

EAGLEs Flash

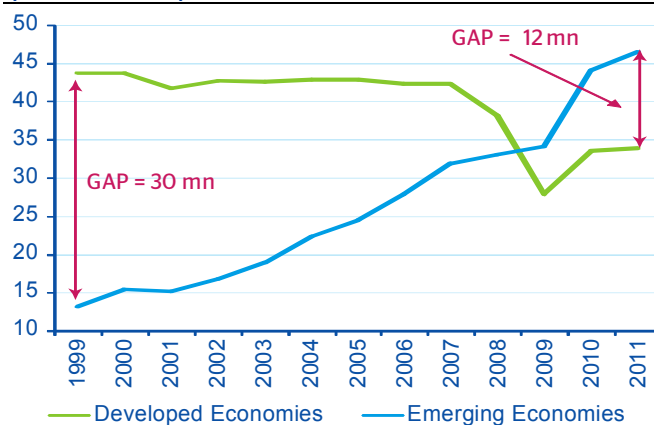


Rising middle classes drives car boom in EAGLEs and reinforces emerging production leadership

Supply and demand for autos shift from developed to emerging economies

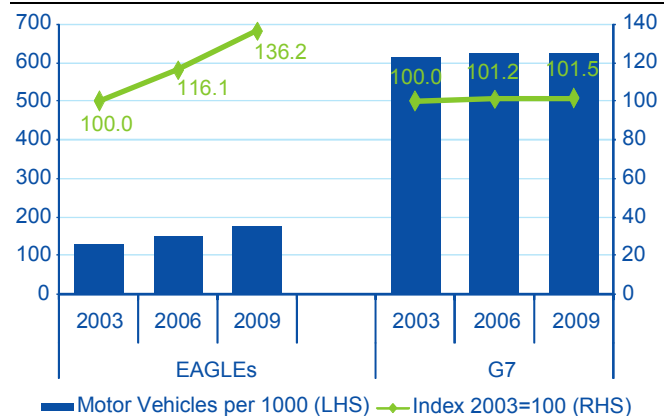
In the last decade, the automotive sector was among the fastest expanding sectors in emerging markets and one of the main factors driving world industrial production, while growth among the G7 remained stagnant until its sharp decline in 2009. At the end of the previous decade, developed markets were producing around 30 million units per year more than emerging markets (see chart 1). The crisis in 2009 was a turning point in the world of car production, allowing emerging markets to take the lead. As car production and registration in emerging economies expand, foreign companies have moved increasingly towards these markets to withstand changing global competition. Last year, car production was 12 million units higher than in developed economies. However, this shift is not only due to demand collapsing in the G7 countries. Vehicle registration has more than doubled in the EAGLEs since 2005, surpassing aggregate numbers for the developed economies (see table 1). Nowadays, owning a car has become a common expenditure decision for rising middle classes in EAGLEs. And this is just the beginning, as the large gap in car ownership with respect to most developed countries leaves emerging economies room to grow (see chart 2).

Chart 1
Total Car Production: Developed vs. Emerging Economies (million of units)



Source: BBVA Research and OICA
 Developed Economies: Australia, Austria, Belgium, Canada, Finland, France, Germany, Italy, Japan, Netherlands, Portugal, Slovenia, Spain, Sweden, UK and USA
 Emerging Economies: Argentina, Brazil, China Czech Rep., Egypt, Hungary, India, Indonesia, Iran, Malaysia, Mexico, Nigeria, Pakistan, the Philippines, Poland, Romania, Russia, Serbia, Slovakia, South Africa, S. Korea, Taiwan, Thailand, Turkey, Ukraine, Uzbekistan and Vietnam

Chart 2
Motor Vehicles per 1000 people



Source: BBVA Research and WDI

Five EAGLEs are among the largest global car producers

In 2009, China took the lead in the automotive sector as not only the main producer of cars but also the largest market for new car registrations, mainly due to its flourishing middle class. Other global players like the US, Japan and Germany have lost momentum in recent years, allowing other EAGLEs such as South Korea, India, Brazil, Mexico and Russia to increase their shares in the automotive sector. According to the latest Fortune Global 500 list, 10 EAGLEs companies appeared in the top among the largest companies (5 Chinese, 3 Korean, 1 Turkish and Indian) (see table 2). In the 1999, only two EAGLEs (Brazil and South Korea) were among the top 10 largest car producers, while all members of the G7 made the list. In 2011, the EAGLEs comprised five of the ten largest car producers, alongside four from the G7 (see table 3) plus Spain. Such a shift is expected to further strengthen as global growth is increasingly driven by emerging economies.

Table 1

Car Registration and Production: Total (thousand of units)

	Country	Registration			Growth rate (%)		Production			Growth rate (%)	
		2005	2010	2011	05-11 Avg.	10-11	2005	2010	2011	05-11 Avg.	10-11
EAGLES	China	6,093	18,041	18,530	20.4	2.7	5,708	18,265	18,419	21.6	0.8
	India	1,500	2,913	2,968	12.0	1.9	1,627	3,557	3,936	15.9	10.7
	Indonesia	534	765	893	9.0	16.8	495	703	838	9.2	19.3
	South Korea	1,143	1,466	1,475	4.3	0.6	3,699	4,272	4,657	3.9	9.0
	Brazil	1,715	3,515	3,633	13.3	3.4	2,528	3,382	3,406	5.1	0.7
	Mexico	1,165	875	976	-2.9	11.5	1,670	2,342	2,680	8.2	14.4
	Russia	1,762	1,895	2,651	7.0	39.9	1,351	1,403	1,988	6.6	41.7
	Turkey	759	793	911	3.1	14.8	879	1,095	1,189	5.2	8.6
	Taiwan	635	372	408	-7.1	9.8	446	303	343	-4.3	13.1
EAGLES		15,305	30,634	32,445	13.3	5.9	18,404	35,321	37,457	12.6	6.0
G7	Canada	1,630	1,584	1,614	-0.2	1.9	2,688	2,068	2,135	-3.8	3.2
	France	2,548	2,679	2,659	0.7	-0.8	3,549	2,229	2,295	-7.0	2.9
	Germany	3,615	3,198	3,508	-0.5	9.7	5,758	5,906	6,311	1.5	6.9
	Italy	2,487	2,166	1,945	-4.0	-10.2	1,038	838	790	-4.4	-5.7
	Japan	5,834	4,943	4,200	-5.3	-15.0	10,800	9,629	8,399	-4.1	-12.8
	U.K.	2,828	2,291	2,248	-3.8	-1.9	1,803	1,393	1,464	-3.4	5.1
	U.S.	17,445	11,772	13,041	-5	11	11,981	7,763	8,654	-5.3	11.5
G7		36,387	28,635	29,215	-3.6	2.0	37,617	29,827	30,048	-3.7	0.7

Source: BBVA Research, OICA, EIU and Haver

Table 2

Fortune Global 500: Ranking

Fortune Global 500 Ranking	Country	Company	Sector	Revenues (\$ millions)
117	South Korea	Hyundai Motor	Automotive	70,227
130	China	SAIC Motor	Automotive	67,255
142	China	Dongfeng Motor Group	Automotive	62,911
165	China	China FAW Group	Automotive	57,003
222	Turkey	Koç Holding*	Automotive, Energy, Finances	45,098
238	China	China South Industries Group	Automotive	43,160
266	South Korea	Kia Motors	Automotive	38,988
314	India	Tata Motors	Automotive	34,575
465	South Korea	Hyundai Mobis	Automotive	23,736
475	China	Zhejiang Geely Holding Group	Automotive	23,356

Source: BBVA Research and Fortune Global 500

*Automotive sector is one of the main fields of activities.

Table 3

Car Production: Total (OICA Ranking)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
EAGLES	Brazil	12	12	10	11	10	9	9	8	7	6	6	7	7
	China	9	8	8	5	4	4	4	3	3	2	1	1	1
	India	15	15	15	15	14	12	12	11	10	9	7	6	6
	Indonesia	35	25	24	25	26	25	24	28	26	21	23	21	18
	South Korea	7	5	5	6	6	6	5	5	5	5	5	5	5
	Mexico	11	9	9	10	11	11	11	10	11	10	10	9	8
	Russia	13	13	13	13	13	13	13	13	13	12	19	14	12
	Taiwan	18	20	25	23	22	23	25	27	31	34	29	28	27
	Turkey	24	18	26	21	18	17	17	16	16	15	17	16	17
G7	Canada	5	7	7	8	8	8	8	9	9	11	11	11	11
	France	4	4	4	4	5	5	6	6	6	7	9	10	10
	Germany	3	3	3	3	3	3	3	4	4	4	4	4	4
	Italy	10	11	12	12	12	14	15	14	15	17	18	19	21
	Japan	2	2	2	2	2	2	2	1	1	1	2	2	3
	U.K.	8	10	11	9	9	10	10	12	12	13	13	15	15
	U.S.	1	1	1	1	1	1	1	2	2	3	3	3	2

Source: BBVA Research and OICA

Note: Highlighted cells indicate the status of top 10 car producer

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