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Georgia Foreign Trade Conference
Automotive Industry Outlook

Strictly private
and confidential

February 2017

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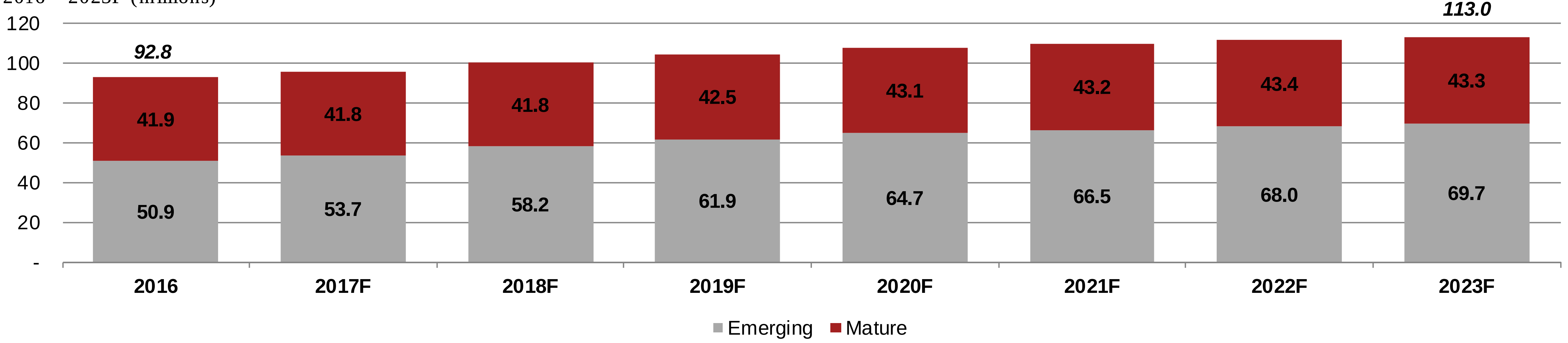
Global Overview

Total vehicle production

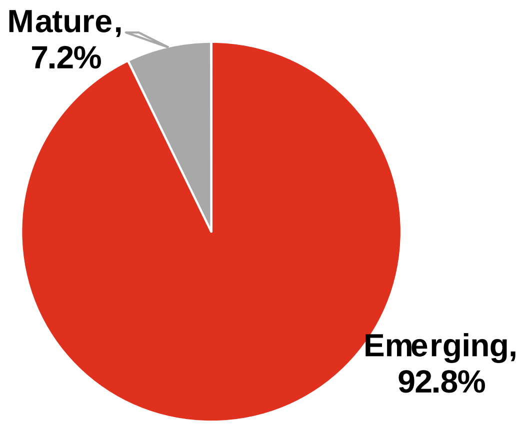
Structural, welfare-driven increase of vehicle demand in emerging markets is expected to push global vehicle production. Mature markets are expected to continue to require new vehicles to replace existing car parc.

Global Light Vehicle Assembly

2016 – 2023F (millions)



CONTRIBUTION TO GROWTH



VOLUME CHANGE

EMERGING MARKETS

+18.8

MATURE MARKETS

+1.5m

Source: Autofacts 2017 Q1 Forecast Release

Regional Outlook

Although there are recent struggles in several key emerging markets, emerging markets are still to contribute an astounding 92% of global assembly growth from 2016 to 2023 as demand resumes growth.

Regional Contribution to Growth*

2016 – 2023F (percentage share)

Americas

Europe, Middle East & Africa (EMEA)

Asia-Pacific







Americas		Europe, Middle East & Africa (EMEA)			Asia-Pacific	
North America	South America	European Union	Eastern Europe	Middle East & Africa	Developing Asia-Pacific	Developed Asia-Pacific
10.2%	5.1%	6.5%	8.9%	6.3%	64.1%	(1.2%)

Regional Topline Comparison & Volume Change

2016 vs. 2023F

	North America	South America	European Union	Eastern Europe	Middle East & Africa	Developing Asia-Pacific	Developed Asia-Pacific
Δ	+2.1m	+1.1m	+1.3m	+1.8m	+1.3m	+13m	(.6m)
2023F	19.8m	3.8m	20.3m	4.7m	3.5m	48.6m	12.4m
2016	17.7m	2.7m	19.0m	2.9m	2.2m	35.6m	12.6m

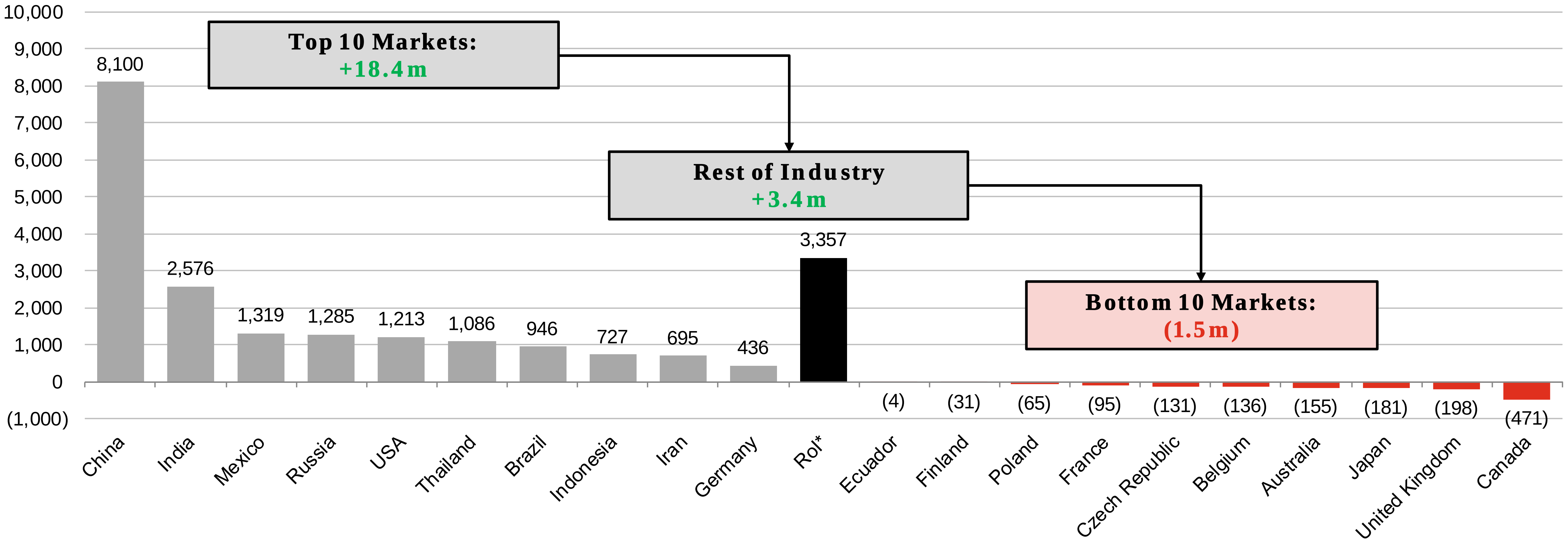
Source: Autofacts 2017 Q1 Forecast Release *Region size not to scale

Country outlook

China moves the global industry volume due to the sheer size and dynamic of its domestic market. Most other emerging market countries with domestic vehicle production are driven by global exports.

Top 10 & Bottom 10 Volume Growth Countries

2016 vs. 2023F Variance (thousands)



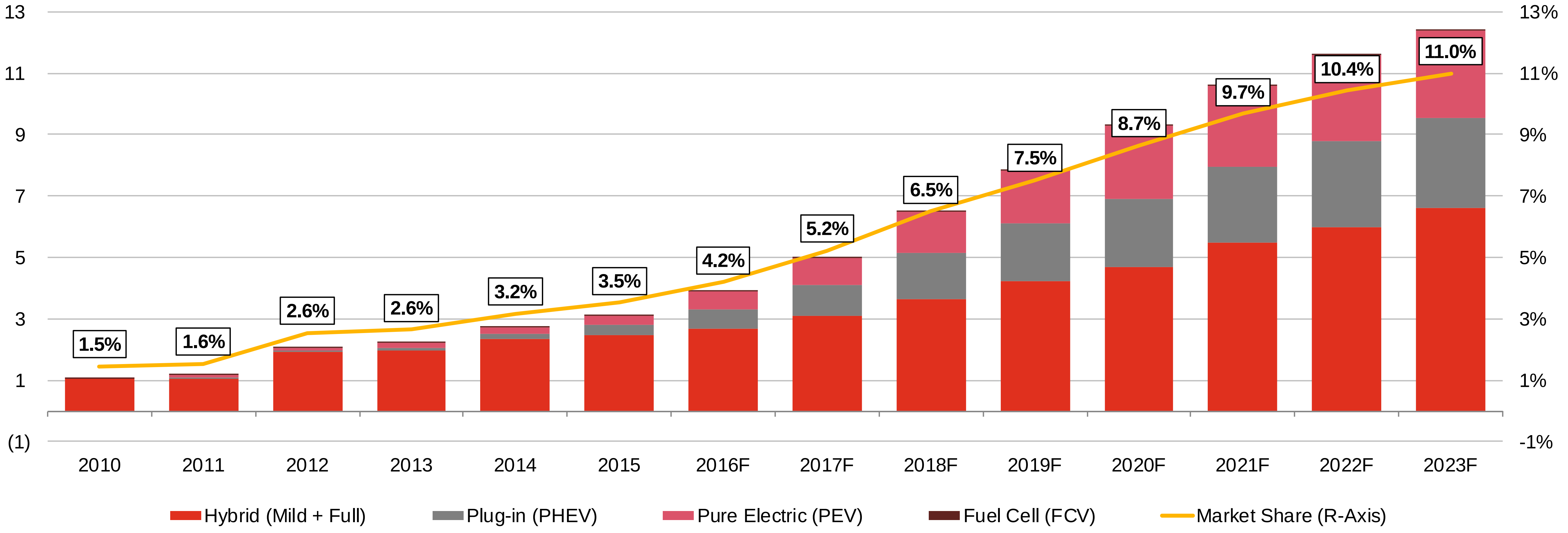
Source: Autofacts 2017 Q1 Forecast Release *RoI=Rest of Industry

Alternative fuel forecast

Strict fuel economy limits in all major global markets are expected to drive a significant increase in alternative fuel vehicle production as manufacturers consider strategies to meet even stricter long-term CO2 abatement requirements.

Alternative Fuel Powertrain

2010 – 2023F (millions)



Source: Autofacts 2017 Q1 Forecast Release

North American Outlook

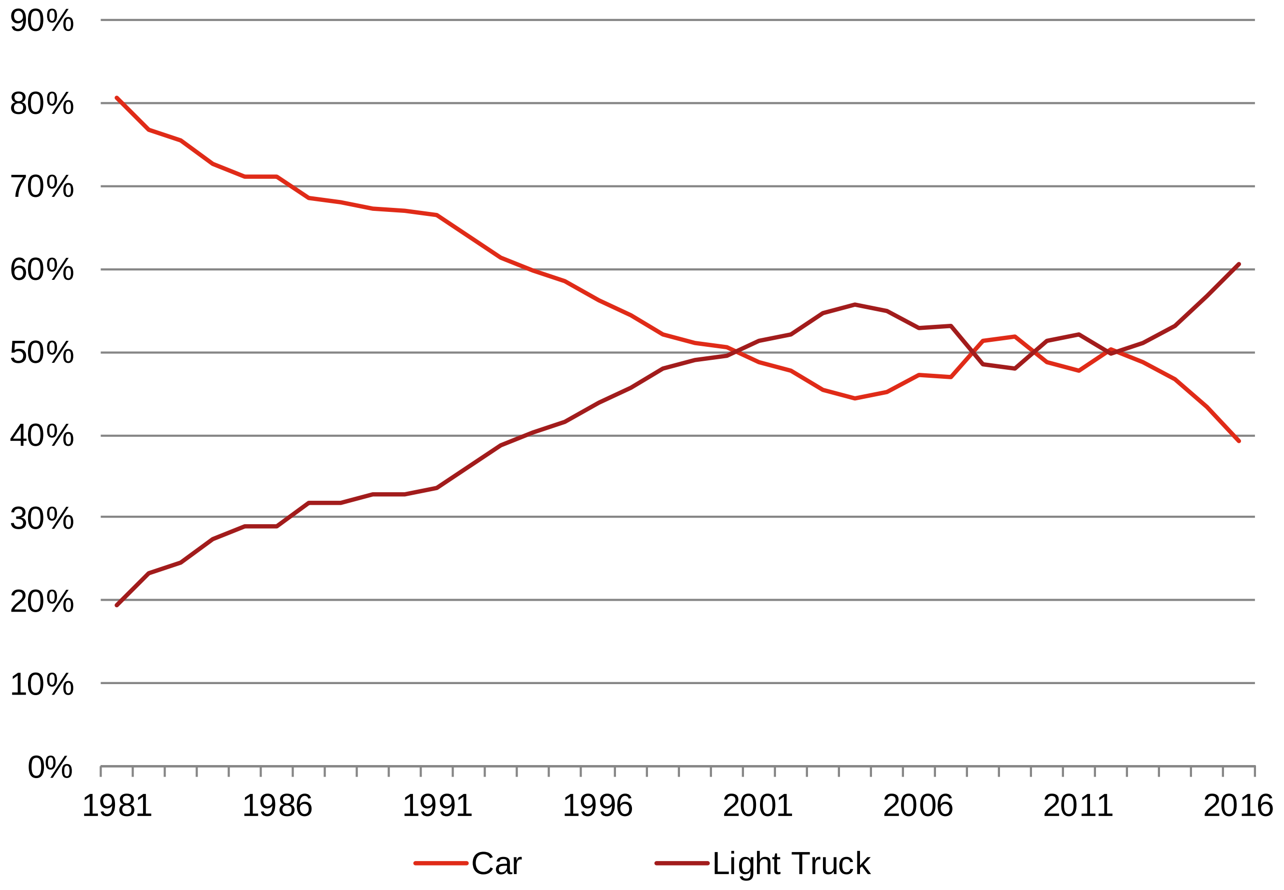
North America 2016 Trends

Trend #1 Product Mix

US consumers have spoken loud and clear, and they desire space and utility over fuel economy. While cars as a total still equal 39.4% of sales; CUVs aren't far behind, closing in at 32.2% with little slow down in sight.

US: LV Sales by Segment

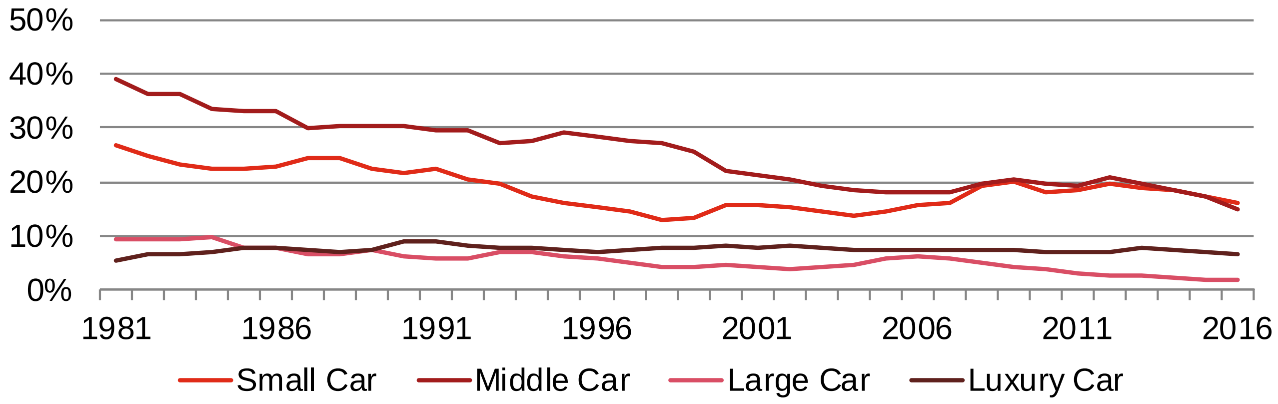
1981 YTD – 2016 (percentage share)



Source: Ward's Automotive Reports

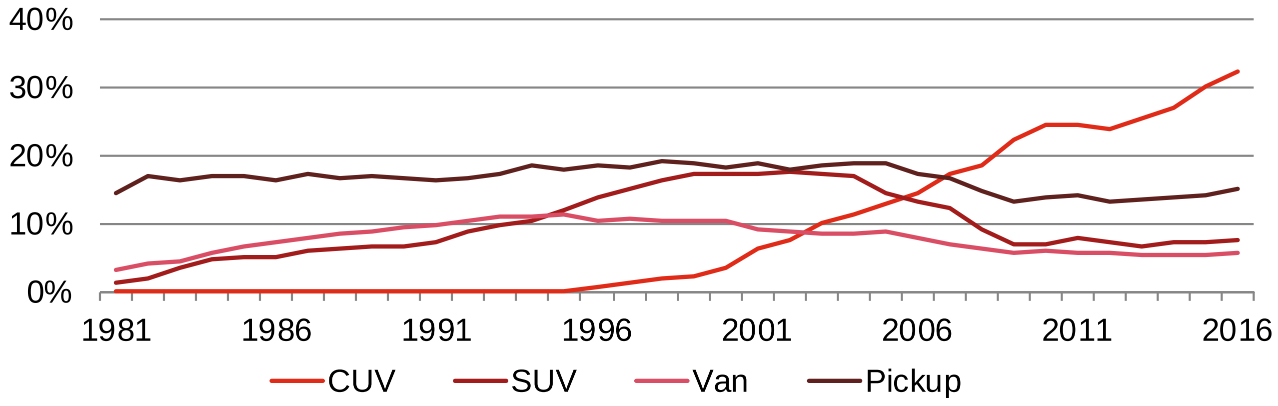
US: Car Sales by Segment

1981 YTD – 2016 (percentage share)



US: Light Truck Sales by Segment

1981 YTD – 2016 (percentage share)

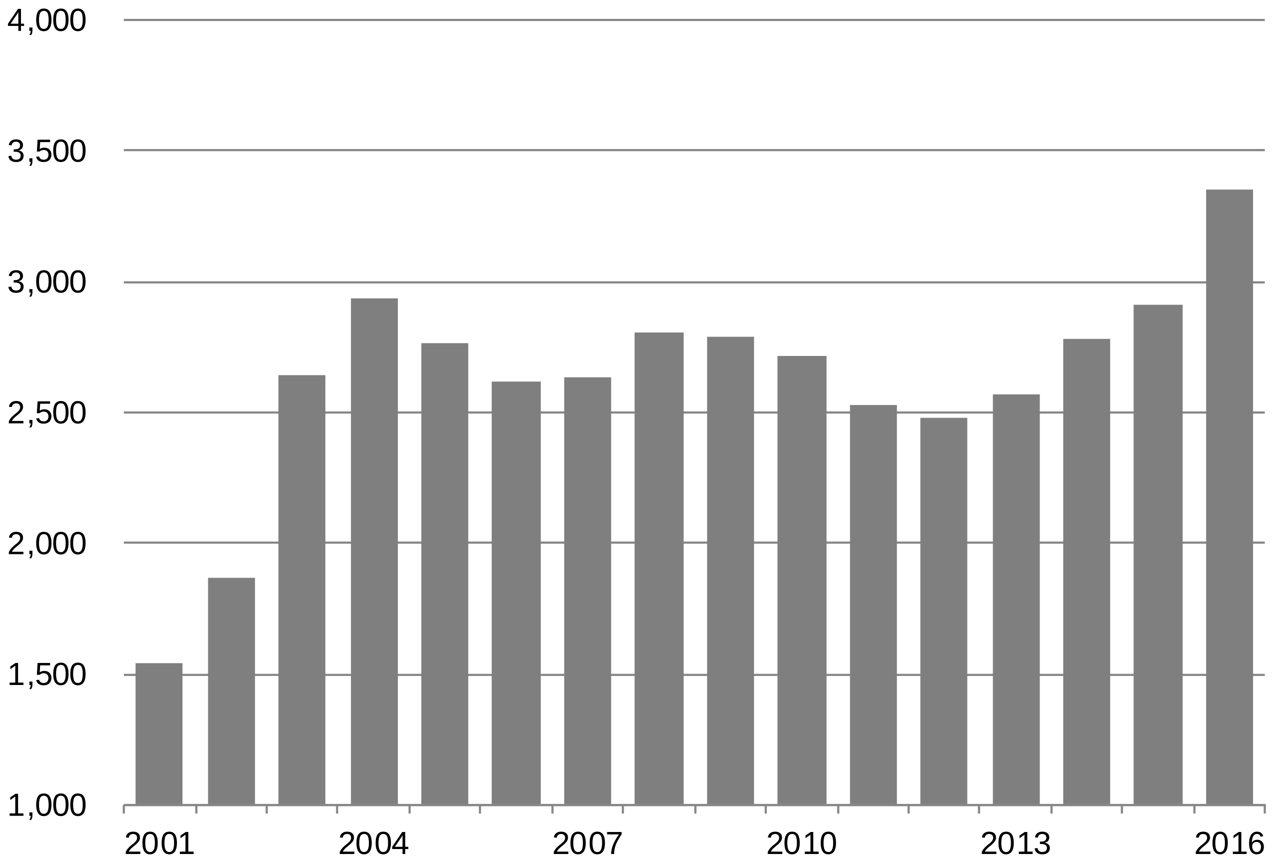


Trend #2 Incentive Growth

Incentives are on track to reach an all-time record in 2016. This growth is being driven by large increases in car incentives as consumers make the switch from cars to CUVs.

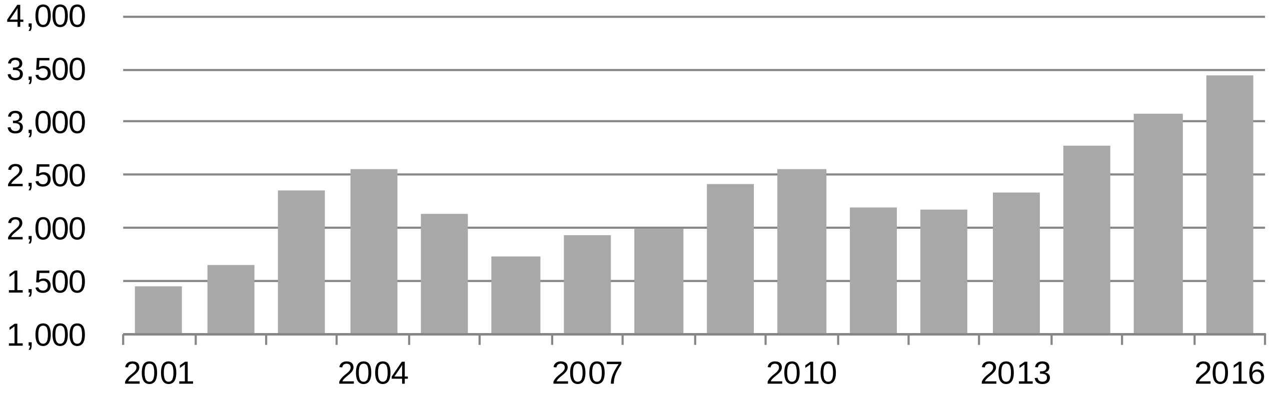
US: Industry Average Incentive Spend

2001 – 2016 (dollars)



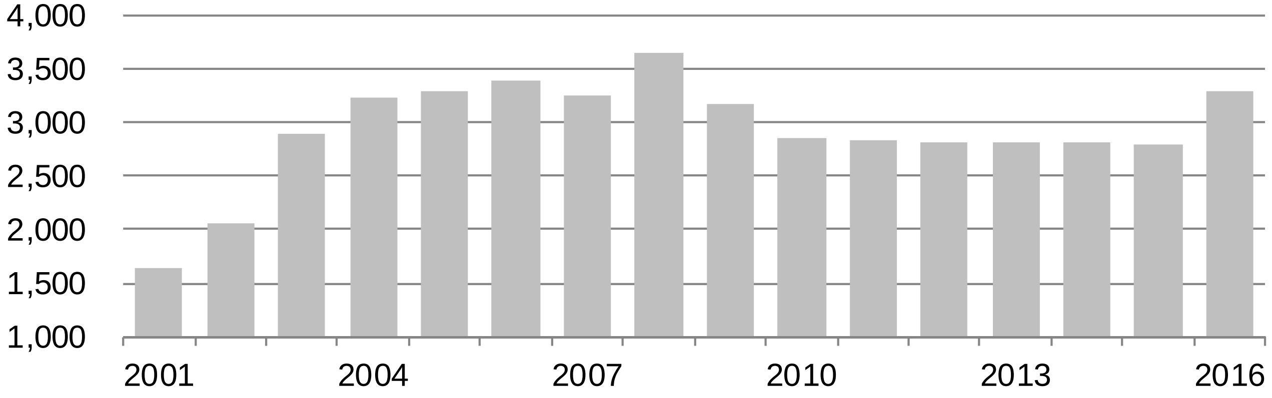
US: Average Car Incentive Spend

2001 – 2016 (dollars)



US: Average Truck Incentive Spend

2001 – 2016 (dollars)



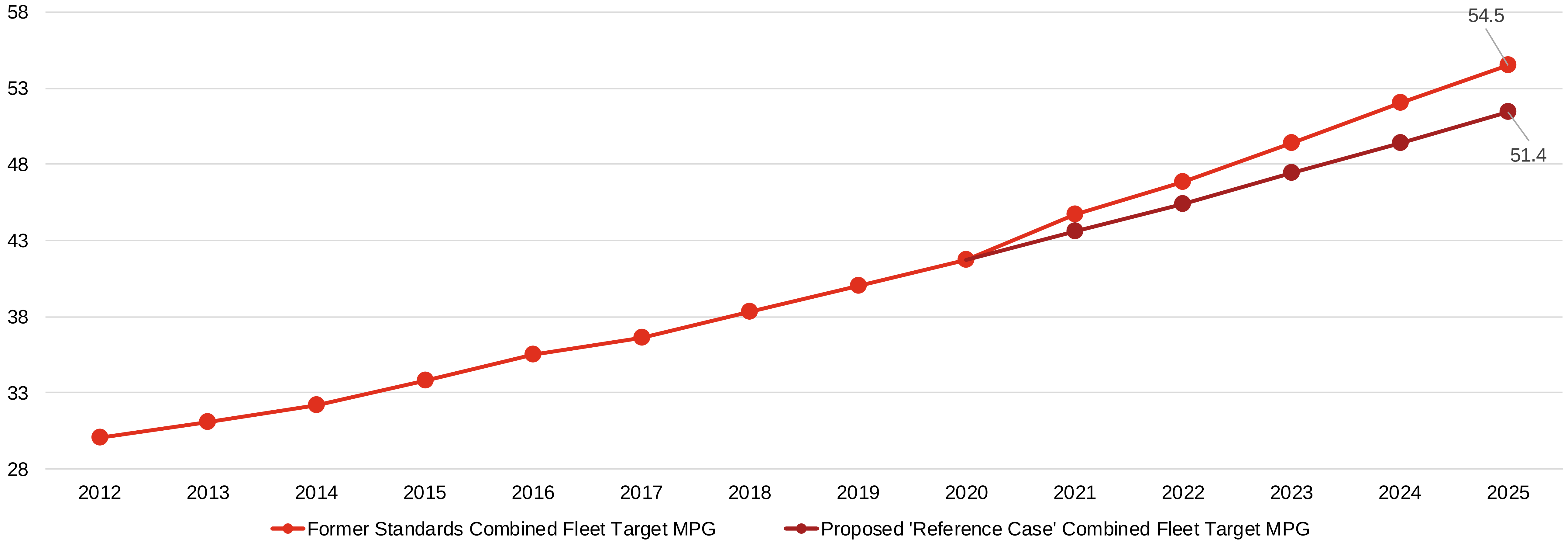
Source: Autodata

Trend #3 What about CAFE?

As US consumers move to light trucks the headline MPG-e number of 54.5 by 2025 is now off the table. The actual number will likely be even lower than the revised 51.4 as the product mix continues to skew towards CUVs.

US CAFE Combined Fleet MPG Targets

2012 – 2025 (MPG)



Source:

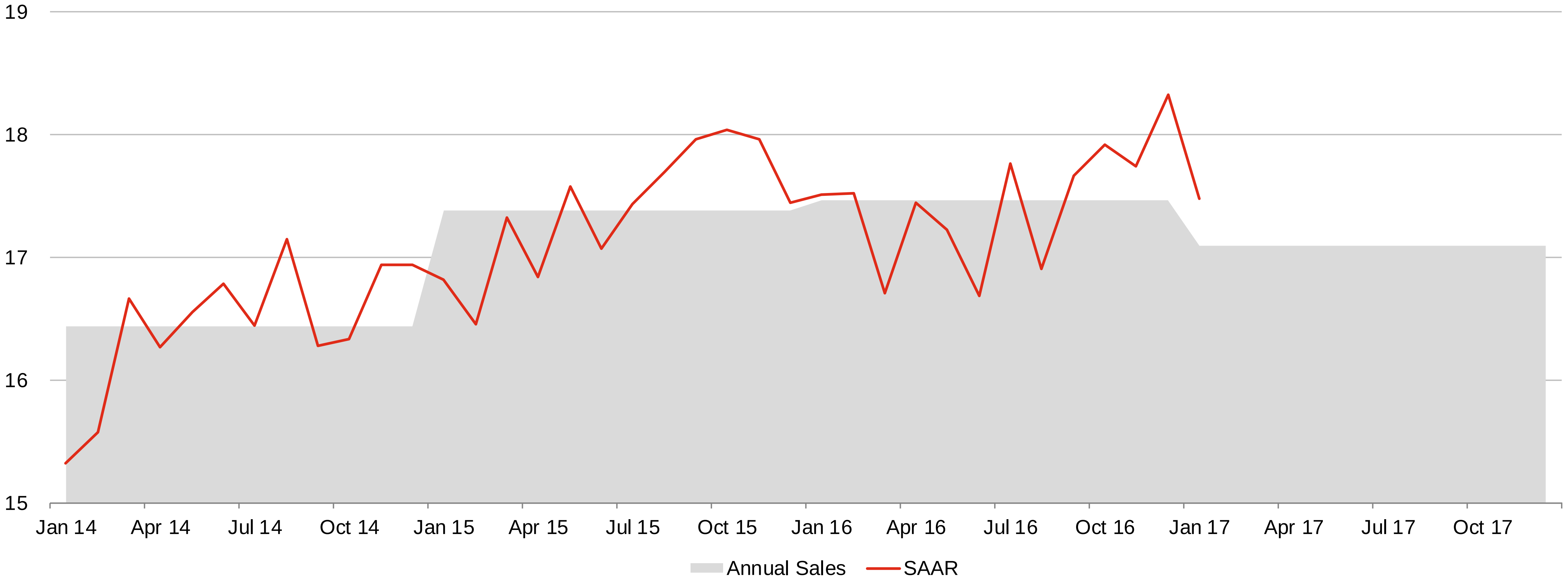
North America Sales and Assembly Outlook

Top of the mountain

2016, as expected was another record year for light vehicle sales in the US, however that number was accomplished with record incentives. Expectations are for a small decline in 2017 as incentives slow.

US: Light Vehicle Sales and SAAR

2014 – 2017 (millions)



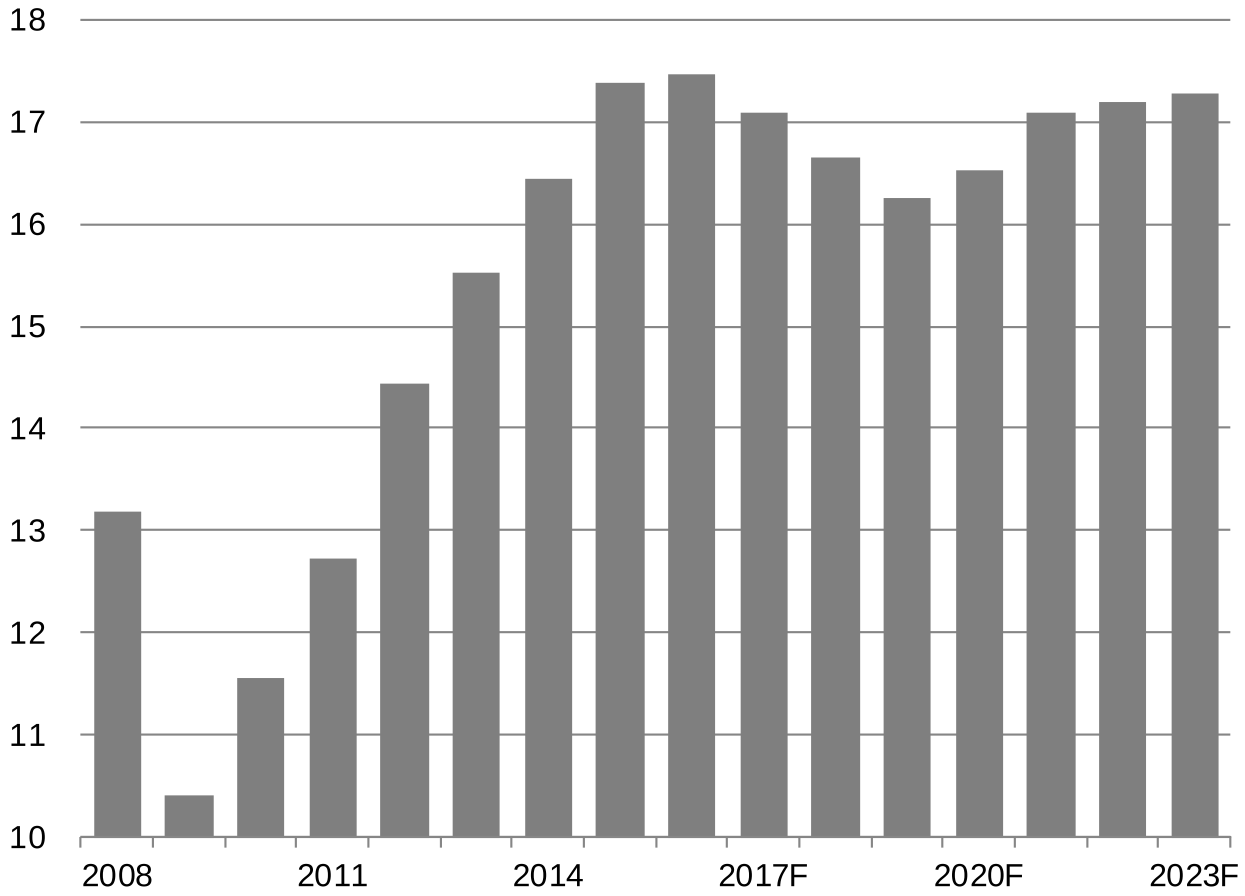
Source: Ward's Automotive Reports, Autofacts 2017 Q1 Forecast Release

US remains largest sales player

While sales are forecasted to peak in 2016 for the US market, it is poised to remain the largest sales market in North America by several factors throughout the forecast window.

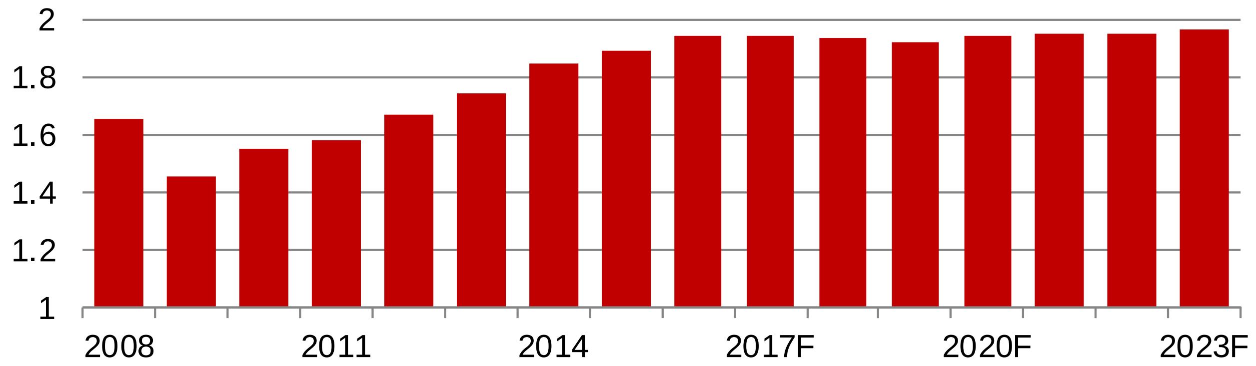
US: Light Vehicle Sales

2008 – 2023F (millions)



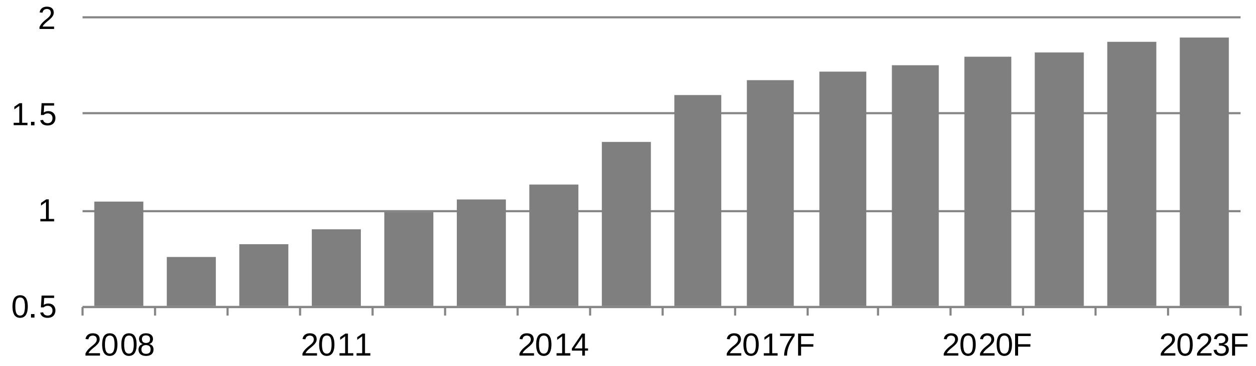
Canada: Light Vehicle Sales

2008 – 2023F (millions)



Mexico: Light Vehicle Sales

2008 – 2023F (millions)



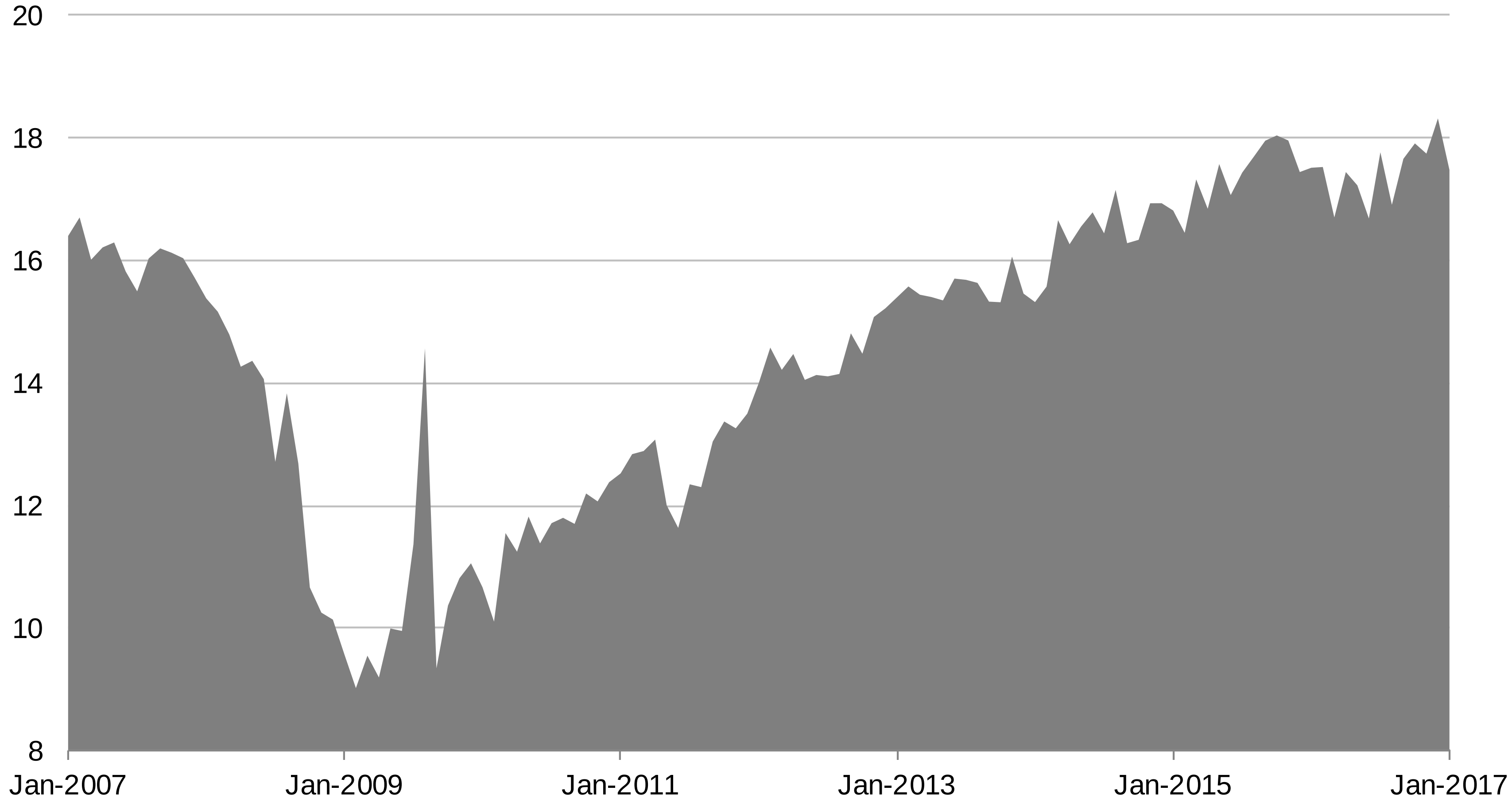
Source: Ward's Automotive Reports, Autofacts 2017 Q1 Forecast Release

Reaching the mountaintop

While sales reached another record peak in 2016, a similar feat in 2017 now seems unrealistic.

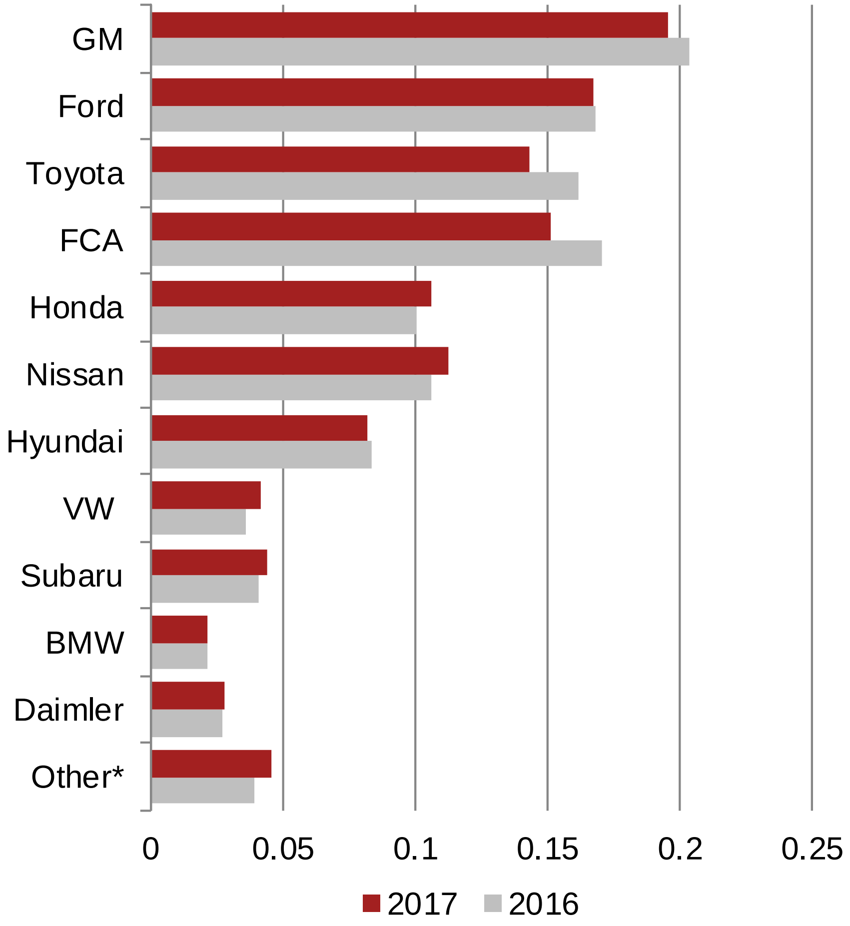
US: SAAR

January 2007 - January 2017 (millions)



US: Light Vehicle Sales

2017 YTD vs 2016 YTD (millions)



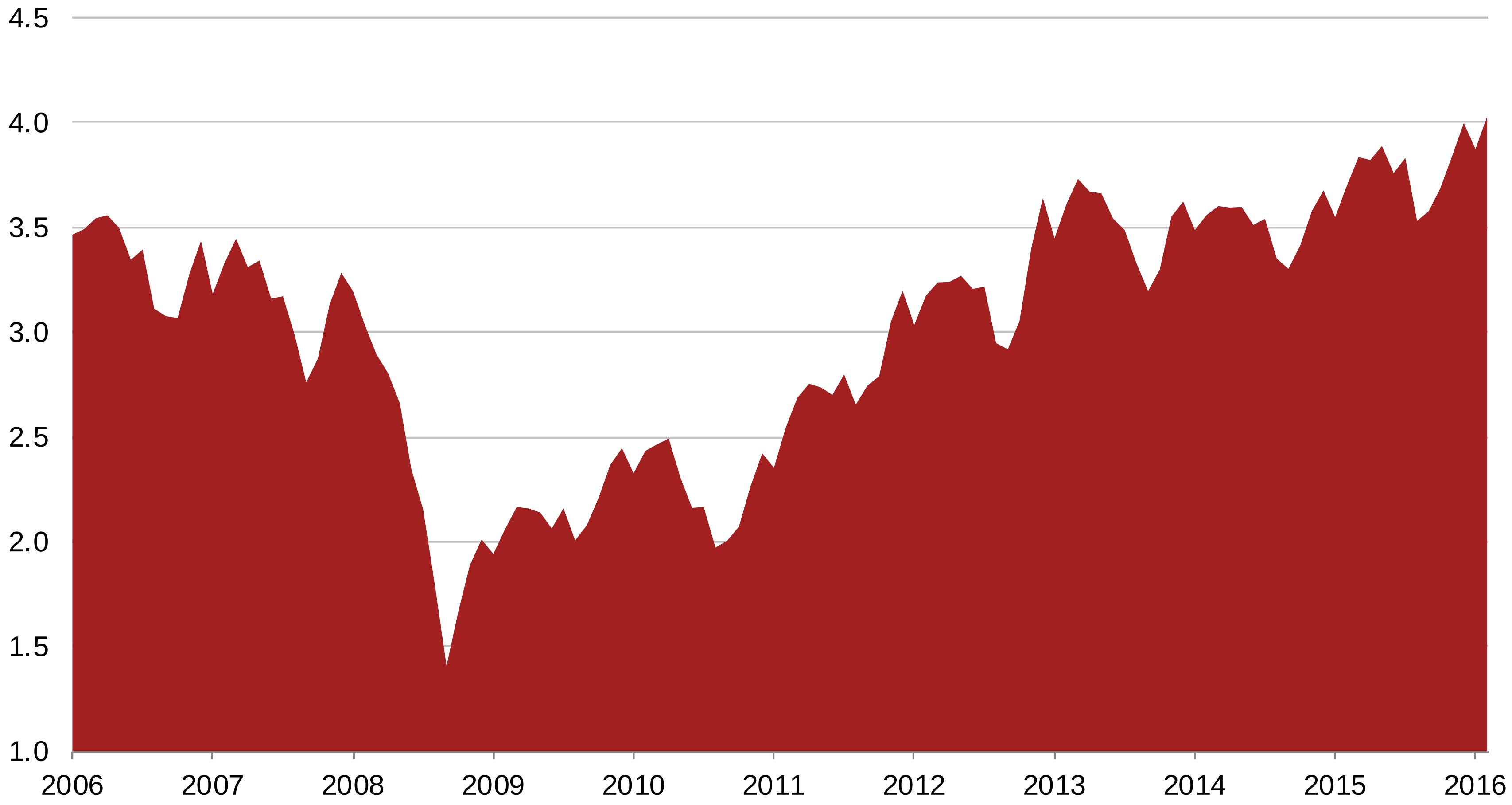
Source: Ward's Automotive Reports

Hope that inventory will plateau

Inventory rose above 4m units for the first time since 2005 in January.

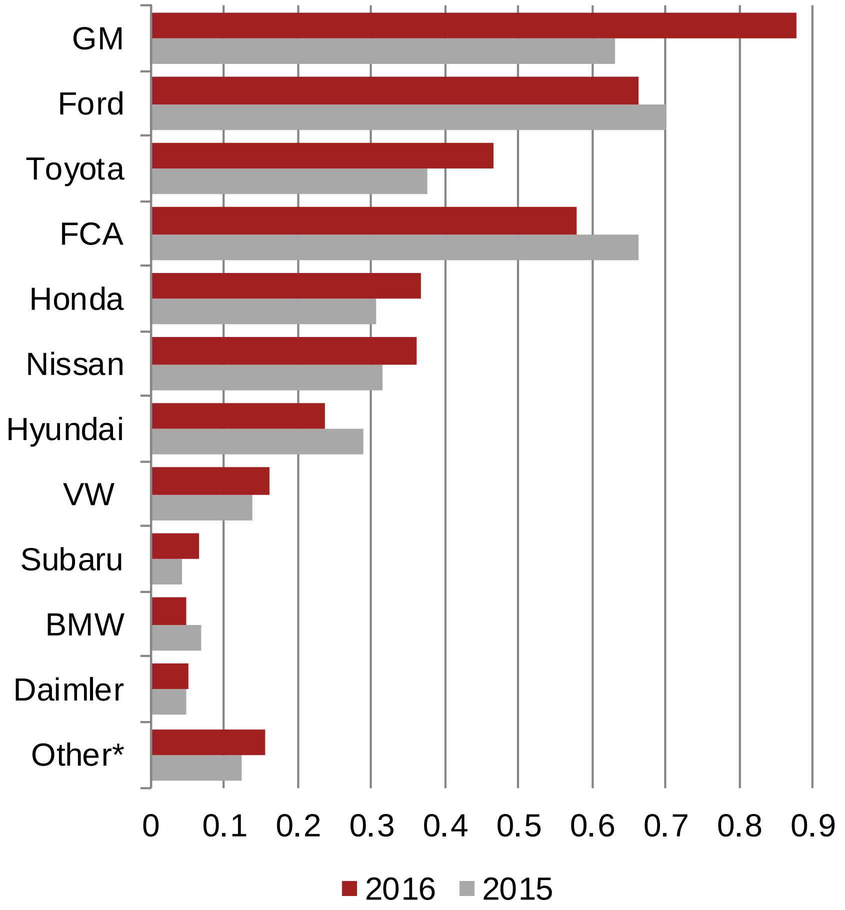
US: Light Vehicle Inventory

January 2007 – January 2017 (millions)



US: Light Vehicle Inventory

January 2017 vs January 2016 (millions)



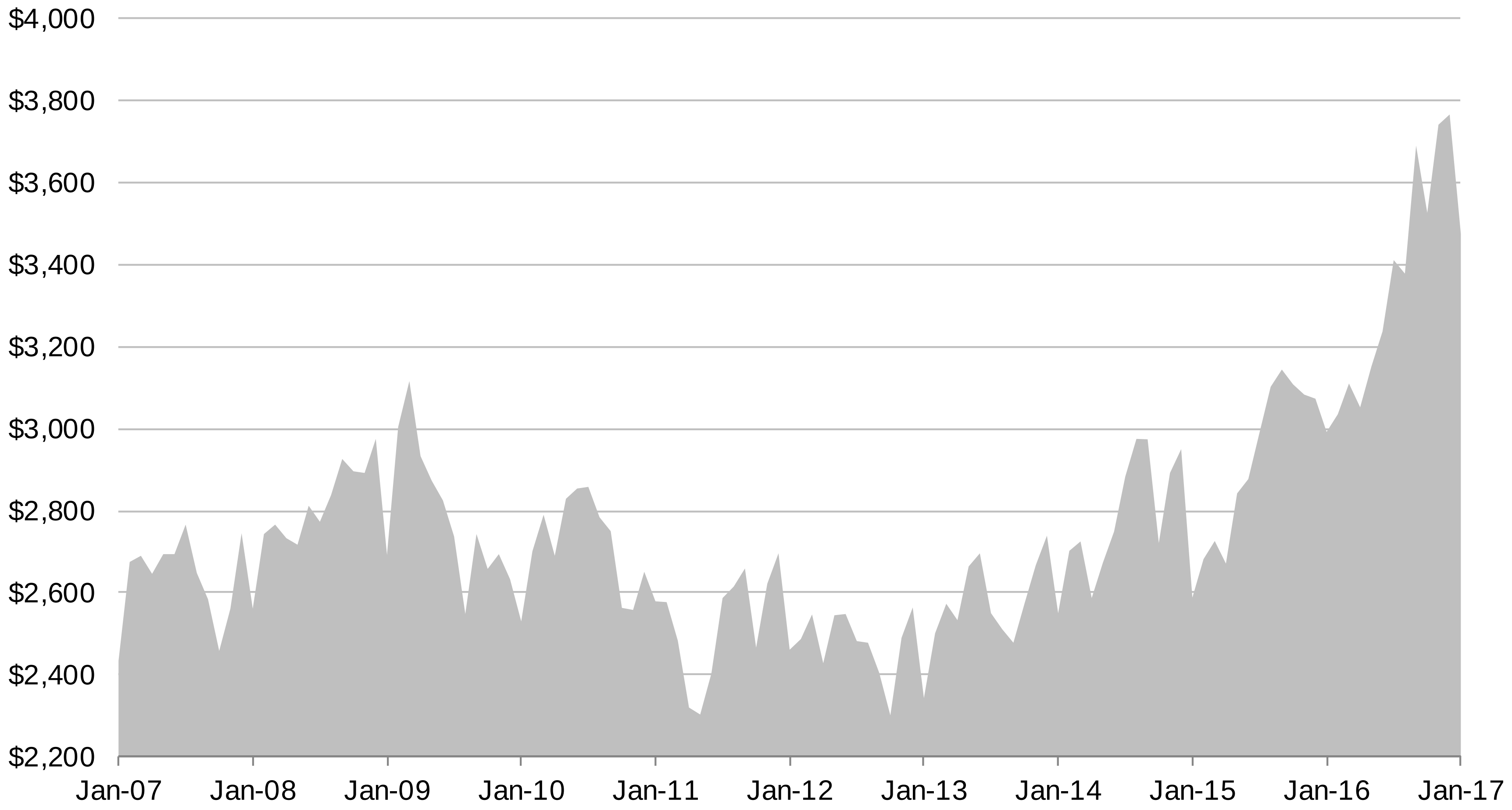
Source: Ward's Automotive Reports

Incentives trending up

Record sales numbers are good, however it's costing OEMs more to achieve those sales as the average incentive spend increased to record highs at the end of 2016.

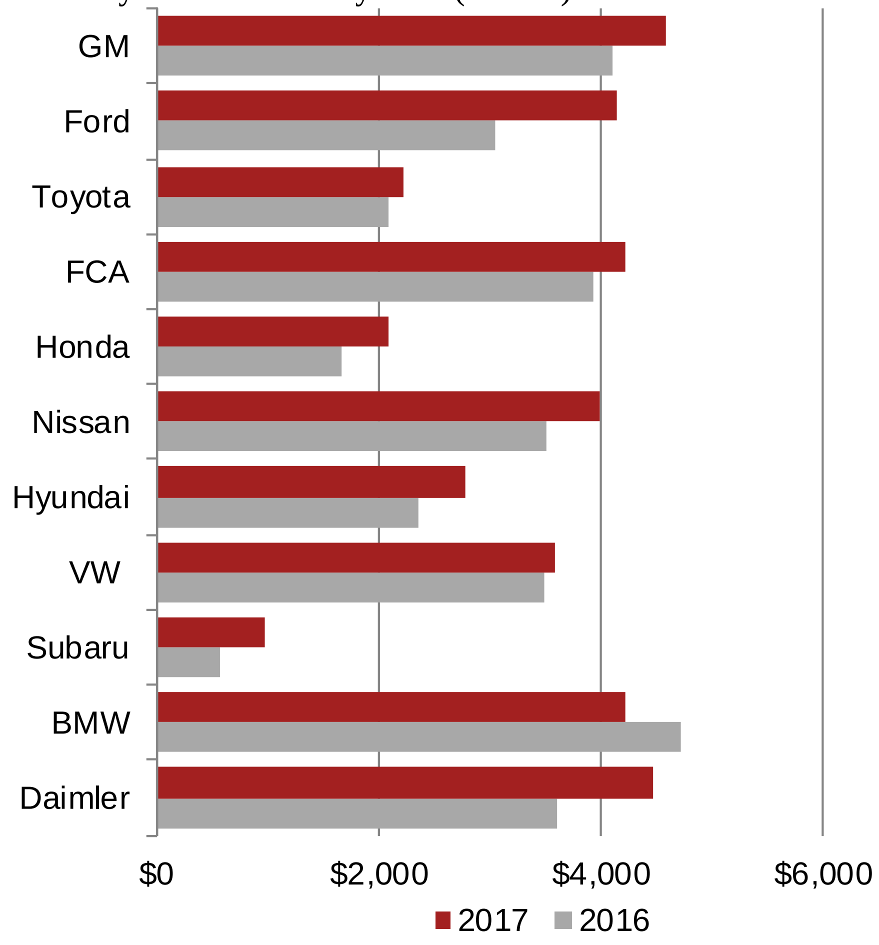
US: Average Industry Incentive Spend per Unit

January 2007 - January 2017 (dollars)



US: Average Incentive Spend

January 2017 vs January 2016 (dollars)



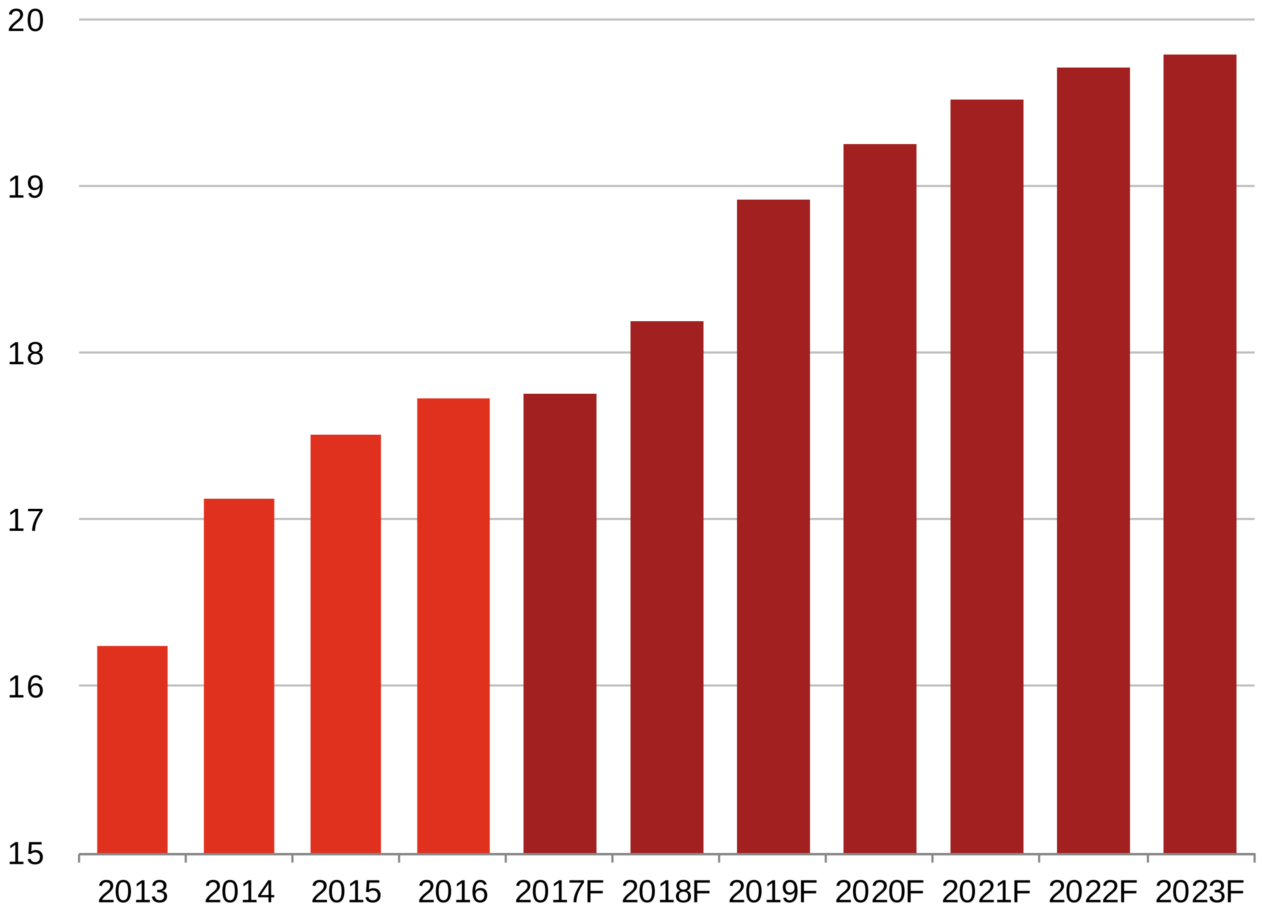
Source: Autodata

Assembly volume expected to buck any sales slowdown

North American assembly is expected to remain strong as domestic and new-domestic OEMs localize increased assembly in the region which pushes volumes ever higher.

NA: Light Vehicle Assembly

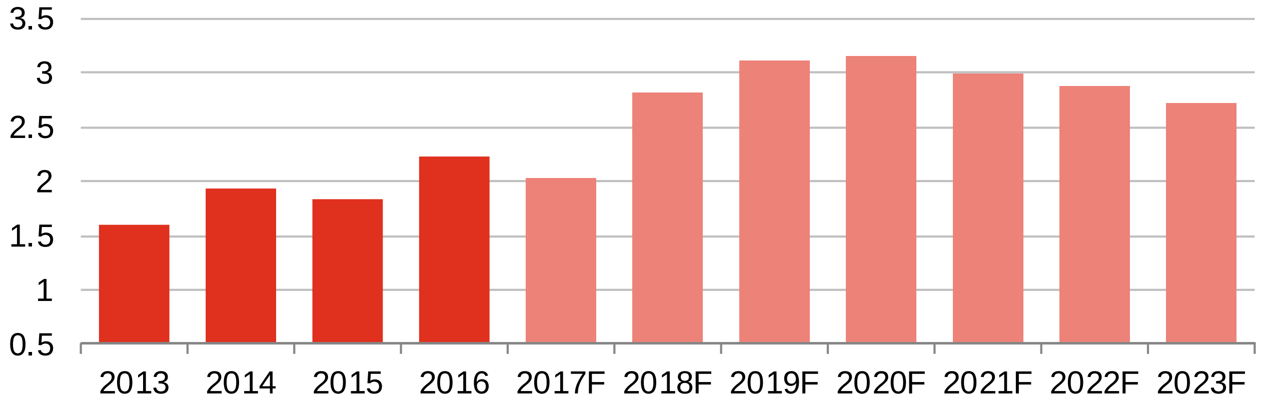
2013 – 2023F (millions)



Source: Autofacts 2017 Q1 Forecast Release

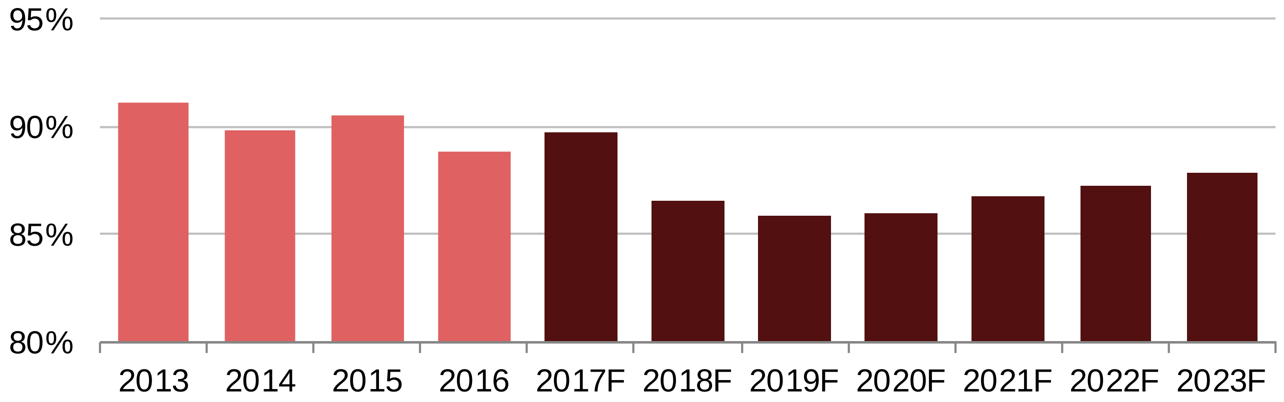
NA: Light Vehicle Excess Capacity

2013 – 2023F (millions)



NA: Utilization

2013 – 2023F (millions)

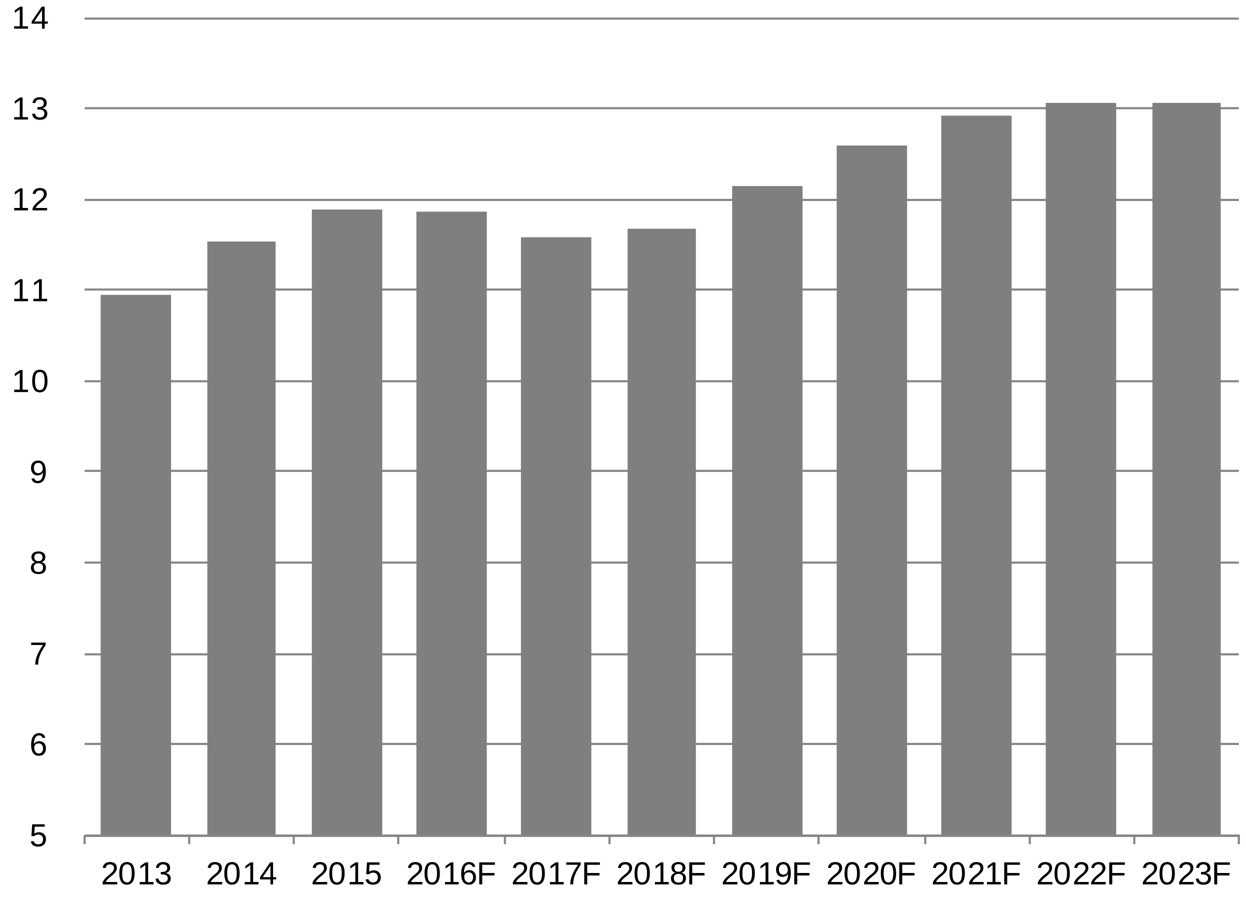


US continues to grow, but Mexico sees largest increase

The US and Mexico are expected to grow as OEMs localize assembly in those countries. Canadian assembly is expected to decline as automakers focus on the US and Mexico.

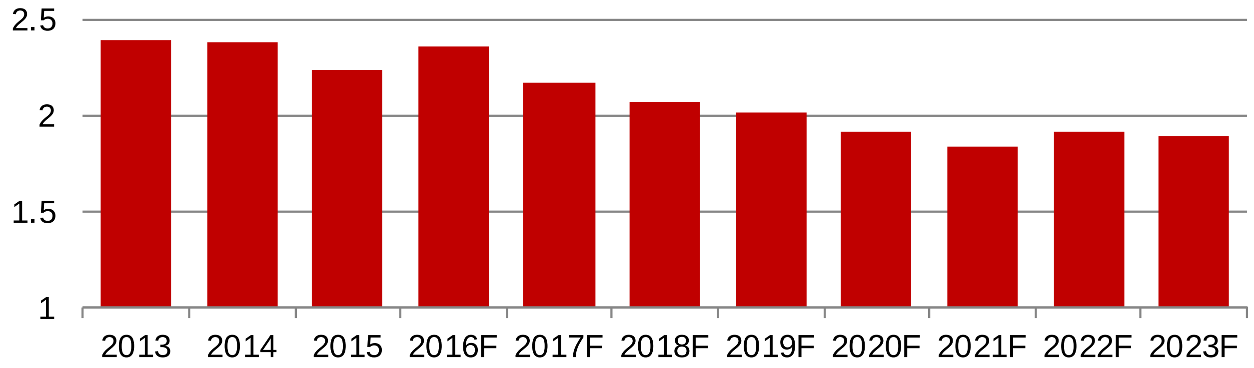
US: Light Vehicle Assembly

2013 – 2023F (millions)



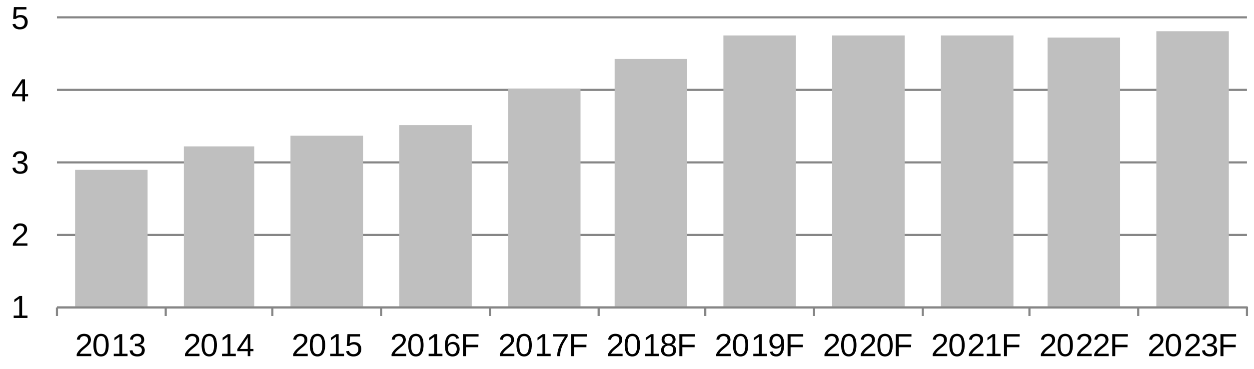
Canada: Light Vehicle Assembly

2013 – 2023F (millions)



Mexico: Light Vehicle Assembly

2013 – 2023F (millions)



Source: Autofacts 2017 Q1 Forecast Release

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