

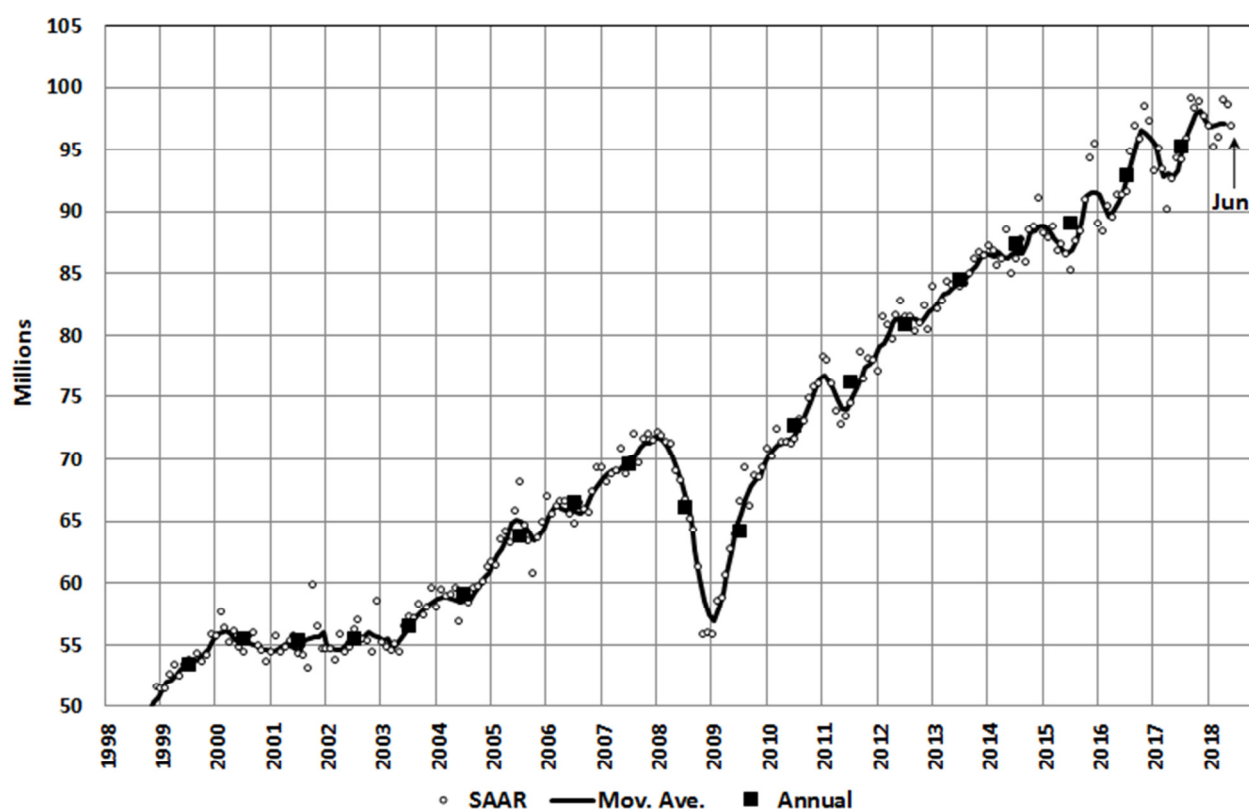
# Global Light Vehicle Sales Update

## Summary

### Commentary

- Global Light Vehicle (LV) sales grew by 4.2% in year-on-year (YoY) terms in June, but the selling rate slowed a little, to 96.8 mn units/year, from 98.3 mn units/year in May.
- The main drivers of growth in June were the USA, Western Europe and China, although only in the former was the selling rate for the month higher than the average for the year to date (YTD). However, South America and Eastern Europe – which had been strong earlier in the year – struggled in June.

### Global Light Vehicle Sales



### North America

- US LV sales totalled 1.55 mn in June, up 5.4% YoY. The US was the only country to grow, meaning that North America expanded 3.8% from June 2017. This June volume translates into a selling rate of 17.4 mn units/year, up 0.5 mn from last month. SUVs soared by 16%, bringing average transaction prices to \$32,092, up by 1.4% YoY. Incentives increased 1.8%, to \$3,860, which helped retail sales to grow 4.3% YoY.
- Sales in Canada keep deteriorating and fell 1.8% YoY in June, 1 percentage point more than in May. The 200,000 units sold in June translate into a selling rate of 1.97 mn units/year, the third month in a row that it has fallen below 2 mn. Mexico faced declining sales for the 13th consecutive month, with 119,000 units sold in June, down by 6.1% YoY.

## Europe

- West European LV sales increased by 4.4% in YoY terms in June, although the regional selling rate fell back from 16.8 mn units/year in May to 16.5 mn units/year in June. Overall, the regional market is still set to grow this year, albeit at a slower rate than in recent years, and with significant variation between stronger performers such as Spain and France, and struggling markets such as the UK and Italy. In particular, we have recently revised down our Italian forecast for the year due to weakening momentum. We now see West European LV sales growing by 1.6% for 2018 as a whole.
- June's Russian LV sales came in at just over 156k, a rise of 10.8% YoY. This suggests that underlying demand is holding up well despite higher excise duties, a hike in utilisation fees and currency-induced price increases. The June LV selling rate was just over 1.8 mn units/year, representing a small slowdown from 1.89 mn units/year in May. For H1 2018, LV sales totalled 849k units, a rise of 18.2%. We expect the recovering Russian economy to support the market over the rest of 2018, despite the headwinds mentioned above. Our 2018 forecast is virtually unchanged with LV sales expected to top 1.8 mn units.

## China

- As expected, sales (i.e., wholesales) in China slowed in June, but not as much as the escalating US-China trade war would suggest. According to preliminary data, the June selling rate was 28.9 mn units/year, down more than 3% from May, and the second consecutive month of month-on-month decline. The US-China trade disputes have caused uncertainty over the prices of imports, which apparently made consumers hold off on purchases of imports. Slowing sales also mirror an economy that is losing steam. Nonetheless, on a YoY basis, sales increased by over 4% in June and nearly 5% in H1 2018.
- Looking ahead, some slowdown in sales (especially sales of imports) looks unavoidable, especially in coastal provinces that are heavily reliant on exports. Yet, the Chinese Commerce Ministry announced that it would use the higher tariff revenues from the countermeasures to relieve the negative impact of the trade war on exporters. Moreover, robust sales growth in non-coastal provinces could possibly offset a decline in sales in export-dependent provinces.

## Other Asia

- The Japanese market lost some steam in June, with the selling rate falling to 5.2 mn units/year, although that was not a bad result for this mature market. On a YoY basis, sales declined by 1.8% in H1 2018, amid the clouding global outlook, the scandal at Subaru, and weakening consumer and business confidence.
- After two months of robust sales, the selling rate in South Korea moderated to 1.7 mn units/year in June, down 5.6% from May. On a YoY basis, sales declined by over 5% in June. The positive impact of new model launches and aggressive incentive campaigns among imports appears to be fading.

## South America

- Sales in Brazil held up well in June, despite the negative impact from the nationwide truckers' strike in May and disruptions caused by the FIFA World Cup. The June selling rate was 2.38 mn units/year, up slightly from May. Nonetheless, the pace of the sales recovery appears to be stalling, in the face of the weakening real, rising inflation and a slow recovery in the job market.
- In Argentina, the plunge in the peso, massive interest rate hikes and higher inflation have started to impact LV sales. Sales fell by 17% YoY in June, the first YoY decline in two years. The government has secured a \$50bn bailout program from the IMF, but the peso is continuing to fall.

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	Sales (units)						Selling rate (Units/year)			
	Jun 2018	Jun 2017	Percent change	Year to date 2018	Year to date 2017	Percent change	Jun 2018	Year to date 2018	Year 2017	Percent change
WORLD	8,400,779	8,061,391	4.2%	48,293,980	46,649,264	3.5%	96,802,126	97,034,661	95,285,910	1.8%
USA	1,549,990	1,470,491	5.4%	8,605,188	8,429,231	2.1%	17,399,326	17,150,726	17,189,430	-0.2%
CANADA	200,241	203,944	-1.8%	1,034,953	1,040,180	-0.5%	1,972,818	2,065,640	2,041,555	1.2%
WESTERN EUROPE	1,670,579	1,599,792	4.4%	8,937,298	8,749,538	2.1%	16,519,039	16,656,001	16,202,648	2.8%
EASTERN EUROPE	382,538	380,808	0.5%	2,135,665	1,950,788	9.5%	4,264,890	4,621,690	4,222,429	9.5%
JAPAN	449,227	471,103	-4.6%	2,697,834	2,746,409	-1.8%	5,177,617	5,197,725	5,164,249	0.6%
KOREA	152,323	160,630	-5.2%	881,342	881,353	0.0%	1,710,941	1,760,760	1,751,938	0.5%
CHINA	2,224,697	2,135,778	4.2%	13,794,163	13,151,121	4.9%	28,926,773	29,119,772	28,603,646	1.8%
BRAZIL / ARGENTINA	256,630	263,240	-2.5%	1,603,129	1,423,603	12.6%	3,121,664	3,325,323	3,029,738	9.8%
OTHER	1,514,553	1,375,605	10.1%	8,604,408	8,277,041	4.0%	17,709,058	17,137,025	17,080,277	0.3%

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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