

Algeria Autos Report Q4 2011

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Figures released by the Association des Concessionnaires Automobiles d'Algerie (ACAA) show that 131,498 new cars were sold in Algeria in the first half of 2011 (excluding sales figures from the local BMW, Great Wall, Iveco and Mercedes-Benz dealerships). This strong performance bodes well for car sales reaching BMI's recently revised target of 278,895 units for the year as a whole.

Looking at individual marques, Renault remains by far the dominant player in the Algerian market, selling 32,352 units in H111 under the Renault badge (up 24% y-o-y) and a further 9,684 Dacia units (down 13% y-o-y). Taken together, this makes for a total of 42,036 units, or a market share of around 32%.

Behind Renault is Hyundai Motor, which has enjoyed a strong start to 2011. Hyundai vehicle sales stand at 22,678 units for H111, up by 57%. In third place is Peugeot, which has posted even stronger annual growth, of 73%, to reach 18,831 units. The top five is rounded out by Toyota Motor (14,248 units, up 11%) and Chevrolet (11,332 units, up 4%).

Beyond the current year, we would hope for continued upwards growth (of around 5% per annum) for vehicle sales, in line with a growing domestic economy. We forecast that the annual total new vehicle sales should surpass 338,500 units in 2015. Moreover, if local car production takes off as we expect, we would anticipate making additional upwards revisions to our overall sales figures, as locally produced cars would likely be cheaper, thereby boosting domestic demand.

Aabar To Start Production In 2011? In May 2011, Algerian Minister of Finance Karim Joudi told the UAE-based National newspaper that he expects Aabar Investments to commence production of up to 10,000 vehicles per year in Algeria later this year. In 2009, Aabar, which is owned by the Abu Dhabi government, signed a deal with the Algerian government and five German companies (including Daimler and Ferrostahl) to launch vehicle production within the North African state. This is envisaged to include three manufacturing plants in country. Joudi believes that output from the Aabar project will be destined for both the local market and for export.

Although the outbreak of unrest in the North African region at the beginning of the year may have left question marks over foreign investment projects, Daimler had already announced in March that it would go ahead with plans to build a truck plant in Algeria. According to Peter Alexander Trettin, head of sales for Mercedes-Benz in Central and Eastern Europe, Africa and Asia, Daimler plans to strengthen its North African presence and will be 'exploiting the Algerian market's growth potential'.

This potential has also prompted Renault to forge ahead with its plans for a plant in the country, to add to one existing facility and one under construction in Morocco, as it too looks to expand in North Africa. Close proximity to Europe is also a draw for European firms, in addition to the growth offered by the domestic market.

Similarly, Volkswagen (VW) has approached the country's authorities as part of its goal to become the world's leading carmaker by 2018. While Renault's revisited plan looks set to win the approval of the Algerian government, planning is still in the early stages for VW, but there is a suggestion that the country would serve as a base for the wider region.

While BMI had already expected Morocco and Algeria to evolve into viable alternative production bases to rival Egypt, the risk associated with the political turmoil in the latter state could accelerate the process. The introduction of industry incentives, planned by the previous government to boost production and develop the supplier segment in Egypt is now uncertain, while the wider business environment is not conducive to foreign direct investment at this time. BMI also sees valuable sales growth potential in the two markets: with average annual growth of at least 7% from 2011-2015 in Algeria and 12% in Morocco. Market Overview

Renault remains the market leader in the country by a comfortable margin. The French firm, operating under its local sales and distribution subsidiary Renault Algérie, sold a total of 63,359 new vehicles in Algeria in 2010, inclusive of 44,786 vehicles under its main banner, and 18,573 vehicles belonging to the Automobile Dacia brand. This amounts to a combined market share of 28.5% of new vehicle sales in Algeria for the year. There is a considerable gap between Renault Algérie and the number two auto company operating in Algeria, Hyundai Motor. The Japanese firm sold 31,681 vehicles through its local distributor Hyundai Motor Algérie in 2010, giving it a market share of 14.3%. In third place is Peugeot, which sold 22,839 vehicles in 2010, for a market share of 10.3%. In fourth place is Toyota Algérie, which sold a total of 21,389 vehicles (19,453 under its main banner, plus a further 1,936 Daihatsu models), for a market share of 9.6%, with Chevrolet rounding up the top five, with 2010 sales of 19,810 units giving the US car company a market share of 8.9%. This report includes a SWOT analysis for both Renault Algérie and Toyota Algérie.

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