

## MENA Expansion Market Research Report

### Egypt vs. Saudi Arabia

#### 1. Introduction:

As strong believers in “Connecting aspirations” and working towards achieving our vision of driving sustainable mobility solutions, we’re constantly looking for new opportunities to expand our reach and getting more Tata vehicles on new roads all over the globe. Already present in more than 125 countries, it’s critical for our growth to establish a solid presence in central, opportunity-filled markets that won’t only provide a new market for us but also support our presence in neighboring markets.

That said, MENA has presented itself as a potential-filled market with automotive market forecast to grow at a CAGR of 5.12%, in volume terms, during 2018-2024, with sales volume projected to reach 3.68 million units by 2024. <sup>[1]</sup>

In this report, we analyze the viability of two of the main automotive markets in MENA, Egypt & Saudi Arabia, in terms of market trends, opportunities, threats and alignment with our strategy. At the end of this report, a set of conclusions and recommendations are listed based on the presented data.

#### 2. Methodology:

This research was conducted based on secondary data from research institutions like **MarketResearch.com** and **Research and Markets** along with published articles in auto-industry-focused publications as well as governmental portals. Conclusions and recommendations are driven from analyzing this secondary data against our vision and organizational strategy.

All resources are referenced in the Appendix.

#### 3. The Market:

In this section, data is organized into 3 categories: Market Trends, Opportunities, and Threats, grouped by country.

##### 3.1 Egypt:

##### 3.1.1 Market Trends:

As shown in Fig. 1, the auto market in Egypt has experienced some fluctuation over the past decade. Following a major sales fallout in 2016 and 2017 due to currency devaluation, increased fuel prices and higher interest rate, the market started to slightly recover in 2018 only to get hit again in 2019 due to

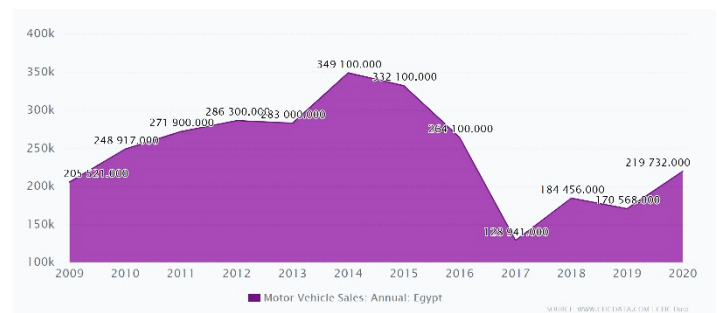


Fig.1 Vehicle Sales in Egypt 2009-2020 <sup>[2]</sup>

increased vehicle prices. Defeating all odds though, auto sales increased significantly in Q3 of 2020 despite the negative impact of the Covid-19 pandemic. Then 2021 started off on a negative tone with 22.8% decrease from last year. [3]

This fluctuating nature is rooted into the fact that there are various factors that vehicle prices in Egypt, the majority of which are varying by nature. Some of those factors are: [4]

- The Dollar Rates
- Schedule Taxes
- Development Fees
- Agents' Profit Margin

Due to the aforementioned factors, attempts made by the government to reduce vehicle prices like applying zero tariffs on cars from the European Union in 2019 and exempting customs on vehicles assembled in Turkey according to the 2005 Egypt-Turkey Free Trade Agreement seem to have minimal impact on the overall auto sales rendering the market unpredictable. [4]

### 3.1.2 Opportunities:

- In July 2020, the European Investment Bank granted the Egyptian government €1.1 billion to finance 3 major projects in the public transportation sector. This could be a huge opportunity for our commercial vehicle and bus product line. [5]
- The India-Egypt Bilateral Trade Agreement has been in operation since March 1978. The India-Egypt bilateral trade is consistently growing with automotive being one of the main trade/collaboration areas. [6]

### 3.1.3 Threats:

- The flip side of the European Investment Bank grant is that it shows a governmental focus on facilitating transitioning from private cars to public transportation which could be a threat to our private vehicle product lines. [7]
- The full exemption on trade with Turkey is expected to give a competitive advantage to European auto brands over Asian brands. [8]

## 3.2 Saudi Arabia:

### 3.2.1 Market Trends:

As shown in Fig. 2, the auto market started to recover its 2018 hit moving into 2019, only to get hit again in 2020 as a result of the lockdown and restrictions imposed in response to Covid-19. However, in March 2021, auto sales started to grow setting a promising course for growth in 2021. [9]

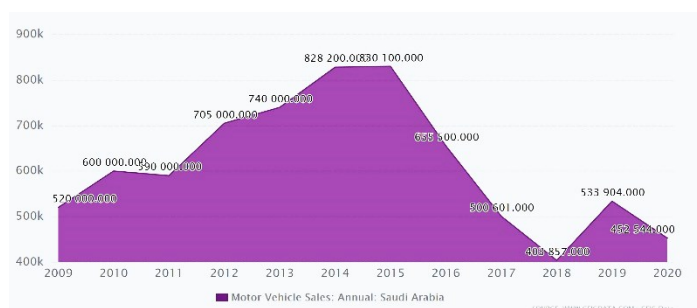
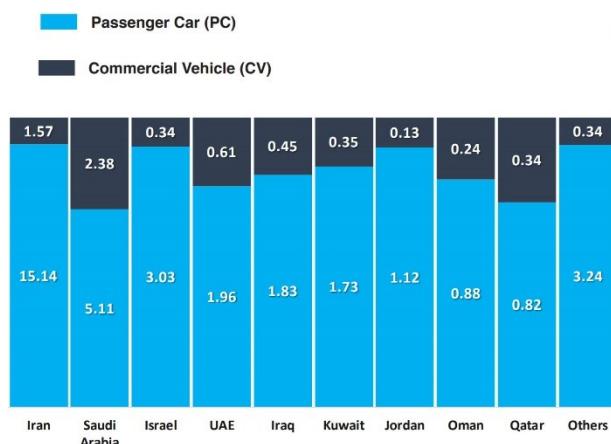


Fig.2 Vehicle Sales in Saudi Arabia 2009-2020 [10]

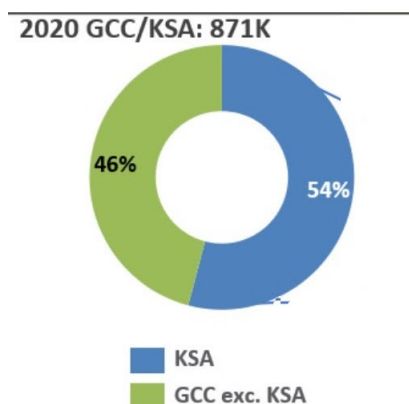
Another factor contributing to the expected increase in auto sales is the lifting of the ban on women driving which opens a whole new consumer segment for private vehicles. <sup>[11]</sup>

This uplifting has come as part of the Saudi Vision 2030 plan which aims at opening Saudi Arabia for investment, tourism, and global collaboration on different aspects. From an automotive perspective, this comes with expected increase in demand for commercial vehicles as well. <sup>[12]</sup>

From a regional standpoint, Saudi Arabia is the leading country in the automotive market in both MENA and GCC regions. <sup>[13]</sup>



**Fig.3 Vehicle Sales in MENA 2018** <sup>[13]</sup>



**Fig.4 Vehicle Sales in GCC 2020** <sup>[14]</sup>

### 3.2.2 Opportunities:

- Saudi Arabia enjoys the benefits of free trade for the majority of MENA countries under the Gulf Cooperation Council (GCC) trade agreements and the Greater Arab Free Trade Agreement (GAFTA). <sup>[15]</sup>
- The Saudi government has founded the Automotive Cluster to develop the automotive industry in Saudi Arabia with the vision to bring OEMs (Original Equipment Manufacturer) to produce ~300K+ vehicles in Saudi Arabia between 2020 and 2030. Under the Saudi Automotive Cluster, Saudi-based foreign automotive manufacturers will enjoy all the benefits, guarantees and incentives offered to Saudi-owned companies. <sup>[16]</sup>

### 3.2.3 Threats:

- Vehicle prices in both Saudi Arabia and the entire GCC region is directly impacted by the international oil prices. <sup>[17]</sup>

#### 4. Internal Factors:

There are 2 main internal factors that are relevant to this analysis:

1. Tata Motors already has a plant in South Africa and has had a significant presence in Africa since 1992. <sup>[18]</sup>
2. The GCC region in general, and Saudi Arabia in particular, are a major focus for Tata Group collectively including our communications and our hospitality businesses. <sup>[19]</sup>

#### 5. Conclusions and Recommendations:

##### 5.1 Viability:

Although both markets have high potential for expansion, Saudi Arabia seems to have higher potential based on the following:

1. Saudi Arabia remains the leader in auto sales in both the MENA and GCC regions. Compared to Egypt, the lowest sales volume achieved in 2018 (403,857 units) is significantly higher than the highest sales in Egypt in 2015 (349,100 units). (See Fig. 1&2)
2. Saudi Arabia offers growth opportunities in both private vehicle and commercial vehicle sales as opposed to Egypt's fluctuating private vehicle market.
3. Through GAFTA and GCC, Saudi can be an effective importing hub to our vehicles to the entire MENA region.
4. Despite Egypt's advantage as an African country, we have already secured our place in Africa through our South Africa plant, so this doesn't offer a significantly high value.

##### 5.2 Market Penetration Strategy:

Based on the presented data, the recommended approach is to leverage the opportunity offered by the Saudi Automotive Cluster through partnering with the government to open a Tata Motors plant in Saudi Arabia.

This plant should cover the MENA market needs in both private and commercial vehicle arenas. This will help us optimize exporting costs due to the central location of Saudi Arabia in the GCC region specifically and also MENA. It will also help us save costs through the free trade agreements that will exempt us from customs and tariffs.

##### 5.3 Future Recommendation:

As mentioned in section 5.1, Egypt is still a highly viable market on the long term. So, we recommend that we keep monitoring the automotive market in Egypt, including the governmental attempts to induce electric vehicles in the community <sup>[20]</sup>.

After a proper period of monitoring, we can then reassess the market and put together a plan to expand there through establishing a partnership between our Saudi-based plant and the Egyptian government.

## Appendix:

- [1] [13] [https://automechanika-dubai.ae.messefrankfurt.com/content/dam/messefrankfurt-dubai/automechanika-dubai/2019/content\\_download/March%202019%20-%20MEA%20Automotive\\_Aftermarket\\_TechSci.pdf?utm\\_source=pressrelease&utm\\_medium=pr&utm\\_campaign=downloadreport&utm\\_term=pr-report&utm\\_content=pr-report](https://automechanika-dubai.ae.messefrankfurt.com/content/dam/messefrankfurt-dubai/automechanika-dubai/2019/content_download/March%202019%20-%20MEA%20Automotive_Aftermarket_TechSci.pdf?utm_source=pressrelease&utm_medium=pr&utm_campaign=downloadreport&utm_term=pr-report&utm_content=pr-report)
- [2] <https://www.ceicdata.com/en/indicator/egypt/motor-vehicles-sales>
- [3] <https://www.focus2move.com/egyptian-vehicle-market/>
- [4] [8] <https://www.egypttoday.com/Article/3/82521/Into-Egypt-s-automotive-market>
- [5] [7] <http://egypttoday.com/Article/3/89817/EIB-supports-Egypt-s-transport-sector-NBE-by-%E2%82%AC1-9B>
- [6] <https://www.eoicairo.gov.in/page/economic>
- [9] <https://www.focus2move.com/saudi-arabia-auto-market/>
- [10] <https://www.ceicdata.com/en/country/saudi-arabia>
- [11] <https://www.marketresearch.com/TechSci-Research-v3895/Saudi-Arabia-Passenger-Car-Vehicle-14426370/>
- [12] <https://www.researchandmarkets.com/reports/4447123/saudi-arabia-commercial-vehicles-market-by>
- [15] <https://www.bilaterals.org/?-gafta->
- [14] [16] <https://www.ic.gov.sa/en/industries/automotive/overview/>
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- [20] <https://www.egypttoday.com/Article/3/89101/Egypt-to-produce-electric-cars-beginning-2021-at-LE300K-consumer>