Global Auto Sales Set to Reach 93.5 Million in 2017, but Risk is Greater than Ever, IHS Markit Says

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SOUTHFIELD, Mich. (February 21, 2017) – Total 2017 global light vehicle sales will reach 93.5 million units, a growth rate of 1.5 percent over 2016, according to the most recent forecast from IHS Markit (Nasdaq: INFO), a world leader in critical information, analytics and solutions. However, industry risk in mature markets is at the highest level it has been since the Lehman Brothers collapse and global industry downturn from 2008 through 2010, and will be a key factor for the near future. Engine propulsion options are expected to have an influence as well.

“Political uncertainty could cause a significant rift in light vehicle sales both in the U.S. and Europe, as both regions are undergoing fluctuations in policy, leadership and other dynamics,” said Henner Lehne, senior director, global vehicle group for IHS Markit.

In addition, IHS Markit forecasts in 2017 the decline of diesel vehicle sales share in Europe will further accelerate more than the European light vehicle market has experienced in the last decade. This represents just the start of a growing trend of diesel decline expected in the coming years, due in part to significant challenges around RDE regulation alongside the arrival of the EU6d emission standards.

Despite the daily publicity, sales of BEV (battery electric vehicles) and PHEV (plug-in hybrid electric vehicles) light vehicles also were relatively flat between 2015 and 2016, according to IHS Markit analysis, despite the ever-present longer-term growth fundamentals. Global BEV production remains significantly below 1 million units and will represent just 0.7 percent of new vehicle supply globally in 2017, according to IHS Markit forecasts.

The majority of global growth can be attributed to a revised Chinese automotive legislative regime, as Chinese-targeted auto excise duty incentives are expected to continue through 2017, albeit at a lower rate of 7.5 percent for qualifying vehicles (up from 5 percent in 2016). Provisional figures analyzed by IHS Markit suggest that China accounted for approximately 76 percent of the 2016 volume growth in global auto sales, with December being the last month of a full-tax break stimulus program.

The mature markets, together with China, were key to the overall 2016 automotive growth story, according to IHS Markit, with provisional 2016 year-end total industry volumes set at 92.1 million units globally, up 4.6 percent, with counter-synchronized auto sales cycles across regions.

Looking forward, IHS Markit expects China to continue to be the world’s largest car market for the foreseeable future, and has upgraded its 2017 China forecast to 28 million units (up 1.9 percent) and expected payback effects will now be in play for 2018 (slipping 0.8 percent).

U.S. auto sales have lost some momentum already this year, and the change of administration somewhat complicates the near-term picture. The policies and changes proposed by the Trump administration regarding trade and environmental regulations creates some uncertainty, countered by a slightly improved economic picture for 2018–21, according to IHS Markit analysis. It is difficult (and unlikely) to sustain and continue to grow at the same rates the U.S. market has seen over the past 8 years, and a leveling off is underway. In 2017, IHS Markit forecasts U.S. light vehicle sales at an unchanged 17.4 million units, a slight moderation on 2016 levels, down just 1.0 percent.

For Western Europe, Brexit uncertainty, banking fears, and election concerns are on the agenda for the EU projection—and after a decent 2016 (up 6.2 percent), the market could lose momentum for 2017, though IHS Markit forecasts the industry will close out the year with 1.0 percent growth. The outcomes of elections in France and Germany could skew consumer confidence and policy, and therefore influence new vehicle purchases. From a manufacturing perspective, the recent hard Brexit announcements had various automakers publicly state that they would need to revisit the terms of their investments, though some had made agreements with the UK government following the Brexit announcement, which intensifies the risk to UK-based auto manufacturing.

After four consecutive years of decline, the light vehicle sales market in Russia seems to have finally reached its bottom. IHS Markit forecasts a growth rate of 8.25 percent for 2017 – even considering the expected stagnation in the coming 4-6 months. According to forecasts, in the second half of 2017, a slight recovery is expected as the light vehicle sales market will profit from somewhat improved energy prices, a stabilized exchange rate and improved consumer expectations. However, sanctions will remain a key negative driver, but IHS Markit also acknowledges upside “risk of recovery.”
South Asian demand should recover further in 2017 and light vehicle sales in the region are expected to be 5.9 percent in 2017, but India is expected to feel a negative demonetization impact and limit 2017 growth to just 7.7 percent. Meanwhile, Association of Southeast Asian Nations (ASEAN) car markets are forecast to accelerate by 4.6 percent as recoveries continue in key markets. Japan and South Korea remain similarly depressed by tax-related hangovers and economic (Japan) and political (Korea) concerns.

Brazil remained firmly in the red for 2016, but appears to be close to the cyclical low. According to IHS Markit forecasts, the country should regain momentum through 2017 (up 1.1 percent). The Middle East region is also forecast to stabilize, supported by oil prices and the end of Iranian sanctions, with light vehicle sales forecast to grow 1.3 percent from 2016.

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<th>IHS Markit 2017 Global Light Vehicle Sales Forecast</th>
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Note: Volumes in millions
Source: IHS Markit, February 2017

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IHS Markit (NASDAQ: INFO) is the automotive industry's leading source for market-wide insight, expertise and advanced planning solutions. With a reputation of enabling better decisions and better results for nearly a century, the world's leading OEMs, suppliers and their transportation partners rely on IHS Markit to power growth, improve efficiency and drive a sustainable competitive advantage.

Automotive offerings and expertise at IHS Markit span every major market and, the entire automotive value chain -- from product planning to marketing, sales and the aftermarket. Headquartered in London, the automotive team is part of the IHS Markit information and analytics powerhouse that includes more than 15,000 colleagues in 150 countries, covering energy, chemical, aerospace and defense, maritime, financial, technology, media and telecommunications. For additional information, please visit www.ihsmarkit.com or email automotive@ihsmarkit.com.

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