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RESEARCH NOTE| MAY 2026

# How vehicle imports are reshaping South Africa's motor industry

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Vehicle imports from China and India have become one of the most visible shifts in South Africa's automotive market over the past few years. Lower-priced vehicles from both markets have expanded consumer choice and improved affordability in an economy where households have become increasingly price-sensitive. At the same time, rising imports have intensified competition for domestic producers and contributed to growing concern about the long-term trajectory of local manufacturing, investment and employment within the automotive sector.

South Africa's automotive sector is undergoing a noticeable shift in its trade and market structure. Import penetration has increased, and while India has long been an important supplier of affordable passenger vehicles to South Africa, Chinese brands have expanded particularly rapidly in recent years, increasing their share of the domestic market. At the same time, the industry continues to operate within long-standing structural constraints, including infrastructure inefficiencies and high logistics costs, and within an export-oriented policy framework that has historically supported production scale, investment, and manufacturing employment.

This note does not attempt to argue for or against Chinese and Indian vehicle imports, nor does it seek to provide a definitive policy solution. Rather, it serves as a descriptive analysis of how the competitive landscape is changing and where the pressures within the sector could be emerging. It examines trends in trade balances, import penetration, production, investment, employment and the policy framework to better understand how South Africa's automotive industry is evolving in response to shifting domestic and global market conditions

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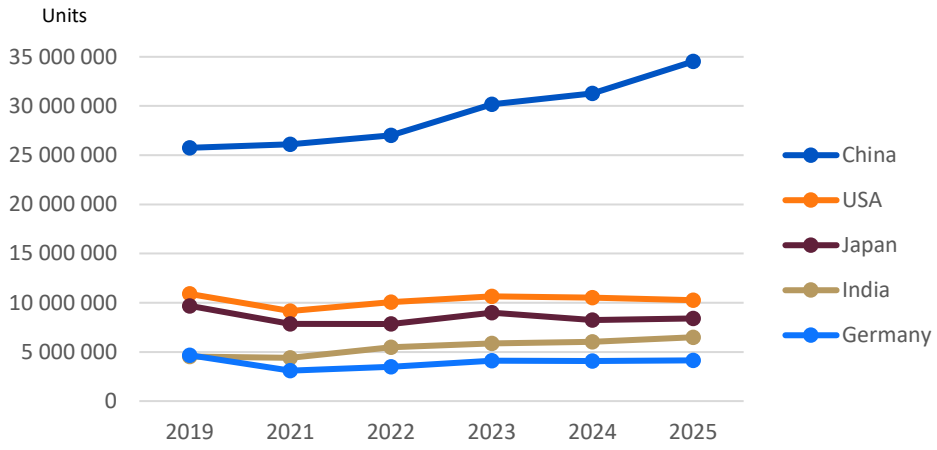
# THE SCALE OF CHINESE AND INDIAN PRODUCTION

In 2025, South Africa accounts for just 0.64% of global vehicle production (ranked 21st) and aims to reach 1% by 2035. In contrast, India accounts for about 6.4% of global production (ranked 4th), while China accounts for about 33.7% (ranked 1st).

India and China have achieved high production levels because their automotive industries benefit from strong state support and have cultivated deep supplier networks. This scale differential for both markets directly translates into cost advantages, enabling them to undercut global competitors while maintaining margins.

Since the pandemic, global production has diverged: China's output surged to 27 million vehicles in 2022 (up 5% from 2019), while India also expanded strongly, and the US recovered to near pre-pandemic levels; however, Germany and Japan remained below 2019 output.

**Figure 1: Top five vehicle global producers, with China leading.**




*Source: International Organization of Motor Vehicle Manufacturers*
*Note: Germany's figures includes cars only and India's exclude some premium brands (Audi, BMW, JLR, Mercedes)*

South Africa has been India's largest export destination for passenger vehicles and its second-largest destination for commercial vehicles for over a decade. This sustained trade relationship highlights the growing integration of the two countries within the automotive value chain, particularly in the supply of affordable passenger vehicles to the South African market. On the other hand, China's vehicle exports are more diversified across a wider range of global markets, with Mexico, Russia, and the United Arab Emirates among its top export destinations.

**Table 1: Top five passenger vehicle export destinations in 2025 for China and India**

| Rank | China | India |
|---|---|---|
| **1** | Mexico | South Africa |
| **2** | Russia | Saudi Arabia |
| **3** | United Arab Emirates | Mexico |
| **4** | United Kingdom | Japan |
| **5** | Brazil | United Arab Emirates |

*Source: Society of Indian Automobile Manufacturers; China Passenger Car Association*

## THE TRADE DEFICIT TELLS THE STORY FIRST

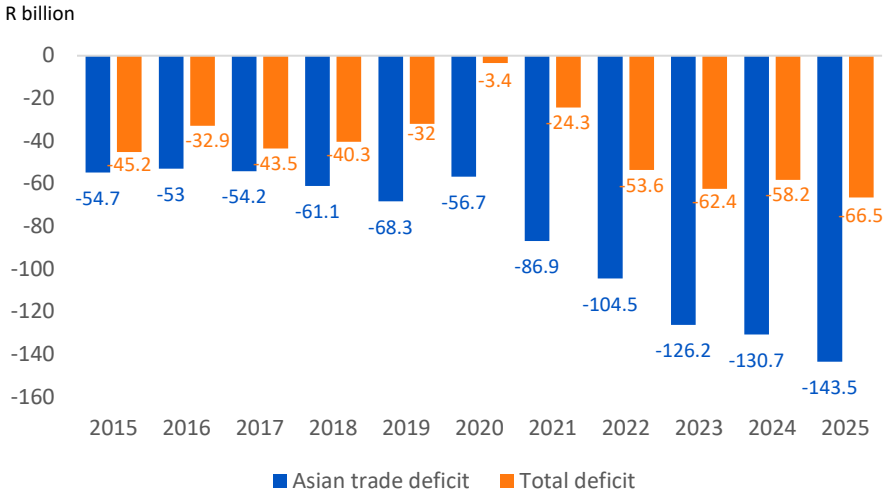
In 2025, South Africa recorded a total automotive trade deficit[1] of R66.5 billion. However, the country's automotive trade deficit with Asia alone amounted to R143.5 billion, highlighting the automotive sector's heavy reliance on Asian vehicle and component imports and lack of exports to region. South Africa's largest automotive trade deficit by country was with China (R57.7 billion), followed by Thailand (R34.8 billion) and India (R32.1 billion).

Thailand is the main source of the original equipment components necessary to sustain local assembly, while China and India are the primary sources of affordable, high-tech passenger vehicles that are now slowly dominating the domestic market.

Rising imports, therefore, play a dual role in the sector. On the one hand, imported vehicles and components support domestic demand and local assembly activities. On the other hand, increasing import dependence widens the automotive trade deficit and intensifies competitive pressure on domestic manufacturers, particularly in the local vehicle market.

[1] This broader trade balance measure captures the full automotive trade economy, including vehicles, OE components, and aftermarket parts, unlike the narrower APDP/APDP2 measure focused on manufacturing-linked trade and domestic value addition.

**Figure 2: South Africa's automotive trade deficit with Asia has grown by 162% over the last 10 years**

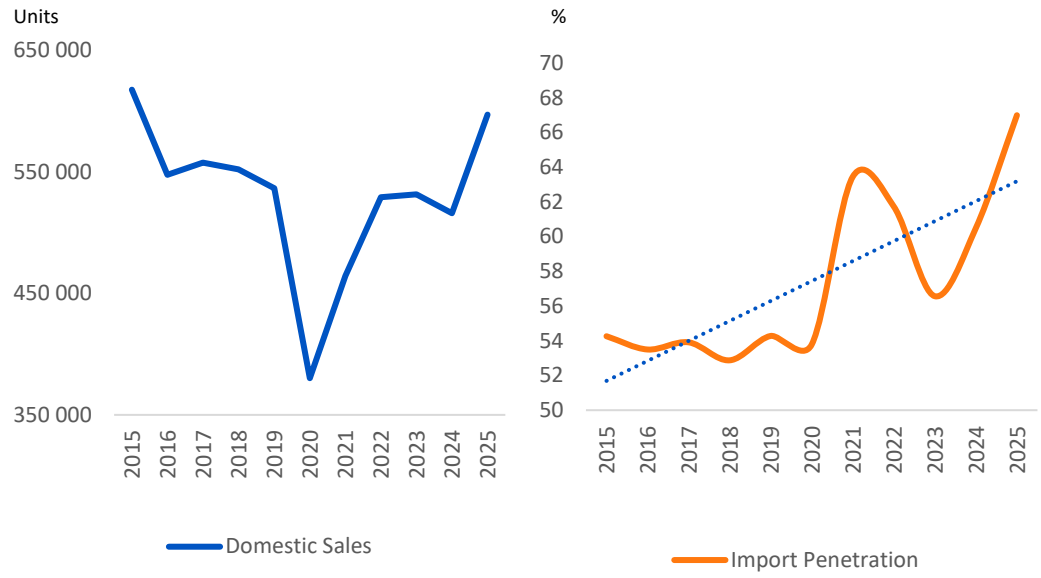



*Source: naamsa*

# IMPORT PENETRATION: WHERE THE SHIFT BECOMES VISIBLE

Domestic vehicle sales declined by 16.5% from 2015 to 2024, before partially recovering in 2025, though they were still 3.3% below 2015 levels. In contrast, imports rose by 19.1% over the same period, increasing their share of total sales. This rise in import penetration suggests that domestic producers have been unable to compete on price or product offerings in key segments, particularly in the entry- and mid-range categories where demand is most elastic.

**Figure 3: Rising import penetration signals a shift in the SA vehicle market**

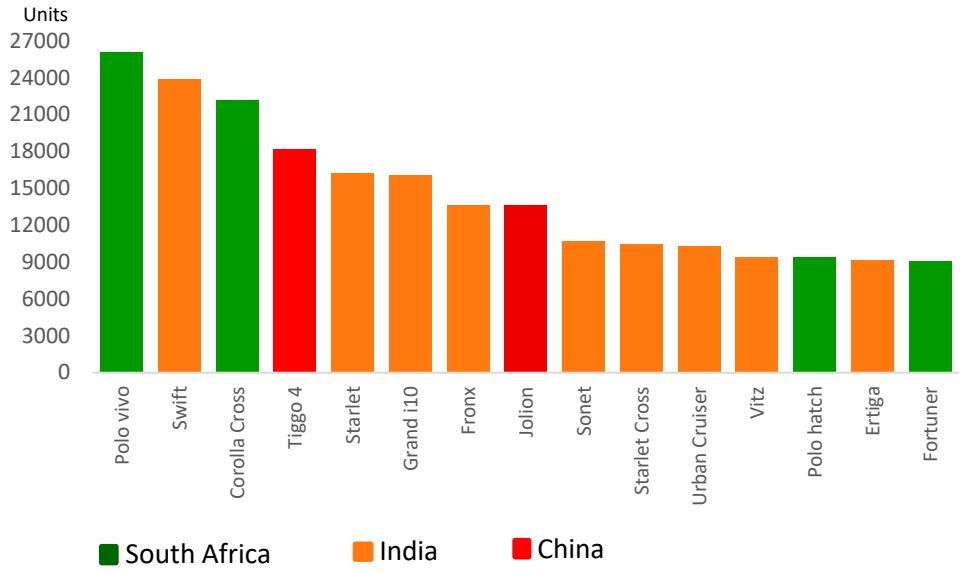



*Source: naacam*

Data from Lightstone Auto[2] shows there has been a significant shift in the origin of new light vehicle sales over the past five years. India has remained the dominant source of imported light vehicles for several years, particularly in the affordable passenger vehicle segment. However, the more notable recent shift has been the rapid rise of Chinese vehicle imports, whose market share increased from less than 10% in 2021 to more than 20% by 2025.

This shift is also evident in the composition of South Africa's best-selling passenger vehicles. Figure 4 shows that Indian vehicles accounted for the largest share of the country's 15 best-selling passenger vehicles in 2025, followed by locally produced vehicles and then Chinese vehicles.

**Figure 4: South Africa's 15 best-selling passenger vehicles in 2025**



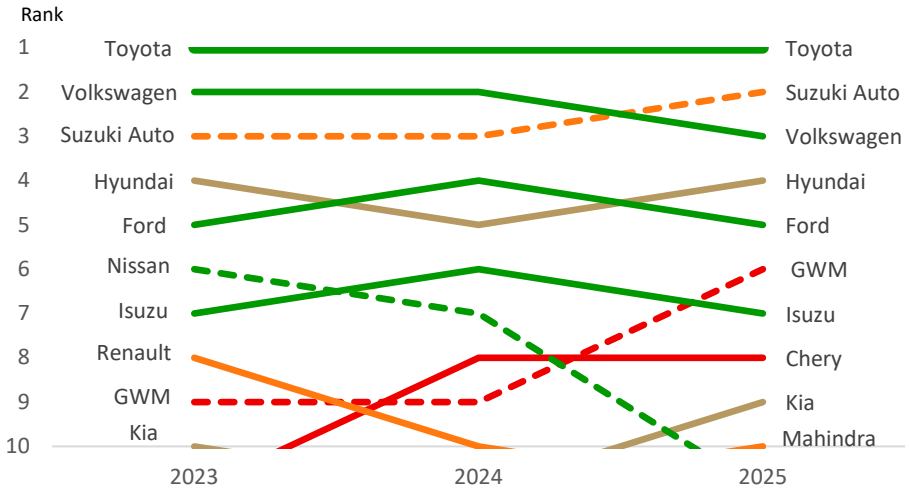

*Source: naamsa*

## THE RETAIL MARKET: WHERE BRAND POWER IS SHIFTING

Market share dynamics have shifted notably over the past three years, reflecting the growing presence of new entrants. Chinese brands have made meaningful gains: Chery entered the top 10 in 2024, ranking eighth, while GWM rose from ninth place in 2023 to sixth in 2025. Nissan and Renault have now lost their spots in the top 10, being ousted from sixth and eighth position, respectively. At the same time, established players have largely maintained their positions, with Toyota retaining its leading position for over two decades, and Suzuki moving into second place in 2025, nudging Volkswagen down into third place.

[2] South Africa's new vehicle sales hit a decade high in 2025.

**Figure 5: Market share shifts in South Africa's passenger vehicle market**




*Source: naamsa*

**Box 1: The structural shift at dealerships is propelled by a value-buying trend**

In 2025, the automotive sector staged a remarkable retail performance, with new vehicle sales recovering to above pre-pandemic levels, and new vehicle dealers' confidence reaching a decade-high in 26Q1. So far this year, this resilience has been sustained. This revival has been buoyed by easing borrowing constraints and an influx of affordable Chinese imports. And while this meets the demands of consumers, who prioritise affordability, it doesn't give a complete picture of dealership-level dynamics.

Respondents' comments in the BER Motor Trade Survey over the past two years provide periodic snapshots of pressing concerns and emerging trends in the sector. For most of 2024, poor sentiment in the sector was underpinned by restrictive interest rates. However, as demand began to pick up following the start of the SARB's interest rate-cutting cycle in late 2024, the comments of some respondents in the BER's surveys revealed that this revival was not as rosy as it appeared on the surface. 2024Q4 marked the first time respondents raised concerns about increased competition from Chinese imports. As the word clouds below illustrate, this trend persisted throughout 2025, as vehicle demand and overall sectoral confidence were being propelled by a value-buying trend.

**24Q2**


**24Q4**


Vehicle dealers have had to keep pace in a rapidly evolving market over the last year or risk being left behind. While less overt than in the auto manufacturing sector, these underlying pressures have also been evident at the retail level. Automotive retail group Motus, which predominantly sells established Japanese and Korean brands, has admitted that it has been slow to adapt to the changing landscape. It announced planned retrenchments and restructuring of staff pay and benefits following a decline in revenue for the year ended 30 June 2025. [3]

The strategic decision to diversify product offerings and incorporate Chinese brands has served some market segments well, but the resilience of this newly restructured motor trade sector remains to be tested. The recovery in the new vehicle market has been welcomed after a few sluggish years. However, with an oversaturated, fiercely competitive market and pressure on profit margins, vehicle dealers could face significant difficulties if demand slows markedly.

*Nomvelo Moima*

## THE COST ADVANTAGE SOUTH AFRICA CAN'T ALWAYS MATCH

Weak economic growth has made South African consumers increasingly price-sensitive, placing affordability at the centre of vehicle purchasing decisions. According to the National Association of Automobile Manufacturers of South Africa's (naamsa) 2026 Automotive Trade Manual, market activity last year was concentrated within a pricing "sweet spot" of between R350 000 and R400 000, while most light vehicles sold were priced below R500 000. Lower-cost models have gained traction as consumers increasingly prioritise value and financing affordability over brand loyalty or vehicle size.

These market conditions have supported the rapid expansion of lower-cost imports, particularly from China and India. Chinese brands increased their passenger vehicle market share from 11.2% in 2024 to 16.8% in 2025, driven largely by affordable, technology-rich SUVs and expanding dealership networks. The domestic market also continued to shift toward SUVs, hatchbacks, crossovers, and one-ton bakkies, with SUVs alone accounting for 40.6% of passenger vehicle sales in 2025.

[3] **Motus axes jobs as Chinese car brands squeeze SA dealers**

As competition has intensified, manufacturers and dealerships have increasingly relied on discounts, trade assistance, subsidised financing, and lower monthly repayment structures to attract increasingly price-sensitive consumers.

**Table 2: Price difference between locally produced and imported cars**

| Segment | Asian car | Manufactured locally | Price differential |
|---|---|---|---|
| **Entry-level hatchback** | Suzuki Swift<br>R227K | VW Polo Vivo<br>R271k | R44K<br>(16%) |
| **Mid SUV** | Chery Tiggo Cross<br>R309k | Toyota Corolla Cross<br>R420k | R111k<br>(26%) |
| **Premium SUV** | Jetour T2<br>R569k | Toyota Fortuner<br>R 712k | R143k<br>(25%) |

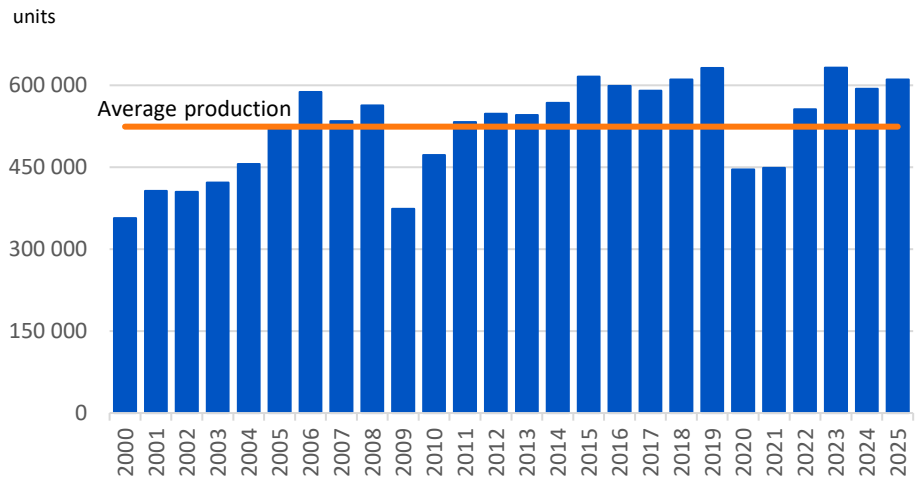
*Note: All prices are for entry specs as per Car Magazine June 2026*

# WHY LOCAL PRODUCTION STRUGGLES TO COMPETE

South African vehicle production has grown slowly over the past 10 years, with the industry still operating below the Automotive Master Plan's[4] target of producing 1% of global vehicle output, which is equivalent to about 1.4 million vehicles annually. In 2025, South Africa produced 610 405 vehicles, meaning production was 56% below the industry's long-term target.

The persistent underutilisation of capacity is not only due to demand weakness, but there are also supply-side constraints, where structural inefficiencies prevent the scaling up of production to globally competitive levels.

**Figure 6: Despite the 2009 and 2020 dip, automotive output remains anchored around its long-term average**



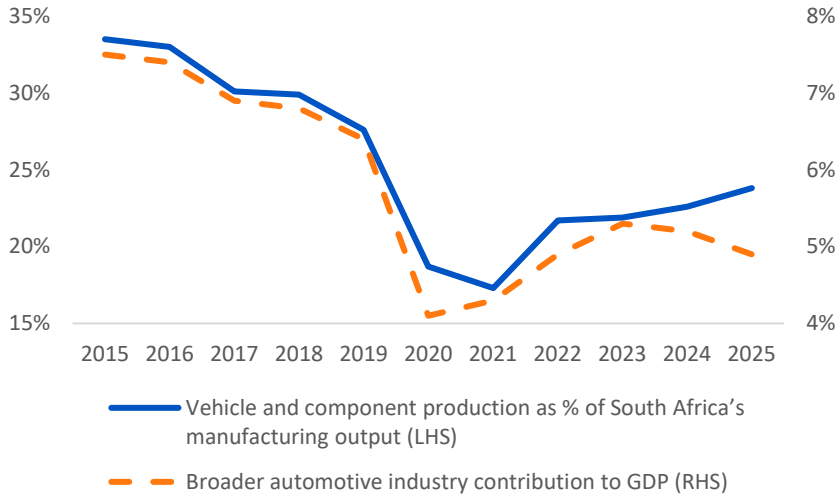

*Source: naamsa*

[4] A report of the South African Automotive Master Plan Project

### Infrastructure and operational inefficiencies

The sharp decline in South Africa's automotive manufacturing activity during 2019–2020 was not solely due to the COVID-19 pandemic. Chronic load-shedding and energy insecurity significantly increased operating costs for vehicle and component manufacturers, while inefficiencies in ports, rail, and logistics networks disrupted supply chains and delayed exports. These constraints weighed on both production volumes and the broader industry's contribution to GDP. Although the sector has partially recovered since 2021, automotive manufacturing activity and its contribution to GDP remain below pre-pandemic levels.

**Figure 7: Long-term decline and partial recovery in manufacturing output**



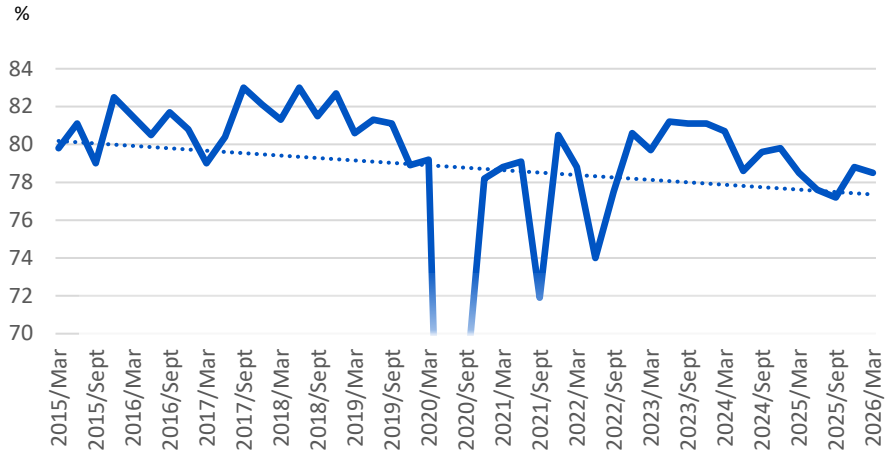

*Source: naamsa*

Additionally, labour-related disruptions have also periodically affected production stability, increased operational uncertainty and added to cost pressures within the manufacturing environment.

Production volatility has been compounded by socio-political instability, extreme weather-related disruptions, and infrastructure vulnerabilities. Automotive manufacturing capacity utilisation (figure 8) experienced sharp disruptions during the COVID-19 period and remained volatile through subsequent years, reflecting the sector's exposure to operational shocks. The July 2021 unrest in KwaZulu-Natal and parts of Gauteng disrupted key logistics and manufacturing networks, while the April 2022 floods severely damaged Toyota's Prospection plant, halting production for several months and affecting both domestic supply and export volumes.

These cost shocks and disruptions have weakened production efficiency and reduced the reliability of local manufacturing operations, disproportionately affecting domestic producers relative to importers, effectively acting as a hidden production tax that widens the competitiveness gap.

**Figure 8: Automotive manufacturing capacity utilisation is slowly trending downwards below the optimal capacity of 80%**



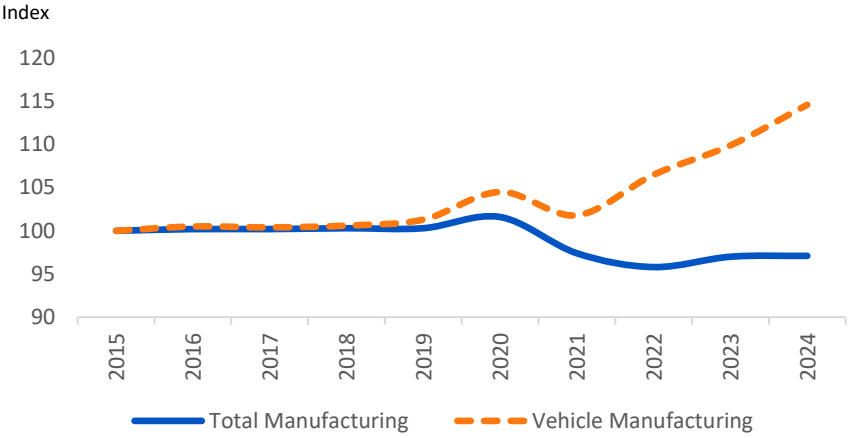

*Source: Stats SA*

# EMPLOYMENT PRESSURES AND LOCALISATION OPPORTUNITIES

Automotive manufacturing employment has remained broadly stable over the past ten years, even through major shocks such as COVID-19. Despite rising import penetration, this has not yet translated into significant job losses, likely because the sector's export orientation has helped buffer domestic competitive pressures.

Indexed employment data[5] suggests that automotive manufacturing employment has been more resilient than overall manufacturing employment. While total manufacturing employment has declined, automotive employment has held up comparatively well, likely supported by export integration and generous sector-specific policy support.

**Figure 9: Automotive manufacturing employment remains strong despite a broader decline in manufacturing employment**



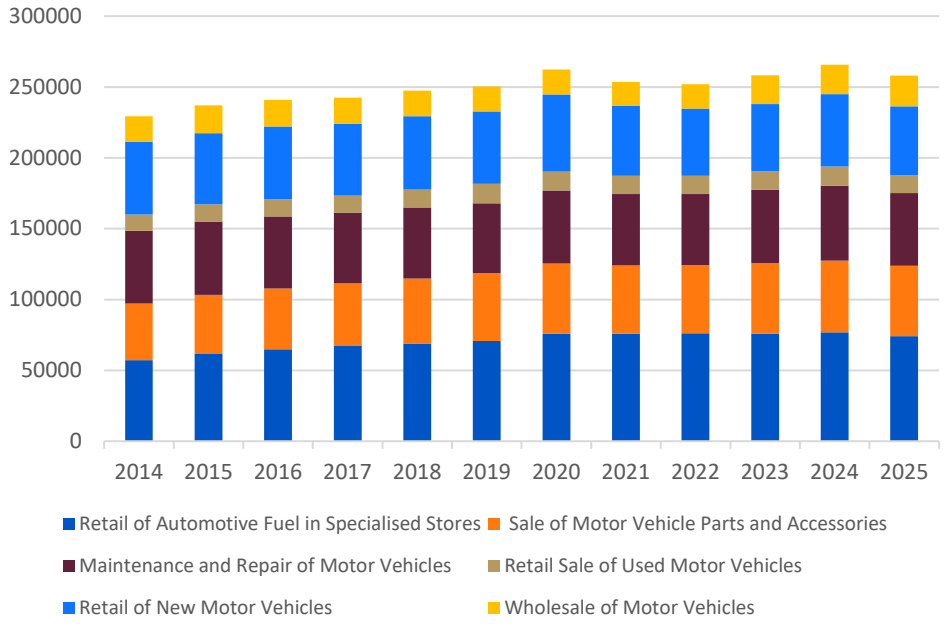

*Source: Spatial Economic Activity Data*

[5] Data is reported by tax year rather than calendar year. For example, the 2019/20 tax year ended on 29 February 2020, while the 2020/21 tax year ended on 28 February 2021. As a result, most of the economic effects associated with COVID-19 are reflected in the 2020/21 tax year.

Additionally, the auto trade and repair segment[6] is larger and more labour-intensive than vehicle manufacturing itself. This suggests that rising imports may shift employment toward downstream activities such as sales, servicing and maintenance rather than eliminating jobs outright.

At the same time, the expansion of Chinese automotive brands presents a countervailing opportunity. Although its developmental impact will depend on the depth of localisation achieved, a shift from import-led market entry to localised production could, in principle, support domestic industrial activity. Recent developments, including Chery's[7] planned use of the Rosslyn plant, Jetour's[8] announced local production by 2027, and existing investments by BAIC[9] and Foton[10] suggest that this shift may already be underway.

**Figure 10: Employment dynamics across the automotive value chain**
Full-time equivalent




*Source: Spatial Economic Activity Data*

However, it is important to distinguish between basic assembly operations and the deeper localisation of components and supply chains, as the latter is more likely to generate meaningful employment multipliers and broader industrial spillovers. If localisation remains limited to assembly, the benefits for domestic manufacturing depth and capability upgrading are likely to be constrained.

[6] Activities related to the distribution, sale, servicing, and maintenance of motor vehicles, including parts and fuel

[7] **Nissan and Chery SA reach agreement over the acquisition of Nissan South Africa's manufacturing assets**

[8] **Jetour Announces Local Production Of Popular T-Series To Begin In 2027**

[9] **BAIC Expansion in Gqeberha a Welcome Boost for SA's Automotive Growth**

[10] **Jetour Announces Local Production Of Popular T-Series To Begin In 2027**

# A POLICY FRAMEWORK BUILT AROUND EXPORTS

### South Africa exports far more vehicles than many realise

South Africa's automotive industry has increasingly been structured around export competitiveness and production scale. Since the introduction of the Motor Industry Development Programme (MIDP) in 1995, industrial policy has focused on integrating domestic vehicle production into global value chains and attracting long-term manufacturing investment.

This strategy has been largely successful in establishing the sector as one of South Africa's leading export industries. However, it has also shaped an industry where production decisions, investment patterns, and incentive structures are more closely aligned with global demand and export performance than with the affordability and competitiveness requirements of the domestic vehicle market.

For example, the MIDP reduced tariffs and provided strong support for exports. The result was rapid export expansion, which achieved quick international integration. Export values grew from R4.2 billion in 1995 to R86.9 billion in 2012[11]. Vehicle production increased from 389 392 units to 539 538 units over the same period, and in the past 10 years, export revenue has increased to R269 billion.

**Figure 11: Exports Increased by 24%, peaking in 2025**

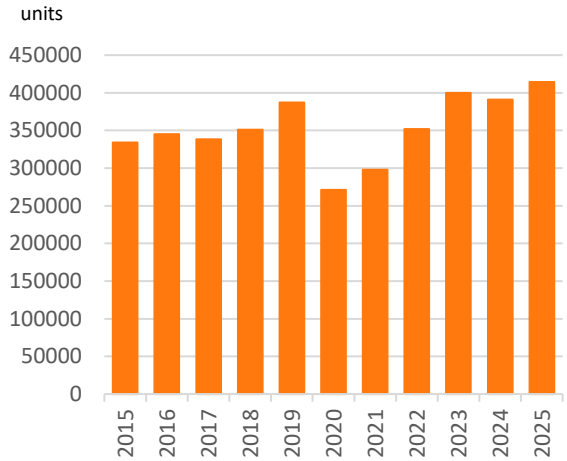
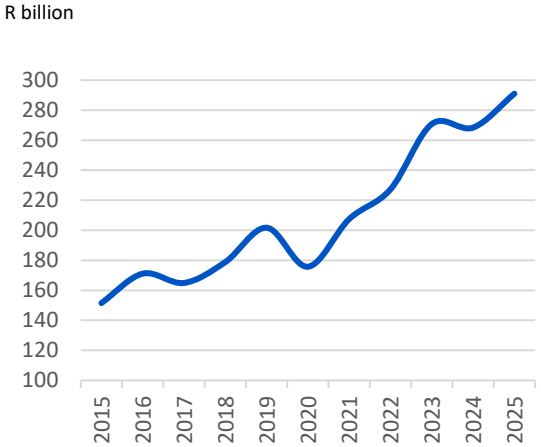



**Figure 12: Export revenue has increased by around 92% over the past decade**




*Source: naamsa*

In 2025, the European Union and the United Kingdom collectively absorbed 80.3% of total South African vehicle exports. North America received just 1.6%, while the remaining 18.1% was distributed across the rest of the world. This highlights the extent to which South Africa's automotive industry remains closely integrated into European export markets.

[11] **The Motor Industry Development Programme 1995-2012: What have we learned?**

**Table 3: Which vehicle brands are manufactured and exported from South Africa?**

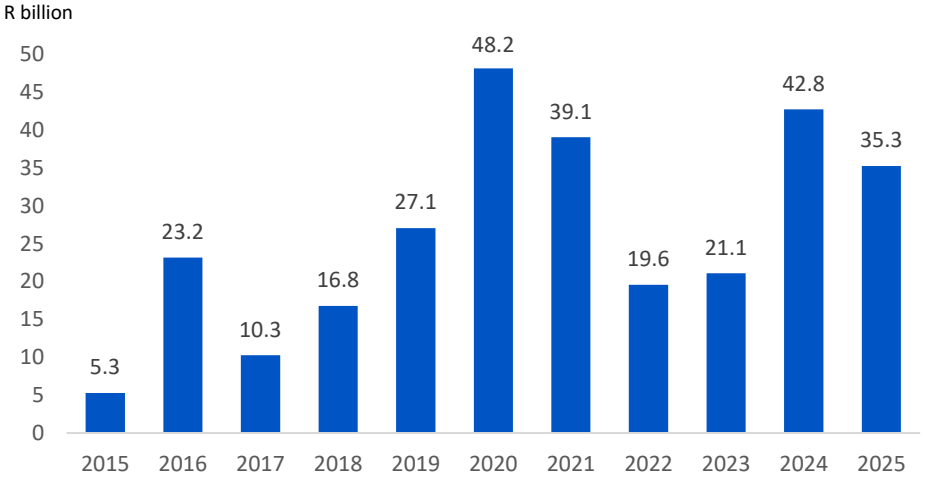
| OEM | Main models produced in South Africa | % of production exported[12] | Main export destination |
|---|---|---|---|
| **BMW** | X3 | 95% | Europe, Asia, the Middle East |
| **Ford** | Ranger | 66% | Europe, Australia, Africa |
| **Toyota** | Corolla Cross / Hilux/ Fortuner | 68% | Europe, Africa |
| **Mercedes-Benz** | C-Class | 90% | Europe, USA (historically) |
| **Volkswagen** | Polo / Vivo | 78% | Europe, Africa |
| **Isuzu** | D-Max | 20% | Africa |
| **Nissan** | Nissan Navara | 60% | Africa |

*Note: These are approximate figures for 2025*

### Why can the industry export and still run a trade deficit

The APDP/APDP2 trade balance shows a surplus because it focuses primarily on manufacturing-linked trade associated with domestic vehicle production and value addition. Under this measure, South Africa's strong exports of fully built vehicles and original equipment components outweigh imports linked directly to the production process. In 2025, the industry recorded APDP trade surplus of R35.3 billion, reflecting the export competitiveness of South Africa's vehicle manufacturing sector.

**Figure 13: APDP Trade Balance: Sustained surplus driven by export competitiveness**




*Source: naamsa*

[12] These are approximated numbers for 2024-2025

However, as mentioned earlier, once all automotive-related imports are included, particularly aftermarket parts and imported passenger vehicles, the industry records a broader trade deficit. This reflects South Africa's continued reliance on imported components and affordable entry-level vehicles, particularly from Asia.

### The incentive structure rewards scale and exports

The APDP, introduced in 2013, prioritises production scale and local value addition rather than domestic vehicle affordability. Core incentives such as the Volume Assembly Allowance (VAA) and the Production Rebate Credit Certificate (PRCC) are designed to reduce customs duties on imported vehicles and components in proportion to production activity. The VAA allows manufacturers to offset import duties based on assembly volumes, while PRCCs earned through domestic value addition can be used to reduce the dutiable value of imports, effectively lowering firms' import-related tax liabilities.

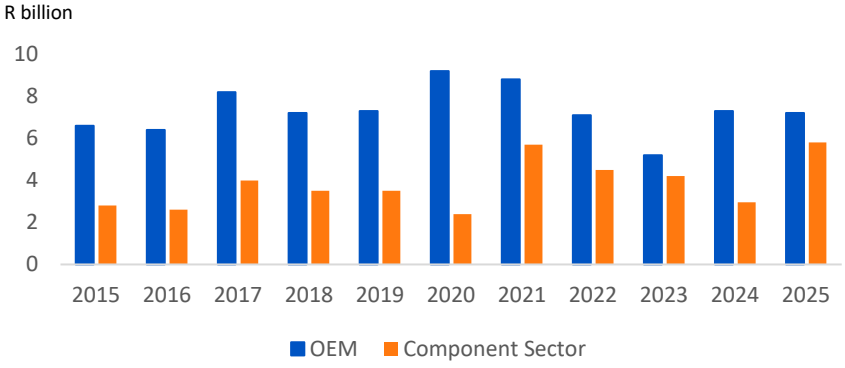
The scale of support provided to the automotive sector is substantial relative to other manufacturing industries. National Treasury estimates show that automotive incentives under the MIDP/APDP framework amounted to R41.2 billion in tax expenditure in 2023/24, compared with R426 million for the textile and clothing sector over the same period. Much of this support takes the form of tariff rebates and import duty credits linked to vehicle production, exports, and local value addition.

### Investment trends: Maintaining export competitiveness

OEM investment remained relatively stable between 2015 and 2025, fluctuating within a narrow range of R5 billion to R8 billion per year. Investment reached its highest level in 2020 before moderating slightly in subsequent years. Although levels remained consistently elevated through 2025, the relatively flat nominal trend suggests limited real investment growth once inflation and rising production costs are taken into account.

Investment in the component manufacturing sector was more volatile over the period. After increasing strongly in 2021, component sector investment declined by 30% between 2022 and 2024 before recovering sharply in 2025 to its highest level in the period shown.

**Figure 14: Record investment driven by APDP incentives and ongoing export-oriented production expansion in 2020**




*Source: naamsa*

According to the **Absa Manufacturing Survey for 2026Q1** suggest that investment conditions within the broader manufacturing environment remain constrained. Business confidence and expectations regarding future business conditions in the motor vehicles, parts, and transport equipment category have remained subdued, reflecting persistent uncertainty around operating conditions, infrastructure reliability, and production costs. Weak production and export sales trends also point to a challenging environment for sustained industrial expansion. Taken together, this suggests that while automotive firms have continued investing to maintain export competitiveness and production capability, broader structural constraints may be limiting capacity expansion and longer-term investment growth.

## CONCLUSION: AFFORDABILITY VS INDUSTRIAL DEPTH

Asian vehicle imports have improved affordability and expanded consumer choice in a price-sensitive market, but they have also increased import penetration and intensified competitive pressure on domestic producers. The evidence presented suggests that these pressures have not yet translated into large-scale employment losses, partly because export-oriented production and downstream retail activity have provided some resilience. However, the broader concern lies in the long-term implications for industrial depth, localisation and higher-value manufacturing growth.

Ultimately, Imports from China, India and Thailand do not appear to be the root cause of the sector's challenges. Rather, they have exposed deeper structural weaknesses in South Africa's automotive industry, including infrastructure constraints, low production scale and policy incentives geared more toward promoting export competitiveness than building domestic market resilience.

# CONTACT US

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