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# GLOBAL MACRO AND AUTOMOTIVE OUTLOOK

## VII. TAYSAD Aftermarket Conference, Istanbul, Turkey

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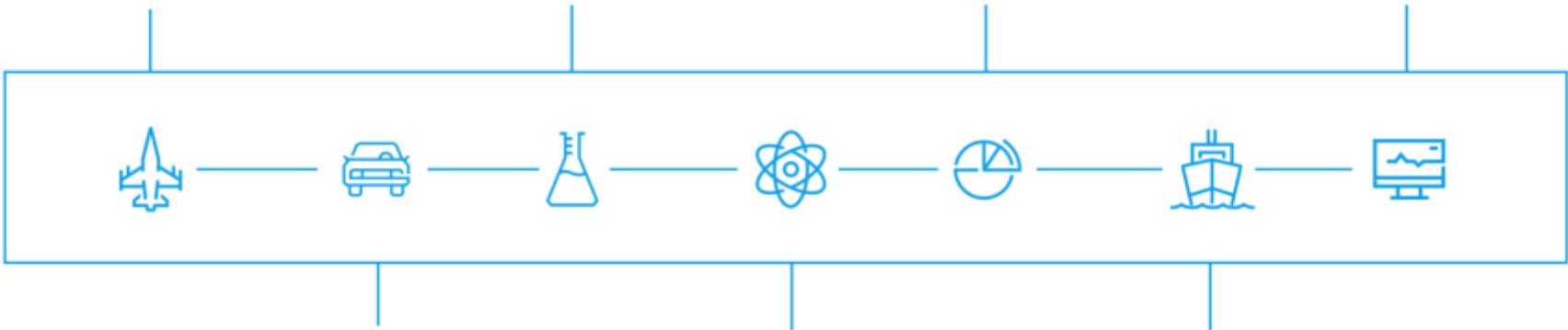
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# Agenda

- Macro Outlook – unstable dynamics
- New vehicle markets – winners and losers
- Aftermarket – VIO developments and trends

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- **Macro Outlook – unstable dynamics**
- New vehicle markets – winners and losers
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# Global Economic Outlook

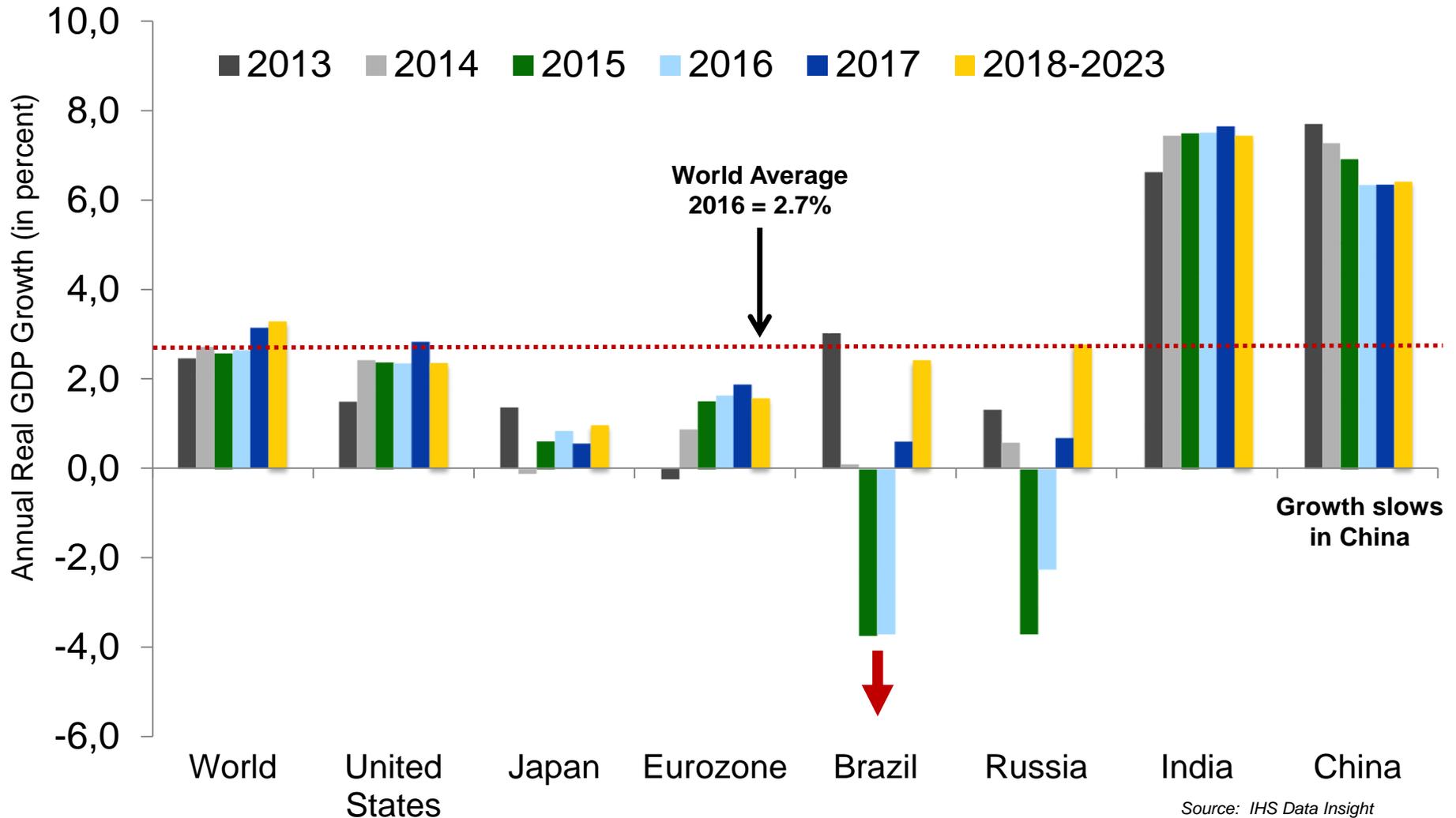
## Subpar Global Economic Growth Amid Financial Market Turbulence

- The most likely path for the global economy is a continuation of subpar growth, not a recession.
- China's economic growth will slow further because of imbalances in credit, housing, and industrial markets.
- The US economy will continue to expand at a moderate pace, led by consumer spending and homebuilding.
- Eurozone growth will improve slightly, aided by monetary stimulus.
- Emerging markets are feeling the brunt of falling commodity prices, capital outflows, currency depreciation, and stagnating world trade.
- Commodity prices are bottoming out and will slowly recover.



# World Economic Growth

## Global Growth Impacted by Emerging Market Volatility



# Why Has Growth in Emerging Markets Disappointed?

## Cyclical forces

- Excess capacity after investment booms
- Sluggish export markets
- Increased risk aversion
- Limited scope for policy stimulus

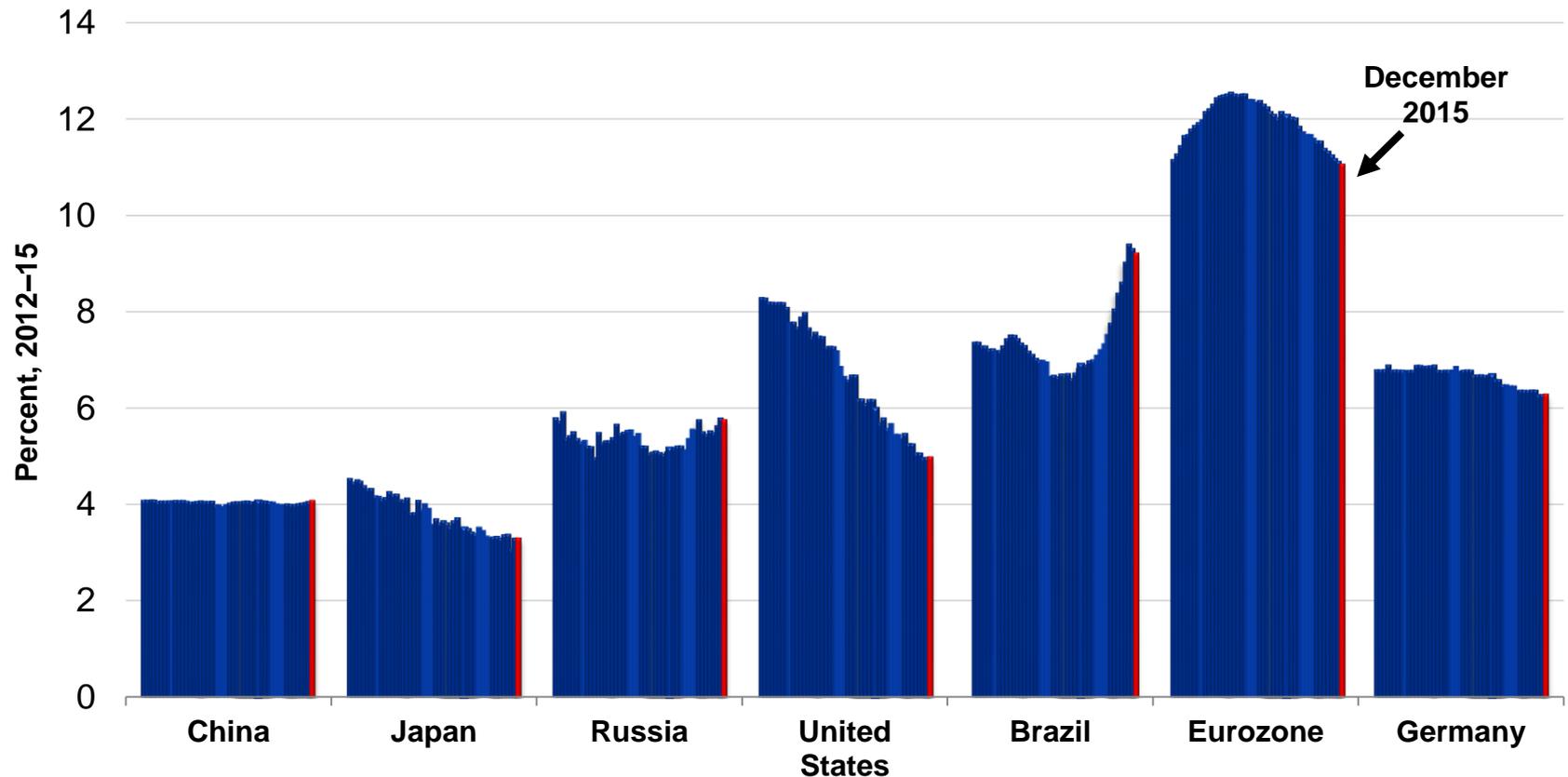
## Structural forces

- Slower labor force growth
- Slower pace of globalization
- Falling commodity prices
- Lack of market reforms to allocate resources efficiently and raise productivity

# Unemployment Rate

Most Labor Markets Tightening; Russia & Brazil Feeling Impact of Recession

## World Unemployment Rates



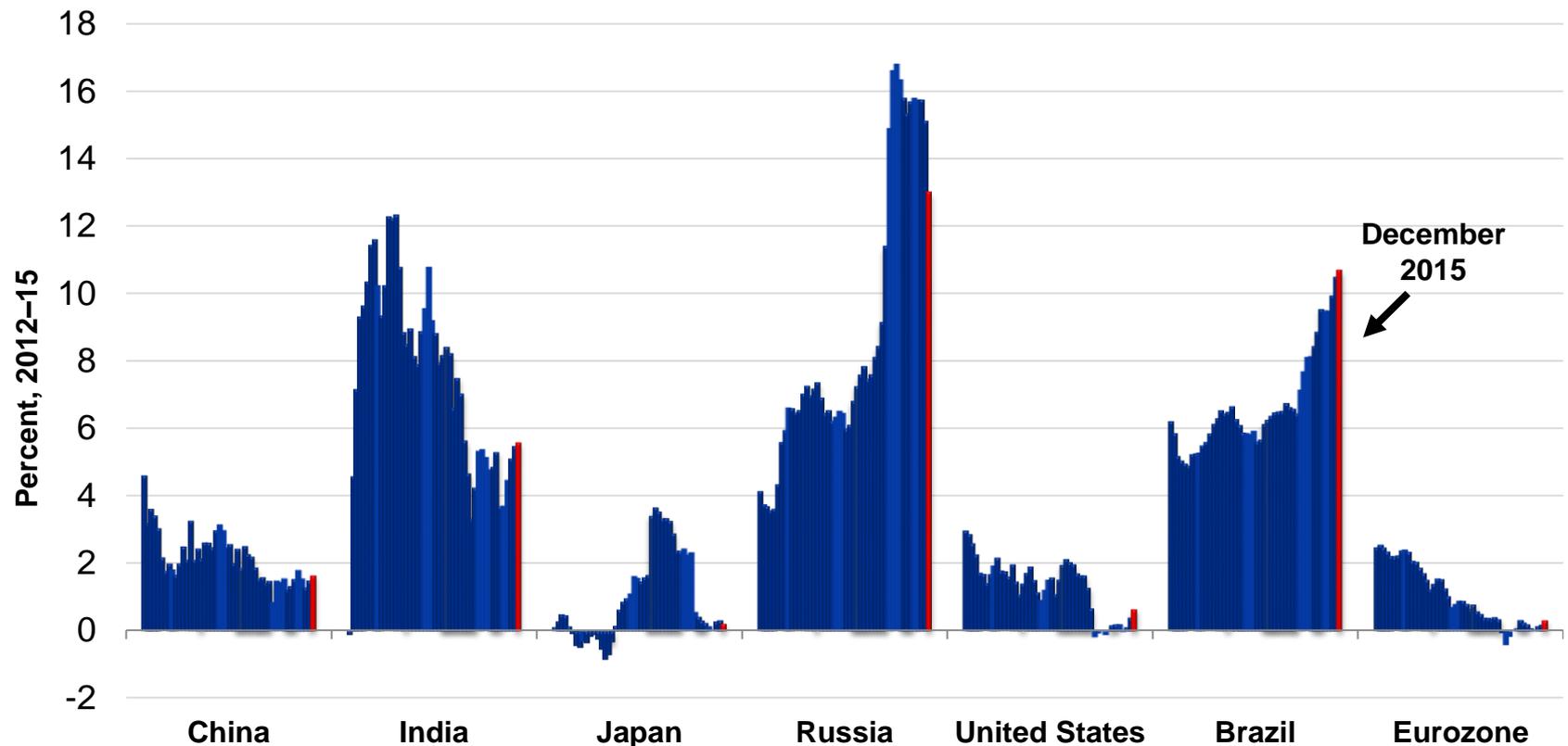
Source: IHS, monthly, in percent, historical actuals and current estimate

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# Consumer Price Index

## Low Oil and Commodity Prices Keeping Inflation Muted in Mature Markets

### World Consumer Prices



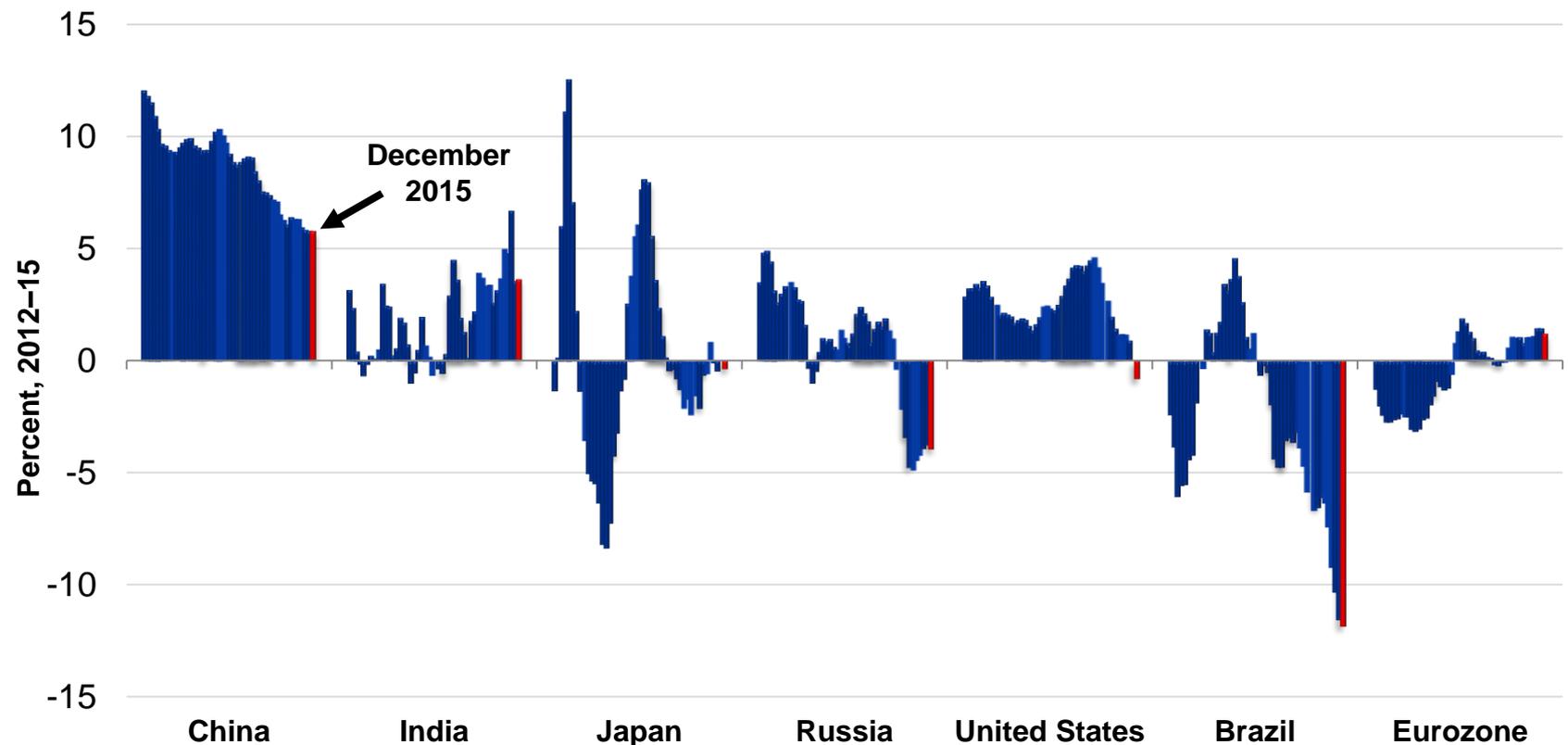
Source: IHS, monthly, in percent, historical actuals and current estimate

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# Industrial Production

Many Markets are Weakening While Europe/India are Improving

## World Industrial Production



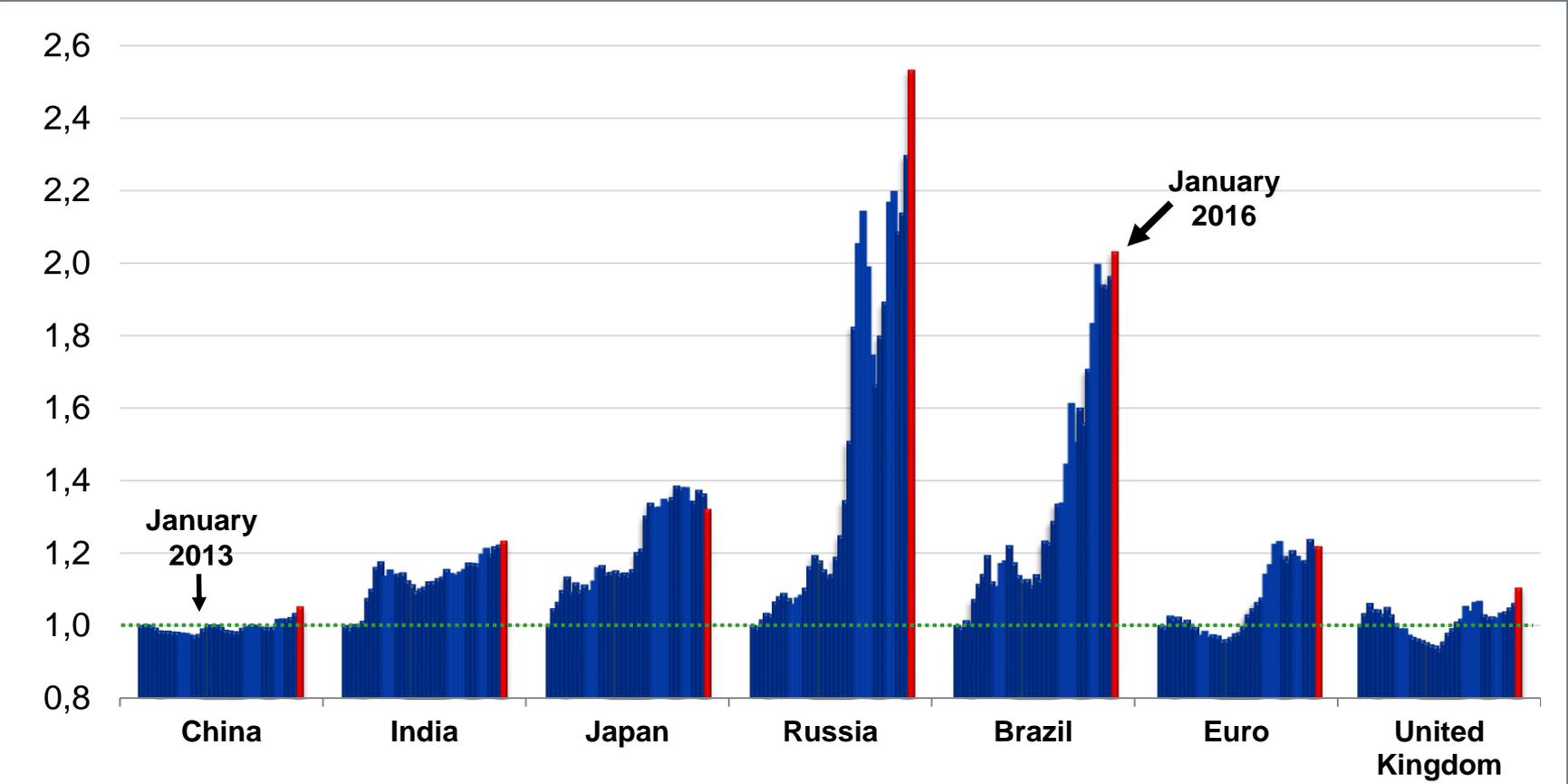
Source: IHS, three-month average, in percent, historical actuals and current estimate

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# World: Exchange Rates

Strong Dollar Having Major Effect on Commodity Prices and Trade Balances

## Currency vs US Dollar (indexed to January 2013)



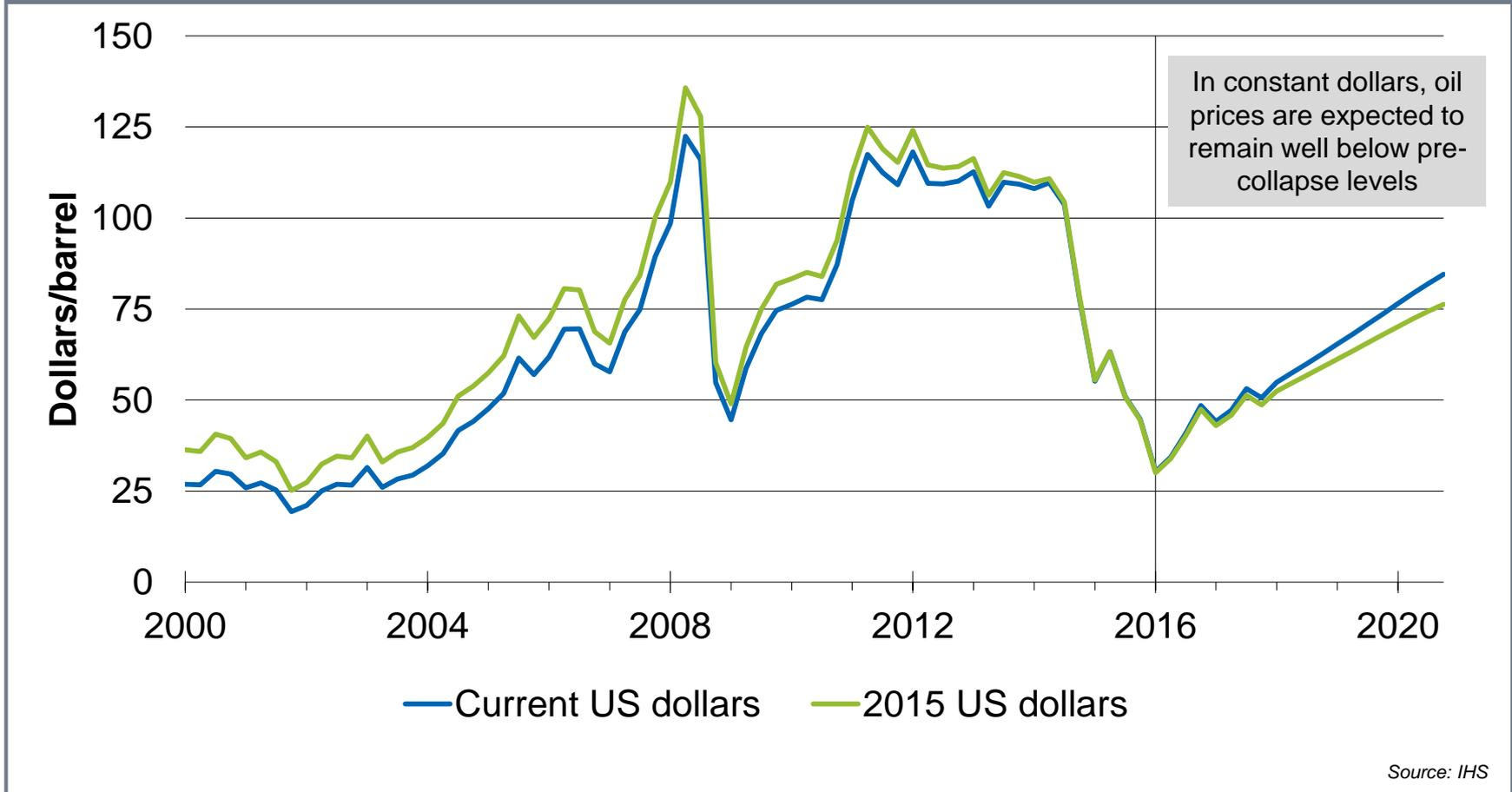
Source: IHS, monthly, indexed to January 2013 exchange rate

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# World: Brent Crude Oil Price Forecast

Prices to Remain Low with Gradual Increases as Weak Global Economy Improves

## Price of Dated Brent Crude Oil



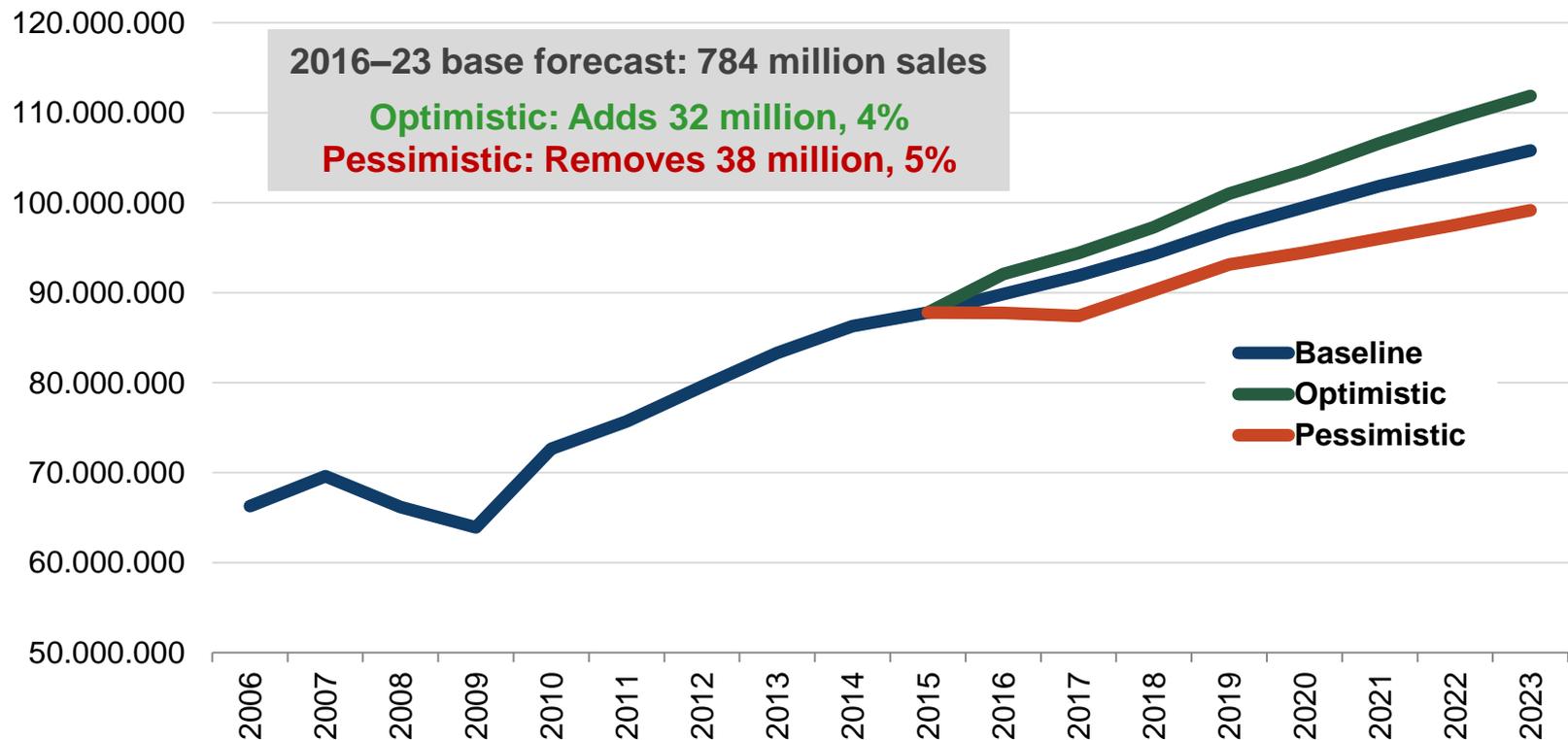
# Agenda

- Macro Outlook – unstable dynamics
- **New vehicle markets – winners and losers**
- Aftermarket – developments and trends

# Global Light Vehicle Sales Contingency Forecast

Malaise of the Pessimistic Scenario Would Have Significant Global Implications

## Contingency Light Vehicle Sales Forecast



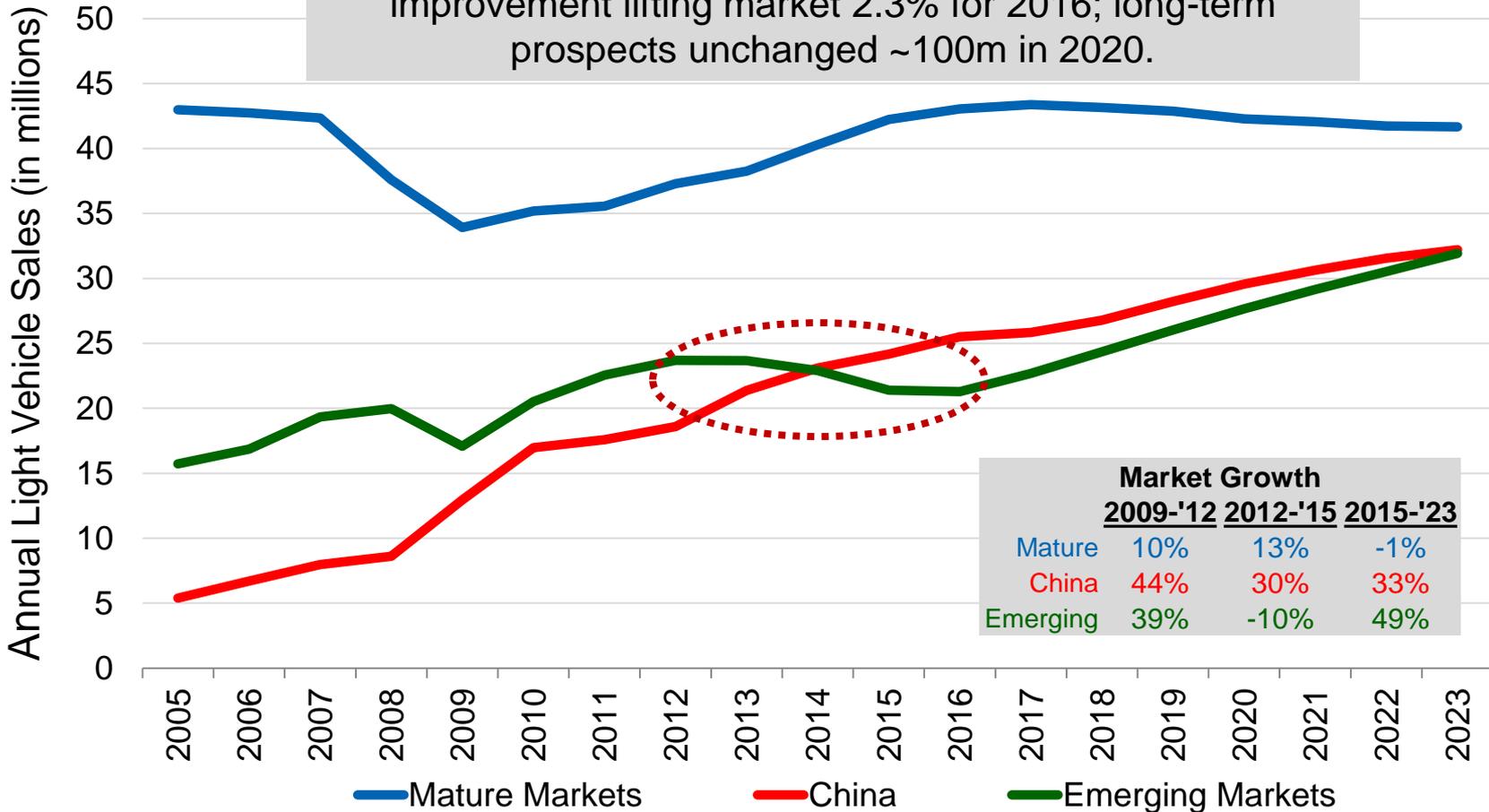
Source: IHS Automotive, Contingency Forecast Service

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# The Changing Automotive World

## Market Fairly Flat in 2015, but Weakness in Emerging Markets is Temporary

Global sales of ~87.8 million in 2015 with economic improvement lifting market 2.3% for 2016; long-term prospects unchanged ~100m in 2020.



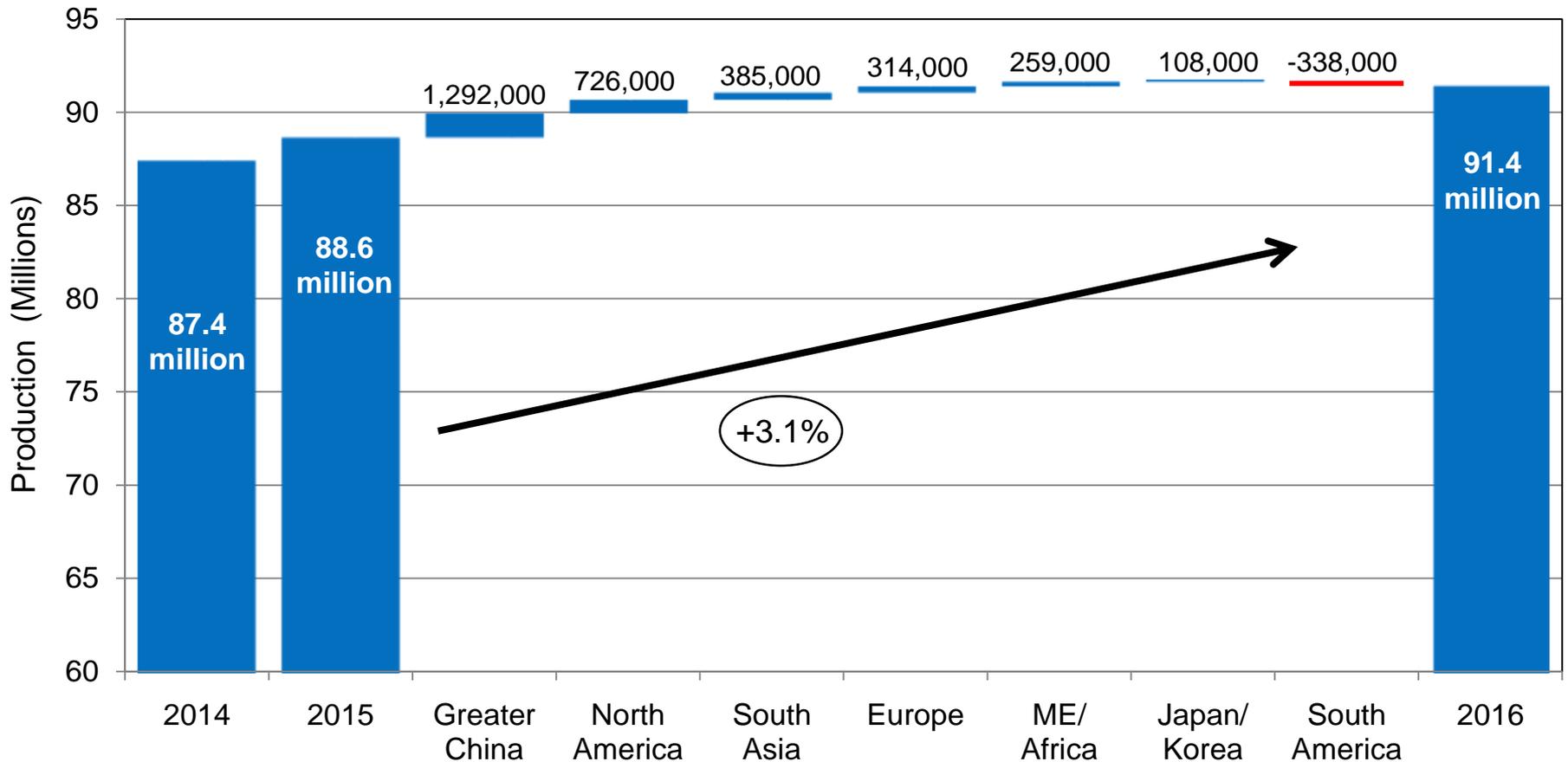
|          | Market Growth |          |          |
|----------|---------------|----------|----------|
|          | 2009-'12      | 2012-'15 | 2015-'23 |
| Mature   | 10%           | 13%      | -1%      |
| China    | 44%           | 30%      | 33%      |
| Emerging | 39%           | -10%     | 49%      |

Note: Mature Markets = US, Canada, Japan, S Korea, Australia, New Zealand, Western Europe

Source: IHS Light Vehicle Sales Forecast

# Global Light Vehicle Production

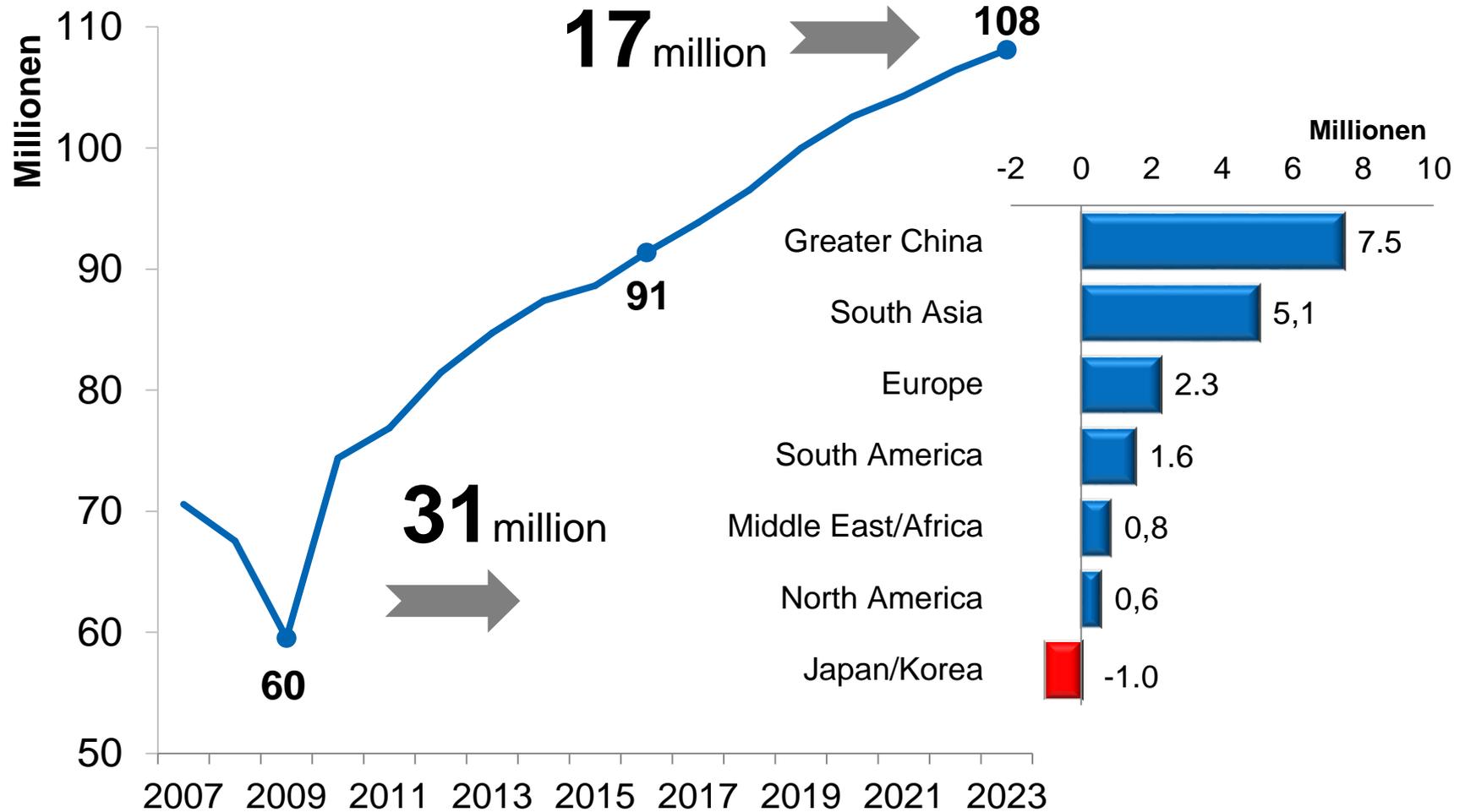
Emerging Asia Helps Drive Growth in 2016; Developed Markets Provide Support



Source: IHS Automotive Light Vehicle Production Forecast

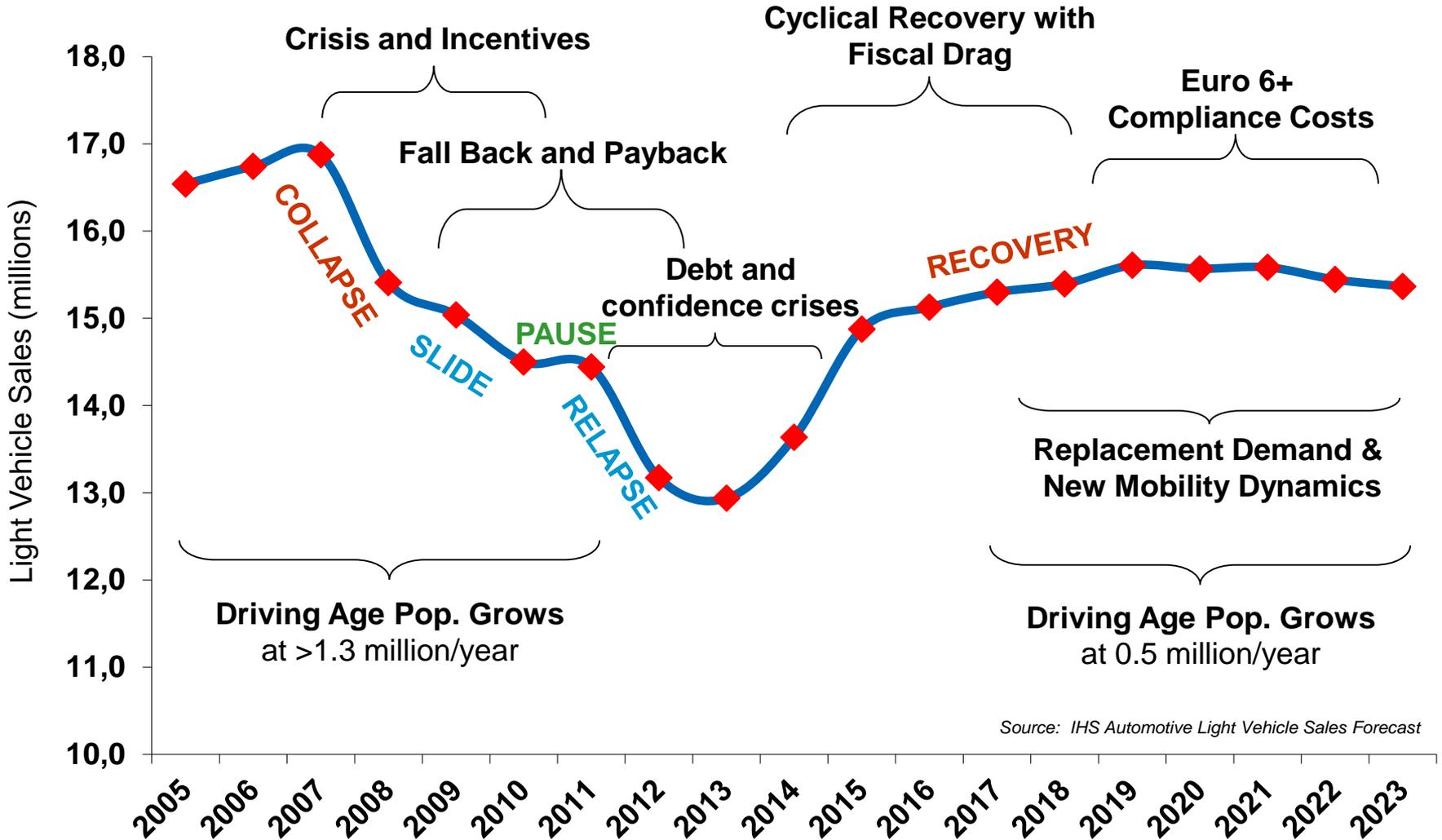
# Beyond the Recovery

## Global Production Growth



# West European Light Vehicle Sales

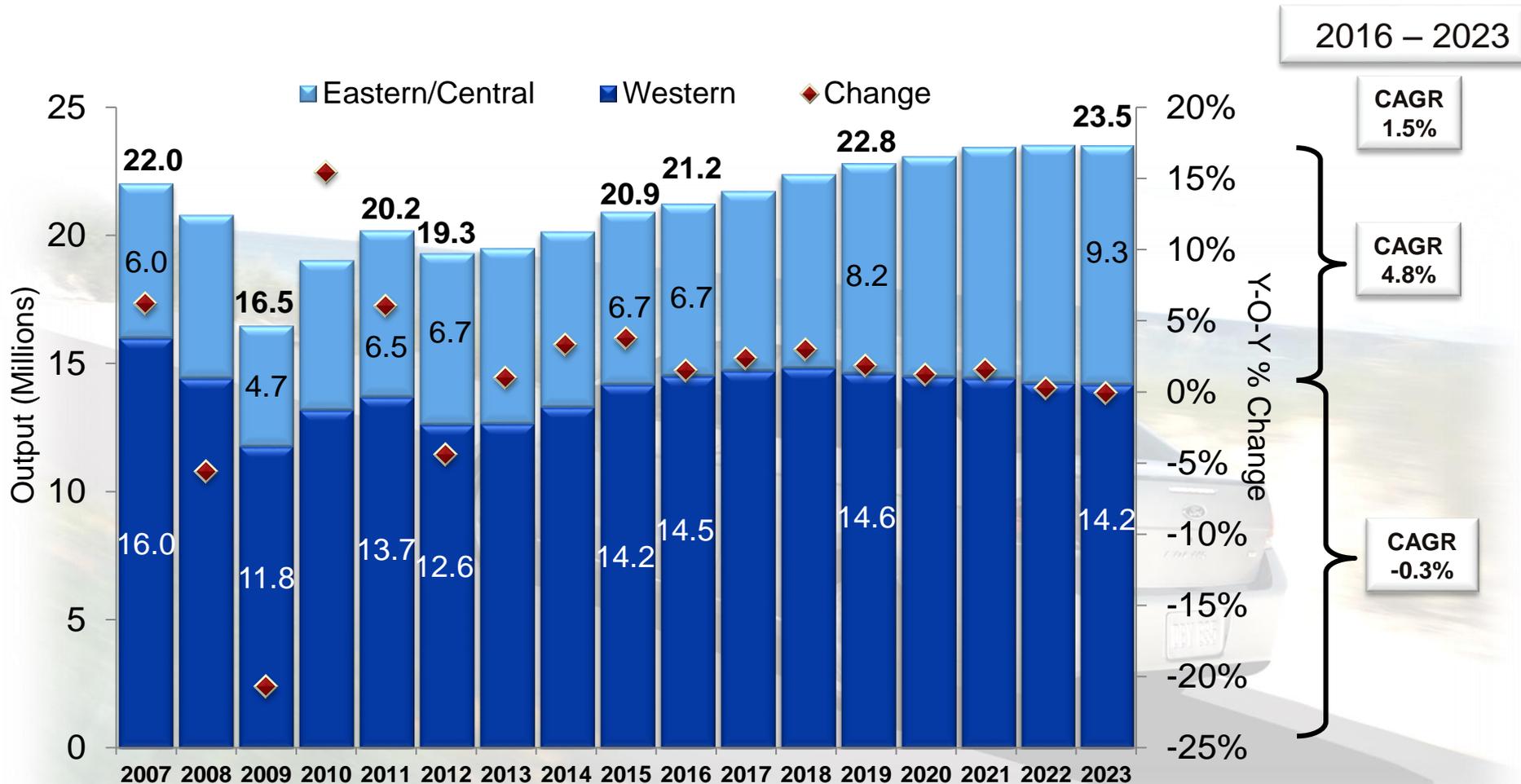
## Assessing the Big Picture Phases



Source: IHS Automotive Light Vehicle Sales Forecast

# European Light Vehicle Production

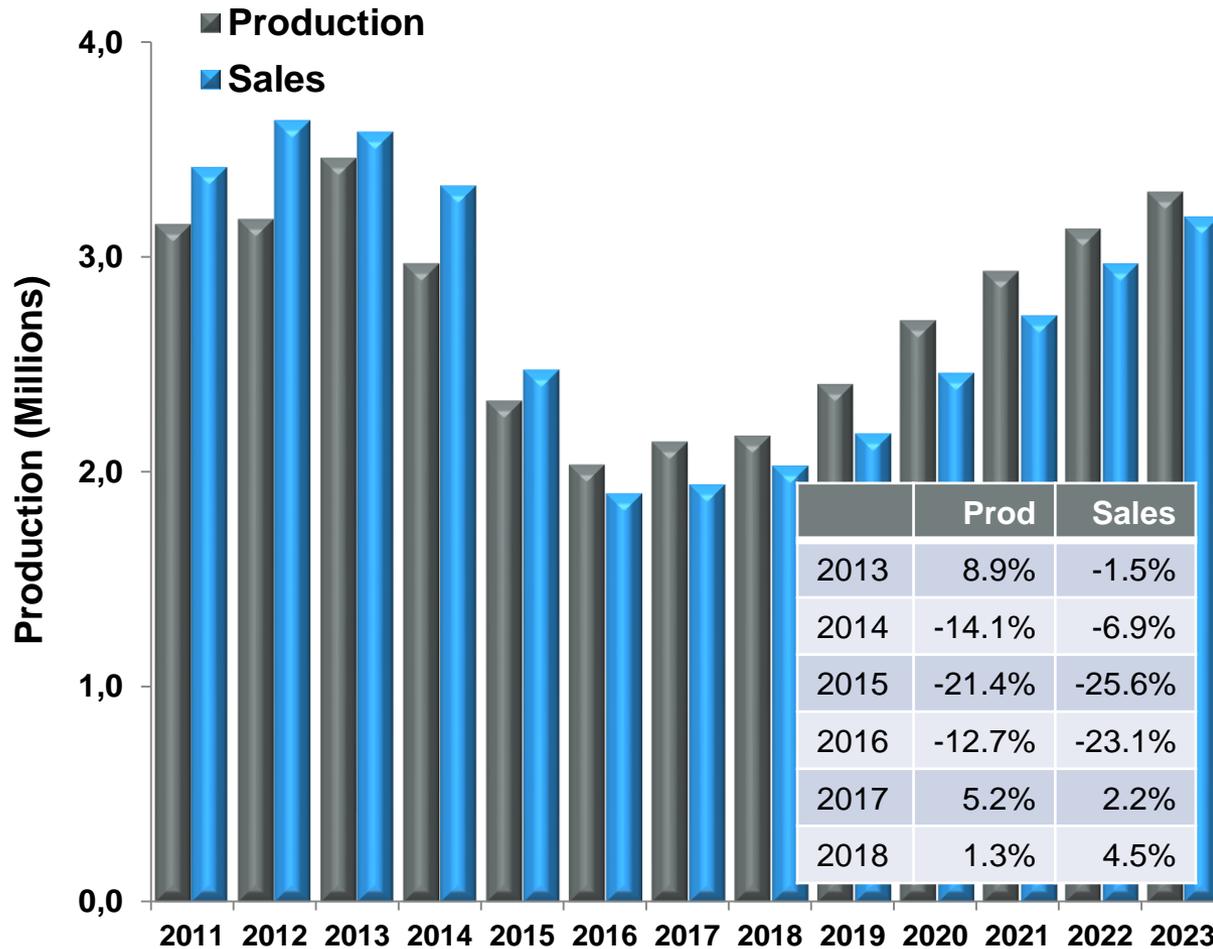
## Euro Recovery Continues; West Europe Strength Offsets Russia Weakness



Source: IHS Automotive Light Vehicle Production Forecast

# Emerging Market Trends

## Brazil Sales and Production



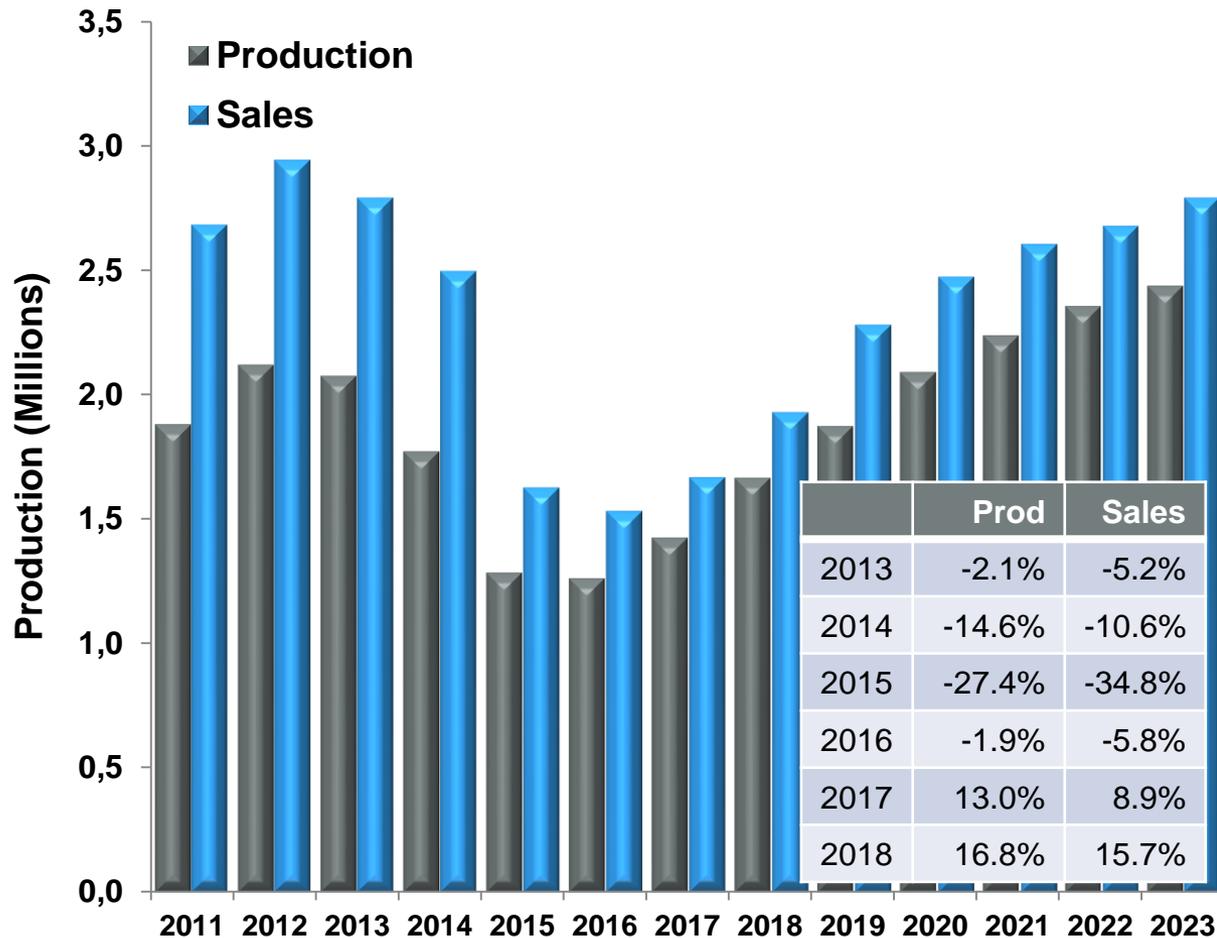
Brazil still searching for the bottom; sales and production impacted by a number of factors – dismal economic environment, poor consumer confidence, tight credit, etc.; Brazil exports starting to benefit from performance of surrounding markets

Near term outlook remains challenged – recovery pushed out to 2017; longer term growth more muted given market conditions

Import gap narrows as Inovar Automotive plan incentivizes local production and as more OEMs deploy global platforms; including premium brands

# Emerging Market Trends

## Russia Sales and Production



Near-term outlook remains challenged as market faces a difficult economic outlook

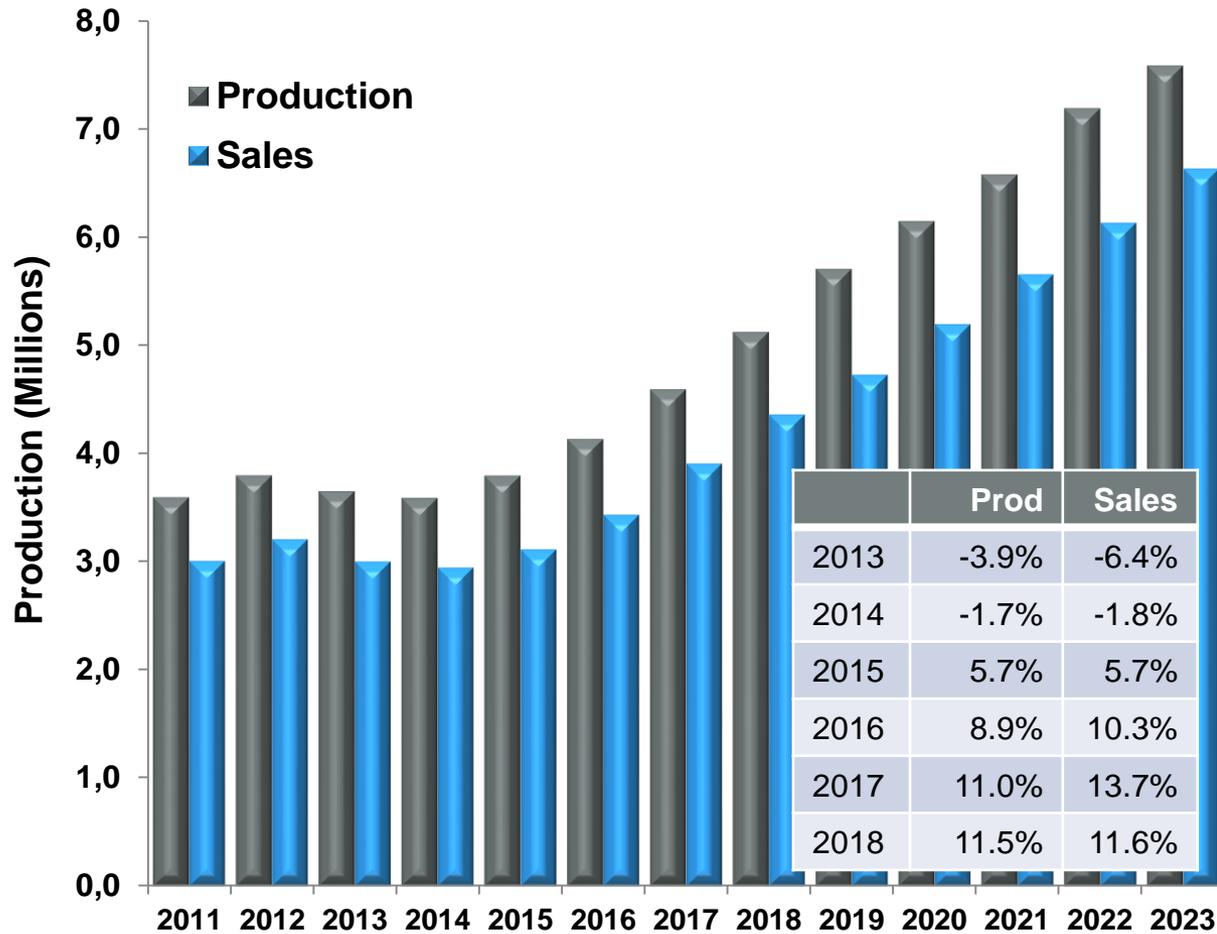
Economic sanctions, as well as the collapse in oil prices, create significant headwinds and risk for the country

Broader outlook dominated by oil and gas pricing – a more diversified economy is necessary to support vehicle sales and the quest for 3 million units per year

Local production cannot serve demand and has only limited export potential at this stage

# Emerging Market Trends

## India Sales and Production



Market recovery is ongoing; Modi government has helped revive industry sentiment

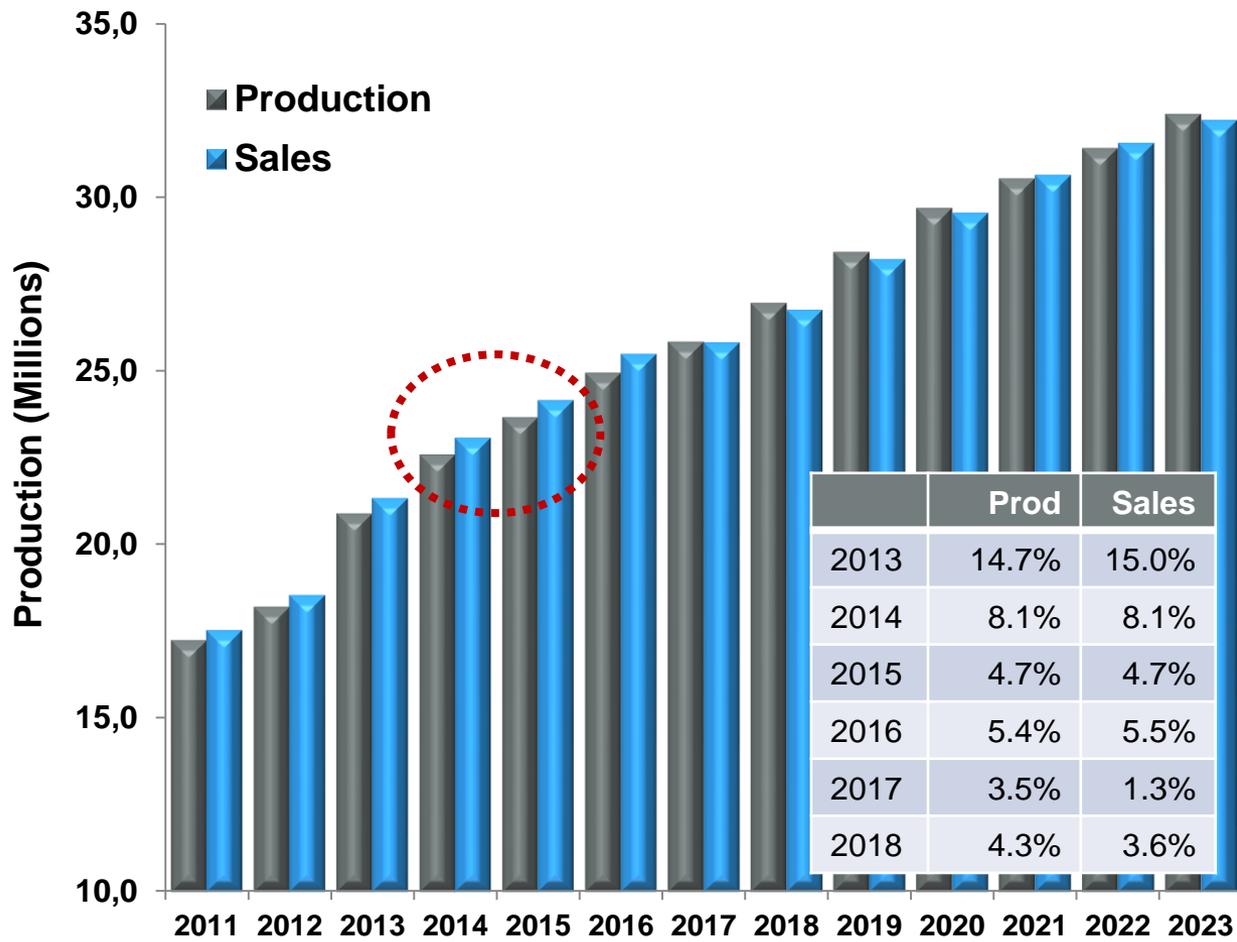
Lower oil prices and interest rates as well as improved economic outlook offer support for the market

New infrastructure projects and funding of the rural employment act help set the stage for further growth

Production serves large domestic market for small cars and trucks; strategic exports: Honda, Hyundai, Nissan and others

# Emerging Market Trends

## China Sales and Production



“New normal” sets in: sales and production growth slows; economic pressures, stock market volatility and Tier 1 city registration restrictions vs. penetration into Tier 4-6 cities, increased auto financing and ongoing Yellow-Label vehicle scrappage; growth in rural areas is favoring domestic brands, pricing also a factor

Recent reduction in purchase tax from 10% to 5% for vehicles 1.6L and lower through 2016 expected to stimulate sales in the near term

As headline growth slows and congestion increases new internal markets will need to expand to support development; typically served by local OEMs but global players attracted

# North America Light Vehicle Production

## 2016 vs. 2015

| OEM              | 2016F<br>(000s) | 2015<br>(000s) | % Δ         | Δ Units<br>(000s) |
|------------------|-----------------|----------------|-------------|-------------------|
| GM               | 3,599           | 3,414          | 5.4%        | 185               |
| Ford             | 3,202           | 3,105          | 3.1%        | 97                |
| Fiat/Chrysler    | 2,697           | 2,758          | -2.2%       | -61               |
| <b>Detroit 3</b> | <b>9,498</b>    | <b>9,277</b>   | <b>2.4%</b> | <b>221</b>        |
| Toyota           | 2,142           | 2,009          | 6.6%        | 133               |
| Honda            | 1,993           | 1,862          | 7.0%        | 131               |
| Ren/Nissan       | 1,849           | 1,782          | 3.8%        | 67                |
| Hyundai          | 836             | 756            | 10.6%       | 80                |
| <b>Asian 4</b>   | <b>6,820</b>    | <b>6,409</b>   | <b>6.4%</b> | <b>411</b>        |
| VW               | 538             | 545            | -1.3%       | -7                |
| BMW              | 398             | 400            | -0.5%       | -2                |
| Daimler          | 371             | 327            | 13.5%       | 44                |
| <b>German 3</b>  | <b>1,307</b>    | <b>1,272</b>   | <b>2.8%</b> | <b>35</b>         |
| Others           | 593             | 534            | 11.0%       | 59                |
| <b>Total</b>     | <b>18,218</b>   | <b>17,492</b>  | <b>4.2%</b> | <b>726</b>        |

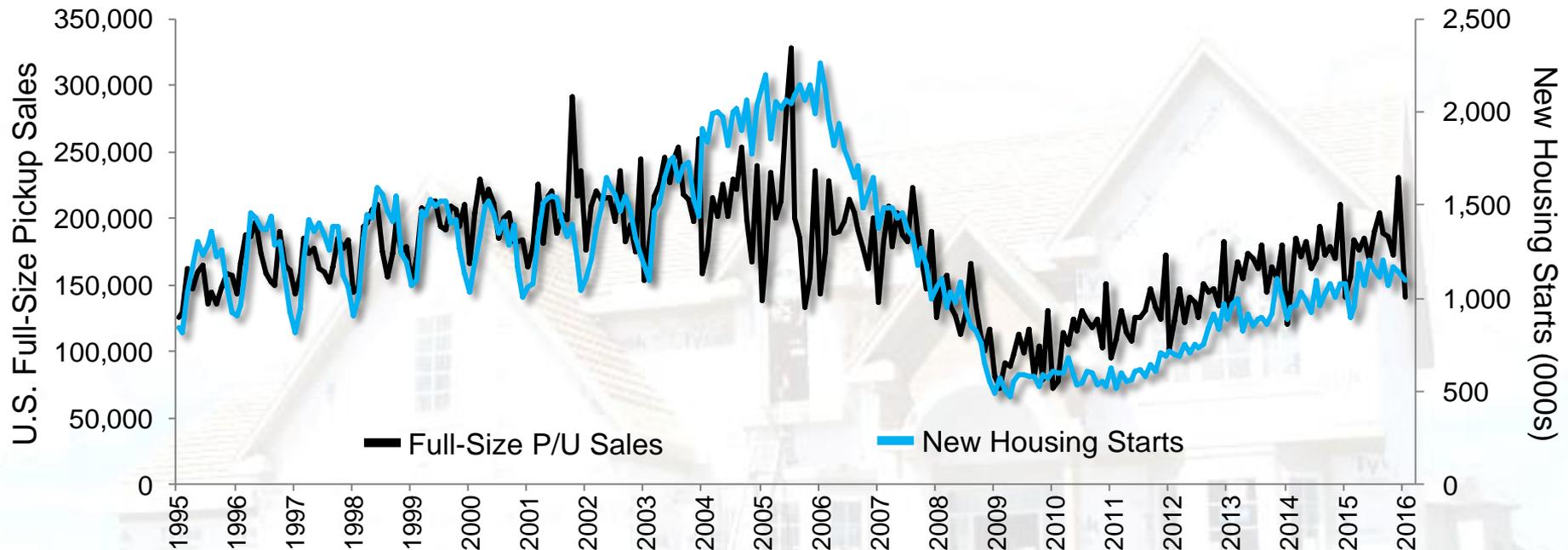
Source: IHS Automotive Light Vehicle Production Forecast



- Production marches on – 18.2 million units for 2016
- GM – Active launch schedule (Cruze, XT5, Acadia, Bolt, etc.)
- Ford – F-250/350 and new Continental
- Chrysler – All-New Pacifica minivan in focus
- Key New Domestic launches include Honda CR-V, Ridgeline; Subaru Impreza; Kia Forte; Audi Q5, among others
- Mexico capacity additions heat up: Hyundai/Kia and Volkswagen/Audi

# U.S.: Light Vehicle Sales Outlook

## New Housing Starts and Full-Size Pickup Sales



- Strong correlation between housing starts and Full-Size Pickup sales
- Housing starts are recovering (slowly) – not expected to reach previous peak; Full-Size Pickup sales recovering with improving commercial fleet sales and redesigned vehicle offerings (with more forthcoming) further bolstered by low gas prices

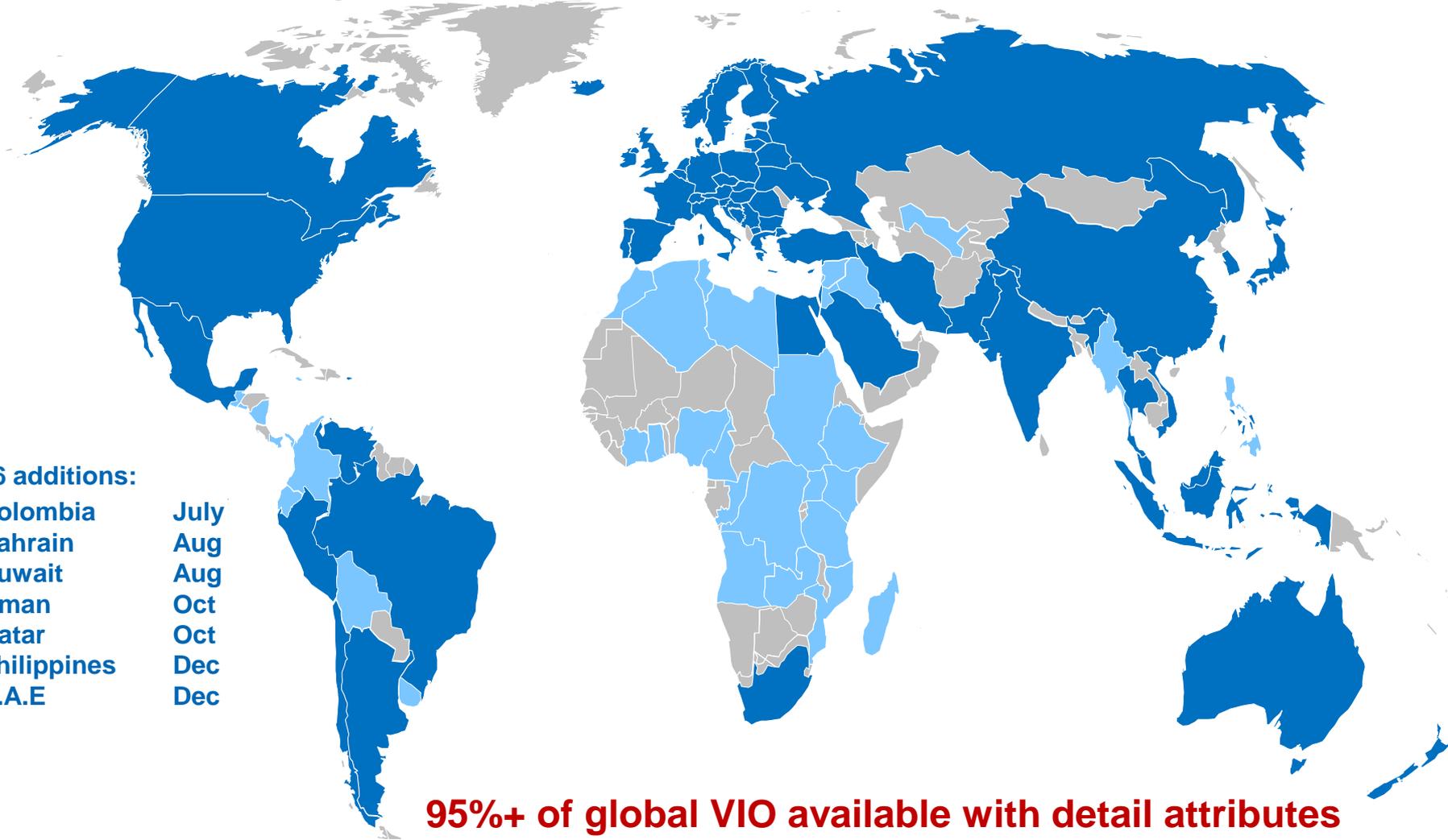
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# IHS vehicles-in-operation (VIO) data & forecast coverage

60+ countries w/detailed Attributes & Age Class - ■

40+ Countries w/registration type - ■



**2016 additions:**

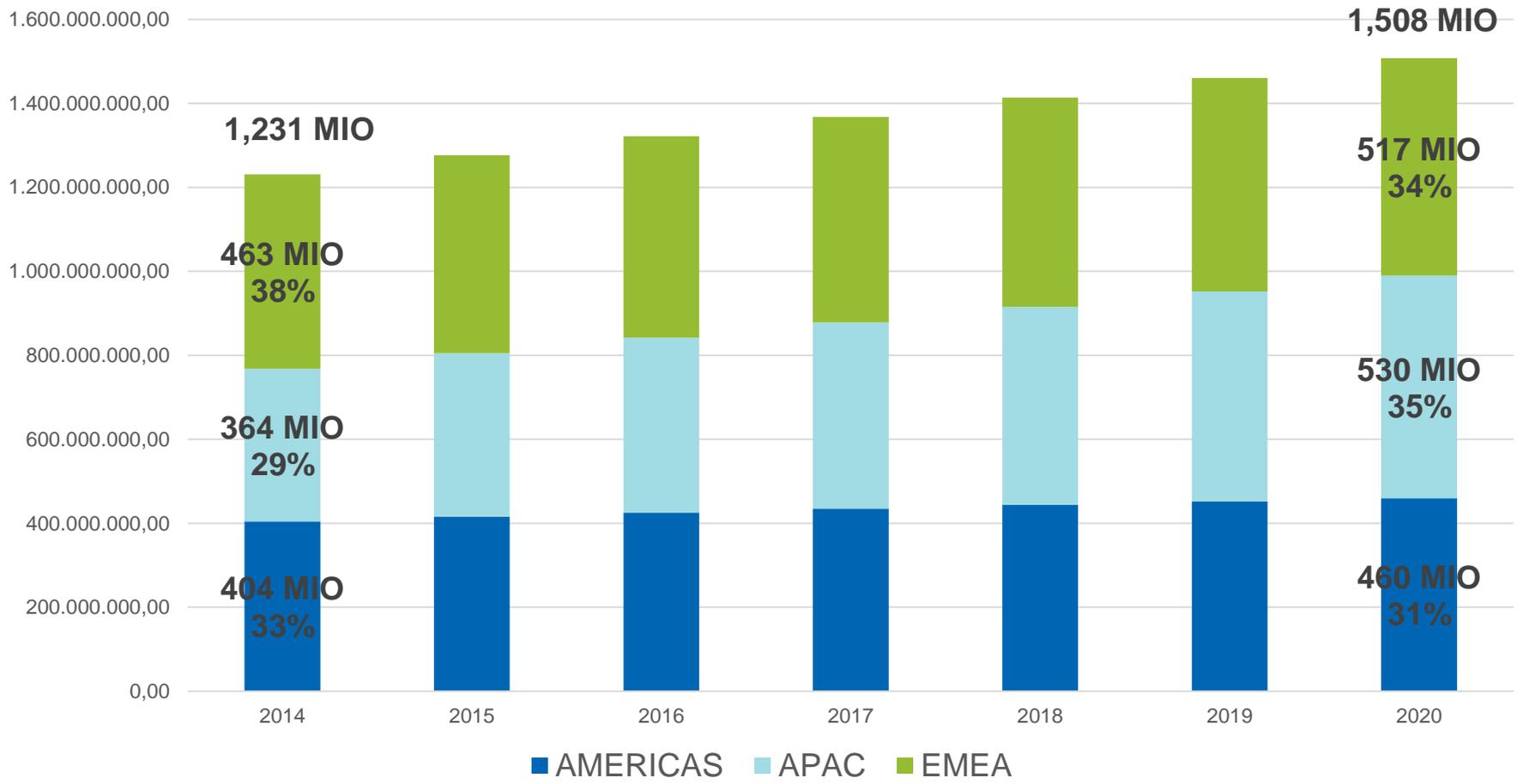
- Colombia July
- Bahrain Aug
- Kuwait Aug
- Oman Oct
- Qatar Oct
- Philippines Dec
- U.A.E Dec

**95%+ of global VIO available with detail attributes**

# Global VIO (cars, LCV, HCV) trend by region

## More than 1.5 vehicles by 2020 – APAC taking over EMEA and AMERICAS

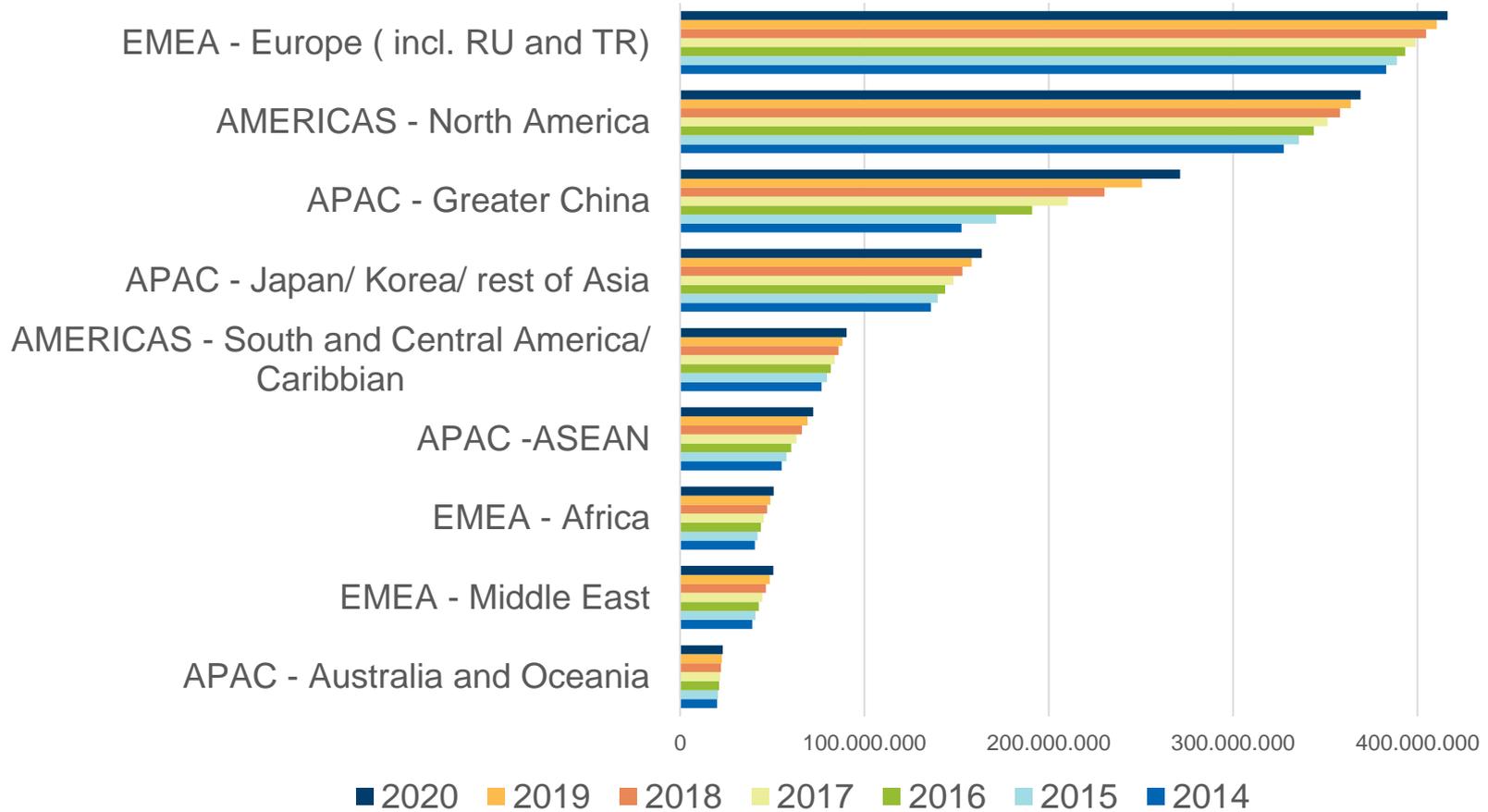
Global VIO per Regions



# VIO by sub-regions

## Europe and North America still in 2020 strongest sub- regions

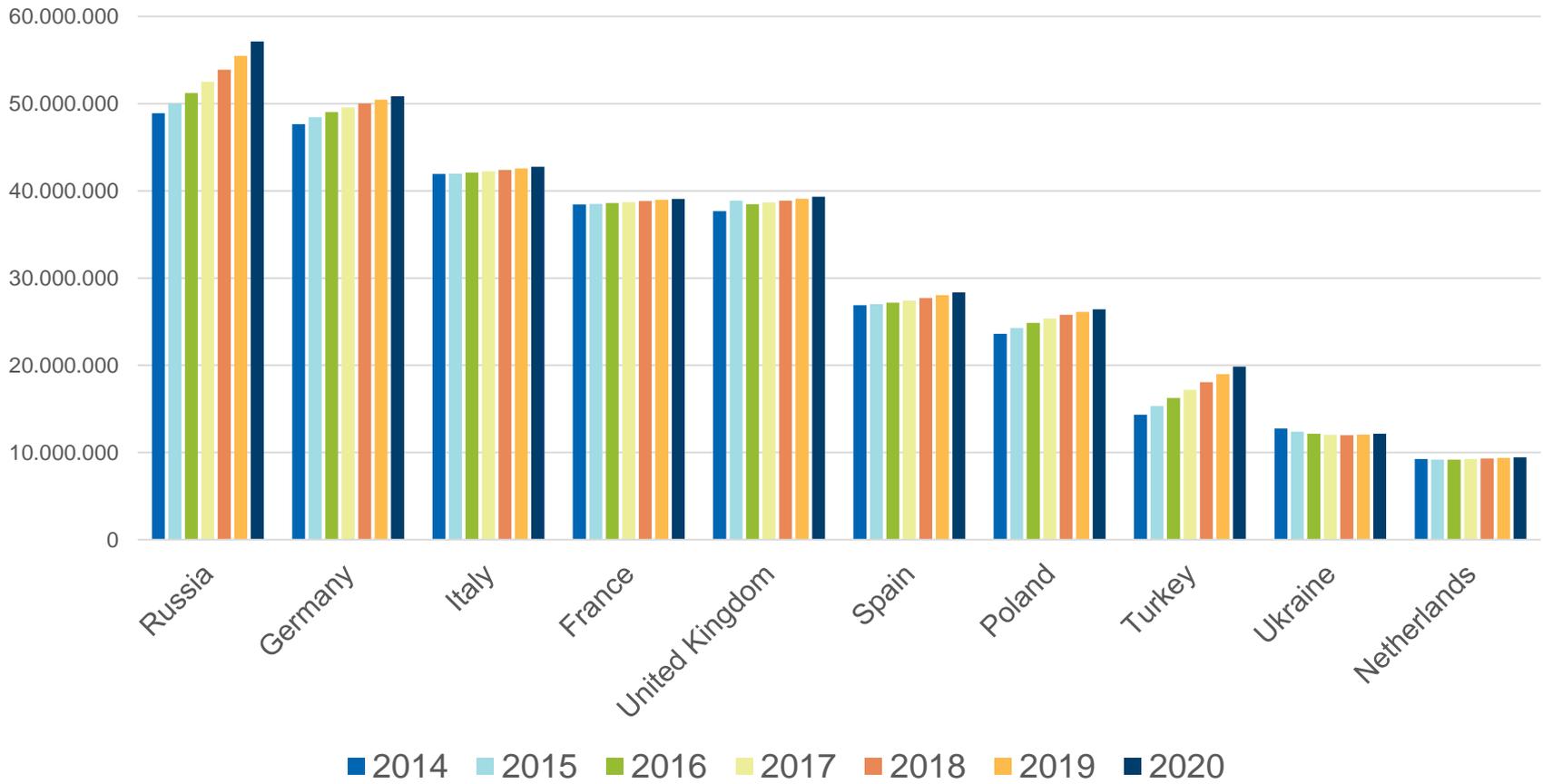
Global VIO by sub - regions



# Europe – VIO by countries, Top 10

## Russia has overtaken Germany; Turkey to reach 20 Mio vehicles by 2020

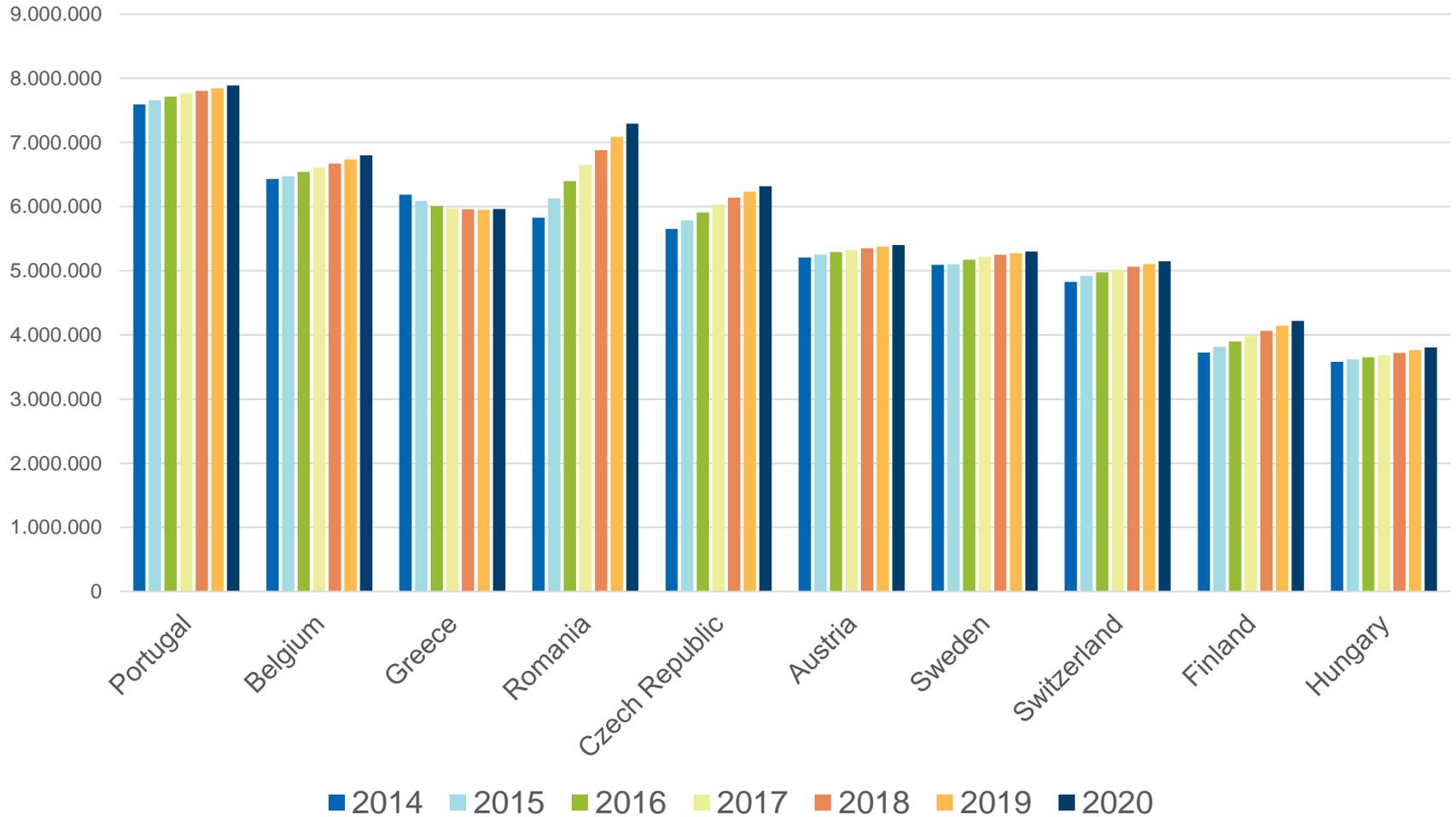
Europe, VIO Top 10 countries



# Europe – VIO by countries, Next 10 countries

## Romania and Czech Republic to overtake Greece by 2020

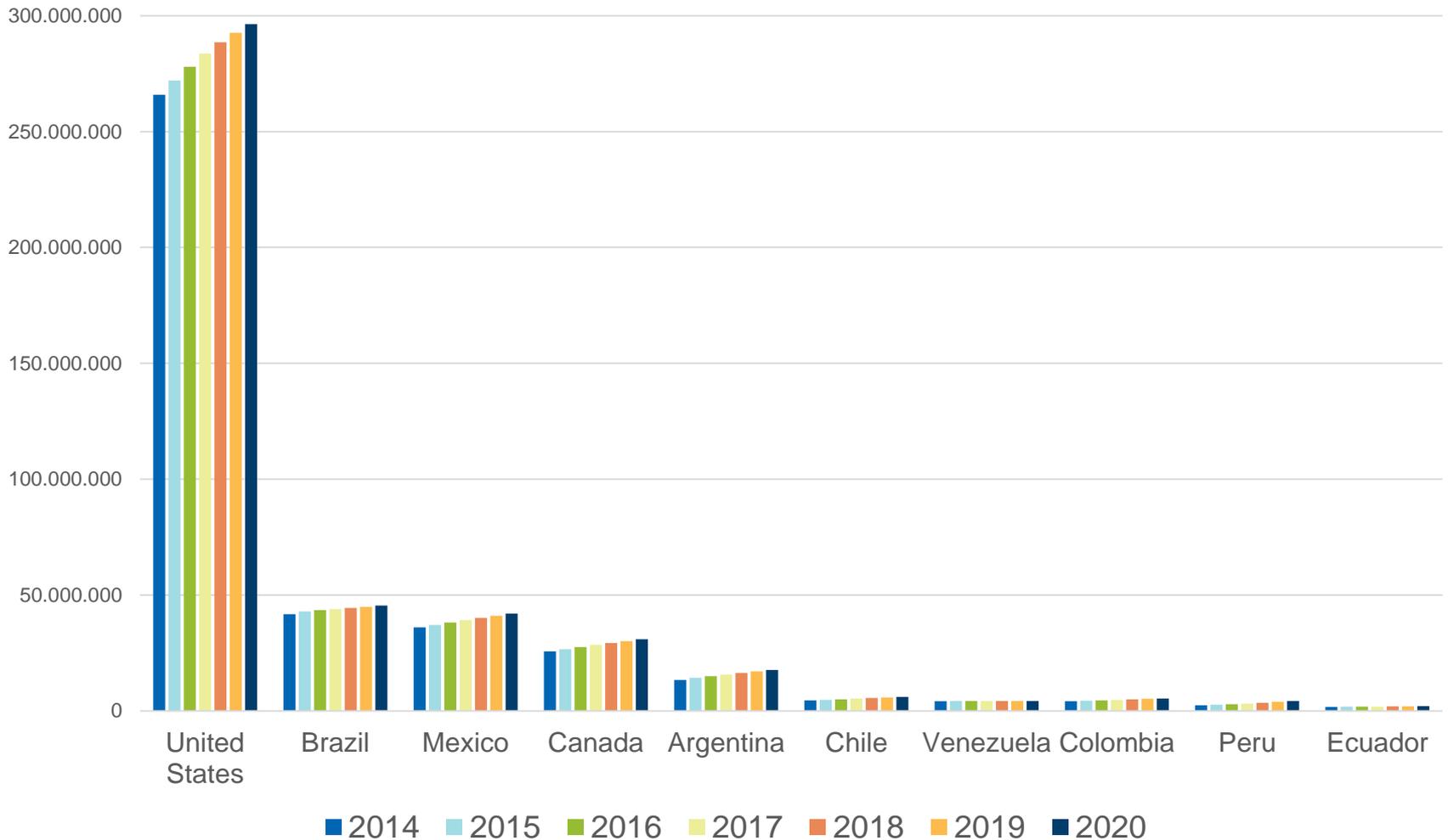
Europe, VIO countries 11-20



# AMERICAS – VIO by countries, Top 10

## About 30 Mio additional vehicles expected for the US by 2020

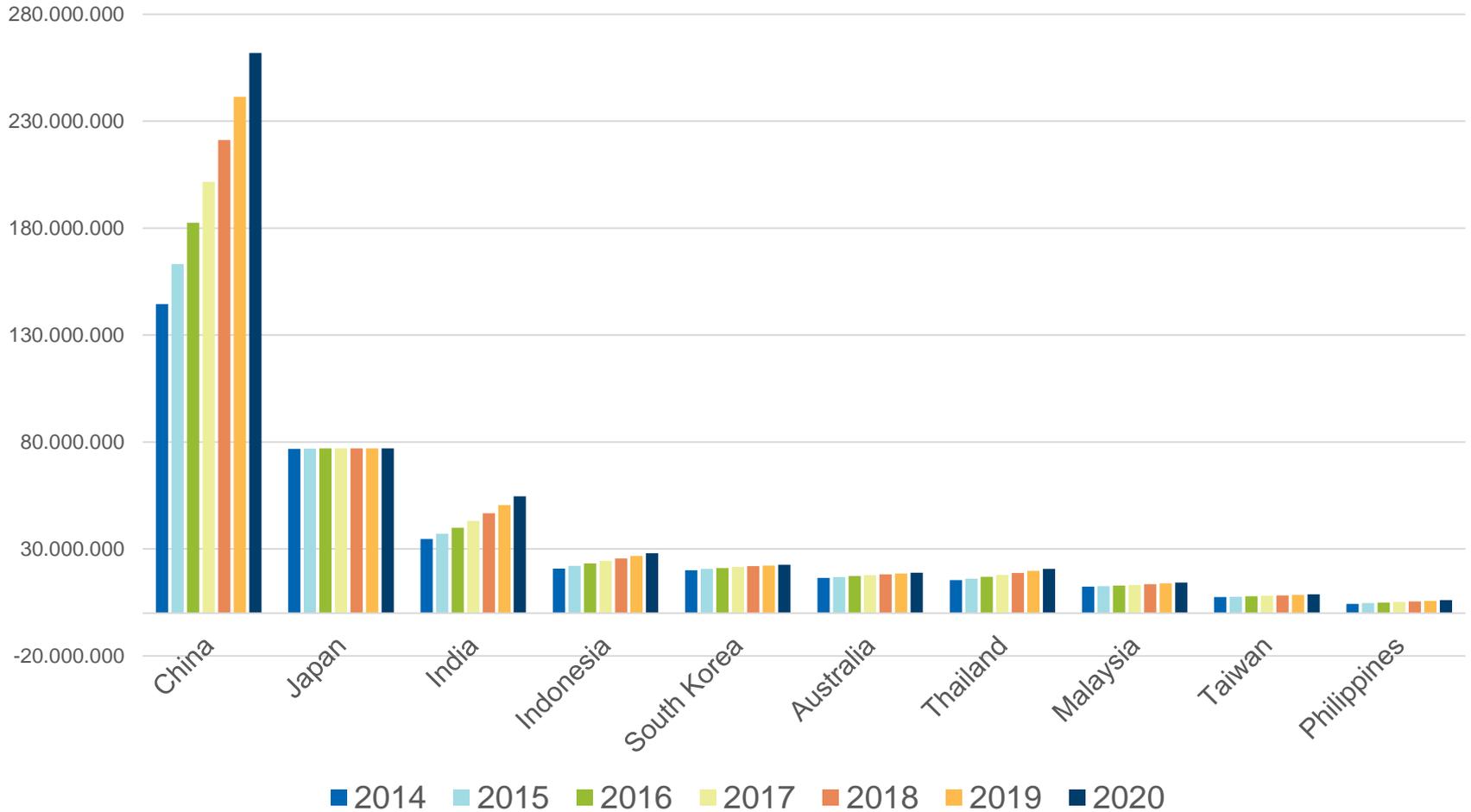
AMERICAS – Top 10 countries



# APAC – VIO by countries, Top

## China to double Parc by 2020; Japan VIO starting to shrink.

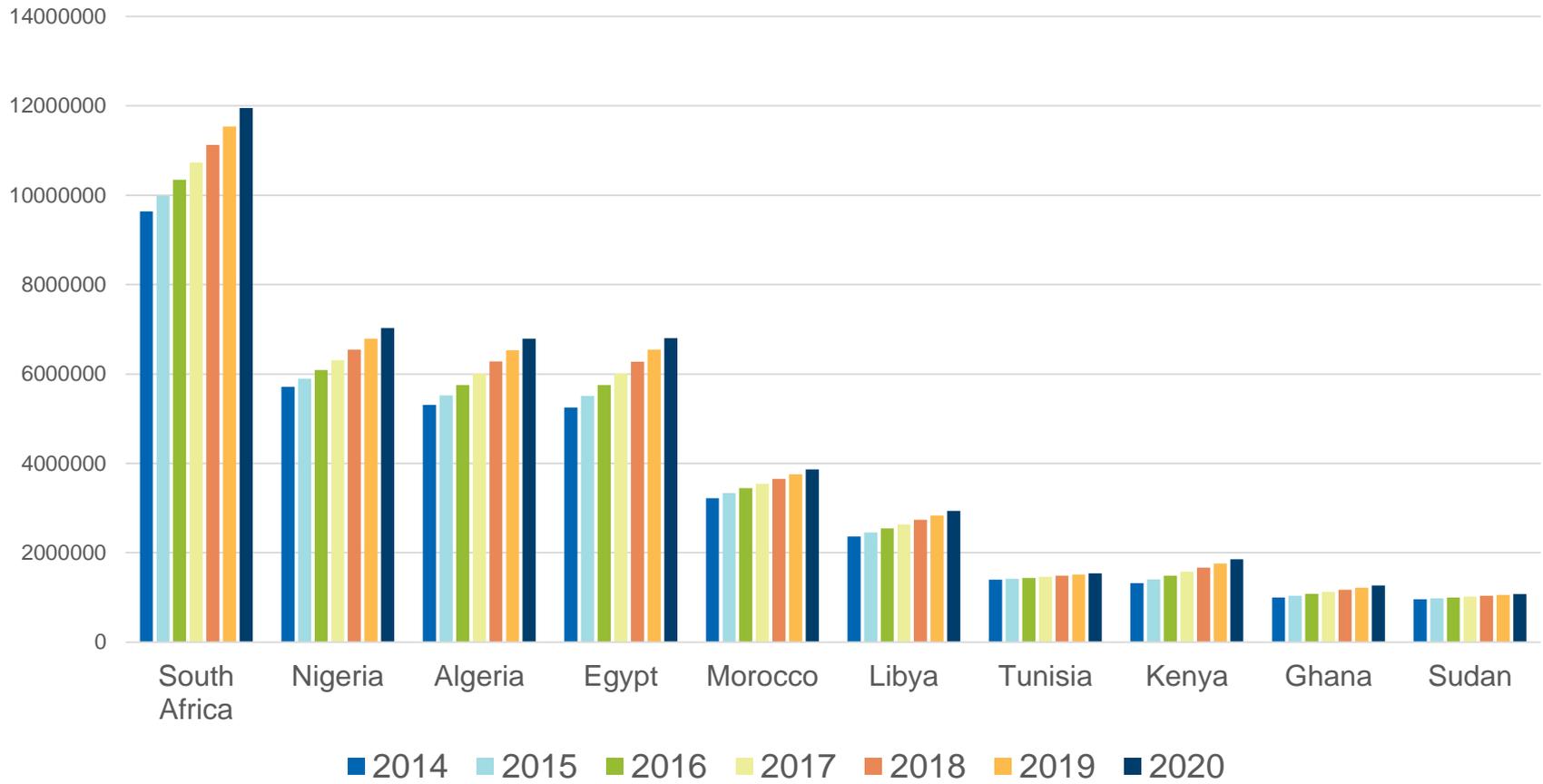
APAC - Top 10 countries



# Africa – VIO by countries, Top 10

## Growth expected in both North African and Sub Sahara regions

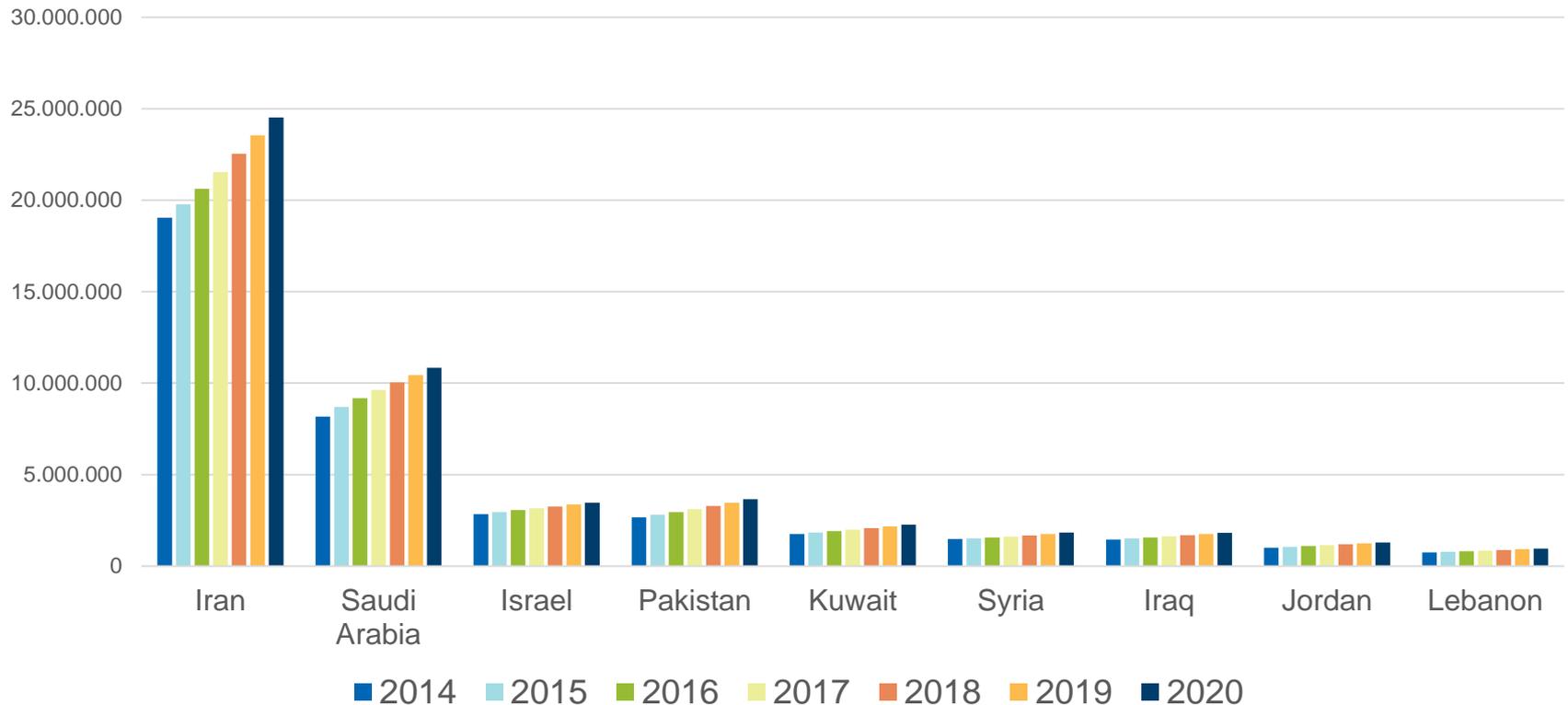
Africa VIO, Top 10 countries



# Middle East – VIO by countries, Top countries

Solid growth in Saudi Arabia; Iran to profit strongly from lifted UN sanctions

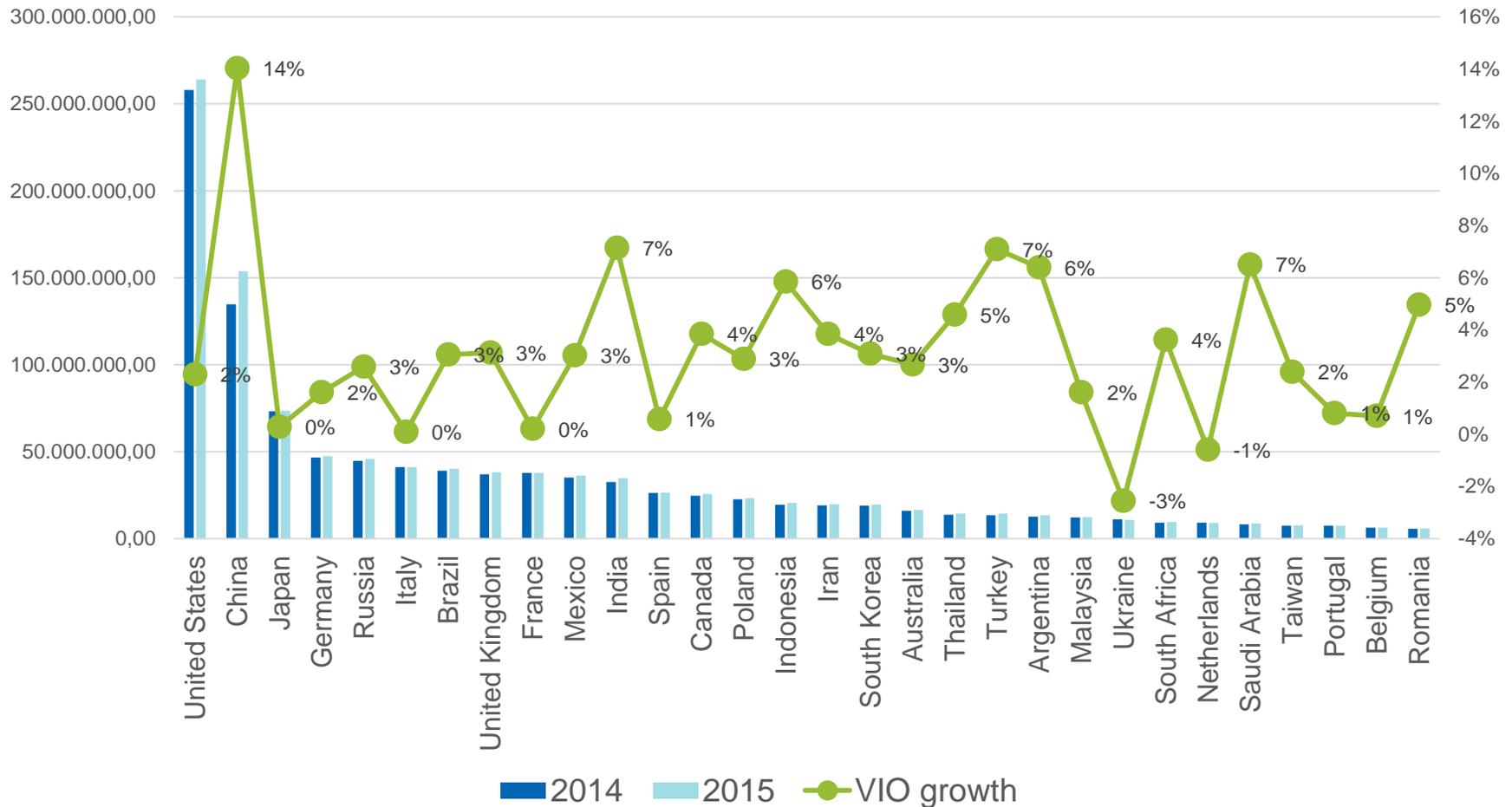
Middle East, VIO Top countries



# Light vehicles VIO - annual growth 2014-2015

## China only market with double-digit growth rate

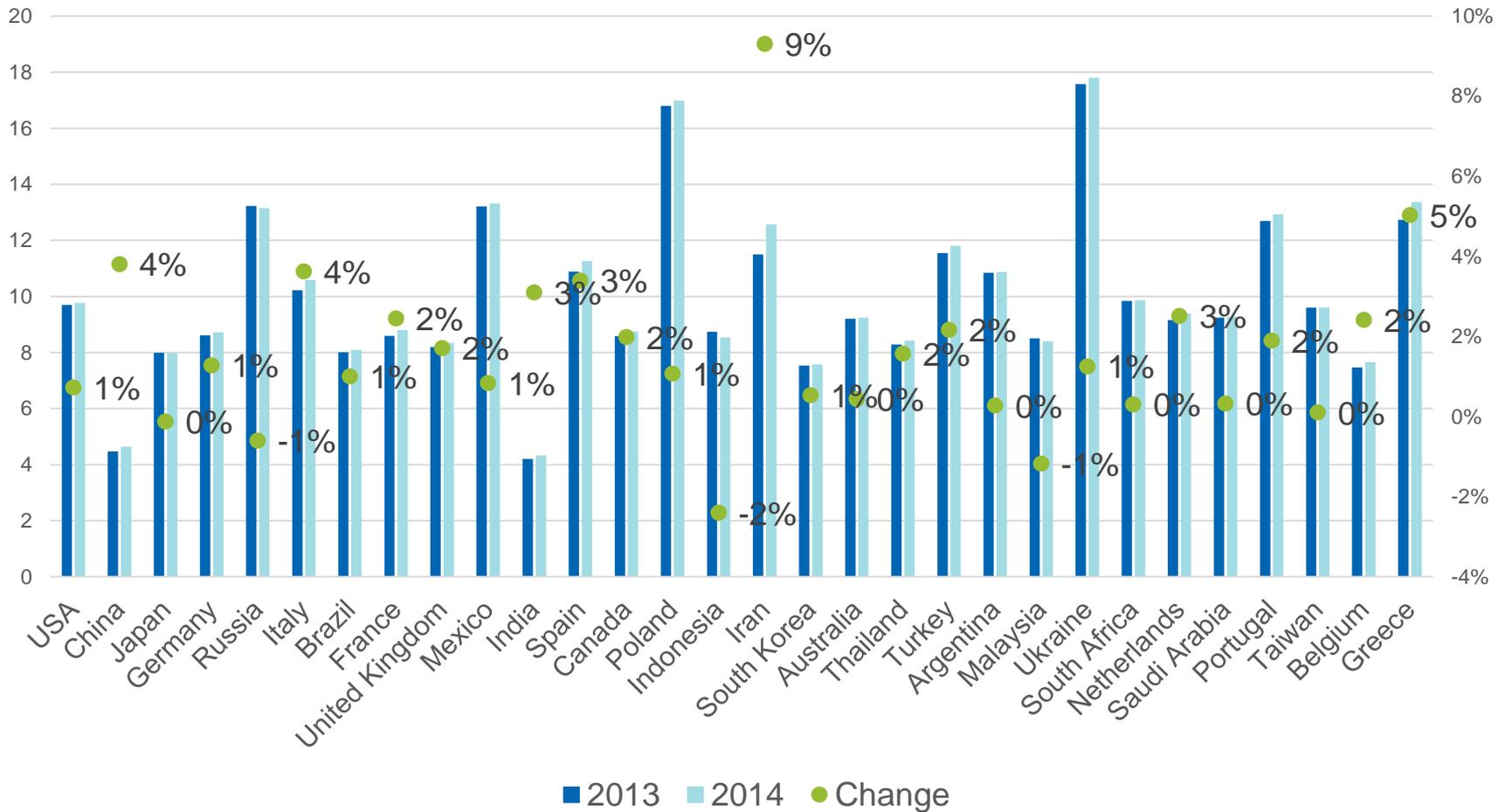
### Top 30 World markets



# Light vehicles VIO – average age development

## Average age has increased in most countries

Top 30 countries – average age of light vehicles



# Summary

- **Economic outlook**
  - Only moderate growth to be expected globally
  - Recovery of commodity prices and global trade required to help emerging markets back on track
  - Political crisis and conflicts remain constant menace in many regions
- **Multi-speed world creates opportunities and threats for new vehicle markets**
  - North America and Europe serve as a critical offsets to the volatility and lackluster growth presented by key Emerging Markets.
  - Emerging market growth varies by country
- **Global vehicle population to grow by another 22.5 % by 2020**
  - Shift to Asia Pacific region
  - Slowed but still impressive growth in China
  - Increasing vehicle age in most markets
  - New opportunities in Iran and African markets

**Thank you for your interest.**

**For any further question, please contact:**

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