



Press Release

LMC Automotive Reports:**Despite Mounting Risk, 2012 Global Light Vehicle Sales are Still Expected to be Strong**

TROY AND TRAVERSE CITY, Mich.: AUGUST 8, 2012 — Global light vehicle sales are expected to reach 79.4 million units in 2012, which would outpace 2011's record level of 75.5 million units by 5 percent, according to LMC Automotive.

Global light vehicle sales through the first half of 2012 set a very robust selling rate of 80 million units, as key markets including the United States, Japan and China outpace the sales level of a year ago (the selling rate during the first half of 2011 was at 74.5 million units). However, the selling pace is expected to soften through the second half of the year, as both emerging and mature markets suffer weaker economic growth and curbed consumer spending.

"As the level of uncertainty rises as the result of the European crisis and its impact on other markets, so does the amount of pressure on auto sales around the world," said Jeff Schuster, senior vice president of forecasting at LMC Automotive. "All eyes are on Europe for a signal of the direction, as volume growth holds in 2012 but remains at risk next year."

In 2013, global light vehicle sales are poised for a 6 percent increase to nearly 85 million units. Many markets are expected to continue to be extremely dynamic, which puts downward volume risk next year at 3 to 5 million units globally.

Europe

Weakness has plagued Europe, as light vehicle sales in Western Europe fell 8 percent in the first half of 2012. Economic recession and concerns over the future of the Eurozone have weighed heavily on the region's vehicle markets. Among the five key markets in Western Europe, there has been a divergence between the relatively better performing markets in the United Kingdom and Germany and those of Spain, France and Italy — the latter two hit by double-digit percentage declines so far in 2012.

"The pressure in the European market is immense at the moment as the auto industry struggles with falling sales volumes, increased discounting and idle plant capacity," said Jonathon Poskitt, head of European sales forecasting. "The risk of the Eurozone crisis worsening threatens any meaningful recovery in the near-term, and even the German market is showing clear signs of a slowdown."

For 2012, the region is projected to decline 5 percent to 18.2 million units. The 8 percent drop in Western Europe is expected to be offset by a 4 percent increase in Eastern Europe, the Russian market having benefited from higher oil prices earlier in the year. For 2013, light vehicle sales are expected to grow by 2 percent if the Eurozone storm is weathered, but could decline by 2 million units if a costly break-up occurs.

North America

In contrast to the year-to-date declines in Europe, the North American market increased by 14 percent during the first half of 2012, with the United States and Mexico increasing by double digits (15 percent and 12 percent respectively) and Canada not far behind with a 7 percent increase.

“The United States and Canada posted stable selling rates in July, but the growth rate for the remainder of the year is no longer expected to be as strong, as the economy cools and concerns with Europe rise,” said Schuster. “However, we do expect the North American market to be able to ride out the potential storm, albeit at a lower level.”

As a result of higher economic-driven risk, LMC Automotive is lowering the 2012 light vehicle forecast for the United States to 14.3 million units from 14.5 million units. In addition, the 2013 forecast has been tempered to 15.0 million units from 15.2 million units.

Asia

The light vehicle markets across Asia ended the first half of 2012 in positive territory, with year-over-year growth being led by Japan, up 53 percent as the market recovers from the 2011 disaster, helped by tax incentives for fuel efficient vehicles. India posted a 14 percent increase, but the month-over-month selling rate declined during the past four months. China sales remained strong, with an increase of 6 percent and a selling rate of 18.9 million units for the first half of 2012. Thailand continues to recover strongly from the floods in 2011, with first half light vehicle sales volume up 40 percent from the same period in 2011.

For 2012, sales in the region as a whole are projected at 33.4 million units, up 10 percent from 2011. As China’s and India’s economies begin to cool and exports to Europe slow further, there remains risk of weaker auto sales in the remainder of 2012 and into 2013. Sales in China are forecasted at 19.5 million units and India is expected to sell 3.2 million units. Combined, volume risk is in the 500,000 unit range for this year.

Light vehicle sales in Asia are expected to grow to nearly 37 million units in 2013, with China representing 90 percent of the growth, on the likelihood that the new government leaders, who take office in October, will increase investment spending and launch a vehicle subsidy program in rural areas.

South America

Even as the economic outlook has been downgraded, light vehicle sales have increased sharply over the last two months in Brazil as the August expiration of the temporary IPI tax cut has driven an increase in volume. Even with the significant increase, volume in Brazil for the first half of 2012 was down 4 percent from the same period last year with a selling rate of 3.3 million compared with 3.5 million last year. Argentina averaged a selling rate of 777,000 in the first half of 2012 with volume down 10 percent from the same period in 2011.

For the full year, sales in the region are projected at 5.3 million units, 100,000 units short of 2011 volume. If the Brazilian tax cut is extended until December, the market could see a boost, bringing 2012 sales to the level of those in 2011. However, this would have a negative impact (pull-ahead) on 2013 light vehicle sales.

The forecast for South America in 2013 is for an increase of 6 percent to 5.7 million units, driven by expected economic growth in the run-up to the 2014 World Cup in Brazil.

About LMC Automotive

LMC Automotive, formerly J.D. Power Automotive Forecasting, is the premier supplier of automotive forecasts and intelligence to an extensive client base of automotive manufacturers, component suppliers, logistics and distribution companies, as well as financial and government institutions around the world. Its global forecasting services encompass automotive sales, production and powertrain expertise, as well as advisory capability. LMC Automotive has offices in the US, the UK, Germany, China and Thailand. It is part of the Oxford, UK-based LMC group, the global leader in economic and business consultancy for the agribusiness sector. For more information, visit: www.lmc-auto.com.

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