



BRIC growth is only half the story

Automotive brands pinning hopes for growth on the four BRIC economies that were, once, among the fastest-developing in the world need to think again.

For years economists have been talking about Brazil, Russia, India and China as the BRIC countries, a collective of the fastest-growing economies in the world. London-based economist Jim O'Neill is credited with coining the term while working for Goldman Sachs (he is now a UK government minister) in 2001. Today, a Google search of the term in English returns 16.1 million entries. However, Ronan Noizet, a senior analyst in Paris for automotive industry market research group IHS, says he has come to the conclusion that it now makes no sense to talk about the BRIC countries. "At least for automotive," he says, "BRIC does not exist any more."

His organisation's current prediction is for 15% growth in the global automotive market over the next five years, which means car manufacturers will add 11.5 million units, giving a global total of just over 100 million cars coming off assembly lines per year. He believes the Chinese market will keep growing, but that sales of cars in Brazil and Russia will decrease during this year and in 2017, with slight growth, perhaps 2%, in Brazil in 2018. But this year, 2016, will be the third consecutive year of decline in the Brazilian automotive market, according to IHS projections. Sales there fell by 6% in 2014 and by as much as 25% in 2015. And from a market of 3.5 million vehicles in 2013, it will fall to nearer 2 million this year.

By 2020, the three large, mature automotive markets of the US, the European Union and Japan and South Korea will contribute 2.1 million of the 11.5 million additional cars made and sold, whereas China's contribution will be 6.1 million vehicles per year and India's, together with the south-east Asian markets, will be 3.3 million extra cars per year.

China's total market size in 2015 was almost 24 million vehicles, Mr Noizet says, substantially larger than that of the US (close to 17.5 million last year). It's interesting to note, though, that while US sales were shared by 50 different car brands or original equipment manufacturers (OEMs), China's sales were shared by three times that figure, 150 different brands. "You can see from this that China is a fragmented market, and we expect consolidation there," he explains, "and not only for brands, but for suppliers as well."

Specific to India, he says there is great potential in this "very interesting market" in terms of growth in the number of units sold, but he warns that the margins OEMs can make there may

be lower. Still, he predicts average "very strong" annual growth in volume of 7% to reach a total sales figure of 6 million vehicles per year by 2020.

Europe's situation is that, since the start of the economic crisis in 2008, the automotive industry has been driven by exports, but as western Europe's economies recover the potential for growth is good. Innovation has continued and it means there are good new products coming onto the market and more and more European consumers are going to be in a position to invest in them. Some export markets, and here he mentions Russia again, have become difficult; European Union OEMs were only able to export 200,000 vehicles to the Russian market in 2015, a reduction of 50% compared to peak figures. IHS only expects a recovery in the Russian market to start in mid-2017.

For the European market as a whole, demand is likely to level out from 2017 onwards, according to Ronan Noizet, with exports of European-made cars to other markets representing the greatest hope for growth. Production in Europe will reach a ceiling of 21 million units per year by 2020, he says. "We have an ageing population," he explains. "We have a young generation for whom car-ownership is a thing of the past. There is a lot of car-sharing now."

Of great interest to tanners, when IHS examines production and sales of cars, it includes analysis of the materials used to cover seats, dividing this aspect of the market into two categories: textile and non-textile (although it's slightly confusing that 'non-textile' encompasses both leather and plastic). Figures for the period spanning the years 2013-2017 indicate that vehicles with non-textile seat covers are only 18% of the market in Europe, but have exactly double that share, 36%, in North America. Meanwhile, in China, the figure for non-textile is 45%. Premium brands use more non-textile, therefore although tanners still have to work to convince OEMs that leather is better than plastic in car interiors, continued growth of the market in China and India (half of the BRICs, at least) and the ongoing advance of premium vehicles are two pieces of good news. ☺

The new BMW X1 with a long-wheelbase for the Chinese market. Growth of premium brands and growth of the automotive market in China in general is good news for tanners. CREDIT: BMW

