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PwC Sees Developing Asia Driving 2.3% Rise in Global Light Vehicle Assembly in 2013

PwC expects global light vehicle production to rise 2.3% to 81 million units this year and to exceed 101 million units by 2017, buoyed by growth in developing markets and despite global economic volatility.

The developing Asia-Pacific region will account for 62% of assembly growth from 2012 to 2017, driven by China, India and the Association of Southeast Asian Nations (Asean). North America's production will see slower growth of 13.4%, while the European Union's will expand 11.7% in that time.

Though home to many major global OEMs, developed Asia Pacific will be the only region that shows a negative contribution to growth (-3.5%) as companies shift production from Japan to current export markets, the report showed.

Sira Intarakumthornchai, CEO of PwC Thailand, has said that emerging market growth and remaining pent-up demand in the US would drive assembly growth at a time when automotive companies remain cautious about economic conditions in Europe.

“While the world is waiting for developed economies—particularly the EU—to turn the corner, developing Asia Pacific’s light vehicle industry in China, India and Asean, together with pent-up demand in America, will continue to lead global growth over the long term,” Sira said.

“The EU, meanwhile, isn’t expected to see volume recovery until 2014.”

Continued investment in developing regions will likely drive annual global light vehicle assembly past the 100 million milestone for the first time in 2017, according to a recent study produced by Autofacts, PwC’s automotive analyst group. With an impressive compound annual growth rate (CAGR) of 5.20%, PwC expects production to reach 106 million units by 2019.

According to Sira, overall, the Southeast Asian light vehicle industry is set to witness a significant transition with rising economic activity, increasing purchasing power and local governments vying to attract automotive investments. This will happen despite analysts’ concerns over bleak second-half prospects in some markets like Thailand, as the government’s first-time car-buyer scheme expires.

“Although the auto industry is expected to soften in the second half of this year following the end of the government’s first-time car buyer programme, Thailand’s automotive output should still be able to reach the industry’s target of 2.55 million units,” Sira added.

Thailand produced a total of 193,074 vehicles in August, down 10% year-on-year, according to the Federation of Thai Industries (FTI), bringing the total auto output to 1.73 million units for the first eight months of this year.

The FTI kept its 2013 car output target at 2.55 million units, up 4% year-on-year. Of the total, 1.15 million units of vehicles would be destined for export and the rest for domestic sales.

Despite the end of the first car tax rebate scheme, Sira said, the Board of Investment (BoI) continued to offer incentives to produce eco-friendly cars.

Late last month, the BoI approved the second phase of the eco-car scheme aimed at increasing investments in car manufacturing clusters to strengthen Thailand’s regional position as a car manufacturer and export base. It also encouraged consumers to boost the safety and fuel efficiency of the vehicles.

“Thailand still has the strongest competitive advantages in Asean’s automotive industry, thanks to the presence of a well-established base of suppliers, coupled with its prowess as a global production hub with a strong export orientation.”

Future trend: Innovation to fuel car sales

Demand for new technology for future vehicles is expected to see a steady acceleration over the next several years, according to the PwC report.

While hybrid, electric and fuel cell vehicle production accounted for just 2.8% of total assembly last year, that number would rise to 5% by 2017 as industry collaboration drives costs down, while others are not expected to reach mass production for some time.

Other technologies, i.e. clean diesel, compressed natural gas (CNG) and driverless vehicles, will also gain traction as the industry approaches a new era of innovation.

With General Motors' recent commitment to offer in-vehicle Wi-Fi across all four of its brands by 2014, for instance, Sira said: "Cars are going to become more like mobile computing stations than just driving machines." This would bring inherent security risks—hacking/data privacy and system reliability being among the chief concerns that come with the trend.

As cars find their way into the information age, social media is now driving change in the automotive market.

Increasingly, new car buyers rely on social media channels to research models, gather input and provide feedback during their decision-making process. Driven by the rise of the Millennial generation, accelerating online usage and the proliferation of connected mobile devices, such trend is set to grow over the coming period.

"Statistics show that 90% of consumers said they trust peer recommendations posted on social media sites before buying a car. More than 70% of them even said they're more likely to make a purchase based on social media referrals," Sira said.

Auto makers are beginning to move away from conventional advertising campaigns towards digital strategies, largely because they recognise that social media is fundamentally changing the way they brings cars to market.