Alert No. 47

# Volkswagen puts South Africa under pressure

# Morocco cited as an alternative "business case"

## STRATEGIC SIGNAL

Volkswagen Group Africa describes 2026 as a "make-or-break" year for certain industrial projects in South Africa, contingent on incentive reforms and improved competitiveness (costs, logistics, energy). In exchanges reported by the economic press, the Group headquarters is comparing scenarios ("business cases"), and Morocco is explicitly mentioned as an alternative in this competition for capital allocation.

The South African state has announced a review of its automotive policy, with new measures expected by end-February 2026, in response to declining competitiveness and the pressure of the transition (electric/hybrid, standards, import competition).

At Group level, Volkswagen is pursuing a global cost-reduction drive, which further strengthens the logic of site and country arbitrage.

## STRATEGIC ANALYSIS:

**Core hypothesis:**

this is not necessarily an immediate decision to "close/relocate," but rather a pressure tactic to accelerate: incentives for electrified vehicles (BEVs + hybrids), logistics/energy competitiveness, and the upgrading of the supplier ecosystem.

**Why Morocco stands out as a credible alternative:**

Morocco is strengthening its automotive industrial attractiveness (capacity and local integration highlighted by public authorities), with a positioning aligned with export value chains and the transition.

The regional context points to South Africa vs. Morocco competition for production leadership and for attracting new investments (relocation/nearshoring policies).

## STRATEGIC ANALYSIS: POINTS OF VIGILANCE

### Opportunities :

**Capture of "substitution" investments:** if VW (or its suppliers) reallocates part of future programs away from South Africa, Morocco could attract expansions, component lines, or electrification-related projects (wiring harnesses, components, assembly, industrial engineering).

**Acceleration of the e-mobility ecosystem:** $CO_2$/European market pressure pushes toward hybrids/electrified vehicles; suppliers tend to follow OEMs.

### Watchpoints :

If South Africa quickly secures new levers (taxes, incentives, revised auto policy), part of the "transfer risk" could dissipate: **a short opportunity window.**

The issue may also remain at the level of media pressure: monitor for **concrete investment announcements** (CAPEX, platforms, sourcing, new models).

## STRATEGIC RECOMMENDATIONS

- **"Automotive 2026" regional coordination cell:** set up operational coordination (partners) to steer the response and speed up investor interactions.
- **Regional attractiveness pack:** prepare a ready-to-share package (land/industrial zones, logistics, supplier ecosystem, mobilisable training capacity, contacts & indicative timelines).
- **Targeting suppliers & integrators:** activate a contact and matchmaking plan (clusters/federations mobilisation, site visits), prioritising players compatible with the regional ecosystem.
- **Skills programme via partnerships:** structure an "employability & electrification" scheme (agreements, co-funding, steering of training offer) with OFPPT, universities, sectoral centres and companies.
- **Sustainable cooperation & steering framework:** formalise agreements/charter + a biannual committee and a simple dashboard (land availability, administrative lead times, supplier dynamics, skills needs, logistics tensions) to track competitiveness and support evidence-based decisions.

## Sources :

Reuters — *South Africa to make public plans to boost local vehicle production* (27/01/2026). Engineering News (South Africa) , *Volkswagen Group Africa unveils new models for 2026...* (05/02/2026). Reuters, *Volkswagen plans to cut costs by 20% by end 2028...* (16/02/2026).