



North Africa reinvents itself as an automaking hub

European and Chinese automotive companies are finding countries like Morocco and Egypt as the places to go for growth.

North Africa is emerging as a new automobile manufacturing hub, as carmakers from China and Europe eye its existing infrastructure and proximity to key markets.

“New investments in the African automotive value-chain driven by local presence of tier suppliers, increasing technical competence and attractive cost structures,” noted Euro Asia Consulting Group.

Automakers are not only drawn to the continent’s strong growth prospects and a continent-wide GDP of \$2.5 trillion, but also its population of 1.3 billion of mostly young people eager to buy their first vehicle.

“The African automotive supply ecosystem’s maturity is significantly high as Automotive OEMs (original equipment manufacturers) and tier companies have not only invested in the countries to meet local demand, but more so to leverage the attractive resources and cost structures for exports,” EAC noted.

Morocco is especially emerging as a major automotive manufacturing hub with a slate of new expansion projects planned over the next few years.

The country’s automotive market was valued at US\$6.4 billion in the first nine months of 2021, and is expected to reach US\$22 billion by 2026, growing at an annual growth rate of more than 15% during the forecast period, according to Mordor Intelligence.

“Morocco’s integration into the global economy was facilitated by the signing of numerous automotive free trade agreements with the European Union and the United States,” the research consultancy said. “Morocco signed a deal with more than 25 automotive industry projects worth USD 1.5 billion, as it seeks to position itself as an international hub for automotive production. These trade agreements contributed positively to the emergence of automotive export activities in the country.”

In 2018, China’s Citic Dicastal agreed to invest EUR350 million in Morocco to produce 6 million aluminium rims each year in the Atlantic Free Zone at Kenitra and create 1,250 jobs. Citic Dicastal inaugurated its first African factory in Kenitra in June 2019 as an industrial cooperation project between China and Morocco. The second production plant was launched in December 2020.

“Through this project, Dicastal will expand its global coverage and contribute to Morocco’s industrial development and Sino-Moroccan economic exchanges,” said Xu ZUO, Chairman of Citic Dicastal.

China’s Dong Feng Sokon (DFSK) also has a joint venture with Casablanca-based Auto Hall, through its subsidiary Africa Motors, to develop an Africa-wide marketing and service centre.

Abdellah El Mouadden, Managing Director of Africa Motors, said the strategic cooperation with DFSK will connect the Chinese company to its Morocco base and the rest of the distributors in Africa for sales, service and training.

“On the other hand, this event is just as important since it is about the launch in preview in Morocco of the range of the electric car SERES,” El Mouadden said. “We are proud to have been chosen by DFSK to prepare for the technological transition and the future of its SERES electric car, thus making Casablanca a regional platform.

In July, Chinese automobile manufacturer Chery Automobile Co Ltd. said it plans to build an automotive plant in Morocco. The proposed facility will produce traditional internal combustion engine vehicles, in addition to electric vehicles, hybrid models and self-driving cars.

Chery is becoming an influential player in the auto space, as the industry increasingly moves towards electrification following innovations made with driverless cars and automation.

The 5,500-strong company has five research and development bases around the world and is an expert at developing engines and gearboxes.

MOROCCO GEARS UP FOR GROWTH

These developments have led to a strong surge in automotive activity in Morocco. Automotive exports in the first seven months of 2021 rose 38%, according to Morocco’s Office des Changes.

The country exported a 244,156 vehicles in the first nine months of the year. With the capacity to produce 700,000 vehicles each year, Morocco’s automotive sector has emerged as a regional auto powerhouse. The industry now employs around 220,000 people and has developed a 250-supplier-strong supply chain that has helped establish its reputation in the industry.

Morocco is home to four main integrated industrial hubs – Tangier, Kenitra, Rabat and Casablanca – in addition to four specialised training institutes. Its key export markets for vehicles are Europe, Turkey, and countries in the Arab region.

Car sales in Morocco stood at 175,000 in 2021, according to the Association of Vehicle Importers-Automobiles in Morocco, an impressive figure given its relatively small population of nearly 37 million.

The North African country also benefits from its strong ties with the European Union through an Association Agreement. It is currently pursuing a Comprehensive and Enhanced Free Trade Agreement (CEFTA) with the continent, which is its largest trading partner.

Morocco already boasts free trade agreements (FTAs) with the United States, Turkey, and the United Arab Emirates. In addition, it is part of the Agadir Group, a free trade area that includes Egypt, Jordan, and Tunisia.

More automotive companies are flocking to Morocco. In August, Stellantis said its German unit Opel would start producing electric vehicles in Morocco. Stellantis was formed after French PSA Group merged with Italian-American conglomerate Fiat Chrysler in 2021.

Opel’s Rocks-e model, an upgraded version of Citroën’s Ami EV microcar, will be the first all-electric passenger car to be manufactured in North Africa. It will produce the vehicles in Kenitra at the plant of its sister company Peugeot.

Peugeot already manufactures its ICE, five-door hatchback Peugeot 208 in Kenitra, which could transition to all-electric e-208 model with the same chassis.

EGYPT CATCHES INVESTORS’ EYE

Morocco is not the only North African state that major manufacturers are scouting for their automotive base.

In January 2021, Egypt’s state-owned El Nasr Automotive Company said it was teaming up with China’s Dongfeng Motor Corp. to jointly produce 25,000 electric vehicles in the country, starting in the second half of 2022.

Egypt recently received 13 E70 electric cars from Dongfeng to be tested on the streets of the capital as part of a deal with El-Nasr Automotive.

According to a media report, Egyptian authorities are in discussions with three Chinese companies, which they hope will join state-owned El Nasr Automotive Manufacturing Co. in the project worth \$127 million and is set to begin in 2023, with plans for an annual output of 20,000 units over three years.

Chinese major automaker SAIC Motor is also setting up a manufacturing joint venture in Egypt to make MG series cars in co-operation with Mansour Automotive Group, a leading Egyptian car dealer.

Separately, U.S. auto giant General Motors Corp. also recently submitted a plan to build electric cars in the Egyptian market in 2022, according to the country’s cabinet.

The country is starting from a low base, with vehicle production at 23,700 last year, a 28.4% increase compared to 2019, OICA data shows.

It is also a major auto consumer market in its own right, given its population of 100 million. The country saw 219,732 car sales in 2020, a 28.8% increase over the previous year, according to the OICA – making it the second largest auto market in Africa after South Africa.

GLOBAL EV MARKET

The global electric vehicle market is taking off with Chinese, European and American automakers vying for dominance.

Global electric car stock hit 16 million in 2021, with battery electric vehicles (BEVs) accounting for two-thirds of the world’s electric car fleet, according to Green Cars, with EV sales topping 6.4 million alone last year.

“China is at the top of the list for EV adoption, accounting for 12 percent of all new electric vehicle sales in 2021, doubling the sales of 2020. Chinese carmakers have expanded their all-electric vehicle offerings with such brands as Aion, BYD, Li Xiang, NIO, and Xpeng. Norway remains the global leader in EV adoption at over 80 percent of all new car sales,” Green Cars said.

China is also incentivising the growth of EVs boosting credits for zero-emission vehicles to 18% in 2023, from 14% currently.

At the same time, China’s subsidies for purchasing PHEVs and BEVs will gradually decline and be phased out by the end of 2022.

TRADE RESILIENCE DESPITE PANDEMIC

China’s trade ties with both Morocco and Egypt have been growing in recent years, even during the pandemic. Chinese overall exports to Morocco rose to USD 4.17 billion last year, compared to USD 4.03 billion in 2019 – impressive given COVID-19 restrictions.

Chinese vehicles and parts shipments to Morocco also increased steadily to USD 261 million in 2020 – having nearly tripled in a decade, according to the International Trade Centre.

Similarly, Egypt saw Chinese shipments surge USD 13.6 billion in 2020, compared to USD 12.2 billion in 2019, according to the International Trade Centre. Vehicles and parts were the third largest Chinese export products to Egypt, having more than doubled in a decade to USD 1 billion by 2020.

North Africa’s strategic location, skilled labour force and relatively inexpensive cost of business is making it an ideal location for Chinese and European car makers, especially as the global supply chains undergo structural changes. And countries such as Morocco and Egypt stand to benefit from the global automotive restructuring.