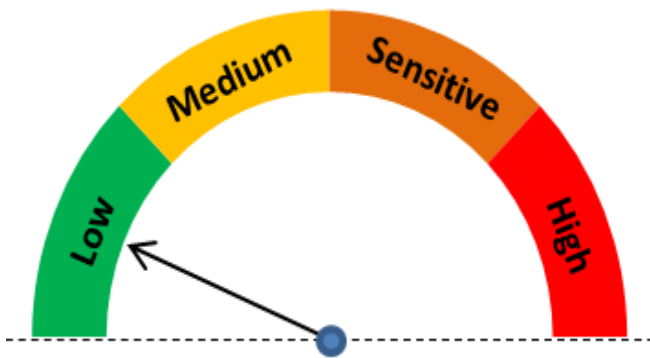


## Sector Risk Rating



## 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%

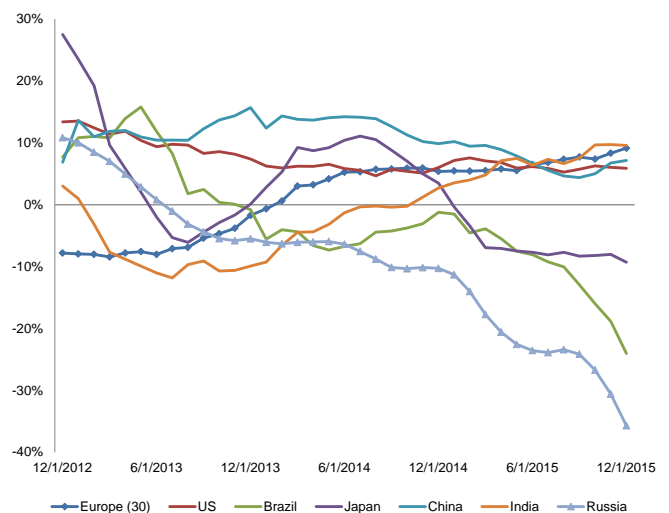
The car industry faces challenging times with the rise of the shared economy, new partnerships with disruptive tech companies, and diesel scandals rocking big players. But still, a global presence is a must for car manufacturers to benefit from global growth.

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 %)



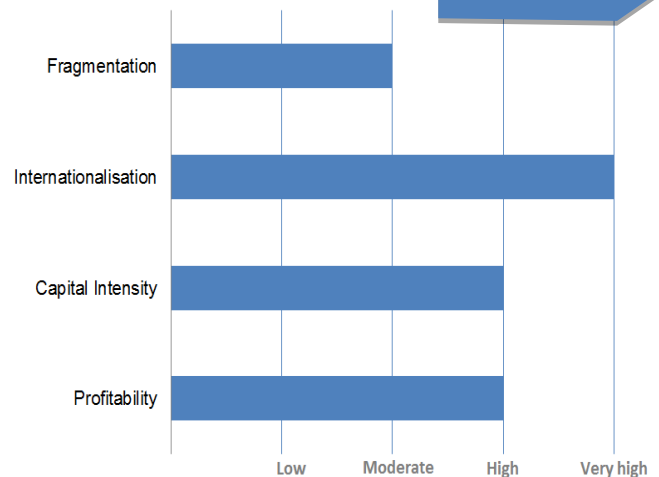
Sources: OICA, Euler Hermes

Sector Value:  
**846bn**  
 USD

## Key Players

Country	Role	Sector Risk
<b>United States</b>	#1 importer #2 exporter	●
<b>Germany</b>	#1 exporter #3 importer	●
<b>China</b>	#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

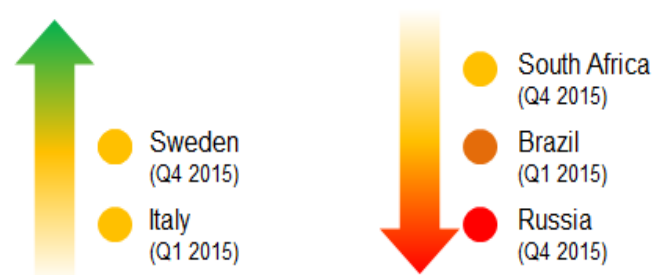
- High overcapacity and competition in Europe
- Major difficulties in some emerging countries, principally Brazil and Russia
- Stringent environmental requirements (pollution, CO2 emissions)

## 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



### DISCLAIMER

These assessments are, as always, subject to the disclaimer provided below.

This material is published by Euler Hermes SA, a Company of Allianz, for information purposes only and should not be regarded as providing any specific advice. Recipients should make their own independent evaluation of this information and no action should be taken, solely relying on it. This material should not be reproduced or disclosed without our consent. It is not intended for distribution in any jurisdiction in which this would be prohibited. Whilst this information is believed to be reliable, it has not been independently verified by Euler Hermes and Euler Hermes makes no representation or warranty (express or implied) of any kind, as regards the accuracy or completeness of this information, nor does it accept any responsibility or liability for any loss or damage arising in any way from any use made of or reliance placed on, this information. Unless otherwise stated, any views, forecasts, or estimates are solely those of the Euler Hermes Economics Department, as of this date and are subject to change without notice. Euler Hermes SA is authorised and regulated by the Financial Markets Authority of France.

© Copyright 2016 Euler Hermes. All rights reserved.

View all Euler Hermes  
 Economic Research online  
<http://www.eulerhermes.com/economic-research>

Contact Euler Hermes Economic  
 Research Team  
 ✉ [research@eulerhermes.com](mailto:research@eulerhermes.com)

Last review: February 2016  
 Sector Risk Analyst: Yann Lacroix  
 ✉ [yann.lacroix@eulerhermes.com](mailto:yann.lacroix@eulerhermes.com)