IHS Markit

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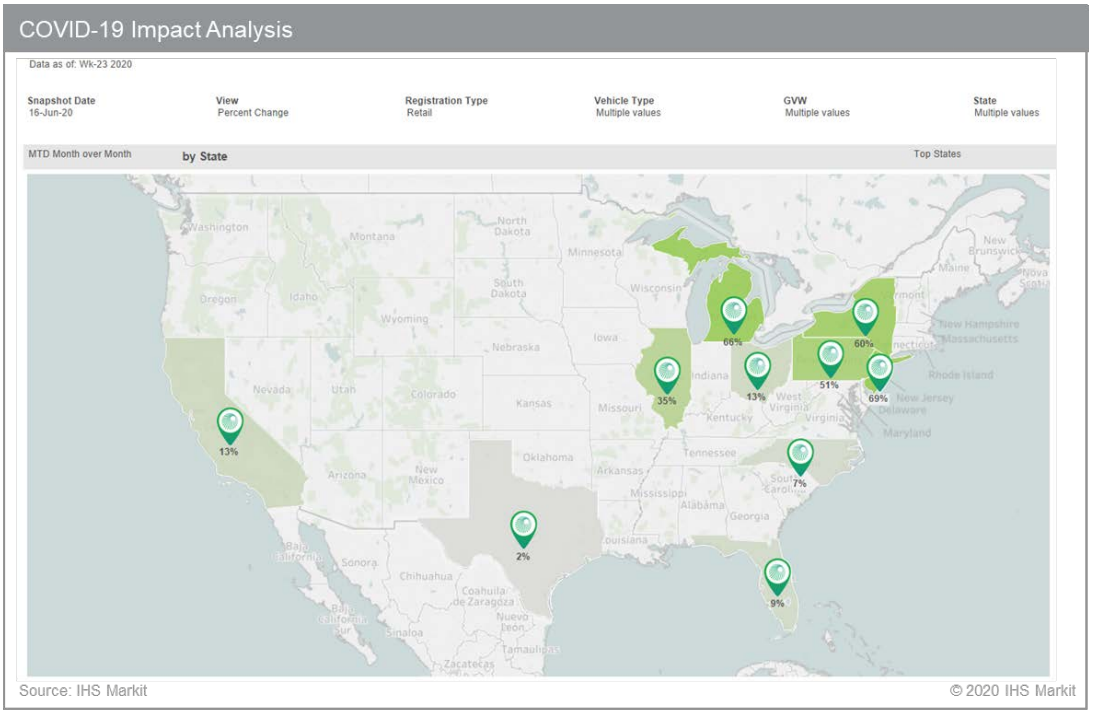
Automotive Rapid Response Report | COVID-19

US market rapid reporting

18%	69%	66%	60%
National mtd increase	New Jersey mtd increase	Michigan mtd increase	New York mtd increase

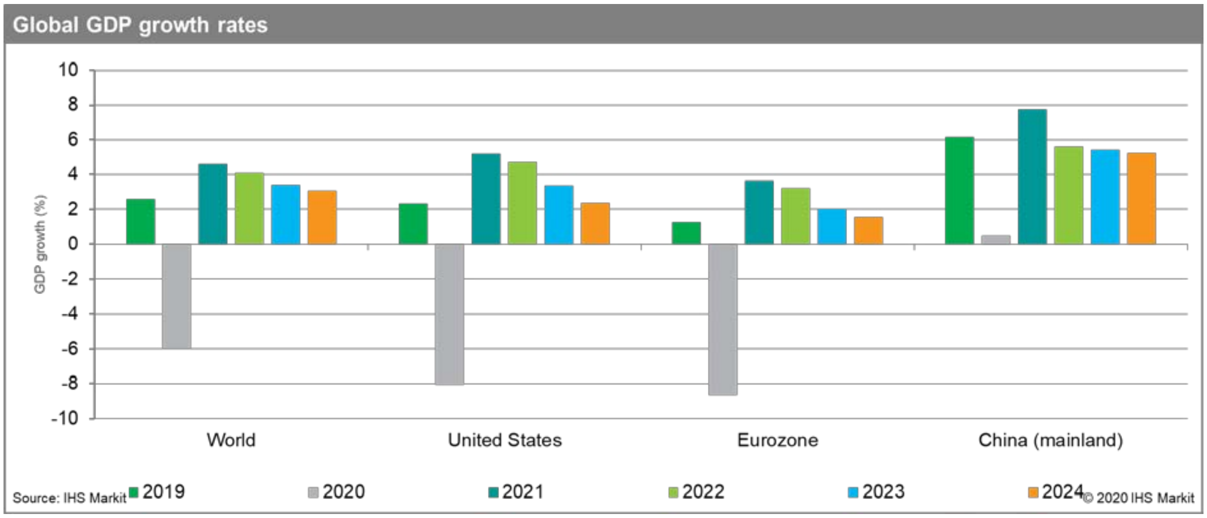
- **Positive momentum continues, 18% month-to-date (mtd) increase compared with mid-May in national retail registration volume, representing over 50,000-unit improvement**
  - Luxury segments up 45% mtd, representing an increase of 15,000 units nationally
    - Luxury Utilities, a 10,000-unit improvement mtd, comprising the majority of Luxury volume increase
  - Non-luxury utilities up 25% mtd, an increase of 32,000 units driven by Non-luxury compact CUV contributing over 20,000 units
  - Non-luxury cars up 14% mtd, growing by more than 8,000 units and almost half of the increase was in non-luxury compact cars
  - Pickup segments declined 7% mtd, not surprising as inventory is extremely low and production is coming online
    - As May concluded, truck inventory was half the days' supply compared with the end of April
- **24% improvement in mtd performance for June in the top 10 retail volume states, highlights include:**
  - Significant improvements in New Jersey, Michigan, and New York all recently lessening business restrictions
  - Modest improvements in Texas, North Carolina, and Florida where pent-up demand has been satisfied, continued concern about impact to the industry as they experience a resurgence of coronavirus disease



Global economic overview

6%	41.9%	9.1%	0.5%
projected global GDP decline in 2020.	projected US GDP decline in the second quarter of 2020	Eurozone real GDP in 2020	projected China GDP increase in 2020

- IHS Markit now projects a **6% decline in global real GDP in 2020**, with the sharpest contractions occurring in Europe and the Americas. Our forecast assumes that an effective, meaningful treatment for COVID-19 will be available by the second quarter of 2021 and a vaccine will be widely available in developed countries by mid-2021.Recovery will begin in the third quarter of 2020, leading to global growth of 4.6% in 2021 and 4.1% in 2022.
- **US real GDP is expected to decline at a 41.9% annual rate in the second quarter** (-12.7% at a quarterly rate), with huge declines in consumer and business spending. However, most states have begun phased re-openings of their economies and high frequency data show certain activities curtailed by social distancing recovering ahead of previous expectations. After an 8.1% contraction in 2020, real GDP is projected to increase 5.2% in 2021, 4.7% in 2022, and 3.4% in 2023.
- **Eurozone real GDP declined a record 3.8% quarter on quarter (q/q) in the first quarter**, and a much larger double-digit contraction is forecast in the second quarter. Activity restrictions are now being unwound and policy stimulus has stepped up, supporting a recovery in the third quarter. However, real GDP is not expected to regain its late 2019 peak until 2024. After a 9.1% decline in 2020, eurozone real GDP is projected to recover 3.8% in 2021, 3.1% in 2022, and 2.0% in 2023.
- China's economic activities improved for a second consecutive month in April. The recovery has been uneven, however, advancing faster in supply than in demand, and faster in the industrial sector than in the service sector. Retail sales fell 7.5% year on year (y/y) in April following declines of 15.8% in March and 20.5% in January–February**. On positive note, automotive sales in April returned to the year-ago level, compared with an 18.1% y/y contraction in March**. With economic growth improving in the second quarter, China's real GDP is projected to increase 0.5% in 2020, 7.8% in 2021, and 5.6% in 2022.



Global automotive overview

12.6M

North American LV Production increased by 248,000 units for 2020

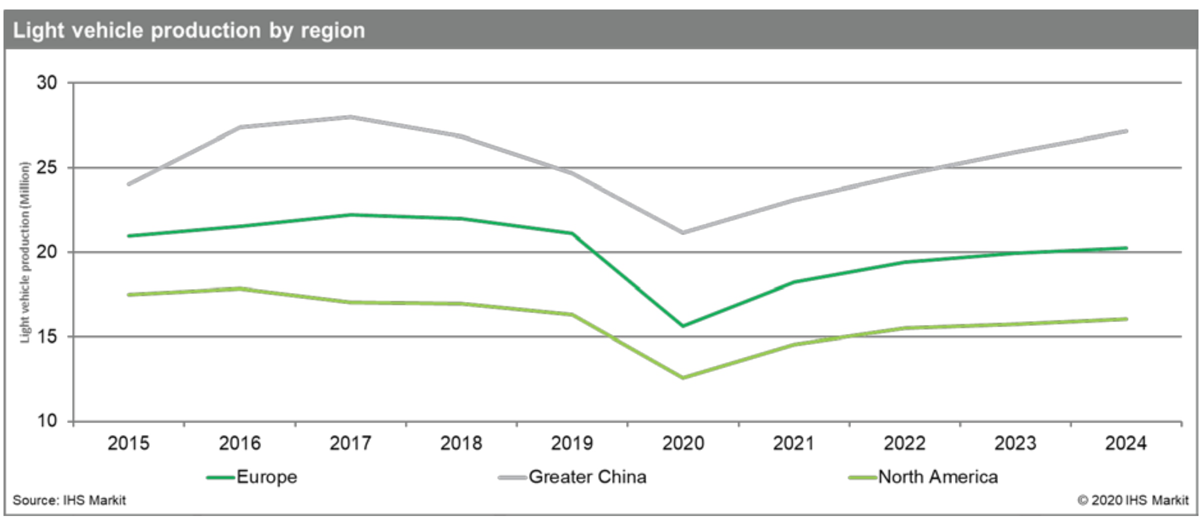
25.6%

decline for Western European demand for 2020

8.9%

projected increase in Greater China light vehicle sales for 2021

- IHS Markit June Light Vehicle Production forecast round sees upward revisions particularly focused on Greater China and North America. Volatility and uncertainty risks remain heightened, particularly given the potential for a “second wave” of the virus to impact markets.
- The outlook for North America has been boosted to meet higher US demand requirements and further restock depleted inventories. As a result, **2020 volumes were increased to 12.6 million units**, which remains the lowest level since 2010. Summer shutdown plans for July 2020 were reduced further as more manufacturers plan to leverage the time to get operations up and running efficiently. While production rates will shift to pre-COVID-19 levels in order to restock inventories, those rates will not likely be sustainable as we approach the end of 2020/early 2021 based on overall vehicle stock and demand projections.
- The near-term European outlook was bolstered by a somewhat improved demand outlook for the region, particularly West Europe as government incentive programs are being initiated to stimulate vehicle sales. Major Western European production countries will inch closer to pre-crisis output rates by July with Germany leading the way, producing at roughly 83% of pre-crisis levels. The challenging macroeconomic outlook as well as the negative impact of broad containment measures have significantly impacted the demand outlook. Our latest forecast for Western European demand points to a decline of **25.6% for 2020 and growth relative to a weak base for 2021**.
- The outlook for Greater China light vehicle production was increased due to improved outlook for near-term demand. Moreover, production has not been as adversely impacted by disruptions to the international supply chain as originally anticipated. Most automakers achieved full production capacity by the end of April and continued to run full operations in May. Vehicle demand will continue to recover, but rather slowly amid disruptive factors in the global economy. **Greater China light vehicle sales is expected to recover by 8.9% y/y for 2021** further aided by a low base of comparison in 2020.



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