



PwC Automotive Institute Analyst Note

Quarterly Forecast Update

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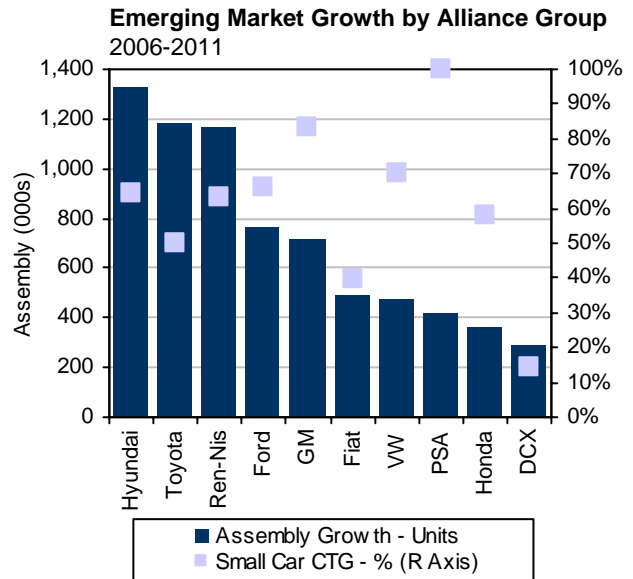
Accelerating Social Mobility

May 14, 2007

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Stagnant or shrinking sales in developed markets across the globe have automakers scouting for new growth opportunities. While economic expansion in emerging countries like China and India drives automotive sales, some automakers are betting heavily on low-cost vehicles to accelerate this process by offering new consumers a more affordable point of entry.

In an attempt to “motorize the global masses”, low-cost vehicle programs are expected to add 4 million units over the next five years. Mature automakers will compete head-to-head with the likes of Chery and Tata to capture those consumers transitioning from two wheels to four. However, such an influx of vehicles will likely expose the drastically deficient infrastructure and socioeconomic disparity in these markets, ultimately acting to counterbalance full growth potential.



Source: PwC Automotive Institute 2007Q2 Data Release

- Global assembly is expected to grow a healthy 9.5 million units, or 14.5% in the next five years. At the same time the industry has realized its capacity redundancy, and will only generate a net increase in excess capacity of 65,000 units.
- Emerging markets continue to grow in importance, accounting for 33% of the global build last year and growing to 40% by 2011. BRIC countries dominate their emerging market companions, contributing more than 50% of all global growth in assembly.
- However, new emerging markets including Indonesia, Philippines, Pakistan, Vietnam and Egypt will begin to redress the balance with a combined growth of 56% over the next five years.
- Renault-Nissan will lead global assembly growth (+29%) due, in part, to 2006 being a cyclical low point. However, much of this growth can be attributed to their aggressive low-cost car strategy targeting several emerging markets going forward.
- The Renault Logan has stimulated immense interest in the low-cost car sector, and the next five years will see a variety of competitors, ranging from Tata to Toyota enter the market with similar products.
- As a means to protect margins, many OEMs in North America are shifting assembly, particularly of small cars, to Mexico. New investment is expected to stimulate assembly growth of 26% from 2006-11. However, this transfer of assembly away from a US operating environment burdened by legacy costs will likely be a contentious issue for UAW talks.
- The European Union is expected to be the second largest contributor to global assembly growth, behind Asia-Pacific, owing to its expansion (2.3 million units) in Central Europe.
- As the world’s fourth largest assembly base, Germany faces a battle in the coming years due to the EC’s early 2007 announcement of legislation to ensure CO₂ reduction compliance. Thus far, Germany has side-stepped the issue by posting strong assembly performance on the back of the worldwide increase in demand for premium brands.
- The ruling is causing tensions within the ACEA, the European vehicle manufacturers’ representative body, between countries with low CO₂ emitting manufacturers (such as France and Italy) and high CO₂ emitting manufacturers (Germany).

							Growth Analytics (2006-2011)				
Region	2006	2007	2008	2009	2010	2011	Unit Diff.	% Chg	CAGR	CTG %	Rank [†]
Asia-Pacific	24,767,233	25,605,035	26,944,012	27,737,688	28,361,803	28,871,373	4,104,140	16.6%	3.1%	43.3%	1
European Union	17,829,415	18,072,374	18,790,119	19,630,267	19,856,903	20,095,371	2,265,956	12.7%	2.4%	23.9%	2
North America	15,288,670	15,085,796	15,301,116	15,547,609	15,835,571	16,190,047	901,377	5.9%	1.2%	9.5%	4
South America	2,928,271	3,031,150	3,103,418	3,225,428	3,277,747	3,381,833	453,562	15.5%	2.9%	4.8%	5
East Europe	2,698,650	2,805,804	3,138,130	3,557,308	3,898,505	4,125,636	1,426,986	52.9%	8.9%	15.1%	3
Middle East & Africa	1,654,509	1,752,844	1,919,111	1,942,977	1,949,431	1,978,911	324,402	19.6%	3.6%	3.4%	6
Global Total Assembly	65,166,748	66,353,003	69,195,906	71,641,277	73,179,960	74,643,171	9,476,423	14.5%	2.8%	100.0%	
Global Capacity	81,011,634	84,049,273	87,767,888	89,101,126	90,281,064	90,552,586	9,540,952	11.8%	2.3%		
Global Excess Capacity	15,844,886	17,696,270	18,571,982	17,459,849	17,101,104	15,909,415	64,529	0.4%	0.1%		

Country	2006	2007	2008	2009	2010	2011	Unit Diff.	% Chg	CAGR	CTG %	Rank [†]
1 USA	10,860,007	10,713,961	10,708,377	11,065,848	11,429,851	11,428,518	568,511	5.2%	1.0%	6.0%	6
2 Japan	10,839,983	10,754,809	10,890,518	10,887,119	10,794,099	10,722,820	-117,163	-1.1%	-0.2%	-1.2%	58
3 China	5,610,762	6,246,532	6,718,558	7,006,819	7,323,446	7,582,932	1,972,170	35.1%	6.2%	20.8%	1
4 Germany	5,223,859	5,360,720	5,533,507	5,834,920	5,866,386	5,884,100	660,241	12.6%	2.4%	7.0%	4
5 South Korea	3,681,336	3,493,098	3,403,760	3,300,919	3,309,507	3,403,068	-278,268	-7.6%	-1.6%	-2.9%	60
6 France	3,051,451	2,926,058	3,196,989	3,347,534	3,339,087	3,340,076	288,625	9.5%	1.8%	3.0%	11
7 Spain	2,677,121	2,626,556	2,486,203	2,635,658	2,744,439	2,738,062	60,941	2.3%	0.5%	0.6%	24
8 Canada	2,496,930	2,469,000	2,615,037	2,555,296	2,374,323	2,321,797	-175,133	-7.0%	-1.4%	-1.8%	59
9 Brazil	2,221,576	2,285,578	2,296,527	2,387,708	2,434,075	2,530,754	309,178	13.9%	2.6%	3.3%	9
10 Mexico	1,931,733	1,902,835	1,977,702	1,926,465	2,031,397	2,439,732	507,999	26.3%	4.8%	5.4%	7
11 United Kingdom	1,622,136	1,655,592	1,700,761	1,693,668	1,590,236	1,549,877	-72,259	-4.5%	-0.9%	-0.8%	55
12 India	1,557,919	1,761,887	2,192,566	2,564,688	2,861,249	2,997,860	1,439,941	92.4%	14.0%	15.2%	2
13 Russia	1,335,431	1,402,131	1,673,053	1,905,982	2,190,336	2,395,643	1,060,212	79.4%	12.4%	11.2%	3
14 Thailand	1,232,628	1,342,846	1,415,677	1,510,880	1,544,812	1,602,504	369,876	30.0%	5.4%	3.9%	8
15 Italy	1,168,092	1,232,100	1,272,914	1,335,691	1,359,716	1,446,358	278,266	23.8%	4.4%	2.9%	13
16 Iran	1,003,981	1,020,994	1,112,271	1,103,668	1,099,300	1,121,862	117,881	11.7%	2.2%	1.2%	19
17 Turkey	938,107	935,622	980,259	1,149,375	1,205,092	1,217,815	279,708	29.8%	5.4%	3.0%	12
18 Belgium	881,930	875,985	856,783	781,675	849,423	909,251	27,321	3.1%	0.6%	0.3%	30
19 Czech Republic	815,603	803,081	775,700	931,324	977,997	1,018,811	203,208	24.9%	4.5%	2.1%	14
20 Poland	713,907	736,931	798,544	851,884	842,895	883,779	169,872	23.8%	4.4%	1.8%	16
Top 20 Total Assembly	59,864,492	60,546,316	62,605,706	64,777,121	66,167,666	67,535,619	7,671,127	12.8%	2.4%	80.9%	
Top 20 (% of Global Total)	91.9%	91.2%	90.5%	90.4%	90.4%	90.5%					

Alliance Group	2006	2007	2008	2009	2010	2011	Unit Diff.	% Chg	CAGR	CTG %	Rank [†]
1 Toyota Group	9,743,870	9,836,507	10,333,905	10,619,628	10,813,006	11,308,674	1,564,804	16.1%	3.0%	16.5%	2
2 GM Group	9,114,813	9,077,154	8,840,918	9,183,235	9,455,900	9,801,599	686,786	7.5%	1.5%	7.2%	6
3 Ford Group	7,705,531	7,700,175	8,085,549	8,082,545	7,993,897	7,941,325	235,794	3.1%	0.6%	2.5%	11
4 Renault-Nissan	5,837,254	6,439,663	7,000,229	7,248,162	7,503,778	7,520,686	1,683,432	28.8%	5.2%	17.8%	1
5 VW Group	5,683,015	5,631,919	5,854,727	6,378,068	6,532,933	6,587,207	904,192	15.9%	3.0%	9.5%	4
6 DCX Group	4,042,206	4,116,770	4,333,079	4,348,516	4,259,445	4,222,429	180,223	4.5%	0.9%	1.9%	15
7 Hyundai Group	3,881,212	4,013,332	4,437,387	4,644,779	4,788,883	5,105,062	1,223,850	31.5%	5.6%	12.9%	3
8 Honda Group	3,671,386	3,764,518	3,808,507	4,071,081	4,351,727	4,321,167	649,781	17.7%	3.3%	6.9%	7
9 PSA Group	3,415,588	3,341,333	3,474,980	3,686,107	3,711,582	3,689,351	273,763	8.0%	1.6%	2.9%	9
10 Fiat Group	2,290,685	2,437,174	2,609,190	2,753,499	2,883,131	3,073,388	782,703	34.2%	6.1%	8.3%	5
11 Suzuki Group	2,243,711	2,242,340	2,297,979	2,403,333	2,485,813	2,473,389	229,678	10.2%	2.0%	2.4%	12
12 BMW Group	1,365,704	1,439,638	1,475,772	1,472,849	1,576,699	1,617,198	251,494	18.4%	3.4%	2.7%	10
Top 12 Total Assembly	58,994,975	60,040,523	62,552,222	64,891,802	66,356,794	67,661,475	8,666,500	14.7%	2.8%	91.5%	
Top 12 (% of Global Total)	90.5%	90.5%	90.4%	90.6%	90.7%	90.6%					

[†]Rankings based on contribution to total global growth (CTG%).

Note: Top countries and Alliance Groups are based on 2006 total unit volume. Alliance Group results are based on current Alliance Group definitions. Specifically, GM analysis excludes former equity-based strategic alliance between Fuji Heavy Industries, Suzuki (Maruti), & Isuzu while Toyota analysis includes alliance with Fuji Heavy Industries.

Source: AUTOFACTS Global Light Vehicle Assembly Outlook 2007 Q2 Release (Updated April 1, 2007)

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