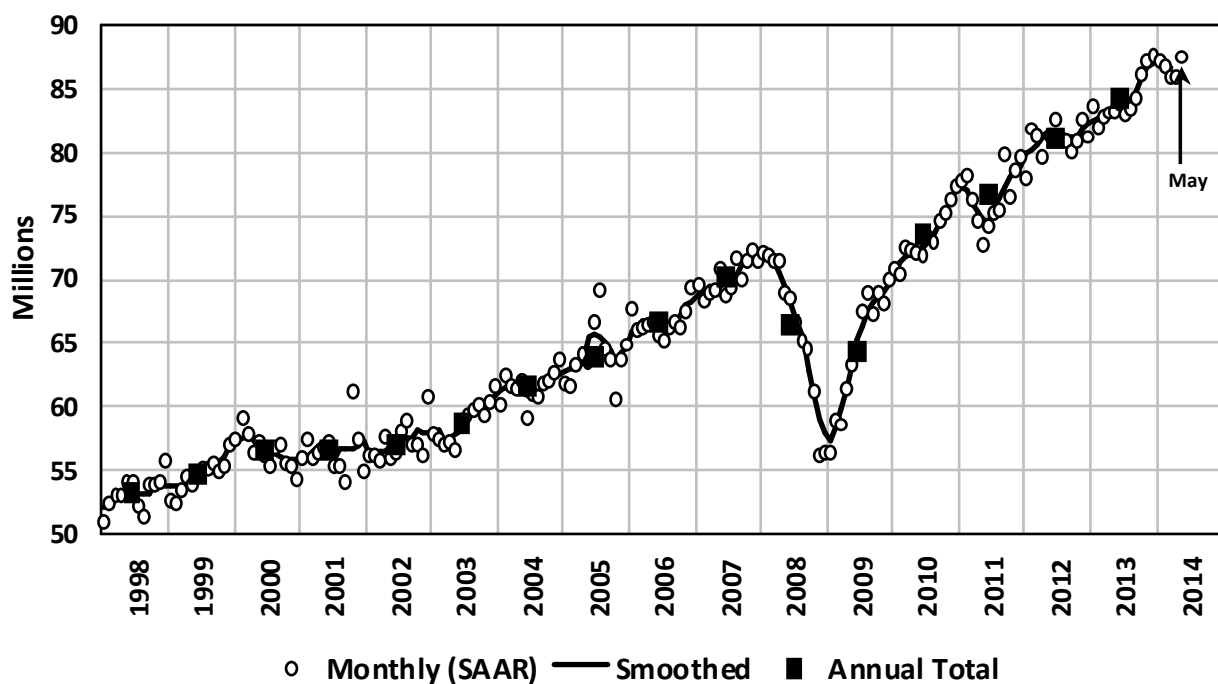


Summary

Commentary

- Global Light Vehicle sales moved up a gear in May as the seasonally adjusted annualised rate of sales hit near-record levels of 87.6 mn units/year, only slightly below the peaks of late last year.
- Strong results in China, the US and Canada, coupled with solid outcomes in Western Europe, Japan and Korea combined to offset weakness in Eastern Europe and South America.

Global Light Vehicle Sales



North America

- In the US, a number of positive factors for Light Vehicles came together to produce a strong selling rate of over 17 mn units/year in May, representing a full recovery to pre-crisis levels. We do not expect such a strong market to be sustained for the full year but a solid result appears to be in prospect for this year.
- In Canada, meanwhile, Light Vehicle sales were up almost 6% in an already strong market. With an estimated selling rate of 1.9 mn units/year, a new full-year record is increasingly likely.

## Europe

- West European sales remain on course for a 4-5% increase in 2014. The May result in France and Germany was a little disappointing but this was offset by better performances in Italy and the UK, where the Light Vehicle selling rate closed in on 2.8 mn units/year.
- The same improving trends are not at all evident in Central and Eastern Europe where the Russia-Ukraine situation is inflicting damage on markets. The important Russian market, having ended 2013 at a 3.0 mn units/year selling rate, has now dipped to a rate of around 2.4 mn units/year, thereby losing around 20% of ongoing sales volume. Early signs of a more stable political situation may lead to the market to bottom out soon, but there are clearly significant risks.

## China

- According to preliminary data, China's selling rate in May reached a record high of 23.9 mn units/year, accelerating from a downwardly revised 23.0 mn units/year in April. On a year-over-year basis, sales increased by 11% in May. Sales are continuing to be boosted by "panic buying" on the expectation that an increasing number of major cities will impose purchasing restrictions to reduce air pollution.
- There are, however, reports that inventory at the dealer level has risen, which suggests that some slowdown in sales ahead. In the economy, the central bank has been increasing liquidity in the market to prop up economic growth, which, along with the government's mini-stimulus measures, may help support vehicle sales.

## Other Asia

- In Japan, sales have been resilient since the consumption tax was raised on April 1st. The May selling rate was a stronger-than-expected 5.2 mn units/year, up marginally after a 15% (month-over-month) decline in April. Yet such a pace may not be sustainable, as income growth is not catching up with rising inflation. The positive impact of the "Abenomics" has also faded.
- In South Korea, the selling rate moderated to 1.6 mn units/year in May from an exceptionally strong April. However, the sustainability of such a robust pace is in question, as the country's large export sector continues to struggle and the unemployment rate is rising.

## South America

- In Brazil, the May selling rate of 3.4 mn units/year was slightly higher than expected, but June and July are expected to see a marked slowdown, as consumers will be busy watching the World Cup soccer games. Inflation has continued to rise which, along with high interest rates, should continue to constrain spending on new vehicles this year.
- In Argentina, sales plunged by over 35% year on year for the third consecutive month in May along with a deteriorating economy. Rampant inflation, a weakening job market, and the rising prospect of a financial crisis continue to depress consumer confidence and vehicle sales.

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## Global Light Vehicle Sales

	Sales (Units)						Selling rate (Units/year)			
	May 2014	May 2013	Percent change	Year to date 2014	Year to date 2013	Percent change	May 2014	Year to date 2014	Year 2013	Percent change
<b>WORLD</b>	<b>7,446,803</b>	<b>7,105,067</b>	<b>4.8%</b>	<b>36,464,615</b>	<b>34,917,899</b>	<b>4.4%</b>	<b>87,598,739</b>	<b>86,768,148</b>	<b>84,419,335</b>	<b>2.8%</b>
USA	1,605,373	1,442,061	11.3%	6,730,198	6,415,344	4.9%	17,195,586	16,035,318	15,572,933	3.0%
CANADA	195,902	185,167	5.8%	734,039	712,105	3.1%	1,922,733	1,773,291	1,742,475	1.8%
WESTERN EUROPE	1,180,866	1,127,816	4.7%	5,830,720	5,493,857	6.1%	13,149,799	13,254,145	12,879,483	2.9%
EASTERN EUROPE	363,589	417,352	-12.9%	1,803,356	1,916,208	-5.9%	4,151,116	4,697,127	4,938,273	-4.9%
JAPAN	356,103	358,405	-0.6%	2,498,189	2,201,840	13.5%	5,213,605	5,795,047	5,255,108	10.3%
KOREA	134,675	131,169	2.7%	652,502	611,927	6.6%	1,612,654	1,632,768	1,507,985	8.3%
CHINA	1,935,887	1,741,029	11.2%	9,881,158	8,956,429	10.3%	23,890,177	23,286,247	21,875,132	6.5%
BRAZIL / ARGENTINA	331,761	386,491	-14.2%	1,642,361	1,809,567	-9.2%	4,074,331	4,196,820	4,473,912	-6.2%
OTHER	1,342,648	1,315,577	2.1%	6,692,093	6,800,622	-1.6%	16,388,739	16,097,386	16,174,034	-0.5%
Notes:	<p>The percentage change in the final column compares the average selling rate in the year-to-date with the last full year.</p> <p>Late reporting countries and estimates are included in "Other".</p> <p>Eastern Europe includes Turkey.</p> <p>China includes estimate of light vehicle imports.</p>									

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