

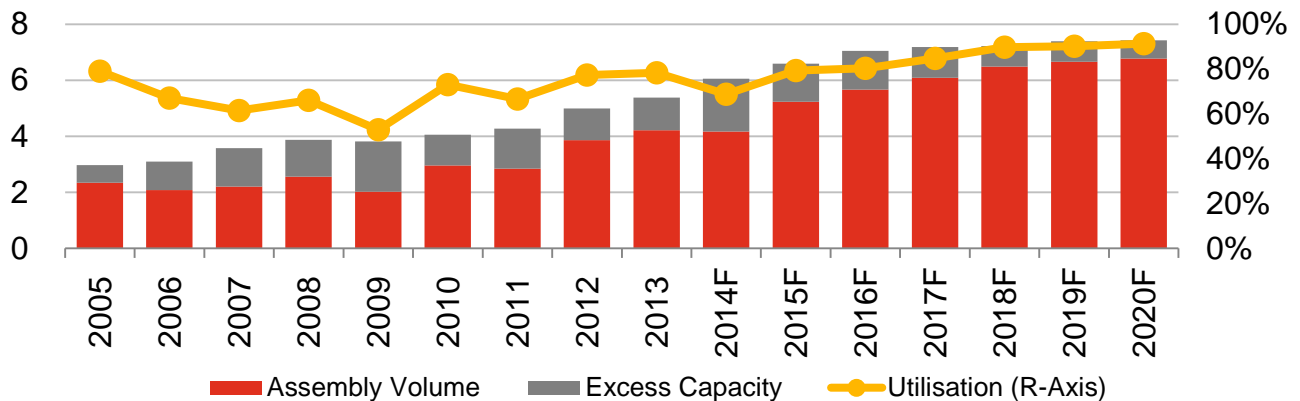
## Strong growth gets stronger

### ASEAN's auto industry possesses huge potential

ASEAN's automotive industry has been growing strongly for the last several years to supply both domestic and export markets. Recent government incentives for small and fuel efficient cars has stimulated the industry and further growth is expected after its economies are integrated in 2015.

#### ASEAN: Light Vehicle Assembly

2005 – 2020 (millions)



Source: Autofacts 2014 Q4 Data Release

#### What is ASEAN?

The Association of South-East Asian Nations (ASEAN) includes 10 countries: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. In 2015 the ASEAN Economic Community (AEC) will be formed to create an integrated economy of \$2.4 trillion (GDP) with about 600 million people. According to Oxford Economics total GDP is expected to grow to \$3.1 trillion by 2020.

#### Automotive industry in ASEAN

Having survived economic and political turmoil and natural disasters, the automotive industry in ASEAN has shown remarkable growth in the last two decades. Total light vehicle assembly volumes grew from a mere 634k in 1990 to 4.2m in 2014; Autofacts expects total light vehicle assembly to reach 6.8m in 2020.

Led by Thailand, often referred as the “Detroit of the East,” total light vehicle assembly volumes in 2020 and light vehicle assembly volume growth between 2013 and 2020 is expected to exceed those of MERCOUR which includes Brazil, Argentina, Uruguay, and Venezuela. In 2020, Thailand, Indonesia, and Malaysia are expected to contribute to 96% of the total outputs in ASEAN. Currently Japanese automakers dominate in ASEAN, Autofacts forecasts that other major global automakers will make inroads to ASEAN to capitalize on the huge market potential and contribute to the assembly growth. While the body-on-frame mid-size pickup continues to be a key product, low cost, small, and fuel efficient passenger cars are adding another pillar for growth going forward as governments are trying to stimulate the market and reduce emissions.

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## A traditional pillar: Mid-size pickup

Rugged and versatile body-on-frame mid-size pickups have been very popular in ASEAN and other emerging markets around the globe, due to their ability to carry large amounts of cargo and drive on rough terrains. Although there are some assembly volumes in other ASEAN countries, automakers have consolidated their mid-size pickup assembly in Thailand, which is the largest pickup market in ASEAN.

Global assembly volumes of mid-size pickups are expected to increase from 2.8m units in 2013 to 3.2m units in 2020. Currently Thailand accounts for over 40% of mid-size pickup assembly. Although assembly volumes in Thailand declined in 2014 due to political turmoil and shifting consumer's preference to small cars, assembly volumes are still expected to grow in the future.

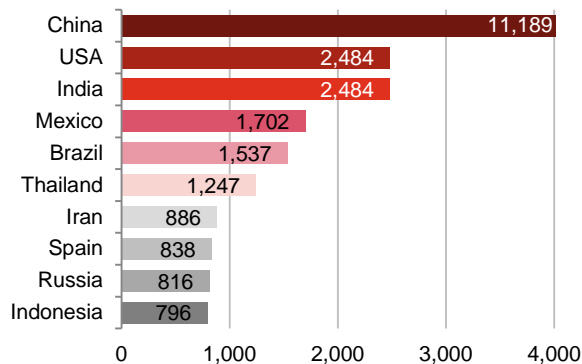
In 2020, Thailand alone is expected to produce over 1.3m mid-size pickups. Thailand will continue its global dominance in mid-size pickup production as it remains a favourable hub for both domestic sales consumption as well as a convenient export hub to over 100 countries globally. This segment is expected to remain crowded, with the potential for new entrants to disrupt the current market share, particularly entry level penetration.

## A new pillar: Small car

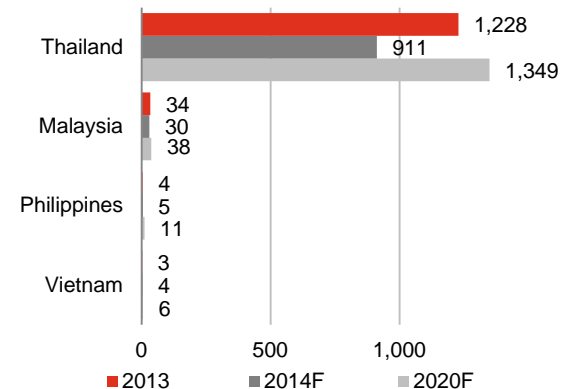
Thai and Indonesian governments recently started offering significant tax incentives for the manufacturing and purchasing of affordable, small and fuel efficient passenger cars to stimulate and further strengthen the auto industry: the Eco Car program in Thailand and the Low Cost Green Car (LCGC) program in Indonesia. Both programs require a vehicle to meet certain criteria, such as engine displacement, fuel efficiency, minimum assembly volumes, etc., to qualify for the incentives. The first Eco Car in Thailand went on sale in 2010 and the first LCGC car in Indonesia was introduced in 2014.

To qualify as an Eco Car in Thailand, the minimum assembly volume requirement is set at 100k units per year within 5 years after its introduction; thus, in addition to the domestic market, automakers have been targeting export markets, including mature markets such as Australia, the EU, Japan, and the USA. As a result, growth of passenger car assembly volumes outpaces other segments in Thailand and Indonesia. The small car segment is expected to grow further with Phase 2 of the Thai Eco Car Program due to growing demand and new entrants into the segment. For additional information on PwC's automotive capabilities, including expertise and experience in ASEAN, please visit [pwc.com/auto](http://pwc.com/auto).

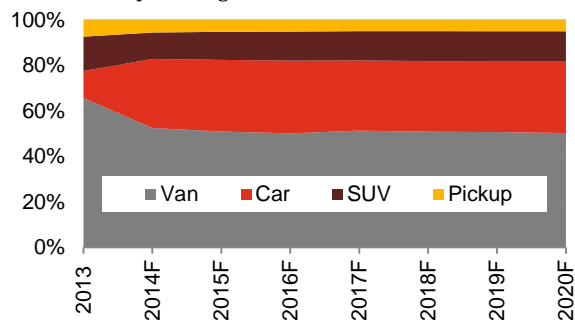
**Top 10 Volume Growth Markets**  
2013 vs. 2020 (thousands)



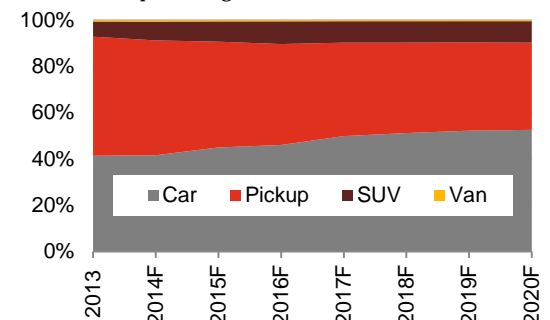
**ASEAN: Mid-size Pickup Assembly**  
2013, 2014, 2020 (thousands)



**Indonesia: Assembly by Body Type**  
2013– 2020 (percentage)



**Thailand: Assembly by Body Type**  
2013– 2020 (percentage)



Source: Autofacts 2014 Q4 Data Release