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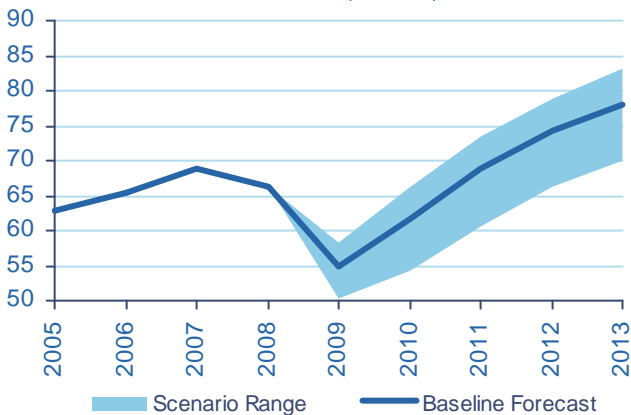
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## Quarterly Forecast Update: Global crisis yields mixed results and responses

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Our forecast for 2009 global light vehicle output now stands at 54.9 million units - the lowest year since 2001. But whereas in 2001 the BRIC countries accounted for only 5.1 million units (9% of the total), in 2009 they represent 13.8 million (25%), indicating that it is established industry players that are suffering the greatest pain.

Global Light Vehicle Assembly Outlook  
Baseline vs. Scenario Forecast (Millions)



Source: PwC Automotive Institute 2009Q2 Data Release

### Overview

In established production centres, the downturn is expected to be L-shaped in nature – i.e. a deep fall and a long road to recovering prior volumes. This is indicative of an expectation that consumers will fundamentally reevaluate the level of debt they are willing to assume; the elongation of replacement cycles for vehicles, and a possible reduction in the number of cars owned per household (particularly in the US).

The 54.6 million unit forecast is predicated on the basis of an improved second half of the year performance – against a Q1 running rate estimated at 45 million by industry sources - in many of the regions as monetary and fiscal stimulus gain traction, inventory is depleted, year-on-year falls level out, and media reporting focuses on the 'green shoots' of recovery thus boosting the psychology of the market.

### North America

US light vehicle SAAR continued to trend downward in Q1 with a slight uptick in March – if sales rates continue to stabilise, the market may avoid breaching the 9 million low watermark that Chrysler, in its submission to Congress, said would render the industry no longer viable “as currently structured”.

However, with the expectation of improving performance through the rest of the year, our 2009 US sales baseline is set at 10.1m. If Q1 sales levels are repeated in Q2, it is our belief that the US administration will step in to provide a direct stimulus to the vehicle market, beyond the backstop of warranties and tax relief now being sought, in the form of a scrappage scheme.

Additionally, our Q2 North America forecast was predicated on a sensible, but more aggressive interpretation of the viability plans submitted by GM and Chrysler that have now been deemed insufficient by the US Auto Task Force. While we believe additional restructuring efforts are imminent, we determined the most prudent course was to not speculate a bankruptcy scenario in our baseline.

The 10.1 million US sales forecast for 2009 translates into North American light vehicle output of 8.7 million, which is the lowest level of output since 1982. Looking at the US in isolation, observers must return to the late 1940s to find a year when US output was as low as the 5.9 million forecast for 2009 – although it must be borne in mind that NAFTA has impacted North American assembly allocation. The 2009 assembly outlook is likely to be a mirror image of 2008, where the first quarter of 2009 (-52.2%) is impacted by inventory management and depressed demand.

Aggressive monetary and fiscal stimulus actions taken by the US Treasury, Federal Reserve, and Obama administration are expected to encourage economic activity and consumer lending in late 2009, though the impact on output will likely be blunted by an unemployment rate approaching 9%.

### European Union

Various scrappage schemes in the EU have a big impact on the 2009 outlook and thus introduce more uncertainty into the market given how the incentives differ in scale and scope, have different implementation and end dates, and will pull forward demand to varying degrees. In addition, the possibility of extensions to some schemes increases uncertainty.

The French scheme gained traction in March, as sales increased 8.1%; the Italian scheme boosted sales marginally in March - but an order book reportedly 30-40% higher augurs well for April and May; while the German scheme boosted sales in March by 40% for a 20% year-to-date increase. The initial €1.5 billion which Germany set aside – equivalent to 600k vehicles – is now all allocated. Consequently, the scheme is now extended to the year end, servicing the estimated 1.5m applicants.

The impact of incentive schemes was seen clearly in February, with the EU15+EFTA SAAR increasing to 12.7m in February after previously slumping near the 11 million mark. This leaves our baseline EU15 car sales forecast for 2009 at just under 12 million, unchanged from Q1 which “baked in” the assumption of some scrappage schemes. While the baseline car sales forecast is fundamentally unchanged from Q1, the 2009 Q2 assembly forecast for 2009 is some 900k lower. The reduction is due mainly to reduced inventory, weaker LCV sales, lower exports, and a 2008 outcome below previous expectations.

### East Europe

In vehicle assembly, the region is dominated by Russia, Turkey, and Ukraine, which account for some 90% of the region's output. When compared with 2008, we believe that the three countries will post sales some 1.3 million units lower in 2009. As neither Russia nor Ukraine are geared for exports, the decline in sales in each can be expected to be replicated in assembly. Already, Russian sales have fallen by 36% for the first 2 months of the year, with production running at an annualised rate of 300k units.

The picture in Turkey is different – its industry is more trade oriented with around 80% of its

production exported. With exports expected to fall heavily in 2009 and the local market weakening by over 20%, its assembly outlook has changed dramatically.

All told, the sales analysis for the three leads to a 2009 total output likely to be some 750k lower than 2008 at 2.3 million. For the region in total, the forecast output is 2.5 million, 24% less than 2008.

### Asia Pacific: Japan and Korea

As with many other markets, all was relatively calm for Japan and Korea until Q4 2008 when the global crisis washed ashore, impacting export volumes and domestic sales. Year-on-year Japanese exports declined by 20% in Q4 2008 and the decline has worsened in 2009, with February's exports down a staggering 70%.

Exports are paramount to the health of the Japanese automotive industry as the domestic market has stagnated in the past decade (sales down 14% since 1999) while 57% higher exports have underpinned the industry. South Korea was already gearing for some export substitution as Korean OEMs expanded internationally, but the rapid decline in export opportunities seen in Q408 and for 2009 YTD has been an immense shock to the industry.

Reflecting the weakening export and sales outlook, the Q2 assembly forecast for Japan and Korea is some 1.1 million units lower for 2009 when compared with the Q1 forecast - the majority of the change emanating from the much weakened Japanese position. Even so, the Japan outlook is predicated on the domestic market picking up by the middle of the year, as the effects of an enhanced green tax scheme kick in from April, and on the assumption of aggressive inventory management in Q1 2009 by Japanese OEMs. However, despite reasons to be optimistic on the domestic sales front, Japan's output will fall by over 2 million in 2009 compared with 2008.

With South Korea, the 27% assembly decline in 2009 to 2.7m is based on the assumption of a 15% local market fall being compounded by a 31% fall in export volumes. On the upside, the government is introducing 70% tax cuts for consumers trading in older vehicles from May until the end of the year has the potential to lift the local market.

### Asia-Pacific: China and India

In 2008, China's light vehicle sales growth slowed to 6.5% – a boom anywhere else – but China's lowest rate in 10 years. In India, light vehicle

In the current global economic circumstances, policy makers have little choice but to stimulate the market – the global industry is not structured to function at sales of 45 million a year – and because of its capital intensity, barely made an acceptable return when volume headed toward 70 million. Present policy is aimed at engineering a soft landing for an industry with the most powerful economic multiplier of all. Once the soft landing arrives and some economic certainty returns, industry restructuring should begin in haste as all players address the fundamental problem of excess supply.

sales grew 4.4% in 2008 as Q4 undid all the progress from the first half of the year. While, India's sales strengthened in February 2009, it is believed that the increase will not be sustained throughout the year due to the macroeconomic environment and the uncertainty associated with the upcoming general election.

With exports from China still insignificant in the grand scheme, the assembly outlook is determined by the local market environment. For 2009, we see low single digit growth in sales that should move assembly sideways in 2009 versus 2008, despite China's Auto Stimulus Policy announcement in January 2009, which has as its main feature, a reduction in purchase tax for vehicles with engines under 1.6L displacement.

The Indian outlook is driven by two factors – local market growth and increasing exports as the country becomes a global small car export hub. However, small car export capacity is only just ramping up and with sales growth forecast to be marginal in 2009, it is expected that the country's 2009 assembly volume will be level with 2008. This year, the market will be supported by the progressive easing of monetary policy, however, as the country's inflation has dropped to the 5-6% range, more scope is given to interest rate cuts.

Lastly, the Tata Nano and the upcoming genre of low cost cars will play the wild card in Indian domestic sales during 2009 and 2010.

### South America

With Brazil accounting for 75% of South America's light vehicle output in 2009, where Brazil goes South America follows. Thankfully for the region, Brazil this year no longer looks like it is

going to follow the path it appeared to be heading down in Q4 2008 when sales tumbled 25% year-on-year as a sliding economy and the collapse of credit availability took hold.

Thanks to the judicious use of tax reductions – the Industrial Products Tax was reduced by 100% on some small vehicles – sales held steady against 2008 in the first two months of 2009. While the scheme was originally scheduled to end March 31 2009, it has been extended for an additional 3 months and is now set to expire on June 30, 2009, which should help maintain sales levels.

Tax breaks in Brazil are currently saving the region from the dire consequences of economic uncertainty and collapsing credit affecting other regions. That said, the forecasted 11% reduction in output ordinarily would cause certain alarm, but compared with other regions, the outlook is not nearly as grim.

Global Light Vehicle Assembly Forecast Variance 2009Q2 vs. 2009Q1



Source: PwC Automotive Institute 2009Q2 Data Release

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## Detailed Baseline Forecast Data Tables

Region	2008	2009	2010	2011	2012	2013	Unit Diff.	% Chg	CAGR	CTG %	Rank*
1 Asia-Pacific	27,314,599	24,157,402	27,180,504	30,189,013	32,423,493	33,912,477	6,597,878	24.2%	4.4%	56.0%	1
2 European Union	17,471,922	14,632,568	15,348,292	16,559,752	17,553,482	18,171,678	699,756	4.0%	0.8%	5.9%	5
3 North America	12,606,147	8,680,651	10,834,715	12,732,384	13,762,301	14,354,664	1,748,517	13.9%	2.6%	14.8%	2
4 South America	3,738,201	3,378,996	3,748,638	4,092,222	4,425,497	4,644,186	905,985	24.2%	4.4%	7.7%	4
5 East Europe	3,303,872	2,500,040	2,810,748	3,438,004	4,041,622	4,540,856	1,236,984	37.4%	6.6%	10.5%	3
6 Middle East & Africa	1,720,955	1,539,156	1,676,458	1,929,262	2,175,760	2,315,126	594,171	34.5%	6.1%	5.0%	6
Global Total Assembly	66,155,696	54,888,813	61,599,355	68,940,637	74,382,155	77,938,987	11,783,291	17.8%	3.3%	100.0%	
Global Capacity	86,856,903	86,137,254	90,229,517	94,187,690	96,241,576	96,618,165	9,761,262	11.2%	2.2%		
Global Excess Capacity	20,701,207	31,248,441	28,630,162	25,247,053	21,859,421	18,679,178	-2,022,029	-9.8%	-2.0%		
Global Utilization	76.2%	63.7%	68.3%	73.2%	77.3%	80.7%					

Country ( Top 20 )	2008	2009	2010	2011	2012	2013	Unit Diff.	% Chg	CAGR	CTG %	Rank*
1 Japan	10,822,034	8,707,700	9,585,637	9,964,862	9,877,839	9,758,470	-1,063,564	-9.8%	-2.0%	-9.0%	57
2 USA	8,508,339	5,926,328	7,508,841	8,776,669	9,282,807	9,738,286	1,229,947	14.5%	2.7%	10.4%	3
3 China	7,496,910	7,735,645	8,492,847	9,830,983	11,004,105	12,078,436	4,581,526	61.1%	10.0%	38.9%	1
4 Germany	5,449,237	4,737,843	4,703,475	5,017,927	5,441,382	5,597,203	147,966	2.7%	0.5%	1.3%	16
5 South Korea	3,664,969	2,679,960	3,130,671	3,241,995	3,248,972	3,211,789	-453,180	-12.4%	-2.6%	-3.8%	56
6 Brazil	2,858,469	2,689,577	2,847,198	3,035,276	3,263,693	3,432,708	574,239	20.1%	3.7%	4.9%	7
7 France	2,516,126	2,131,071	2,277,092	2,483,763	2,524,572	2,653,285	137,159	5.5%	1.1%	1.2%	17
8 Spain	2,509,636	1,969,030	2,230,230	2,397,323	2,310,782	2,395,260	-114,376	-4.6%	-0.9%	-1.0%	54
9 Mexico	2,052,653	1,430,428	1,705,000	2,106,788	2,567,301	2,684,871	632,218	30.8%	5.5%	5.4%	6
10 Canada	2,045,155	1,323,895	1,620,874	1,848,927	1,912,193	1,931,507	-113,648	-5.6%	-1.1%	-1.0%	53
11 India	1,983,226	2,034,691	2,333,912	2,879,309	3,403,695	3,854,584	1,871,358	94.4%	14.2%	15.9%	2
12 United Kingdom	1,619,598	1,143,150	1,227,711	1,302,059	1,372,320	1,475,197	-144,401	-8.9%	-1.9%	-1.2%	55
13 Russia	1,573,688	1,301,986	1,420,945	1,720,113	2,123,986	2,418,081	844,393	53.7%	9.0%	7.2%	5
14 Thailand	1,455,697	1,247,324	1,597,715	2,004,063	2,404,738	2,484,692	1,028,995	70.7%	11.3%	8.7%	4
15 Iran	1,117,910	1,040,245	1,144,942	1,208,829	1,302,282	1,373,137	255,227	22.8%	4.2%	2.2%	9
16 Turkey	1,096,276	785,363	869,536	1,003,518	1,073,751	1,144,970	48,694	4.4%	0.9%	0.4%	26
17 Italy	981,148	843,737	874,858	1,010,183	1,114,365	1,155,338	174,190	17.8%	3.3%	1.5%	14
18 Poland	918,316	854,228	828,046	822,896	846,557	814,698	-103,618	-11.3%	-2.4%	-0.9%	52
19 Czech Republic	895,242	877,458	916,698	953,508	952,922	976,228	80,986	9.0%	1.7%	0.7%	22
20 Belgium	677,024	510,197	535,864	682,986	712,628	713,384	36,360	5.4%	1.1%	0.3%	29
Top 20 Total Assembly	60,241,653	49,969,856	55,852,092	62,291,977	66,740,890	69,892,124	9,650,471	16.0%	3.0%	81.9%	
Top 20 (% of Global Total)	91.1%	91.0%	90.7%	90.4%	89.7%	89.7%	81.9%				

Alliance Group ( Top 13 )	2008	2009	2010	2011	2012	2013	Unit Diff.	% Chg	CAGR	CTG %	Rank*
1 Toyota Group	9,707,570	8,241,139	9,101,458	9,950,086	10,455,934	10,765,496	1,057,926	10.9%	2.1%	9.0%	4
2 GM Group	8,583,761	6,303,927	7,409,556	8,214,823	8,861,668	9,267,902	684,141	8.0%	1.5%	5.8%	8
3 Renault-Nissan	6,816,954	5,720,232	6,623,061	7,504,590	8,103,224	8,556,109	1,739,155	25.5%	4.6%	14.8%	1
4 Ford Group	6,788,085	5,623,109	6,239,686	6,838,990	7,350,901	7,714,435	926,350	13.6%	2.6%	7.9%	7
5 VW-Porsche	6,529,755	5,794,166	6,023,292	6,912,612	7,665,101	8,067,412	1,537,657	23.5%	4.3%	13.0%	2
6 Hyundai Group	4,401,251	3,712,956	4,386,594	4,986,201	5,353,104	5,446,673	1,045,422	23.8%	4.4%	8.9%	5
7 Honda Group	3,949,941	3,324,690	3,896,706	4,355,021	4,847,698	5,249,384	1,299,443	32.9%	5.9%	11.0%	3
8 PSA Group	3,413,405	2,855,145	3,124,359	3,346,489	3,371,971	3,602,511	189,106	5.5%	1.1%	1.6%	16
9 Fiat Group	2,460,691	2,209,754	2,405,764	2,882,500	3,300,576	3,499,666	1,038,975	42.2%	7.3%	8.8%	6
10 Suzuki Group	2,422,626	2,149,627	2,358,312	2,648,681	2,691,735	2,764,428	341,802	14.1%	2.7%	2.9%	11
11 Chrysler Group	1,905,460	964,740	1,030,233	1,072,155	982,547	911,738	-993,722	-52.2%	-13.7%	-8.4%	71
12 Daimler Group	1,659,383	1,377,197	1,437,185	1,524,869	1,721,040	1,740,876	81,493	4.9%	1.0%	0.7%	22
13 BMW Group	1,437,693	1,161,147	1,329,600	1,512,592	1,600,201	1,732,410	294,717	20.5%	3.8%	2.5%	12
Top 13 Total Assembly	60,076,575	49,437,829	55,365,806	61,749,609	66,305,700	69,319,040	9,242,465	15.4%	2.9%	78.4%	
Top 13 (% of Global Total)	90.8%	90.1%	89.9%	89.6%	89.1%	88.9%	78.4%				

\*Rankings based on contribution to total global growth (CTG%).

Source: AUTOFACTS Global Light Vehicle Assembly Outlook 2009 Q2 Data Release (Updated April 1, 2009)