



# Global Economic and Industry Update

Chicago Federal Reserve Automotive Outlook Symposium  
May 31, 2019

Emily Kolinski Morris  
Chief Economist

# For 2019, Ford's Outlook For GDP Growth And Global Automotive Sales Suggests Neutral To Modestly Negative Headwinds

Metric	2018*	2019 Assumption
Global GDP (% Change)	3.7%	Flat
U.S.	2.9%	Decelerating
Brazil	1.5%	Accelerating
Europe	2.0%	Decelerating
China	6.6%	Decelerating

Metric	2018*	2019 Assumption
Global Industry Volume (Mils.)	95.2	Flat
U.S.	17.7	Low 17s Incl medium-heavy trucks
Brazil	2.6	Increasing slightly
Europe	20.1	Flat
China	25.9	Decreasing modestly



# Global Business Environment

- U.S. domestic economic conditions remain robust, though moderating from above-trend conditions in 2018
- The EU granted PM May an extension of the Brexit deadline to October 31, with an interim review in June to allow time for the U.K. to arrive at a withdrawal agreement ... which has so far been unable to achieve a majority in Parliament
- Euro Area growth has also been slowing from an above-trend pace, but the European Central Bank has more limited ammunition available, as compared with the U.S. Federal Reserve, if growth falls below trend
- Demand for new vehicles is expected to be flat to down slightly in the U.S. and Europe in 2019, though still remaining at healthy levels
  - China automotive demand declined last year for the first time since 1990, but is expected to pick up through the year as stimulus measures, including credit growth, gain traction

**Though Global Markets Are At Different Stages Of Their Economic Cycles, All Would Experience Some Headwinds From Additional Trade Disruptions**

# What Are Businesses Saying About Trade Issues?

National Association for Business Economics

April 2019 | NABE Business Conditions Survey

## *NABE Business Conditions Survey*

*Sales and Profit Margins Improve in the First Quarter;  
NABE Panel Finds Recent Tariffs Are Not Positive for Business*

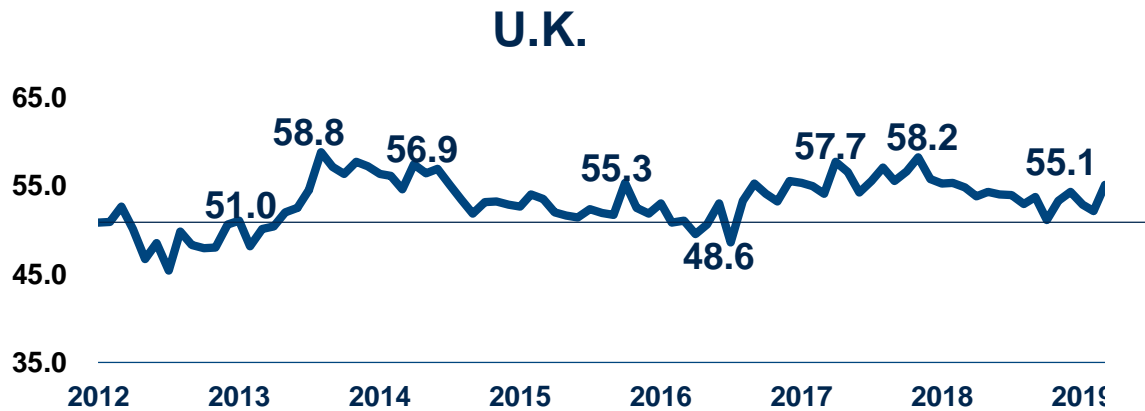
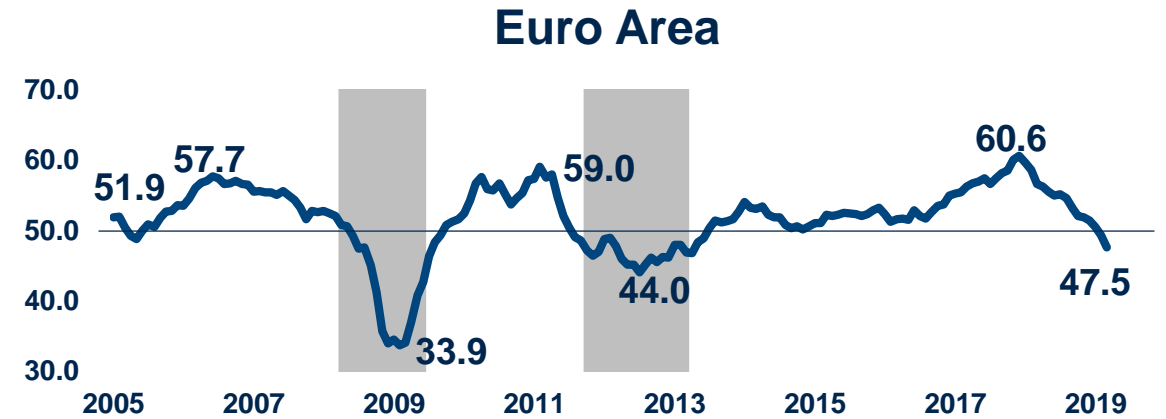
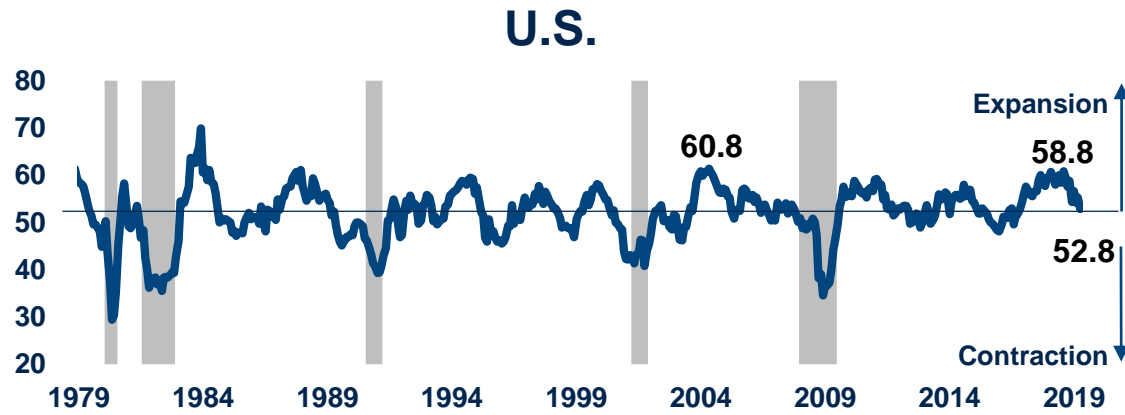
Embargoed until 0930 London (0830 UTC) 1 April 2019

**IHS MARKIT / CIPS  
UK MANUFACTURING PMI®**

---

UK Manufacturing PMI at 13-month high as  
pace of stockpiling hits fresh survey-record

# Manufacturing Purchasing Managers Indices



Embargoed until 0930 London (0830 UTC) 1 April 2019

## IHS MARKIT / CIPS UK MANUFACTURING PMI®

UK Manufacturing PMI at 13-month high as pace of stockpiling hits fresh survey-record

The impact of Brexit preparations remained a prominent feature at manufacturers in March. Efforts to build safety stocks led to survey-record increases in inventories of both purchases and finished products. Trends in output and employment also strengthened as stockpiling operations at clients led to improved inflows of new work.

# Comments From The U.S. Manufacturing Purchasing Managers Index (April 2019) ...

- “Brexit continues to be a concern, despite the fact that our organization has already rolled out a plan to minimize its impact.” (Chemical Products)
- “Steel tariffs continue to put upward pressure on our input costs. The government shutdown delayed the process of gaining exemptions to the tariffs.” (Petroleum & Coal Products)
- “Awaiting with anticipation the outcome of the U.S.-China trade deal.” (Plastics and Rubber Products)
- “Steel in U.S. remains strong, driving numerous product lines.” (Nonmetallic Mineral Products)

# ... And From NABE Membership In The U.S.

National Association for Business Economics

April 2019 | NABE Business Conditions Survey

## NABE Business Conditions Survey

*Sales and Profit Margins Improve in the First Quarter;  
NABE Panel Finds Recent Tariffs Are Not Positive for Business*


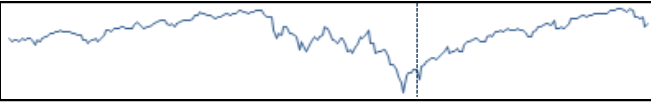
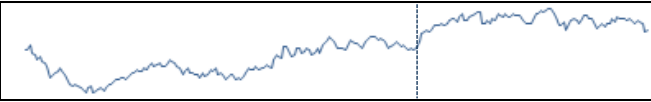

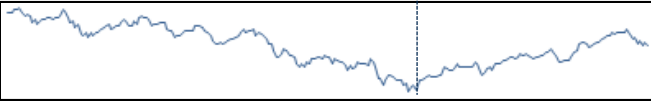
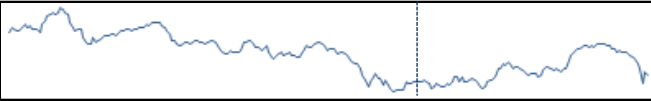
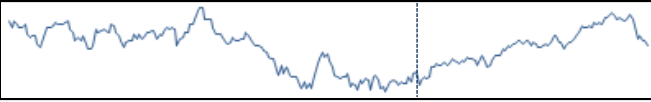
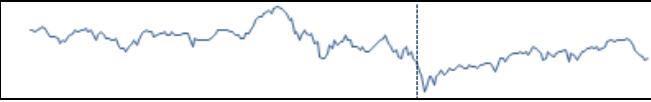
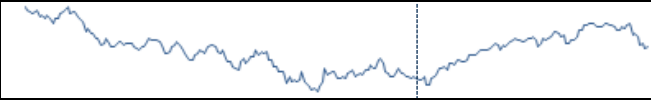
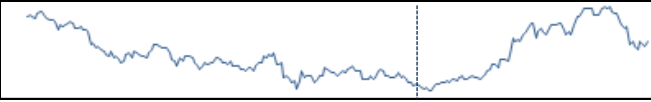
### 3. What has been the net impact of recent tariffs on your company?

Sector	No. responding	Positive	Negative	Neutral	No impact	Don't know/ unsure/ NA
Goods-producing	12	8%	75%	0%	0%	17%
TUIC	15	0	40	13	33	13
FIRE	36	0	11	17	61	11
Services	52	0	25	13	42	19
All respondents	115	1%	28%	13%	43%	16%

Note: Totals may sum to more than 100% if respondents entered more than one response.



# What Are Markets Saying?

Region	Index	12-Month Trend	Year-to-date Return (%)
North America	Dow Jones		9.4%
	S&P 500		12.9%
South America	Brazil Ibovespa		1.2%
Europe	U.K. FTSE 100		7.4%
	Germany DAX		12.4%
Middle East & Africa	UAE DFMGI		2.5%
	South Africa JSE All		8.5%
Asia Pacific	Japan Nikkei		8.3%
	Hong Kong Heng Sang		12.5%
	China Shanghai Composite		19.2%

- Global equity markets all in positive territory for the year-to-date though renewed trade tensions have added to recent downward trends in major markets over recent weeks





# What Is The Auto Industry Saying About Trade Issues?

## US ends tariffs on Canada, Mexico steel and aluminum that cost US carmakers billions

Jamie L. LaReau, Detroit Free Press Published 2:12 p.m. ET May 17, 2019 | Updated 6:27 p.m. ET May 17, 2019

The American Automotive Policy Council, which represents FCA, Ford and GM, praised the agreement.

"We are reviewing the agreement to better understand it, and we are hopeful that the agreement will effectively resolve the issue between the three trade partners. Together with the new USMCA trade agreement, an accord on steel and aluminum tariffs will help ensure that U.S. automakers will continue to be globally competitive and support American jobs and the U.S. economy."

**More:** [Mich. firm 'out of business in three months' if auto tariffs kick in](#)

**More:** [Detroit-Windsor travelers face new scrutiny in trenches of trade war](#)

Separately, Ford issued a statement saying it "applauds all three governments for working together to find resolution on this critical issue. The elimination of steel and aluminum tariffs on Mexico and Canada allows the United States-Mexico-Canada Agreement to reach its full potential.

"We urge Congress to swiftly pass the USMCA to promote an integrated, globally competitive automotive business. We will continue to be a collaborative partner to achieve ratification of the USMCA because it establishes a framework to increase investment, research and development and create good-paying manufacturing jobs in the U.S."



### FOR IMMEDIATE RELEASE

May 17, 2019

Contact: [media@americanautocouncil.org](mailto:media@americanautocouncil.org)

## AAPC Statement on Section 232

**WASHINGTON, D.C.** – Governor Matt Blunt, president of the American Automotive Policy Council, today issued the following statement on the Section 232 report:

"The U.S. auto sector is critical to our country's economic vitality. We will continue to urge the administration to reject imposing higher auto tariffs under Section 232. These imposed tariffs would weaken global competitiveness and invite retaliation from our trading partners, which could harm jobs and investment in the U.S."

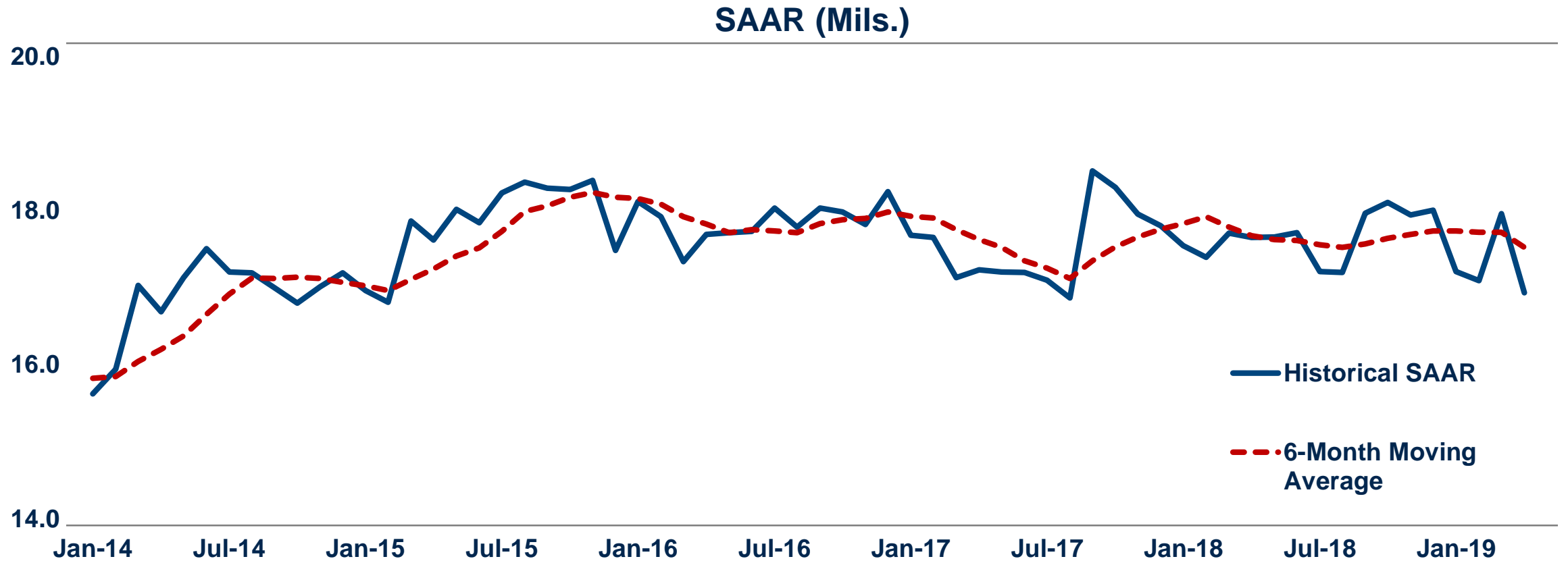
The American Automotive Policy Council (AAPC) is a Washington, D.C. association that represents the common public policy interests of its member companies FCA US LLC, Ford Motor Company and General Motors Company.

###



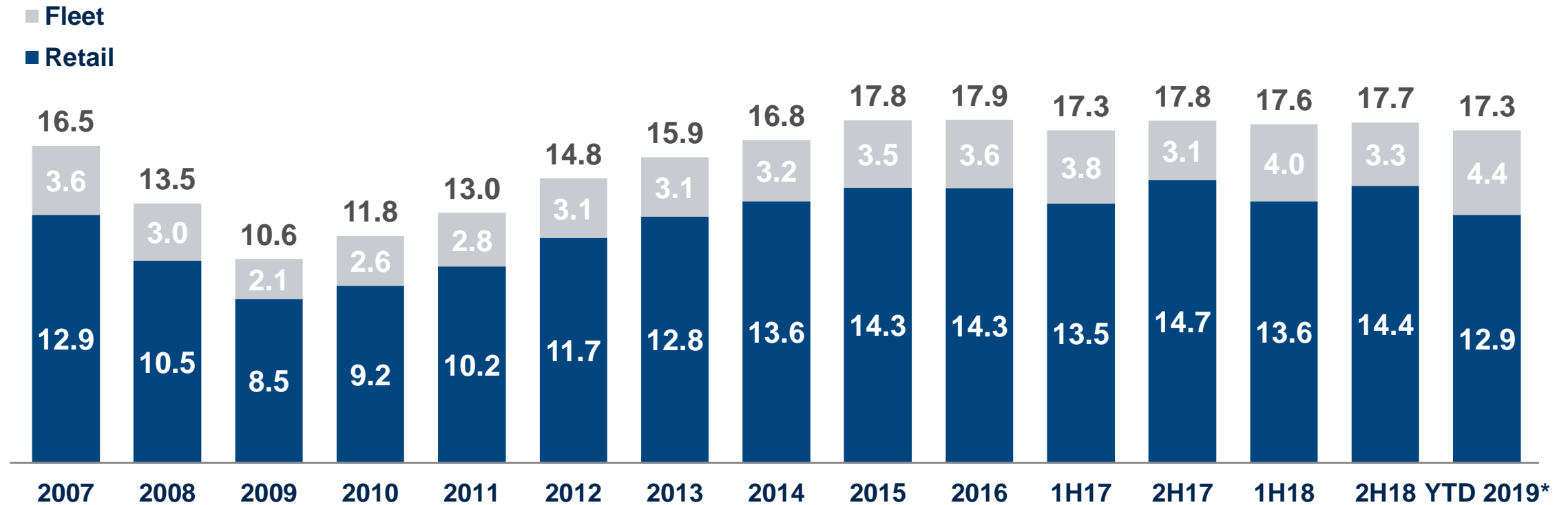
# U.S. Total New Vehicle Sales

## Jan. 2014 – Apr. 2019



# U.S. Total New Vehicle Sales, Seasonally Adjusted Annual Rate

SAAR (Mils.)

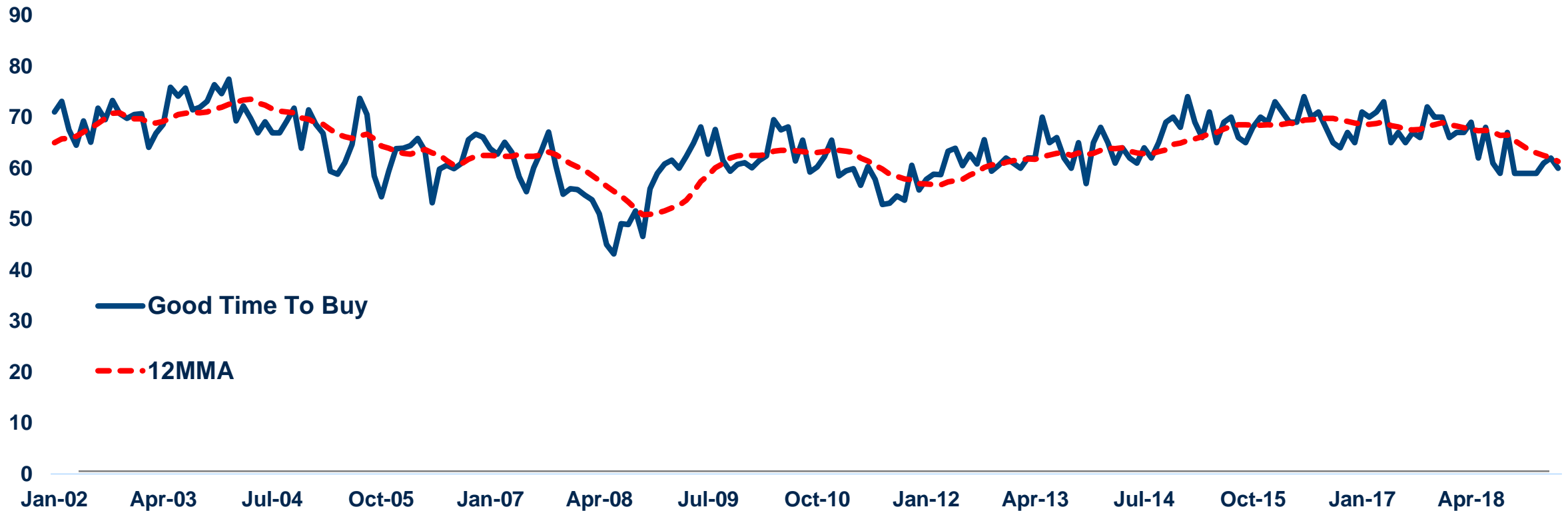


\* Year-to-Date 2019 retail/fleet SAARs are estimates



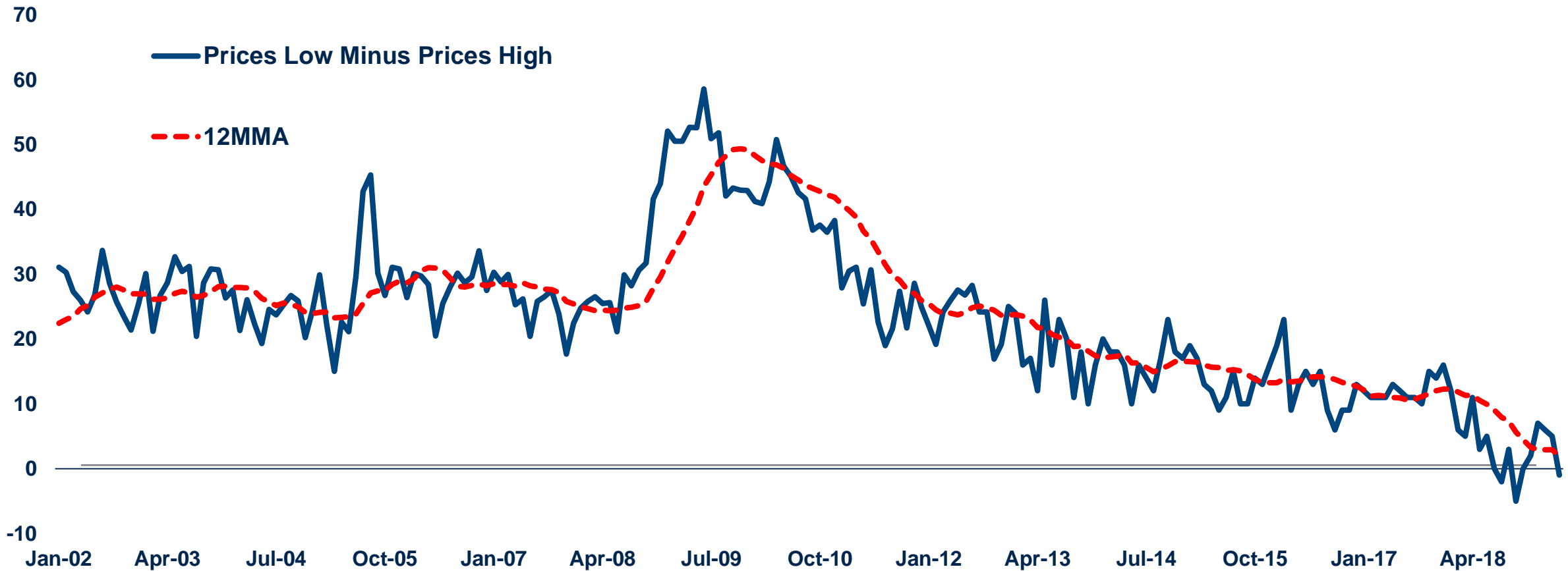
# University of Michigan Sentiment “Good Time To Buy” Vehicle Jan. 2002 – Apr. 2019

## Share Of Respondents Reporting That It Is A Good Time To Buy A Vehicle



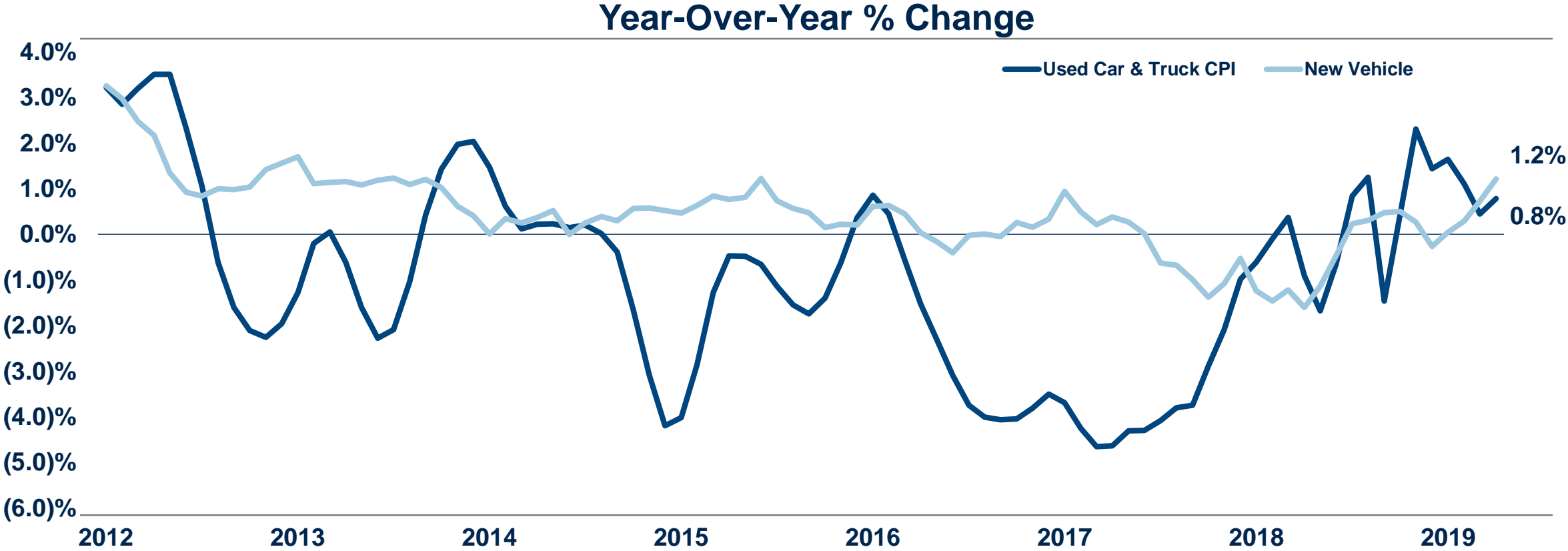
# University of Michigan Consumer Sentiment On Auto Prices Jan. 2002-Apr. 2019

Share Of Respondents Reporting That It Is A Good Time To Buy A Vehicle Because Prices Are Low Minus Share Reporting It Is A Bad Time Because Prices Are High



# Used Car And Truck CPI And New Vehicle CPI

## Jan. 2012 – Apr. 2019



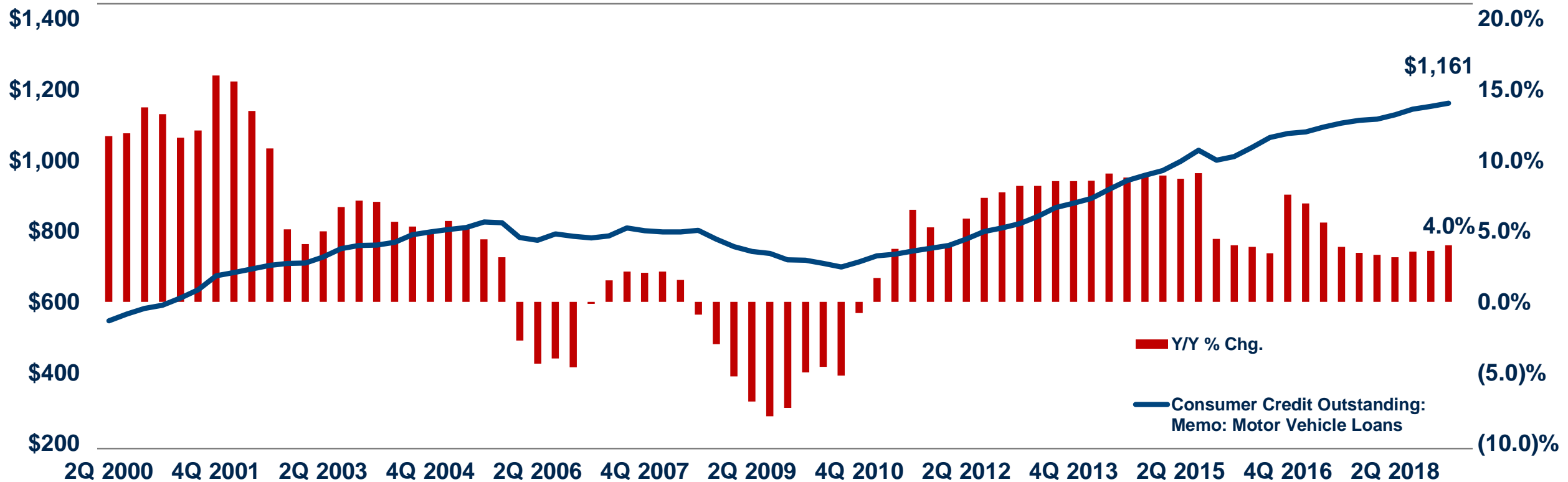
Source: BLS



# Consumer Credit Outstanding, Auto Loans

## 2Q 2000 - 1Q 2019

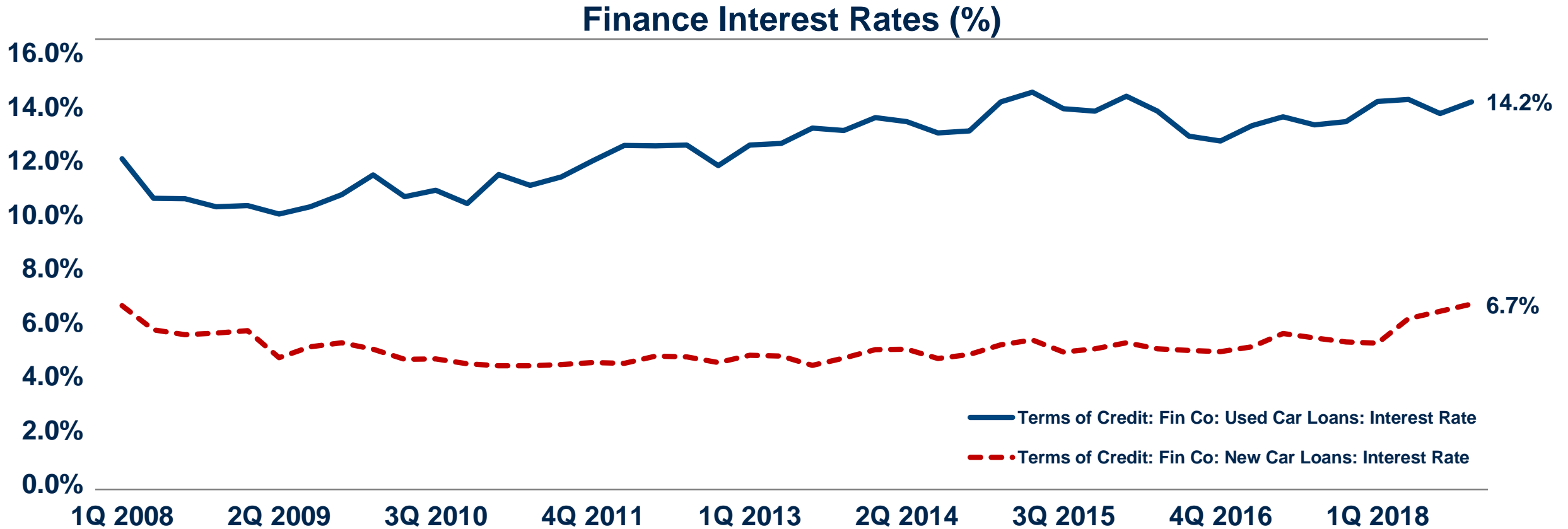
### Consumer Credit Outstanding



Source: Federal Reserve Board



# Auto Finance Company Interest Rates, New And Used Car Loans 1Q 2008 - 4Q 2018



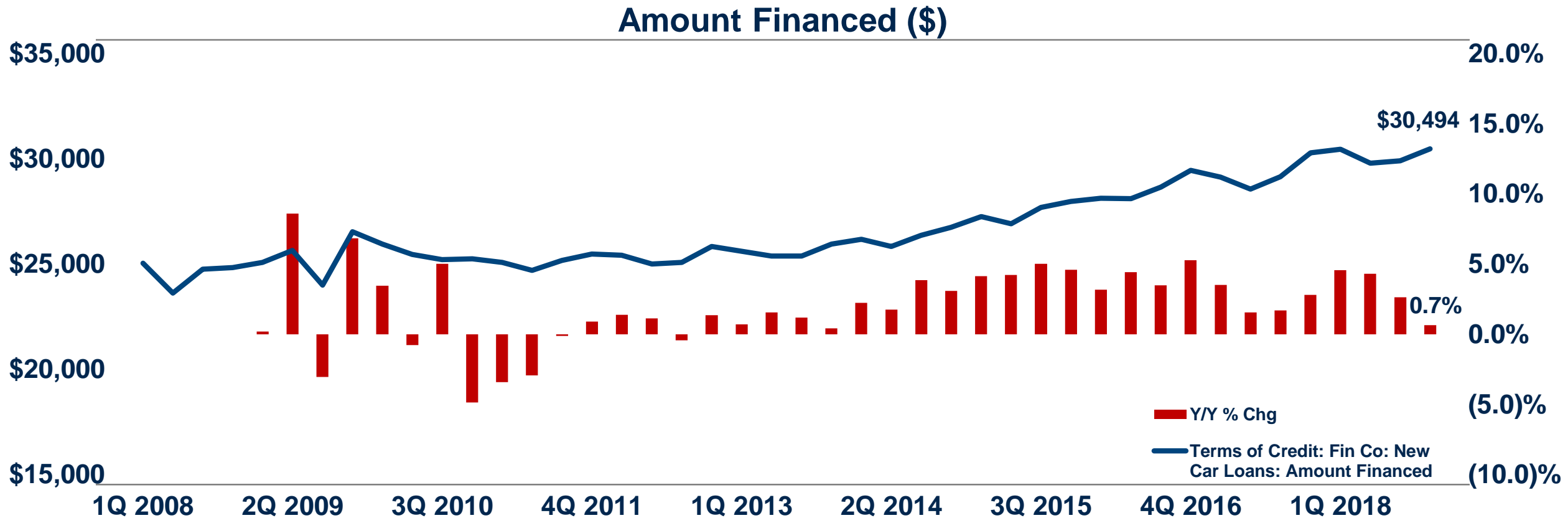
Source: Federal Reserve Board





# New Car Loans, Amount Financed

## 1Q 2008-4Q 2018



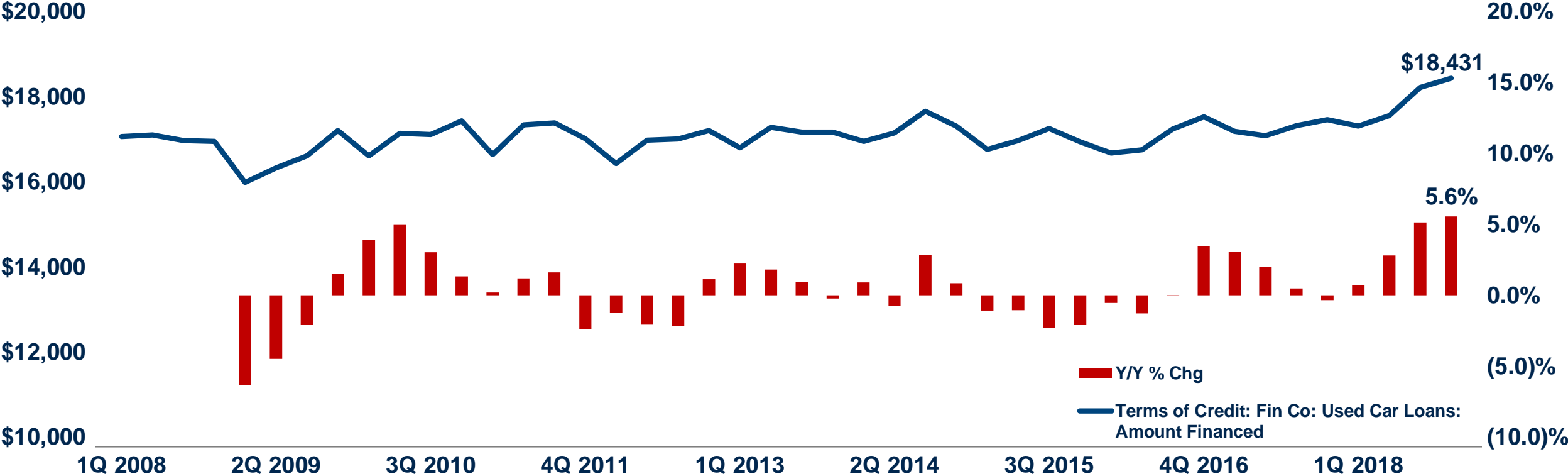
Source: Federal Reserve Board



# Used Car Loans, Amount Financed

## 1Q 2008 – 4Q 2018

Amount Financed (\$)



Source: Federal Reserve Board



# Key Takeaways

- **Global economic backdrop providing less of a tailwind for automotive industry conditions this year than in 2018**
- **Trade risks are a key source of uncertainty for markets around the world, with aggregate impacts masking winners and losers across sectors and regions**
- **U.S. new vehicle sales remain at a high plateau, but growth has been concentrated in the fleet industry over the past 6-18 months**
  - **Fleet strength extends across commercial, government and rental business lines**
  - **Retail pricing environment remains competitive but not extreme**
  - **Mix shift toward trucks and utilities is evident in both new and used vehicle markets**

**Despite Risks In The External Environment, Domestic Fundamentals Point To A Moderating But Still-Strong Industry Sales Pace In The U.S.**

