



Announcement: Moody's: European 2012 Auto Forecasts Revised Lower as Economic Challenges Continue

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Frankfurt am Main, January 26, 2012 -- Western European light vehicle demand is likely to be down 6.2% in 2012 compared with 2011 as a result of weakening economic fundamentals in the region, Moody's Investors Service says in an Industry Outlook update report published today.

"We now expect a 6.2% decline to 13.4 million units in 2012, compared with the forecast of 0% in our last industry outlook in September 2011," says Falk Frey, a Senior Vice President in Moody's Corporate Finance Group. "We anticipate that the steepest declines will be in France (-10%), Italy (-7%) and the UK (-7%)," explains Mr Frey. "Auto manufacturers in these countries will suffer most from the austerity measures initiated by their governments, as well as a continued challenging economic environment and the subsequent expected fall in consumer spending."

Despite the revision to Western European forecasts, Moody's has maintained its stable outlook for the global auto manufacturing industry. "Our outlook is based on global light vehicle demand growth of 4.4% for 2012 and 4.5% in 2013," continues Mr Frey. "Although we have revised downwards our global sales volume expectations for 2012 from our previous forecast, by 0.9 million units to 78.8 million, the key drivers of demand remain China, for which our 2012 forecast remains unchanged, and the US, despite a cut of 0.5 million units for 2012 compared with our previous forecast."

Moody's has also raised its forecast for Japanese light vehicle demand growth to 19.7% for 2012 from its September 2011 forecast of 7.3%. The rating agency notes that growth was depressed in 2011 because of the earthquake and subsequent tsunami. In 2012, growth will be supported by the planned introduction of government incentives for new fuel-efficient cars. This should boost demand to 4.9 million units in 2012. For 2013, Moody's expects a decline of 9.1% to a more normal level of 4.5 million units.

"Despite slower demand growth, we expect original equipment manufacturers to benefit from lower input costs, especially in the second half of this year, which supports our stable outlook," adds Mr Frey.

Moody's 2013 forecast of a 3% increase in light vehicle demand in Western Europe is premised on a gradual economic recovery; the rating agency would revise this forecast if there were signs of a protracted recession. Moody's will consider changing its outlook for the global auto industry to negative if Europe enters a deeper and more prolonged recession, consumer confidence falls and the problems surrounding euro area sovereigns and banks spills over into other economies outside Europe. This would have the potential to derail car demand on a global scale.

Moody's report, entitled "Global Auto Manufacturers: European 2012 Auto Forecasts Revised Lower As Economic Challenges Continue", is available on www.moody.com.

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