



Ghana's Automotive Sector

A SNAPSHOT

Introduction

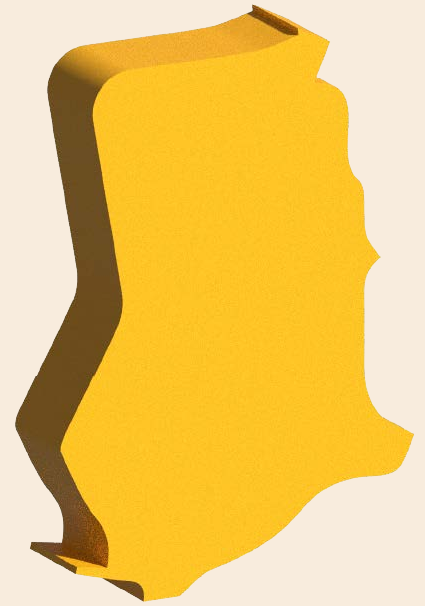
Strategically located in West Africa, Ghana is a gateway to a regional market of over 400 million people.

Ghana's automotive sector is nascent, with a growing interest in developing local assembly and manufacturing capabilities.

Its potential lies in leveraging Ghana's strategic location within West Africa, access to natural resources, and membership in trade agreements such as ECOWAS and AfCFTA.

Ghana's emerging automotive industry, projected to grow to \$11 billion by 2028¹, offers significant opportunities for industrial growth and job creation.

¹ Ghana Automobile Market
<https://www.autotrader.com.gh/blog/ghana-automobile-market-2022-2027>



Opportunities for Investment

1 Import Substitution: Developing local assembly and manufacturing can replace imports, especially given the high tariffs on used vehicles

2 Aftermarket Components: Manufacturing spare parts, such as filters, batteries, and brakes, offers significant opportunities to create jobs and reduce import dependency.

3 Electric and Hybrid Vehicles: Although in the early stages, developing an ecosystem for EVs, including charging infrastructure, presents a long-term opportunity.

4 Skills Development: Investments in training programs can improve workforce quality, making Ghana more competitive.

5 Export Potential: With adequate scale and compliance with trade agreements, Ghana could export vehicles and components to ECOWAS and beyond.

6 Collaborations with OEMs: Strengthening partnerships with Original Equipment Manufacturers (OEMs) can bring investment and technology transfer.



Strategic Importance



The development of Ghana's automotive sector offers significant potential to transform the nation's economy.

The automotive industry offers a vital pathway to economic diversification. Ghana can reduce its reliance on imports by establishing local manufacturing capabilities and bolstering its GDP through industrial growth. This diversification is critical to building a more resilient and self-reliant economy, ensuring sustainable progress despite global economic shifts.

Moreover, Ghana's geographic location and trade agreements make it uniquely positioned to become a regional hub for automotive trade. As a gateway to the ECOWAS market, which is projected to grow to over one million vehicles annually by 2035, Ghana has the potential to serve as a key player in meeting regional demand.

Equally important is the alignment of the automotive sector with Ghana's sustainability goals. The development of this industry supports the nation's broader ambitions of industrialisation while promoting sustainable practices. By fostering local production and reducing reliance on imported used vehicles, Ghana can make strides in reducing its environmental footprint and advancing its commitment to sustainable development.





Local and Global Context




Locally, Ghana's automotive sector is defined by its nascent manufacturing base and heavy import reliance. The Ghana Automotive Development Policy (GADP) seeks to address this by offering incentives for local assembly and imposing tariffs on used vehicles to encourage new vehicle purchases. Within three years of implementation, this investor framework has catalysed over £60 million in strategic investments to establish greenfield automotive assembly facilities in the West African nation.

More than eleven global car makers (Original Equipment Manufacturers) have established facilities to assemble semi-knocked-down (SKD) kits into fully built units for the local market, with some exports to nearby countries beginning to emerge.

Despite these measures, affordability remains a significant barrier, necessitating the development of robust vehicle financing frameworks to unlock demand for locally assembled cars.

Globally, Ghana must contend with intense competition from established automotive hubs like Southeast Asia, India, and Morocco, which benefit from cost efficiencies and advanced manufacturing ecosystems.

However, Ghana's relatively affordable labour and access to natural resources such as aluminium and rubber provide essential components for vehicle manufacturing, including body frames, tyres, and batteries. By leveraging locally available materials, the industry can reduce reliance on imports, lower production costs, and create a more sustainable supply chain.





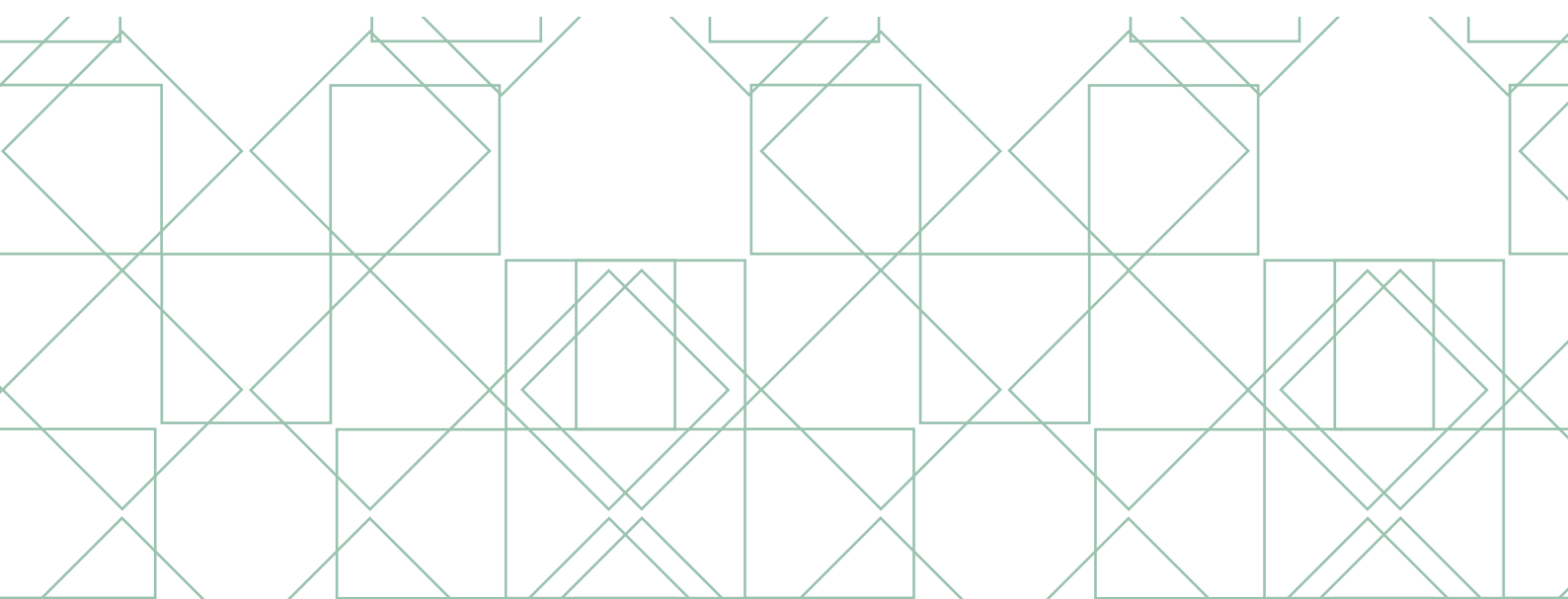
Global Trends in the Automotive Sector

The global automotive sector is transforming significantly, driven by technological advancements, shifting consumer preferences, and evolving regulatory landscapes. One of the most prominent trends is the transition to electric vehicles (EVs). Environmental concerns, government policies, and consumer demand for cleaner transportation options fuel this shift.

Despite this momentum, the pace of EV adoption remains uneven across regions due to affordability challenges and inadequate infrastructure. Hybrid vehicles continue to play a crucial role as a transitional solution.

Another key global trend is the rise of software-defined vehicles, where software increasingly controls significant vehicle functions. Meanwhile, supply chain disruptions, such as the worldwide semiconductor shortage, have underscored the need for resilient and agile operations.

Automakers are now diversifying their supply chains and exploring regional manufacturing hubs to mitigate risks and improve efficiency. Cost pressures also remain a critical issue globally, with rising production costs driven by inflation, labour shortages, and supply chain challenges. To stay competitive, manufacturers are focusing on cost-competitive inputs and streamlining operations.





Regional Trends

The automotive industry in the African region is shaped by unique challenges and opportunities. Regional demand for vehicles is growing, with ECOWAS projected to reach over one million vehicle sales annually by 2035. However, this market remains dominated by used vehicle imports, which account for over 90% of sales in countries like Ghana. Local assembly and manufacturing efforts are still in their infancy, with Ghana producing approximately 5,000 vehicles annually across six assembly plants.

Trade agreements like AfCFTA and ECOWAS are playing a significant role in shaping regional dynamics. These agreements aim to promote intra-African trade and reduce dependency on imports from outside the continent.



Government Measures

Ghana Automotive Development Policy (GADP):

- Offers tax exemptions and incentives for SKD and CKD assemblies.
- Imposes tariffs on used car imports to encourage new vehicle purchases.
- Supports local assemblers through reduced costs for components.

AfCFTA:

- Ghana's hosting of the AfCFTA Secretariat places it at the centre of Africa's trade integration, providing preferential access to a market of 1.4 billion people. AfCFTA's local content requirements incentivise the development of a local supply chains.

Other Preferential Trade Agreements:

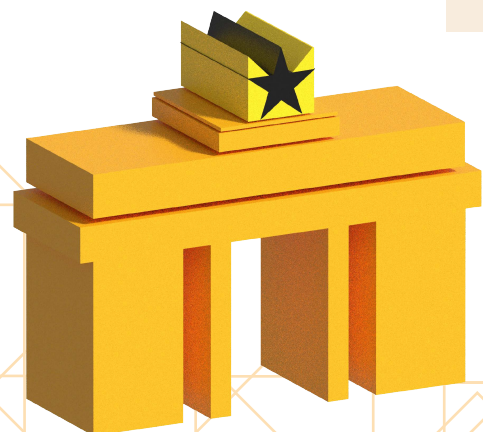
- Duty-free exports under ECOWAS Trade Liberalisation Scheme (ETLS)

After care:

- Investors in Ghana benefit from strong investment support, with institutions such as the Ghana Investment Promotion Centre (GIPC) offering aftercare services to streamline business operations. This proactive support system ensures companies can efficiently navigate regulatory processes and focus on growth.

Targeted Support:

- Technical assistance from international development partners through initiatives like the Jobs and Economic Transformation (JET) programme.



Summary



Ghana's automotive manufacturing industry presents a compelling investment opportunity for businesses seeking to enter the African market. The country offers a range of incentives designed to attract large-scale manufacturers, including access to land and significant tax exemptions and duty waivers. These investor frameworks support to reduce production costs and enhance investors' profitability and market access to the entire ECOWAS and African continental markets.

As a member of the African Continental Free Trade Area (AfCFTA), businesses in Ghana benefit from preferential trade agreements, enabling seamless access to multiple African economies. This positioning makes Ghana an ideal hub for companies expanding within the region.

A well-structured regulatory framework ensures a stable and predictable business environment. With a strong commitment to industrialisation, Ghana's policies support long-term economic growth and investment security. The country is known for its political stability, fostering investor confidence through democratic governance and sound economic policies.

Ghana also boasts a well-educated and skilled workforce capable of meeting production and operational demands. The availability of trained labour reduces the need for extensive expatriate staffing, lowering businesses' operational costs.

With a unique blend of incentives, market access, stability, and skilled labour, Ghana stands out as a premier investment destination in Africa. It provides businesses with a strong foundation for sustainable growth and success.





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