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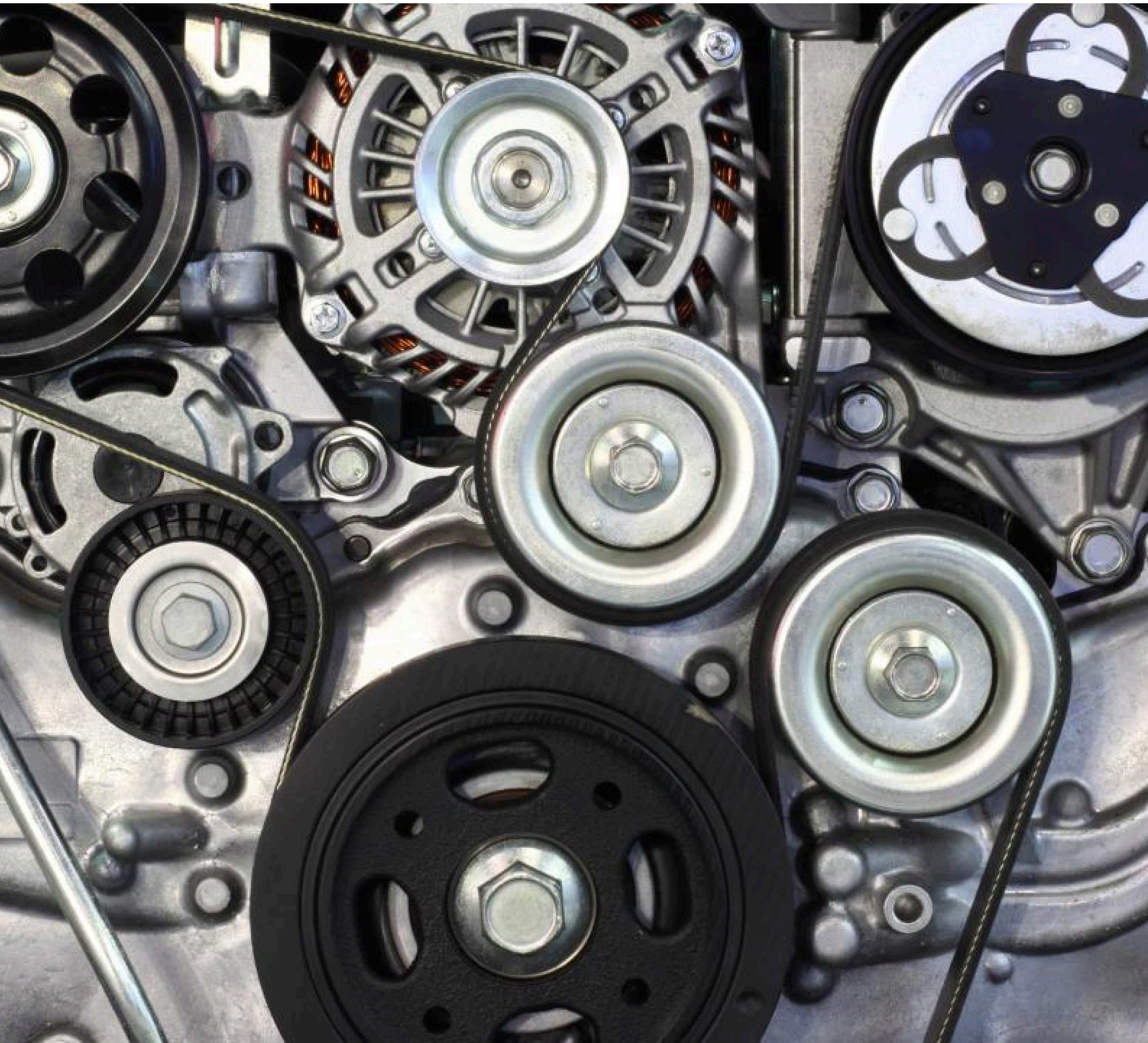
Egypt

Autos Report

Includes 10-year forecasts to 2033



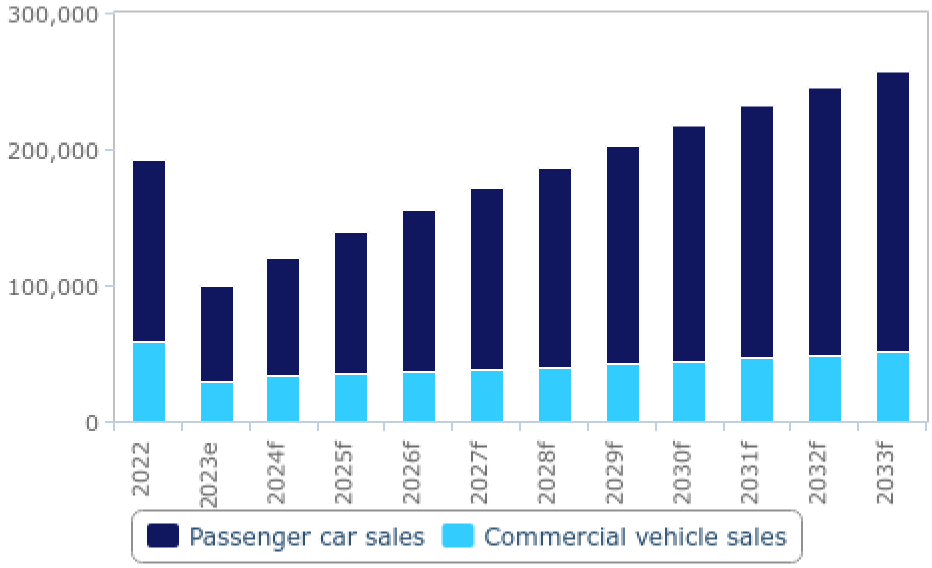
Contents

Key View

Key View: *Egypt's vehicle production outlook for 2025 is set to make further improvements witnessed in 2024, with the anticipation of a stabilisation period for FX volatility and the easing of import restrictions. As local dollar liquidity improves, the automotive industry is expected to experience a conducive environment for output growth.*

Subsiding FX Volatility To Support Recovery In 2025

Egypt - Vehicle Sales By Segment (2022-2033)



f = BMI forecast. Source: AMIC, BMI

Key Views

- Egypt's vehicle market is set for a period of stability following a currency crisis that was exacerbated by global events such as the Covid-19 pandemic, which brought tourist arrivals to a halt, and the ongoing Russia-Ukraine conflict, which had a significant negative impact on Egypt.
- In Egypt, the automotive outlook for passenger vehicles is cautiously optimistic as the market begins to recover from a significant downturn. Consumer budgets remain under considerable strain due to persistent high inflation rates, which could lead to greater caution in undertaking substantial financial commitments, such as purchasing new vehicles.
- The outlook for Egypt's commercial vehicle sector presents a nuanced picture, with weak current demand set against the potential for positive growth trajectories. The immediate market sentiment is one of caution, with businesses hesitant to commit capital towards expansion or fleet renewal unless such investments are justified by clear efficiency gains.
- Egypt's vehicle production outlook for 2025 is shaping up to be significantly positive, with the anticipation of a stabilisation period for FX volatility and the easing of import restrictions aiding the local production outlook.

SWOT

Autos SWOT

Strengths	Weaknesses
• A supportive economic outlook should ensure some measure of demand for new vehicles from both businesses and consumers in 2024. • Many leading international original equipment manufacturers now produce autos locally. • Low wages in global terms are an advantage for foreign investors, particularly for those wishing to use Egypt as a base for export-oriented manufacturing. • Geographic location makes the country an ideal export hub between the Middle East and North Africa and Europe. • Good demand for volume brands, with scope for increased demand for high-end brands as incomes rise.	• Prolonged political turmoil has created uncertainty regarding industry policy. • Foreign currency shortages will hamper vehicle assemblers' ability to pay for imported kits and components. • High interest rates continue to weigh on the ability of consumers in taking out loans to purchase vehicles.
Opportunities	**Threats**
• Strong growth potential, due to the size of the country, low rate of vehicle ownership and large youth population. • Free trade areas bring competitive imported models to the market. • Government support for fleet electrification offers opportunities for electric vehicle manufacturers. • The recent agreement with the IMF may boost the local economy and, by extension, autos sales over the medium term.	• Free trade areas make domestic manufacturing less attractive for those brands from countries involved in the deals. • Growth of other production bases in North Africa, such as Algeria and Morocco. • Although the level of militant attacks, particularly on tourists and key gas infrastructure in Sinai, appears to have fallen in recent years, further incidents cannot be ruled out. • Domestic social unrest and regional challenges, such as the Red Sea crisis, remain an underlying threat to the Egyptian automotive sector.

Industry Forecast

Industry Forecast Scenario

Key View: *In 2025, we forecast Egyptian vehicle sales recovery to remain intact, as the Egyptian economy enters a period of relative stability following a disruptive currency devaluation and shortages of foreign exchange. We therefore forecast vehicle sales to rise by 15.3% in 2025, this is on the back of an expected 21.9% rise in 2024.*

Autos Total Market - Historical Data And Forecasts (Egypt 2022-2033)

Indicator	2022	2023	2024f	2025f	2026f	2027f	2028f	2029f	2030f	2031f	2032f	2033f
Vehicle sales	192,683	99,278	121,018	139,584	156,297	172,100	187,286	202,460	217,374	231,750	245,307	257,775
Vehicle sales, % y-o-y	-33.1	-48.5	21.9	15.3	12.0	10.1	8.8	8.1	7.4	6.6	5.8	5.1

f = BMI forecast. Source: AMIC, BMI

Latest Developments

- Our forecast indicates a 21.9% increase in vehicle sales for 2024, driven by an anticipated decrease in fluctuations of the Egyptian pound. This should fuel a rise in demand for new vehicles, as the cost of importing fully constructed vehicles and parts for local assembly becomes more stable. Along with persistent high inflation and wage increases that are expected to lag behind the escalating cost of living, affordability will be adversely affected. This financial pressure may lead consumers and businesses to focus their expenditures on essential items.
- New vehicle sales in Egypt increased by 12.0% in the first 10 months of 2024, reaching approximately 78,400 vunits, driven by an 18% rise in passenger car sales. Nissan held the largest market share at 15.1%, followed by Chery and Chevrolet with 13.6% and 12.3% respectively. While truck sales remained steady, bus sales fell by 15.6% during the same period.
- Egypt's annual urban inflation rate eased to 25.5% in November 2024 from 26.5% in October, with a monthly inflation rate of 0.5% driven by a 1.9% drop in food prices. Core CPI inflation also slowed to 0.4% in November, with the annual rate falling to 23.7%, attributed to price reductions in several categories such as vegetables and meat. The Central Bank of Egypt (CBE) maintained its interest rates during its November meeting and expects inflation to stabilize through the end of 2024, with a significant drop anticipated in early 2025.
- On November 21 2024, the CBE's Monetary Policy Committee maintained the overnight deposit rate at a record high of 27.25%, along with the overnight lending rate at 28.25%, and both the main operation and discount rates at 27.75%. This decision marked the fifth consecutive month of unchanged rates, influenced by slower declines in headline and core inflation due to subsidy withdrawals as part of an IMF deal, faster economic expansion in July-September, and commitments to low inflation for sustained investment and growth.
- The Egyptian cabinet approved a vision proposed by the Ministry of Investment and Foreign Trade to regulate the automotive market by 2025. The plan aims to stimulate local automotive sector investment, ensure fair competition and maintain price stability. The framework emphasises introducing vehicles that meet established standards, supported by certified service centres offering spare parts, and underscores protecting intellectual property rights and eliminating market distortions.
- On November 20 2024, Egypt's Prime Minister Mostafa Madbouly announced that the government is focusing on the industrial sector, with El Nasr Automotive Manufacturing Company resuming its operations as part of Egypt's heritage. Stressing Egypt's goal to become a regional and international hub for the automotive industry, Madbouly highlighted efforts to convert 250,000 gasoline cars to natural gas and the initiation of government car conversions
- Minister of Investment and Foreign Trade met with chairman of Tunisian multinational Coficab to discuss progress on the company's new factory in Tenth of Ramadan City. The factory, focused on manufacturing electrical cables and wiring harnesses for the automotive sector, represents an initial USD50mn investment with plans to expand to USD88mn by 2027. El-Khatib

emphasized the government's commitment to localising the automotive industry, creating a supportive investment climate, and leveraging Egypt's strategic advantages, while Elloumi praised Egypt's efforts and projected the factory's output to generate USD200mn in export revenues over the next three years.

Structural Trends

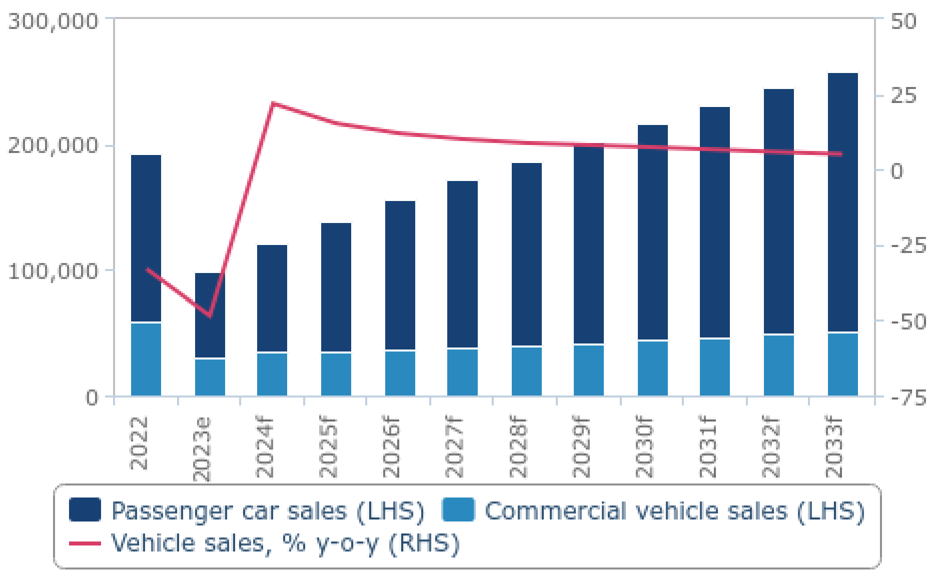
Sales

We forecast a 15.3% increase in vehicle sales for 2025 due to a continuation of the recovery witnessed in 2024. Anticipation of a more stable economic environment is expected to catalyse a rebound in vehicle sales following the agreement reached with the IMF, which will unlock critical funds aimed at stabilising Egypt's balance of payment crisis. By the end of February, both governments in Cairo and Abu Dhabi signed a USD35bn partnership agreement to develop the 40,600-acre area, located 350km north west of Cairo. The deal helped alleviate a portion of Egypt's foreign currency liabilities and paved the way for a fresh agreement with the IMF.

The CBE has historically imposed restrictions on the import of vehicles and other non-essential goods to manage its foreign currency reserves. Since March 2022, the CBE has required banks to consult with them before financing non-essential goods, including cars. Additionally, the CBE has imposed restrictions on the import of non-essential goods, including cars, to manage foreign currency reserves. Imported cars must meet certain conditions, such as having at least two airbags, complying with safety and security standards, and offering after-sale services. However, the CBE has recently eased some of these restrictions by instructing banks to resume processing requests for US dollar-denominated letters of credit for car importers and potentially easing restrictions on non-essential imports due to an increase in FX liquidity. Despite these financial constraints, the anticipated period of currency stability is likely to restore consumer confidence and release pent-up demand, contributing to a sharp increase in vehicle sales. This outlook suggests a window of opportunity for the automotive sector in Egypt as it looks to rebound from a period of significant economic stress, despite the ongoing structural challenges the economy may face in the medium term.

Vehicle Sales Recovery To Be Sustained In 2025

Egypt - Vehicle Sales By Segment, units & % y-o-y (2022-2033)



e/f = BMI estimate/forecast. Source: AMIC, BMI

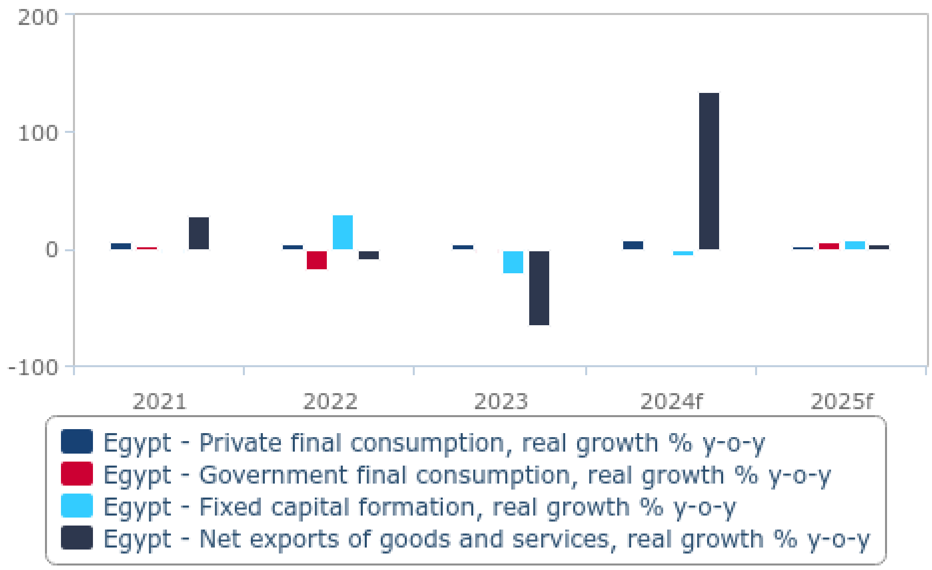
Egypt's economy is recovering, albeit at a slower pace than initially anticipated. The economic growth forecast for FY2024/25 has been revised down from 4.2% to 3.7%, primarily due to weaker performance in Q4 FY2023/24 and ongoing disruptions in the Suez Canal. However, a rebound in non-oil exports and investment is expected to keep growth above the 2.4% rate seen in FY2023/24. Growth is projected to accelerate to 5.1% in FY2025/26, up from a previous forecast of 4.7%, driven by the normalisation of Red Sea navigation and a stronger services sector performance amidst easing geopolitical risks. Investment activity will be bolstered by increased foreign investment and lower borrowing costs.

The CBE is expected to maintain its Overnight Deposit Rate at 27.25% and Overnight Lending Rate at 28.25% through Q4 2024 due to recent price growth and geopolitical uncertainties. Inflation is anticipated to rise through November 2024 due to fuel and electricity price hikes, but base effects will likely reduce inflation to around 16% y-o-y by February 2025. Despite this, temporary spikes from further price hikes will keep inflation above the CBE's 5-9% target range. Consequently, the 2025 forecast for total rate cuts has been reduced from 1,200 basis points (bps) to 900bps. The current account deficit is expected to narrow from 6.8% of GDP in FY2023/24 to 4.8% in FY2024/25, driven by a recovery in remittance inflows despite a wider trade deficit and lower Suez Canal receipts. The deficit is projected to further narrow to 3.8% in FY2025/26, supported by a recovery in Suez Canal receipts, assuming conflicts in the Levant and Red Sea are resolved.

Egypt faces approximately USD15bn in annual debt repayments over the next two years, which will be covered through debt issuance and foreign direct investment. The trading range for the Egyptian pound has been widened to EGP47.90-50.00/USD due to geopolitical tensions and US election uncertainties. It is believed that normalisation of investor sentiment, market intervention, and reduced US election uncertainty will prevent the pound from weakening beyond EGP50.00/USD. Despite President Abdel Fattah el-Sisi's call to reassess Egypt's IMF programme, there is no expectation to cancel the deal, which is crucial for investor confidence and access to foreign funding. The IMF is likely to be lenient in any renegotiation, potentially agreeing to delays in price increases and slower privatisation progress due to Egypt's adequate external buffer and geopolitical risks. However, successful renegotiation is not guaranteed, as the IMF remains cautious about Egypt's commitment to raising administered prices and eliminating subsidies. Geopolitical risks, particularly the ongoing war in Gaza, continue to pose significant threats to Egypt's economic recovery, potentially impacting the exchange rate, inflation and overall investor sentiment.

Private Consumption Growth Remains Under Pressure

Egypt - Real GDP Growth, % & Components, pp contribution (2021-2025)



f = BMI forecast. Source: Central Bank of Egypt, BMI

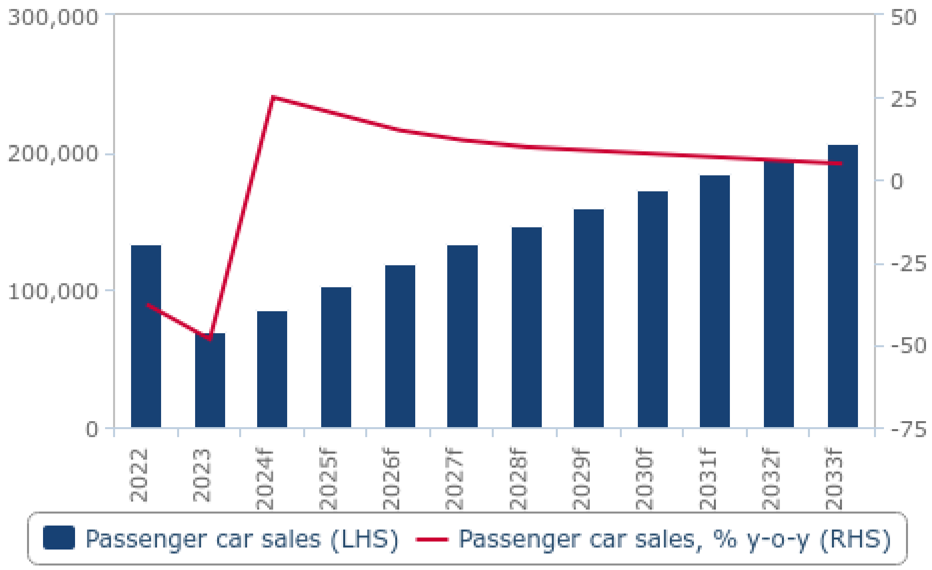
Consumers Remain Under Pressure

In Egypt, the automotive outlook for passenger vehicles (PVs) is cautiously optimistic, as the market begins to recover from a significant downturn. Consumer budgets remain under considerable strain due to persistent high inflation rates. This has led to greater caution in undertaking substantial financial commitments, such as purchasing new vehicles. As a consequence, Egyptian consumers are likely to retain their existing vehicles for extended periods, thereby slowing down the turnover rate within the PV segment. This trend is compounded by weak consumer sentiment, which is reflective of the broader economic challenges facing the country. The culmination of these factors suggests a market where growth is constrained by the immediate financial realities faced by potential car buyers.

Despite the prevailing economic headwinds, the passenger car market in Egypt is set for a continued rebound in 2025, primarily due to the low base effects created by the projected sharp decline in car sales, which are anticipated to fall by over half. This decrease could lead to a subsequent rise in demand, as the market corrects from this contraction. Further bolstering the resurgence in 2025 is the downward trending inflation which will bolster household finances. According to the Central Agency for Public Mobilization and Statistics (CAPMAS), Egypt's annual urban inflation rate decreased to 25.5% in November 2024, down from 26.5% in October. Our Country Risk team believes base effects will reduce inflation to around 16% y-o-y by February 2025, but temporary spikes from further price hikes will keep it above the CBE's 5-9% target range.

Car Sales Recovery Driven By Low Base

Egypt - Passenger Vehicle Sales (2022-2033)



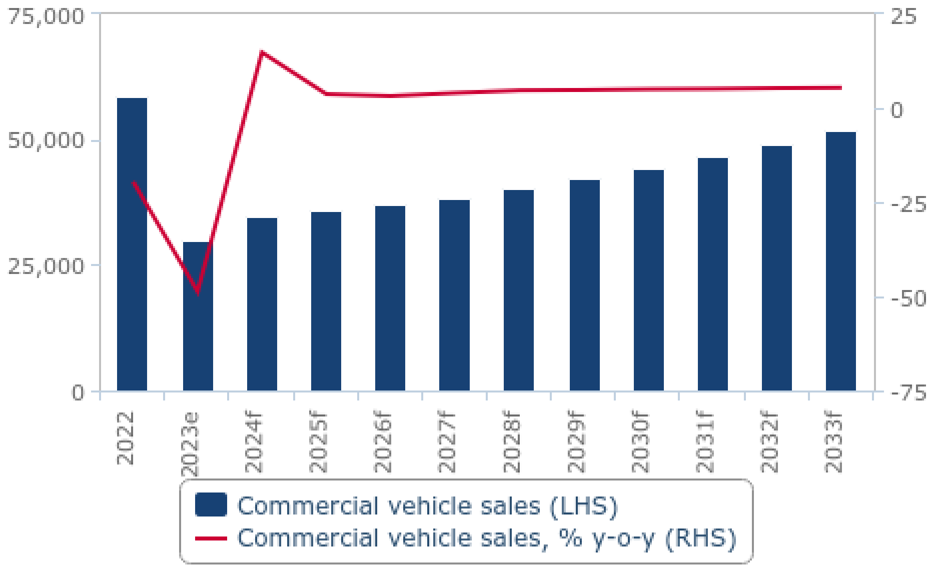
f = BMI forecast. Source: AMIC, BMI

Commercial Vehicle Demand Faces Challenges

The outlook for Egypt's commercial vehicle (CV) sector presents a nuanced picture, with weak current demand set against the potential for positive growth trajectories. The immediate market sentiment is one of caution, with businesses hesitant to commit capital towards expansion or fleet renewal unless such investments are justified by clear efficiency gains. This conservative approach is largely driven by the broader economic uncertainty and the intent to optimise operations without incurring unnecessary expenses. Despite the current lack of demand, the sector is ready for a favourable shift due to the low base effect. The anticipated rebound is not reflective of an immediate upturn in business confidence but rather a statistical recovery from previous sales contractions.

Looking ahead, there are tangible drivers that could bolster the CV market. The construction of Egypt's new administrative capital and the consequent relocation of administrative personnel and goods are expected to create a rise in demand for commercial transport solutions. This infrastructural and administrative expansion serves as a critical support pillar for the CV segment. However, businesses operating within this sphere will continue to navigate challenges posed by the depreciating local currency, which inflates the cost of imported vehicles and components. These increased intermediate costs are likely to be passed onto consumers, which would potentially dampen demand. While the underlying drivers for growth in the CV sector exist, they are tempered by the impact of currency-related import cost pressures.

New Capital City Offers Marginal Demand For CVs
Egypt - CV Sales (2022-2033)



e/f = BMI estimate/forecast. Source: AMIC, BMI

Public Transport Key To Government's Electrification Efforts

Egypt's public transport system presents an opportunity for fleet electrification. Electric buses that could be procured by the government stand to gain an advantage over passenger EVs, as the government or transport operators would be able to finance such vehicles with revenues generated from commuters. Signs of electric buses in Egypt gaining a foothold have already begun to emerge, as the Egyptian Ministry of Military Production has reportedly partnered with Manufacturing Commercial Vehicles to assemble electric buses locally.

In January 2022, the Ministry of Environment announced that all public buses would be gas-powered or electric by 2027 and that the government is currently working on plans alongside the World Bank to introduce electric buses to major cities. The ministry also noted that electric buses are already being trialled in Cairo and Alexandria and that there are 400 charging stations currently in operation (most in Greater Cairo), with plans to increase this figure to 3,000 through to around 2025. We remain cautious on the announcement, as similar developments have occurred in the past without any meaningful fruition. We believe that the EV segment will be a bright spot within Egypt's broader automotive sector, driven by targeted support outlined in the National Strategy. The strategy includes various incentives for both the production and consumption of domestically manufactured EVs, which are expected to significantly boost sales and local manufacturing.

Key state-backed initiatives such as the EGP50,000 incentive for purchasing a locally-produced EV and exemptions from state taxes are poised to make EVs more attractive to consumers. Additionally, the mandatory inclusion of EV charging points in new developments and the requirement for public sector fleets to integrate EVs annually will further stimulate demand. The government's introduction of 'gold licenses' to streamline investment in EV projects also reinforces this positive outlook. These measures collectively create a favourable environment for the EV market, setting the stage for a notable increase in EV-related activities in Egypt. Overall, we believe that these strategic initiatives will play a crucial role in driving the growth of the EV segment, making it a key area of expansion within Egypt's automotive industry.

However, various challenges remain, such as insufficient charging infrastructure and a lack of robust consumer incentives, which could temper the pace of EV adoption in the medium term. With only a limited number of charging connectors currently available and without government subsidisation for charging, uptake may be gradual. Despite such challenges, the long-term outlook remains buoyant, as the government's strategic reductions in customs tariffs and development programs lay the groundwork for a more self-reliant automotive industry that is ready for growth. The presence of major industry players such as Stellantis exploring increased investment opportunities in Egypt is a testament to the potential that the country holds as a future leader in auto production.

A Positive Year Ahead For Vehicle Production

Egypt's vehicle production outlook for 2025 is set to make further improvements witnessed in 2024, with the anticipation of a stabilisation period for FX volatility and the easing of import restrictions. As local dollar liquidity improves, the automotive industry is expected to experience a conducive environment for output growth. The reduction in currency fluctuation will likely provide much-needed certainty for manufacturers, which will support a more stable business landscape in which to scale up production. Adding to this positive trajectory, Ahmed Kouchouk, Egypt's Minister of Finance, has established a central unit to streamline customs and tax procedures for the automotive industry. This unit, reporting directly to the Minister and overseen by the Secretary-General of the Fund for Financing Environmentally Friendly Vehicle Manufacturing, is tasked with simplifying and speeding up customs and tax processes for vehicle manufacturers, suppliers, and entities in the National Program for Automotive Industry Development. It will also address and resolve related challenges, ensuring consistent application of rules and procedures. The unit comprises representatives from the Customs and Tax Authorities and can seek expertise from other professionals as needed. Monthly progress reports will be submitted to the Minister of Finance, with a strong emphasis on cooperation and coordination within the Ministry of Finance's various sectors to support the unit's functions.

Moreover, over the longer term (2025-2033), Egypt's vehicle production industry is anticipated to witness significant expansion. The country's strategic location as a gateway to Africa and the Middle East offers substantial export opportunities, which is likely to attract sustained foreign investment. Furthermore, the Egyptian government's commitment to bolstering the automotive sector through various policies, including the promotion of electric vehicles (EVs) and development of EV infrastructure, will drive long-term growth. Partnerships between local manufacturers and global automotive giants are expected to result in technology transfer, skill development and enhanced production capabilities, positioning Egypt as a key player in the regional automotive market.

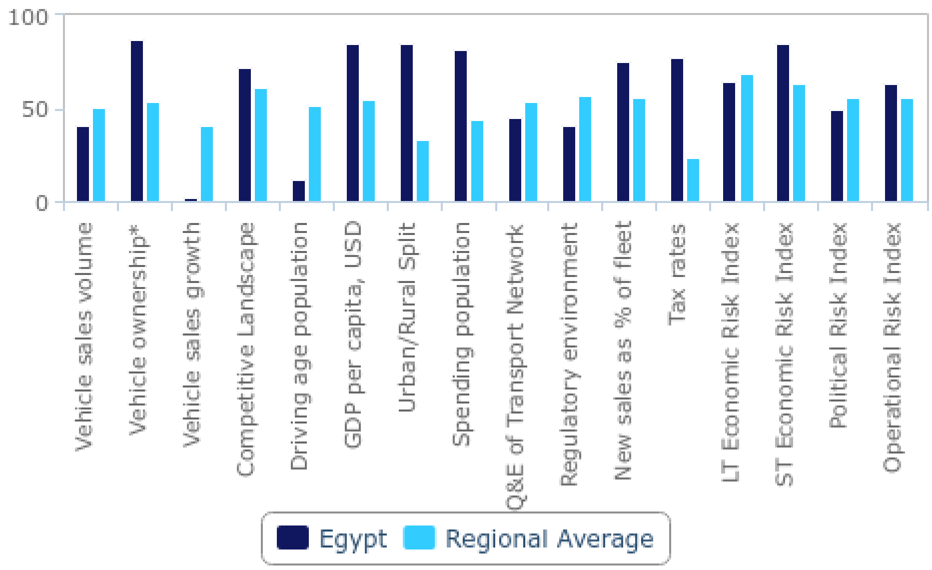
Industry Risk/Reward Index

Egypt Autos Sales Risk/Reward Index

Key View: *This quarter, Egypt remains a regional and global underperformer due to inherently lower incomes in the country compared with its Middle East and North Africa regional peers. Egypt also holds an unfavourable political risk outlook, which could dampen consumer and business sentiment and reduce the automotive sales market. However, a sound vehicle sales growth outlook boosts its appeal as a growing vehicle sales market and presents opportunities.*

Large Driving Age Population An Advantage

Egypt & MENA - Autos Sales Risk/Reward Index By Component



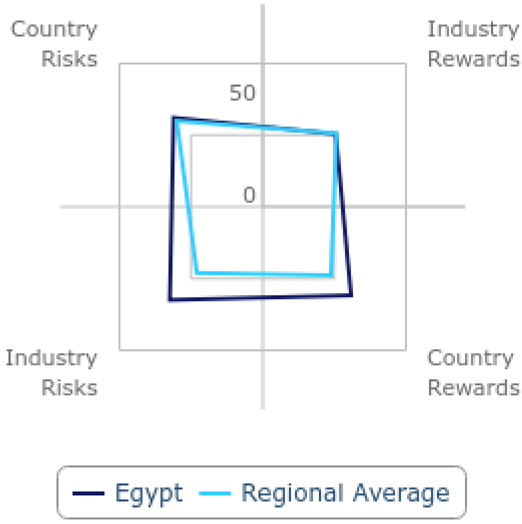
Note: Scores out of 100; lower score = more attractive market. Q&E = quality and extent. Source: BMI Autos Sales Risk/Reward Index

Egypt Autos Sales RRI - Regional And Global Ranks

- Regional rank (out of 17): 11th
- Global rank (out of 125): 82nd

High Industry Rewards Amid High Industry Risks

Egypt & MENA - Autos Sales Risk/Reward Scores



Note: Scores out of 100; lower score = more attractive market. Source: BMI Autos Sales Risk/Reward Index

Key Features And Latest Updates

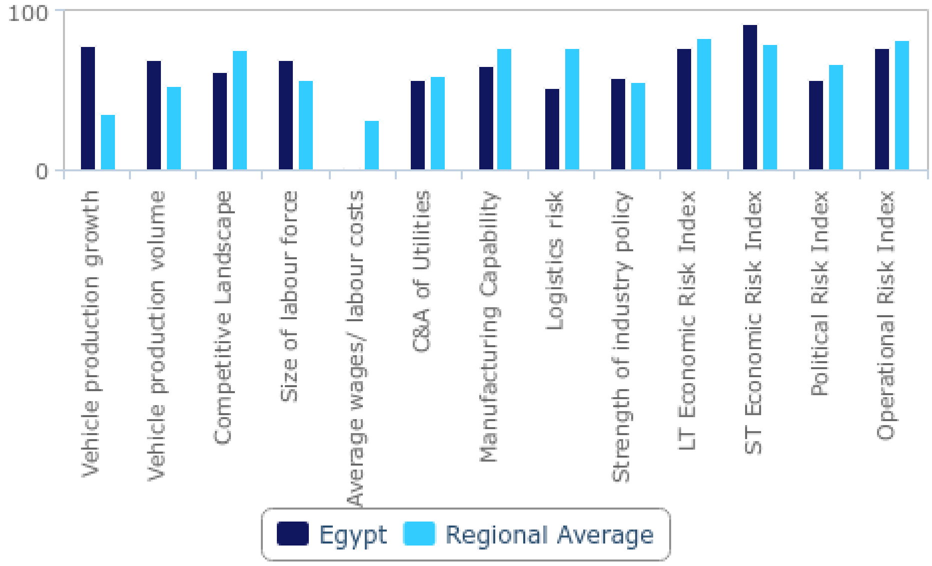
- This quarter, Egypt's overall Autos Sales Risk/Reward Index (RRI) score of 58.5 out of a possible 100 (lower score = more attractive) underperforms the regional average score of 51.0, with Egypt ranking 11th regionally and 82nd globally.
- Egypt's score of 55.1 out of a possible 100 (lower score = more attractive) under the Rewards pillar of our RRI outperforms its score of 63.4 out of a possible 100 in the Risks pillar, as a large driving age population (12.1), a sound vehicle sales growth outlook with a score of 2.4 out of a possible 100 (based on our five-year vehicle sales forecast) and large vehicle sales volume (41.1) significantly boost the country's appeal for automotive retail operations.
- Egypt, however, has a large low-income population, which is reflected under the country's score of 84.7 out of a possible 100 (lower score = more attractive) under our GDP Per Capita indicator, which indicates that the affordability of new vehicles remains low in the country.
- In contrast, Egypt's underperformance in the Risks pillar remains a sticking point. Egypt's score of 63.4 out of a possible 100 (lower score = more attractive) under the Risks pillar of our RRI underperforms the regional average of 52.9 out of a possible 100. This is attributed to a number of factors, namely the low percentage of new sales relative to fleet (75.8) but a favourable political risks outlook (scoring 49.2), signalling the prospect of political certainty ahead of the 2025 elections.

Egypt Autos Production Risk/Reward Index

***Key View:** In this quarter's Autos Production RRI, Egypt retains its position as the second (out of a possible four) most appealing market in the Middle East and North Africa region for autos production operations. The lack of a coherent autos policy and low levels of highly skilled labour limit its autos industry.*

Low Wages Improve Production Outlook

Egypt & MENA - Autos Production Risk/Reward Index By Component



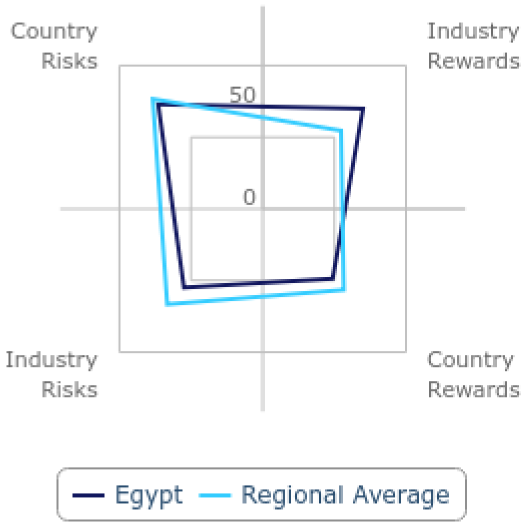
Note: Scores out of 100; lower score = more attractive market. Source: BMI Autos Production Risk/Reward Index

Egypt Autos Production RRI - Regional And Global Ranks

- Regional rank (out of 4): 2nd
- Global rank (out of 57): 43rd

High Country Rewards On Offer

Egypt & MENA - Autos Production Risk/Reward Scores



Note: Scores out of 100; lower score = more attractive market. Source: BMI Autos Production Risk/Reward Index

Key Features And Latest Updates

- This quarter, Egypt's overall Autos Production Risk/Reward Index (RRI) score stands at 61.7 out of a possible 100 (lower score = more attractive). As a result, Egypt outperforms the regional average score of 63.5 though the global average score is 50.0 out of a possible 100.
- Egypt's ranking in the Middle East and North Africa (MENA) region comes in at second (out of a possible of four) and 43rd in our global ranking.
- Egypt's Rewards score of 59.8 out of a possible 100 (lower score = more attractive) comfortably outperforms that of its Risks pillar, at 64.5, due to its low labour costs which scored 1.8 out of a possible 100. This bodes well for automakers looking to set up or expand vehicle assembly operations in the country.
- Egypt struggles under the Risks pillar of our Autos Production RRI, even though it is one of the better scores in MENA. Its extensive economic and political risks make it a very risky operating environment for automakers.
- We also highlight Egypt's small skilled labour force (with a score of 69.6 out of a possible 100), means that automakers entering the Egyptian automotive production sector will be limited to more lower value vehicle assembly/production operations with few prospects for more value add in high-tech aspects of the autos industry.

Company Profile

Ghabbour Auto

Recent Developments

- Ghabbour Autos has announced plans to launch a new range of electric vehicles to cater to the rising demand for sustainable transportation solutions in Egypt.
- The company has entered into a strategic partnership with Mainland China-based automaker Geely to enhance its manufacturing capabilities and expand its product portfolio.
- Ghabbour Autos is investing in the development of a state-of-the-art manufacturing plant in the Suez Canal Economic Zone, expected to boost local production and create job opportunities.
- Ghabbour Autos has introduced a new financing scheme in collaboration with local banks to make vehicle ownership more accessible to a broader segment of the population.
- The company is focusing on expanding its after-sales service network across Egypt to improve customer satisfaction and loyalty.
- Ghabbour Autos has received recognition for its corporate social responsibility initiatives, including programmes aimed at improving road safety and supporting education in local communities.
- The company is actively exploring opportunities to export its vehicles to other African markets, leveraging its extensive manufacturing and distribution capabilities.

Company Overview

GB Auto faced a difficult sales environment in 2022 against a downbeat economic outlook. Rising inflationary pressure and currency depreciation resulted in GB Auto announcing price increases for all of its models in H1 2022. The company noted a EGP50,000 minimum increase, representing a price increase of 9.0-15.0%. We thus expect that the automaker faced a decline in sales for 2022, as this price increase depressed consumer interest in purchasing a vehicle. For 2023, the company improved its pricing approach and introduced new modules to counter the decline experienced in 2022.

GB Auto has employed a management strategy to focus on profitability at the expense of declining market share, as imported vehicles from Morocco, Turkiye and Europe enjoy a competitive edge amid the reduction of tariffs on imported vehicles.

Financial Data

According to GB Auto's financial statements:

- GB Corp achieved a gross profit of EGP4.4bn in H1 2024, marking an 83.5% y-o-y increase, with a margin of 22.8%. On a quarterly basis, gross profit rose by 35.8% y-o-y to EGP1.8bn in the second quarter of 2024, resulting in a lower gross profit margin of 17.8%.
- GB Corp's revenues surged by 78.4% y-o-y to EGP19.2bn in the first half of 2024, driven by improved performance in both the Auto and Capital segments. In the second quarter of 2024, revenues rose by 69.3% y-o-y to EGP10.2bn.
- The company's net income increased by 72.3% y-o-y to EGP1.0bn, driven by higher revenues and improved efficiency across all operations. However, GB Corp's net profit declined by 15.7% y-o-y to EGP421.8mn in the second quarter of 2024 due to significant inflationary pressures.
- Similarly, GB Corp's EBIT rose by 78.9% y-o-y to EGP 2.7bn, resulting in a margin of 14.3% in the first half of 2024. In the second quarter of 2024, EBIT increased by 15.8% y-o-y to EGP1.0bn, yielding a reduced margin of 10.2%.

Strategy Overview

Ghabbour Auto (GB Auto) was founded in 1940 and has since evolved to become one of the leading automotive companies in Egypt and the Middle East. The company's market strategy focuses on offering a diverse range of vehicles through a robust dealership network. GB Auto has strategically partnered with several international automotive brands to enhance its product lineup, ensuring a broad range of options for consumers. The company operates multiple vehicle production facilities across Egypt and invests significantly in modernising these plants to increase production capacity and maintain high-quality standards.

In terms of annual output and investments, GB Auto has consistently increased its production volumes to meet growing market demand. The company has invested in expanding its production facilities and upgrading technology to improve efficiency and output. These investments have enabled GB Auto to produce a wide range of vehicles, including passenger cars, commercial vehicles and motorcycles, catering to various market segments.

Financially, GB Auto has shown strong performance with considerable annual revenues. The company's operating margins and profits have been buoyed by increased sales volumes and efficient cost management. For the latest financial period, GB Auto reported significant revenue growth and higher operating margins. The company has also provided forward-looking guidance indicating continued earnings growth, driven by expanding market presence and product diversification.

General Motors Egypt

Recent Developments

- General Motors Egypt announced a new partnership with a local tech firm to enhance their vehicle infotainment systems.
- The company is planning to expand its electric vehicle lineup in Egypt by introducing two new models by mid-2025.
- General Motors Egypt has reported a 10% increase in sales for Q3 2024 compared to the same period in 2023.
- The company is investing USD50mn to upgrade its manufacturing plant in 6th of October City to increase production capacity.
- General Motors Egypt launched a new customer service program aimed at reducing service times and improving customer satisfaction.
- The company has started a pilot program for autonomous vehicles in Cairo in partnership with a local ride-hailing service.
- General Motors Egypt participated in the Cairo International Motor Show, showcasing their latest electric and hybrid models.
- The company announced a new sustainability initiative to reduce carbon emissions by 20% by 2030.

Strategy

General Motors Egypt, a subsidiary of the global automotive giant General Motors, was established to cater to the growing automotive market in Egypt. The company has a rich history, having been operational in the country for several decades. Over the years, it has built a strong brand reputation and a loyal customer base through its diverse range of vehicles, from passenger cars to commercial trucks.

In terms of market strategy and dealership network, General Motors Egypt focuses on expanding its footprint across major urban centers while also making inroads into rural markets. The company aims to leverage its strong brand identity and extensive dealership network to enhance customer reach and service quality. Additionally, General Motors Egypt is investing heavily in electric and hybrid vehicle technology to meet the rising demand for sustainable transportation solutions. Their vehicle production facilities, particularly the one in 6th of October City, are undergoing significant upgrades to boost production capacity and incorporate advanced manufacturing technologies.

Regarding annual output and investments, General Motors Egypt has been consistently increasing its production volumes to meet market demand. The recent USD50mn investment in their manufacturing plant is expected to significantly enhance their production capabilities. The company has also been channeling funds into research and development to innovate and stay ahead of market trends. Financially, General Motors Egypt has shown robust performance, with a 10% increase in sales for Q3 2024. Key financial indicators such as total revenues, operating margins, and profits have been on an upward trajectory. The company has provided forward-looking guidance indicating continued growth in earnings, driven by their strategic investments and market expansion initiatives.

Regional Overview

Autos Investment Roundup: Asian Automakers Strengthen North Africa EV Supply Chain Amid GCC EV Sector Growth

Key View

- In our Q3 2024 investment roundup of automotive-related investments in the MENA region, we identified eight new projects announced or inaugurated during this period.
- We highlight continued investment in North Africa, in particular, driven by Asian manufacturers localising EV supply chain and component manufacturing.
- Additionally, Saudi Arabia has attracted increased investment in its EV sector with two announced investments this quarter.

Middle East And North Africa - Autos Production Investment (Q3 2024)

Date Announced	Market	City/State/ Region	Company	Value	Category	Brief Description	Date Onstream
Jul-24	Egypt	Helwan	The Egyptian Emirates Company	EGP27.0bn (USD546.0mn)	Components	The Egypt-based company plans to establish the Markabat Project, an integrated industrial city for automotive feeder industries. The initial phase will cover 140,000sq m, expanding to over 3bn sq m by 2027.	2027
Jul-24	Saudi Arabia	na	Critical Metals & Obeikan Group	na	EV Supply Chain	The joint UK-Saudi Arabia venture will develop, construct and commission a large-scale lithium hydroxide processing plant in Saudi Arabia.	na
Jul-24	Algeria	na	Hyundai	na	PVs	The South Korea-based company plans to establish a vehicle manufacturing plant. The new facility will produce three models of PVs and two types of utility vehicles.	2025
Aug-24	Egypt	Alexandria	Nissan	USD55.9mn	PVs	The Japan-based automaker plans to invest in its Egyptian subsidiary to boost local manufacturing and export from the Alexandria Port.	Q4 2024
Sep-24	Algeria	Bouira	Iveco	na	CVs	The Italy-based manufacturer plans to develop project for production of medium and heavy CVs.	na
Sep-24	Saudi Arabia	na	Wardwizard	na	EV Supply Chain, PVs	The India-based manufacturer will establish an EV assembly plant and an EV cell plant under a new JV. The plant will	na

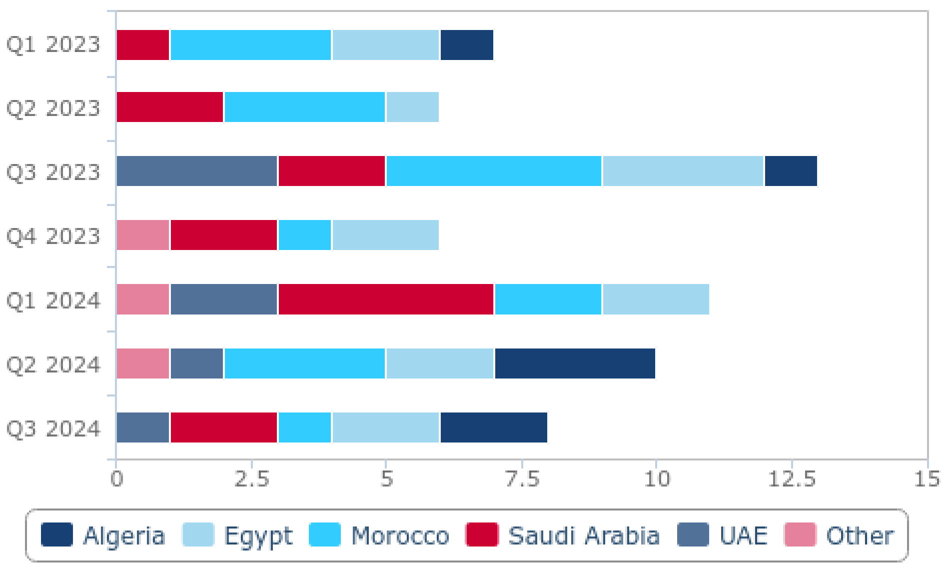
Date Announced	Market	City/State/ Region	Company	Value	Category	Brief Description	Date Onstream
						manufacture two- and three-wheelers and plans to add PVs and electric buses in the future.	
Sep-24	UAE	Dubai	Triton EV & W Motors	na	CVs	The joint US and UAE venture plans to manufacture commercial EVs and special purpose armoured security vehicles.	na
Sep-24	Morocco	Rabat	EBRD	EUR15.0mn (USD15.8mn)	Components	The EBRD has given a loan to the Morocco-based company to finance the construction of the new EDGE-certified green production facility.	na

Note: EV = electric vehicle. PV = passenger vehicle. CV = commercial vehicle. JV = joint venture. EBRD = European Bank for Reconstruction and Development. na = not available.
Source: BMI Autos Investment Round-Up

In our Q3 2024 investment roundup of automotive-related investments in the Middle East and North Africa (MENA) region, we have identified eight new projects that were announced or inaugurated during this period. In total, the projects with publicly available investment values amounted to USD617.7mn in Q3 2024. This is significantly lower than the previous quarter (Q2 2024) in which we tracked 10 investments at a total value of USD5.1bn. That said, for Q3, the MENA region's automotive industry continued to develop, with strong investment inflows in North Africa and the Gulf Cooperation Council (GCC) markets, while regional conflict risk suppressed Middle Eastern investment. Algeria, Egypt and Saudi Arabia each attracted two projects in Q3 2024, while Morocco and the UAE recorded one project each.

North Africa Dominates MENA Regional Investment

MENA - Number Of Autos-Related Projects Announced By Market



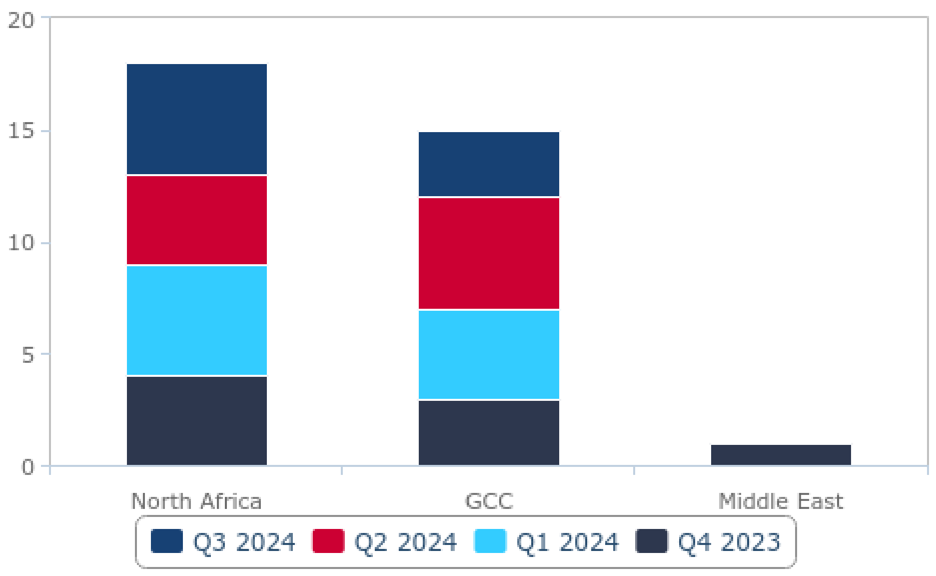
Source: BMI Autos Investment Roundup

North Africa Continues To Attract Investment

In Q3 2024, we highlight continued investment towards North African markets, particularly Algeria, Egypt and Morocco. This is in line with the previous quarter of tracked investments in which nine of the total 10 investments were directed towards the region. We believe interest in the region is driven in part by Asia-based firms and original equipment manufacturers (OEMs) looking to invest and localise electric vehicle (EV) supply chains near European markets. For instance, Japan-based Nissan has announced plans to invest USD55.9mn in expanding its Egyptian subsidiary and exporting capacity from the Alexandria Port. Additionally, South Korea-based Hyundai has announced plans to establish a vehicle manufacturing plant in Algeria. This follows from the previous quarter of investment in which Mainland China-based firms Chery and Geely announced investments in Algeria.

Regional Investment Dominated By North Africa And GCC Sub-Regions

MENA - Number Of Autos-Related Projects, By Region



Source: BMI Autos Investment Roundup

Saudi Arabia Attracts Increased Investment In Its EV Sector

This quarter we also note increased investment towards Saudi Arabia, particularly towards its EV sector. For instance, India-based manufacturer Wardwizard has announced an EV assembly and EV cell plant under a joint venture (JV) in Saudi Arabia. Additionally, the JV between Critical Metals and Obeikan Group plans to establish a large-scale lithium hydroxide processing plant. These two projects demonstrate increased interest in developing the region's broader EV supply chain. We believe these investments align with the broader government strategy in Saudi Arabia and other GCC markets to develop their EV supply chains and infrastructure over the medium-to-long term as part of their plan to diversify their economies away from oil dependency.

Heightened Geopolitical Tensions And Trade Risk Pose Downside Risks

That said, we highlight that downside risks to the MENA region's autos sector due to heightened geopolitical tensions and potential disruption to trade in the Red Sea remain. We believe these risks could weaken consumer demand and investor sentiment in the region in the short term. We believe North African markets will continue to attract increased investment compared to the Middle East, should the conflict continue into H1 2025, given its geographic distance as well as its proximity to Western European markets.

We also highlight North African markets benefit from continued Asia-based firms localising supply chains in an effort to avoid EU tariffs.

Related Research

- Q2 2024: Autos Investment Round-Up: North African Investment Bolstered By Mainland China-Based OEMs In Q2 2024, August 14 2024.
- Q1 2024: Autos Investment Round-Up: Saudi Arabia Tops Our Q1 2024 Round-Up And Collaboration Starts Paying Off, May 28 2024.
- Q4 2023: Autos Investment Round-Up: MENA's EV Value Chain Expansion Persists, Saudi's PIF Keeps Supporting Industry's Development, January 31 2024.
- Q3 2023: Autos Investment Round-Up: North Africa-GCC Investment Competition Heating Up, November 14 2023.

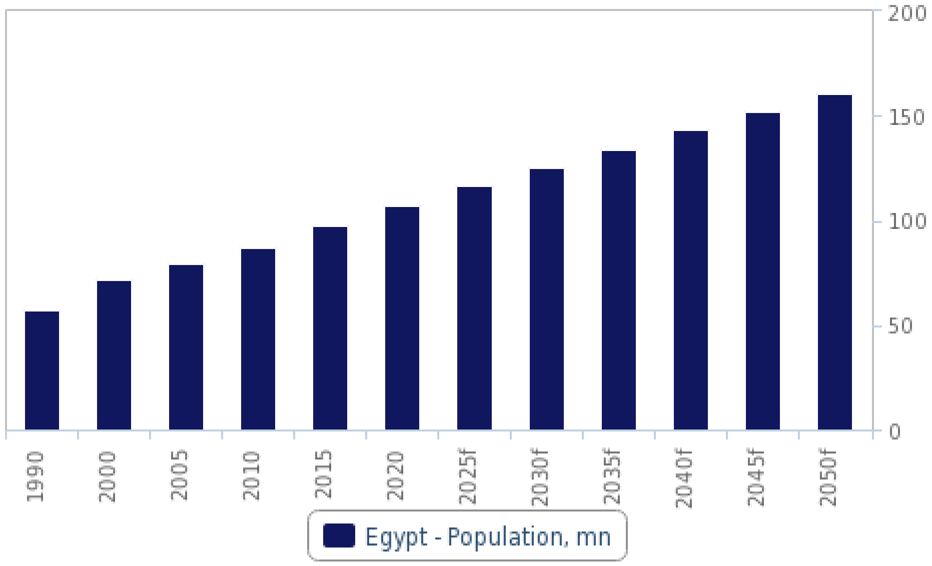
Egypt Demographic Outlook

Demographic analysis is a key pillar of our macroeconomic and industry forecasting model. The total population and demographic profile of a market are key variables in consumer demand and are essential to understanding issues ranging from future population trends to productivity growth and government spending requirements.

The accompanying charts detail the population pyramid for 2022, the change in the structure of the population between 2022 and 2045 and the total population between 1990 and 2045. The tables show indicators from all of these charts, in addition to key metrics such as population ratios, the urban/rural split and life expectancy.

Population

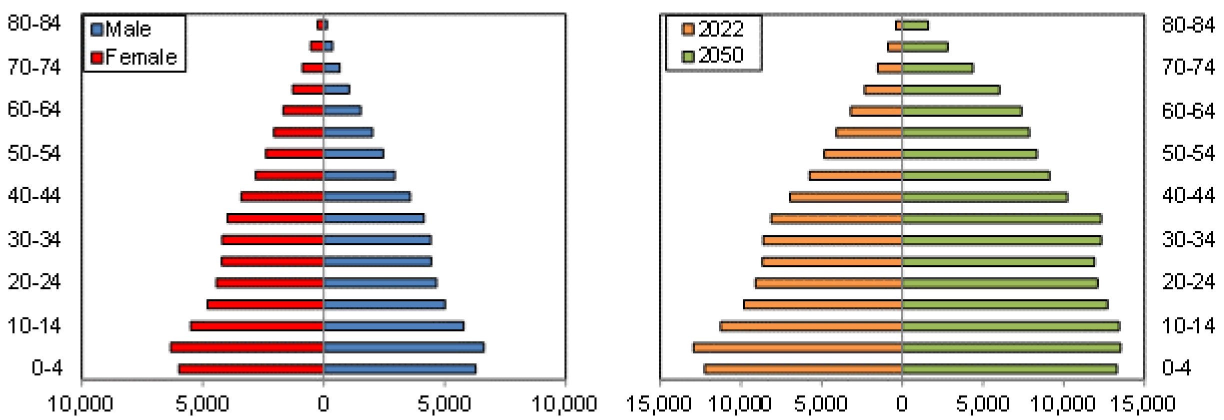
Egypt - Population, mn (1990-2050)



f = BMI forecast. Source: World Bank, UN, BMI

Population Pyramid

Egypt - 2022 Male vs Female Population, '000 (LHC) & 2022 vs 2050 Population, '000 (RHC)



Source: World Bank, UN, BMI

Population Headline Indicators (Egypt 1990-2025)

Indicator	1990	2000	2005	2010	2015	2020	2025f
Population, total, '000	57,214.6	71,371.4	79,075.3	87,252.4	97,723.8	107,465.1	116,275.5
Population, % y-o-y		2.09	2.00	2.05	2.23	1.75	1.56
Population, total, male, '000	28,850.6	36,137.3	40,071.8	44,175.7	49,472.6	54,357.4	58,764.9
Population, total, female, '000	28,364.1	35,234.1	39,003.5	43,076.7	48,251.2	53,107.7	57,510.6

f = BMI forecast. Source: World Bank, UN, BMI

Key Population Ratios (Egypt 1990-2025)

Indicator	1990	2000	2005	2010	2015	2020	2025f
Active population, total, '000	31,251.7	41,746.6	48,413.7	54,599.3	60,743.3	66,715.5	73,093.5
Active population, % of total population	54.6	58.5	61.2	62.6	62.2	62.1	62.9
Dependent population, total, '000	25,963.0	29,624.8	30,661.6	32,653.1	36,980.5	40,749.6	43,181.9
Dependent ratio, % of total working age	83.1	71.0	63.3	59.8	60.9	61.1	59.1
Youth population, total, '000	23,541.0	26,430.3	27,241.6	29,039.1	32,715.9	35,689.4	37,180.8
Youth population, % of total working age	75.3	63.3	56.3	53.2	53.9	53.5	50.9
Pensionable population, '000	2,421.9	3,194.5	3,420.1	3,614.0	4,264.6	5,060.2	6,001.1
Pensionable population, % of total working age	7.7	7.7	7.1	6.6	7.0	7.6	8.2

f = BMI forecast. Source: World Bank, UN, BMI

Urban/Rural Population And Life Expectancy (Egypt 1990-2025)

Indicator	1990	2000	2005	2010	2015	2020	2025f
Urban population, '000	24,875.8	30,544.8	34,023.7	37,535.1	41,811.1	45,976.8	50,514.7
Urban population, % of total	43.5	42.8	43.0	43.0	42.8	42.8	43.4
Rural population, '000	32,338.9	40,826.6	45,051.6	49,717.3	55,912.7	61,488.3	65,760.8
Rural population, % of total	56.5	57.2	57.0	57.0	57.2	57.2	56.6
Life expectancy at birth, male, years	62.2	65.9	66.4	67.1	68.0	68.7	69.9
Life expectancy at birth, female, years	66.0	70.1	71.2	72.3	73.1	73.4	74.9
Life expectancy at birth, average, years	64.1	68.0	68.8	69.7	70.5	71.0	72.4

f = BMI forecast. Source: World Bank, UN, BMI

Population By Age Group, % (Egypt 1990-2025)

Indicator	1990	2000	2005	2010	2015	2020	2025f
Population, 0-4 yrs, total, '000	8,855.1	8,995.9	9,578.7	10,580.8	12,635.0	12,548.7	12,075.0
Population, 5-9 yrs, total, '000	7,902.3	8,735.9	8,944.0	9,532.7	10,555.7	12,598.0	12,520.1
Population, 10-14 yrs, total, '000	6,783.7	8,698.5	8,718.8	8,925.5	9,525.2	10,542.6	12,585.7
Population, 15-19 yrs, total, '000	5,719.0	7,841.3	8,680.2	8,682.8	8,922.0	9,498.9	10,519.9
Population, 20-24 yrs, total, '000	5,083.0	6,706.5	7,832.3	8,620.1	8,703.0	8,873.5	9,458.3
Population, 25-29 yrs, total, '000	4,478.6	5,622.1	6,694.8	7,760.1	8,644.0	8,642.6	8,823.9
Population, 30-34 yrs, total, '000	3,806.8	4,972.6	5,601.9	6,622.1	7,766.4	8,581.6	8,589.9
Population, 35-39 yrs, total, '000	3,141.0	4,360.5	4,938.4	5,530.7	6,603.0	7,699.7	8,518.7
Population, 40-44 yrs, total, '000	2,651.3	3,681.1	4,306.5	4,859.8	5,486.8	6,523.9	7,618.5
Population, 45-49 yrs, total, '000	1,829.7	3,005.3	3,608.5	4,211.1	4,787.5	5,392.3	6,418.0
Population, 50-54 yrs, total, '000	1,646.3	2,481.6	2,891.5	3,465.8	4,073.5	4,636.8	5,223.8
Population, 55-59 yrs, total, '000	1,590.1	1,656.6	2,338.9	2,715.5	3,276.1	3,861.5	4,393.6
Population, 60-64 yrs, total, '000	1,306.1	1,419.0	1,520.6	2,131.2	2,481.0	3,004.7	3,529.0
Population, 65-69 yrs, total, '000	996.1	1,270.1	1,240.1	1,325.3	1,849.8	2,154.7	2,587.6
Population, 70-74 yrs, total, '000	695.1	922.4	1,035.8	1,005.2	1,079.1	1,493.1	1,714.8
Population, 75-79 yrs, total, '000	422.0	574.3	654.4	734.4	712.7	771.1	1,038.8
Population, 80-84 yrs, total, '000	210.8	288.8	331.8	373.7	424.9	412.7	441.7
Population, 85-89 yrs, total, '000	77.1	108.1	123.4	138.2	156.4	181.2	166.7
Population, 90-94 yrs, total, '000	18.4	26.8	30.0	32.6	36.6	41.8	45.2
Population, 95-99 yrs, total, '000	2.4	3.8	4.3	4.3	4.8	5.3	5.9
Population, 100+ yrs, total, '000	0.1	0.2	0.3	0.3	0.3	0.3	0.4

f = BMI forecast. Source: World Bank, UN,BMI

Population By Age Group, % (Egypt 1990-2025)

Indicator	1990	2000	2005	2010	2015	2020	2025f
Population, 0-4 yrs, % total	15.48	12.60	12.11	12.13	12.93	11.68	10.38
Population, 5-9 yrs, % total	13.81	12.24	11.31	10.93	10.80	11.72	10.77
Population, 10-14 yrs, % total	11.86	12.19	11.03	10.23	9.75	9.81	10.82
Population, 15-19 yrs, % total	10.00	10.99	10.98	9.95	9.13	8.84	9.05
Population, 20-24 yrs, % total	8.88	9.40	9.90	9.88	8.91	8.26	8.13
Population, 25-29 yrs, % total	7.83	7.88	8.47	8.89	8.85	8.04	7.59
Population, 30-34 yrs, % total	6.65	6.97	7.08	7.59	7.95	7.99	7.39
Population, 35-39 yrs, % total	5.49	6.11	6.25	6.34	6.76	7.16	7.33
Population, 40-44 yrs, % total	4.63	5.16	5.45	5.57	5.61	6.07	6.55
Population, 45-49 yrs, % total	3.20	4.21	4.56	4.83	4.90	5.02	5.52
Population, 50-54 yrs, % total	2.88	3.48	3.66	3.97	4.17	4.31	4.49
Population, 55-59 yrs, % total	2.78	2.32	2.96	3.11	3.35	3.59	3.78
Population, 60-64 yrs, % total	2.28	1.99	1.92	2.44	2.54	2.80	3.04
Population, 65-69 yrs, % total	1.74	1.78	1.57	1.52	1.89	2.01	2.23
Population, 70-74 yrs, % total	1.21	1.29	1.31	1.15	1.10	1.39	1.47
Population, 75-79 yrs, % total	0.74	0.80	0.83	0.84	0.73	0.72	0.89
Population, 80-84 yrs, % total	0.37	0.40	0.42	0.43	0.43	0.38	0.38
Population, 85-89 yrs, % total	0.13	0.15	0.16	0.16	0.16	0.17	0.14
Population, 90-94 yrs, % total	0.03	0.04	0.04	0.04	0.04	0.04	0.04
Population, 95-99 yrs, % total	0.00	0.01	0.01	0.00	0.00	0.00	0.01
Population, 100+ yrs, % total	0.00	0.00	0.00	0.00	0.00	0.00	0.00

f = BMI forecast. Source: World Bank, UN, BMI

Autos Methodology

Connected Thinking

BMI employs a unique methodology known as 'Connected Thinking'. This means that our analysis captures the inter-relatedness of the global economy, and takes into account all of the relevant political, macroeconomic, financial market and industry factors that underpin a forecast and view. We then integrate them so as to explain how they interact and affect each other. Our Connected Thinking approach provides our customers with unique and valuable insight on all relevant macroeconomic, political and industry risk factors that will impact their operations and revenue-generating potential in the industry/industries within which they operate.

We use a transparent forecasting model as a base for our industry forecasts, but rely heavily on our analysts' expert judgement to ensure our forecasts capture all of the insights we derive using our unique Connected Thinking approach. We believe analyst expertise and judgement are the best ways to provide the most accurate, up-to-date and comprehensive insight to our customers.

Autos Methodology

Industry Forecast Methodology

For the Autos industry we have historical data and 10-year forecasts for 21 market-level, core industry variables, including vehicles sales, vehicle production, fleet size and electric vehicle (EV) sales and fleet.

Our forecasts are a combination of regression modelling and analyst expert judgement.

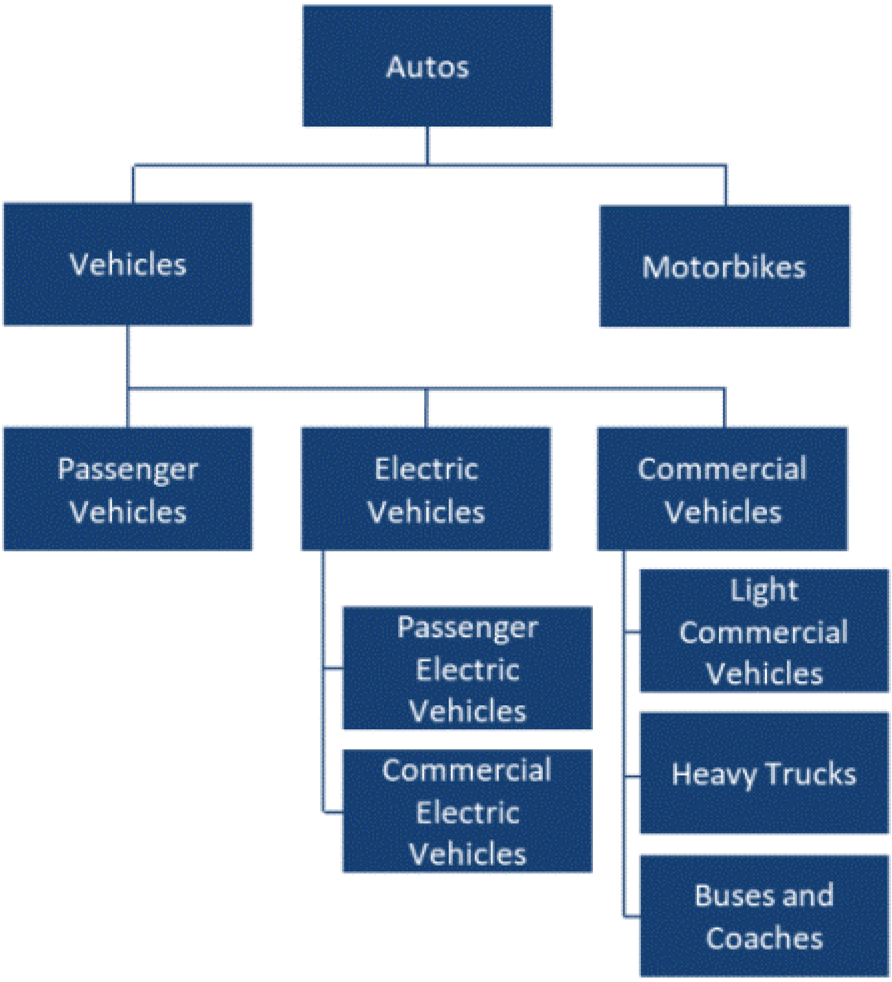
Our Autos analysts interact with other analytical teams in BMI, including Country Risk, Oil & Gas, Consumer, Infrastructure, Metals and Operational Risk. This is to ensure they have a comprehensive understanding of external factors that may impact the Autos industry outlook either on a market, regional or global level.

In addition to this, our Autos forecasts draw on assessments of political risk, regulatory outlook and outlook for manufacturing facilities investment.

There is a constant rolling cycle of data monitoring, with databases being updated on a quarterly basis. Analysts will intervene outside of these cycles to implement forecast changes when necessary.

Our total vehicle and commercial vehicle figures for sales, production and fleet sizes are aggregates. Where data is available, commercial vehicles is the sum of light commercial vehicles, heavy trucks and buses and coaches. Total vehicle figures are the sum of commercial vehicles and passenger vehicles. We consider motorbike figures as separate and they do not contribute to the total vehicle figures.

Autos Methodology



Source: BMI

Definitions

Motorbike: Road motor vehicle with only two wheels. Includes mopeds, scooters and motorcycles.

Vehicle: Road motor vehicle with at least four wheels, designed for carrying passengers and/or goods.

Passenger Vehicle: Road motor vehicle with at least four wheels, designed for the purpose of carrying nine or fewer passengers (including the driver) and with a gross vehicle weight (GVW) of less than 3.5 tonnes. Includes saloons, estates, coupes, convertibles, MPVs and SUVs*.

* In some markets SUVs will be classified as light commercial vehicles rather than passenger vehicles, in which case a note will be added to the database.

Electric Vehicle (EV): We include both battery electric vehicles (BEV) and plug-in hybrid electric vehicles (PHEV) in our EV data. We note that mild hybrid vehicles in general do not fall under EVs in our databases; however, some databases could differ in which case a note will be added. Hydrogen fuel cell vehicles will also fall under the EV segment unless stated otherwise.

Commercial Vehicle: Road motor vehicle with at least four wheels, designed for carrying goods and/or for the mass transit of people with a GVW either under or over 3.5 tonnes. Includes light commercial vehicles, heavy trucks and buses and coaches; excludes agricultural tractors.

1. Light Commercial Vehicle (LCV): Road motor vehicle with at least four wheels, designed for carrying goods and/or for the mass transit of people (nine passengers or more) and with a GVW generally under 3.5 tonnes. Includes vans, minibuses, pickups and light trucks.
2. Heavy Trucks: Road motor vehicle with at least four wheels, designed for the carrying/towing of goods and with a GVW above 3.5 tonnes (unless otherwise stated in 'notes' section). Includes trucks from small trucks to road tractors but excludes agricultural tractors.
3. Buses and Coaches: Road motor vehicle with at least four wheels, designed for the mass transit of nine or more passengers, with a GVW over 3.5 tonnes.

Production

Measures new, fully built units of vehicles and motorbikes, manufactured domestically in a market each year.

Production is expressed in units.

Historical figures for vehicle and motorbike production are based on data published by national statistics and national industry associations.

Our production forecasts are based on a regression model, using a market's own historical time series, dummy variables to determine the level of impact of industry shocks and key macroeconomic explanatory variables from our Country Risk service, such as real GDP growth.

In addition, we also apply analyst expert judgement to refine and finalise the vehicle and motorbike forecast based on exogenous and endogenous variables or events, not captured by our regression model. Moreover, for our production forecasts we also rely on our Quarterly Autos Investment Roundups for each region that capture the majority of new manufacturing facilities investment, which in turn assists in determining future production levels.

Sales

Measures new, fully built units of vehicles and motorbikes sold in a market each year.

Sales are expressed in units.

Historical figures for vehicle and motorbike sales are based on data published by national statistics, national industry associations and government departments.

Our sales forecasts are based on a regression model, using a market's own historical time series and key macroeconomic explanatory variables from our Country Risk service, such as GDP growth, household income growth and interest rates.

In addition, we also apply analyst expert judgement to refine and finalise the vehicle and motorbike sales forecast based on exogenous and endogenous variables or events, including changes in regulations or scrappage schemes, not captured by our regression model.

Fleet Size

Measures the total number of vehicles and motorcycles registered for use in a market each year.

Fleet is expressed in units.

Historical figures for vehicle and motorbike fleets are based on data published by national statistics, national industry associations and government departments.

Our fleet forecasts are based on a regression model, using a market's own historical time series and key macroeconomic explanatory variables from our Country Risk service.

In addition, we also apply analyst expert judgement to refine and finalise the vehicle and motorbike fleet forecasts based on exogenous and endogenous variables or events, including changes in regulations or scrappage schemes, not captured by our regression model.

Trade

We are forecasting the trade balance of vehicles and motorcycles in a market as production less sales.

Electric Vehicle Sales

We separate EV sales into battery electric vehicles and plug-in hybrid electric vehicles. We also split total EV sales into passenger EVs and commercial vehicle EVs where data is available.

Our EV sales forecasts are based on a regression model, using a market's own historical growth and the total domestic sale of vehicles. In addition, we will also apply analyst expert judgement to refine and finalise the EV sales forecast based on exogenous and endogenous variables or events, such as the policy environment and incentives on offer in a market, not captured by our regression model. This is due to the nascent nature of the market.

Electric Vehicle Fleet

Due to the nascent nature of the market we estimate the EV fleet as an eight-year accumulation of EV sales. We choose eight years based on the typical life cycle of EV batteries. We also take into account the rise in EV battery recycling and second life battery usage when forecasting EV fleet sizes as it will pull EVs from the roads.

Autos Production Risk/Reward Index

Our Autos Production Risk/Reward Index (RRI) quantifies and ranks a market's attractiveness within the context of the automotive industry, based on the balance between the **Risks** and **Rewards** of beginning or maintaining autos manufacturing operations in different markets.

We combine industry-specific characteristics with broader economic, political and operational market characteristics. We weight these inputs in terms of their importance to investor decision-making in a given industry. The result is a nuanced and accurate reflection of the realities facing investors in terms of first the balance between opportunities and risk and second between industry-specific and broader market traits. This enables users of the index to assess a market's attractiveness in a regional and global context.

The index uses a combination of our proprietary forecasts and analyst assessment of the regulatory climate. As regulations evolve and forecasts change, so the index scores change providing a highly dynamic and forward-looking result.

The Autos Production RRI universe comprises **57 markets**.

Benefits Of Using Our Autos Production RRI

- **Global Rankings**: One global table, ranking all the markets in our universe for autos production from most attractive (closest to zero) to most risk (closest to 100).
- **Accessibility:** Easily accessible, top-down view of the global, regional or sub-regional Risk/Reward profiles.
- **Comparability:** Identical methodology across 57 markets allows users to build lists of markets they wish to compare, beyond the confines of a global or regional grouping.
- **Scoring:** Scores out of 100 with a wide distribution, provide nuanced investment comparisons. The higher the score, the less favourable the profile.
- **Quantifiable:** Quantifies the Rewards and Risks of doing business in the autos industry in different markets around the world and helps identify specific flashpoints in the overall business environment.
- **Comprehensive:** Comprehensive set of indicators, assessing industry-specific risks and rewards alongside political, economic and operating risks.
- **Entry Point:** A starting point to assess the outlook for the autos industry, from which users can dive into more granular forecasts and analysis to gain a deeper understanding of the market.
- **Balanced:** Multi-indicator structure prevents outliers and extremes from distorting final scores and rankings.
- **Methodology:** The index is a combination of proprietary BMI forecasts, analyst insights and globally acceptable benchmark indicators.

Weightings Of Categories And Indicators

Autos Production Risk/Reward Index

Source: BMI

The RRI matrix divides into two distinct categories:

Rewards: Evaluation of an industry's size and growth potential (**Industry Rewards**), and macro industry and/or market characteristics that directly impact the size of business opportunities in a specific industry (**Country Rewards**).

Risks: Evaluation of micro, industry-specific characteristics, crucial for an industry to develop to its potential (**Industry Risks**) and a quantifiable assessment of the political, economic and operational profile (**Country Risks**).

Assessing Our Weightings

Our matrix is deliberately overweight on **Rewards** (60% of the final RRI score for a market) and within that, the **Industry Rewards** segment (60% of final Rewards score). This is to reflect the fact that when it comes to long-term investment potential, industry size and growth potential carry the most weight in indicating opportunities, with other structural factors (demographic, labour statistics and infrastructure quality) weighing in, but to a slightly lesser extent. In addition, our focus and expertise in emerging and frontier markets has dictated this bias towards industry size and growth to ensure we are able to identify opportunities in markets where regulatory frameworks are not as developed and industry sizes not as big as in developed markets, but where we know there is a strong desire to invest.

Autos Production RRI Indicators - Explanation And Sources

	Source	Rationale
Rewards		
Industry Rewards		
Vehicle Production Growth, % Chg y-o-y (five-year average)	BMI Forecast	Forecast growth in production indicates growth opportunities and future speed of industry development.
Vehicle Production Volume, Units (five-year average)	BMI Forecast	Volume indicates size and development stage of local production industry.
Competitive Landscape	BMI Subjective Indicator	Indicates competition for productive resources and industry concentration using the number of vehicle brands being produced/assembled domestically.
Country Rewards		
Size Of Labour Force	BMI Forecast	The size of the working population indicates broad availability of labour.
Average Wages/Labour Costs	BMI Operational Risk Indicator	Indicator of the cost of labour, a major input in autos manufacturing.
Cost & Availability Of Utilities	BMI Operational Risk Index	Assesses risk based on cost and availability of key utilities required to operate a business using data from our Operational Risk Index.
Manufacturing Capability	BMI Forecast	Indicates ability of a market to produce value added complex goods.
Risks		
Industry Risks		
Logistics Risk	BMI Operational Risk Index	Evaluates the ability of producers to maintain production supply chains by assessing the quality and extent of transport infrastructure, the availability and reliability of utilities networks, and the ease of cross-border trading.
Strength Of Industry Policy	BMI Subjective Indicator	Identifies if local autos-related industrial policies are present and their respective strength.
Country Risks		
Long-Term Economic Risk Index	BMI Country Risk Index	Takes into account the structural characteristics of economic growth, the labour market, price stability, exchange rate stability and the sustainability of the balance of payments, as well as fiscal and external debt outlooks for the coming decade.
Short-Term Economic Risk Index	BMI Country Risk Index	Seeks to define current vulnerabilities and assess real GDP growth, inflation, unemployment, exchange rate fluctuation, balance of payments dynamics, as well as fiscal and external debt credentials over the coming two years.
Political Risk Index	BMI Country Risk Index	The Political Risk Index is a score made up of the mean average across three distinct pillars: Governance Risk, Society Risk and Security Risk. These are aggregated into an overall assessment of Political Risk.
Operational Risk Index	BMI Operational Risk Index	Focuses on existing conditions relating to four main risk areas: Labour Market, Trade & Investment, Logistics, and Crime & Security.

Source: BMI

Autos Sales Risk/Reward Index

Our Autos Sales RRI quantifies and ranks a market's attractiveness within the context of the automotive industry, based on the balance between the **Risks** and **Rewards** of entering and operating vehicle retailing activities in different markets.

We combine industry-specific characteristics with broader economic, political and operational market characteristics. We weight these inputs in terms of their importance to investor decision-making in a given industry. The result is a nuanced and accurate reflection of the realities facing investors in terms of first the balance between opportunities and risk and second between industry-specific and broader market traits. This enables users of the index to assess a market's attractiveness in a regional and global context.

The index uses a combination of our proprietary forecasts and analyst assessment of the regulatory climate. As regulations evolve and forecasts change, so the index scores change, providing a highly dynamic and forward-looking result.

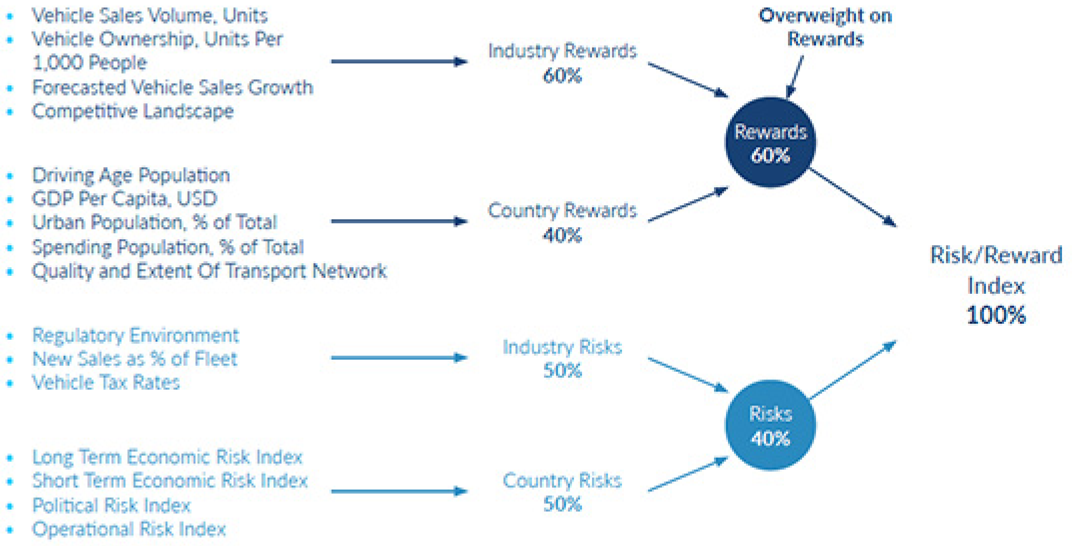
The Autos Sales RRI universe comprises **125 markets**.

Benefits Of Using Our Autos Sales RRI

- **Global Rankings:** One global table, ranking all the markets in our universe for autos sales from most attractive (closest to zero) to most risk (closest to 100).
- **Accessibility:** Easily accessible, top-down view of the global, regional or sub-regional Risk/Reward profiles.
- **Comparability:** Identical methodology across 125 markets for Autos sales allows users to build lists of markets they wish to compare, beyond the confines of a global or regional grouping.
- **Scoring:** Scores out of 100 with a wide distribution, provide nuanced investment comparisons. The higher the score, the less favourable the profile.
- **Quantifiable:** Quantifies the Rewards and Risks of doing business in the autos industry in different markets around the world and helps identify specific flashpoints in the overall business environment.
- **Comprehensive:** Comprehensive set of indicators, assessing industry-specific risks and rewards alongside political, economic and operating risks.
- **Entry Point:** A starting point to assess the outlook for the autos industry, from which users can dive into more granular forecasts and analysis to gain a deeper understanding of the market.
- **Balanced:** Multi-indicator structure prevents outliers and extremes from distorting final scores and rankings.
- **Methodology:** The index is a combination of proprietary BMI forecasts, analyst insights and globally acceptable benchmark indicators.

Weightings Of Categories And Indicators

Autos Sales Risk/Reward Index



Source: BMI

The RRI matrix divides into two distinct categories:

Rewards: Evaluation of an industry's size and growth potential (**Industry Rewards**), and macro industry and/or market characteristics that directly impact the size of business opportunities in a specific industry (**Country Rewards**).

Risks: Evaluation of micro, industry-specific characteristics, crucial for an industry to develop to its potential (**Industry Risks**) and a quantifiable assessment of the political, economic and operational profile (**Country Risks**).

Assessing Our Weightings

Our matrix is deliberately overweight on **Rewards** (60% of the final RRI score for a market) and within that, the **Industry Rewards** segment (60% of final Rewards score). This is to reflect the fact that when it comes to long-term investment potential, industry size and growth potential carry the most weight in indicating opportunities, with other structural factors (demographic, labour statistics and infrastructure quality) weighing in, but to a slightly lesser extent. In addition, our focus and expertise in emerging and frontier markets has dictated this bias towards industry size and growth to ensure we are able to identify opportunities in markets where regulatory frameworks are not as developed and industry sizes not as big as in developed markets, but where we know there is a strong desire to invest.

Autos Sales RRI Indicators - Explanation And Sources

	Source	Rationale
Industry Rewards		
Vehicle Sales Volume, Units (five-year average)	BMI Forecast	Size of the overall vehicle market indicates potential for opportunities and scale of operations.
Vehicle Ownership, Registered Vehicles per 1,000 population	BMI Forecast	Ownership rates indicate market development/maturity and strength of consumer needs/desires for vehicle ownership.
Vehicle Sales Growth, % chg y-o-y (five-year average)	BMI Forecast	Forecast growth in sales indicates growth opportunities for new/existing entrants.
Competitive Landscape	BMI Calculation	Market concentration based on the number of brands in a market indicates the ease of entering and competing in the market.
Country Rewards		
Driving-Age Population	BMI Forecast	The size of the population eligible to drive indicates underlying potential market size.
GDP Per Capita, USD	BMI Forecast	GDP per capita identifies the purchasing power of consumers.
Urban Population, % Of Total	BMI Forecast	High and growing concentration of population in urban areas indicates greater pressure for vehicle ownership and road-based public transport.
Spending Population, % Of Total	BMI Forecast	Growth of spending population identifies the relative strength/influence of household decision makers who are ultimately responsible for vehicle purchase decisions.
Quality And Extent Of Transport Network	BMI Operational Risk Index	Road quality highlights strength of road infrastructure and ability to cater for more developed vehicle fleets.
Industry Risks		
Regulatory Environment	BMI Operational Risk Index	Regulatory environment for businesses is captured in the Operational Risk indicator for 'Economic Openness'. It assesses openness to investment and trade, especially by new market entrants.
New Sales, As % Of Fleet	BMI Forecast	Measures the maturity of the new vehicle market and proxies for the rate of vehicle replacement.
Vehicle Tax Rates	BMI Subjective Indicator	Measures the tax burden incurred by an imported new vehicle including MFN tariff rates, excise and special taxes and VAT/GST. It is a strong determinant of how competitively priced a new market entrant would be.
Country Risks		
Long-Term Economic Risk Index	BMI Country Risk Index	Takes into account the structural characteristics of economic growth, the labour market, price stability, exchange rate stability and the sustainability of the balance of payments, as well as fiscal and external debt outlooks for the coming decade.
Short-Term Economic Risk Index	BMI Country Risk Index	Seeks to define current vulnerabilities and assess real GDP growth, inflation, unemployment, exchange rate fluctuation, balance of payments dynamics, as well as fiscal and external debt credentials over the coming two years.
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Operational Risk Index	BMI Operational Risk Index	Focuses on existing conditions relating to four main risk areas: Labour Market, Trade & Investment, Logistics, and Crime & Security

Source: BMI

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