

June 2020

# GCC Automobile Sector

## Updated for COVID-19 Impact



### Research Highlights:

Examining the COVID-19 impact, the recent declining trend in imports, impact of demographic changes taking place, quantifying threats from fuel price hikes, shared mobility, and upside from lifting of ban on driving by females in Saudi. The report also presents growth drivers, the demand outlook for the sector as well as expected demand for electric vehicles.



# About Marmore



## Organizational Background

Marmore MENA Intelligence provides research-based consulting solutions to help understand current market conditions, identify growth opportunities, assess supply/demand dynamics, and make informed business decisions.

Marmore is a fully-owned research subsidiary of Kuwait Financial Center 'Markaz'. Since 2006, Markaz Research has been at the forefront in disseminating thought-provoking, hard-data backed research reports. Marmore continues that legacy with a focused approach to providing actionable solutions for business leaders and policymakers.

Since its inception, Marmore has published over 700 research reports and covered more than 25 varied industries and infrastructure segments; all focused primarily on the GCC economies. (To view our Research Library, please [click here](#))

With over 30 policy and regulatory research studies published, Marmore has partnered with renowned regional think-tanks and opinion-leaders to publish some of these intellectually provoking policy research papers. These research studies aim to initiate dialogue and propose better solutions to existing economic conundrums. (To view our Policy & Regulatory research report, [click here](#))

Almost on a weekly basis, Marmore publishes thematic economic, industry, policy and capital market reports. Marmore has been recently conferred **"Research Provider of the Year - 2018" award by Global Investor, a Euromoney Group company.** To learn more, visit [www.marmoremna.com](http://www.marmoremna.com)

## Experience/Qualifications

Marmore is the only regional firm providing niche research based on strong analytics in areas that are less researched. Marmore provides full range of financial market, sector specific and economic and policy researches, as well. The different types of researches are availed based on the client's requirements. It is notable that Marmore research reports have regularly been used by various renowned institutions to better understand the MENA region.

*Marmore's strengths can be summarized as follows:*

- » Consistent track record of quality, in-depth research offerings;
- » Skilled team with extensive experience in advanced quantitative and qualitative analysis techniques;
- » Deep understanding of MENA market and access to wide-ranging database
- » Delivers high quality, client specific, insightful research reports; highlighting key client issues and uncovering key answers/opportunities for the clients.

 [www.marmoremna.com](http://www.marmoremna.com)

 /marmoremna

 @marmoremna

 [enquiry@e-marmore.com](mailto:enquiry@e-marmore.com)

 marmore-mena

 marmoreMENA



# Table of Contents

---

## **CHAPTER 1**

### Executive Summary

## **CHAPTER 2**

### Overview of GCC Automobile Market

- Historical Size and Growth of the Market
- GCC Passenger Vehicle (PV) Imports by Member Countries
- Countries Supplying GCC's Passenger Vehicles Market
- Passenger Vehicles Manufacturers and their Sales in the GCC

## **CHAPTER 3**

### Growth Drivers for GCC Passenger Vehicle Market

- Growth in Adult Population to drive the Addressable Market
- Allowing Female Automobile Driving to boost Sector Growth
- Connected Cars to provide Higher Replacement Demand
- Regulatory Changes to have mixed Impact on Automobile Demand
- Lower Fuel Cost a Reducing Growth Driver
- New Public Transportation Systems to Lower Automobile Needs

## **CHAPTER 4**

### Technological Trends Impacting the Sector

- Electric Vehicles (EV) Likely to see high Supplies in Future
- Autonomous Vehicles Technology – where the industry Stands

## **CHAPTER 5**

### Ride Sharing Impact on GCC Automobile Market

- Understanding Ride Sharing and Ride Hailing
- Impact of Ride Hailing and Sharing on the Automobile Market

## **CHAPTER 6**

# Expected Changes and Growth of Automobile Demand in GCC

Impact of Increase in Fuel Prices by Governments

Additional Demand from Lifting Ban on Driving by Females in Saudi Arabia

Estimated Automobile Demand over next 5 and 10 Years

Demand Forecast for Electric Vehicles in GCC

## **CHAPTER 7**

# GCC - Country Wise Automobile Market Profiles

Automobile Market Profile- Saudi Arabia

Automobile Market Profile- UAE

Automobile Market Profile- Kuwait

Automobile Market Profile- Qatar

Automobile Market Profile - Oman

Automobile Market Profile- Bahrain

## **CHAPTER 8**

# Key Challenges Facing the Industry

## **CHAPTER 9**

# Appendix

Appendix 1: Automobile Demand in GCC under High and Low Case Scenarios

Appendix 2: Automobile Dealers Brand-wise in the GCC Countries



# List of Tables

---

Table 2.1	Number of Vehicles in Use ('000s) in GCC Countries (2010-2015)
Table 2.2	GCC Annual Passenger Vehicle Imports and Import Price
Table 2.3	Passenger Vehicle Imports by GCC Member Countries (2014-2018)
Table 2.4	Net Number of Vehicles (in Mn) Imported by GCC Members (2014-2018)
Table 2.5	GCC's Gross Imports of Passenger Vehicles by Exporting Country
Table 2.6	Country-wise Share of GCC's Gross Passenger Vehicle Imports (Value) 2014-2018
Table 2.7	Market Shares of Top Brands in the GCC Countries (2018)
Table 3.1	Yearly Increase in Adult Population of GCC
Table 4.1	Sample of Operating Features of Electric Vehicles
Table 5.1	Impact of Ride Hailing on Automobile Demand in GCC
Table 6.1	Potential Passenger Vehicle purchases by Saudi Female Population
Table 6.2	Estimates of Automobile Demand in the GCC for 2019-2023
Table 6.3	GCC's Estimated Demand and Population of Hybrid and Battery EVs 2019-2023
Table 7.1	Saudi Net Imports of Automobiles and Changes in Price per Vehicle (2014-18)
Table 7.2	Countries Exporting Automobiles to Saudi Arabia (million USD)
Table 7.3	Imports by Countries Exporting Automobiles to Saudi Arabia (million USD)
Table 7.4	Adult Population and their Growth Rates in Saudi Arabia (2019-23)
Table 7.5	Impact of Ride Hailing on Automobile Demand in Saudi Arabia
Table 7.6	Estimate of Automobile Demand for Saudi Arabia (2019-2023)
Table 7.7	Saudi's Estimated Demand & Population of Hybrid and Battery EVs 2019-2023
Table 7.8	UAE Imports of Automobiles and Changes in Price per Vehicle (2014-18)
Table 7.9	Countries Exporting Automobiles to UAE (million USD)
Table 7.10	Proportion of imports by Countries Exporting Automobiles to UAE
Table 7.11	Change in Adult Population Growth Rates in UAE (2019-2023)
Table 7.12	Impact of Ride Hailing on Automobile Demand in UAE
Table 7.13	Estimate of Automobile Demand for UAE (2019-2023)
Table 7.14	UAE's Estimated Demand & Population of Hybrid and Battery EVs 2019-2023
Table 7.15	Kuwait's Imports of Automobiles and Changes in Price per Vehicle (2014-18)
Table 7.16	Countries Exporting Automobiles to Kuwait (million USD)
Table 7.17	Proportion of imports by Countries Exporting Automobiles to Kuwait

Table 7.18	Adult Population and their Growth Rates in Kuwait (2019-23)
Table 7.19	Impact of Ride Hailing on Automobile Demand in Kuwait
Table 7.20	Estimate of Automobile Demand for Kuwait (2019-2023)
Table 7.21	Kuwait's Estimated Demand & Population of Hybrid and Battery EVs 2019-2023
Table 7.22	Qatar's Imports of Automobiles and Changes in Price per Vehicle (2014-18)
Table 7.23	Countries Exporting Automobiles to Qatar (million USD)
Table 7.24	Proportion of imports by Countries Exporting Automobiles to Qatar
Table 7.25	Adult Population and their Growth Rates in Qatar (2019-23)
Table 7.26	Impact of Ride Hailing on Automobile Demand in Qatar
Table 7.27	Estimate of Automobile Demand for Qatar (2019-2023)
Table 7.28	Qatar's Estimated Demand & Population of Hybrid and Battery EVs 2019-2023
Table 7.29	Oman's Imports of Automobiles and Changes in Price per Vehicle (2014-18)
Table 7.30	Countries Exporting Automobiles to Oman (million USD)
Table 7.31	Proportion of imports by Countries Exporting Automobiles to Oman
Table 7.32	Adult Population and their Growth Rates in Oman (2019-23)
Table 7.33	Impact of Ride Hailing on Automobile Demand in Oman
Table 7.34	Estimate of Automobile Demand for Oman (2019-2023)
Table 7.35	Oman's Estimated Demand & Population of Hybrid and Battery EVs 2019-2023
Table 7.36	Bahrain's Imports of Automobiles and Changes in Price per Vehicle (2014-18)
Table 7.37	Countries Exporting Automobiles to Bahrain (million USD)
Table 7.38	Proportion of imports by Countries Exporting Automobiles to Bahrain
Table 7.39	Adult Population and their Growth Rates in Bahrain (2019-23)
Table 7.40	Impact of Ride Hailing on Automobile Demand in Bahrain
Table 7.41	Estimate of Automobile Demand for Bahrain (2019-2023)
Table 7.42	Bahrain's Estimated Demand & Population of Hybrid and Battery EVs 2019-2023
Table 9.1	Automobile Demand by Country for GCC (High Case)
Table 9.2	Automobile Demand with Effect of Threats & Opportunities (High Case)
Table 9.3	Automobile Demand by Country for GCC (Low Case)
Table 9.4	Automobile Demand with effect of Threats & Opportunities (Low Case)

# List of Figures

---

Figure 2.1	Motorization Rate in GCC vs Other Regions (2015)
Figure 2.2	Value of GCC Net Imports of Passenger Vehicles (2001-2018)
Figure 2.3	GCC Auto Imports Slump (by Value and by Numbers)
Figure 2.4	Cyclicity of GCC Auto Imports & Oil Price Changes (2001-18)
Figure 2.5	Yearly Increase in GCC Total and Adult Population (2014-18)
Figure 2.6	UAE Re-exports Top 10 Destinations
Figure 2.7	Saudi Re-exports Top 10 destinations
Figure 2.8	Net PV Imports by Value (2014)
Figure 2.9	Net PV Imports by Value (2018)
Figure 2.10	Net PV Imports by Number (2014)
Figure 2.11	Net PV Imports by Number (2018)
Figure 3.1	Expected Growth in GCC Adult Population (2019-2028)
Figure 3.2	ICCT Passenger Car CO2 Emissions and Fuel Consumption, Normalized NEDC
Figure 4.1	US Market Share: Electrified Vehicles 2017
Figure 4.2	Global Powertrain Market Share 2015-2030
Figure 6.1	Male Population/Automobile Demand/Vehicle Ownership from 2006 to 2028
Figure 6.2	GCC Population Trends of EVs/ Hybrid EVs and Battery EVs during 2018-2023
Figure 7.1	Passenger Vehicle Population of Saudi Arabia (2005-2018)
Figure 7.2	Population of Total EVs /Hybrid EVs/BEVs for the period 2018-2023- Saudi Arabia
Figure 7.3	UAE Automobile Population and PV per '000 inhabitants
Figure 7.4	Population of Total EVs /Hybrid EVs/BEVs for the period 2018-2023- UAE
Figure 7.5	Kuwait Automobile Population and PV per '000 inhabitants
Figure 7.6	Population of Total EVs /Hybrid EVs/BEVs for the period 2018-2023 _ Kuwait
Figure 7.7	Qatar Automobile Population and PV per '000 inhabitants (2005-2015)
Figure 7.8	Population of Total EVs /Hybrid EVs/BEVs for the period 2018-2023- Qatar
Figure 7.9	Oman Automobile Population and PV per '000 inhabitants
Figure 7.10	Population of Total EVs /Hybrid EVs/BEVs for the period 2018-2023- Oman
Figure 7.11	Bahrain Automobile Population and PV per '000 inhabitants
Figure 7.12	Population of Total EVs /Hybrid EVs/BEVs for the period 2018-2023- Bahrain

# Executive Summary

Automobiles have a prominent place in the life of GCC residents and the sector's prominence was supported with subsidized fuel prices given the abundant availability of fossil fuels in the region. The automobile market in the GCC countries boasts of the presence of all top international brands, with the top international auto majors operating in the region for decades. GCC does not have automobile manufacturing facilities, but it is presently taking small steps in this direction, with UAE being the first to be setting up manufacturing facilities though on a small scale. Saudi Arabia the largest automobile market among the GCC countries, has set up special industrial zones for automobiles with the initial thrust being on auto parts manufacturing firms.

As part of the larger drive to move away from subsidized goods and services towards market prices, Saudi Arabia and other GCC countries have hiked motor fuel prices in recent years and the markets are expected to see full implementation of market prices for motor fuels in the next few years. The current drop in international gasoline prices and the bearish outlook for oil prices in the near term, may mean that oil subsidies previously considered high may not be relevant in the near term, and the governments may not have a case for increasing domestic gasoline prices which will be a positive for greater use of automobiles leading to some demand push for new purchases. VAT was introduced in recent years for the first time by some of the GCC countries. Further, Saudi Arabia is reported to have increased VAT rates recently in May 2020 due to budgetary deficits caused by low oil prices resulting from Covid-19 impact. Other GCC countries may follow though it is difficult to predict at this juncture. Any VAT increases on gasoline and automobiles can be expected to have a dampening effect on the purchase of new automobiles. In addition, in the current economic scenario of job losses and wage cuts consequent to business losses from negative GDP growth rates in 2020 as was seen previously when oil prices fell, the automobile purchases are also expected to be lower at least in the near term of next 12 months. The net impact on the gasoline prices consequent from lower international prices for gasoline and higher VAT on gasoline if any needs to be seen as higher fuel costs is a dampener for greater automobile usage. These two factors have an impact on the automobile demand if motor riding costs go up. The lack of public transport however maybe holding up the market, but this may change in the next few years as most cities in the GCC are setting up metro rail projects. Again, Covid-19 may make use of public transport less preferred by the new social distancing practices that may prevail until a vaccine is available to prevent the virus. New York Metro is talking to employers in their city to examine staggered office timings to reduce the density of traffic in underground trains. Such steps may mitigate the adverse impact of Covid-19 on public transport usage. In addition, the success of Ride hailing Apps like Careem and Uber are making available an alternative means of transport to GCC residents wanting to economize on commuting costs in the cities. However, it is not still not clear whether Ride Sharing will sustain its demand post Covid-19. Moreover, the slowing growth of adult population during the next few years will result in lower annual demand for automobiles as fewer numbers of individuals seek car ownership. These developments pose challenges to the auto suppliers in the region and require them to adopt innovative marketing tools to stem the impact of negative developments on automobile demand.



On the positive side is the recent initiative of Saudi Arabia to lift the ban on driving of automobiles by the female population which is expected to give a boost to the automobile demand in the coming few years. This development can also increase demand from the female population to seek car ownership in rest of the GCC as well, where only cultural restrictions make females not to drive automobiles. Covid-19, may definitely induce female drivers who may be continuing their dependence on Ride Sharing and Taxis to shift more towards own vehicles and self-driving in these countries. Added to this, is the global initiative to switch to use of electric Vehicles (EV) in place of conventional IC engine-based automobiles with a view to reduce carbon emissions as part of the goal of Climate control and clean environment. The EVs are also found to have advantage of lower fuel and maintenance costs, while the manufacturing cost of EV is coming down and miles per recharge are going up with improvements in battery technology. The preference for EVs can be expected to result in quicker replacement of aged vehicles thereby generating higher demand for new vehicles. However, gasoline prices are lower currently and outlook is bearish in the future, EVs will benefit from lower electricity charges due to power companies paying less for their fuels like natural gas and crude oil. Therefore, lower gasoline prices may not deter the usage of Electric Vehicles. Connected cars, that is vehicles equipped with many smart features are becoming increasingly popular and the technologies for such cars is opening new capabilities, all of which can boost the new vehicle demand in the region. Autonomous Vehicles (AV) have yet to hit the market but are fast coming closer to reality and some GCC countries like UAE are recognizing their presence in their plans for automobiles.

This report examines the automobile market in the GCC as well as in the individual GCC countries. The historical growth of the automobile market is examined, relevant growth drivers are discussed and analyzed, and the forecasted market demand and vehicle population is given. For estimating demand from incremental car ownership due to additions to adult population, analysis of demographic trends is provided. An attempt is made to quantify the impact on demand from fuel price hikes, ride hailing apps, and ownership of automobiles by the female population. The expected demand for Electric Vehicles including Hybrid Electric Vehicles and Battery Electric Vehicles over the next five years is also provided. The demand estimates are provided for Reference Case, High Case and Low Case scenarios. The demand estimates for automobiles for 2020 particularly and for 2021 can be expected to be lower due to Covid-19 and low oil prices currently prevailing. However, 2019 imports data for automobiles is not yet available for the GCC countries and a clear picture of the length of this downturn and its implications are not crystallized yet. Therefore, while the relevant qualitative implications of Covid-19 are identified and discussed, the demand estimates for near term in the report are however not revised for these developments. The estimates for long term provided in the report are however expected to hold good.

All, in all, the emerging market for automobiles in GCC is one of new opportunities and new threats.

# Authors

***M.R. Raghu CFA, FRM, FCMA***

*Head of Research*

**+965 2224 8280**

***rmandagolathur@markaz.com***

***Shishir Goenka***

*Senior Manager - Research*

**+965 2224 8000 Ext: 4633**

***SGoenka@e-marmore.com***

***Venkatram Kolluri***

*Senior Consultant*

**+965 2224 8000**

***VKolluri@e-Marmore.com***

## Disclaimer

This report has been prepared and issued by Marmore MENA Intelligence Ltd (Marmore), a fully owned research subsidiary of Kuwait Financial Centre "Markaz" K.P.S.C. Marmore is a private limited company registered with the Registrar of Companies in India.

This Report is owned by Marmore and is privileged and proprietary and is subject to copyrights. Sale of any copies of this Report is strictly prohibited. This Report cannot be quoted without the prior written consent of Marmore. Any user after obtaining Marmore's permission to use this Report must clearly mention the source as "Marmore." The Report is intended to be circulated for general information only and should not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction.

The information and statistical data herein have been obtained from sources we believe to be reliable, but no representation or warranty, expressed or implied, is made that such information and data is accurate or complete, and therefore should not be relied upon as such. Opinions, interpretations, estimates, and projections in this report constitute the current judgment of the author as of the date of this Report. They do not necessarily reflect the opinion of Markaz or Marmore or other identified parties and are subject to change without prior notice. Neither Marmore nor Markaz have an obligation to update, modify, or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast, or estimate set forth herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn.

This Report may not consider the specific investment objectives, financial situation, and the particular needs of any specific person who may receive this report. Investors are urged to seek financial advice regarding the appropriateness of investing in any security or investment strategy discussed or recommended in this report and to understand that statements regarding future prospects may not be realized. Investors should note that income from such securities, if any, may fluctuate and that each security's price or value may rise or fall. Investors should be able and willing to accept a total or partial loss of their investment. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily indicative of future performance.

Markaz may seek to do business, including investment banking deals, with companies covered in its research reports. Markaz may have interests in the areas covered in this research report. Markaz, Markaz managed entities, its clients, or its employees may have from time to time long or short positions in any security, derivative or other types of assets referred to in this research report. As a result, investors should be aware that Markaz may have a conflict of interest that could affect the objectivity of this report.

This report may provide the addresses of or contain hyperlinks to websites. Except to the extent to which the report refers to website material of Markaz and Marmore, Markaz has not reviewed the linked site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to Markaz's or Marmore's own website material) is provided solely for your convenience and information, and the content of the linked site does not in any way form part of this document. Accessing such website or following such link through this report or Markaz's or Marmore's website shall be at your own risk.

For further information, please contact 'Markaz' at P.O. Box 23444, Safat 13095, Kuwait; **Email: [enquiry@e-marmore.com](mailto:enquiry@e-marmore.com)**; Tel: 00965 22248280; Fax: 00965 22495741.