Global automotive market slows down in 2018 – Diesel burdens Europe
F. Dudenhöffer

Worldwide sales by car manufacturers will increase by 2.2 % to 87.3 million passenger cars in 2018. Growth in the global automotive market will thus continue to slow down, although the global economy will grow at a faster rate of 3.7 % in 2018 than in previous years, according to the latest forecasts of the OECD (Economic Outlook, Nov. 2017). The reasons for the divergent growth rates between the global economy (gross national product GDP) and the global automotive market are largely due to regional factors. New vehicles and product innovations will not trigger any extraordinary increases in demand on the global automotive market in 2018. In addition, a “manageable” range of Euro 6d diesel models is slowing Europe down. Today’s Euro 6 models are loaded with high NOx emissions during normal operation and are therefore left out of the equation by buyers in 2018. Once again, German premium manufacturers are stronger developing than the world market. Worldwide sales of Audi, BMW, Mercedes and Porsche are estimated to increase by 4.5 % in 2018, while the global passenger car market will only grow by 2.2 %.

1 Product innovations according to usual pattern – Europe curved by Diesel

Product innovations will follow the traditional pattern in 2018, so that an extraordinary additional demand driven by product innovations is not expected this year. Although, according to the latest OECD forecasts, in 2018 the global economy will grow at a faster rate of 3.7 % than in previous years, growth in the global automotive market will continue to weaken (fig. 1 and 2). Important new vehicles of European automakers in 2018 are:

- Audi A6 (July)
- BMW 3 Series (October)
- Ford Focus (September)
- Jaguar E-Pace (small new SUV in January)
- Mercedes A-Class (May and November with additional limousine)
- Peugeot 508 (May)
- Opel Insignia and Grandland variants
- Renault Clio (October) and Dacia Duster (February)
- Volvo XC 40 (March) and V60 (September)
- VW Touareg (July)

Although the product range will be broadened with the Jaguar E-Pace and several other additional SUV models, the demand due to product innovations will remain “manageable”. This also applies to the new editions, such as the Audi A6 or BMW 3 Series, so that business as usual can be expected here, too. Even though the first non-Tesla electric cars with a range of 500 km will be launched in 2018 with the Audi e-tron and the Jaguar I-Pace, the volumes will remain very manageable.

On the negative side, the range of diesel models with the new Euro 6d emission standard remains manageable. In normal operation, Euro 6d diesel engines meet the NOx limits and are thus a safeguard against driver...
new car sales in Asia in 2018, which accounts for more than two-thirds of sales worldwide. Asia is dominated by China, this corresponds to 44% of all new vehicles on the market can be expected again in Asia.

According to our forecast, 25.75 million new cars will be sold in Asia next year, a growth of 4.4%. A total of 38.15 million new passenger cars in 2018 than in 2017 – an increase of 4.4%. A total of 38.15 million new cars will be sold in Asia next year (tab. 1). This corresponds to 44% of all new vehicles sold worldwide. Asia is dominated by China, which accounts for more than two-thirds of new car sales in Asia in 2018.

2 Regional growth patterns: Asia main growth driver, USA in decline

The strongest growth in 2018 in the automotive market can be expected again in Asia. According to our forecast (fig. 3), the Asian market will sell just under 1.6 million more passenger cars in 2018 than in 2017 – an increase of 4.4%. A total of 38.15 million new cars will be sold in Asia next year (tab. 1). This corresponds to 44% of all new vehicles sold worldwide. Asia is dominated by China, which accounts for more than two-thirds of new car sales in Asia in 2018.

While Asia and China will continue to fuel the global automotive market in 2018, the weaker US automotive market is slowing down the North American region. Despite a slight increase in economic growth of 2.5% in the US (tab. 2), the US automotive market will remain below 2017 levels this year, meaning that the entire North American market region will also be in the red. In recent years, the US vehicle fleet has been significantly rejuvenated, driven by high discounts, favorable consumer loans and financing. In a saturated US automotive market, with a younger vehicle fleet, signs of fatigue will become apparent. The demand will fall and the declining US will pull down the complete North American market region.

3 China remains growth engine of global automotive business

China remains the growth engine of the global automotive market. Overall, passenger car sales in China will increase by 4.5% to 25.75 million new cars in 2018 (tab. 3). More than 50% of the global automotive market growth in 2018 comes from China.

The Chinese market benefits from continued good economic growth at 6.6%, according to the latest OECD forecast from November 2017 (tab. 2). The Chinese car market is still receptive despite the large number of vehicles in the megacities. There are currently more than 125 million cars on China's roads. For every 1,000 inhabitants there are 90 cars in China. In comparison, the car density in Japan is 485 cars per 1,000 inhabitants and in Germany 550; these comparisons illustrate that the Chinese car market is far from saturated, even though congested roads and traffic jams are persistent problems in the giant cities of China. So the year 2018 will not be the end of the Chinese growth story for the automotive sector.

The Chinese cleverly use the size of their domestic market to establish technology trends. In China, electro mobility is at the forefront of innovation. 490,000 electric cars and plug-in hybrids were sold in China in the first 10 months, an increase of 45% over the previous year. With an electric car quota of 10% in 2019, more than 2.6 million electric cars and plug-in hybrids will be sold. The pace is enormously high, and China is setting this pace to dominate the world’s automotive industry also from the technology side.

4 India overtakes Germany in 2018

In addition to China, Asia’s growth is clearly characterized by India. The Indian car market is now the world’s fifth-largest car market, with an expected 3.2 million new car sales in 2017 (tab. 3). As early as 2018, India will see more cars sold than Germany. With expected 3.5 million passenger car sales in 2018, India is moving up to fourth place in the ranking of the world’s largest car markets. Growth in India rests on two pillars: firstly, the low density of 25 passengers/1,000 inhabitants and secondly, the country’s high economic growth. According to OECD forecasts, India is expected to see GDP growth of 7.6% in 2018. At the same time, this is the largest economic growth among the 15 largest automobile markets in the world.
5 Nearly zero growth in Western Europe – Germany with decline

The car markets in Western Europe are developing at a significantly slower pace, with growth of just 0.3% (table 1). The US and Western Europe will paralyze the automobile market in 2018. In Germany, despite an expected moderate economic growth of 2.3% in 2018, more than 100,000 fewer new cars will be sold than in 2017. The main reason for this is the due to rebates and high diesel premiums artificially inflated German automobile market in 2017.

By early summer at the latest, we expect a decline in the historically high discounts on the German car market and thus a slump in sales. New car sales in Germany, that were loudly acclaimed by the associations, will hit car manufacturers in 2018. The German discount bubble will burst by mid-2018 at the latest. Declining car sales are expected in the markets of Germany, England, Belgium, Denmark and Sweden in 2018. The German discount bubble, Brexit effects and boom-like developments in Belgium, Denmark and Sweden in recent years are the reasons for the downward trend. In addition, growth is slowing in France, Italy and Spain. For the year 2018, this means that margins in Western Europe can be expected to decline and competition in the automobile market may become fiercer. The attractiveness of the Western Europe market region continues to decline.

6 Highest proportional growth in eastern EU countries

In contrast to weak Western Europe, the new car market in some of the eastern EU countries is favored by high economic growth and low vehicle densities. In these countries the growth story for the automotive sector still lays ahead, in Western Europe the future will be a “cut-throat competition”. Poland, the Czech Republic, Hungary, Romania and Slovakia are driving growth in the new year.

7 Russia with low level growth spurt

In the east, Russia is the growth driver. The Russian automotive market is recovering from its deep recession following the introduction of the sanctions. The 1.9% growth in the Russian economy allows catch-up processes in the market to be further expanding. German and Chinese car manufacturers are expanding their Russian production. Due to high import duties, a strong sales position in Russia requires local production. Table 3 shows that, with 1.77 million new car sales in 2018, Russia is still lagging far behind the previous growth years. Nearly 3 million new cars were sold in Russia in 2012. At that time, everyone spoke of the target market Russia with 5 million new car sales per year. Thus, the Russian car market still has “a lot of room for improvement”. Therefore, it makes sense to reinvest in capacity building with suppliers and carmakers in Russia.

Similar to Russia, the Brazilian car market – also crisis-ridden – is recovering in 2018. However, South America and thus Brazil remains a very cyclical market region. One of the car managers’ experiences is that “Brazil has been playing yo-yo for the last 30 years”.

8 Conclusion: Classic car regions lose influence more quickly

In 2018, the pace of change is accelerating. It is not only a technological change from internal combustion engine to electric drive, from driver-oriented to robot-oriented cars, from one’s own car to a vehicle as a mobility instrument, but also a change in the importance of the different automotive nations. It is no longer the US, Western Europe and Japan – the old triad markets – that describe the business, but Asia (without Japan) and Eastern Europe are expanding their position at high speed. 2018 will be a year in which technological change and the transformation of market regions will be accelerated. And 2018 will be a year of transition to electro mobility, where China – as home base – worldwide will set the pace in drive technology. The small diesel island of Europe will be shrinking.

Tab. 2: Top 15 passenger car markets (sales in 1,000 vehicles)

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Tab. 3: GDP growth in % (Source: OECD, Nov. 2017)

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*Prognosis