

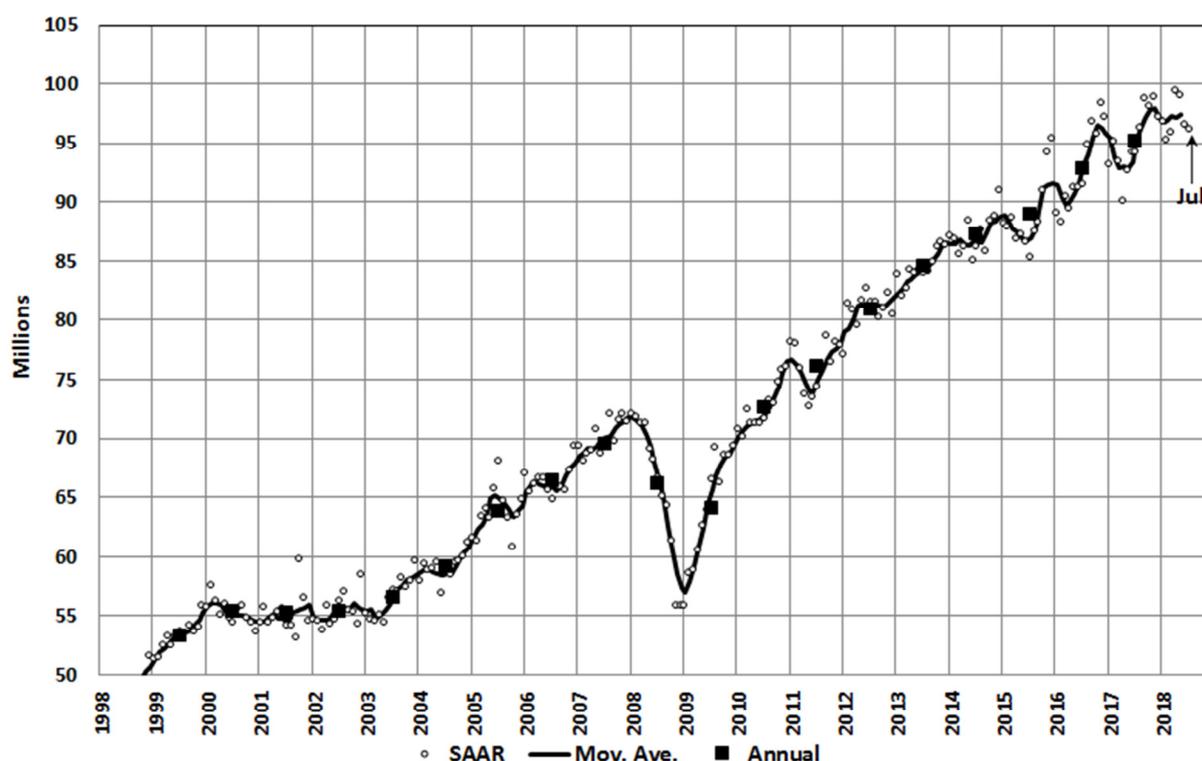
Global Light Vehicle Sales Update

Summary

Commentary

- Global Light Vehicle (LV) sales grew by 1.9% in year-on-year (YoY) terms in July, but the selling rate continued to fall back from recent highs, down to 96.1 mn units/year, from 96.8 mn units/year in June.
- Whilst Europe – both Western and Eastern – enjoyed healthy YoY gains, there were YoY falls in North America and China. The selling rates for both the USA and China declined noticeably compared to the previous month, contributing the majority of the slowdown in global growth.

Global Light Vehicle Sales



North America

- With incentives down for the first time in 54 months, to \$3,831, July sales in the US accounted for 1,369,000 LVs. This 3% decline translates into a selling rate of 16.8 mn units/year, up 58k units from last year, but down 505k from June. Fleet sales soared 37.9% YoY, to 232k units, which explains why Vans was the body type that grew the most – up by 40.2%. However, SUVs commanded the highest volume: the 657k SUVs sold in July represented a 7% increase YoY.
- Sales in Canada and Mexico were also down. In Canada, they fell 3.4% YoY, and the 175,000 units sold in July translate into a selling rate of 1.9 mn units/year, down 69k from last month. Mexican consumers bought 114,000 Light Vehicles in July, down 6.3% YoY. This 14th consecutive drop indicates a selling rate of 1.5 mn units/year, a slight improvement from 1.4 mn units/year last month.

Europe

- West European LV sales increased by 8.8% YoY in July, with the selling rate advancing to 16.6 mn units/year in July compared with 16.5 mn units/year in June. This result keeps the regional market on course to grow this year, driven primarily by France, Spain, and – perhaps more surprisingly given the already elevated levels of the market – Germany. Overall we now expect West European LV growth of 1.7% in 2018.
- Russian LV sales continued to record growth in July, rising by 10.6% YoY. Although the market is still enjoying double digit growth, underlying demand moved down a gear compared to the pace set in previous months. The selling rate came in at under 1.6 mn units/year, the weakest result of the year so far. The wider Eastern European market is set to be significantly impacted by Turkey, in which LV sales were already down 11.8% for the first half of the year, before the latest deterioration in the value of the Lira.

China

- Amid the escalating US-China trade war, the Chinese market has continued to slow. Advance data indicate that the July selling rate was 28.4 mn units/year, down 1.5% from June, and the third consecutive month of MoM decline. On a YoY basis, sales (i.e., wholesales) declined by 3.1% in July, dragged down by weak Passenger Vehicle sales. Light Commercial Vehicle sales continued to perform well.
- In order to bolster the already slowing economy, the government has announced fiscal stimulus measures and the central bank has shifted to monetary easing, which could possibly help support vehicle sales in the short run. The looser policies, however, go against the government's campaign to rein in excessive borrowing, and thus raise a risk in the long-term economic and vehicle sales outlooks.

Other Asia

- Despite the severe floods in many parts of the country and temporary halts in production, sales in Japan held up well in July. The July selling rate was a solid 5.2 mn units/year, little changed from June. On a YoY basis, sales increased by 3.5% in July, but declined by 1.1% year to date. It remains to be seen how much August sales were disrupted by the extreme heatwave.
- In South Korea, sales surged in July, apparently boosted by the unexpected launch of the temporary tax cut on passenger vehicles. The July selling rate was 1.86 mn units/year, up nearly 9% from a relatively weak June. Yet, the positive impact of the temporary tax cut over the remainder of the year may be limited, because the country just had a similar temporary tax cut in 2015-2016 and the deteriorating global trade outlook is dampening consumer and business confidence.

South America

- In Brazil, the selling rate in July was just below 2.4 mn units/year, virtually unchanged from the previous two months. The recovery in sales has stalled, in the face of rising inflation, a weak job market, and political uncertainty ahead of the October presidential election. On a YoY basis, however, sales increased by 16% in July and 14% year-to-date, due to a low-base effect.
- The Argentine market suffered a huge decline in sales for the second consecutive month in July, following the massive interest rate hikes in May, rising inflation and the deteriorating economic outlook. On a YoY basis, sales declined by 17% in June and over 16% in July, completely reversing the robust growth at the beginning of the year.

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	Sales (units)						Selling rate (Units/year)			
	Jul 2018	Jul 2017	Percent change	Year to date 2018	Year to date 2017	Percent change	Jul 2018	Year to date 2018	Year 2017	Percent change
WORLD	7,499,803	7,361,668	1.9%	55,803,060	54,010,450	3.3%	96,085,175	96,977,738	95,286,781	1.8%
USA	1,369,072	1,412,032	-3.0%	9,974,339	9,841,243	1.4%	16,781,271	17,136,575	17,189,410	-0.3%
CANADA	175,310	181,431	-3.4%	1,225,270	1,221,611	0.3%	1,903,819	2,068,354	2,042,556	1.3%
WESTERN EUROPE	1,339,739	1,231,361	8.8%	10,279,054	9,980,899	3.0%	16,617,061	16,653,289	16,202,656	2.8%
EASTERN EUROPE	359,357	342,138	5.0%	2,489,447	2,292,925	8.6%	4,029,194	4,550,491	4,222,429	7.8%
JAPAN	437,119	422,355	3.5%	3,132,700	3,168,764	-1.1%	5,197,902	5,193,605	5,164,249	0.6%
KOREA	151,579	145,439	4.2%	1,032,898	1,026,792	0.6%	1,858,170	1,774,645	1,751,938	1.3%
CHINA	1,886,011	1,945,487	-3.1%	15,672,046	15,096,608	3.8%	28,396,023	29,000,991	28,603,646	1.4%
BRAZIL / ARGENTINA	272,802	256,028	6.6%	1,875,931	1,679,631	11.7%	3,090,446	3,291,770	3,029,738	8.6%
OTHER	1,508,814	1,425,398	5.9%	10,121,375	9,701,977	4.3%	18,211,289	17,308,018	17,080,159	1.3%

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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