

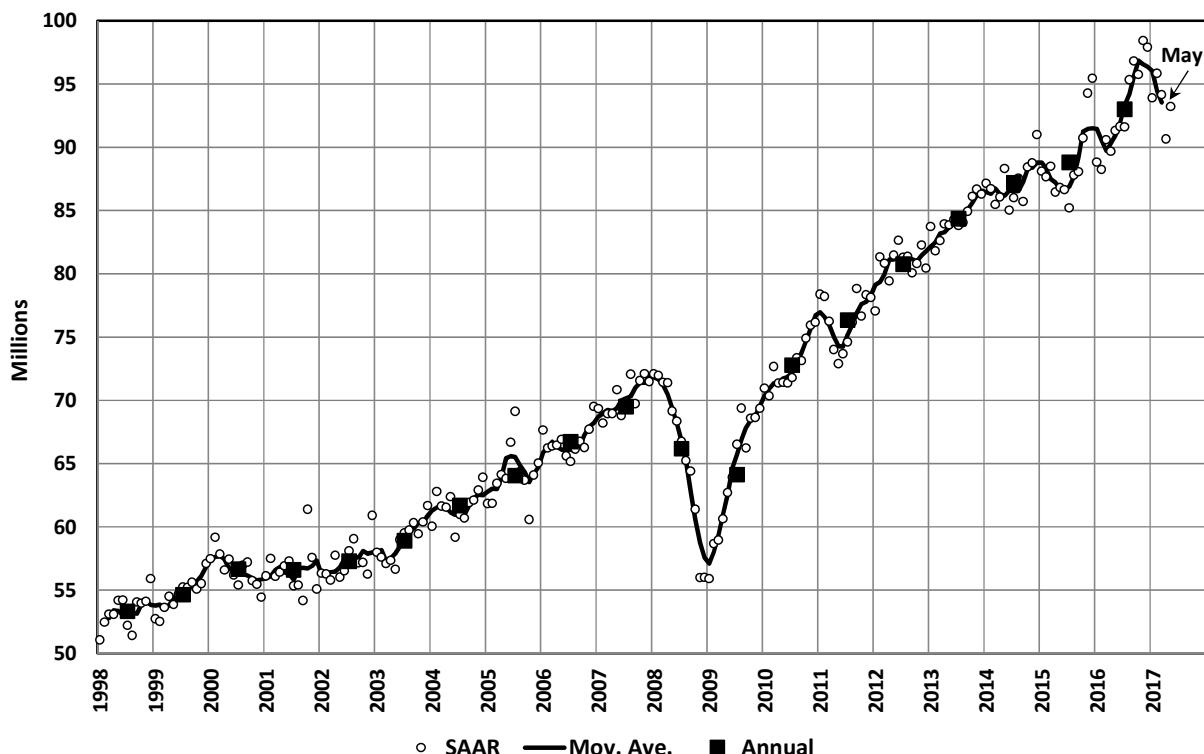
Global Light Vehicle Sales Update

Summary

Commentary

- Global Light Vehicle sales grew by 3.4% year-on-year (YoY) in May, an encouraging result following the market contraction in April. The selling rate increased to 93 mn units/year last month (from 91 mn units/year for April).
- Although YoY sales in China and the US slipped back, positive results came from Europe; meanwhile, South American sales picked up strongly from year-ago levels.

Global Light Vehicle Sales



North America

- May 2017 US Light Vehicle sales totalled 1,517,000 units, which translated into a seasonally adjusted annualised rate of 16.6 mn units/year. While total industry sales through the first five months were down 2.1% compared with the same period in 2016, notably the decrease in fleet sales (-6.0%) has outpaced the decline in retail sales (-0.5%). OEM incentives rose at a rate of 9% YoY, but were outweighed by higher consumer-facing transaction prices. Economic tailwinds continue to spur consumer activity with low interest rates, longer loan durations (which may be an issue in the future), low unemployment, and high consumer confidence — albeit with the latter decreasing slightly from previous months.
- Canadian Light Vehicle sales for May 2017 totalled 217,000 units, representing an 11.4% increase from May 2016, and established a new monthly record.

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Europe

- Light Vehicle sales in Western Europe grew by 7.2% YoY in May, with an average of one additional selling day across the region compared with May 2016. The selling rate recovered strongly last month, to 16.4 mn units/year, following a disappointing April result (revised down to 15.1 mn units/year). This outcome is consistent with positive economic data in the region, and seems to affirm our belief that April's weak result will not be followed by further difficulties in the region's market for the remainder of the year. The UK was the exception to the rule, where sales declined steeply for a second consecutive month.
- Russian Light Vehicle sales increased for the third consecutive month in May. Just under 125k Light Vehicles were sold during the month, representing an increase of 14.7% YoY, and yielding a selling rate of 1.55 mn units, only slightly below the April result of 1.59 mn. This is an encouraging performance and provides sound evidence that the Russian market is now in confirmed recovery mode.

China

- Advance data indicates that the selling rate in China picked up to 26 mn units/year in May (up 2% from April) and averaged 27 mn units/year in the first five months of this year. That compares to total Light Vehicle sales of 28 mn units in 2016. On a YoY basis, sales declined by nearly 2% in May, but that can be accounted for by May this year having a greater number of holidays than May 2016.
- In the economy, the risk of a trade war with the US has receded. Nonetheless, the private manufacturing PMI slowed further and fell into "contraction" territory in May. The overheating property sector is set to slow, due to the government's recent tightening measures. There is a chance that growth in Light Vehicle sales will remain subdued in the coming months.

Other Asia

- The Japanese market maintained a robust pace, with the May selling rate reaching a 29-month high of 5.48 mn units/year. Behind the buoyant sales are the tightening job market, rising stock prices and corporate earnings prospects. Yet, the May selling rate is unlikely to be sustainable over the long term, given the fast-aging population.
- Amid the heightened military tensions with North Korea, South Koreans elected the leftist Moon Jae-in in the May presidential election. With Mr. Moon's decisive victory, consumer confidence improved sharply and the selling rate reached a strong 1.8 mn units/year in May — sales were also supported by the ongoing scrappage incentive scheme for old diesel vehicles.

South America

- In Brazil's depressed market, the selling rate picked up to a relatively strong 2.36 mn units/year in May, after slowing in April due to the Easter holiday. The economy exited its worst recession on record in Q1, but the recovery in sales is expected to take a long time. The escalating political turmoil and uncertainty ahead of the 2018 presidential election remain major obstacles for investment and, thus, job growth and new vehicle sales.
- The Argentine market has continued an upward trend. The selling rate rose to 821,000 units/year in May and averaged 819,000 units/year in the first five months of this year. Sales have been supported by falling inflation, negative real interest rates and the stabilized peso. After three years of weak sales, replacement demand is picking up.

12 June 2017

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	Sales (units)						Selling rate (Units/year)			
	May 2017	May 2016	Percent change	Year to date 2017	Year to date 2016	Percent change	May 2017	Year to date 2017	Year 2016	Percent change
WORLD	7,841,073	7,580,616	3.4%	38,854,817	37,591,139	3.4%	93,205,405	93,549,073	93,179,791	0.4%
USA	1,516,990	1,534,084	-1.1%	6,969,680	7,122,649	-2.1%	16,612,674	17,014,983	17,540,353	-3.0%
CANADA	216,861	194,654	11.4%	835,466	797,691	4.7%	2,081,517	2,054,905	1,947,684	5.5%
WESTERN EUROPE	1,471,927	1,373,661	7.2%	7,149,977	6,850,162	4.4%	16,405,101	16,222,864	15,771,324	2.9%
EASTERN EUROPE	355,968	327,655	8.6%	1,566,580	1,486,598	5.4%	4,174,884	4,240,520	3,889,936	9.0%
JAPAN	368,850	326,944	12.8%	2,275,642	2,098,866	8.4%	5,480,211	5,227,501	4,903,736	6.6%
KOREA	152,620	162,782	-6.2%	721,120	732,620	-1.6%	1,807,370	1,786,183	1,783,990	0.1%
CHINA	2,052,120	2,087,192	-1.7%	11,028,627	10,758,638	2.5%	26,009,905	27,053,433	28,021,288	-3.5%
BRAZIL / ARGENTINA	262,624	220,432	19.1%	1,161,613	1,056,911	9.9%	3,182,471	2,898,938	2,667,204	8.7%
OTHER	1,443,113	1,353,212	6.6%	7,146,112	6,687,004	6.9%	17,451,271	17,049,744	16,654,277	2.4%

Notes: The percentage change in the final column compares the average selling rate in the year-to-date with the last full year.
 Late reporting countries and estimates are included in "Other".
 Eastern Europe includes Turkey.
 China includes estimate of light vehicle imports.

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