Press Release

Around the World in a Day

Some Unique Insights from LMC Automotive's Fall Conference

TROY, MI, 5th November 2014: LMC Automotive is projecting global light vehicle demand of 87 million units in 2014 and more than 90 million units in 2015. At LMC's fall conference in Birmingham, MI last week, it was revealed that global GDP growth of around 3% per year in the near- to mid-term will provide a stable foundation for the automotive market.

The emerging markets pose the highest level of risk to the forecast, with the US, China looking to be the least risky markets.

Sales Strength in the US Holds

US demand this year rebounded from a weak start and remains strong. Light vehicle sales are expected to grow by 5% in 2014 and finish the year at 16.4 mn units, before the recovery levels off and the market shifts to a more natural demand. Jeff Schuster, LMC's Senior VP Forecasting, sounded a note of caution: "There are risks to the forecast. An underperforming global economy would put pressure on the US, and autos would be susceptible to a pullback. Interest rates are slated to rise in the second or third quarter of 2015, which would make vehicles less affordable."

Questions also remain surrounding the behaviour of younger buyers. "We believe it is more an issue of delayed adulthood than lack of interest," Schuster said. "As Millennials start households and careers, they will need vehicles."

North American LV production is forecast to reach 17.3 mn vehicles in 2015, an increase of 3%. The market is expected to exceed 19 mn units by 2019, supported by a substantial increase in model launch activity.

A new wave of platform consolidation will enable savings and streamline development processes for OEMs and suppliers. "The number of platforms underpinning vehicles in the region will fall, creating fewer but more high-volume opportunities for suppliers," according to Bill Rinna, Senior Manager Forecasting.

China's New Normal

The Asia Pacific region will account for more than half of global LV production in 2014. By 2021, the region will also account for almost half of global sales. According to Bin Zhu, LMC Automotive's China Forecasting Manager, "China is expected to continue to drive this increase, despite a slowdown in its growth rates."

"Despite stellar annual growth in LV sales of 14% in 2013, China has a 'New Normal' in its growth rate for us to adapt to in the coming years," Zhu added. Growth in 2013 was boosted by low dealer-level inventory at the end of 2012, and as China implemented car registration restrictions, causing pre-buy this year and last year.

"Chinese economic policy has shifted focus away from investment-driven growth and towards consumption-driven growth," Zhu said. "This is likely to curb growth in China's passenger vehicle sales. We don't expect double-digit growth will be seen again, and downside risks are accumulating, particularly in 2015."

Nevertheless, in addition to the considerable increase in its scale, the Chinese passenger vehicle market will also undergo some structural changes that will create a lot of opportunities. "Sales of locally made SUVs and MPVs grew by more than a third in the first nine months of 2014," said Zhu, "and the Premium segment is set to become the world's largest, with annual sales likely to exceed 3 mn units by 2020."

Russia Casting a Shadow over Europe

The recovery in Europe has slowed in recent months as stuttering GDP growth in many Eurozone economies and weakness in Russia have cancelled out stronger improvements in the UK and Spain. "Events in Ukraine and Russia have spooked many European consumers," said Justin Cox, LMC Automotive's Head of European Production. "A slowdown of export demand from Russia, and from a slowing China, is also taking its toll on European growth."

But it's not all doom and gloom. "The ECB has announced various expansionary measures, and the euro has devalued," said Cox, "We expect Europe to muddle through 2015 rather than to tip back into recession." Growth in vehicle sales is expected in 2015, but it will take until the end of the decade before the European market approaches pre-2008 levels.

South America Slowdown

Both Brazil and its neighbour Argentina have been plagued by fears over inflation, protectionist policies and growing household debt. "Consumption in both countries has declined sharply. Vehicle sales in the first three quarters of 2014 dropped by 12 percent compared to the same period last year," according to Camile Janz, South American Forecasting Manager.

The South American market still has great potential for growth – the population is young and income levels have a long way to rise before the market is considered mature – but for the short to medium term at least, prospects remain sluggish.

This has knock-on effects for the OEMs with production capability in the region, and is even more crucial for those planning to install capacity in the coming years; the $1 billion currently slated to be spent in South America in 2016 is now at risk.

Hybrid/Electric –Hype or Substance?

Hybrid & electric vehicle demand in Europe is accelerating, reaching more than 2% penetration of car sales in the first half of 2014. Incentives in some national markets have created exceptions to this generally low penetration level. "Norway has seen hybrid & electric vehicle penetration hit 20% of new car sales in 2014, driven by very strong incentives for plug-in vehicles," according to Al Bedwell, LMC Automotive's Director of Global Powertrain. "In Germany, where there are low incentive levels, they account for a little over 1% of sales."

The LMC forecast indicates a pan-European market share for hybrid & electric vehicles of just below 10% by 2024, with plug-in technologies accounting for two thirds of sales.

Sales of battery electric vehicles continue to increase in the US, primarily driven by California's Zero Emission Vehicle (ZEV) legislation. "Market competition will escalate considerably as the legislation calls for credits equivalent to 3 percent of 2015 models built for California to be earned by actual ZEVs," said Kevin Riddell, LMC's Manager of Powertrain Forecasts in the US. "Manufacturers are reducing prices on models despite no reduction in national incentives yet."

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About LMC Automotive

LMC Automotive is a market leader in the provision of automotive intelligence and forecasts to an extensive client base of car and truck makers, component manufacturers and suppliers, financial, logistics and government institutions around the world and is widely respected for its extremely responsive customer support.

It offers forecasting services covering global sales and production for light vehicles and heavy trucks, as well as forecasts of engine and transmission supply and demand. In addition, LMC Automotive publishes special studies on subjects of topical interest to the automotive industry.

LMC Automotive is part of the LMC group. LMC is the global leader in economic and business consultancy for the agribusiness sector.

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