The German Automotive Industry in Times of Turmoil - What lies ahead?

European Aluminium Congress 09

Marius Baader, VDA

November 23rd 2009 |Düsseldorf

VDA Verband der Automobilindustrie

Structure

I. Quantitative Snapshot of the Industry
II. Global Automotive Markets in heavy Turmoil
III. Domestic Market – how sustainable are Shifts in Structure?
IV. Challenges and Strategies

Structure

I. Quantitative Snapshot of the Industry
II. Global Automotive Markets in heavy Turmoil
III. Domestic Market – how sustainable are Shifts in Structure?
IV. Challenges and Strategies

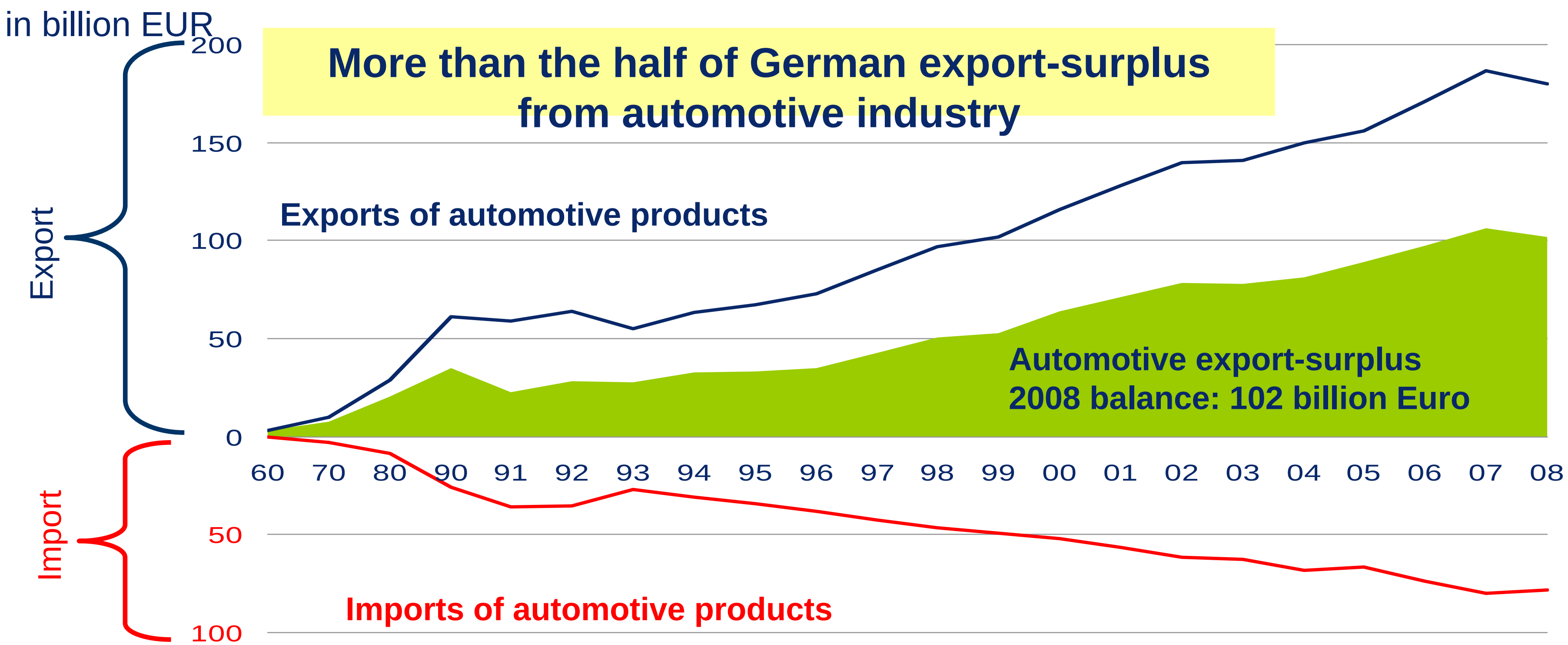
The Importance of the German Automotive Industry

Turnover 2008	EUR 284 Bn.
Turnover share of total industry 2008	21% (1991: 12.5%)
Direct employment 2008	748,000
Employment share of total industry 2008	14.5% (1991: 9.0%)
Direct + indirect employment	5.3 Mn.
Trade balance surplus 2008	EUR 102 Bn.
Share of total tax revenue	24% (EUR 130 Bn.)
Capital investment / R&D expenses 2008	11.5 Bn. / 18.9 Bn.
Share of invest./ R&D ex. of total industry	20% / 33%

Source: VDA Statistics.

VDA Verband der Automobilindustrie

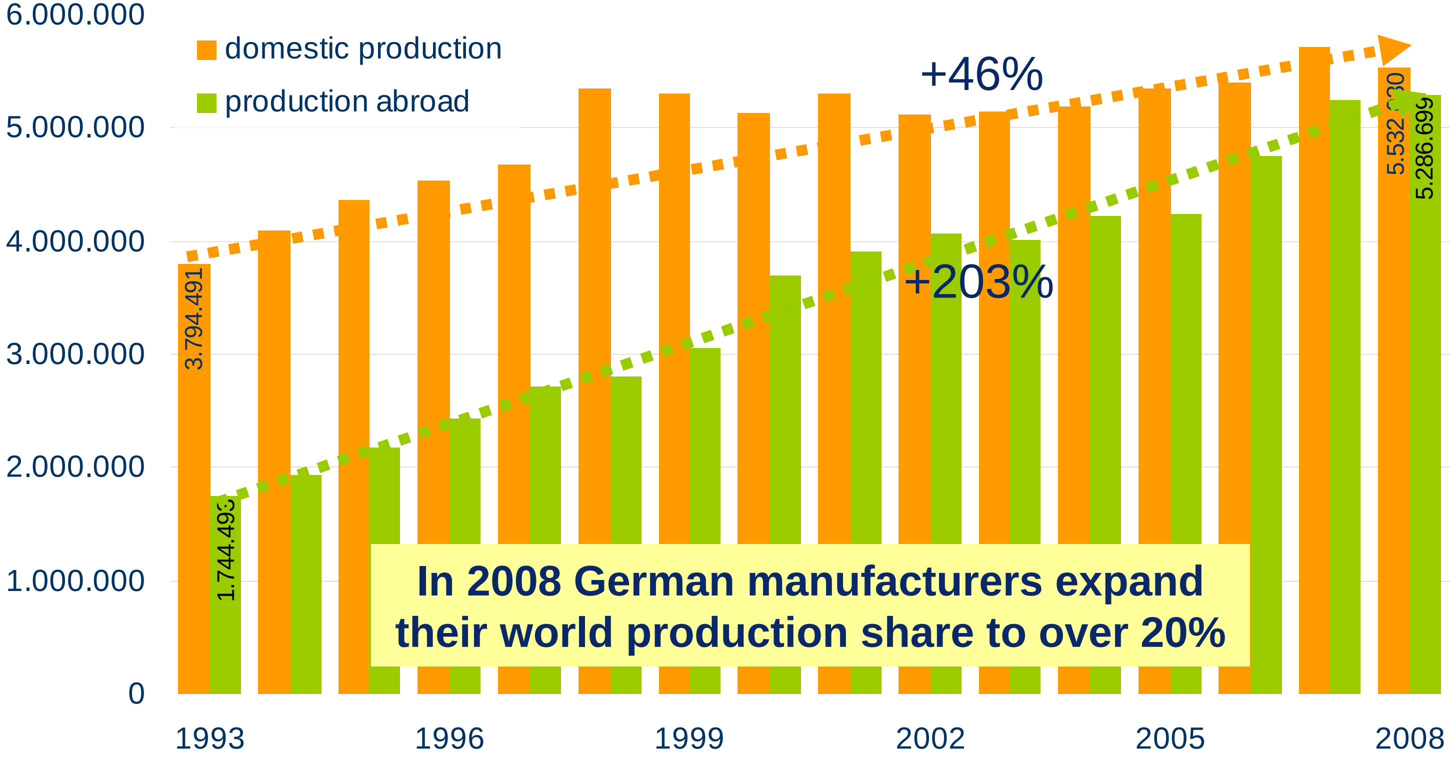
Trade Surplus* of the German Automotive Industry



Source: Statistisches Bundesamt

VDA Verband der Automobilindustrie

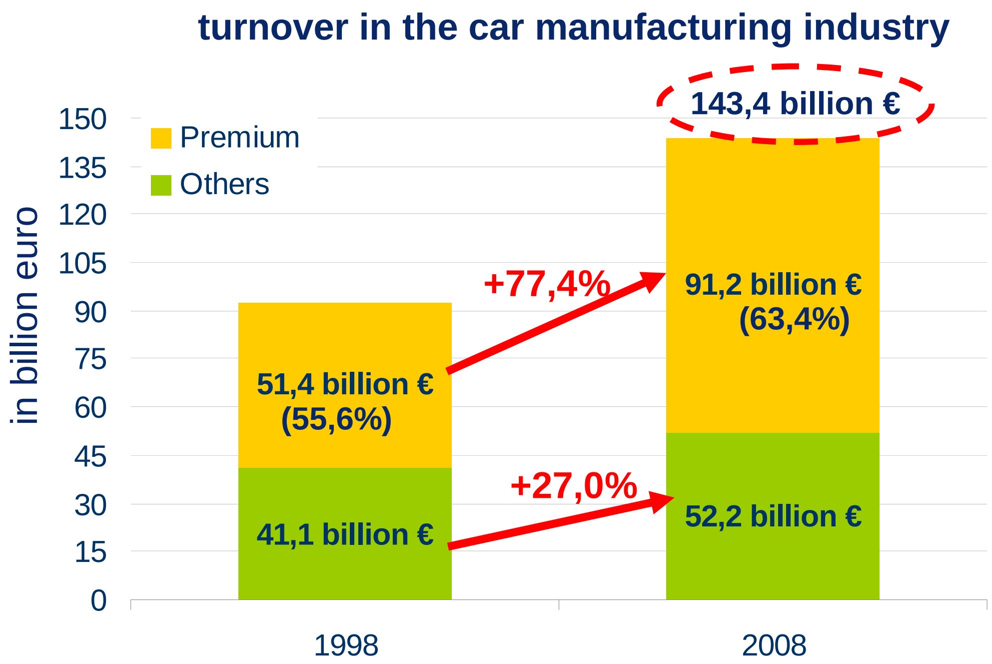
World production of German car manufacturers

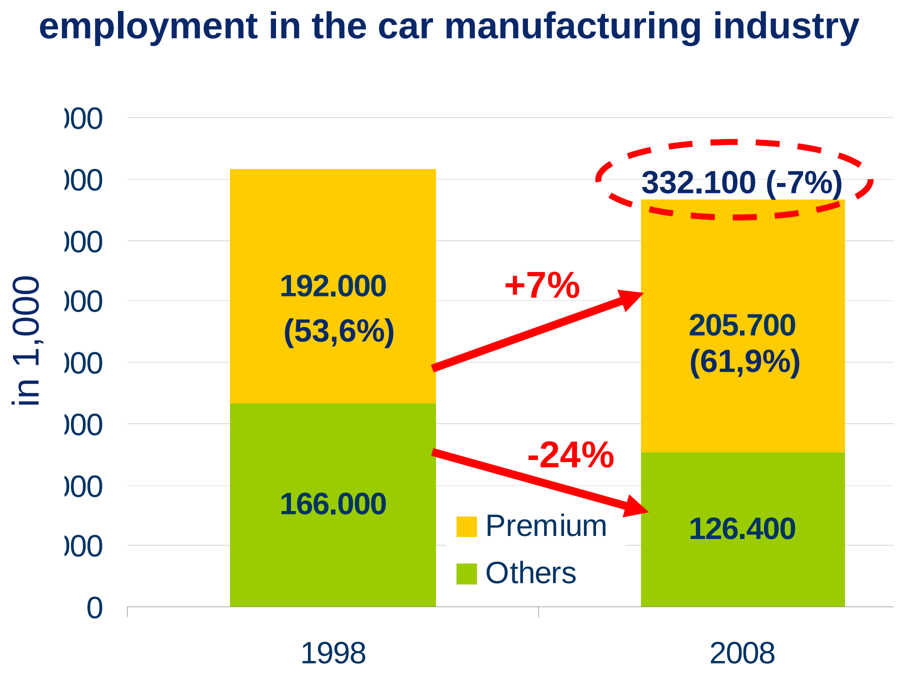


Source: VDA statistics

VDA Verband der Automobilindustrie

2008 the premium segment accounted for 63 percent of total car turnover.





This contributes significantly to the stabilisation of employment in German automotive industry.

Source: Statistisches Budesamt-Bundesamt , VDA Statistics

VDA Verband der Automobilindustrie

Structure

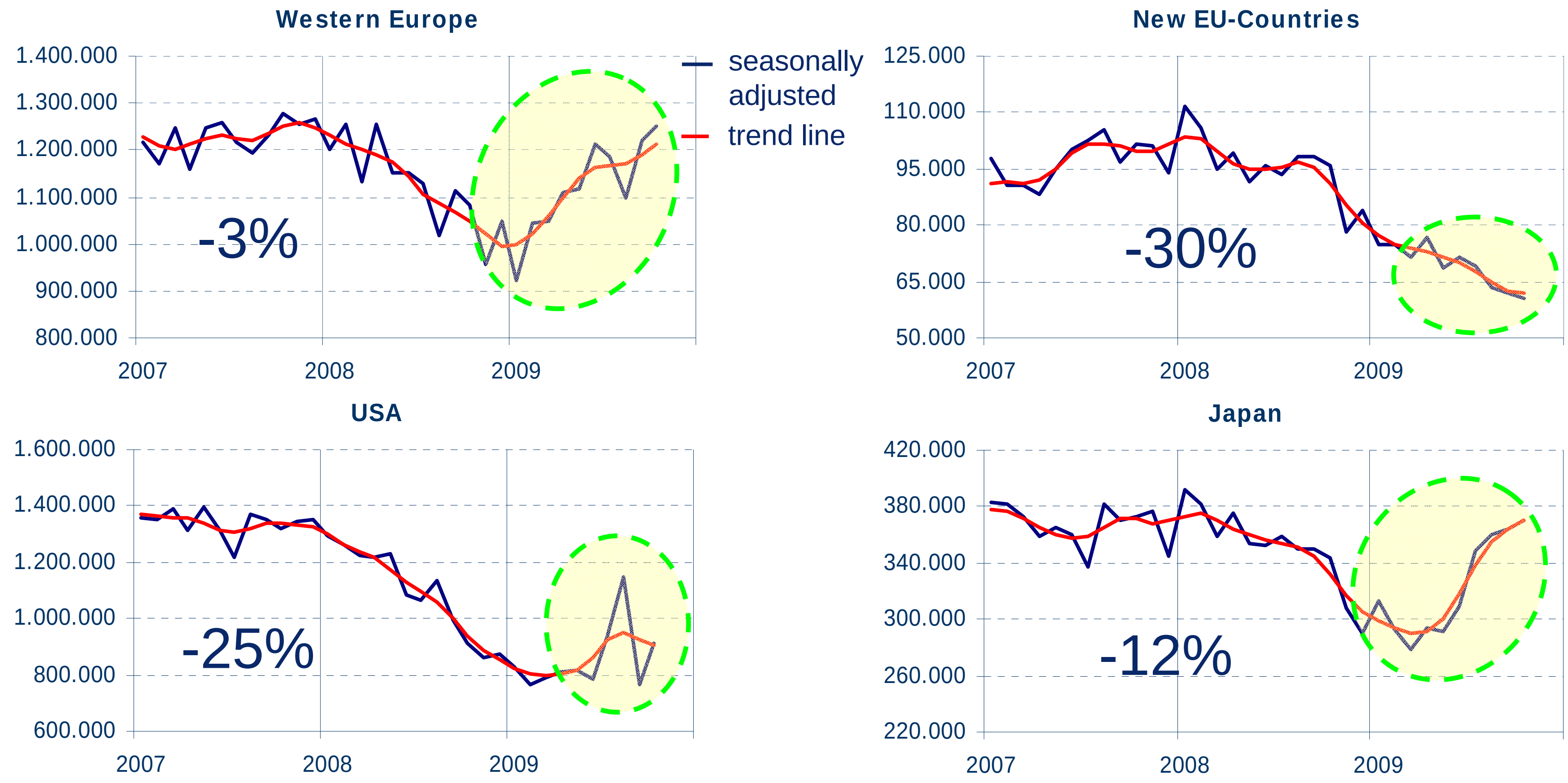
I. Quantitative Snapshot of the Industry

II. Global Automotive Markets in heavy Turmoil

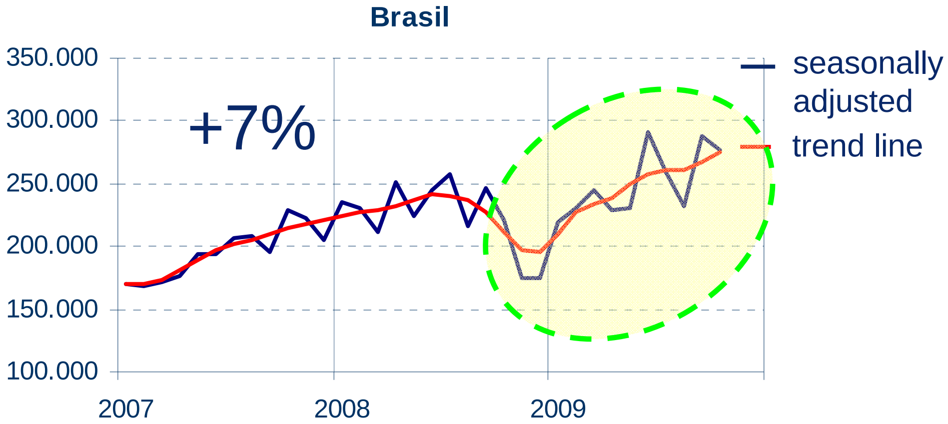
III. Domestic Market – how sustainable are Shifts in Structure?

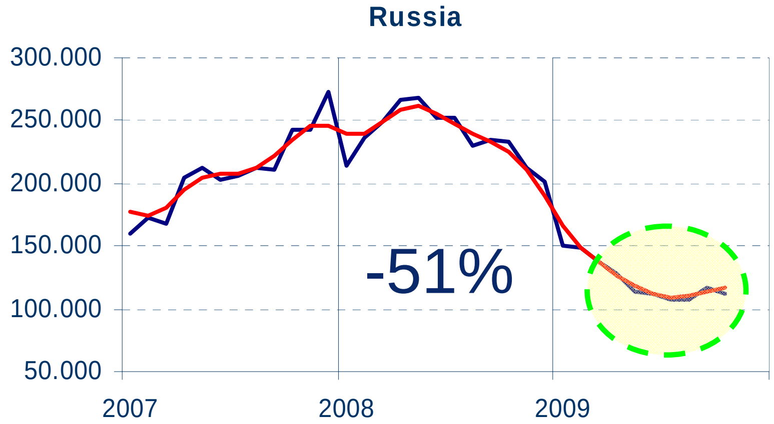
IV. Challenges and Strategies

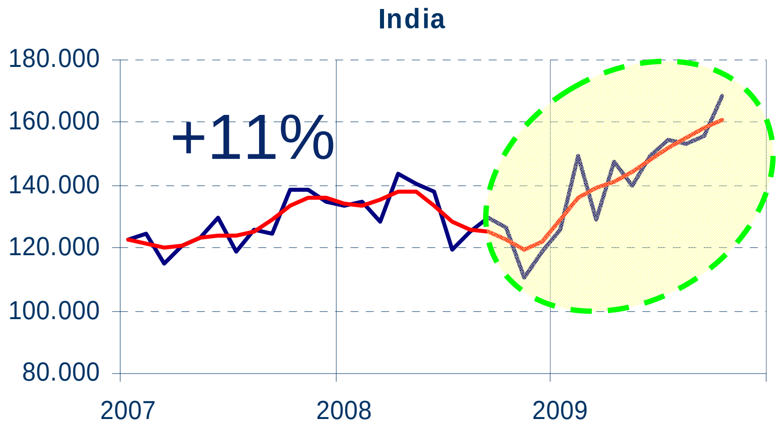
Registrations of Passenger Cars show signs of recovery on a global scale – continued downward trend in Eastern Europe



New sales boom in Emerging Markets
– Russia finally reached bottom line

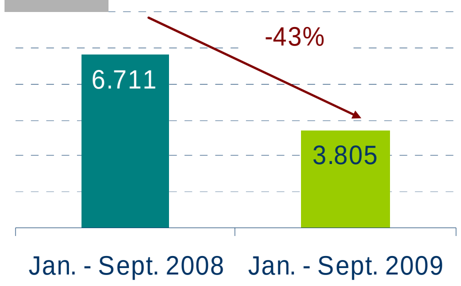






Worldwide Passenger Car Production is declining
– increase only in China and India

USA

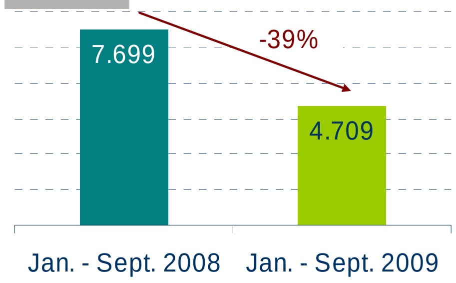


Europe

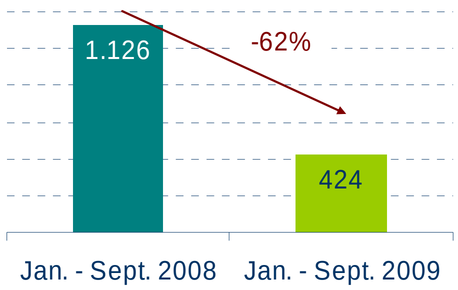
-28%

	Jan. - Sept. 2009	+/-09/08 in %
Germany	3610	-17
France	1289	-27
Italy	499	-10
Spain	1321	-20
UK	695	-41
Poland	592	-14
Turkey	375	-28

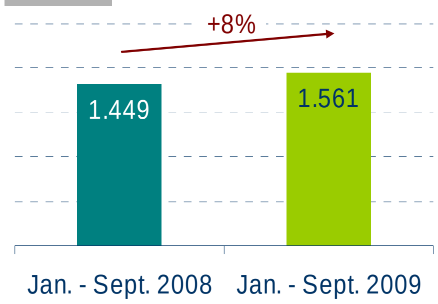
Japan



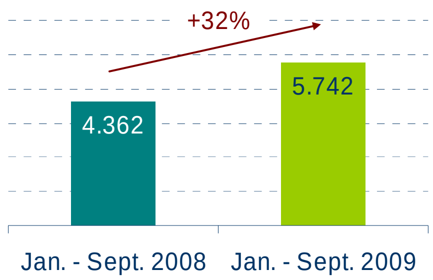
Russia



India



China



Units in 1.000

Source: VDA-Statistic

VDA Verband der Automobilindustrie

New Registrations of Passenger Cars: 2009 down by 7 percent – 2010 stabilizing on low level

	2008	+/- 08/07 in %	Forecast 2009	+/- 09/08 in %	Forecast 2010	+/- 10/09 in %
USA	13.195	-18	10.200	-23	11.300	+11
Mercosur	3.252	+13	3.310	+2	3.230	-2
Mexico	1.020	-7	750	-26	800	+7
China	5.692	+7	7.630	+34	8.400	+10
India	1.543	+2	1.700	+10	1.900	+12
South Korea	1.034	-1	1.030	-0	970	-6
Japan	4.228	-4	3.800	-10	3.800	+0
Turkey	306	-14	350	+14	320	-9
Russia	2.874	+14	1.500	-48	1.650	+10
New EU-Countries	1.154	-1	860	-25	880	+2
Western Europe	13.557	-8	13.220	-2	11.750	-11
Countries observed	47.855	-6	44.350	-7	43.500-45.200	-2 - +2
Total	56.754	-5	52.500	-7	51.500-53.500	-2 - +2

Source: VDA-Statistics

VDA Verband der Automobilindustrie

Global Passenger Car Production: Stabilization in 2010

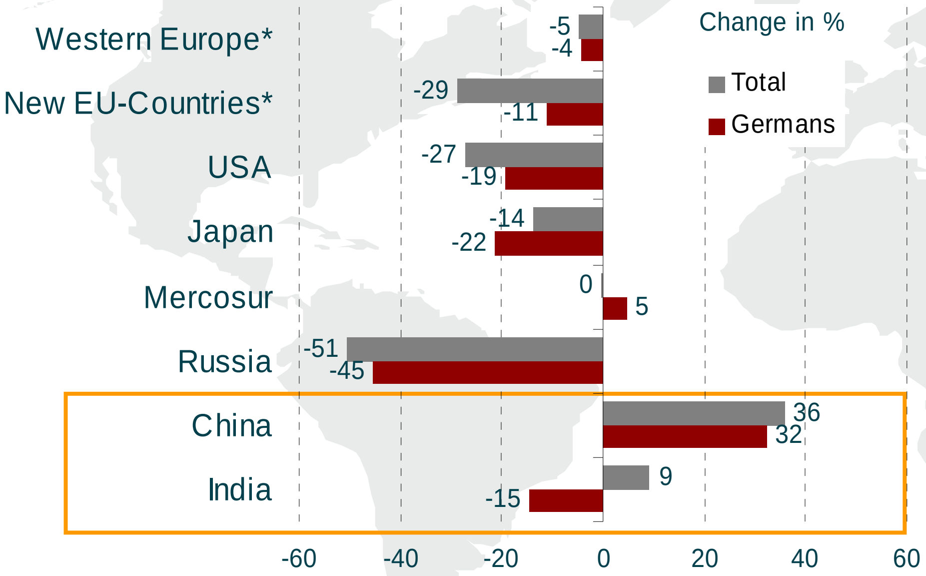
	2008	+/- 08/07 in %	Forecast 2009	+/- 09/08 in %	Forecast 2010	+/- 10/09 in %
NAFTA	12.596	-16	8.800	-30	9.200	+5
Mercosur	3.561	8	3.280	-8	3.150	-4
China	5.677	5	7.600	+34	8.200	+8
India	1.845	8	2.050	+11	2.230	+9
South Korea	3.450	-7	3.115	-10	2.850	-9
Japan	9.918	0	7.000	-29	6.970	-0
Turkey	622	-2	555	-11	500	-10
Russia	1.468	13	730	-50	875	+20
New EU-Countries	3.062	6	2.870	-6	2.750	-4
Western Europe	12.934	-10	10.830	-16	10.120	-7
Countries observed	56.353	-5	47.700	-15	46.700-48.600	-2 - +2
Total	59.100	-4	51.000	-14	50.000-52.000	-2 - +2

Source: VDA-Statistics

VDA Verband der Automobilindustrie

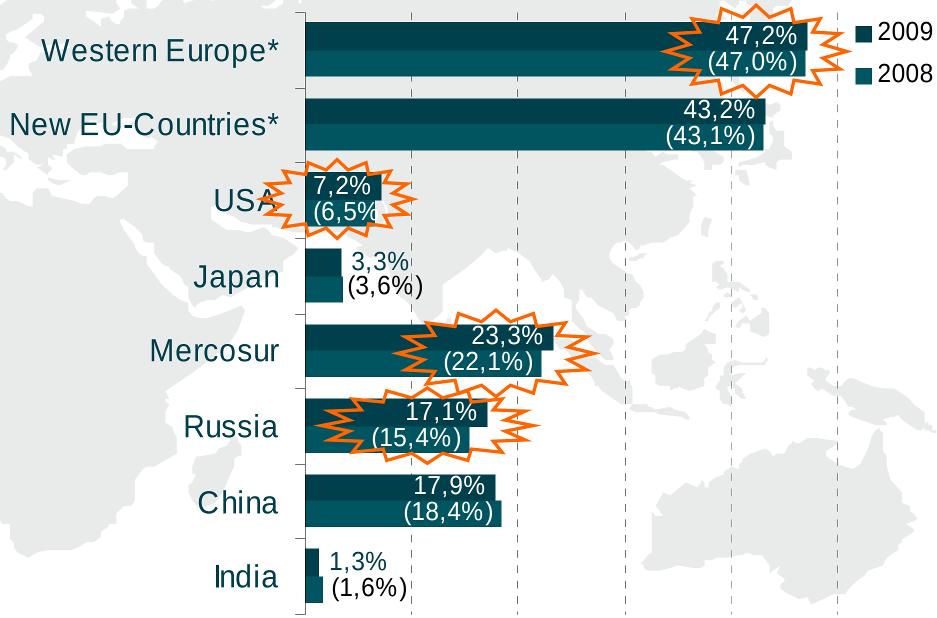
German manufacturers are gaining market shares in important regions

World wide market development
January – September 2009



Sales Volume countries observed: 32,5 Mn. (-10%)
→ thereof German brands: 7,64 Mn (-5%)

Market shares of German manufacturers
January – September 2009 (Jan. – Sept. 2008)



Source: VDA-Statistics *including estimates

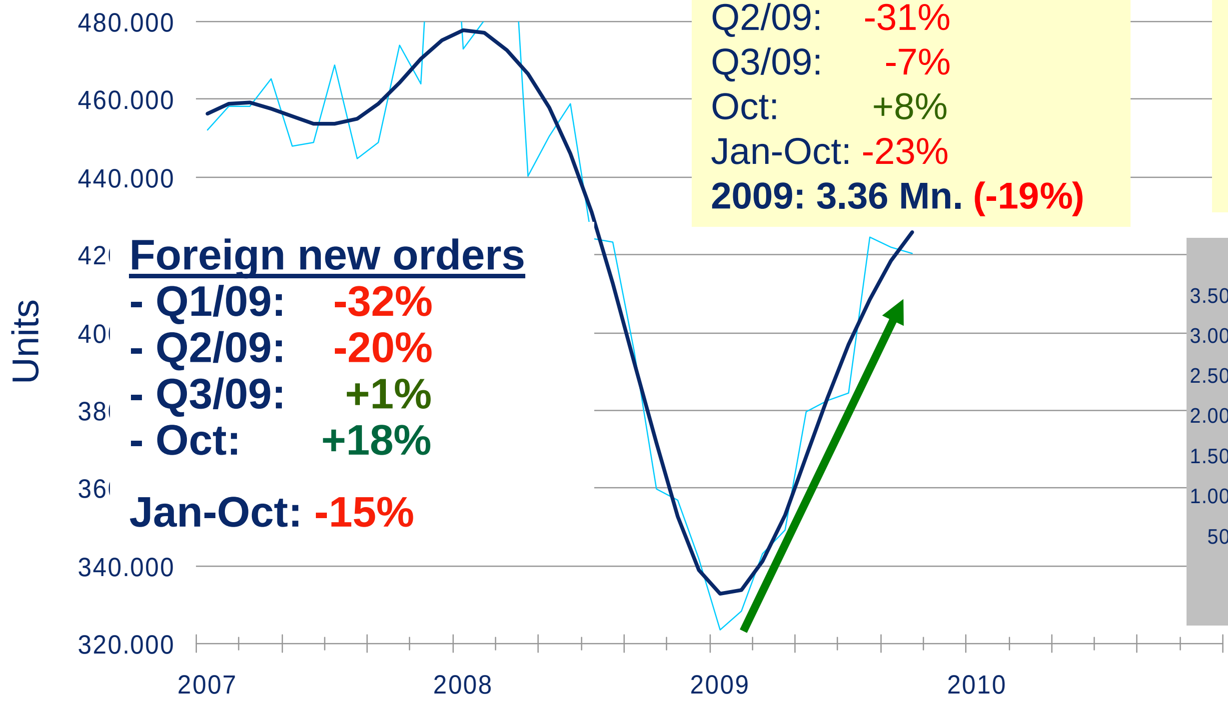
VDA Verband der Automobilindustrie

Foreign new orders slowly picking up again

Exports:
Q1/09: -37%
Q2/09: -31%
Q3/09: -7%
Oct: +8%
Jan-Oct: -23%
2009: 3.36 Mn. (-19%)

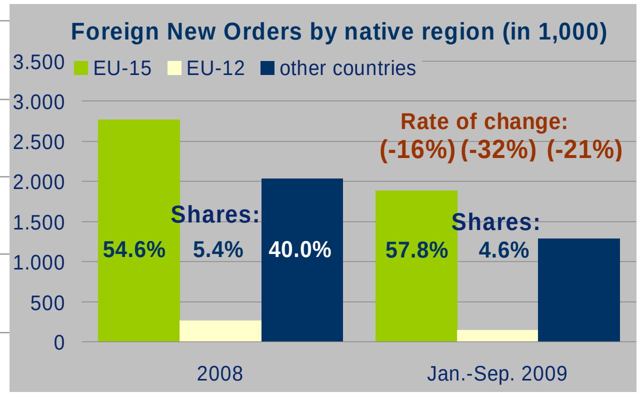
Exports
Jan-Sep 09 by region:

West. Europe	1,489,000	(-22%)
East. Europe	181,900	(-54%)
Asia	331,000	(±0%)
America	304,700	(-39%)



Foreign new orders
- Q1/09: -32%
- Q2/09: -20%
- Q3/09: +1%
- Oct: +18%

Jan-Oct: -15%



Source: VDA statistics,

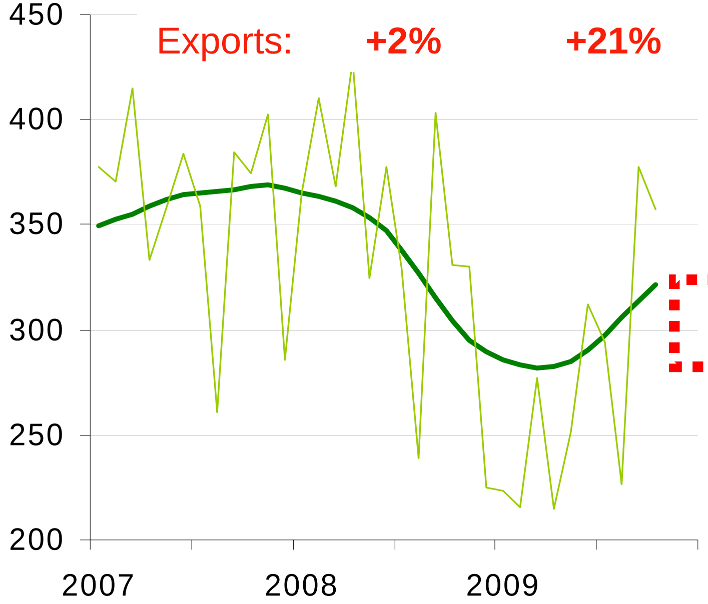
VDA Verband der Automobilindustrie

Car Exports: Current stabilisation – Year-on-year growth in last quarter due to base effect

Oct 09 vs. Sep 09: Q3/09 vs. Q2/09

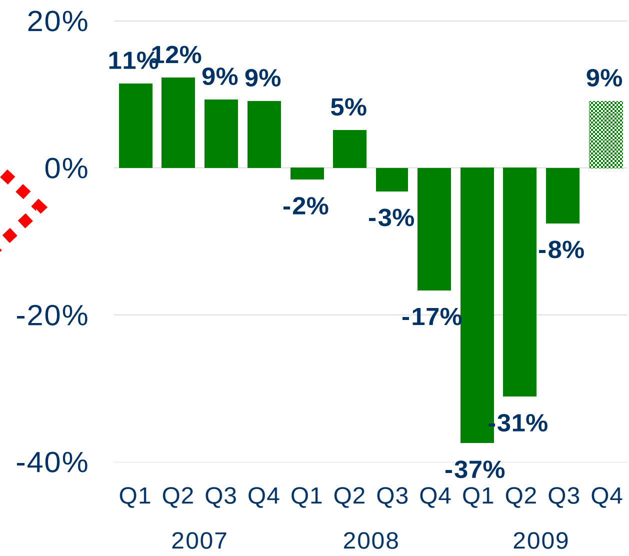
seasonally adjusted

Exports: **+2%** **+21%**



2009:

Exports 3.36 Mn. (-19%)



Source: VDA statistics,

VDA Verband der Automobilindustrie

Structure

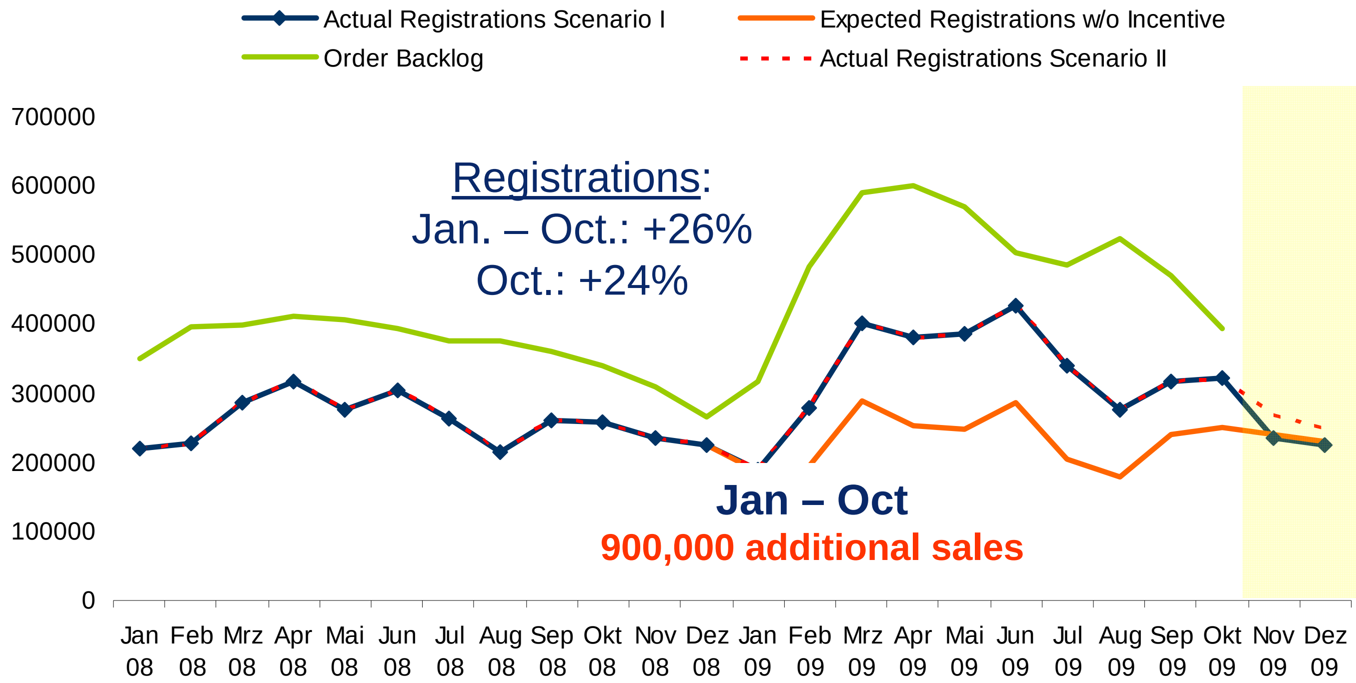
I. Quantitative Snapshot of the Industry
II. Global Automotive Markets in heavy Turmoil
III. Domestic Market – how sustainable are Shifts in Structure?
IV. Challenges and Strategies

German Car Market: Heavily impacted by the scrapping scheme

Registrations 2009:

3.8 to 3.83m Units

Order Backlog German Brands: Okt: 394.300 Pkw!

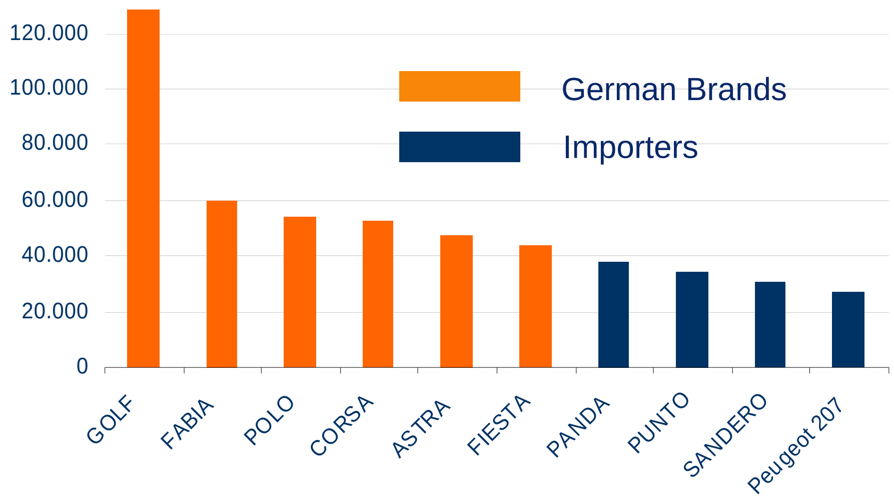


Source: VDA-Statistik, Polk

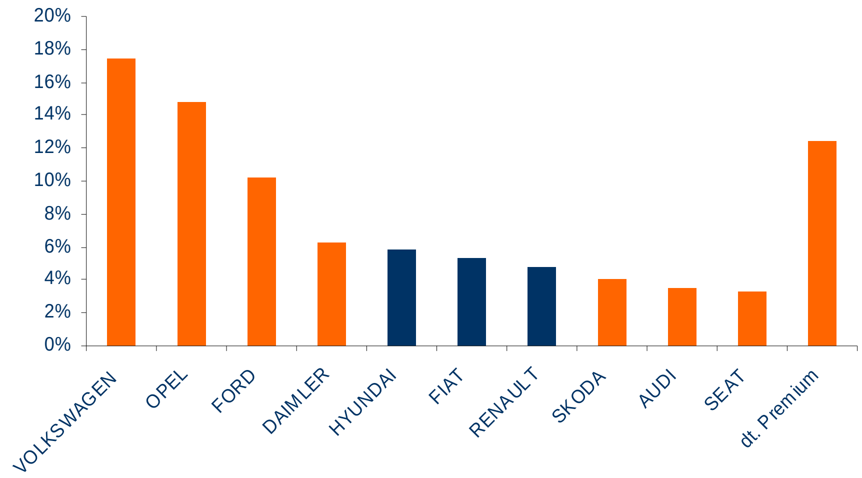
VDA Verband der Automobilindustrie

56% of all scheme-driven Sales are German brands!

Overall Sales



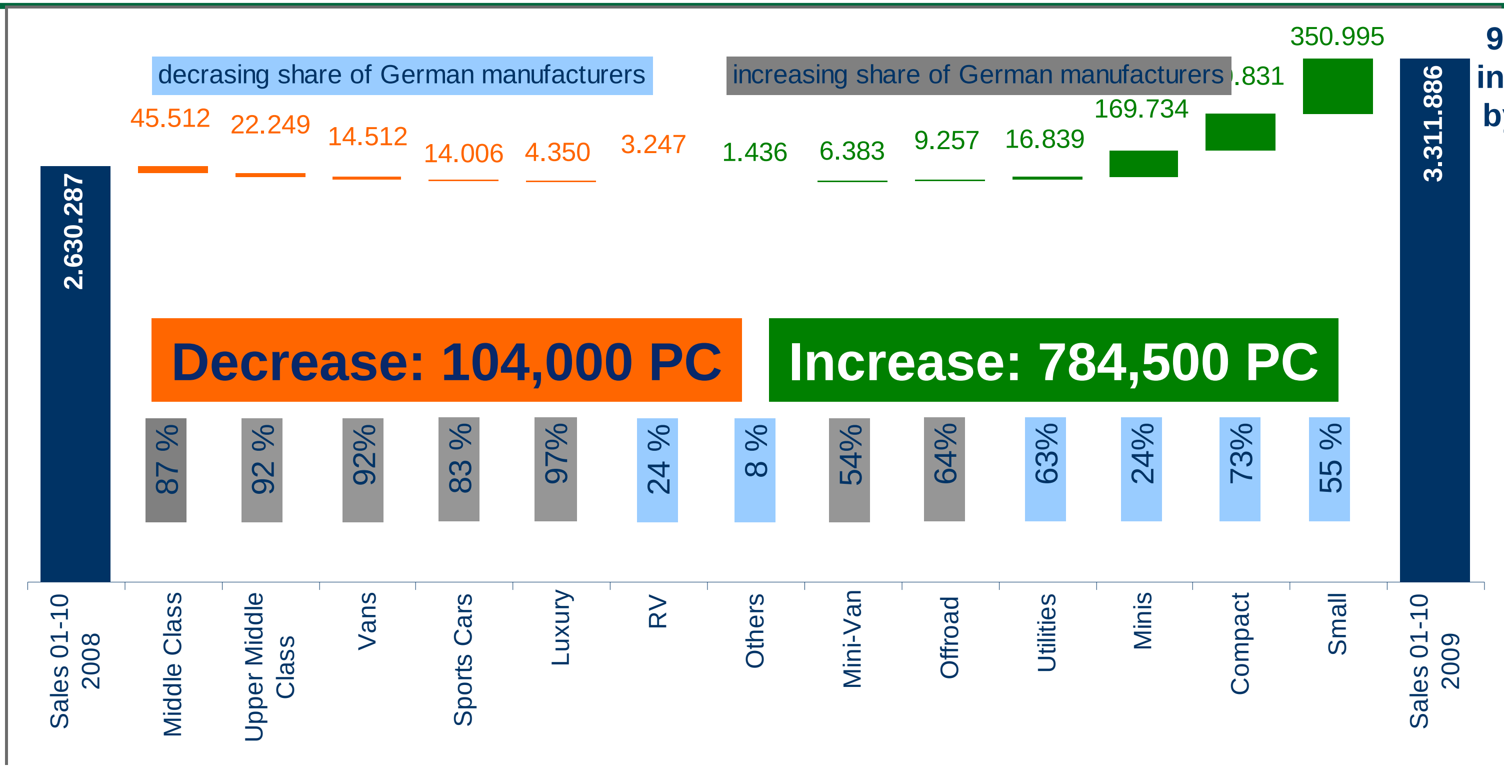
Pre-owned Sales



Quelle: BAFA

VDA Verband der Automobilindustrie

Increases driven mainly by small and micro cars

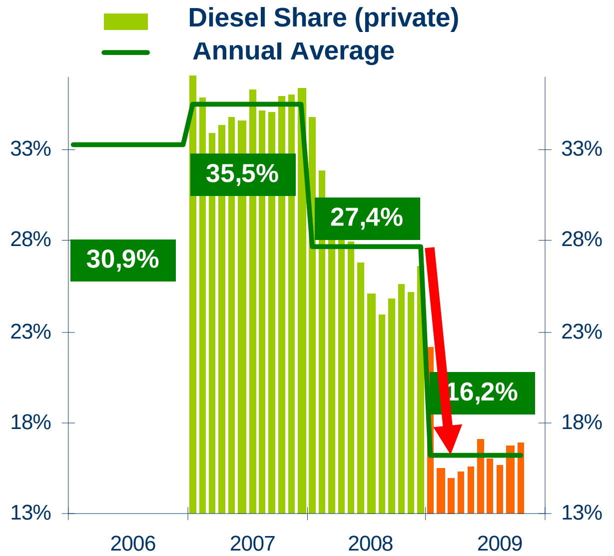


96% of overall increase driven by 3 segments

Source: VDA Statistics, Kraftfahrt-Bundesamt

VDA Verband der Automobilindustrie

Diesel share: Strong decrease within private market due to incentive-more or less stable within commercial market



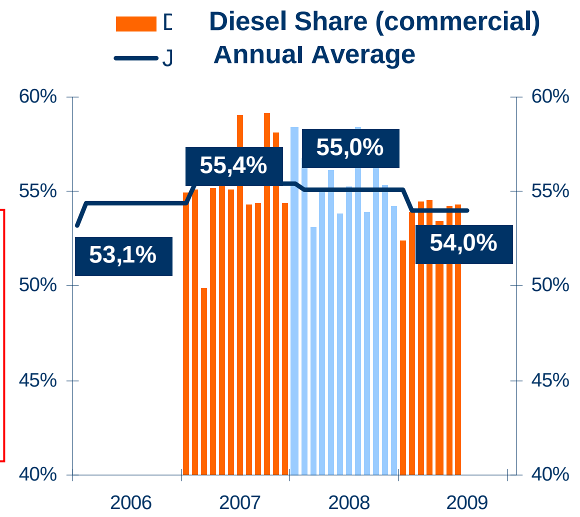
Private diesel share: strong decrease

January:	22.1 % (34.7 %)
…	
August	15.6 % (23.9 %)
September	16.7 % (24.8 %)
October	16.9 % (25.6 %)
01-10	16.2 % (27.4 %)

Source: VDA-Statistik

Diesel in total

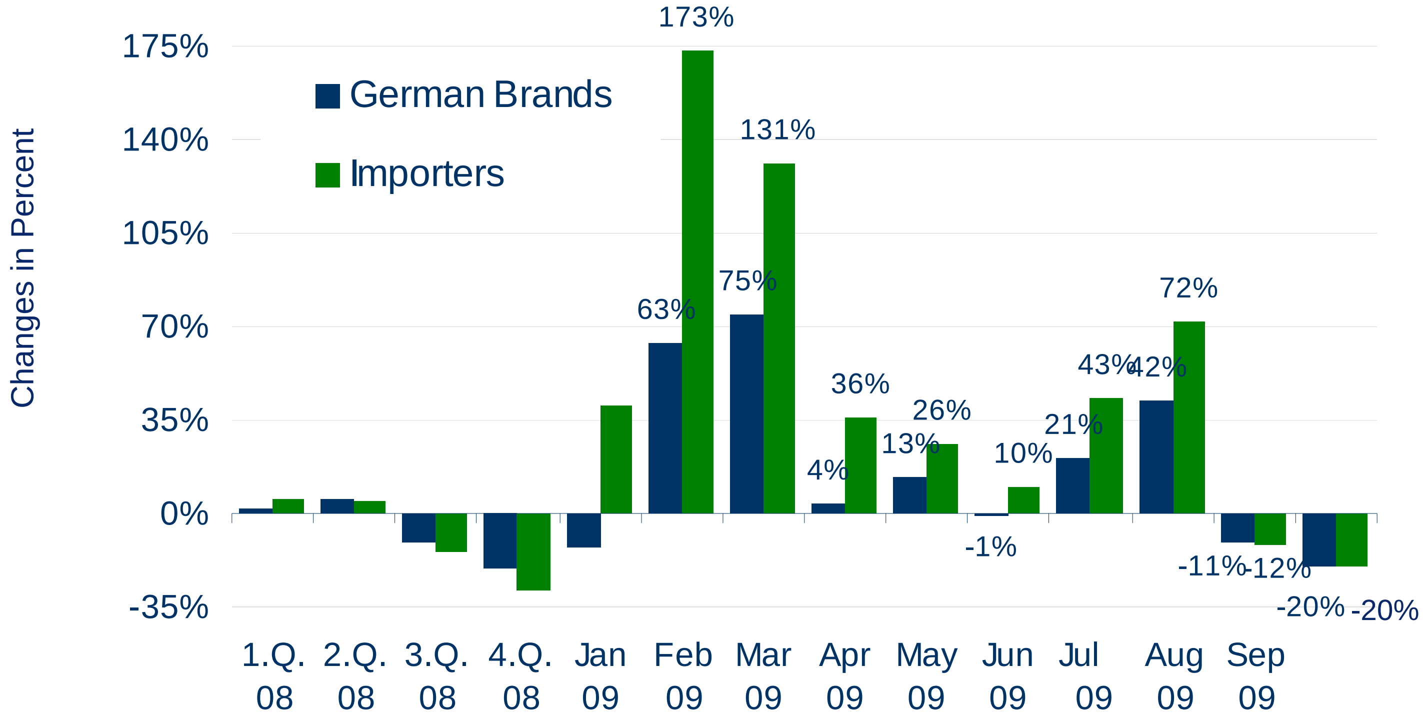
January:	39.6 % (49.4 %)
…	
August	28.5 % (40.4 %)
September	30.7 % (42.9 %)
October	31.7 % (44.8 %)
01-00:	29.8 % (44.1 %)



Commercial diesel share: more stable

January:	52.3 % (58.4 %)
…	
August	52.2 % (58.4 %)
September	52.5 % (53.8 %)
October	55.7 % (57.4 %)
01-10:	54.0 % (55.0 %)

Domestic New Orders:
Biased by Umweltprämie



Source: VDA Statistics, VDIK Statistics

VDA Verband der Automobilindustrie

Production and exports bottoming out?

Jan-Oct 2009:
production -14%
exports -23%

Oct 2009:
production +13%
exports +8%

2009:
production 4.9 Mn. (-11%)
exports 3.36 Mn. (-19%)

Source: VDA statistics

VDA Verband der Automobilindustrie

Structure

I. Quantitative Snapshot of the Industry
II. Global Automotive Markets in heavy Turmoil
III. Domestic Market – how sustainable are Shifts in Structure?
IV. Challenges and Strategies – what lies ahead?

Main Challenges for the Automotive Industry and its Partners: Driving Innovation

Driven by markets

- Collapse of demand
- Shift of demand
- Capayity utilization
- Planning reliability
- Rating
- Liquidity
- Affordable mobility
- …

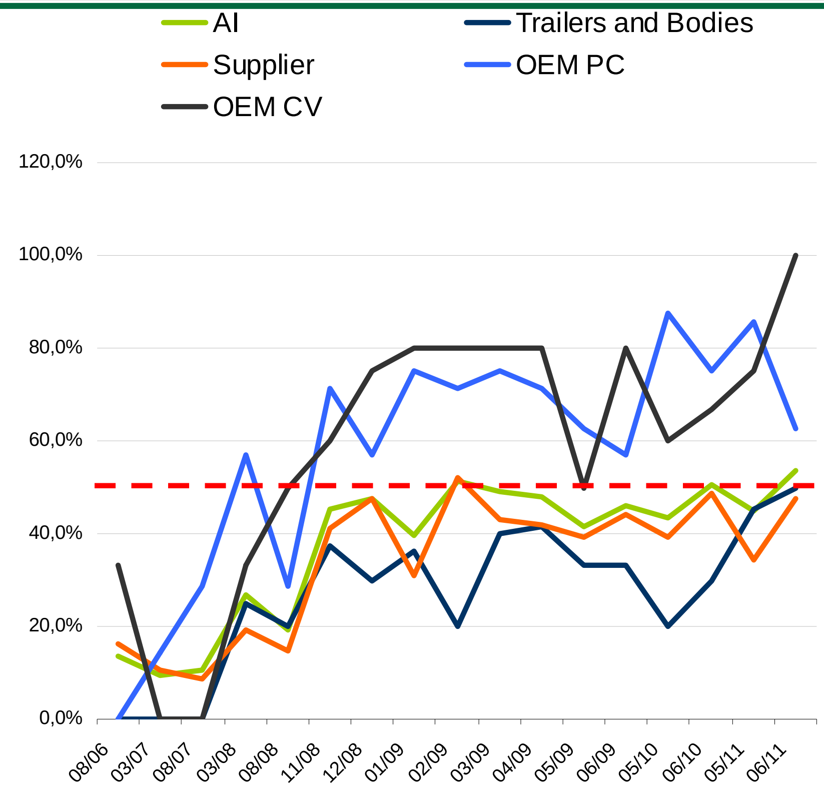
Innovation

Driven by politics / society

- Finite fossile fuels
- Shifted preferences
- Gridlocks in urban traffic
- CO2-regulations
- Free trade
- Taxation of mobility
- Access to raw materials
- …

ifo-Credit-Constraint-Indicator: Still Escalating in the Automotive Value Chain

- **„credit crunch“, if 50%+ of participants report critical behaviour of their banks**
- **Just little signs of improvement**
  - Passenger Car OEMs slightly better
- **Supplier still below the 50% hurdle, but worsening**
- **Bodies & Trailers: 100%!**



VDA Verband der Automobilindustrie

Shift in Segments

Shifts of segments / downsizing

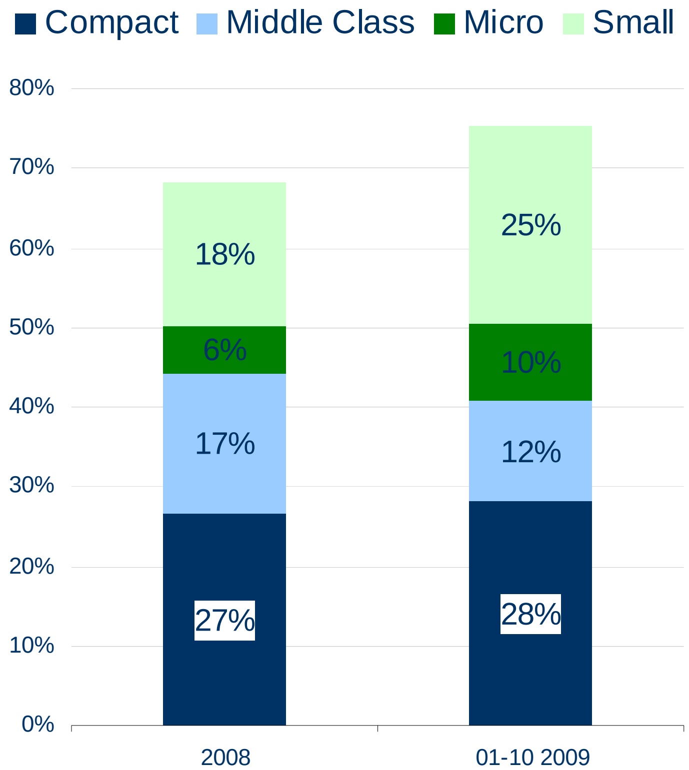
-towards

- **-smaller engines**
- **-compact cars**

-with similar or higher requirements regarding

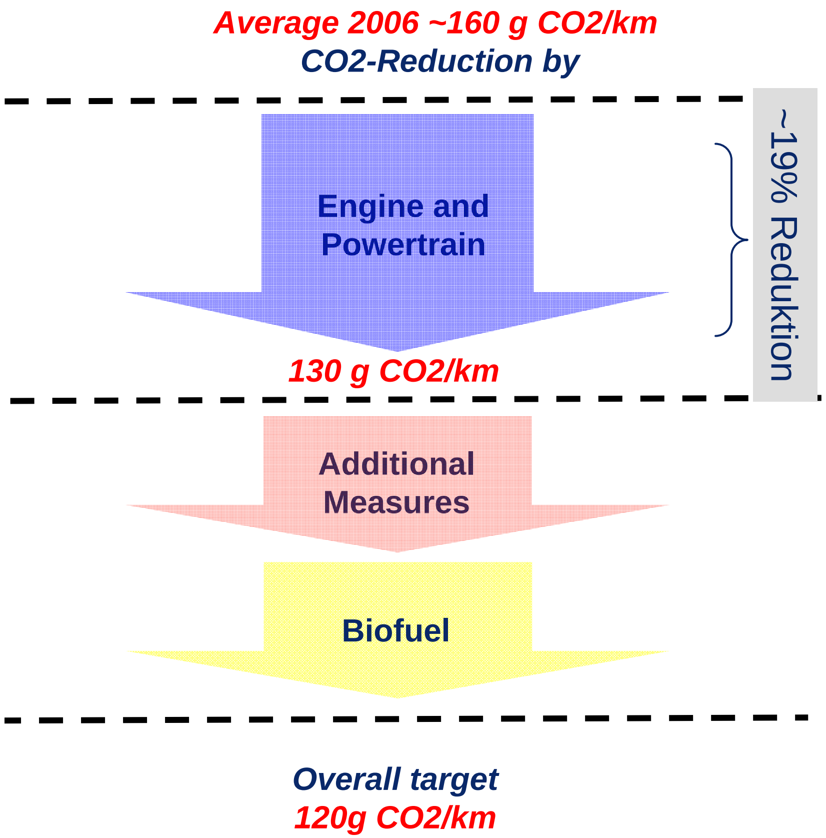
- **-driving dynamics**
- **-safety**
- **-comfort**
- **-innovation**

-Currently biased by incentive!



VDA Verband der Automobilindustrie

Politically driven: CO2 Regulation



European CO2-Regulation

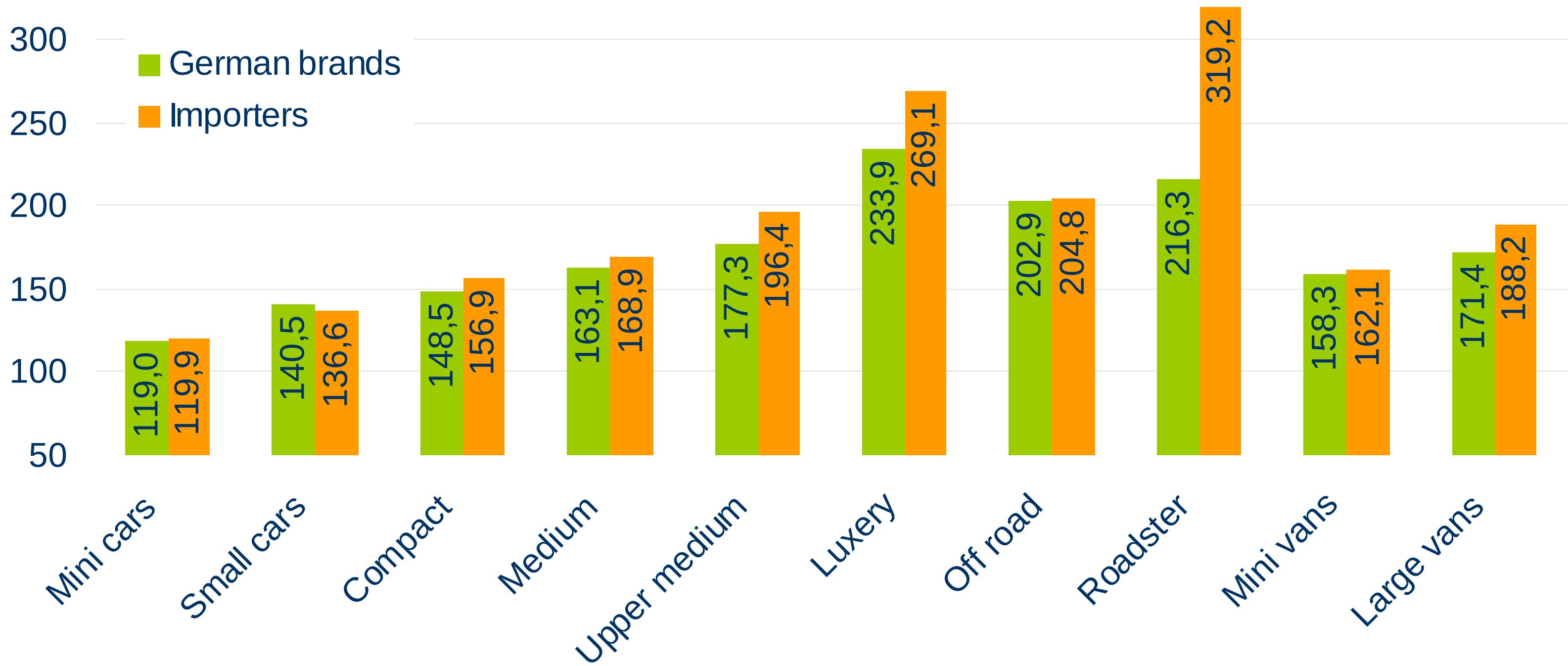
-weight based
-Fleet average of 130gr / km Engine and Powertrain
-Overall target with additional measures
-Eco-Innovations!

Innovation along the entire value chain

-Tires
-Electronics
-Powertrain
-WEIGHT!

VDA Verband der Automobilindustrie

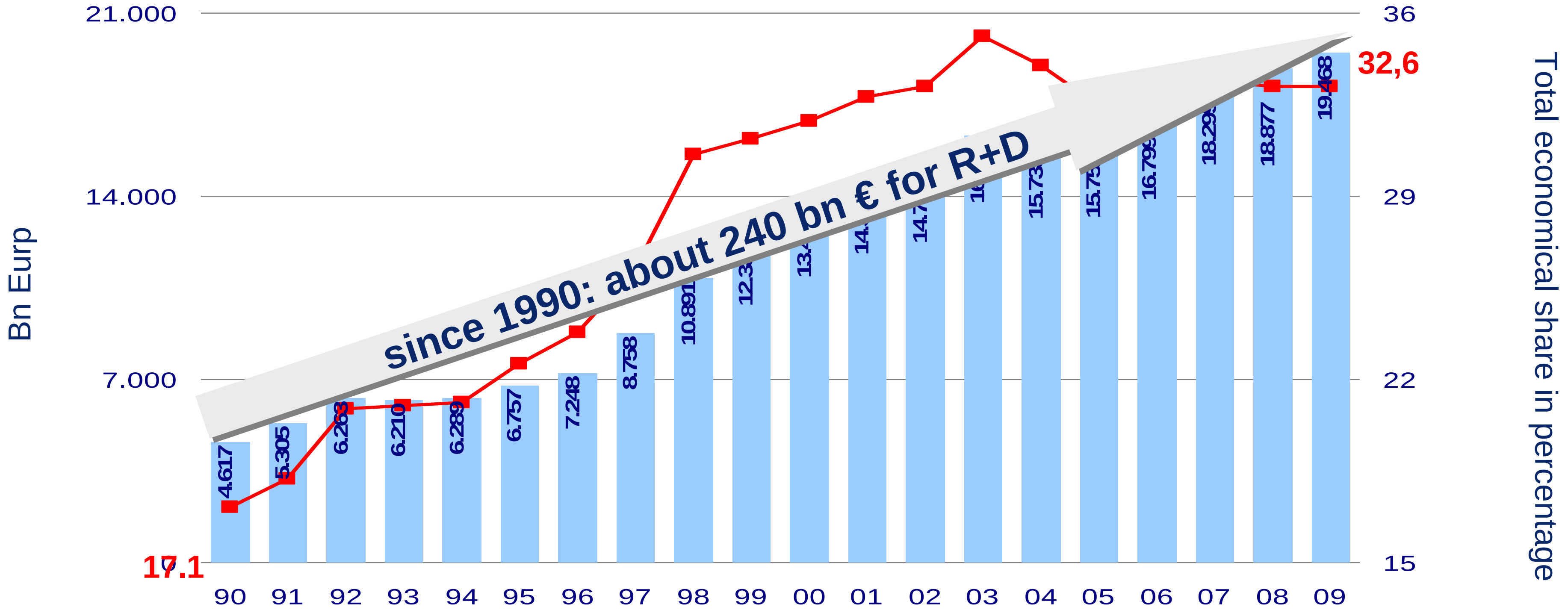
German OEMs: better in nine out of ten segments!



Source: Kraftfahrt Bundesamt

VDA Verband der Automobilindustrie

R&D-Expenditures of the German Automotive Industry



Source: Stifterverband

VDA Verband der Automobilindustrie

Strategies and answers

Driven by markets | Driven by technology | Driven by politics / society

Benchmark in efficiency

Driving pleasure

Benchmark in comfort

Benchmark in safety

Electro-Mobility

!

best practise
production

Premium in all segments

Local production-
and market presence

Global Benchmark
German Automotive
Industry

Consistent
Internationalization

In close
industrial
partnership
along the value
chain!

VDA | Verband der Automobilindustrie

Thank you for your attention

baader@vda.de

Verband der Automobilindustrie