Press release

Euler Hermes Automotive Report: Emerging markets relinquish lead as car demand plummets amid economic tremors

- China market looks set to slow sharply
- Demand plummets in Brazil and Russia
- Traditional automotive markets provide car makers with growth respite

PARIS – 9 SEPTEMBER 2015 – Traditional automotive markets in Europe and the US are showing the most promising signs of growth and have taken a lead over struggling emerging economies, according to Euler Hermes, the world leader in trade credit insurance. The Euler Hermes report "Auto Market – a live wire" warns that the economic slowdown across emerging markets is causing car registrations to tumble:

- In China, sales are set to fall sharply to 3% growth in 2015 and 2016, compared to 10% expansion last year
- Registrations in Brazil are expected to fall by 14% in 2015 to 2.3 million units, well below the 3 million units produced in 2013
- Russia is set to see its market shrink by over a third to 1.6 million vehicles
- Indian sales could grow by 6%, but will only take the country to 2011 levels of production.

Meanwhile, the United States has enjoyed six consecutive years of growth and has climbed back to its pre-crisis peak. Euler Hermes predicts that the market will grow a further 4% in 2015 to 17.5 million vehicles. In Europe, the automotive industry is expected to continue its recovery with a projected expansion rate of five per cent, despite intense competition and low margins. The UK is leading the way, having bettered its all-time record with a 5% to 6% hike in registrations so far in 2015.

Despite their gains, traditional automotive markets should lose some of their momentum, and with many emerging markets struggling, car makers will be looking to the countries like Saudi Arabia, Turkey and possibly Iran for growth opportunities in the coming years. However, past experiences in Argentina, Thailand and Venezuela will serve as a painful reminder to many that economic and political risks can put a spanner in the works at any time and drive growth plans off the road.

The report also highlights the shift of power in vehicle production, with China having increased its output by 167% between 2007 and 2014; India and Mexico also achieved significant gains with 70% and 61% rises, respectively.

Traditional car producing economies in Europe fared the worst during the period, with Italy losing almost half of its output (46%), closely followed by France with a 40% reduction and Spain's industry shrinking by 14%.

Global automotive production is set to slow to just 2% in 2015 before recovering its 3% or 4% annual growth potential in future. However, the Euler Hermes report warns that the industry is facing significant challenges as producers race to gain a foothold in key growth markets, but also adapt their operations to respond to erratic shifts in demand.

"There has been a steady transfer of production to emerging countries that are perceived to be 'auto-friendly' as brands aim to maintain margins by targeting lower labor costs. Coupled with such volatile demand conditions, we are seeing the development of new vehicle production zones that can respond effectively to the specialized local market needs, in regions such as Eastern Europe, Latin America, North Africa and Southeast Asia," said Ludovic Subran, chief economist at Euler Hermes.

"Faced with market volatility, car makers embarked on a journey to invent the 'car of tomorrow' - green, connected and shared - without being able to measure returns on investment and related costs such as fit-for-purpose infrastructure. The global market is still fuelled by traditional factors, such as population growth, household purchasing power and industrial policies. " concluded Yann Lacroix, lead author of the report and senior sector advisor at Euler Hermes.

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