

KZN Motor Industry

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A Driving Force in the Provincial Economy

The automotive industry is the largest manufacturing sector in the country. Capital investment by motor manufacturers in South Africa is in excess of R15-billion, of which R3-billion was invested in 2005 and a further R6-billion in 2006. According to Statistics South Africa in 2006 the manufacturing sector for motor vehicles, parts and accessories, and other transport equipment recorded the highest increase in growth on a yearly basis at 15,1 percent.

Incorporating the manufacture, distribution, servicing and maintenance of motor vehicles the automotive industry plays a vital role in the national economy. As the country's biggest manufacturing exporter, the automotive industry also plays a pivotal role in the provincial economy of KwaZulu-Natal.

KwaZulu-Natal is home to the biggest-selling car maker in the country - Durban-based, Toyota South Africa (TSA) - as well as Volvo's truck plant (recently relocated to Durban from Gaborone, Botswana), and MAN Truck and Bus in Pinetown.

The Durban Automotive Cluster (DAC) has 43 participating automotive firms (representing more than 80 percent of the regional industry), and is supported by the Department of Trade and Industry, provincial government and Durban local government. Established as a public private partnership in June 2001, the DAC was formed to enhance to competitiveness of the regional automotive manufacturing industry - and it appears to have done just that.

Real revenue growth among component manufacturers in the province is estimated at 36 percent from 2002 to 2006, which is higher than the growth of 4 percent and 16 percent recorded for the Eastern Cape and Gauteng regions respectively.

"With the support of the cluster, we have seen steady growth of the automotive sector in the province. This is reflected in the 27 percent growth in the industry since the inception of the cluster," said MEC for Finance and Economic Development, Zweli Mkhize.

"With growth has come the opportunity to provide more jobs. With the auto cluster we have seen an increase in employment at 17,8 percent - which is particularly significant if measured against national industry trends which show static to negative employment growth," said Mkhize.

Automotive exports as a percentage of total South African exports has grown significantly over a 10 year period since the introduction of the Motor Industry Development Programme (MIDP) in 1995, with vehicle exports rising from 4 percent of total exports in 1995 to more than 13,5 percent in 2005.

Local manufacturer, TSA, has been gearing up to take advantage of this trend with plans to double its production capacity from 100 000 units to 220 000 units by 2008. In 2006 TSA produced 125 000 units and exported a total of 49 142 units (more than double its vehicle exports for 2005) taking TSA to the top of South Africa's vehicle exporters list, exporting 27,3 percent of all vehicles exported in 2006. Rosslyn-based BMW took second place at 21,2 percent, with Volkswagen and Ford in third and fourth place respectively.

- This article was written by Sharon Davis for Global Africa Network's 2007/2008 KwaZulu-Natal Business - A Guide to business and investment in KwaZulu-Natal