



Iran's Automotive Industry: Opportunities & Challenges ahead



Bahare Oryani
29 May

Content



1. The key position of Automotive Industry in Iran's Economy
(Economic Performance Indices)

2. Iran's Automotive Market Structure

3. Opportunities and challenges ahead

1. The key position of Automotive Industry in Iran's Economy

(Economic Performance Indices)



1. The key position of Automotive Industry in Iran's Economy

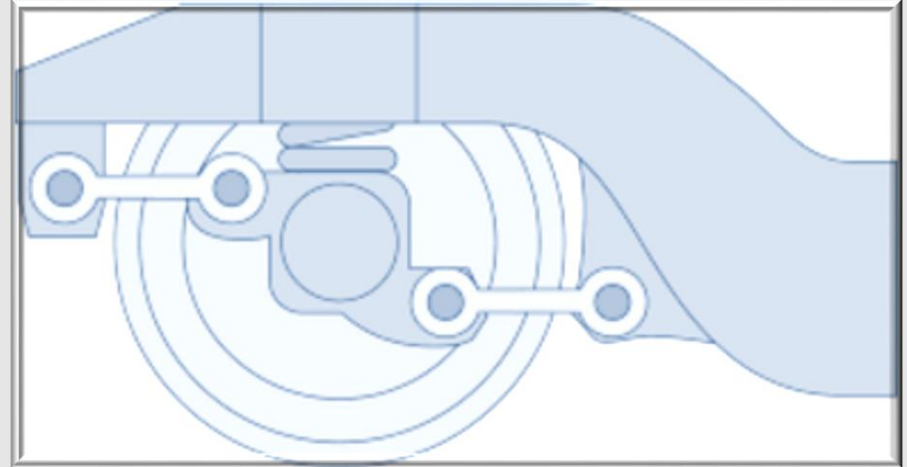
Auto industry can be regarded as one of the key industries in Iran's economy as:

- ❑ It contributes to 13 percent of the total value added in the industrial sector (2011 statistics);
- ❑ it provides job for 12 percent of industrial labor force, ranking as the 3rd job generating industry;

Despite pressures of sanctions, economic recession, drastic reduction of investment and having lost 50% of its share in the industry in recent years, the automotive sector has retained its significant position as the third highest job-creating industry in the country.

Strong Backward linkages

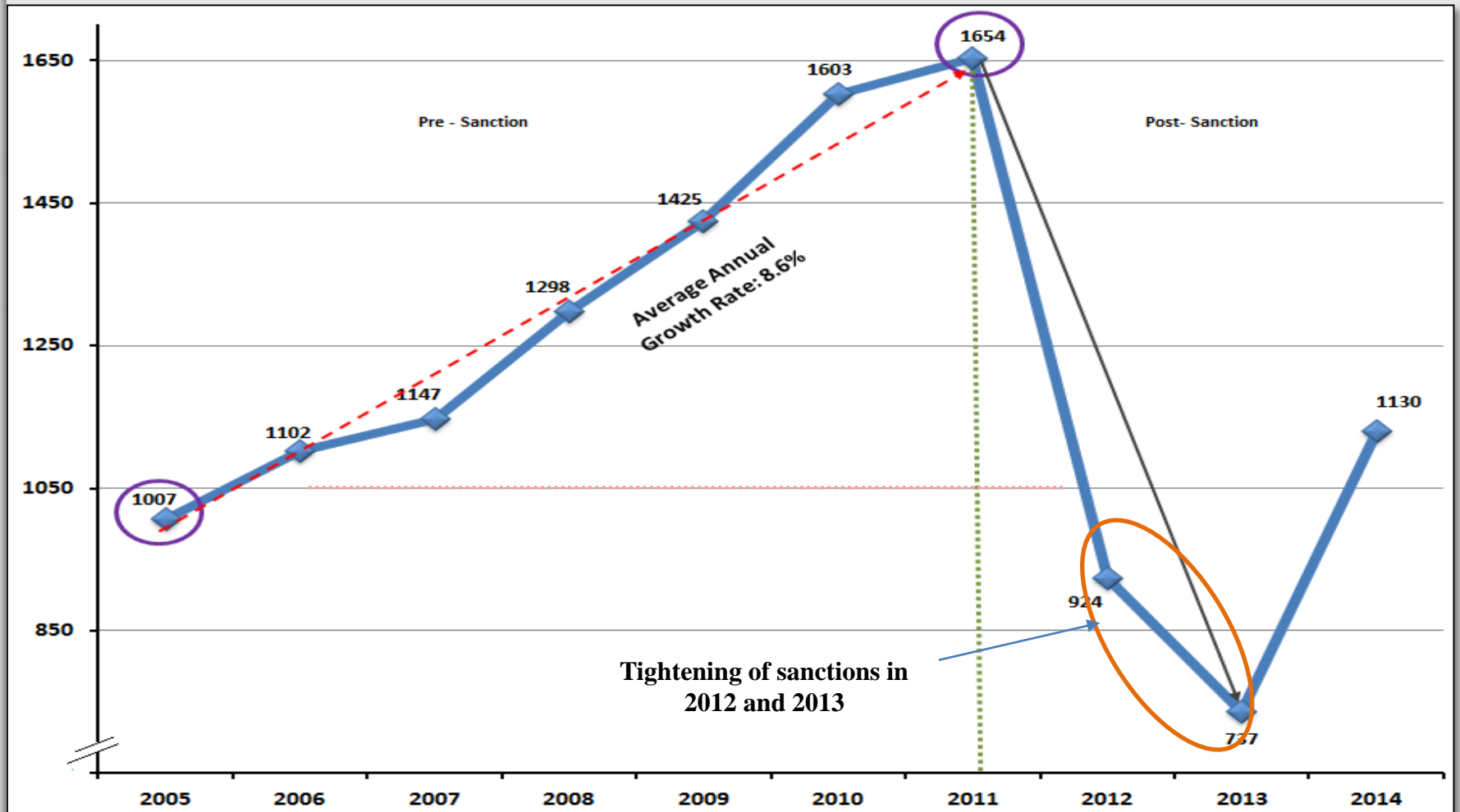
Iran's auto industry has strong backward linkages with the other economic sectors. It is ranked as the 2th industry in terms of backward linkages (out of 23 manufacturing industries).



Therefore:

The automotive industry can be regarded as one of the key industrial growth drivers in Iran

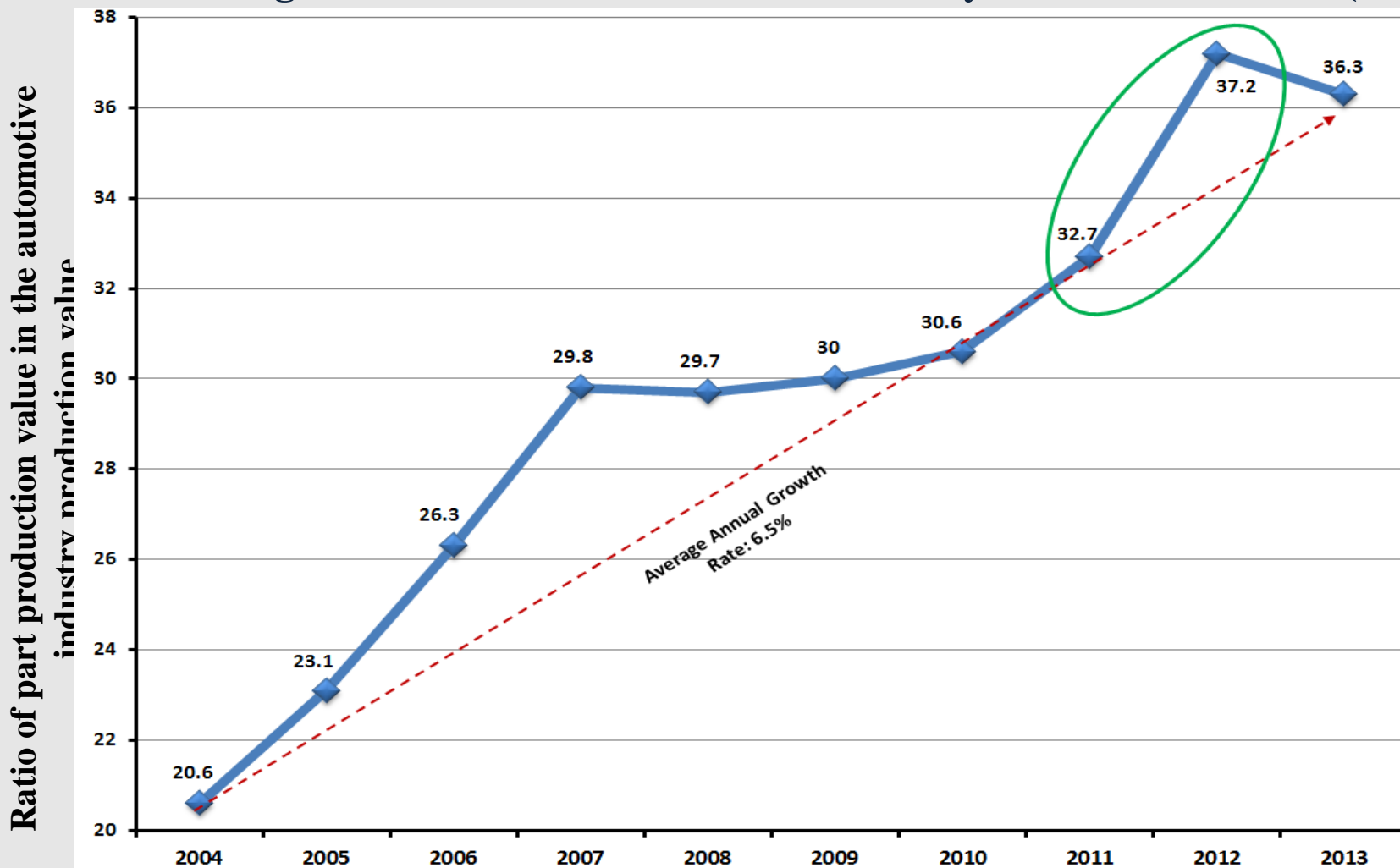
Production of Iran's Auto Industry (1000 Units)



Source: Ministry of Industry, Mines and trade



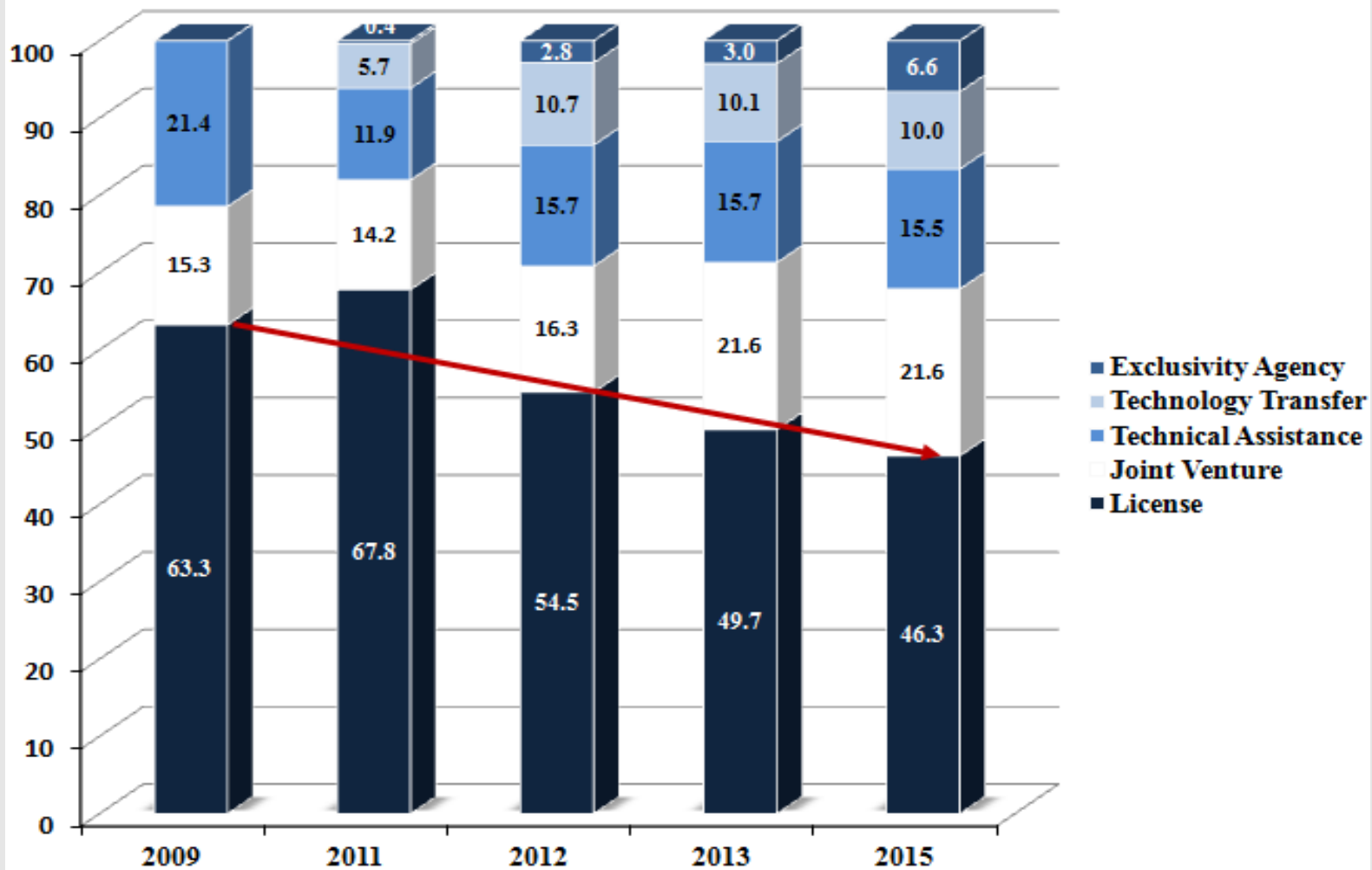
Increasing Share of Parts in the Auto Industry Production Value (%)



Source: Statistical Center of Iran

Improvement of the local content in Iran's automotive industry from 20.6% to 36.3%, despite economic sanction pressures.

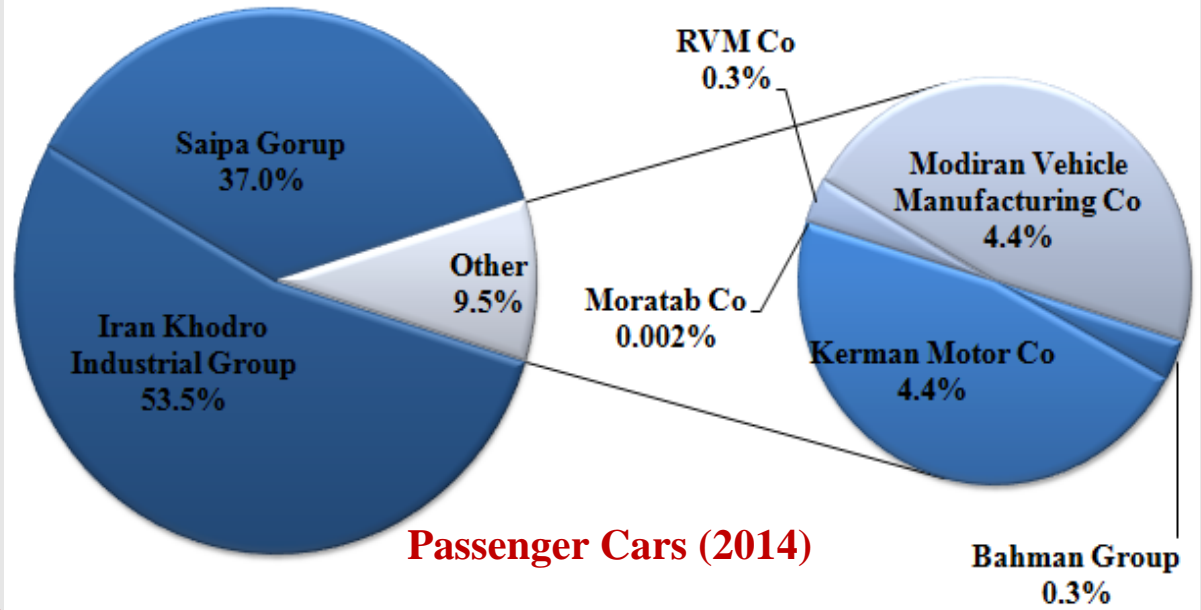
International Cooperation in auto parts



Source: <http://www.iapma.ir/>

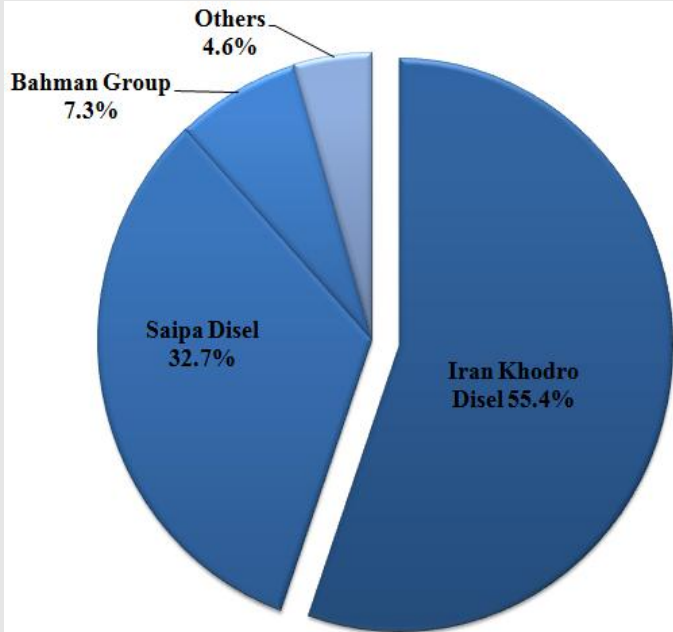
Increasing share of joint venture and technology transfer has resulted in the improvement of local content

2. Iran's Automotive Market Structure



Passenger Cars (2014)

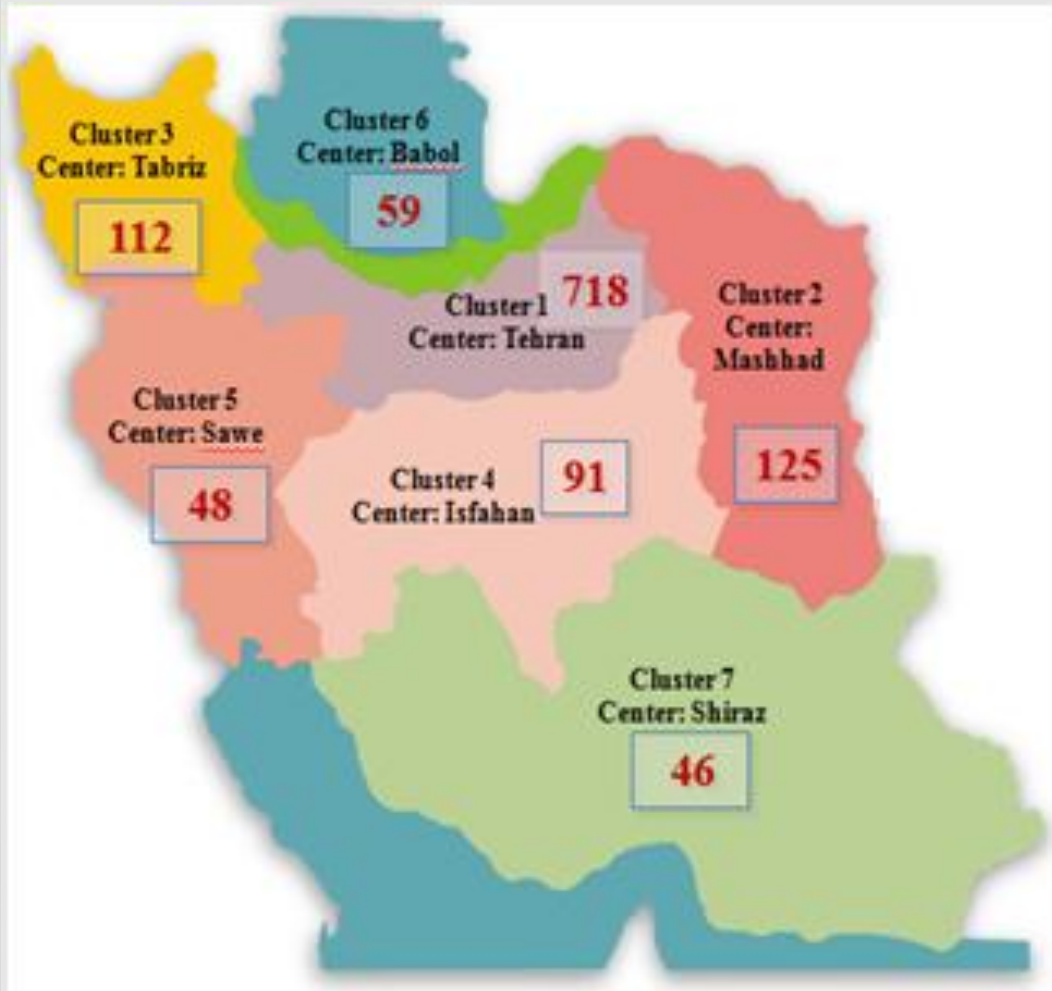
Commercial Vehicles (2014)



Source: Calculations based on the data form Ministry of Industry, Mine and Trade

Auto Part Production in Iran

Dispersion of auto part clusters in Iran



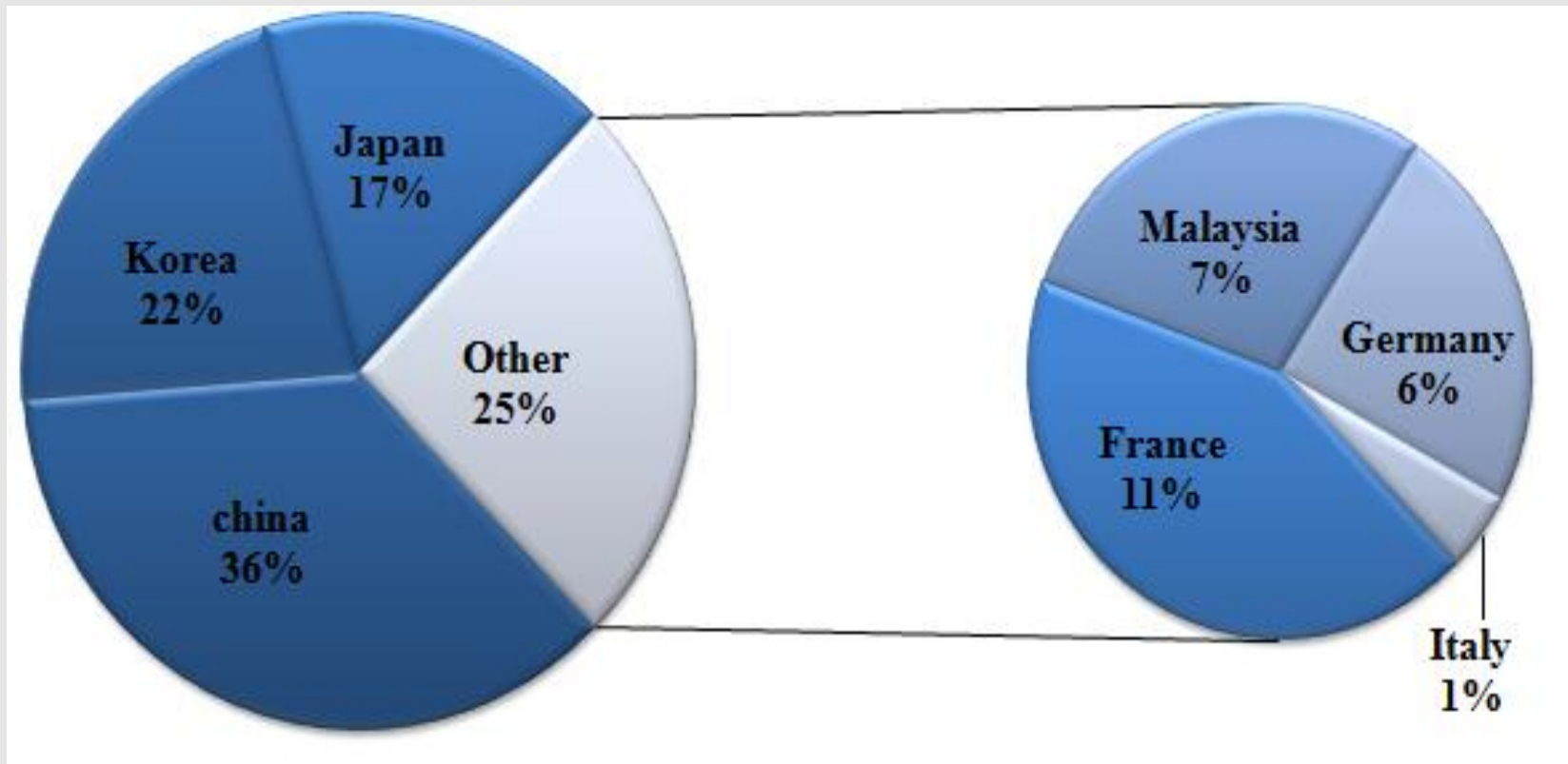
- Number of auto part manufacturers in supply chain: 1200
- Number of Clusters: 7
- Working Capital: 4.5 billion \$
- Sales (2015): 7 billion \$
- Share of industrial value added: 9%
- Investment: 3 billion \$

Source: <http://www.iapma.ir/>

International Cooperation in automotive (2014)

- ❑ Dominance of cooperation in the form of license (in passenger and commercial vehicles),
- ❑ lack of joint venture contracts in the commercial vehicle, whilst 14 cases in the passenger car

Combination of License contracts: Passenger cars



Source: Calculations based on the data of ministry of industry, mine and trade



3. Opportunities and Challenges ahead



3. Opportunities

- ❑ The strategic goals set for automotive industry in horizon 2025 in 4 categories.
- ❑ Market Potentials and Proximity
- ❑ Effective demand in domestic Auto market
- ❑ Using old platform and being ready to use new platforms
- ❑ Availability of required conditions for entrance of Non Chinese companies in post-sanction period to supply original parts.
- ❑ Higher custom duties on CBU and thus increase in final cost

3. Challenges

- ❑ large number of auto part manufacturer without economic scale and access to tier1.
- ❑ Concentrated market structure for automotive market
- ❑ Complicated Private – Public Structures in many companies (for example 80 percent of Iran khodro's stocks belongs to 14 companies with private – public stockholders).
- ❑ Price regulation made by competition council

Therefore:

Through international cooperation in automotive industry, it is expected to:

- ❑ Balanced development of automotive industry value chains from auto part manufacturing to after sale services,
- ❑ Enhanced cooperation with leading global companies in the form of joint venture (not just license) and emphasis on export
- ❑ increase depth of local content. local content requirements in new joint venture contract increase to 40% (Ministry of Industry, Mines and Trade)
- ❑ Finally, Enhanced outward orientation in auto industry and its participation in Global Value Chains (GVC's).

Thanks for Your Attention