

OPPORTUNITIES FOR SRI LANKAN AUTOMOTIVE COMPONENTS IN SOUTH AFRICA



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1. SUMMARY

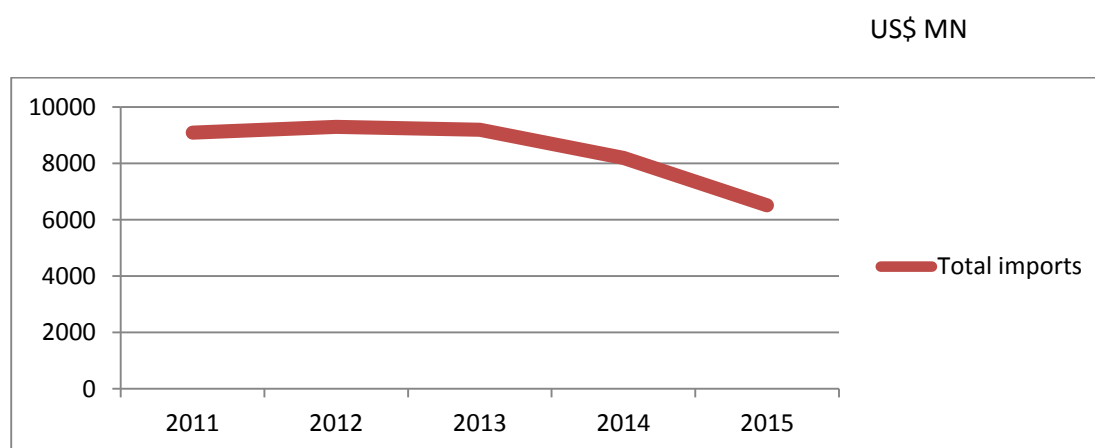
The Automotive Industry is the largest manufacturing sector in the South African economy. The wider industry contributed approximately 7.2% to the GDP of South Africa in 2014.

There has been a significant growth in both export and domestic business since 2010 according to the APDP (Automotive Production and Development Programme) report. This offers an opportunity for the potential Sri Lankan exporters.

2. MARKET SITUATION

South Africa produced approximately 566,083 vehicles in 2014 and 627,500 in 2015. Exports of automotive products represent around 15% of South Africa's exports. The wide spread base of auto component suppliers include global first tier suppliers such as Faurecia, Johnson Controls, Mothersons, Yazaki, Sumitomo, Bosch, and Behr . South African automotive production is projected to increase by 1.2 million vehicles per annum by 2020. European light motor vehicle manufacturers represented in South Africa are Mercedes-Benz, BMW, and Volkswagen- wholly owned subsidiaries. Japanese and American Manufacturers, Toyota, General Motors and Ford are also 100% controlled subsidiaries. Other major brands imported are Peugeot/Citroen/Volvo, from Europe, Daihatsu, Honda, Subaru Japanese, Hyundai, Kia Korean, Tata and Mahindra from India. Chinese brands are also growing in the South African Market. Automobile components such as Hydraulic pumps, valves, automobile electric wires, DC wires are duty-free while duty for other accessories range from 15% to 20%. The Automotive components have to fall within the domain of National Regulator for Compulsory Specifications (NRCS) of South Africa and the National Road Traffic act and comply with all compulsory requirements before they are offered for sale in South Africa. (www.nrccs.org.za)

Figure: Total automotive component imports from the world



Source: Trade map

3. POSITION OF SRI LANKAN EXPORTS

Sri Lanka does not export automotive parts to South Africa at present. Only accessories of parts under motor vehicle HS 4016 are exported and the value was USD 0.199 mn and other exports of parts and accessories of motorcycles, bicycles or carriages under Hs 870870 valued USD .0014 MN in 2015.

4. COMPETITIVE POSITION

While other industries are struggling, South Africa's automotive industry has proven to be resilient, mainly due to the strong degree of integration of the segment, with suppliers of domestic components flourishing, within a solid policy framework for export diversification.

Table: Top 5 Suppliers of Automotive Parts to South Africa

US\$ MN

Exporters	2011	2012	2013	2014	2015
Germany	2,135.79	2,042.35	2,256.29	2,093.80	1,583.88
India	658.7	856.7	957.78	876.05	817.37
Japan	1,129.96	1,000.03	846.13	836.79	763.65
United States of America	897.79	1,172.96	834.64	923.56	531.86
Korea, Republic of	956.97	913.26	717.19	557.94	427.93
United Kingdom	672.28	731.73	716.36	452.46	410.68

Source: Trade map

5. CONCLUSIONS AND RECOMMENDATIONS

- Sri Lanka has a good potential of supplying automotive components to South African market. It is suggested to explore market penetration possibilities through leading automotive suppliers as the market is highly brand and quality conscious.
- It is also recommended potential exporters from Sri Lanka should participate at automotive trade fairs such as NAACAM show, where Sri Lanka Exporters will get the opportunity of showcasing the components. This would help Sri Lankan producers to reflect their product and process capabilities to a larger gathering of buyers across South Africa.

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