

Forecast

Market

Growth

Production



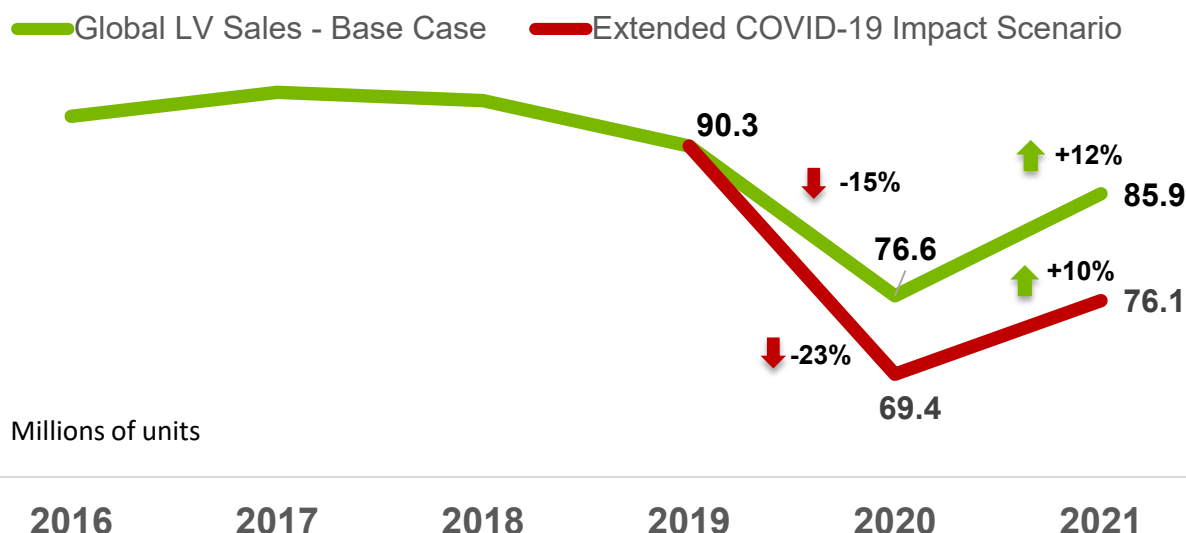
Release

Impact of COVID-19 on Global Auto Industry:

Expect deeper decline than during the Great Recession

26 March 2020

Global Light Vehicle COVID-19 Impact



Summary

As the COVID-19 pandemic unleashes unprecedented uncertainty and risk on the world's population and economy, LMC expects the impact on the global auto industry to be substantial, with the **percentage decline significantly worse than that experienced during the Great Recession**. While the environment remains extremely dynamic, LMC currently is forecasting 2020 global Light Vehicle sales to fall below 77 million units, a **decline of nearly 14 million units** or -15% from the 2019 level. For comparison, global Light Vehicle sales fell 6 million units from 2007-2009 to 64 million units, a two-year decline of 8.7%, or 4.5% CAGR (compounded annualised growth rate).

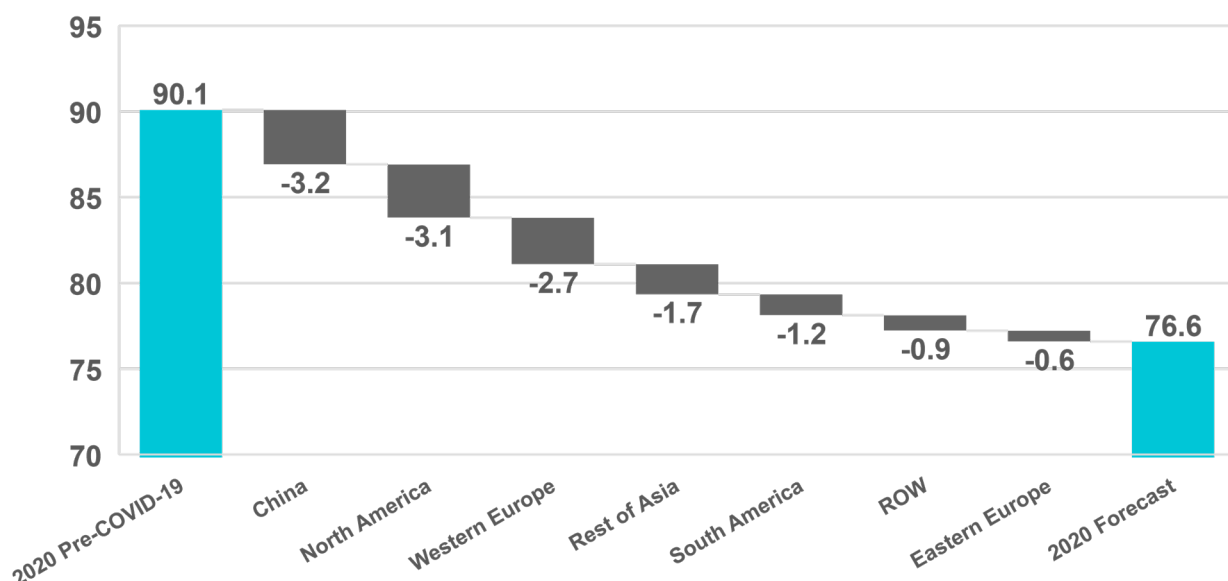
The economic backdrop has deteriorated rapidly, and the global economy is already in a recession. GDP growth expectations have turned negative in most countries, resulting in **zero global GDP growth for 2020**, down significantly from the January forecast of 2.5% growth for the year.

A key part of the economic shock has been the massive lockdown of normal consumer and business activity in most major markets around the world. Many OEMs have shut down assembly across Europe, North America and parts of Asia as population controls have been applied in order to slow the spread of the virus. Unemployment is expected to rise considerably across the world, hitting larger purchases such as vehicles beyond the near-term, even as business starts to return to normal activity.

LMC is also **modeling a scenario** in which COVID-19 impact continues well into H2 2020 or relapses in late Q3 and Q4. If that were to take place, we would expect global Light Vehicle sales to **decline more than 20%**, with volume falling to 69 million units. Such a scenario would put 2021 and the longer-term recovery pattern at further risk.

Even with a high level of risk to global autos, **the industry is far better prepared** to weather this, and is in a healthier position, after experiencing the 2008-2009 Great Recession. In addition, policy makers have taken a matter of weeks in this crisis to do what took a couple of years during the financial crisis – combining huge monetary and fiscal support packages. The responses may not be perfect, but such coordinated efforts should help facilitate a faster recovery.

2020 Global Light Vehicle Revision



2020 Revision Detail

Just two months ago and prior to the outbreak of COVID-19, LMC expected global Light Vehicle sales to be flat from 2019, at 90.1 million units. Several major markets, including the US, Western Europe and Japan were expected to contract in 2020. Auto sales in China had already declined for the last two years and there was some expectation of the market turning the corner in 2020, with slight volume growth expectations.

A global market, with some growth headwinds from a slowing economy and trade still a risk in the background, quickly changed to a global market in chaos, a situation that is likely to remain for some time.

In assessing the composition of the 2020 forecast revision, it is clear that no market will escape the impact of the COVID-19 pandemic. LMC has taken out approximately **3 million units from China, North America and Western Europe each**, accounting for more than two-thirds of the entire volume reduction. China appears to be past the worst as business goes back to work, but it is unclear if this is temporary or a true stabilisation of the environment. Europe and the US have taken over as the new epicentres, with a high probability of further material downside risk.

The **latest round of revisions** includes a significant cut to **India**, as the country is now on lockdown for 21 days. Sales in 2020 are expected to **plunge nearly 20%** from 2019. The **ASEAN-5** market has been **cut by 500,000 units**, or 14%, and Iran is expected to be down by more than a third.

South America was a week or two behind other markets in both outbreaks and aggressive response, but that has changed. Argentina has started a 12-day mandatory quarantine while several states in Brazil are imposing lockdowns for up to a two-week period. The result is a **pullback of 1.2 million units** across the region, sending the market into an expected 27% decline from 2019.

LMC Automotive's global team of analysts continues to monitor this evolving situation and we will provide further updates as we reassess the outlook.



About LMC Automotive

LMC Automotive is the premier automotive forecasting company and has an exclusive focus on the industry and an understanding of the dynamics that drive it. With offices in Oxford, Detroit, Shanghai, Bangkok and representation in Germany, Brazil, Japan and Korea, we combine more than 30 years of experience in macroeconomics and demand analysis, with a global network of ground-level, intelligence-gathering expert analysts creating unique perspectives and insights. We help our clients make sense of what is happening today, while planning for tomorrow.

LMC's principal area of activity is the global forecasting of vehicle sales, production, powertrain and electrification and coverage is provided of both Light and Heavy vehicles.

The automotive industry is facing an extraordinarily rapid period of technology evolution, particularly in the area of alternative propulsion systems. LMC is taking the lead in the analysis of the impact of these changes and is unique in offering several services that specifically forecast future demand and production for hybrid, electric and fuel cell powered vehicles.

Our core services include:

- **Global Light Vehicle Production Forecast** (*monthly*) by model, plant, platform, SOP/EOP with a 7-year forecasting horizon
- **Global Light Vehicle Sales Forecast** (*monthly*) by model, bodytype with a 12-year forecasting horizon
- **Global Light Vehicle Powertrain Forecast** (*quarterly*) by model, engine (IC, BEV etc.), transmission, driven wheels with a 7-year forecasting horizon; optional **Battery & eMotors Module** (model level, xHEV technologies)
- **Global Hybrid & EV Forecast** (*quarterly*) sales by model and propulsion system with a 12-year forecasting horizon; optional **Battery & eMotors Module** (model level, xHEV technologies)

Special Reports

- **Long-Term Outlook for AV and Electrification to 2050**
- **COVID-19**-related monitoring services

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