



IHS Markit®

Automotive Industry Weekly Digest

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[OEM Highlights] Citroën reveals C5 X

IHS Markit perspective

Implications	Citroën has revealed the C5 X, a new mid-size model that is said to mix the attributes of a sedan, station wagon, and crossover.
Outlook	The C5 X is in the mid-size category, which will prevent it from being directly compared to rivals both internally and externally in a segment that has faced big opposition from crossovers and SUVs during the past decade and more. However, IHS Markit expects volumes in Europe to be low.



Citroën C5 X
Source: Citroën

Citroën has revealed the C5 X, a new mid-size model that is said to mix the attributes of a sedan, station wagon and crossover, aiming to expand the brand's range upwards. According to a statement, the model is said to combine the “elegance of a saloon, the dynamism of a station wagon and the elevated stance of an SUV [sport utility vehicle]”. The vehicle features a large five-door hatchback-type body but with an “all-new shape with particular attention paid to aerodynamics”. Other styling features include a V-shaped light signature front and rear; long bonnet; high-waist-line and kick above the rear wheels. The large, wide hands-free tailgate with low loading sill gives access to a 545-litre boot space, and another 1,640 litres is available with the rear seats folded down. The car measures 4,805 mm long, 1,865 mm wide, and 1,485 mm tall, with the height being helped by large diameter 720-mm wheels that are fitted with 19-inch tyres.



Citroën C5 X
Source: Citroën

The car also benefits from a 2,785-mm wheelbase that is designed to offer generous interior space, especially for rear-seat passengers. The Citroën Advanced Comfort programme has been influential in this area, with the inclusion of Advanced Comfort seats that use special padding, like a mattress topper, and offers dynamic and postural comfort thanks to a high-density layer and thickened structured foam. The cabin is said to offer 360-degree glass area thanks to quarter windows and a large opening glass sunroof, while acoustic laminated front and rear windows, provide insulation from



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external noise. Citroën says the dashboard is “uncluttered”, with the dominant feature being the 12-inch HD touch screen for infotainment. This offers a range of connectivity options such as four USB Type C sockets and wireless smartphone charging; mirror screen; and real time updates via the cloud. Drivers will also have the option of the extended head-up display, a large-scale, full-colour, head-up display projected through the windscreen.

The automaker's statement has chosen to focus on the plug-in hybrid (PHEV) powertrain option. This is the 225hp version that is used in other Citroën DS Automobiles and Peugeot models currently, which features a 1.6-litre gasoline (petrol) engine and electric motor. In this guise, it is expected to offer a range of 50km and a top speed of 135km/h in zero emissions mode. However, it will also be offered with more traditional gasoline internal combustion engine (ICE) options.

As well as the Citroën Advanced Comfort suspension which is said to provide “the magic carpet effect of iconic Citroën cars and to overcome all obstacles, potholes, kerbs, speed bumps and other road connections”, the PHEV variant of the C5 X has Citroën Advanced Comfort active suspension installed. This offers a choice of three modes which provide additional control of the Progressive Hydraulic Cushions that are part of the system.

Other technologies offered are a range of driving assistance systems that are up to Level 2 in capability. These include highway driver assist, which combines adaptive cruise control with stop and go and lane keeping assist. Other safety systems are also fitted, such as long-range blind-spot detection, rear cross-traffic alert, and top 360 vision, which shows the exterior of the vehicle on the infotainment screen.

Outlook and implications



Citroën C5 X interior

Source: Citroën

The launch of the C5 X marks Citroën's return to the traditional D-segment mid-size car segment. However, a combination of the foothold that premium brands have in both China and Europe, where this model will be focused on, plus consumer tastes which have drifted towards crossovers and SUVs in recent years has led to the brand taking this different approach to the category. Laurence Hansen, the brand's Product and Strategy Director, said on the announcement: “With C5 X, we wanted to provide an emotional and rational response to D-segment customers looking for modernity, refinement, comfort and versatility. With its unique bodystyle, increased comfort, its plug-in hybrid engine and innovations, C5 X offers pleasure and peace of mind in a true Citroën way.”

There is certainly a strong reasoning for undertaking this pivot in Europe. It is a well-documented trend in this region that the D CAR category has been on a downward trend for some time. IHS Markit data shows that in the European Union, European Free Trade Agreement and UK (EU+EFTA+UK) region, sales have dropped from almost 2.96 million units at a peak in 2001 to just 1.06 million units in 2019, before the coronavirus disease 2019 (COVID-19) virus pandemic took hold. We also see volumes standing at below 1 million units during the next decade, with the focus being on models built by Mercedes, BMW, Audi, and the Volkswagen (VW) Passat, while Tesla's Model 3 has become an emergent player as



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well. Many customers that would have owned such vehicles in the past have switched their allegiance to compact and mid-size crossovers. The former has recorded the most notable improvement as OEMs have introduced models in this space, and we see C SUV volumes breaking through the 3-million-unit barrier in 2022 versus fewer than 1.3 million units a decade before. This situation has caused a number of automakers to desert the D-CAR segment, the most notable being Ford's plans to end production of the Mondeo in 2022, with no replacement apparently planned. The decision to take this approach will also reduce some of the internal competition, particularly under the new Stellantis organisation, which already has the Alfa Romeo Giulia, Opel/Vauxhall Insignia, Peugeot 508 and recently launched DS Automobiles DS9. However, it remains to be seen whether customers will see the attraction of these various traits in Europe. IHS Markit forecasts that volumes in the EU+EFTA+UK region will reach just over 12,000 units in 2022, and represent just 1.2% of the market in this region.

Dongfeng Peugeot Citroën Automobile (DPCA), Groupe PSA's joint venture (JV) with Dongfeng in China, has been battling with slumping sales in China since 2017 under pressure from fierce competition from Chinese automakers. Citroën models have failed to impress Chinese customers so far. The company had introduced a PHEV version of the Citroën C5 SUV in China last year, but it did not offer many "new elements" in terms of design compared with the gasoline (petrol) model, the C5 Aircross. The all-wheel-drive system on the C5 Aircross PHEV gives the model an edge over rivals such as VW's Tayron GTE, which is only available as a front-wheel drive. The C5 Aircross PHEV's electric driving range of 58 km is not impressive, although models such as the Tayron GET and the Volvo XC60 PHEV offer similar performances.

Dongfeng PSA will finally bring an all-new product to the market with the arrival of the new-generation Citroën C5, which is based on the EMP2 platform. The current generation C5 has been on the Chinese market for nearly a decade, since production began in 2010. Riding on an ageing platform makes it impossible for the C5 to stand up to the competition in the compact sedan segment. The EMP2 platform is currently the main vehicle platform for the Peugeot brand, its models include the Peugeot 4008 and 5008 SUVs, and the 508 sedan. IHS Markit forecast sales of new generation C5 to be around 3,600 units in 2021 and 4,400 units in 2022. Meanwhile, according to Dongfeng PSA's product plan, it aims to provide electrified options for every model of the Citroën brand in China by 2025.

[OEM Highlights] Polestar targets carbon-neutral car by 2030

Polestar has announced that it is targeting building a carbon-neutral car by 2030. In a statement coinciding with the release of its annual review, the company said, "Polestar 0" is a "moonshot goal to create the first truly climate neutral car." CEO Thomas Ingenlath said, "Offsetting is a cop-out... By pushing ourselves to create a completely climate-neutral car, we are forced to reach beyond what is possible today. We will have to question everything, innovate and look to exponential technologies as we design towards zero." Polestar has also said that it will begin applying "sustainability declarations" to all its products. This will begin with the Polestar 2 which will disclose carbon footprint and traced risk materials, with labelling also appearing on the company website and in Polestar Spaces, improving transparency. These will be updated over time with additional details and information.



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Outlook and implications

The move highlights Polestar's plan to put sustainability at the heart of its business. On the announcement, the company's Head of Sustainability, Fredrika Klarén, said, "We're electric, so we don't have to worry about combustion engines producing toxic emissions – but that doesn't mean our job is done. We will now work to eradicate all emissions stemming from production." The move also sets out to challenge industries efforts to offset carbon emissions by planting trees. In its statement, the company has said that "environmental experts have warned that offsetting is not sustainable in the long run" with "questions around the long-term carbon-storage capacity of forests and soils remain, as a forest might be logged, devastated by fire or altered by climate change." Polestar previously revealed its plans to offer greater transparency about the environmental impact of its vehicles. However, the goal of the climate-neutral vehicle doubles down on its aims. It remains to be seen whether this will be entirely possible within a decade, but setting such a goal should help it towards making a significant carbon reduction in the long term.



[Sales Highlights] Chinese new vehicle sales grow 74.9% y/y in March

IHS Markit perspective

Implications	The sharp increase in vehicle sales last month may be attributable to a low base of comparison. China's commercial vehicle sales witnessed rising demand for commercial vans and trucks in the past few months, thanks to government-led infrastructure building projects. Meanwhile, government incentives and preferential policies will continue to play a role in boosting new vehicle demand in China during 2021.
Outlook	According to IHS Markit's January light-vehicle market forecasts, light-vehicle production in mainland China is to increase 5.6% to 24.66 million units in 2021, after a decline of 4.3% in 2020. Light-vehicle sales in mainland China are expected to increase 5.5% to 24.985 million units in 2021.

The auto market of mainland China experienced another month of strong growth in new vehicle sales in March, propelled by robust demand for passenger vehicles (PVs) and for commercial vehicles (CVs). According to data released by the China Association of Automobile Manufacturers (CAAM), new vehicle sales on a wholesale basis increased 74.9% year on year (y/y) to 2.526 million units in China last month, while production rose by 71.6% y/y to 2.462 million units. In the year to date (YTD) for March, China's new vehicle sales were up by 75.6% y/y to 6.484 million units, while production volumes grew 81.7% y/y to 6.352 million units.

Of the total new vehicle sales and production in China last month, PV sales increased 77.4% y/y to 1.874 million units, while PV production rose by 77.4% y/y to 1.883 million units. The CAAM definition of PVs includes sedans, sport utility vehicles (SUVs), multi-purpose vehicles (MPVs), and minivans. During March, China's sales of sedans were up by 73.7% y/y to 871,000 units, MPV sales increased 105.3% y/y to 93,000 units, SUV sales rose by 79.6% y/y to 877,000 units, and minivan sales grew 56.6% y/y to 33,000 units. In the YTD, Chinese sales of PVs were up 75.1% y/y to 5.076 million units, while production of PVs increased by 83.1% y/y to 4.955 million units.

China's CV sales, including medium and heavy vehicles, also remained strong in March. Last month, sales volumes of CVs rose by 68.1% y/y to 651,000 units, while CV production increased 55.2% y/y to 579,000 units. In the YTD, sales of CVs rose by 77.3% y/y to 1.408 million units, while production of CVs increased 76.9% y/y to 1.397 million units.



China's sales of new energy vehicles (NEVs), which include battery electric vehicles (BEVs), plug-in hybrid electric vehicles (PHEVs), and fuel-cell vehicles (FCVs), increased 238.9% y/y to 226,000 units in March. Sales of passenger NEVs grew 250.1% y/y to 212,000 units in March, while sales of commercial NEVs increased 127.1% y/y to around 14,000 units. Within the NEV passenger car category, in March, sales of BEVs were up 264.8% y/y to 176,000 units,



while sales of passenger PHEVs stood at 36,000 units, up 192.4% y/y. In the YTD, NEV sales in China rose by 279.6% y/y to 515,000 units.

China's new vehicle exports jumped by 45.5% y/y to 132,000 units in March. By vehicle type, PV export volumes increased 45.3% y/y to 99,000 units, while CV export volumes grew 46.2% y/y to 33,000 units.

Outlook and implications

CAAM's data indicate a strong rebound in new vehicle demand for a third consecutive month in March, which, to a large extent, may be attributable to a low base of comparison. Chinese new vehicle sales contracted significantly by 43.9% in March 2020 because of the coronavirus disease 2019 (COVID-19) virus outbreak. The COVID-19 virus outbreak, which escalated in China in the final week of January 2020, resulted in a free fall of the market in February and March last year.

Meanwhile, China's CV sales witnessed rising demand for commercial vans and trucks in the past few months, thanks to government-led infrastructure building projects. The government's efforts to boost domestic consumption will continue to drive up demand for commercial vehicles. Last month, the NEV market of mainland China also remained strong owing to a high uptake rate for models such as the Tesla Model 3, BYD Han EV, and Wuling Hongguang mini-EV. Compared to a year ago, private-sector demand is now playing a more important role in underpinning the expansion of the NEV sector.



Government incentives and preferential policies will continue to play a role in boosting new vehicle demand in China during 2021. In February, the Ministry of Commerce once again urged local government authorities to support auto consumption in rural areas and raise quotas of licence plates to encourage consumers, especially car-less families, to purchase NEVs. The country is also increasing its focus on use of hydrogen-run cars.

With the supply of semiconductors becoming tighter in March, increasing numbers of automakers reported experiencing or expecting to see shift reductions or temporary production halts due to lack of microchips for certain automotive components. Based on available information, we expect the disruption to lead to a production volume loss of around 350,000 units in China during the first quarter, while 7,500 units are at risk so far in the second quarter. An assessment of the production volume loss will continue to be made through the rest of the year to reflect ongoing changes as the situation evolves.

According to IHS Markit's January light-vehicle market forecasts, light-vehicle production in mainland China is to increase 5.6% to 24.66 million units in 2021, after a decline of 4.3% in 2020. Light-vehicle sales in mainland China are expected to increase 5.5% to 24.985 million units in 2021.



[Sales Highlights] Geely Auto reports sales growth of 37% y/y in March

Geely Auto sold 100,029 vehicles in March, up 37% year on year (y/y). The data include sales in the Chinese market and exports. Geely Auto's sport utility vehicle (SUV) and sedan sales stood at 58,112 and 40,001 units, respectively. Sales of multi-purpose vehicles (MPVs) totalled 1,916 units in March. Sales of the Lynk & Co brand totalled 16,390 units last month, up 122% y/y. In the first quarter, Geely Auto's sales reached 333,576 units, up 62% y/y and achieving 22% of the company's sales volume target of 1.53 million units. Of the total sales volume in the first two months of 2021, 5,657 units were electrified models, which consist of mild hybrid vehicles, full hybrid vehicles, plug-in hybrid vehicles (PHEVs) and battery electric vehicles (BEVs).



Outlook and implications

Geely Auto is expected to launch two new models under the Geely brand, the Emgrand S and the Xingyue L, onto the market in the first half of this year. The Emgrand S, a compact SUV, will continue to target entry-level SUV buyers. The Xingyue L, however, will be positioned in the higher end of the market. Based on Geely Group's CMA platform, the Xingyue L will be powered by Volvo's Drive-E series engines to rival with the likes of Ford Edge and Toyota Highlander. In the new energy vehicle (NEV) market, Geely's electrified models only account for a small share of the company's total sales. To accelerate the launch of its BEVs, Geely has established a new subsidiary, Zeekr, which will be responsible for the launch and marketing of upcoming EVs based on Geely's dedicated EV architecture. It is interesting to see how the market will respond to models coming from Zeekr. The first vehicle from this newly announced Geely subsidiary, the Zeekr 001, will begin sales in the second half of 2021.



[Technology and Electrification Highlights] Magna sets out expectations for future electrification business

Magna has laid out several elements of its expectations for increasing business from electrification in the coming years during an Investor Day presentation, including electrified powertrain business of more than USD2 billion by 2023. Magna expects total business to grow to USD45.5 billion in 2023, compared with USD32.6 billion in 2020, although the company points out that its projection of 10–12% average growth per year through 2023 was developed prior to the semiconductor shortage. Magna also noted that more than 90% of its business in 2023 was to sales already booked. This includes the electric vehicle (EV) battery enclosures for the GMC Hummer and Ford F-150; the recently announced Clearview rearview camera and mirror technology, and a new seating surface trim that improves seat comfort called Freeform. Magna also reinforced its desire to expand its global manufacturing capacity to include North America. CEO Seetarama Kotagiri is quoted as saying, “We have indicated many times over the years, we are interested in establishing vehicle manufacturing in North America.” Going forward, Magna intends to drive growth in eDrives, battery enclosures, advanced driver assist systems, contract vehicle manufacturing and new business models, while reducing emphasis on areas including manual transmissions, four-wheel-drive systems and fuel tanks. Magna also points out a number of its product lines which are significant independent of powertrain, including lighting, active aerodynamics, body and chassis, dual clutch transmissions, mirrors, mechatronics and seating. Magna also highlighted the joint venture (JV) it is creating with LG for e-Powertrains; this business will use e-motor and inverters as a building block to strengthen eDrive systems. In 2023, Magna expects more than USD2 billion in managed sales revenue will be from electrified products, increasing to USD4 billion in 2027 and doubling by 2031. Magna expects that it has a strong position regardless of take rates for new system. Magna expects that key growth contributors will include its eDrive programme in China, a JV called HASCO-Magna Joint Venture; high-volume 48-volt hybrid DCT programmes and expected new business in primary and secondary eDrives. As the transition to electrification continues, Magna expects its average content per vehicles (CPV) to increase from USD400 with to USD950 with a transition from 4WD/AWD systems to secondary eDrive systems, with a similar 20% take rate. As vehicles become electrified, Magna expects the average CPV to grow from USD900 to USD1,100 through the transition from DCT/manual transmissions the primary eDrive system.



Outlook and implications

Magna intends to accelerate deployment of capital toward high-growth areas; continuing to improve operations excellence as well as unlocking new business. It will shift more business to products it considers aligned to powertrain-agnostic vehicles, without a substantial decline from the products seeing decreased global business. Magna expects its adjusted return on invested capital will grow from 7.9% in 2020, and adjusted EBIT margin to reach between 8.1% and 8.6% in 2023, compared with 5.1% in 2020.



[Technology and Electrification Highlights] VinFast to equip its autonomous EVs with Nvidia's technology

Vietnamese automaker VinFast has selected chip technology from Nvidia for its new generation of autonomous electric vehicles (EVs), according to a company press release. The automaker will first ship its autonomous EVs with the Nvidia Drive Xavier system-on-a-chip (SoC) starting in 2022. It will then upgrade to Nvidia Drive Orin chip technology across its entire range of upcoming premium EV models. Nvidia Drive Orin is the industry's highest-performing processor. The SoC is capable of processing more than 254 trillion operations per second, allowing it to handle a large number of applications and deep neural networks running simultaneously to support special vehicle features. These include capabilities such as cruise planning, locating charging stations and dealerships, theft-risk warning, user habit preferences, self-driving on highways, parking, and more. As a result, VinFast's autonomous EVs will offer increased safety and enhanced autonomy, outperforming existing models on the market. In addition, the Nvidia Drive Orin system is designed to ISO 26262 ASIL-D safety standards to ensure the highest level of autonomous vehicle electronics safety.



Outlook and implications

VinFast joined the automotive market three years ago and has made use of relationships with suppliers and other automakers to develop vehicles quickly. It has an automotive plant in the northern Vietnamese province of Hai Phong and research and development centres in Australia, Germany, and the United States. As we have noted in earlier reports, the automaker aims to reach production of 500,000 units per annum by 2025, and it is successfully producing vehicles for the Vietnamese market. VinFast recently announced that it was developing and preparing to start mass production of three smart EVs, the VF e34 mid-size sport utility vehicle (C-segment SUV), the VF e35 mid-size SUV (D-segment SUV), and the VF e36 full-size SUV (E-segment SUV), adding that two of the models will be sold in the US, Canadian, and European markets from 2022. All three models have Level 2–3 autonomous capabilities, with 30 smart features. The automaker has received a permit to test autonomous vehicles on public streets in California and has also obtained a permit from the California Vehicle Administration to commercialise its EVs in the US market. However, it will take commitment and patience to enter the US and Canada and build a presence in these markets. According to our latest forecast, we expect VinFast's entry in the US market to be a low-volume prospect in the early years, with its sales forecast to reach about 6,700 units in 2025.



[GSP] ASEAN Sales and Production Commentary -2021.03

ASEAN sales

February 2021: -18.0%; 194,944 units vs. 237,599 units

YTD 2021: -18.7%; 387,426 units vs. 476,655 units

- Light vehicle sales in the Association of Southeast Asian Nations (ASEAN) recorded about 195,000 units in February 2021, marking a decrease of 18.0% compared with February 2020. In January–February 2021, the market decreased 19.0%, to about 387,000 units. The ASEAN market will likely increase 12.0%, to about 2.77 million units in 2021.
- Thai light vehicle sales in February 2021 decreased 13.4% y/y, to about 58,000 units. Sales numbers would appear better if luxury-brand sales were included, which are now compiled and reported only in the last month of each quarter since second quarter 2020. If they were compared with only nonpremium-brand sales, sales in February 2021 would decrease around 10.0% y/y. In February, the Thai consumer confidence index increased for the first time in three months, to 49.4, because of the successful first lot of COVID-19 vaccine inoculation in late February and the government's economic stimulus packages. The COVID-19 pandemic has hurt the Thai economy by dampening the country's two main earning sectors—tourism and export. Thailand's economy in the fourth quarter of 2020 declined 4.2% y/y, improving from a contraction in third quarter 2020 of 6.4% y/y. In 2020 overall, Thai GDP dropped 6.1% y/y, compared with an expansion of 2.3% y/y in 2019. In 2021, the Thai economy should grow 3.12% y/y, amid the new wave of infections in the country, supported by the recovery in the world economy and global trade, a rebound in domestic demand, and the low base in 2020. The government's new massive vaccine plan will start from several lots from Sinovac during February to April 2021 for around 3% of total population. The delivery of huge lots of AstraZeneca will be during June to December for almost the rest of the population. Vaccine side effects and their timely delivery are still concerns for the people.
- Vehicle sales during the first half of 2021 will be affected by production slowdowns owing to the global semiconductor shortage issue at many OEMs, including Honda, Mazda, Nissan, and Suzuki. The strong momentum from pent-up demand since late fourth quarter 2020, along with the motor show in March, will likely draw some demand and year-on-year growth owing to the low base in 2020 due to the strictest containment measures. In the second half of 2021, a more challenging issue that threatens consumer confidence and spending is whether the government can control the spread of the COVID-19 virus and timely manage the vaccine rollout, as well as government aid to consumers, small and medium-sized enterprises (SMEs), the unemployed, and tourism businesses that have suffered high costs and lost tremendous income for almost a year from a lack of foreign tourists. The growing economy and global trade will push exports to again become one of the key contributors to the Thai economy in 2021, growing 4.0–5.8% y/y. However, shipping container shortages could be a threat to product delivery performance. The main segment driver in 2021 is expected to be the country's product champion—the pickup truck segment. The high recovery momentum of pickup trucks since 2020 will continue, along with new product updates from OEMs that will attract consumers. Unemployment in big cities has forced people to return home to small towns to start small local businesses using pickups for operation, and the fast-growing e-commerce business and in-home delivery services have also supported pickup demand. That said, xEVs continue to interest consumers more, according to the global trend of electric car popularity during the COVID-19



outbreak. Concerns over PM2.5 pollution problems in Thailand also contribute to their popularity. New launches of battery-electric vehicles (BEVs) from the ORA brand under Great Wall Motors (Thailand) with an affordable price range in 2021 and 2022 could attract more target customers, including middle-income customer groups, and increase more BEV-segment sales. Sales in 2021 will reach 0.79 million units, marking a 2.5% y/y increase.



- In the short term, even as the effects of the COVID-19 virus will continue pressuring the economy, businesses, and consumer behaviors, IHS Markit analysts expect expedited sales growth during 2022–24 because of the low base in 2020–21. Sales should also be supported by the new elections, urban expansion after the completion of the megaproject on public transportation, and substantial overseas investments to join the Eastern Economic Corridor (EEC)—Thailand’s new flagship economic zone. Urban expansion will continue, especially in cities that are bordering provinces that have gained free-trade and labor opportunities after the creation of the ASEAN Economic Community. The government’s automotive policy supporting the eco-car program and the electric vehicle (EV) scheme will likely contribute to Thai market demand in the short and long terms. OEMs that successfully join the scheme will reap benefits in terms of reduced import tariffs on machinery, raw material privileges, and corporate income tax exemptions in return for local production of hybrid electric vehicles (HEVs), plug-in hybrid electric vehicles (PHEVs), BEVs, and EV components. In the longer term, IHS Markit analysts forecast the automotive industry will grow at a slower pace as penetration levels and public transportation—especially the Skytrain in Bangkok—expand. In addition, there are more concerns about limited roads, high traffic congestion in big cities, and the growing number of alternative services for car sharing—Uber and GrabTaxi will be threats in the future.
- The Indonesian car market in February 2021 decreased 7.0% month on month (m/m), to around 46,000 units, because some prospective buyers prolonged their spending to enjoy the relaxation policy for the Luxury Sales Tax on new cars with certain categories that took effect from March. The Ministry of Finance released the Luxury Sales Tax relaxation stages, namely a 100% discount for 1 March to 31 May, a 50% discount on 1 June to 31 August, and a 25% discount during 1 September to 30 November. Not all vehicles qualify for this benefit. Only sedans and 2WD cars with engines power below 1,500 cc, which account for 70% of the total market, will enjoy these discounts. That explains why sales in the vehicle segments that benefit from this discount program sharply fell by more than 30% m/m when compared with January 2021. The government expects this incentive to have a positive impact on the automotive industry, as well as the national economy during the COVID-19 pandemic. In a year-on-year comparison, the market declined 38.0% because of the high base of comparison at the pre-COVID level last year and the sluggish economic result. The 2020 GDP result was the slowest outcome for the first time in two decades. It shrank 2.07% y/y, as COVID-19 crippled business activity. In the year to date (YTD), the Indonesian market decreased 36.0% y/y, to around 95,000 units. For the full-year 2021 forecast, the Indonesian vehicle market has been upgraded to around 0.72 million units, or a 45.0% y/y increase, up from the last forecast because of the automotive tax relaxation policy to help the industry during the pandemic. The main factors influencing this



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year's performance are government stimulus packages to counter the further impact of the pandemic, especially for the automotive sector; more crucial model launches in popular segments to attract consumers' interest; the vaccination program against COVID-19 to boost consumer confidence and spur the economy (the country started mass vaccinations during the third week of January 2021, and the two-dose vaccine will be free for all Indonesian citizens); and the corporate income tax cut since 2020 to attract investment and create more jobs. In the short-to-medium term, Indonesian car sales should continue to rise owing to robust demand, product refreshments, expectations of a further corporate tax cut, and public infrastructure improvement. For the longer term, the market should grow from a rising middle class. Considering the penetration rate is still low in the country, there remain plenty of opportunities for further growth in the years ahead. However, mass rapid transit (MRT) programs may result in consumers prolonging the decision to buy a new car, since MRT can accommodate many people at the same time through business areas that currently face severe traffic jams.

ASEAN Production

February 2021: -11.9%; 274,641 units vs. 311,578 units

YTD 2021: -14.0%; 552,807 units vs. 543,130

- The Association of Southeast Asian Nations (ASEAN) region's light vehicle production contracted 11.9% year on year (y/y), with 274,641 units, in February 2021 versus the pre-COVID-19 level in February 2020, while the year-to-date (YTD) production recorded 552,807 units, down 14% y/y. In the March forecast update, ASEAN's 2021 light vehicle production was revised up by 82,300 units owing to the improving auto market and pace of economic recovery in the region. Indonesia production was upgraded by 61,000 units, significantly driven by the government's tax cut on locally assembled mainstream MPVs and sedans, while Thailand production increased by 21,000 units in light of robust export of pickups during the first half. However, the global semiconductor shortage has forced some major OEMs in Thailand and Malaysia to consequently further cut their first-half 2021 output figures. OEMs are likely to ramp up production to recover lost outputs; however, they are unlikely to fully rebound throughout the second half given the longer lead time in the semiconductor manufacturing supply chain amid surging demand for microchips from other sectors—such as consumer electronics from the mobile phones, tablets, gaming, and home appliances—following the 2020 pandemic crisis.



[Supplier Trends and Highlights] Intel CEO says company in talks with OEMs to produce chips within six to nine months

Production could take place at Intel's factories in Oregon, Arizona, New Mexico, Israel, or Ireland



Source: Getty Images

Intel are in talks with semiconductor manufacturers to produce automotive chips within six to nine months, CEO Pat Gelsinger told Reuters. Gelsinger has told US White House officials that Intel will open its existing factory network to auto chip companies to help alleviate the supply shortage that has disrupted assembly lines at American OEMs including Ford Motor and General Motors.

“We’re hoping that some of these things can be alleviated, not requiring a three- or four-year factory build, but maybe six months of new products being certified on some of our existing processes. We’ve begun those engagements already with some of the key components suppliers,” Gelsinger added.

Outlook and implications

The semiconductor shortage has been crippling the auto industry. After factories began restarting production, heavy demand from the consumer electronics market has led to a dearth of auto chips, significantly reducing vehicle production. The current situation is expected to last until the fourth quarter of fiscal 2021. Politicians and governments have gotten involved in a bid to rectify the situation. Gelsinger did not name the component suppliers but said that the work could take place at Intel's factories in Oregon, Arizona, and New Mexico in the US, Israel, or Ireland.

[Supplier Trends and Highlights] GPS Insight becomes telematics solution partner for Amerisure FleetAlliance program

The partnership follows the results of a two-year safety study



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Source: Getty Images/shironosov

GPS Insight has announced a partnership with Amerisure to provide telematics solution for the Amerisure FleetAlliance program, according to company press release on 13 April. The partnership follows the results of a two-year safety study. The study showed that Amerisure policyholders using GPS Insight Tracking saw a claim reduction of 30%, highest among the telematics solutions tested.

“GPS Insight is proud to be named the Preferred Telematics Solution Partner for Amerisure Insurance. The results of the Amerisure study prove that there are two key elements to a successful fleet safety program: a strategy with a clear picture of what success looks like and a partner that can provide the technology and expertise to execute on that strategy,” said Ryan Driscoll, VP, Marketing, GPS Insight.

Outlook and implications

The Amerisure FleetAlliance program will give policyholders driver insights on reducing fallout from accidents, reducing out-of-service expenses, and lowering at-fault accidents etc. Participants will also receive next-generation insights with AI-powered Driveri smart cameras, calculating driver performance without reviewing footage.

Key results from the study, with more than 1,800 vehicles, showed that Amerisure policyholders using GPS Insight Tracking experienced 23% reduction in unsafe driving incidents, 22% reduction in posted speeding events, 30% reduction in fixed speed events, 20% reduction in hard braking events, and 22% reduction in acceleration events.



[VIP ASSET] Commitments to carbon-neutral economies accelerate the reshaping of the automotive industry



The regulations currently in discussion will propel BEV shares above 50% in Europe by 2030. China and the US will reach 40% and 25% BEV respectively.

Many countries have committed to become carbon-neutral economies by 2050 (China by 2060). IHS Markit is tracking these developments closely and offers new analysis on the transformation of the transport sector that will be required to meet these targets.

To succeed, the transportation sector will need to turn many of the vehicles in operation into battery electric vehicles (BEVs) or zero emission vehicles (ZEVs) within the proposed timeframes. In turn, internal combustion engine (ICE) and hybrid vehicle sales will need to be phased out at least 10 years before the target dates, with many markets becoming pure BEV/ZEV sales markets by 2040 at the latest (with only few exceptions), according to IHS Markit estimates.

Europe is in the vanguard of this transformation from a regulatory perspective. Although not formally agreed yet, IHS Markit expects an EU-wide ICE phase-out by 2040 or before. Indeed, nine EU member states are lobbying publicly for 2035 or an earlier timing. A new CO₂ reduction target for OEMs is likely to see a 55% reduction on 2021 levels (instead of 37.5% today). To get there, BEV/ZEV sales will need to be greater than 50% by 2030. Regardless of the CO₂ reduction target or EU7 norm, the ICE sales era will be replaced by the BEV sales era between 2035 and 2040. Meanwhile the window of opportunity for hybrid vehicles as a transition technology will be short. Independent from EU-wide regulations, some countries are on their own timeline, using the few options which are in-line with EU-legislation to create de facto ICE bans. Norway has used high ICE taxes and BEV incentives over the years to meet its target by 2025. The Netherlands will rely on low-emission zones to reach its target by 2030. After Brexit, the UK can introduce the announced ICE ban after 2030 with exceptions for selected hybrid vehicles during a transition phase.

From a regulatory perspective, China is only a few years behind Europe. IHS Markit expects New Energy Vehicles (NEV) sales targets to be around 40% by 2030, greater than 50% by 2035 and up to 100% by 2050 at the latest. Additional CAFC targets in the direction of 3 l/100km by 2030 and 2 l/100km by 2035 (under the WLTC test protocol) will leave room for only the most fuel-efficient hybrid vehicles alongside NEVs.

The U.S. is tied to Safer Affordable Fuel-Efficient (SAFE) rules until 2026. From 2027 onwards, IHS Markit assumes that Biden's administration will revert to the MPG improvement levels which are at least as stringent as those seen under the Obama administration. Furthermore, IHS Markit works with the assumption that five states including California will ban ICEs by 2035. Under these assumptions a BEV/ZEV new vehicle sales trend of between 25-30% by 2030 and 45-50% by 2035 is expected.

OEMs accelerate their electrification plans with less room for platform, vehicle and powertrain complexities other than BEVs



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The upcoming regulations described above will require minimum BEV sales shares of more than 50% in Europe, more than 40% in China and more than 25% in the U.S. by 2030, according to IHS Markit analysis. This will lead OEMs to a deep review of their technology, platform, vehicle and powertrain strategies. They are also wrestling with the required investments to become successful with BEVs and the perspective of the financial markets to support these investments.

"The tipping point for decisions towards an accelerated BEV roadmap or even a full BEV switch has arrived in the board rooms of major OEMs in regulated markets," said Reinhard Schorsch, Director, OEM Planning Solutions at IHS Markit.

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