

UAE Automotive Sector

UAE has no domestic automotive manufacturing industry and therefore the vehicles are mainly imported either for domestic use or re-export to other countries. This article discusses the UAE automotive market using statistics from the membership database of Dubai Chamber of Commerce and Industry (DCCI) and the report by Business Monitor International (BMI)¹.

According to BMI, it is estimated that the UAE vehicle market is about 1.4 million vehicles and it grows annually, on average, by 10%. The main sources of the market supply are Japan, Europe and the US. Within the UAE, Dubai has been taking the lead in the vehicle market, having 50% of the vehicles stock. As complimentary to the automotive sector, there is an auto parts and components sector that has been growing rapidly. It is estimated that about 65% of the auto parts and accessories, that have been imported, are re-exported to other countries. They are among the top 10 re-export products of Dubai and have been growing annually by about 20%. The main destinations of these re-exports are Middle East, Africa and East Europe.

Along side the motor vehicles market, an auto finance market has flourished, which is estimated at 2.1 billion US dollars. About two-third of all the vehicles sold are financed by instalments, with repayment period up to six years. There are about 15 commercial banks and 3 specialized companies that provide auto finance in the UAE. There is tough competition in the auto finance market and this has led to flexible financing contracts with extended repayment periods.

The major players in the motor vehicles manufacturing industry in UAE are Nissan, Toyota, Mitsubishi, Mercedes, BMW, Volkswagen, Jaguar, Land Rover, Ford and General Motors. It is estimated that out of the 150,000 four wheel drive vehicles that are sold annually in the GCC countries, 70% is accounted for by UAE and Saudi Arabia. The new car registration, which measures the domestic car market, grew in volume terms by 2.7% in 2003, up from 0.9% in 2002.

Table 1: UAE Automotive Sector Forecast

| | 2005 | 2006 | 2007 |
|--------------------------------|--------|--------|--------|
| Domestic sales (million US \$) | 91 | 93 | 96 |
| Domestic sales (units) | 29,650 | 30,300 | 31,050 |
| Re-exports (million US \$) | 108 | 118 | 124 |
| Re-exports (units) | 35,150 | 38,400 | 40,200 |
| Imports (million US \$) | 199 | 211 | 220 |
| Imports (units) | 64,800 | 68,700 | 71,250 |
| Car per 1000 persons | 143 | 147 | 153 |

Source: Adapted from BMI, 2005

¹ "The UAE Business Forecast Report", Business Monitor International (BMI), London, 2005.

As table 1 shows, it is expected that the imports of motor vehicles, in terms of both value and volume, to grow by about 5% annually over the next two years, 2005-2007. The domestic sales and re-exports, in terms of value, are expected to grow by average annual rates of about 3% and 7% respectively during the same period. On the other hand, the car ownership is expected to grow by an annual average rate of about 3% in the coming two years.

Table 2 shows the number of companies, employees, and turnover (as of April 2005) of the DCCI members in the four sub-sectors of trading of motor vehicles; maintenance and repair of motor vehicles; trading of motor vehicle parts and accessories; and trading, maintenance, repair of motor cycles. On average, there are about 7 employees per company and the turnover per company is about AED 4.5 million.

According to DCCI data, these sub-sectors are dominated by the small sized companies, which employ less than 10 employees. The percentage of the small sized companies is 84% of the companies in trading of motor vehicles; 67% of the companies in maintenance and repair of motor vehicles; 93% of the companies in trading of motor vehicle parts and accessories; and 95% of the companies in trading, maintenance, and repair of motor cycles.

Table 2: Dubai Automotive Sector (in April 2005)

| | companies | employees | turnover (million AED) |
|----------------|-----------|-----------|---------------------------|
| Motor vehicles | 251 | 4,276 | 5,514 |
| Maintenance | 92 | 1,557 | 317 |
| Accessories | 1,569 | 6,891 | 2,937 |
| Motor cycles | 60 | 226 | 84 |
| Total | 1,972 | 12,950 | 8,853 |

Source: DCCI membership database, as of April 2005.

The DCCI data shows that 61% of the turnover of the sub-sector trading of motor vehicles and 67% of the turnover of the sub-sector maintenance and repair of motor vehicles is generated by medium sized companies, which employ 10 to 99 employees. On the other hand, 58% of the turnover of the sub-sector trading of motor vehicle parts and accessories and 63% of the turnover of the sub-sector trading, maintenance, repair of motor cycles is generated by small sized companies, which employ less than 10 employees.

The relatively high living standards in GCC countries, their rising oil prices, their booming economies and their growing population are the driving forces behind the growth of the automotive sector in the UAE and the gulf region. The developments in the region, such as the situation in Iraq, will have an influence on the re-exports of motor vehicles from UAE.

However, policy measures are needed to counter the auto market spare parts and accessories counterfeit products, which account for more than 30% of the market.