

AUTOMOTIVE INDUSTRY IN THE GCC

**A SECTOR STUDY REPORT TO
DELIVER INVESTMENT OPPORTUNITIES IN
AUTOMOTIVE SECTOR IN THE GCC**



SECTOR STUDY ON AUTOMOTIVE INDUSTRY IN THE GCC

**A Sector Study Report to Deliver Investment
Opportunities in Automotive Sector to
Investors**



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1. INTRODUCTION

Automotive industry is the single most powerful engine for economic development. It drives export, employment generation and innovation in any economy. An automobile is the second most expensive item a person buys. World's automotive industry produced over seventy three million vehicles comprising, cars, vans, trucks and buses in 2007 employing altogether, nearly 50 million people covering both direct and indirect employment. Auto industry is one of the largest investor in Research and Development. Vehicle manufacture and use are also major contributors to government revenues around the world.

GCC imported vehicles worth over USD 24 billion dollar in 2007. Total number of vehicles imported in GCC in 2008 is estimated to be over a million. Import of vehicles has grown in double digit percentage since 2003.

The present turmoil in the global financial market has impacted global automotive industry since in 2008 Q4. Major auto manufacturers in the world are faced with massive loss of sales and some are even fighting bankruptcy.

However, this financial crisis has so far had only limited impact with the vehicle market in the Middle East, according to industry insiders.

Low fuel cost, high per capita income and growing population are driving rapid development of automotive market in GCC. With higher per capita income, more families can afford more than two cars per household in GCC. Demand for passenger car is further expected to grow as the population in the region grows fast due to the need for trained manpower to man various projects in the GCC region.

Barring a handful of truck assembly units, there is no major automotive manufacturing initiative in GCC, despite the presence of such a growth market. GCC therefore depends entirely on imports to meet its vehicle requirement. Saudi Arabia and UAE are the two predominant markets in GCC.

Thus, the presence of such a buoyant market and lack of any car assembly facility in the GCC justifies setting up of a car assembly plant in GCC to meet the local demand. The other attractions are proximity to MENA market, presence of infrastructure and encouragement from GCC Governments.

Automotive component market too is booming in GCC. The total market for aftermarket components in GCC is estimated to be USD 12.6 billion in 2008. Export market for automotive components in the GCC grew in double digit percentage in 2004 according to trade sources.

According to a study, garages and auto workshop in UAE and KSA together are currently in excess of 22,000. A fairly large population of second hand vehicles, extreme weather conditions and poor maintenance practice contribute to demand for

spares. Presently there is a limited network of automotive component manufacturers in GCC which caters mainly to aftermarket requirement.

This component industry is growing fast. Tyres, lead acid batteries, transmission complement like gear boxes, drive shaft items, spare parts such as mufflers, bumpers, glass and accessories are some of these items that are imported. This component manufacturing network can be further developed to transform them into OE component supplier base in due course.

It is in this context GOIC initiated the study of the auto sector in GCC. This sector study analyses the market for vehicles & components in GCC and estimates the demand by 2010 and 2015 time horizons. The report also identifies projects of importance to GCC. The report is illustrated with charts and graphs. The table of contents of the report is attached. It is expected that the study will help uncover greater opportunities and potentials available to planners and investors in automotive field.

2 RATIONALE FOR THE STUDY

There are two important aspects to consider when looking at the future of automotive market in the gulf region. One is the demand factor and the other is the economics of production in this region. Therefore the rationale for the present study comprises the following:

- ◆ There is strong demand for vehicles and auto components in GCC. The demand as indicated by the volume of import has grown steadily since 2003.
- ◆ There is no assembly unit for passenger vehicles in GCC in spite of such a strong demand
- ◆ GCC's economy is growing. Unless the oil price remain subdued for a long time, the impact of fall in revenue due to low oil price for the GCC economies is bound to be minimal
- ◆ By establishing a local production unit, GCC can achieve import substitution, broaden the industrial base and improve employment potential for the locals
- ◆ With approximately 30% of the GCC population below driving age, GCC region present enormous untapped opportunities for vehicle manufacturers.
- ◆ GCC has the advantage of proximity to MENA market.

3. OBJECTIVES OF THE STUDY

The objective of the study is to assess the present status of automotive industry in the GCC in terms of demand-supply situation and identify opportunities available for investment. The Report will provide a valuable aid for strategic planning, at a time of immense opportunities for the automotive sector in the GCC region. The key issues that are addressed include:

- ◆ Demand for vehicles and automotive components in GCC
- ◆ Status of automotive components market in GCC
- ◆ Outlook for investment in GCC's automotive sector.

4. COVERAGE

The coverage of this study report has been carefully formulated to address the critical information requirement of planners and investors from automotive industry. Specifically the research parameters embrace the following:

4.1 Geographic Coverage

The Report covers the dynamics of the automotive sector within the GCC States.

4.2 Product Coverage

The product categories covered are passenger cars, light commercial vehicles, and spare parts market. The status of passenger car projects under various stages of planning has been taken into account along with the foreign trade in passenger vehicles in estimating demand and availability.

4.3 Time horizon

Historical data has been provided for the period 2003 to 2007 with forecasts for the years 2010 and 2015.

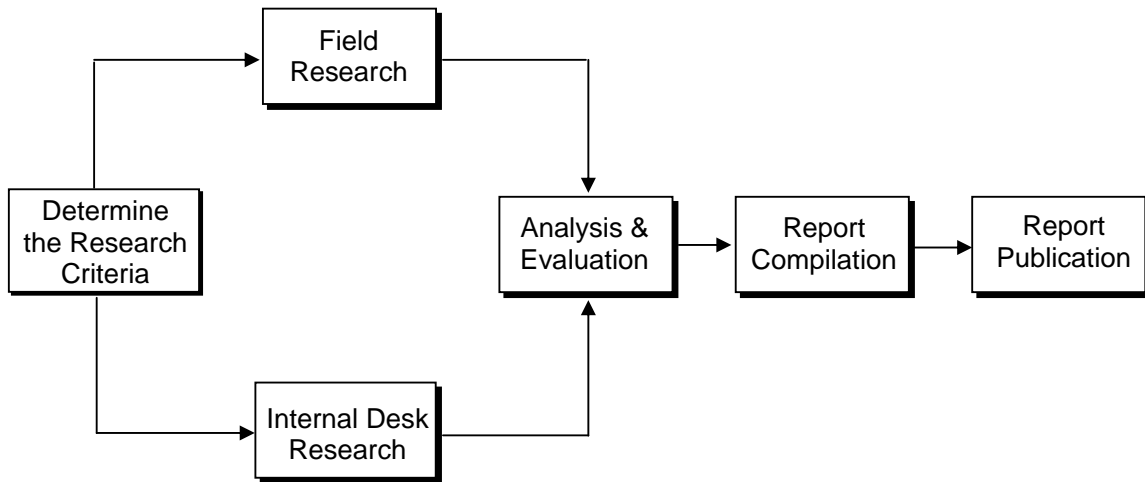
5. APPROACH

The study has been conducted by engineers with expertise in automotive industry from Gulf Organization for Industrial Consulting (GOIC).

The Report is prepared using a conventional mix of both desk and field research. At the outset, the study draws upon the internal databanks maintained by GOIC. GOIC has unique and extensive databanks having direct data transfer links with GCC member countries' portals making these data reliable. In addition, GOIC has also access to relevant external sources in order to validate and build on the information held by GOIC.

Commercial information and forecast have been developed from in-house database and publications, supported by fieldwork. Discussions were held with key industry experts to provide a thorough understanding of the dynamics of the current and future automotive projects in different GCC States.

Approach to the Study



6. REPORT CONTENTS

LIST OF ABBREVIATIONS

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7. TIMING AND COSTS

The study is completed in June 2009 and is now available for purchase.

The cost of the report "Automotive sector in the GCC" will be **USD 5,000.00**
(US Dollars: Five thousand only)

8. GOIC CREDENTIALS

Gulf Organization for Industrial Consulting is an intergovernmental industrial development organization, funded by the six Arab Gulf Cooperation Council (GCC) states namely: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and UAE

Relevant Project Experience

GOIC has carried out studies related to automotives in the past. GOIC also has a strong feel of the pulse of manufacturing industry in the GCC. The following list indicates some of the relevant studies carried out in the past.

SI. No Study Reports	
1.	Automotive and ancillary Industries –Vision Report
2.	Manufacture of Aluminum Die-Cast Parts for Automotive Industry: Pre-feasibility report
3.	Aluminum Downstream Industries Market Study
4.	Investment Opportunities in Major Industrial Sectors in Kuwait
5.	Industrial strategy for United Arab Emirates
6.	Pre-Feasibility Report-Manufacture of Multi Layer Composite Al-Plastic Pipes
7.	Option Study for Aluminum Downstream Industry
8.	Oman Steel Sector Study
9.	Road Map for Aluminum Industry in Bahrain
Project Profiles	
1.	Aluminum Die-Casting
2.	Aluminum Foundry for Vehicle Wheels
3.	Aluminum Slugs Manufacturing Plant
4.	High Integrity (HI) Aluminum Castings
5.	Leaf Springs
6.	Light Aluminum Extrusions (CONFORM)
7.	Powder Injection Moldings
8.	Production of Magnesium
9.	Precision Welded Aluminum Tube for Radiators
10.	Recycled Aluminum Alloys
11.	Rolled Finned Tubes
12.	Seamless Steel Tube
13.	Stainless steel Precision Tubes
14.	Titanium Tubes

Through its work, GOIC has built-up unrivalled knowledge and contact networks covering the GCC region, and industrial sectors. GOIC has become an established source of information on the GCC countries. This has been achieved through maintaining and updating the databases and contacts with institutions and ministries.

Consultancy assignments are tackled by specially created task forces drawn from the various technical departments, as needed, in order to provide the most comprehensive reports and appropriate advice.

GOIC's Range of Services

Following are the range of services offered by GOIC.

INDUSTRIAL INVESTMENT PROMOTIONS SECTOR

- ❖ Investment Opportunities
- ❖ Project Identification
- ❖ Feasibility Studies
- ❖ Multi-Client Study Reports
- ❖ Sectoral Studies
- ❖ Consultancy Assignments
- ❖ Technical Training
- ❖ Technical Assistance
- ❖ Industrial Coordination
- ❖ Industry Conferences & Workshops
- ❖ Subcontracting & Partnership Exchange

INDUSTRIAL & ECONOMIC INTELLIGENCE SECTOR

- ❖ Data Collection & Processing
- ❖ Database Development & Management
- ❖ Strategy & Policy Studies
- ❖ Sectoral Overviews
- ❖ Consultancy Assignments
- ❖ Regional Policies
- ❖ Country Programs
- ❖ Trade Support
- ❖ Publications
- ❖ Library resources

9. QUESTIONS REGARDING THIS PROPOSAL

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