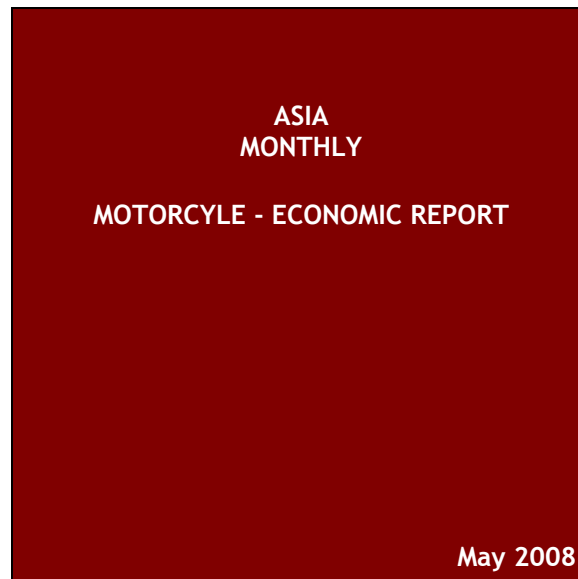




Segment Y
Automotive Intelligence Pvt Ltd



APRIL - HIGHLIGHTS

- Across Asia consumer spending has been reduced due to high inflation caused by increased food prices and elevated fuel cost.
- The degree to which countries are affected and how long they will endure this varies considerably. Vietnam is likely to suffer most, followed by Australia. India is likely to wither the storm best.
- One of the first sales which suffer from this are replacement-items such as tyres, especially at the lower end.
- Various motorcycle manufacturers have increased prices to compensate for higher input costs such as fuel and raw materials.
- High inflation, higher borrowing costs and higher retail prices will reduce motorcycle sales in the short term.



ASIA

ECONOMIC TRENDS

- Across Asia, economic growth is slowing down with inflation, a global phenomenon this year, also being the largest threat to the prosperity of the Asian economies.
- In Asia inflation is most visible in the increase of food prices. Already the prices for Asia's staple food, rice, are up between 20 and 45 percent and, in the foreseeable future, food prices are expected to remain under continued pressure.
- With the industrialisation and urbanisation across Asia, the total amount of agricultural land decreases. In Vietnam, China, Indonesia, Thailand and the Philippines this is often productive, irrigated rice land. Some of this land is completely taken out of production as it becomes residential, while other areas remain productive by becoming industrial areas.
- Due to this development, Vietnam, the world's second largest rice exporter, is expected to become a rice importer within the next five years. Similarly, Australia, which usually ranks second after the United States as a global wheat exporter has, after years of drought, cut wheat exports by 50% and may have to continue doing so in the coming years as farming communities are under such financial stress new investments are not viable. These developments can threaten food security across Asia in the medium term.
- Higher food prices will have an immediate effect on consumer spending in Asian countries where 30 to 60 percent of income is spend on food. It is estimated that already one billion people across Asia are seriously affected by that the surging costs of daily staples.
- Besides food, across Asia fuel prices are or will be increasing in the near future. In the immediate and short term this is reflected in higher transport and production cost. In the long term it may affect globalisation in general.
- OPEC, Goldman Sachs and several (development) banks predict oil prices will hit US\$ 200 to US\$ 250 by 2010. At such levels, energy and transport cost may replace labour costs as the chief factor to determine where companies base production capabilities. Instead of globalisation, this can lead to regionalisation which will drastically change Asia's role in the world.
- In the short term, Asian consumers in the lower segments are expected to postpone many purchases, most likely also the replacement of tyres and new motorcycles.
- Conversely, in the short and medium term the upper segments of the Asian population are benefiting of the above and their purchasing power is increasing constantly. In fact this group is willing to spend on anything that emphasizes their financial success.
- As especially the spending capabilities of the lower and lower-middle population segments will be reduced, there is a strong case to target the higher-end of the markets as these are likely to be least affected.



INDIA

ECONOMIC TRENDS

- Of all countries in Asia, India, with an expected economic growth of around 8% to 8.5% this year, appears to be in the best position.
- The forecasted growth is slightly lower than last year's 8.7% and impressive considering the global slow-down.
- The main reason for a somewhat lower growth compared to last year is reduced consumer spending due to higher interest rates. Borrowing costs, at nearly six-year highs are discouraging consumers to borrow and spend.
- Although at 7.57% India's annual inflation rate is at its highest in more than three years, the government has announced fiscal and monetary steps to moderate it in the coming few weeks.
- One of the attempts the government makes is to agree with manufacturers to hold prices for a couple of months. This is a precarious strategy, because with the current higher fuel and commodity costs, producers are already facing higher input costs and they compensate for this out of their own pocket only for a limited period.
- Even though industrial output grew with just 3% in March, the slowest since 2002, Indian industries are not worried and continue to make investments which in turn are expected to improve consumption in the medium term.
- Also the agricultural sector is expected to perform well too.
- Partially, the expectation of growth is underpinned by the depreciating Indian rupee which fell this month to a 13-month low. A falling rupee makes imports costlier which, among other things, will be reflected in higher fuel prices. On the other hand, a cheaper rupee can stimulate exports.
- Furthermore, companies hope the government and the Reserve Bank of India will lower interest rates to help boost demand and growth.
- In the short term consumer spending will be cautious but it is expected to pick up rather quickly. A good harvest will stimulate consumer spending in rural areas which represents the largest consumer segment in India.

MOTOR CYCLE TRENDS

1. Two-wheeler makers hike prices
2. Manufacturers readying alternative fuel bikes
3. Yamaha to launch YZF-R15 in India



4. Bajaj targets 600,000 units from Pantnagar this fiscal
5. Ducati arrives in India
6. Yamaha launches Alba 106
7. MRF to invest in new plant
8. Apollo Tyres expands capacity
9. Tyre manufacturers feel the pinch

1. Two-wheelers set to cost more

Barely a month after slashing prices across the range - as a result of the tax incentives announced in the latest Union budget - Indian two-wheeler manufacturers have opted for an upward revision of the pricelists. Blaming higher input costs for essential materials such as steel, aluminium, nickel and rubber, the country's top bike brands - Hero Honda, Bajaj Auto and TVS - have hiked the prices of their model ranges by INR 200-1,000 (€3 to €16).

2. LPG, CNG bikes to hit the market soon

It seems that the application of alternative fuel technology will not be restricted to passenger cars and commercial vehicles alone, with Indian motorcycle makers preparing to launch bikes that run on LPG (liquefied petroleum gas) and CNG (compressed natural gas). While Bajaj Auto has been running tests on an LPG variant of its 100-cc Platina in towns such as Sangli and Ahmedabad, TVS is working on both LPG and CNG-compatible vehicles. It is expected that these alternative fuel bikes will be priced higher than their petrol-only counterparts - by as much as INR 8,000-9,000 (€127-143) - due to the cost of various modifications required.

3. Yamaha YZF-R15 headed for India

After launching the large-capacity YZF-R1 and MT-01 motorcycles in India, Yamaha is getting ready to bring in another high-performance bike, though at a much lower price point. The YZF-R15, which is the smallest member of the YZF-R series of performance-oriented bikes, may be launched in India as early as June 2008. Expected to pump out 20-22 PS, it is expected to rewrite the rules of the 150-cc class of four-stroke singles. Featuring fuel injection, a Deltabox frame for added stiffness and Yamaha's patented DiASil (Die-casting Aluminum-Silicon) cylinder technology, the YZF-R15 is expected to command a price premium over existing 150s, at around INR 80,000-85,000 (€1,272-1,351).



Yamaha YZF-R15 to shake up 150cc segment

4. Bajaj reveals 600,000 unit production target for Pantnagar plant

Bajaj Auto has announced that it is looking at a production figure approaching the 600,000 unit mark this fiscal for its one-year old plant in Pantnagar, in the state of Uttarkhand. Vendors have expressed concern at Bajaj's plummeting sales figures, though the company insists that it is confident about its projected numbers - stating that even if domestic sales are stagnant, exports are picking up. The



Pantnagar plant, which has an installed capacity of a million units (expandable to three million), currently assembles the Platina and XCD motorcycles.

5. **Ducati launches range in India**

On May 7th, Italian motorcycle manufacturer Ducati launched its range of sports bikes in India. Priced between INR 2.072-4.803 million (€33,046-76,602), the bikes come with engine capacities ranging from 848cc to 1198cc. The cheapest model, the Hypermotard 1100S, starts at INR 2.072 million (€33,046). Sitting above that is the 848, which has been priced at INR 2.177 million (€34,720). It is a junior superbike based on the 1098 mould, but with a smaller capacity engine, lower weight and a narrower rear tyre. The Ducati Monster S4RS Testastretta, which comes in at INR 2.263 million (€36,092), adheres to the classic naked sports bike tradition started by the original Monster. The 1098, which has been priced at INR 2.561 million (€40,845), is the first model in Ducati's flagship superbike range, which replaces the 999 series. Sitting on top of that range is the 1098R, which features a 1198cc twin developing 180PS, making it the most powerful twin-cylinder motorcycle in the world. The 1098R, which features patented technology such as Ducati Traction Control (DTC) and Ducati Data Analyser (DDA), has been priced at INR 4.803 million (€76,602).



Ducati's flagship 1098R

6. **Yamaha India introduces new Alba 106**

On May 6th, Yamaha launched the new Alba 106 in India. Essentially an upgraded version of the older Alba, the new variant features cosmetic changes to the front cowling, headlight and indicator design, instrumentation, decals and tail light design. According to the company, special emphasis has been laid on shaping the bike in tune with its role of daily commuting. The Alba 106 has been priced at INR 37,500 (€598).

7. **MRF to set up new radial tyre facility**

India's leading tyre manufacturer, MRF, has announced plans to invest INR 900 million (€14.35 million) in a new facility to produce radial tyres. The plant, which will have a total capacity of 700,000 radial tyres per annum, will be located in Perambalur, in the southern state of Tamil Nadu. MRF already has two production facilities in the state - at Tiruvattiyur and Arakonam.

8. **Apollo Tyres expands capacity**

Apollo Tyres Ltd, the Indian tyre-maker partly owned by Michelin & Cie, will spend US\$237 million this year to raise capacity, as the country's surging auto sales boost demand for replacement tyres. Apollo Tyres will expand capacity by 10% from the current 850 tons a day. 78% of Apollo's sales come from replacing worn-out tyres. Expansion will include adding production in factories in the western state of Gujarat and the southern state of Kerala. The company is also setting up a new tyre plant in Hungary and another in Chennai. Apollo does currently not produce tyres for two-wheelers.



9 Tyre manufacturers feel the pinch

Tyres manufacturers have reported a slight demand slowdown in the replacement market of tyres. In particular the spending on commercial vehicle tyres, especially radial tyres, reduced on the back of higher interest rates.

THAILAND

ECONOMIC TRENDS

- With 6% economic growth during the first quarter of 2008, Thailand reported its strongest growth in two years.
- The positive result is credited to governmental interventions which encouraged consumption and investment to make up with the lower export growth due to the slow-down of global trade.
- Governmental measures included an 'economic stimulus package' which offers funds for villages and tax reductions.
- While these measures are intended to stimulate consumer spending, they may not as consumer confidence in Thailand is low. Nearly 90% are concerned about increasing food and fuel prices and more than 50% of Thai people fear another coup in the coming six months.
- However, contrary to consumers' sentiment, inflation in Thailand is managed carefully resulting in relatively modest increases of food and fuel prices. In April, Thailand's inflation touched 6.2% which is a two year high but compared to the surrounding countries relatively modest. The projected inflation rate for this year is 5 to 5.5%.
- Nonetheless, 40% of the population, mostly those living in the rural areas, are expected to suffer from lower purchasing power. The government hopes to offset the impact of inflation with high crop prices, fiscal stimulus programmes aimed at the poor and subsidy programmes for household goods.
- In the short term the economic picture does not look bad. It appears the country well-positioned to face to global economic slow-down and may even gain from increasing food prices as Thailand is the world's leading rice exporter. Furthermore, tourism, one of Thailand's main industries, may benefit from the weakening of the US dollar.
- In the short and medium term, Thailand's weakest point is its exposure to increasing fuel prices. To counteract this, the government is preparing tax measures to encourage the use of alternative energy. These measures are unlikely to be in the form of an excise tax reduction for diesel or any sort of subsidies but may include tax reductions for equipment and vehicles that are modified to use natural gas, solar cells and wind energy.
- If the government manages to (re-)gain confidence of investors, its economic prospects for the medium term look sustainable. The government is taking measures in this direction among which the removal of the 30% reserve for foreign investment.
- While in the short term consumer spending is expected to remain low, if the government manages to keep inflation and consumer prices under control and confidence returns, the purchasing power in the medium term is likely to increase to around 4%.



MOTOR CYCLE TRENDS

1. Two-wheeler sales up after year-long lull
2. Kawasaki Kaze ZX130 arrives in Thailand

1. Thai two-wheeler market sees jump in sales

Two-wheeler sales in Thailand are on the rise after a 12-month lull. Total sales went up to 147,104 in February, representing an 8% rise in year-on-year figures. The market is dominated by Honda, which secured 69% of total sales. Category-wise, family-oriented two-wheelers accounted for the majority, at 51%, while vehicles with automatic transmission accounted for 45%. Family-sport models grabbed 3% of the market, while sports bikes and off-road models accounted for 1% each.

2. Kawasaki Kaze ZX130 launched in Thailand



Kawasaki has launched the new ZX130 underbone (locally referred to as 'bebek') in Thailand. The ZX130 features a 130cc, 4-stroke, air-cooled single-cylinder engine with a single overhead camshaft layout. The new underbone comes with ventilated disc brakes up front and the option of electric start. It also features freshly styled body panels, as well as new decals. The ZX130 gets 70/90-sized tyres at the front and slightly wider 80/90 rubber at the rear, both on 17-inch wire spoke rims. The Kaze ZX130 has been priced between 42,200 and 47,500 baht (€867-975).

Kawasaki Kaze ZX130 underbone

MALAYSIA

ECONOMIC TRENDS

- While Malaysia's economy is slowing, it is likely to be able to withstand the uncertain growth in the world economy.
- This year Malaysia has projected an economic growth of 5 to 6%, against an expansion of 6.3% last year.



- In the first quarter economic growth stood at 6%, mainly attributed to continuing progress in both the manufacturing as well as the services sector, and the development of new sectors such as Islamic financial banking and Islamic tourism.
- Malaysia's population is largely protected from high food and fuel costs because the government heavily subsidizes fuel and food. Due to higher oil prices this year's subsidy bill will increase from US\$13.4 billion to US\$15.6 billion of which US\$14 billion will be spend on fuel and gas (which is higher than the government's annual US\$12.5 billion allocation for major development and infrastructure projects).
- With the country's reserve standing at US\$120 billion, its trade credits at US\$50 billion and a budget deficit of around 4%, the country's financial health is such that it can afford this, for now.
- Although Malaysia is able to weather the current global economic slow-down, for the long term Malaysia's prospects look less rosy.
- There are increasing political tensions caused by dissatisfaction of in-country racial biases, growing corruption under Badawi's regime and religious turbulences.
- Also economically Malaysia is becoming less robust. The subsidies for food and fuel are a heavy load and at the same time the country's trade surplus continues to shrink as exports reduce.
- There are indications that Malaysia's economy will decline further in the second-half of the year due to a downturn in the US economy, Malaysia's most important trading partner.
- It is also likely that under pressure of the rise of global prices for agricultural produce food prices will increase more than can be compensated with governmental subsidies.
- Although at the moment Malaysia's annual inflation rate is at 2.7%, low, expectations are that inflation will rise to about 3% during 2008.
- Anger over rising prices was also a major factor in the March elections which saw the ruling coalition lose a third of parliamentary seats and five states in its worst results in half a century. Some predict that the new parliament sworn in on 28th April will not last more than 1 year.
- While consumer spending is currently strong, it is likely to become cautious across all consumer segments on the back of the above mentioned uncertainties.

MOTOR CYCLE TRENDS

1. Yamaha targets 6,000 units of FZ150i in first year
2. Boon Siew introduces Honda Wave 125X
3. BMW Motorrad launches new motorcycles
4. Two-wheelers to cost more
5. Samata sets up motorcycle spare part factory in Johor



1. Yamaha eyes 6,000 units sales target for FZ150i

Hong Leong Yamaha Motor, the Indonesian arm of the Japanese motorcycle giant, has set a first-year sales target of 6,000 units for its recently-introduced FZ150i motorcycle. The FZ150i, which features a fuel-injected 150cc four stroke engine, has been priced at RM7,800 (€1,600).

2. Honda launches new Wave 125X

In the fourth week of March, Boon Siew, the Malaysian arm of motorcycle giant Honda, introduced the Wave 125X underbone in the local market. Powered by the same 125cc, 4-stroke engine developing 10.1PS of power and 1.05kgm of torque that is available on the Wave 125S, the new Wave 125X features some stylistic changes such as a new headlamp design, new body panels, angled handlebars and a raised silencer. The 125X's wheelbase is also more than the Wave 125S's by 4mm. The new Wave 125X has been priced at RM5,198 (€1,067) for the kick-start version.



Boon Siew Honda's new Wave 125X

3. New BMW bikes launched in Malaysia

On March 22nd, BMW's Motorrad division launched four new motorcycles in Malaysia - the K1200GT, G650X Country, R1200GS and R1200GS Adventure. While the K1200GT is a sporty touring bike from BMW's flagship K-series, the G650X Country is a dual-purpose machine, which is tuned for both on and off-road duties. The R1200GS and R1200GS Adventure, on the other hand, are travel enduro bikes built for the long haul.



The pricing for the four new launches are as follows:

- K1200GT - RM127,400 (€26,160)
- G650X Country - RM59,800 (€12,279)
- R1200GS - RM110,650 (€22,721)
- R1200GS Adventure - RM117,800 (€24,189)

BMW R1200GS

4. Bikes, scooters set to cost more

According to the Malaysian Motorcycle Dealers Association, prices of two-wheelers are expected to rise between five and ten per cent - equivalent to around RM 150-200 (€31-41) for the 100-110cc class. The price change, which is expected within a few weeks, will be primarily driven by the cost of raw materials and the production process, the Association added.



5. Samata sets up motorcycle spare part factory in Johor

Samata Industries Sdn Bhd is setting up a RM28 million motorcycle spare parts factory in Pasir Gudang, near Johor in South Malaysia. The factory will cover an area of 0.92 hectares and should be completed by December 2008. Once completed it will be one of the world's largest storage for motorcycle spare parts and will be a supply hub to Malaysia as well as other Asian countries. Sales targets are between RM80 million to RM120 million. Samata has also set up partnerships with several parties in Indonesia and Vietnam to expand the market for its products. At the same time, Samata is also importing motorcycle spare parts from several countries such as Thailand and China.

As part of its strategy, Samata also plans 3,000 motorcycle workshops next year nationwide with the cooperation of the Ministry of Entrepreneur and Cooperative Development.

INDONESIA

ECONOMIC TRENDS

- On the back of the lowest interest rates in three years, Indonesia's economy enjoyed a modest growth of 6% for the sixth quarter in a row.
- Consumption expanded by about 5.5% in the first quarter.
- However, the plans of the government to raise the price of fuel with about 25% to 30% in June and increasing interest rates will reduce consumer spending almost immediately.
- While this will slow the economy in the short term, in the medium term it will improve Indonesia's financial health as it will help to ease its fuel subsidy bill which is estimated to be about 14% of the country's total revenue.
- This will aid to curtail the budget deficit, keep the value of the rupiah and help to contain investor's confidence so that the interest in Indonesian assets remains healthy.
- To cushion the impact, the government plans a US\$ 1.5 billion scheme to compensate about 19 million of the poorest families.
- A side-effect of the increase in fuel prices will be higher inflation, which some expect to reach 12%, but the government maintains that it will manage to keep it at around 6% this year.
- Higher inflation will have a short to medium term negative impact on the economic growth which will negatively affect profit margins and reduce spending power.
- As elsewhere in Asia, further pressure on domestic spending power will come from global higher food prices.
- Nonetheless, confidence appears reasonable with a rise in bank lending of 28% in the first quarter of this year and the industry's loan to deposit ratio stood at 73.7%, the highest level since the Asian financial crisis a decade ago.



- This is likely steer Indonesia's economy away from the worst impact of the global economic slow down and, after an immediate initial reduced in consumer spending, this might contain the impact on consumer purchasing power afterwards.
- With an expected economic growth of 6.2%, in the medium to long term Indonesia's prospects look reasonably stable.

MOTOR CYCLE TRENDS

1. Honda CS1, new Revo arrive in Indonesia
2. Gajah Tunggal seeks to improve sales
3. Indonesian motorcycle production to see substantial rise

1. Astra Honda introduces CS1 and new Revo 2008

On February 29th, Astra Honda Motor, the Indonesian division of the Japanese motorcycle and car major, launched the new Revo 2008 underbone in the country. The original Revo, which was launched in April 2007 became the best-selling two-wheeler in Indonesia in 2007, racking up 561,275 units. The upgraded version gets fresh graphics and other cosmetic changes. The Revo 2008 has been priced at Rp 11.9 million (€814) for the version with spoke wheels, while the alloy-wheeled variant costs Rp 12.9 million (€883). In the first week of April, Astra Honda Motor launched the CS1 (City Sport 1) motorcycle in the country. Featuring front and rear disc brakes, digital instrumentation, rear mono-shock suspension, alloy wheels and a 125cc four-stroke SOHC engine, the CS1 will be available in four colours and has been priced at Rp 16.9 million (€1,156).



Astra Honda's new CS1

2. Gujjah Tunggal eyes sales push

Southeast Asia's largest integrated tyre manufacturer, Gujjah Tunggal, has targeted a 15% improvement in sales for calendar year 2008. Of late, tyre sales in Indonesia have been on the rise after the automotive industry managed a strong recovery following a fall in interest rates on loans. Gujjah Tunggal's optimism also stems from the hike in demand from Indonesia's domestic motorcycle industry, as well as the export market. Gujjah Tunggal, in which French tyre giant Michelin has a 10% stake, is aiming to lift motorcycle tyre production by 33% to 60,000 units per day.

3. Motorcycle production may increase by up to 800,000 units

Indonesia's Industry Ministry and the Indonesian Motorcycle Producers Association (AISI) have predicted that the country's motorcycle production will increase by 600,000-800,000 units in 2008 over the previous year. Last year, almost 5 million motorcycles were produced in Indonesia, of which 4.4 million were sold in the domestic market, while 200,000 units were exported. Domestic sales alone are expected to touch 5 million units this year. The industry's enthusiasm is compounded by the fact that Japanese bike maker Yamaha (via its subsidiary PT Yamaha Motor Kencana Indonesia) and India's TVS Motor have announced plans for expansion of production capacity in Indonesia this year.



VIETNAM

ECONOMIC TRENDS

- Vietnam is facing a paradoxical situation of vast economic growth coupled with wild consumer inflation, reaching 21% in April and the end is not in sight.
- While until recently the economic growth improved prospects across all echelons of the population, the high inflation hits especially the low and lower-middle consumer segments.
- High food and fuel prices drove up consumer prices with 21.4% in April compared to the same month last year. Food prices alone went up 38%. Two months ago Vietnamese consumers could buy 1 kilo of rice for US\$ 0.50, today they have to pay US\$ 1.
- This situation is not reversible. In Vietnam more than 500,000 hectares (1.2 million acres) of farmland has been converted into urban areas or factory zones between 2001-2007. Within five years, the loss is expected to equal current rice exports. This will mean that Vietnam will no longer have extra rice for export and, in the longer term, the country's food security will be threatened.
- The gross domestic product is now forecasted to increase only between 6.6% and 7.6%, cut from 8.5% to 9%.
- In an attempt to control matters the government has tightened the money supply growth. This drives up interest rates and will reduce the country's stock market, real estate prices and investments.
- Already employers are reducing investments and are less willing to match wage increases to the rate of inflation which is leading to labour unrests.
- A ballooning trade-deficit is further threatening macro-economic stability.

MOTOR CYCLE TRENDS

1. Electric bike sales on the rise
2. Honda Vietnam introduces Wave RSV
3. Hankook considers plant in Vietnam

1. Electric two-wheelers see rise in popularity

The incessant rise in fuel prices has had a positive effect on the sale of electric two-wheelers in Vietnam. Manufacturers such as E-Bike, Viha, E-GO, Bluewing, Robo, Plasma, Emoto and Hitasa are doing brisk business, with customers tempted by the bikes' low running costs and the fact that they do not need registration plates. Electric bike riders in Vietnam do not need to wear a helmet either. The most popular models are the Asama, Davinci, Emperor, Song Tain, Flying and Delta. While locally-assembled bikes retail for between VND 3.7-4.6 million (€149-185), imports from Taiwan or China generally cost more - between VND 5-8 million (€201-322), the same as a used electric bike from Japan.



2. Honda launches Wave RSV in Vietnam

On April 5th, Honda Vietnam launched the Wave RSV underbone in the country. The RSV takes traditional Wave cues and then adds a new colour scheme, along with other sporty features such as an upswept silencer, indicators built into the front fairing and optional alloy wheels. The RSV is powered by a 100cc four-stroke engine which is Euro 2 compliant, in keeping with Vietnam's emission norms. Honda Vietnam is also offering a two-year or 20,000 km warranty on the Wave RSV's engine along with a one-year or 12,000 km for the rest of the parts. The Wave RSV has been priced at VND 15.9 million for the spoke wheel variant and VND 17.9 million for the alloy wheel variant. As a special limited-period offer, the Wave RSV is also being offered in Repsol Honda racing colours for VND 18.3 million.



Honda Wave RSV launched in Vietnam

3. Hankook eyes plant in Vietnam

South Korean Tyre major Hankook is mulling a manufacturing facility in Vietnam, which will be its fourth overseas plant. Mexico and Russia are also being considered, though internal sources point to Vietnam as being the strongest candidate. A decision is expected to be taken by the senior management by July-end. Hankook has two plants in South Korea, two in China and is currently constructing another facility in Hungary.

OCEANIA

ECONOMIC TRENDS

- It is forecasted that annual growth will slow across Oceania.
- In Australia growth will fall from around 4% to 2.5% the middle of next year. In New Zealand, economic growth will be just 1.5%, the weakest pace in a decade.
- Spending power will be reduced. Already consumer and business confidence is down and there is a clear softening of the retail trade.
- In Australia interest rates are at a 12-year high. In Australia, around 80% of home loans are on variable rates, so increases in interest rates have an immediate and significant effect on household disposable incomes. In New Zealand, the mortgage situation is better because only 13% of New Zealand's home loans are on variable rates, with the remaining 87% on fixed rate mortgages, which have been reasonably steady. Nonetheless, the housing market in both countries is weakening.
- Another drain on purchasing power is the increase in petrol prices. In Australia, petrol rose over the year to March with 18.9% while in New Zealand fuel prices rose with 21% in the first quarter of 2008.



- Spending power will be reduced further as unemployment is expected to rise quickly. In Australia unemployment went up with 0.1% to 4.2 percent. However, it is said that these statistics disguise the real level of joblessness which is estimated to be twice as high. In New Zealand the unemployment rate went by 0.2% to 3.6%
- Non-essential expenditure, including two-wheelers, is likely to be postponed, most probably until at least 2010.

MOTOR CYCLE TRENDS

1. Honda retains lead in Australian bike sales
2. Super Squalo sees international launch
3. Prime Minister expresses concern at rider safety

1. Honda leads Australian bike sales in first quarter

Honda has retained its lead in the Australian motorcycle market in the first quarter of 2008, with five of the top ten selling models - the CT110P Postie, CRF250R and CRF450R motocross bikes, the new entry-level CBR125R and the CRF450X enduro - coming from its stable.

2. Vee Two Super Squalo goes global

Australia-based motorcycle and component manufacturer Vee Two has started global distribution of its new Super Squalo superbike. Starting with a Ducati 999S Testastretta engine developing 112kW (152 PS), Vee Two has added a Sprintex supercharger that hikes the power output to 152kW (206.7 PS), while torque rises to 168Nm. The company claims more than 180 PS at the rear wheel for the Super Squalo, which takes its name from the Italian word for 'shark'. The Super Squalo, which will be limited to a production run of only 99 units, features electronic adjustment for the windscreen, a rear-facing camera and a single-sided swingarm. The Super Squalo has been priced at AUS\$ 75,000 (€45,454).



Super Squalo pumps out over 200PS

3. Australian Prime Minister to push for motorcycle safety

Australian Prime Minister Kevin Rudd has expressed concern at the number of motorcyclists who lose their lives on the road every year. According to recent studies, they account for as much as 15% of all road traffic fatalities - in 2007 alone, 240 riders were killed on Australian roads, while over 5,000 were seriously injured. The Prime Minister has announced that the government is trying to initiate a national road safety strategy in collaboration with the Australian Transport Commission.