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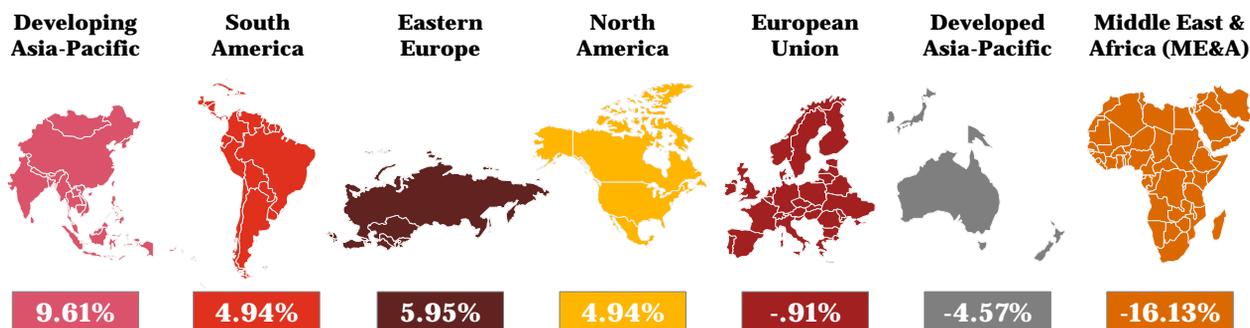
October 2013

Quarterly Forecast Update

Industry poised to end year on a good note

Despite ongoing concerns in select regions, the stabilisation of several key automotive markets in 2013 has positioned the global automotive industry to forge ahead with technological innovation, further driving strategic partnerships and increased merger and acquisition activity.

Global: YoY Assembly Change by Region
2012 vs. 2013(f)



Source: Autofacts 2013 Q4 Data Release

Year in review

While there is seldom an occasion where the global industry has performed in sync, 2013 does promise to mark a turning point for the European Union, setting the region up for a long awaited, albeit slight, recovery in 2014. This will bring the region in line with recent recoveries in North America and Eastern Europe and continued growth in Developing Asia-Pacific and South America.

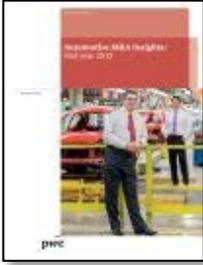
Areas of concern remain, however, as developed Asia-Pacific (Japan, South Korea, Australia) is expected to see assembly declines throughout the forecast window. Stagnant economic conditions, high labor costs, and localisation of products currently tagged for export are all factors constraining production in these markets. ME&A is also experiencing a significant decline as sanctions against Iran and political uncertainty within the region remain prevalent. Despite these setbacks, global light vehicle production is expected to reach 81.8m units in 2013, representing a 3.3% YoY gain.

Looking beyond the numbers, several key developments began to take shape during 2013 that promise to have a significant impact on the global automotive outlook going forward. Announced in July 2013, the formation of a strategic partnership between GM and Honda to develop next-gen fuel cell technologies represents a growing trend of strategic collaborations and resource pooling to drive and deliver innovation to the masses.

Although M&A activity is down in 2013, companies continue to strengthen and/or broaden their capabilities. The pace of acquisitions is expected to quicken, particularly in the areas of fuel economy and safety systems. Furthermore, OEMs and suppliers in developing markets will seek to acquire distressed companies with established capabilities in these areas, setting the stage for more geographically balanced – and competitive – core competencies in the future.

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