TRADE & INDUSTRIAL POLICY STRATEGIES

INDUSTRY STUDIES UPDATE

US TARIFFS
AND SOUTH AFRICA'S AUTOMOTIVE INDUSTRY

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TIPS industry studies aim to provide a comprehensive overview of key trends in leading industries in South Africa. For each industry covered, working papers will be published on basic economic trends, including value added, employment, investment and market structure; trade by major product and country; impact on the environment as well as threats and opportunities arising from the climate crisis; and the implications of emerging technologies. The studies aim to provide background for policymakers and researchers, and to strengthen our understanding of current challenges and opportunities in each industry as a basis for a more strategic response.

This update of the automotive industry analyses the United States (US) and South Africa trade relationship and the potential impact of the tariff on South Africa's automotive industry.

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INTRODUCTION

South Africa's automotive industry is faced with a US protectionist tariff.[1] The 25% tariff imposed on automotive imports[2], effective May 2025, is disrupting the global automotive industry and threatens to reduce demand for South African vehicles and components to the US. This comes at a critical time and compounds existing pressures on a local industry that is grappling with the ongoing transition to electric vehicles (EVs), competition from Asian imports, and a challenging market for new vehicle sales. The tariff could also lead manufacturers to reconsider future investment into South Africa. The recent court challenge in the US on the legality of the extraordinary tariffs may result in a change in their approach.

This update of the automotive industry analyses the US and South Africa trade relationship and the potential impact of the tariff on South Africa's' automotive industry.

TRENDS IN SOUTH AFRICA'S TRADE WITH THE US

For the South African automotive industry, the US has been a key trading partner since the African Growth and Opportunity Act (AGOA) began in 2001. The industry was AGOA's primary beneficiary, with exports to the US growing by 500.8% and imports by 741.1% through 2024 (naamsa | The Automotive Business Council, 2025a). In 2024 alone, automotive exports under AGOA reached R28.6 billion, accounting for 64% of all South African trade under the Act (naamsa | The Automotive Business Council, 2025a; Venter, 2025). The expiration of AGOA on 30 September 2025 removed an important trade support measure for the industry, with South African exporters that thrived under the trade agreement now facing a competitive disadvantage. Beyond the loss of preferential access under AGOA, the additional burden of import tariff puts a strain on US-South Africa trade relations.

SOUTH AFRICAN AUTOMOTIVE EXPORT TRENDS

South Africa's automotive industry is export-oriented, with over 70% of its production destined for international markets across over 100 countries (Lamprecht, 2025). The European Union (EU) is the leading export region, representing 58.3% of the industry's total export value in 2024, with Germany alone accounting for 44.2% or R45.9 billion of all vehicle exports (see Figure 1). This trade is facilitated by the SADC-EU Economic Partnership Agreement (EPA)[3]. While the EU is the largest market, the US holds an important position as South Africa's second-largest vehicle export destination. Between 2008-2013, the US was the leading export market for South African vehicles, representing an average of 44% of the total export volume. As of 2024, the US accounted for a 20% share of South Africa's total vehicle exports. Vehicle exports to the US have nearly doubled in both value and volume since 2020, showing a strong post-pandemic recovery.

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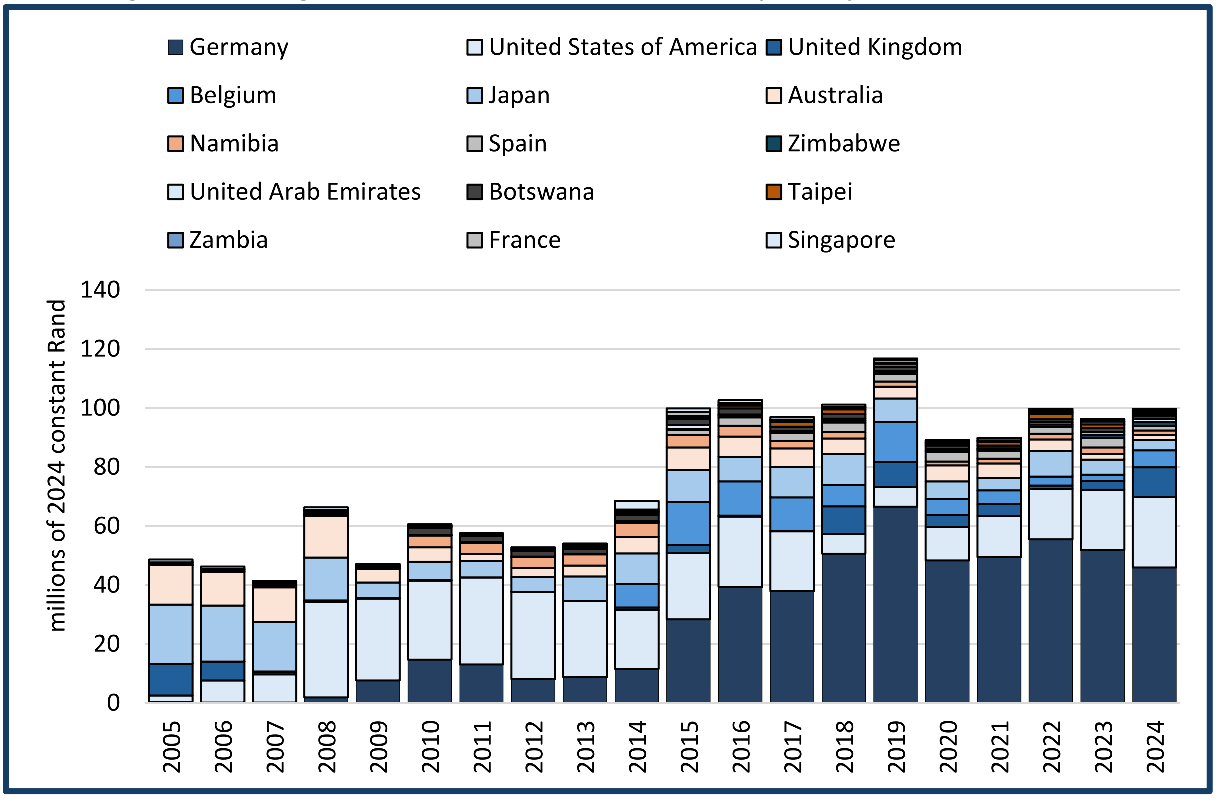
[1] The US tariff implemented in May 2025 effectively overrode AGOA benefits for all African countries, even though AGOA remained in force until the end of September 2025.

[2] The 25% tariff is applied to imported passenger vehicles such as sedans, SUVs, crossovers, minivans, cargo vans and light trucks, as well as key automotive parts, including engines, transmissions, powertrain parts, and electrical components (The White House, 2025b).

[3] The EU signed an Economic Partnership Agreement (EPA) in June 2016 with the SADC EPA Group comprising Botswana, Lesotho, Mozambique, Namibia, South Africa and Eswatini (formerly Swaziland). The EPA grants these SADC countries with favourable trade terms for most goods (European Commission, n.d.).

The data shows the volume of vehicle exports increased from 18 131 units in 2020 to 35 848 units in 2024, while the value of those exports also saw a parallel increase, growing from R11.3 billion to R28.3 billion over the same period. AGOA was instrumental for supporting this trade, particularly for BMW and Mercedes-Benz South Africa. Their reliance on the US demand for luxury vehicles faces a direct threat from the 25% tariff, which places doubt on the future of these high-value exports and related local investment.

Figure 1. Leading markets for South Africa's vehicle exports by value, 2005 to 2024



Source: Calculated from ITC Trade Map. Electronic database. Series on exports of autos. Downloaded from www.trademap.org in September 2025.

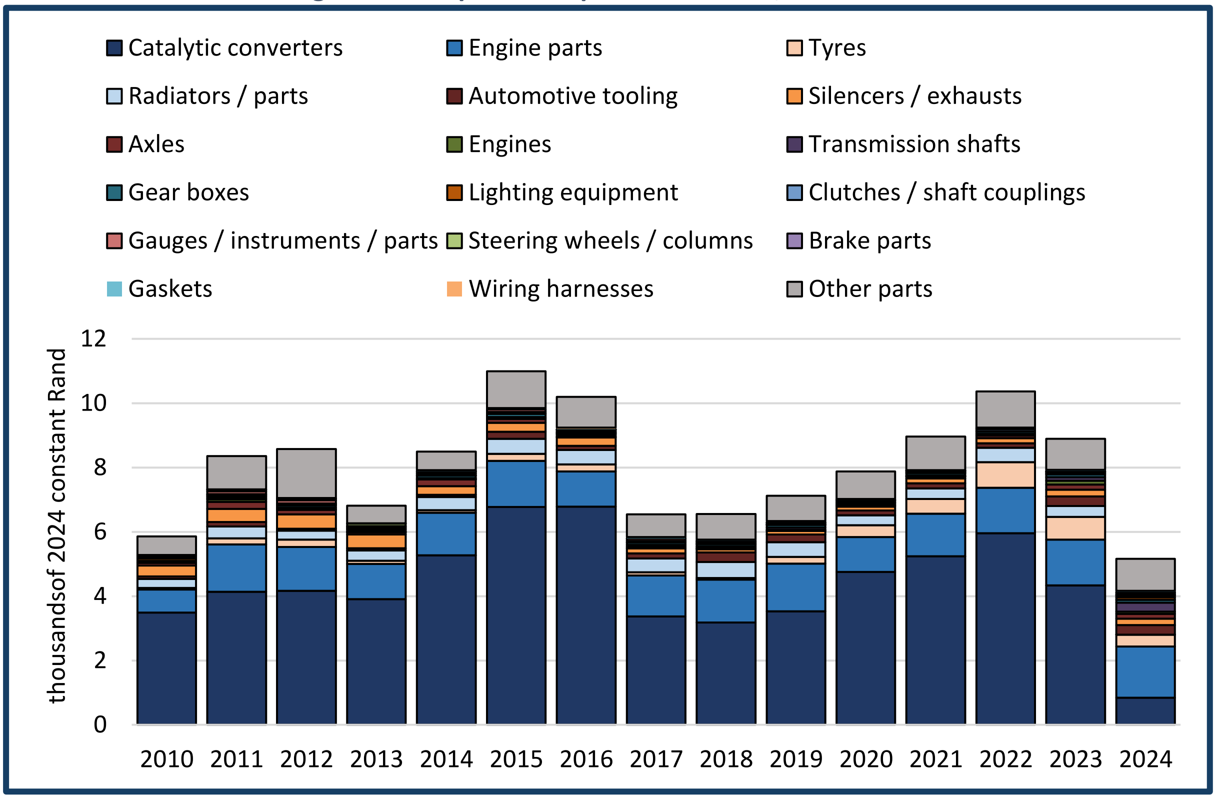
Figure 2 shows South Africa's component exports to the United States-Mexico-Canada Agreement (USMCA) trade bloc. While the data is not disaggregated by individual country, the US is assumed to be the largest market within the bloc, as it is a major vehicle producer and a key destination for several of South Africa's top component exports.

As shown in the figure, South Africa's component exports to USMCA remain volatile. From 2017, component exports grew gradually to reach a peak of R10.4 billion in 2022. Subsequently, a sharp fall brought total exports to R5.2 billion in 2024. This decline was driven primarily by catalytic converters, which have long dominated export components to the region. The decrease in catalytic converter exports saw an 80% decline, from R4.3 billion in 2023 to R841 million in 2024. This could likely be due to expired supplier contracts for catalytic converters (Lamprecht, 2025), though other US economic factors may also be contributing to this and would require further analysis. Meanwhile, recent shifts in US industrial and climate policies, such as the removal of EV purchase incentives, could favour future demand for catalytic converters (Lamprecht, 2025). However, the policy uncertainty under the Trump administration remains a risk.

Tyre exports to USMCA also saw a decrease from R706 million in 2023 to R363 million in 2024, nearly halving their export value. The US is a key export partner, ranking in the top five markets for various components including axles, engine parts and tyres. It also serves as the primary market for gear boxes and steering wheels. Even as a smaller player, a decline in South African component exports to the US can still impact the US automotive industry. The specific impact, however, depends on whether these component parts were for vehicle production and assembly where a shortfall directly disrupts production and increases costs, or for the aftermarket, where the impact would be less.

South Africa's export profile shows varied exposure to the tariff, with certain components facing greater vulnerability than others. The full effect will be clearer in the 2025 trade data.

Figure 2. Component exports to USMCA, 2010-2024

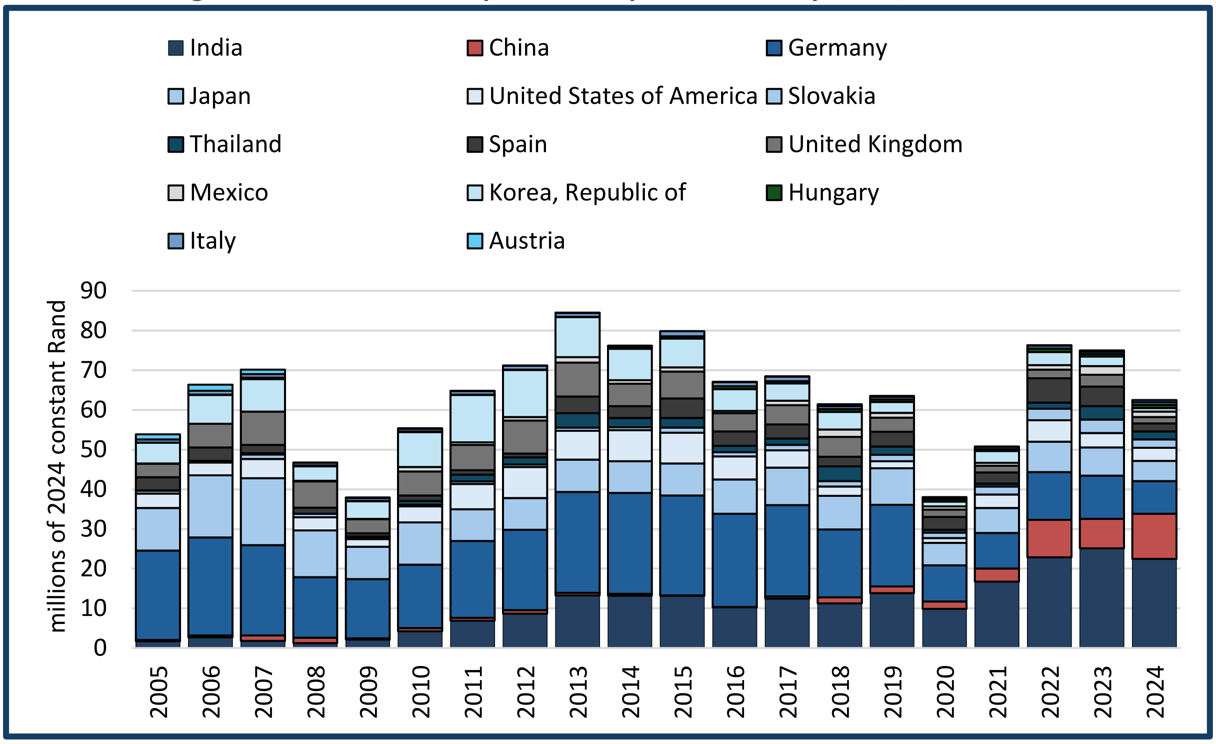


Source: Compiled from naamsa | Automotive Business Council Trade Manual, various years 2010-2025. Imports from the US.

The US is South Africa's fifth-largest source of vehicle imports, following India, China, Germany and Japan (Figure 3). However, both the value and volume of imports from the US have declined since their peak of R79 billion in 2013. By 2024, US vehicle imports had fallen to R33.5 billion, accounting for only around 5% of South Africa's total vehicle imports.

The US is a minor player in South Africa's components industry, supplying around 6% of original equipment imports, which are dominated by Germany, Thailand and Japan (naamsa | Automotive Business Council, 2024).

Figure 3. South Africa's top vehicle import markets by value, 2005-2024



Source: Calculated from ITC Trade Map. Electronic database. Series on exports of autos. Downloaded from www.trademap.org in November 2025.

POTENTIAL IMPACTS ON THE LOCAL VEHICLE INDUSTRY

Although the import tariff could have had immediate impact, this has not happened (as discussed below). However, there is also a risk of a longer-term impact on investment into South Africa's automotive industry. The most direct short-term consequence would likely be reduced demand for vehicles from key exporters such as BMW and Mercedes Benz that focus on the US, unless they are able to find other markets or US retailers and consumers are prepared to absorb the higher price. The impact on local production is somewhat complex and will unfold over the medium to long term, dictated by automotive production cycles and length of supplier contracts. However, the tariff has immediately cast doubt on future investment into the local industry, potentially resulting in the non-renewal of models produced in South Africa and the termination of supplier contracts with US customers. Although the tariff is expected to lead to declines in exports, it has not. The naamsa | The Automotive Business Council September 2025 review shows an increase of 9592 units of exports, or 32.9% compared to the previous year. Year-on-year data shows vehicle exports are now 6.0% higher than the same period in 2024 (naamsa | The Automotive Business Council, 2025c). This growth, even though the report does not break down the data by export destination or vehicle type, shows the industry's resilience.

NAACAM (2025) stresses that a core priority for the local industry is to preserve trade relations with the US and secure alternative markets. The pursuit of alternative automotive markets is challenging amid a changing automotive landscape, characterised by the EU's transition to EVs, a competitive market for internal combustion engine (ICE) vehicles and rising tariffs. This is intensified by competition from other major automotive producers, like, India, Brazil and China, which have not been able to secure favourable trade terms with the US, competing for the same markets. At the same time, it is not easy to find alternative large markets for luxury vehicles (especially for BMW and Mercedes-Benz models) outside of developed countries.

BEYOND THE US TARIFFS

Job losses in autos

South Africa's automotive industry is facing a structural crisis, driven by slow economic growth, high energy and logistics costs, and increased competition from Asian imports. These pressures have resulted in rising operational costs and undermined the industry's competitiveness, which has consequently led to production scale-backs and business closures. The planned closure of Goodyear's Kariega (formerly Uitenhage) facility places approximately 900 jobs at risk, while Ford's downsizing will result in a loss of 470 jobs across its Pretoria and Gqeberha plants (Parker, 2025). These announcements were attributed to increasingly difficult local operating conditions and broader shifts in global automotive markets. The retrenchments impact an important source of formal sector employment in South Africa, with the automotive industry providing 100 000 well paid, secure, and unionised jobs. The loss of such employment threatens to exacerbate the country's unemployment crisis.

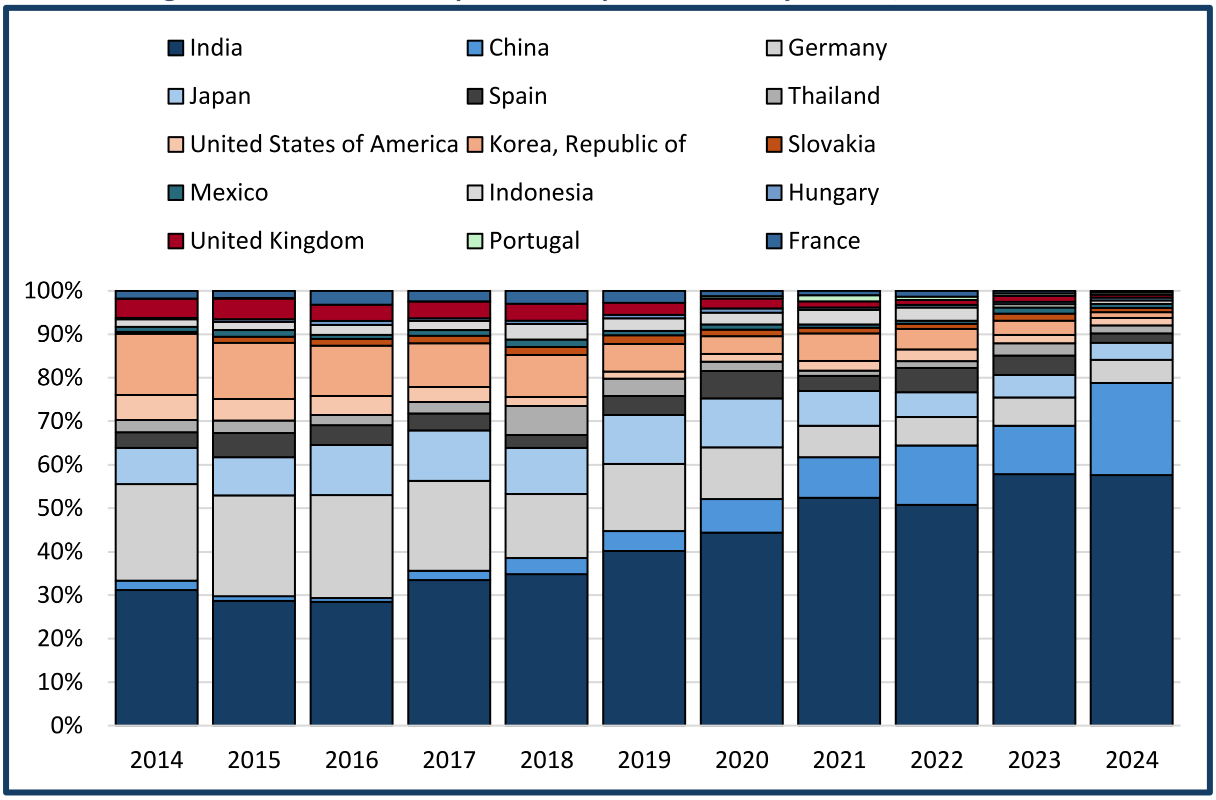
In the upstream sector, mining suppliers such as ArcelorMittal and Glencore have also announced job cuts, which could further disrupt the automotive supply chain and potentially lead to additional indirect job losses (Reuters, 2025; Parker, 2025). The risk of the tariff is that it could trigger further job losses in the industry.

Challenge of rising imports

South Africa's vehicle import profile has shifted significantly over the past decade, with China and India capturing an increasingly dominant share of the local market. In 2014, both countries accounted for around one-third of total vehicle imports, but their combined share has risen each year. India's share grew strongly from 2017 onward, becoming the single largest source of imported vehicles by 2020 and maintaining more than 50% of total imports between 2021 and 2024. More than one in every three new vehicles sold in South Africa is made in India (Labuschagne, 2025). Many of the vehicles produced in India are not Indian brands, rather, they are models built by global vehicle manufacturers who use joint ventures or local subsidiaries to produce vehicles in India (Labuschagne, 2025). China's share also grew consistently, especially after 2019, showing the rapid expansion of Chinese OEMs entering the South African market, offering both ICE and EV models. By 2024, China and India accounted for 77.7%, or 216 387 of imported vehicles (Figure 4).

Contrary to the SAAM 2035 vision of strong local and regional demand for South African manufactured vehicles, the local industry is facing a threat from a shift away from locally produced vehicles towards imported vehicles (Cokayne, 2025). Stagnant growth and rising imports from India and China are eroding local vehicle manufacturers market share, which is a challenge compounded by the regional preference for second hand vehicle imports and smaller vehicles, a segment where local production is less focused. With both local and regional markets unable to absorb sufficient local production to meet the SAAM targets, the industry relies on international export markets, leaving it highly exposed to global disruptions.

Figure 4. South Africa's top vehicle import markets by volume, 2014 to 2024



Source: Calculated from ITC Trade Map. Electronic database. Series on exports of autos.
Downloaded from www.trademap.org in November 2025

To meet the growing demand of Asian imports from China and India, Chinese vehicle manufacturer Chery announced plans as of November 2025 to establish local production in South Africa (Okebiorun, 2025). According to Reuters (2025), BAIC and Mahindra have committed to upgrading their semi-knocked-down (SKD) vehicle assembly operations to full-scale manufacturing. Such investment and commitment represents a step toward expanding local manufacturing capacity and deepening integration into South Africa's industrial base ((Okebiorun, 2025).

CONCLUSION

The import tariff's risk is the dampened demand for South African automotive products in the US, impacting automotive production and its supply chain. The tariff also places a direct threat on export revenue derived from the automotive industry. Long-term exports to the US face further challenges from broader shifts in US industrial and climate policy, whose unpredictable effects add instability to an already difficult outlook. Although recent export data demonstrates the industry's resilience, this could be undermined by ongoing local and global economic pressures. The full impact of the tariff and the outcome of recent court challenges will become apparent with time.

Although increasing imports from India and China present a significant challenge to the local industry, new investment commitments by vehicle manufacturers to upgrade and expand local production capacity provide an important opportunity to strengthen the industry and expand its production capacity. However, for South Africa's automotive industry to remain competitive, longstanding structural challenges will still need to be addressed.

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