

Singapore

Capital: Singapore City
Population: 4,588,600 (2007 estimate)
GDP:* US\$171.95 billion (2007 estimate)
Currency: Singapore dollar
Language: English, Malay, Mandarin, Tamil



Summary

The projected growth of the car population is optimistic and there is little doubt that demand for automotive parts and accessories will increase. The total number of motor vehicles on Singapore roads has been increasing over the past three years on an average annual rate of 6.2%. This growth pattern is anticipated to remain unchanged for the next three to five years. These developments certainly bode well for U.S. business for the foreseeable future.

New Motor Vehicle Sales (in units)

	2005	2006	2007
Cars & Station-Wagons	432,827	465,482	505,987
Rental Cars	7,756	9,235	11,054
Taxis	22,383	23,334	24,446
Buses	13,494	14,120	14,530
Goods & Other Vehicles	139,098	144,466	150,979
Motorcycles & Scooters	139,434	142,736	144,340
Total Motor Vehicles	754,992	799,373	851,336

Source: Land Transport Authority, Singapore

Current Market Trends

Singapore's market offers opportunities in the automotive components sector, which continues to grow. Recent investments reflect the importance of Singapore as a major manufacturing base, especially for the production of higher value-added engineering systems. Many leading multinational corporations (MNCs) have set up international procurement offices to source high-quality and competitively-priced automotive parts. They have established their operational headquarters in Singapore to coordinate their manufacturing and distribution operations for the region.

After reaching ten years of age, cars must be scrapped or face hefty road taxes. Those owners who get rid of their cars are entitled to receive a lump-sum benefit under the "Preferential Additional Registration Fee (PARF)" plan introduced in 1975. The sum, determined by engine capacity, may be used to offset the registration fee of a new car, but it is not applicable to cars previously registered outside Singapore. Those who keep their cars more than ten years must pay a surcharge on their road tax of between 10-50%.

As a result of this fairly high turnover there is very small market for remanufactured/reconditioned cars and auto parts. There are very few reconditioned automotive parts and supplies dealers because new parts are preferred. Since there is no domestic production of automobiles in Singapore, imports must meet total market demand.

The demand for accessories, car-care products, prestige items, and new spare parts is also high as vehicle owners maintain their cars in top condition. Singapore also serves as the primary distribution center for automotive products in Southeast Asia.

Market Entry

A common belief in Singapore was that automobiles with automatic gears were hard to service and maintain, therefore, manual gear cars were the norm. This perception is slowly fading, as more new cars with automatic transmissions are being sold. Companies looking to sell in Singapore should consider making their cars available in both manual and automatic gears.

Another hindrance to selling American cars in Singapore is the reluctance of American car companies to produce right-hand drive cars. U.S.-built vehicles are admired for their design and user benefits. Interest in multi-purpose vehicles (MPV) runs high. On the whole, the MPV market is expanding faster than any other segment. American manufacturers who are willing to design their cars in the right-hand drive mode would have better sales prospects in Singapore than those who don't. GM is the first American automobile producer to launch its seven-seater Opel Zafira in the Singapore market. Needless to say, there is room for more American involvement in this marketplace.

In view of the competitive nature of the local business environment, any American company that is just starting to develop the local market is recommended to appoint a local representative. Once business has matured, the establishment of a representative office might then be desirable to exploit regional potential.

Main Competitors

The automobile market in Singapore is highly competitive, though the Japanese manufacturers dominate car sales. Statistics released by the LTA showed a 9.0% growth in the car market for 2007. Toyota (which sold 146,597 units last year) maintained its lead as the best selling motorcar brand in 2007. Honda, with sales of 67,830 units last year, was second, followed by Nissan, Hyundai and Mitsubishi. In terms of market share in Singapore, Toyota had a 28.35% share last year, while Honda had a 13.12% market share.

Parts come from neighboring countries such as Malaysia, Thailand, Taiwan, China and India. Singapore also affords easy access for original equipment parts from Japan, the U.S. and EU and ensures fast delivery time of replacement parts.

An analysis of recent LTA figures clearly shows that only 9 out of the 60 mainstream makes suffered lower sales last year. Those with fall in sales included Mercedes, Ford, Renault, Hyundai, Opel, Jaguar, M.G., Triumph and Datsun. The LTA figures also showed that all other brands posted gains. The most significant growth included those posted by Alfa Romeo, Volkswagen, Chrysler, Jaguar, Ford and Chevrolet. Observers are optimistic that the year will end with more winners than losers because of the huge increase in COE numbers barring any global economic crisis.

Parallel importing is becoming a visible trend in the local automobile industry. Traditionally, parallel importers only sold Mercedes-Benz because of the demand and the profit margin. Parallel importers have increased their presence here, boosted largely by the availability of excess stock in Japan. According to estimates, the makes offered by these importers included Toyota, Nissan, Mitsubishi, Honda and Mercedes-Benz. Trade observers said the lackluster Tokyo economy gave rise to a ready supply of cars, thus contributing to the influx of Japanese grey imports here. These are priced lower than the local distributor's prices. This is possible because of a lower Yen, but a more likely possibility is the fact that these importers invest next to nothing on after-sales service, infrastructure or warranties.

Current Demand

When considering auto parts, one must remember that Singapore's focus is on the production of high technology and low labor-intensive parts. Singapore has positioned itself as the regional center for the manufacture and design of high-tech auto components for the OEM and the replacement parts market. Singapore firms engage a wide range of sophisticated manufacturing technology, such as in-process x-ray inspection, vision control assembly machines and hybrid technology. A broad variety of automotive components are being produced. They are: electronic sub-assembly (like ignition control modules and pressure sensors), engine parts (such as gaskets and oil seals), compressor parts and automotive audio systems, and transmission components (such as universal joint kits). There is also great interest in advanced propulsion system and exotic metal research, particularly in view of the "green" movement initiated by the Government to reduce carbon pollution.



Barriers

The greatest obstacle for U.S. automobile imports is the prohibition of left hand drive vehicles. Those right-hand drive American cars on the road in Singapore are: Ford Taurus, DaimlerChrysler's Cherokee, General Motor's Opel and, to a lesser extent, Cadillac.

Trade Events

Singapore Motor Show 2008

September 26 – October 5, 2008

Type: The Singapore Motor Show is staged biennially. It is a marketing showcase for manufacturers and distributors of passenger vehicles covering concept cars, convertibles, exotic cars, hot hatches, performance cars, saloons, sport cars, and super luxury sedans. The exhibit profile also incorporates the full range of commercial vehicles as well as OEM parts, workshop equipment, accessories and aftermarket products.

<http://www.motorshow.com.sg>

Available Market Research

Overview: Singapore Automotive Industry (May 2008)

U.S. Commercial Service Contact Information

Name: HawCheng Ng
Position: Commercial Specialist
Email: HawCheng.Ng@mail.doc.gov
Phone: (65) 6476-9037