

Global Vehicle Demand Forecast 2020-2030: The Drastic Impact of the Coronavirus Crisis

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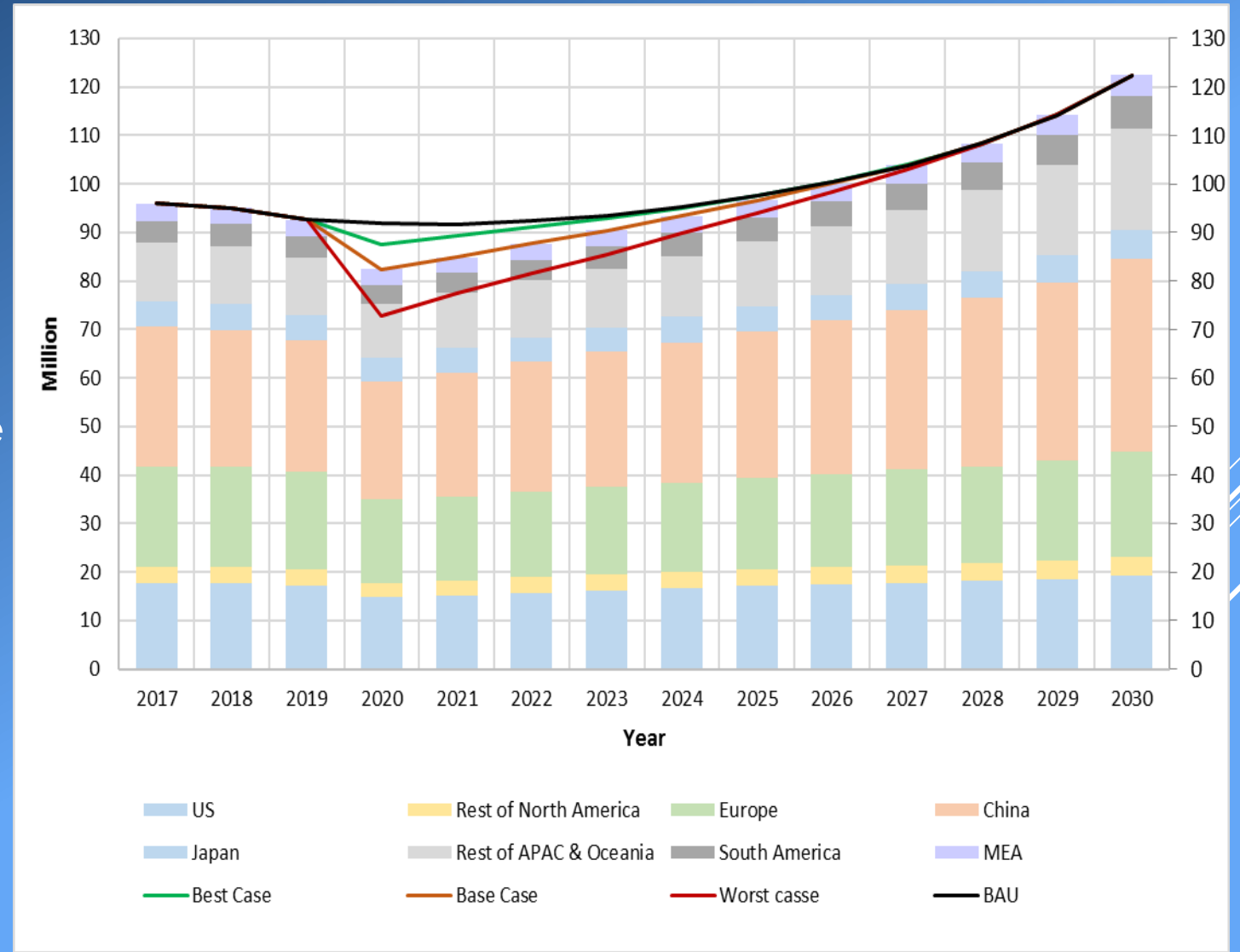


METHODOLOGY

- ▶ So how are we forecasting this unprecedented situation?
- ▶ 2008/2009 financial crisis – gives some insight into how consumer demand reacted.
- ▶ Sales volumes for January and February show sharp falls in sales figures in China, EU & US.
- ▶ We can use the trajectory of China's virus development to extrapolate to other regions – at least those that apply similar strict lockdown strategies to limit the movement of people.
- ▶ China's gradual return to normality and anecdotal signs of a tentative consumer recovery – although it's too early to be sure on this until March sales figures are released.
- ▶ We have monitored the number of Coronavirus cases and deaths in each country to understand which regions are likely to face strict 'lockdowns', and sharp falls in demand.

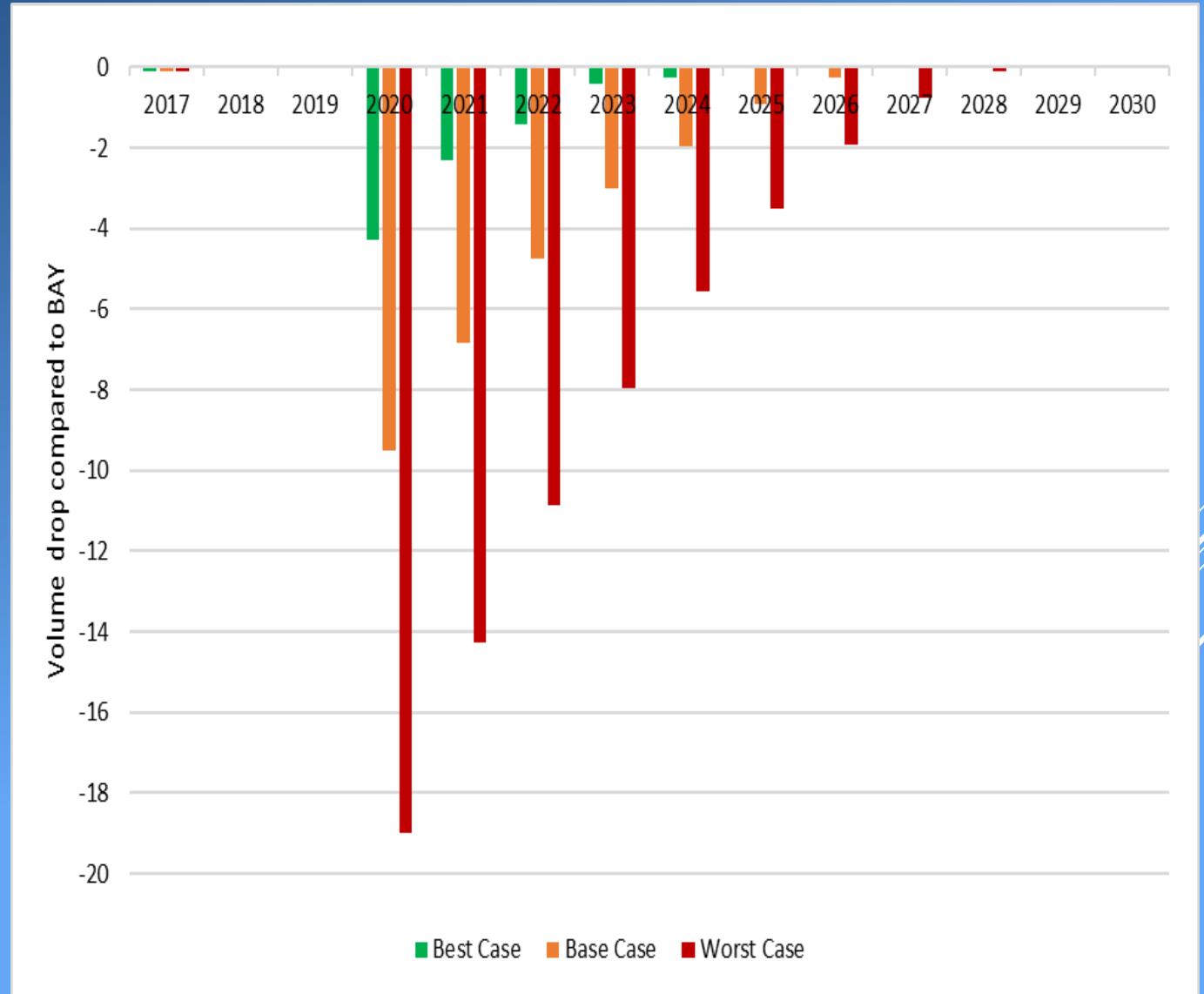
GLOBAL OUTLOOK

- ▶ In all three scenarios, there is severe impact downwards in 2020 - and the effects will continue well beyond 2020.
- ▶ The deeper impact of the more severe scenarios will trigger economic recession, possibly even a depression resulting in longer lasting effects upon automotive demand for five or more years.
- ▶ **NOTE: BAU refers to “business as usual” with the volumes we were expecting had the Coronavirus outbreak not occurred.**



GLOBAL OUTLOOK

- ▶ **Best Case** - A fall in volume in 2020 of **4.3** million units which is **-4.6%** from BAU (or **-5.4%** from 2019)
- ▶ **Base Case** - A fall in volume in 2020 of **9.5** million units which is **-10.4%** from BAU (or **-11.1%** from 2019)
- ▶ **Worst Case** - A fall in volume in 2020 of **19.0** million units which is **-20.7%** from BAU or (or **-21.3%** from 2019)



MACROECONOMIC STIMULUS

- ▶ **Around the world there has been unprecedented government stimulus to prevent the economy from collapsing.**
- ▶ **US:** A \$1.8 trillion economic stimulus package has been announced. \$250bn will be given to families in need, with the remainder allocated to bailouts for businesses. Although this has yet to be formally approved by the House of Representatives and Congress, although there appears to be cross-party support.
- ▶ **EU:** The European Central Bank (ECB) has launched an emergency €750bn (\$820bn; £700bn) package to ease the impact of the coronavirus pandemic.
- ▶ **Interest rates:** Central banks around the world, including the US Federal Reserve, the UK, Japan, Canada, and Switzerland have cut their base rates to near zero.

GOVERNMENT SUPPORT

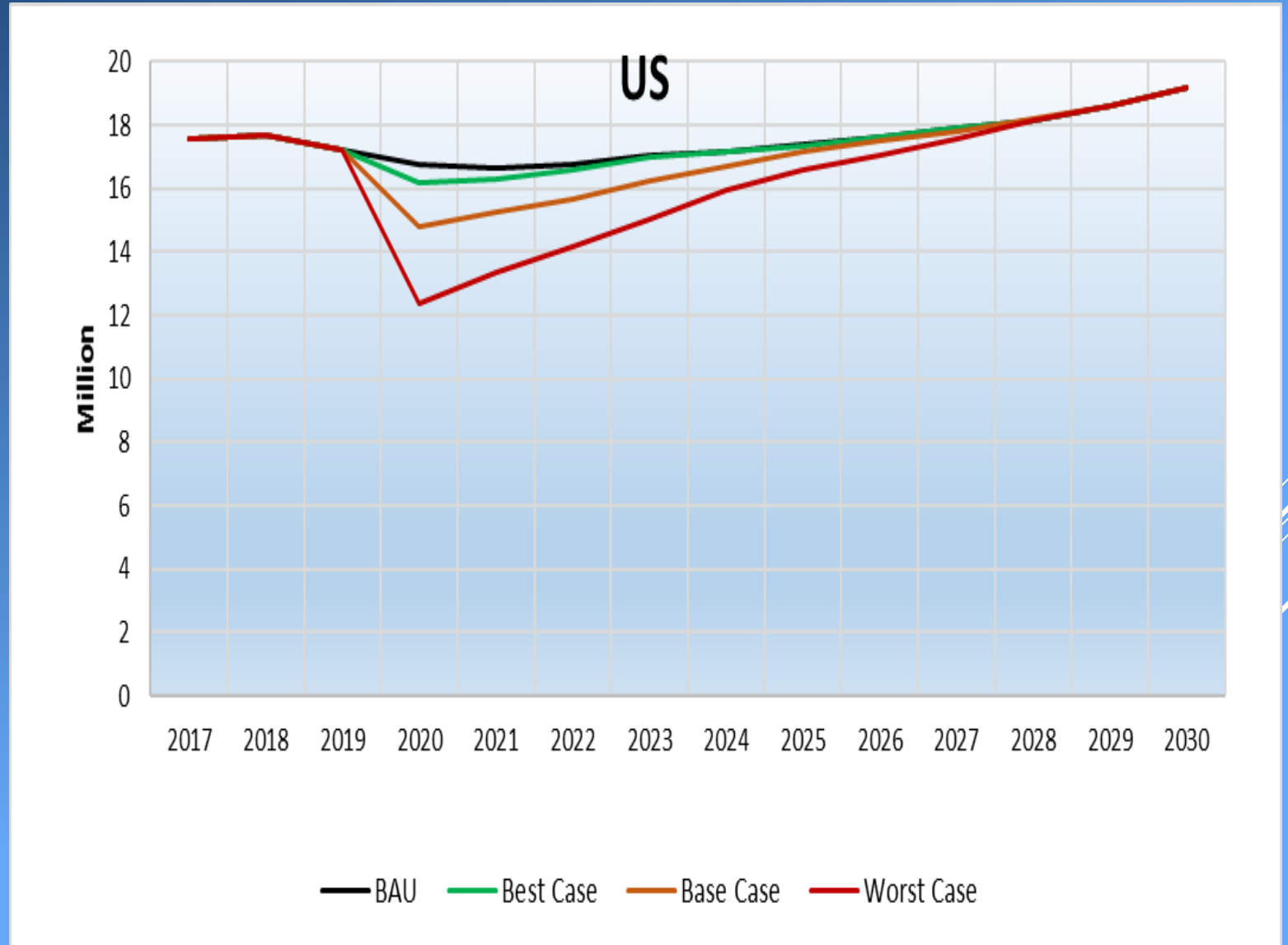
- ▶ **Government have also initiated drastic and bold policies to save businesses and to protect jobs.**
- ▶ **Loans** : US, UK, French and other governments have announced plans to offer people loans or cash to help them pay bills and / or keep their business going.
- ▶ **Government to pay salaries:** The US, UK and French governments have promised to pay salaries directly to workers to prevent them losing their jobs. To “furlough”.
- ▶ In the UK the government has temporarily nationalised some rail franchises.
- ▶ **For governments to intervene in this way with such state led / socialist measures is unprecedented during peace time. John Maynard Keynes, the advocate of “Keynesian economics” – i.e. for governments to intervene in a recession, would be proud. Time will tell if he has been proven right.**

AUTOMOTIVE INDUSTRY SUPPORT & STIMULUS

- ▶ **Government support:** Chinese automotive OEMs have already approached the Chinese government for support during this period.
- ▶ **Easing regulation:** One suggestion is that the current CO2 emissions targets and fines coming into force in the EU and China in 2020 could be relaxed or delayed.
- ▶ **Subsidies:** Governments could use the crisis as an opportunity. For example to radically increase subsidies for EVs – but there were already constraints in the supply chain to ramping up EVs especially with batteries and raw materials.
- ▶ “Cash for clunkers” and other scrappage schemes could be implemented to stimulate demand for new vehicles.
- ▶ **Incentives:** Some OEMs are already offering 0% finance deals of up to 7 years and also allowing buyers the option to delay their first payment by up to 90 days.

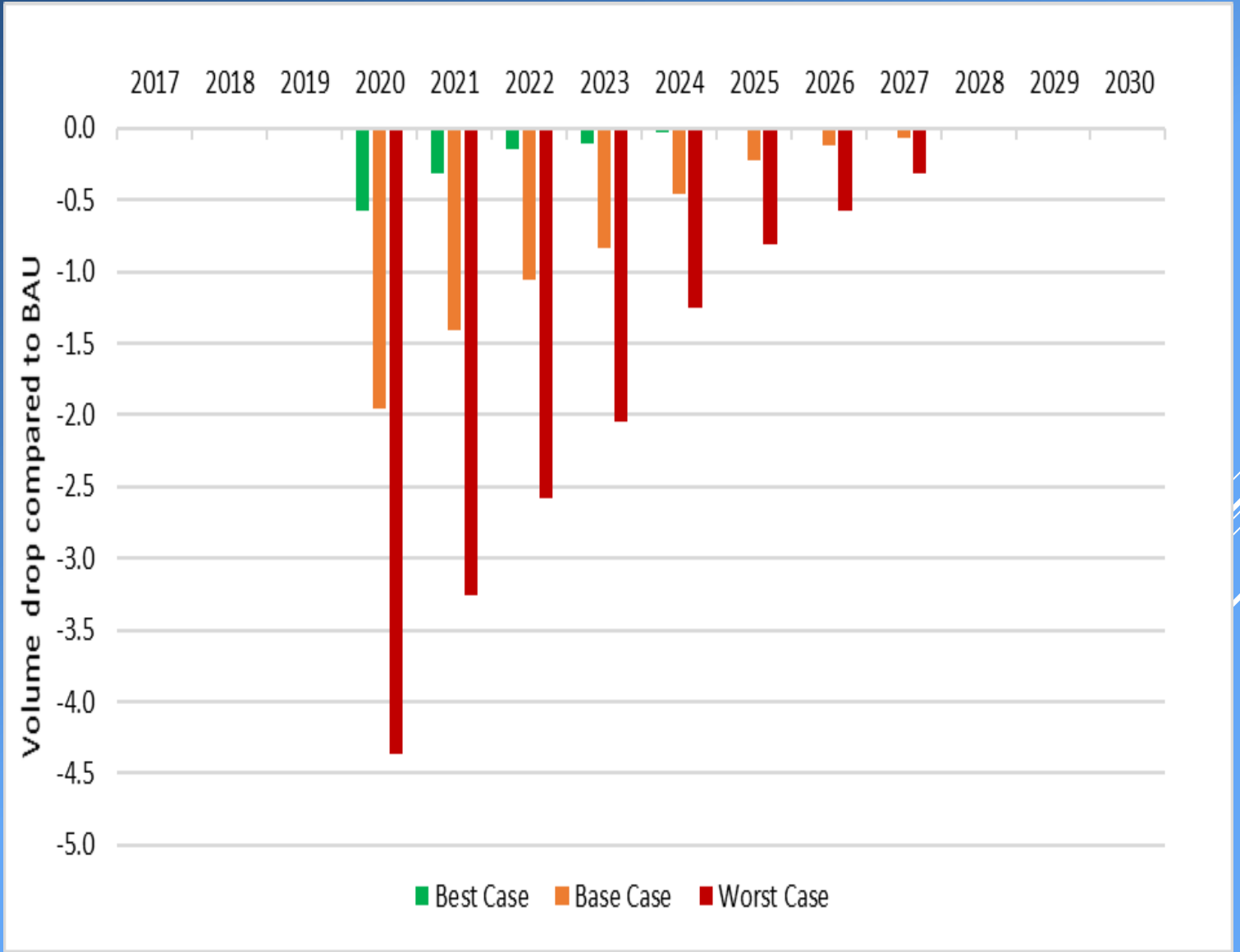
US OUTLOOK

- ▶ US is currently slightly behind the EU in terms of the Coronavirus spreading.
- ▶ However, we expect a similar inevitable impact and government response with a lockdown across the US for at least 12 weeks from March to May 2020.
- ▶ The US automotive market was in a slight downturn anyway – and the Coronavirus impact has exacerbated this.



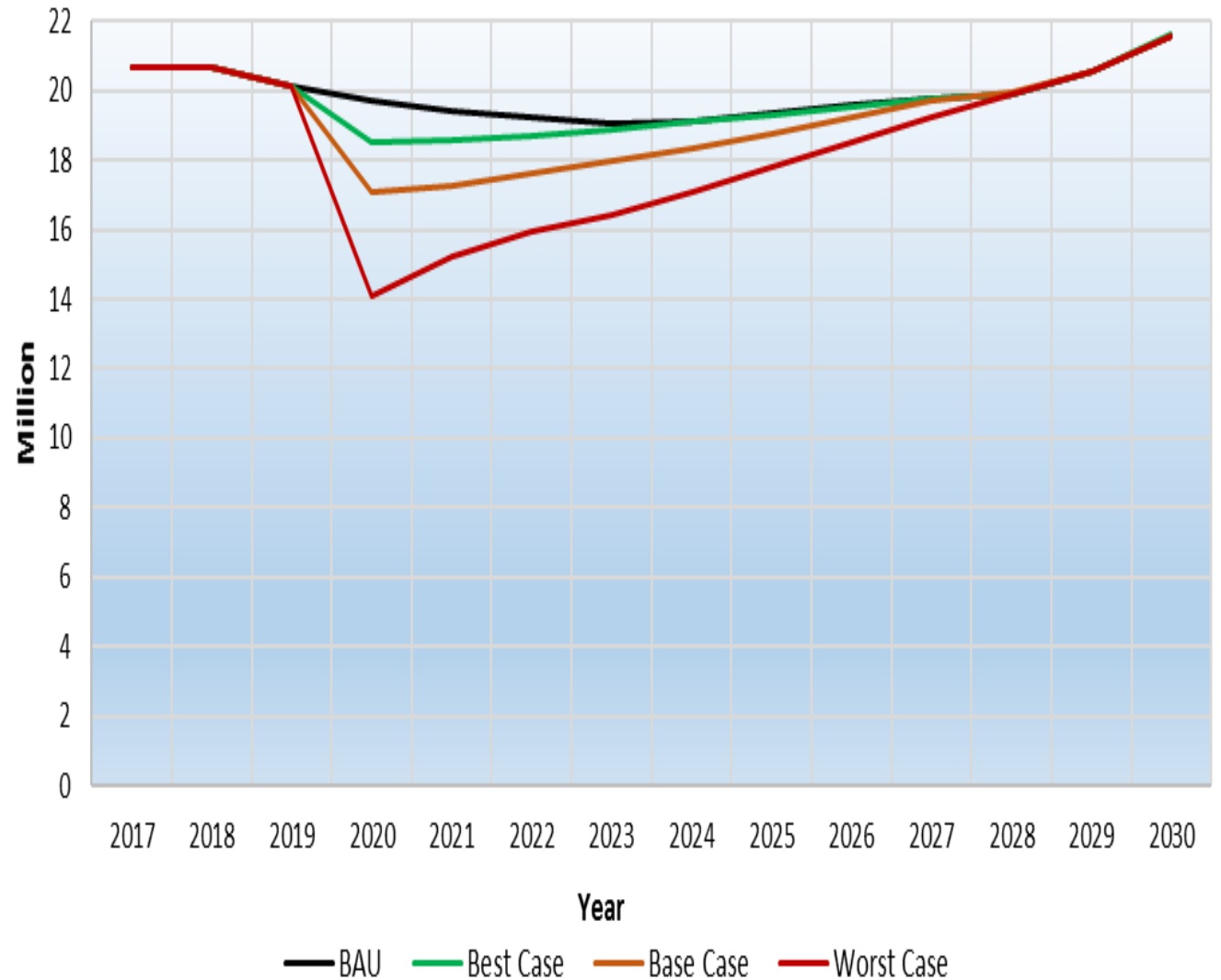
US OUTLOOK

- ▶ **Best Case** - A fall in volume in 2020 of **0.57** million units which is **-3.4%** from BAU (or **-6.0%** from 2019)
- ▶ **Base Case** - A fall in volume in 2020 of **1.95** million units which is **-11.6%** from BAU (or **-14.0%** from 2019)
- ▶ **Worst Case** - A fall in volume in 2020 of **4.36** million units which is **-26.0%** from BAU (or **-28.0%** from 2019)



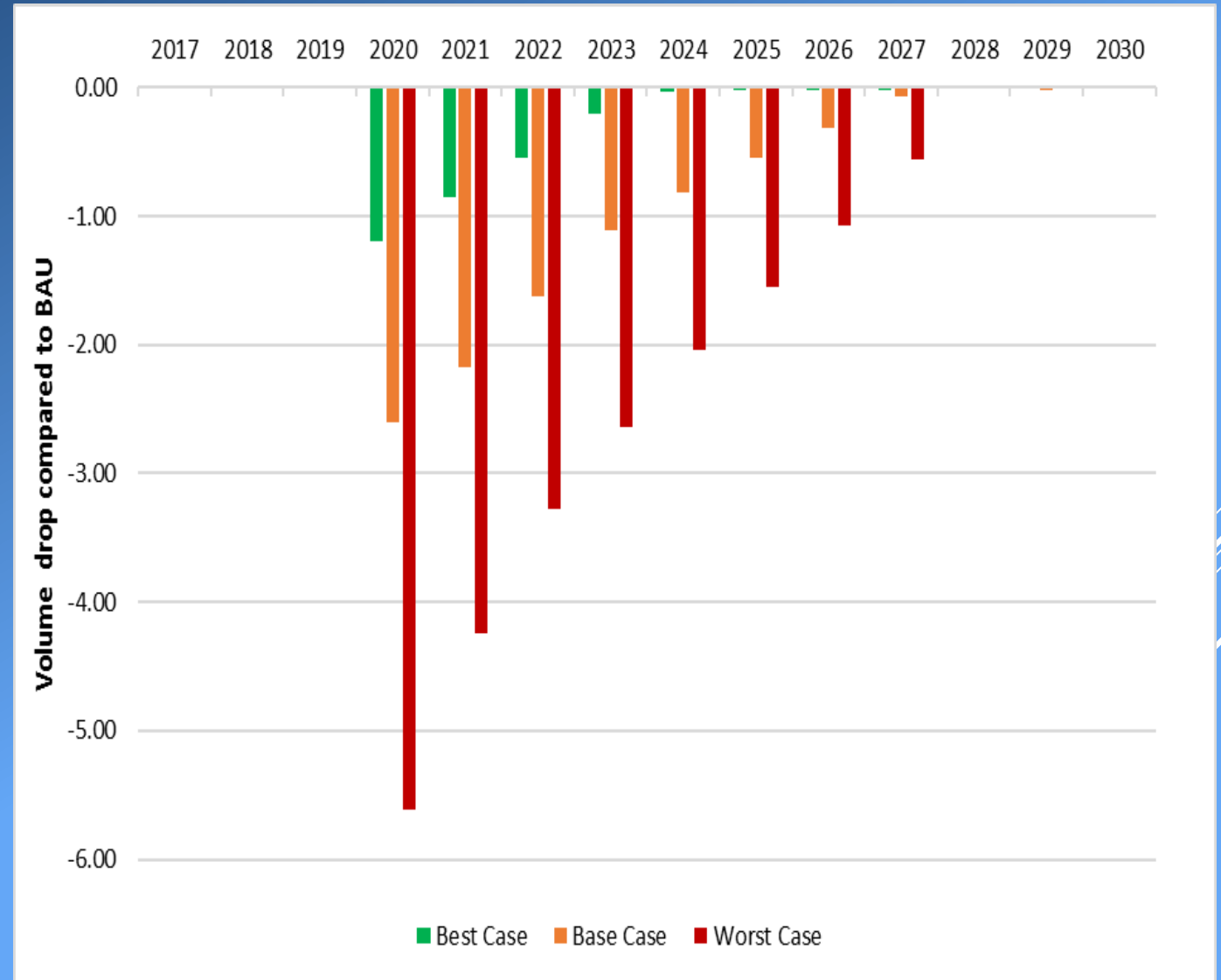
EUROPE OUTLOOK

- ▶ Europe is now the epicentre of the Coronavirus pandemic. Italy and Spain are now the 2 countries with the highest number of Coronavirus deaths.
- ▶ Therefore, we predict that Europe will be in lockdown for at least 3-4 months from March until June / July 2020.
- ▶ Virtually all OEMs have shuttered their plants.
- ▶ However, how long can automotive businesses survive e.g. 4 - 6 weeks ? - Poll
- ▶ EU will be the most severely affected region globally.



EUROPE OUTLOOK

- ▶ **Best Case** - A fall in volume in 2020 of **1.2** million units which is **-6.0%** from BAU (or **-8.0%** from 2019)
- ▶ **Base Case** - A fall in volume in 2020 of **2.6** million units which is **-13.2%** from BAU (or **-15.0%** from 2019)
- ▶ **Worst Case** - A fall in volume in 2020 of **5.6** million units which is **-28.5%** from BAU (or **-30.0%** from 2019)



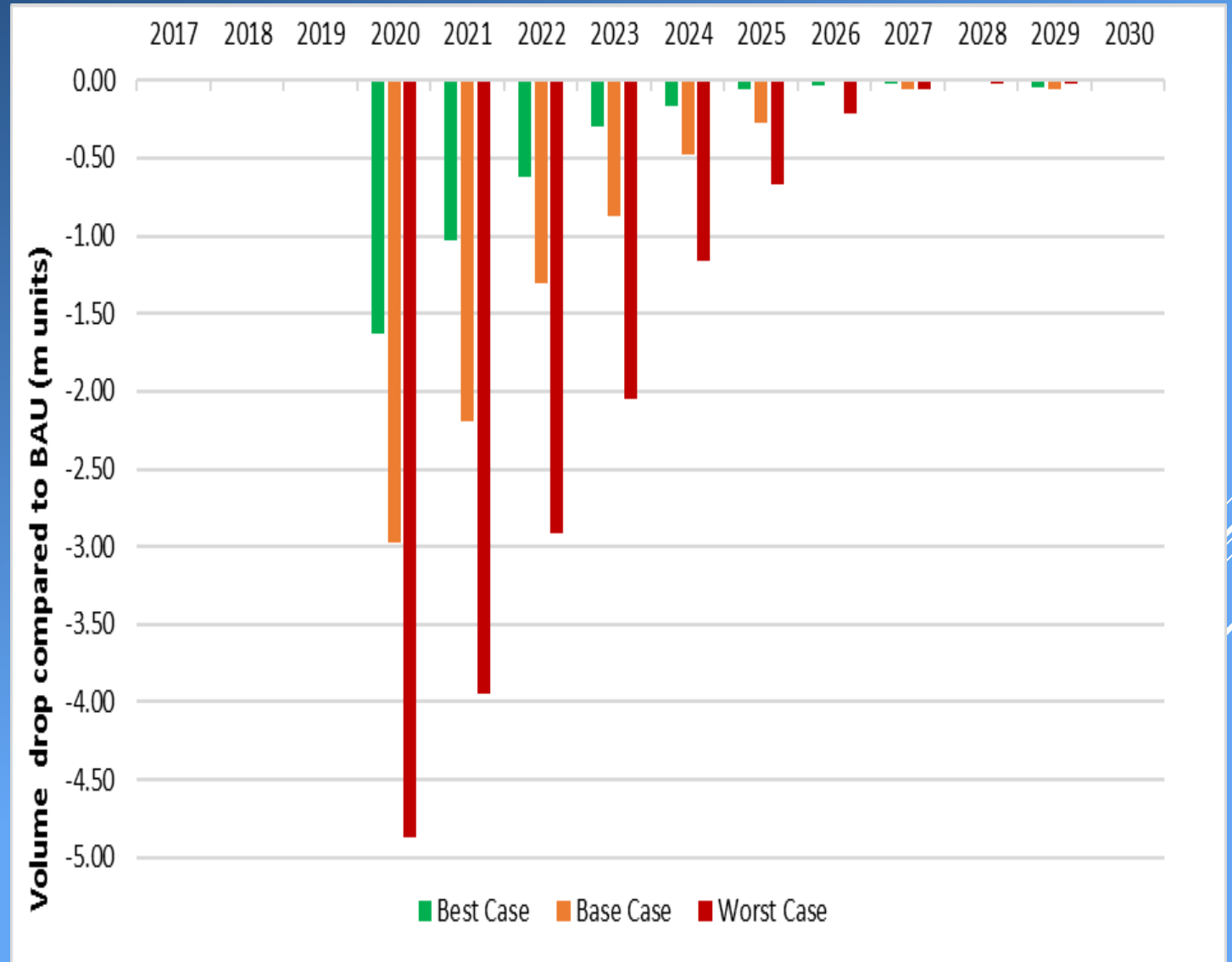
CHINA OUTLOOK

- ▶ China was the first region to be affected by the Coronavirus and had lockdowns in Hubei province from January 2020 and these will gradually be lifted over the coming month.
- ▶ Nonetheless, the Chinese market was and is the largest automotive market, despite contracting in the past 2 years.
- ▶ China is over the worst. There are early signs of gradual demand recovery.
- ▶ The trajectory of the virus in China gives reason for hope for how things will pan out in other regions.



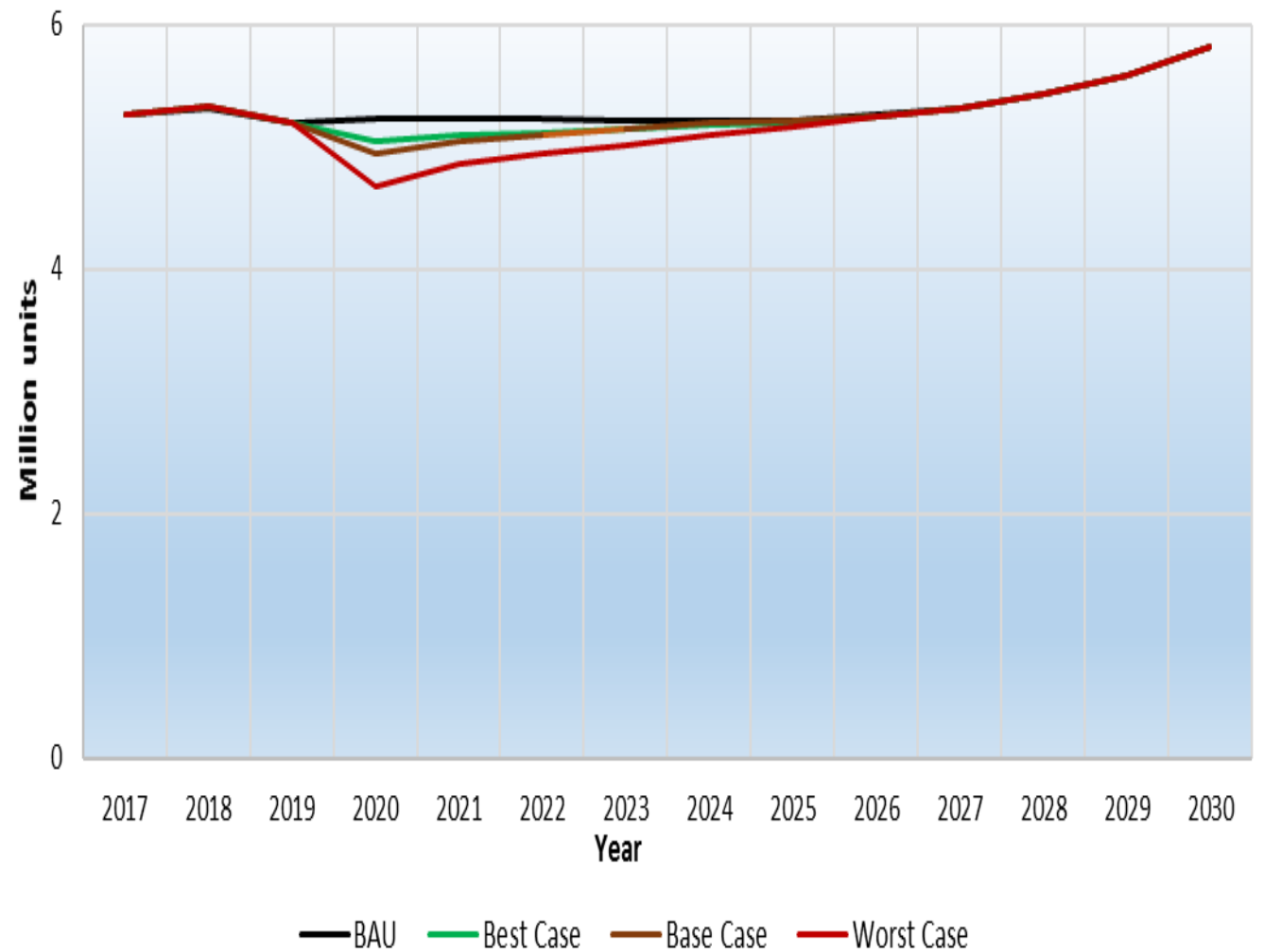
CHINA OUTLOOK

- ▶ **Best Case** - A fall in volume in 2020 of **1.63** million units which is **-6.0%** from BAU (or **-4.9%** from 2019)
- ▶ **Base Case** - A fall in volume in 2020 of **2.98** million units which is **-10.9%** from BAU (or **-9.9%** from 2019)
- ▶ **Worst Case** - A fall in volume in 2020 of **4.87** million units which is **-17.8%** from BAU (or **-16.9%** from 2019)



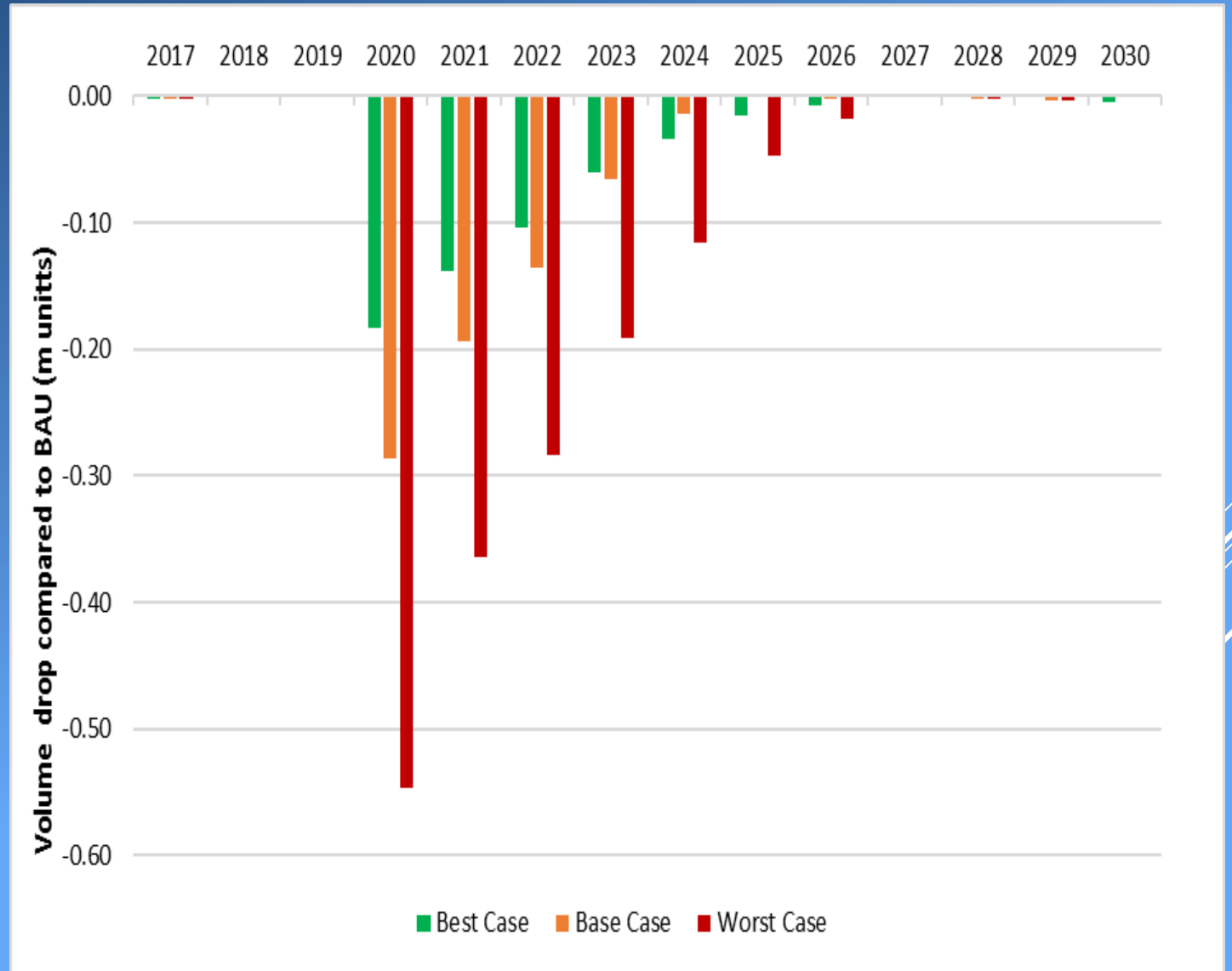
JAPAN OUTLOOK

- ▶ Japan has done relatively well to contain the cases of Coronavirus.
- ▶ Nonetheless, the Japanese automotive market was already weak and stagnant due to demographic and economic challenges in the country.
- ▶ Therefore, despite the impact being less severe than in other regions, we expect the recovery to BAU to take somewhat longer.



JAPAN OUTLOOK

- ▶ **Best Case** - A fall in volume in 2020 of **0.18** million units which is **-3.5%** from BAU (or **-3.0%** from 2019)
- ▶ **Base Case** - A fall in volume in 2020 of **0.29** million units which is **-5.5%** from BAU (or **-5.0%** from 2019)
- ▶ **Worst Case** - A fall in volume in 2020 of **0.55** million units which is **-10.5%** from BAU (or **-10.0%** from 2019)



CHALLENGES AHEAD

- ▶ However, even once the coronavirus crisis passes – as it surely will – there will be challenges in restarting ‘business as usual’ – whatever that may look like post-crisis.
- ▶ For example, completely re-starting of production facilities has never really been attempted during peacetime. This is a highly complex undertaking.
- ▶ Supply chains will likely remain disrupted for some time ahead, It will take a while before smooth just in sequence / just in time (JIST) supply chain practices are resumed.
- ▶ On the demand side consumer confidence will have taken a hit - as we have shown.
- ▶ Any government backed loans that individuals take out to pay their bills or support their business will be a drag on their finances, reducing their disposable income and ability to purchase or lease a new vehicle – hitting demand for some years ahead – hence our forecasts showing demand being affected for over 5 years+
- ▶ And at the fiscal level, the government bailouts and stimulus programmes will almost certainly be funded by extra public borrowing – adding to national debt and debt interest payments – ultimately resulting in higher taxes which will again put a drain on discretionary consumer spending such as vehicles.

REASONS FOR HOPE

- ▶ Thankfully, new Coronavirus cases in China are falling to zero.
- ▶ The Chinese government strategy of a draconian shut down of the economy and social distancing, at least at this early stage, appears to have got the virus under control.
- ▶ Some government imposed restrictions are now gradually being lifted in some Chinese regions around Wuhan, Hubei province where the outbreak first began.
- ▶ There are anecdotal reports that vehicle demand is beginning to return in China, albeit slowly and not anywhere near pre-crisis levels yet.
- ▶ Therefore, the growth trajectory that the virus outbreak has taken in China gives hope that, if similar drastic “lockdown” measures are followed – and followed strictly – then the effects of the pandemic can be mitigated in a similar way in other regions.

READ THE FULL REPORT -

Global Vehicle Demand Forecast 2020-2030:

The Drastic Impact of the Coronavirus Crisis

<https://www.automotivelogistics.media/coronavirus/global-vehicle-demand-forecast-2020-2030-the-drastic-impact-of-the-coronavirus-crisis/40395.article>

Report includes -

- Global volume forecasts under 3 scenarios
- 8 regional volume forecasts under 3 scenarios
- Analysis of the factors



AUTOMOTIVE
FROM **ULTIMAMEDIA**



THANK YOU

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