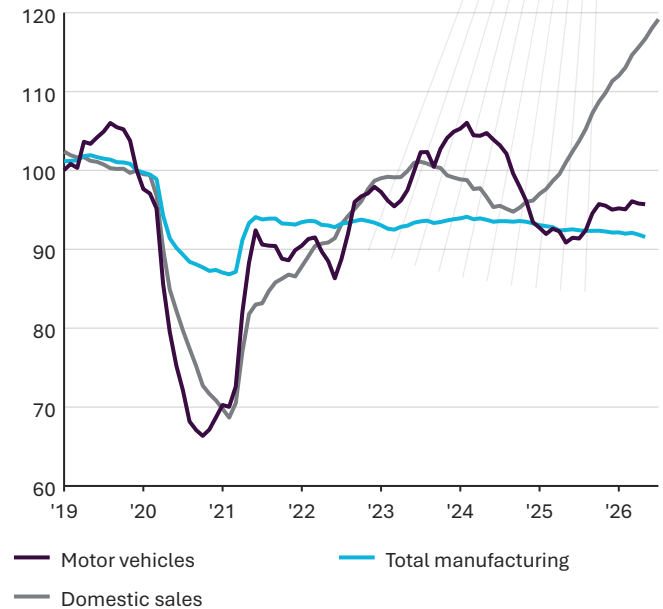
Vehicle production rose 2.9% in 2025 to 618,077 units, reversing the decline in 2024, while vehicle exports increased to a record 414,271 units. The improvement confirms that South Africa remains competitive enough to support large global programmes, but the recovery was only partial. Output remained below 2019 levels, and South Africa's share of global vehicle production slipped from 0.65% to 0.64%.

The rolling indices show that automotive production has not kept pace with the recovery in domestic sales. Vehicle output remains below its January 2019 benchmark and has been more volatile than manufacturing overall, while domestic sales have moved well above pre-pandemic levels. This confirms that current manufacturing weakness is not primarily due to weak demand in South Africa. The 2026 decline also shows how sensitive production is to events at specific plants and model changes. The Hilux changeover, export scheduling and the timing of production for particular models can outweigh broader macroeconomic trends.

The momentum has not continued smoothly into 2026. Domestic vehicle sales have remained strong, but production fell 5.3% yoy in Q1 and vehicle exports fell 10.3%. The difference is important: the current weakness is on the production and export side of the industry rather than the result of weak domestic vehicle demand.

**Figure 26: Production momentum against manufacturing and sales (12-month rolling, index: Jan 2019 = 100)**

Index, Jan 2019 = 100



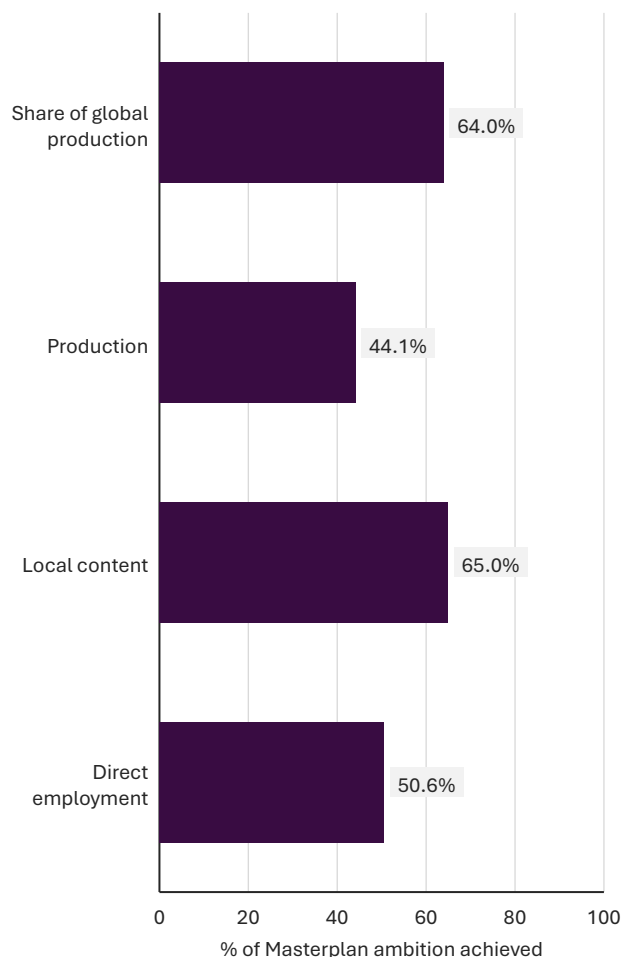
Source: Stats SA; Naamsa.

Model changes, including the Hilux changeover, make the figures harder to interpret, so the weakness in 2026 should not yet be seen as evidence that the 2025 recovery has been reversed.

The recovery also remains well short of the policy targets. Production of 618,077 units is less than half the level needed to meet the Masterplan's target of 1% of global production, while local content remains around 38%-40% against a 60% target.

The figures show that South Africa is only around halfway to two-thirds of the main Masterplan targets, depending on the measure. The largest gaps are in production and direct employment, while local content also remains well below target. The sector has maintained a globally competitive base but has not yet achieved the increase envisaged under SAAM 2035.

**Figure 27: Progress against the Automotive Masterplan targets**



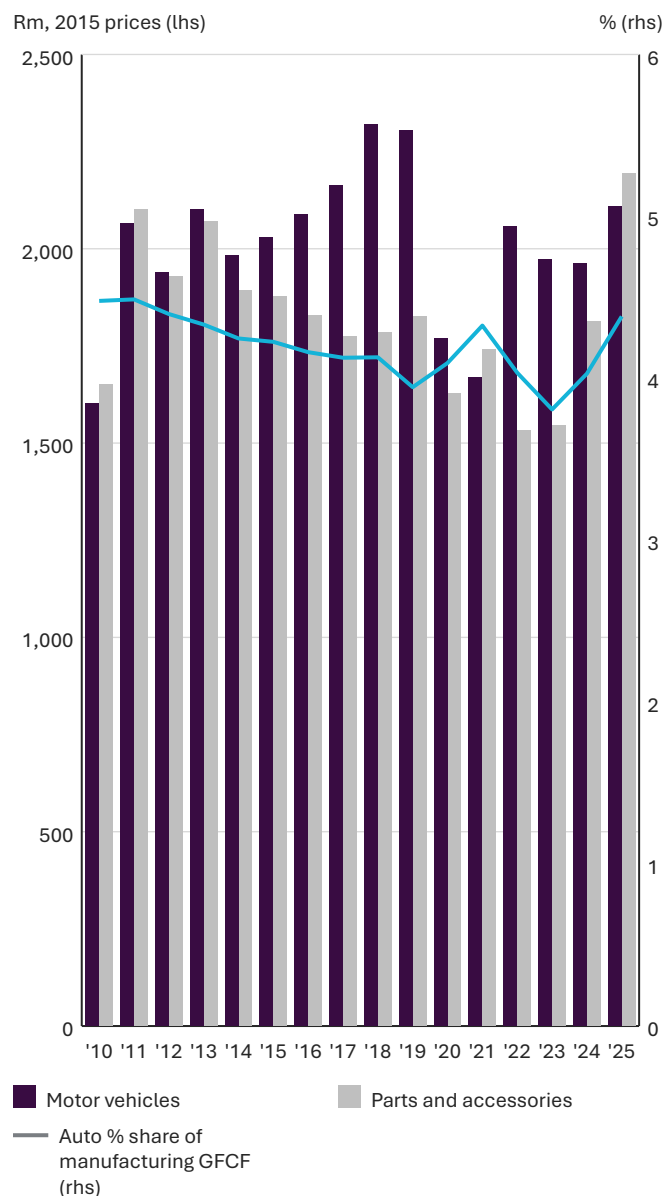
Source: FTIC, Naamsa.

## 3.2 Investment and industrial renewal

Investment has started to recover, but from a very weak base. Real gross fixed capital formation (GFCF) in motor-vehicle manufacturing was still 8.5% below its 2019 level in 2025, despite improving in recent years, while investment in parts and accessories was around 20% higher. The distinction is important as investment has been stronger among suppliers than in final assembly. Nominal investment looks considerably stronger, but much of the increase reflects higher capital-goods prices rather than additional production capacity.

Real investment presents a less positive picture than nominal capex announcements. The share of manufacturing investment also shows the sector's relative position. Automotive remains an important destination for manufacturing investment, but the real figures show that headline rand commitments do not translate directly into additional production capacity. Inflation and spending associated with model changes account for a substantial part of nominal investment.

**Figure 28: Automotive gross fixed capital formation (Rm, constant 2015 prices)**

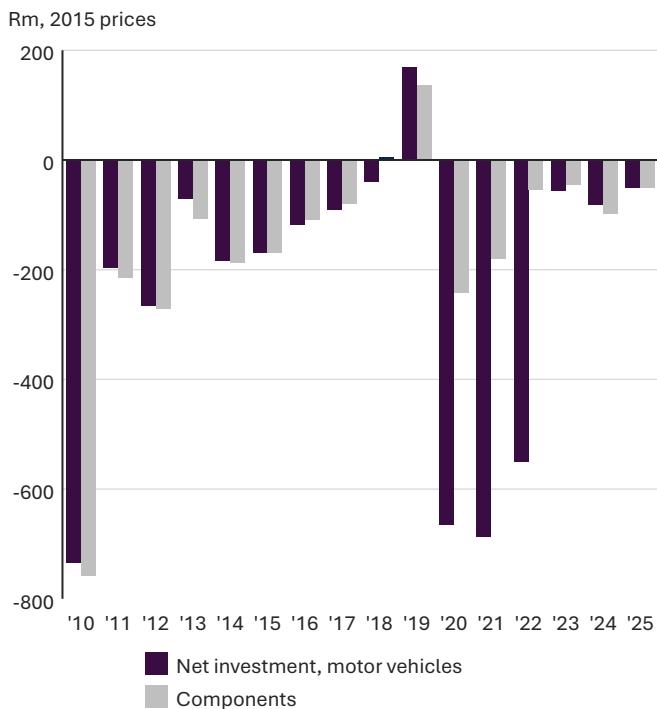


Source: Quantec standardised industry estimates. Motor vehicles are QSIC 381-382 and components QSIC 383.

Gross investment also overstates the extent of industrial renewal because part of it simply replaces depreciating capital. On a net basis, motor-vehicle investment has been negative every year since 2020. The investment-to-depreciation ratio improved to 0.98 in 2025, from below 0.80 during the pandemic years, meaning that investment was almost enough to replace depreciating assets but was still not adding meaningfully to the capital base.

For industrial policy, this is crucial because new programmes can keep a plant operating and modernise it without increasing the overall capital base if most of the investment replaces depreciated tooling. A durable expansion requires net investment to turn positive and remain so for several years.

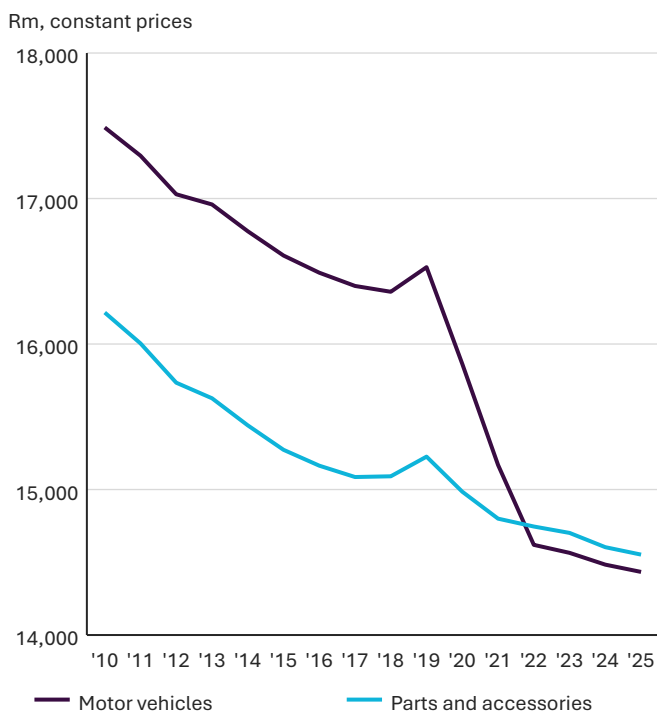
**Figure 29: Net investment, capital formation less depreciation (Rm, constant 2015 prices)**



Source: Quantec standardised industry estimates. Values above zero indicate the capital stock is growing.

Weak net investment over several years has resulted in a smaller real capital base. The capital stock in both vehicle and component manufacturing has declined over the longer term, with the sharpest fall in vehicle manufacturing after 2019. By 2025, the motor-vehicle stock was roughly 13% below its 2019 peak. This makes the 2026–27 investment pipeline strategically important.

**Figure 30: Fixed capital stock, constant prices (Rm)**



Source: Quantec standardised industry estimates.

The recent improvement in investment represents a stabilisation after a period of decline rather than an expansion of an already growing industrial base.

**Key insight:**

Three different investment measures are used in this sector, and they are not interchangeable. Naamsa's aggregate producer capital expenditure of R7.2bn in 2025 covers company-reported spend by light-vehicle producers only and excludes Mercedes-Benz from 2023. The national accounts figures above cover fixed capital formation for the entire industry, including all component manufacturers. Announced programme values such as R10.4bn are multi-year commitments rather than annual flows. Each measures something different and they should not be combined.

A new round of OEM investment is beginning. Several major programmes fall mainly in 2026 and 2027 and are therefore not yet included in the capital-stock figures. Toyota has committed R10.4bn to the ninth-generation Hilux programme, BMW's R4.2bn X3 investment is operational, Volkswagen has committed R4bn to a third model at Kariaga, Ford has extended Ranger production to include plug-in-hybrid technology, and Chery plans to begin production at Rosslyn from 2027. Identified committed programmes amount to roughly R18.6bn (excluding projects that remain in proposal stage).

**Table 3: Investment and model-allocation pipeline**

| Producer and plant         | Programme                       | Investment and timing                                  | Status                | Industrial read-through                                                                                                                                                  |
|----------------------------|---------------------------------|--------------------------------------------------------|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Toyota, Prospecton         | Ninth-generation Hilux          | R10.4bn; line-off July 2026, programme completing 2027 | Committed and ramping | Renews a major export platform. Roughly one third supports local supplier capacity and tooling, with suppliers investing a further R2bn                                  |
| BMW, Rosslyn               | X3 including plug-in hybrid     | R4.2bn; operational                                    | Operational           | Demonstrates the ability to win and hold an electrified global allocation. Passed 100,000 units in March 2026                                                            |
| Volkswagen, Kariega        | Third compact model             | R4bn; from 2027                                        | Committed             | Adds volume to an established passenger platform and includes local tooling. Powertrain not yet announced                                                                |
| Ford, Silverton            | Ranger including plug-in hybrid | Current programme                                      | Operational           | Strong export platform, but utilisation is sensitive to external demand                                                                                                  |
| Chery, Rosslyn             | Initial Jetour production       | Retrofit over 12 to 18 months; production planned 2027 | Incoming              | Tests whether Chinese retail share converts into local value. Roughly 15,000 units after ramp-up against 50,000 single-shift capacity; local content ambition around 40% |
| Mercedes-Benz, East London | C-Class successor               | Allocation and timing unresolved                       | Open question         | The most consequential unresolved successor-model decision in the industry                                                                                               |
| Stellantis, Coega          | Proposed local plant            | Timing to be confirmed                                 | Proposed only         | Upside if committed; should not be counted as current capacity                                                                                                           |

Source: Producer announcements; naamsa. Status terminology is intentionally conservative.

The current investment pipeline therefore presents a much stronger picture than the historical capital data, but headline investment values should not be treated as additional capacity. Retooling for a new model can secure an existing plant and its jobs for another model cycle generation without materially increasing output. Better measures of industrial renewal are whether an investment adds supplier capacity, increases local content, introduces new technologies or production lines, raises utilisation and secures additional or successor model allocations.

There are already useful examples. Roughly one-third of Toyota's Hilux programme is directed towards local supplier capacity and tooling, with further supplier investment alongside it. Chery's entry will test whether its growing domestic market presence can lead to local production and meaningful localisation. The unresolved Mercedes-Benz C-Class successor, however, shows the continuing importance of global model allocation, while the proposed Stellantis facility should not yet be counted as committed capacity.

The different investment measures should therefore be kept separate. The constant-price GFCF series measures annual productive investment across the industry; net investment shows whether this exceeds depreciation; the capital stock shows the cumulative result; Naamsa's producer capex measure captures reported spending by participating light-vehicle manufacturers; and announced programme values are multi-year commitments. These measures complement one another, but they are not interchangeable.

#### Key insight:

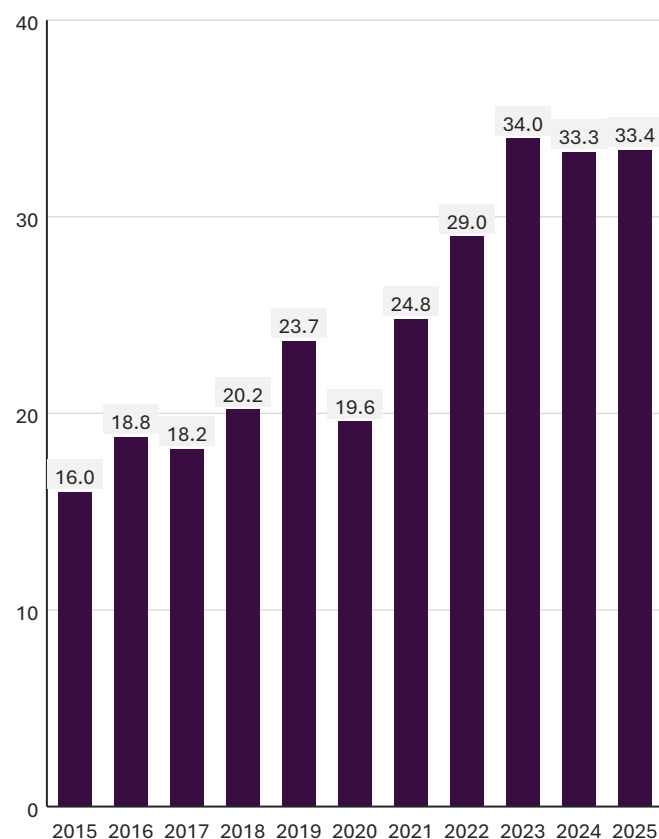
The investment picture remains weak, but is improving. Investment nearly covered depreciation in 2025 and a substantial new model cycle is now under way. The key question is whether the 2026-27 pipeline merely renews existing assembly programmes or begins to reverse the decline in productive capital through additional capacity, supplier investment and localisation.

### 3.3 Localisation and supplier depth

The success of this investment cycle will ultimately depend on localisation. South Africa remains competitive in final assembly, but local content is estimated at only 38%-40%, well below the 60% Masterplan target. High production volumes do not necessarily result in equally high domestic value addition. Component imports have risen significantly in nominal rand terms, showing that local assembly remains dependent on imported inputs. Part of the increase reflects improvements in production, which require more components, while a relatively stronger rand has also benefited importers. The concern is the continued dependence on imported components. If investment in new models raises output but leads to a similar increase in component imports, South Africa gains assembly volume without much additional domestic value. The policy objective is to localise components where scale, technology and supplier economics allow them to be produced competitively for global markets.

**Figure 31: Component imports and import dependence (ZARbn)**

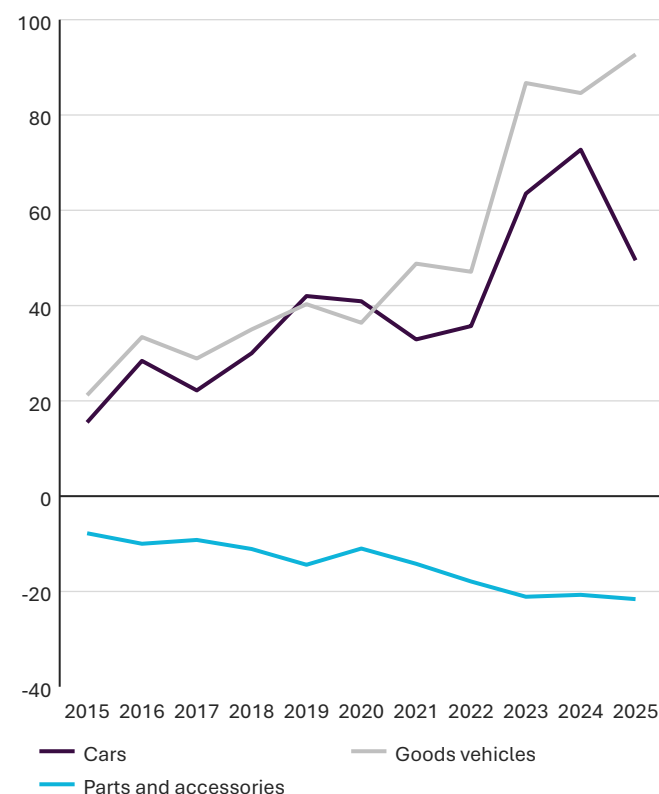
ZARbn



Source: SARS. Evidence of import dependence rather than a direct local-content measure.

**Figure 32: Trade balances by product group (ZARbn)**

ZARbn



Source: SARS.

South Africa runs sizeable surpluses in assembled passenger and goods vehicles but a persistent deficit in parts and accessories. Final assembly is therefore internationally competitive, but a significant share of the value in locally produced vehicles continues to come from imported components. This is particularly important because the component industry accounts for a large share of direct employment in automotive manufacturing. The policy objective should not be to manufacture every component domestically. Some require production volumes that South Africa cannot support, and others rely on technology controlled by global suppliers. A more realistic approach is to use the current investment cycle to develop selected higher-value capabilities where local production can compete internationally.

**Key insight:**

Assembling more vehicles locally is not enough. The industrial gain depends on how much supplier capability and domestic value go into each vehicle. Moving from 40% towards 60% requires prioritising a limited number of higher-value capabilities rather than broadening local production across the board. The component sector's rising capital formation suggests that is where the current investment cycle is being tested.

Decisions on model allocation ultimately depend on the economics of individual plants. South Africa's strengths are mature plants, a skilled workforce, an established supplier base, a competitive if volatile currency and preferential access to the EU and UK. Its constraints are insufficient scale, local content depth, logistics reliability and costs, energy costs and policy uncertainty. Recent improvements in electricity reliability and port throughput are positive, but the question is whether they can be sustained long enough to improve the relative economics of local plants rather than simply recover ground lost in earlier years.

### 3.4 Policy and operating competitiveness

The APDP2 review and the tariff debate belong in the industrial section because they affect the economics of localisation and new investment. South Africa applies a 25% import duty on completely built-up passenger vehicles, and the DTIC is reviewing higher duties of up to 50% on vehicles from China and India. Higher tariffs would make local production more attractive to new entrants as importing becomes more expensive. They would also raise prices in precisely the value segments that have driven demand since 2025. The trade-off is between greater industrial depth and consumer affordability rather than between protection and free trade, and resolving it is the central task of the review.



04

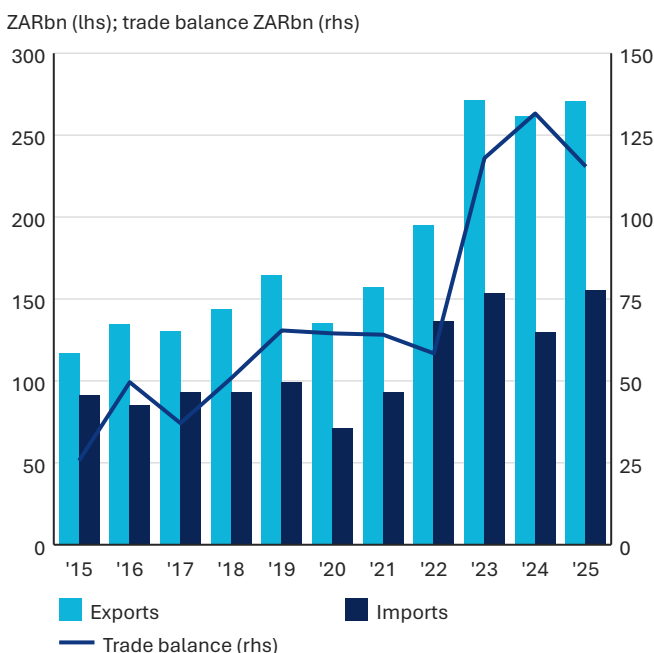
# Export platform: Destinations, performance and market access.

# Export platform: Destinations, performance and market access

South Africa's automotive manufacturing model depends on exports for scale. Around two-thirds of production is sold abroad, meaning the economics of local plants depend as much on external demand and market access as on conditions in the domestic market. Exports go to a wide range of countries, but are heavily concentrated in Europe and the UK. This concentration has historically supported specialisation and scale, but it also means that changes in trade policy, regulation and demand in these markets can quickly affect domestic production.

The overall trade picture is one of strong external performance. Export value more than doubled across the decade and the automotive trade surplus widened sharply from 2022, reaching well above R100bn. Imports also increased, but not enough to offset the growth in export earnings. The widening surplus confirms the strategic importance of the sector for South Africa's foreign exchange earnings. It also highlights why maintaining export competitiveness is important even as imports take a growing share of the domestic market. The same two-way trade structure that creates the mismatch also allows the industry to generate a large net external surplus.

**Figure 33: Automotive exports, imports and trade balance (ZARbn)**

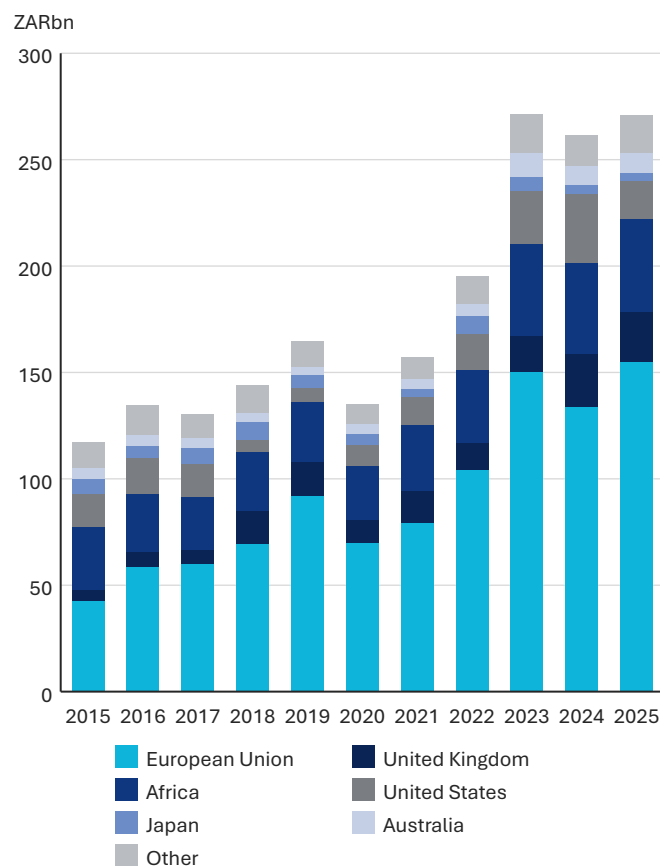


Source: SARS.

## 4.1 Export destination structure and concentration

South Africa's automotive exports have become increasingly concentrated in its major European markets. The EU and UK accounted for R182.8bn, or 62.8%, of automotive export value in 2025, while Europe accounted for 80.3% of exported vehicle units. Africa was the second-largest regional market at R49.5bn, or 17.0% of export value. Despite this concentration, South African vehicles were exported to 109 countries in 2025. This means that South Africa's external automotive earnings have become increasingly tied to European demand and regulation. Greater diversification would be desirable, but replacing Europe in the near term would be unrealistic given the size and purchasing power of the market. Industrial policy therefore needs to protect access to Europe while gradually expanding exports to Africa and other markets.

**Figure 34: Automotive exports by destination (ZARbn)**

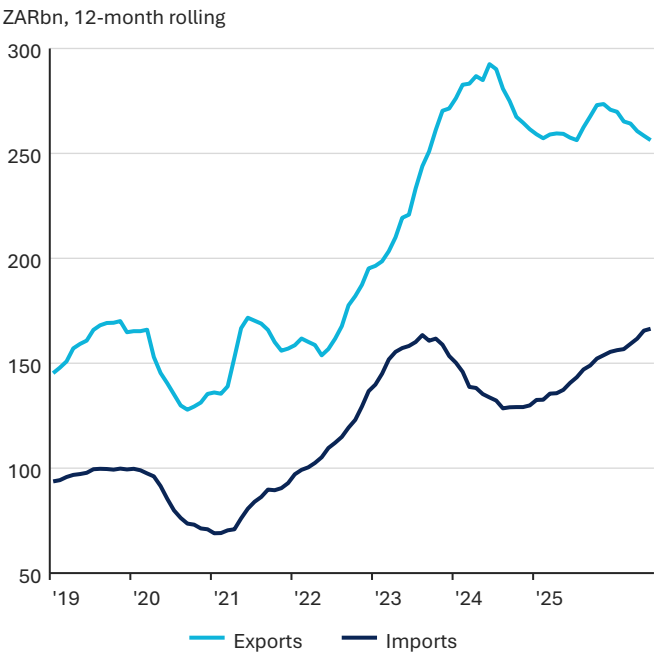


Source: SARS.

## 4.2 Recent export performance

The strong export performance of 2025 weakened in 2026. Vehicle exports fell 8.3% yoy from January to July to 214,835 units, but the decline was heavily concentrated in light-commercial vehicles, which fell 31.2%. Passenger exports increased 3.8% over the same period. The rolling figures show that the exceptional increase in exports between 2022 and 2024 has peaked, while imports are rising again. Export value remains historically high but has eased from its early-2024 peak, reducing some of the momentum that drove the recent trade surplus. The slowdown coincides with model changes and weaker light-commercial exports rather than a broad collapse in passenger exports. Export growth has therefore slowed, but the export base remains large, and the next indication will come from how strongly exports recover after the model changeovers.

Figure 35: Automotive trade balance and momentum (ZARbn, 12-month rolling)



Source: SARS.

Light-commercial exports were affected by the changeover to the ninth-generation Hilux, with production of the new model starting in July 2026. Part of the decline therefore reflects the timing of the model changeover and shipments rather than a broader deterioration in external demand or competitiveness. Passenger vehicle exports, by contrast, remained resilient.

This highlights that production is concentrated in a relatively small number of high-volume models, which means that a changeover can have a significant effect on national production and export totals.

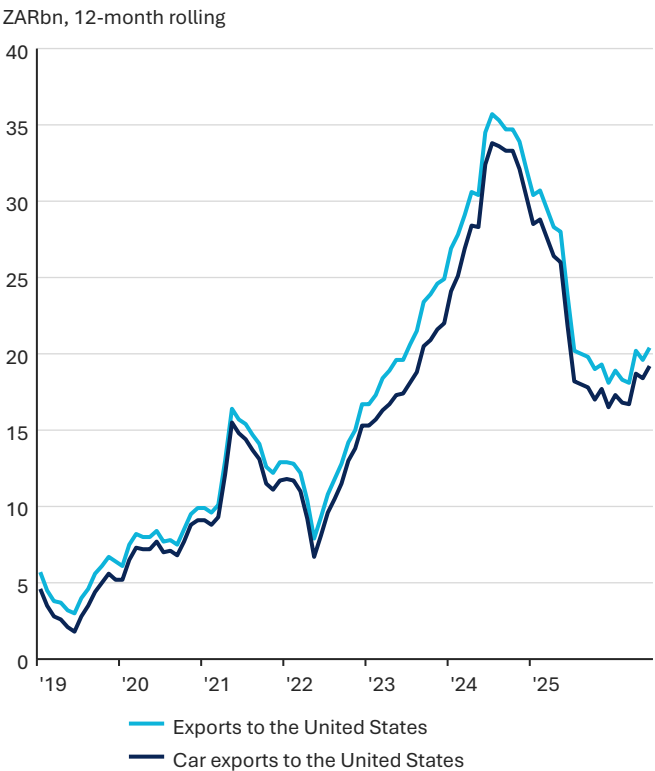
### Key insight:

Export weakness in 2026 is real but concentrated. The latest data partly reflect the timing of model changes; the more durable exposure is the dependence on a limited number of large export models.

## 4.3 Market access and diversification

For an export-led manufacturing industry, access to export markets is an important part of plant competitiveness. Preferential access to the EU and UK has historically strengthened South Africa's position within global production networks, while recent experience in the US shows how quickly this can change. South African vehicle exports to the US fell from 25,544 units in 2024 to 6,530 in 2025. The US Senate has backed a further two-year extension of the Agoa programme, putting it on track to remain in place until the end of 2028 and providing greater certainty following its revival in February 2026, several months after it had expired. This, however, does not override the separate 25% Section 232 tariff on covered automotive products. Preferential treatment therefore no longer restores the previous competitive position for affected vehicle lines.

Figure 36: Automotive exports to the US (ZARbn, 12-month rolling)



Source: SARS.

The table shows that each major destination carries a different type of risk. Europe offers strong preferential access but has increasingly stringent emissions, powertrain and origin requirements. The UK remains a stable preferential market, particularly for pickups. The main risk in the US is now tariffs, while Africa offers opportunities for market development but cannot provide the same scale in the near term.

Adding more destinations does not necessarily reduce risk if those markets are exposed to the same regulatory or economic pressures. A genuinely more resilient export base would combine large developed markets with growing African and other emerging destinations, while ensuring that locally produced vehicles meet the requirements of each.

**Table 4: Market access by major destination**

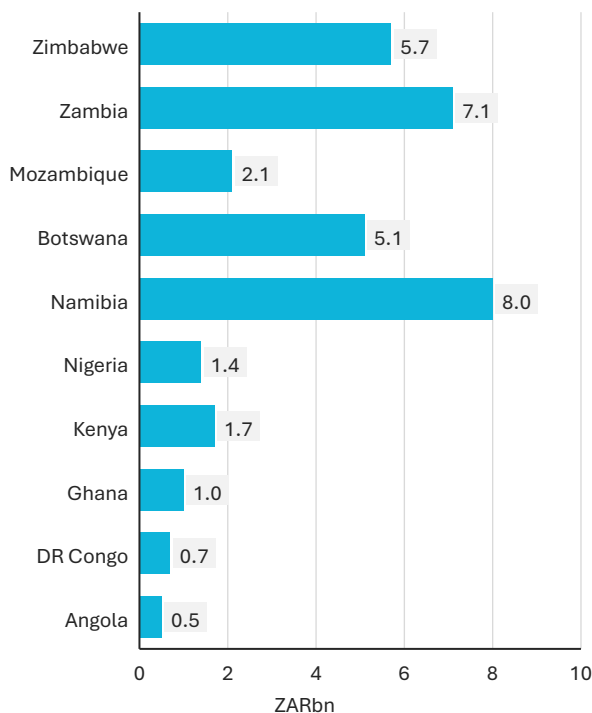
| Market         | Trade framework                         | Additional measure                                                 | Expiry or review                    | Practical implication                                                                      |
|----------------|-----------------------------------------|--------------------------------------------------------------------|-------------------------------------|--------------------------------------------------------------------------------------------|
| European Union | SADC-EU Economic Partnership Agreement  | Rules of origin; CO2 and powertrain regulation                     | 2035 CO2 standard under negotiation | Core high-value market at 62.8% of export value. Regulatory transition is the main risk    |
| United Kingdom | SACUM-UK Economic Partnership Agreement | Rules of origin; pickup taxation                                   | No scheduled expiry                 | Important for pickup and selected passenger programmes                                     |
| United States  | AGOA, reauthorised February 2026        | Section 232 automotive tariff of 25% on covered vehicles and parts | AGOA expires 31 December 2026       | Preference alone does not restore competitiveness for covered automotive lines             |
| United States  | Section 301 forced-labour action        | 12.5%; does not stack onto Section 232 articles                    | In force from July 2026             | Limited direct automotive effect, but the baseline position changed repeatedly during 2026 |
| European Union | Carbon Border Adjustment Mechanism      | Definitive regime from 2026 for covered carbon-intensive goods     | Phased                              | Indirect exposure through steel and aluminium inputs, supplier disclosure and sourcing     |
| Africa         | SACU, SADC and AfCFTA                   | Automotive rules of origin adopted February 2026                   | Implementation ongoing              | Diversification opportunity, but current demand remains concentrated in Southern Africa    |

Source: USTR; European Union and United Kingdom trade frameworks; Naamsa; the dtic. Trade-policy position checked to 19 August 2026.

Africa offers South Africa the clearest opportunity to broaden its export base, but current trade remains concentrated close to home. Zimbabwe, Zambia, Namibia, Botswana and Mozambique are among the largest individual destinations, while major markets further north remain comparatively small. Proximity, established distribution networks and SACU/SADC arrangements matter more than the potential size of more distant African markets such as Nigeria or Kenya. This pattern explains why AfCFTA is more likely to support growth over the medium term than immediately.

Unlocking larger markets further north requires more than preferential tariffs. Consumer finance, standards, border logistics, aftersales networks and the dominance of used-vehicle imports all influence the market for new South African vehicles.

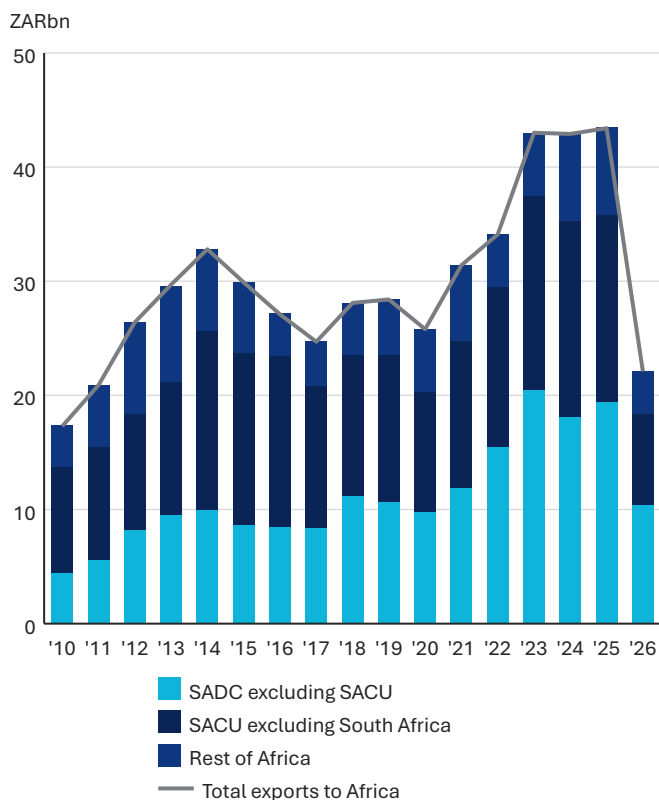
**Figure 37: African export markets by country in 2025 (ZARbn)**



Source: SARS.

African exports have grown, but most of the increase has continued to come from SACU and the wider SADC region. Exports to the rest of Africa remain comparatively small and volatile. The chart shows gradual growth in regional trade rather than a significant increase in exports across the continent.

**Figure 38: African export markets over time (ZARbn)**

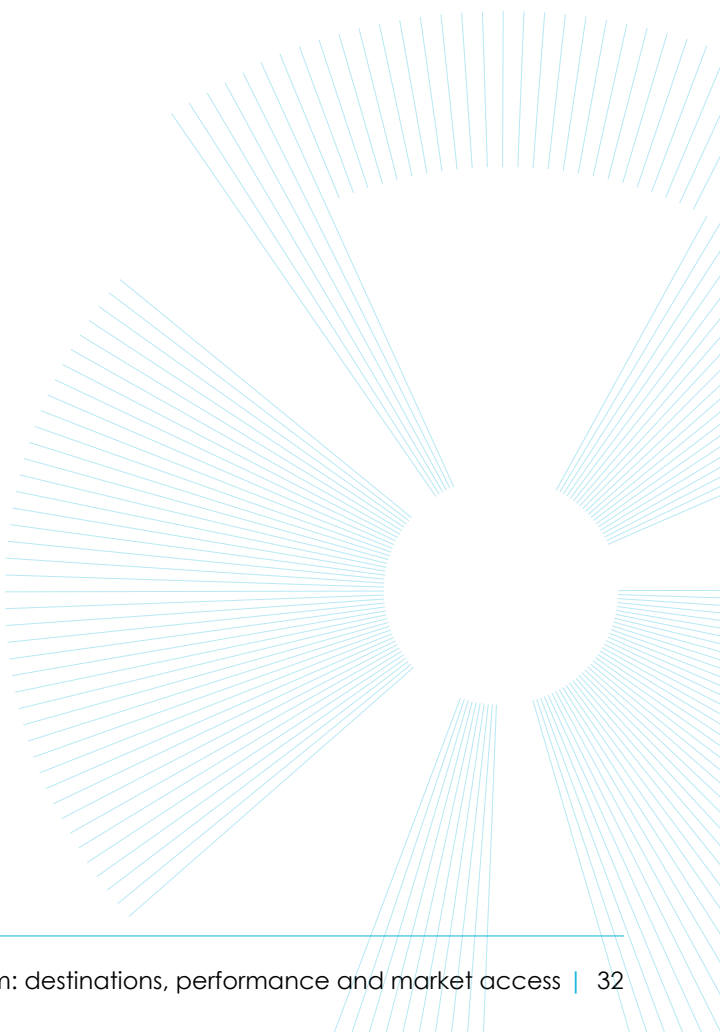


Source: SARS. 2026 is YTD to June.

AfCFTA automotive rules of origin, adopted in February 2026, provide a better basis for greater regional integration, but the pace of progress will depend on implementation, affordability, logistics and market size. Africa should therefore be viewed as a medium-term opportunity to diversify exports and increase volumes, rather than a near-term substitute for European demand. Its strategic importance lies in gradually broadening the industry's export markets while maintaining access to the large developed markets that currently support plant utilisation.

**Key insight:**

South Africa's export model is both a source of strength and a source of concentration risk. Access to large European and UK markets has enabled local plants to specialise and operate at scale, while Africa provides only a partial diversification channel for now. The important issue is whether South African plants can retain competitive access to core markets while gradually broadening their export base.





05

# Powertrain transition: Market and industrial readiness.

The South African Automotive Industry Report 2026

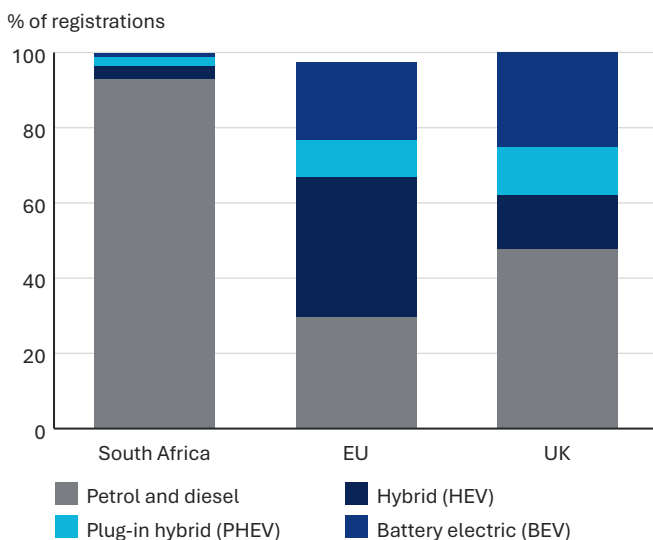
# Powertrain transition: Market and industrial readiness

South Africa's transition to new powertrains is being driven by both domestic demand and the changing requirements of its major export markets, although the industrial pressure is stronger from abroad. Domestic NEV adoption is growing rapidly from a low base, while the EU and UK – critical markets for local production – are electrifying substantially faster. South Africa therefore has to manage two different rates of change: a domestic market that will continue to use a mix of powertrains for some time, and an export-oriented manufacturing base that must adapt more quickly to retain future model allocations.

## 5.1 Export markets are transitioning faster, but not uniformly

The difference in the pace of the transition is clearest in passenger cars. In H1 2026, BEVs accounted for 20.7% of EU passenger-car registrations, PHEVs 9.8% and hybrid electric vehicles (HEVs) 37.3%, leaving petrol and diesel at 29.7%. In the UK, BEVs reached 25.0%, PHEVs 13.0% and HEVs 14.2%. South Africa remains at a much earlier stage, with BEVs still representing a very small share of domestic vehicle sales.

**Figure 39: Powertrain mix – South Africa, EU and UK, H1 2026 (% of registrations)**



Source: Naamsa; ACEA; SMMT. South African shares are derived from Naamsa's NEV technology split against passenger-vehicle sales; EU and UK figures are passenger-car registrations. UK petrol and diesel include mild hybrids.

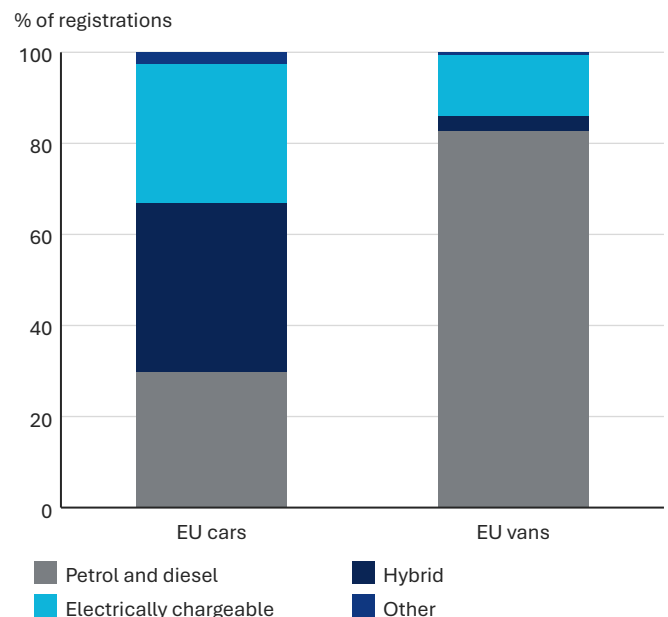
### The acronym salad

**NEV:** new energy vehicle  
**HEV:** hybrid electric vehicle  
**BEV:** battery electric vehicle  
**PHEV:** plug-in hybrid electric vehicle  
**ICE:** internal combustion engine

Naamsa's definition of NEVs includes conventional hybrids, which do not plug in, alongside PHEVs and BEVs. South Africa's overall NEV share can therefore make South Africa appear closer to European electrification than it is if compared directly with European BEV penetration. For future manufacturing, it is more useful to distinguish between conventional ICE, hybrid technologies and vehicles increasingly capable of operating on external electricity.

The transition has been considerably slower in commercial vehicles. Petrol and diesel still accounted for 82.9% of EU van registrations in H1 2026, compared with 29.7% of passenger cars, while electrically chargeable vehicles accounted for 13.2% of vans versus 30.5% of cars.

**Figure 40: European passenger cars against vans by powertrain (% of registrations, H1 2026)**



Source: ACEA passenger car and commercial vehicle registration releases.

This is particularly relevant to South Africa because pickups and light-commercial vehicles account for a large part of local production. These vehicles therefore have more time to make the transition than passenger cars. Ford's locally produced Ranger PHEV already illustrates how this can be done without abandoning an established model.

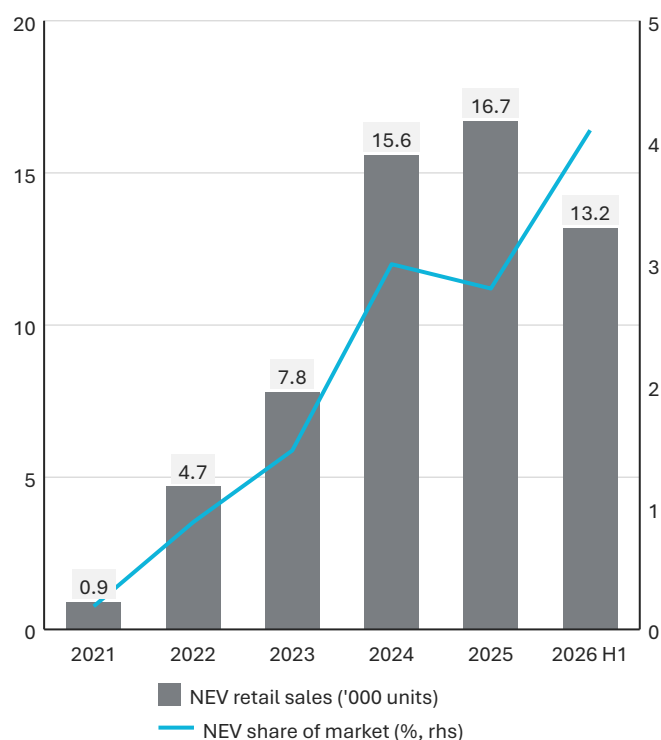
European regulation continues to push manufacturers in this direction, although the final requirements have become less certain. Current EU law still implies a 100% reduction in fleet-average tailpipe CO<sub>2</sub> emissions for new cars and vans from 2035, while the commission has proposed a more flexible 90% target and a softer 2030 target for vans. Those changes remain proposals rather than law. The implications for the industry are clear, even if the exact technology mix and timing remain uncertain.

## 5.2 Domestic adoption is gradually improving

South Africa's domestic NEV market remains small, but sales rose sharply in 2026. NEV sales increased only 7.1% to 16,716 units in 2025, with market share easing to 2.8%, but 13,193 NEVs were sold in H1 2026 alone. Of these, 6,667 were HEVs, 4,623 PHEVs and 1,903 BEVs, making hybrids 50.5% of the NEV market, PHEVs 35.0% and BEVs 14.4%.

**Figure 41: Domestic NEV sales and market share (units, % share)**

'000 units (lhs); % share (rhs)



Source: Naamsa.

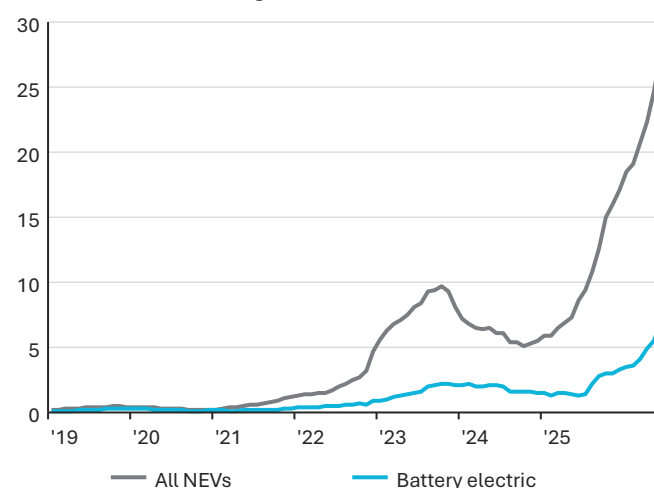
The figures point to a gradual transition involving several technologies rather than a direct shift from internal combustion engine (ICE) vehicles to BEVs. In June alone, NEVs reached roughly 6% of domestic light-vehicle sales, but almost half were conventional hybrids and only 419 were BEVs. Affordability, charging infrastructure and model availability therefore continue to favour technologies that retain an ICE component.

The growing range of Chinese NEVs is becoming an important source of competition. Chinese manufacturers already represent the fastest-changing part of South Africa's broader vehicle market, and they are increasingly bringing the same combination of technology, specification and aggressive pricing to electrified vehicles. China produced 71% of the EVs sold globally in 2025, giving its manufacturers enormous scale advantages; locally, BYD has become a visible NEV entrant, while Chery is expanding its BEV and hybrid range and has announced the Chery Q BEV at around R350,000.

That is important because apart from consumer preference, price and product availability are important factors in South African NEV adoption. Chinese manufacturers are likely to increase the range of models and make electrified vehicles more affordable. It is too early, however, to conclude that the recent gains by particular brands or the recent increase in PHEV sales will be permanent.

**Figure 42: NEV import momentum (units, 12-month rolling)**

'000 units, 12-month rolling



Source: SARS; Naamsa.

The import data support the same conclusion. Much of the growing range of NEVs is imported, although South Africa produces selected hybrids and PHEVs locally. Stronger domestic demand does not automatically mean that domestic manufacturing is making the same transition.

## 5.3 Industrial readiness

South Africa already has some capacity to produce electrified vehicles. BMW produces the X3 PHEV at Rosslyn, Ford the Ranger PHEV at Silverton, Toyota the Corolla Cross hybrid, and Mercedes-Benz has hybrid capability within the C-Class programme. These programmes demonstrate that South African plants can secure and produce electrified global model allocations, although current capability remains concentrated in HEVs and PHEVs rather than full battery-electric vehicles. The next step remains unclear: there is no established large-scale local BEV passenger-vehicle programme, Volkswagen's next powertrain has not been confirmed, and Chery's local NEV mix remains uncertain.

Section 12V of the Income Tax Act is intended to address a real gap in local capability rather than subsidise an already mature domestic BEV industry. Effective from March 2026, Section 12V provides a 150% deduction for qualifying investment in battery-electric and hydrogen-vehicle production from 1 March 2026 to 1 March 2036. HEV and PHEV production does not qualify for the additional allowance.

**Table 5: Local electrified-production readiness**

| Producer      | Local electrified capability                                         | Current status                                         | Industrial significance                                                                                              |
|---------------|----------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| BMW           | X3 PHEV                                                              | Operational; sole global source                        | Strong evidence that Rosslyn can secure a global electrified allocation                                              |
| Ford          | Ranger PHEV and battery-pack assembly                                | Operational; global production hub                     | Extends SA's core pickup platform into electrification and adds battery-pack capability                              |
| Toyota        | Corolla Cross HEV                                                    | Operational                                            | Established hybrid production capability                                                                             |
| Mercedes-Benz | C-Class PHEV capability                                              | Operational                                            | Long-standing PHEV production experience; future allocation remains important                                        |
| Volkswagen    | Third Kariega model                                                  | Committed from 2027; powertrain not publicly confirmed | Important future signal for the passenger platform                                                                   |
| Chery         | Rosslyn vehicle production from 2027; broader NEV strategy announced | Planned from 2027                                      | Potential route from Chinese import growth to local manufacturing, but local NEV production mix is not yet confirmed |

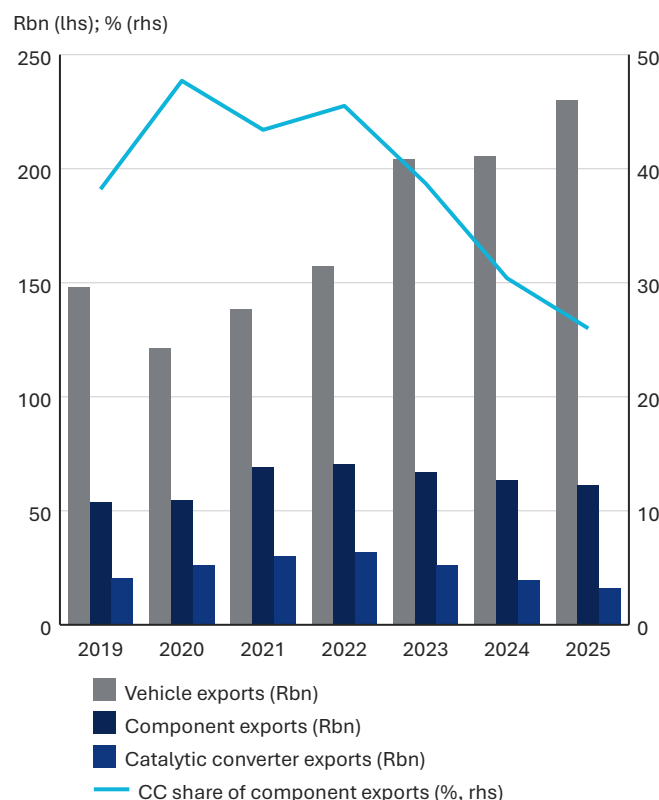
Source: Producer announcements; Naamsa; DTIC.

The larger gap is further down the value chain. South Africa has some battery-pack assembly capability, including Ford's Ranger PHEV operation, but battery cells, electric motors, e-axes, power electronics and other high-value electrified components have limited local production. The challenge is not to simply to assemble more electrified vehicles, but to increase the domestic value in those vehicles as production shifts towards them. Policy support is increasingly focused on this gap. The Section 12V subsidy is intended to encourage investment in technologies where South Africa currently has the largest capability gap, ahead of domestic demand, rather than simply supporting powertrains already produced locally. The next test will therefore be future model allocations. Existing HEV and PHEV programmes show that South Africa can participate in the transition, but its future industrial position will ultimately depend on whether new investment brings additional electrified models, greater localisation of components and, over time, significant BEV production.

## 5.4 Component transition

The transition among component suppliers will not affect all parts of the industry equally. Catalytic converters and combustion-specific engine systems face the greatest risk, while tyres, glass, interiors, body structures and much of the wiring base will remain relevant across powertrains. Electrification simultaneously creates new opportunities for local production of batteries, high-voltage systems, motors, e-axes and power electronics.

**Figure 43: Vehicle, component and catalytic-converter exports (Rbn; %)**



Source: Naamsa, SARS.

The shift is already visible in the export mix. Vehicle exports have risen strongly since 2019, while component exports have broadly stagnated and catalytic-converter exports have fallen significantly from their 2022 peak, with their share dropping from around 45% in 2022 to roughly one-quarter in 2025. Although price movements in platinum group metals (PGMs) account for part of the decline, the figures also show how heavily South Africa's component exports have relied on catalytic converters.

**Table 6: The component base against the powertrain transition**

| Capability                            | Current South African position                                         | Transition exposure | NEV relevance                                    | Industrial implication                                                                                                             |
|---------------------------------------|------------------------------------------------------------------------|---------------------|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| <b>Catalytic converters</b>           | Major established export capability; largest component export category | High                | Low for BEVs; retained where ICE remains         | Clearest legacy transition risk. Exposure rises as BEV production expands, although export values are also sensitive to PGM prices |
| <b>Engines and combustion systems</b> | Established manufacturing and supplier capability                      | High over time      | Retained in HEVs/PHEVs; largely absent from BEVs | Transition is gradual rather than immediate, but future demand ultimately depends on the powertrain mix of model allocations       |

| Capability                                           | Current South African position                               | Transition exposure   | NEV relevance | Industrial implication                                                                                                                                         |
|------------------------------------------------------|--------------------------------------------------------------|-----------------------|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Wiring and harnesses</b>                          | Established local capability                                 | <b>Low</b>            | <b>High</b>   | Largely transferable, with additional opportunity in high-voltage distribution and specialised NEV harnesses                                                   |
| <b>Tyres, glass and interiors</b>                    | Established supplier base                                    | <b>Low</b>            | <b>High</b>   | Predominantly powertrain-neutral and therefore comparatively resilient                                                                                         |
| <b>Pressings and body structures</b>                 | Established local capability                                 | <b>Low</b>            | <b>High</b>   | Core vehicle-manufacturing capability remains relevant across ICE and electrified platforms                                                                    |
| <b>Battery packs and thermal management</b>          | Battery-pack assembly emerging; broader local supply limited | None from ICE decline | <b>Core</b>   | Major localisation opportunity. Ford's Silverton battery-pack plant provides an initial capability base, but cells and broader upstream content remain limited |
| <b>Electric motors, e-axes and power electronics</b> | Limited domestic capability                                  | None from ICE decline | <b>Core</b>   | Among the largest new capability gaps; potential source of higher local value addition if sufficient OEM demand and scale can be secured                       |

Source: Krutham assessment informed by Naamsa, NAACAM, the DTIC and component trade evidence

The objective should therefore be to adapt the existing supplier base rather than replace it. South Africa can retain much of its existing capability across powertrains while developing selected new strengths in batteries, high-voltage systems and electric drivetrains. Ford's local battery-pack assembly provides a starting point, although local capability in cells, motors, e-axes and power electronics remains limited.



# 06 Ownership and aftermarket.

The South African Automotive Industry Report 2026

# Ownership and aftermarket

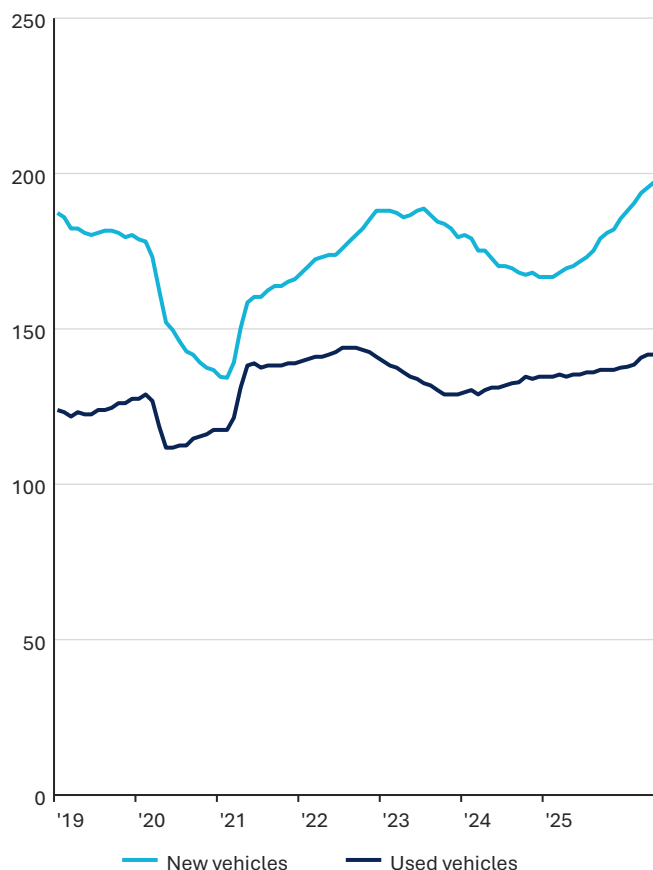
A more competitive and import-intensive new-vehicle market has implications well beyond the original sale. This section covers new versus used substitution, the installed vehicle parc (all vehicles in use), dealer and aftermarket revenues, and the residual-value and repair risks that matter most to financiers and insurers.

## 6.1 New versus used

The usual assumption that affordability pressures push consumers towards used vehicles has not held in this cycle. New-vehicle registrations grew 11.6% year on year in the first quarter of 2026 against 2.6% for used vehicles, and the used-to-new registration ratio fell to 2.3, its lowest level in the reported period, from 3.3 a quarter earlier. New vehicles accounted for 31% of registrations, up from 23%. Low new-vehicle inflation and wider model choice reduced the price difference between a new entry-level vehicle and a comparable two- or three-year-old used vehicle.

**Figure 44: New and used dealer income (real, 12-month rolling)**

ZARm, real, 12-month rolling ('000)

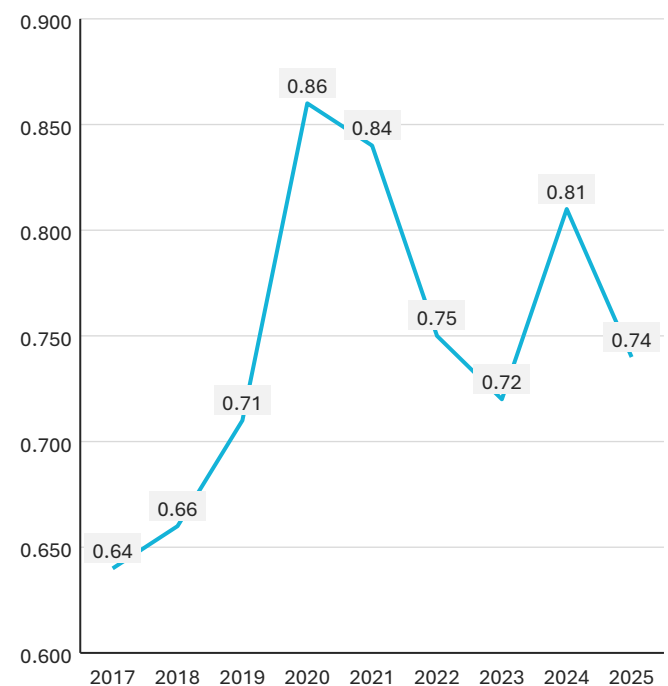


Source: Stats SA.

The ratio remains a useful measure of affordability. A renewed rise would suggest that interest rates or prices are pushing consumers towards used vehicles, while further declines would indicate that new entry-level models are competing successfully with relatively new used vehicles.

**Figure 45: Used-to-new registration ratio**

Ratio



Source: eNaTIS; published registration analysis. A lower ratio indicates new vehicles taking a larger share of total registrations.

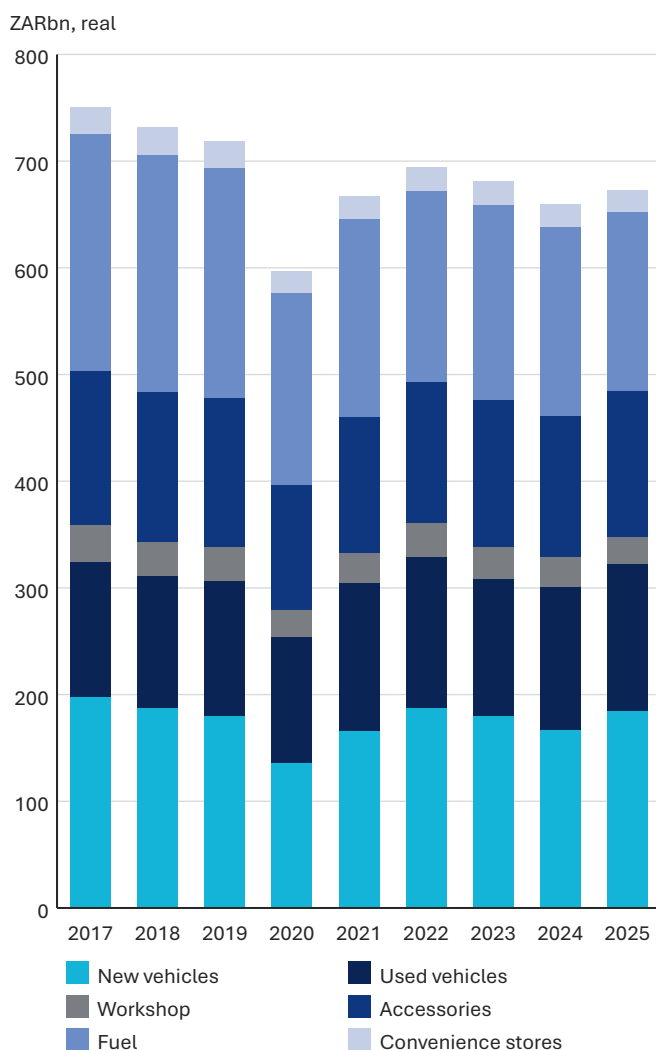
Dealer revenue shows the same shift. In the Stats SA motor-trade series in constant prices, the ratio of used to new vehicle income rose to 0.81 in 2024 and then fell to 0.74 in 2025, and this year it is at about 0.72 YTD. The commercial effects run in both directions: a higher share of new vehicles increases average financed values and dealer turnover, but also increases exposure to residual values because more consumers are buying vehicles that have not yet passed through their steepest period of depreciation.

## 6.2 Vehicle parc, dealer economics and aftersales

Dealer economics extend well beyond new vehicle sales. Used vehicles, parts, workshops and accessories generate recurring revenue, while the composition and age of the existing vehicle parc determine future service and replacement demand.

Changes in the vehicle parc will alter this mix over time. More imported brands increase the complexity of parts supply and diagnostics, while electrification changes servicing requirements and creates new demands around batteries and high-voltage systems. Dealers with scale, parts availability and technical capability are likely to capture a larger share of the aftermarket revenues.

**Figure 46: Dealer income composition (real ZARm)**



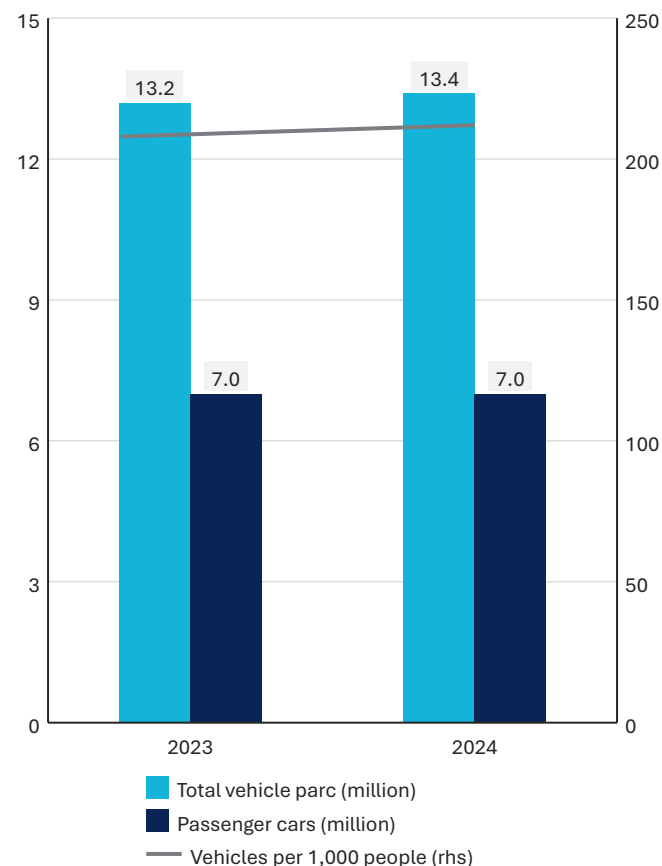
Source: Stats SA.

Replacement-part imports reached R107.5bn in 2025, up 2.6%, with Naamsa attributing part of the increase to the growing vehicle parc and higher vehicle imports. The increase in imported vehicles therefore has an effect beyond the initial sale, as these vehicles subsequently require parts, diagnostics, repairs and stock.

Imported vehicles tend to create demand for foreign aftermarket parts while domestic suppliers have historically served locally manufactured models. As the vehicle parc shifts towards imports, the aftermarket supply chain gradually changes with it.

**Figure 47: Vehicle parc and ownership intensity**

Million vehicles (lhs); per 1,000 people (rhs)



Source: Naamsa Automotive Trade Manual; Stats SA population estimate.

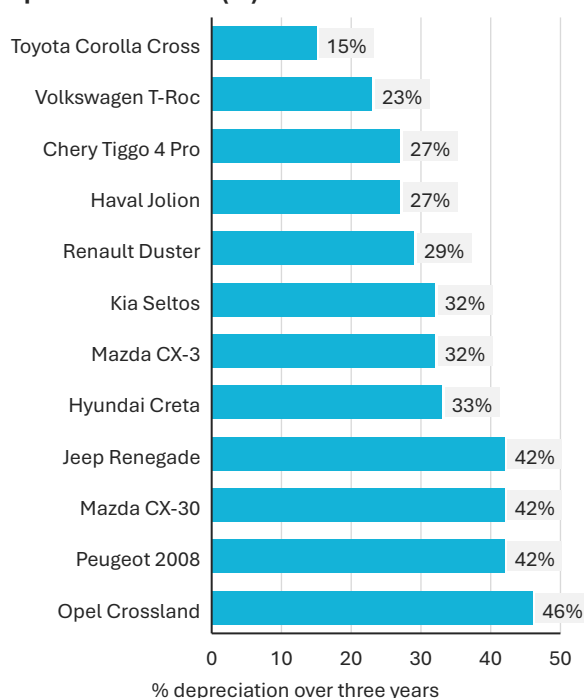
The vehicle parc grows and ages largely independently of new-vehicle sales. It grew 1.8% in 2024, despite a decline in new-vehicle sales. At approximately 13.4 million vehicles and a population of around 63 million, South Africa has roughly 212 vehicles per 1,000 people. A parc that is growing, ageing and becoming more diverse in brand and technology provides a stable base for the aftermarket, which is considerably less volatile than the new-vehicle market.

## 6.3 Residual values, finance, insurance and connected services

Finance is relevant here because of the risk attached to the vehicle as an asset, rather than as a driver of demand. Longer terms and balloon structures improve monthly affordability but shift risk towards settlement, refinance and trade-in: where the vehicle is worth less than the outstanding balance at maturity, the shortfall becomes payable at the end of the term. Terms beyond 72 months rose from 41.7% of new-vehicle finance in the fourth quarter of 2021 to 56.4% by the fourth quarter of 2025. Over the same period, the average new loan rose from R299,000 to R413,000, while around 35% of deals carry a balloon averaging 37% of vehicle value.

Parts availability, repair complexity and imported-component costs affect insurer claims, workshop costs and the value of the vehicle supporting the loan. Motor insurance premiums have risen far more slowly than headline inflation over the past decade while repair input costs have risen considerably faster. Driver-assistance systems, sensors, imported components and battery replacement all make repairs more complex, while limited domestic electric-vehicle repair capability adds underwriting uncertainty. Premiums cannot remain contained indefinitely if repair costs continue to rise.

**Figure 48: Three-year depreciation by model, compact crossovers (%)**



Source: Published residual value analysis. Lower depreciation indicates stronger residual value.

### Key insight:

This is where the changes in competition discussed in Section 2 become a balance sheet issue. More than half of new-vehicle finance now extends beyond six years, while the residual evidence available for the fastest-growing brands covers three years. Lenders and dealers are therefore estimating end-of-term values without a full history, and any shortfall will become apparent only when those finance agreements mature.

**Table 7: Ownership-economy risk map**

| Issue                      | Most exposed participants         | Commercial effect                                  | Evidence to monitor                                      |
|----------------------------|-----------------------------------|----------------------------------------------------|----------------------------------------------------------|
| Residual-value uncertainty | Banks, dealers, fleet operators   | Balloon, trade-in and disposal risk                | Residual performance beyond three years for newer brands |
| Extended finance terms     | Banks and consumers               | Lower instalments, higher settlement exposure      | Loan-term distribution and arrears by vintage            |
| Imported repair parts      | Insurers, workshops, distributors | Claims severity, lead times and currency exposure  | Parts import composition and repair cost indices         |
| Brand proliferation        | Dealers, lenders, insurers        | More complex pricing, parts and resale assumptions | Brand and derivative counts by segment                   |

| Issue                                    | Most exposed participants        | Commercial effect                                         | Evidence to monitor                                   |
|------------------------------------------|----------------------------------|-----------------------------------------------------------|-------------------------------------------------------|
| Driver assistance and vehicle complexity | Insurers and repairers           | Higher repair cost and skills requirements                | Claims severity by vehicle generation                 |
| Theft and component stripping            | Insurers, trackers, parts market | Claims and tracking demand                                | Police and tracker data                               |
| Electrified vehicles                     | Insurers, workshops, financiers  | Battery valuation, repair skills and residual uncertainty | Battery replacement cost and electric repair capacity |

Source: Krutham synthesis

### Where this leads:

The previous sections have considered the different parts of the industry separately. Section 7 brings them together: what would improve or weaken the outlook, what to watch before changes become visible in production, and which participants are most exposed to different parts of the transition.



# 07 Outlook and commercial implications.

# Outlook and commercial implications

The automotive outlook is better considered as a set of conditions rather than as a precise production forecast. Individual model allocations, policy decisions and external-market changes can alter the course of the industry faster than broader changes in demand.

## 7.1 Baseline direction and scenarios

The baseline is a viable but more contested industry. Domestic demand remains comparatively healthy, although some of the factors supporting it have weakened. Import penetration remains high, current export programmes continue to support production and local electrified capability is expanding gradually. Production scale and localisation remain below the Masterplan targets, while the capital figures in Section 3 show that the manufacturing base has been maintained rather than expanded.

Naamsa's guidance for 2026 points to production remaining flat to modestly higher than 2025, conditional on an export recovery that first-quarter data had not yet delivered.

The upside depends on new model allocations, genuine localisation by incoming producers, sustained logistics improvement and continued access to core export markets. The downside would come from the loss of models, weaker export demand, policy uncertainty and further erosion of supplier depth. Both are plausible, and the factors that would determine which direction the industry takes are identifiable.

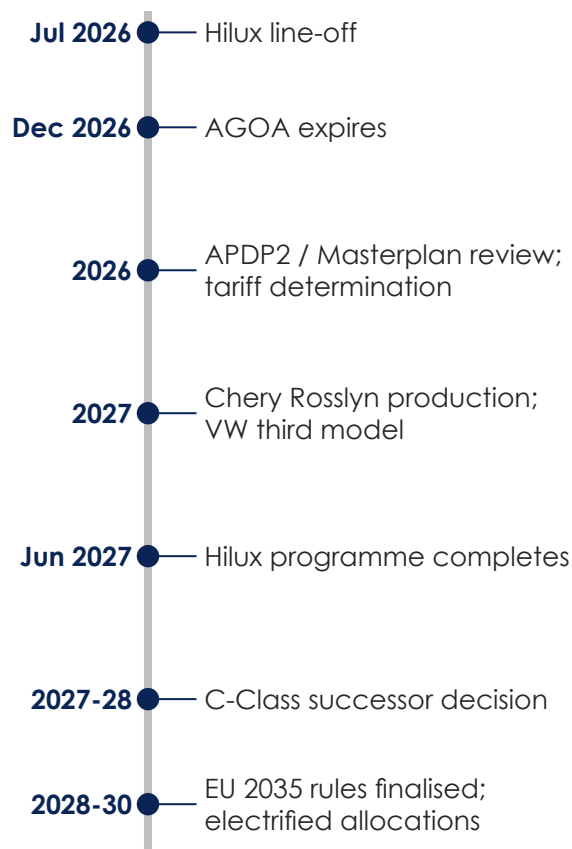
**Table 8: Scenario framework**

| Driver                 | Downside                                                          | Baseline                                        | Upside                                                 |
|------------------------|-------------------------------------------------------------------|-------------------------------------------------|--------------------------------------------------------|
| Domestic demand        | Affordability shock weakens sales through 2027                    | Healthy but moderating growth                   | Strong volumes with broader household recovery         |
| Import penetration     | Rises further as the product gap persists                         | Remains high                                    | Stabilises as the local offer broadens or tariffs bind |
| Model allocations      | Successor loss or project deferral                                | Current programmes retained                     | New global programmes secured, including electrified   |
| Capital formation      | Net investment stays negative and the capital stock keeps falling | Committed programmes stabilise the capital base | Investment lifts capacity and supplier depth           |
| Localisation           | Stalls or falls                                                   | Slow improvement from a low base                | Clear progress towards higher-value local content      |
| Exports                | Persistent weakness or access losses                              | Mixed, but core markets hold                    | Diversification plus stronger European demand          |
| Electrified production | Import-led transition only                                        | Gradual hybrid and plug-in deepening            | New local battery-electric or high-voltage allocations |
| Policy                 | Tariff change without localisation gain                           | APDP2 review resolves incrementally             | Reform pairs protection with binding local sourcing    |

Source: Krutham framework. These are conditional paths rather than point forecasts.

The timeline highlights that the sector's medium-term path will be determined by a series of specific decisions rather than by smooth macroeconomic trends. The Hilux ramp-up occurs immediately; the APDP2/Masterplan and tariff reviews shape the policy framework; Chery's planned start of production in 2027 will test new-entrant localisation; and the Mercedes-Benz successor decision is pivotal for the premium export base. The US Senate has backed a further two-year extension of the Agoa programme, putting it on track to remain in place until the end of 2028 and providing greater certainty following its revival in February 2026, several months after it had expired.

By 2028-30, European regulatory outcomes and the availability of electrified model allocations will become increasingly decisive. Positive developments can reinforce one another: greater policy certainty can support new model allocations, which in turn can increase plant utilisation and supplier investment. Negative developments can have the opposite effect. Each event should therefore be monitored against measurable outcomes such as capacity utilisation, local content, export volumes and net investment.



Source: Producer, policy and trade timelines assembled in Sections 3 to 5.

## 7.2 What to monitor

Each indicator below moves before the production outcome becomes visible. Import penetration, utilisation, allocation announcements, local-content progression, dealer confidence and the number of electrified models built locally will all change in advance of the aggregate production series, which is why a monitoring framework is more useful than forecasts.

**Table 9: Indicators that should move before the outcome is visible**

| Indicator                    | Latest position                                                      | Positive signal                                     | Warning signal                             |
|------------------------------|----------------------------------------------------------------------|-----------------------------------------------------|--------------------------------------------|
| Passenger import penetration | 82.8% in 2025                                                        | Stabilises or declines                              | Continues rising materially                |
| Vehicle production           | 618,077 units in 2025; down 5.3% in Q1 2026                          | Second-half recovery in line with guidance          | Model loss or persistent under-utilisation |
| Net capital formation        | Negative in every year since 2020; capital stock down 13% since 2019 | Committed programmes lift net investment above zero | Capital stock continues to contract        |
| 2026 exports                 | Down 8.3% year to date, concentrated in light commercials            | Recovery once the model changeover completes        | Weakness broadening into passenger exports |
| New model allocations        | Several committed; C-Class successor open                            | Successor programmes secured                        | Deferrals or withdrawals                   |
| Local content                | 38% to 40% against a 60% ambition                                    | Measured progress in high-value components          | Stagnation despite new investment          |

| Indicator                    | Latest position                                               | Positive signal                                                | Warning signal                                          |
|------------------------------|---------------------------------------------------------------|----------------------------------------------------------------|---------------------------------------------------------|
| New entrant localisation     | Rosslyn production planned from 2027                          | Local sourcing near the stated 40% ambition and an export role | Import-led growth with shallow assembly                 |
| Electrified local production | Two plug-in hybrid programmes operational                     | New high-voltage or battery-electric allocations               | Domestic adoption remains import-led                    |
| Dealer confidence            | 67 in Q1 2026, falling to 49 in Q2                            | Stabilises above 50 with volumes                               | Volume slowdown follows sentiment                       |
| Tariff review                | Duties of up to 50% on China and India under review           | Change paired with credible local sourcing commitments         | Higher protection without corresponding industrial gain |
| Affordability                | Policy rate raised to 7.00% in May 2026; fuel easing by July  | Inflation and rates stabilise                                  | Further tightening or renewed fuel shock                |
| Finance quality              | 56.4% of terms beyond 72 months; 35% of deals carry a balloon | Terms shorten and arrears remain contained                     | Settlement shortfalls rise as longer structures mature  |
| Trade access                 | AGOA to 31 December 2026; 25% Section 232 tariff remains      | Extension, carve-out or improved effective access              | Preference lapses or the tariff burden broadens         |

Source: Naamsa; BER; SARB; SARS; USTR; Quantec; producer announcements; Krutham assessment.

### 7.3 Implications by participant

The commercial implications vary considerably across the industry, which is why the automotive sector needs to be considered more broadly than manufacturing alone. Established producers are most exposed to global model allocations and plant utilisation, new entrants to localisation economics, component suppliers to sourcing and powertrain migration, and dealers to shifts in market share and residual values.

For financial institutions, the key risks are particularly linked. Banks benefit from stronger vehicle-finance volumes but face longer-term exposure to residual values and balloon payments. Insurers benefit from a larger and more valuable parc, but face increasingly complex and costly repairs; and logistics providers gain from exports but remain exposed to the concentration of production in a limited number of models. Advisory opportunities similarly increase around localisation, restructuring, investment and policy adaptation.

**Table 10: Commercial implications across the value chain**

| Participant           | Opportunity                                           | Principal risk                             | Determining variable                              |
|-----------------------|-------------------------------------------------------|--------------------------------------------|---------------------------------------------------|
| Established producers | Strong domestic market plus secured export programmes | Import share loss and successor-model risk | Global allocation and plant utilisation           |
| New entrants          | Growing market plus localisation incentives           | Shallow assembly or insufficient scale     | Local sourcing and export economics               |
| Component suppliers   | Localisation demand and powertrain migration          | Combustion exposure and low scale          | Producer sourcing decisions and the APDP2 outcome |
| Dealers               | More brands, models and new-vehicle demand            | Margin pressure and brand churn            | Market share, network quality and used values     |

| Participant                  | Opportunity                                                 | Principal risk                             | Determining variable                                         |
|------------------------------|-------------------------------------------------------------|--------------------------------------------|--------------------------------------------------------------|
| Financiers                   | Higher new-vehicle originations                             | Residual value and balloon shortfall       | Used values and repayment performance through the rate cycle |
| Insurers                     | Growing and more valuable vehicle parc                      | Repair inflation and parts complexity      | Claims severity and parts availability                       |
| Aftermarket and distributors | Larger, older and more diverse parc                         | Inventory complexity and currency exposure | Parc composition and vehicle age                             |
| Logistics providers          | New allocations and export recovery                         | Plant concentration and export volatility  | Throughput and reliability                                   |
| Professional advisers        | Transaction, restructuring and localisation advisory demand | Client concentration in exposed segments   | Pace of the competitive and policy reset                     |

Source: naamsa; BER; SARB; SARS; USTR; Quantec; producer announcements; Krutham assessment.

## 7.4 Conclusion

South Africa has a large and strong vehicle market, a substantial industrial base and a genuinely competitive export platform. The constraint is not the survival of the industry, but its depth. Strong domestic demand has not translated into a similar increase in local production and supplier value. Imports have supplied most of the additional demand created by the recovery, while the locally built share of domestic sales has fallen from 45.6% to 34.1% since 2019, and local production has become more dependent on export markets.

The capital evidence reinforces that conclusion. Investment in motor-vehicle manufacturing has run at or below depreciation in every year since 2020, and the industry's fixed capital stock is roughly 13% smaller in real terms than it was in 2019. Component manufacturing has performed better, suggesting that more of the additional investment is taking place among suppliers rather than in final assembly. That is a more encouraging distribution than the headline suggests, because supplier depth is precisely what the Masterplan is trying to achieve.

None of this describes deindustrialisation. Major programmes continue to be secured, a new manufacturer is entering the market, electrified export production has been established at two plants, and roughly R18.6bn of committed investment falls in 2026 and 2027. The decisions that will determine the next phase are identifiable and near-term: the APDP2 and Masterplan reviews, the tariff determination, the C-Class successor allocation and the localisation outcome at Rosslyn. For commercial participants, domestic demand, manufacturing and exports need to be tracked separately, because they can and do move at different speeds, and the developments in 2026 have shown that clearly.





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