

AUTOMOTIVE



INTRODUCTION

The **automotive industry** designs, develops, manufactures, markets, and sells the world's motor vehicles. In 2008, more than 70 million motor vehicles, including cars and commercial vehicles were produced worldwide.

In 2007, a total of 71.9 million new automobiles were sold worldwide: 22.9 million in Europe, 21.4 million in Asia-Pacific, 19.4 million in USA and Canada, 4.4 million in Latin America, 2.4 million in the Middle East and 1.4 million in Africa. The markets in North America and Japan were stagnant, while those in South America and other parts of Asia grew strongly. Of the major markets, Russia, Brazil, India and China saw the most rapid growth.

In 2008, with rapidly rising oil prices, industries such as the automotive industry are experiencing a combination of pricing pressures from raw material costs and changes in consumer buying habits. The industry is also facing increasing external competition from the public transport sector, as consumers re-evaluate their private vehicle usage. Roughly half of the US's fifty-one light vehicle plants are projected to permanently close in the coming years, with the loss of another 200,000 jobs in the sector, on top of the 560,000 jobs lost this decade. Combined with robust growth in China, in 2009, this resulted in China becoming the largest automobile market in the world.

Key Facts

Market Value

The global automobiles and components industry group shrank by 14.5% in 2008 to reach a value of \$2,409.6 billion.

Market Value Forecast

In 2013, the global automobiles and components industry group is forecast to have a value of \$2,861.4 billion, an increase of 18.8% since 2008.

Market Segmentation I

Automobiles sales dominate the global automobiles and components industry group, with 74.1% of the industry group's value.

Market Segmentation II

Americas accounts for 34.2% of the global automobiles and components industry group's value.

Market Share

Toyota Motor Corporation accounts for 9.4% of the global automobiles and components industry group's value.

HISTORY

- In the year 1769, a French engineer by the name of Nicolas J. Cugnot invented the first automobile to run on roads. This automobile, in fact, was a self-powered, three-wheeled, military tractor that made the use of a steam engine. The range of the automobile, however, was very brief and at the most, it could only run at a stretch for fifteen minutes. In addition, these automobiles were not fit for the roads as the steam engines made them very heavy and large, and required ample starting time. Oliver Evans was the first to design a steam engine driven automobile in the U.S.

- A Scotsman, Robert Anderson, was the first to invent an electric carriage between 1832 and 1839. However, Thomas Davenport of the U.S.A. and Scotsman Robert Davidson were amongst the first to invent more applicable automobiles, making use of non-rechargeable electric batteries in 1842. Development of roads made travelling comfortable and as a result, the short ranged, electric battery driven automobiles were no more the best option for travelling over longer distances.
- The Automobile Industry finally came of age with Henry Ford in 1914 for the bulk production of cars. This led to the development of the industry and it first began in the assembly lines of his car factory. The several methods adopted by Ford, made the new invention (that is, the car) popular amongst the rich as well as the masses.
- According to the History of Automobile Industry US, dominated the automobile markets around the globe with no notable competitors. However, after the end of the Second World War in 1945, the Automobile Industry of other technologically advanced nations such as Japan and certain European nations gained momentum and within a very short period, beginning in the early 1980s, the U.S Automobile Industry was flooded with foreign automobile companies, especially those of Japan and Germany.
- The current trends of the Global Automobile Industry reveal that in the developed countries the Automobile Industries are stagnating as a result of the drooping car markets, whereas the Automobile Industry in the developing nations, such as, India and Brazil, have been consistently registering higher growth rates every passing year for their flourishing domestic automobile markets.

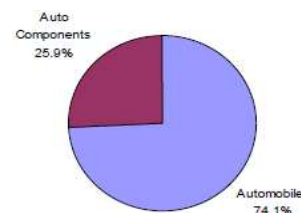
SUB SECTIONS OF THE INDUSTRY

The automobiles industry is made up from the automobile manufacturers sector and the motorcycles market.

1. The automobile manufacturers (OEM) market consists of the sale of passenger cars and light commercial vehicles. The motorcycles market consists of all classes of on- and off-road motorcycles including scooters and mopeds. E.g. Ford, Toyota, GM, Honda, Tata Motors etc.
2. The auto components industry consists of automotive parts and equipment market (Tier1, Tier2, Tier3 suppliers) and the tires and rubber market. The global market for automotive parts and equipment is defined as the automotive aftermarket for light vehicles only.

INDUSTRY OPERATIONS

- Automobiles sales dominate the global automobiles and components industry group, with 74.1% of the overall value. (2008 Numbers)
- Auto components sales account for the remaining 25.9% of the industry group's revenue.

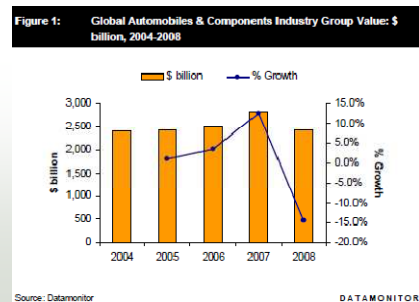


PAST PERFORMANCE

The global automobiles and components industry group's growth accelerated over 2004-2007 periods, however affected by the global economic downturn it plummeted in value in 2008.

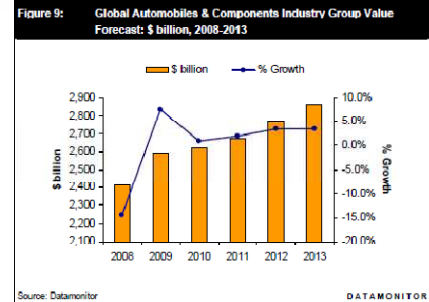
CURRENT PERFORMANCE

- The global automobiles and components industry group shrank by 14.5% in 2008 to reach a value of \$2,409.6 billion.
- The compound annual growth rate of the industry group in the period 2004-2008 was 0.1%.



FUTURE PREDICTION

The performance of the industry group is forecast to accelerate, with an anticipated CAGR of 3.5% for the five-year period 2008-2013, which is expected to drive the industry group to a value of \$2,861.4 billion by the end of 2013.



CHALLENGES

1. Forecasted recession in North America and Europe
2. Weakening of global automotive industry
3. Used cars are the most significant substitute threatening players in the new cars market.
4. The growth in awareness of environmental issues and the growing desire to prevent climate change could result in more people substituting automobiles for more environmentally friendly forms of transport e.g. walking/cycling/public transport.
5. Rivalry in the industry is strong.

TOP CONTRIBUTORS

- Toyota Motor Corporation accounts for 9.4% of the global automobiles and components industry group's value.
- In comparison, General Motors Corporation accounts for a further 6.6% of the industry group's revenue.

