



TradeServices

SAUDI ARABIA FACT SHEET: 2

Automotive

A rise in per capita GDP, \$22,347, is expected to increase annual demand for new cars, vans and buses by 4% on the 2008 figure of 700,000. Currently Toyota and GM are Australia's only major automotive exporters to the market.

Used Car Market

The market for imported second-hand automobiles is generally comprised of vehicles with spark ignition capacity over 300cc, and average running life of up to four years. The Saudi market for second-hand automobiles consists of two distinct segments; the one based on imported, reconditioned passenger cars and four-wheel drive jeeps, and the other one based on the selling of locally registered vehicles, which were previously imported. There exists a large secondhand market as 46% of vehicles owned were bought secondhand. However it should be noted that demand for second hand vehicles has been shrinking annually by an average of 4%. On the other hand the trend to purchase first hand cars is increasing.

Note: Secondhand car dealers have ruled out the possibility of used cars from the Gulf market hitting the local market as in previous years, thus enticing foreign imports.

Popularity

Saudis tend to purchase large cars such as 4WDs that can accommodate large families.

Sedans are the most popular passenger vehicles (75%) followed by 4WD (20%). Vehicles manufactured prior to 2001 comprise 48% of the market, whilst 42% of the market consists of vehicles produce 2001 or later.

Tyre Market

The Saudi tyre market presents an excellent opportunity for Australian exporters as there are currently no tyre production plants in the country. Therefore local tyre distributors rely entirely on imports for all automotive tyres and inner tubes. This figure totaled \$883 million in 2008, and is expected to exceed \$964 million at the conclusion of 2009. Whilst all tyres require a certificate of origin and demand a 5% import tax, industry sources estimate that more than 13 million tyres are imported annually, and that rate is expected to grow an average of 12% annually.

There are good opportunities for Australian companies in the following areas:

Tyres and manufacturing plants

- Service equipment
- Body and chassis parts
- Automobile transmissions and spare parts
- Auto chemicals
- Car Batteries

Note: Whilst a number of local factories manufacture filters, radiators, batteries, exhaust systems and converters, the bulk of automotive parts are imported.



Competition

There are in excess of 350 dealers supplying automotive parts for U.S., Japanese, European, Australian and Asian made automobiles in Saudi Arabia. Japan leads the race commanding 40% of the automotive market share. As of 2008 Australia currently ranks 4th in the number of imported cars totally 50,300, trailing Japan, USA and South Korea.

Other Prospects

With a youth demographic comprising of 60%, it is essential the automotive market appeal not only to quality, but additionally to accessories. Many Saudi's have travelled extensively and are well educated, thus have a keen eye for the latest gadgets. Blue neon lights, i-pod compatibility with car stereos, remote control central locking and the like are key demands. In fact a remote control that both opens the car and starts the engine is surfacing as a popular commodity.

The frequency of sand storms and subsequent damage, particularly to the front end of vehicles, presents regular servicing opportunities. The replacement of chrome and paint is common.

What you need to know

- Every shipment of products sold in Saudi Arabia requires a conformity certificate that certifies the product conforms to Saudi Arabian technical regulation standards. This conformity certificate may be submitted by a conformity assessment body, an independent third party, or a manufacturer to declare compliance with the relevant Saudi Arabian technical regulations or standards.
- A **certificate of origin** is required for all imports.
- An external tariff of 5% applies to each shipment.
- The customs duty rate is 5% for motor cars, 12% for trucks.
- Saudi Arabia applies minimum pricing for customs valuation purposes. Customs value of used motor vehicles is derived from applying a schedule of depreciation to the original new price.
- The vehicles used as taxicab or by police are not allowed to be imported.

- The vehicles that have been subject to accidents such as drowning, fire, collision, rollover, etc are not allowed to be imported.
- The vehicle shall be in conformity with the Kingdom's standards, and its steering system shall not undergo modification.
- There are no damages on the vehicle body. If the damage occurs at the arrival port, a certificate from the competent authorities is required to be submitted accordingly.

* All prices are quoted in Australian Dollars \$AUD