

2020 and beyond – the opportunities and implications for Europe's Automotive Industry.

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KEY AGENDA POINTS

- European new vehicle sales forecast 2020-2030
- Market focus: Germany, UK, France, Italy, Spain
- Online sales channels
- Europe production outlook 2020-2023
- USA, China, Global outlook
- Electric vehicle outlook
- Green Deal and European legislation
- Opportunities in a crisis



**Pose your questions throughout
the presentations!**



SUPPLY CHAINS IN THE SECOND WAVE



Rising freight costs & capacity constraints

Tier supplier production issues

Vehicle inventory imbalances



Production slowdowns – not shutdowns

Online sales & handover now a must

EVs boom but supply remains limited

Investment in digital platforms



Investment in equipment, facilities

Investment in low-carbon logistics



Staying resilient and ready for recovery

EUROPEAN VEHICLE DEMAND FORECAST 2020-2030

Daniel Harrison

Automotive Analyst



OVERVIEW



- ▶ Good news After the lockdowns of March / April / May consumer demand recovered
- ▶ July – September bounce back proved that markets could recover, despite industry fears
- ▶ Automotive stimulus packages in some EU markets helped that demand recovery
- ▶ The supply chain proved to be more resilient, flexible and stronger than expected
- ▶ Promising developments with Covid vaccine trials – the light at the end of the tunnel



- ▶ Bad news Demand recovery was short-lived from July-September and is now slowing
- ▶ We are now entering a 2nd wave and are returning to lockdowns in many EU nations
- ▶ Remainder of 2020 and 2021 likely to see impacts in economy and supply chain
- ▶ CO2 emissions targets for 2020 (and tightening) – but post Covid shift to EVs will help OEMs
- ▶ Cars getting more expensive, reducing new vehicle demand, with a shift to used vehicles

EUROPEAN COUNTRY LOCKDOWN STATUS



Source: ECG Business Intelligence

“Partial” lockdowns: dealers open for in-person sales

- ▶ **Germany:** “lockdown light”
- ▶ **Spain:** state of emergency
- ▶ **Italy:** * may go into full lockdown
- ▶ **Hungary:** state of emergency
- ▶ **Netherlands:** 4-week restrictions
- ▶ **Denmark:** restrictions in 7 areas

“Full” lockdowns: dealers closed for in-person sales

- ▶ **UK:** 4-week
- ▶ **Belgium:** 6-week
- ▶ **France:** 4-week
- ▶ **Republic of Ireland:** 6-week
- ▶ **Czech Republic:** 4-week
- ▶ **Austria:** 2.5-week
- ▶ **Greece:** 3-week

THREE SCENARIOS

Best Case A 'V' shaped demand recovery

- ▶ Automotive demand rebounds in most markets in the remaining 2 months of 2020
- ▶ During 2021 vehicle demand approaches normal seasonal volumes
- ▶ Automotive industry stimulus is extended and strengthened

Base Case (most likely) : A 'U' shaped demand recovery

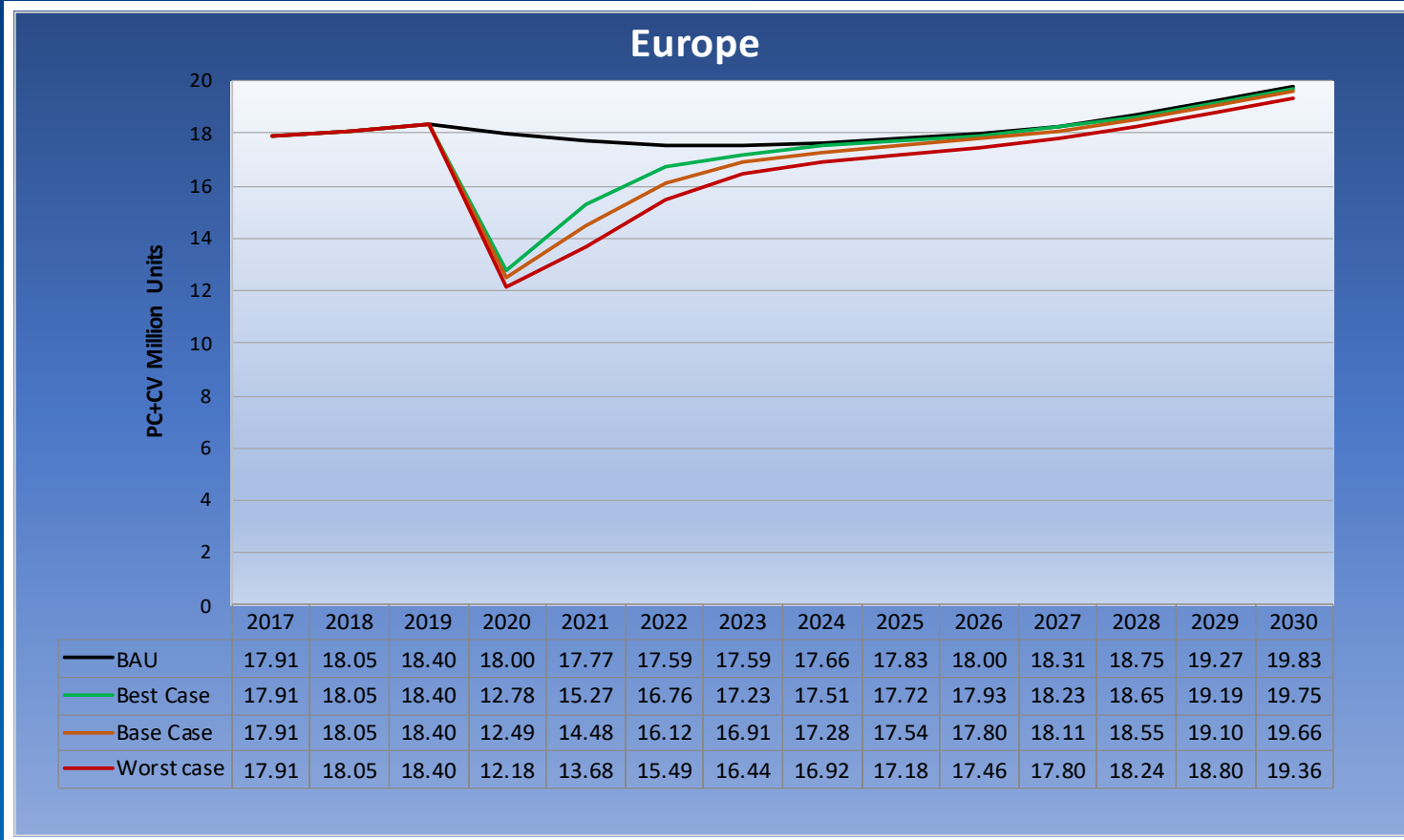
- ▶ Localised lockdowns and some national lockdowns impact demand well into 2021
- ▶ Automotive industry stimulus continues from most governments

Worst Case A 'W' shaped or even "L shaped" demand recovery

- ▶ Severe impact from more 2nd national lockdowns lead to economic recession / depression
- ▶ Demand impacted heavily in 2021 and volumes not recovering to 2019 volumes until 2028
- ▶ Automotive industry stimulus from government phased out or even withdrawn



EU + UK + EFTA 2020-2030



Source: ECG Business Intelligence

GDP Forecast	
2020	2020-2030
-9.1% to -11.5%	1.2% CAGR

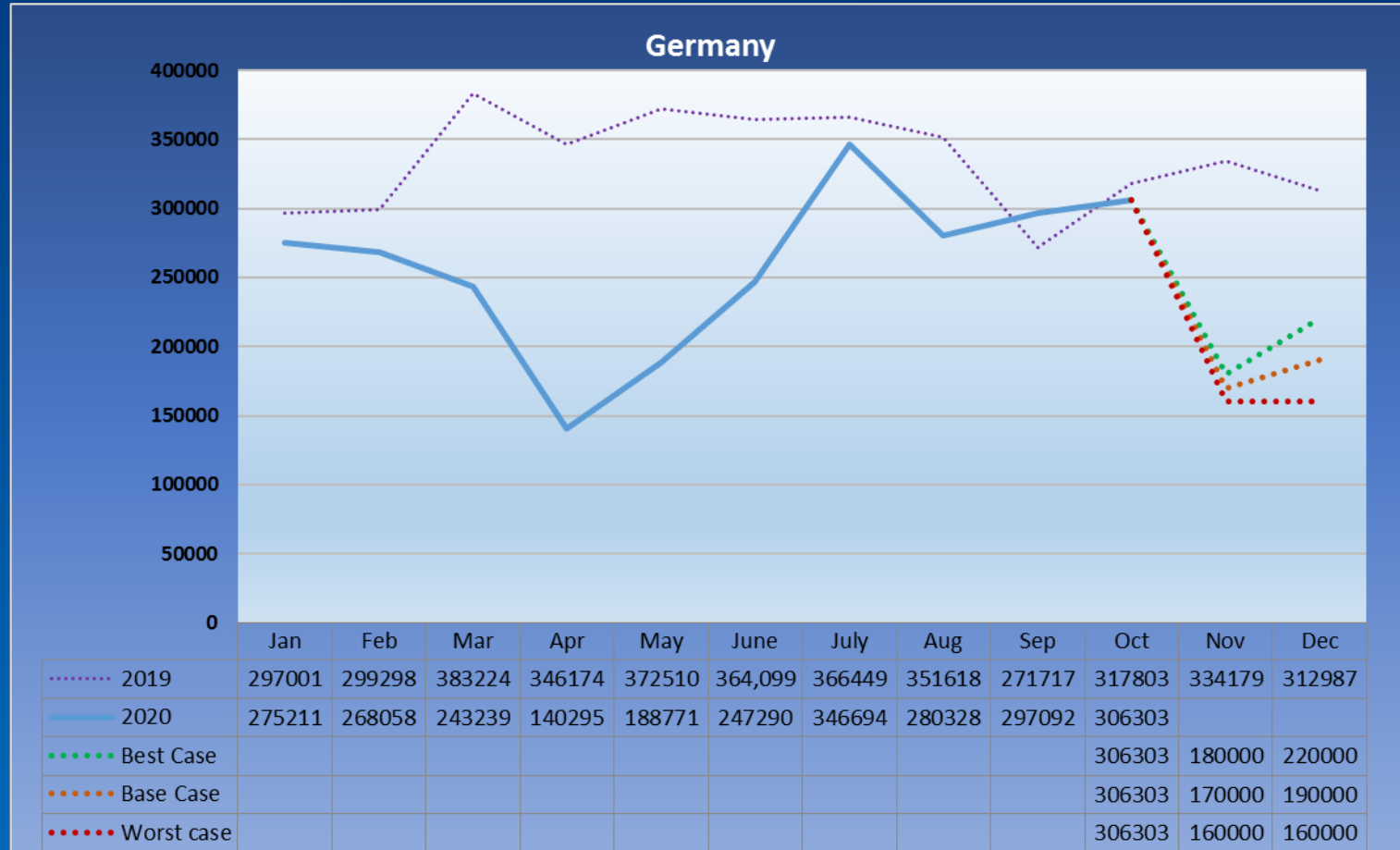
Source: OECD

Base Case

- ▶ Volume drop -32.1% in 2020
- ▶ Equates to 5.9 million units volume drop in 2020
- ▶ Volumes not recovering until 2028
- ▶ 12.6 million units “lost” over the decade compared to BAU



GERMANY – MONTHLY 2020



Source: ECG Business Intelligence

Covid 14-day total per 100,000

Cases	Deaths
310	2.4

Source: ECDC (as of 15th November)

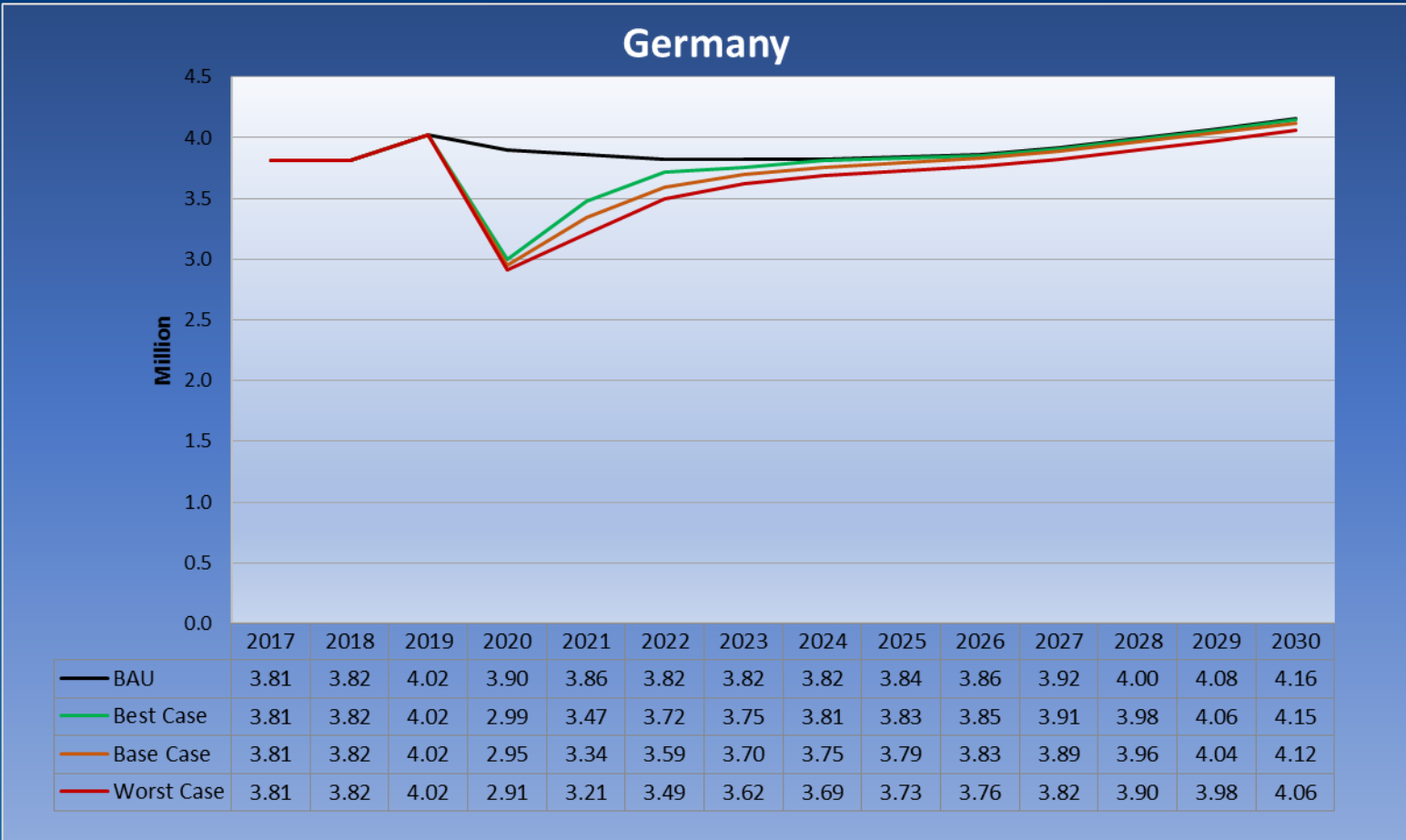
- ▶ Covid cases are stabilising
- ▶ 4 week 'Lockdown light' for November
- ▶ Hospitality & leisure closed
- ▶ Car dealerships allowed to stay open
- ▶ Automotive stimulus package only incentivises PHEV & EV which is <10% of vehicle sales

Base Case

- ▶ Volume drop of -26.5% in 2020
- ▶ 1 million units drop in 2020



GERMANY 2020-2030



Source: ECG Business Intelligence

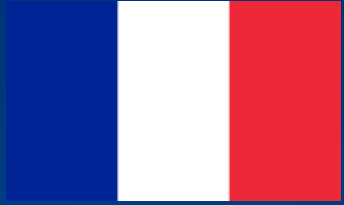
GDP Forecast	
2020	2020-2030
-6.6% to -8.8%	1.1% CAGR

Source: OECD

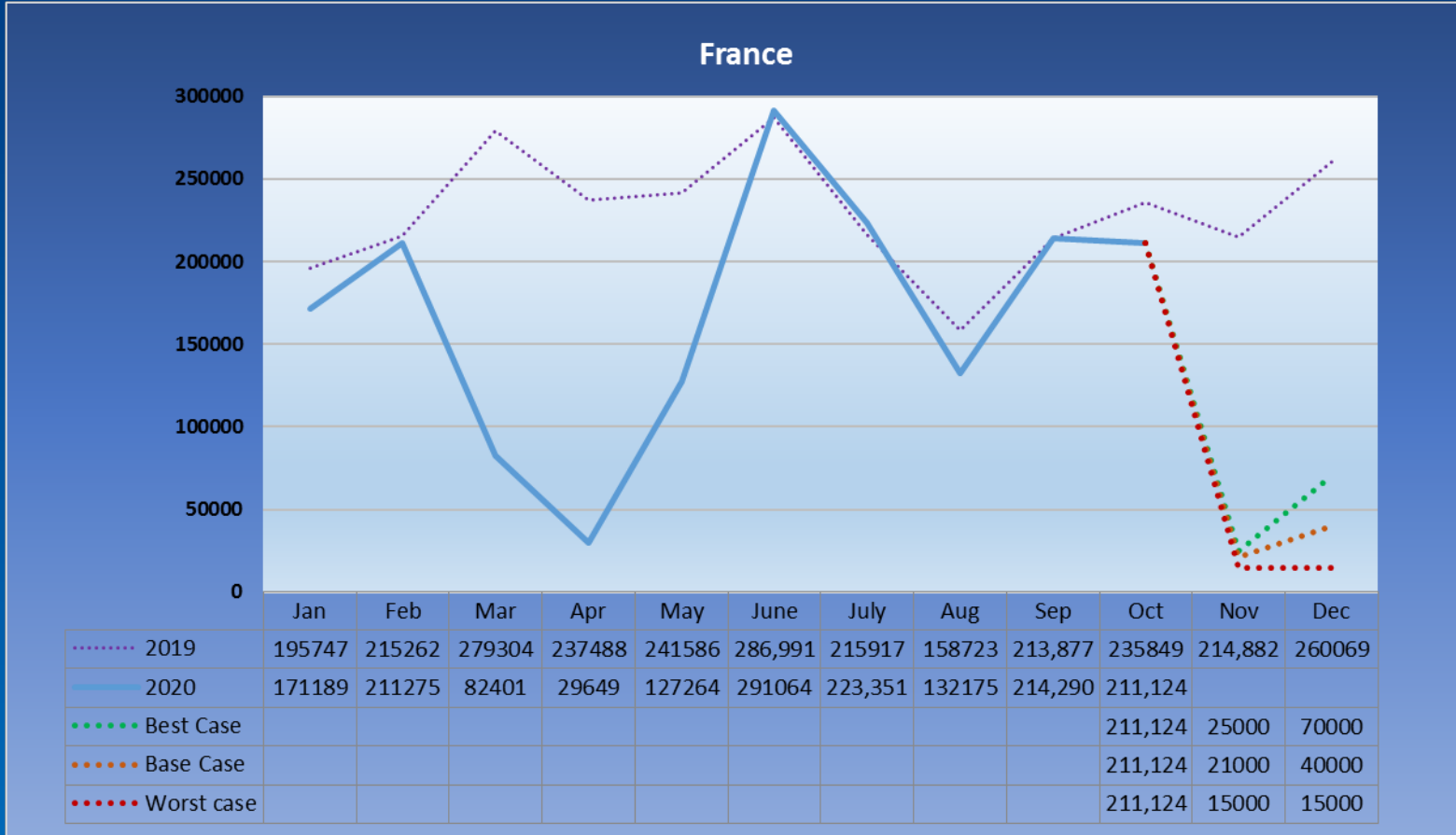
- ▶ Limited automotive stimulus
- ▶ Anaemic GDP growth
- ▶ Export driven economy
reliant on global demand

Base Case

- ▶ Volumes not recovering until
2028-2030
- ▶ 2.1 million units lost over the
decade



FRANCE – MONTHLY 2020



Source: ECG Business Intelligence

Covid 14-day total per 100,000

Cases	Deaths
880	11.1

Source: ECDC (as of 15th November)

- ▶ Covid cases are falling
- ▶ 1 month lockdown for November
- ▶ Car dealerships forced to close in November
- ▶ Online sales may reduce the impact to some extent

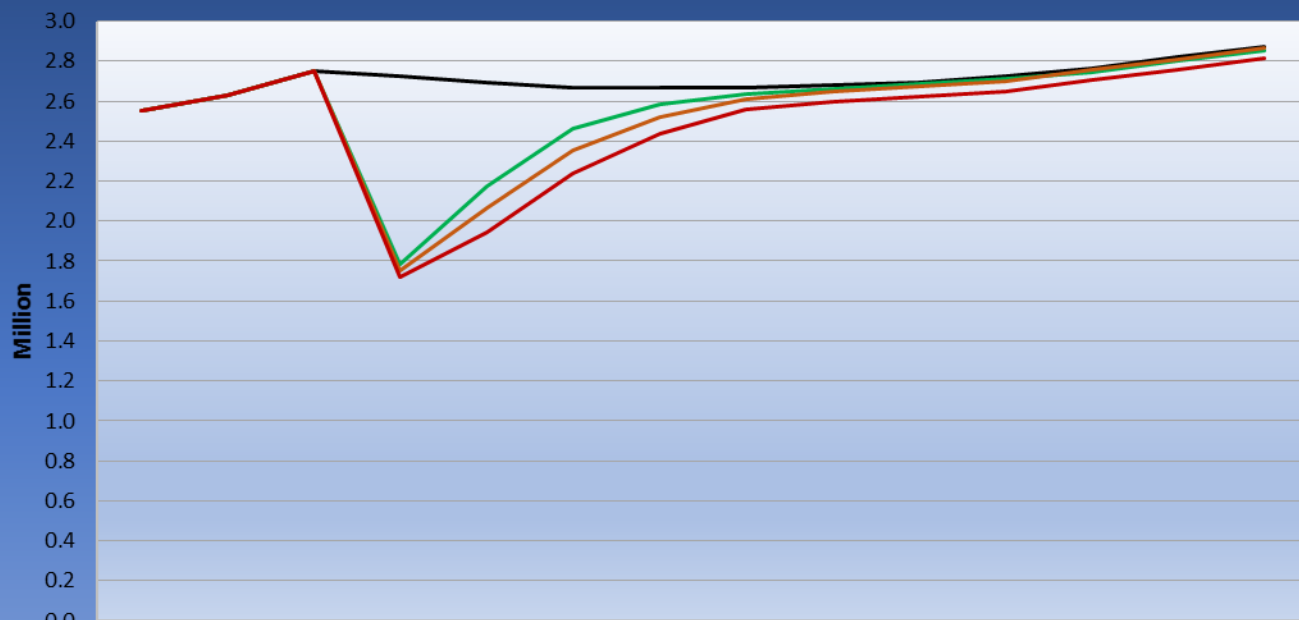
Base Case

- ▶ Volume drop of -36% in 2020
- ▶ 1.0 million units lost in 2020



FRANCE 2020-2030

France



	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
BAU	2.55	2.63	2.75	2.72	2.70	2.67	2.67	2.67	2.68	2.70	2.72	2.76	2.82	2.87
Best Case	2.55	2.63	2.75	1.78	2.18	2.46	2.58	2.64	2.66	2.69	2.71	2.74	2.80	2.86
Base Case	2.55	2.63	2.75	1.75	2.07	2.36	2.52	2.61	2.65	2.68	2.70	2.76	2.81	2.87
Worst Case	2.55	2.63	2.75	1.72	1.95	2.24	2.44	2.56	2.60	2.62	2.65	2.70	2.76	2.81

GDP Forecast

2020	2020-2030
-11.4% to -14.1%	1.5% CAGR

Source: OECD

- ▶ Low GDP growth
- ▶ Strong €8bn Automotive stimulus package

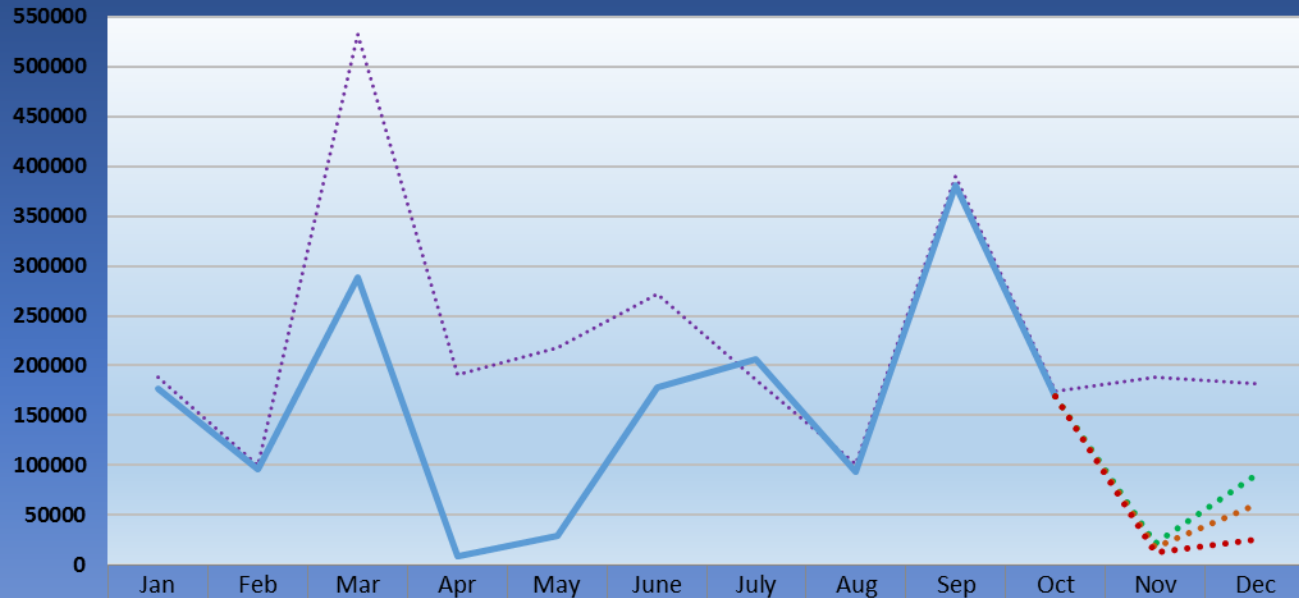
Base Case

- ▶ Volumes not recovering until 2028-2029
- ▶ 2.2 million units “lost” over the decade compared to BAU



UK – MONTHLY 2020

UK



	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
2019	188050	99428	532289	191198	218532	272,478	186357	101260	390329	174299	188073	181573
2020	176608	96444	288918	9003	29094	177710	205842	93579	380882	169720		
Best case										169720	22000	90000
Base Case										169720	18000	60000
Worst case										169720	12000	25000

Source: ECG Business Intelligence

Covid 14-day total per 100,000

Cases	Deaths
499	7.8

Source: ECDC (as of 15th November)

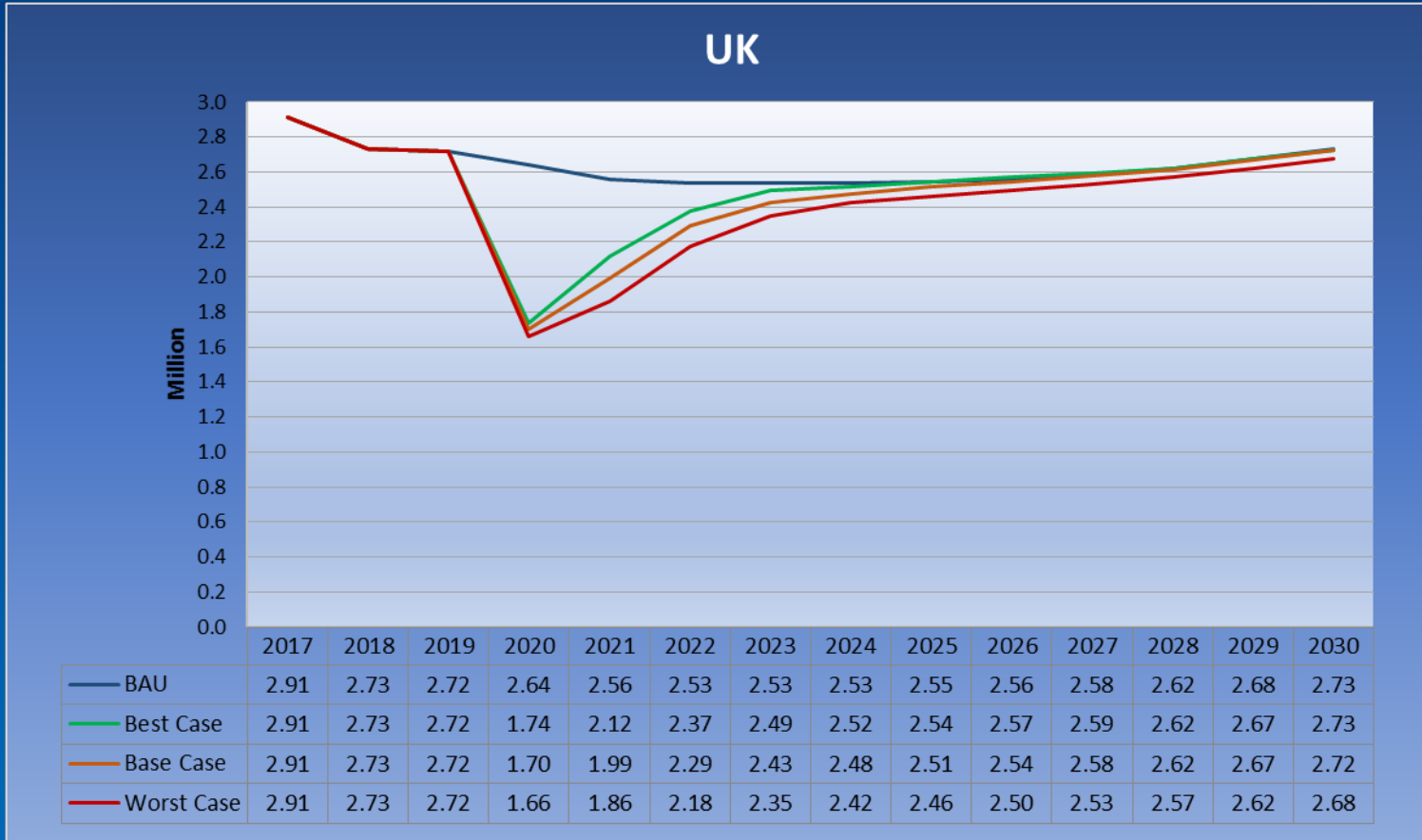
- ▶ Covid cases are stabilising
- ▶ 1 month lockdown for November in ~85% of UK
- ▶ Car dealerships closed in November. However, "Click & collect" may mitigate this.
- ▶ No automotive stimulus package
- ▶ Employee "Furlough" scheme extended to March 2021

Base Case

- ▶ Volume drop of -37.4% in 2020
- ▶ 1.0 million units drop in 2020



UK 2020-2030



Source: ECG Business Intelligence

GDP Forecast	
2020	2020-2030
-10.1%	1.8% CAGR

Source: OECD

- ▶ Brexit impact on 1st January 2021 will hit demand in 2021 with potential 10% import tariffs
- ▶ Impact on supply chains and viability of production in the UK likely more immediate
- ▶ Despite this, GDP expected to be strong later in the decade

Base Case

- ▶ Volumes not recovering til 2030
- ▶ 2 million units “lost” over the decade compared to BAU



ITALY– MONTHLY 2020



Source: ECG Business Intelligence

Covid 14-day total per 100,000

Cases	Deaths
771	10.0

Source: ECDC (as of 15th November)

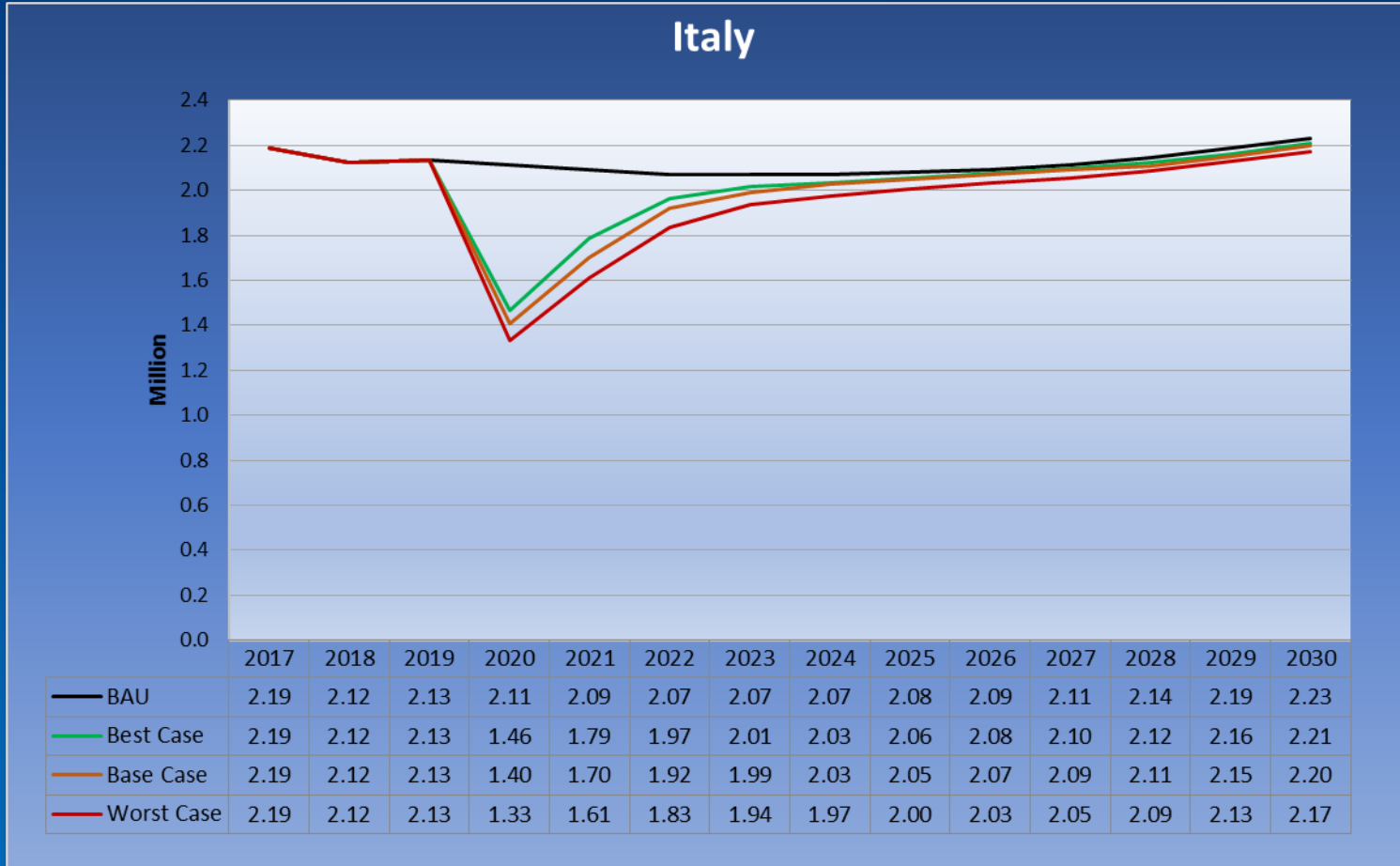
- ▶ Covid cases rising badly
- ▶ Regional approach of yellow, amber and red zones
- ▶ ~27% of Italy is in red zone
- ▶ Car dealerships remain open – except for red zones
- ▶ We expect a 1 month national lockdown to be announced
- ▶ Strong €3.75bn automotive stimulus package

Base Case

- ▶ Volume drop of -34.2% in 2020
- ▶ 0.8 million units drop in 2020



ITALY 2020-2030



Source: ECG Business Intelligence

GDP Forecast	
2020	2020-2030
-11.3% to -14.0%	0.6% CAGR

Source: OECD

- ▶ Very weak GDP forecast
- ▶ Fiscal drag of a national debt which is 180% of GDP

Base Case

- ▶ Volumes not recovering until 2029
- ▶ 1.5 million units 'lost' over the decade compared to BAU



SPAIN – MONTHLY 2020



Source: ECG Business Intelligence

Covid 14-day total per 100,000

Cases	Deaths
581	10.4

Source: ECDC (as of 15th November)

- ▶ Covid cases are levelling off
- ▶ National state of emergency extended to May 2021 limits movement to essential travel
- ▶ Car dealerships remain open
- ▶ Strong automotive stimulus package
- ▶ “Plan Renove” scrappage scheme from 20th October

Base Case

- ▶ Volume drop of -38.1% in 2020
- ▶ 0.57 million units drop in 2020



SPAIN 2020-2030



GDP Forecast	
2020	2020-2030
-11.1.4% to -14%	1.2% CAGR

Source: OECD

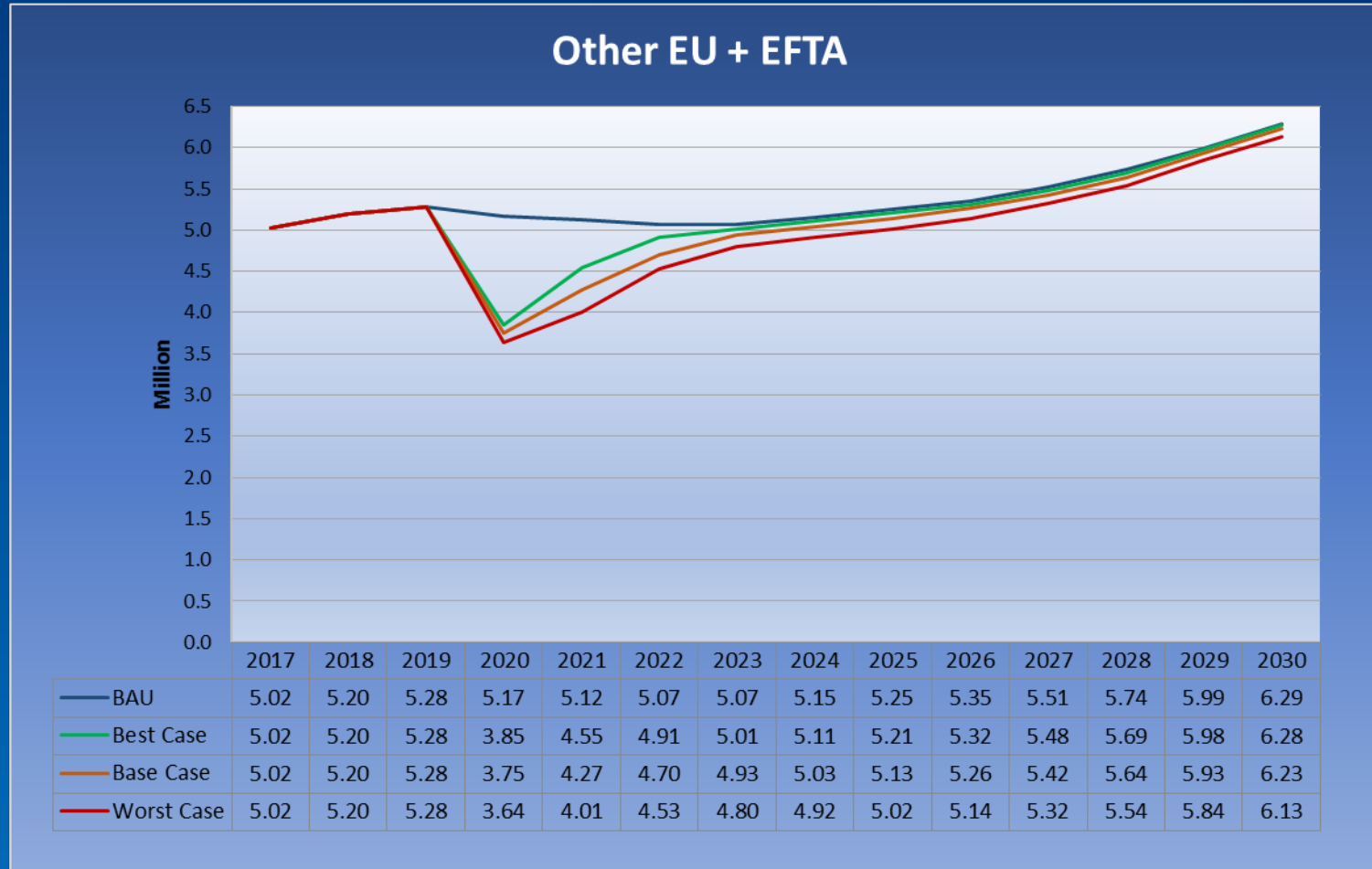
- ▶ Low GDP growth
- ▶ Economy also badly impacted by drop in tourism – impacting consumer demand

Base Case

- ▶ Volumes not recovering until 2029-2030
- ▶ 1.3 million units 'lost' over the decade compared to BAU

Source: ECG Business Intelligence

OTHER EU+EFTA COUNTRIES 2020-2030

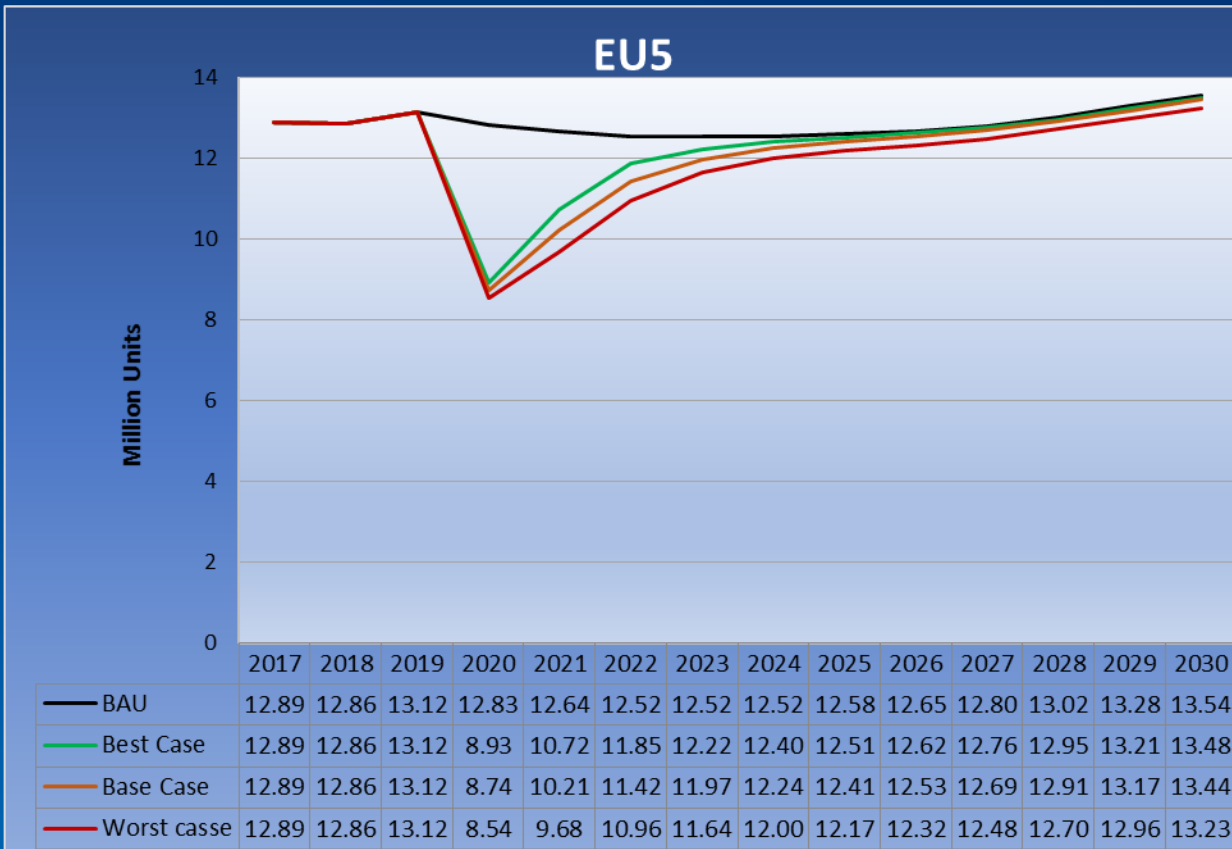


- ▶ Central & eastern Europe more affected in the 2nd wave than the 1st wave
- ▶ But, other EU + EFTA markets are less saturated and will experience higher volume growth than EU5 countries

Base Case

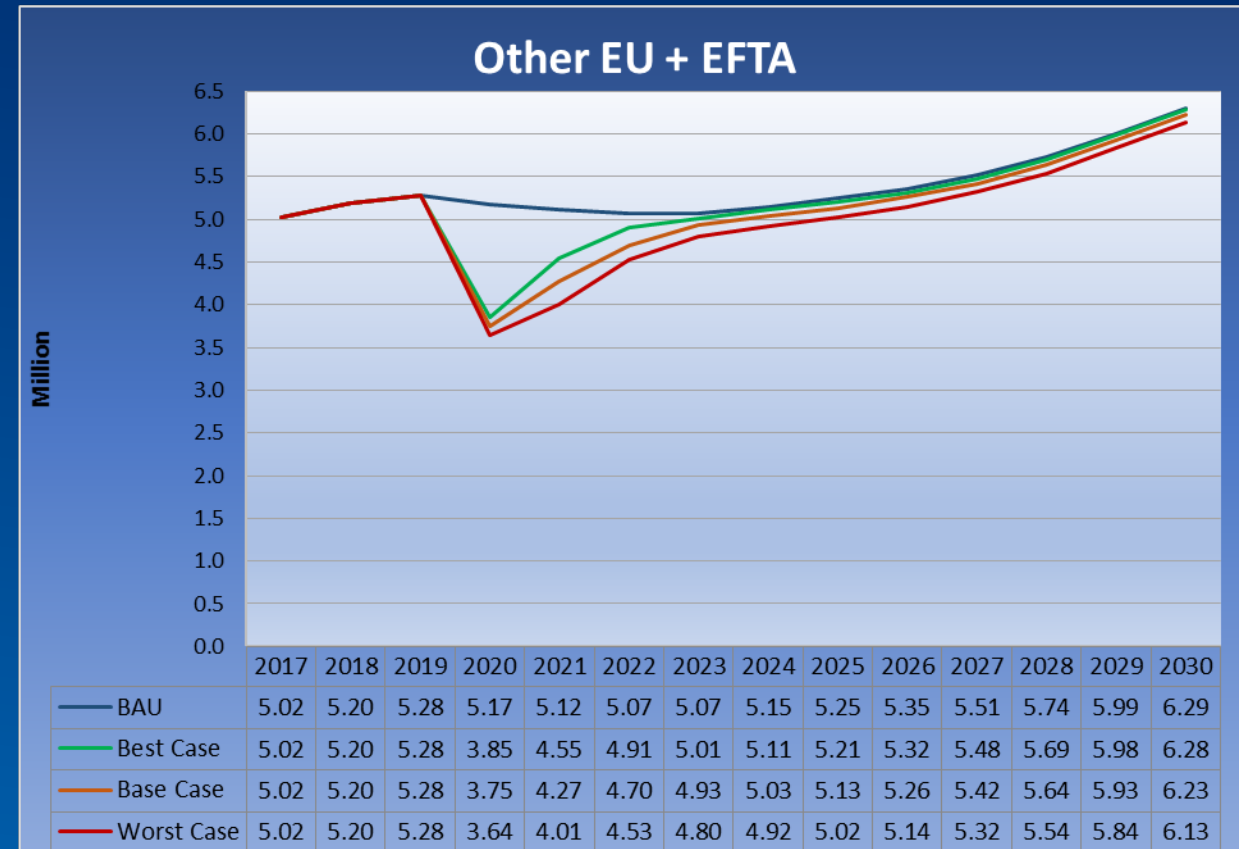
- ▶ Volume drop of -29.0% in 2020
- ▶ 1.5 million units 'lost' in 2020
- ▶ 3.4 million units 'lost' in next decade compared to BAU
- ▶ Volumes not recovering until 2025-2027

EU5 VS. OTHER EU+EFTA COUNTRIES 2020-2030



Source: ECG Business Intelligence

EU5 4.4% CAGR from 2020-2030



Source: ECG Business Intelligence

Other EU + EFTA 5.2% CAGR from 2020-2030

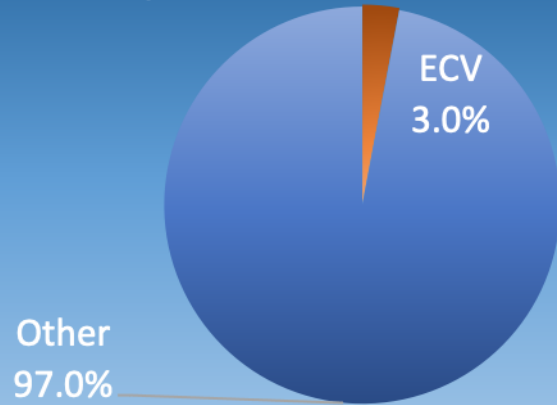
ONLINE SALES



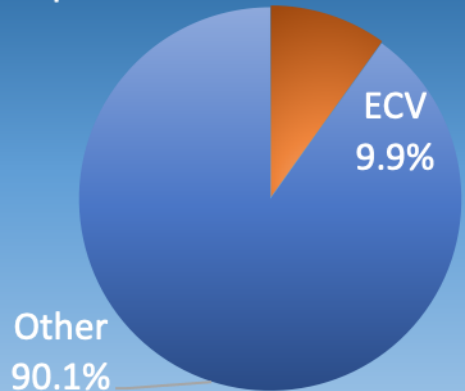
- ▶ Online sales clearly accelerated during the 1st lockdowns in the spring of 2020
- ▶ Playing key role in keeping sales channels open during 2nd wave, including 'Click & Collect' and contactless delivery where walk-in sales not allowed (i.e. UK and France).
- ▶ Could this mitigate the likely sharp falls in sales during November?
- ▶ OEMs and dealers rolling out more services online, from viewings to test drive to purchase/financing, delivery and service
- ▶ Used vehicle market ahead of the curve and better geared up to online sales. Major used vehicle players such as BCA reporting healthy sales, especially from online
- ▶ But barriers and challenges in online sales including margin, demographic disparity and management of tech stack/software
- ▶ See our previous flash report on online sales

EV & PHEV (“PLUG – IN” / ECV) GROWTH

European Vehicle Sales Q3 2019 (%)

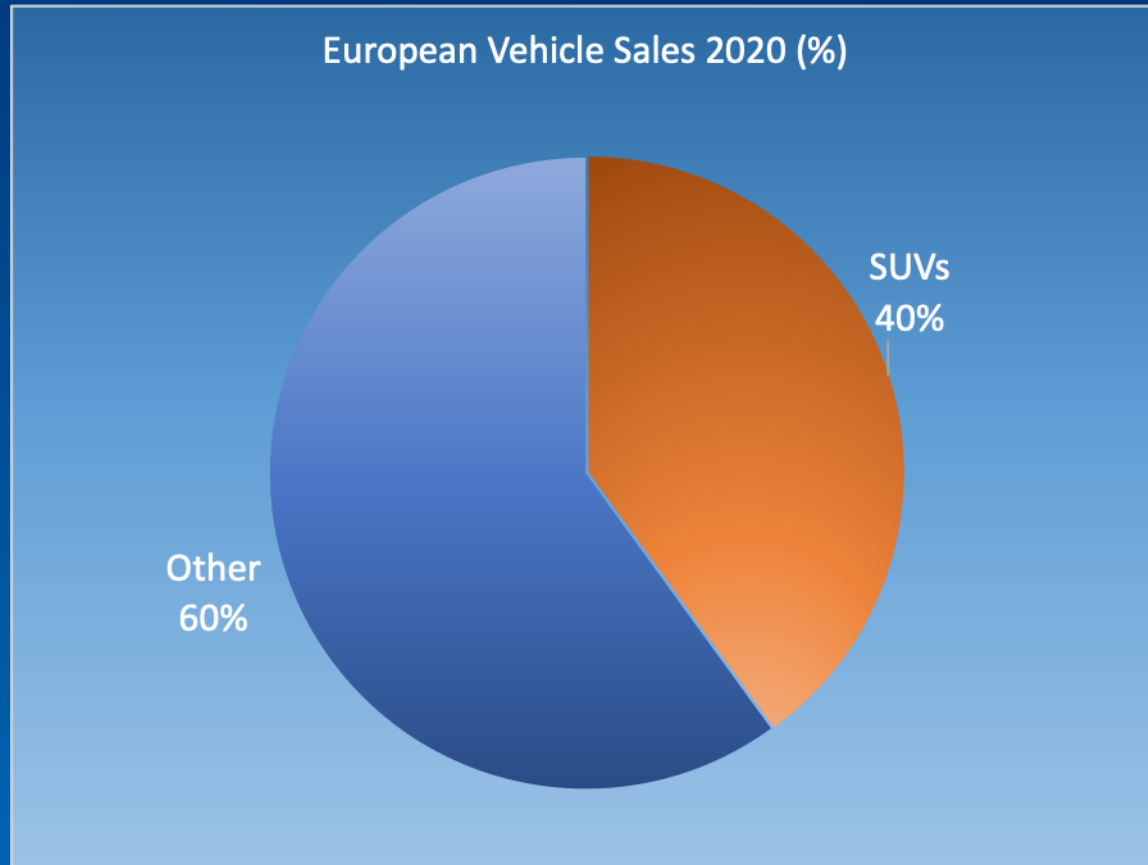


European Vehicle Sales Q3 2020 (%)



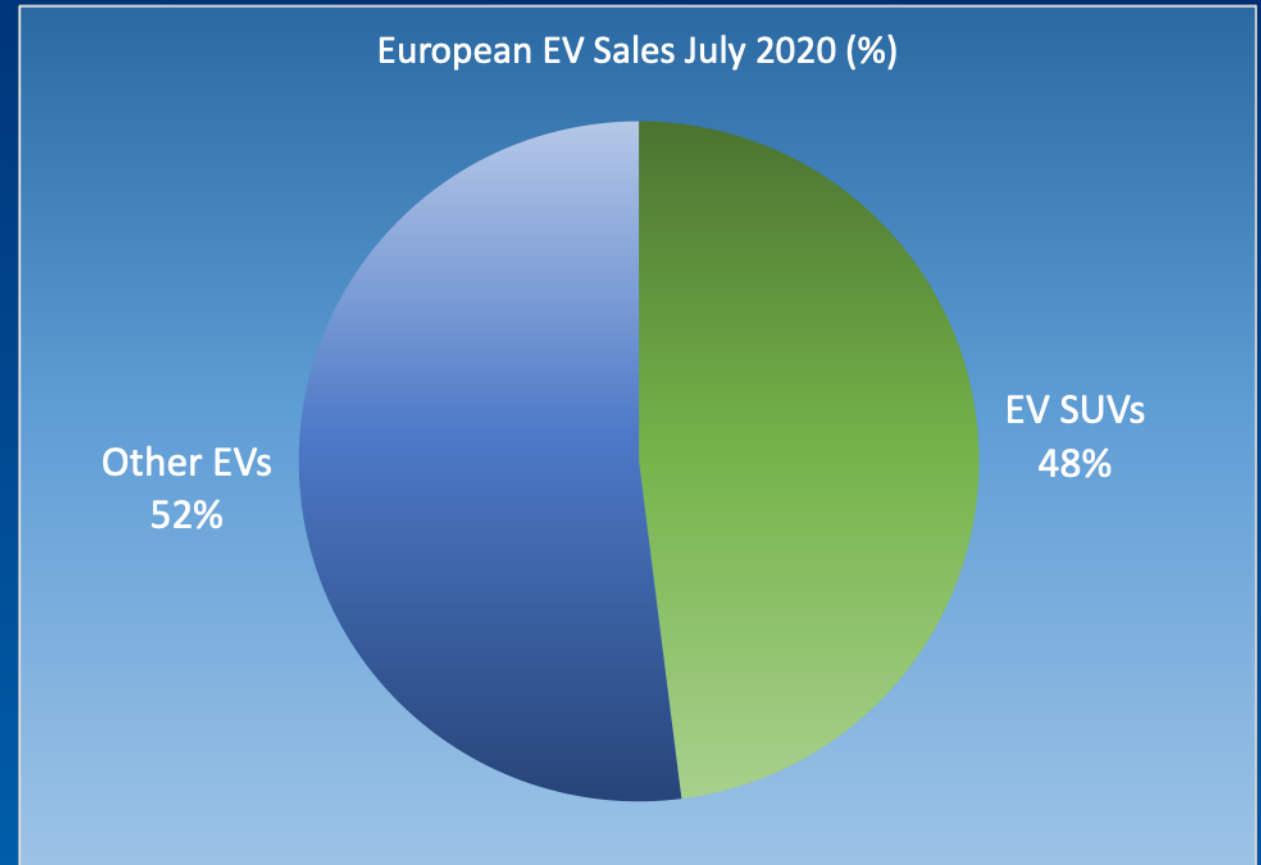
- ▶ In Q3 2020 EV & PHEV sales tripled to 9.9% of sales compared to 3% in Q3 2019
- ▶ Demand is outstripping supply
- ▶ Availability of inventory affects sales e.g. Renault Zoe overtaking Tesla Model 3 in Europe
- ▶ Lead time for ICE ~ 7 weeks
- ▶ Lead time for EV + PHEV ~10 weeks
- ▶ Some western OEMs establishing EV production in China to export back to the EU e.g. BMW, VW, Tesla

SUV & ELECTRIC SUV TREND



Source: ECG Business Intelligence

- Strong shift to SUVs – for both new and used vehicles



Source: ECG Business Intelligence

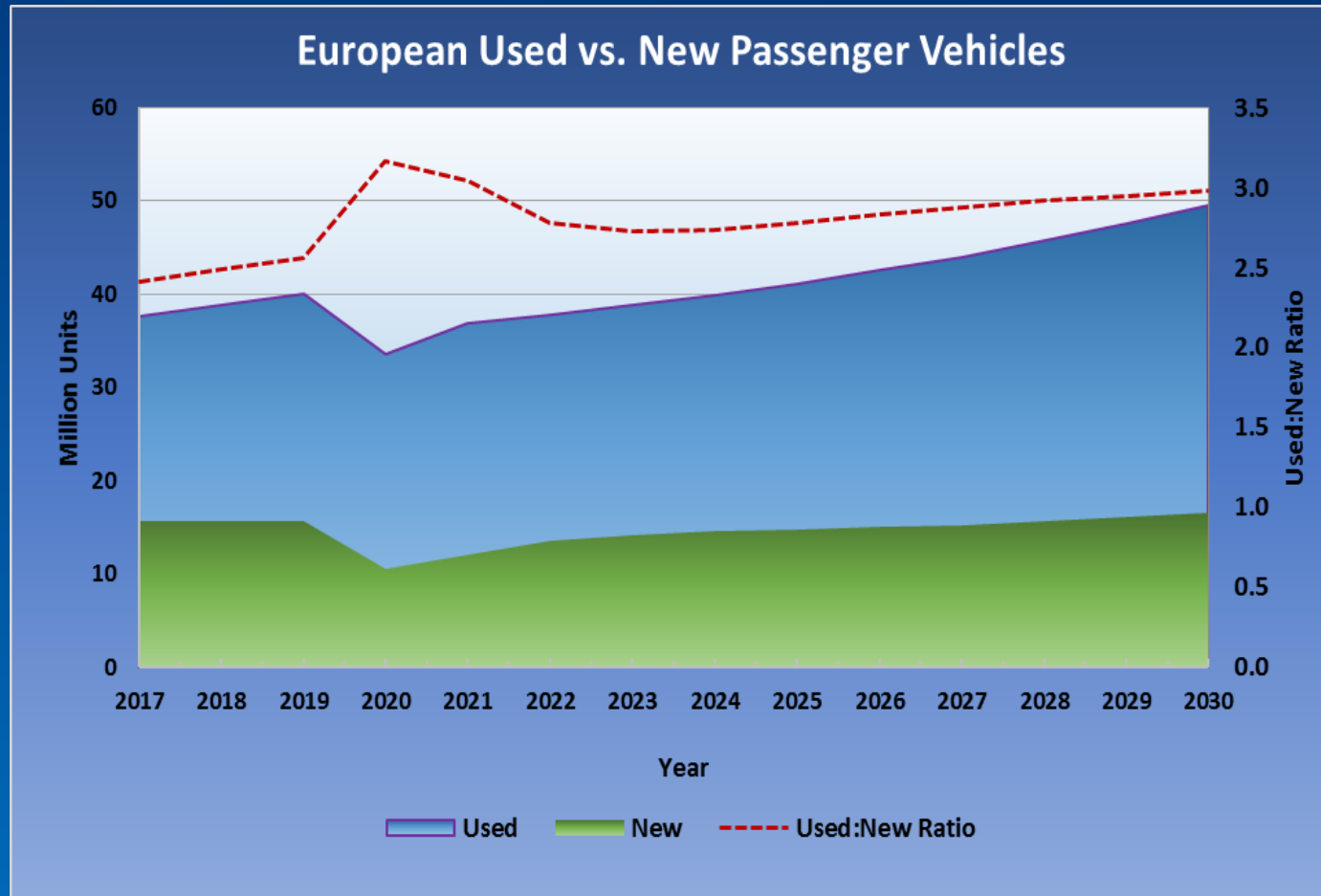
- Strong growth to *electric* SUV

EUROPEAN GREEN DEAL



- ▶ The European Green Deal enshrines in European Climate Law that Europe becomes carbon neutral by 2050
- ▶ Proposal to raise interim target from -40% to -55% by 2030 (EU Parliament voted for -60%)
- ▶ Extremely ambitious and will radically change our entire carbon economy
- ▶ For 2050, -90% reduction required by transport (with the remainder from carbon offsetting)
- ▶ And there is (in theory) €1 trillion of EU money available e.g. the Just Transition Mechanism
- ▶ Opportunities for logistics companies with potential grants, subsidies and incentives to renew vehicle fleets and adapt alternative fuels
- ▶ Invest in EV charging infrastructure
- ▶ See our recent report on the Green Deal

USED:NEW VEHICLES



Source: ECG Business Intelligence

- ▶ Used vehicles drop -16% in 2020 but less affected than new vehicle sales dropping -32% in 2020
- ▶ In part this is because used vehicle dealers are more advanced in terms of digital / online sales
- ▶ Used:New vehicle ratio increasing from 2.6 in 2019 to 3.2 in 2020
- ▶ Used passenger vehicle sales growing slightly faster than new vehicles over the next decade -
- ▶ Used 3.4% CAGR from 2022-2030
- ▶ New 2.5% CAGR from 2022-2030

SUMMARY: AREAS OF GROWTH & OPPORTUNITIES

- ▶ EV & PHEV sales have increased. EVs have doubled in market share in 2020.
- ▶ Used vehicles – volumes down, but less so than new. See upcoming flash report on this
- ▶ Online sales. Will “click and collect” mitigate impact of lockdowns? See our previous flash
- ▶ Strong shift to SUV – for both new and used vehicles, and especially EV SUVs
- ▶ Green Deal – Opportunities for logistics companies with grants / subsidies to renew fleets
- ▶ Emerging China - Europe trade – especially in EVs. See our upcoming report

THANK YOU

- ▶ ECG Business Intelligence upcoming reports :
- ▶ *Used vehicles*
- ▶ *China – Europe vehicle trade opportunities*
- ▶ *The “New Normal”*

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