

Automobile Market Outlook

Chile

2011
Economic Analysis

- **Sales of new-vehicles will increase by 12.8% in 2011** with respect to 2010, and hit a new record of around 327,000 units.
- **Chevrolet and Hyundai continue to be the market leaders, but the gap is narrowing.** Except for Nissan, the Japanese carmakers are losing ground. This is because of the effect of the earthquake on the supply chain, together with the appreciation of the yen. In contrast, European makes are gaining market share.
- **Credit conditions in the automobile market have been favorable in 2011** and will continue to be so in 2012, according to our interest rates and real exchange rate baseline scenario.
- **In 2012, less favorable economic conditions and a higher base of comparison will lead to a slowdown in vehicle sales to 337,000 units.**

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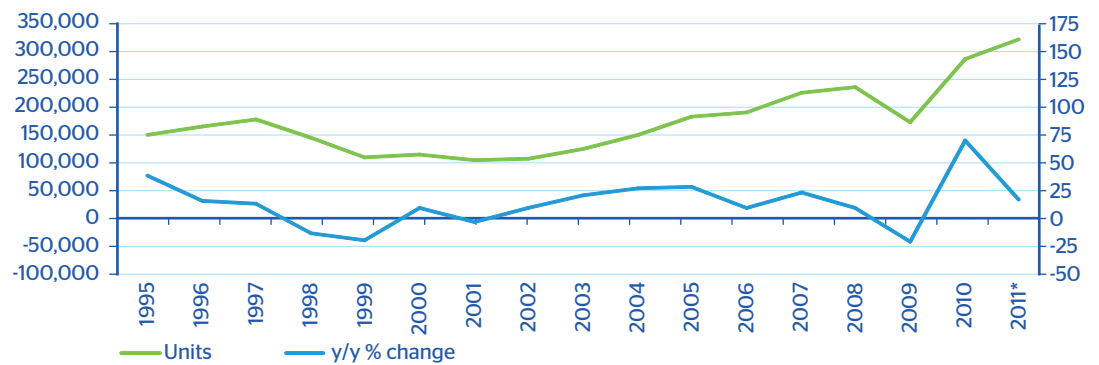
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Closing date: 7 December 2011

1. New-vehicle sales at a record level

The Chilean economy was notably strong in 2011. With information to October, GDP grew at an average rate of 6.7%. One of strongest components of consumption has been car sales. Sales of new vehicles reached 303,000 units to November 2011, above the record sales figure for a whole year (290,264 in 2010). The estimate for the end of the year is around 327,000 units, up 12.8% on the number of cars sold last year (Chart 1) and above our December 2010 forecast of 312,000 units.

Chart 1
Sales of new cars (units, % y/y)



(*) BBVA Research forecast
Source: ANAC (Chilean National Automobile Association) and BBVA Research

Makes and models

In the Automobile Outlook 2010 we highlighted the fact that Japanese makes were losing their market share in the Chilean automobile market. Table 1 and Chart 2 show that this trend has continued in 2011. This is partly due to the movement of the yen, which has gained value against the dollar (9% on average so far in 2011 with respect to its average in 2010), but also as a result of the disruption in supply chain resulting from the earthquake early in the year. Of the 10 biggest makes, only Ford and Peugeot have increased their market share. In both cases, this has been influenced by a relatively more favorable exchange rate, particularly in the case of Peugeot - the euro lost 5.5% in the period under consideration - and by the fact that their supply chains were less exposed to the Japanese earthquake.

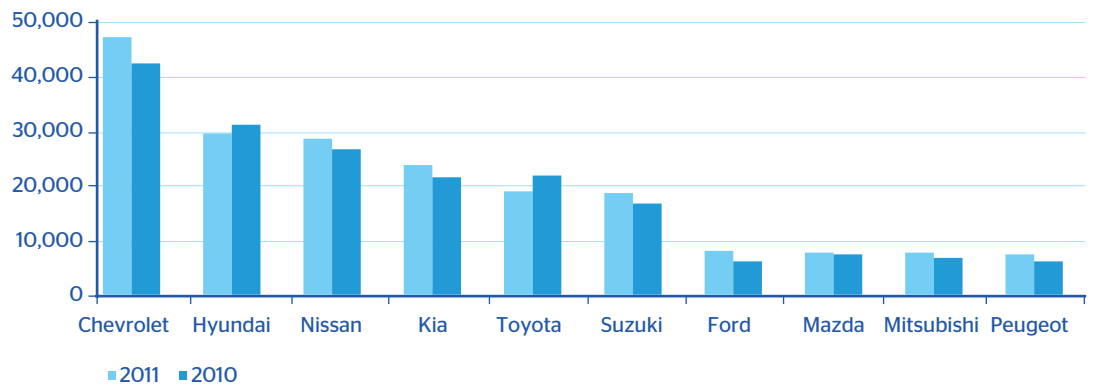
Table 1
Market share of the main makes

2011 Ranking	Manufacturer	2008 sales	2009 sales	2010 sales	Sales to Oct 2011
1	Chevrolet	16.9	17.3	17.2	17.0
2	Hyundai	12.0	14.6	12.6	10.6
3	Nissan	8.3	8.9	10.8	10.4
4	Kia	7.0	9.3	8.8	8.6
5	Toyota	11.5	7.7	8.9	6.8
6	Suzuki	8.6	6.9	6.7	6.7
7	Ford	2.8	3.0	2.5	2.9
8	Mazda	3.9	3.2	3.0	2.8
9	Mitsubishi	3.1	3.2	2.7	2.7
10	Peugeot	3.8	2.4	2.4	2.7
11	Other	22.1	23.5	24.4	28.8

Source: CAVEM (Chilean National Chamber of Automobile Sellers)

Chart 2

New-vehicle sales (units per make)



Source: National Customs Service and BBVA Research

Among the ten best-selling models in the first half of 2011 are Tiida (Nissan), Spark (Chevrolet) and Accent (Hyundai) in passenger vehicles; Santa Fe and Tucson (Hyundai) and Trail (Nissan) in SUVs; and Terrano PickUp (Nissan), L-200 (Mitsubishi), Hilux (Toyota) and Actyon (Ssang Yong) in commercial vehicles. Once more this year, a common feature of these vehicles is that they are at the lower price end within their segment. Also worth noting is the fact that a Chinese vehicle (Great Wall Haval) has entered the top 10 SUV ranking.

Table 2

Sales ranking by vehicle model (units)

2011 Ranking*	Passenger vehicles	Units	Jeeps and off-road vehicles	Units	Commercial	Units
1	Nissan Tiida	6,545	Hyundai Santa Fe	2,010	Nissan terrano	3,997
2	Chevrolet Spark	6,062	Hyundai New Tucson	1,974	Mitsubishi L-200	2,783
3	Hyundai Accent	4,674	Nissan X Trail	1,741	Toyota Hilux	2,321
4	Kia Rio	4,141	Toyota RAV 4	1,700	Ssang Yong Actyon	2,266
5	Chevrolet Spark GT	3,714	Kia Sportage	1,407	Chevrolet D-Max	1,553
6	Renault Samsung SM3	3,628	Suzuki Grand Nomade	1,292	Ford Ranger	1,371
7	Kia Morning	3,401	Chevrolet Captiva	1,262	Mahindra Pik	1,139
8	Suzuki Alto	3,009	Jeep Compass	1,174	Volkswagen Amarok	1,067
9	Chevrolet Aveo	2,808	Great Wall Haval	3,839	Mazda BT-50	712
10	Chevrolet Optra	3,497	Kia Sorento	820	Dodge Ram	595

(*) First half of 2011

Source: CAVEM (Chilean National Chamber of Automobile Sellers)

Second-hand vehicles

In the second-hand vehicle market, according to CAVEM (Chilean National Chamber of Automobile Sellers) figures and transactions entered in the National Civil Registration and Identification Service, a total of 583,421 units were sold through October this year, 97% of the total sales for 2010 (Table 3). Although total sales for 2011 will clearly be higher than that for last year, second-hand vehicles market is losing ground in favor of sales of new vehicles, as usually happens in favorable cyclical situations.

Table 3

Second-hand vehicle sales (units)

	2010	January-October 2011
Cars	341,220	326,234
Minivans	120,764	126,234
Vans	37,036	27,533
SUVs	17,404	15,536
S. wagons	83,594	87,884
Total	600,018	583,421

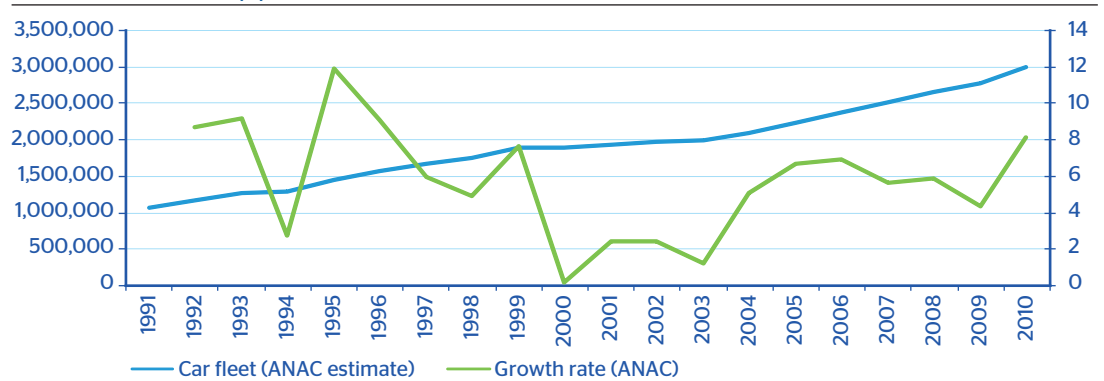
Source: CAVEM (Chilean National Chamber of Automobile Sellers)

The vehicle fleet

The number of motor vehicles reached 3,229,446 units at the end of 2010, according to the 2010 Vehicle Fleet Report by the National Statistics Institute (INE). On the other hand, ANAC (Chilean National Automobile Association) estimates the number of private vehicles for the same year at 2,998,996 (Chart 3). Given dynamic sales in 2010, the number of private vehicles grew by 8.1%, a similar rate of growth to the average recorded in the 1990s.

Chart 3

Vehicle fleet (units, % y/y)

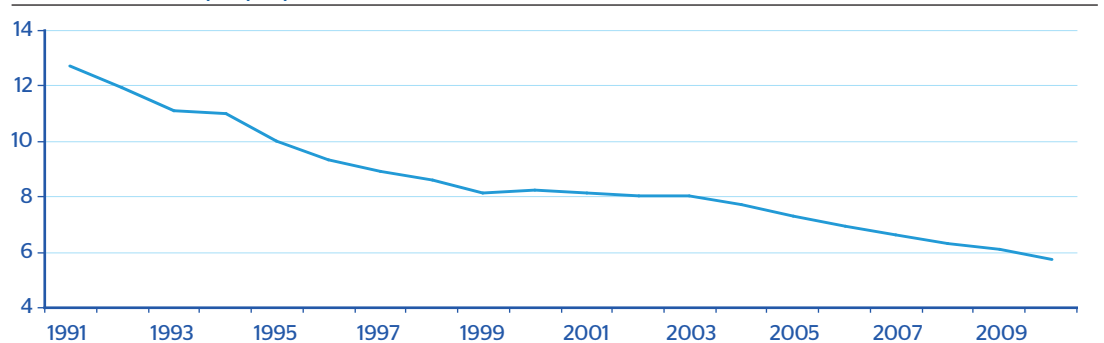


Source: ANAC (Chilean National Automobile Association)

In terms of the rate of motorization from the point of view of people per car, the Chilean automobile market has continued to mature. In 2010 there were 5.7 people per car, with the indicator falling by half over the last decade (Chart 4). However, comparing this indicator with that of developed countries, and even leading countries in automobile terms in the region such as Argentina and Mexico (see South America Automobile Outlook 2010), there is clearly still room for growth in the automobile fleet far above the rate of population growth.

Chart 4

Motorization rate (people per car)

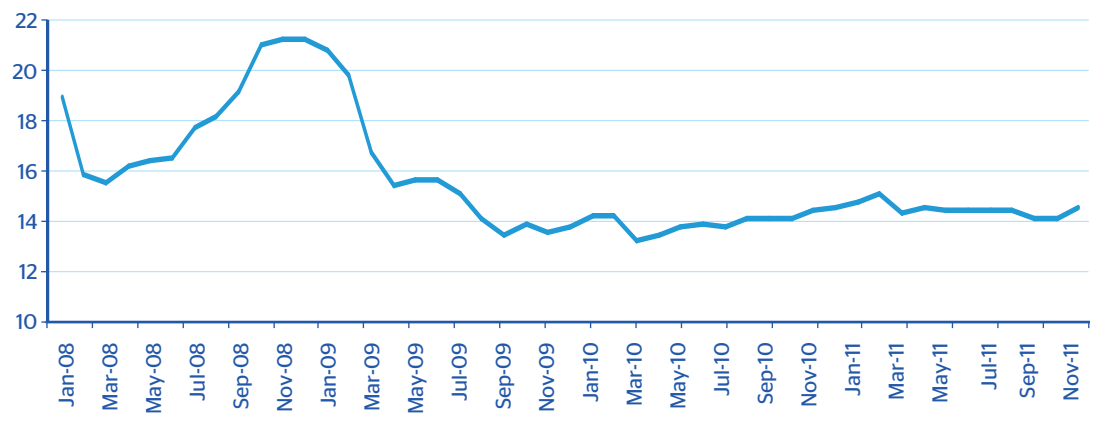


Source: INE (National Statistics Institute)

2. Vehicle financing

The prevailing credit conditions in 2011 have been essentially favorable. Chart 5 shows the evolution of interest rates for consumer loans for amounts between USD9,000 to USD220,000 and term exceeding 90 days¹. As can be seen, despite the normalization of monetary policy, which led to an increase in the reference rate from 0.5% in May 2010 to 5.25% in June 2011, the rates for medium- and long-term consumer financing have remained at historically low levels.

Chart 5
Average nominal interest rates on consumer loans (%)



Source: Banking and Financial Institutions Superintendency

We expect the monetary policy rate to fall to 4.75% in the first quarter of 2012. Given this scenario, we consider that there will be no significant increases in bank funding rates or in car loans rates. However, operators in the automobile market and our own econometric analyses agree that the most relevant financial variable for car sales is the real exchange rate, which will remain close to its current level in 2012.

3. New-vehicle sales forecast

As explained in the first section, 2011 will close with new vehicle sales at around 327,000 units. Sales in 2012 will once more be at an all-time high, at around 337,000 units (Chart 6). However, in percentage terms growth will slow substantially from this year's 12.8% to 2.8%. It is worth noting that this increase will be lower than that expected 4.5% increase in GDP, and less than half the 6.1% growth forecast for domestic demand. The main factors behind this slowdown will be moderation in the growth of economic activity, and in particular the expected appreciation of the real exchange rate².

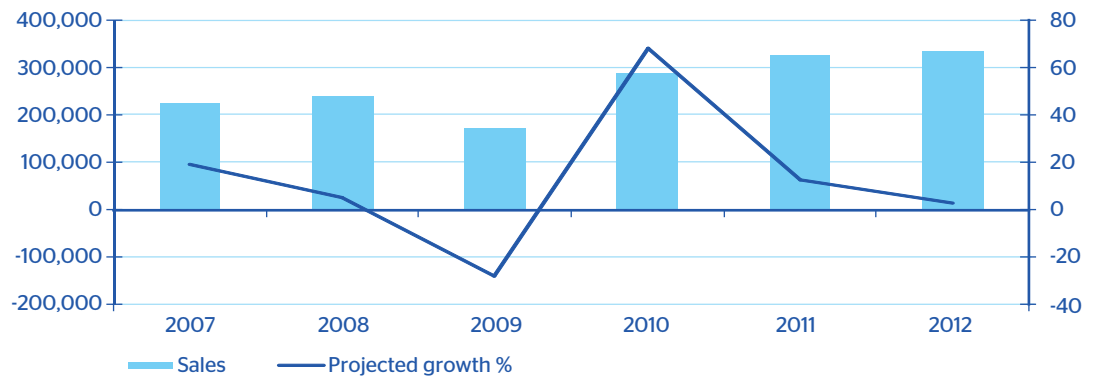
With this growth, the car fleet will amount to around 3,248,000 units at the end of 2012, and the number of people per car will fall to 5.3.

1: It is important to note that these rates are used as a reference because only partial information on bank loans in the automobile sector is available. In this sense, what we want to highlight is the evolution of these rates over time, so this proxy appears reasonable.

2: The model used to calculate the monthly sales of new vehicles has the following explanatory variables: the real exchange rate; GDP growth; the real interest rate for loans of between 1 and 3 years; and the Consumer Perception Index (IPEC).

Chart 6

Sales of new cars (units, % y/y)



Source: BBVA Research

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