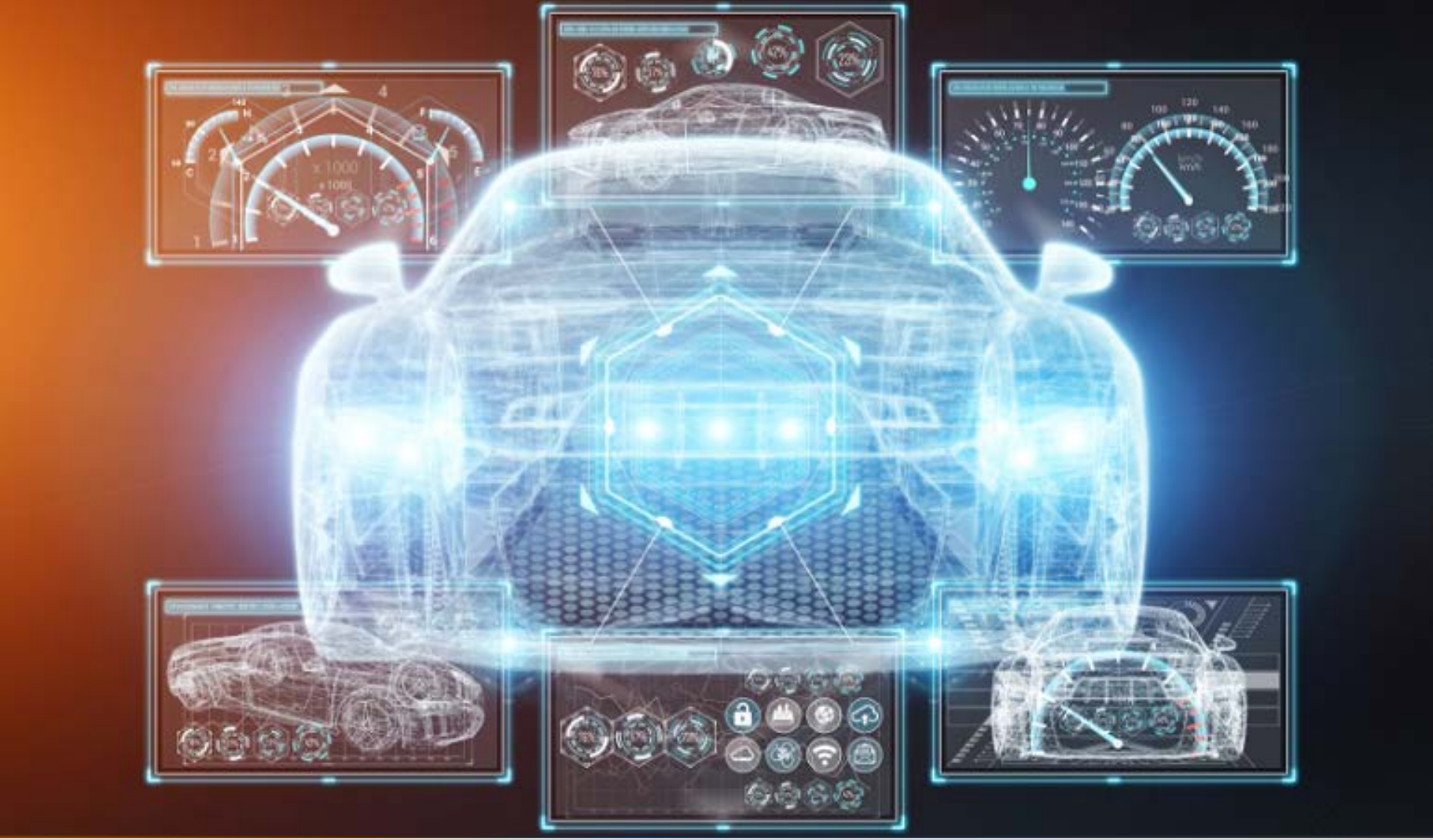


Automotive

Atradius
Managing risk, enabling trade

September 2019

Trade Sector Report

Risk Services / Group Buyer Underwriting

Content

Introduction

A **perfect storm of disruption** is bearing down on the automotive industry – which accounts for many of the world's factory jobs and is crucial to the economic wealth of the US, Europe and Japan.

China, the world's largest auto market, has been under a lot of pressure over the past 18 months, hurt by an economic slowdown that has dented consumer confidence, looming stricter emissions rules and the ongoing trade dispute between Beijing and Washington.

"It's a toxic cocktail for the carmakers. The sales cycle has peaked, CO2 compliance is a headwind and they have ever-increasing spending on technology.

UBS Bank

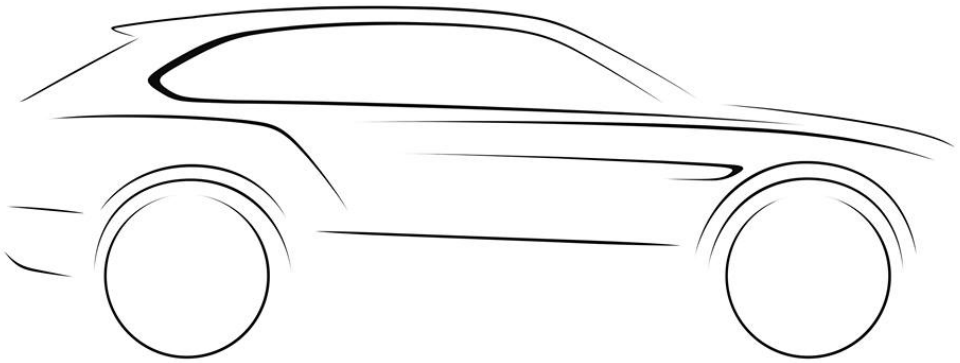
Likewise, Brexit causes UK's car production to fall for 14 straight months, which is longer than the downturn between October 2008 and October 2009 at the height of the global financial crisis.

Regulators and a growing segment of environmentally conscious car buyers are pushing the internal combustion engine toward obsolescence. In response, automakers are planning a $300 billion surge in spending on electric vehicle technology over the next five to 10 years - accompanied by the emergence of new companies and competitors.

Consumer preferences are changing as well and car ownership is becoming optional.

The underwriting strategy varies per region. Europe shows more restrictive underwriting, whereas we are more open in Asia.

Market drivers



Today's market challenges

FALLING DEMAND

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Slowing economic growth and a host of potential political pitfalls are expected to dampen global auto sales in 2019

STRICT EMISSION RULES

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Auto manufacturers face ever more stringent emissions guidelines

ELECTRIFICATION

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Traditional carmakers investment hugely to yield new electric vehicles

TECHNOLOGY CONVERGENCE

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Advanced technologies impact how we drive cars and how they are built

NEW ENTRANTS

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New entrants force traditional car manufacturers to compete on multiple fronts

RIDE SHARING SERVICES

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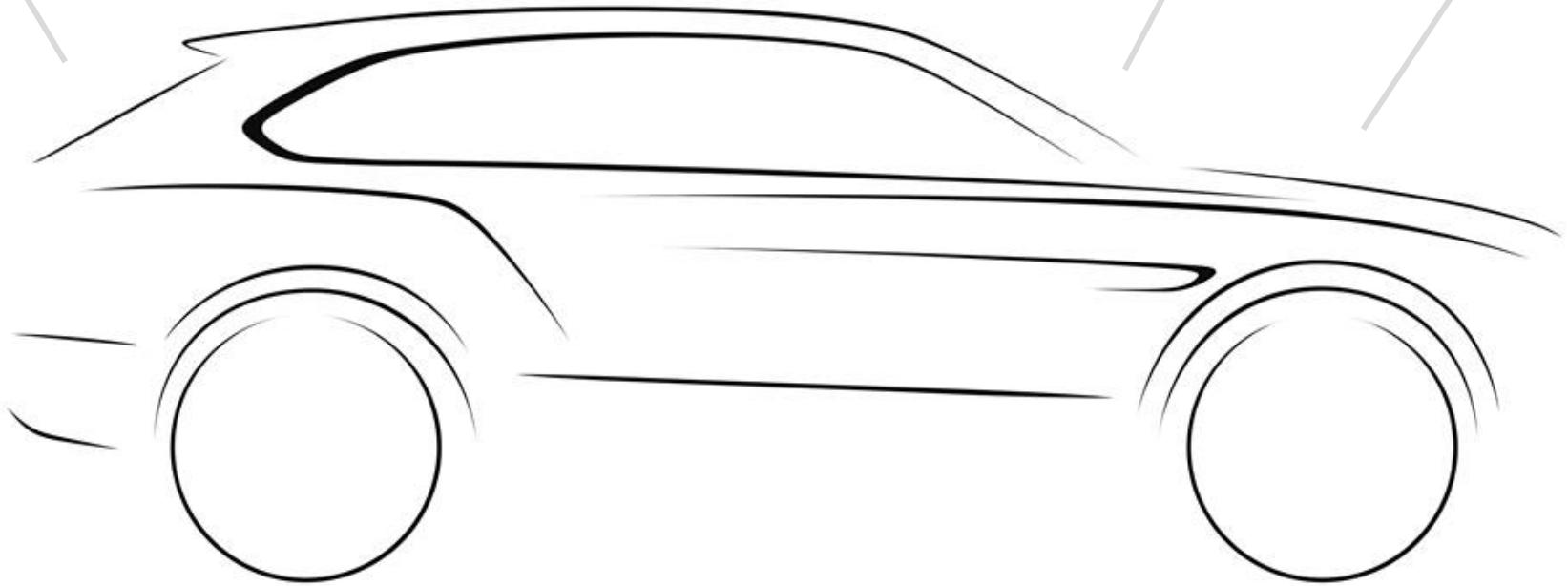
A shift from car ownership to Transportation-as-a-Service



China plays a major role in global demand slump

After years of strong growth, global car sales were broadly flat in 2018 and are expected to decrease by more than 5% to approximately 79.5 million in 2019. Accordingly, Moody's changed the outlook for the global auto manufacturing industry for the coming 12 to 18 months to negative from stable.

The key drivers of the negative outlook is the slowdown in the Chinese car market combined with dwindling consumer confidence that is impacting demand in the two other giant car markets, US and Western Europe.

Slowdown in China

In recent years, China's voracious appetite for vehicles has accounted for almost all of the growth in global sales. Chinese consumers bought 24 million cars last year, far more than any other nation. Americans were a distant second with 17 million cars. General Motors sells far more cars in Asia – 947,000 in the first three months of this year – than it does in the US.

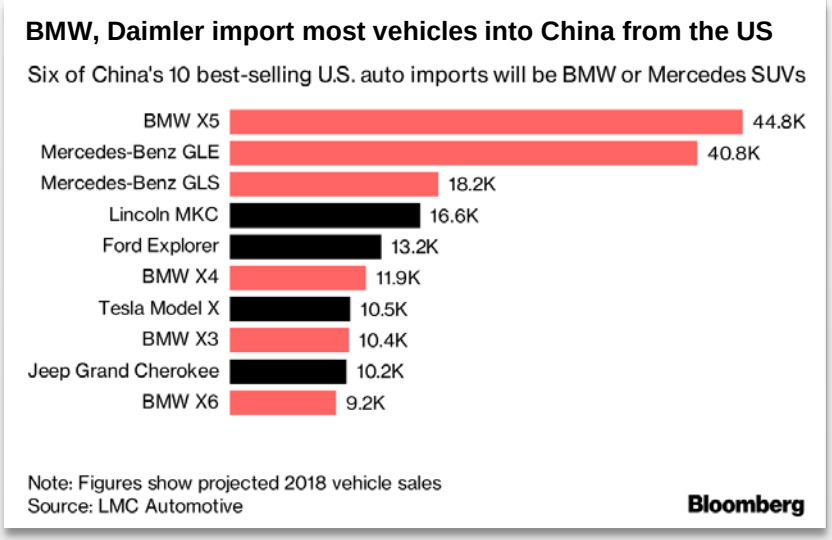
Last year was the first time in more than two decades that China's car sales fell (year-on-year) and the slowdown has worsened this year due to weaker economic growth, the trade war with the US and strict new emission standards introduced on 1 July 2019.

"Trade tensions between Washington and Beijing have hit confidence in China generally. The economy was slowing down anyway, but that accentuated it."

Automotive industry expert

Geely, one of China's largest car makers, issued a profit warning in July 2019 after sales fell by 33% in its home market. Haima Automobile reported a 70% slump in sales for the first five months. Chongqing Changan Automobile posted a 33% drop during the same period.

Global brands are suffering too. European luxury car makers like BMW, Mercedes maker Daimler and Jaguar Land Rover (JLR) are most vulnerable to trade tensions because of their material share of China's vehicle imports. Six of the top ten vehicles exported from the US to China are from the two German brands, according to LMC Automotive.



UK car industry warns no-deal Brexit is not an option

At the year's half-way mark, Europe is likely facing a second annual decline in car sales. The industry association has already revised its prediction for 2019 to a 1% drop, blaming uncertainty surrounding Brexit and flattening demand.

Brexit

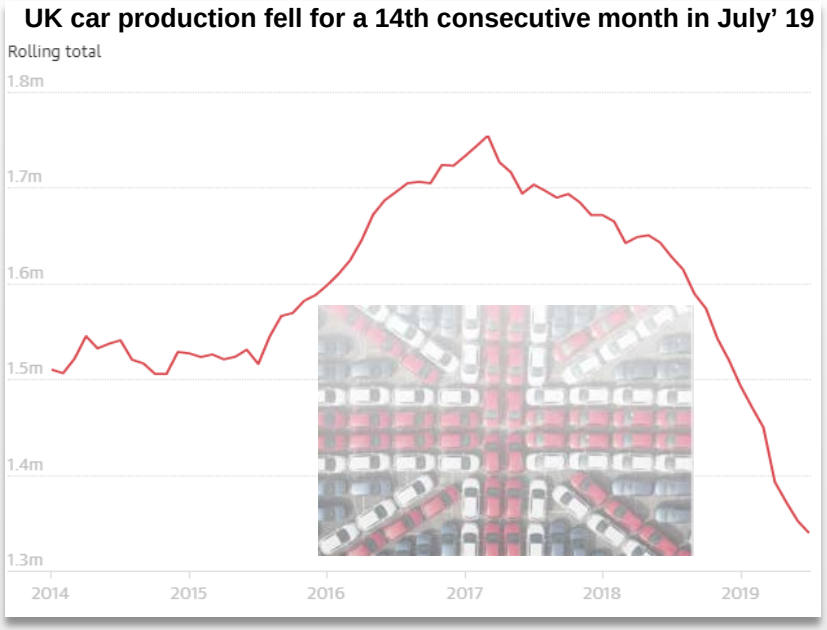
UK car production has fallen for 14 consecutive months in July 2019, according to the Society of Motor Manufacturers and Traders (SMMT). The decline is now longer than the 13-month downturn between October 2008 and October 2009 at the height of the global financial crisis.

The weak production came before any possible disruption to operations at the beginning of November if the UK leaves the EU without a deal. The problem is that British car plants rely heavily on components imported from Europe, while most of the finished cars they produce are exported to the European mainland.

Any uncertainty in the form of tariffs will cause bottlenecks and delays which will make UK plants less economic.

Of the six carmakers that produced more than 10,000 cars in the UK last year, only Mini increased production in 2018. With Honda announcing in February the closure of its Swindon factory, the loss of Ellesmere Port would mean the UK losing almost 16% of its manufacturing capacity in the space of little more than six months. This year Nissan has also withdrawn production of its Infiniti cars from Sunderland and backtracked on a commitment to build a new X-Trail model there.

Uncertainty about Brexit also hit investment in the sector, which has been failing steadily since 2016 and dropped to just £90 million in the first six months of 2019, compared with £588 million in 2018 and £1.1 billion in 2017.



Source: Society of Motor Manufacturers and Traders

Car industry struggles to meet strict emission targets

Next to trade tensions and Brexit, the sternest challenge facing the car industry comes from more stringent environmental regulation.

European emission standards

Strict new carbon dioxide emissions targets will be phased in next year across Europe and by 2021 manufacturers' average car will need to emit a maximum of 95 grams of CO2 per kilometer (versus 118.5g in 2017).

Action required by carmakers to close EU emission gap

* 2021 target is 95g per km on average, but each brand has its own target to take into account mass. Producers of bigger vehicles have less stringent targets.

Source: UBS, FT.com

Yet emissions are heading the wrong way. CO2 emissions from new cars are currently rising as consumers shun diesel models and opt for petrol alternatives. Diesel cars release less carbon dioxide than petrol vehicles, but sales of diesel-powered cars fell after the Volkswagen scandal to 36% of new registered cars in Europe, down a peak of 56% in 2011.

Further, European consumers shifted towards heavier sport utility vehicles that increases pollution levels as well. As a result, the car companies face penalties up to €34 billion, according to research firm JATO.

The potential fines were one of the reasons that Fiat Chrysler sought a merger with Renault. The French company offers battery-powered cars, like the subcompact Zoe, that would have made it easier for Fiat to hit the emissions targets.

Mergers as big as Fiat Chrysler and Renault may prove too difficult to pull off, but carmakers are already forming dozens of smaller alliances. This year, Ford and Volkswagen agreed to develop new commercial vans and pickups together to go to market by 2022 and cooperate on technologies like electric cars and autonomous driving. BMW and Jaguar agreed in June 2019 that they would cooperate to develop drive systems for electric cars.

China

The market threats do not limit themselves to Europe, with the Chinese governments also pushing for one of the world's strictest rules on automobile pollutants. The new rules demand substantially fewer pollutants such as nitrogen oxides and particulate matters and introduce limits on particulate number and ammonia - with early implementation in major heavily-polluted areas, the Pearl River Delta region, Sichuan Province and Chongqing Municipality.

US

In the US, carmakers are under pressure because California and other states are requiring manufacturers to meet quotas for zero-emission car sales. In a letter to President Trump co-signed by 17 companies on 6 June 2019, the automakers said a divided US market, where some states apply the rolled-back federal rules and others have a stricter standard, would be "untenable".

The electric challenge

In anticipation of the emission-reducing trends, car makers are carrying out development of electric vehicles and speeding up rollouts of new car models.

But battery costs mean many of these cars have thinner margins than traditional vehicles. Some are even lossmaking.

"Either you increase the price of your vehicles, and clean mobility becomes elitist, and possibly you do not meet the numbers you need to avoid penalties . . . or you sell at a loss, and you need to restructure your company to compensate,

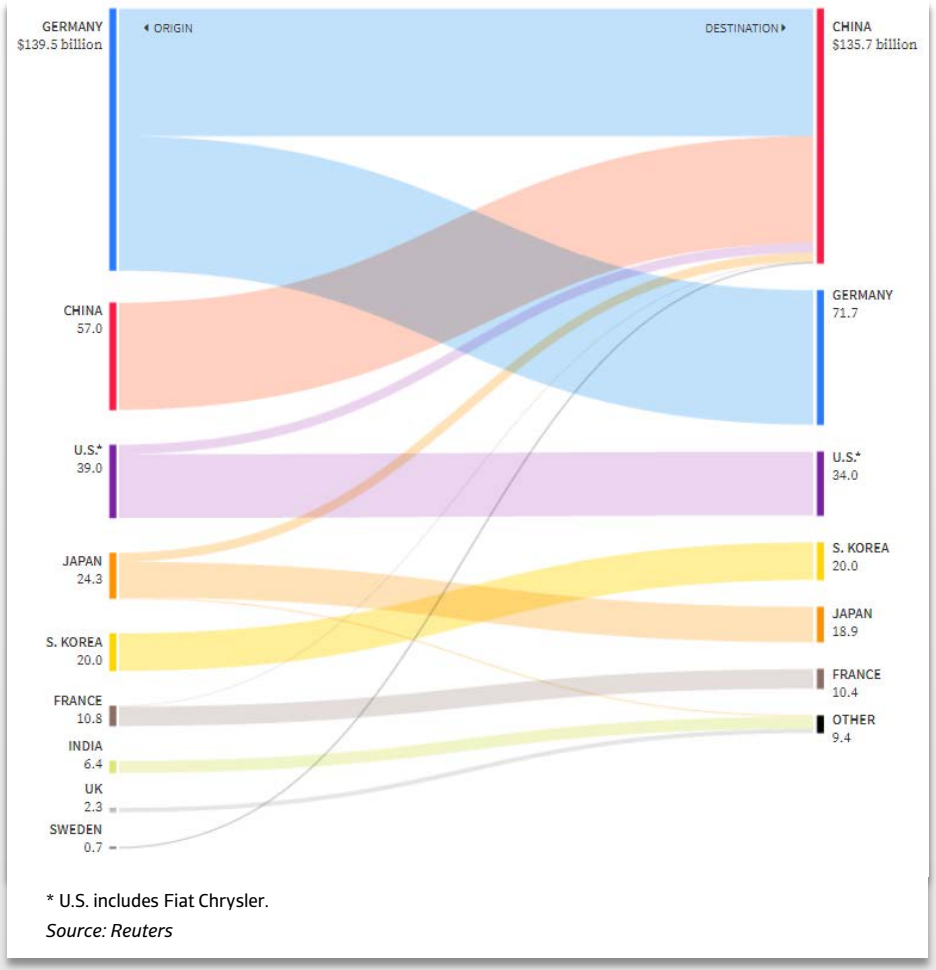
CEO PSA

Further, some argue that the market is not quite ready for electric cars. Global sales of battery electric cars surged 73% in 2018 to 1.3 million units, but that was still a fraction of the 86 million cars sold overall. One of the issues is the lack of charging infrastructure on the roads, especially in Europe and the US. Another is about the limited range of some mid to lower-market electric cars.

A lot of carmakers are not ready to deliver electric vehicles at the right quantities. They need to change their operations and gear the cars much more to a mass market, which requires huge investments before seeing clear returns.

A Reuters analysis of 29 global automakers found that they plan to spend at least $300 billion to develop and procure batteries and electric vehicles over the next five to 10 years, with a significant portion of their budgets targeted at China. The accelerated rate of industry spending is greater than the economies of Egypt or Chile.

Electric vehicles investment flows by country of origin of automaker, in billions of dollars



* U.S. includes Fiat Chrysler.

Source: Reuters

Business case : Lamborghini reveals its first hybrid supercar

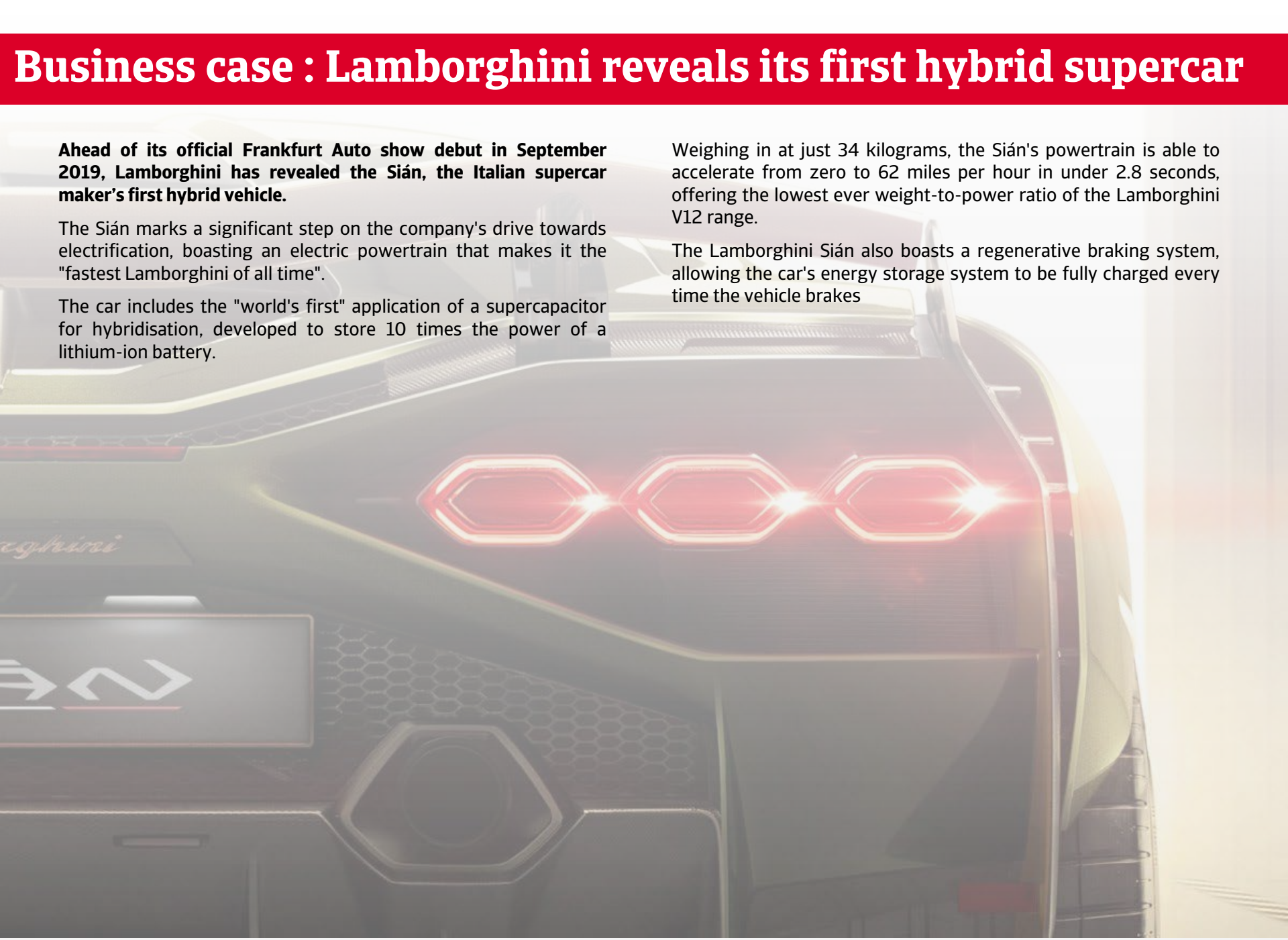
Ahead of its official Frankfurt Auto show debut in September 2019, Lamborghini has revealed the Sián, the Italian supercar maker's first hybrid vehicle.

The Sián marks a significant step on the company's drive towards electrification, boasting an electric powertrain that makes it the "fastest Lamborghini of all time".

The car includes the "world's first" application of a supercapacitor for hybridisation, developed to store 10 times the power of a lithium-ion battery.

Weighing in at just 34 kilograms, the Sián's powertrain is able to accelerate from zero to 62 miles per hour in under 2.8 seconds, offering the lowest ever weight-to-power ratio of the Lamborghini V12 range.

The Lamborghini Sián also boasts a regenerative braking system, allowing the car's energy storage system to be fully charged every time the vehicle brakes



How technology is reshaping the automotive industry

Technologies are changing every modern business sector and the automotive industry is not an exception. Everything - from the buying process to the driving experience - is currently going through the digital transformation. It is forecast that the global automotive software market will hit $11 billion by 2021. On top of that, nearly 80% of changes in the industry will be triggered by new technologies. This will lead to the shorter model cycles - they will last just 1-2 years instead of 5-8 years as it is today.

VR/AR showrooms

2019 is expected to be an important milestone for the VR/AR market. According to Statista, the global market size is going to grow to $20.4 billion in 2019 which is almost twice as big as it was in 2018. What does this mean for the automotive businesses? For example, Audi VR Experience lets potential car buyers digitally configure a future car. Reportedly, it allowed the company to increase the number of new car sales by 60-70% in the pilot showroom. Dealerships that sell used cars also use the virtual reality technology to showcase the assortment available for sale without bringing these items to customers.

Connected vehicles

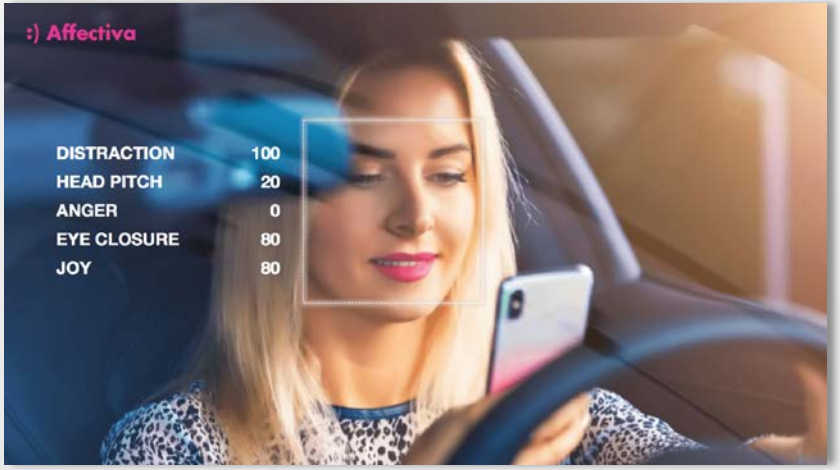
The Internet of Things (IoT) is another key technology trend that is transforming the automotive sector. It is expected that 5G will get global coverage by 2020. As a result, the in-vehicle connectivity will become a default demand of most modern car drivers. It is expected that the number of connected cars will hit 250 million in the next two years.

Sophisticated IoT-based solutions will allow for the real-time car diagnostic which will help car owners detect potential malfunctions before they happen. In addition, IoT-powered cars will be able to digitally communicate with other vehicles and transport infrastructure. This will lead to enhanced safety and improved traffic.

Advanced safety with AI

In the automotive industry, artificial intelligence (AI) is usually associated with self-driving cars, but this technology can be used in numerous other ways. In general, the size of the automotive AI market is expected to grow to $10 billion in the next five years. And the major share of the investments in AI will be related to safety issues such as blind spot alerts and driver monitoring.

An example of AI-powered safety solutions is Automotive AI platform by Affectiva. It was released in 2018 and its main task is to monitor driver's behavior and emotions. For instance, a robot can detect when a driver is sleepy, closed his or her eyes or uses a mobile phone on the road. It will then notify such a driver about distractions and this will mitigate the risk of a human-caused accident.



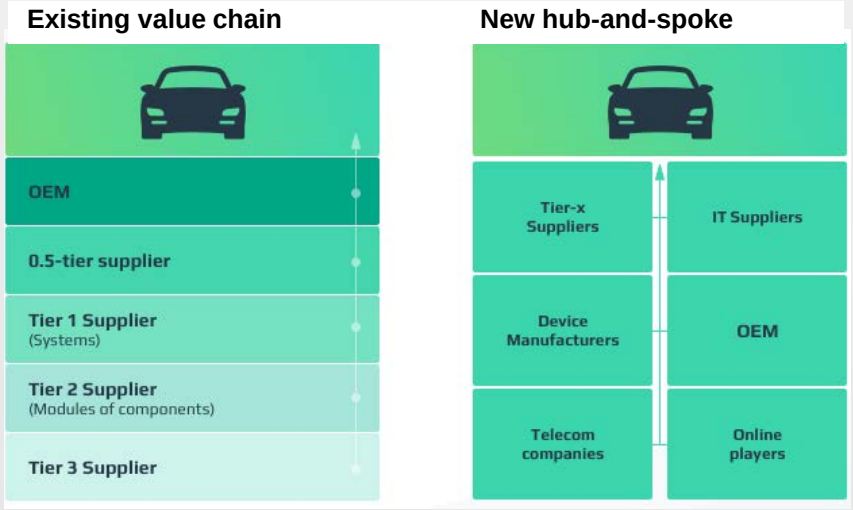
Source: Affectiva

New entrants are rapidly redefining the market

New entrants in the automotive value chain are experts at driving rapid innovation. They deploy capital and acquire assets to continue advancing the technology curve, and by doing so, putting pressure on traditional carmakers.

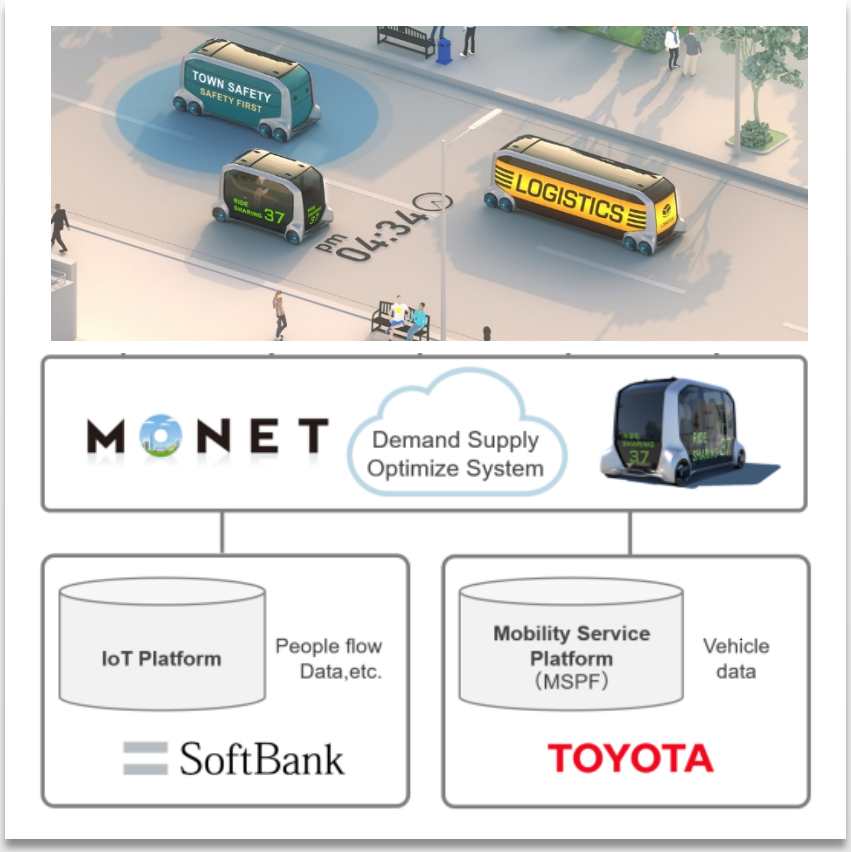
Despite their size, automakers like Fiat Chrysler, Ford or Volkswagen are at a disadvantage to newcomers like Uber or Dyson (the vacuum cleaner maker) which is developing an electric car. The old-line carmakers still get almost all of their revenue from cars with internal combustion engines, and must maintain factory networks that quickly run into financial difficulties when not running at capacity.

Disruption to the traditional automotive value chain is also an emerging byproduct of new players entering the automotive segment, transforming the automotive value chain from a linear model to an integrated web where multiple companies across multiple tiers and segments are contributing content (hardware and software) to an ecosystem of connected systems inside the vehicle.



Source: Intellias

There are multiple examples illustrating how carmakers are proactively embracing these disruptive forces. In 2018, Toyota and Softbank teamed up to form Monet Technologies in order to develop autonomous vehicle technologies, and in March 2019, Honda announced it will also invest in the joint venture. This year it was also announced that Ford has invested $500 million in Rivian, an Amazon-backed e-truck startup, and that General Motors invested $300 million to produce new EV line based on advanced Bolt architecture.



Key segments, traditional peers and new entrants

Nontraditional industry segments

	Tier 1 Auto suppliers	Auto Manufacturers	Retailers	Aftermarket	Connectivity and media	Mobility on demand
Traditional peers	DELPHI, Johnson Controls, MAGNA, DENSO	TOYOTA, HONDA, Ford, DAIMLER	PENSKE Automotive, GROUP 1 AUTOMOTIVE, IMPERIAL HOLDINGS, INC., CARMAX	Advance Auto Parts, GPC, O'Reilly, LKQ	• Traditional Radio Broadcasting • Stored Media (CDs, USBs)	• London Black Cabs • Yellow Cabs • Radio Taxis • Hertz Car Rentals
New entrants	Windows Embedded, here, MOBILEYE	Google, CRUISE, LOCAL MOTORS	carsales, TRUECar, TESLA, edmunds.com	ebay, amazon, USAUTOPARTS	Spotify, AT&T, orange	UBER, lyft, Hertz, BlaBlaCar
New business opportunities	• Growing relevance of digital components for features of interaction, connectivity and automation	• Digital companies • Creating self-driving cars • Converting regular cars into self-driving • Creating 3D-printed cars	• B2C retail witnessing rise of online portals offering reviews, comparisons and other information to guide purchase behaviour	• E-commerce substituting traditional channels • Advent of preventive and at-your-doorstep services	• Media and Connectivity providers creating a customized in-vehicle digital ecosystem	• Transport services shifting mindset around vehicles as services to be consumed vs. products to be owned

Source: Accenture Analysis

Partnerships : Mobility, Connectivity, and Driving Automation

Source: InteCenter for Automotive Research, 2018

Automotive suppliers are fraught with uncertainty

Disruptive trends are impacting the global automotive supplier landscape too. Deloitte estimated that some segments could face as much as 20% in revenue erosion over the next five to seven years while, on the other hand, some higher-growth segments could more than triple their current revenues.

Suppliers driving innovation in autonomous and electrified systems will likely see the most opportunity and growth (as much as approximately 300% in some segments), while those operating in more commoditized automotive supply segments such as frames, interiors, brakes, and internal combustion engine could be most at risk as these segments stagnate and decline between now and 2025. In addition, segment attractiveness will not only be dependent on the product segments in which suppliers operate, but also on the growth potential and their ability to differentiate.

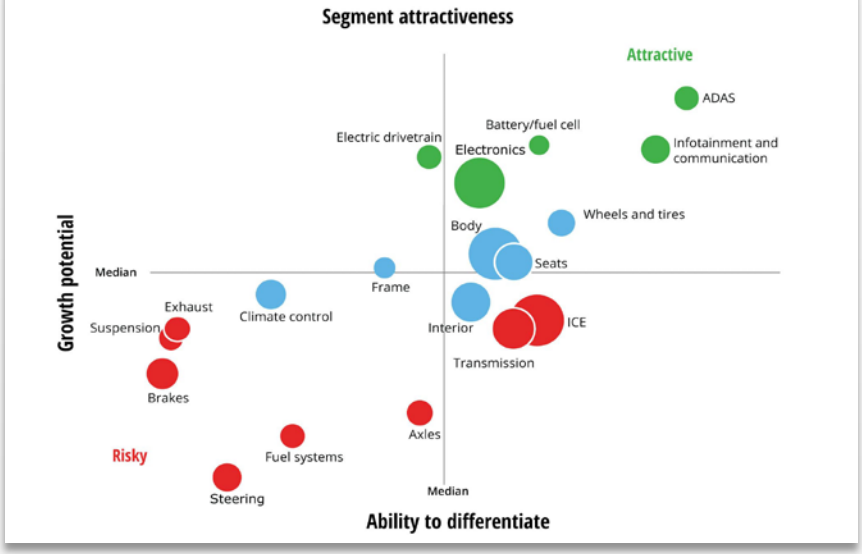
"The carmakers' profit warnings, the decline in production and sales they're experiencing - that is impacting all the suppliers, big and small alike,"

Center of Automotive Management

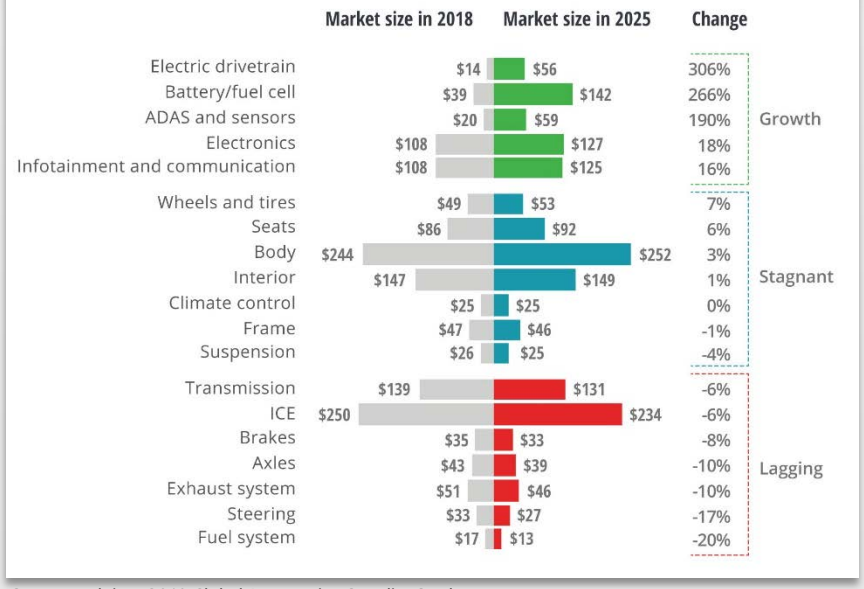
Continental, Europe's largest publicly listed auto technology supplier, has cut its 2019 guidance as well as its forecast for production across the automotive sector. Schaeffler, a parts maker, followed suit, revising down its forecast for profit and revenues.

Already, companies are making cutbacks. Bosch, the world's largest car supplier, announced in Januarry 2019 that lower diesel demand would force it to layoff 600 jobs among its 15,000 employees in Germany. Schuler, which makes presses, recently announced it will cut 500 of the 4,195 jobs in Germany, citing "changed competitive conditions and increased cost pressures". Mahle, a parts maker, is closing a factory with 250 employees near Stuttgart which makes air management systems for combustion engines, and says it will cut 380 of the 4,300 employees at its headquarters. In July 2019, Eisenmann, which produces paints for car plants, said it was filing for insolvency.

Differentiated future for automotive suppliers



Projected supplier segment market size, in $ billion



Source: Deloitte, 2019 Global Automotive Supplier Study

Future of car maintenance: Mechanics versus Technicians

Today mechanics already have to do a surprising amount of software programming among their car maintenance duties, but in the future it's likely that the computer systems in connected cars will be able to do their own software updates without the intervention of any mechanic. This process is called over-the-air (OTA) updating, and it's already being used by Tesla.

Moreover, the new generation of electric vehicles have far fewer parts in their drivetrain than a conventional internal combustion engine and gearbox drivetrain. The lack of complexity and reduced wear mean that much fewer replacements will be needed.

The auto industry in Europe accounts for more than 11% of total manufacturing employment according to the European Automobile Manufacturers' Association. In 14 regions across Europe - concentrated in the Czech Republic, Germany, Italy, Slovakia, Hungary, Romania, Sweden and the United Kingdom - the automotive sector even accounts for more than 20% of total manufacturing employment. A push to electric cars will disproportionately affect jobs in these regions.

It's not just in the factory that jobs may be lost. Electric car makers are leading the charge away from the traditional big-glass-palace dealerships with their expansive staffing levels. See business case on Tesla on the next page.

"The electric vehicle has about 20 moving parts and the internal combustion automobile engine has about 2,000, ...Electric vehicle parts get less wear than those in gasoline vehicles, which provide locomotion through explosive force. Even those parts that do need to be changed, they need to be changed far less than with internal combustion engine automobile,"

RethinkX

Business case : Tesla changes entire sales strategy

Tesla Inc. has announced a new retail strategy that aims to shift sales of its electric cars to an online-only platform in an attempt to optimise operating margins. Under the new sales model, Tesla will close most of its retail stores while introducing a seven-day, 1,000-mile return policy.

The new retail strategy follows the January 2019 announcement of a 9% reduction of the workforce in an attempt to increase vehicle production through automation and remain financially sustainable. Tesla has struggled to reach profitability in the past, however, the company managed to post positive net income in the third and fourth quarters of 2018).

Tesla's quarterly net income

Source: Atlas

These two strategic changes should help the company to improve its operating efficiency and in the process reduce its operating costs. Tesla has already challenged the traditional dealership model in the US where automakers are not permitted to operate their own dealerships in some states, including New Mexico and Connecticut among others.

The company also stated its intention to follow its cost-cutting measures with additional spending on improving its customer support and increase its service network and efficiency, a segment that we believe will become increasingly important as the number of Tesla-branded vehicles on the road increases.

Furthermore, Tesla stated that the shift to an online-only retail model will allow it to lower the price of its new vehicles by around 6% on average. This will also allow the carmaker to offer its Model 3 at the promised $35,000 starting price tag, excluding the delivery charge.

What's Next? Several details remain unclear, namely the costs associated with its strategy change, the structure of its return policy, and how Tesla intends to develop its vehicle servicing network. However, Fitch Solutions do believe that this strategic shift in operations will yield positive results in the short-term, but the question remains of how Tesla will manage the risks associated with it and the long-term viability of this strategy.

A shift away from ownership?

Part of the shift in consumers' view of car ownership comes from a new generation of drivers. For them, car ownership simply does not hold the appeal it had for previous generations. According to the Washington Post, to date only about half of Millennials in the US get their driver's licenses before the age of 18.

What still exists, however, is the need to get from point A to point B, and for that they turn to the growing number of alternative forms of transportation, such as the ride sharing. Ride sharing, or shared mobility, is defined as an innovative transportation strategy that enables users to gain short-term access to transportation modes on an as-needed basis. It can include various forms of transportation, such as car-sharing, bike-sharing, carpooling and platform-based ride services (e.g., Uber, Lyft, BlaBlaCar). This industry that did not exist a decade ago, is now valued at $61.3 billion and expected to grow to $218 billion by 2025. The largest growth in ride sharing is expected in the Asia market due to a growing population and rising urbanization in emerging economies such as China and India.

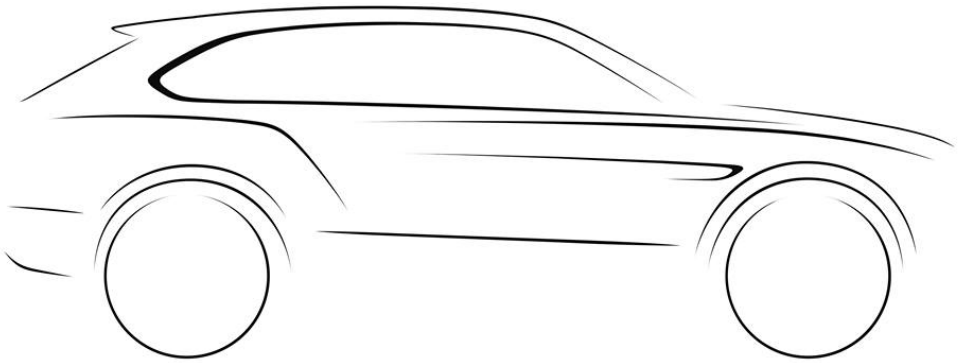
The emergence of new technologies also change our relationship to car ownership. If driverless go mainstream over the next 10 to 15 years, then consumers might opt to share or rent rather than own vehicles. Traditional car companies are pressured as big technology players such as Uber and Google's driverless car business Waymo dive into this market.

Recent examples include Ford and Volkswagen's agreement to "investigate" ways of working on electric and autonomous vehicles together, while Honda invested $2.75 billion in rival General Motors' driverless unit with a view to launching a fleet of unmanned taxis.

A timeline to full automation

Source: NRMA

Group-wide Underwriting strategy



Trade sector rating

	Risk Assessment	Underwriting Stance
Canada	Neutral	OPEN
UK	Bad	RESTRICTIVE
Sweden	Neutral	OPEN
Germany	Bad	RESTRICTIVE
USA	Neutral	NEUTRAL
France	Neutral	NEUTRAL
Poland	Bad	RESTRICTIVE
Czech Republic	Neutral	NEUTRAL
Mexico	Neutral	NEUTRAL
Italy	Bad	RESTRICTIVE
China	Bad	NEUTRAL
South Korea	Neutral	OPEN
Brazil	Neutral	NEUTRAL
Spain	Neutral	OPEN
India	Neutral	OPEN
Japan	Neutral	OPEN

Good Neutral Bad

United Kingdom

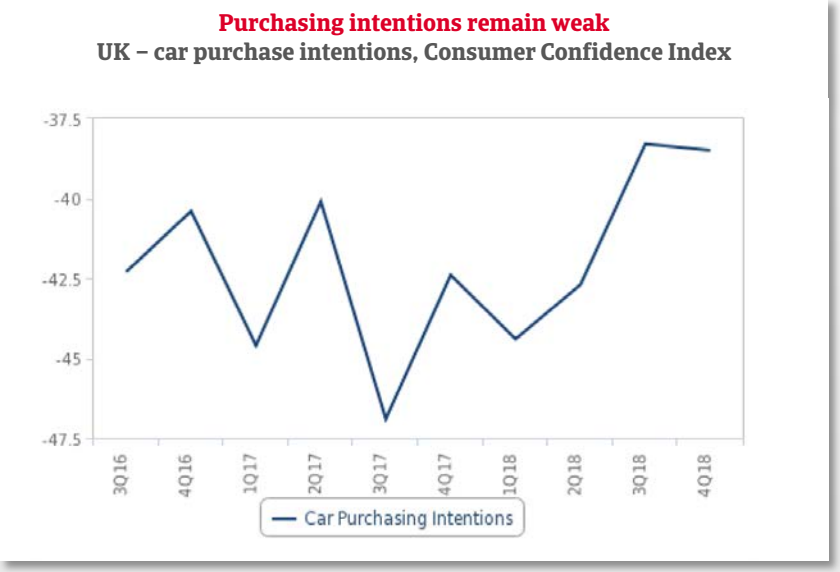
UK – Automotive outlook

Risk Assessment :
UW Stance : **Restrictive**

UK risks increase as Brexit nears.

There is still much uncertainty surrounding the UK market as the deadline for leaving the EU approaches with still no idea of what that withdrawal will look like.

According to Fitch Solutions, vehicle sales are forecast to decline by 2.6% in 2019, with sales volumes falling to 2.7m units on the back of weaker household spending and general subdued economic growth. There are also cyclical factors at play as the UK experienced several years of strong sales growth as a result of low interest rates and attractive financing deals and this growth is now naturally petering out.



In the event of a 'no deal' Brexit, there is a high risk that consumer confidence would drop further, which would lead to a more severe dip in passenger car sales. Adding to the weak consumer confidence, a considerable rise in the price of vehicles from higher tariffs and a weaker currency is expected. In a no deal scenario, the sector would revert to WTO tariffs.

- The biggest impact would be on the commercial vehicles (CV) segment, where WTO tariffs are highest. Road tractors and other heavy trucks incur the highest tariffs at 16.0% and 15.8% respectively.
- The passenger car market, in comparison, would face charges of 10%. Furthermore, a depreciation of the pound that we would expect in this scenario would add to an increase in vehicle prices due to imported inflation.

The combination of higher prices and a lack of confidence to make large purchases would result in a double-digit contraction in total vehicle sales in 2019 and again in 2021 when the previously agreed transition period ends.

Source: Fitch Solutions

Germany

Germany – Automotive outlook

Risk Assessment : 

UW Stance : **Restrictive**

The automotive sector is the backbone industry in Germany

The automotive industry is the largest industry sector in Germany. In 2018, the auto sector listed turnover of €426.2bn – around 20% of total German industry revenue. Around 78% of cars produced in Germany in 2018 were ultimately destined for international markets.

Germany is Europe's number one automotive market in production and sales terms; accounting for around 30% of all passenger cars manufactured (5.12 million) and almost 20% of all new registrations (3.43million). Germany also boasts the largest concentration of OEM plants in Europe.

There are currently 40 OEM sites located in Germany. German OEM market share in Western Europe was more than 52% in 2017. Sixteen of the world's top 100 automotive suppliers are German companies.

R&D personnel within the German automobile industry reached around 126,400 in 2018. Around 833,900 are employed in the industry as a whole.

Suppliers prepare for increased electrification

Supported by the country's ambitious e-mobility plans, the automotive sector has set itself the goal of becoming a lead provider and market of electromobility solutions by 2020.

Bosch has made its biggest standalone investment to date of €1bn into a second semiconductor plant in Germany, because it sees increased demand for chips for electrification and automation in vehicles growing even more in the years to come.

Similarly, transmission manufacturer ZF is adapting its plant in Saarbrücken towards more production of components for hybrid drives as it expects the transition towards electrification to accelerate. The company expects the share of hybrid drives in production to increase from 5% to 50% in the coming years. As such, this project is just part of a bigger €3bn investment to add new products and further develop its network.

Source: GTAI "The Automotive Industry in Germany"

France

France – Automotive outlook

Risk Assessment : 

UW Stance : **Neutral**

Passenger car sales declined in 2019 up to July

France is the third largest auto producer in Europe after Germany and Spain.

In 2018, sales count of new passenger cars, light commercial vehicles and commercial vehicles (over 5t) grew by 3.0%, 4.7% and 7.7%, respectively.

For the first seven months of 2019, sales count of new passenger cars decreased by 1.8% compared to the same period a year ago. For the same period sales count of new light commercial vehicles and commercial vehicles (over 5t) grew by 6.7% and 12.6% respectively.

Domestic brand sales decreased by 1.4%, capturing a market share of 58.1%. They include Group PSA (Peugeot, Citroen, Opel, DS) with a market share of 33.1% and Group Renault (Renault, Dacia, Alpine) with a market share of 24.9%.

Foreign brand sales decreased by 2.4%. Volkswagen Group sales increased by 4.4% (12.7% share), while Toyota Group sales increased by 5.8% (4.9% share). Hyundai Group sales increased by 3.6% (3.8% share). Conversely, FCA Group sales decreased by 17.3% (4.2% share) and BMW Group sales declined by 5.0% (3.5% share).

The automobile industry is a key industrial sector for France. It represents 18% of the manufacturing industry turnover. The automobile sector invests over €5.8bn in R&D every year.

France had 207,000 electric (EV) and plug-in hybrid (PHEV) vehicles in use as at the end of 2018. The target is to have one million in use by 2022. In 2018 EV sales rose by 26.7% versus 2017 to almost 40,000 units, putting France second behind Norway in Europe for registrations and number of electric vehicles in use. PHEV sales reached 14,528 units in 2018, up 22.4%.

Significant investment in France has been announced to reach this target:

- Renault: €1bn for three flagship EV sites (Flins, Cléon and Maubeuge) and to introduce a new Alliance EV platform in Douai.
- PSA: Investment with Japanese NIDEC for production of electric motors in France.
- Daimler: €500m investment in Hambach site to produce the first Mercedes electric vehicle.

Provision of public recharging infrastructure to match domestic and workplace equipment is a key issue for increasing electric-vehicle use in France. The Mobility Act is set to introduce new provisions to facilitate deployment and recharging of clean vehicles, particularly by reducing costs of connection to charging infrastructure, with the share covered by the standing charge for use of the public power grid being raised from 40% to 75%.

Source: Comite des Constructeurs Francais d'Automobiles (CCFA); French government

Spain

Spain – Automotive outlook

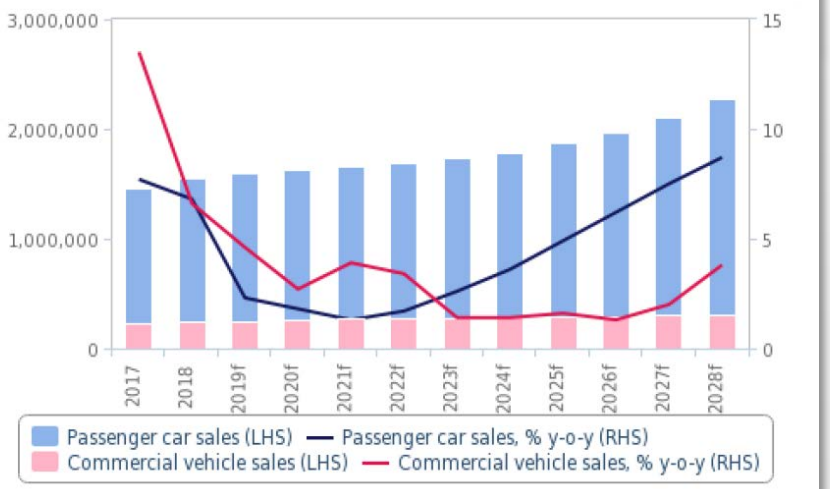
Risk Assessment :

UW Stance : **Open**

Vehicle sales are forecast to grow by 2.7% in 2019, with commercial vehicle sales growth outperforming passenger vehicle sales growth.

General improvement in economic activity, employment and borrowing levels will support passenger vehicle sales, while an uptick in the capital expenditures of businesses, particularly in construction, will boost demand for commercial vehicles. Furthermore, the introduction of new emission standards for LCVs in 2019 will support pent-up demand for fleet replacement.

Spain vehicle sales forecast by segment (units)



Spain is the second largest vehicle manufacturer in Europe. Spanish vehicle manufacturing is export-oriented and internationally competitive. The country has one of the most diverse collections of auto manufacturers producing domestically, and also producing a healthy mix of vehicles across a wide range of vehicle types.

The domestic market is the second most competitive market globally, with no single brand, or a handful of brands, enjoying excessive control of the market.

Consumers are still heavily overleveraged and employment levels are still below their peak, which will prevent vehicle sales volumes from reaching their pre-2009 levels. Weakening consumer sentiment will affect consumer spending, especially with the lowest household savings ratio recorded in Q1 2019.

Madrid's decision to ban petrol and diesel vehicles from the city centre will encourage the uptake of electric vehicles. Though, state encouragement for sales of alternative fuelled vehicles (e.g. electric vehicles) is considerably less generous than in other Western European markets.

The autos industry's export-oriented model remains highly susceptible to downturns in Western Europe and Northern America. Three troubled destinations for exports are the UK, Turkey and Italy.

Source: Fitch Solutions "Spain Autos Report Q2 2019"

Italy

Italy – Automotive outlook

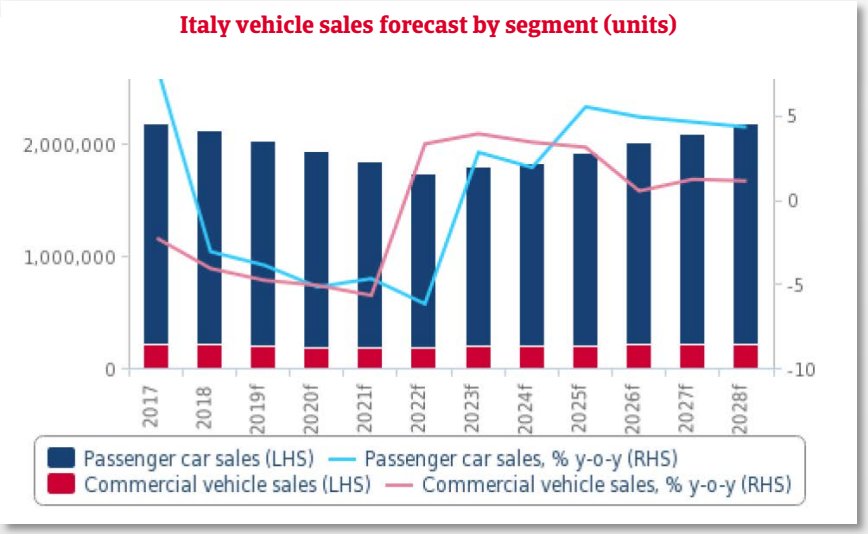
Risk Assessment :
UW Stance : **Restrictive**

Italy is a clear underperformer in European region

While the outlook is weak for many of the developed markets in Europe, Italy stands out as vehicle sales are forecast to decline by 4.0% in 2019 and by 5.2% in 2020. New vehicle sales are expected to fall as uncertainty around the populist policies of the Italian government, weak wage growth and sluggish economic activity weigh on consumer spending.

According to Fitch Solutions, real GDP growth is forecast to come in at just 0.3% in 2019, slowing from an estimated 0.9% in 2018. Fiscal measures to stimulate the economy will only have a limited effect on growth despite campaign promises of an overhauled expansionary programme.

Italy vehicle sales forecast by segment (units)



For the commercial vehicles (CV) segment, we expect a weak business environment and the end of tax incentive on heavy truck purchases to lead to a downturn in sales.

The government has attempted to stimulate the market, although we believe it will have limited positive effect and will only change the type of vehicle being bought rather than the number. Under the new taxation system effective from March 1 2019, all new vehicles emitting less than 90g/km CO2 will be eligible for a government subsidy while vehicles that emit more than 160g/km CO2 will be subject to a hefty penalty. We highlight that smaller family vehicles are exempt from penalties, which could see this segment benefit.

Fiat brings reassurances to Italy

Fiat Chrysler announced investment of €5bn through to 2021 for its plants in the country. The top level plan is to focus more on the increasingly popular SUV segment and EVs, which are common trends in investments, both for Western Europe and globally.

Source: Fitch Solutions "Europe Autos Report Q2 2019"

Sweden

Sweden – Automotive outlook

Risk Assessment :

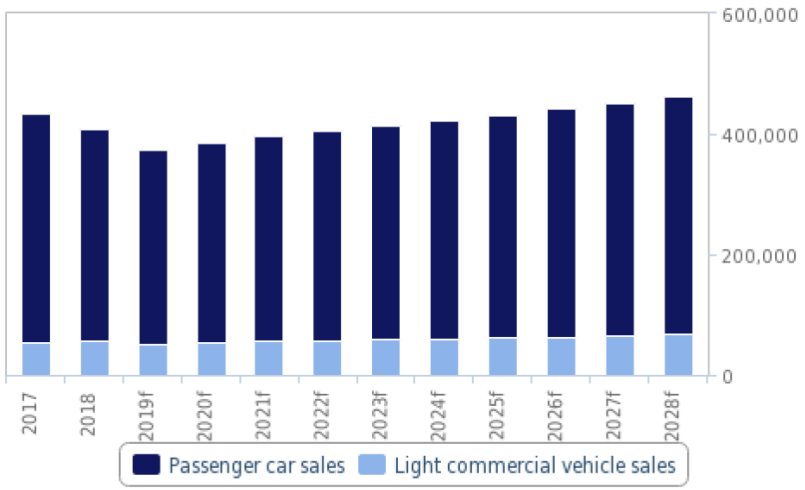
UW Stance : **Open**

A sharp contraction in both passenger car and light commercial vehicle sales is forecast in 2019, although the heavy truck/bus segments may outperform.

The introduction of the new, more stringent EU-wide Worldwide Harmonised Light Vehicle Test Procedure (WLTP) for CO2 emissions in September 2018 continues to have a negative impact on new passenger vehicle (PV) sales.

The 'bonus malus' scheme (introduced in July 2018) will continue to encourage the greater take-up of smaller, more fuel-efficient passenger vehicles, at the expense of larger sedans.

Sweden passenger car andand light commercial vehicle sales (units)



Together with the negative sector-specific impacts of WLTP and 'bonus malus', we believe that a slowing economy will now feed into lower wage growth and reduced levels of consumer confidence across 2019, depressing appetite for spending on 'big-ticket' items, such as a new car.

Moreover, an overpriced housing market continues to pose a threat to new PV sales, with a weakening krona also increasing the price of imported cars, which will weigh on consumer demand.

The general economic outlook remains discouraging, which could weigh on spending in areas such as fleet renewal and, by extension, demand for new CVs from Swedish businesses across the coming year.

We continue to expect strong growth in demand for hybrid and pure electric vehicles over the medium term, as they benefit from subsidies. Registrations of electric/hybrid vehicles soared by 49% y-o-y in 2018 to 28k units, taking their overall market share up to 8%.

Volvo's decision to shift production of the XC60 SUV for export to the US market from China to Sweden (to avoid tariffs) should provide upside potential for production forecasts.

Source: Fitch Solutions "Sweden Autos Report Q2 2019"

Poland

Poland – Automotive outlook

Risk Assessment :
UW Stance : **Restrictive**

Automotive is the second largest industry in Poland that plays a key role in the Polish economy and provides employment to more than 187,000 residents. Because of geographical proximity and membership in the European Union, the Polish automotive industry exports 80% of its production to the EU markets.

Lower production levels in 2018

After four years of growth, production of passenger cars and light commercial vehicles (LCV) went down. In 2018, factories based in Poland reduced their production output by 5.4% versus a 0.6% growth in 2017. Data disclosed by auto makers reveal that 632,700 passenger cars and light commercial vehicles rolled down the assembly lines of all production facilities. For the first time in history, the leading auto factory in Poland was Volkswagen Poznań whose share exceeded 42% of domestic passenger car and LCVs production.

A record-breaking year in passenger car registrations

The number of passenger car registrations at end-2018 totaled 531,889 and was higher by 9.4% than the year before. Individual buyers bought 147,400 vehicles, the same like the year before. Their share in total registrations shrunk to 27.7% and was down by 2.7%pts on a previous year. Back in 2010, individual customers held more than 50% of share in total registrations.

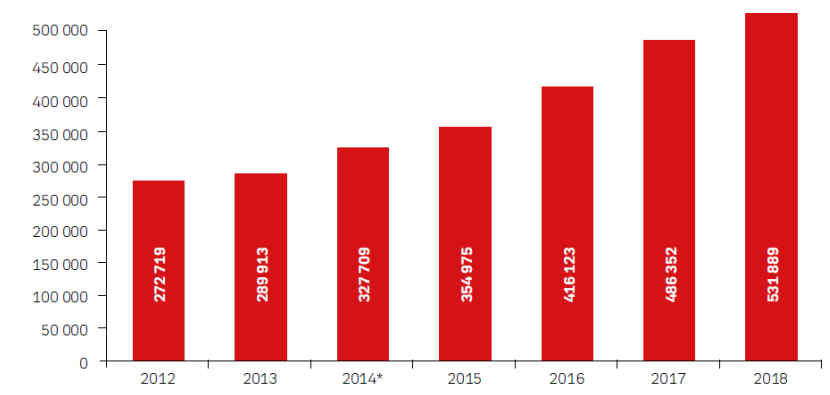
Small and medium-sized SUVs formed the most popular market segment in 2018. Their registrations went up by 25.9% to 158,300 units, and the share of the segment in total market was up to 29.8%. In terms of popularity SUVs ousted compact models (the C segment) whose registrations in 2018 were up by 4.4% to 145,200 units, but the overall segment share dropped from 28.6% to 27.3%.

Surging demand for petrol engines

Passenger cars fitted with petrol units were definitely most popular in 2018. Gasoline had more than 69% of market share, with the number of registrations up by 14% to 368,000 units. The share of diesel-powered vehicles declined to 24.6%, while their registrations totaled 131,000 and were lower by 3.2% than a year earlier. The number of hybrid registrations was up by 41% to 24,300. This drive won 4.6% of market share, or 1%pt more on a year earlier.

Electromobility is the trend that will have the biggest impact on the Polish automotive industry according to Polish manufacturers and distributors of automotive parts. The Polish government has already started execution of its Electromobility Plan, the goal of which is to have 1 million electric vehicles (EVs) on Polish roads by 2025. Despite EV purchase incentives placed by the government, Poland faces powerful restraints that prevent the EV market from growing. Electric cars are still much more expensive and the charging infrastructure is not that developed.

Poland – registration of new passenger cars (units)



Source: Polish Automotive Industry Association Yearbook 2019/2020, Frost & Sullivan

Czech Republic

Czech Republic – Automotive outlook

Risk Assessment : 

UW Stance : **Neutral**

Czech republic is the 5th largest vehicle manufacturer in Europe

Automotive is the largest industry in the Czech Republic, accounting for more than 9% of GDP with approximately 800 companies involved the industry. There are more than 160,000 direct automotive-sector employees.

Automotive industry constitutes 26% of manufacturing output and 24% of Czech exports. In 2018, 1.44 million cars were produced, 80% of which was exported (Germany, France, United Kingdom, Slovakia).

There are four major production sites of passenger vehicles in the Czech Republic: two plants of Škoda Auto, the joint-venture between Toyota and Groupe PSA and the only factory of Hyundai Motors in the European Union. Iveco Bus has its largest plant in the Czech Republic as well. Other producers of commercial vehicles are Tatra Trucks, SOR Libchavy, and Avia. 55 of the global top 100 tier-one suppliers have at least one production facility in the Czech Republic

Czech universities and R&D institutions are developing **autonomous driving technologies**. The Central European Institute of Technology (CEITEC) cooperates with Daimler, Bosch, ZF and NXP on developing fully automated vehicles. Czech Technical University in Prague together with Volkswagen and IBM takes part in the UP-Drive project. Valeo has established its main research center for autonomous technologies in Prague.

Demand for **electromobility** is rising worldwide and the Czech Republic is no exception. The growth of e-mobility awareness here is driven by the activities of key players, particularly manufacturers of electric cars and buses, universities, R&D centers, electricity distributors and e-mobility associations. Despite the fact that more and more customers are buying e-cars, total numbers are still very low.

Source: CzechInvest

United States of America

USA – Automotive outlook

Risk Assessment : 

UW Stance : **Neutral**

US vehicle sales were flat in 2018

The United States is the second-largest car manufacturer in the world after China.

In 2018, US vehicle sales increased marginally by 0.3% versus last year. SUV and pickup truck sales were up 8.0%, while passenger car sales went down by 13.1% compared to 2017.

Combined sales for the Detroit Big 3 (General Motors, Ford and FCA) were up 0.5% mainly due to a 8.5% increase in FCA sales, whereas sales of GM and Ford declined by 1.6% and 3.5% respectively.

The total market share of the Detroit Big 3 manufacturers in vehicle sales is 44%, followed by Toyota (14%) and Honda (9%). Tesla increased its market share from 0.3% to 0.7% in 2018.

US demand remains strong for 2019

With U.S. demand at a plateau, the light-vehicle market is expected to be flat to down 3% in 2019. Current sales levels are still robust even though they are not meaningfully growing.

This slow growth is likely due to factors such as low unemployment, healthy credit access, and little evidence of a subprime auto-lending bubble (although delinquencies over 90 days are rising).

Plus, November 2016 data from research firm IHS Markit indicates about 23% of the fleet is at least 16 years old and will likely bring about numerous replacements in the near future. Cheap gas prices can often motivate people to trade in these older vehicles (the average U.S. model year is a 2007) for newer ones that provide state-of-the-art technology and safety features.

For the first seven months of 2019, US vehicle sales decreased by 1.5% versus the same period last year. SUV and pickup truck sales were up 2.1%, while passenger car sales went down by 9.0% compared to 2018.

Source: Morningstar; Automotive Industry Portal MarkLines

Canada

Canada – Automotive outlook

Risk Assessment : 

UW Stance : **Open**

Canadian vehicle sales continue to slide in 2019 after a 2.6% decline in 2018.

For the first seven months of 2019, Canadian vehicle sales decreased by 4.8% versus the same period last year. SUV and pickup truck sales were marginally down 0.3%, while passenger car sales went down by 15.3% compared to 2018.

Combined sales for the Detroit Big 3 (General Motors, Ford and FCA) were down 7.8%, while sales of other brands combined were down 2.6%. Of the Big Three manufacturers, General Motors' estimated sales fell by 12.2%, FCA sales declined by 9.4% and Ford sales fell by 2.1%.

Compared to the first seven months of last year, sales of passenger cars and light commercial vehicles increased for Toyota (+5.3%), Hyundai (+4.2%), and Kia (+2.9%).

The total market share of the Big Three manufacturers in vehicle sales is 40%, followed by Toyota (11%) and Honda (9%).

Canada is a low-risk auto manufacturing base with a strong country risk profile but it lacks rewards compared with emerging markets in the Americas.

The country's split of risk and reward scores is a characteristic of a developed market. According to Fitch Solutions, Canada's scores are particularly low for its average production growth over the forecast period. In Q1 2019, production forecasts were revised downward following GM's plans to close its Oshawa plant.

Canada also scores poorly for its competitive landscape, given the small number of carmakers producing in the country, which limits the opportunities for economies of scale.

Canada is much stronger on the risk side on the back of a strong political risk outlook. This provides some measure of stability for investors.

Source: Fitch Solutions "Americas Automotives April 2019"; Automotive Industry Portal MarkLines

Mexico

Mexico – Automotive outlook

Risk Assessment : 

UW Stance : **Neutral**

The Mexican vehicle market will remain subdued on the back of rising fuel prices, higher interest rates and weaker disposable income growth, albeit contraction pace will ease.

In 2019, Fitch Solutions expect the Mexican vehicle demand to remain subdued, with vehicle sales contracting by 2.1% in 2019 after a drop of 6.8% in 2018 due to increased fuel prices, growing cost of debt and weaker disposable income growth. Inflation is expected to fall back into the Banco de México's 2-4% target band in 2019, averaging 3.8%, which will allow policymakers to begin a rate-cutting cycle. This will, therefore, help boost consumer spending power and improve their ability to make big-ticket item purchases.

Mexico has seen a significant increase in its vehicle production growth score from 12.5 to 64.3 in Q1 2019, largely due to the additional capacity added by the new BMW plant, the ratification of the USMCA trade agreement and the business-friendly environment.

Mexico's component producers add capacity on USMCA deal.

Investment in Mexico's component manufacturing remains the dominant trend, as manufacturers prepare themselves for a more stringent rule of origin requirement under the new US-Mexico-Canada Agreement. Most of the component manufacturing is located in the northern part of the country, providing easy access to the vehicle plants of car brands such as Ford, Fiat-Chrysler, Toyota Motors, Nissan, and General Motors Company, as well as proximity to key export partners, the US and Canada.

Two motorcycle assembly lines to meet Mexico's growing demand.

Limited access to fuel has become a threat to Mexico's vehicle demand, which explains the 3.1% growth in motorcycle sales seen in 2018. Mexico's ongoing fuel challenges, such as the removal of fuel subsidies that have forced up the price of fuel in July 2017 and the recent fuel shortages in rural areas due to the government's battle against illegal fuel trading, have contributed to the increasing demand for motorcycles. Grupo Surman has announced plans to build two new motorcycle assembly lines to produce the Indian brand Bajaj, with a capacity of 50,000 units each. One plant will be located in Toluca while the other plant will be located in the north of the country, probably Durango, as it is already a supply hub of component manufacturing companies.

Source: Fitch Solutions "Latin America Autos Report Q2 2019"

Brazil

Brazil – Automotive outlook

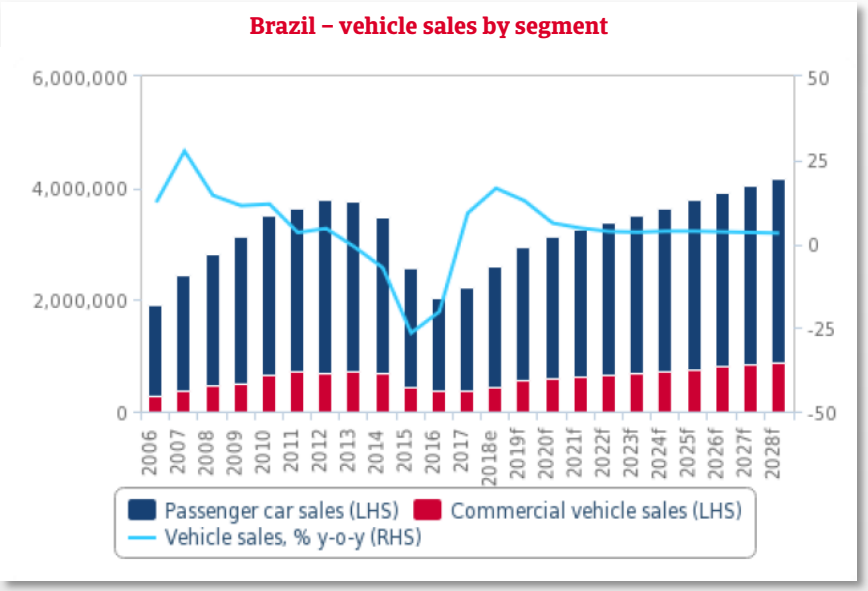
Risk Assessment :

UW Stance : **Neutral**

Brazilian vehicle demand to remain robust.

Fitch Solutions expect still-strong growth in vehicle demand in Latin America's largest autos market, Brazil, to be the main driver behind the robust rise in auto sales in the region. Total vehicle sales in Brazil is forecast to grow by 12.9% in 2019, reaching close to 3.0m units by the end of the year. Passenger car sales will increase by 10.0% in 2019, followed by 5.7% growth in 2020.

Brazil – vehicle sales by segment



Brazil's economic recovery will pick up steam over the next couple of quarters, bolstered by positive sentiment surrounding President Jair Bolsonaro's new administration. A cyclical recovery in consumption will remain the primary driver of growth, while historically low interest rates and a falling debt burden has laid the ground for a rise in credit demand over the coming quarters.

The competitive landscape has also improved in Brazil with the introduction of a new auto policy in July 2018, addressing concerns of exporters and domestic producers.

Toyota Motors invests of $280m into retooling of its Brazilian factory to accommodate the production of the new Corolla model. The announcement comes after the Brazilian government introduced its new mobility programme in November 2018 called Rota 2030 which provides significant tax incentives for car manufacturers that invest in automotive R&D in the country. This puts the company in a good position to take advantage of rebounding passenger vehicle demand on the back of the recovery of the Brazilian economy.

Source: Fitch Solutions "Latin America Autos Report Q2 2019"

India

India – Automotive outlook

Risk Assessment :

UW Stance : **Open**

Growing Indian automotive market is an opportunity for new entrants.

Fitch Solutions remain bullish on the outlook for consumer spending in India on the back of the government's ongoing labour market reforms. As part of its Union Budget for FY2018/19, the Indian government announced that it would allow fixed-term or contractual employment in all industrial sectors. This should help support job creation over the coming months, given the positive economic growth momentum in the economy. Therefore, expected rise in household spending should be reflected in strong sales in the passenger vehicle (PV) segment.

India – Passenger car sales

Citroën is cautious with India market entrance

According to Fitch Solutions, Citroën's plan to enter India in 2021 with locally produced cars is quite cautious given the low volume that the brand aims to introduce, compared with the large size of the vehicle market. While total passenger car sales are forecast to be 4.45mn units in 2021 in India, the company will start sales with a maximum target of 15,000 units as it recognises the challenges of competing with local high-volume brands, such as Maruti Suzuki which accounted for 46.0% of PV sales in 2018.

Citroën will enter the market by 2021 from a stronger position due to an already established presence through two local joint ventures (JVs). The Indian entry comes on the back of Groupe PSA's strategic plan that launched at the beginning of 2017 by forming two JVs with Hindustan Motors and AVTEC, both owned by the CK Birla Group:

- Hindustan Motors will build cars for PSA, with an estimated annual capacity of 100,000 vehicles.
- AVTEC will manufacture engines and powertrains, supplying both local and global production plants. Estimated capacity stands at 300,000 powertrains and 200,000 engines, meaning that PSA will have ample supply for locally produced Citroen cars.

Furthermore, PSA acquired rights to the domestic brand Ambassador as part of its India strategy in 2017. The nameplate was bought from Hindustan Motors for $12mn, however, it is not clear yet how PSA will utilise the new nameplate.

Source: Fitch Solutions "Asia Pacific Automotives April 2019"

China

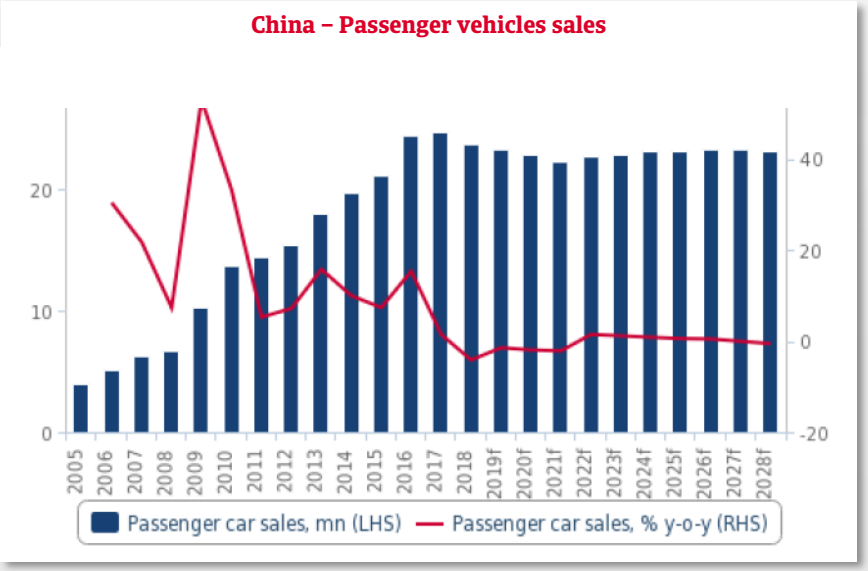
China – Automotive outlook

Risk Assessment :
UW Stance : **Neutral**

China's automotive sales will decline for a second consecutive year on the back of economic weakness resulting from the trade tensions with the US.

As the biggest market in Asia, China's weakness is weighing on the overall regional sales performance. Fitch Solutions forecast passenger vehicle sales in China to fall by 1.5% in 2019 as cooling economic growth, a weak yuan and ongoing US-China trade tensions will continue to weigh on consumer confidence and in turn spending on big-ticket items, such as cars. There is further downside risk to this projection from the potential for ongoing trade tensions with the US to have a further detrimental impact on the economy. Furthermore, the spillover from the US-China trade dispute is placing pressure on the wider Asian region's overall attractiveness due to the highly integrated nature of the Asian automotive manufacturing industry.

China – Passenger vehicles sales



China faces a difficult short-term economic outlook as real GDP growth declines due to unwinding credit growth amid efforts by the government to rein in financial risks as well as the ongoing trade conflict with the US. However, China's economic outlook is still relatively brighter than many peer emerging market peers due to strong private consumption growth and its external position in particular remains sound.

The government is expected to release automotive focused subsidies over the coming months in a bid to stem the decline in the market. These subsidies should provide a short term lift to the demand for vehicles but it is still to be seen how extensive these subsidies will be before we can gauge the strength of the impact they will have.

Fitch Solutions believe some of the more general economic measures addressing unemployment and consumer confidence will be key to sustained longer term growth in the Chinese automotive sector. For example, the goal to create more than 11m new urban jobs in 2019 and keep the urban unemployment rate within 4.5% will address a root cause of declining consumer confidence and ability to purchase vehicles. This should have a more sustainable positive impact in the coming years than short-term purchasing subsidies.

Source: Fitch Solutions "Asia Pacific Automotives April 2019"

South Korea

South Korea – Automotive outlook

Risk Assessment : 

UW Stance : **Open**

South Korean auto industry slides further in global ranking (now #7) falling behind Mexico in 2018.

Auto production in South Korea fell for a third straight year, putting further pressure on component suppliers as car giant Hyundai Motor moves assembly operations abroad.

Production dipped by 2% to 4.03 million vehicles in 2018, down from a peak of 4.66 million in 2011, according to the Korean Automobile Manufacturers Association.

South Korea was long ranked as one of the world's largest auto producers, behind China, the U.S., Japan and Germany. However, India moved ahead in 2016 and Mexico overtook it in 2018.

Hyundai Motor, which controls 70% of the domestic market along with subsidiary Kia Motors, has already moved production to Mexico and India. General Motors recently closed a plant in the south western city of Gunsan.

The difficulties facing Hyundai and its suppliers are compounded by fallout from the U.S.-China trade war and the costs of preparing for next generation technology such as automated driving and sharing, connected vehicles and electrification.

Hyundai exports about 60% of its domestically produced cars to North America, Europe and the Middle East. Profitability at South Korean factories and parts subsidiaries seems to have deteriorated amid struggling sales in those regions. The earnings decline ripples beyond the country's auto industry, as autos comprise about 10% of South Korea's exports.

South Korea has an estimated 850 tier one suppliers and 8,000 tier two and tier three suppliers with which carmakers do business. The Korea Institute for Industrial Economics and Trade calculates that 80% of sales at the country's tier one suppliers come from Hyundai.

In addition, Hyundai used its dominant position to demand that these suppliers cut costs. By contrast, Japanese automakers cooperate with suppliers and share the benefits if technological development or cost cuts are successful. In South Korea, suppliers do not receive a portion of those proceeds, and they face restrictions in doing business with foreign automakers.

Source: Nikkei Asian Review

Japan

Japan – Automotive outlook

Risk Assessment : 

UW Stance : **Open**

Japan has stayed in the top three of the countries with most cars manufactured since the 1960s

Japan produced 9.7 million vehicles in 2018, staying behind only China and the US. Toyota is responsible for 34% of Japan's production volume of passenger cars, followed by Suzuki (11.0%), Mazda (10.8%), Nissan (10.1%), Daihatsu (10.1%), Honda (9.6%), Mitsubishi (7.3%) and Subaru (7.1%).

Total demand for passenger cars and commercial vehicles in Japan in fiscal year 2018 (ending March 31, 2019) finished at 5.3 million units, an increase of 1.2% from the previous fiscal year, with sales of mini-vehicles reaching 1.9 million units, up 3.4%. The increases in sales are attributable to Japan's gradually expanding economy and the impact of new models introduced to the market, with those positive factors effectively dampening the adverse impacts caused by the earthquakes, torrential rains and damaging typhoons Japan experienced during fiscal 2018.

For fiscal 2019, total demand for passenger cars and commercial vehicles is forecast at 5.2 million units, a decline of 0.7% from the previous fiscal year, with sales of mini-vehicles finishing at 1.87 million units, down 2.7%. Thus, despite the slowdown in Japan's economic expansion and resulting depressed demand which are anticipated in fiscal 2019, passenger car and commercial vehicle sales are forecast to remain virtually unchanged (+0.4%) from the fiscal 2018 and only a small decline is forecast for mini-vehicle sales. These forecasts are attributable to various factors, including the permanent reductions in the automobile tax and the new, automotive environmental performance-based tax measures which are to be introduced in the upcoming fiscal year.

Toyota was the top-selling car brand in Japan during the first quarter of 2019. The Nissan Note was the most-popular model and the Honda N-Box the favorite kei mini-car.

Toyota and Honda maintained their traditional positions as the largest carmakers in Japan during the first three quarters of 2019. Both increased sales slightly compared to a year ago.

Toyota increased car sales in Japan during the first quarter of 2019 to gain some market share in a flat market. Honda was again the second largest carmaker in Japan while both Suzuki and Daihatsu overtook Nissan. The Nissan Note was again Japan's favorite car model ahead of the Toyota Prius and Toyota Aqua.

Commercial vehicle manufacturers Isuzu and Hino had stronger sales – generally a good sign for the Japanese economy. UD Trucks also did well but Mitsubishi Fuso had weaker sales.

Kei or mini cars remain hugely popular in Japan with the Honda N-Box far outselling the Nissan Note during the first quarter of 2019. The Honda N-Box was also the top-seller in the previous two years.

The Suzuki Spacia replaced the Nissan Days as the second most-popular mini car in Japan thus far this year. The star performer was the Suzuki Jimny that more than doubled sales from a year ago.

Source: Japan Automobile Manufacturers Association; www.best-selling-cars.com; Automotive Industry Portal MarkLines

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The Trade Sector Report has been designed and produced by :
- Risk Services
- Group Buyer Underwriting

Should you have any questions, please contact Martijn Boeljon or Ekaterina Romanova