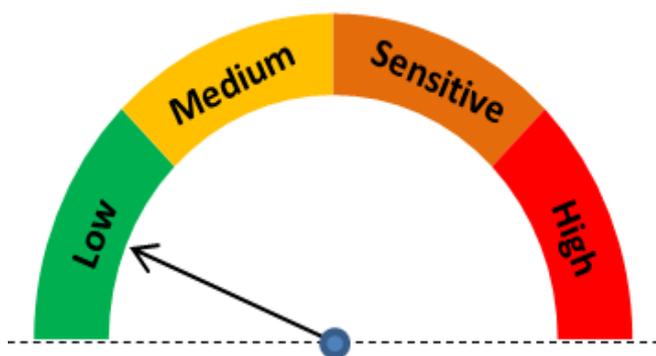


Sector Risk Rating



What to Watch?

- Exposure of car manufacturers to Russia and Brazil currently facing deep recession
- Lack of geographical diversification, putting turnovers and margins at risk
- Increasing environmental constraints leading to higher R&D investment requirements
- Development of premium offers to be positioned on high value segments and increase profits

Despite challenges, global sales growth is stable at +3%

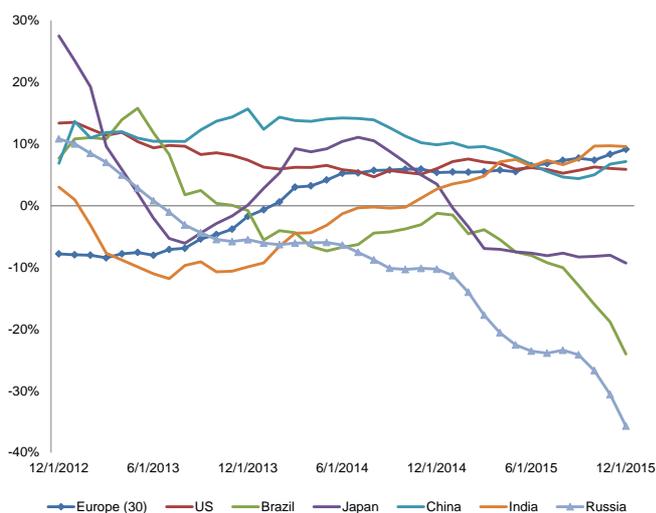
The car industry faces challenging times with the rise of the shared economy, new partnerships with disruptive tech companies, and diesel scandals rocking big players. But still, a global presence is a must for car manufacturers to benefit from global growth.

Sales in the three main markets – China, the United States and Europe – should remain steady in 2016 after a yearly increase of respectively +7% (21 million units), +6% (17.8 million units) and +9% (14.1 million units) in 2015. India's sales dynamism will also keep momentum with again a +10% increase this year. In Japan we expect sales to rebound after a -9% decrease in 2015 due to the VAT increase in April 2014.

Conversely two important emerging markets will continue to face major difficulties in line with macroeconomic turmoil: (i) in Brazil we expect sales to decline further by -7% this year after -24% in 2015; (ii) in Russia automotive sales are forecasted to fall by -11% in 2016 after a -32% drop to 1.6 million units in 2015.

Car manufacturers need to adapt their offerings to each market to stay competitive. Notably, low cost models should be rolled out for India, larger Sports Utility Vehicles (SUVs) for the United States, and medium and premium models for all markets.

New car registration evolution
(rolling 12-months average change in %)



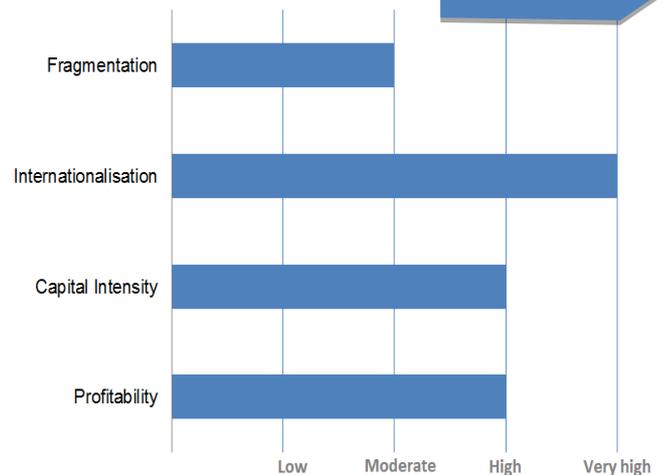
Sources: OICA, Euler Hermes

Sector Value:
846bn
USD

Key Players

Country	Role	Sector Risk
United States	#1 importer #2 exporter	●
Germany	#1 exporter #3 importer	●
China	#1 producer #2 importer	●

ID Card



Strengths

- Steady global market growth despite challenges
- High level of profitability in the United States and China
- Recovery in Europe after several years of decline

Weaknesses

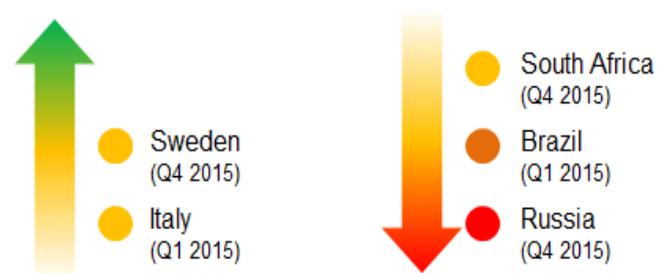
- High overcapacity and competition in Europe
- Major difficulties in some emerging countries, principally Brazil and Russia
- Stringent environmental requirements (pollution, CO2 emissions)

Subsectors Insights

Auto suppliers: Global presence is a must - and so is collaboration with car manufacturers- to achieve higher pricing power and level of profitability.

Carmakers: The 'new deal' is to be present in all markets. Sales volume is a key strategy to cope with high level of investments and spending on R&D.

Recent Sector Risk Changes



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Contact Euler Hermes Economic
Research Team
✉ research@eulerhermes.com

Last review: February 2016
Sector Risk Analyst: Yann Lacroix
✉ yann.lacroix@eulerhermes.com