



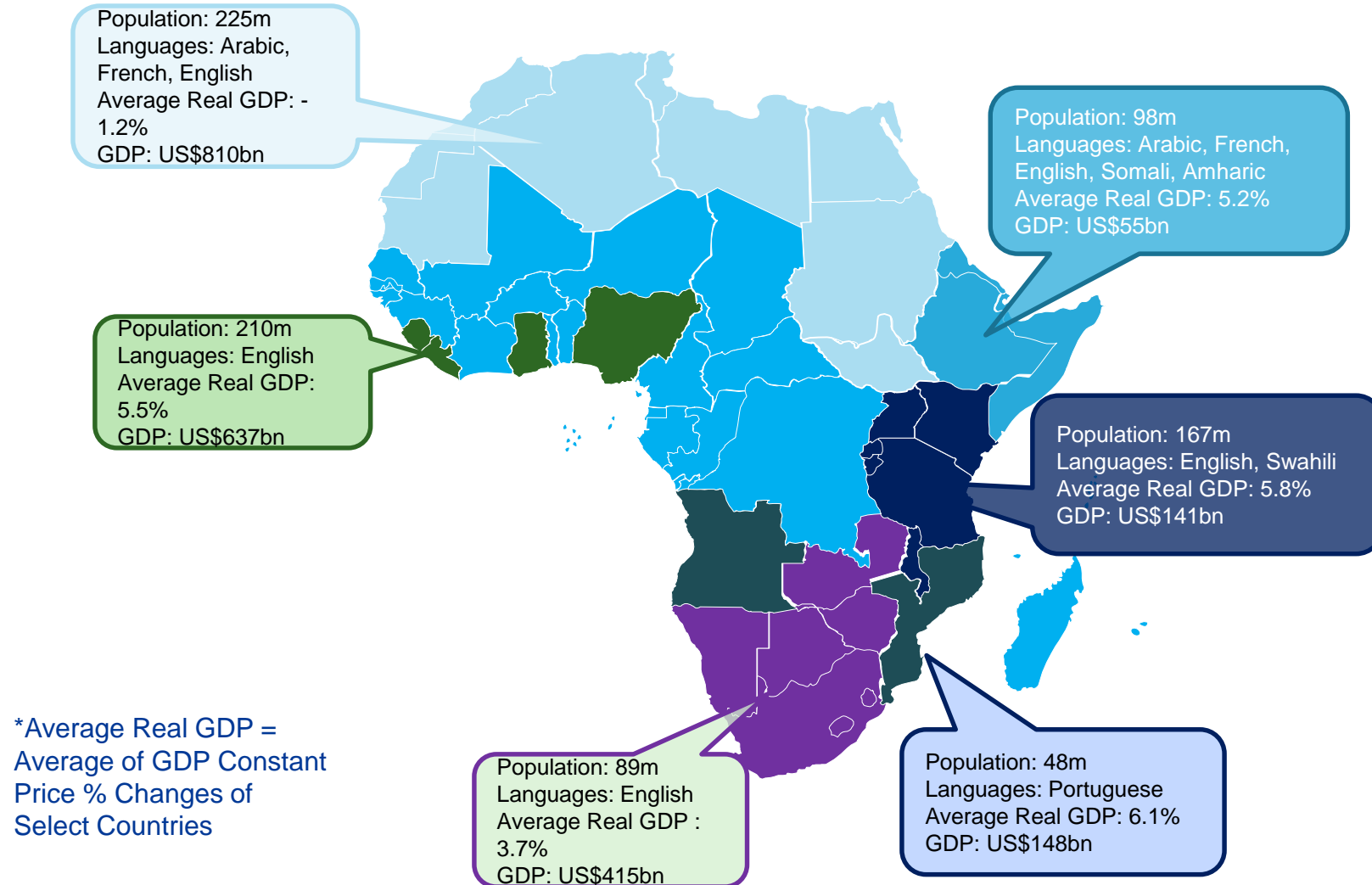
Africa in 2018

Outlook and impact on the automotive sector

Dr Martyn Davies, Automotive Industry Sector Leader , Deloitte & Touche
31st August 2018

Economic snapshot of Africa

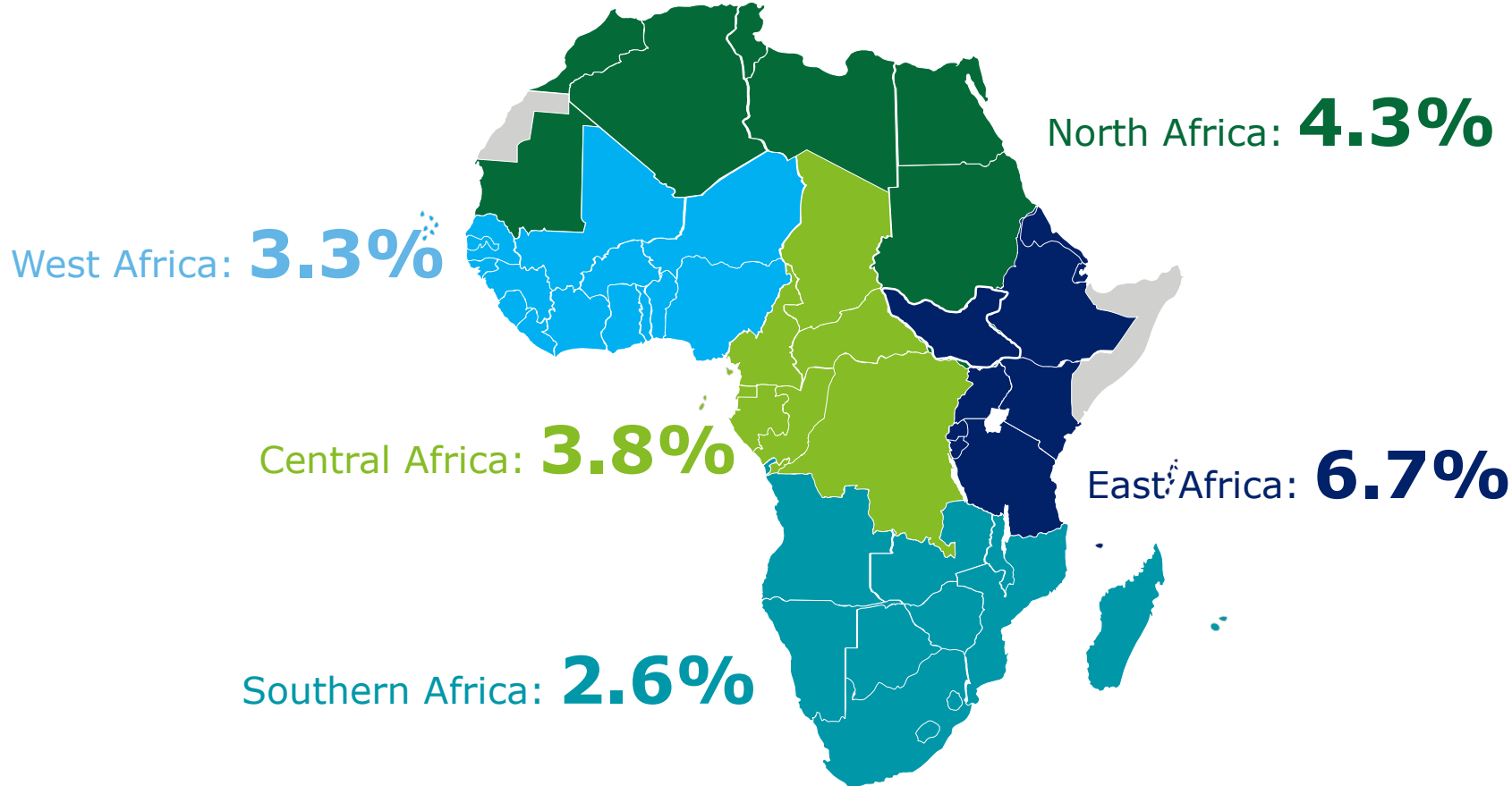
Africa – a fragmented market place



A divergent growth outlook for Africa

East Africa is leading the pack – Southern Africa is falling behind

Africa's regional average growth outlook (%), 2018-2023f

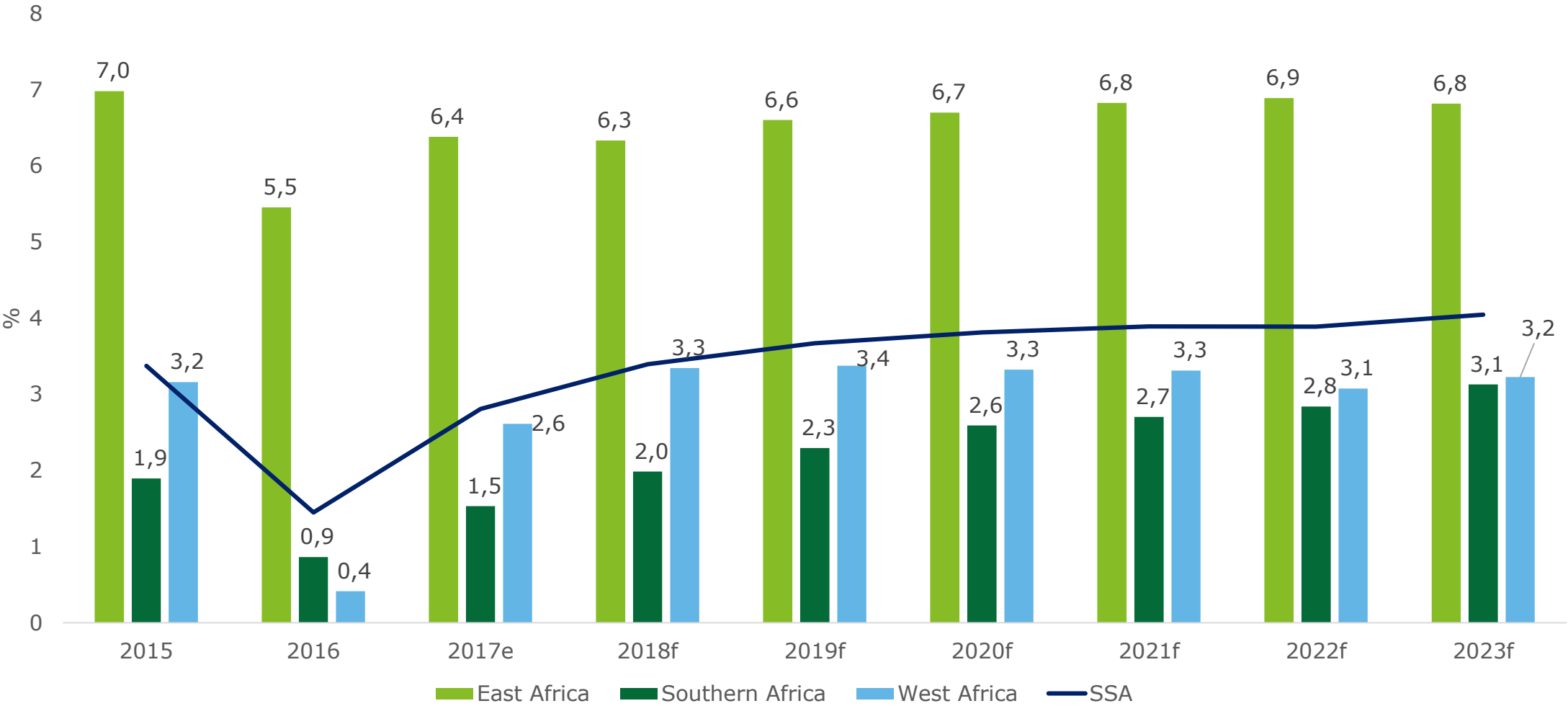


Source: IMF, 2018

A divergent growth outlook for Africa

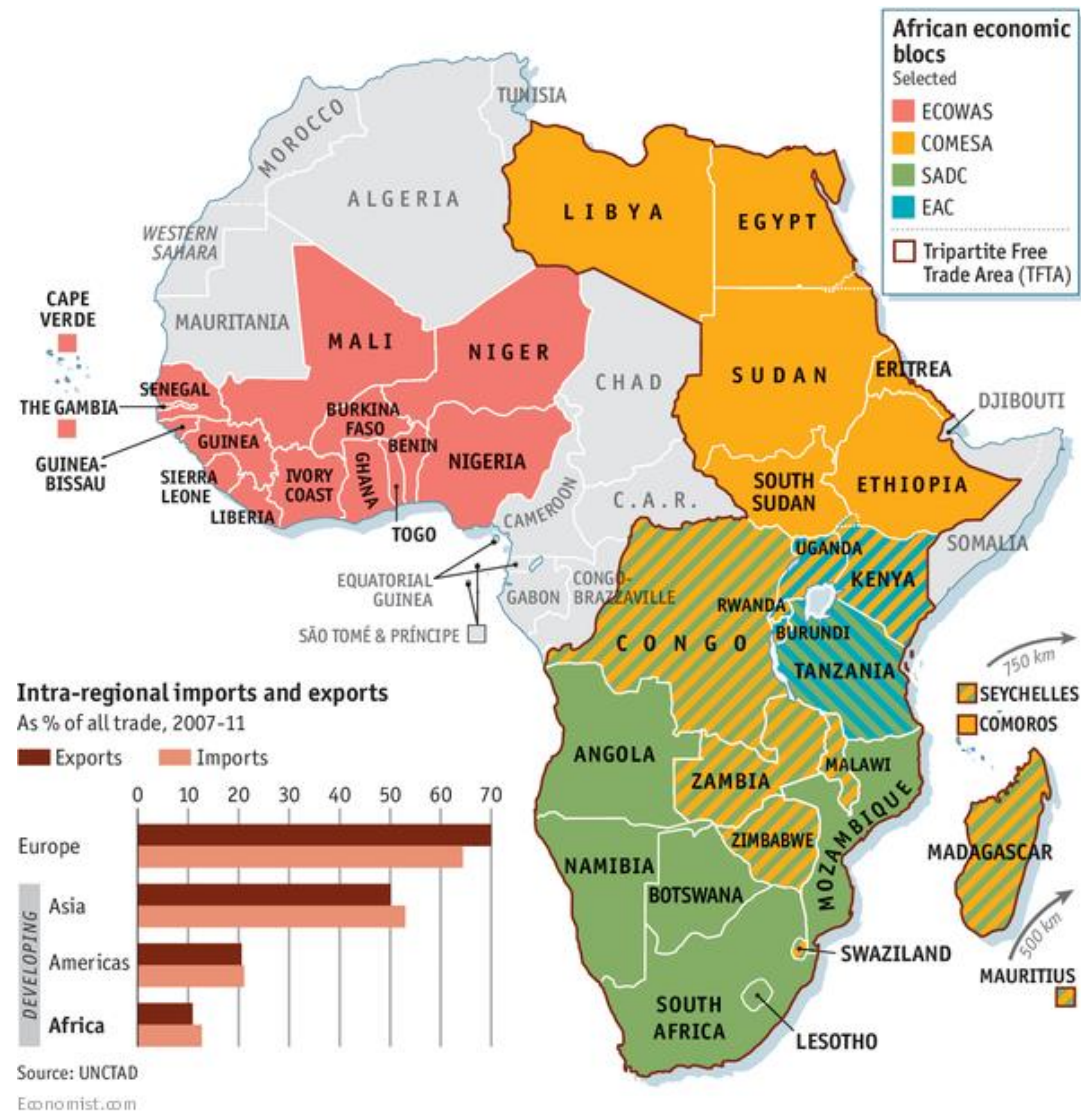
East Africa is leading the pack – Southern Africa is falling behind

Africa regional average growth outlook (%), 2018-2023f



Source: IMF, 2018

Regional Trade Blocs in Africa



Source: Economist

Factors underpinning the African opportunity

A number of positive trends are likely to be driving consumption and sustaining general economic growth in Africa



Unprecedented population growth

Africa's population is expected to more than double from 1 billion to more than 2.5 billion by 2050; by 2025, 1 in 5 people will come from Africa.



Africa's youth

Over 200 million Africans are aged between 15 and 24 years; expected to grow by 57% by 2030 to 321 million. Africa will have the largest working-age population of 1.1bn by 2034 – an asset in an ageing world.



Rapid urbanisation

Africa's urban population is to increase to 50% and then 60% in 2030s and 2050s respectively. Almost 200 million will move to cities in next decade. 75 cities accounted for 44% of total consumption in 2015.



A growing middle class

Africa's household consumption grew faster than GDP between 2010 and 2015. 500 million people will be in the broader middle class by 2025; optimistic, brand-aware; GDP per capita to increase 30% between 2010 and 2030.



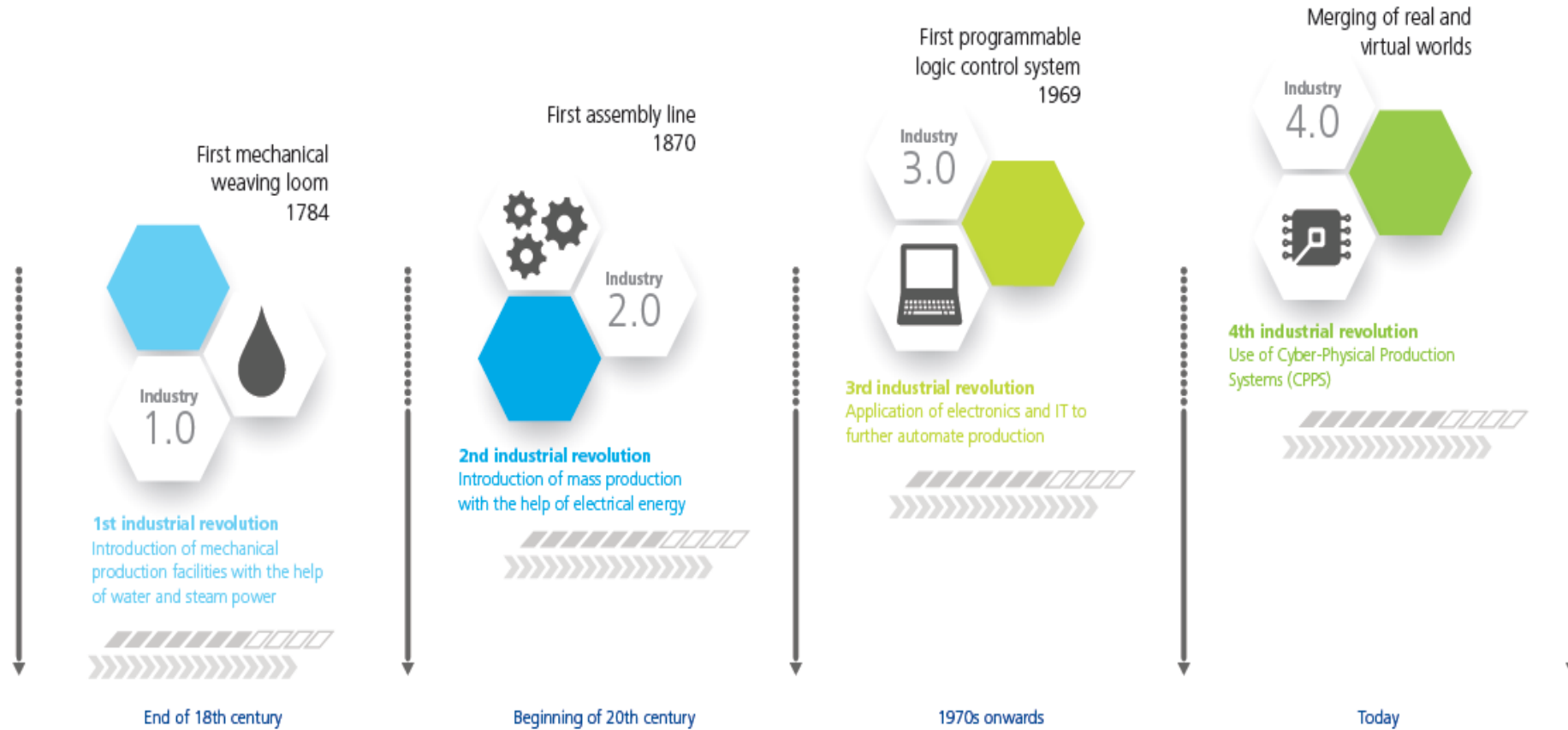
Leapfrogging technologies

Africa's mobile subscription penetration averaged 72% in 2015. It's projected that there will be 334 million smartphone connections in 2017. This can unlock limitations of physical infrastructure across various industries.

Source: Deloitte, 2014 & 2015

A Manufacturing Sector drives “Inclusive Growth”

The evolution to Industry 4.0

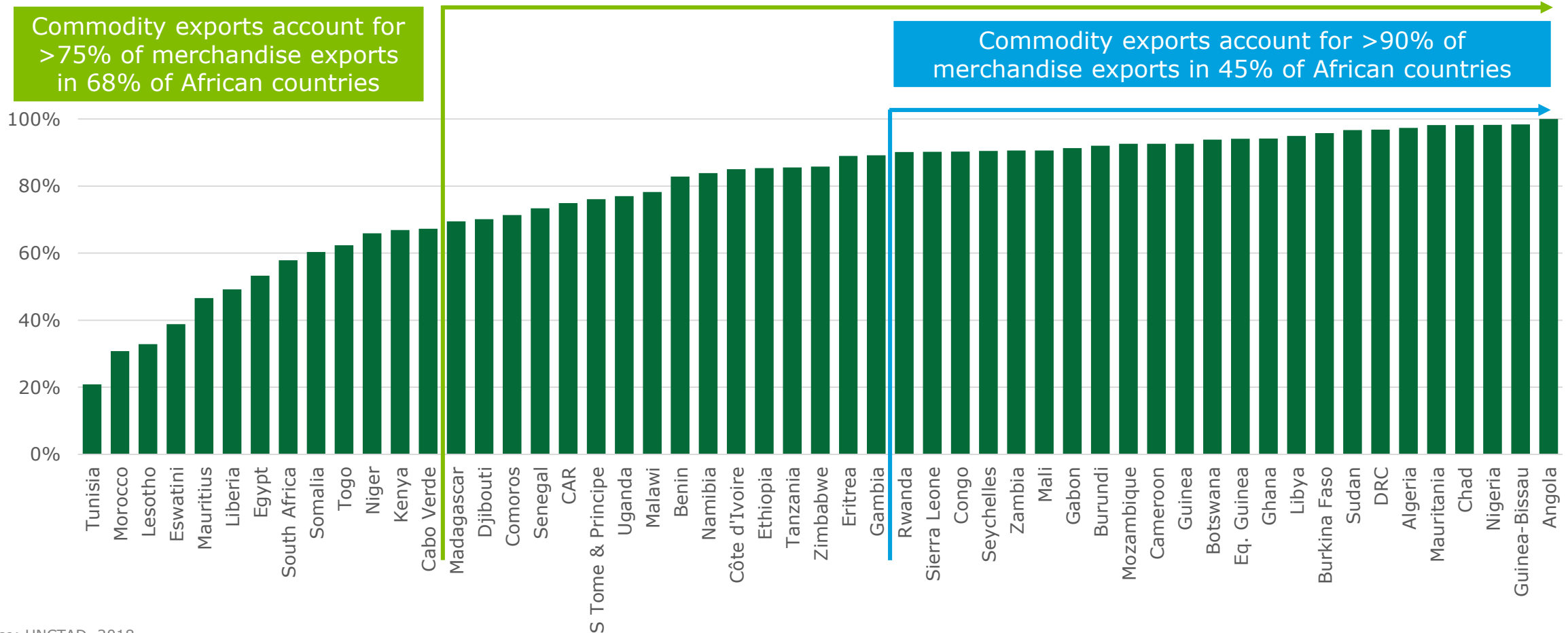


Source: Deloitte, Industry 4.0 an Introduction, 2015

Africa's business model needs to diversify

The high dependency on commodity exports and lack of manufacturing activity leaves African economies exposed to commodity price downswings

Commodity exports as share of exports (%), 2017

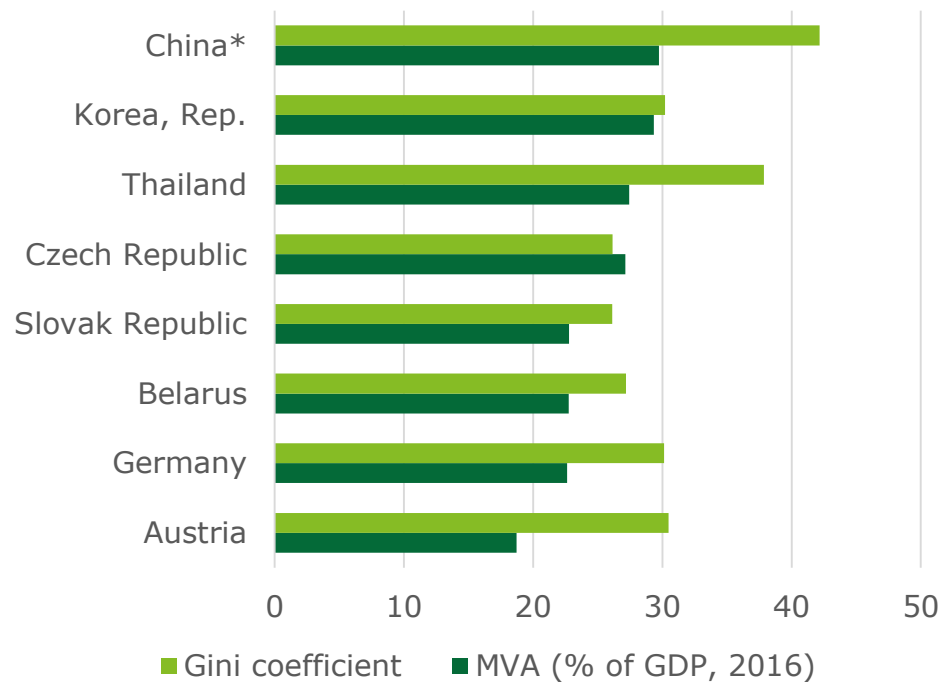


Source: UNCTAD, 2018

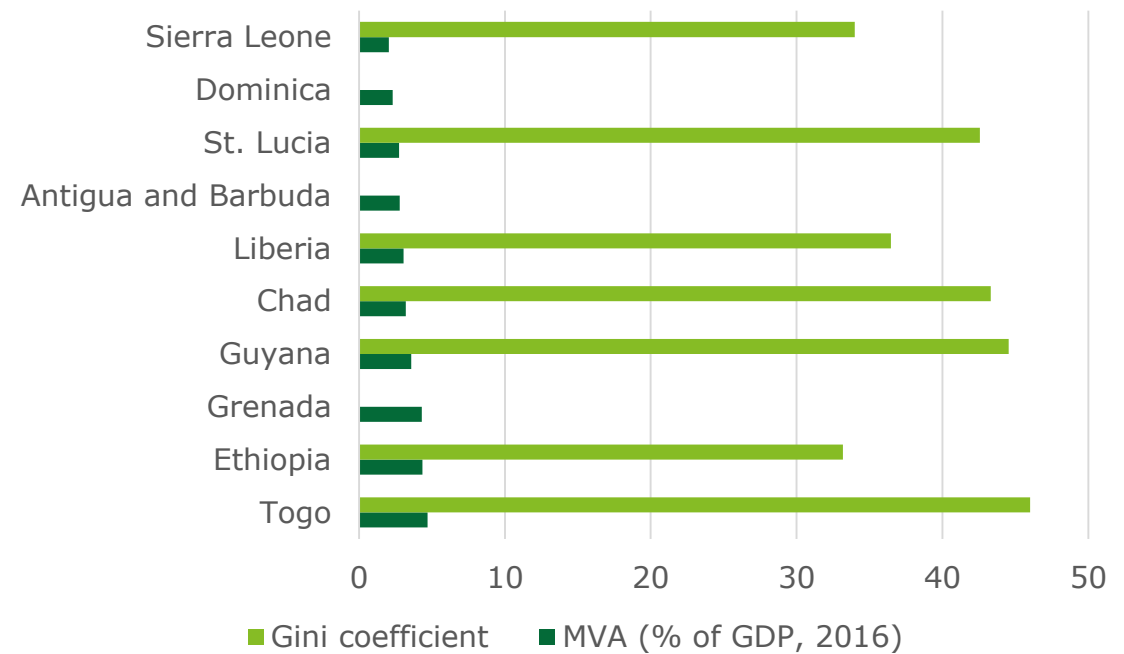
Manufacturing is vital for lower inequality in Africa

- Countries with high levels of manufacturing value added (MVA) present opportunities for employment and higher equality
- The countries with the highest Gini coefficients (i.e. most inequality) have lower MVA as a % of GDP
 - The average amongst this group is 10% of GDP
 - South Africa highest MVA (13.4% of GDP); Botswana the lowest (6.4% of GDP)

Countries with high levels of MVA (% of GDP)

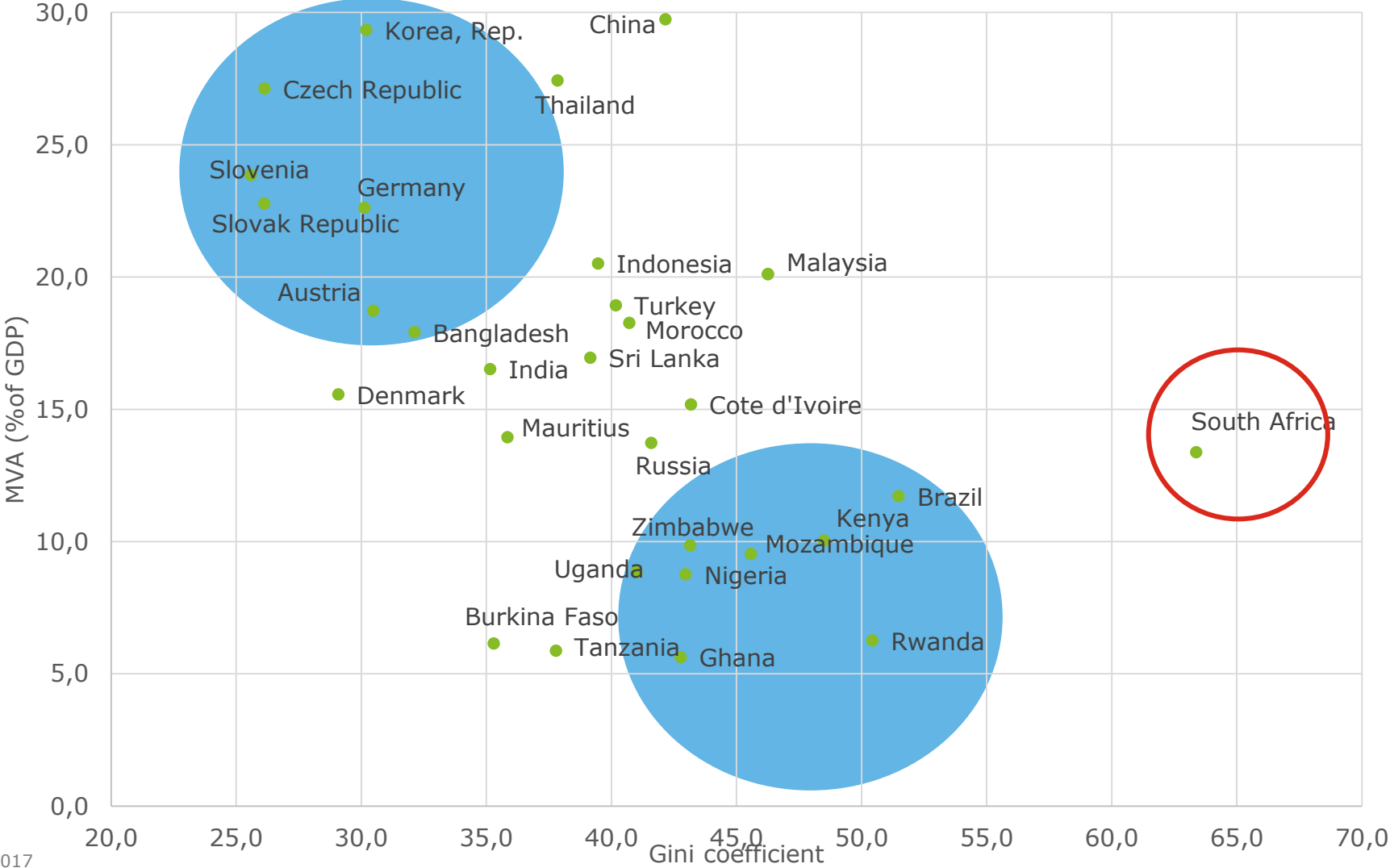


Low equality countries



*2015 MVA estimate
 **MVA estimate not available

Manufacturing vital for lower inequality in Africa



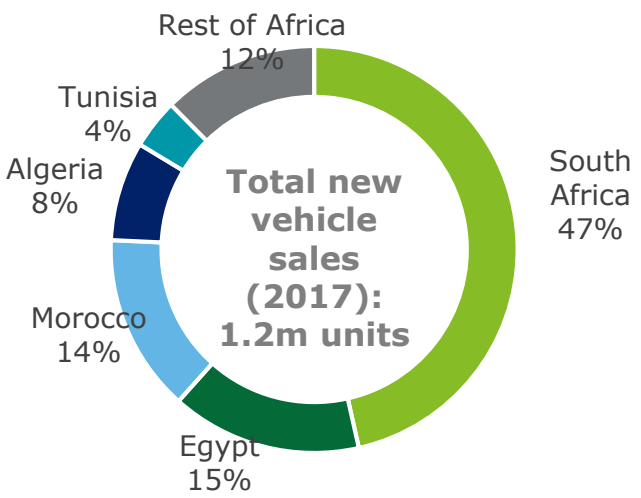
Source: World Bank; CIA, 2017

Snapshot of Africa's automotive sector

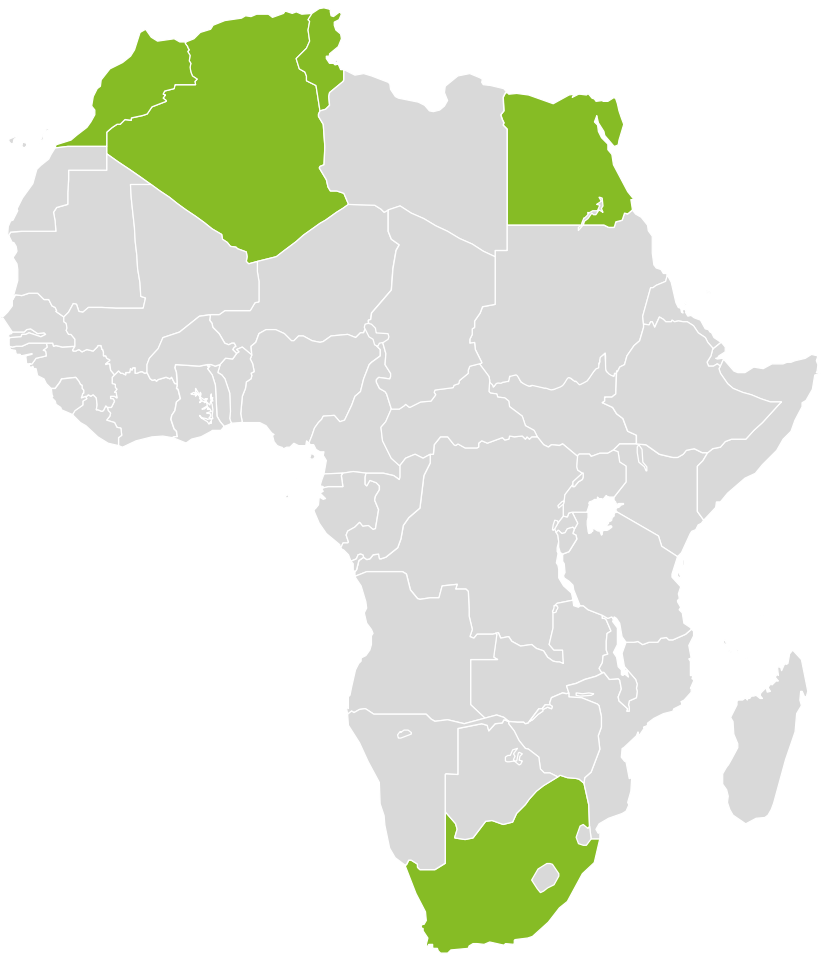
Snapshot of Africa's automotive market

Africa's automotive market is highly concentrated

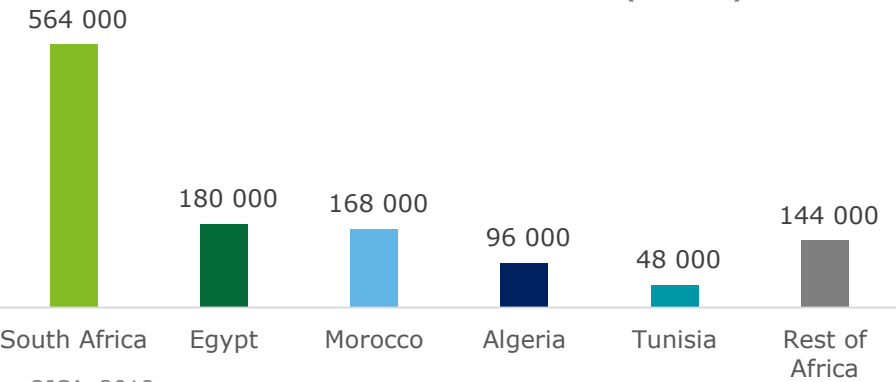
Share of new vehicle sales (2017)



Africa's top 5 automotive markets (2017)



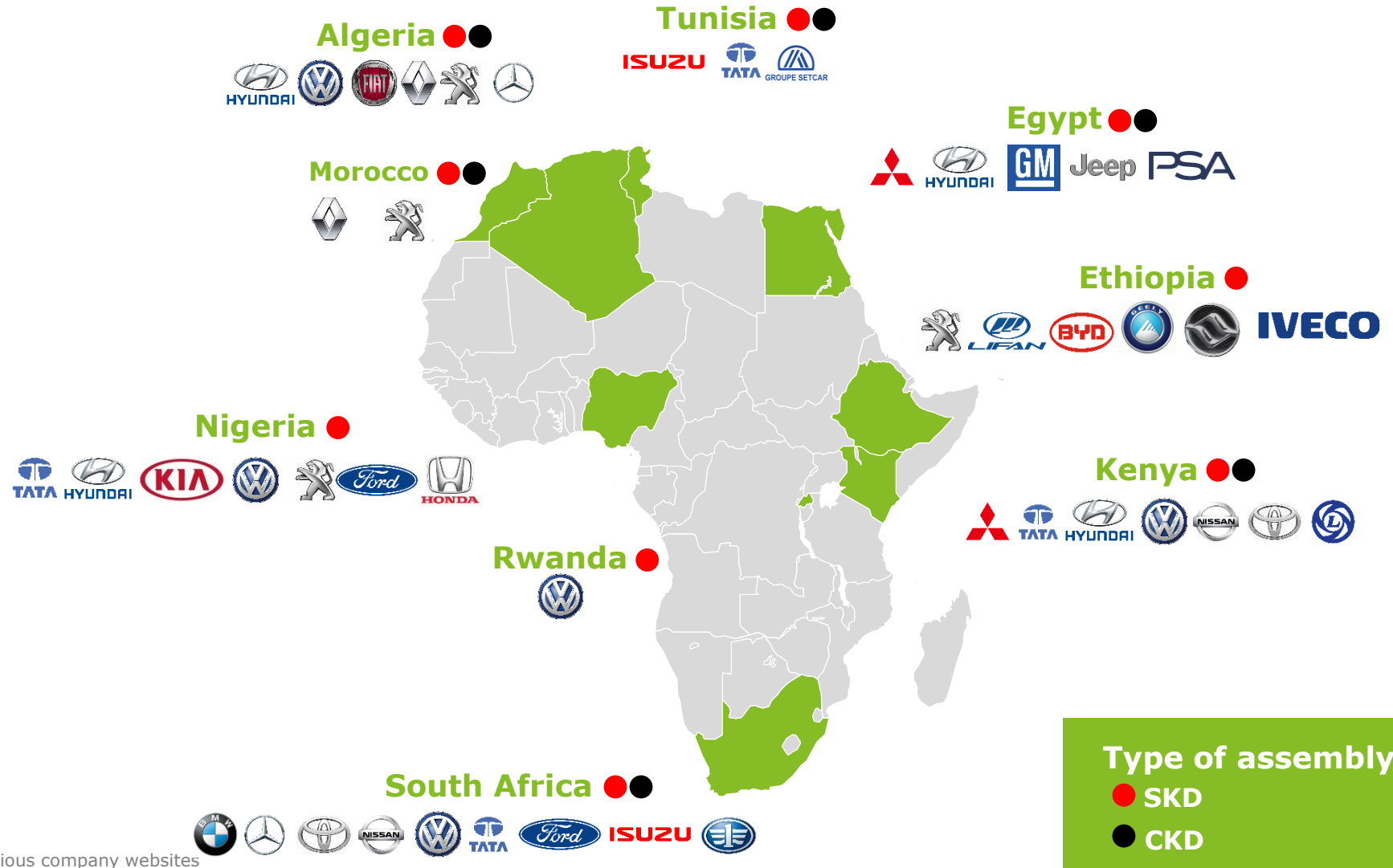
New vehicle sales (2017)



Source: OICA, 2018

Africa's established and emerging automotive assembly hubs

SA accounts for more than half of Africa's vehicle production

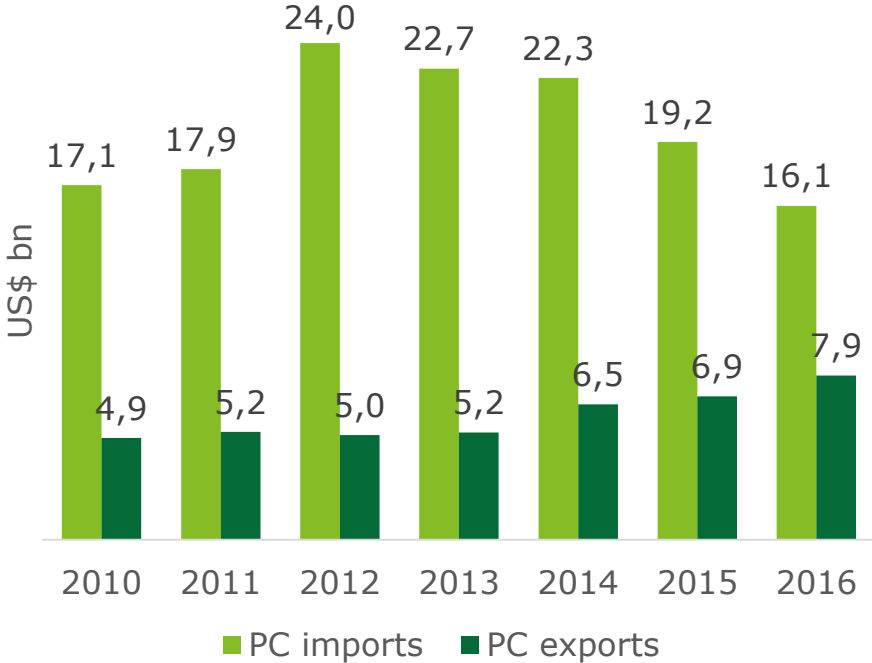


Source: PM&P, 2017; Deloitte, 2016; various company websites

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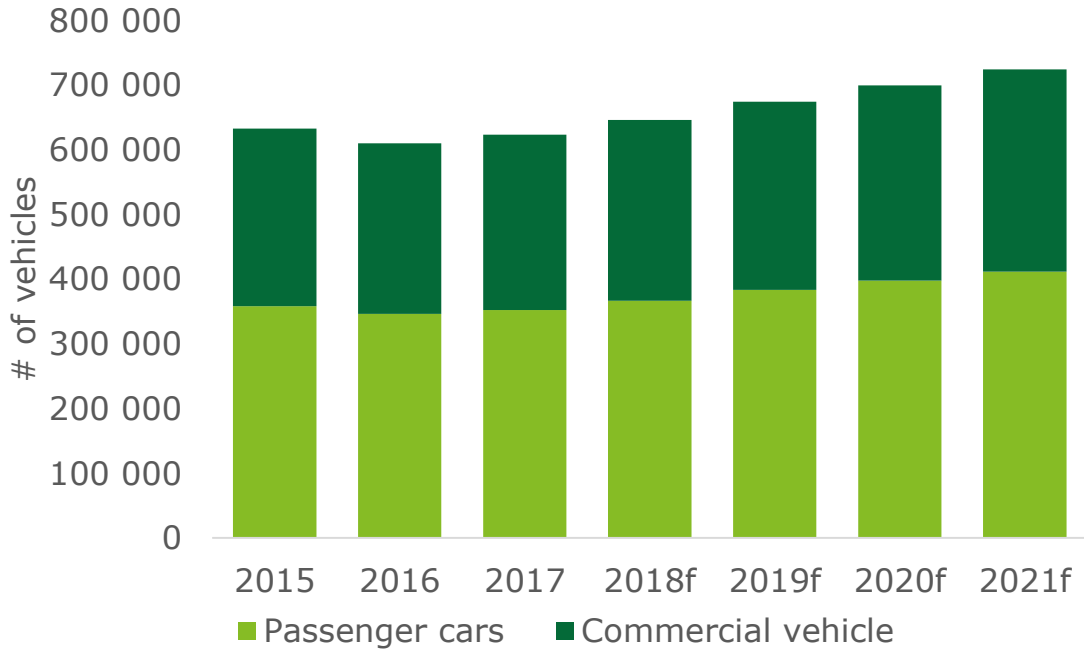
Africa's vehicle trade and production

Africa's passenger car trade (2010-2016)



Between 2010 and 2016, Africa's passenger car exports increased 10% per year

Africa's total vehicle production (2015-2021f)

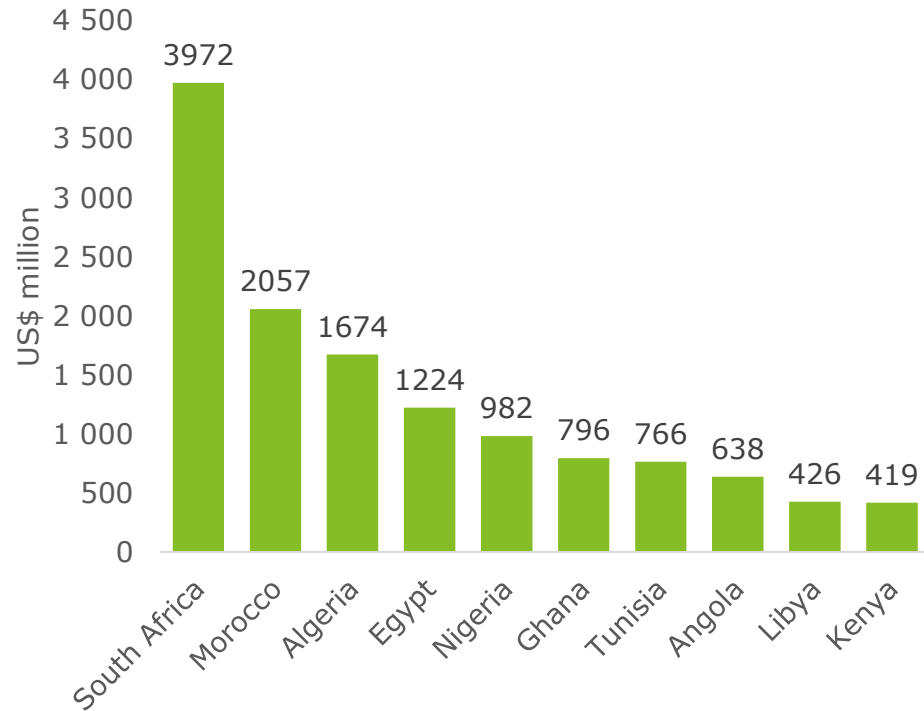


Between 2017 and 2021, Africa's vehicle production is expected to increase 10% per year

Source: BMI, 2018; UNCTAD, 2018

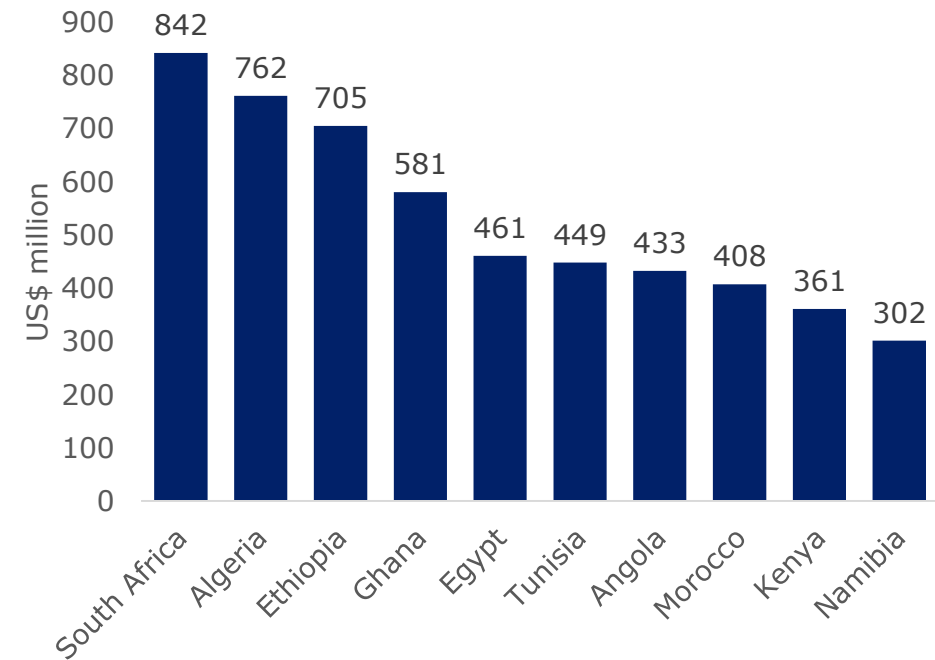
Vehicle imports to Africa

Africa's top 10 passenger vehicle importers (2017)



In 2017, African countries imported passenger vehicles valued at US\$16.6bn

Africa's top 10 vehicle for transport of goods importers (2017)



In 2017, African countries imported vehicles for transport of goods valued at US\$8.6bn

Select policies/initiatives shaping the future of the continent

Government policies/plans:

Morocco: National Pact for Industrial Emergence

Kenya: Policy Framework for the Development of the Motor Vehicle Sub-Sector in Kenya

Nigeria: National Automotive Industry Development Plan (NAIDP)

South Africa: South African Automotive Masterplan to 2035

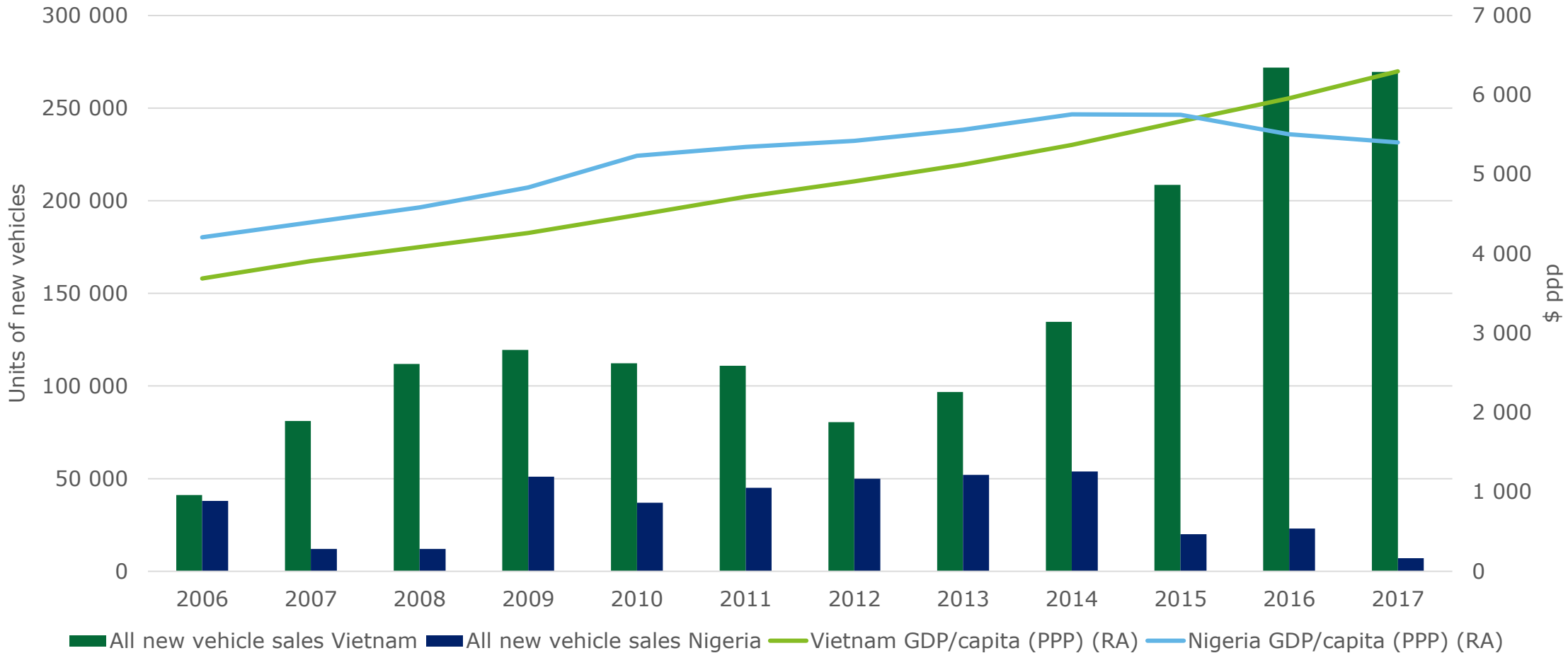
Notable private sector initiative:

Pan-Africa: African Association of Automotive Manufacturers (AAAM)

Rwanda: Volkswagen Mobility Solutions Rwanda

New vehicle sales in Nigeria vs Vietnam

Targeted policies and access to finance unlocked Vietnam's vehicle market



Source: OICA, 2018; IMF, 2018

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