

South America: Prospects for North American Suppliers



CAR Management Briefing Seminars

August 2, 2011

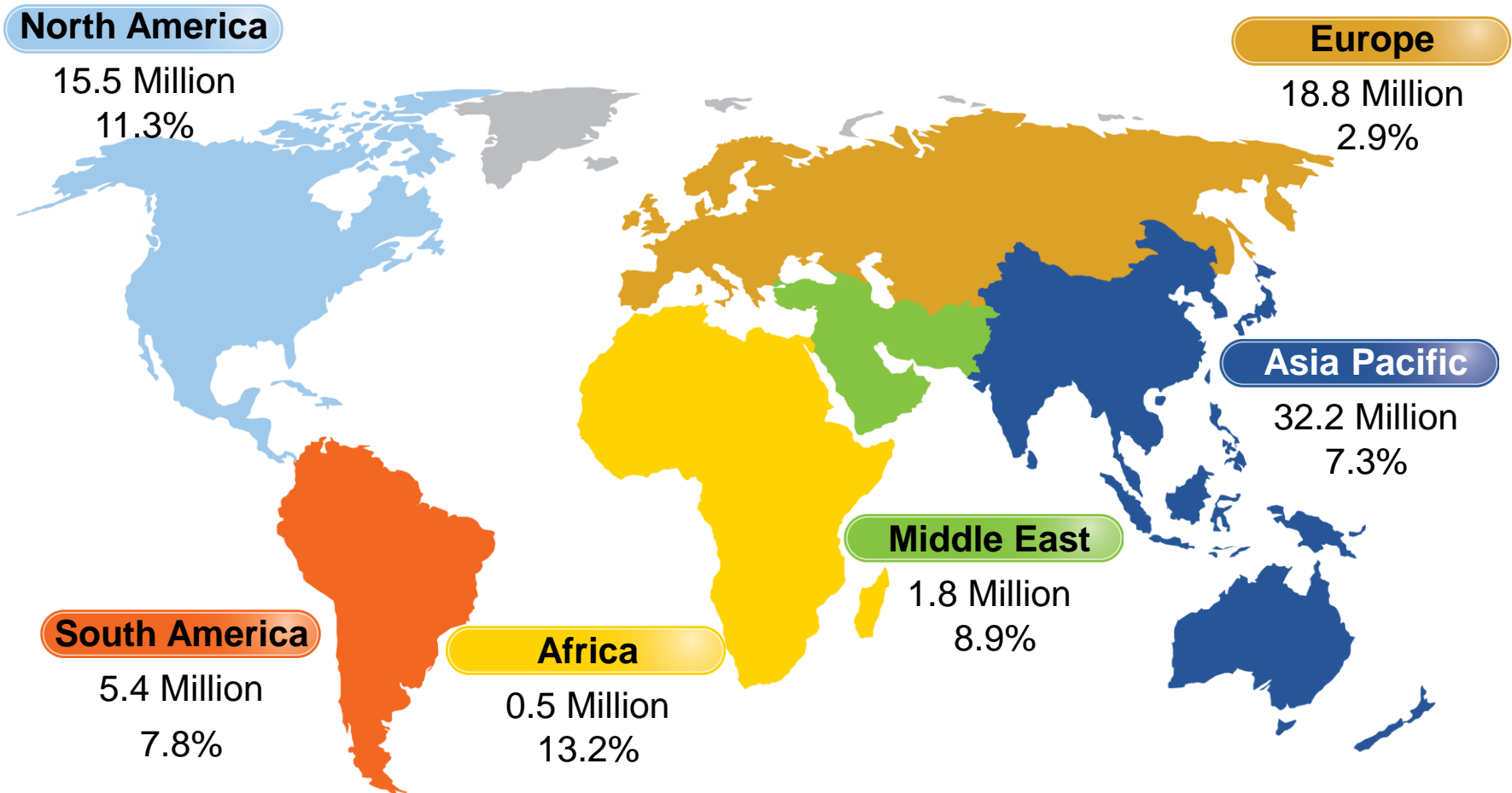
Jon Sederstrom
Country Manager
J.D. Power do Brasil

Agenda

- Global sales and production
- South American sales and production
- Brazilian sales and production

2011F Global Light Vehicle Sales

J.D. Power forecasts 5.4 million light vehicle sales in South America in 2011, which would represent 7% of the global total



2011F Global Light Vehicle Production

With 4.4 million units produced in 2011, South America will be a net importer of light vehicles

North America

12.9 Million
9.0%

Europe

20.3 Million
5.6%

Asia Pacific

37.7 Million
2.2%

Middle East

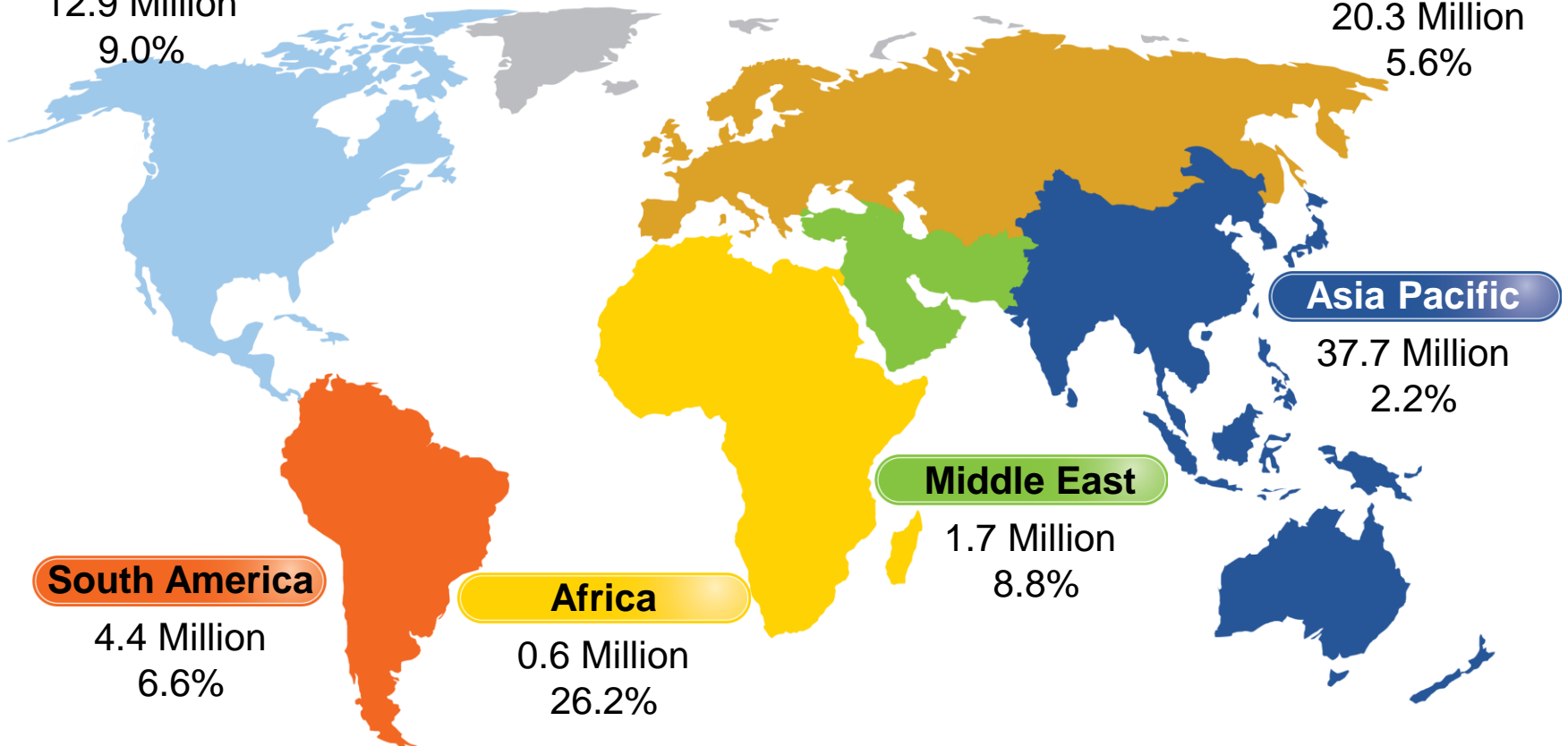
1.7 Million
8.8%

South America

4.4 Million
6.6%

Africa

0.6 Million
26.2%



2015F Global Light Vehicle Sales

Long-term growth in global light vehicle sales will be driven by emerging markets (Asia, Eastern Europe and South America)

North America

19.4 Million
5.8%

Europe

23.3 Million
5.5%

Asia Pacific

45.9 Million
9.3%

Middle East

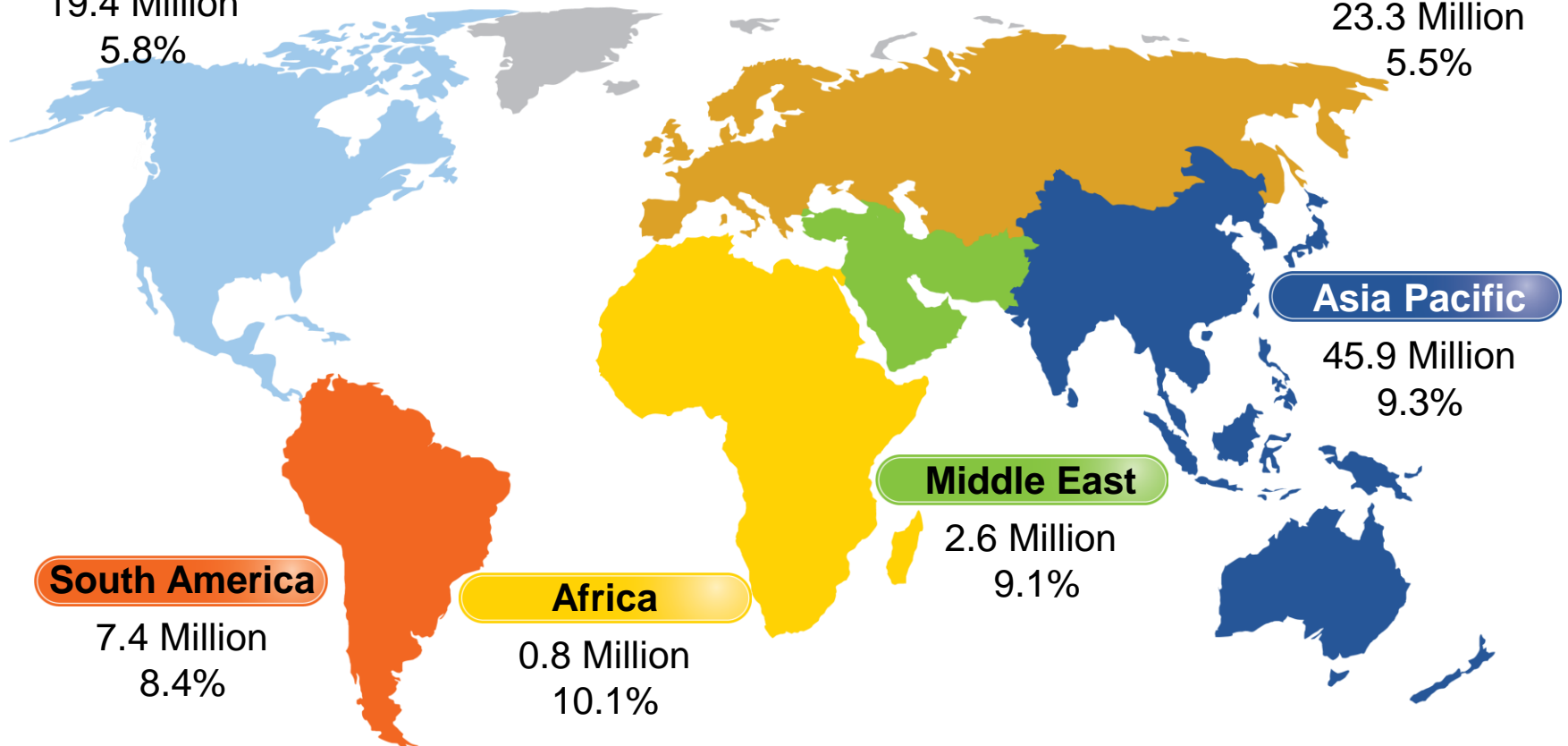
2.6 Million
9.1%

South America

7.4 Million
8.4%

Africa

0.8 Million
10.1%



2015F Global Light Vehicle Production

Growth in light-vehicle production will be concentrated in Asia where production costs are lower

North America

16.1 Million
5.7%

Europe

24.4 Million
4.7%

Asia Pacific

54.5 Million
9.7%

Middle East

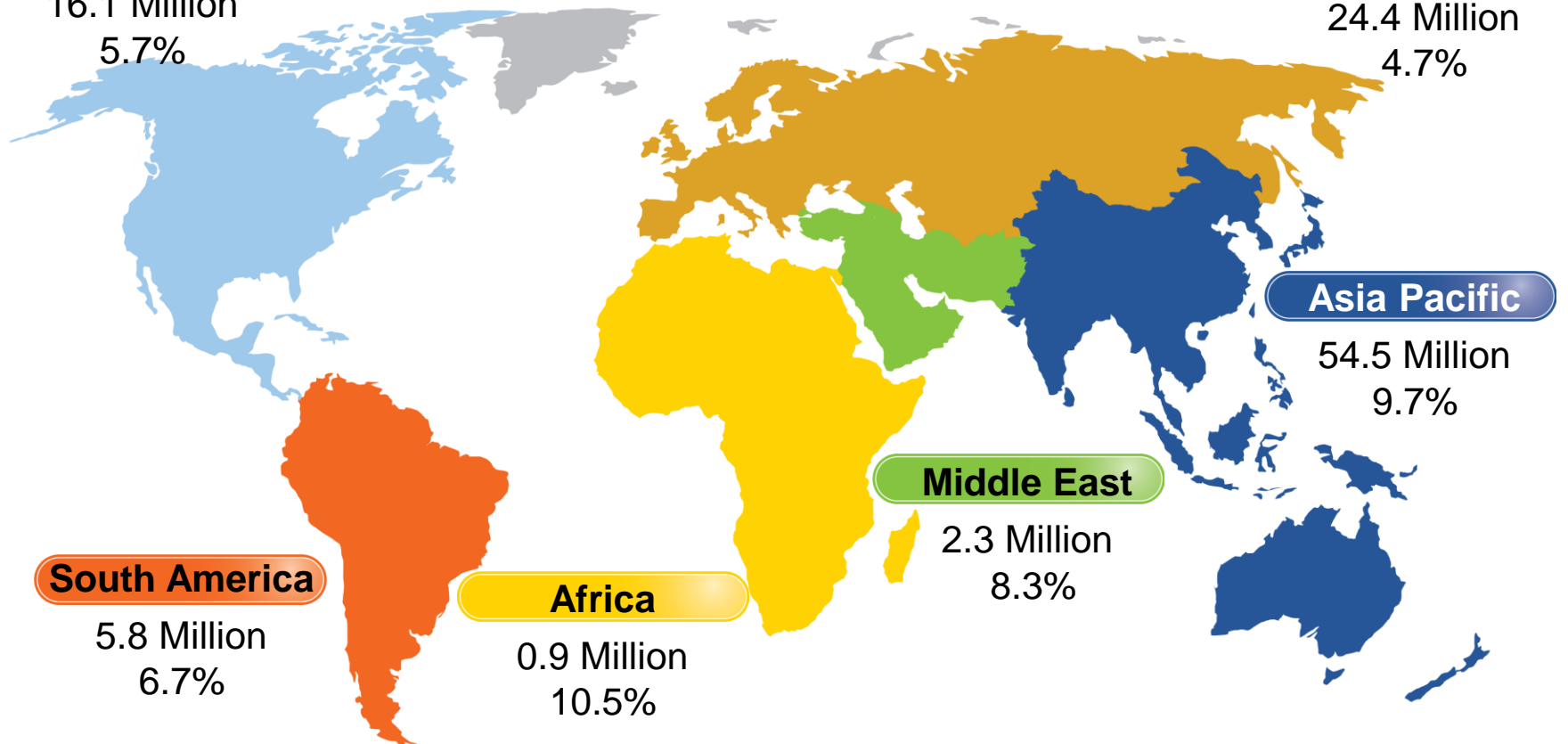
2.3 Million
8.3%

South America

5.8 Million
6.7%

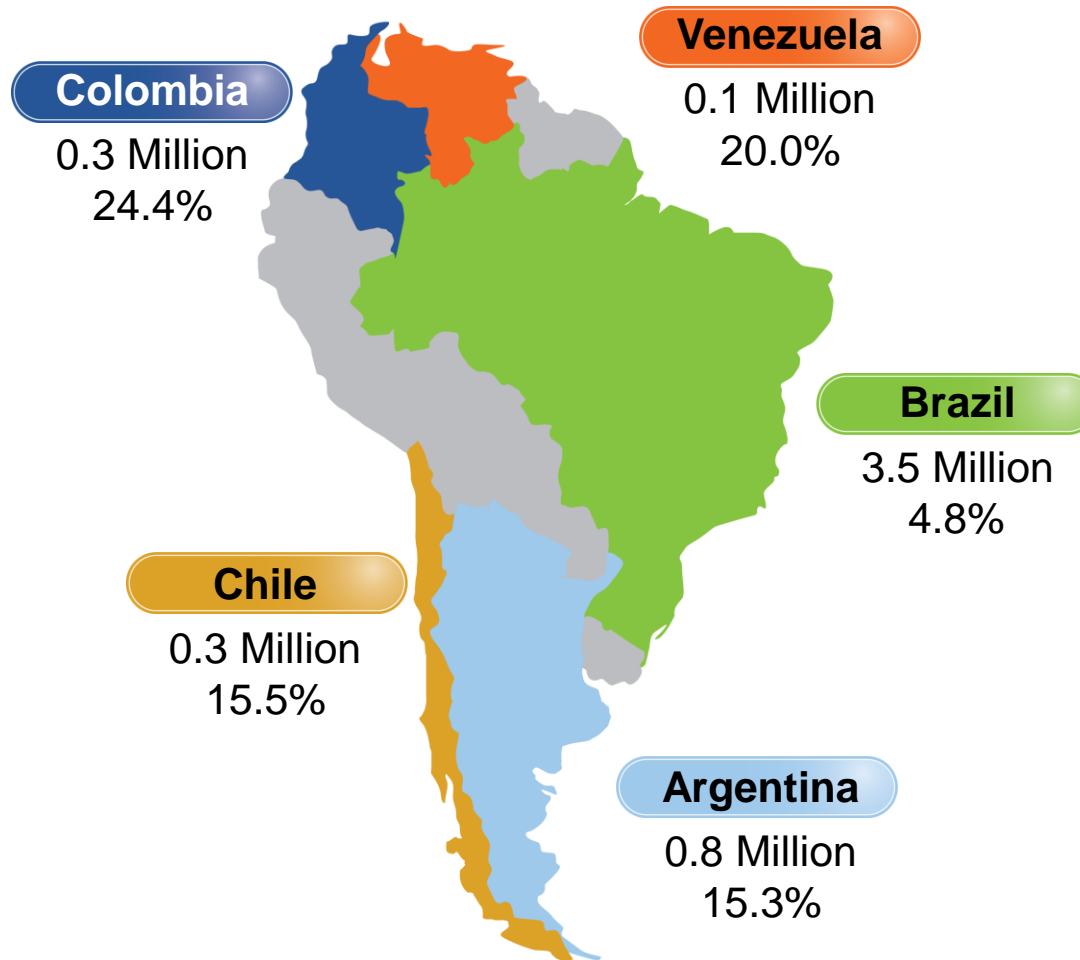
Africa

0.9 Million
10.5%



2011F South American Light Vehicle Sales

Light vehicle sales in Brazil and Argentina account for 80% of light vehicle sales in the South America



2011F South American Light Vehicle Production

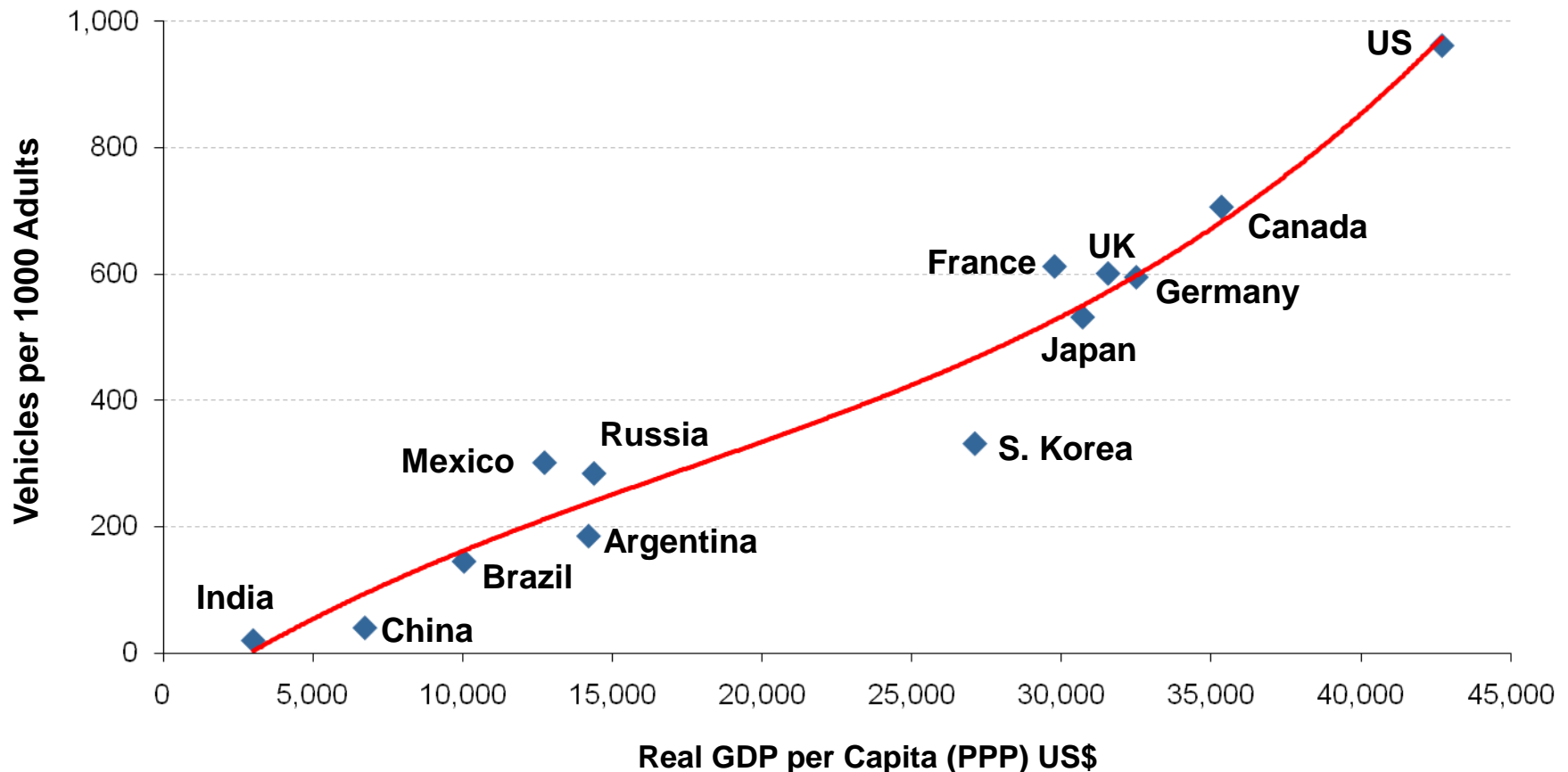
Brazil will account for about 75% of South American light vehicle production in 2011



South American Vehicle Density

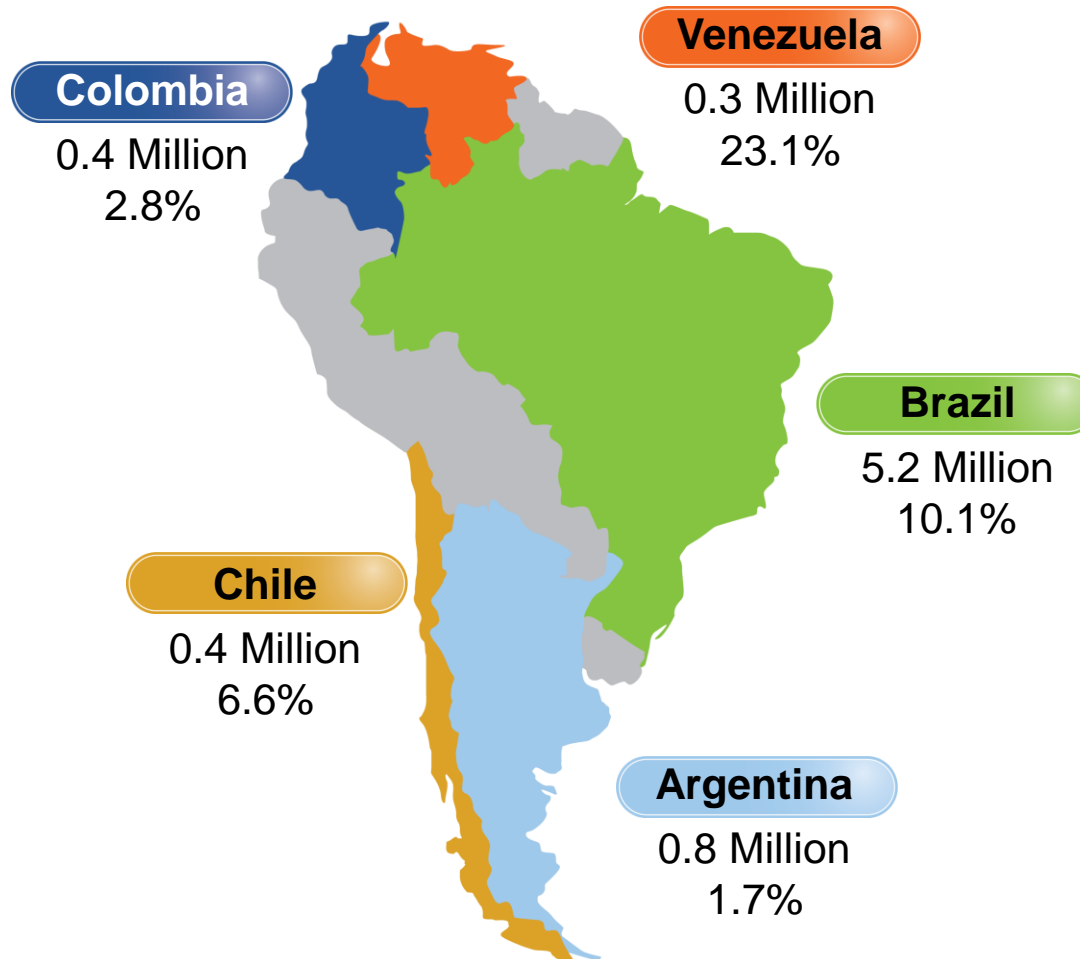
Low vehicle density and sustained economic growth suggest significant upside for the Brazilian automotive industry

Vehicle Density and Per Capita Income by Country



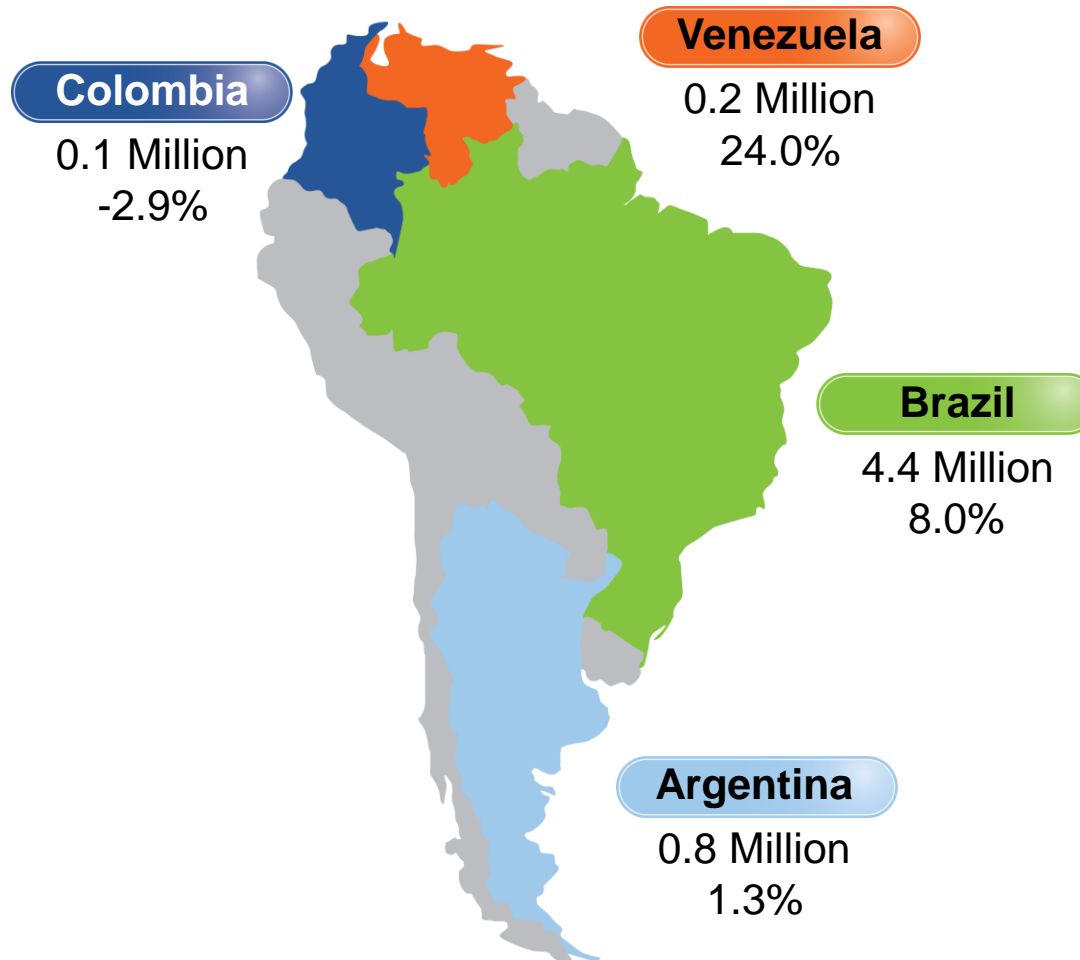
2015F South American Light Vehicle Sales

J.D. Power expects Brazil to surpass 5 million in light vehicle sales by 2015 and 6 million by 2018



2015F South American Light Vehicle Production

Brazil will likely account for almost 90% of the projected South American production increase between 2011 and 2015



Worst Traffic in the World

***São Paulo set the record for longest traffic jam in history—
182 miles long—in June 2009***

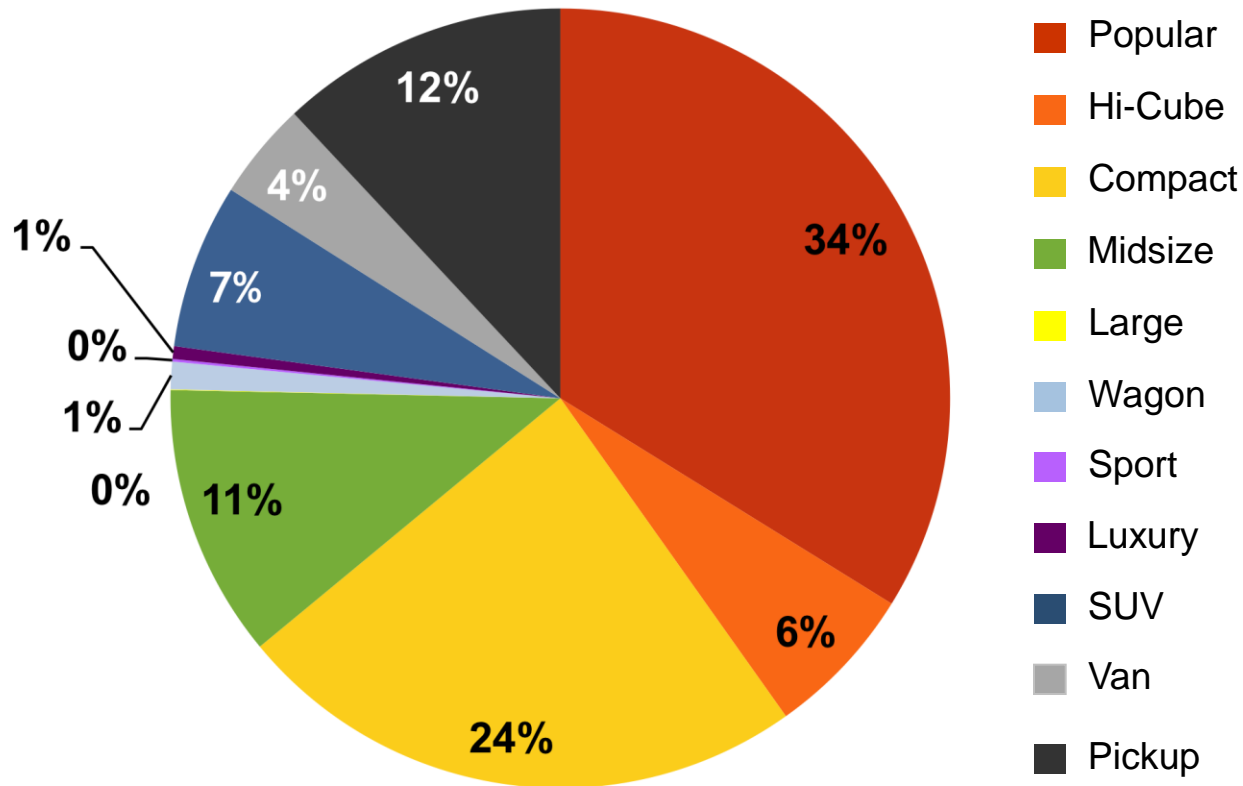


“Residents of Sao Paulo do amazing things in their cars. They shave. They apply their makeup. They chat up the girl or guy in the neighboring car and make dates. They read. They learn foreign languages. They watch DVDs. Paulistas do all these things because they have no choice; the city's crippling traffic problem forces them to spend a major proportion of their lives inching their way through gridlock. “

*— Time Magazine,
“The World’s Worst
Traffic Jams”*

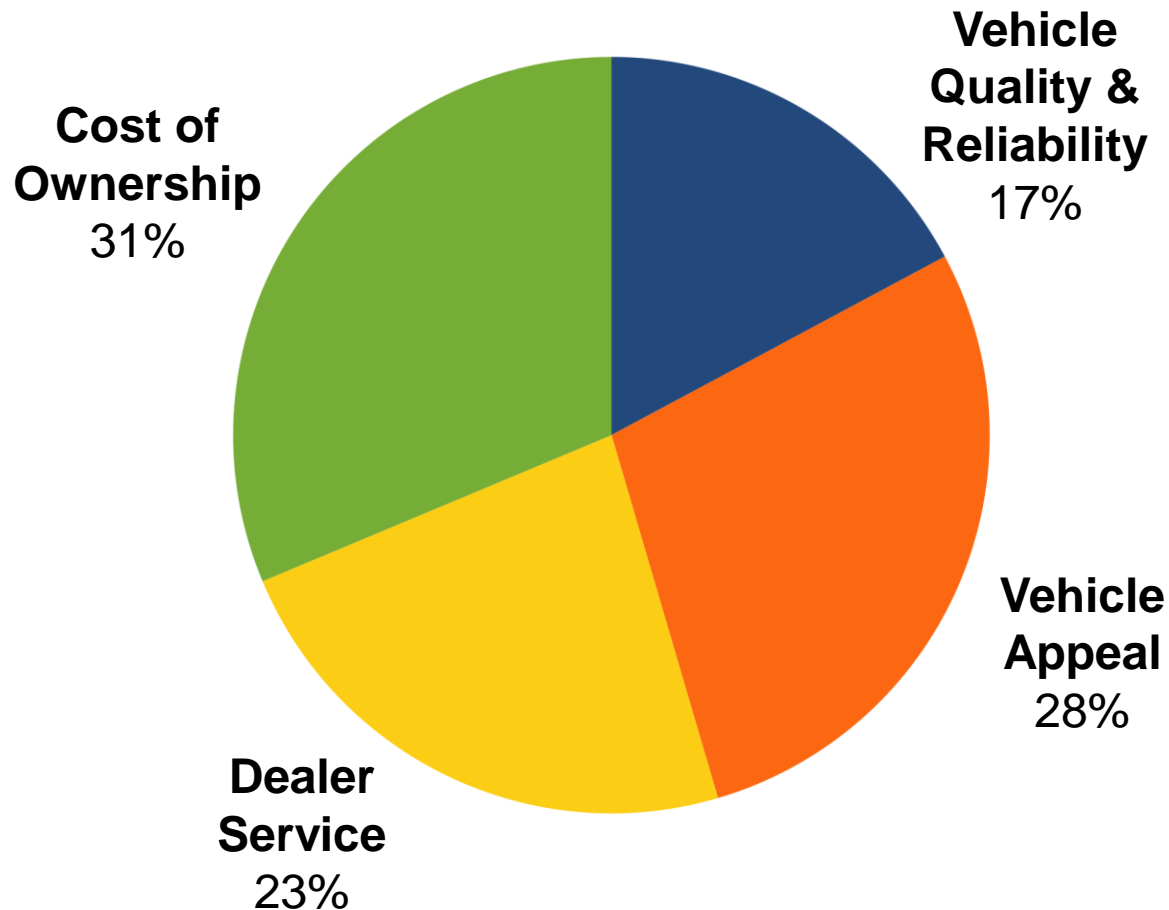
Brazil Light Vehicle Sales by Segment

Smaller vehicles like the Volkswagen Gol (Popular), Honda Fit (Hi-Cube), and Ford Fiesta (Compact) account for over 60% of light vehicle sales



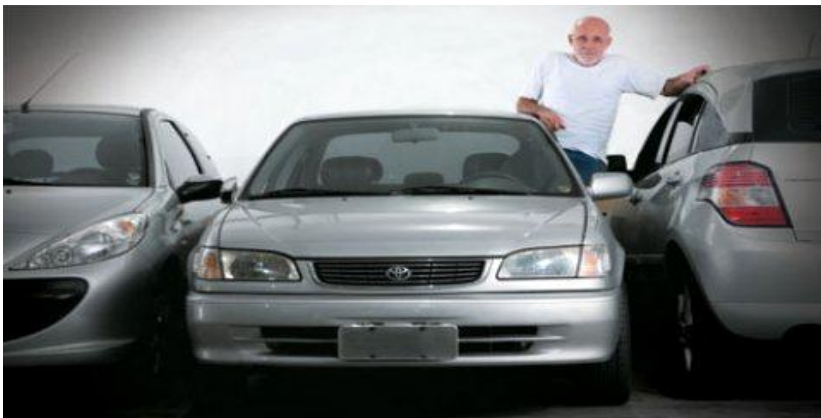
Brazil Vehicle Ownership Satisfaction

Ongoing costs weigh heavily on new-vehicle owners in Brazil, particularly among owners of popular and compact models



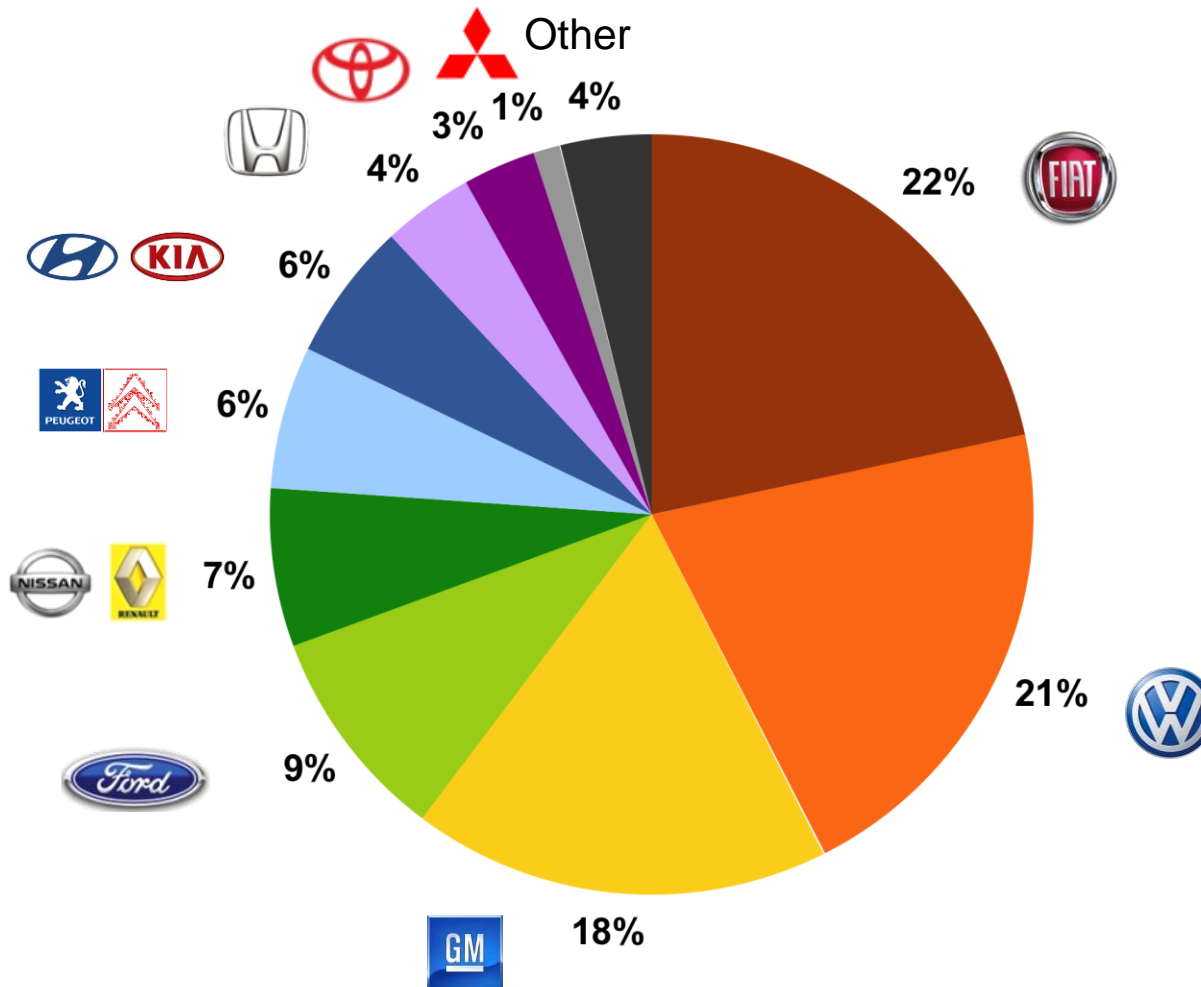
Small Cars, Smaller Parking Spots

Brazilian infrastructure—including roads and parking facilities—were designed for small vehicles



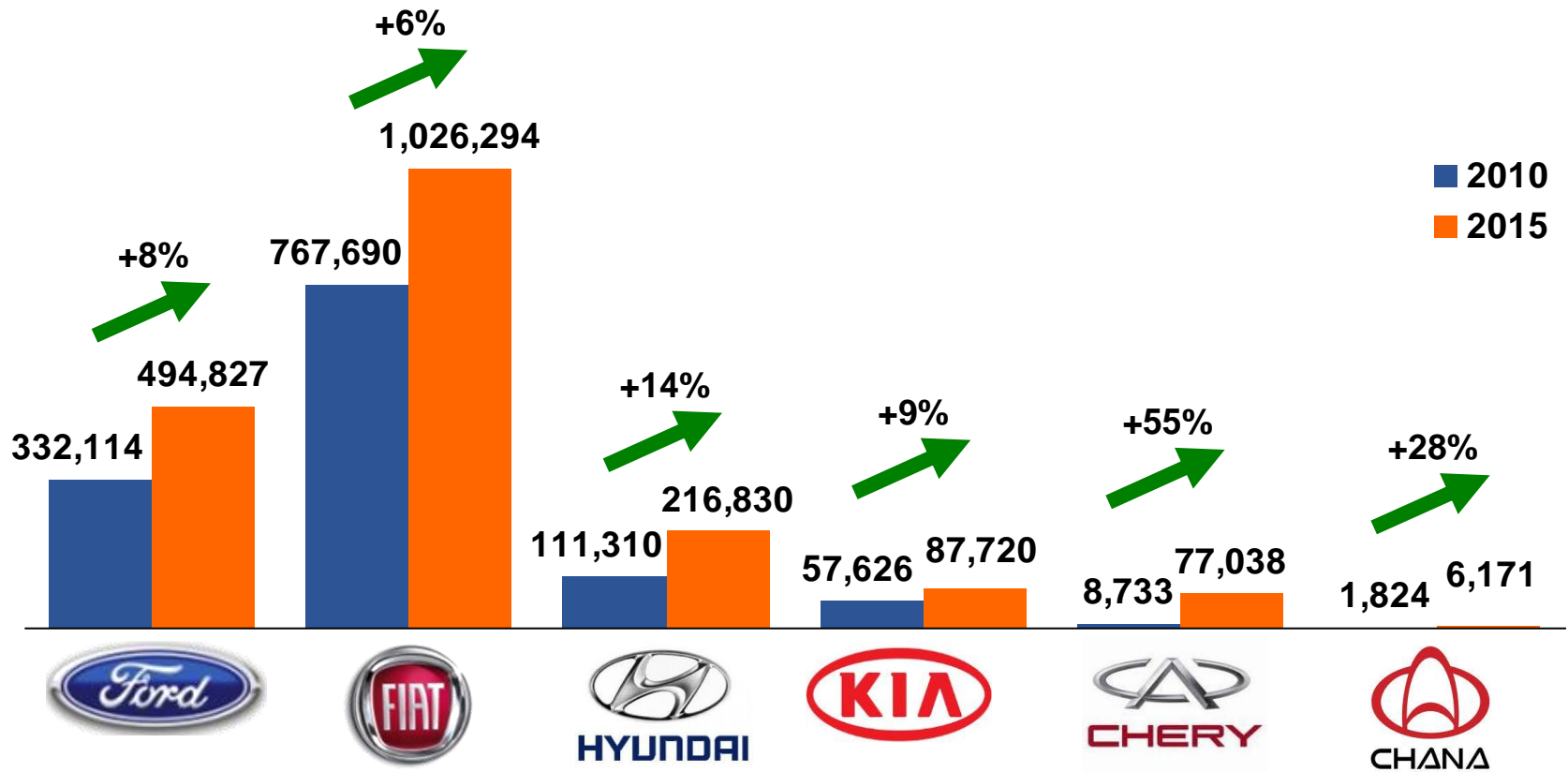
Brazil Light Vehicle Sales by Brand

The Brazilian market was closed to imports until 1991, allowing local producers VW, Fiat, GM, and Ford to secure market share



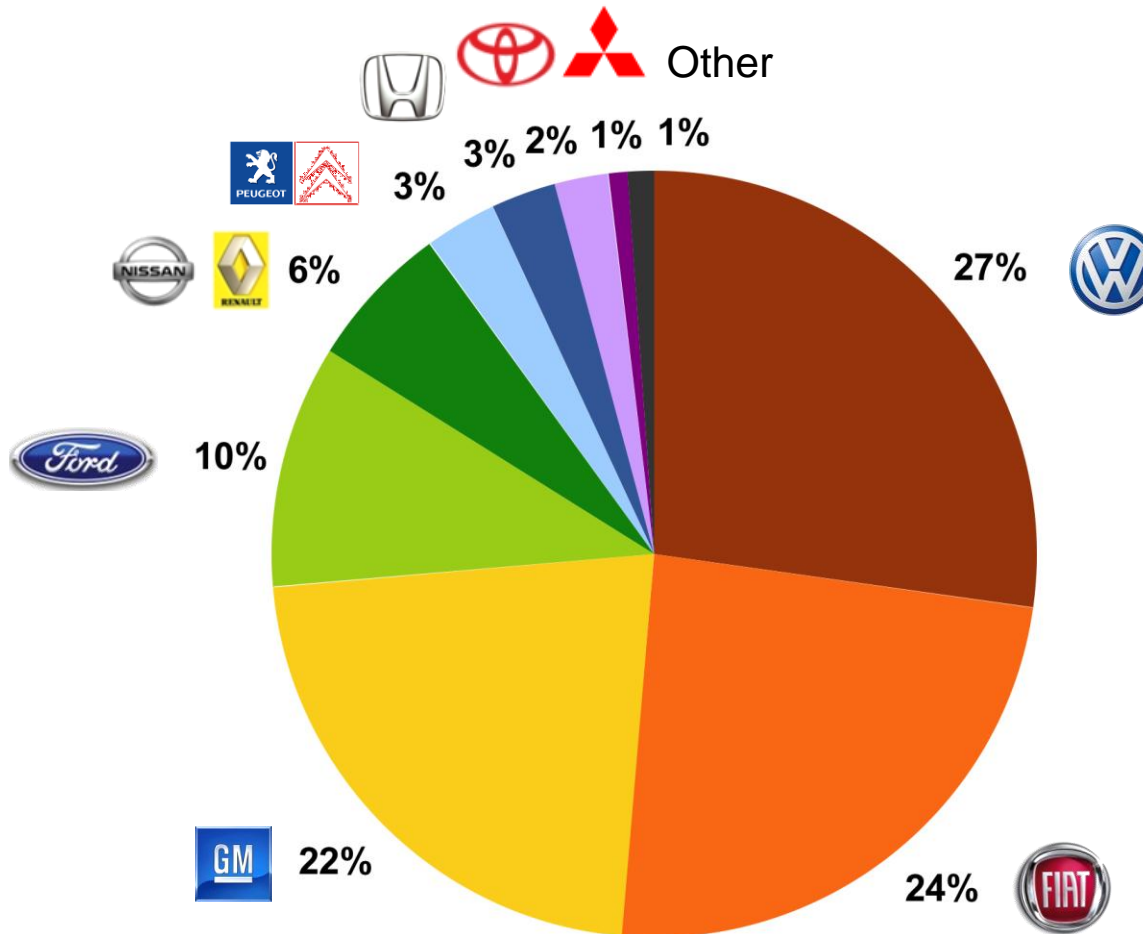
New Entrants Expected to Grow

Korean and Chinese OEMs are growing in popularity as people get to know their brands



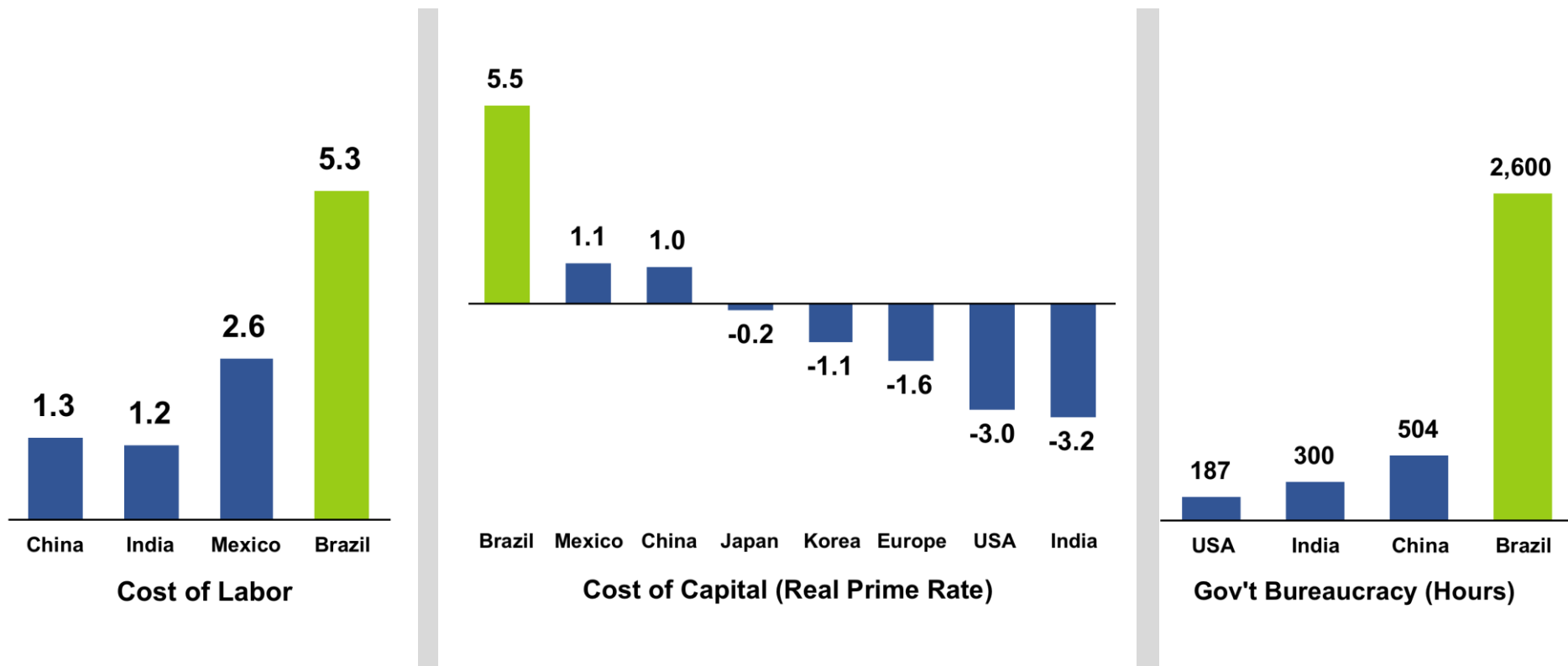
Brazil Light Vehicle Production by Brand

VW, Fiat and GM account for over 70% of production



Custo Brasil

According to a study recently published by ANFAVEA, the cost of automotive manufacturing in Brazil is up to 60% higher than in competitive markets



Brazil Vehicle Production Facilities

Despite the Custo Brasil, automotive manufacturers continue to invest in Brazil



Conclusion

- South America is a real opportunity for the automotive industry
- This is especially true when you compare growth forecasts for South America and mature markets
- Brazil drives region and was the 4th largest market in the world in 2010
- Growth from small cars—emerging middle class buying new cars for the first time
- Economic conditions and unique business realities must be addressed

Contact Information

Jon Sederstrom

Brazil Country Manager

+ 55 (11) 3039-9777

jon.sederstrom@jdpa.com

