

# **GCC Automotive Market – COVID & Post COVID**

**Looking ahead to the post pandemic world**

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# **GCC Economic Outlook**

# GCC Economy to Recover by 2023

## Economic overview

The economy contracted by **7.6%** in 2020, but revival is expected by 2021, with a projected growth of **2.1%**

## Regional Growth

The de-growth in Q2 2020 was **-10 %** and during this period majority of the GCC countries were in a **55 day** due to the spike in Covid-19 cases

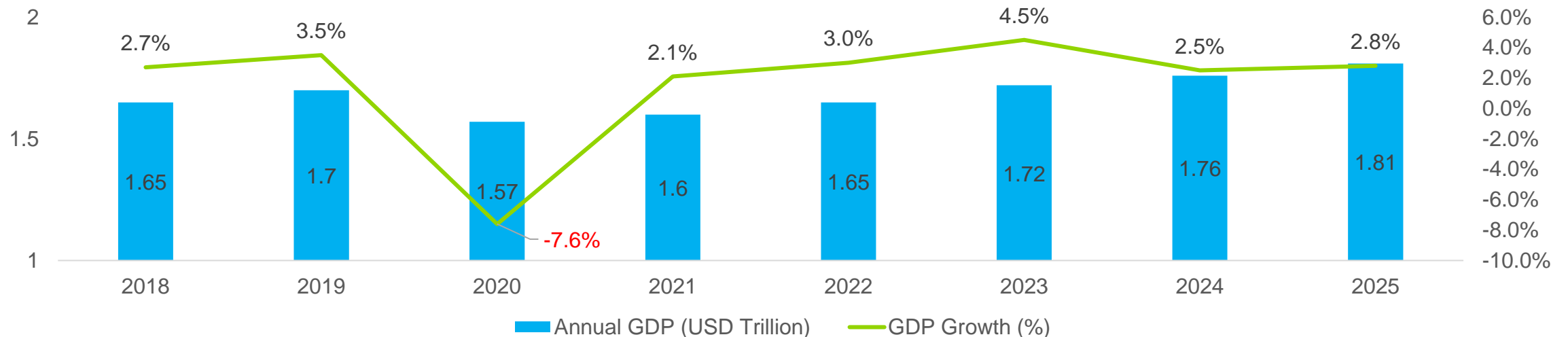
## Oil Exports

The oil exports shrank by around **\$150 billion** in 2020 as compared to 2019, which was a **37%** decline due to weak demand globally owing to worldwide lockdowns with minimum scope for travel











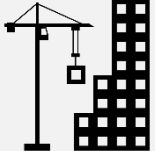










## Economic Stimulus

In June 2020, the six members of the GCC had announced over **\$120 billion** to help their economies tackle the impact of Covid-19.

GCC GDP Forecast (2018-2024) in USD Trillion and %



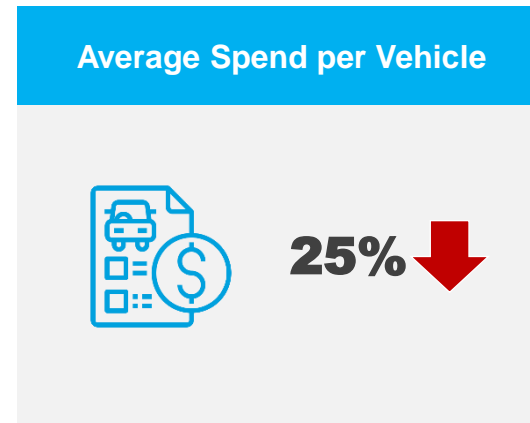
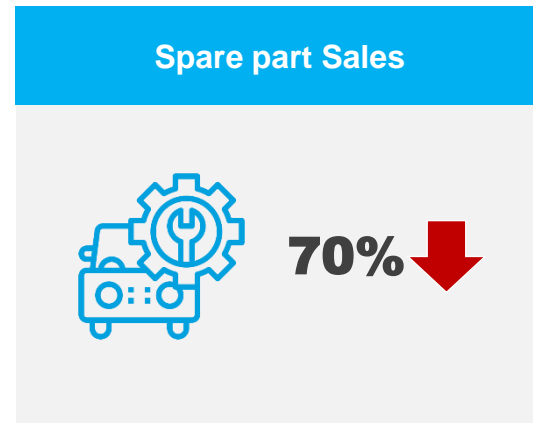
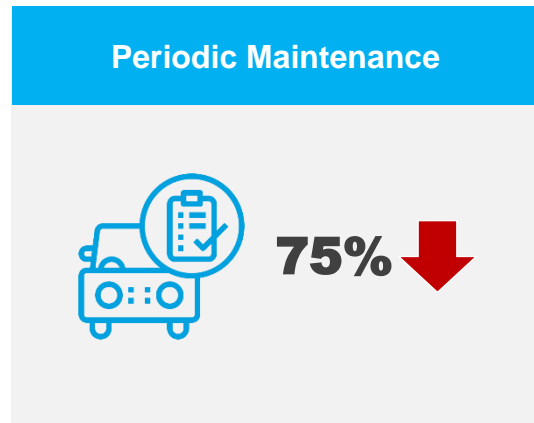
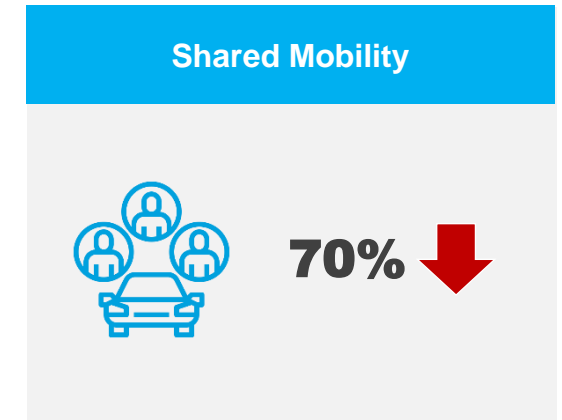
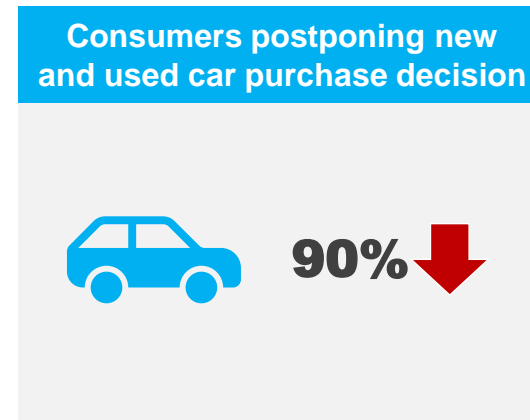
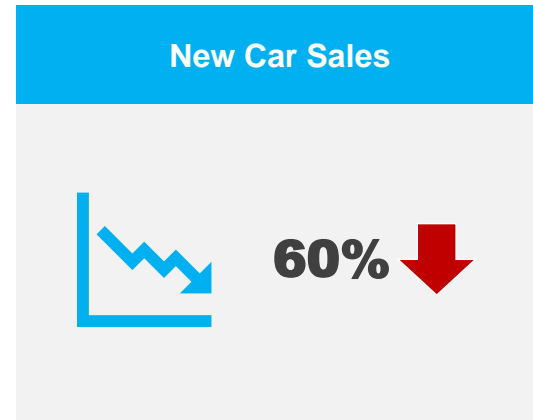
# COVID-19 Impact on GCC Economy

Increased Investment in Healthcare Industry	Falling Oil Prices	Drop in Sovereign Wealth Owing to Investment in Global Companies	
 	 	 	
Focus on SMEs and Private Sector	Reduction of VAT in case of KSA and Financial Stimulus Package	Dubai 2021 to Act as a Catalyst for Real Estate and Construction Sector	
 	 	 	
Emergence of Local F&B Production	Decline in Tourism and Travel Demand	Financial Disproportion Owing to Vision 2030 Development Programs	Impact
 	 	 	<ul style="list-style-type: none"> <li> Positive</li> <li> Negative</li> <li> Neutral</li> </ul>

Source: GCG Analysis, S&P Global, Economic Times, Gulf Business

# **Impact of COVID-19 on GCC**

# COVID-19 Impact on GCC Automotive Market in 2020 (1/2)



Source: GCG Analysis

# COVID-19 Impact on GCC Automotive Market in 2020 (2/2)

- **Used car sales outpaced sales of new car in the GCC**, with e-commerce and r-retailing being the innovative models aiding the sales of used cars

- **Impact on aftermarket components would be minimal** with new service models being introduced. E-retail of parts/services to account for >5% of the total aftermarket demand in 2025

- **Passenger car sales dipped in 2020** with revival expected by 2022



Passenger Car Market



Automotive Aftermarket

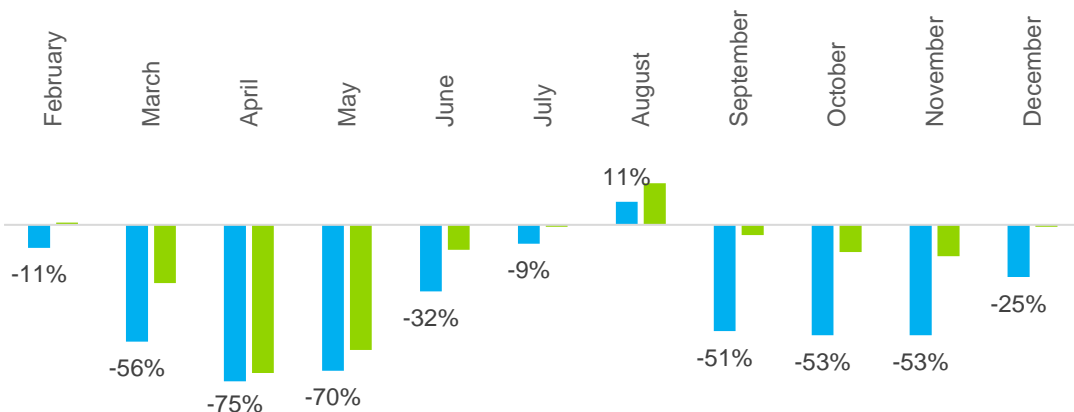


Used-Car Market

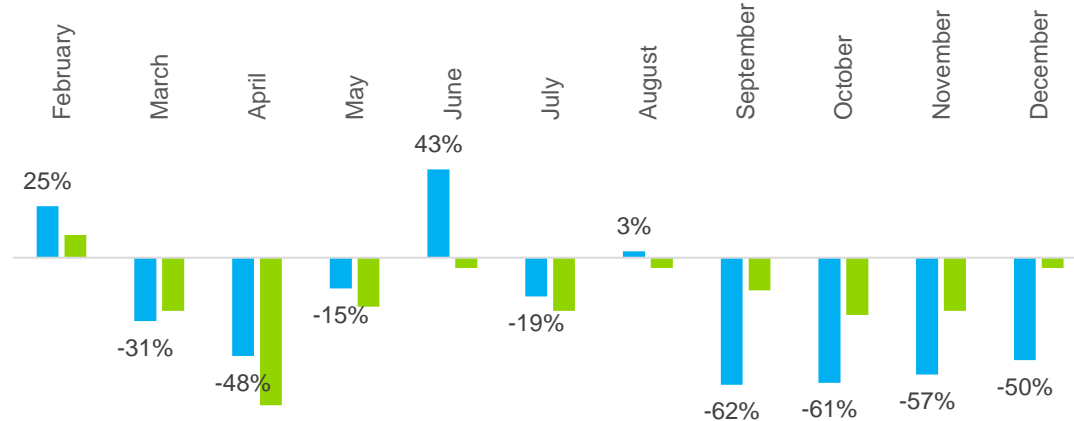


# Drop in Urban Congestion Levels in GCC owing to Covid-19

**Transportation Trends: % Difference In 2020 Traffic Congestion Levels Compared To 2019, UAE , 2020**



**Transportation Trends: % Difference In 2020 Traffic Congestion Levels Compared To 2019, Saudi Arabia , 2020**



**Transportation Trends: Traffic Congestion Levels – Key Cities, GCC, 2020**

World Rank (2020)	City	Congestion Levels			Change from 2019
		2017	2019	2020	
163	Riyadh	27%	24%	22%	-2%
230	Dubai	27%	21%	19%	-2%
255	Jeddah	25%	19%	18%	-1%
267	Kuwait	25%	25%	17%	-8%
399	Abu Dhabi	11%	10%	10%	NA

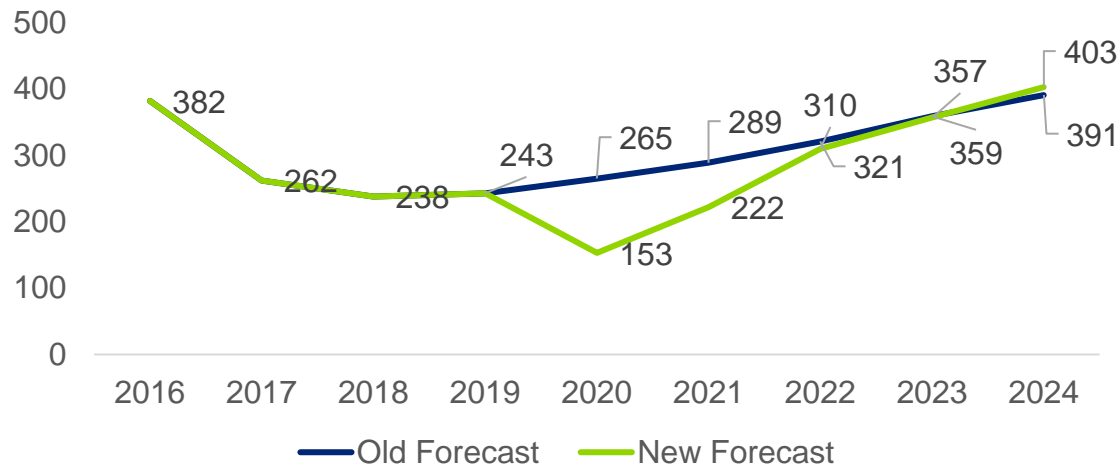
- There was a huge drop in the GCC region’s urban congestion levels in 2020 due to extended periods of lockdowns and curfews by the governments to curb the spread of Covid-19. There were lockdowns in April and May and following a 2<sup>nd</sup> wave, there were strict curfews in the month of September and October which declined the congestion levels significantly during these months
- Carpooling is expected to decline over the next year as consumers will be wary of contracting the virus and would hence stick to using personal transport which is the safest mode of transport during the ongoing healthcare crisis
- In April, May, October and November, there was a substantial drop in traffic congestion rates in the GCC region. There was about 50 to 80% drop in congestion levels in different countries in these 4 months as compared to 2019 due to the lockdowns imposed by the government

Source: Tom Tom, and GCG Analysis

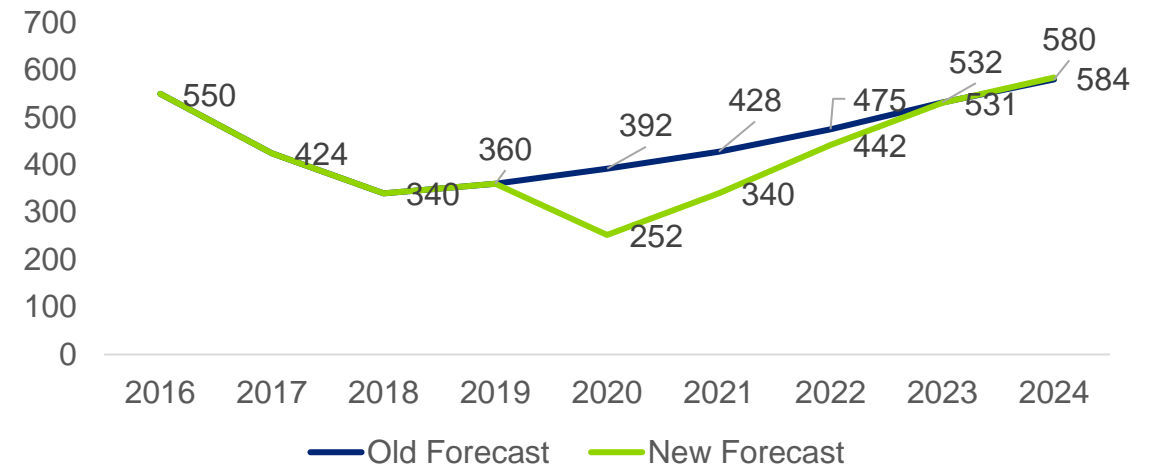
# **Automotive Market Trends in GCC**

# Passenger Car (PC) Market in UAE and KSA to be back in track by 2022

UAE Passenger Car Market Sales Data in '000 Units



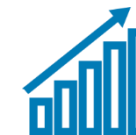
KSA Passenger Car Market Sales Data in '000 Units



PC Market in UAE and KSA to **recover by 2022**, after **initial dip in 2020**



Impact on Aftermarket components to remain **minimal**



Owing to high dependence on personal cars for commutation in KSA, the **demand for PC is likely to rise in short/medium term**

Short Term: 2020

- COVID-19 severely disrupted the sales with sales declining by 20% in FY'20 impacting the UAE, Kuwait and Qatar

- Economic uncertainties increasing the preference for used car in the region as compared to new cars and this trend is expected to continue till 2022. By 2025, vehicle sales to be reach pre-COVID levels

Mid-Term: 2020-2025

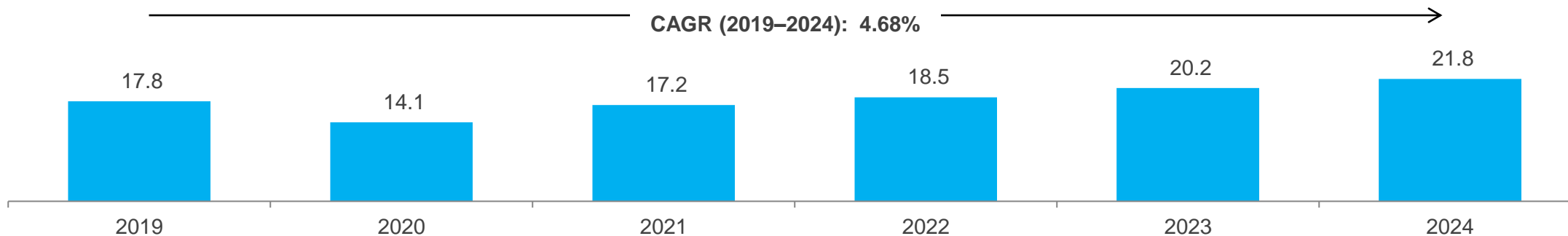
Long Term: 2025+

- Flat sales for passenger cars in the region owing to increased preference of shared mobility services by consumers, particularly by the Gen Z population

Source: GCG Analysis

# COVID-19 Impact on KSA Passenger Car Components Aftermarket

KSA Passenger Car (PC) Components Aftermarket Forecast (2019-2024) in SAR Billion\*



Components include select maintenance parts, consumables, lubes, tyres and batteries  
2% inflation and 3% price increase y-o-y has been considered for revenue forecast

## Post COVID-19 Automotive After Market Trends



With vehicles in operation remaining same and increasing demand for used cars, **the aftermarket demand for auto components is expected to remain resilient** with a moderate dip in 2020



### Emerging Trends:



Mobile Service



Workforce Hygiene



Ecommerce



Shared Mobility



Contactless Service



Vehicle Pick-Up



### Increasing Demand for Services:

- Disinfection
- Cleaning
- Car Wash

# Online Activities and Contactless Processes on Rise



## Online Education

- Online education has moved from a peripheral format to one that is outpacing traditional education,
- This trend is likely to be accelerated as a result of COVID-19. However, a shift to online education is not expected to have a notable impact on the future of transportation

- E-Commerce has received a significant boost through COVID, maintaining its momentum in groceries, health and personal care, and general merchandise.
- Online retail proportion is likely to decline somewhat from COVID-19 highs, but will still be on a higher trajectory than pre-COVID-19 forecasts



## Rise of E-Commerce



## Leisure Activities

- The rise of telecommuting resulting from COVID-19 will reduce commuting miles and shifting transportation needs to increasingly serve social and recreational trip purposes.
- An increase in telecommuting is also likely to reduce vehicle ownership as the need for reliable transportation decreases. Time saved by this changed lifestyle will free up time for leisure activities

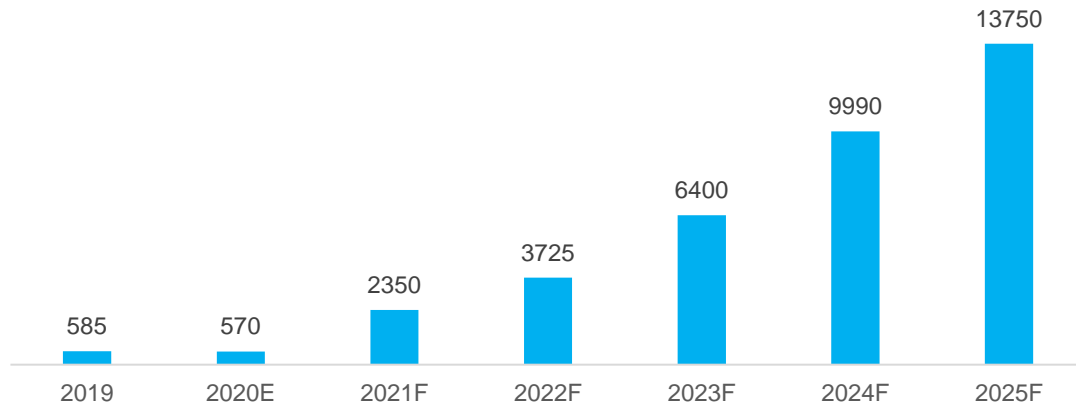
- COVID-19 has dramatically reduced transportation use in the short term.
- Work related travel is likely to experience growth again but continue to be depressed relative to pre-COVID-19 levels



## Work-From-Home (Telecommuting)

# GCC heading towards Green Energy in Transportation

**Electric Vehicle (EV) Market in GCC Sales Data (2019-2025)  
in Units**



**EV Charging Infrastructure by region , GCC 2020**

Region	Charging Stations ( units)
Dubai	290
Abu Dhabi	179
Oman	14
KSA	13
Bahrain	2
Kuwait	1

**Drivers supporting growth of EVs in GCC**



**Favorable Conditions**



Emphasis on renewable and cleaner sources of energy



Changing consumer preference and falling battery technology price



Expansion of industrial sector, establishment of SEZs and upcoming infrastructure projects

**UAE's Ambition and Strategy**



Carbon dioxide emissions by 70%



Clean Energy use by 50%



Energy Efficiency by 40%

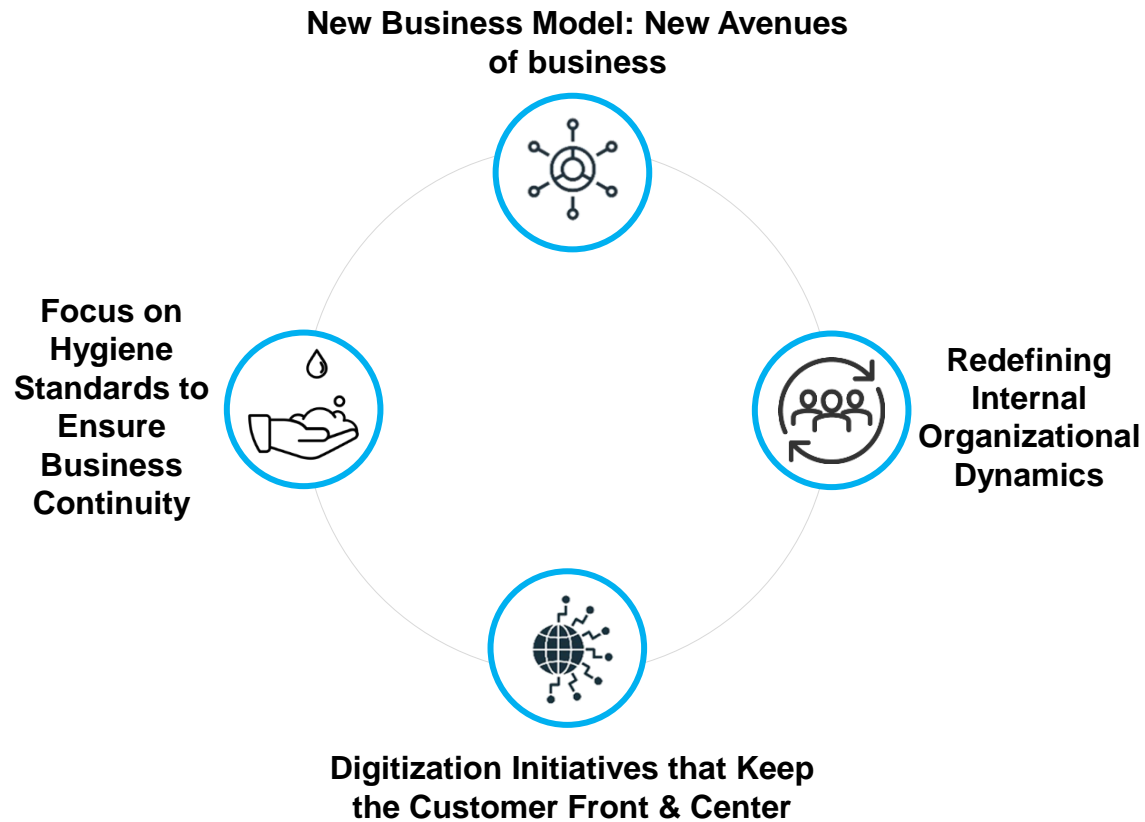
Mandate of **42,000 electric cars by 2030** accounting for 10% of the total cars in the UAE

**Incentives for EVs:**

- Free Parking
- No Road Tolls
- Discounted Registration Fees
- Free Charging at 200 + Stations

Source: GCG Analysis, Electromaps, Lubes N Greases, Gulf business news, Businesswire, Castlereaugh group, IMARC

# **Recovery in Automotive Market Post COVID-19**



- Organizations exploring the potential of diverting its fleet of taxis into food delivery, newspaper/household goods delivery
- 50-100 cars have been redirected towards healthcare workers in UAE and KSA



- Increased focus on employee care and safety through welfare programs and favorable work-from-home policies
- Organizations working as one team, continuously communicating and sharing information, enabling effective and dynamic strategic responses



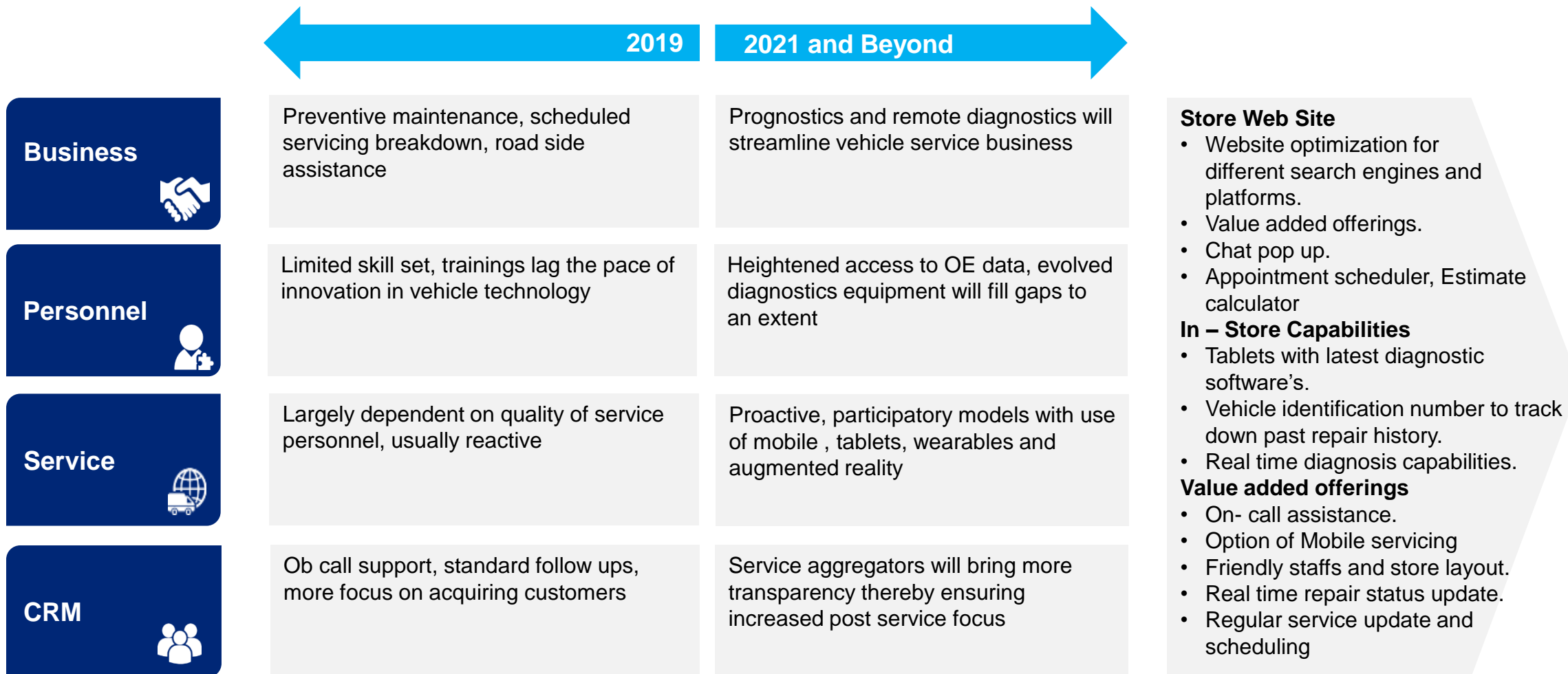
- Digitally-enabled experiences and services to evolve customer expectations
- These services helps in communicating meaningfully with customers, rebuild customer confidence and generate sales



- Health, safety and hygiene to become of paramount importance
- Need for new and improved communication around hygiene standards and offer a safe alternative to public transport for mobility solution providers



# Impact of Digitization in car servicing





Auto parts producers to take direct cues from car manufacturing and sales dynamics

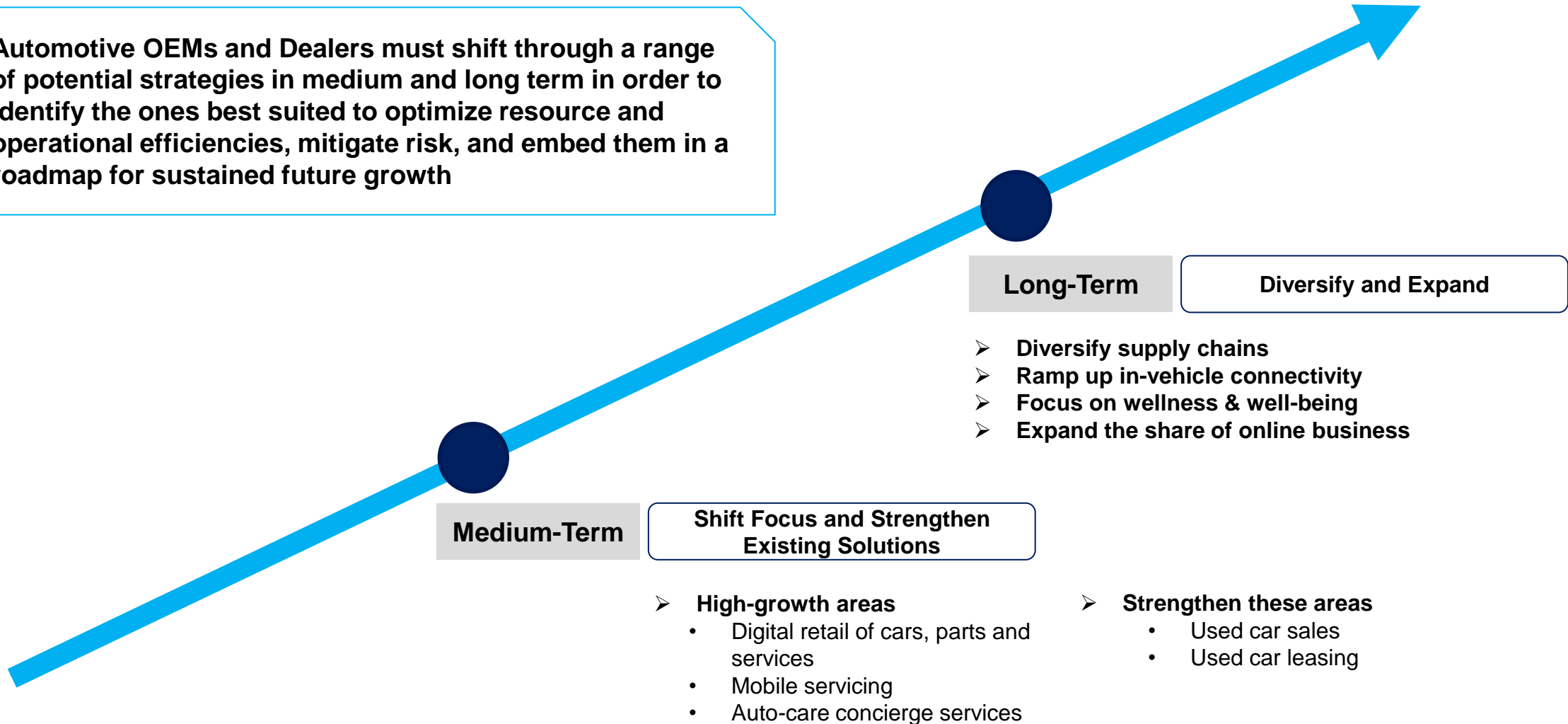
- Recovery in new vehicle production and sales will drive the performance of auto parts in 2021-22
- **New vehicle sales to grow by mid- to high-single digits and production by low- to mid-double digits year-on-year in 2021**
- Global light vehicle sales will rebound in 2021, potentially by **7% to 9%**
- **Auto parts sales growth to exceed the recovery in auto sales**
  - The revenue growth of the European auto parts suppliers will exceed the global auto sales growth rate by some **200 to 300 basis points** according to Moody's estimates



Industry Mega trends to affect Auto parts market

- **Electrification** will be a key theme for the auto sector going ahead with noticeable acceleration in the pace of sales of EVs
- With increased electrification, autonomous driving, greater digitalization and infotainment requirements, **the fusion between tech companies and the auto sector** is inevitable
  - Increased convergence between auto sector and traditional non-engineering technology companies drove numerous partnerships between OEMs and tech companies in the recent time

Automotive OEMs and Dealers must shift through a range of potential strategies in medium and long term in order to identify the ones best suited to optimize resource and operational efficiencies, mitigate risk, and embed them in a roadmap for sustained future growth



# Contact Information

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