

Automotive market: Diesel scandal impact, Europe still on course for growth

- Despite the diesel scandal impact on the automotive market, Germany's export figures for automobile production remain steady (80%)
- Important markets such as Brazil and Russia are currently in deep recession and should weaken further in 2016 (sales -11% in Russia, -7% in Brazil)
- The European automotive market grew 9% in 2015 for new registrations; the trend should continue in 2016 (+3%)
- The Swiss automotive supply industry is under price pressure from high manufacturing and wage costs
- The Swiss automotive supply industry has identified responses to the increased challenges: restructurings, diversified customer bases, outsourcing/off-shoring cost-intensive labor steps and specialization.

Wallisellen, Switzerland – 25 FEBRUARY 2016 – According to a recent study by Euler Hermes, the worldwide leader in trade credit insurance, the international automotive sector faces significant challenges. Not only has the diesel scandal impacted the automotive market, but important customer countries like Brazil and Russia are currently in deep recession and buying power is set to fall further in 2016 (- 11% in Russia, - 7% in Brazil in 2016). The international automotive industry is still not sufficiently diversified geographically. Stricter environmental regulations also call for higher investment in R&D.

Swiss automotive market

After the euro cap was dropped and the diesel scandal broke, the automotive supply industry in Switzerland found itself facing serious challenges that remain ongoing. Internationally, the position of Swiss companies is also complicated by higher production and wage costs, which negatively impact margins.

"Most companies have found the right answer to these problems, including restructurings, diversified customer bases, outsourcing of cost-intensive labor steps to cheaper manufacturing countries and product specialization," says Stefan Ruf, CEO of Euler Hermes Switzerland. "At the same time, suppliers are benefiting from the consistently high number of new registrations in Europe, the U.S. and Asia, and low raw material and energy prices. Despite these advantages, Swiss suppliers are still struggling – there is fierce competition from the EU area, price pressure remains high and overcapacities in the market could exacerbate the current situation."

In 2015, Switzerland's automotive sector vehicle sales increased 7.2% (0.3 million units in total). Euler Hermes expects to see further growth of 1% in 2016.

International automotive market

In 2015, the global automotive market held up well in terms of numbers of new vehicle registrations, demonstrated shown by figures for the three main automotive markets that account for over 75% of global sales:

- Europe +9% (14 million units, although still below the pre-crisis level of 16 million units)
- China +7% (21 million units incl. tax reduction in September)
- USA + 6% (17.8 million units)

European markets performed robustly in 2015:

- Switzerland + 7.2% (0.3 million units)
- Germany + 5.6% (3.2 million units)
- Austria + 1.7% (0.3 million units)

Euler Hermes also predicts further 2016 sales increases for all three countries:

- Switzerland +1%
- Germany +3%
- Austria + 2%

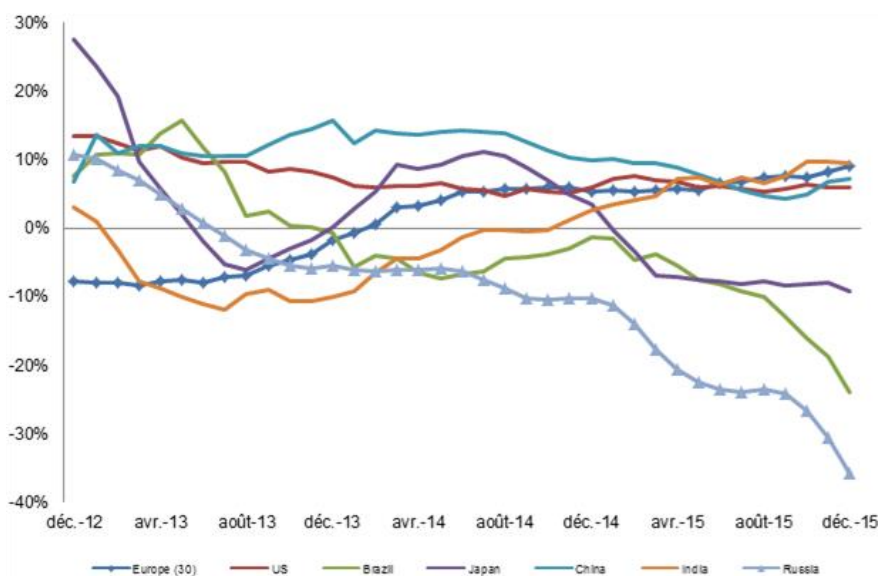


Across Europe overall, Euler Hermes expects 3% growth in 2016.

Automobile production in **Germany** remains at a high level with 5.7 million units sold in 2015, with 80% of production exported. The diesel scandal did not negatively affect export volumes. Production levels are at pre-crisis levels.

Global automotive sector growth in 2015

Average annual growth (12/2015)	Europe	USA	Brazil	Mexico	Argentina	Japan	China	India	Russia	Turkey
New car registrations	9.10%	5.90%	-24.00%	15.10%	1.80%	-9.30%	7.20%	9.60%	-35.70%	23.50%



CONTACTS

Euler Hermes Switzerland

Annalisa Job
Tel: 044 283 65 14
annalisa.job@eulerhermes.com

Euler Hermes Group Media Relations

Remi Calvet +33(0)1 84 11 61 41
remi.calvet@eulerhermes.com

Publicis Consultants

Romain Sulpice +33 (0)1 44 82 46 21
romain.sulpice@mslfrance.com

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