

Informa Tech Automotive Group



# North American Barometer Emerging from Covid-19 in Second-Half 2020

June 10, 2020

HAIG STODDARD

Senior Industry Analyst, Markets • Wards Intelligence



## Barometer Poll Question

Given the unexpected strength of the jobs report for May, do you think the consensus projections for U.S. light-vehicle sales in 2020 ranging from 13 million to 14 million are:

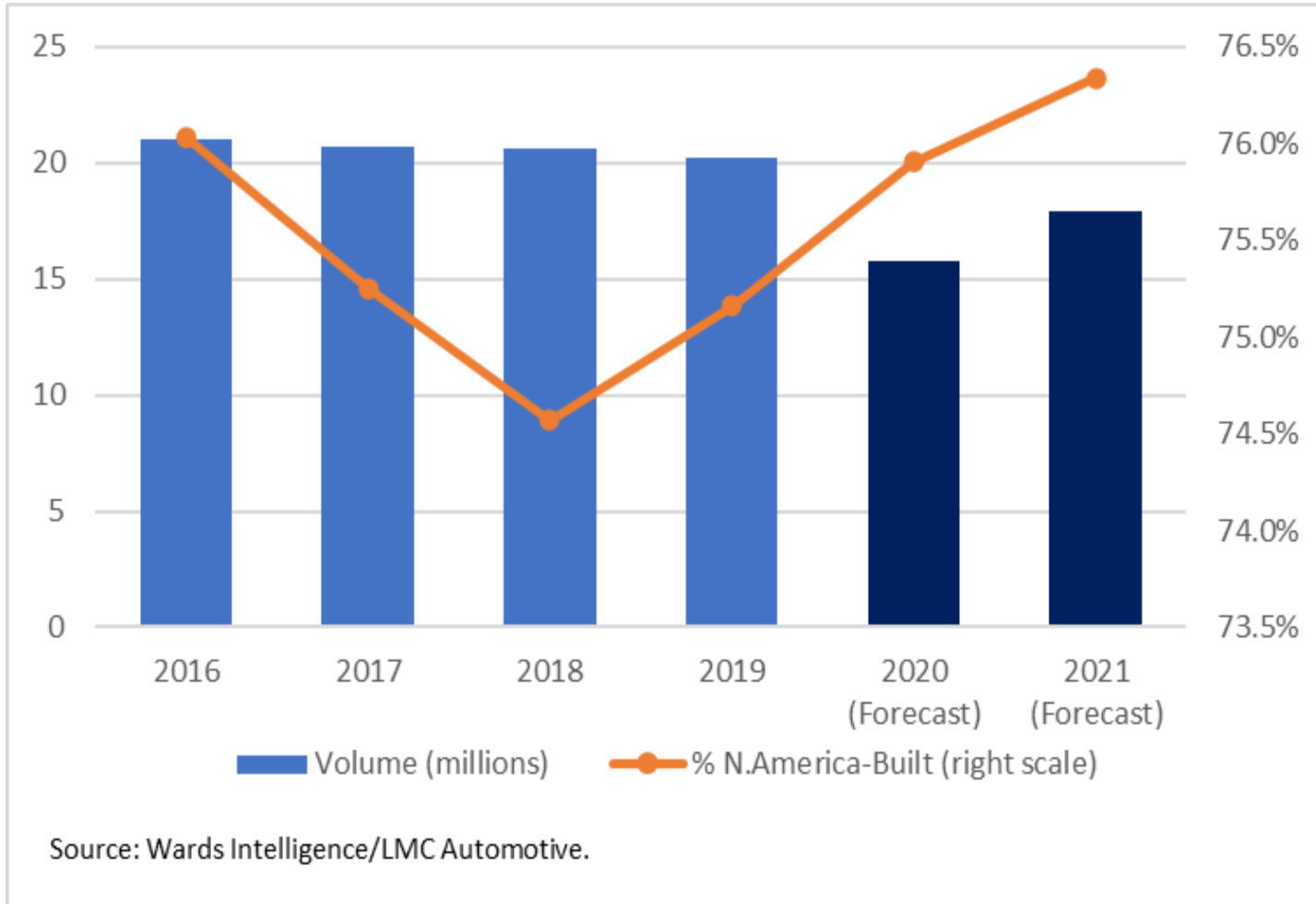
A: Pessimistic

B: Optimistic

C: About right

D: Or, is there still too much uncertainty for anyone to confidently answer?

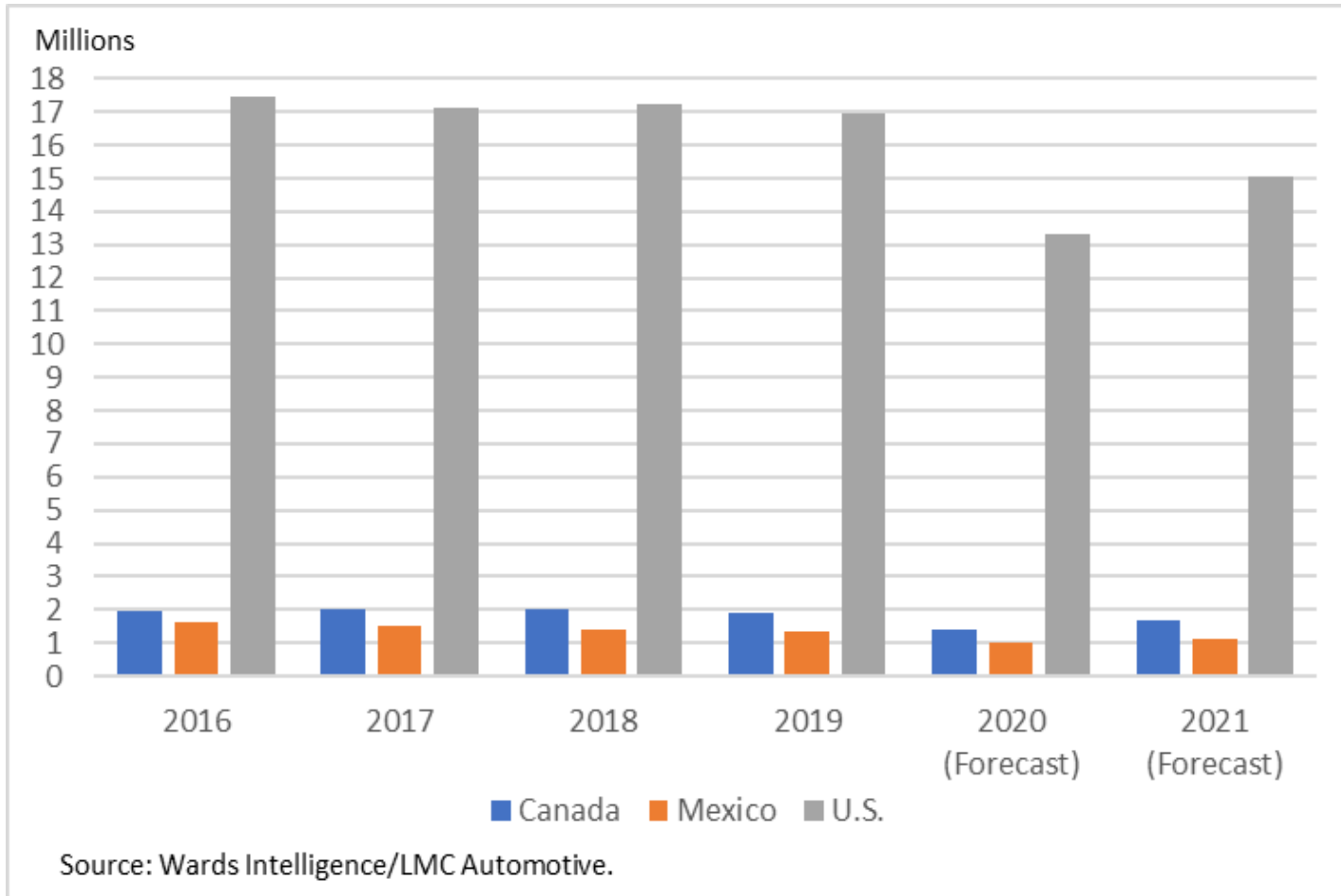
# North America Light-Vehicle Sales



- Sales forecast to decline 22% in 2020 to 15.7 million
- Sharp increase of 14% expected in 2021 to 17.9 million, but still well below 2019's 20.2 million
- Penetration of domestically produced vehicles continues to rise

# Barometer Poll Question Results

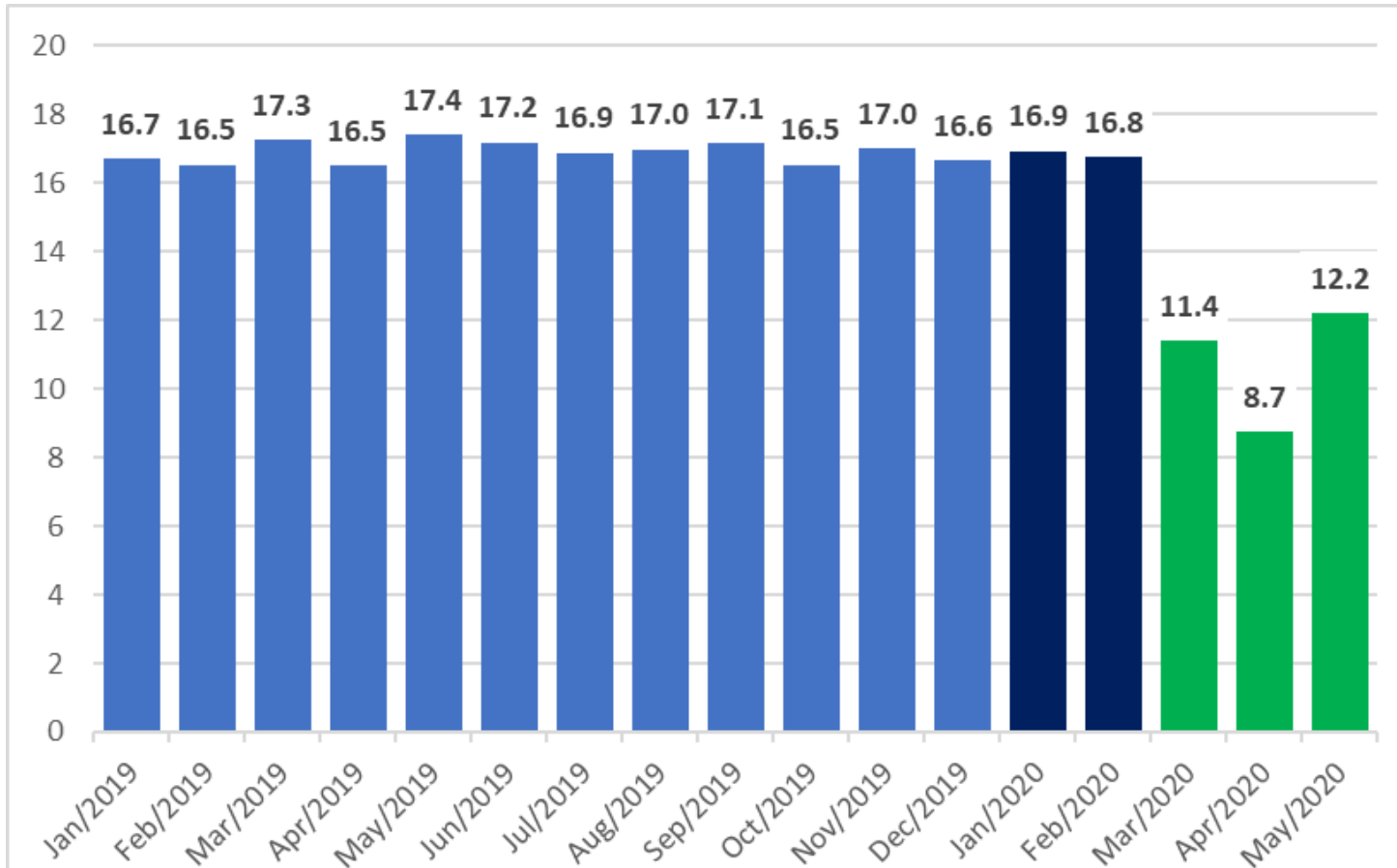
# North America Sales by Country



- Canada has the biggest year/year decline in 2020 (27%) but rebounds 21% in 2021
- Mexico down 22% in 2020; up 10% in 2021 – downward bias both years
- U.S. forecast to decline 22% in 2020 (13.3 million); up 13% in 2021 (15.1 million)

# U.S. Light-Vehicle Market

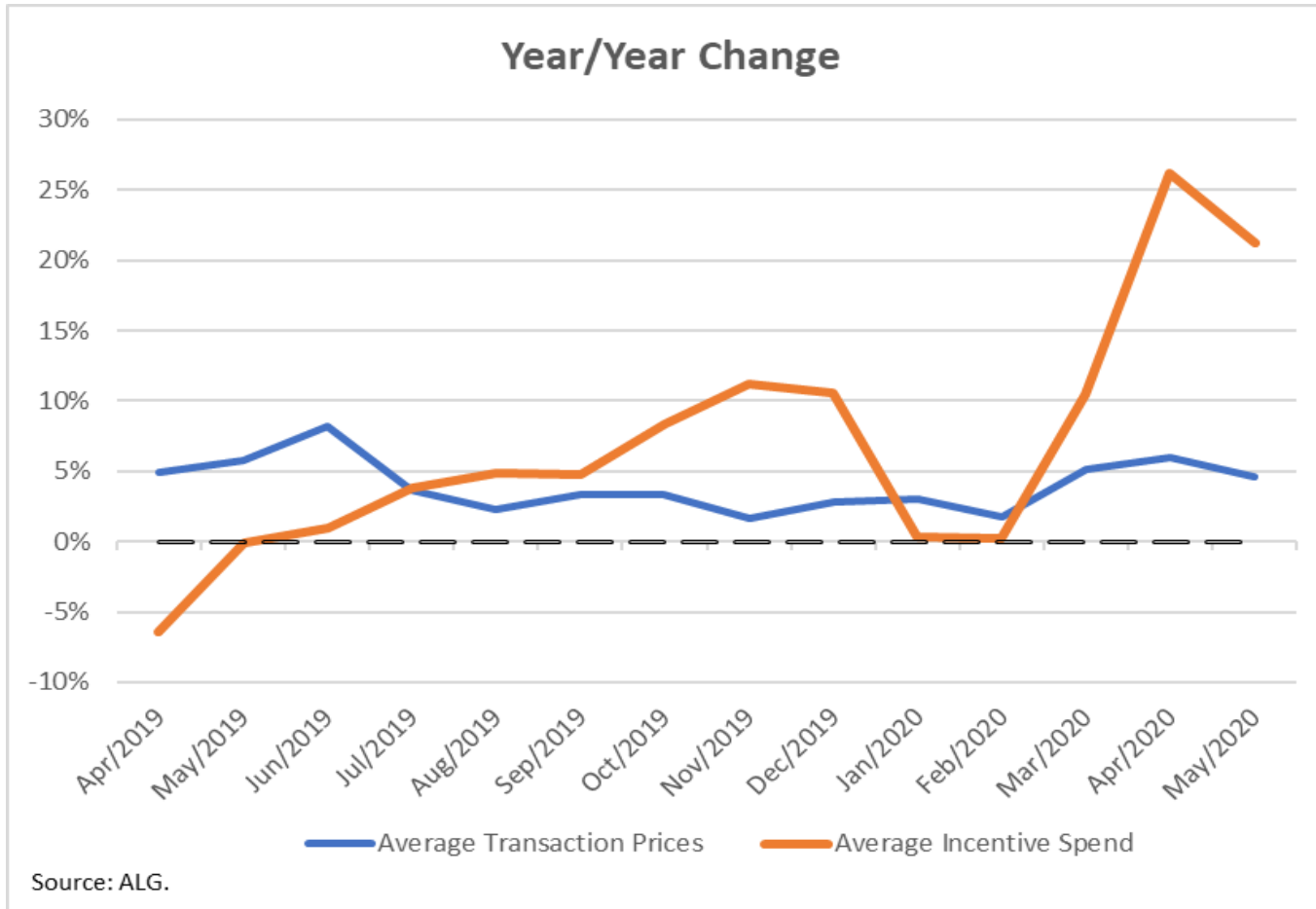
# U.S. Sales – Seasonally Adjusted Annual Rates (millions)



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

- Pre-Covid, 2020 sales were tracking at 16.8 million
- The pandemic effect started impacting demand in mid-March
- April’s 8.7 million-unit SAAR was a 50-year low

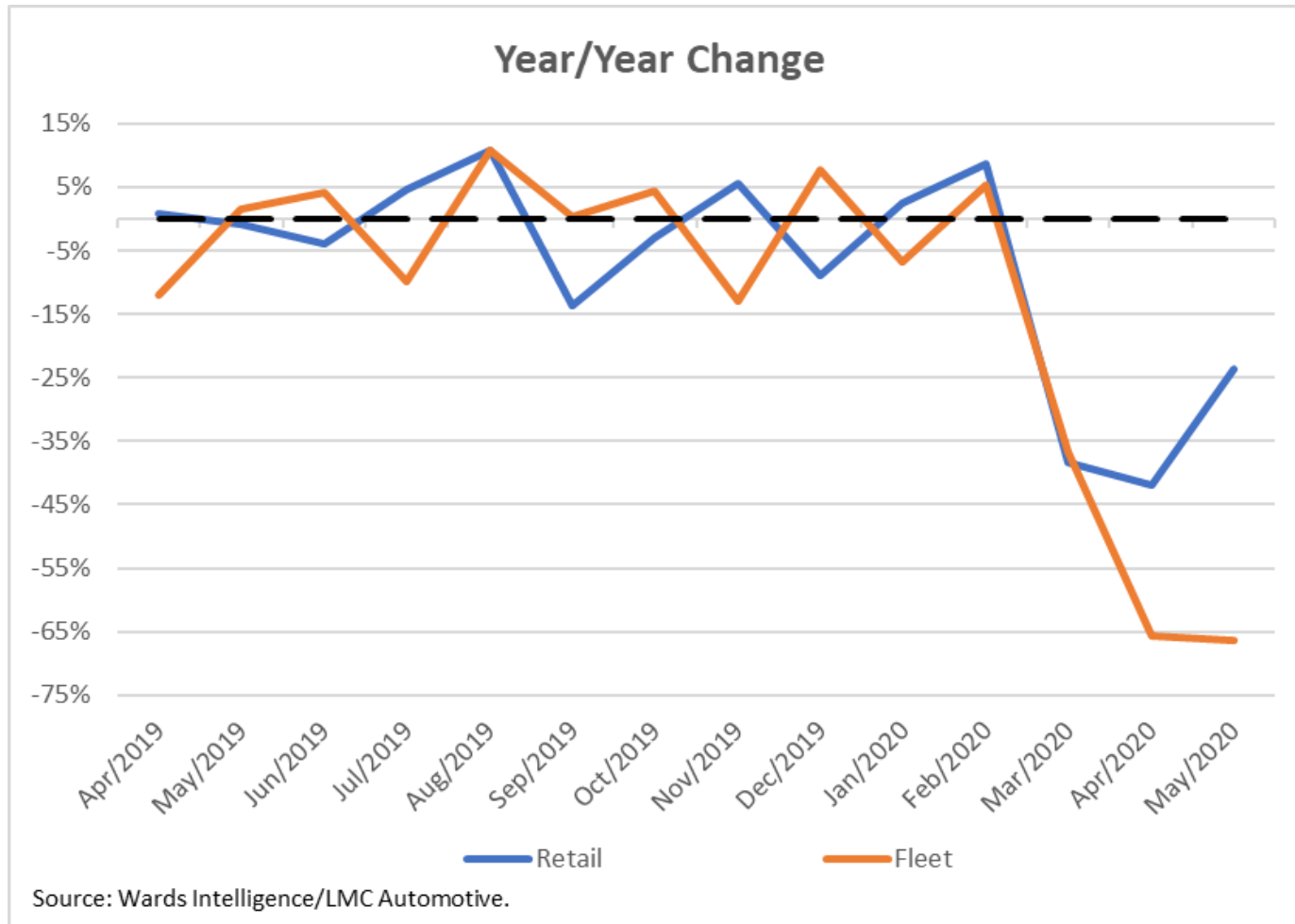
# Incentive Activity Soared in April, May



- To keep retail demand alive, average incentive spending jumped 26% in April to a record \$4,300 and 21% in May to \$4,500

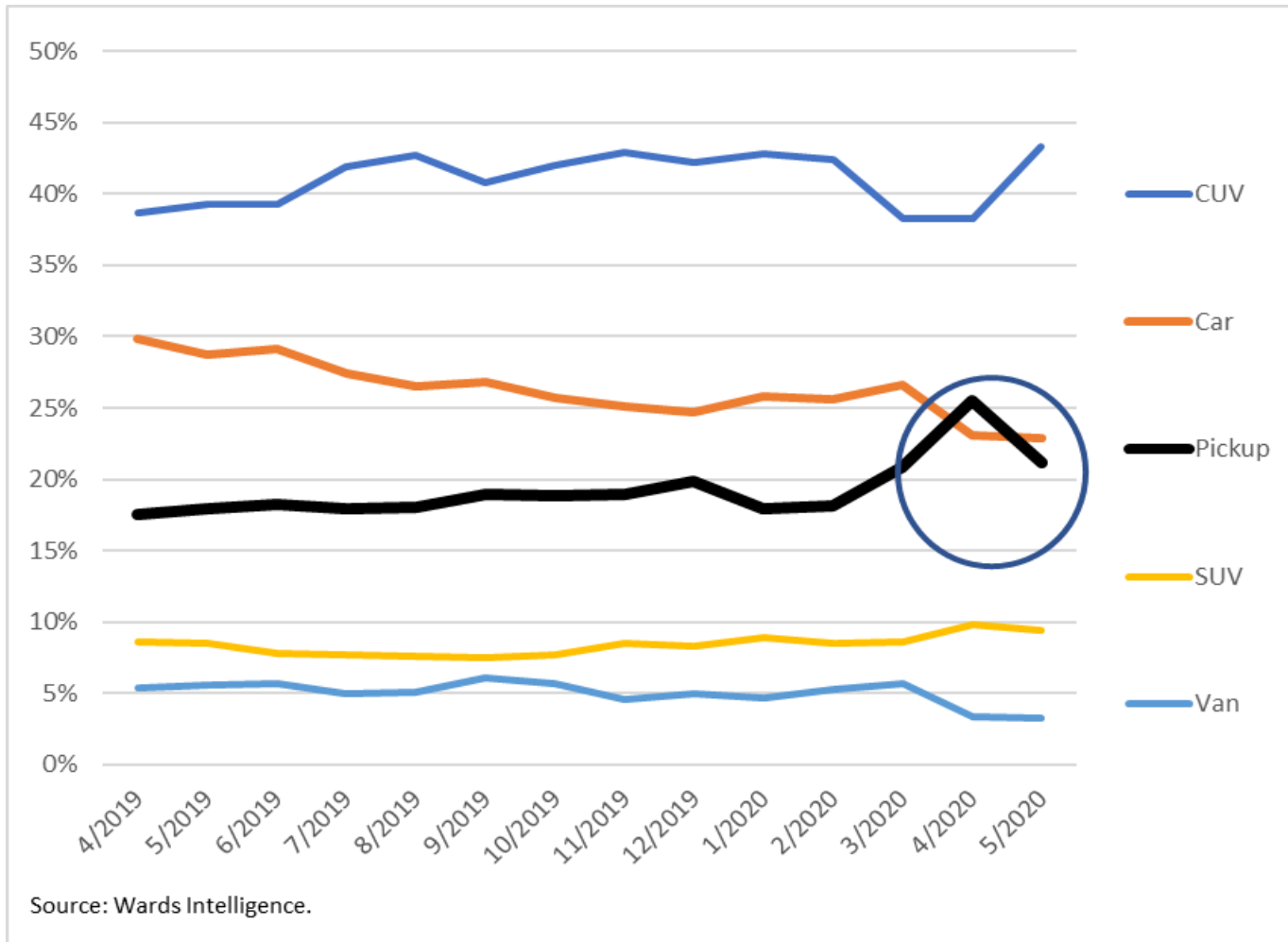


# Retail-Fleet Splits



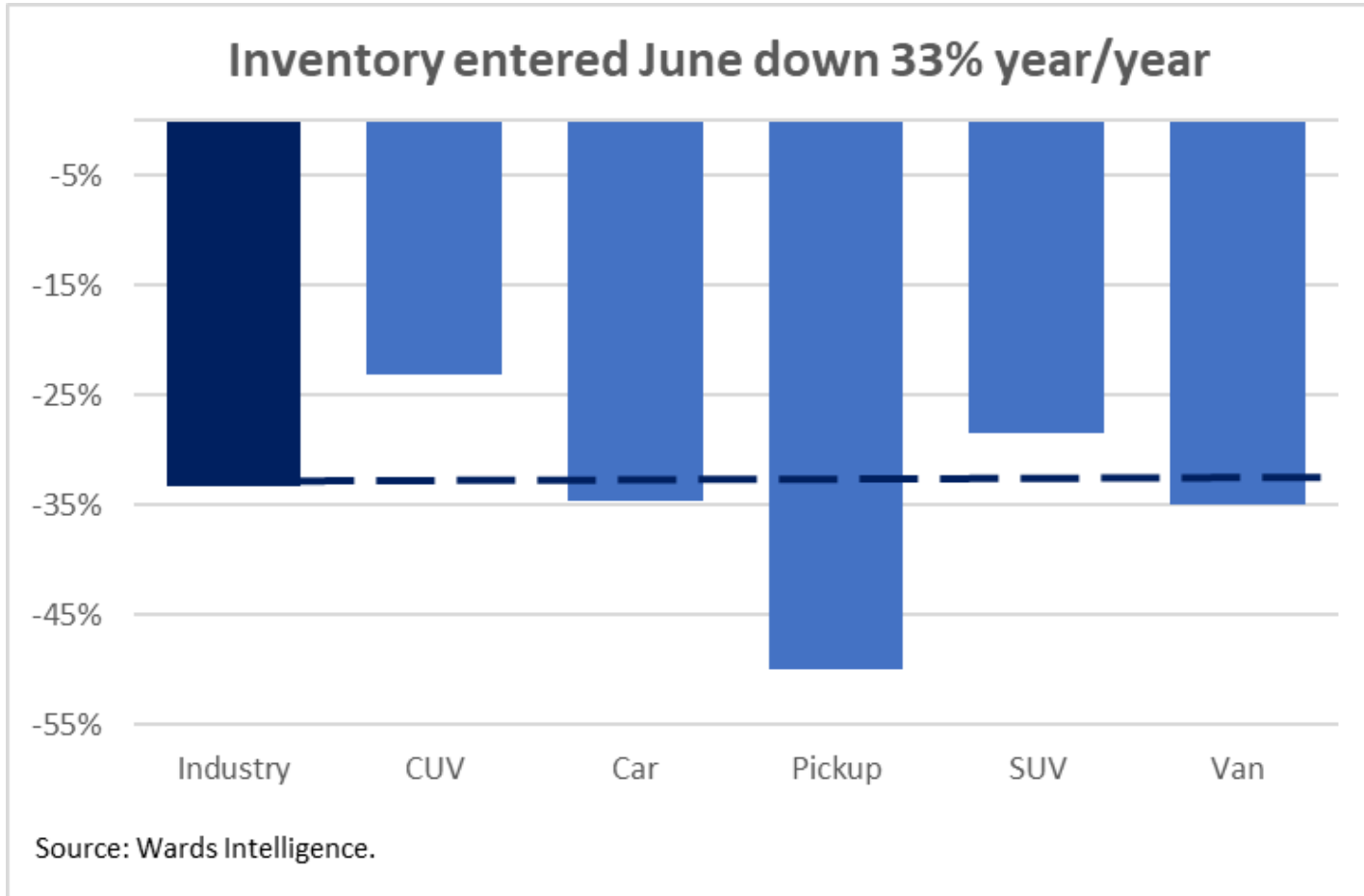
- Strong incentives kept retail year/year results from tanking as much as fleet, which suffered most from a dry-up in rental volume

# Sales Penetration by Segment Group



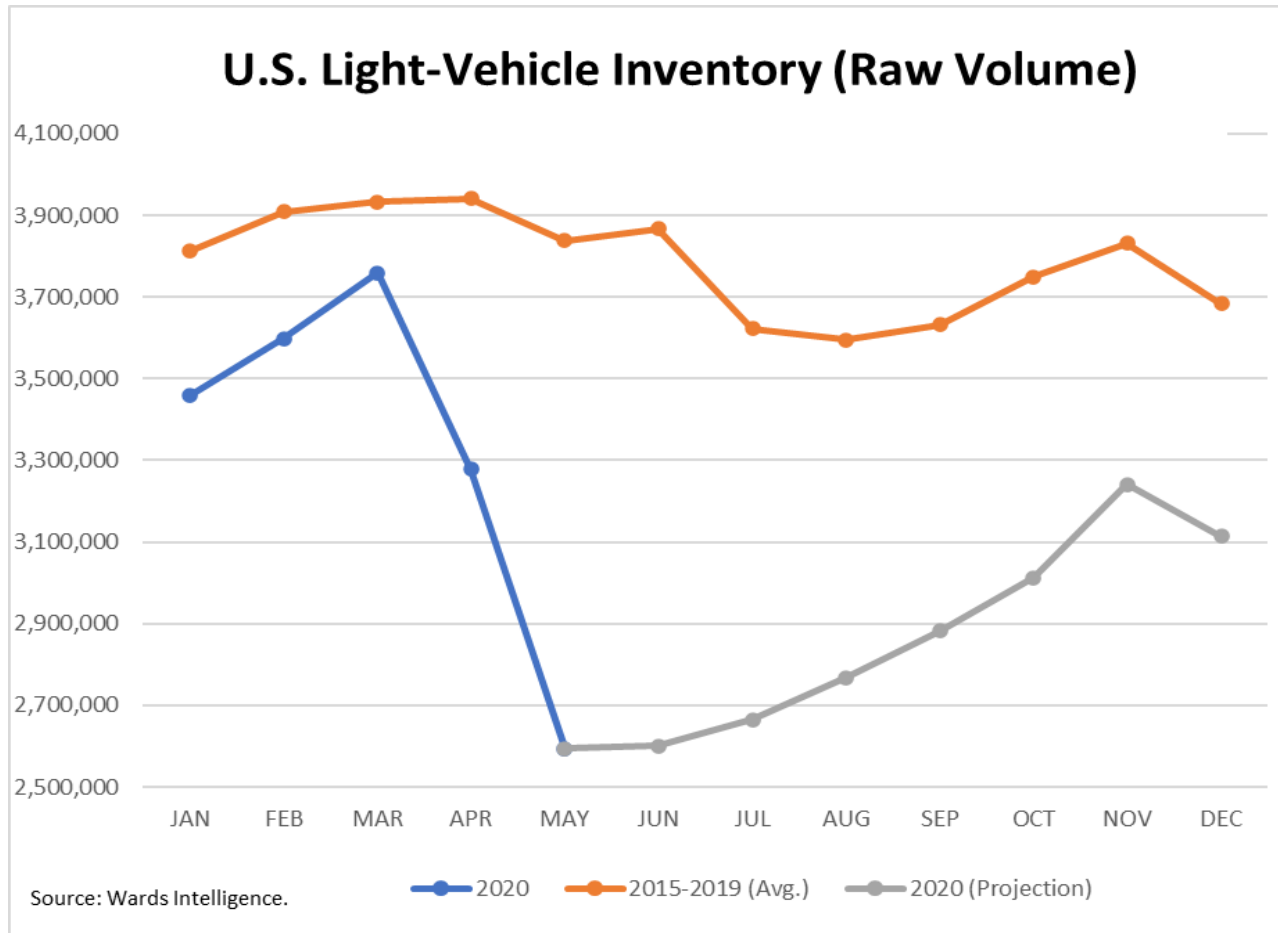
- Incentives were especially effective in sales of pickups, which helps explain the increase in average transaction prices (Slide 6)

# Inventory Depleted in All Segments



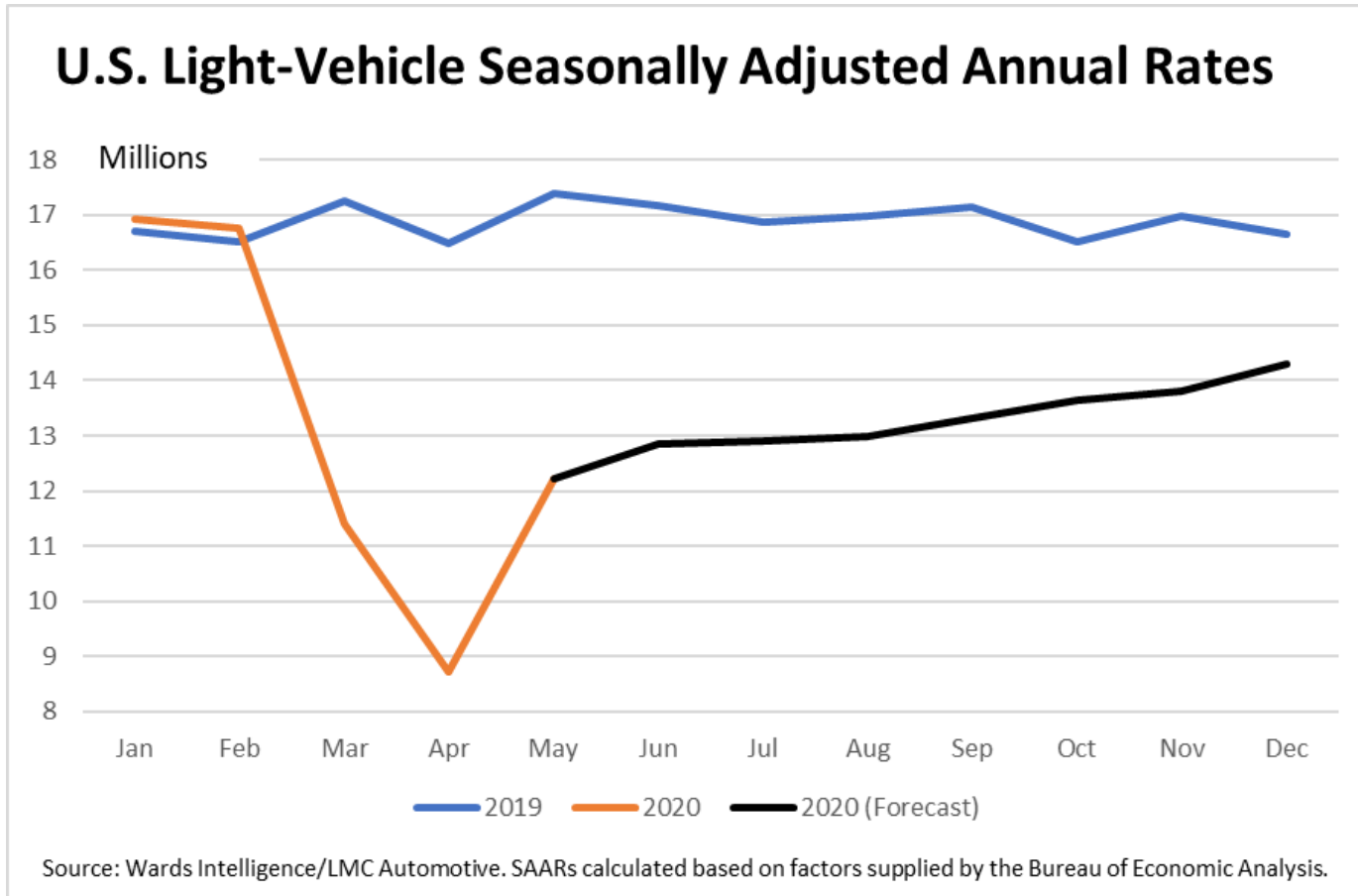
- Production stoppages caused May 31 inventory to fall 33% from the year-ago total
- Current inventory of 2.6 million units is commensurate with annual market volume of roughly 14 million
- Hefty April-May market share drained pickups, down 50%
- CUVs, the best-selling group, down “just” 23%

# U.S. Light-Vehicle Inventory



- Based on the current North America production forecast, and estimates for import shipments, inventory rebounds to levels that could support a 15 million-unit market by Q4
- If manufacturers have the capability to get factories back to pre-pandemic levels by August or September, they could push inventory higher – if they want to

# Sales Cadence for Remainder of 2020



- Slack inventory expected to cause month-to-month sales growth to weaken in Q3 from sequential gains in May and June
- Sequential growth picks up later in the year as inventory builds

## Uncertainties (or Conundrums?)

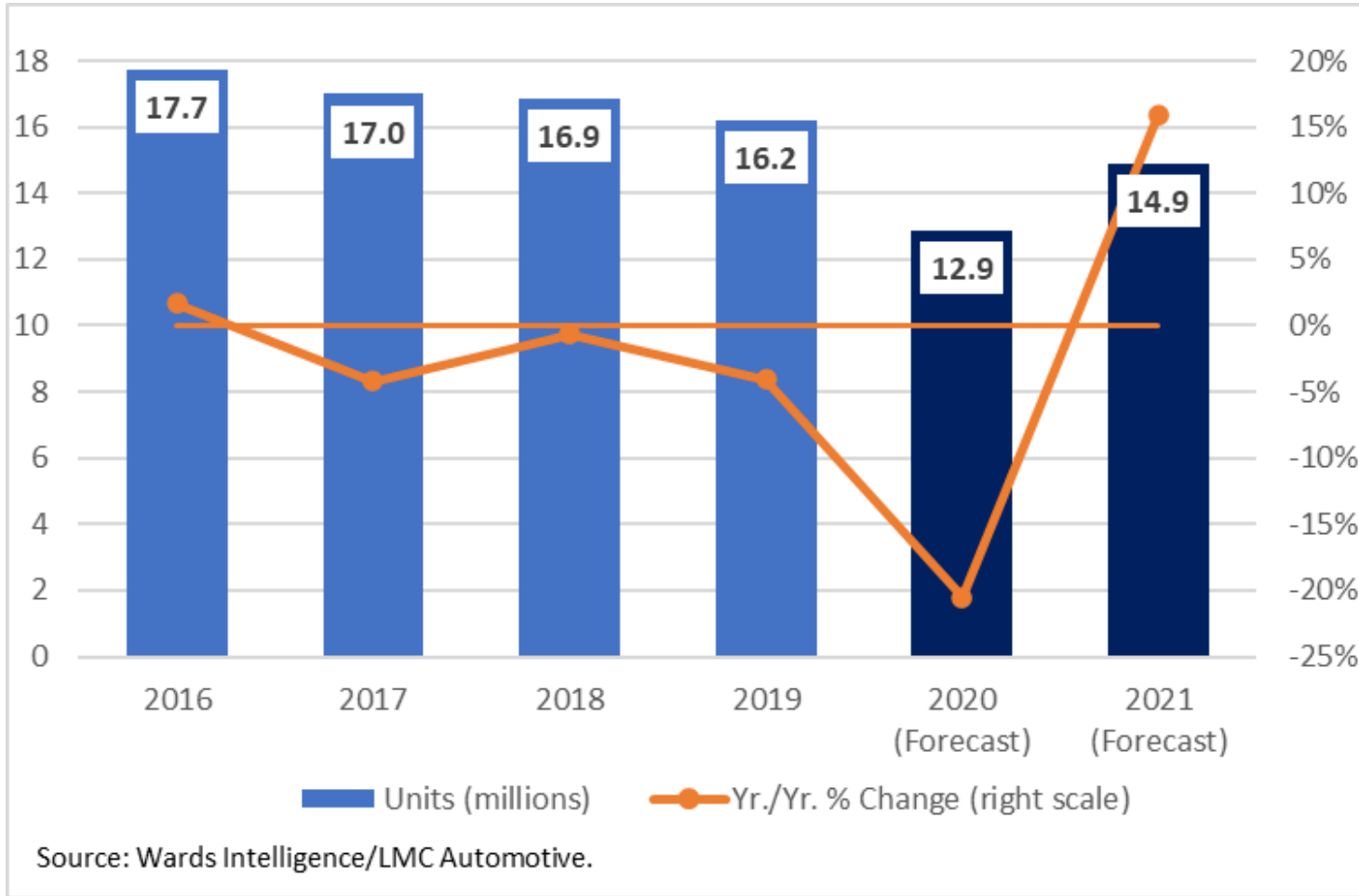
- Economy and consumer confidence: Job-market situation, end of government stimulus, potential credit tightening, etc.
- Availability of vehicles: How fast manufacturers can ramp-up while keeping plant workers safe, and with potential supply-chain disruptions

### **Other:**

- Retail incentives – remain at record levels or a pullback; swing up and down with availability of inventory
- Possible government-subsidized program
- Potential behavioral changes if telecommuting (working from home) accelerates, and/or a significant decline in ridesharing and use of public transit occurs
- Impact of deferred lease returns, rental units further goosing inventory of quality late-model used-vehicles

# **North America Light-Vehicle Production Outlook (Summary and Top Manufacturers)**

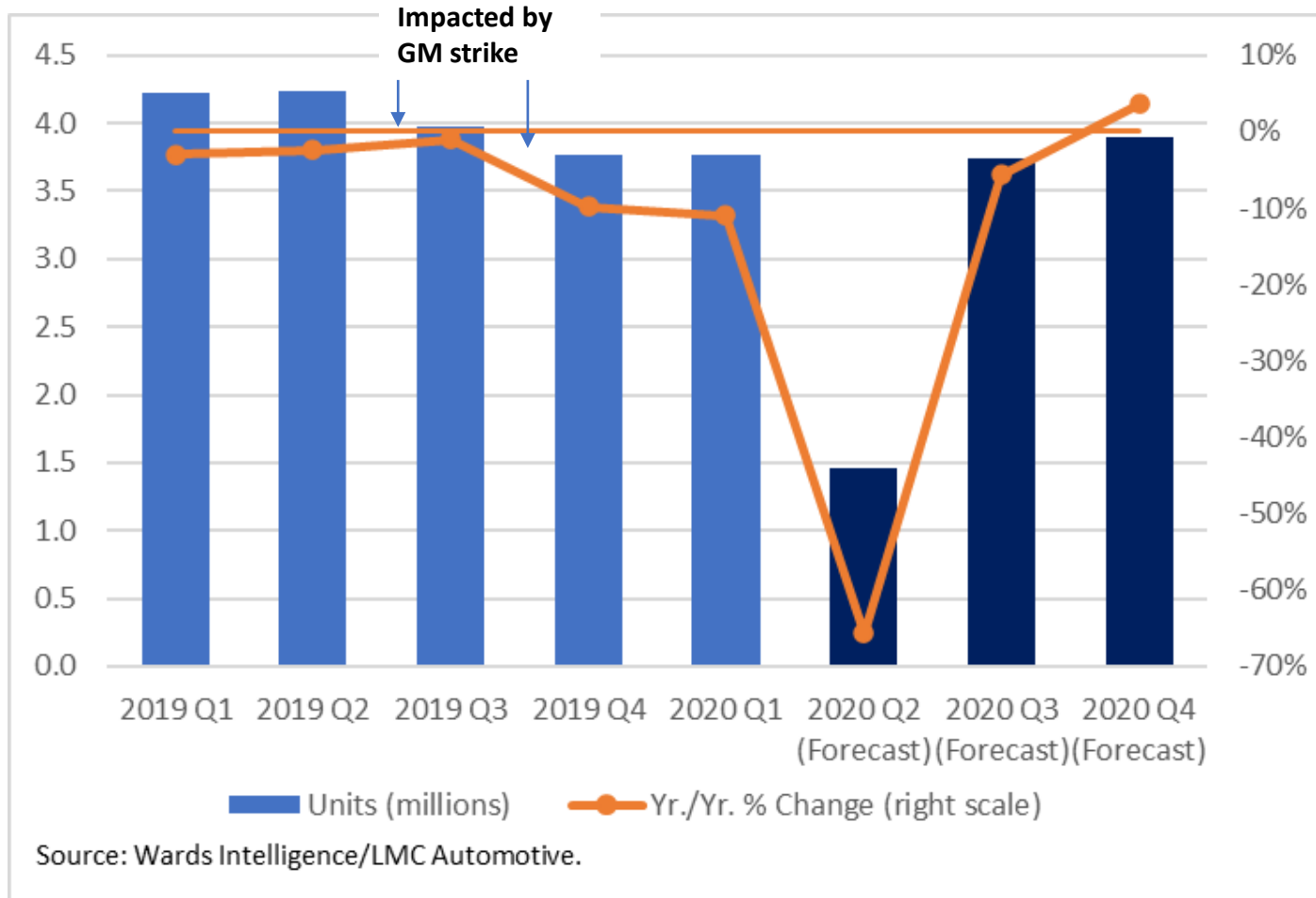
# North America Light-Vehicle Production Forecast



- Production dives 21% in 2020
- Rebounds 16% in 2021 to 14.9 million, but remains well below 2019



# 2020 Production Outlook by Quarter

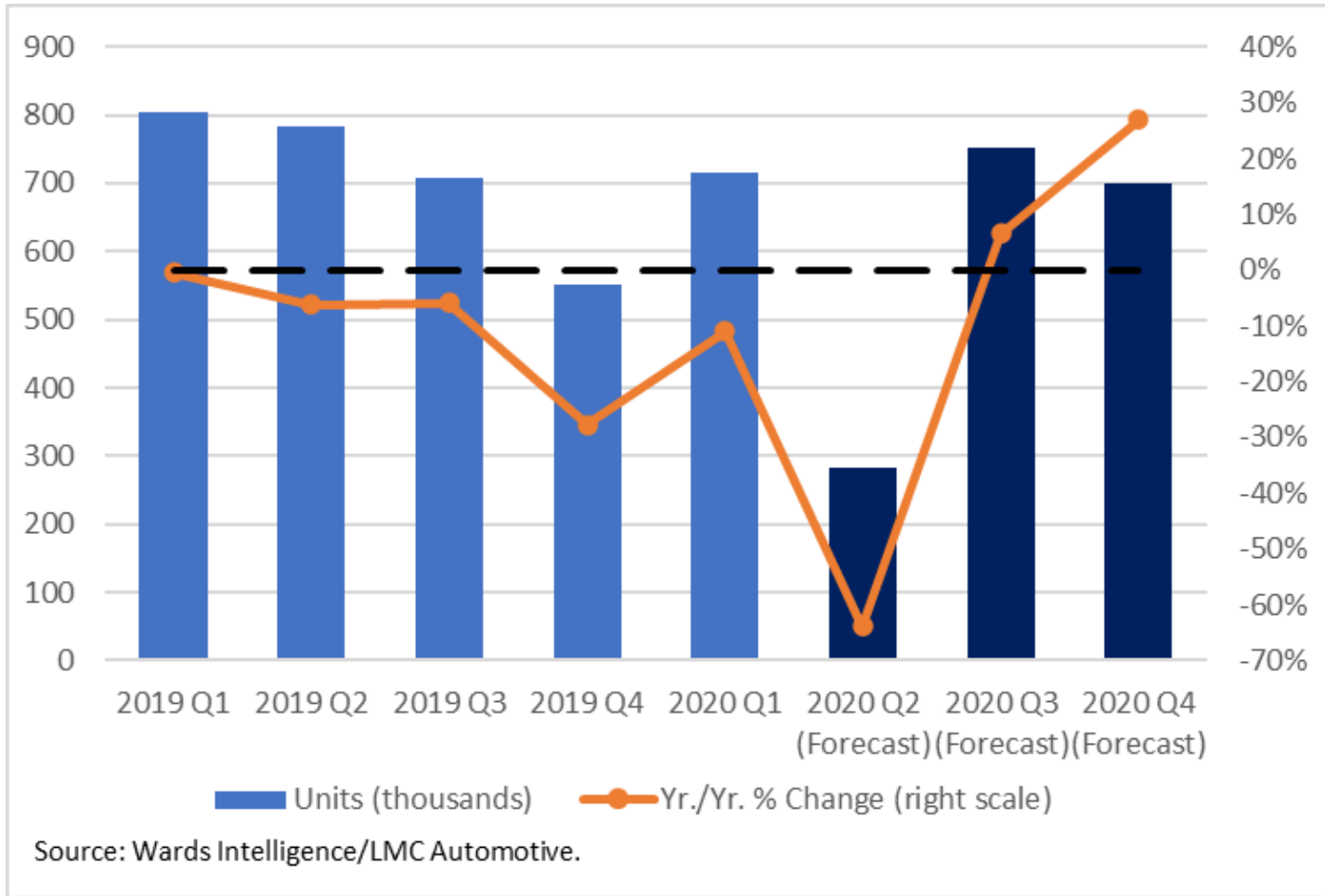


- Production in Q3 and Q4 expected to get close to year-ago levels to rebuild inventory
- Probably some flattening in early 2021 after inventory gets in balance with demand

## **Covid-19 Impact on New Program Launches Scheduled for 2020**

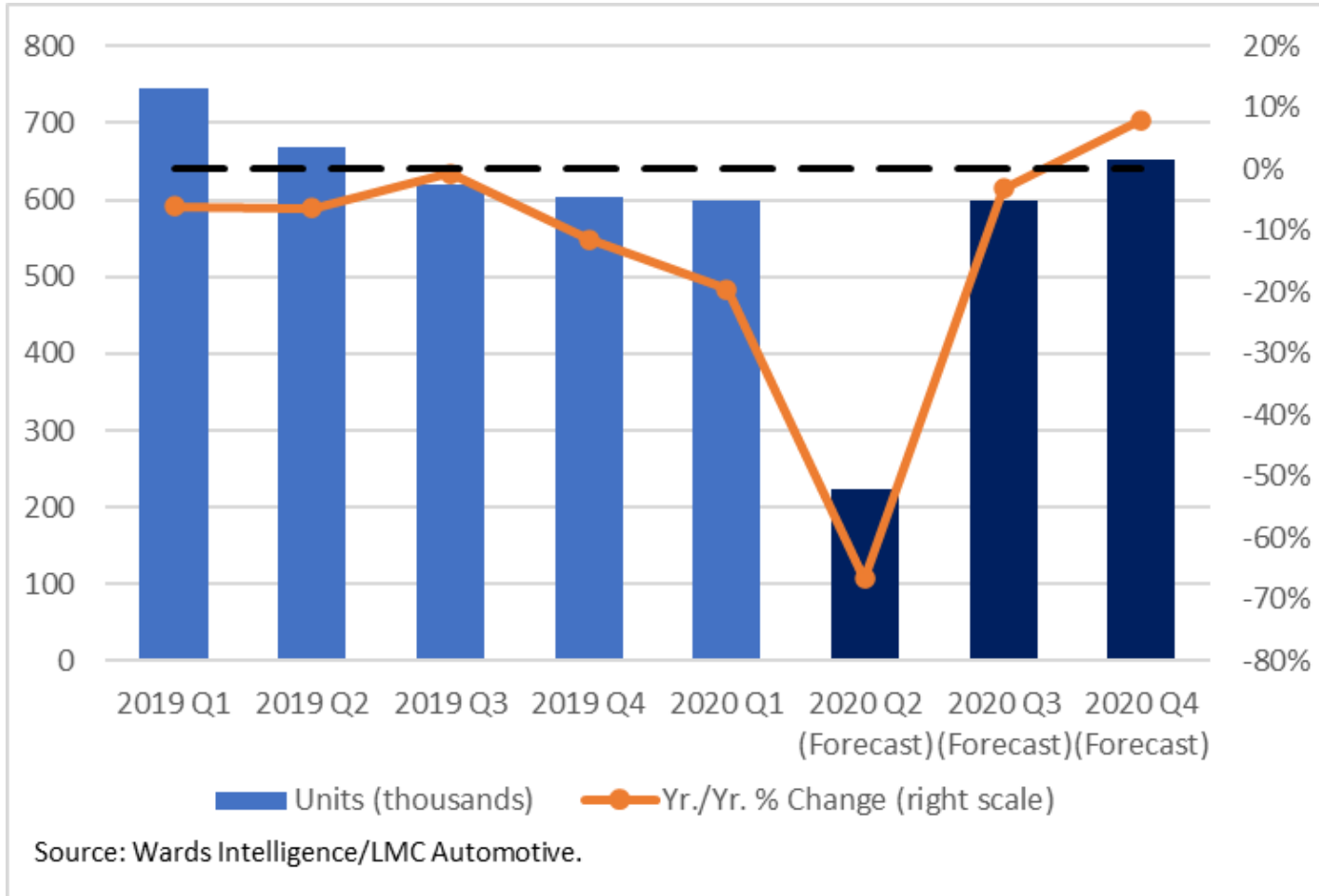
- At the end of May, roughly three-quarters of 38 planned production launches of all-new vehicles or vehicles scheduled for major re-designs were delayed
- Nine programs not officially delayed remain at risk
- The average length of the delayed programs is four months
- Twelve launches pushed into 2021

# General Motors Light-Vehicle Production



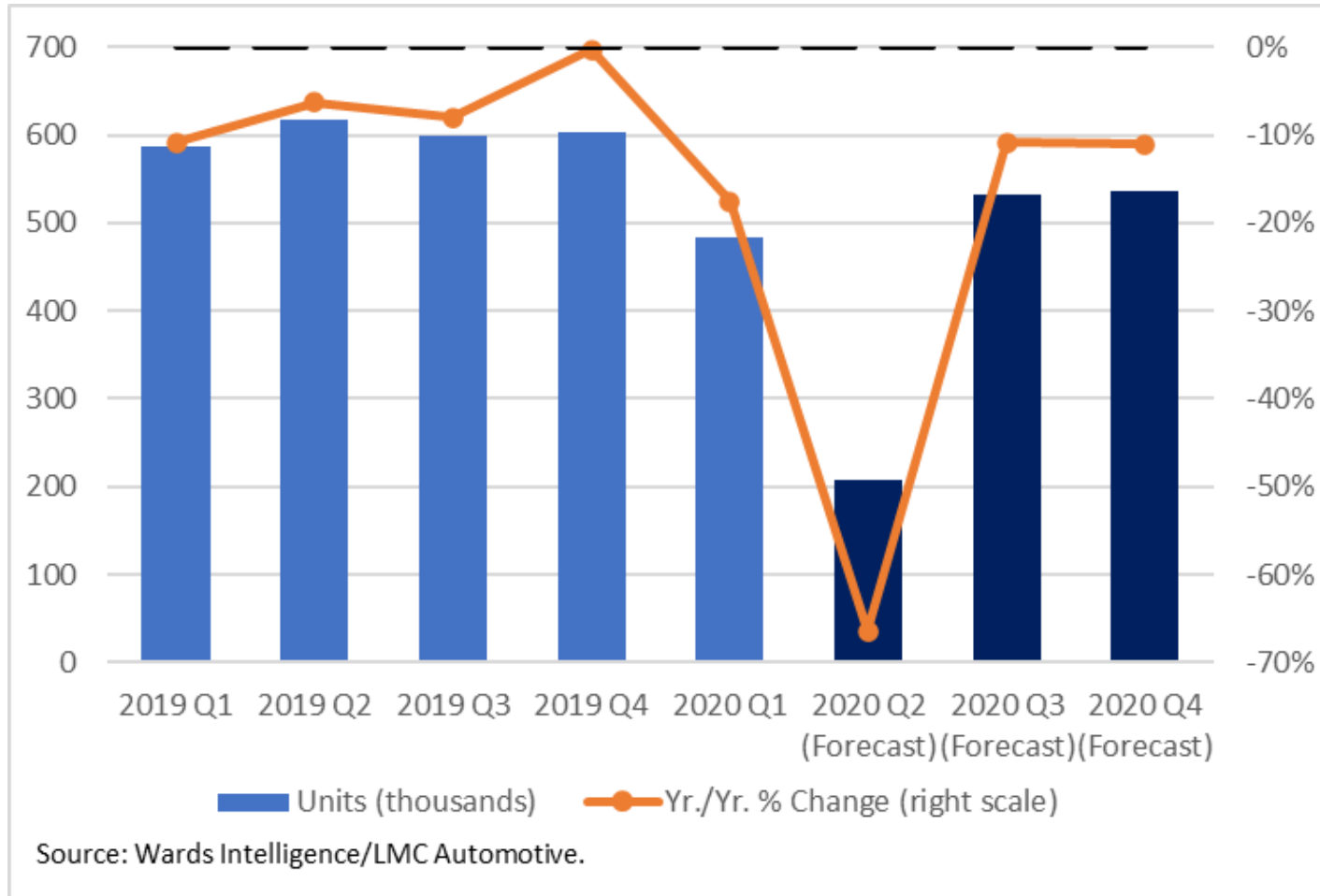
- Production gains spearheaded by inventory re-build of fullsize pickups
- Production launch of redesigned versions of its fullsize SUVs at Arlington has started but ramp-up delayed due to pandemic impact
- Currently scheduled production starts of '21 models for several vehicles slated for later in the year than usual – many beginning late-summer or in the fall

# Ford Light-Vehicle Production



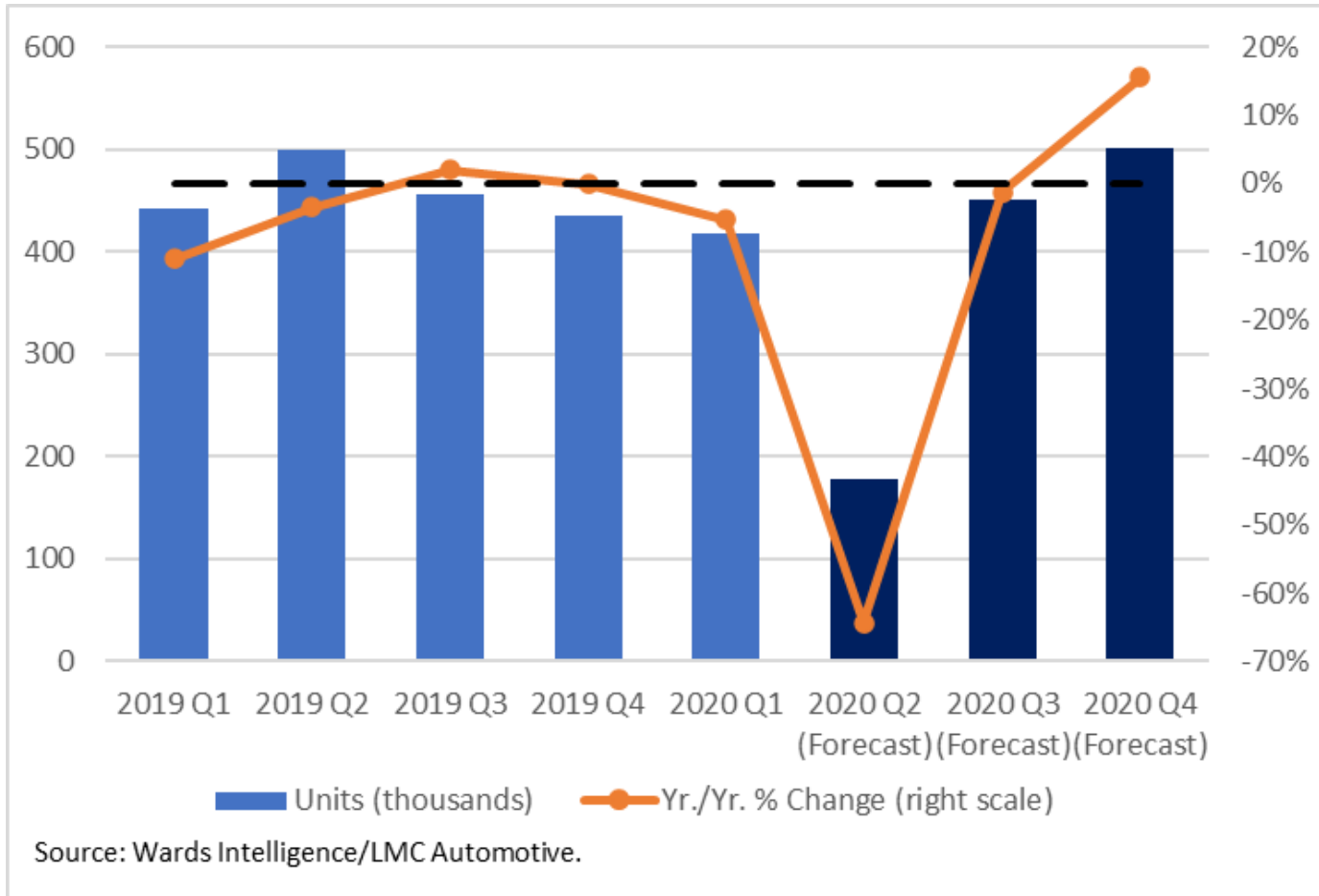
- Production positively impacted with new and redesigned CUVs and Ford Explorer expected to reverse long-time market share losses
- Launch of redesigned F150 pushed back from mid-summer starts at both plants to Sept/Oct.
- Three new vehicles each delayed about two months, including the new Bronco pushed into 2021

# FCA Light-Vehicle Production



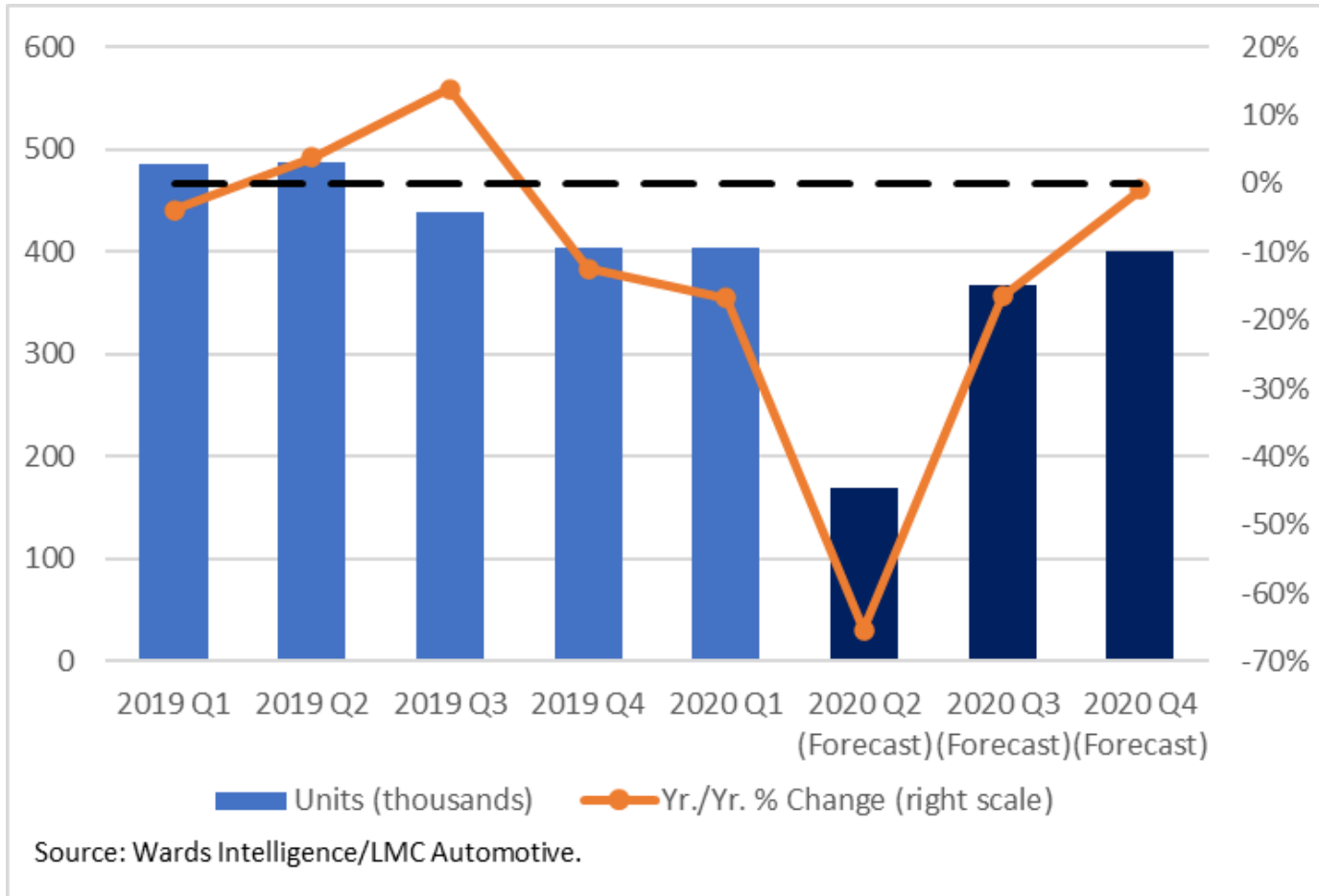
- Production continues major year-over-year declines, as market share continues to fall with lack of fresh product the major reason
- No high-volume new program launches in 2020
- Jeep 3-row SUV re-scheduled for early-2021

# Toyota Light-Vehicle Production



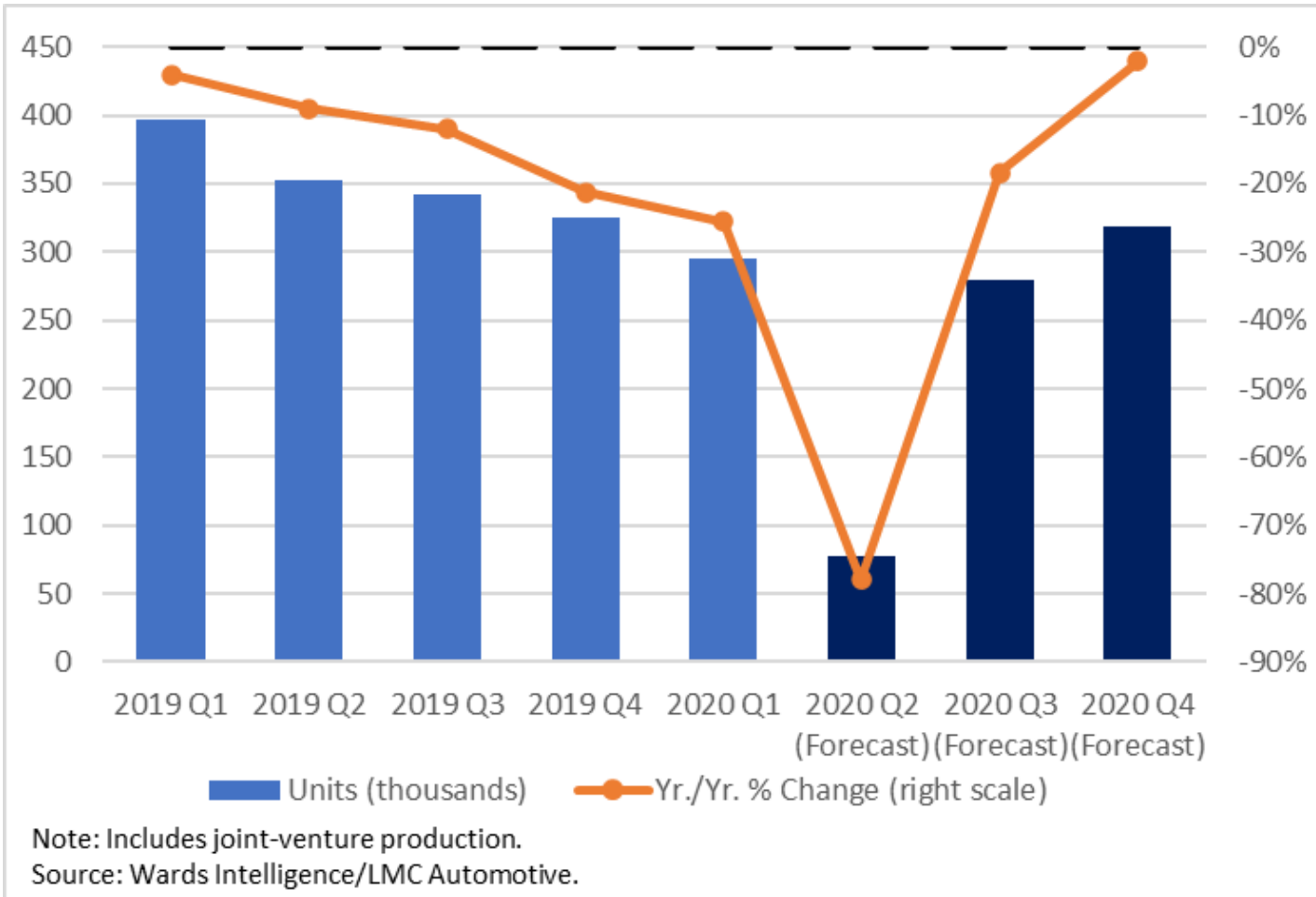
- No major new program launches in 2020

# Honda Light-Vehicle Production



- Production lags rest of the industry as market share expected to decline in second-half 2020
- Launch of redesigns slated in 2020 – Acura MDX, Honda HR-V – still on track

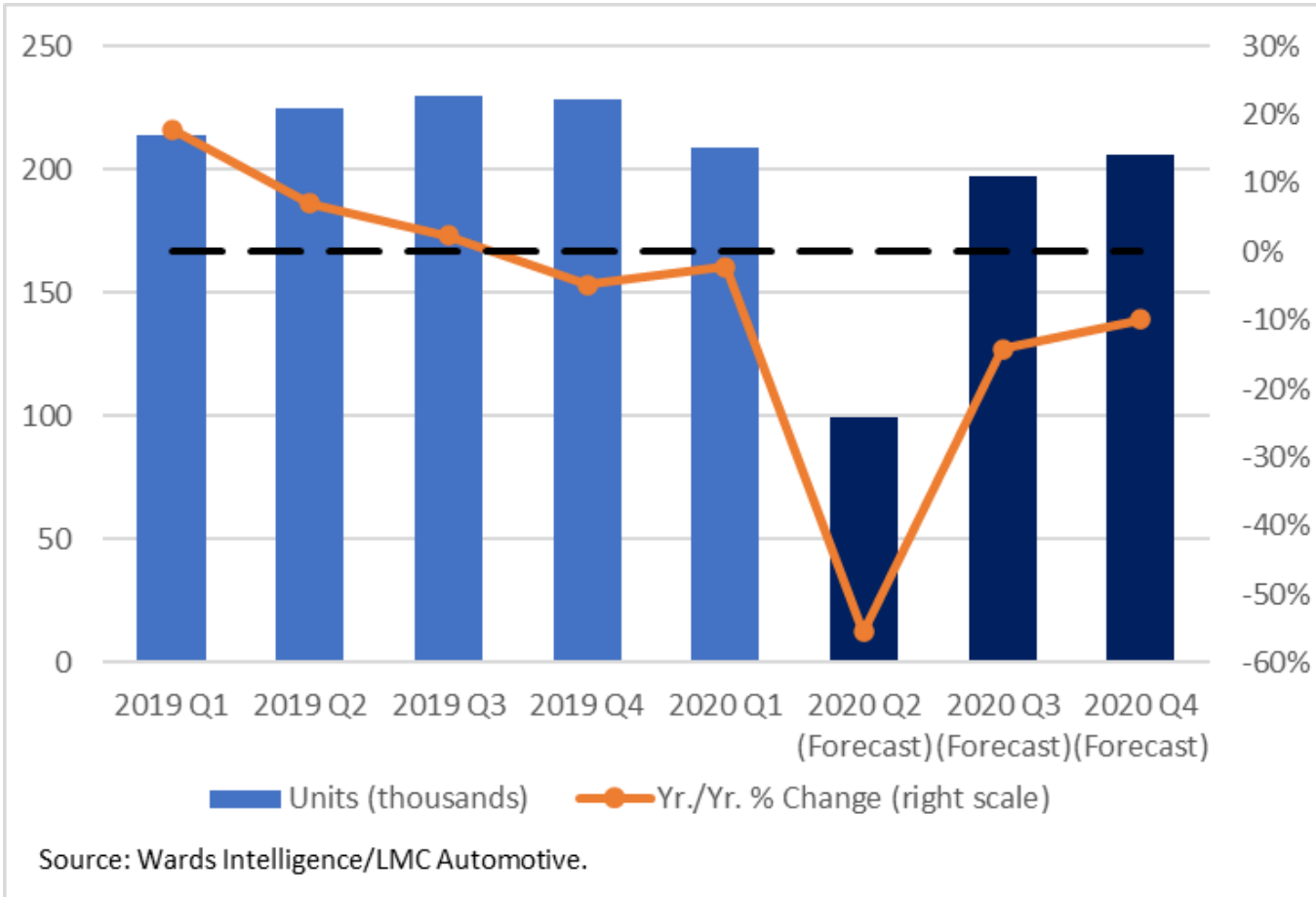
# Nissan Light-Vehicle Production



- Still set to begin production of the redesigned Nissan Rogue in September – a pivotal program to reversing its market-share decline in the U.S.
- Nissan Frontier redesign delayed to 2021



# Hyundai/Kia Light-Vehicle Production



- Less need to ramp-up production because inventory not hit as bad as the rest of the industry
- Not big hits, but retooling for new Hyundai Elantra, Kia Optima and Sorento expected to slow output



# Thank you

HAIG STODDARD

Senior Industry Analyst, Markets • Wards Intelligence

[Haig.Stoddard@informa.com](mailto:Haig.Stoddard@informa.com)

[www.linkedin.com/in/haigstoddard](http://www.linkedin.com/in/haigstoddard)

Website: [wardsintelligence.com](http://wardsintelligence.com)