



بنك الإمارات دبي الوطني
Emirates NBD

Sector Economics

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UAE's automotive sector overview

- **UAE is the second largest automotive market** (including cars, parts and accessories, trailers and semi-trailers, trucks, public transport vehicles, tractors, other) in the GCC after Saudi Arabia. UAE relies heavily on imports with virtually the entire supply of cars and light vehicles being imported.
- **The UAE's automotive retail sector grew by 6.5% y/y in H1 2014.** The UAE's strong economic growth, solid household spending and increased access to vehicle financing are set to be the drivers for the automotive industry over the coming years.
- **The strong domestic demand for automotive products is illustrated by the seventy five percent of the UAE's online consumers who plan to buy a new or used car in the next two years,** according to Nielsen's Global Survey of Automotive Demand.
- **Separately, as investors started to look ahead to the Dubai 2020 Expo, spending on infrastructure and development projects will continue,** further boosting the demand for heavy trucks and other commercial vehicles that will be needed to help build these projects.
- **In 2014, GCC's automotive trade value reached USD 66.5bn, up 39% from 2010, 90% of which was imports.** UAE received 39.4% of GCC's automotive exports with intra-GCC trade being dominant, accounting for more than half of the total figure.
- **Cars represent 63% of UAE's total automotive imports from the world. UAE is also one of the largest importers of used cars becoming a regional hub not only for cars but also for vehicle parts and components in the entire MENA region.** As a result, the UAE has become a strategic player in the car parts trade within the GCC region positioning itself as a major re-exports center.
- **The UAE's proposed automotive investment strategy is likely in our view to be directed at the creation of new production plants for cars, light vehicles and trucks as well as assembly lines for manufacturing and remanufacturing of spare parts and accessories.** This strategy will depend on maintaining UAE's attractive and stable framework in the field of vehicle taxation, technical requirements, fuel policy and road infrastructure.
- **UAE's efficient transport infrastructure (road, train, maritime, air) and strong logistics network are important factors for any investment decision in automotive manufacturing.** UAE's strong protection of intellectual property in technical or design solutions as well as efficient and fair administration are also essential conditions for innovation in the automotive industry.

MENA's automotive investment projects in USD, as of Q4 2014

Country	Company	USD	Description, production per year
Saudi Arabia	Saudi-Malaysian Development Co.	2bn	New plant for domestic car Meeya
Saudi Arabia	Daewoo Int.	1bn	150,000 new assembly plant
Saudi Arabia	Jaguar Land Rover	168mn	100,000 new assembly plant with UK parts
Iran	Changan	128mn	50,000 new assembly plant
Algeria	FAW	61mn	10,000 new assembly plant
Saudi Arabia	Zahid Tractor and Heavy Machinery	60mn	4,000 Volvo and Renault truck new plant
Morocco	Lear Corp	2.2mn	Parts and electrical equipment plant
Total		3.4bn	

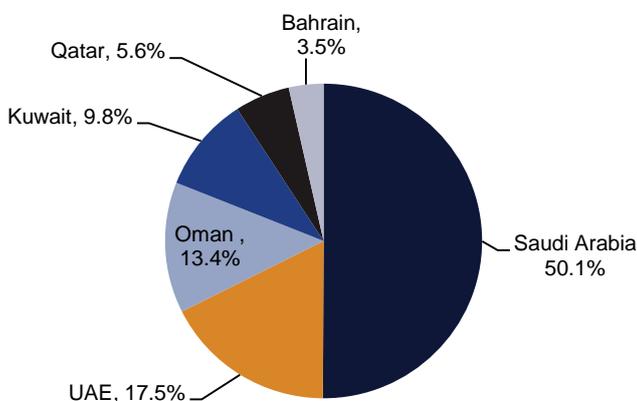
Source: MEED, Emirates NBD Research

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UAE's automotive sector overview

UAE is the second largest automotive market in the GCC after Saudi Arabia. It relies heavily on imports, with virtually the entire supply of car and light vehicles being imported. Apart from a few units assembling truck and bus components and some armored vehicle factories, there is no significant automotive manufacturing activity taking place in the UAE.

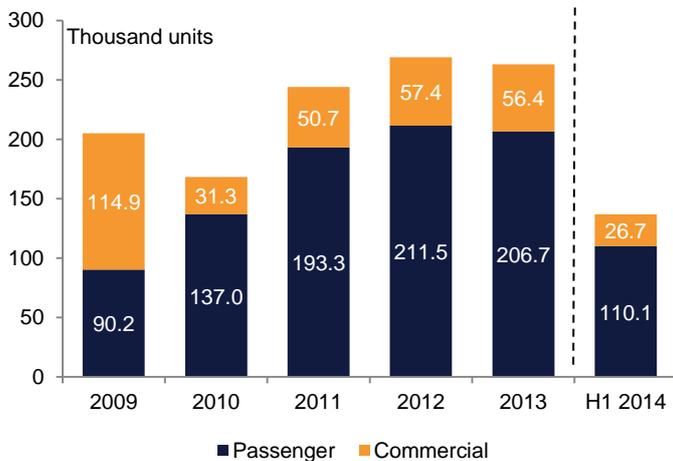
Total vehicle sales, % of total GCC, as of H1 2014



Source: Organisation Internationale des Constructeurs d'Automobiles (OICA), Emirates NBD Research

The UAE's automotive retail sector grew by more than 6.5% y/y in H1 2014 while for 2013 the sector marginally declined by 2.2% y/y recording sales of 263,100 vehicles compared to 268,900 vehicles sold in 2012.

UAE total vehicle sales as of H1 2014

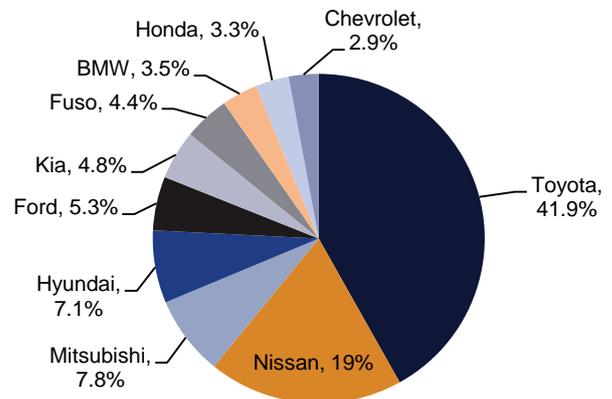


Source: Organisation Internationale des Constructeurs d'Automobiles (OICA), Emirates NBD Research

The UAE's strong economic growth, solid household spending and increased access to vehicle financing are set to be the drivers for the automotive industry over the coming years. The estimate of UAE's population was revised upwards and will reach roughly 10.8 million over the next five years, according to the IMF's latest World Economic Outlook. With an estimated 70% of the UAE's population within the 20-39 year age bracket and with a rising GDP per capita, the UAE's automotive sector growth outlook is positive.

In 2013, the market was broadly divided between roughly 80% for passenger cars and 20% for commercial vehicles (trucks, vans and buses). Japanese manufacturers dominated the UAE automotive market with a significant market share, with Toyota maintaining its dominance in the market in 2013 as the chart below shows.

UAE top 10 vehicle sales by manufacturer, 2013



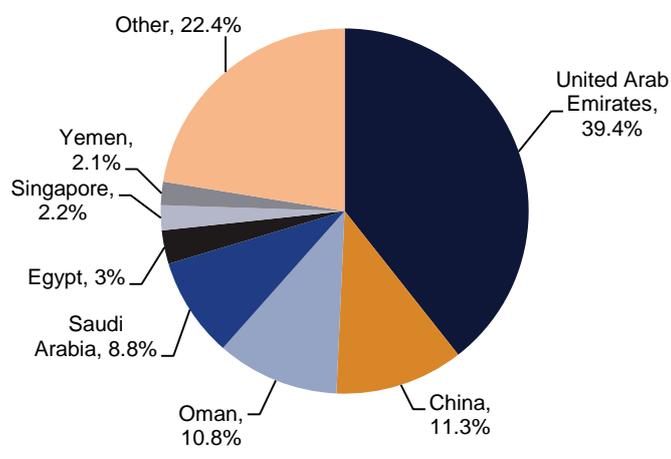
Source: Organisation Internationale des Constructeurs d'Automobiles (OICA), Focus2Move, Emirates NBD Research

GCC's automotive trade

In 2014, the GCC's automotive trade value reached USD 66.5bn, up 39% from 2010, 90% of which was imports. According to the International Trade Center (ITC), cars accounted for 53.4% of GCC's automotive exports to the world, followed by trucks (18.4%) and parts and accessories (16.6%).

Oman accounted for 59% of total GCC automotive exports followed by Saudi Arabia (17.3%) and UAE (16.5%) with more than half of the GCC exports going to other GCC countries. **UAE accounted for 39.4% of GCC's automotive exports with intra-GCC auto trade being dominant recording more than half of the total figure.** It is only China that managed to record a decent share of GCC's automotive exports (11.3%), according to the chart below.

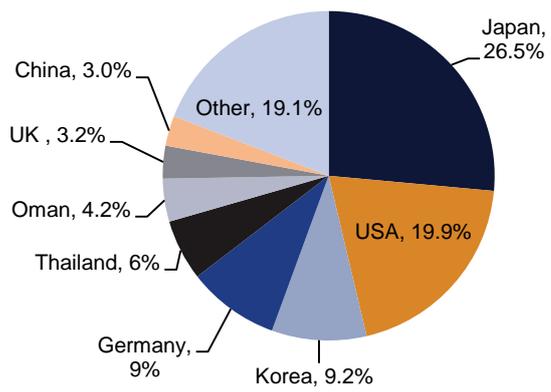
Who gets GCC's automotive exports, 2014



Source: International Trade Center (ITC), Emirates NBD Research

According to the International Trade Center (ITC), cars represented 67.9% of GCC's automotive imports from the world, followed by trucks (13.9%) and parts and accessories (8.9%). Saudi Arabia received a substantial 39.8% of GCC's automotive imports followed by UAE (33%) and Oman (10.1%). **Saudi Arabia and UAE accounted for more than 70% of GCC's automotive imports with the largest share of this being re-exported to Asian and African markets.** On the other side, Japan was the top automotive exporter to the GCC (26.5%) followed by USA (19.9%) and Korea (9.2%) as the chart below shows.

GCC automotive imports by source country, 2014

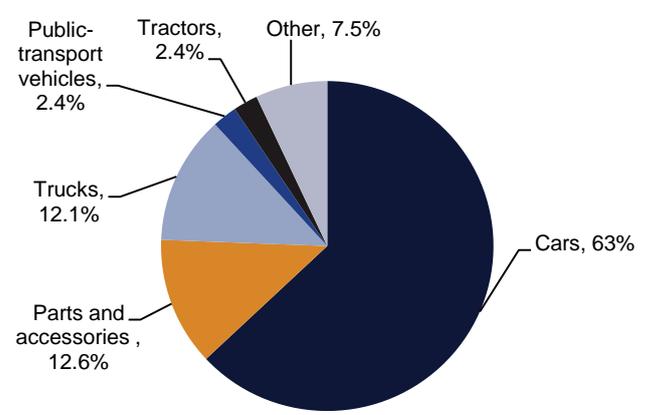


Source: International Trade Center (ITC), Emirates NBD Research

UAE's automotive trade

In 2014, UAE's automotive trade value reached USD 20.7bn, up 43% from 2010, 94% of which was imports. Cars represented 63% of UAE's automotive imports from the world followed by parts and accessories (12.6%) and trucks (12.1%) as the chart below shows.

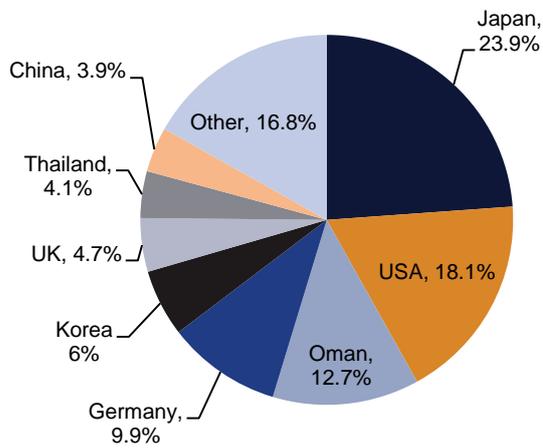
UAE automotive imports by product, % of total USD 19.5bn, 2014



Source: International Trade Center (ITC), Emirates NBD Research

According to the International Trade Center (ITC), cars accounted for 36.8% of UAE's automotive exports to the world followed by parts and accessories with 36%. **Oman received 63.7% of UAE's automotive exports followed by Tanzania (5.1%) and Saudi Arabia (3.3%) while on the other side Japan was the top exporter of automotive products to the UAE (23.9%) as the chart below shows.**

UAE automotive imports by source country, 2014



Source: International Trade Center (ITC), Emirates NBD Research

The UAE is also one of the largest importers of used cars becoming a regional hub not only for cars but also for vehicle parts and components in the entire MENA region. As a result, the UAE has become a strategic player in the car parts trade within the GCC region positioning itself as a major re-exports center with around 65% of its imported parts are being re-exported to other GCC and African countries.

Not only does there appear to be scope to further increase exports and re-exports of both vehicles and parts, in order to boost the automotive manufacturing sector as a whole, but there also appears to be the potential to add value by **creating new**

production plants for cars, light vehicles and trucks as well as assembly lines for manufacturing and remanufacturing of spare parts and accessories.

UAE's proposed auto strategy to be backed by strong demand

The Abu Dhabi's Government initiative to develop 'The Auto City' in the Mussafah area will create a cluster of advanced workshops and service centers, attracting investment in automotive manufacturing and spare part logistics. In terms of remanufactured parts, local government bodies have been showing increased commitment to greener technologies with commercial vehicles remanufactured parts finding growing acceptance in the country.

Dubai Municipality plans to generate compressed natural gas (CNG) from waste to power its commercial vehicles aiming to produce enough CNG to power 15,000 light commercial vehicles a day. It is expected that there will be enough demand for CNG, as plans to convert fleets of public transport and government vehicles to CNG and other alternative fuel gather momentum.

Sharjah Transport Authority (STA) recently initiated a project aiming to gradually replace 5,000 taxis in Sharjah to vehicles that run on CNG. STA announced that during phase one of the project 1,600 vehicles will be converted from regular fuel to CNG, which will in turn result in a reduction of 52 tons of carbon emissions each year. During phase two, which is expected to begin in 2015, the entire fleet of the 3,400 Sharjah taxis will be converted to CNG.

UAE's proposed automotive investment strategy to create new production plants and assembly lines is likely in our view to depend on the UAE maintaining the attractive and stable framework, in the field of vehicle taxation, technical requirements, fuel policy and road infrastructure. This framework can further boost UAE's overall country competitiveness with UAE's automotive production facilities to also serve as an export base to other countries especially in Africa and Asia.

UAE's efficient transport infrastructure (road, train, maritime, air) and strong logistics network are accommodating factors for any investment decision in automotive manufacturing. UAE's strong protection of intellectual property in technical or design solutions as well as efficient and fair bureaucracy can safeguard the essential conditions for innovation in the automotive industry.

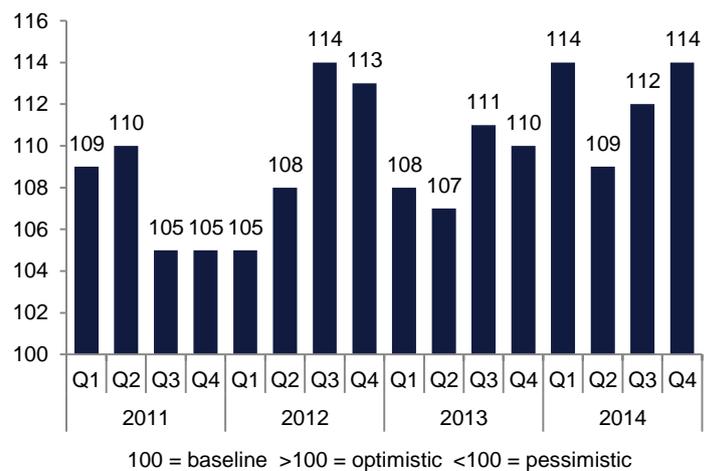
UAE's skilled and educated workforce along with the country's continuous efforts to improve its educational system could further support the entire automotive value chain.

The strong domestic demand for automotive products is illustrated by the seventy five percent of UAE online consumers who plan to buy a new or used car in the next two years, according to Nielsen's Global Survey of Automotive Demand. The survey polled more than thirty thousand internet respondents in sixty countries to identify automotive demand patterns and most influential motives in driving new and used car purchase intent. 47% of UAE respondents said they will buy a new

car in the next two years, compared with 28% who plan to buy used cars.

Separately, UAE consumer confidence improved in Q4 2014 with a reading of 114, according to Nielsen's UAE Consumer Confidence Survey. The outlook for the UAE economy remains positive with growth being driven this year largely by the non-oil sectors as investors started to look ahead to the Dubai 2020 Expo, with spending on infrastructure and development projects to continue. Expo 2020 will further boost the demand for heavy trucks and other commercial vehicles that will be needed to help build these projects.

UAE consumer confidence, Q4 2014



Source: Nielsen, Emirates NBD Research

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