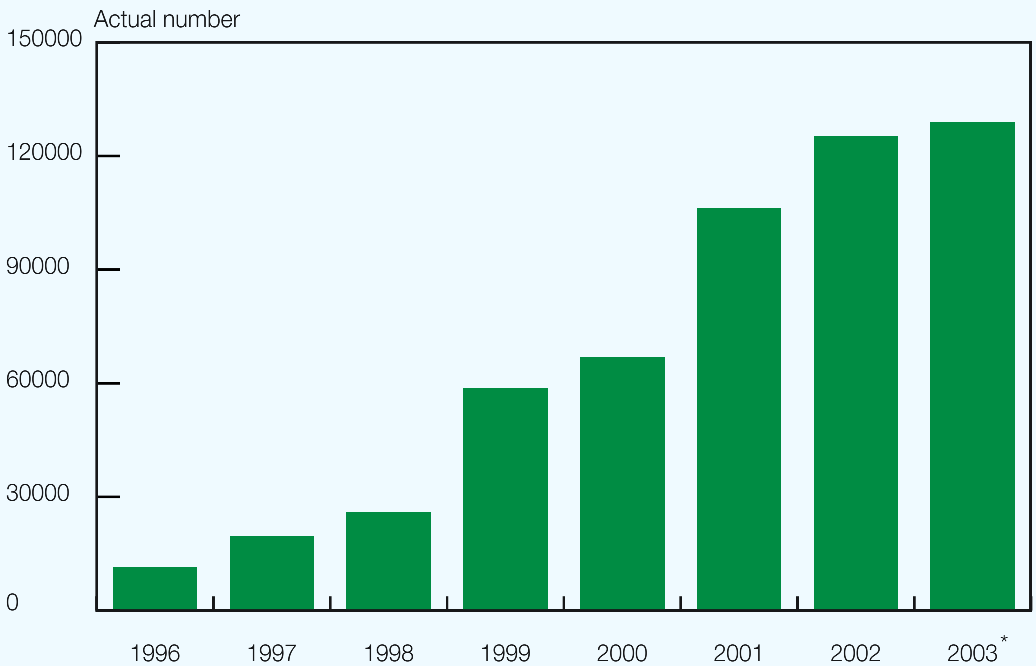
Vehicle exports

Over the past seven years vehicles and transport equipment contributed materially to growth in manufacturing exports. Vehicles and transport equipment as percentage of total exports of manufactured goods doubled from 12 per cent in 1996 to 24 per cent in the first three quarters of 2003. This increase came mainly from the growth in the volume of vehicle exports, which increased at an average annual rate of 41 per cent from 1996 to the third quarter of 2003. The volume of total vehicle production increased at an average annual rate of 3 per cent over this period. Vehicle exports as a percentage of total vehicle production increased from 3 per cent in 1996 to 26 per cent during the first three quarters of 2003.

Although the automotive industry in South Africa benefited from the local availability of factors of production and first-class infrastructure and services, the long-term certainty brought about by the Motor Industry Development Programme (MIDP) contributed to the success of the industry. Vehicle manufacturers are allowed rebates of import duty on imported vehicles against proof of exports of vehicles, encouraging them to import certain models and domestically produce other models for the world market. The success of the MIDP is also clearly evident in the expansion of production capacity by the automotive industry. The share of fixed capital formation by the manufacturers of transport equipment in total manufacturing fixed capital formation increased from about 4 per cent in 1996 to more than 20 per cent during the first three quarters of 2003.

Despite these developments, the growth in the volume of vehicle exports slowed down significantly from 58 per cent in 2001 to 18 per cent in 2002 and an average annualised rate of 3 per cent in the first three quarters of 2003. To maintain growth in vehicle exports, local manufacturers should further their global competitiveness. Growing competition from developing countries such as China and India will hamper this. Increases in unit labour cost and the recent recovery of the exchange value of the rand reduce the cost competitiveness of the South African automotive industry.

Vehicle exports



* Annualised exports for the first three quarters of 2003
Source: Naamsa