



AAAM

African Association of
Automotive Manufacturers

VDA

Verband der
Automobilindustrie

29 December 2020

Media release

New Initiative: German Automotive Industry intensifies links to Africa

Berlin/Johannesburg (South Africa)

The German automotive industry sees potential in Africa and strengthens its ties to the continent. The German Association of the Automotive Industry (VDA) joined hands with the African Association of Automotive Manufacturers (AAAM) as part of the “PartnerAfrica” project of the German Federal Ministry for Economic Cooperation and Development (BMZ). AAAM is the first Automotive association with a pan-African approach, established in 2015 by global Original Equipment Manufacturers (OEMs).

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

The VDA-AAAM partnership sees itself as an engine for dynamic growth, high innovation speed and state-of-the-art jobs.

For the VDA, cooperation with Africa focuses on the following priorities: expanding the sustainability strategy beyond products and production to include energy sources, such as e-fuels, and digital mobility solutions. In addition, strengthening the development partnership, increasing trade volume and investment, and further opening market access for manufacturers and suppliers. Equally important is supporting the development of local supply and value chains. In addition to stakeholder management and partnerships, topics such as promoting training and employment are also part of the comprehensive program.

Hildegard Müller, President of the VDA, said: “We highly appreciate our partnership with AAAM as the VDA intends to increase its involvement in Africa. With the joint project, VDA and AAAM are pursuing the goal of creating improved conditions for a flourishing automotive industry on the African continent, in order to increase economic growth and welfare in Africa and enable German as well as African member companies to participate in market growth and foster win-win trade and investments between Europe and Africa. This commitment of the VDA and AAAM is a significant contribution to growth and prosperity in Africa, supported by the investments of car manufacturers and suppliers on this emerging continent.” An in-house cluster for the association partnership at VDA’s headquarters in Berlin and two project offices in South Africa and Ghana are now responsible for project implementation and supporting direct local contacts for members and partners.

Africa has in some countries fast growing economies with a young, growing population and rapid rates of urbanization along with very low rates of motorization. By 2035, the continent is expected to have the largest labour force potential in the world¹. The automotive and logistics sector holds a key position due to its sustainable value creation in supplier networks, assembly plants, distribution structures and pan-African trade relations. And it offers great potential for innovation, growth and jobs. The motorization rate in Africa is just 45 vehicles per 1,000 inhabitants, which is significantly below the global average of 203 per 1,000.

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

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

¹ Source: World Bank 2017: [Creating Jobs for Africa’s Growing Population \(worldbank.org\)](https://www.worldbank.org/)

Total passenger car production in Africa in 2019 was around 787,000 units. 44 percent of the total car production in Africa took place with 349,000 units in South Africa. German OEMs have steadily expanded their production in South Africa in recent years. Compared to 2010, their production has increased by 44 percent to

317,000 passenger cars in 2019. This means that 91 percent of passenger car production in South Africa is carried out by German manufacturers.

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

The German automotive industry is globally connected. With over 2,500 production facilities abroad, German manufacturers and suppliers contribute to growth and prosperity in over 70 countries around the world. At the same time, the companies use their know-how to contribute to sustainable mobility with environmentally friendly technologies on site.

The untapped demand from Africa is coupled with a steady rise in consumer spending, which has risen over the past few years at an annual rate of 10 percent. The estimated sales forecast of new light vehicles in Africa will be 1.8 million in 2027. This is a doubling compared to the market volume of 2019. Dave Coffey, CEO of AAAM: “Our experts estimate that the African new-vehicle market can initially grow to 3 million by 2035, with the potential of 5m, by implementing effective automotive policies and ecosystems. We are excited about our partnership with the VDA as it will provide expertise, resources and a strong network that will facilitate the development of the automotive industry in Africa.”

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

