Global Automotive Demand Forecast 2020-2030

The Impact of the Coronavirus (COVID-19) pandemic

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Definitions

Market definition

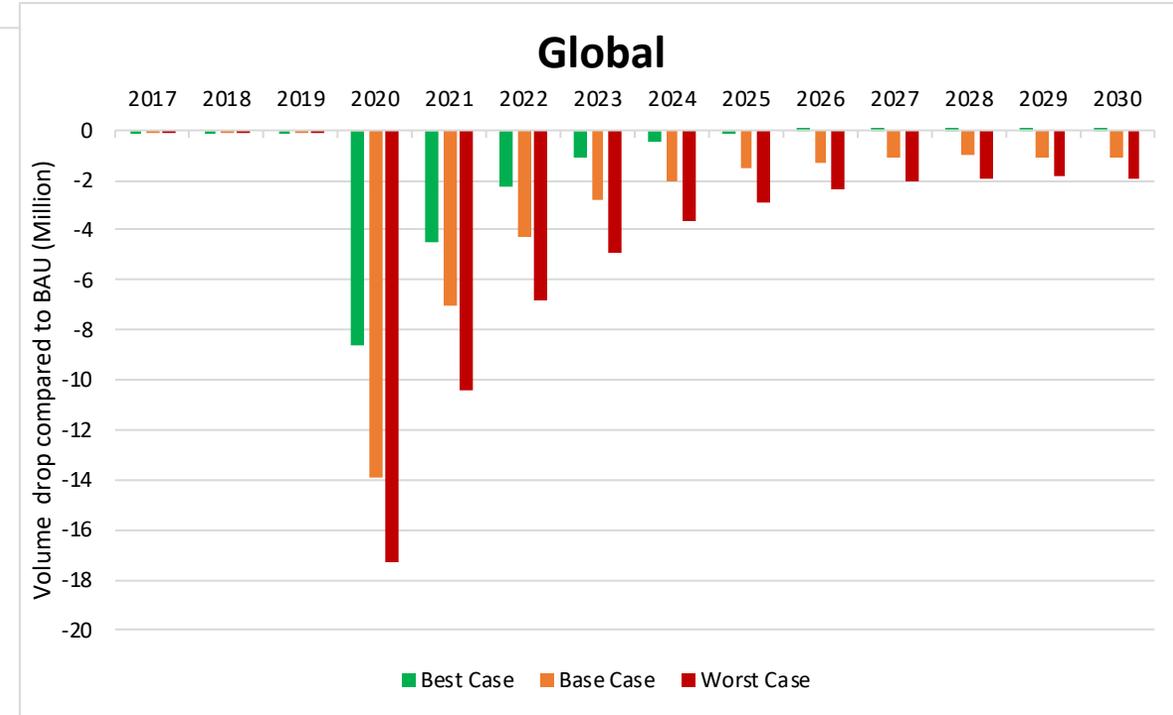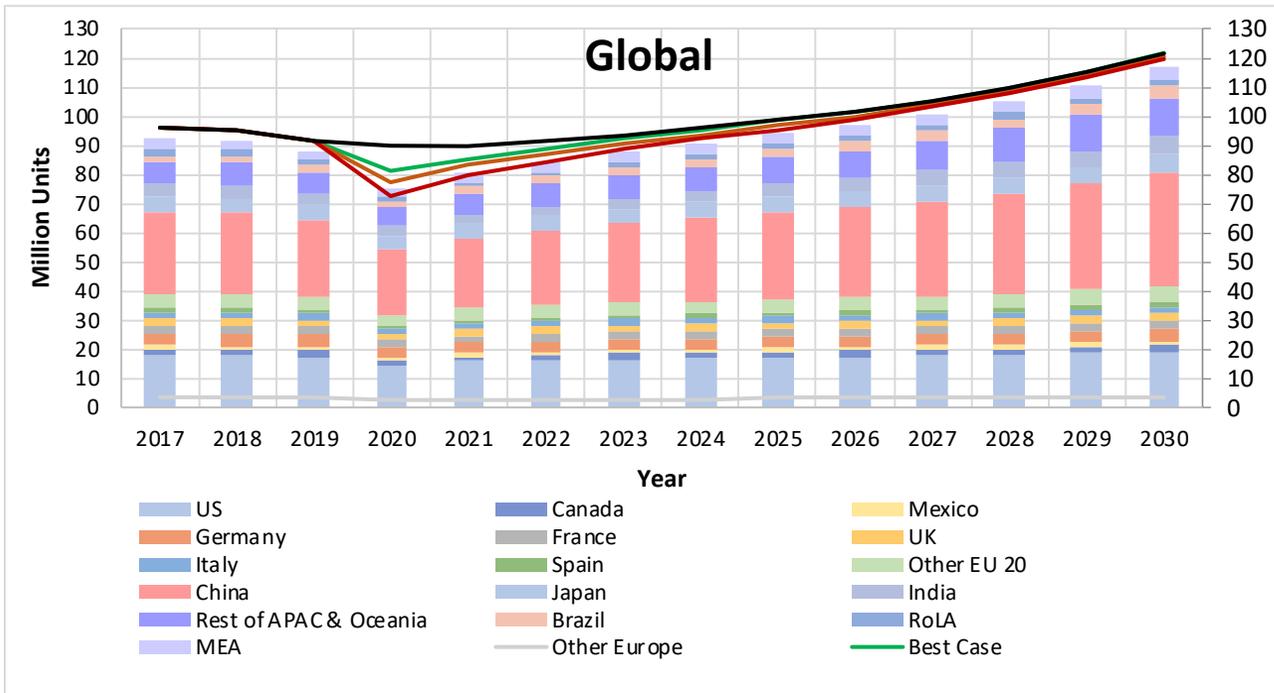- Volumes = Passenger Cars (PC) + Commercial Vehicles (CV).

Terminology of scenarios

- **BAU** = Business As Usual (as though the Coronavirus pandemic had not occurred).

- **Best case** = the most optimistic outlook.

- **Base case** = the most likely outcome.

- **Worst case** = the most pessimistic outlook.

Factors considered in our analysis

- **Length** of lockdown – specifically car dealerships.

- **Strictness** of lockdown.

- **Recent sales data** in the first 4 months of 2020 and likely following trajectory.

- **Macroeconomics** –GDP fall & almost certain recession, job losses / furloughing, government support.

- **Automotive stimulus**– scrappage schemes, tax incentives, subsidies – likely to be linked to EVs – at least in Europe and China.

- **But the No.1 question is– what consumer demand remains?**

Global Vehicle Demand Forecast 2020-2030

Left chart: **Global** — Million Units (y-axis), Year (x-axis), stacked bar chart 2017–2030 with Best Case line.

Legend: US, Canada, Mexico, Germany, France, UK, Italy, Spain, Other EU 20, China, Japan, India, Rest of APAC & Oceania, Brazil, RoLA, MEA, Other Europe, Best Case

Right chart: **Global** — Volume drop compared to BAU (Million), 2017–2030. Legend: Best Case, Base Case, Worst Case

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
BAU	95.7	95.0	91.3	89.8	89.9	91.2	93.2	95.5	98.3	101.2	104.9	109.4	114.7	121.6
Best case	95.67	94.99	91.29	81.16	85.49	88.94	92.07	95.13	98.32	101.47	105.10	109.53	114.90	121.78
Volume drop from 2019 (m)	-	-	-	-8.6	-4.4	-2.2	-1.1	-0.4	0.0	0.2	0.2	0.2	0.2	0.2
% change from 2019	-	-	-	-11.1	-6.4	-2.6	0.8	4.2	7.7	11.1	15.1	19.9	25.8	33.4
Base Case	95.67	94.99	91.29	77.24	82.91	86.87	90.39	93.53	96.84	99.95	103.79	108.34	113.67	120.50
Volume drop from 2019 (m)	-	-	-	-14.0	-7.0	-4.3	-2.8	-2.0	-1.5	-1.3	-1.1	-1.0	-1.1	-1.1
% change from 2019	-	-	-	-15.4	-9.2	-4.9	-1.0	2.4	6.1	9.5	13.7	18.6	24.5	32.0
Worst case	95.67	94.99	91.29	72.51	79.56	84.38	88.26	91.88	95.42	98.83	102.82	107.38	112.91	119.67
Volume drop from 2019 (m)	-	-	-	-17.3	-10.4	-6.8	-4.9	-3.7	-2.9	-2.4	-2.1	-2.0	-1.8	-1.9
% change from 2019	-	-	-	-20.6	-12.9	-7.6	-3.3	0.6	4.5	8.2	12.6	17.6	23.7	31.0

Global Analysis

Global Context

- Our base case forecast is for global automotive sales to fall by -15.4% in 2020.

- To put that in context, that is almost twice the magnitude of the -8% fall after the financial crash of 2008/2009.

Global short term demand impact -

- Severe and not recovering to 2019 volumes until 2023.

Global medium to longer term demand growth -

- Population growth of ~1 billion by 2025.

- Emerging market growth in China, India, Latin America and MEA etc.

But outlook varies enormously by country as we will now illustrate.

Overview

Comparison of leading automotive markets – volume drop in 2020 in 3 scenarios

Country	Best Case	Base Case	Worst Case
Japan	-6%	-8%	-12%
Germany	-9%	-12%	-18%
China	-8%	-12%	-18%
Global average	**-11.1%**	**-15.4%**	**-20.6%**
US	-12%	-16%	-20%
Canada	-12%	-16%	-20%
Mexico	-12%	-18%	-25%
India	-15%	-20%	-25%
Brazil	-15%	-20%	-25%
France	-18%	-24%	-30%
Italy	-18%	-24%	-30%
Spain	-18%	-24%	-30%
UK	-20%	-27%	-33%

Least affected

Most affected

1. China Vehicle Demand Forecast 2020-2030
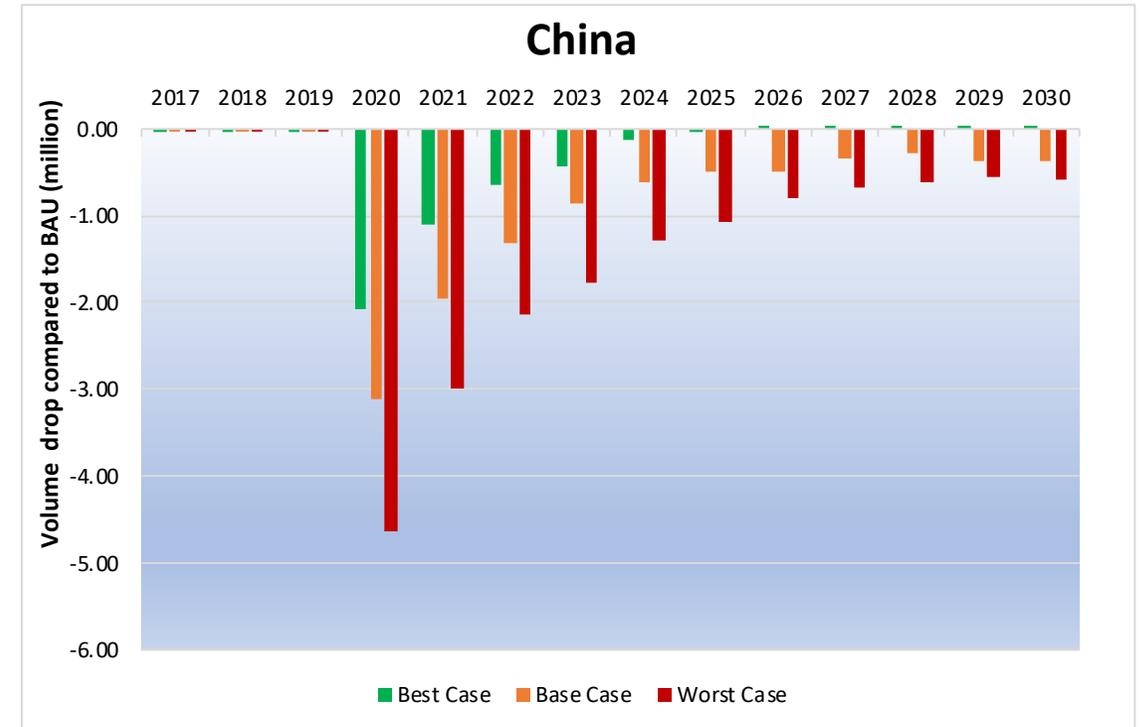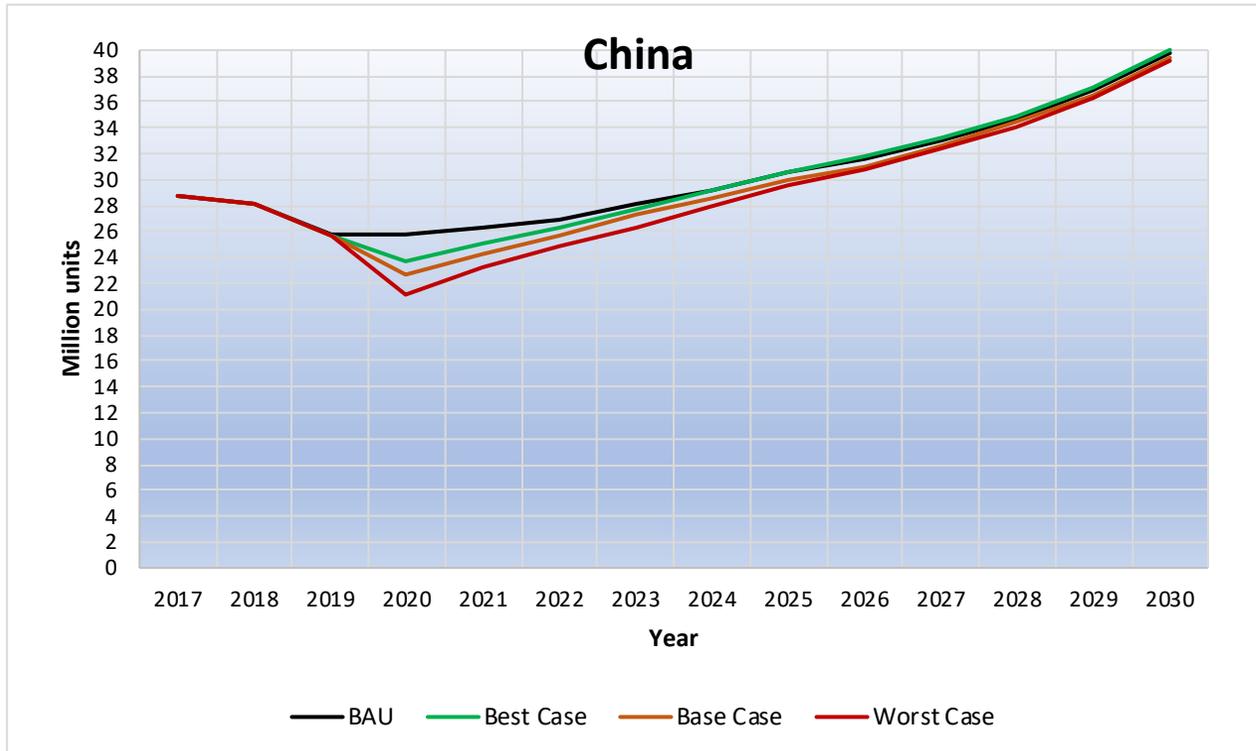
- BAU 2020 = 25.76 million units
- Best Case 2020 = 23.69 million units, a fall of -2.15 million units, -8.1% from BAU (-8.1% from 2019)
- Base Case 2020 = 22.66 million units, a fall of -3.10 million units, -12.0% from BAU (-12.0% from 2019)
- Worst Case 2020 = 21.11 million units, a fall of -4.65 million units, -18.0% from BAU (-18.0% from 2019)

China Analysis

Lockdown period

- Varied by Province but mostly 24th Jan – 25th April (9 weeks). – Wuhan and virtually all of China now reopen.

2020 sales so far

- February 2020, sales were down -79% Y-o-Y.   March 2020 sales down only -43% Y-o-Y.

- April 2020 sales up 4.4% Y-o-Y - Better than expected rebound – but mostly commercial vehicles.

Automotive Growth Drivers.

- Government support extended for EVs.

- Commuters concerned about using public transport may be a growth driver.

- Limits lifted on number of vehicle registrations.

- Likely OEM marketing initiatives to stimulate sales e.g. 0% finance, leasing deals etc.

- Strong shift to online sales.

Automotive Headwinds

- GDP expected to be down -6.8% in Q1, and +1.8% for the full year 2020, (6-7% trend).

- Stricter CAFC and China 6 (similar to Euro 6) regulations for 2020.

2. US Vehicle Demand Forecast 2020-2030
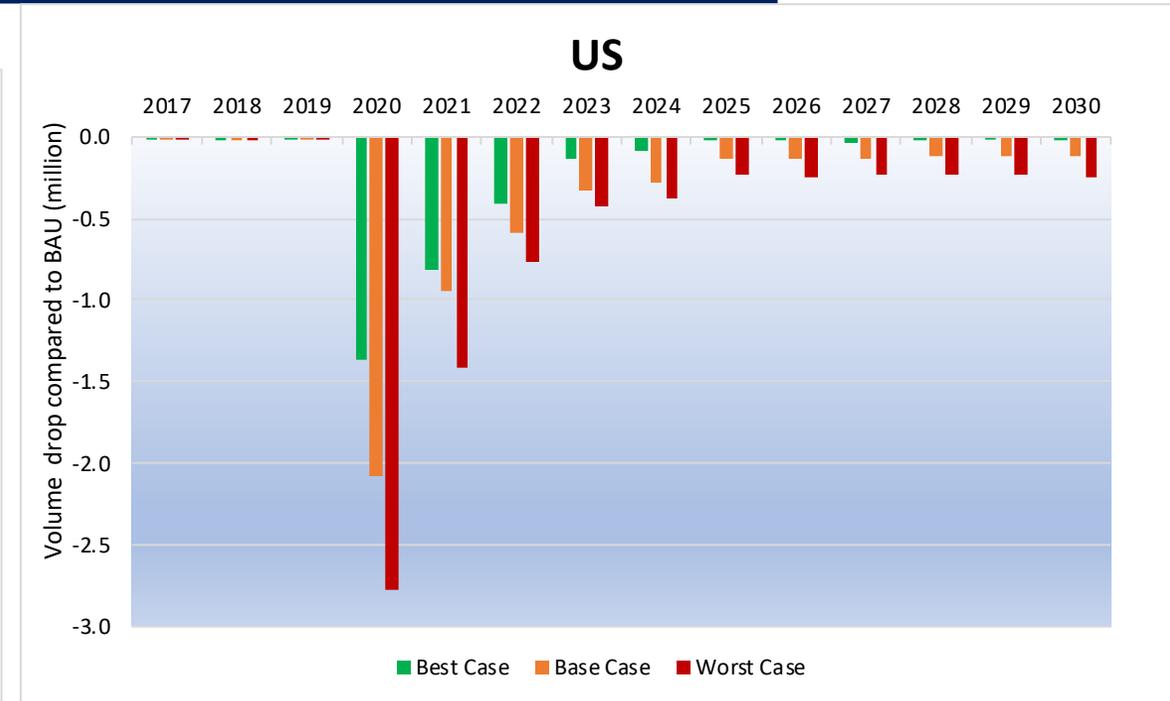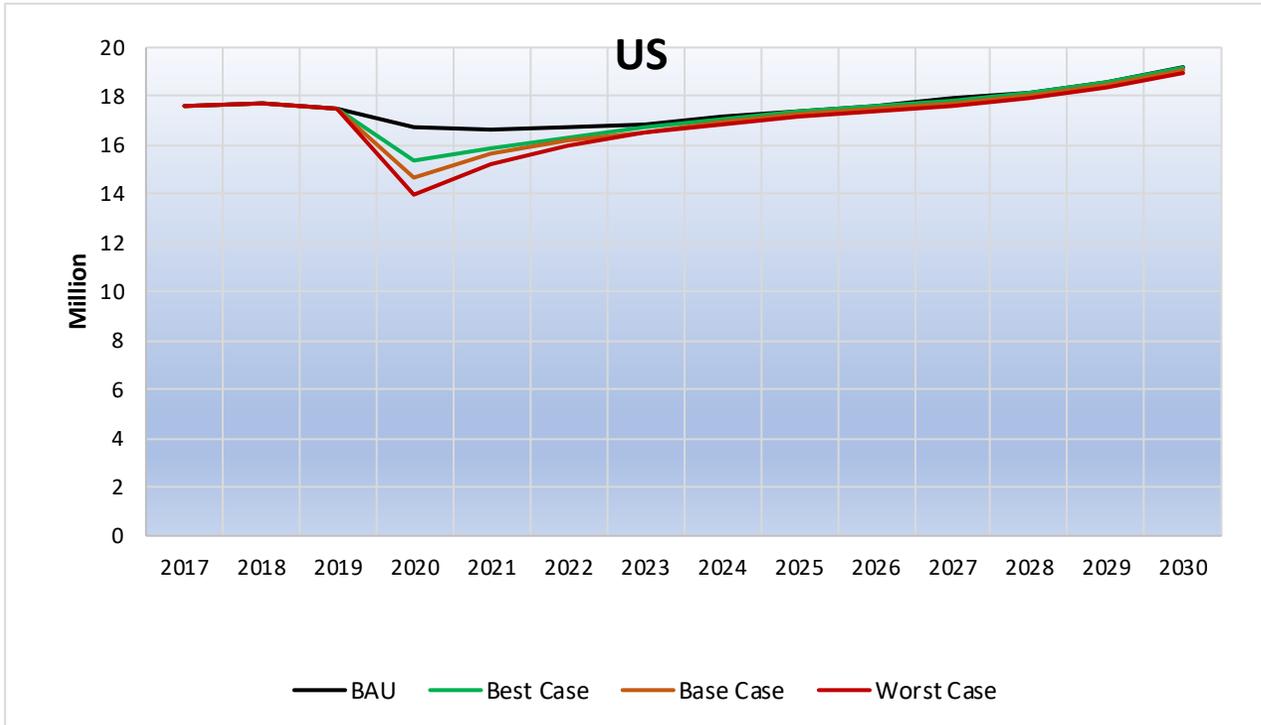
- BAU 2020 = 16.74 million units
- Best Case 2020 = 15.37 million units, a fall of -1.37 million units, -8.2% from BAU (-12.1% from 2019)
- Base Case 2020 = 14.67 million units, a fall of -2.07 million units, -12.4% from BAU **(-16.1% from 2019)**
- Worst Case 2020 = 13.97 million units, a fall of -2.77 million units, -16.5% from BAU (-20.0% from 2019)

US Analysis

Lockdown period

- Lockdown from 17th March – 7th April through to 24th April – 31st May (Average of 6 weeks). But varies by state with only ~50% locking down.

2020 sales so far

- US sales were down -38% in March 2020 and -50% in April 2020.

Automotive Growth Drivers

- $1.8 Trillion government stimulus package. Automotive will get a share of the $500bn for businesses.

- Continued sales shift towards SUV and pickups.

- US may implement a scrappage scheme AKA 'cash for clunkers'.

- Relaxation of US CAFE standards, keeping new vehicle prices down.

- Likely OEM marketing initiatives to stimulate sales e.g. 0% finance, leasing deals etc.

Automotive Headwinds

- Pre-COVID surge in cars coming off lease.

- US GDP fell -4.8% in Q1 2020.

- Over 40 million Americans have lost their job since the Coronavirus pandemic.

- In the US, somewhat in contrast to Europe, there is more of a risk of supply chain issues restricting production / demand.

3. Japan Vehicle Demand Forecast 2020-2030
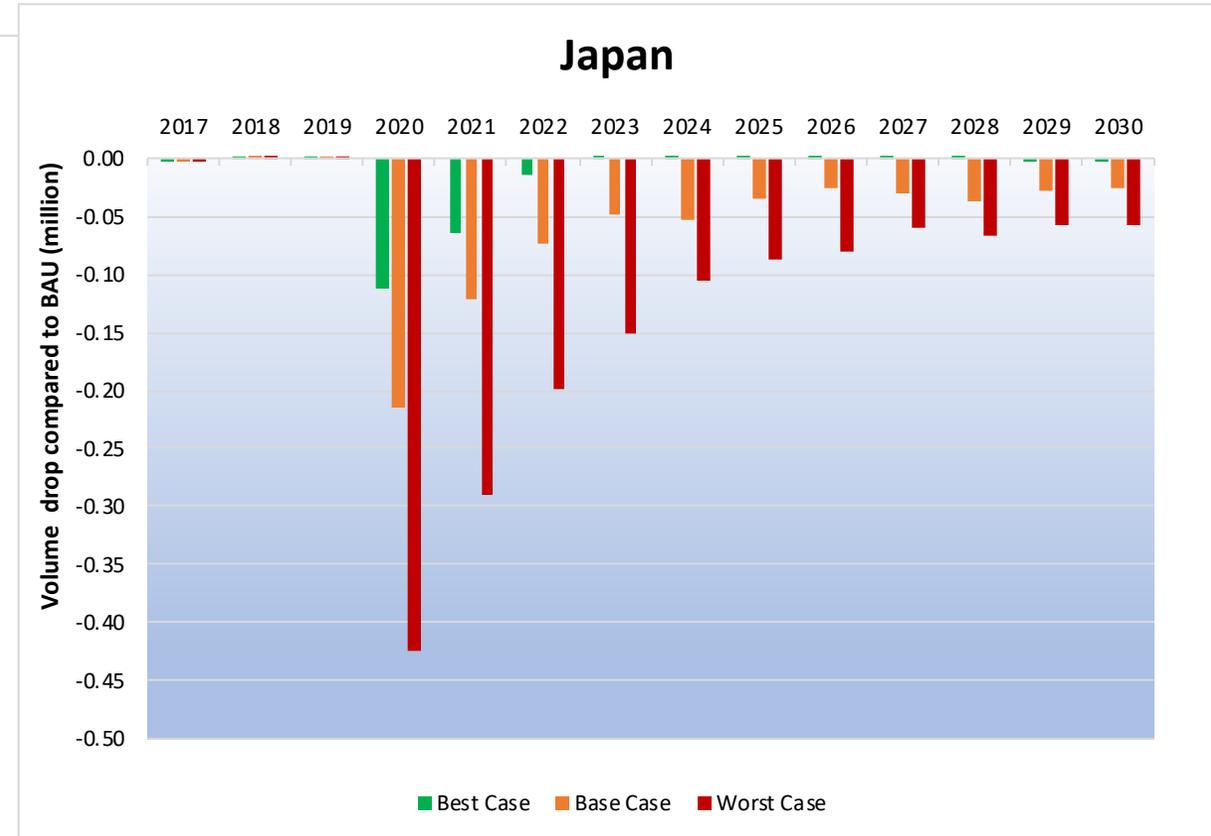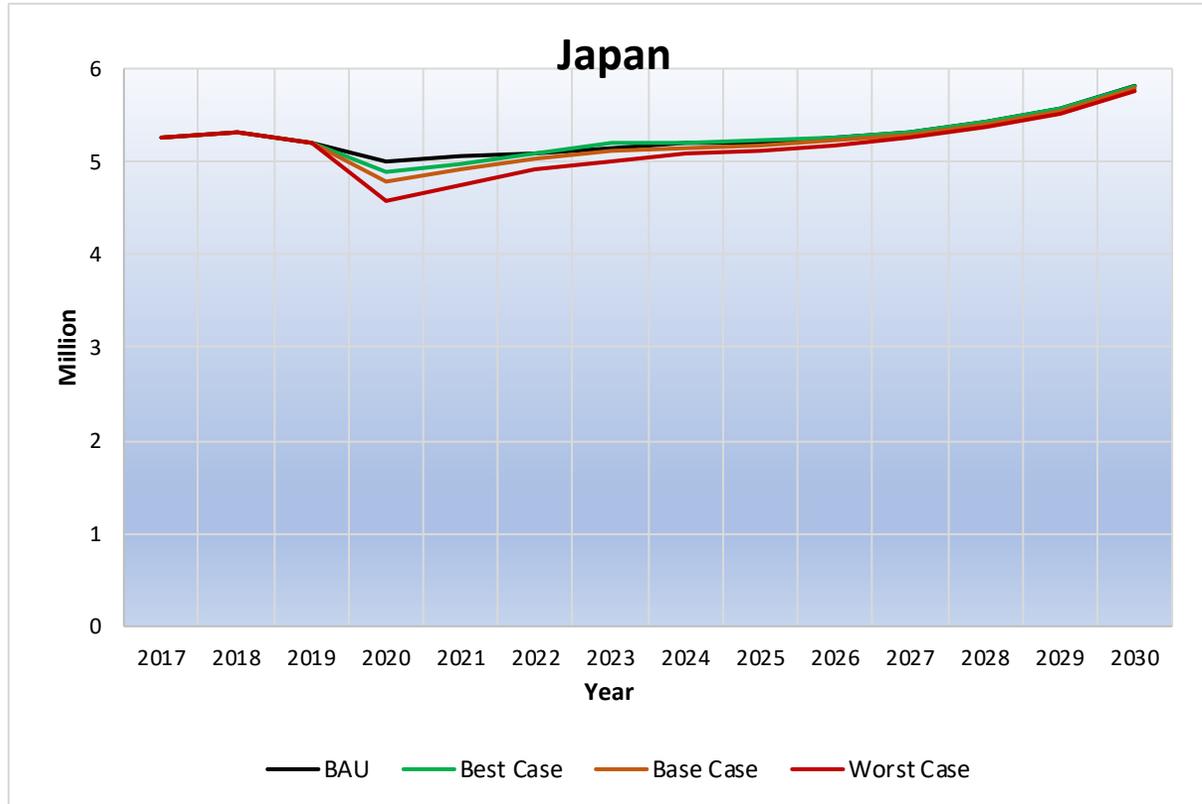
- BAU 2020 = 5 million units
- Best Case 2020 = 4.88 million units, a fall of -0.12 million units, -2.4% from BAU (-6.0% from 2019)
- Base Case 2020 = 4.77 million units, a fall of -0.23 million units, -4.5% from BAU **(-8.0% from 2019**)
- Worst Case 2020 = 4.57 million units, a fall of -0.43 million units, -8.7% from BAU (-12.0% from 2019)

Japan Analysis

Lockdown period

- Lockdown from 7th April– 31st May (8 weeks). "state of emergency" was not enforced. Therefore vehicle demand falls will be moderate.

2020 sales so far

- Pre-crisis, sales were down -8.2% in March 2020 and -9.3% for Q1 2020 due to sales tax increase.

- In April 2020, sales took a much sharper decline, falling -29%. Overall sales down -13.9% in first 4 months of 2020.

Automotive Growth Drivers

- Emissions targets are leading to many more hybrids and EVs being put on the market.

- Commuters concerned about using public transport may drive new vehicle sales.

- Likely OEM marketing initiatives to stimulate sales e.g. 0% finance, leasing deals etc.

Automotive Headwinds

- Increase in sales tax from 8% to 10% in October 2019.

- Even pre Covid-19, Japan's GDP growth was less than 1%., but went into recession in Q1 with GDP falling -3.4%.

- Up to 3 million jobs could be lost in Japan due to the Covid-19 crisis – impacting consumer demand.

- Emission regulations are being tightened in Japan. WLTP & Read Driving Emissions (RDE).

- Japan is a major vehicle exporter, so falling exports will also impact the domestic economy severely.

4. Germany Vehicle Demand Forecast 2020-2030
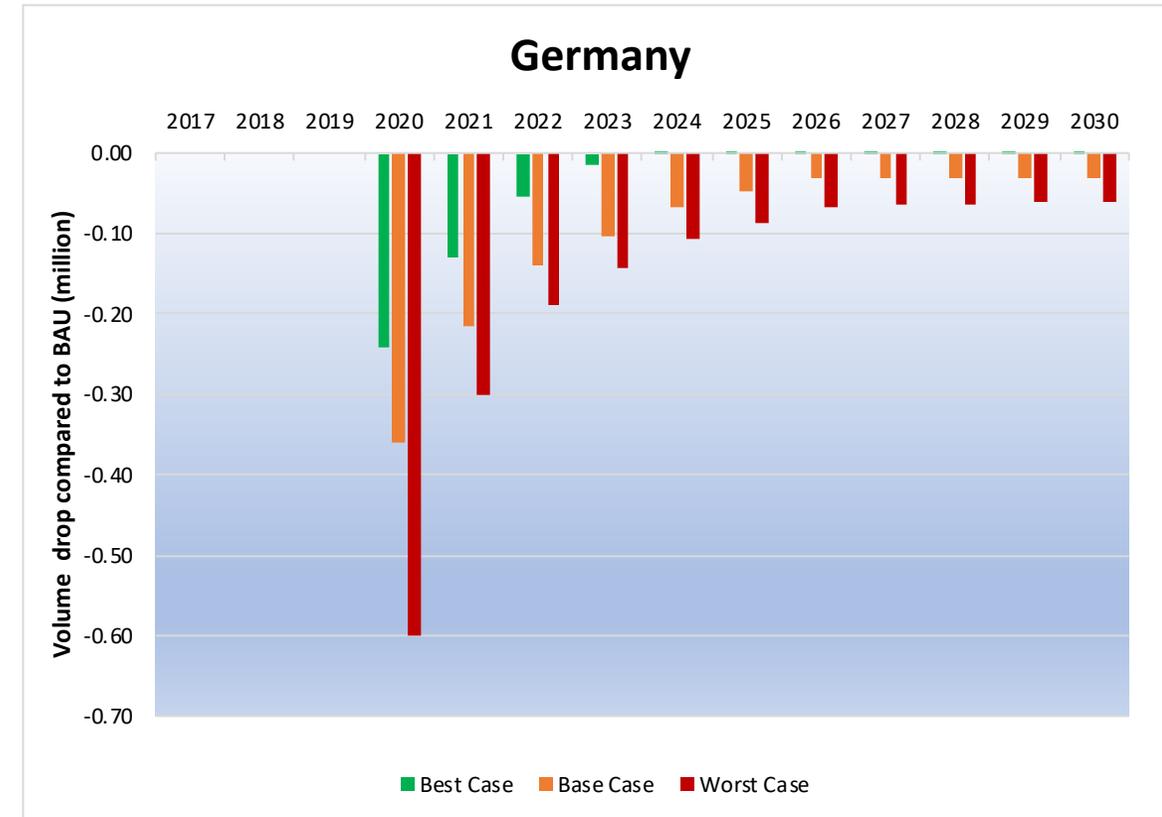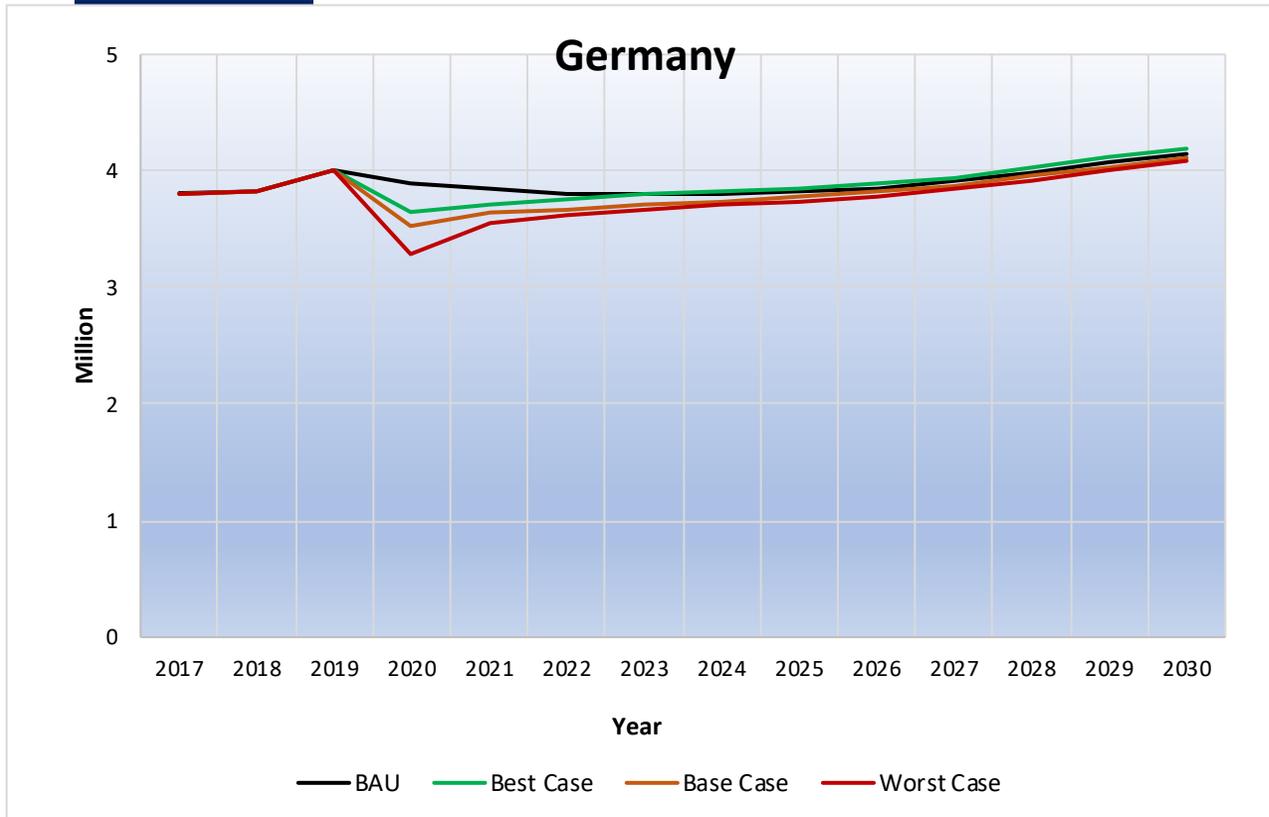
- BAU 2020 = 3.89 million units
- Best Case 2020 = 3.65 million units, a fall of -240,000 units, -6.2% from BAU (-9.0% from 2019)
- Base Case 2020 = 3.53 million units, a fall of -360,000 units, -9.3% from BAU (**-12.0% from 2019**) (*-19.4% for EU)
- Worst Case 2020 = 3.29 million units, a fall of -600,000 units, -15.5% from BAU (-18.0% from 2019)

Germany Analysis

Lockdown period

- Lockdown was 16th March – 20th April (5 weeks). There were early signs that Germany's "R" value increased, but it has now stabilised.

2020 sales so far

- Vehicle sales fell -38% in March 2020.

- Vehicle sales fell -61% in April 2020.

Automotive Growth Drivers

- In November 2019, purchase incentives increased for most EVs & PHEVs of between €4,500 - €6,000.

- OEMs are lobbying the German government for industry stimulus, but unlikely until at least June.

- Likely OEM marketing initiatives to stimulate sales e.g. 0% finance, leasing deals etc.

- Commuters concerned about using public transport may drive vehicle sales.

Automotive Headwinds

- German government forecast GDP to contract by -6.3% for 2020 and rebound by +5.2% in 2021. Although latest forecasts look more severe.

- EU CO_2 emissions targets being phased in for 2020.

- Germany's economy is heavily export driven, including automotive, so recovery is inextricably linked with vehicle exports.

5. India Vehicle Demand Forecast 2020-2030
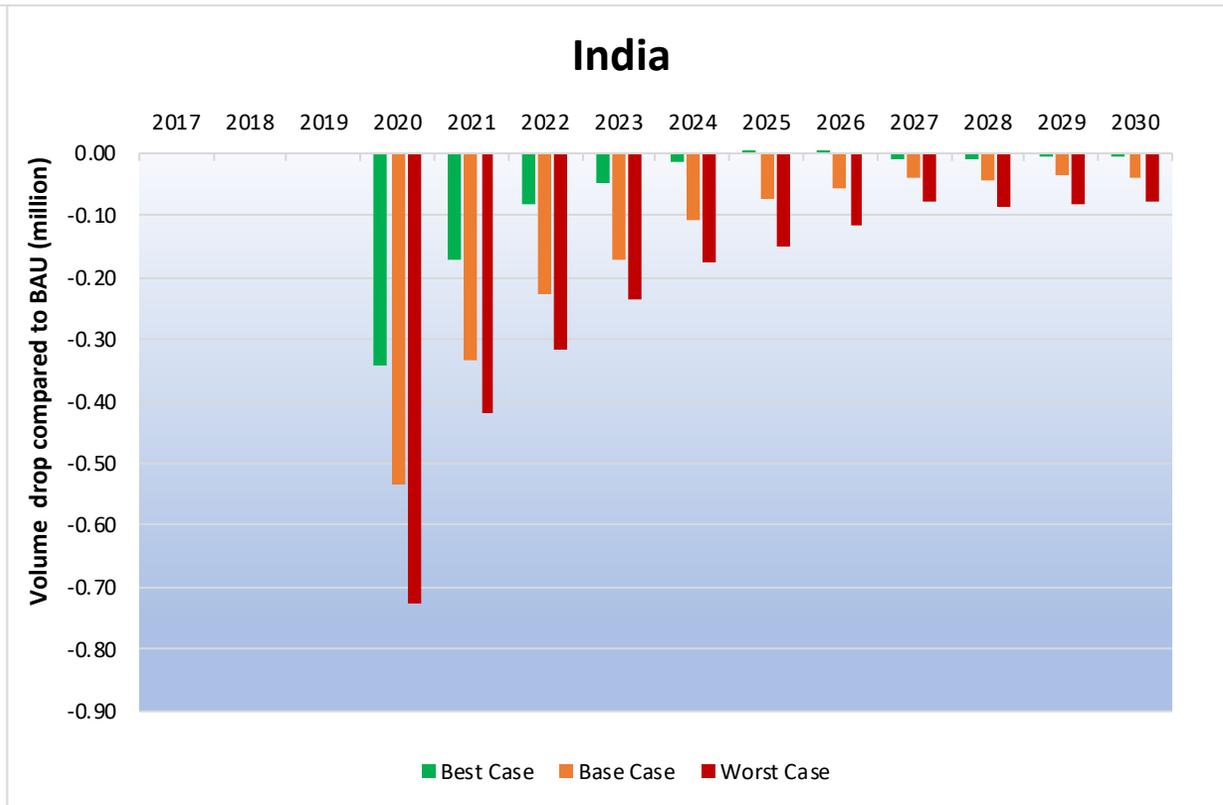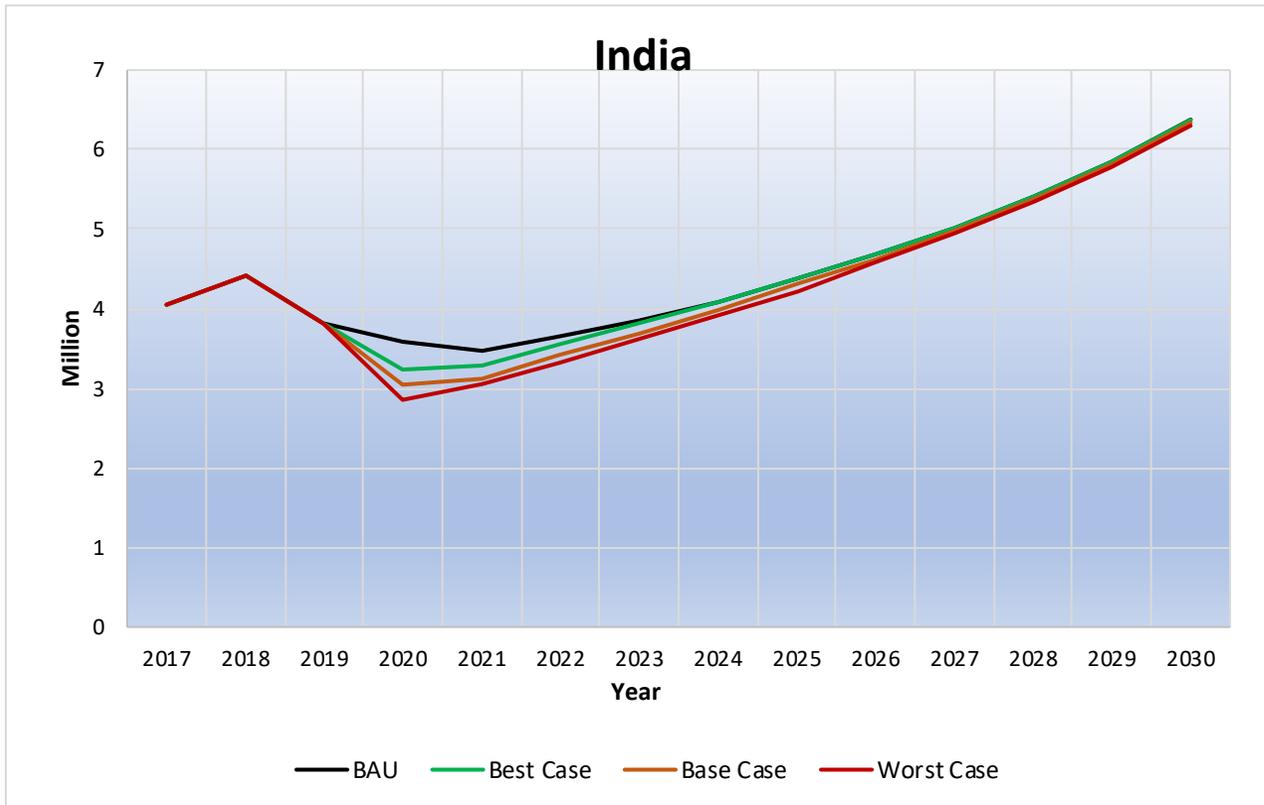
- BAU 2020 = 3.58 million units
- Best Case 2020 = 3.14 million units, a fall of -340,000 units, -9.6% from BAU (-15.0% from 2019)
- Base Case 2020 = 3.05 million units, a fall of -530,000 units, -14.9% from BAU **(-20.0% from 2019)**
- Worst Case 2020 = 2.86 million units, a fall of -720,000 units, -20.2% from BAU (-25.0% from 2019)

India Analysis

Lockdown period

- Lockdown from 25th March – 31st May (9 weeks) when it will likely be lifted, However, some dealerships opened in Mid-May.

2020 sales so far

- Due to the lockdown in late March and the BS-IV to BS-VI transition, March 2020 vehicle sales were reportedly down -48% YoY.

Automotive Growth Drivers

- Previous GDP growth of 5% - 7% and urbanisation leading to 500 million people living in cities by 2030.

- Growing "consumer class" driving shift from basic to premium vehicles. Also migration from 2 wheeled > 3 wheel > 4 wheeled vehicles.

- Increasing online digital sales channels.

- Likely OEM marketing initiatives to stimulate sales e.g. 0% finance, leasing deals etc.

Automotive Headwinds

- New regulations increasing cost of vehicles e.g. Bharat Stage Six (BS-VI) emission standards emissions & new crash test standards.

- GDP growth fell to +4.5% in Q3 2019. GDP growth expected to stall to ~0% in 2020 due to COVID-19.

- Increasing shared mobility undermining vehicle sales especially in larger cities.

- Increasing insurance norms often requiring many years of premiums to be paid in advance.

- Cautious lending for auto loans by Non-banking financial companies (NBFCs).

Conclusions – Effects of COVID-19

- **Business failure** in supply chain could cause disruption to production– e.g. forced consolidation to bailout single source suppliers.

  – **Peter Weiss** will expand on these supply chain risks in his presentation which follows this.

- **Industry consolidation:,** M&A activity is likely to improve financial resilience, reduce costs and mitigate supply chain risk.

- **EV uptake** is increasing faster due to the crisis and governments there are likely to auto industry stimulus packages to help OEMs.

- **Delay of other CASE technologies** Long-run profit margins of ~6% are low (and likely to be wiped out in 2020): Investment will be deferred.

- **Opportunities** -competitive advantage or strategic lead by acquiring companies in advanced technologies at a bargain price.

- **China** is likely to come out of the crisis quite well and will see this as an opportunity to gain ground compared to western competitors.

- **This report is a brief summary / overview of findings in our upcoming global demand forecast report.**