

Industry

# Billions in automotive investment pouring into SA

Stellantis to invest R3bn building a vehicle manufacturing plant at Coega – planned for completion by the end of the year.

By Roy Cokayne 14 Sep 2023 ⌚ 00:02



The Chrysler Stellantis assembly plant in Michigan in the US. The first model produced in SA is set to roll off the production line in early 2026. Image: Rebecca Cook/Reuters

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South Africa is experiencing a multi-billion-rand automotive investment boom.

Multinational automotive group Stellantis confirmed on Wednesday its intention to invest R3 billion in South Africa to establish a state-of-the-art greenfields automotive plant at Coega in the Eastern Cape.

Read: [Global auto group Stellantis plans manufacturing facility in SA](#)

Stellantis was established in 2021 through a merger between the French-based PSA Group and Italian American conglomerate Fiat Chrysler Automobiles (FCA)

Italian-American conglomerate Fiat Chrysler Automobiles (FCA).

It has nine vehicle brands, including Fiat, Alfa Romeo, Citroën, Jeep, Opel, Peugeot and Abarth.

Mikel Mabasa, CEO of automotive business council Naamsa, confirmed on Thursday that Stellantis was one of three original equipment manufacturers (OEMs) investigating and considering investing in the establishment of vehicle manufacturing plants in South Africa.

Mabasa declined to identify the other two, stressing it was agreed that these companies would make their own announcements about their investment plans in SA at the appropriate time.

**But he confirmed that neither of them is BYD, the Chinese automaker and the world's largest electric vehicle manufacturer.**

A cabinet statement issued at the end of last month confirmed that South Africa is negotiating with BYD about the possible opening of a manufacturing plant in SA. It said this plant would be in addition to the plant established for BAIC, another Chinese automaker, in the Coega industrial development zone (IDZ).

BAIC announced in August 2016 it would be investing R11 billion in the establishment of the plant, which at the time was heralded as the biggest automotive investment in Africa in the past 40 years.

Read: [BAIC wants production at Coega plant 'as soon as possible'](#)

However, the BAIC plant has yet to commence production. BAIC South Africa CEO Jianhui Wang indicated in April that he was hopeful about commencing production at the plant "as soon as possible".

Other recent OEM investment announcements include:

- BMW confirming in June that it will be investing R4.2 billion in SA to prepare its Rosslyn plant in Pretoria for the production of the next generation BMW X3 as a plug-in hybrid vehicle;
- Toyota South Africa Motors announcing in January 2021 it had invested almost R3 billion in SA for the production of the new Corolla Cross sport utility vehicle (SUV) at its plant in Prospecton near Durban; and
- The Ford Motor Company in February 2021 announcing the investment of R20.13 billion by the company and its suppliers for the production of the new Ranger and second generation Volkswagen Amarok at Ford's assembly plant in Silverton in Pretoria and the adjacent Tshwane Automotive Special Economic Zone (SEZ).

Read:

[BMW to invest R4.2bn in SA](#)

## Ford SA makes further multi-million rand investments in Silverton plant

### Toyota plans to manufacture electric vehicles in SA

Apart from these investments by OEMs, automotive component manufacturer Benteler South Africa on Tuesday officially opened its 9 000m<sup>2</sup> expansion of its plant in Kariega, previously named Uitenhage, to increase its total production area to 30 000m<sup>2</sup>.

A spokesperson for the Austria-based Benteler Group declined to provide any specific details about the investment amount associated with the project “at this time” but it is reliably understood that several hundred million rand was invested in this project.

In addition, at the Naacam Show 2023 last month, 16 automotive component manufacturers in South Africa pledged to invest R4.86 billion into the domestic economy between now and December 2024. Naacam stands for the National Association of Automotive Component and Allied Manufacturers. The 16 companies did not include Benteler.

Read: [Auto component companies to invest almost R5bn in SA](#)

The investment announcement by Stellantis on Wednesday follows it signing a Memorandum of Understanding with the Industrial Development Corporation (IDC) and the Department of Trade, Industry and Competition in March this year to develop such a manufacturing facility in South Africa.

### **First model out of Stellantis plant – a bakkie**

The new Stellantis plant is planned to be completed by the end of 2023, with the first model launch – a one-tonne pickup truck – planned for early 2026.

The group has not confirmed the vehicle brand, but production volumes are expected to reach up to 50 000 completely knocked down (CKD) units annually, including exports – in line with the Automotive Production Development Programme (APDP).

**It is targeting achieving 30% local content in the vehicle, and about 1 000 direct jobs are expected to be created in the first capacity step.**

The plant, in terms of space and its planned paint shop, will be capable of increasing production to up to 90 000 vehicles a year.

Stellantis Middle East and Africa chief operating officer Samir Cherfan said on Wednesday this project reflects the group’s focus and trust in South Africa as one of the most important markets in Africa and the Middle East.

“It is also the execution of our ‘Dare Forward 2030’ strategy to reach over 22% market share in the region by 2030, with 70% regional localisation of our sales leading to over one million units

produced,” he said.

“We believe in South Africa and we intend to develop industrially and commercially bringing value to our customers,”

### **IDC involvement**

Stellantis is continuing to work closely with the IDC in developing a viable joint venture (JV) partnership, which will be evaluated by appropriate IDC credit committees.

The IDC will take a decision on any equity investment it makes in the project once the bankable feasibility study has been concluded.

**IDC CEO Tshokolo Nchocho said Stellantis’s success with similar manufacturing plants around the world is well-known and the planned JV is progressing well.**

“The investment is in line with IDC’s intent to drive investment that supports the development of the regional automobile value chain,” he said.

Minister of Trade, Industry and Competition Ebrahim Patel said it is a wonderful day for all South Africans when a global company of Stellantis’s proportions decides to expand its manufacturing footprint in South Africa to assemble completely knocked down units.

“South Africa currently has the capacity to produce close to 700 000 vehicles annually.

“This will add considerable additional capacity, just as we prepare to implement the African Continental Free Trade Area [agreement].

“The country remains a great investment destination and this commitment from Stellantis to invest in our local motor industry highlights the success of our manufacturing sector policy, its capability and potential,” he said.

### **Eastern Cape to ‘benefit tremendously’**

Coega Development Corporation (CDC) CEO Khwezi Tiya said Stellantis’s decision to join other major manufacturers in the area makes the Coega region the primary automotive hub in the country and the investment in the plant, employment, training and skills transfer will certainly benefit the region tremendously.

“This is a much needed and welcomed economic boost for the Eastern Cape Province with an anticipated economy-wide impact on the province’s GDP of R664 million,” he said.

Collectively, household income is anticipated to increase to R558.4 million within the Nelson Mandela Bay Municipality and R577.4 million for the entire province, he added.

“Most importantly, an anticipated 1 800 jobs will be created in the metro and around 2 097 for the Eastern Cape Province.”

Mabasa welcomed Stellantis’s investment announcement, adding that Naamsa knew it had ambitions to make an investment in the country.

**Mabasa said the announcement is a massive vote of confidence in South Africa’s ability to attract new OEMs to co-locate in South Africa, particularly on the back of increasing competition in the rest of the continent.**

“There are many other African countries that have also indicated their interest in attracting OEMs to locate in their countries, such as Morocco, Egypt, Ghana and Kenya,” he said.

