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Strong Chinese demand to pull global car market: Moody's

PARIS, FRANCE: Global car sales will grow by 4.8% next year pulled by unexpectedly strong demand in China, the credit rating agency Moody's forecast on Wednesday (4 September).

In a report, Moody's also upgraded its estimate for growth of the world car market this year to 3.2%.

The agency said that the Chinese car market was growing faster than gross domestic product in this Asian economy.

Consequently it was revising its estimate for the growth of Chinese demand for cars to 10.0% from an estimate in January of 7.0%, for both this year and next.

Moody's held to its forecast that the car market in Europe would contract by 5.0% this year from the 2012 level.

The agency said that in 2014 the European market would grow by 3.0%, lower than a previous estimate of 5.0% growth next year.

Another study by auditing and consultancy group PwC in August said that the global car market would expand in the next few years, mainly because of growth in demand from China where sales were expected to double by 2019.

Moody's said that the outlook for demand for new cars in Brazil was clouded by increased interest rates, high inflation and growing household debt.

It said that there were also risks for the future demand in Russia.

"European suppliers of new equipment to the car industry depended on these markets to limit losses in western Europe where weak demand and over-capacity would continue to weigh on the margins of French manufacturers Peugeot Citroen, and on Fiat of Italy," Moody's said.

The margins of German suppliers for the manufacture of new cars would continue to fall but margins for Japanese car manufacturers would be boosted by the fall of the yen.

"Manufacturers in the United States should be able to maintain their margins in the next 12 to 18 months, but these could be slightly compressed by increased competition and by a slowing of growth of the US economy," Moody's said.

Source: AFP via I-Net Bridge