

Saudi Arabia Automotive Fuels - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts (2024 - 2029)

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Abstracts

The Saudi Arabia Automotive Fuels Market size in terms of production capacity is expected to grow from 13.25 Million barrels per day in 2024 to 17.11 Million barrels per day by 2029, at a CAGR of 5.25% during the forecast period (2024-2029).

Key Highlights

Over the medium term, rising demand from heavy automobiles for transportation and increasing automotive sales in Saudi Arabia are expected to drive the Saudi Arabian automotive fuels market during the forecast period.

On the other hand, rising demand and the adoption of electric vehicles in the automotive sector are expected to hinder the growth of the market.

Nevertheless, the Saudi Arabian government's target of blending ethanol with crude oil by 2050 is likely to create lucrative growth opportunities for the Saudi Arabian automotive fuels market during the forecast period.

Saudi Arabia Automotive Fuels Market Trends

Increasing Automotive Sales in Saudi Arabia to Drive the Market

Saudi Arabia's automotive industry is expected to grow in a decent phase with the Vision 2030 program, which enables domestic manufacturing and penetration of new technology and investments in the automotive industry. This is expected to increase domestic automotive sales and exports to neighboring countries.

Saudi Arabia is one of the most advantageous and fastest-growing automobile markets. Saudi Arabia's automobile industry is propelled by multiple factors, such as the availability of labor, R&D efforts, geographic advantage, and supportive government policies. Additionally, with a positive outlook on the country's economy and greater household purchasing power, automobile sales in Saudi Arabia are set to witness a strong surge.

According to the International Organization of Motor Vehicle Manufacturers (OICA), the total sales volume of vehicles (including all types of vehicles) in Saudi Arabia reached 6,16,491 units compared to around 5,56,559 units in 2021, representing an increase of almost 10.8% compared to 2021. In Saudi Arabia, the improved macroeconomic conditions, along with the increased number of driving licenses issued to women, positively impacted Saudi's auto market and services industry.

The demand for automotive fuel is proportional to the sales of new motor vehicles. As of 2022, the sales volume of new motor vehicles has increased by 10.76% from the previous year and 52.6% in the past five years. This number is likely to increase in the upcoming years with increasing population.

Further, in early 2022, the Saudi National Automotive Manufacturing Co. (SNAM) confirmed laying the foundation stone for the first car assembly plant in Jubail Industrial City. According to SNAM, the assembly plant, along with the testing area, will reach 120,000 sq. m, and the plant's production capacity is set to hit 30,000 cars annually. Such target capacity is anticipated to be achieved within two or three years.

Furthermore, the demand for commercial vehicles from the construction sector is also increasing, given the Kingdom's extensive pipeline of infrastructure projects. With this, the major global OEMs – Isuzu Motors, Mercedes, Man, and Volvo- have been trying to increase their heavy-duty vehicle production capacities in the country.

Thus, the recovering trends of new vehicle sales are expected to grow significantly and continue over the forecast period, creating considerable demand for automotive fuels in the coming years.

Rising Emphasis on Electric Vehicles to Restrain the Market

The Saudi government, under the Saudi Vision 2030, looks forward to reducing its oil dependency. Since the automobile sector accounts for almost a quarter of oil consumption in the country, the Saudi government aims to ensure a sustainable future by executing several reforms, such as promoting a shift toward cleaner fuel-based automobiles. Due to this, Saudi Arabia has been witnessing an increase in the adoption of alternative fuel vehicles, particularly electric vehicles (EV) and hydrogen-powered vehicles. This situation is expected to negatively impact the demand for automotive fuels and restrain the automotive fuels market growth during the forecast period.

As the Middle Eastern region is transitioning, the EV industry offers an opportunity for Saudi Arabia to slip by an already saturated market and focus on the future of automotive. Saudi Arabia has ambitious plans to go electric and has already positioned itself as a significant EV supplier in the Gulf, Northern Africa, and surrounding regions. The Saudi government has collaborated with global players to establish EV manufacturing bases and invest through a public investment fund (PIF) while participating in major EV production projects.

Saudi Arabia is investigating and planning to become an EV manufacturing hub with 500,000 cars by 2030. The country has already flexed its abilities to invest in the sector, with USD 2 billion spent on a majority stake in Lucid Motors, the US-based EV maker. Furthermore, in April 2022, the government of Saudi Arabia signed an agreement to buy 100,000 EVs from Lucid Motors, which is part-owned by the Kingdom's Public Investment Fund (PIF), within ten years. The agreement is part of the Vision 2030 plan to diversify from fossil fuels and create a more sustainable society.

In October 2021, the Saudi Arabian government planned to increase the electric car fleet in Riyadh to 30% by the end of 2030. The plan aimed to halve carbon emissions in the city of 8 million people over the next nine years. Furthermore, in February 2022, Avass Group signed an agreement with Saudi Arabia to manufacture electric buses jointly. The deal bolsters Avass Group's plans to mass manufacture all-electric buses in Saudi Arabia.

As of 2023, Saudi Arabia was considerably promoting the electric vehicle industry and signed multiple memorandum of understanding (MoU) to increase the number of EV vehicles in the country. This will likely increase the demand for electric vehicles and restrain the demand for the automotive fuel market.

In December 2022, the Saudi Industrial Development Fund reported the electric vehicle target of emerging companies, in which companies like Toyota are likely to sell 3.5

million EVs by 2030, and 50 percent of its net sales come from EVs in Saudi Arabia. Similarly, 40% of Honda's net sales will come from EVs by 2020. All these EV targets of significant companies are likely to increase the sales of EVs and hinder the growth of the Automotive fuel market.

In July 2023, A Memorandum of Understanding (MoU) was signed between Pravaig Dynamics and Saudi Arabia to construct a plant that will manufacture electric vehicles for Saudi Arabia and the United States. When the Saudi Arabian plant is online, the manufacturer of EVs plans to produce 10 lakh electric vehicles there. At the G20 YEA India Summit, an agreement was reached with Saudi India Venture Studio.

Moreover, in June 2023, Saudi Arabia's Ministry of Investment signed a USD 5.6 billion deal with Chinese electric car maker Human Horizons in order to collaborate on the development, manufacture, and sale of electric vehicles. All these agreements are likely to increase the sales of EVs and hinder the growth of the automated fuel market.

Therefore, based on the above-mentioned points, the electric vehicles market is expected to witness significant growth in Saudi Arabia and restrain the automotive fuels market during the forecast period.

Saudi Arabia Automotive Fuels Industry Overview

The Saudi Arabian automotive fuels market is semi-fragmented. Some of the major players in the market (in no particular order) include Arabian Petroleum Supply Company, Saudi Arabian Oil Company, NAFT Services Company Limited, TotalEnergies SE, and Al-Dabbagh Group.

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