Press release

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Euler Hermes U.S. auto industry outlook: Increased consumer spending and aging vehicle fleet to drive growth

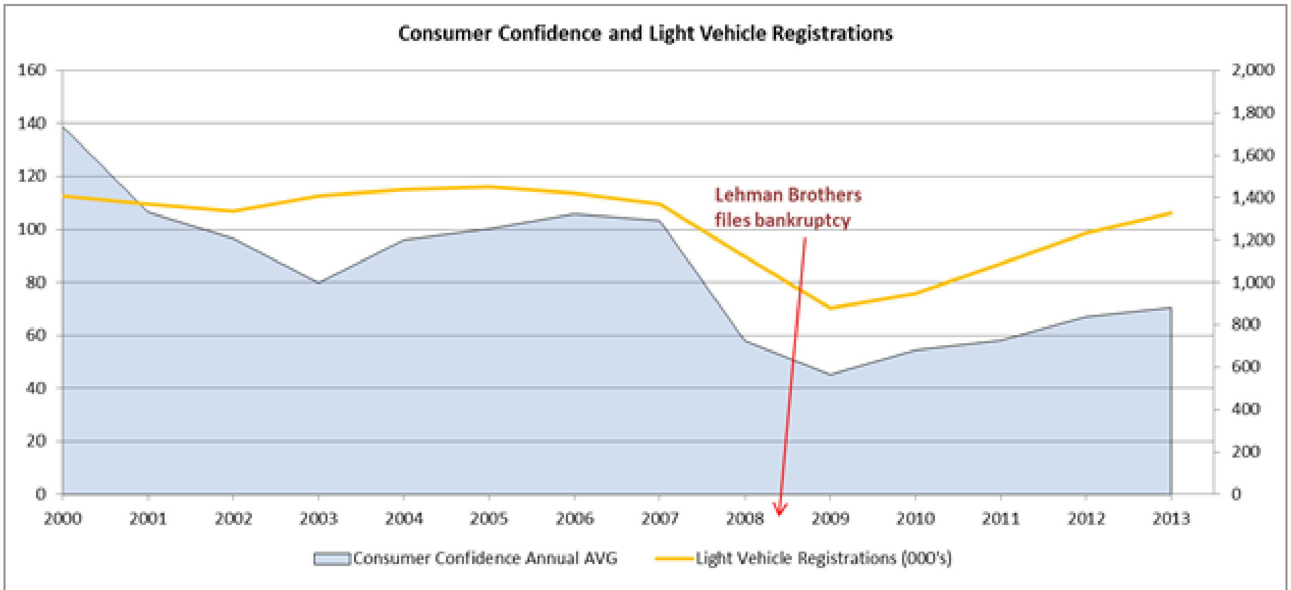
Industry revenue to rise, rate of increase will decline as sales approach long-term historical average

BALTIMORE, Md. – November 19, 2013 – Revived consumer spending, credit availability improvements, the shift to green vehicles and an aging vehicle fleet will drive auto sector growth in upcoming years, according to the *U.S. Automotive Industry Outlook* released today by Euler Hermes, the world's leading provider of trade credit insurance.

Automotive sales correlate highly with consumer confidence, which will continue to improve as consumers strengthen finances and reduce household debt. Banks are also more willing to extend favorable credit terms, increasing consumers' ability to purchase big ticket items. Auto loan originations increased to $92 billion in 2013, the highest since 2007. Coupled with an expanding population, favorable demographics and new vehicle lineups, these trends bolster long-term growth expectations.

At the same time, the rate of increase will decline as pent-up demand tapers off and industry sales approach the long-term historical average. The industry is expected to launch 41 products in 2014, up from 20 in 2013, which could outpace expectations.

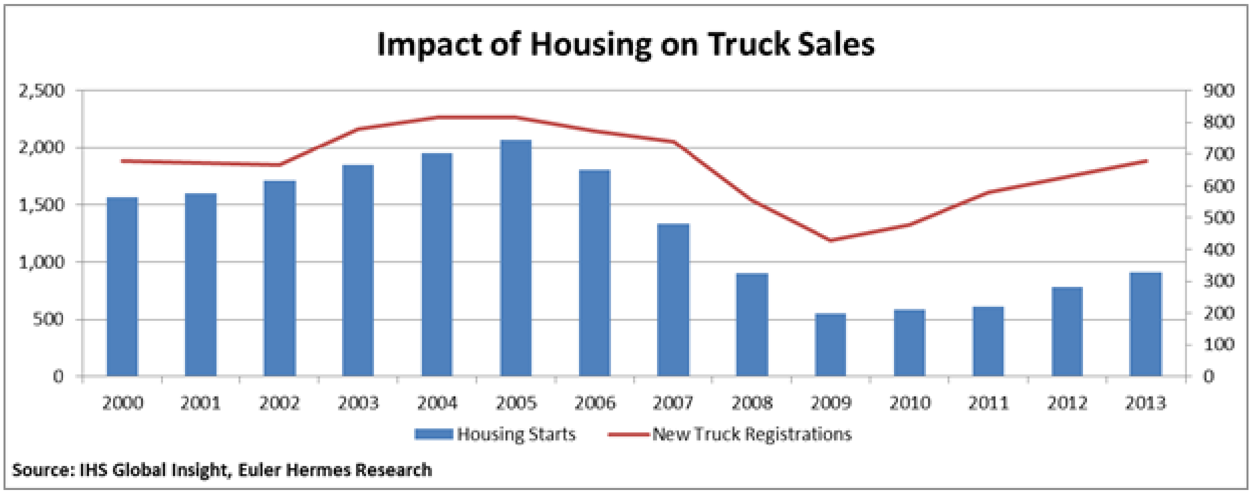
"Despite a slow and uneven recovery, recent indications demonstrate that U.S. consumers are willing to spend on big ticket items," said Tristan Balcer, author of the report and automotive analyst at Euler Hermes. "Many auto companies restructured their operations during the Great Recession of 2009. As such, the industry landscape has changed significantly, resulting in a leaner, more efficient sector that is poised to seize current opportunities."



Source: The Conference Board, IHS Global Insight, Euler Hermes Research

The age of the U.S. light vehicle fleet is at a record high of 11.4 years, which Euler Hermes expects will boost growth and aftermarket demand for both original equipment manufacturers (OEM) and auto parts suppliers. Both will also continue to benefit from restructuring and cost-cutting initiatives, resulting in a more profitable and stable future.

While rapid increases in gas costs could also push consumers toward smaller, more fuel-efficient vehicles, improved truck mileage and a rebounding housing sector will support the product balance between trucks and cars.



"Although raw material input prices are expected to increase in coming years, automakers' profit margins should strengthen due to improved operational leverage from higher sales levels," said Balcer. "Inventories are stable, and we don't expect manufacturers to rely on margin cutting incentives to spur purchases."

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