Africa: A long road to market maturity

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For automakers looking to new markets for what appears to be increasingly elusive growth in new car sales, Africa has long held vast, largely untapped potential.

It is easy to see why. A large and fast-growing population, coupled with low car density rates, suggest a great deal of room for expansion. By 2020, Africa will have an adult (aged 15+) population of around 800 million, according to UN estimates[1]. By 2050, this number is projected to increase to almost 1.7 billion. However, the number of cars (Personal Vehicles) on African roads is, relative to the population size, tiny, at just 30.8 million in 2015, according to an OICA estimate[2], or around 44 cars per 1,000 adults. Unsurprisingly, Africa is also severely underrepresented on the global stage in terms of new car sales, which we forecast to be just over one million across the continent in 2019 – only 1.2% of the global total, despite Africa containing 13.8% of the world's adult population[3].

And yet, Africa has flattered to deceive in delivering on its potential for some time. Optimistic forecasts can easily come unstuck amongst the many challenges that Africa faces, ranging from a lack of industrialisation, persistent income inequality, the proliferation of used imported cars, and the underdevelopment of roads and infrastructure in some areas, to name just a few.

Of course, Africa is not a homogenous unit – there is great variation within the continent. South Africa has had a well-established new car market for many years, while North African nations, such as Egypt, Morocco and Algeria, have developed local manufacturing and are also among Africa's larger new car markets in terms of sales. However, in countries like Nigeria, Ethiopia and DR Congo – with a combined population of almost 400 million – new car sales can be measured in the mere tens of thousands per year.

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A further complicating factor for an analyst looking at Africa is the possible technological developments that might disrupt the expected path of increased car ownership rates in the coming decades. Just as landline telephones failed to become commonplace in many African nations – the technology becoming obsolete with the advent of mobile phones – is it possible that the traditional car ownership model could be superseded by shared mobility, particularly ride-hailing apps, before it has even taken root in a widespread manner? There is no shortage of potential customers, with a 2018 estimate putting the number of smartphone users in sub-Saharan Africa at 250 million, rising to 690 million by 2025[4]. Services such as Uber and Bolt – and more than 50 smaller competitors – are already more widespread in Africa than many outsiders would assume. Uber alone operates in 23 cities across nine African countries[5], with further expansion planned. This suggests that an expanding urban middle class may not be quite such a rich vein of longer-term sales growth as many automakers might have hoped.

With this in mind, our sales forecast for Africa has both upside and downside risks. By 2030, we expect the African car market to grow to around 1.9 million units, which would still represent a modest 1.8% of global sales. Perhaps disappointingly for many, Africa seems set to remain a small player in the global automotive market for some time to come.

[1] https://population.un.org/wpp/Download/Standard/Population/

[2] http://www.oica.net/wp-content/uploads//PC_Vehicles-in-use.pdf

[3] UN estimate for 2020.

[4] https://www.zdnet.com/article/mobile-in-sub-saharan-africa-can-worlds-fastest-growing-mobile-region-keep-it-up/

[5] https://www.uber.com/en-GB/cities/