



Qatar's Automotive Sector

Sector Analysis

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1. Market Overview

Qatar is a very wealthy country with the highest GDP per capita in the world. It is also a very developed country with the highest human development index amongst Arab countries. With a population of only about 2.72 million (Worldometers, 2023), out of which almost 87% comprises expatriates. There is a lot of demand for vehicles in Qatar from both the oil and non-oil sectors. The government is also trying to boost the country's tourism industry, which is increasing the demand for commercial buses. The government endeavours to make Qatar a more urbanised country, which will lead to more construction activities and more demand for vehicles. Overall, the demand for vehicles in Qatar is expected to continue to grow in the next decade. This is due to several factors, including the country's strong economy, growing population, and government focus on developing the tourism and construction sectors.

Despite its small size, Qatar has a very active and growing automotive market. SUVs are very popular among consumers due to their durability, versatility, and adaptability to the extreme desert conditions in Qatar. The luxury car market is also competitive, and new brands and models are entering the market all the time. Additionally, the sedan market is growing rapidly due to the popularity of ride-sharing services. Overall, the Qatar automotive market is dominated by Asian brands such as Toyota, Nissan, Mitsubishi, and Honda (Market Intelligence, 2022).

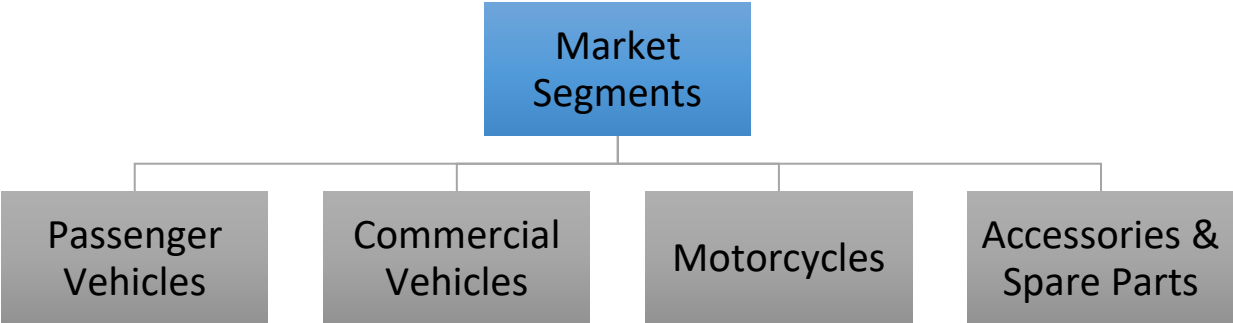
Qatar is a popular place for car manufacturers to introduce their newest models and trends, especially electric vehicles (EVs). Volkswagen's electric SUV will be launched first in Qatar, and Toyota and Lexus already sell hybrid-electric vehicles there. BMW is also advertising its iX3 model in Qatar. In October 2023, the first Geneva International Motor Show Qatar will take place in Doha. This will be a great opportunity for American car companies to show off their new cars, car products, and services to a global audience (Market Intelligence, 2022).

Qatar is working to achieve the sustainability goals of its National Vision 2030. Electric vehicles (EVs) are an important part of this plan, as they can help to reduce carbon emissions. In June 2022, Mowasalat, the state-owned transportation company of Qatar, reported having over 700 electric buses in operation. The government plans to gradually convert all public transportation buses, public school buses, and subway connection bus services to electric buses by 2030. Karwa, the taxi division

of Mowasalat, has also announced that it will transition its fleet of combustion vehicles to hybrid-electric vehicles (Market Intelligence, 2022).

2. Qatar Automotive Market Segmentation

The automotive manufacturing industry comprises the production of passenger vehicles, commercial vehicles, motorcycles, buses, and trucks. The automotive industry can be divided into four broad segments, and they are as follows:



Qatar's automotive market is witnessing a strong rebound in demand from the COVID-19 downturn and post-COVID supply chain bottlenecks. In 2023, sector revenues are expected to reach US\$ 936.6 million and grow at a Compound Annual Growth Rate of 3.75% between 2023 and 2027, resulting in projected revenues of US\$ 1.085 billion by 2027. The market's largest segment is SUVs, with projected revenues of US\$ 471.8 million in 2023. (Statista, 2023).

The accessories and spare parts segment would be the focus of attention for car dealers as the market matures and profitability centres shift from conventional areas such as new vehicle sales to parts, service and accessories. Used spare parts for cars are in high demand in Qatar, especially during the summer months. This is because many people go on road trips to neighbouring countries during the summer and want to ensure their cars are in good condition before they leave. Popular used spare parts include brake pads, transmission controls, AC functions, coolant, wiper blades, and belts. People often buy these parts in sets and make any necessary repairs before leaving on vacation. The demand for used spare parts is expected to continue to grow in the years to come.

3. Automotive Industry Analysis

Qatar's Automotive Industry includes manufacturers of cars, trucks, and buses etc. as players. The key buyers will be taken as car, truck, and bus dealerships, whereas manufacturers of raw materials (steel, copper, aluminium) and readymade components as key suppliers. The table below summarises the outcome of Porter's five forces analysis:

Sr.#	Industry factor	Overall Impact (Low/Moderate/High)
1	Competitive Rivalry	High
2	Bargaining Power of Buyers	Low
3	Bargaining Power of Suppliers	Moderate
4	Threat of New Entrants	Low
5	Threat of Substitutes	Moderate

3.1. Competitive Rivalry

The Qatar automobile market is very competitive, with many strong dealers. This makes consumers very price-sensitive and less loyal to any particular brand. Japanese car brands are still popular, but European brands dominate the high-end market. Chinese brands are gaining ground with low prices and low maintenance costs, but their market share is still low.

The increasing competition will make it harder for car dealers to keep their existing and new customers. However, there are a few things that car dealers can do to increase customer retention, such as providing instant communication through the customer's preferred channel (phone, email, internet messenger, etc.) and providing prompt and accurate information. This can improve the customer experience and lead to higher retention rates.

3.2. Bargaining power of Buyers

The main buyers in the Qatar automotive industry are dealerships, and they typically have exclusive contracts with manufacturers. This means that the dealerships are the only ones who can sell the manufacturers' cars. The dealerships' power in the market is low because they are very dependent on the manufacturers. The manufacturers' cars are essential to the dealerships' businesses, so the manufacturers have a lot of power over them. There are also many dealerships in Qatar, and there are a lot of different car brands and models to choose from. This means that consumers have much

power in the market, and dealerships must compete with each other to sell cars. Finally, dealerships are often forced to sell the brands and models customers want, reducing their power.

3.3. Bargaining Power of Suppliers

Car manufacturers need raw materials like metals and more specialised parts like fabricated components. These inputs are often produced by other companies rather than the car manufacturers. However, some of the larger car manufacturers have their own factories that produce components. When this is the case, the car manufacturers are less reliant on third-party suppliers and have more power in the relationship. Raw materials are not very differentiated, meaning that there is little difference between suppliers. This reduces the power of suppliers. Suppliers typically sell to a wide range of manufacturing companies, and the automotive industry is often only a small part of their total revenue. This further strengthens the position of suppliers. Overall, the power of suppliers in the automotive industry is moderate.

3.4. Threat of New Entrants

It is quite difficult for new players to enter the country's market as brand strength and reputation are highly important in the automotive industry. If an automobile manufacturer has many brands, its strong brand reputation may make it harder for new entrants to enter the market. Moreover, due to the high fixed costs in automotive design and manufacture, as well as the economies of scale gained from mass production, new start-up companies are rare. In addition to this, stricter emission standards are increasing costs for car companies as they need to redesign their vehicles to meet the new standards. This could lead to a demand for newer, more fuel-efficient engines, which would require more spending on research and development. Therefore, overall, the threat of new entrants is low.

3.5. Threat of Substitutes

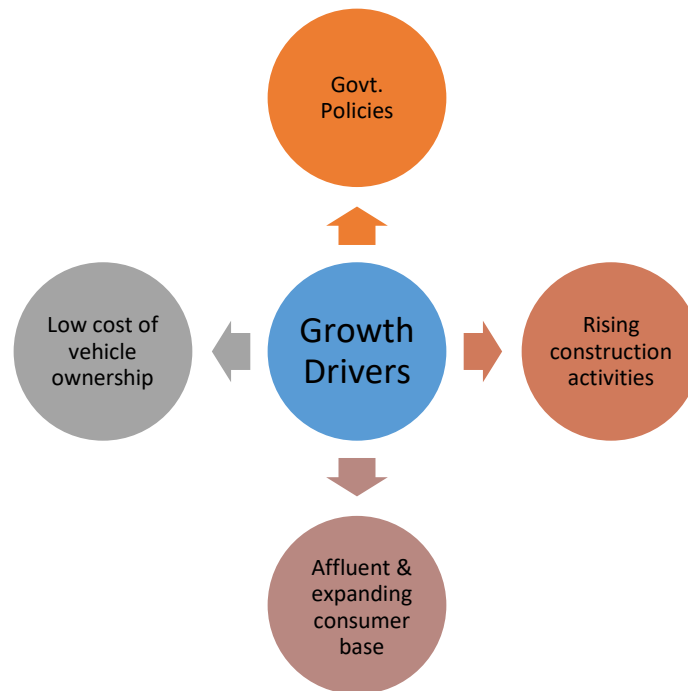
The primary contenders challenging players in this industry are used vehicles. During the global economic downturn, dealerships that handle both new and used vehicles likely experienced higher sales of the latter as consumers avoided costly purchases, such as brand-new cars. On the contrary, advancements in emission standards and technological solutions might create a situation where it becomes more cost-effective in the long term (e.g., concerning taxes and fuel expenses) to purchase a new vehicle.

Moreover, alternative transportation methods also present a substitution threat. Individuals can opt for public transportation instead of owning a personal vehicle, and for businesses, road or rail transport for goods serves as an alternative to owning their own trucks. Nevertheless, there are fewer potential alternatives concerning the relationship between manufacturers and dealerships.

Vehicle manufacturers should remain cautious about the potential for dealerships to enter agreements to sell vehicles from competing manufacturers. Car manufacturers that have established long-term contractual relationships with loyal car dealerships will find themselves better shielded from this potential hazard. Nevertheless, it is a challenging endeavour for car dealers to switch between manufacturers. This difficulty arises not only from existing contractual obligations but also from the substantial costs involved in completely rebranding their showrooms and replacing existing inventory. Typically, new vehicle dealerships are affiliated with a single manufacturer, which mitigates this threat to some extent. Furthermore, manufacturers can include clauses in their contracts with dealerships stipulating that only new vehicles may be offered for sale, thereby eliminating the risk associated with used cars. In summary, the threat of substitutes is rated as moderate.

4. Automotive Sector Growth Drivers

Automotive growth in a country is dependent upon various factors, including GDP growth, government policies and affluent consumer base. These are generic factors that contribute towards the growth of the Automotive Industry in any country. In the case of Qatar, the specific factors that have a major impact on the growth of the industry include the following:



4.1. Government Policies

Government policies aimed at achieving economic diversification in response to volatile oil prices and the desire to reduce reliance on oil and gas-related revenues indicate that the automotive sector is poised to benefit. The government's commitment to economic diversification will result in investments across multiple sectors of the economy, including infrastructure development, tourism, and transportation. These investments in various economic sectors will generate job opportunities and stimulate demand for a wide range of vehicles, encompassing passenger cars, trucks, and buses, among others.

Furthermore, as the government aims for self-sufficiency, it may extend support in the form of subsidised loans and land allocations. These measures could facilitate the establishment of automotive parts manufacturing facilities or even full-fledged automotive manufacturing plants, depending on the regional market demands.

4.2. Increasing Construction Activities

Increasing construction activities in Qatar will have a positive impact on the automobile industry. The increased demand for vehicles, improved infrastructure, and increased job opportunities will all contribute to the growth of the sector. Construction projects require a wide range of vehicles and machinery, such as excavators, bulldozers, cranes, and trucks. This increased demand will benefit

automobile manufacturers. Moreover, the construction of new roads, bridges, and tunnels will make it easier and faster to transport vehicles and goods around the country. This will benefit automobile dealerships, service centres, and spare parts suppliers. Furthermore, the construction industry is a major employer in Qatar. As construction activities increase, more people will be employed in the sector. This will boost consumer spending and increase the demand for vehicles.

4.3. Low Cost of Vehicle Ownership

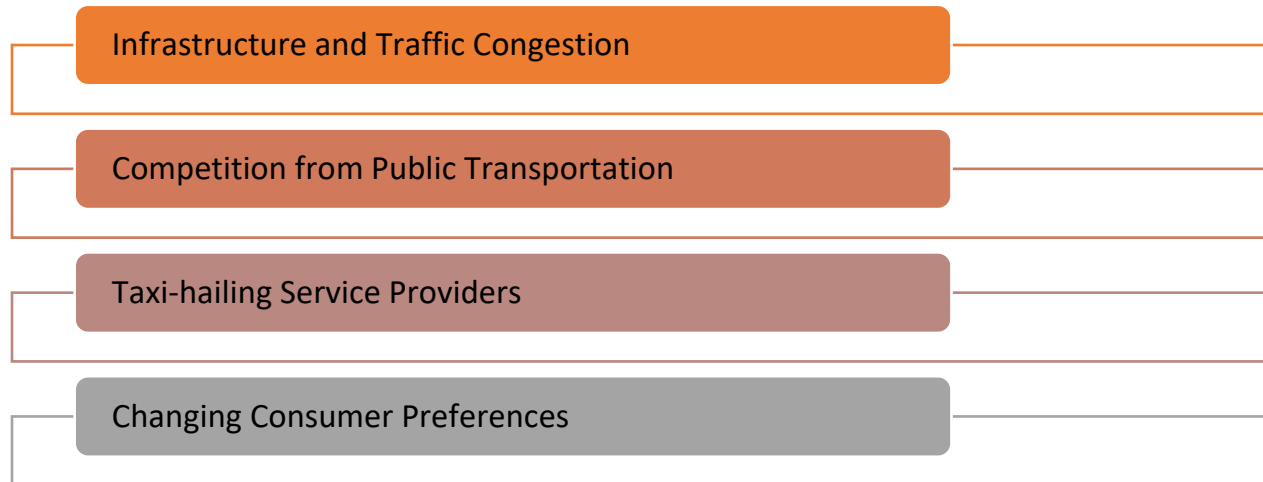
The cost of vehicle ownership in Qatar is low compared to other countries globally due to a favourable tax structure. The availability of attractive insurance and financing options also makes it convenient to own a car. Moreover, the lack of a public transport system means that the availability of alternative means of transportation is limited.

4.4. Affluent and Expanding Consumer Base

The expansion of the automobile industry is poised to receive backing from an anticipated upsurge in both population and tourist numbers. Qatar's population is on a trajectory of growth, and this expanding demographic is projected to bolster the demand for vehicles. Furthermore, the government is actively engaged in the development of attractions such as the National Museum of Qatar, beaches, shopping centres, and entertainment venues to draw in tourists. These elements collectively serve as catalysts for driving the demand for vehicle sales in the country.

5. Qatar Automotive Industry Challenges

The automotive industry in Qatar faces several challenges, including traffic congestion, competition from public transportation, competition from ride-sharing services and changing consumer preferences. To thrive in this environment, the industry must adapt to consumer demands, invest in sustainability, and navigate regulatory and economic uncertainties effectively. Following are some of the major challenges faced by Industry:



5.1. Infrastructure & Traffic Congestion

Despite significant infrastructure development, traffic congestion remains an issue in urban areas, affecting the appeal of personal vehicle ownership.

5.2. Competition from Public Transportation

Qatar has been investing in public transportation systems like the Doha Metro and buses. These investments can compete with private vehicle ownership.

5.3. Entry of Taxi-Hailing Service Providers

Mobile application-based taxi-hailing service providers such as Uber are gaining prominence. The entry of Uber in Qatar could lead to a slowdown in vehicle sales as it expands across key cities in Qatar. Ride-sharing mobility solution providers offer an alternative means of transportation and can compete with traditional car ownership, particularly in urban areas.

5.4. Changing Consumer Preferences:

Evolving consumer preferences, including a shift towards more fuel-efficient and environmentally friendly vehicles/electric vehicles, can require the industry to adapt its offerings. However, it must be noted that the transition to electric vehicles is still in its early stages, and there is lack of charging infrastructure in Qatar. This makes it difficult for automobile manufacturers to sell electric vehicles in Qatar.

6. Sector Outlook

Qatar's automotive sector stands out as one of the most prospective and rapidly advancing markets in its region. This industry benefits from various factors, including a readily available workforce, investments in research and development, its strategic geographic location and strong government backing. Given the optimistic economic outlook and increased buying power among households, there is a significant expected uptick in car sales within the country. Original Equipment Manufacturers (OEMs) are strategising expansions of their production facilities in Qatar. Furthermore, the Qatari government places a high priority on the automotive sector as a pivotal revenue generator and actively encourages the inflow of Foreign Direct Investments to fuel growth within the industry (International Trade Administration, 2022).

The electric vehicle (EV) trend in the Qatar automotive sector is still in its early stages, but it is growing rapidly. In 2022, Qatar had approximately 1,130 electric vehicles (comprising both passenger and commercial EVs), accounting for just 0.13% of the country's overall vehicle fleet. Additionally, the country established an EV charging infrastructure consisting of 100 stations, equivalent to roughly 300 to 500 charging points. While the EV charging network is still in its early stages, the country's small size makes it conducive to the development of a robust local EV infrastructure. Projections indicate that by 2032, Qatar's electric vehicle fleet is expected to grow significantly, reaching around 80,000 units, constituting about 3.13% of the total registered vehicles in the nation. This growth could accelerate with further government incentives and support for EV purchases, such as reducing import tariffs on EVs and offering subsidies to EV buyers (BMI, 2023).

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