



# Outlook

## The Global Light Vehicle Marketing – Trekking Through Uncertainty

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January 16, 2020

# Outline



- **Current Automotive Environment and Near-term Risks**
- Long-Term Outlook and Trends
- Summary



# Global short-term uncertainty



## Momentum

Global LV sales will contract for 2<sup>nd</sup> year in a row, as key markets fail to support growth.

Issue spilling into production/capacity utilization concerns as 2020 risks to be 3<sup>rd</sup> year negative



## Trade

Tariffs and a trade war remain concern for autos. USMCA awaiting Senate vote.

China impacts all trade- Phase 1 pending

EU uncertainty carries significant auto risk but holding for now.



## Brexit

Brexit bill passed in Parliament, but hard Brexit risk and uncertainty remain.

Full auto impact will take time to flush out and trade deals are negotiated – is December 2020 realistic?



## Regulations

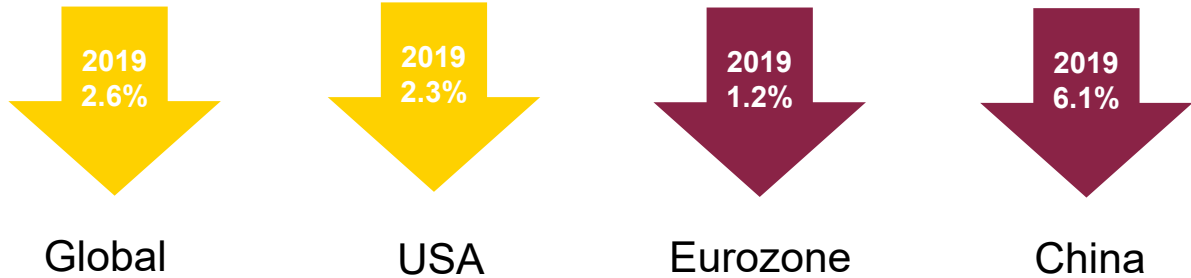
Tougher Emission regulations pushing market toward EVs – US an outlier?

Will consumers buy EVs given the various challenges?

# Global economic growth slowing...

2019 – after two years above 3.0%, growth cools to 2.6%, with further downside in 2020.

## 2019 GDP GROWTH



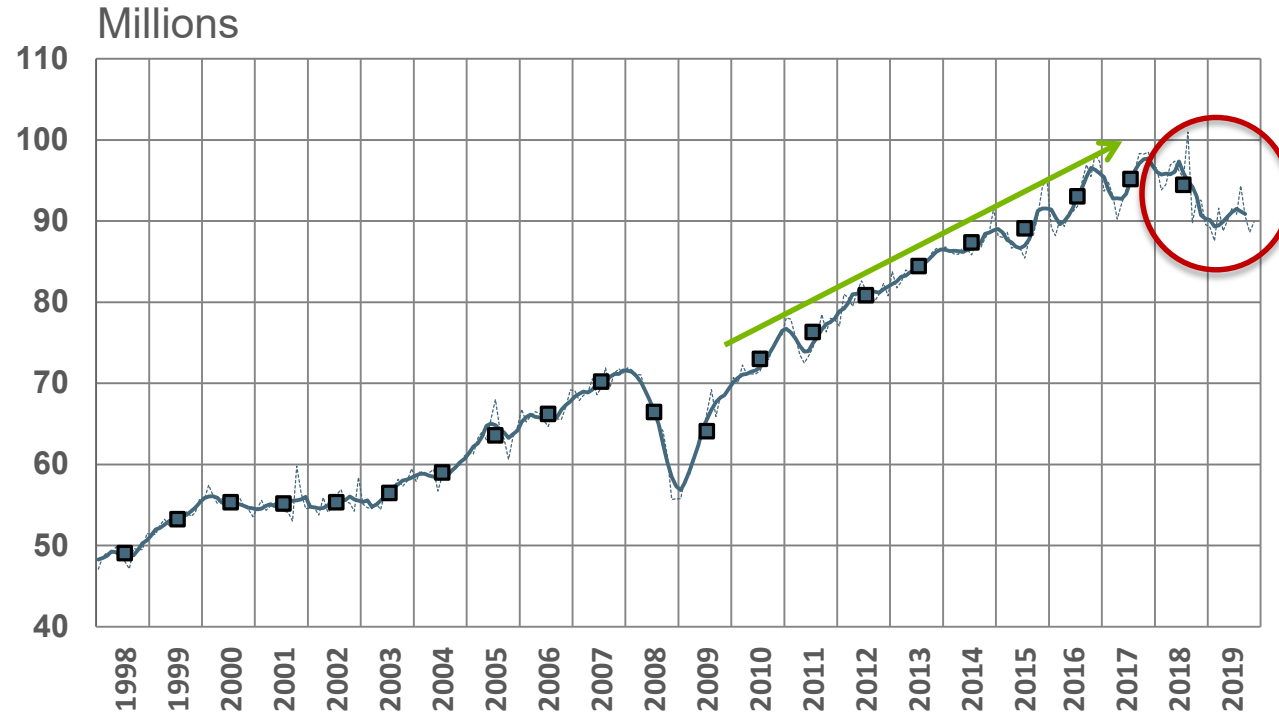
## 2020 GDP GROWTH



Source: Oxford Economics

# Global Light Vehicle sales

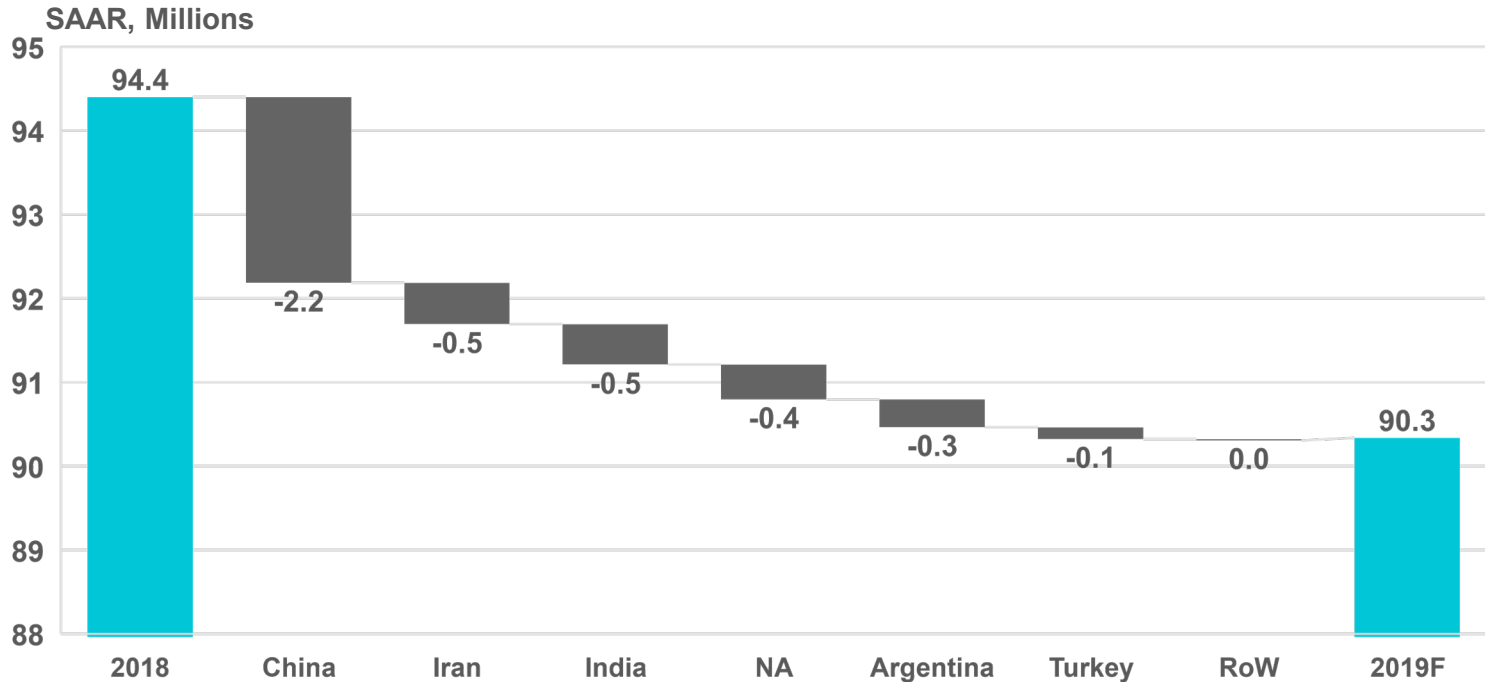
Relatively weak selling rates have persisted throughout 2019



Source: LMC Automotive

# Composition of Light Vehicle sales decline

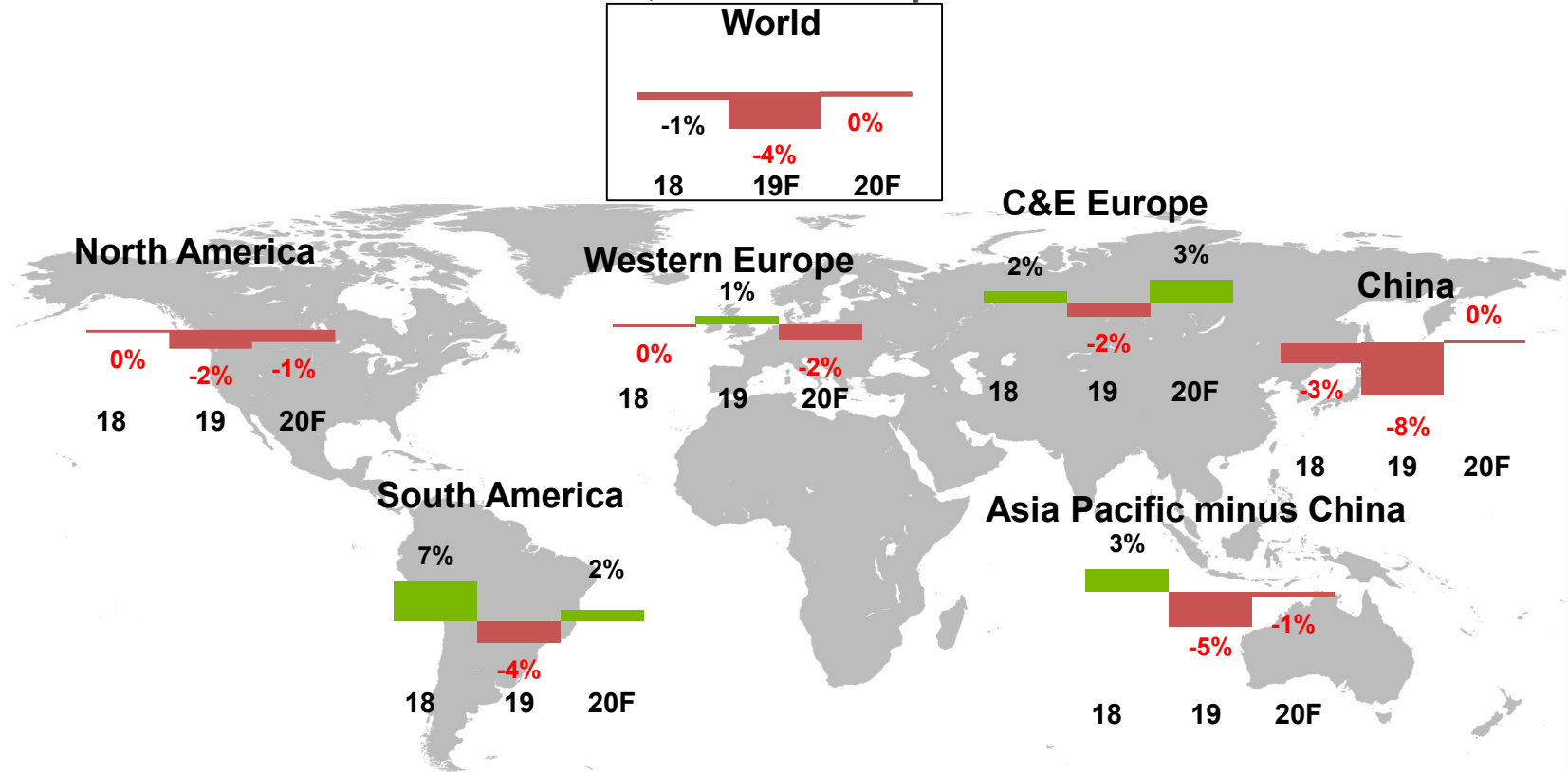
Volume decline across emerging markets and China



Source: LMC Automotive

# Demand in near-term is cloudy and uncertain

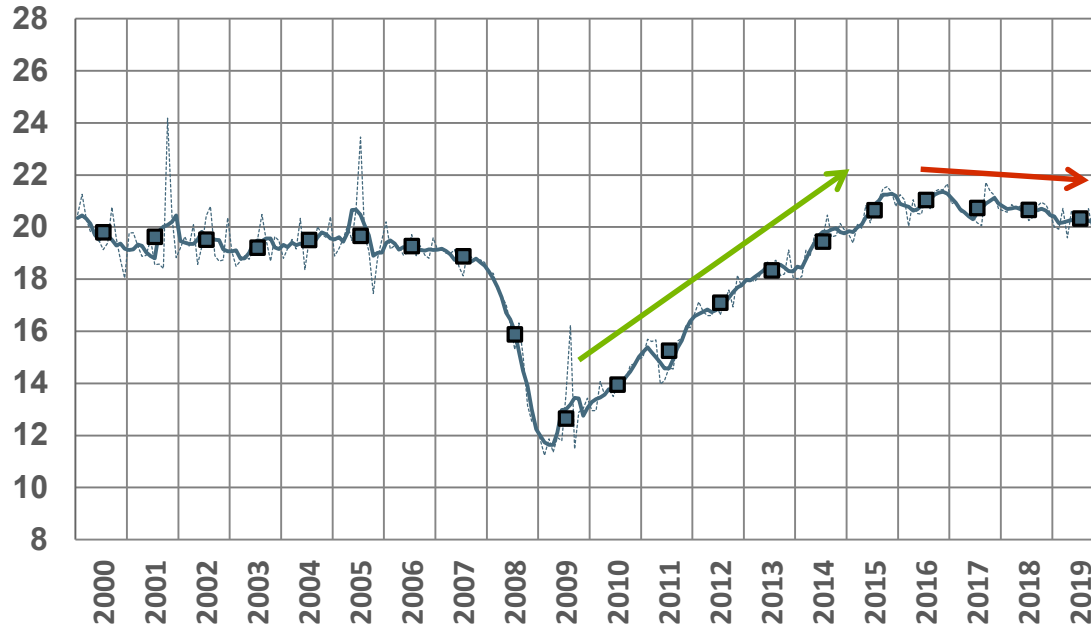
Global 2019 down 4.1mn to 90.3mn; 2020 now expected at 90.0mn



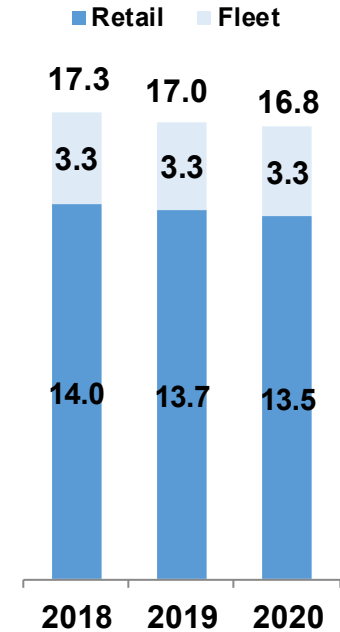
Source: LMC Automotive

# Current North America Light Vehicle sales pattern

Region outperforming expectations but remains negative



## US LV Sales

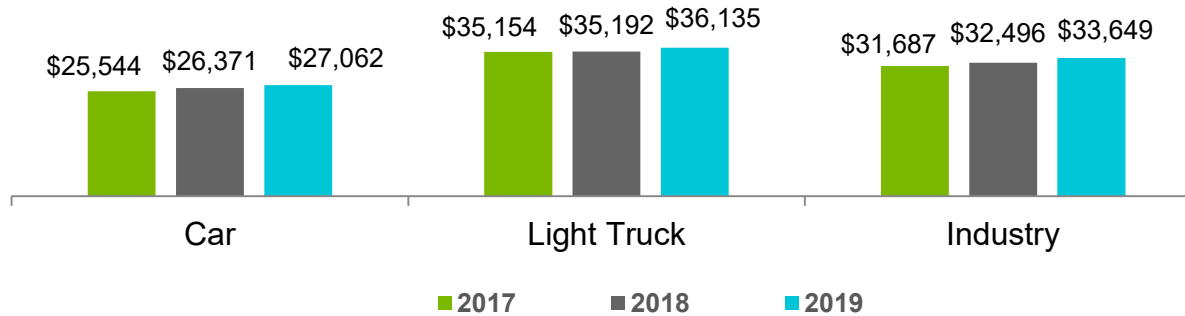


Source: LMC Automotive

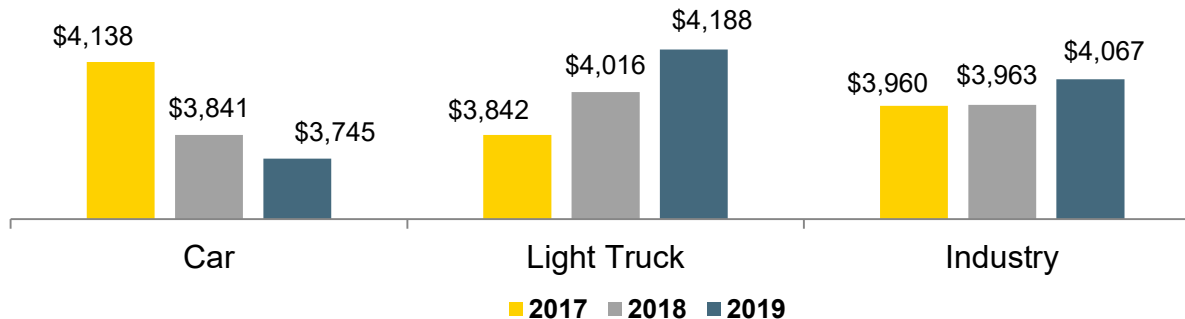


# Pricing and incentive trend explain some volume decline

## Transaction Price



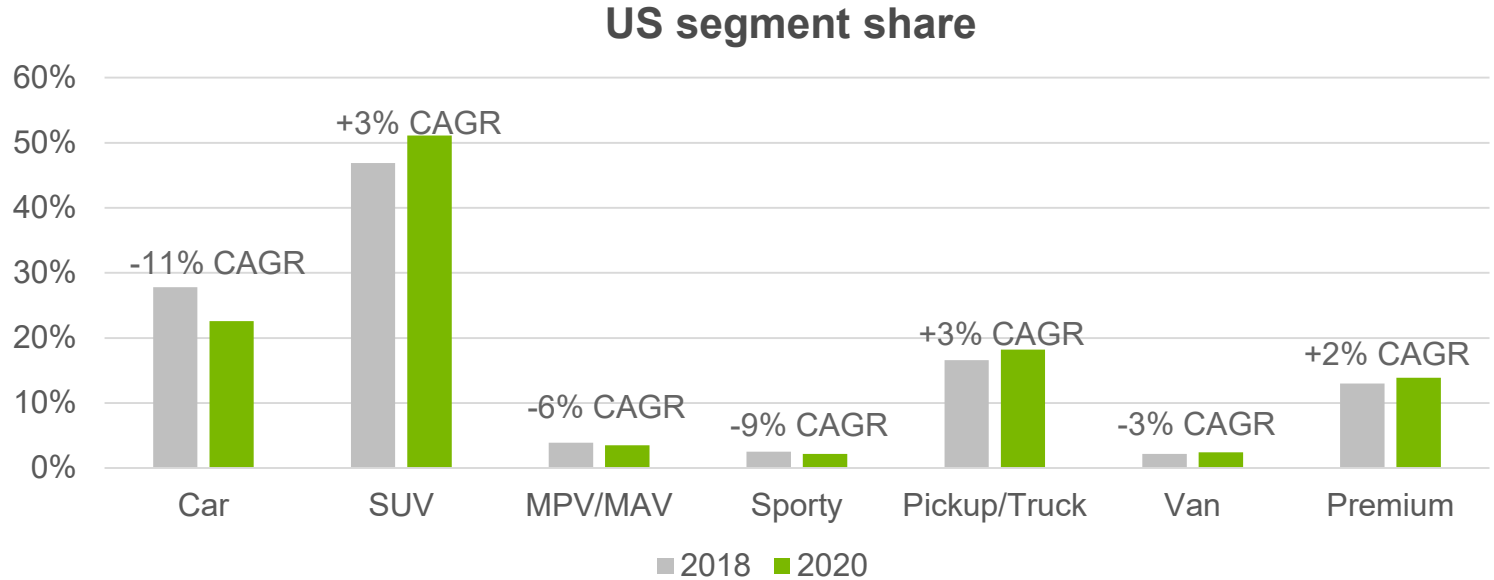
## Incentives



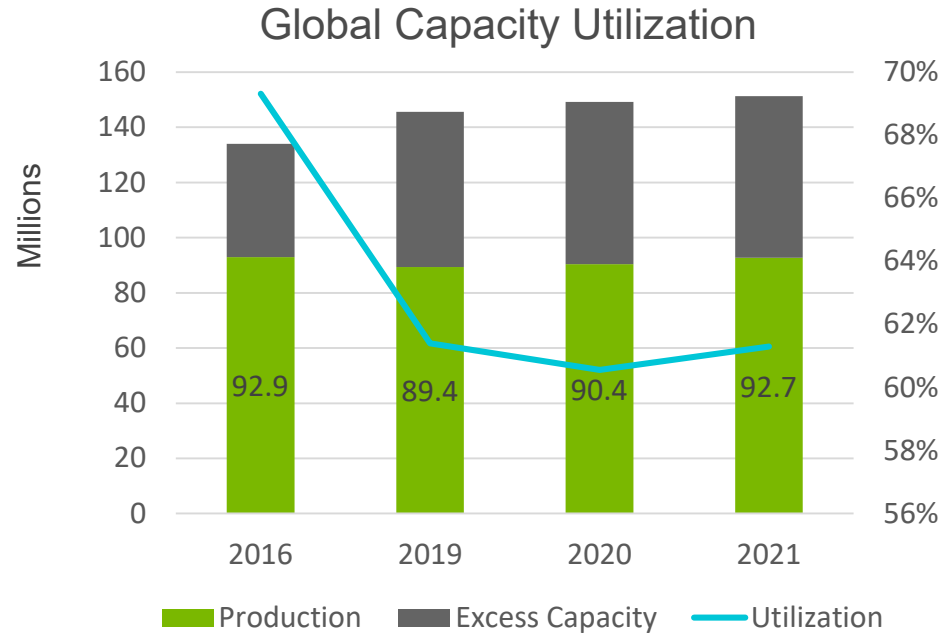
- Customer facing transaction price is up 4% from 2018, as increase accelerated throughout year.
- Total incentives are up 3% from 2018; Car incentives are down 2% Trucks up 4%.
- Incentives as percent of MSRP fall marginally from 10.2% last year to 10.1% in 2019.

Source: J.D. Power PIN

# US short-term shifts – Trucks/Premium standout



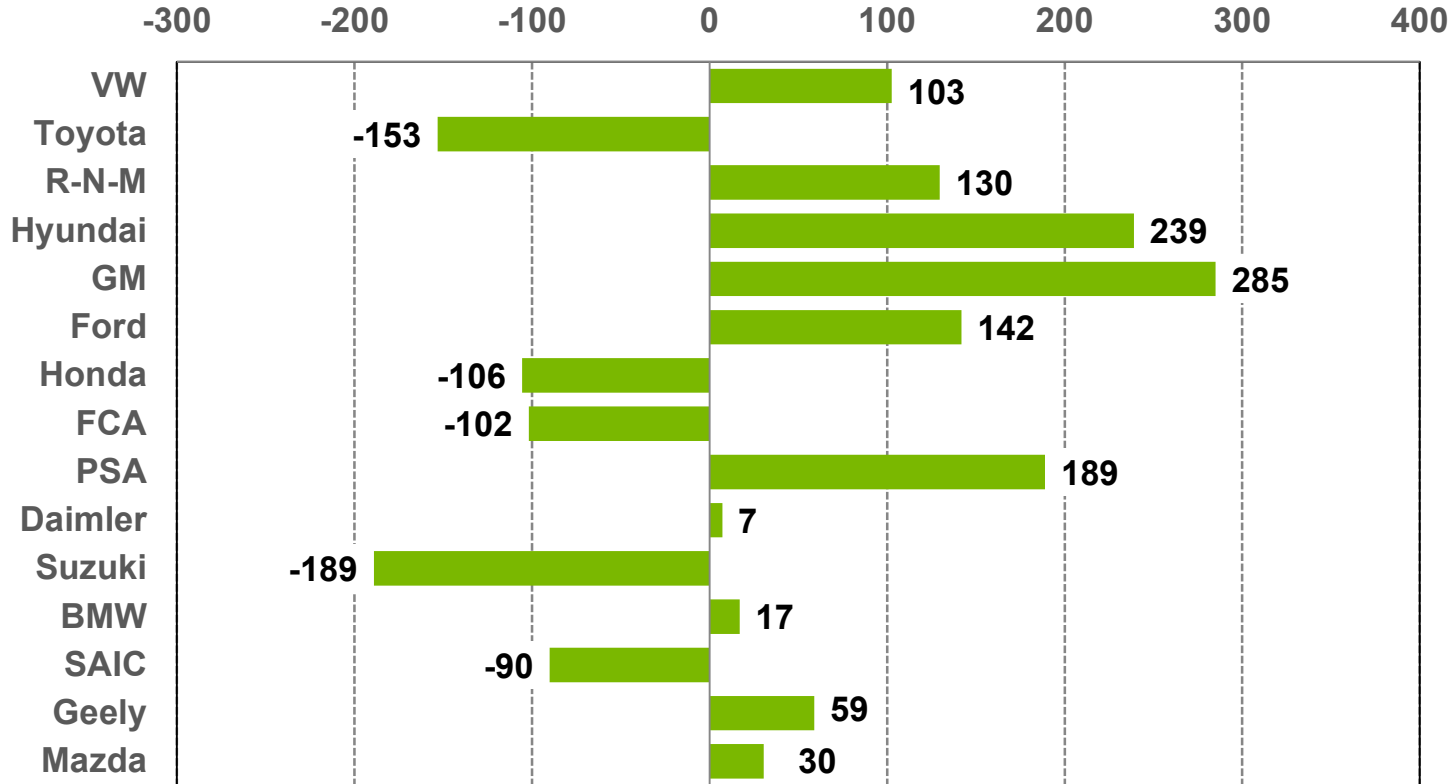
# Risks: Global utilization falls as investment continues



- 2019 - 36 net new plants (50 new less 14 closures) and an additional 16 in 2020.
- Utilization falls to 60% this year and holds at 61% in 2021 with investment still concentrated in China.
- Idle capacity increases to nearly 60mn this year, from 41mn in 2016.

# Mixed Outlook for 2020

2020 versus 2019, change in 000s



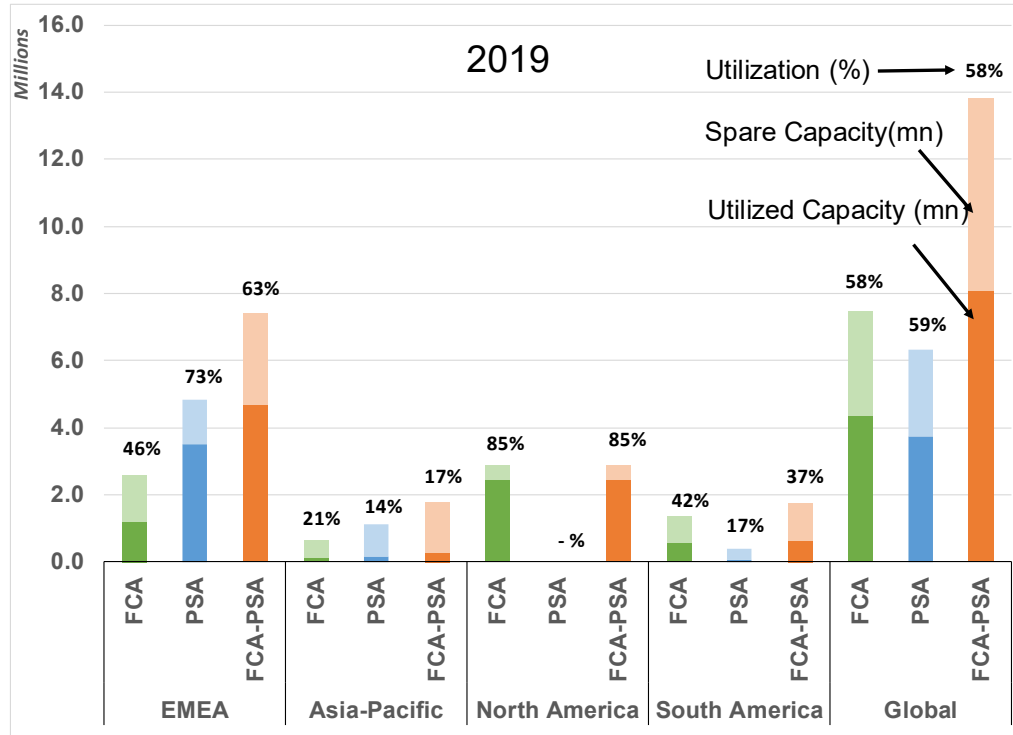
Source: LMC Automotive

# Risks: Several OEMs are significantly underutilized

OEM	2018	2020
VW Group	82%	76%
Toyota	84%	82%
R-N-M	70%	64%
Hyundai-Kia	78%	76%
GM	68%	69%
Honda	87%	85%
Ford	64%	62%
FCA	62%	56%
PSA	61%	56%
Suzuki	79%	67%
Daimler	89%	78%
BMW	86%	82%

Source: LMC Automotive

# PSA-FCA merger opportunities and challenges



## Benefits

- Significant scope for cost reduction.
- Scale through optimized shared technologies. (platforms, powertrains, EV R&D).
- Spin off Alfa/Maserati?
- PSA enter N America.

## Issues

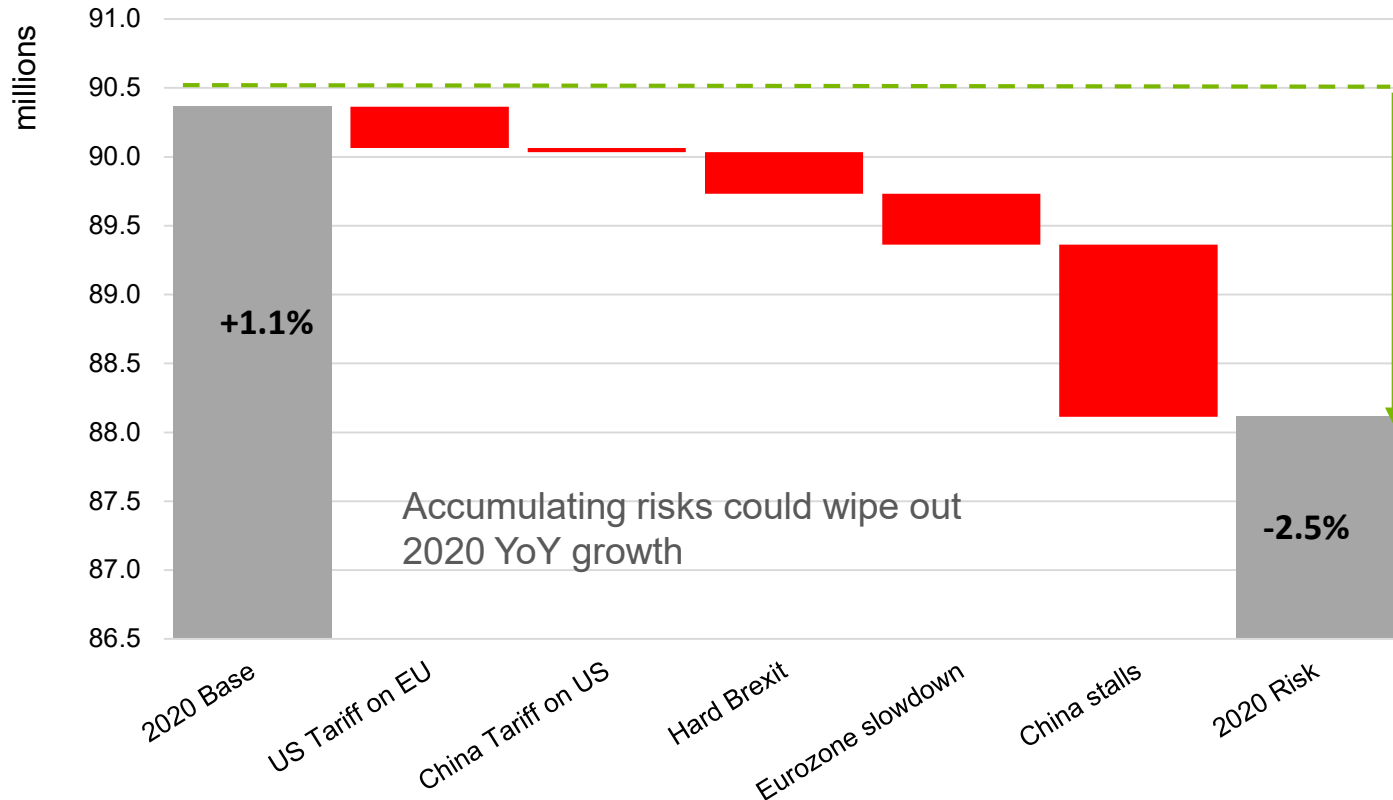
- Utilization = plant closures?
- Integration pace?
- China competitiveness?
- Exposure to low-margin Small Segment?
- Regulatory exposure?

Source: LMC Automotive

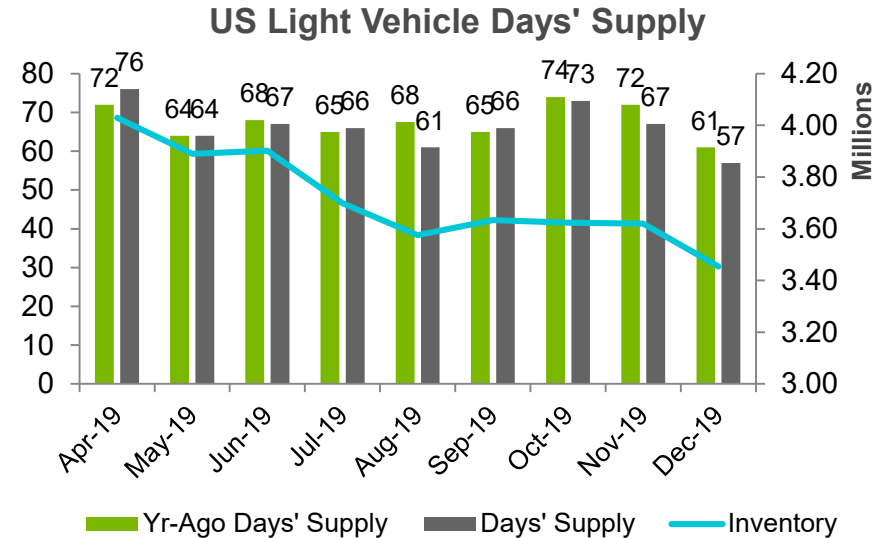
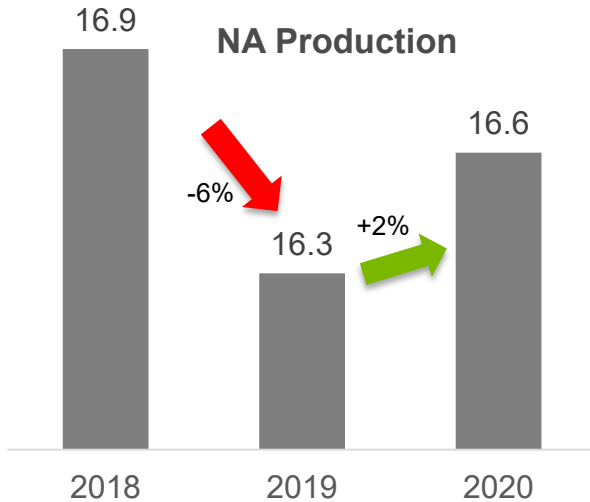
# Risks: Things could get worse in 2020



## 2020 Global LV Production Scenarios



# North American LV production rebounds some in 2020

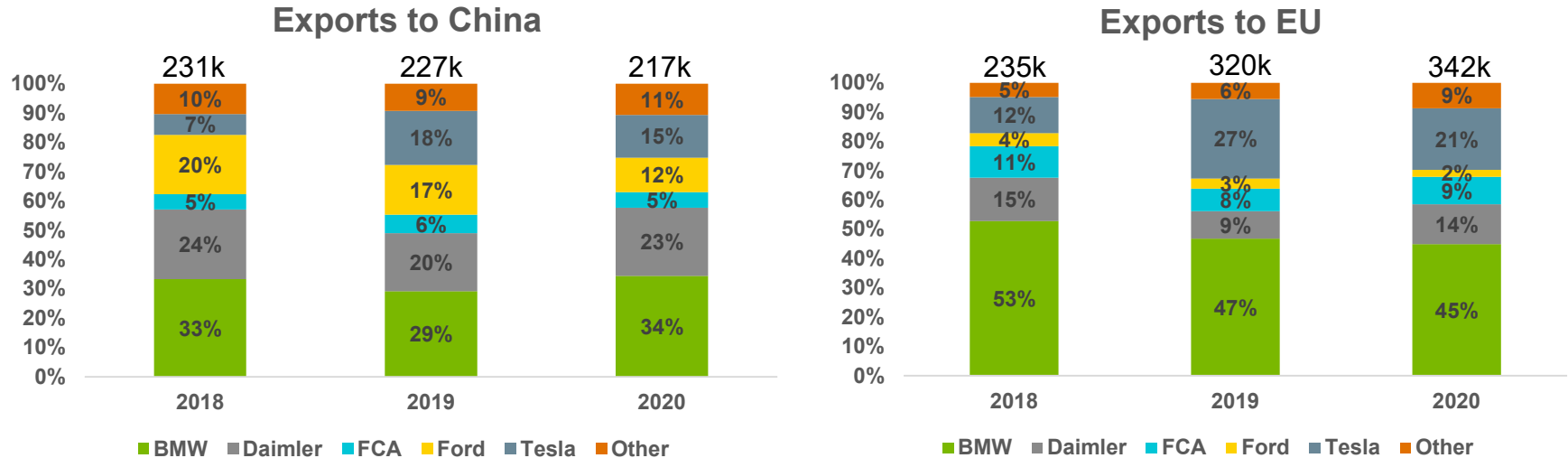


- Weakened regional demand driving production in 2019 – some GM strike impact.
- Favorable inventory and new products drive increase in 2020 - Inventory down 9% YoY to 3.5mn units.

Source: LMC Automotive



# Risk – North America production export exposure

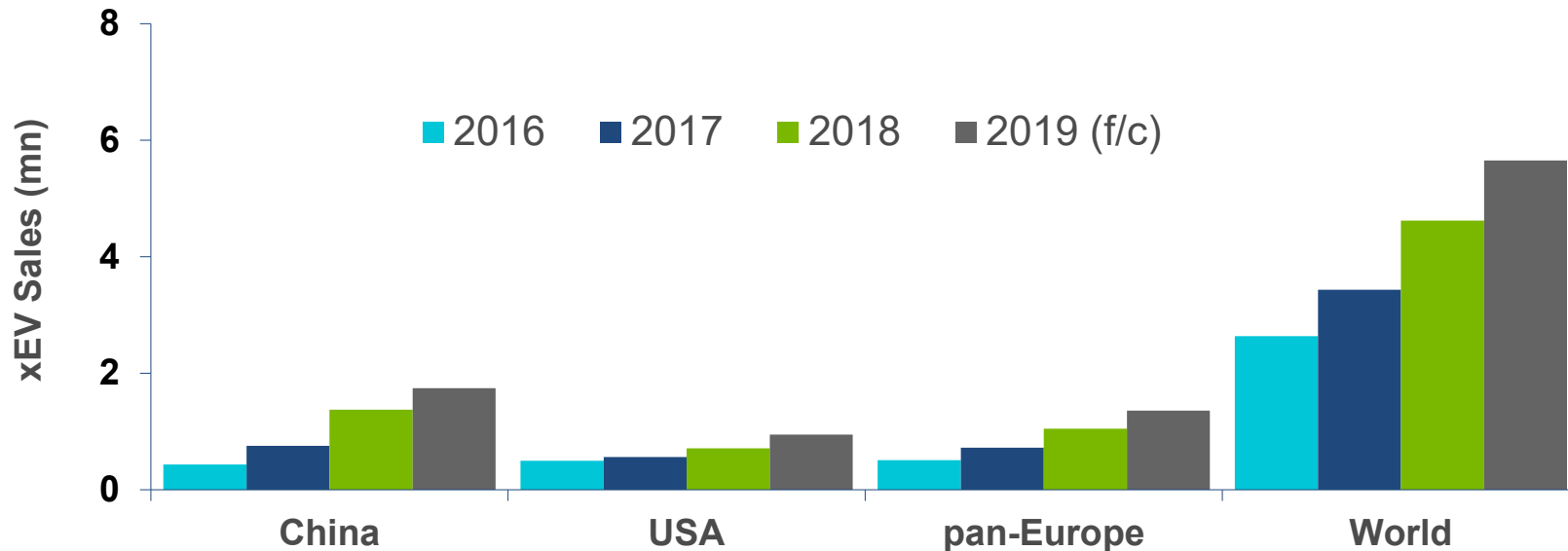


- Tariff risk has been reduced but have not disappeared.
- Retaliatory tariffs on US exports to China and the EU would predominately hurt the premium brands.
- Current Europe tariffs at 10% and on hold of further increase pending US actions.

# World: xEV Sales will Approach 7mn this Year

xEV Markets

Passenger Cars (including Light Truck in USA)



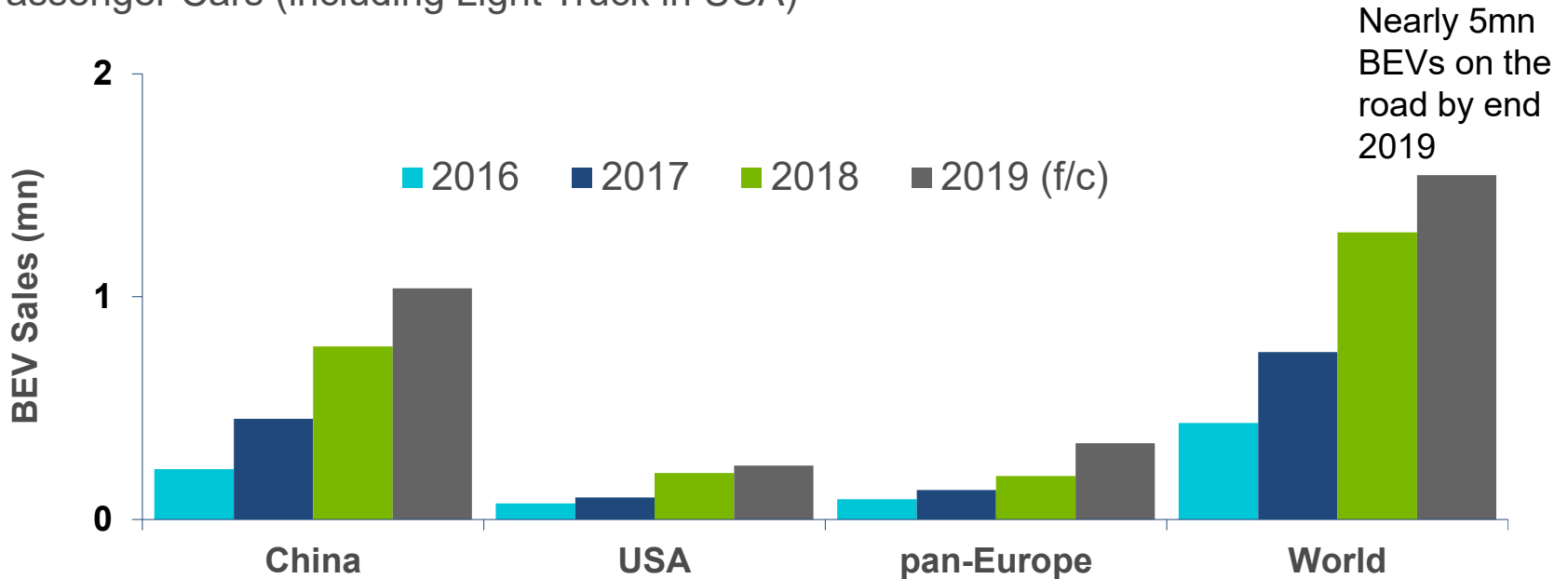
- Global growth in 2019 at 22% slowed from 32% average over last two years.
- China growth hit in H2 by sales topline slowdown but still increased 27%.

Source: LMC Automotive

# World: BEV Sales continue to expand

BEV Markets

Passenger Cars (including Light Truck in USA)



- Policy & model availability led to China accounting for 67% of world BEV demand
- Europe's BEV market is waking after Tesla impact kept US ahead in 2018.

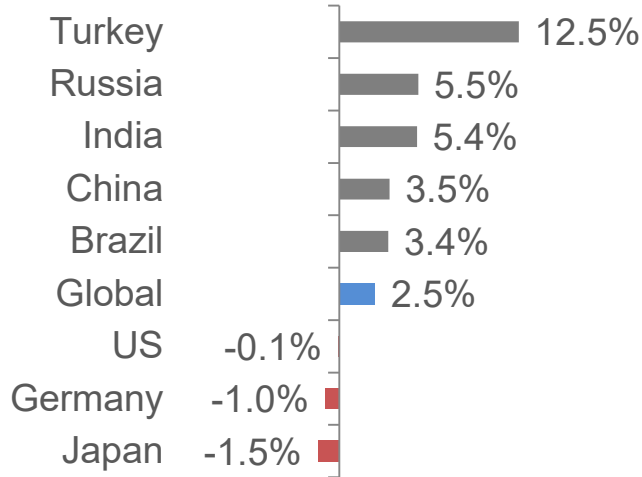
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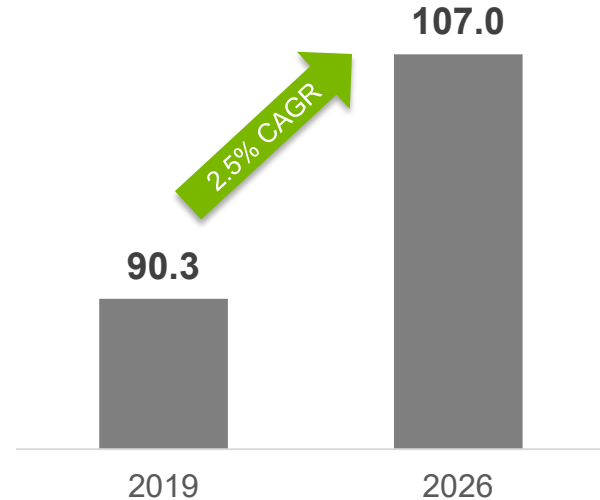
# Risky Markets drive demand growth



### CAGR Global Sales '19-'26



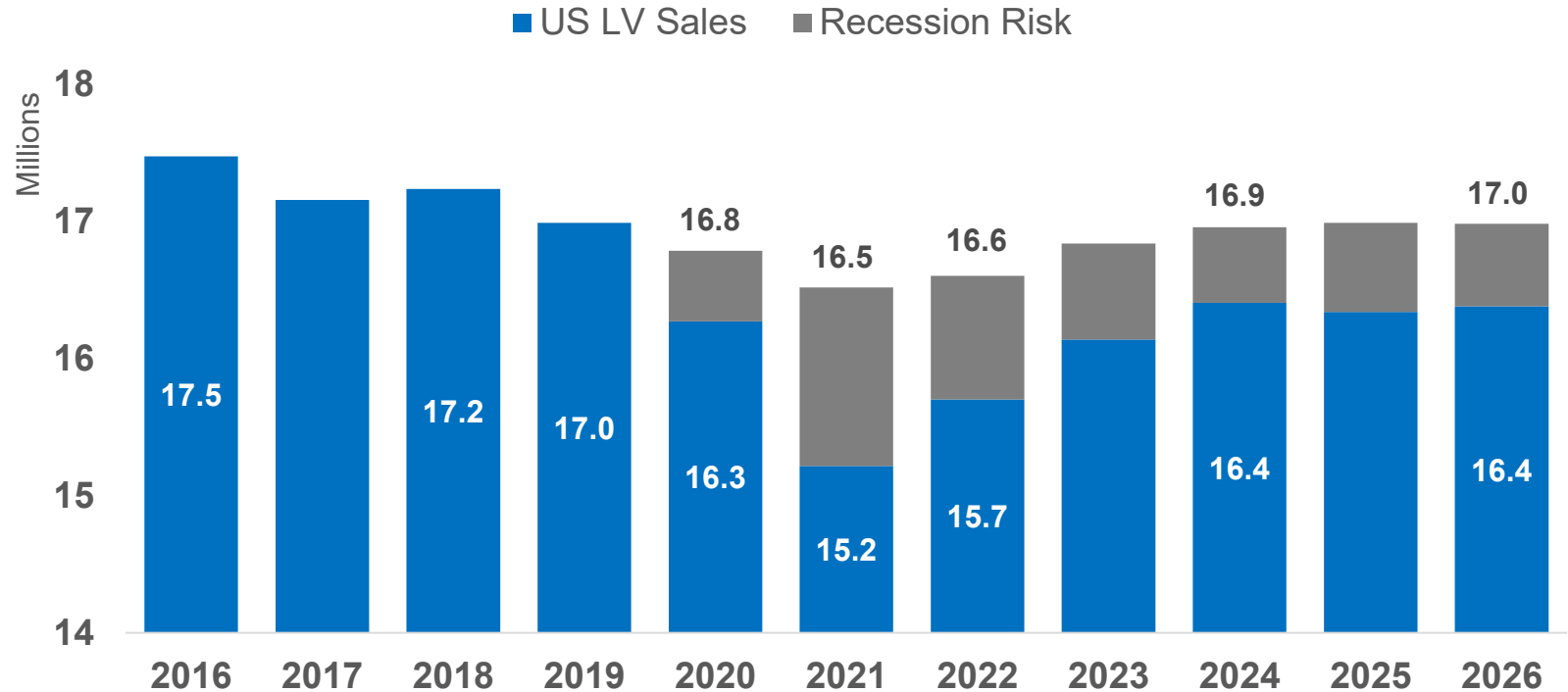
### Global Sales Topline



- Global CAGR 2.5% 2019-2026, with >95% of growth concentrated in non-mature – circa 60% of demand by 2026.
- High risk with Turkey, Russia and India – expected recovery is driving growth. Brazil and China return to growth?

Source: LMC Automotive

# US Sales are expected to hold in 16.5-17.0mn range



Source: LMC Automotive

# Global Segments (demand) – 2019-2026 CAGR



**SUV** reign continues throughout forecast.



Recovery in Chinese **MPV** market offset by declines in NA and WE.



**Car** segment under pressure but EVs slow share decline.



Premium EVs drive **Sporty** growth globally.

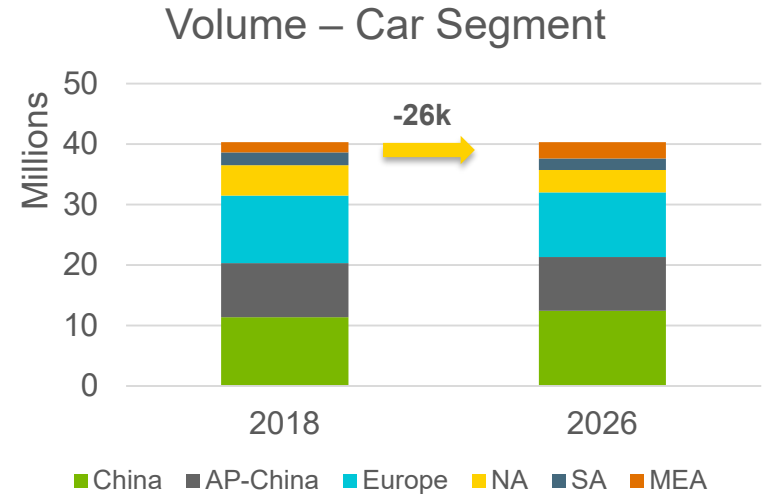
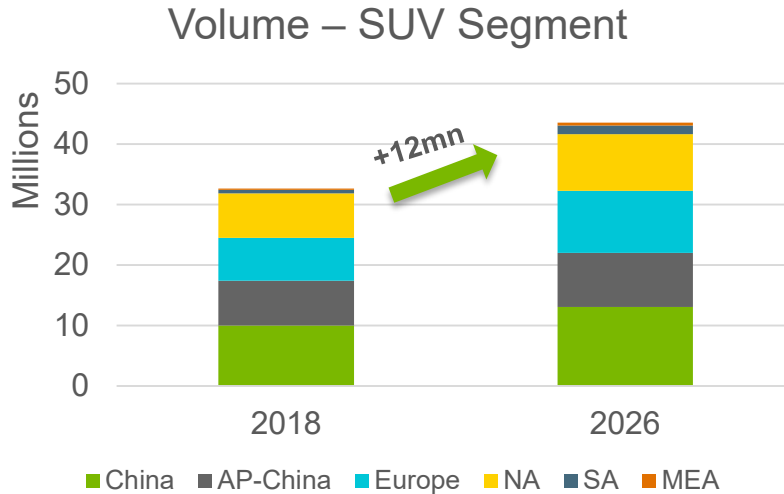


New entries in NA LCV expansion in Asia drive **truck** growth



Total **Premium** gains more ground after SUV and EV expansion

# Global SUV production expands across regions



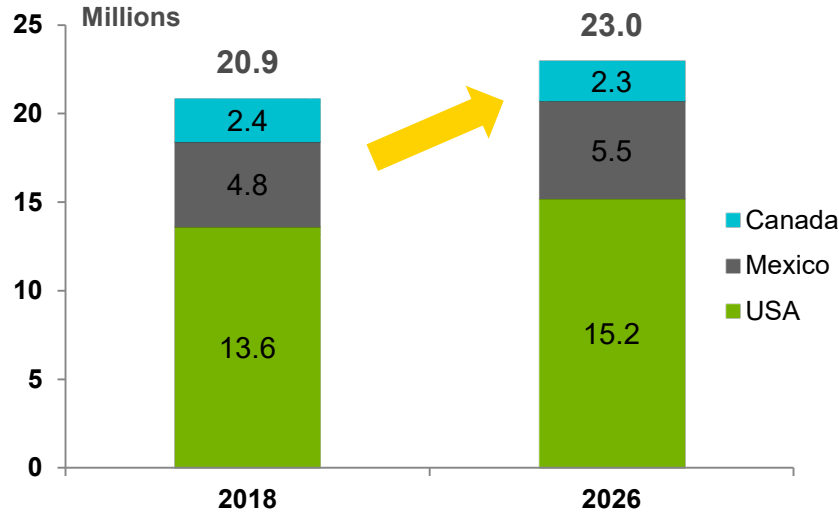
- Massive growth in SUVs across the regions with share of SUV volume growing – NA does lose some share as other markets catch up.
- EVs provide some support for Cars – China increases by 1.1mn, while NA volume falls by 1.3mn units, as transition continues.

Source: LMC Automotive



# US and Mexico add capacity, new models drive growth

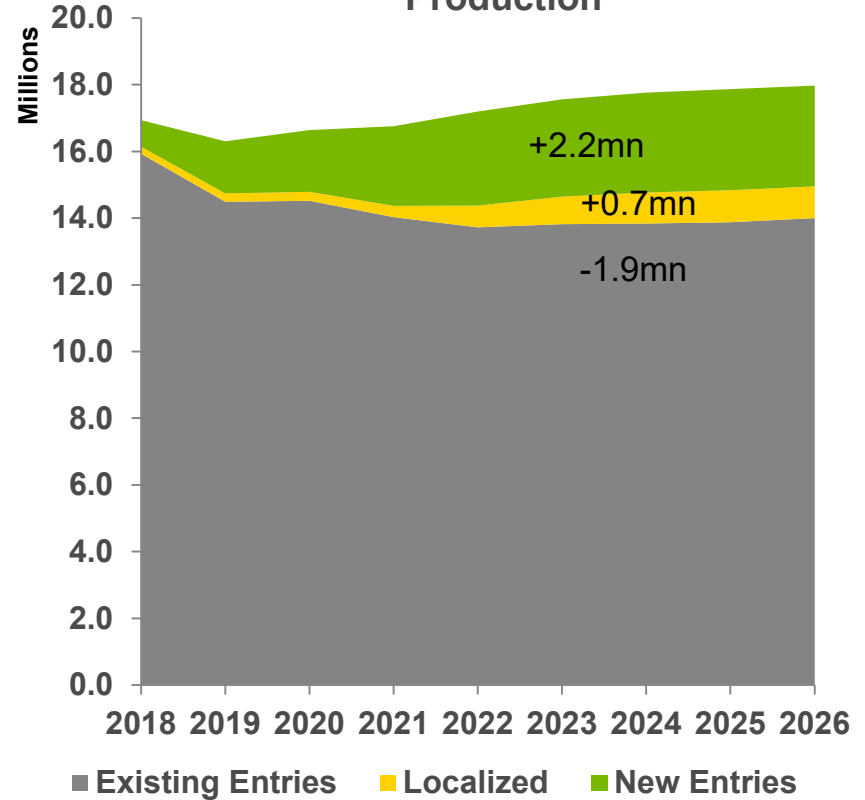
## Capacity



2018 – 2026

	$\Delta$ 1000s	Growth % $\Delta$
Canada	-179	-7%
Mexico	700	15%
USA	1,571	12%
<b>Total Capacity</b>	<b>2,092</b>	<b>10%</b>

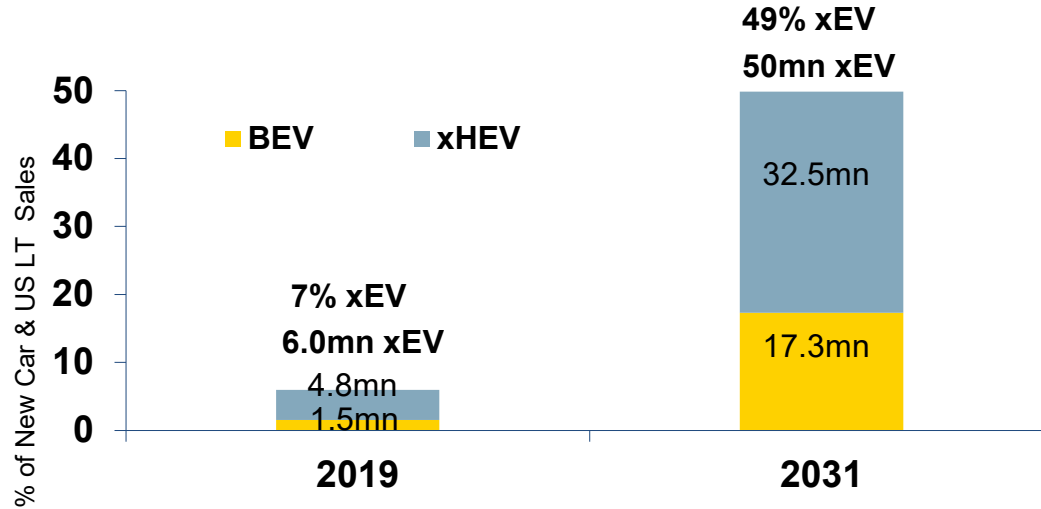
## Production



# Europe and China dominate BEV market into 2031



## Passenger Car & NA Light Truck Market



### LMC 2031 Forecast:

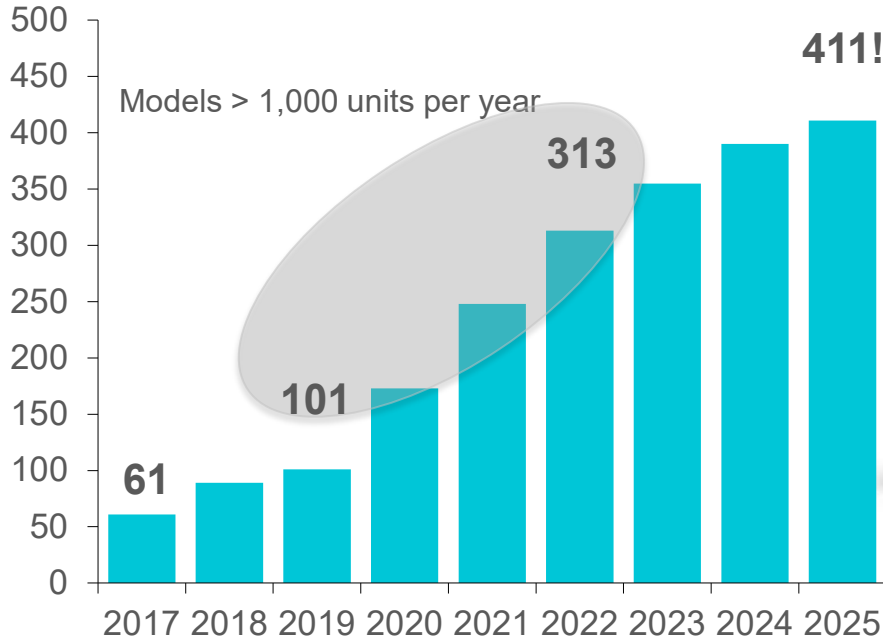
Market	BEV (mn)	BEV (%)	xEV (%)
USA	<2	8	30
China	>5	18	51
Europe	~7	27	76

- Global BEV demand approaching 20% of total car demand
- PHEV growth is slower, could even disappear as BEV capability & cost improves

Source: LMC Automotive

# Global BEV model onslaught

## Number of mainstream BEV models on sale



Some key sales launches...



Porsche Taycan



Ford Mustang Mach E



Audi e-tron



Volkswagen ID.3



Tesla Model Y



Honda e

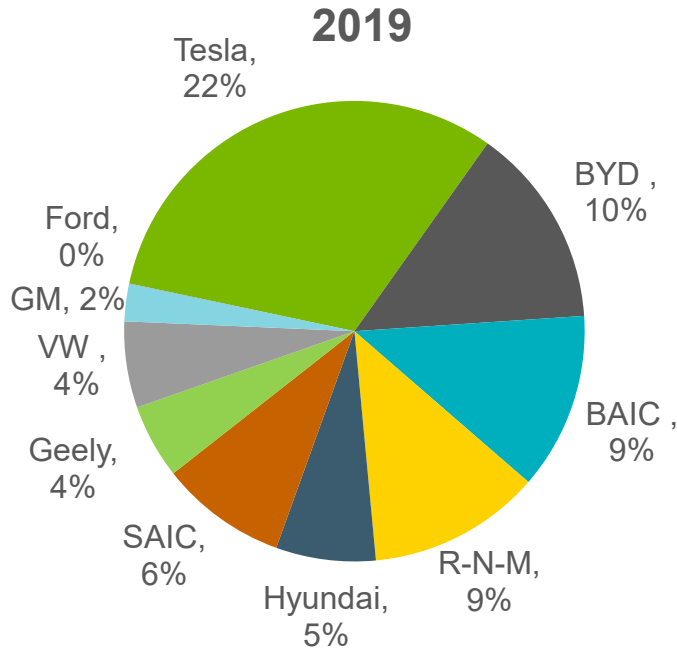


MB EQC

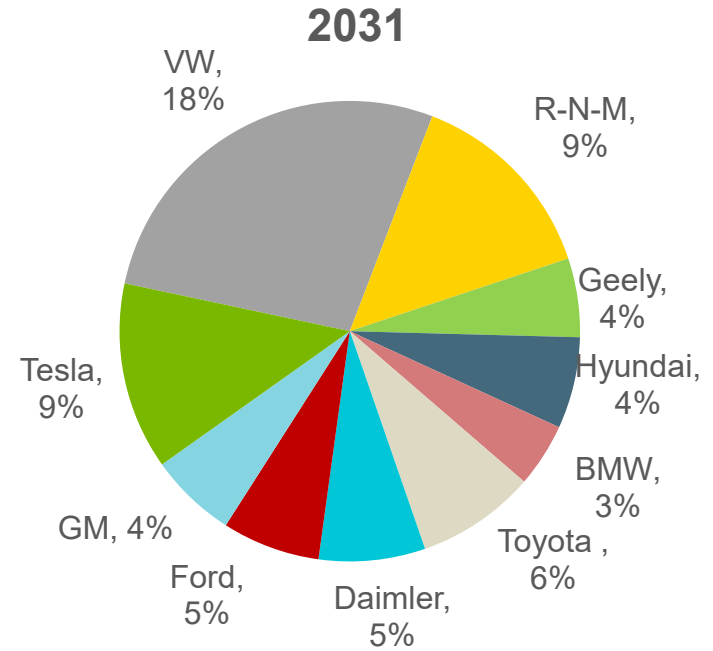


DS3 Crossback E-Tense

# Top 10 OEM share of global BEV market by sales

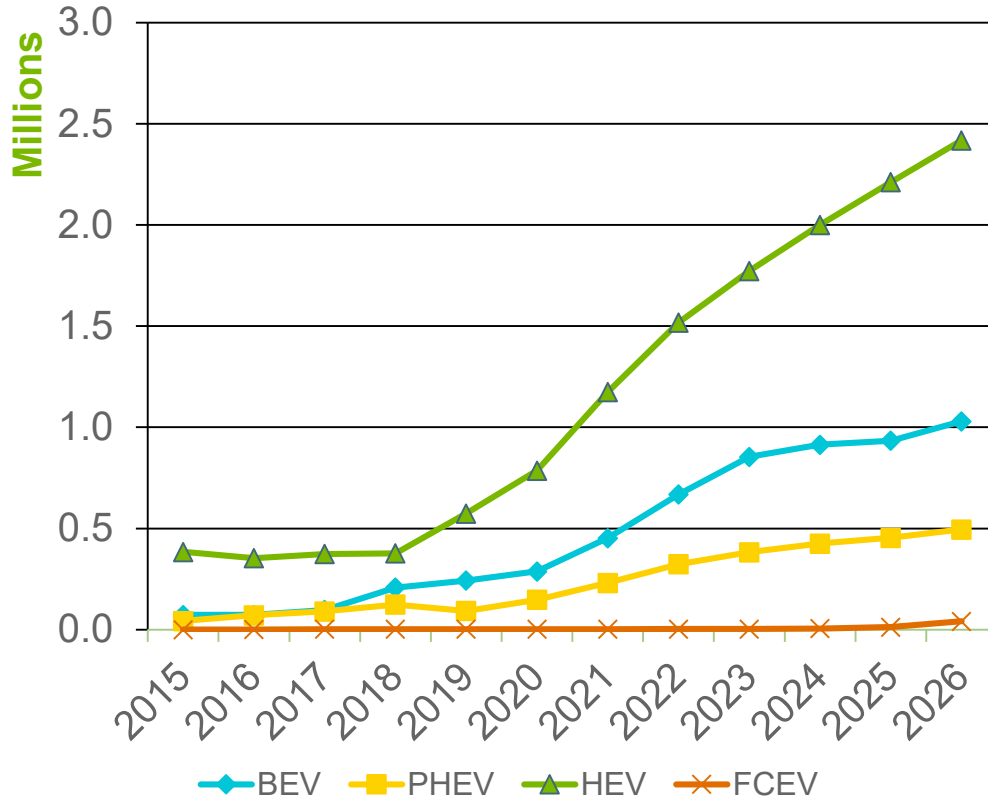


Global 1.5mn



Global 17.3mn

# Baseline US electrified Light Vehicle Sales



- Increased application of HEVs, boosted by 48V system introductions.
- BEV crosses 1mn by 2026 on strong model activity.
- Plug-In models primarily driven by ZEV regulations, but some volume sold in other states as well.
- Fuel Cell on chart but immaterial.

# Summary

- The global market posted 2<sup>nd</sup> year of decline for first time since Great Recession.
- Level of uncertainty across the regions has improved but remains high and is centered on trade, political risk and economic cycles.
- There is still too much capacity globally and more investment planned.
- SUV growth continues but is expected to slow in some markets.
- EVs face first real test as launch activity accelerates over next couple of years!

A world map in shades of green and blue, overlaid with various data visualization elements. The word 'Production' is at the top, 'Forecasts' is on the left, 'Markets' is in the center, and 'Growth' is at the bottom left. A bar chart with multiple bars in shades of green and blue is positioned over the European continent. There are also circular icons with arrows, one near 'Forecasts' and one near 'Growth'.

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by experts

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Thank you