

Glasgow

RESEARCH & CONSULTING



Market
Growth
Catalyst



Commercial Vehicles (Truck) Market in UAE

- by Vishal Pandey

Viewpoint | September 2022

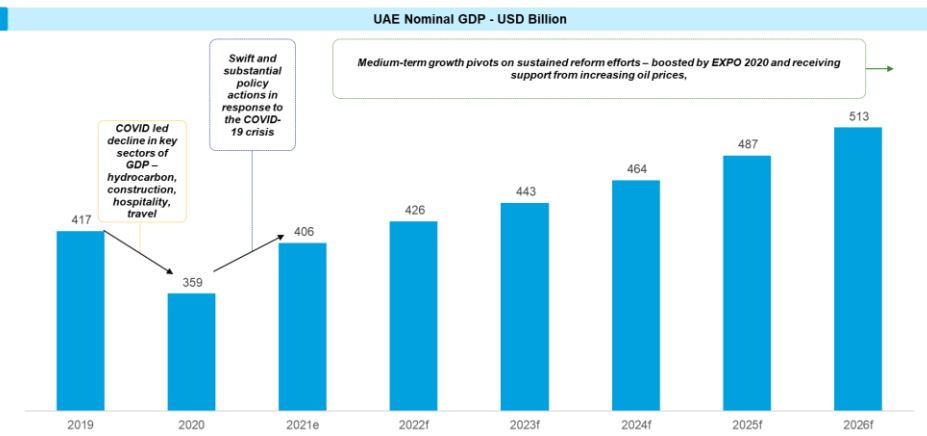




The United Arab Emirates (UAE) has the second largest commercial vehicle market in the GCC after Saudi Arabia. The GDP is expected to grow significantly with strong and consistent reforms by the Government in helping advance the trucking sector besides other factors. The commercial vehicles market is dominated by the trucks that includes pickups, light-duty, medium, and heavy-duty trucks. Sectors like manufacturing, construction,

retail, and transportation are major applications of the truck market. The heavy-duty trucks, with a gross vehicle weight of around 16 tons and more, are usually used in waste management as dump trucks and long-hauls.

Stronger non-oil GDP recovery will fuel economic growth

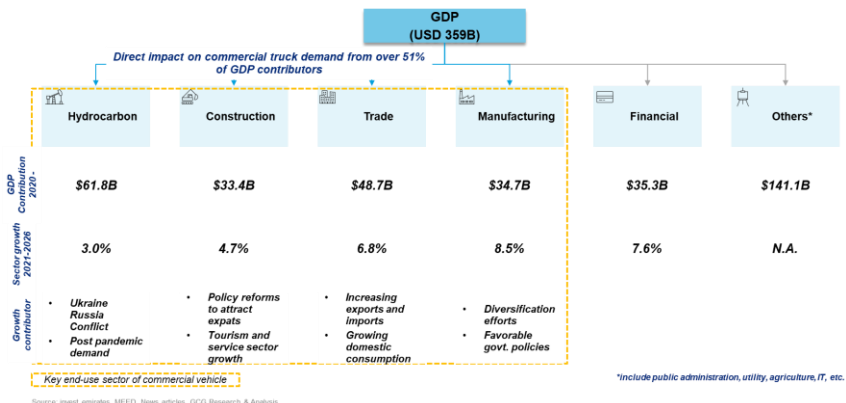


Source: World Bank, IMF, News articles, GCG Research & Analysis



Strong growth in key sectors will drive the demand for commercial vehicles

Trade, construction, and manufacturing are the main end-user of heavy commercial trucks



Source: Invest emirates, MEED, News articles, GCG Research & Analysis

Source: GRC analysis



Growth of Commercial Vehicles Market in UAE

While the Middle East has witnessed slow growth in the commercial vehicles market in the last few years, due to several factors, the market continues to hold the potential for substantial growth.

The UAE relies heavily on oil and gas exports as it contributes massively towards the federal revenue. The plummeting global oil price between 2014 and 2016 hit the UAE economy as government revenues from crude oil started falling.

The economic slowdown affected a multitude of industries, including construction and logistics, as it became pivotal to save operational costs. These issues contributed towards the declining demand for all three segments of trucks in 2016.

As the markets recovered and the prices of crude oil stabilized, the construction, infrastructure and

logistics industries also showed improvement.

The three Emirates - Dubai, Abu Dhabi and Sharjah generated more than 70% of market revenues on the back of economic development and large-scale construction activities.

The main factors supporting the growth of the country's truck market in recent years include:



The government's investment in growing commercial activities, improving infrastructure and construction projects



Technological advancements like equipment of telematic services, Advanced Driver Assistance System (ADAS), GPS, etc.

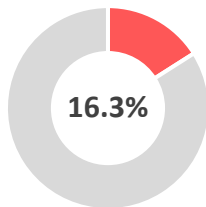


Introduction of Electric Commercial Vehicles

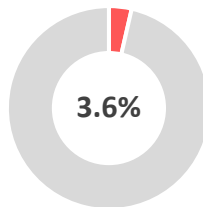


Growth of Commercial Vehicles Market in UAE

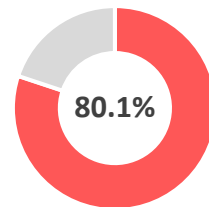
Total Truck Sales in UAE, 2021 is **6,740 units**



HCV



MCV



LCV

Rapid Growth of Different Industries to Boost Market Growth of Commercial Vehicles. Keeping in line with economic vision 2030, the Government of UAE is focusing on generating revenue from non-oil sectors. Commercial vehicles are frequently employed as a mode of transportation for several end-use sectors, and they aid in activities including loading, unloading and transporting cargo. The construction industry is exhibiting considerable growth owing to the numerous projects under development.

The country also witnessed investment in large-scale infrastructure development. The Government invested in various road construction projects, including the famous 62 km highway connecting Dubai and Abu Dhabi. Other prominent projects like Abu Dhabi Metro construction, Dubai Metro rail line construction, Emirates Roads Master Plan, Etihad railway Network, Airport expansion project, Abu Dhabi Airport expansion projects, etc., are likely to raise the demand for trucks in the UAE.

The market growth of heavy-duty trucks can be attributed to the increasing demand for efficient transportation of goods, rising product requirements and increased commercialization activities in the country. These activities require high-engine power trucks.

Furthermore, industries like logistics operations,

Source: GRC analysis

healthcare, food and beverage have contributed to the demand for high-performance trucks. Apart from this, the employment of high-performance trucks in municipal operations across urban areas as waste management and delivery trucks, and other municipal operations, further drives the market growth.

An important factor contributing to the growth of commercial vehicles, particularly trucks, is lifting economic sanctions on Iran. The country is likely to be a prominent market for heavy-duty commercial vehicles owing to the recent economic expansion. Iran is one of the biggest markets for trucks in the MENA region.



Telematics System in Commercial Vehicle



Technological advancements in the automobile sector and the introduction of advanced features in high-performance trucks boosted the UAE commercial vehicles market. While the trucks were regaining their position in the commercial vehicles market, telematics played a massive factor in helping to push the sales of the vehicles.

The European Company Volvo Trucks was the first to introduce telematics in high-performance trucks. Volvo Trucks is known for introducing the most advanced features in the automotive sector.

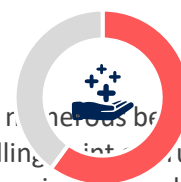
Initially, telematics services were not well-received by the market. Most people were unaware of the technology, which acted as a restraining factor along with the cost of the installation of Telematics.

Telematics allows fleet owners to check the location of the drivers, the performance of the vehicle, fleet status, and other details.

Consumer education and rationalization of the cost of subscription and installation of the service have encouraged consumers to use and discover the benefits of Telematics.

In UAE, heavy long-haul truckers travel across the GCC to deliver materials for the logistics and construction sectors. Vehicle Telematics allows fleet managers to keep track of vehicles and check the exact positioning of the truck, and detailed information like truck speed, load, and all tachograph data. While travelling long distances, fuel consumption is a significant concern, telematics makes it easy to follow up on fuel consumption and facilitates savings. Fleet managers can access accurate reports on driving distance, emission levels and fuel consumption

along with receiving updates on vehicle status for the efficient performance of the vehicles. Easy-to-access warnings show the time and place of an issue, odometer data, engine hours, and more.



50-60%

Because of the numerous benefits, telematics became the selling point for truck manufacturers. Transport companies are working to integrate telematics for streamlining fleet management systems, especially in their heavy-duty fleet 50-60% of customers are reaping the benefits of the system.



Telematics System in Commercial Vehicle

Dubai's Roads and Transport Authority (RTA) has introduced a new regulation that requires all heavy vehicles to install telematics. The aim is to curb accidents of heavy vehicles, encourage safe driving habits, strengthen the country's infrastructure, and minimize the financial, human and environmental impacts caused by heavy trucks.

For instance, municipality trucks in waste management have telematics system for smooth waste collection and management. With the help of advanced IoT-based devices, waste bins are

attached with sensors. A highly integrated system allows monitoring, managing, and transportation of trash bins, drivers and vehicles.

The leading players in the UAE high-performance truck market are Volvo, Daimler, MAN, PACCAR, General Motors, Ford, Nissan and Scania.

Electric Commercial Vehicles

The active support of government and private organizations and the new government policies and incentives in developing the electric vehicle infrastructure in UAE, is preparing the country to be a big part of electric vehicle demand. New models and advancements in vehicles are driving the market for electric vehicles.

To accommodate the rising need for electrification, the government had planned to

install around 175 charging stations under the UAE Vision 2021. It will propel the country's growth in the electric vehicle market.



Due to rising environmental concerns, the commercial vehicles market, like passenger vehicles, is going through electrification to comply with government norms and environmental standards. Light and medium commercial electric vehicles are already introduced into the market. E-Canter, by Mitsubishi Fuso Truck and Bus Corporation, is an all-electric truck presented to the public at the Expo 2020 Dubai.

Many fleet owners are also adopting sustainability and making the move towards electric trucks. Bee'ah, a company based in Sharjah, made one of the most significant orders for Tesla when it bought 50 Tesla semi-heavy-duty trucks in 2018. The company made the purchase as soon as the models were introduced by Tesla. Also, this made the company one of the first in the Middle East to operate eco-friendly vehicles. These trucks will be used for waste collection and transportation and for transporting recycling materials.





Electric Commercial Vehicles

While European and Japanese brands dominate light and medium electrical vehicles, trials are undergoing for heavy electric vehicles. It is a challenge to see how the electric power demand of the big load of long-haulers is met.

Before electric vehicles dominated the commercial vehicles market, European manufacturers took some initiative in reducing the carbon footprint. Some vehicles ran on compressed natural gas (CNG) and bio-diesel. The Dubai municipality vehicles had replaced diesel with bio-diesel long back.

The electric trucks equipped with advanced features, including telematics, GPS, Advanced

Driver Assistance System (ADAS), IoT, etc., contribute to commercial electric vehicles' growth. Furthermore, many manufacturing companies are investing in the electric automotive industry to advance batteries for efficient performance for the long haul and improve technologies to result in better electronic vehicles in the coming years

Used Truck Market

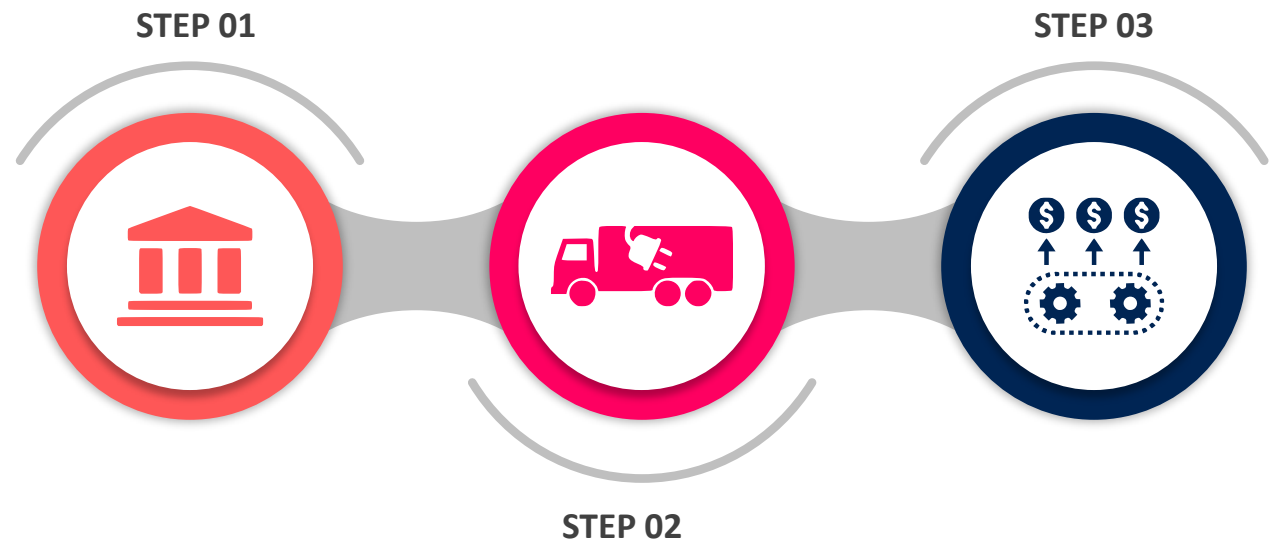
Due to a shift in preference among fleet operators, particularly to avoid risk, there has been a surging trend of leasing trucks. Ideally, a fleet operator can take vehicles on lease for four to five years instead of purchasing them. After this period, these trucks go on sale for second-hand buyers.

One would not expect used trucks to be in demand, but there are a few sectors that revived the used truck market in UAE. Also, the Covid-19 pandemic has pushed manufacturers and dealers to promote second-hand as well as the service of leasing trucks.

UAE and Saudi Arabia dominate the biggest used car market in GCC. They mainly import small trucks from Europe. Since the logistics segment is a prevalent industry in Europe, 4*2 trucks are the preferred vehicle in this industry. So, it is common for used car retailers to import 4*2 trucks from Europe. Construction trucks are used for carrying heavy loads, and their performance degenerates after five to six years, so they are not preferred for second-hand purchase.



Looking Forward: Advancements in Commercial Vehicles in UAE



As the UAE government plans to diversify its economy, investments in the construction, food and beverage, manufacturing, retail and transportation sectors continue to grow. High-performance trucks will further prove their market potential owing to their capacity to carry large loads.

Additionally, electric vehicles in the high-performance truck market will see some advancements in the coming years. The emergence of new models with their updates and technological advancements is anticipated to boost the market's growth. Tesla's Cyber-truck, General Motors' all-electric Hummer and Volvo's continued progress will have a lot to offer in the coming years.

However, compared to conventional trucks, the high manufacturing cost of these electric vehicles in the commercial segment could act as a barrier to the UAE's commercial vehicle market



Vishal Pandey is a partner in Glasgow Research & Consulting's Dubai office. He can be contacted at vishal@glasgowinsights.com.

The author wishes to thank Bassem Hassan, Orient Motors Group for his contribution to this article.



About Automotive Intelligence & Tracking Hub (AITH):

The Automotive Intelligence & Tracking Hub (AITH) provides regional market intelligence, thought leadership and insights to the emerging & fast transforming sector in Middle East and Africa region. We help clients identify the top mega trends in areas of mobility solutions.



About Glasgow Research & Consulting (GRC):

Glasgow Research & Consulting is a leading full-service business research and advisory services firm, with core expertise in market intelligence, market entry and trade development. The ability to anticipate competitors' moves and analyse markets is key to winning in the Middle East & Africa region. GRC's biggest pride comes from helping international companies to be successful in emerging markets.