

UZBEKISTAN PASSENGER CARS MARKET OVERVIEW

May 2023

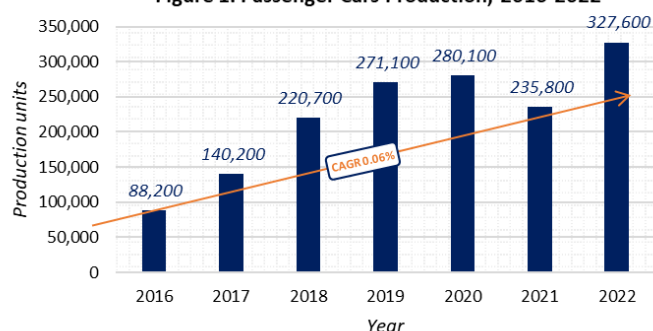
The article will present key takeaways from the automotive industry in the context of Uzbekistan's passenger cars market including electric cars because of its substantial share in the total industry. Overview and dynamics of the market from the supply and demand sides, its trends, forecasts and recommendations will be included in the article.

INTRODUCTION

During the period of ongoing reforms and policy developments, Uzbekistan's automotive industry¹ has achieved significant results. Thus, over the period 2017-2022, the share of Uzbekistan's automotive industry in GDP increased from 0.5% to 1%. Meanwhile, the production volume enhanced from 3.3% to 5.7% of GDP in the corresponding period (Statistics Agency under the President of the Republic of Uzbekistan, 2022). Nowadays, more than 28,000 people are employed in the industry. Also, it is in 1st place in Central Asia and 2nd place after Russia in the CIS countries in terms of production.

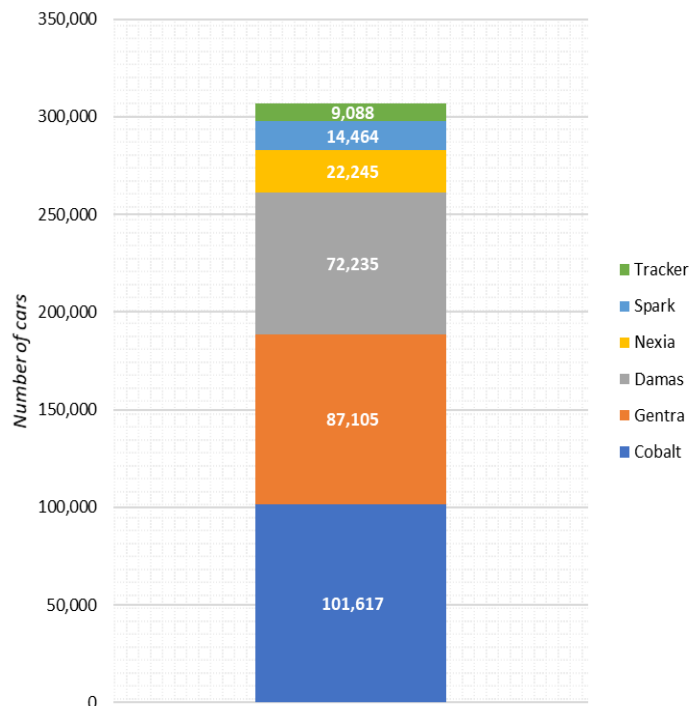
PASSENGER CARS

Figure 1. Passenger Cars Production, 2016-2022



According to UzAuto (2023), over the period from 2016 to 2022, the **production** of passenger cars increased by 3.7 times with a CAGR of 0.06% (see Figure 1). Despite the significant fall in passenger car production in 2021 as a result of the global chip shortage that is still impacting the automotive industry around the world, we observed a positive production trend.

Figure 2. UzAuto Motors' Passenger Cars Production by Model



Nowadays, the main producer of passenger cars is a national company, UzAuto Motors² with a production capacity of 340k units in 2022³ (UzAuto Motors, 2022). It should be noted that in 2022 UzAuto Motors produced 306.8k passenger cars. Among the different models produced that year, the Cobalt was the most manufactured model, with more than 101k units. The Gentra and Damas came in second and third position respectively (see Figure 2) (Statistics Agency under the President of the Republic of Uzbekistan, 2022).

Regarding the **CIS region outlook**, Uzbekistan is ranked among the Top-5 CIS countries that have an automotive industry (CIS Info, 202). So, in 2021, the production volumes of passenger cars⁴ in these countries amounted as follows: Russia – 1.4 mln, Uzbekistan – 236k, Kazakhstan – 93k⁵, Belarus – 35k, and Azerbaijan – 2k units.

Moreover, UzAuto Motors was part of the Top-5 largest producers of passenger cars in the CIS region. In 2022, the

¹ Motor vehicles, trailers, and semi-trailers.

² UzAuto Motors was founded in 1994; it is the largest producer of passenger and commercial vehicles, including the production of components in Uzbekistan.

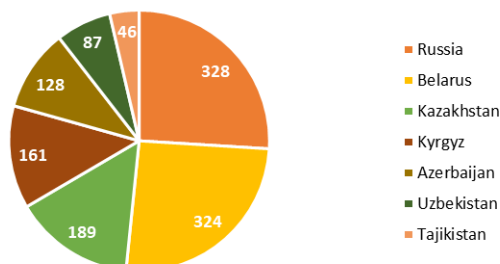
³ 212.5k in 2021, 280k in 2020 (UzAuto Motors Business Plans for 2020-2022).

⁴ Including light commercial vehicles.

⁵ Including buses and trucks.

Top-5 producers were represented by companies such as AvtoVaz (Russia) – 430k, UzAuto Motors (Uzbekistan) – 236k, Hyundai Motor Manufacturing Rus (Russia) – 234k, Avtotor (Russia) – 177k, and Volkswagen Group Rus (Russia) – 118k (CIS Info, 2022).

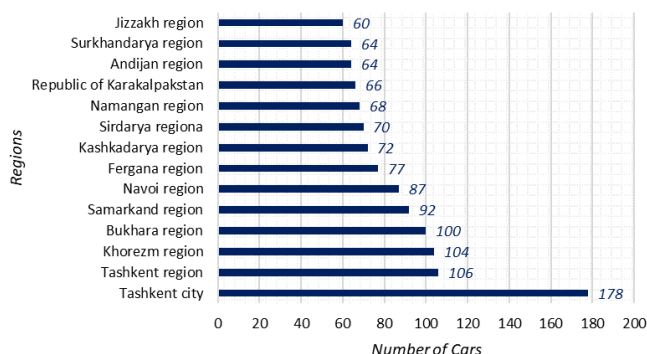
Figure 3. Number of Cars per 1,000 Permanent Residents



In terms of the **number of cars per 1,000 people**, Uzbekistan lags far behind other CIS countries, with 87 cars per 1,000 permanent residents, ahead of only Tajikistan (see Figure 3) (Statistics Agency under the President of the Republic of Uzbekistan, 2022).

At the regional level, the largest number of cars per 1,000 people belongs to Tashkent city – 178, Tashkent region – 106, Khorezm region – 104, and Bukhara region – 100. The smallest ones are in the Jizzakh region – 60, Surkhandarya and Andijan regions – 64 units.

Figure 4. Number of Cars per 1,000 Permanent Resident by Regions



In line with the annual production growth, passenger car **sales** also are increasing. Thereby, in 2022, the total number of passenger car sales climbed sharply by 2 times in comparison with the sales in 2021 (from 646.9k to 1.3 mln) (Uzbekistan Traffic Police, 2022).

In 2022, the leading regions by sales were Tashkent city – 269k, Fergana region – 135k, and Namangan region – 109k, whereas the smallest number of sales was traced in Sirdarya region – 25k, Jizzakh region – 39k, and Navoi region – 38k (see Figure 6).

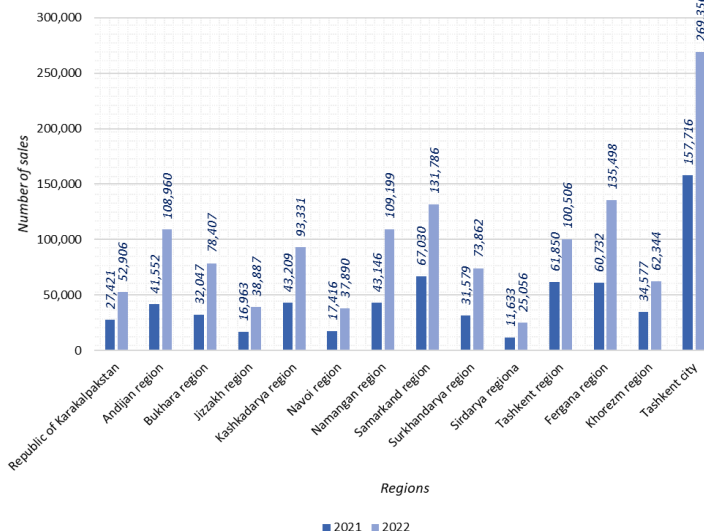
Also, over the period from 2021 to 2022, passenger car sales on the primary market increased by 48% from 193k to 286k.

At the same time, sales of new cars that were domestically produced raised by 49% from 179k to 267k, meanwhile, the sales of new foreign-made cars enhanced from 14k to 19k. In addition, sales on the secondary market grew up by 2.3 times from 454k to 1mln.

It is clear-cut that the viability of the automotive market depends heavily on state protectionism. Moreover, there are issues with the affordability of consuming new domestically produced cars due to low average wages, and high interest rates on car loans and leasing. Overall, importing cars is much more expensive than buying locally produced cars.

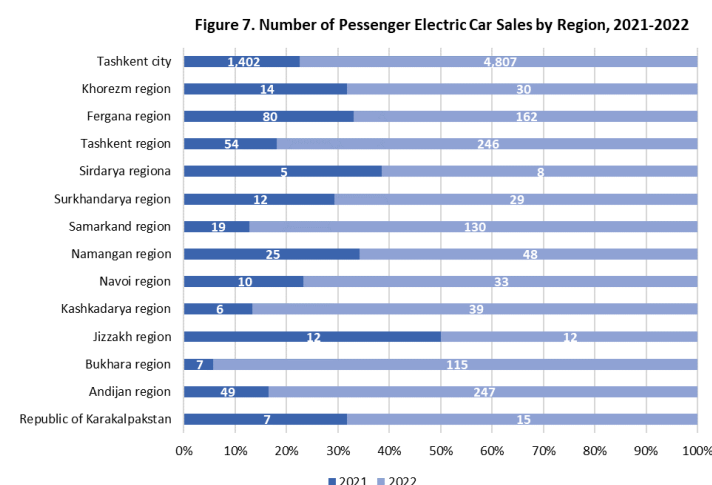
Despite these challenges, JSC “Uzavtosanoat” presented its strategy for the development of the automotive industry in Uzbekistan JSC “Uzavtosanoat” in 2019. In line with this, the Decree of the President of the Republic of Uzbekistan “On additional measures for the accelerated development of the automotive industry of the Republic of Uzbekistan” was issued that declared a national IPO, a launch of production of new car models (Chevrolet Onix and Tracker), reduction of time for car production, etc.

Number of Passenger Car Sales by Region, 2021-2022



ELECTRIC CARS

Uzbekistan has not yet launched the **production** of sustainable cars. Today, the country relies on the import⁶ of electric vehicles. The infrastructure of electric filling stations and specialists is at an early stage of development; thus, it is expected that the import of electric vehicles soon will not significantly affect the market as a whole. However, to achieve carbon neutrality, the government exempted electric cars from customs duty, excise tax in 2019 and motor vehicle charges in 2021.



However, as a result of measures taken, more than 5k were sold in 2022. The sales surged by 3.5 times from 1.7k to 5.9k in 2021 and 2022, respectively (Uzbekistan Traffic Police, 2022). Furthermore, the **sales** on the primary market soared by 3.3 times over the last 2 years from 1.2k to 3.9k, in comparison, the secondary market recorded 3.9 times growth.

At the regional level in 2022, the highest demand for electric cars was observed in Tashkent city – 4.8k, Andijan region – 247, and Tashkent region – 246 units. Whereas, the low sales were placed in the Sirdarya region – 8, Jizzakh region - 12, and Republic of Karakalpakstan- 15 units (see Figure 7).

To accomplish the goal of producing the most fuel-efficient vehicles, in 2023, UzAuto Motors and BYD Auto Industry Co. Ltd., a subsidiary of the Chinese technology group BYD Company Ltd., set up a joint venture which called BYD Uzbekistan Factory⁷, to bring popular plug-in hybrid electric vehicles of the BYD brand in Uzbekistan.

On May 19, 2023, the President of the Republic of Uzbekistan Shavkat Mirziyoyev, as part of his state visit to the People's Republic of China, launched the construction of BYD Uzbekistan Factory for cars production based on alternative and renewable energy sources (UzDaily, 2023). That makes Uzbekistan not only the only country in the CIS producing a new type of energy vehicle (NEV) but also the country with the first experience of foreign production expansion for the world leader BYD Auto.

Thus, the production of BYD cars in Uzbekistan will be launched in the fall of 2023. This will allow Uzbekistan to gain access to advanced technologies in the electric vehicle industry and master the production of innovative cars with low CO₂ emissions.

The plant with a production area of 10.6 hectares will be set up based on the Jizzakh Auto plant in the Jizzakh region (Podrobno, 2023). It will operate following international quality and safety standards, allowing the introduction of advanced technologies for the production of NEV vehicles.

In the first stage, it is planned to produce over 50k cars of 2 models - Chazor (hybrid) and Song Plus (hybrid) annually. At the same time, the country will be in the process of further creating a vehicle production base for the full CKD: stamping, welding, painting, and assembly. This will create more than 2k new jobs at the enterprise.

In addition, ADM Jizzakh, one of the largest car manufacturers in Uzbekistan, announces the start of production of hybrid and electric vehicles in cooperation with Chery International, the leading Chinese car manufacturer (Repost, 2023). On May 19, 2023, Chery confirmed its intention to set up, together with ADM Jizzakh, the production of cars on a full cycle, including welding and painting of bodies, assembling and testing cars (CKD). Models for CKD assembly of ADM Jizzakh in Uzbekistan will be finally selected by the parties based on the analysis of the automotive market in Uzbekistan, however, it is assumed that the model range will consist of the following platforms: Tiggo family, including hybrid models (PHEV);

⁶ Import refers to new and used passenger electric cars imported by legal entities and individuals for personal usage, and new electric cars imported by dealers only for sale, which have passed customs registration.

⁷ The enterprise was registered in Jizzakh on January 23, 2023 with an authorized capital of 55 bln soums: 60% of the share belongs to JSC "Uzavtosanoat", and 40% belongs to BYD EUROPE B.V.

Arrizo family, including hybrid models (PHEV); electric vehicles. The lineup will be constantly updated in accordance with Chery's plans.

Overall, the electric car market is projected to grow because of the measures taken by the government. For instance, to promote the production of electric vehicles for 2023-2025, the government announced plans to purchase electric vehicles from state bodies, local khokimiyats and enterprises in which the state share does not exceed 50%. In addition, support will be provided for setting up the domestic production of electric vehicles and spare parts; also, compensation will be paid to customers to cover the interest on a loan for the purchase of domestically produced electric vehicles.

CONCLUSION

The government headed for the improvement of the industry by issuing the corresponding resolution in 2019. Since the automotive industry of Uzbekistan is at the very beginning of the path of market liberalization, the policy of protectionism will be deactivated slowly, and domestic demand will need to be met by using domestic capacities.

Also, in the short term, due to the pent-up demand accumulated due to the pandemic over the last 3 years, demand is expected to increase further. In the long term, demand generation will be largely influenced by GDP growth, population growth, replacement of older cars with newer models as well as further steps towards market liberalization.

Furthermore, the government steps toward the development of electric vehicle industry will have a positive impact on the further introduction of environmentally friendly transport and the reduction of harmful emissions into the atmosphere in Uzbekistan.

In line with this, the Development strategy of new Uzbekistan for 2022-2026 set the goal of developing cooperation and increasing the level of localization in the automotive industry with an increase in production by 1.4 times and its exports by 2 times (LexUz, 2022).

So, in 2021, Uzbekistan exported 28,9k cars to 10 countries in the amount of \$281.8 mln. Compared to 2020, the export of passenger cars increased by 10,4K (Statistics Agency under the President of the Republic of Uzbekistan, 2021). In addition, UzAuto Motors plans to increase the production capacity of passenger cars to 500k in 2023 (UzDaily, 2022). At the same time, the unification and updating of the model range of cars available to the general population was initiated (Mezon, 2019). Nowadays, the model range in the affordable car segment has been updated by releasing the Chevrolet Onix and the Chevrolet Tracker crossover.

Along with this, it is planned that the automotive industry will become more competitive due to the launch of joint ventures with 4 foreign manufacturers. The total volume of production is planned to be increased to 1 mln cars per year, including 300k electric vehicles. Total value added will more than double from \$20 bln to \$45 bln (SpotUz, 2023).

Darya Miroshnikova
Senior Research Fellow
Center for Economic Research and Reforms