



SOUTHERN  
**AFRICA EUROPE**  
CEO DIALOGUE



The European House  
**Ambrosetti**

# SOUTHERN AFRICA EUROPE CEO DIALOGUE

7<sup>th</sup> Edition

**Johannesburg** – The Capital On The Park & **Virtual Platform**  
**November 26-27, 2020**

BUILDING AN EXCLUSIVE, INFLUENTIAL COMMUNITY OF LEADERS FOR GROWING  
THEIR ENTERPRISES, THEIR COUNTRIES, AND THEIR CONTINENTS

## PRESENTATION BY MARKUS THILL



**AAAM**

African Association of  
Automotive Manufacturers

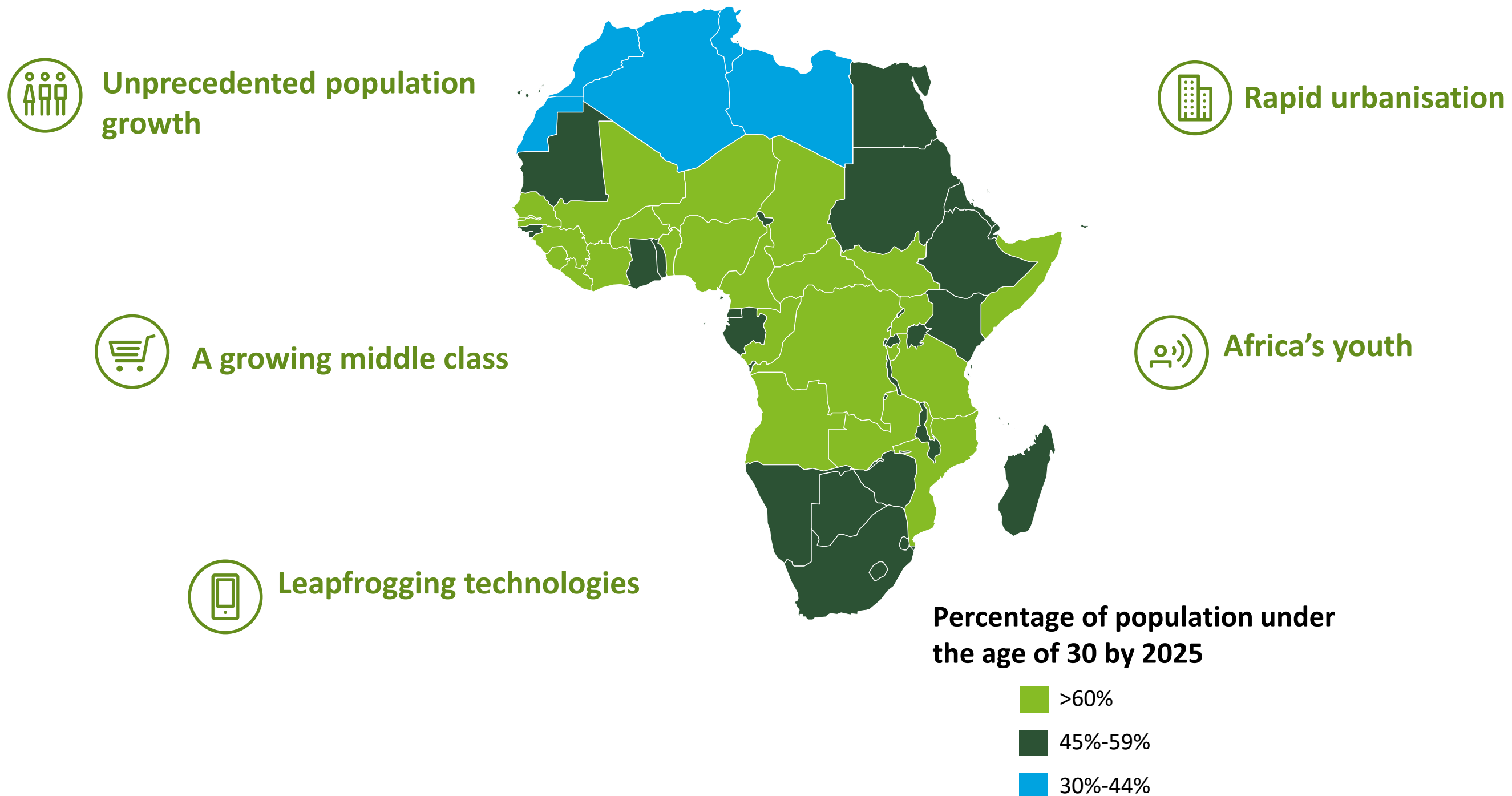
November 2020

# **The Pan African Auto Pact Vision for Africa**

**Powered by an interconnected  
Africa: Transport, digital  
infrastructure, and policies**

# Beyond BRICS, African markets could represent the next (/last) major opportunity in the automotive sector

A young, growing population and rapid rates of urbanisation point to numerous future opportunities for growth



## **Key automotive challenges in Africa**

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### **Demand for new vehicles currently low.**

- Used cars and grey imports: 80% of vehicle sales, negative effect on country trade balances.

**Affordability:** a challenge; limited vehicle asset-based financing and alternate mobility solutions.

**Political will** to support significant medium-/long-term economic benefits of an effective automotive industry vs short term gains of customs revenue for imported used vehicles.

- Plethora of fragmented, small production facilities as result of ineffective automotive policies.

**Safety and environmental impact:** a challenge due to old, poorly maintained vehicle fleet

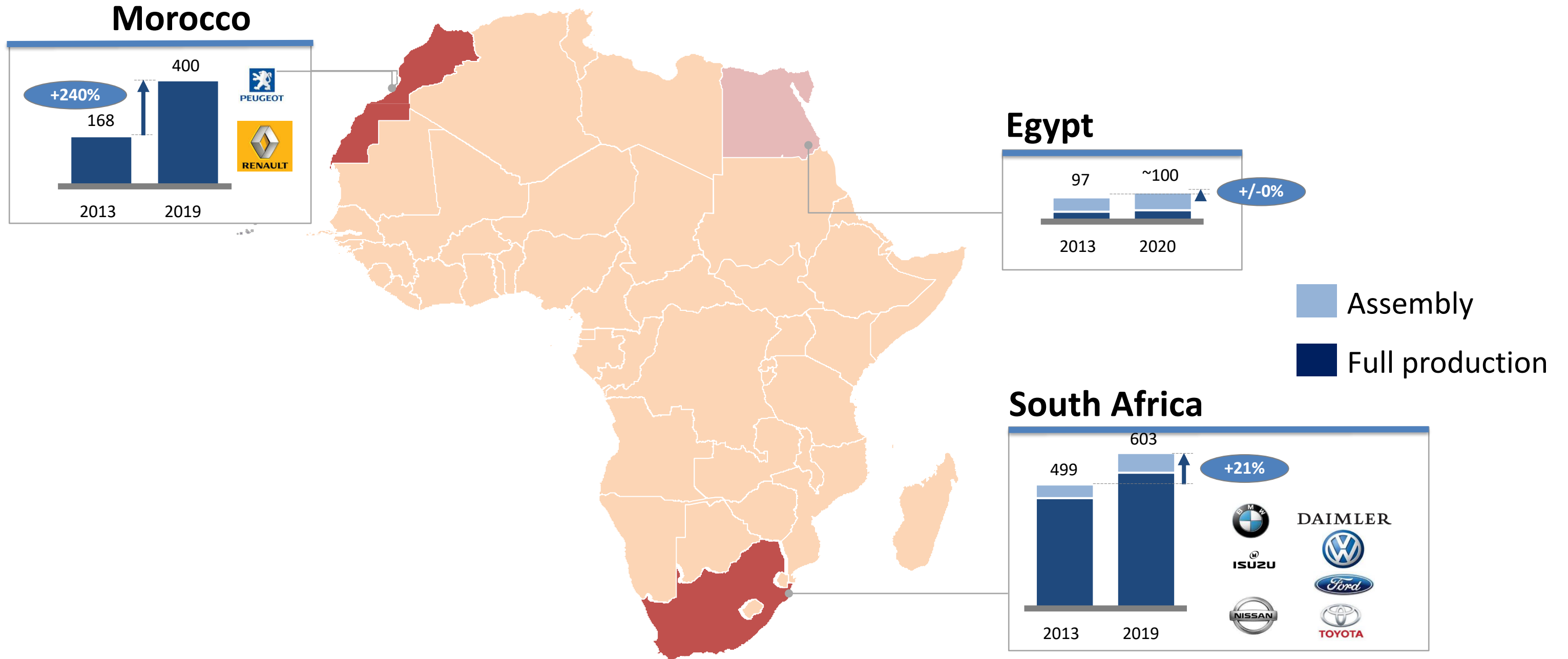
- Highest per capita road fatality in the world; expected to increase by 112% by 2030 (WHO).

**Vehicle homologation, identification systems, fuel quality:** Not on global standards.

**Poor infrastructure and high logistics costs** do not support a competitive value chain.

# Significant production volumes so far only in two countries: Morocco and South Africa – total ca. 1m vehicles

Production volume in '000 vehicles, 2014/2019



# The Pan African Auto Pact

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**Economic benefits** of fully-fledged auto production as game changer for any developing country.  
- **Ww not all economies** w/ such industries as **economies of scale** critical in very competitive sector.

Pan African Auto Pact (PAAP) with focus on an **African Automotive Development Plan**.

Pan-African automotive sector **around assembly nodes/hubs** in the South, West, East, and North of Africa with **value adding activity** to neighbouring economies/countries.

**Country partnerships** as key part of sector development (e. g., ASEAN, Mercusor-Mexico, EU-Turkey).

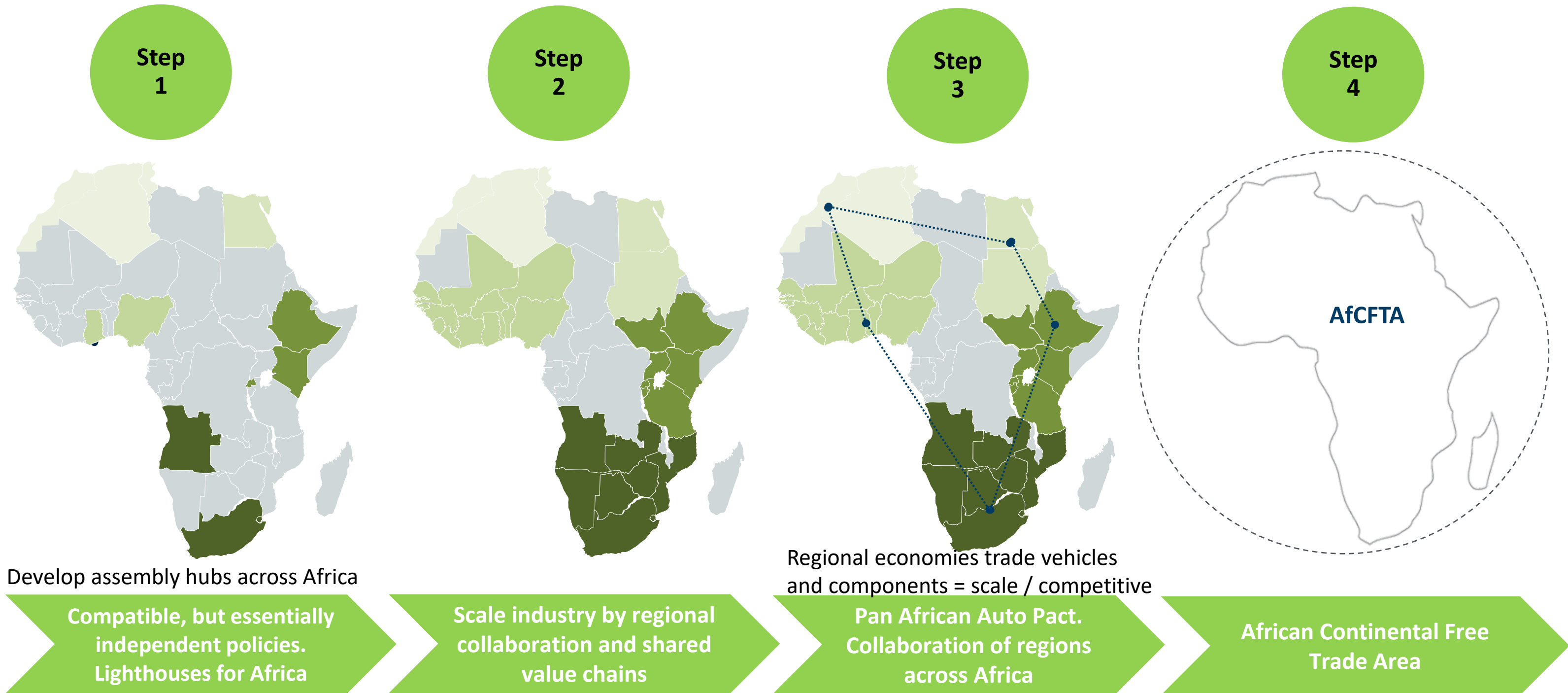
PAAP to systematically grow **new vehicle demand** and **value addition in African economies**.

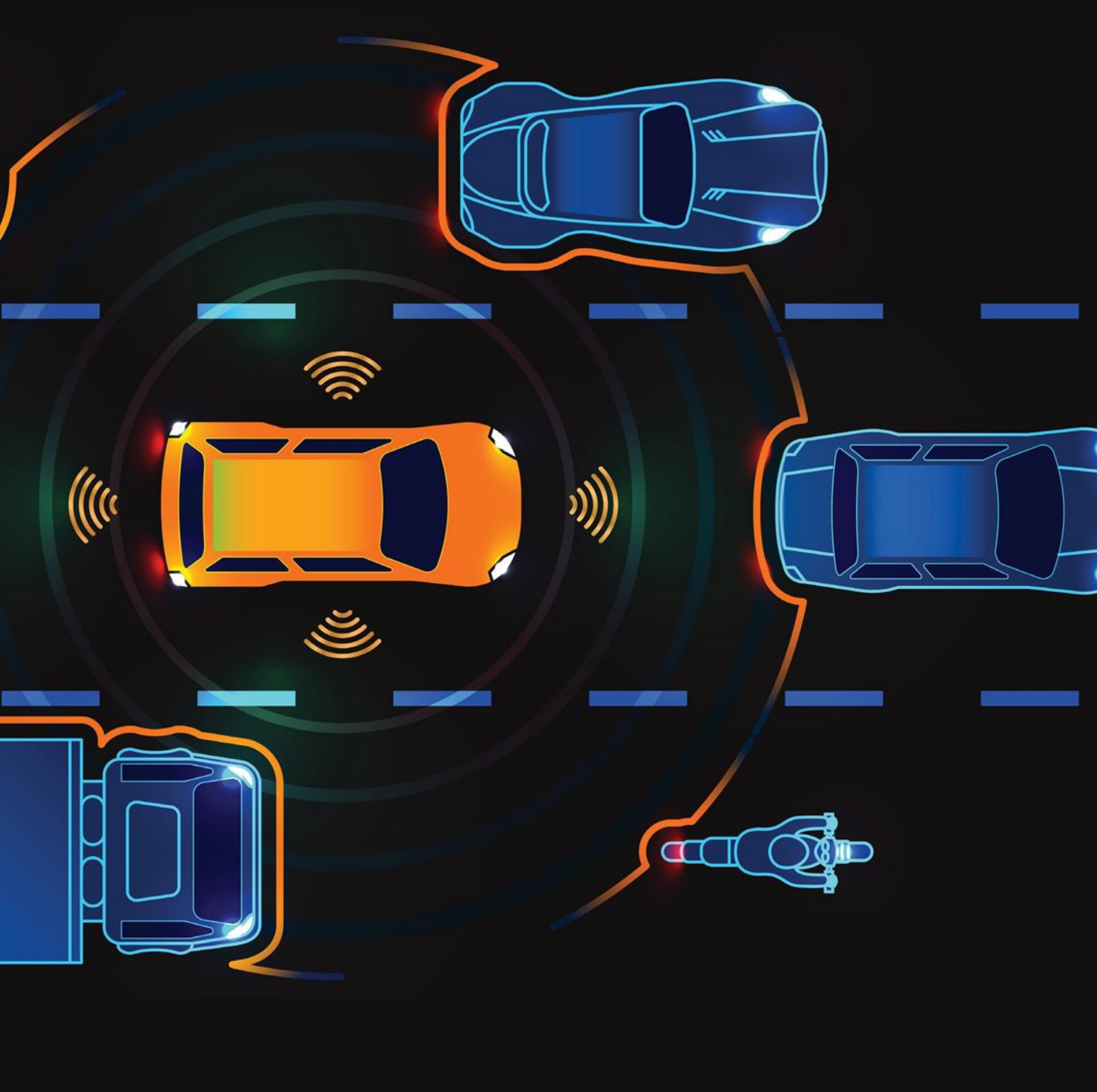
**Political leadership** implementing progressive automotive policies and ecosystems critical for the success; first examples exist.

# The new vehicle market in Africa could increase from 1m to 5m p.a. with a Pan African Auto Pact → effective auto policies and ecosystems



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