

North American Barometer Short-Term Outlook Will Market Growth Continue? September 16, 2020

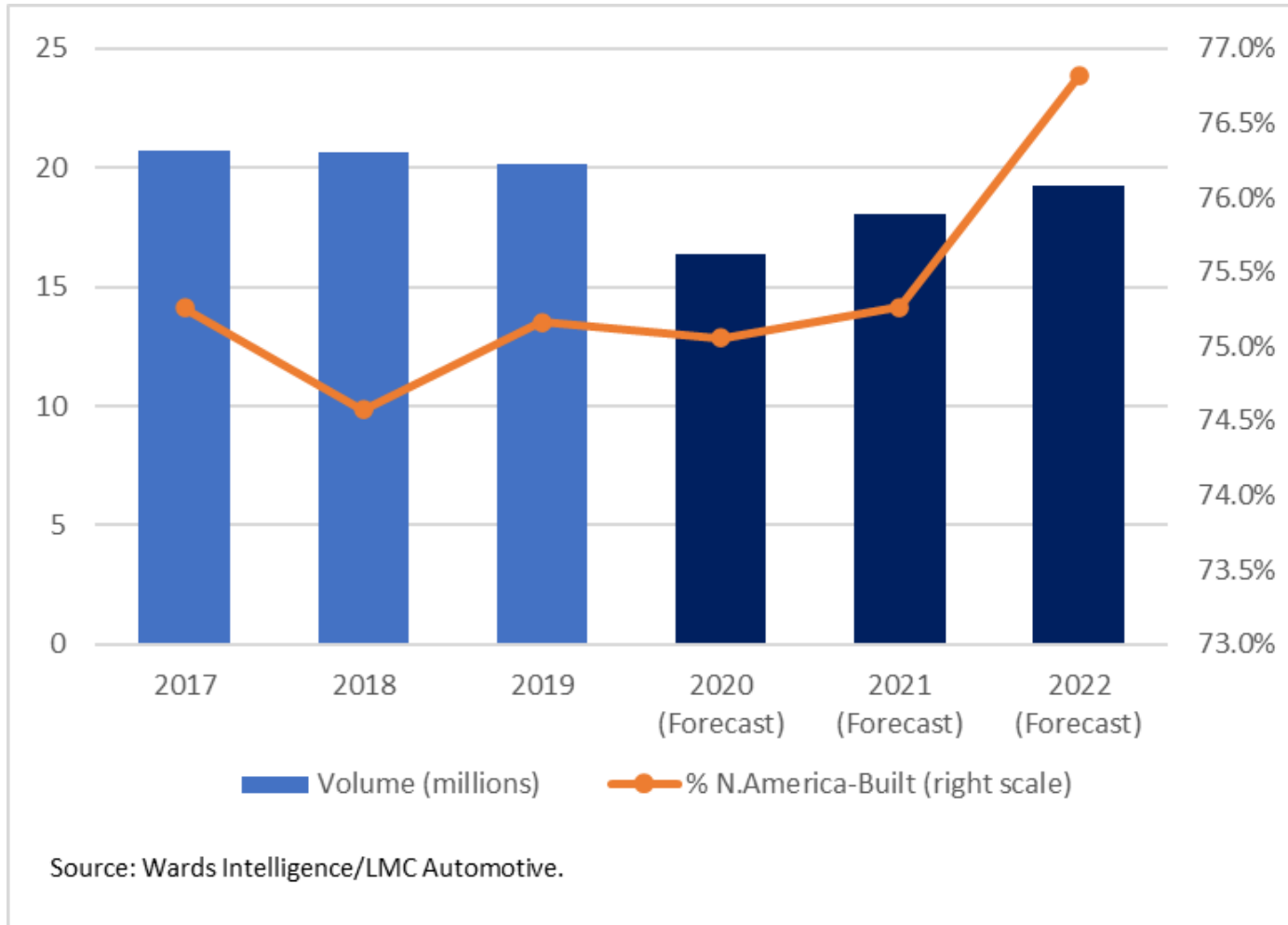
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Summary Outlook

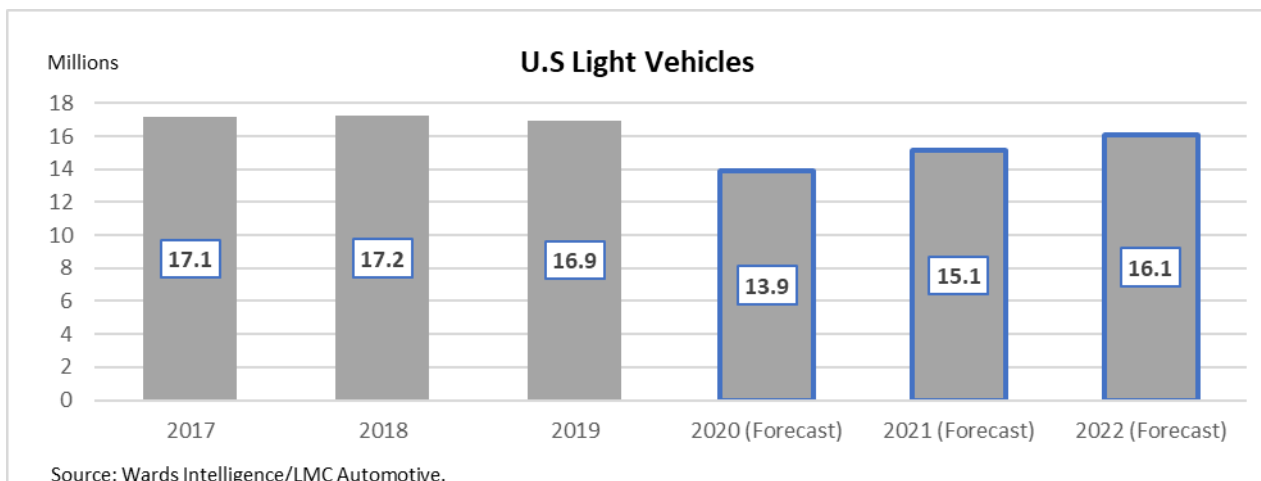
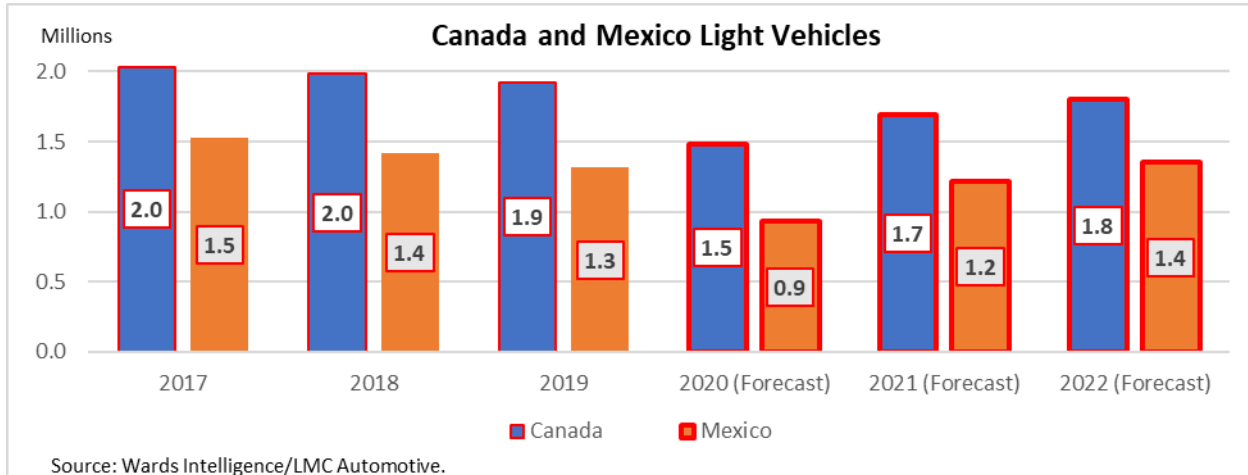
- Demand is expected to level off over the final four months of 2020, and in Q1-2021, ending the sequential growth since April
- Production will appear strong relative to demand over the next two quarters due to lean inventory
- Uncertainty caused by the pandemic has made forecasting even the short-term more problematic than usual
 - In a resurgence of the virus, how many new cases will it take to cause enough self-isolation, and offset resistance to stricter lockdown measures, to the point of pulling down the economy again
 - How much will the high level of job and income losses negate the consumers ability and willingness to buy new vehicles – even if no resurgence

North America Light-Vehicle Sales



- Sales forecast to decline 19% in 2020 to 16.3 million
- Sales grow in 2021, 2022 but not back to pre-virus levels
- Penetration of domestically produced vehicles resumes growth after Covid-related sourcing disruptions caused 2020 downturn

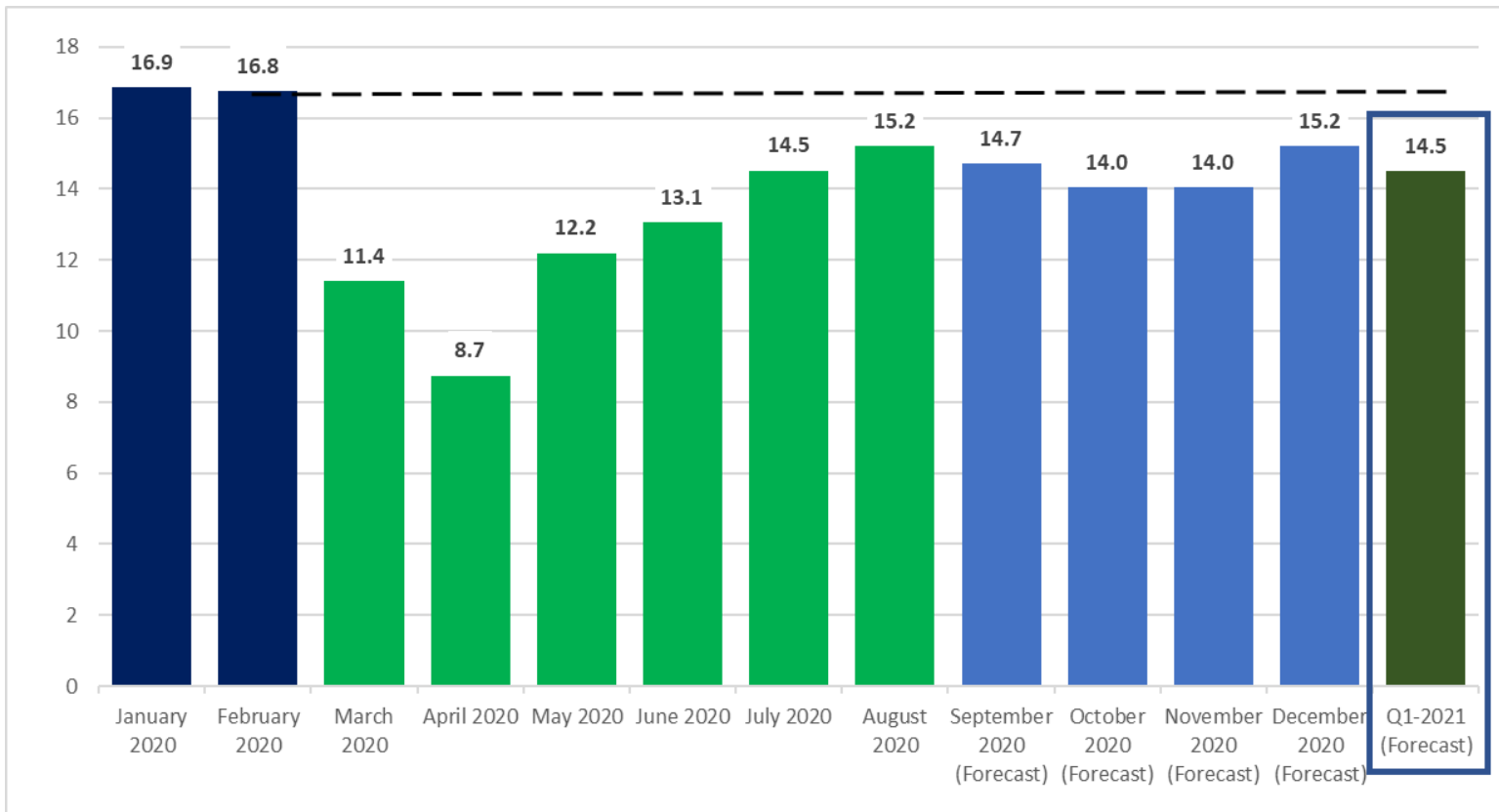
North America Light-Vehicle Sales



- Only Mexico gets back to pre-virus (2019) levels by 2022 – but its 2019 results were weak
- The outlook for Canada has improved, though its year/year decline in 2020 (23%) still big
- US forecast to decline 18% in 2020; up 9% in 2021

U.S. Light-Vehicle Market

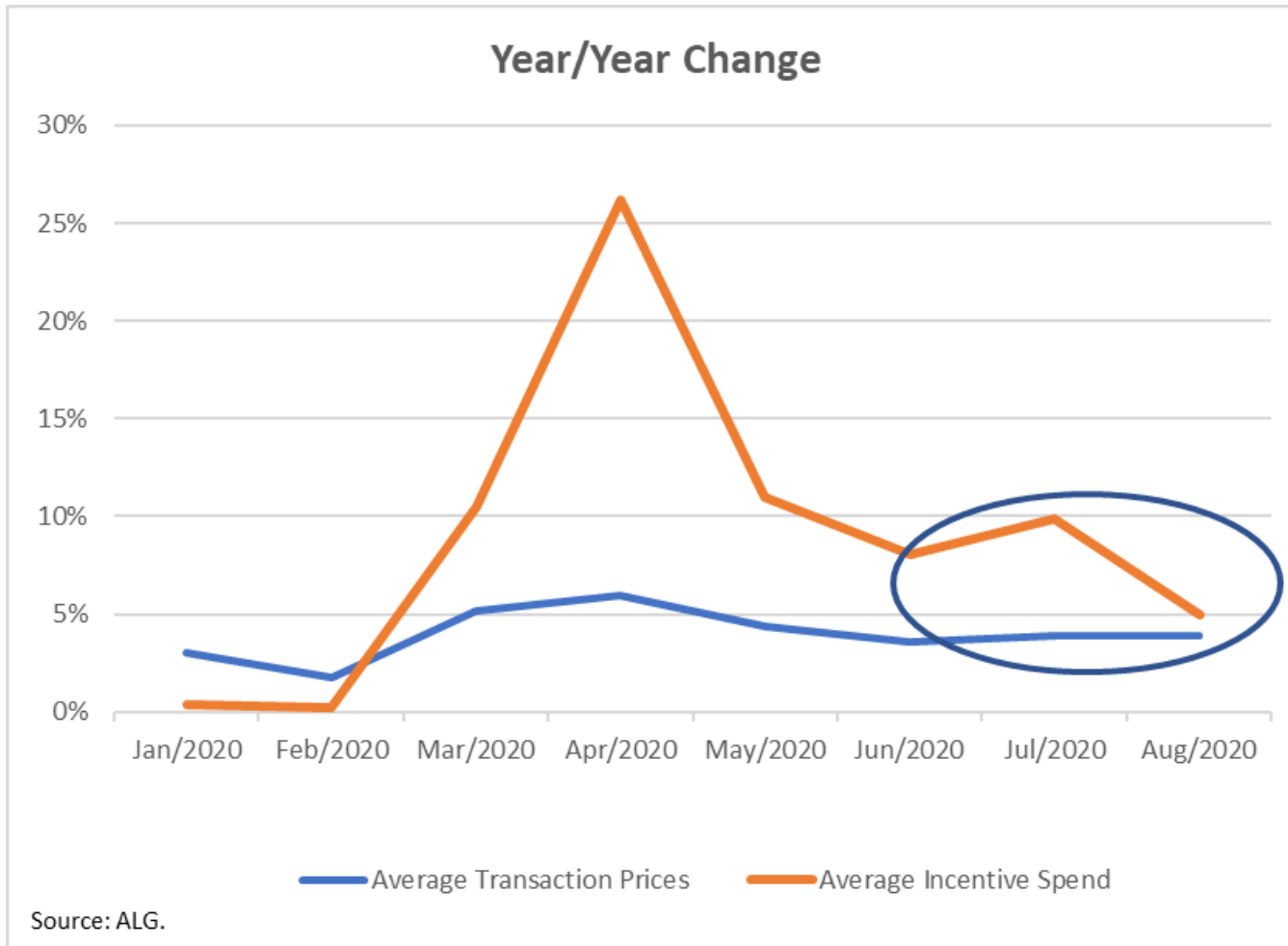
U.S. Sales – Seasonally Adjusted Annual Rates (millions)



Source: Wards Intelligence/LMC Automotive. SAARs calculated based on factors supplied by the Bureau of Economic Analysis.

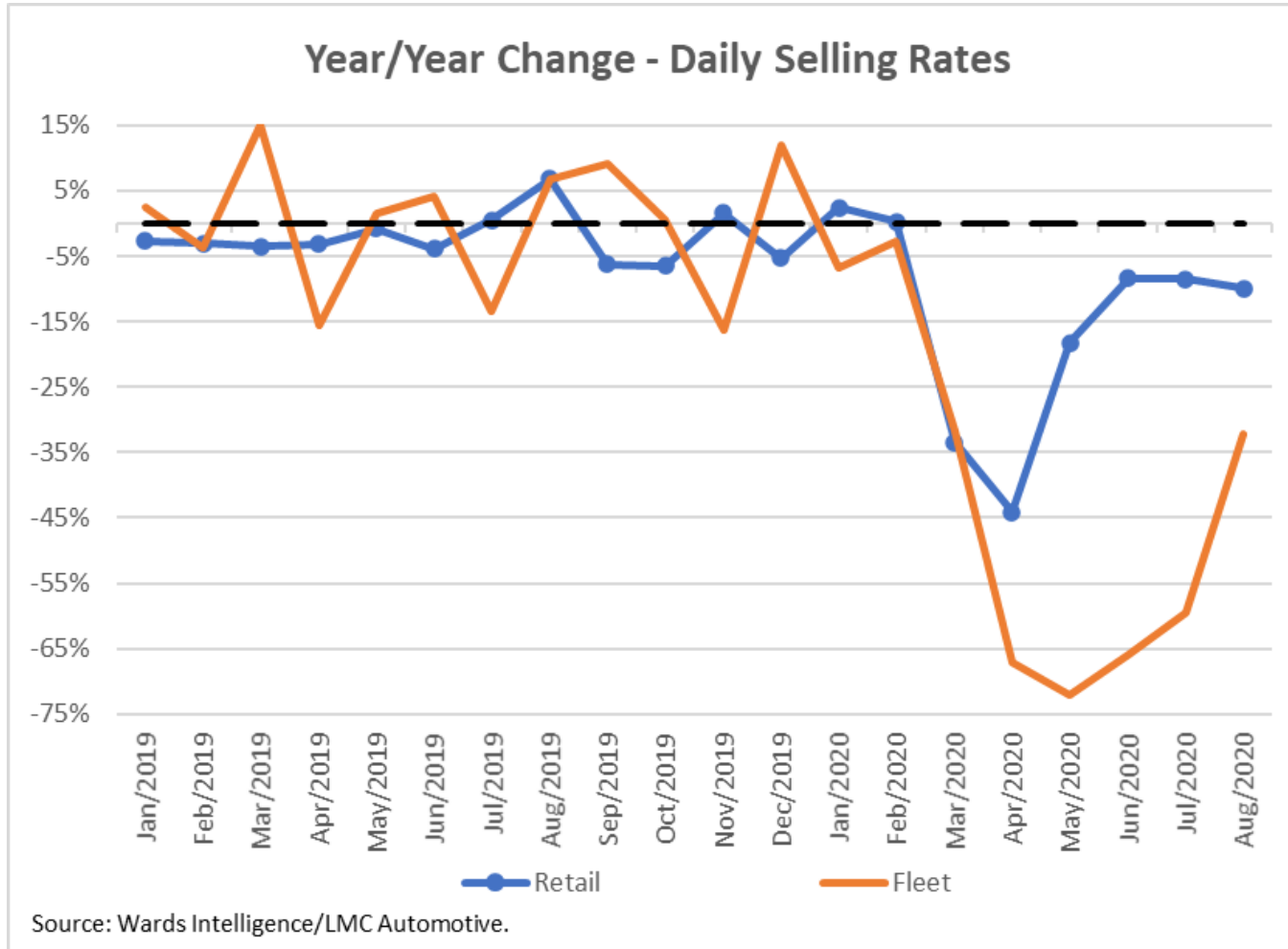
- Expect the year to end with sequential weakening
 - More '21 models, and their higher prices, hit dealer lots
 - Less government stimulus and high unemployment levels negatively impact ability and willingness to buy new vehicles
 - Lean inventory
- Demand remains flat in Q1-2021 with Q4-2020

Incentive Activity Coming Back to Earth



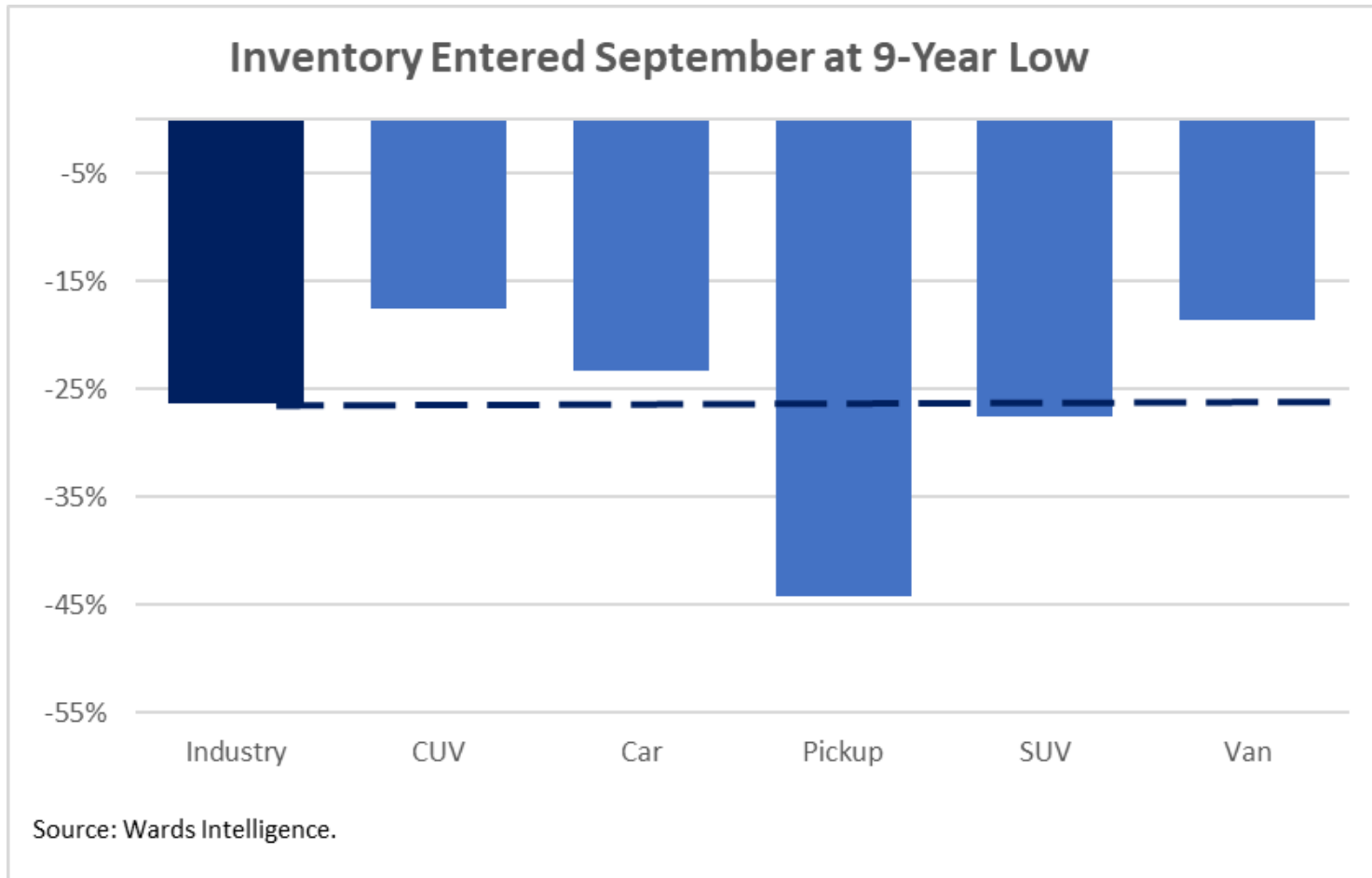
- Increases in retail incentives slowed as inventory became more strained
- Incentive activity expected to remain subdued for the rest of the year, with inventory remaining lean and new model-year vehicles coming to market

Retail-Fleet Splits



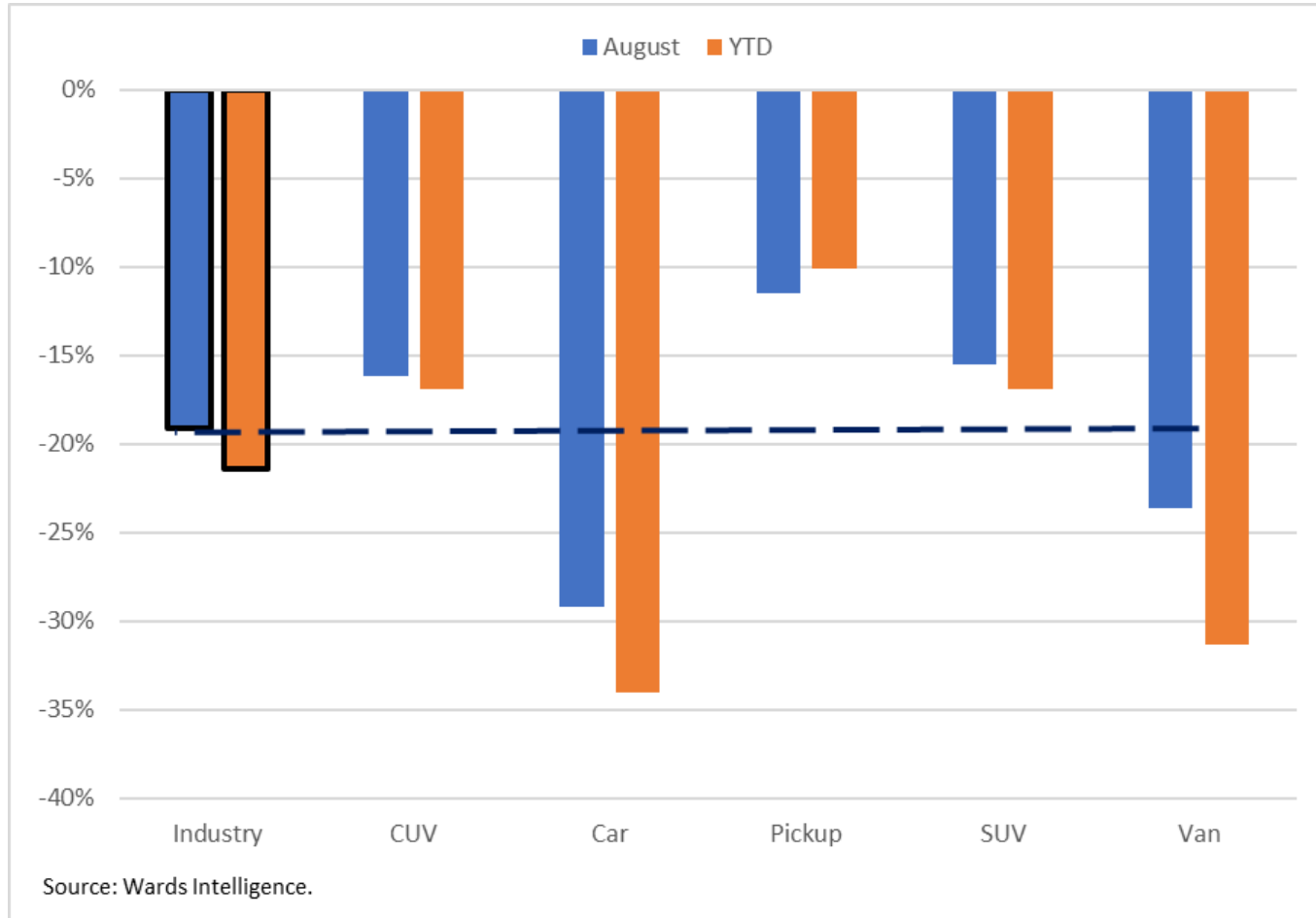
- Retail might be flattening out and starting to weaken
- Fleet deliveries are starting to rebound, mainly from commercial activity
- There is more upside to fleet if rental volume can bounce back

Inventory Depleted in All Segments



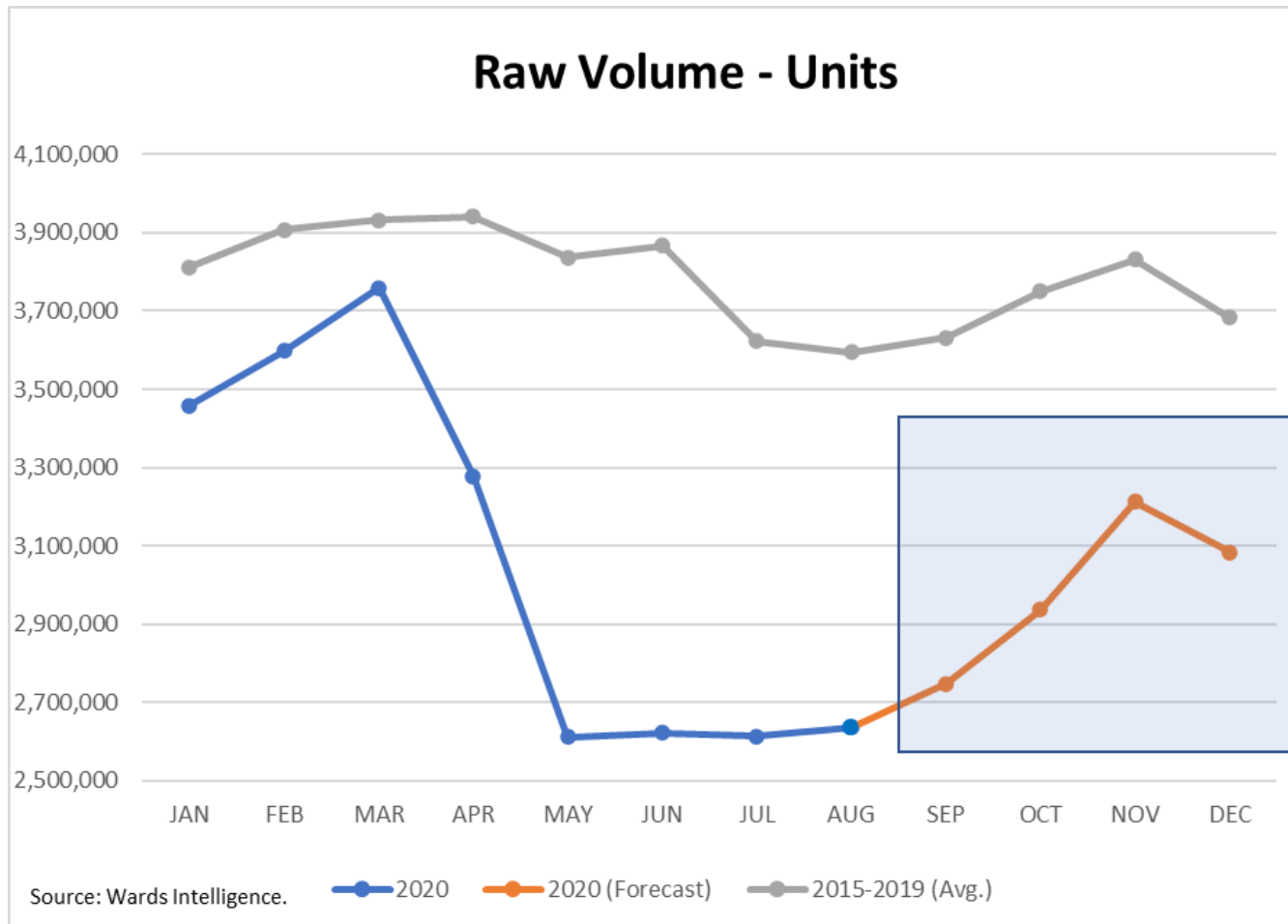
- Total inventory down 26% year-over-year
- Current inventory is in line with annualized sales volume of roughly 14 million
- Inventory of pickups down 44% and Q4 typically the strongest quarter for the segment group
- CUVs, the best-selling group, down “just” 17%

Sales by Segment Group – Year/Year % Change



- Utilities and pickups faring the best in this recessionary period
- Pickup sales have averaged nearly 50% of inventory the past three months, vs. a typical range of 25% to 30%
- Even in a recession, few want new cars

U.S. Light-Vehicle Inventory

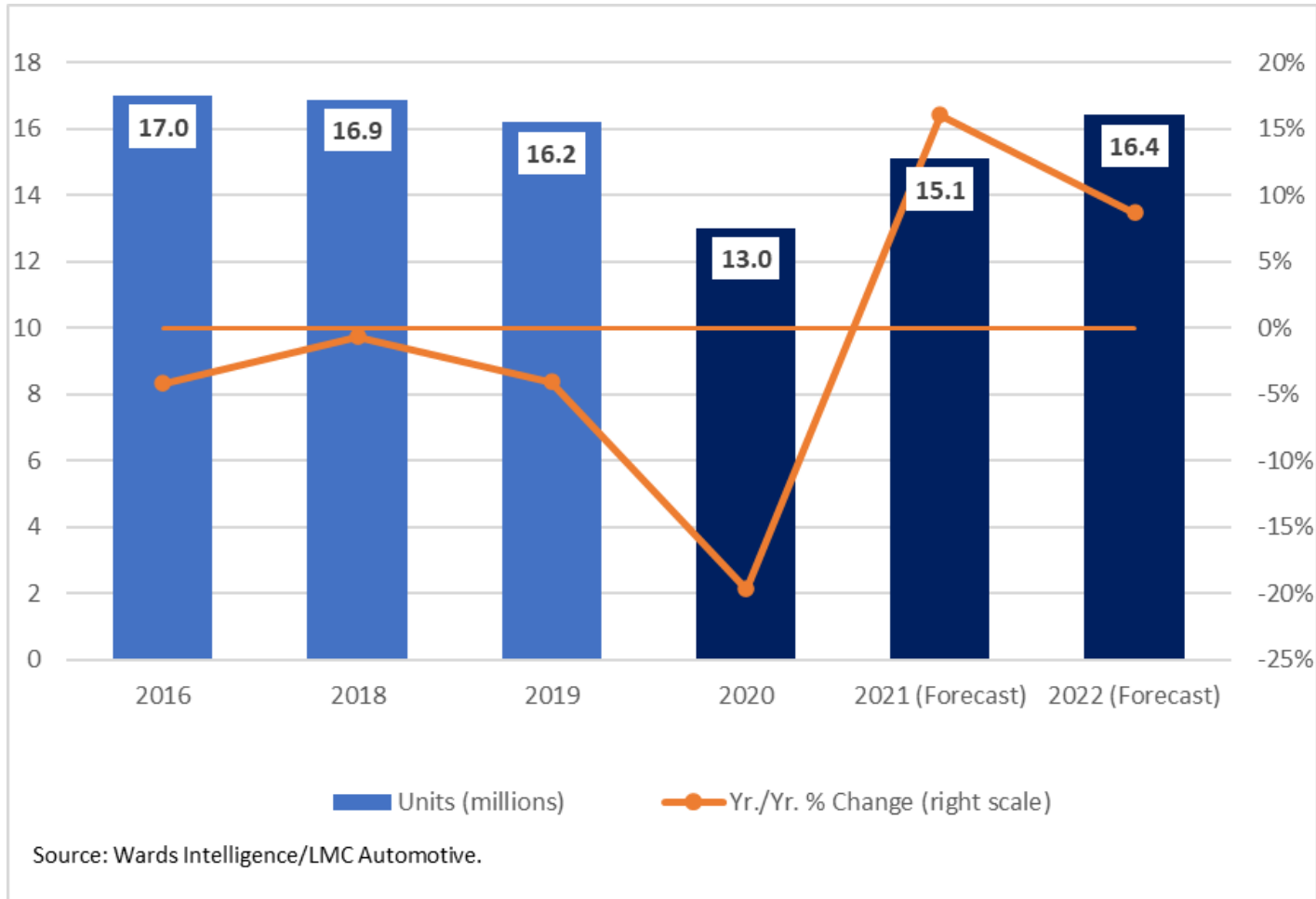


- Inventory should be in balance with forecast 2021 demand (15.2 million units) by the end of the year
- In theory, if dealers could continue to sell half the inventory existing at the beginning of each month, as they did in August, sales could run at a 16 million-unit seasonally annualized rate through the end of the year

North America Light-Vehicle Production Outlook

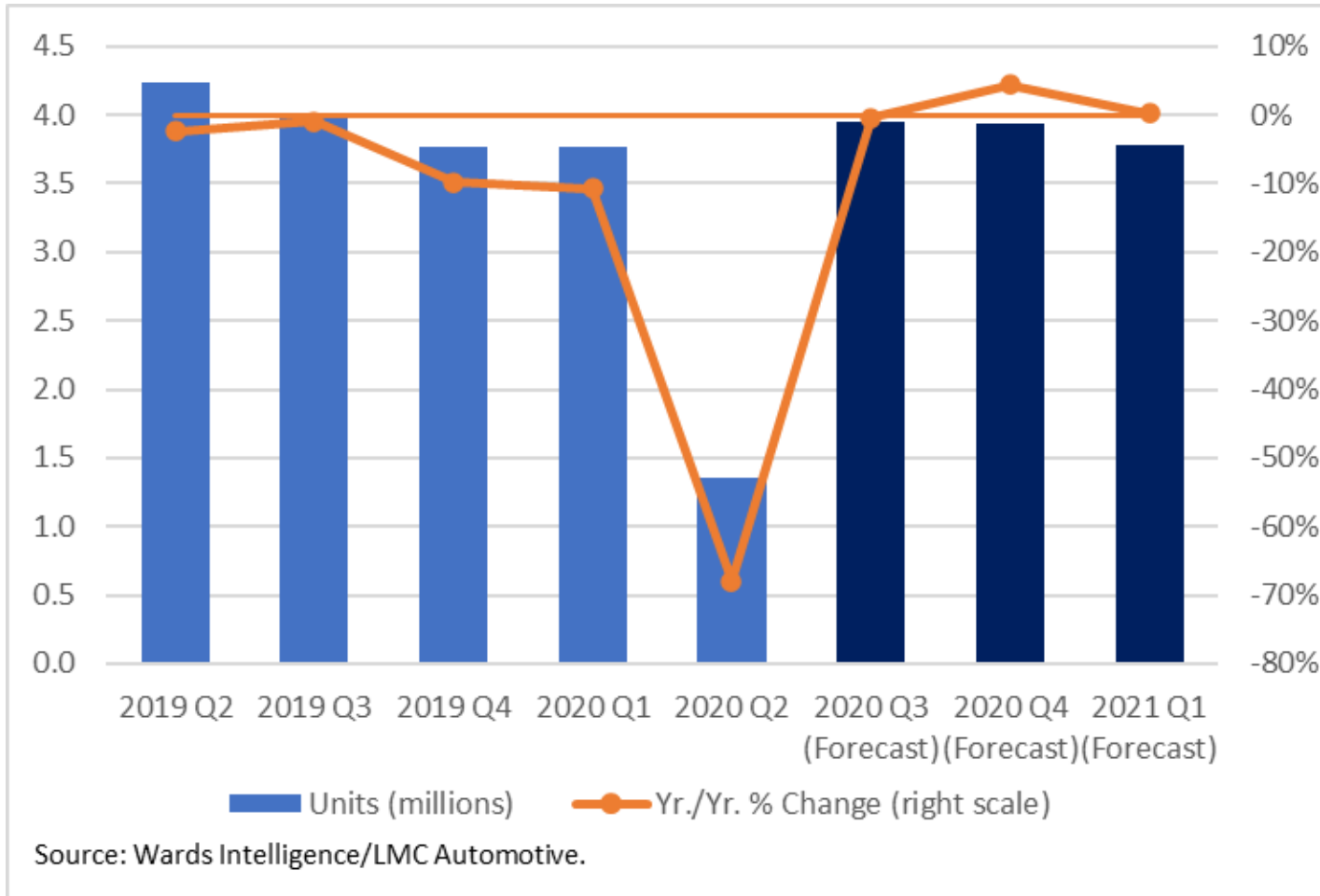
(Summary and Top Manufacturers)

North America Light-Vehicle Production Forecast



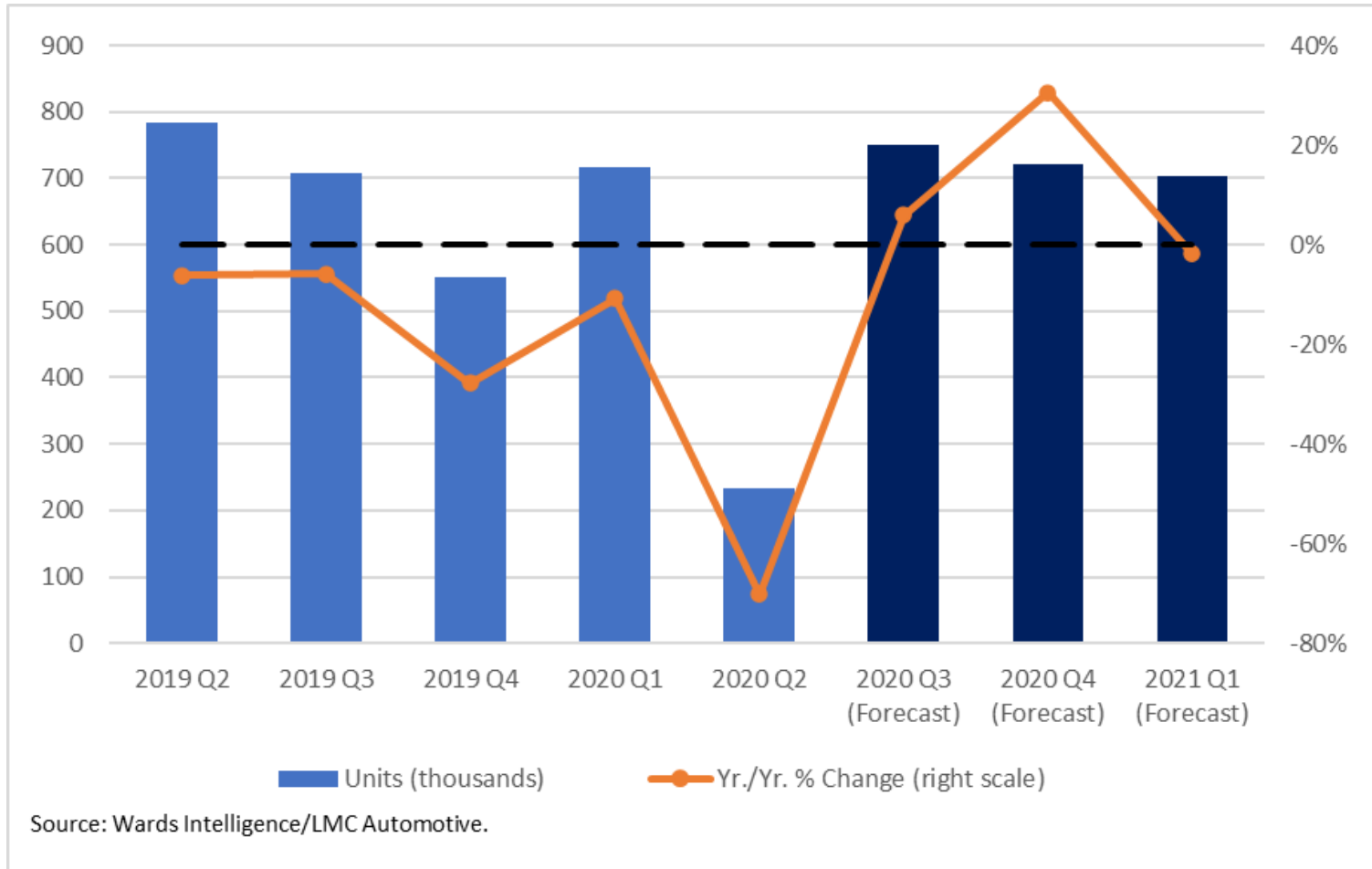
- Production falls 20% in 2020
- Rebounds 16% in 2021 to 15.1 million
- Unlike sales, returns to 2019 levels in 2022

2020 Production Outlook by Quarter



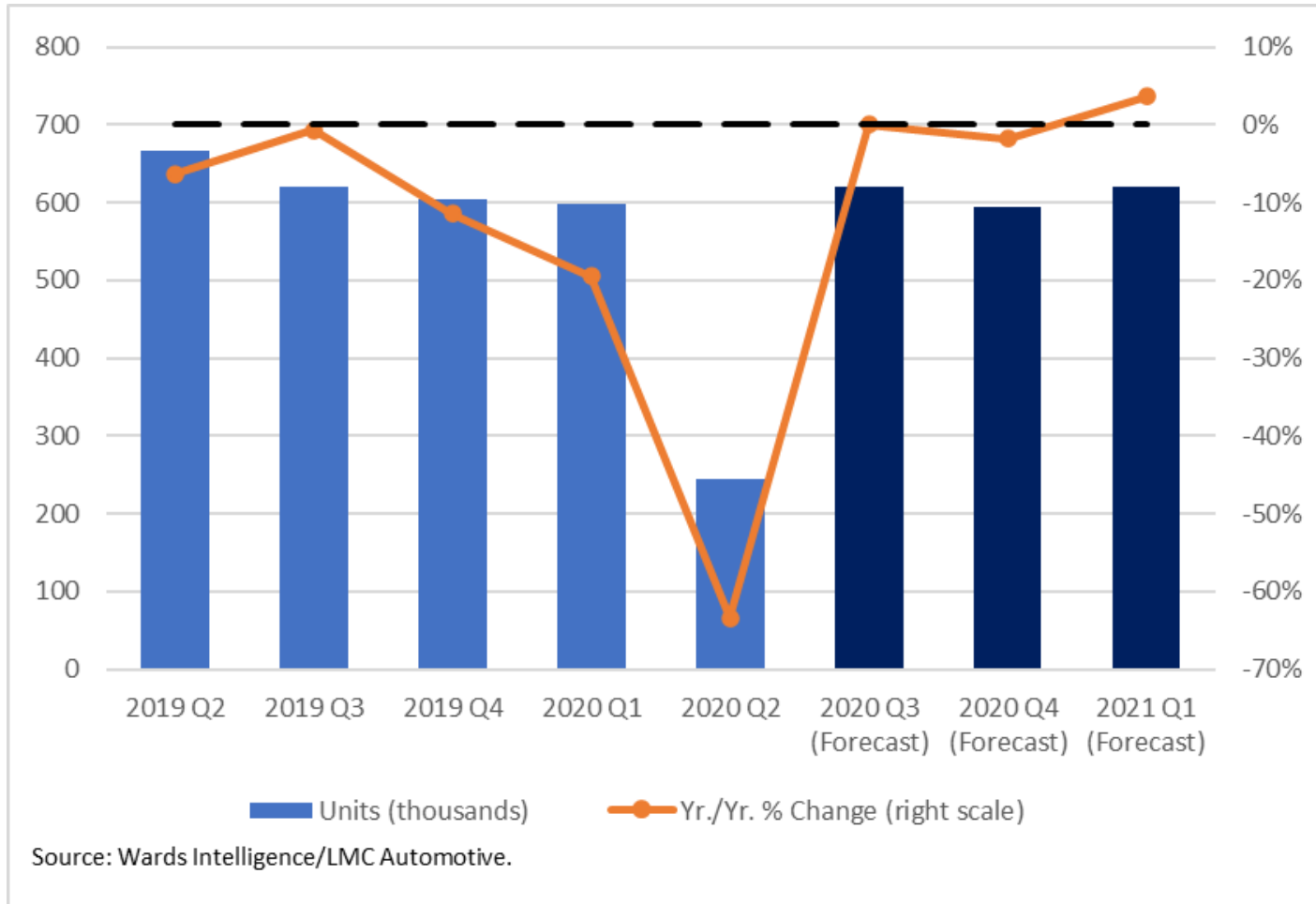
- Production in Q3 and Q4 meet and exceed year-ago levels
- Q1-2021 matches year-ago period - virus-related production slowdowns started in March 2020

General Motors Light-Vehicle Production



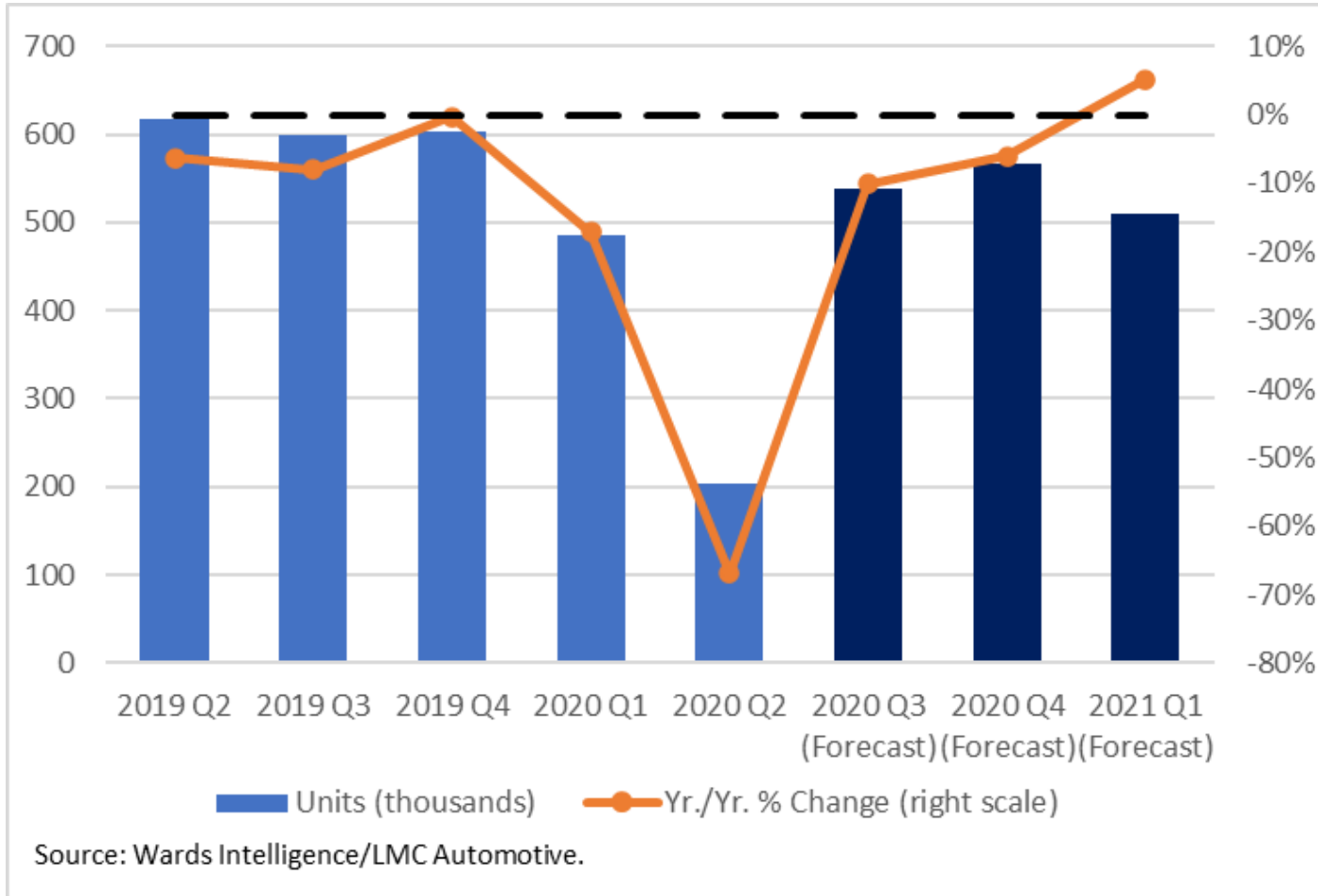
- Production up vs. year-ago strike-related totals in Q3 and Q4
- Currently scheduled production starts of '21 models for several vehicles – especially fullsize pickups - slated for later in the year than usual

Ford Light-Vehicle Production



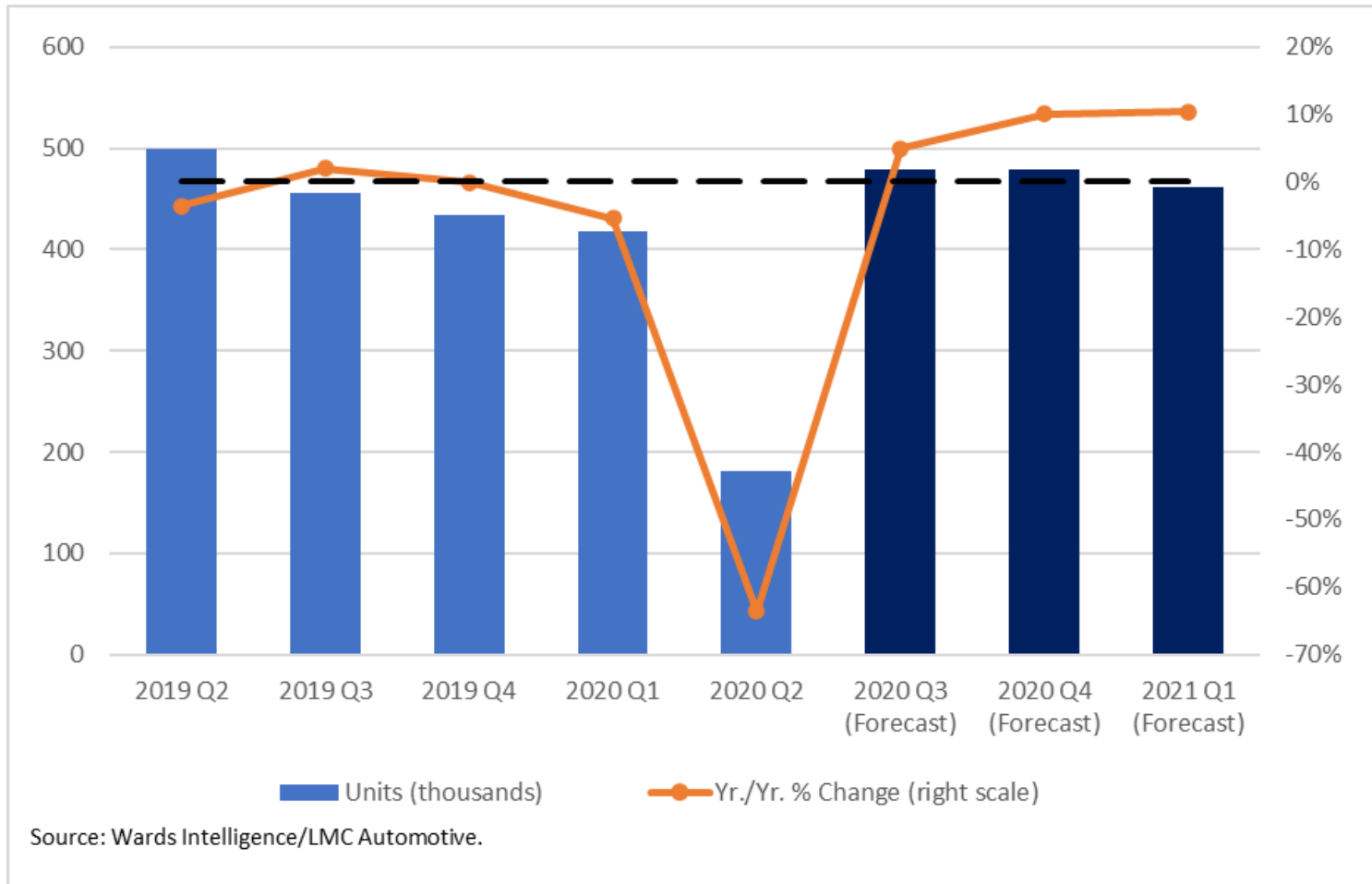
- Retooling for redesigned F150 also capping production in Sept./Oct. – will help in Q1-2021
- Further cuts in car portfolio capping output
- Production helped in Q1 with full output of redesigned CUVs and Explorer/Aviator vs. slowdowns in the year-ago period

Fiat Chrysler Light-Vehicle Production



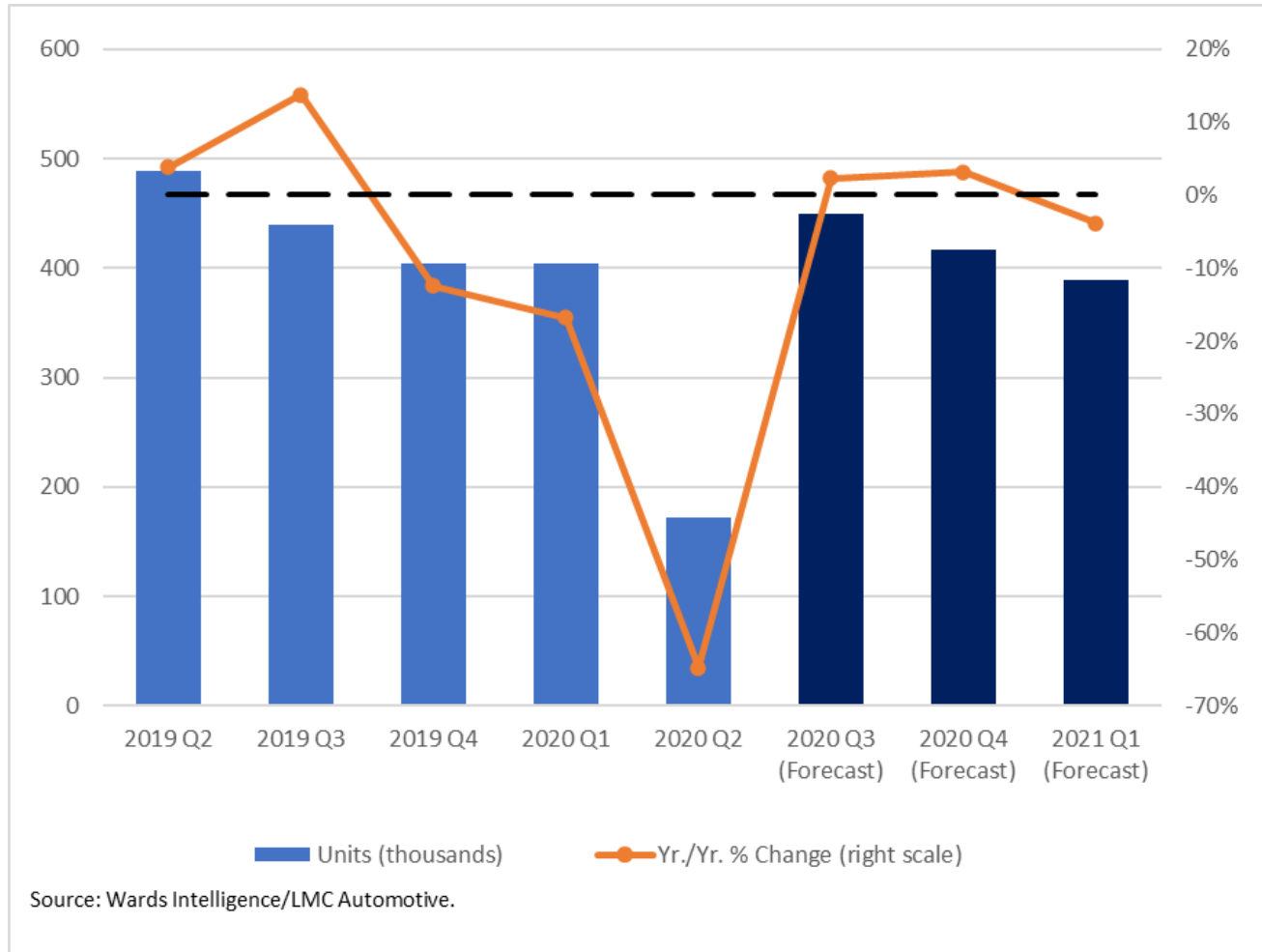
- Production improves as it begins output at a new plant (Mack Assembly) with two new Jeep products
- Q1-2021 also goes against a weak year-ago period marked by slowdowns for inventory control

Toyota Light-Vehicle Production



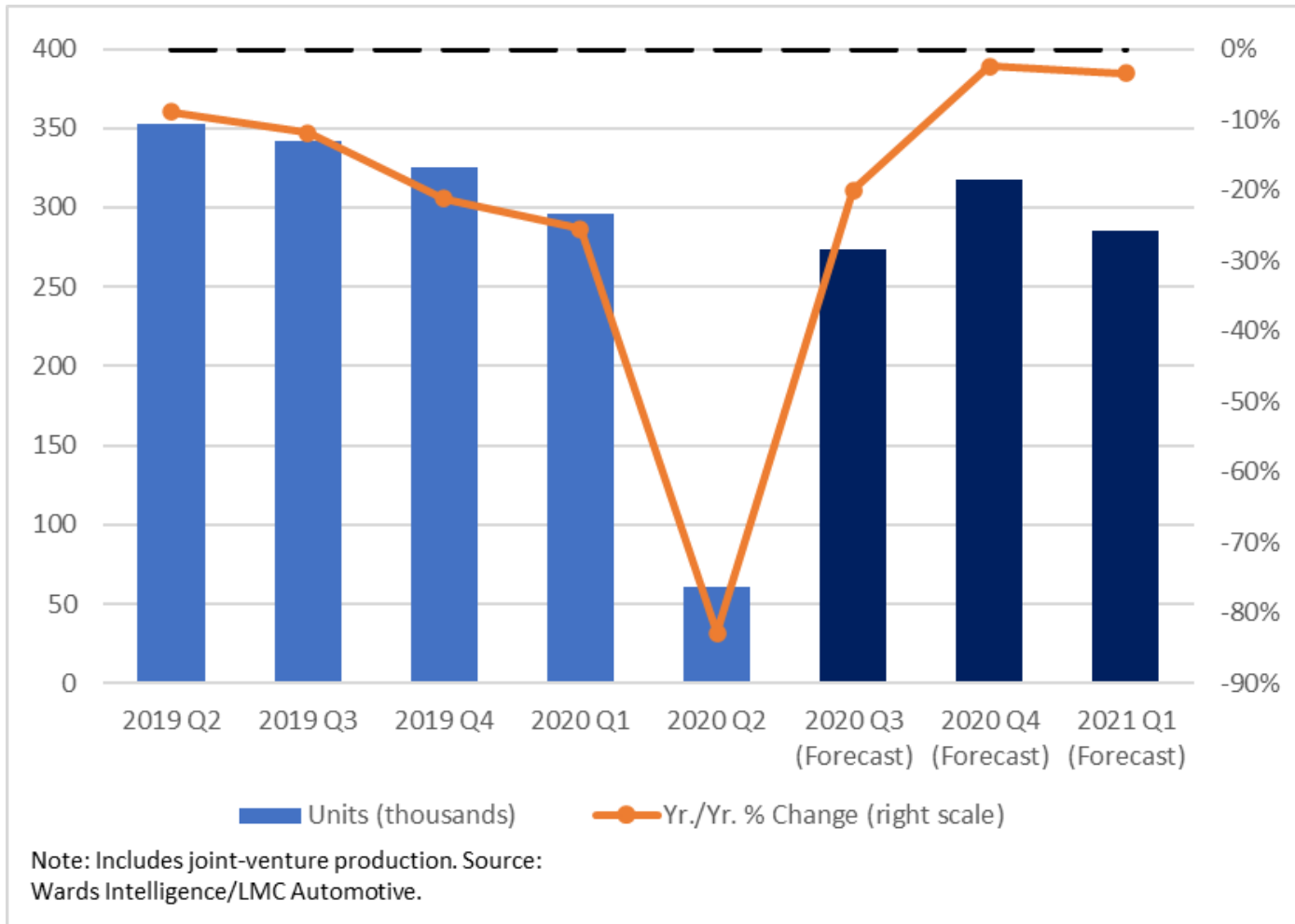
- Production starts posting year-over-year growth from added Tacoma and RAV4 capacity, and new Highlander and Sienna
- Sales mix of domestically built vehicles rises

Honda Light-Vehicle Production



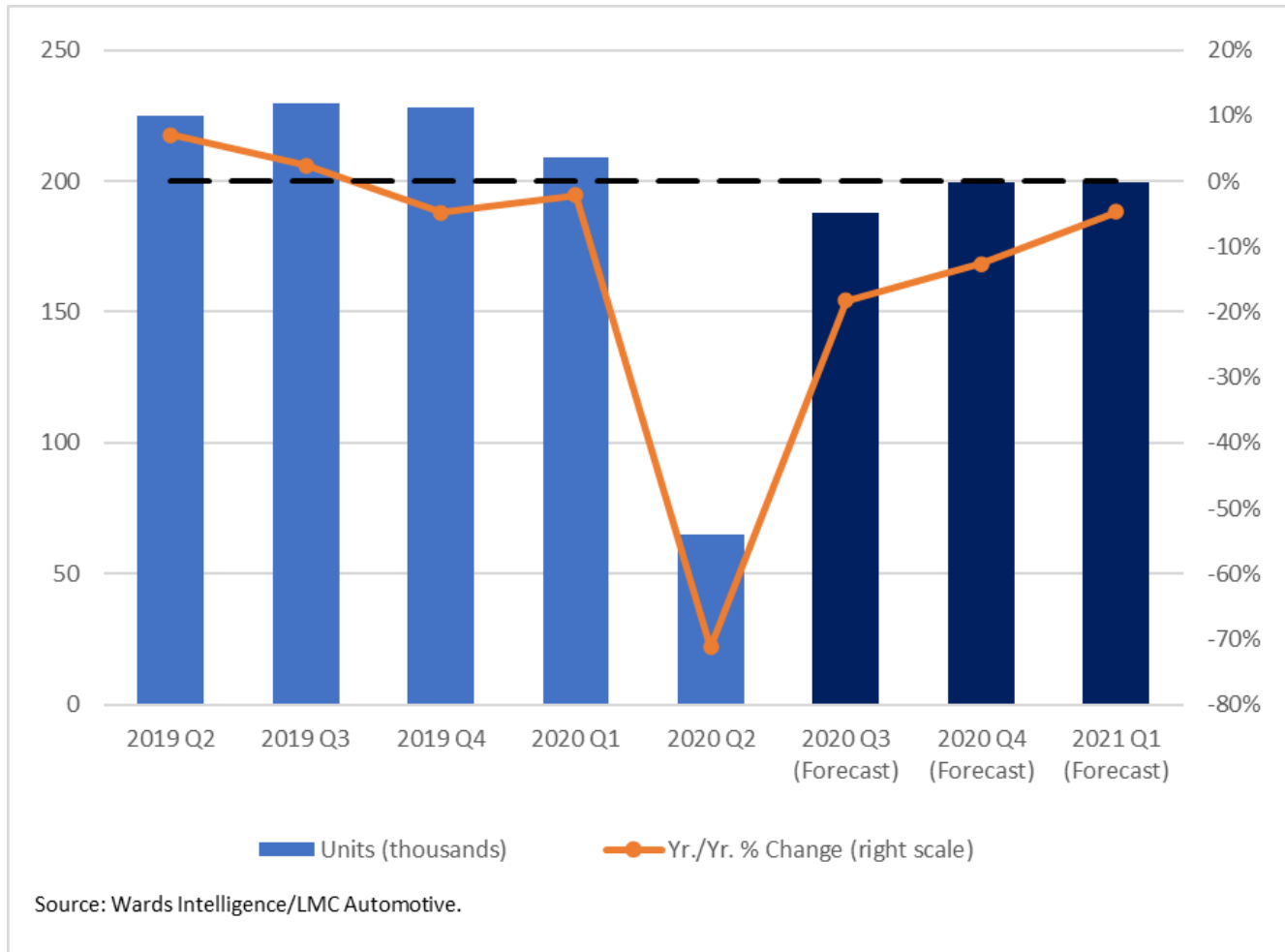
- Production ticks up temporarily with more output of Accord and Civic – vs. weak year-ago totals – and cross/utility vehicles

Nissan Light-Vehicle Production



- Production following continued decline in market share
- Import sales mix slightly increasing

Hyundai/Kia Light-Vehicle Production



- Inventory not hit as bad as the rest of the industry
- Higher mix of import sales also limiting production, though that will turn around later in 2021



Thank you

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