

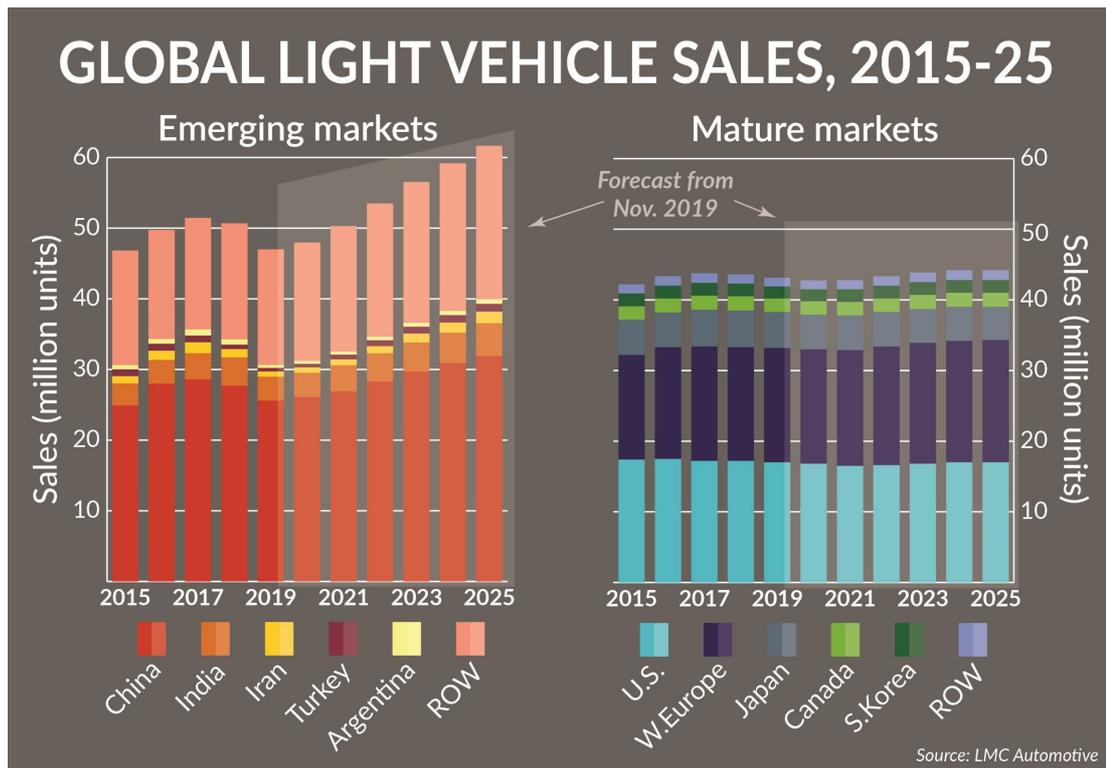
LIGHT VEHICLE SALES

2020: An end to the global car market slump?

LMC Automotive cautiously optimistic about light vehicle sales after two years of declines as China leads emerging markets into more stable territory

Oxford, 19 November 2019. Contrary to popular opinion, LMC Automotive believes 2020 will mark an end to a two-year downturn in the global light vehicle (LV) market. With embattled emerging markets bottoming and mature markets flat but stable, the automotive industry intelligence and forecasting specialist expects a slight (0.7%) year-on-year increase next year in global sales of vehicles under 6 tonnes following declines of 4.5% in 2019 and 0.7% in 2018.

“Although the headlines, like business sentiment, have been rather negative, the slowdown in global sales has been concentrated in emerging markets, and we think the worst is over,” says Pete Kelly, LMC Automotive’s managing director. “Mature markets, meanwhile, have hardly budged over the past couple of years. Unless they start to wobble, overall sales should rise modestly.”



Unsurprisingly, the world’s largest car market will be a critical factor here. China, where demand fell drastically in the first half of this year after its first full-year contraction in decades in 2018, recovered somewhat in the third quarter. Vehicle wholesales improved after the widespread implementation of the China VI emissions standard in summer and as reality set in over the lack of hoped-for government incentives. After a 7.9% drop in 2019, LMC Automotive sees the market sustaining recent selling rates, which adds up to a 2.3% increase in LV sales next year to 26.1 million units. China would as a result put a floor under overall emerging market sales, leading to 2% growth in 2020 (to 48 million units) after a 7.5% decrease this year.

India's LV sales should also pick up early 2020 as buyers push forward purchases ahead of Bharat VI, a new emissions regime that will drive up car prices when it goes into force in April. There will be negative short-term impact, but LMC Automotive expects the market to stabilise in the second half, with full-year unit sales up almost 2% to 3.4 million. This follows a 16% plunge this year, blamed on tighter credit conditions – two-thirds of LV sales are financed – as well as rising registration fees and road taxes. But growth should gain momentum over the coming years, with ownership levels well below that of other key emerging markets.

After collapsing by 23%, 37% and 43% this year, respectively, LV sales in Turkey, Argentina and Iran are all at around half of 2017 levels. While cautious, the consultancy thinks they cannot shrink much further. Turkey has a young, growing, well-educated population and a tradition of quick recoveries. Likewise Iran, which has bounced back robustly from sanctions in the past. Argentina, however, mired in a lengthy recession, may lag behind. LMC Automotive pegs 2020 growth for these markets at 0.1%, 3.6% and -3.2%.

From a global perspective, Western Europe and North America are the regions to watch, with Europe expected to stay flat next year while the U.S. and Canada experience minor decreases. Overall, LV sales in mature markets will slacken by around 1%. The paradox here is that while business confidence in the E.U. and U.S. has been falling sharply, largely due to the uncertain global trade environment, consumer sentiment remains buoyant.

“Unless this anxiety spills over in the form of rising unemployment and wage growth restraint, we don't expect consumers to dramatically scale back car purchases,” adds Kelly. Looming threats include trade war escalation and potential U.S. tariffs on vehicles and parts from Japan and Europe. Stricter CO2 limits could also adversely affect E.U. sales in 2020. “But carmakers are adjusting their model offerings, and until the end of next year can still ignore the worst 5% of their sales when calculating their fleet average CO2 emissions.”

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About LMC Automotive

LMC Automotive is the leading independent and exclusively automotive focused provider of global forecasting and market intelligence in the areas of vehicle sales, production, powertrains and electrification. Highly respected for its responsive customer support, the company's client base from around the globe includes car and truck makers, component manufacturers and suppliers, financial, logistics and government institutions.

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