

## TURKISH AUTOMOTIVE MARKET REPORT

### AUTOMOTIVE INDUSTRY INFORMATION

The Turkish automotive industry has been active since the early seventies. Initially, the majority of the market development was based on imports and some level of local system integration. Since the full integration to the European Customs Union in 1994, Turkey has become a major production platform for global automotive manufacturers.

Currently there are 15 multinational vehicle manufacturers with their own production facilities in Turkey (excluding farm tractor producers). While some of these companies are engaged in a joint venture with Turkish companies, others are operating independently.

Companies	Production Lines	% of total production	% of total sales
Honda	Passenger Cars	17.05	18.80
Anadolu-Isuzu	Truck, LCV	15.72	4.86
B.M.C.	Truck, Bus, LCV	22.64	18.68
Askam	Truck, LCV	24.12	19.97
Ford-Otosan	Truck, LCV	6.72	10.09
Hyundai-Assan	Passenger Cars, LCV	1.30	2.58
Karsan-Peugeot	LCV	0.21	0.23
M.A.N.	Tow Truck, Truck, Bus	1.75	2.68
Mercedes Benz	Truck, Bus	0.65	1.33
Otokar	Military Vehicles	0.52	1.08
Otoyol-Iveco	Tow Truck, Truck, LCV	1.98	4.82
Oyak-Renault	Passenger Cars	0.72	1.62
Mitsubishi-Temsa	Truck, Bus, LCV	1.50	3.52
Tofas-Fiat	Passenger Car, LCV	0.42	0.91
Toyota	Passenger Car	0.26	0.65

One of the main reasons for the global players to be present in the Turkish market is the lively growth potential that the country offers as far as the sheer number of vehicles is concerned. Compared with 2003, the local demand for new vehicles increased by 92.1% in 2004 with a record number of 753,731 vehicle sales. Nearly 58% of all vehicles sold were imported.

#### Vehicle Sales in Turkey

	2003	2004	%
Passenger Cars	227,036	451,209	99 %
LCV	137,033	246,886	80 %
Other LCV	28,270	55,636	97 %
<b>Total Vehicles</b>	<b>392,339</b>	<b>753,731</b>	<b>92 %</b>

### Turkish Automotive Industry Foreign Trade 2004

	Export	Import
Passenger Cars	305,072	311,659
LCV's	203,337	110,865
<b>Total Vehicle</b>	<b>508,409</b>	<b>422,524</b>

(Excluding farm tractors)

The vehicle count in Turkey consists of 7.6 million motor vehicles: more than 4.7 million are passenger cars and around 2.9 million are commercial vehicles. Most of the motor vehicles (some 32%) are concentrated in the area around Istanbul, followed by 22% in the Anatolian Region. The following figures show that there is still a considerable growth potential in the Turkish automotive market.

COUNTRIES	1999	2000	2001	2004
Italy	640	645	654	617
Germany	609	612	617	554
Greece	296	312	328	375
<b>Turkey</b>	<b>61</b>	<b>66</b>	<b>66</b>	<b>73</b>

Number of vehicles per 1000 inhabitants

#### Automotive Production in Turkey

	2003	2004	%
Passenger Cars	294,116	447,152	52 %
Truck	19,041	31,790	67 %
Pick-Up	195,606	301,563	54 %
Bus	4,490	4,839	8 %
Minibus	13,835	28,161	104 %
Midibus	6,534	9,903	52 %
Farm Tractor	28,794	38,627	34 %
<b>Total Vehicle</b>	<b>562,414</b>	<b>862,035</b>	<b>53 %</b>

According to the governmental agencies and industry related associations, there will be a steady growth in the Turkish automotive market rather than a rapid surge, as long as there are not unforeseen negative developments in the domestic and/or global economic and political arenas.

In the future, a moderate increase in passenger car ownership can be expected, rising from around 73 per 1,000 inhabitants in 2004 to 95 cars per 1,000 inhabitants by 2008.

#### Turkish Automotive Market Local Sales Forecast

	2004	1 <sup>st</sup> half of 2004	1 <sup>st</sup> half of 2005
Passenger Cars	451,209	235,675	186,288
LCV	246,886	118,114	115,930
Other LCV	55,636	27,460	21,695
<b>Total Vehicles</b>	<b>753,731</b>	<b>381,249</b>	<b>323,913</b>

These statistics and forecasts show a very positive outlook for the Turkish automotive market. Additionally, since many purchasing decisions for OEM components are being made locally, foreign investors can anticipate significant potential in the Turkish automotive industry.

## **AUTOMOTIVE COMPONENTS INDUSTRY**

The Turkish automotive components industry reaches into many different sub-sectors of activity. In the last 10 years, Turkish producers of parts and components have attained high standards demonstrated by large export volumes to Western countries.

There are some 700 producers of automotive components and services in Turkey. Many of these have a direct foreign participation in their nominal capital. More than half of these manufacturers compete in international markets and set high standards of export figures. Among them are many small and medium manufacturers with advanced technologies, constant updates and support from outside Turkey, and a dynamic company structure. 30% of the companies in the Turkish market possess international certifications, enhancing their global market position.

The main product lines of Turkish component manufacturers include:

Casting	Forging
Engines and transmissions	Body panels
Fixings	Batteries
Auto glasses	Electrical Equipment
Various plastics parts	Suspension systems
Power-train parts	Hydraulic and pneumatic systems
Clutch parts and components	Chassis frame and parts
Seating, inner trimming and safety components	Lights - plastics and Filaments
Mirrors	Wiper systems
Brakes	Filters
Springs	Radiators
Wheels	Various aluminium parts

The production capacity of the Turkish components industry now amounts to nearly US\$ 10 billion worth of goods annually. However, in 2004, the consumption rate of locally produced products was only 40%, creating a substantial demand for imported parts and components. In whatever direction the figures shift, Turkey will always have a competitive advantage on both edges: high demand for foreign production and encouraging conditions for investing in local production.

### **Components industry Foreign Trade Figures**

(Million USD)	2002	2003	2004	2005 (1 <sup>st</sup> half)
Imports	2,704	3,942	6,544	3,724
Exports	1,799	2,453	3,093	1,782
Exports / Imports	66 %	62 %	47 %	48 %

### **Automotive Exports (US\$-Million)**

Years	OEM	Suppliers	Total
1999	1.053	1.184	2.237
2000	1.044	1.340	2.384
2001	2.183	1.692	3.875
2002	2.899	1.902	4.801
2003	4.128	2.390	6.518
2004	6.974	3.046	10.020
2005/ 1 <sup>st</sup> half	5.953	2.731	8.684

## **Automotive Repair Services**

In Turkey, automotive repair and maintenance services are provided in two ways: small independent garages and authorized service stations.

### **Independent Garages**

There are tens of thousands of small and medium sized garages located in virtually every part of the country. Predominantly, they are owned by individuals operating in the smaller cities and rural areas where authorized services are less well established by the vehicle manufacturers. These garages can cater to all brands and carry out all types of work. The technicians are free to choose any replacement brand and their services are not usually covered by warranties. These circumstances help to create a more competitive price.

### **Authorized Service Stations**

Automotive manufacturers that have been producing in the Turkish market for a long time have already established their authorized service station networks around the country. Though they may be unable to cover every small town, they have at least one authorized service station in each city.

As the profit margins of the automotive manufacturers from the sales of vehicles are shrinking, manufacturers are looking into maintaining their revenues by increasing auxiliary services for their customers. It is expected that every manufacturer active in Turkey will continue to expand the service station network in the future.

### **Gas Stations**

With a close affinity to the petroleum and energy industry, the gas stations also have a marked relationship with the automotive components industry: the majority of filling stations also offer repair, maintenance and tuning services which widens the market for the components and parts suppliers.

Currently, there are approximately 7,500 gas stations in Turkey. Though the exact figures are not available, many of these establishments also operate automotive servicing facilities. This is particularly common in the rural areas. These gas stations offer repair and maintenance services, car wash facilities and develop their businesses assertively by also establishing convenience stores on-site. The high potential for profit prompts the owners and operators of these stations to offer a multiple services in a 'one-stop-shop'.

These receptive market conditions, combined with a growing population and increasing purchasing power, stimulate extremely favorable opportunities on all levels of operation and production.

**For further information on the Turkish automotive sectors, as well as about how to enter this promising market, please contact:**

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