



# Things to watch in the global auto industry in 2019

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As always, there will be plenty of issues to track in 2019. Some of the key uncertainties from 2018 will inevitably spill over into the current year. Below is a top-line list of what could upset not only plans, but also forecasts, and to which we will no doubt return in this blog ...

## CHINA

The latter part of 2018 marked a sharp slowdown in the world's most important Light Vehicle market. Rumours of an impending government incentive, and ongoing payback from a previous one, caused buyers to stay away from the market. Even now, concerns over possible new emissions mandates are scaring consumers. Trade tensions with the US are also weighing on confidence. We already assume that some weakness will persist in the first half of the year but what if the market softens further?

## TRADE

President Trump's threats of imposing tariffs on imports may have eased for Mexico and Canada, but the same does not necessarily apply to other parts of the world. European producers, most notably the Premium OEMs, are still exposed to the possibility of import tariffs into a key market and could well be caught in the crossfire between the US and China. In our core forecast, we have to make an educated judgement on what will happen in order to generate forecasts – the tariffs will either be applied, or they will not. Our assumption is that tensions will de-escalate, thus avoiding additional vehicle tariffs. But those reliant on US vehicle imports would be wise to remain on notice.

## BREXIT

It remains unclear whether – and unlikely that – the UK Parliament will accept the Prime Minister's negotiated EU withdrawal agreement. While the draft agreement would provide some stability and clarity over the coming two years, it contains too many concessions for some UK lawmakers over the longer term. Should this agreement not be ratified, the default legal position would be a disorderly no-deal Brexit, which may cause short-term chaos for UK manufacturing and result in a longer-term decline. Delaying the UK's departure from the EU to allow for a second referendum, or a general election are possible alternatives. While both would lead to ongoing uncertainty, they would delay the cliff-edge scenario. More on this to follow ...

## OTHER THINGS TO WATCH

How successfully, or not, will the many new, pure battery electric vehicles (BEVs) coming to market for the first time fare in the year ahead? Policy has effectively forced BEV development, but will consumers actually buy them? Will the rapid descent of diesel continue, or moderate? Will the US market go back into decline? Will there be a disruptive power struggle within Renault-Nissan-Mitsubishi? Will Autonomous Vehicles take a decisive step forward, or will the hype fade away? Will other markets take up the growth baton now that the larger ones have slowed?

Watch this space ...