

An Overview of the Current Automotive Market in the Middle East and Its Opportunities for Fastener and Related Tools Suppliers

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Introduction

Based on the website www.statista.com, statistics of cars produced in the Middle East since 2000 are shown in the following table.

Million Units	2000	2001	2002	2003	2004	2005	2006	2007	2008
Cars	41.22	39.83	41.36	41.97	44.55	47.05	49.92	53.2	52.84
Commercial Cars	17.17	16.48	17.64	18.69	19.94	19.67	19.3	20.06	17.89
Total	58.39	56.31	59	60.66	64.49	66.72	69.22	73.26	70.73
Growth	-	-3.6%	4.8%	2.8%	6.3%	3.5%	3.7%	5.8%	-3.5%
Million Units	2009	2010	2011	2012	2013	2014	2015	2016	
Cars	47.77	58.24	59.9	63.07	65.44	67.53	68.6	72.11	
Commercial Cars	13.99	19.34	19.92	21.17	21.86	22.22	21.92	22.53	
Total	61.76	77.58	79.82	84.24	87.3	89.75	90.52	94.64	
Growth	-12.7%	25.6%	2.9%	5.5%	3.6%	2.8%	0.9%	4.6%	

The growth in this industry can be divided to two periods of time, the first period is during 2000 to 2010 when the production unit fluctuation was very sharp. Sometimes it was positive and sometimes it became

negative. The 2nd period is during years 2011 to 2016. In this period of time the produced car in the world had growth but the growth percentage was very small! During these 6 years the market has grown by just 20%.

Middle East Car Manufacturers

Egypt, Iran, Jordan, Lebanon, Turkey and UAE have car manufacturing factories in their countries, but only 3 of these countries have notable productions in the region- Iran, Turkey and Egypt. And the main producers are Iran and Turkey which compete with each other in terms of quantity.

These 3 countries produced about 2.8% of the total produced cars in the world in 2016.

The following table shows the detail of production (cars and commercial cars) in these 3 countries between 2000 to 2016.

Million Units	2000	2001	2002	2003	2004	2005	2006	2007	2008
Turkey	0.431	0.271	0.347	0.533	0.823	0.879	0.988	1.099	1.147
Iran	0.278	0.323	0.452	0.582	0.789	1.077	0.904	0.998	1.274
Egypt	0.060	0.056	0.045	0.050	0.049	0.065	0.092	0.104	0.120
Middle East Total	0.769	0.650	0.844	1.165	1.661	2.021	1.984	2.201	2.541
World Market Share	1.3%	1.2%	1.4%	1.9%	2.6%	3.0%	2.9%	3.0%	3.6%
Million Units	2009	2010	2011	2012	2013	2014	2015	2016	
Turkey	0.870	1.095	1.189	1.073	1.126	1.170	1.359	1.486	
Iran	1.394	1.599	1.649	1.000	0.744	1.091	0.982	1.165	
Egypt	0.092	0.117	0.082	0.056	0.030	0.043	0.036	0.036	
Middle East Total	2.356	2.811	2.920	2.129	1.900	2.304	2.377	2.687	
World Market Share	3.8%	3.6%	3.7%	2.5%	2.2%	2.6%	2.6%	2.8%	

Turkish Automotive Industry

The foundations of Turkey's automotive industry can be dated back to the early 1960s, when the first efforts to develop and produce a Turkish-made passenger car were undertaken. During a period of rapid industrialization and progress, this key sector transformed itself from assembly-based partnership to a fully-fledged industry with design capability and massive production capacity. Turkey's location is both a blessing and a curse. It is at the crossroads of three continents and has long been a region of stability between Europe, the Middle East and Africa. The country is a logistics nexus for global automotive shipments with a well-established automotive industry of its own. However, it also borders Syria and Iraq to the south, where conflict has been raging for years. Turkey's automotive association said it expected production to rise to 1.65 million vehicles in 2017 from 1.49 million in 2016, and forecast a rise in exports to \$27 billion from \$24.2 billion last year. Turkey is now ranked 17th in terms of global passenger vehicle-producing countries, but is 12th globally in terms of its commercial vehicle output.

Iranian Automotive Industry

Iran reaches the number two ranking in the automotive industry of the region, 5th ranking in Asia and 11th ranking in passenger cars in the world by focusing on competitive development based on technological advancement."

Although Iran's vision for 2025 aims for a production of 3 million units, according to current trends and the assumption that no further sanctions will be imposed on Iran

within the next ten years, it can be expected that Iran will produce up to 2 million PVs by 2025 under the condition that the average growth rate will be the same as it was before 2011. Some of the most significant shortcomings of the Iranian automotive industry include insufficient financial access, poor financial statements in general, and low product quality for a high price.

Some of the recent Joint Ventures between Iran and famous car producers in the world are listed as below:

- 1- Volkswagen started selling in Iran in August
- 2- Iran local production of Peugeot vehicles will resume in 2017. And, the automaker aims to achieve sales of 300,000 vehicles in Iran in 2017.
- 3- PSA group, the French carmaker is tying up with its old partner, one of Iranian car manufacturer, to invest over US\$330m in the JV over the next five years.

Egyptian Automotive Industry

Amid surging inflation and high lending costs, Egypt's automotive market seems to be under pressure, with most consumers forgoing their plans to buy new vehicles in favour of sustaining life's burdens. Data released by the Automobile Information Board (AMIC) showed that car sales in May 2017 fell by 45% compared to the same month of 2016. The market witnessed sales of 10,270 units, versus 18,800 units in 2016, according to the report of AMIC. The report showed that the demand for passenger cars fell by 48%, recording 7,100 vehicles, compared to 13,600 in May 2016. AMIC attributed the fall in car sales to the large price differential witnessed across the automotive market in recent months, especially since the beginning of 2017.

Last Word

If a fastener company wants to be successful in the Middle East region, the owners should answer the following questions:

How are the industry and the market evolving?

What are the future challenges and opportunities?

What are the implications for different market segments?

The Iranian automotive industry has recovered from the sanction crisis, Turkey has started to absorb more foreign investment in this sector. It is predictable that production volume growth will appear. Players in the sector of the automotive industry will find that their strategies will have a lot to do with the types of cars they manufacture; therefore, fastener producers should have strategy plans for this difference in the Middle East.

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