Automotive Economics: Where Does India Go From Here?

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Presentation Outline

• Economic Forces and Implications

• Vehicle Sales Forecasts

• Summary
World Economic Growth
BRICs To Outpace Advanced Economies

Japan Crisis Having Limited Global Impact
Higher Oil Prices Biggest Threat To Forecast

Annual Real GDP Growth (in percent)

Source: IHS Data Insights
Forecast Review: Indian Economic Indicators
Optimistic Outlook, and Improving

Unemployment Rate

Consumer Prices

Exchange Rate: Rupee/US $

Interest Rate Policy %
A Two-Track Global Economy Emerging
Sluggish Growth vs. Rapid Development

**Advanced Countries**
- Sluggish economic recovery
- High debt and fiscal deficits
- Low inflation or deflation
- Policy interest rates near zero
- Real currency depreciation
- Risk: stagnation

**Emerging Markets**
- Rapid economic growth
- Low, manageable debt levels
- Moderate or high inflation
- Rising interest rates
- Real currency appreciation
- Risk: overheating, asset bubbles
Share Of Global Economic Output
Future Will Be Different – New Global Powers Rising

Note: Big 4 – Germany, UK, France, Italy
Source: IHS Data Insights
Rising Wealth From Economic Growth
Strong Foundation For Vehicle Demand Widespread

Over next 10 years income levels in China and India will double

Per Capita GDP (in 000s, yr 2005 US$)

World  Big 4  Europe  Japan  Korea  US  Brazil  Russia  India  China  Other

1990  2000  2010  2020

Note: Big 4 – Germany, UK, France, Italy
Source: IHS Data Insights

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New Consumers: Income > $10,000
Millions Of Potential Vehicle Buyers Coming To Market

Next Decade:
- China – 200 million more households will reach in-market incomes
- India – In-market households will rise 133%
- Brazil/Russia - Add 44 million income qualifying households, US/JK/E4 add only 22 million

Source: IHS Data Insights

Note: Big 4 – Germany, UK, France, Italy
Source: IHS Data Insights
Population Change: 2010-2020
Vehicle Sales Also Impacted By Growth Rates

Next Decade:
• Low income countries grow 683 million people
• High income countries add only 73 million people

Source: IHS Data Insights
New Drivers: Population Aged 15-64
Demographics Leading To Millions Of Potential Vehicle Buyers

India has 800 million people of driving age - another 130 million added over next 10 years

US/JK/E4 will lose almost 400,000

Note: Big 4 – Germany, UK, France, Italy
Source: IHS Data Insights
As country wealth increases, vehicle demand increases.

A graph of 50 countries reveals a per capita GDP/vehicle penetration relationship.

With significant economic growth occurring in developing nations, the implications for the auto industry are huge.

Source: UN Statistical Yearbook
Vehicle Penetration
Huge Auto Industry Implications From Rise Of BRICs

When India reaches China’s wealth level PARC will rise 200% to 60+ million vehicles

When India reaches S Korea’s wealth level vehicle need will rise to 450 million vehicles

Source: IHS Data Insights
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Two Automotive Worlds
Long Term Growth Only In Emerging Markets

Note: Triad comprises USA, Japan & W. Europe
Light Vehicle Sales Index
2010 Ended on an Upswing for Emerging Markets

Light Vehicle Sales (Index Year 2007=1)

- Trend
- Monthly Sales SAAR

Financial Crisis

Source: IHS Data Insights

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Region Share Of Global Light Vehicle Sales
India Rising, But Still Relatively Small

Share of World Total Sales

- Japan/S. Korea
- Europe
- North America
- South America
- MEA
- South Asia
- India
- China

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India Light Vehicle Sales Forecast
Strong Growth To Continue

Sales to hit 3 million units this year
Growth expected to moderate over forecast horizon

Sales
Annual Change
India Sales Forecast By Manufacturer
Maruti Suzuki Dominates Market – For Now

Global OEMs to increase share in coming years

Share of Total Light Vehicle Sales

- Maruti Suzuki
- Tata
- Mahindra
- Hyundai
- Toyota
- VW
- GM
- Fiat
- Ford
- Honda
- Others

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India Sales Forecast By Platform Size

Small Vehicles Dominate Market

Higher incomes, maturing market creating trend towards larger vehicles

Share of Total Light Vehicle Sales

A  B  C  D  E  Mini FF  Compact FF  Full-Size FF

2005  2011  2017
India Light Vehicle Forecasted Production
Rising Demand For Small Vehicles Helping Industry

Domestic production accounts for 99%+ of domestic sales

Potential for more A/B sized vehicles to Europe and S America

Light Vehicle Production (units)

Exports
Production

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Summary

- India’s years of strong economic growth creating millions of automobile consumers

- Sales to reach 3.1 million units in 2011, up 19% over last year.

- Capacity growth keeping pace with domestic market – not much room for export growth

- Inflation – food, oil – biggest threats to short-term outlook