

Kyrgyzstan

Capital: Bishkek
Population: 5.356.869 (2008 estimate)
GDP*: \$10.764 billion (2005 estimate)
Currency: som (KGS)
Language: Kyrgyz, Russian

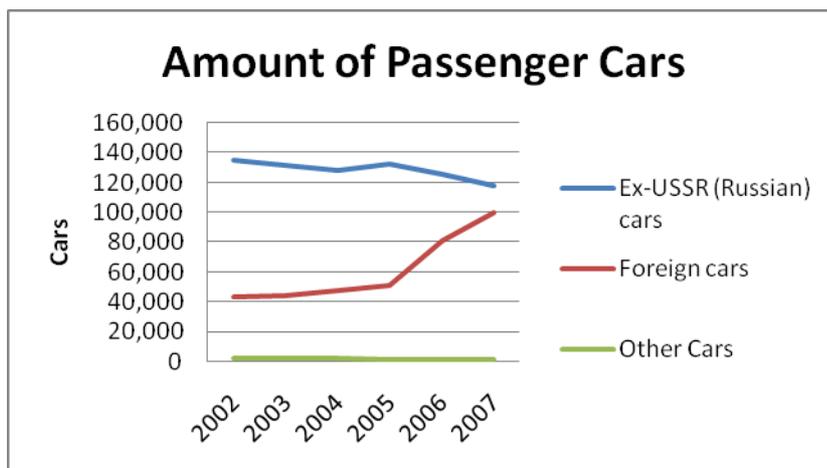


Summary

Kyrgyzstan is a small landlocked state located in Central Asia with a population a little over 5 million people. It borders with China, Kazakhstan, Uzbekistan and Tajikistan. The Kyrgyz economy is primarily comprised of services and agriculture, with a small contribution of industrial production. Industrial production is largely represented by gold production, and on average remains the largest export commodity for Kyrgyzstan.

There is no local automobile production and all vehicles are imported. The Kyrgyz automobile market is not well-developed, although the market has experienced steady growth in the past few years. The market is primarily represented by older cars of the 90's and older. Currently there are around 220,000 passenger cars registered in the Kyrgyz Republic. Soviet-type cars used to have a much larger share in the total amount of cars in Kyrgyzstan. In 2002, their share amounted to 72% of all passenger cars. Since 2005, the situation started to change dramatically, and foreign-produced cars are very close to outpacing the amount of Soviet-type cars. In 2007 only 54% of all passenger cars were represented by Soviet-type cars, the rest were foreign.

Number of Passenger cars registered with State Auto Inspection



Source: National Statistics Committee

Around 71,000 out of 220,000 of all passenger vehicles are located in the capital of Kyrgyzstan, Bishkek. Among those 60% are foreign type passenger cars.

Current Market Trends

Popular Brands

The most popular brands in Kyrgyzstan include Mercedes Benz, Audi, BMW, Volkswagen, Mazda, Toyota, Nissan and some Russian brands. There are other brands present on the market, but they have a significantly smaller share due to poor technical service support.

Current Market Trends (continued)

Dealerships

There are very few certified dealers in Kyrgyzstan. Existing dealers of new cars include Hyundai, Tyan-Shan Lada, and Mitsubishi Motors. Several other service stations provide technical support for popular used cars. The absence of official dealers or sufficient technical support for other brands causes customers to avoid buying other brands of cars.

Technical Service

There are numerous private technical service stations all around Kyrgyzstan, but it is close to impossible to find a service station that would deal with the whole spectrum of car problems. It is also common, that one service station would specialize only on certain car brands. In 2007 technical service market was estimated at around \$20 million and year on year experienced a steady growth.

Spare Parts

Imports of spare parts have tripled in the last three years amounting to \$40 million in 2007. The United States increased its share in spare parts exports to Kyrgyzstan from 1.7% in 2004 to 15.7% in 2007. The major exporter of automobile spare parts remains Netherlands, which has reached a market share of close to 50%. Spare parts are sold at large open markets, as well as in specialized stores and official service centers.

Import of automobile spare parts, 2004-2007.

Import of automobile spare parts	2004	2005	2006	2007
Total	\$ 12,279,900	\$ 14,466,200	\$ 24,621,100	\$ 40,705,700
USA	\$ 209,100	\$ 1,235,300	\$ 1,921,000	\$ 6,387,900

Source: State Customs Committee (<http://customs.gov.kg>)

Market Entry

The legislative side of automobile imports has some loopholes, which prevent legal entities from operating normally. Legal entities, which import cars, have to pay up to 40% of the car's value in taxes and duties when importing a car, while an individual pays a smaller fee, which depends on the engine volume. That is why legal entities cannot compete with individuals legally. Normally companies will order cars from abroad on the names of their employees, and not on the company name.

The government has attempted to pass some laws prohibiting the import or use of right-hand drive cars on the territory of Kyrgyzstan, but none had taken any force so far.

Main Competitors

Passenger car imports 2004-2007.

Import of passenger cars (Units)	2004	2005	2006	2007
Total	29,258	4,032	2,170	8,458
Japan	4,141	668	1,002	5,997
Russia	2,568	768	768	1,349
Germany	19,581	1,799	107	543
United States	307	96	55	143
Uzbekistan	133	41	50	139
South Korea	1,637	514	91	138
China	-	-	52	94
Great Britain	133	23	3	1

Source: State Customs Committee (<http://customs.gov.kg>)

Main Competitors (continued)

Kyrgyzstan heavily relies on imports of mostly used cars, because there is no local production of vehicles. The primary sources for car imports are Japan, Germany, Russia, United States and South Korea. There used to be a large amount of car imports coming from Germany, but this tendency has changed in the last few years shifting to Japan, Russia, United States and South Korea.

Japanese cars have become very popular in the last few years, because they are almost new and are much cheaper than cars from other countries. Their only disadvantage is that these cars are right-hand drive vehicles. Current legislation allows right-hand drive cars to be imported and used on the territory of Kyrgyzstan. This is in contrast to neighboring Kazakhstan and Tajikistan which have restrictions on the import and use of right-hand drive cars. This allows Kyrgyzstan to import these cars more cheaply. Currently there are 8,277 right-hand drive vehicles registered in Kyrgyzstan, and 70% are located in Bishkek.

Current Demand

Official statistics indicate that there are only around 50 cars per 1000 people in Kyrgyzstan, while the average in neighboring CIS states is 150 cars per 1000 people. There is a huge potential to grow further. An ongoing increase in the amount of traffic jams on the roads of major cities of Kyrgyzstan proves that the market is developing and will follow the same path in the future.

Currently people are buying a lot of used cars from the United States from private entrepreneurs and well-established companies. Imports from the USA can be significantly increased if there are going to be service centers for US cars and availability of spare parts for American cars.

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