



# NA Light Vehicle Sales Outlook

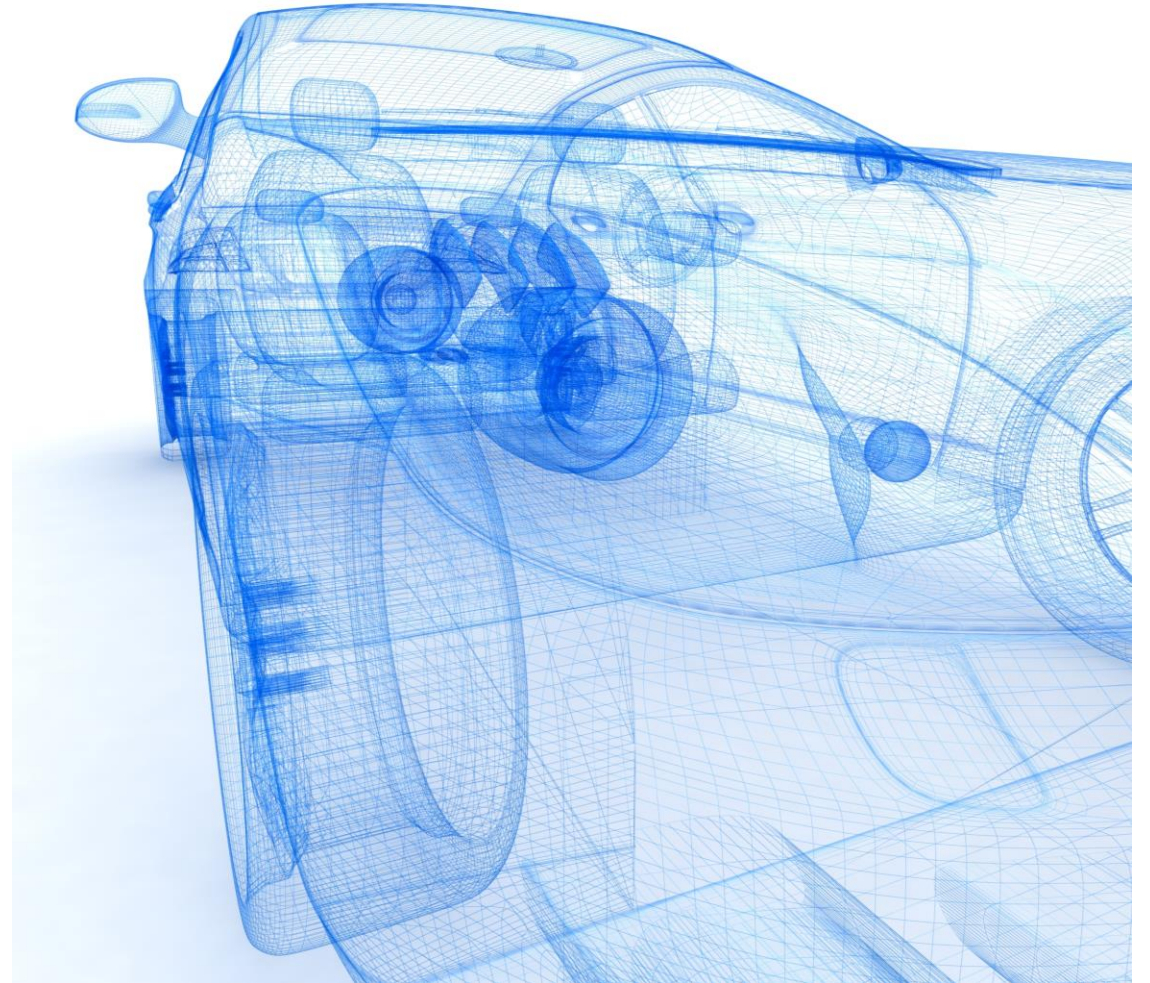


Mexican light vehicle sales outlook  
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October 2020

100 years of automotive insight,  
powered by Polk data.

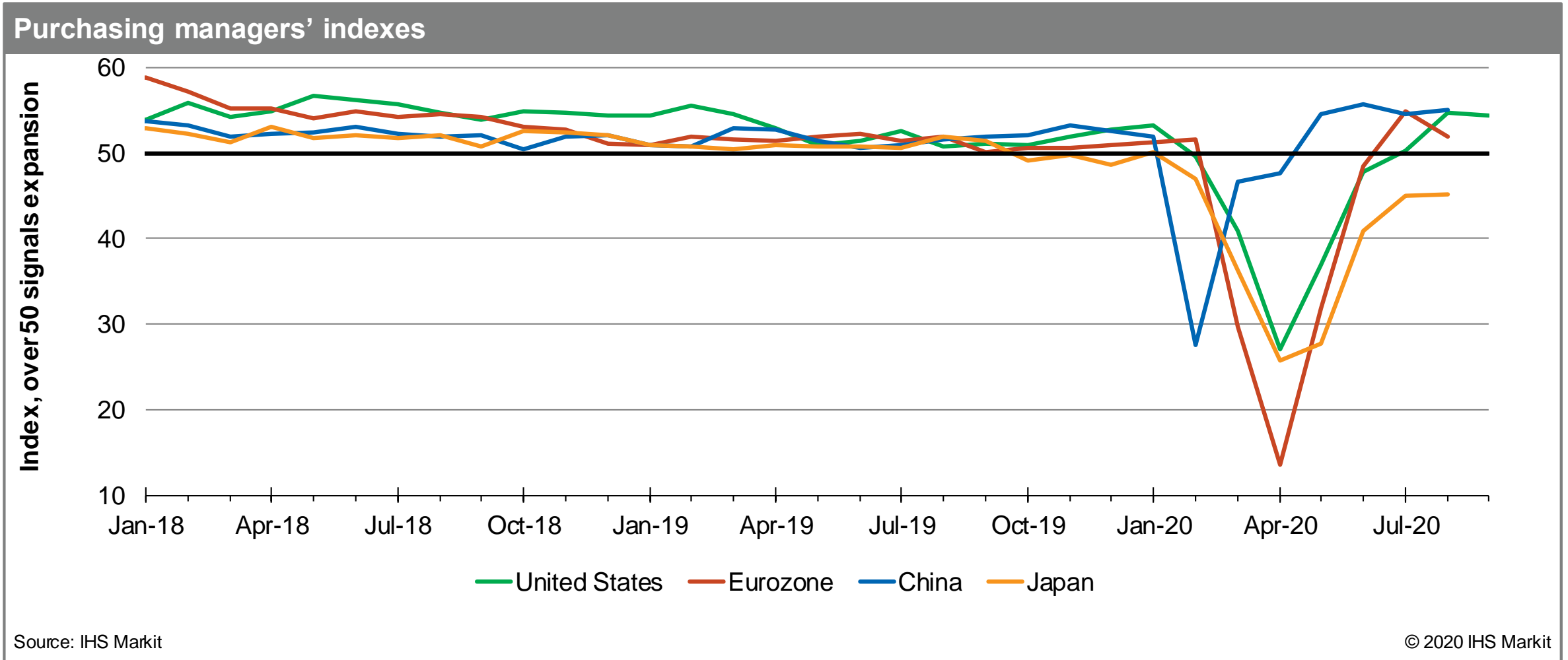
# Agenda

- Global Outlook
- US Light Vehicle Sales
- Mexico Light Vehicle Sales



Source: IHS Markit

# IHS Markit composite PMI™ – Record drops and lows



## Real GDP growth in major economies

Real GDP						
Percent change	2018	2019	2020	2021	2022	
World	3.2	2.6	-4.8	4.4	3.8	
United States	3.0	2.2	-4.0	3.5	3.6	
Canada	2.0	1.7	-6.4	4.3	3.7	
Eurozone	1.8	1.3	-8.5	4.4	3.5	
United Kingdom	1.3	1.5	-11.2	4.6	3.3	
Mainland China	6.7	6.1	1.7	7.1	5.5	
Japan	0.3	0.7	-5.7	2.2	1.3	
India*	6.1	4.2	-10.8	9.2	5.4	
Brazil	1.2	1.1	-6.4	3.8	2.4	
Russia	2.5	1.3	-5.9	2.4	2.2	

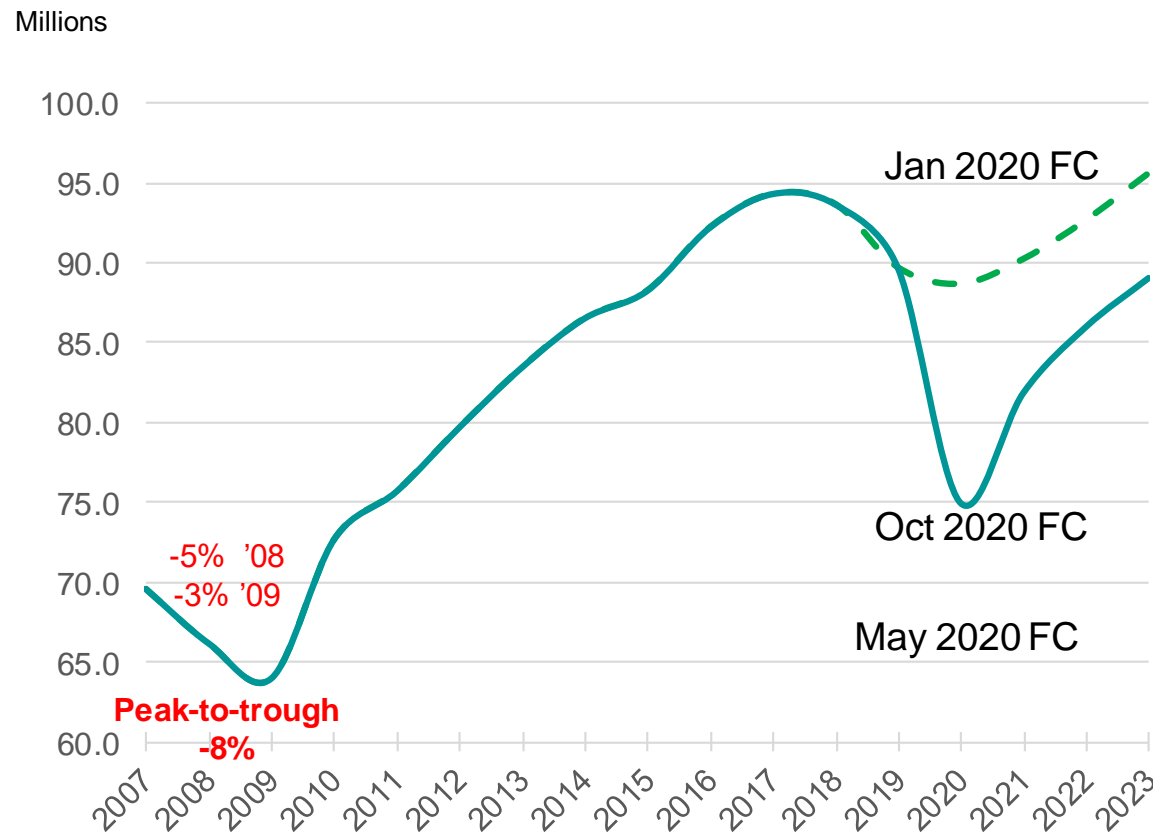
\* Fiscal years starting 1 April  
Source: IHS Markit

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# Global Light Vehicle Sales

## 2020 autos slump far worse than 2-year decline global recession 2008/09

### Global Light Vehicle Sales Outlook



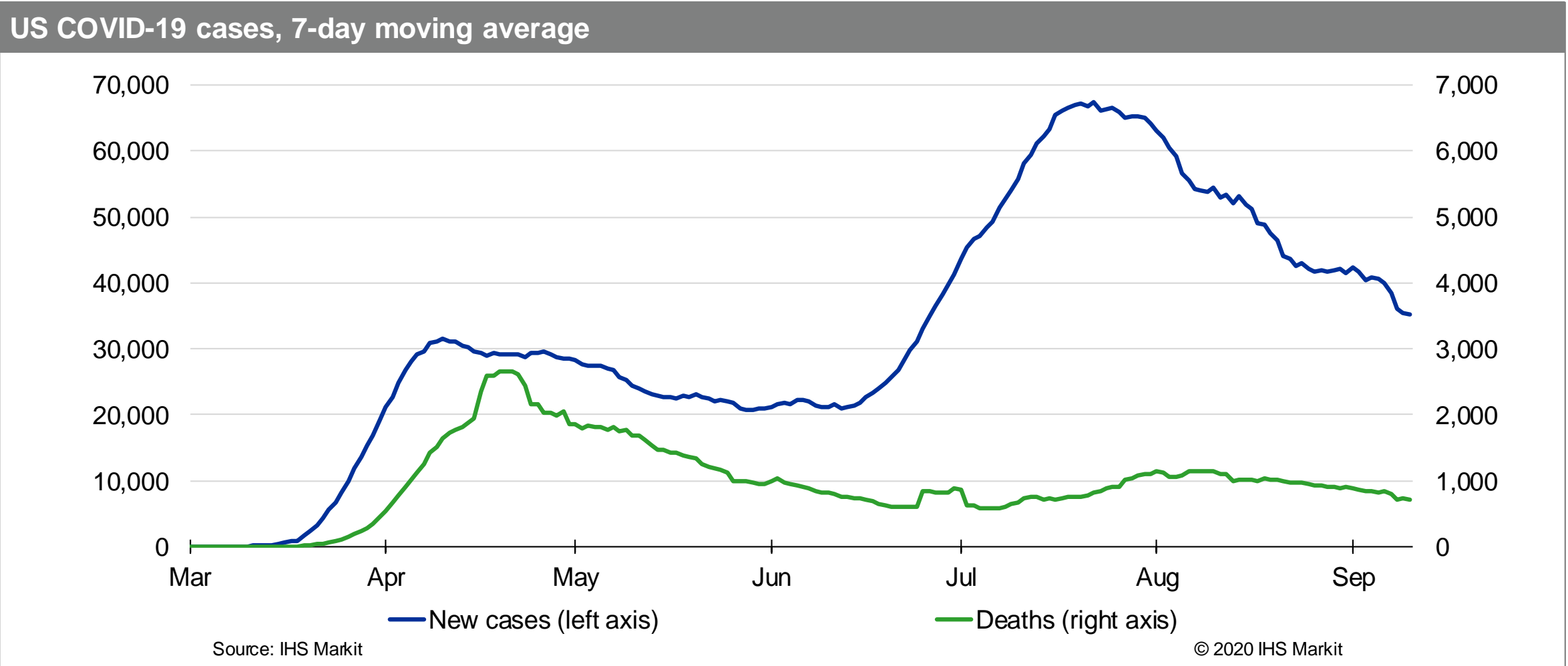
Source: IHS Markit – May 2020 LVS Forecast

Market	2020 TIV	Growth (% chg)	vs. Jan 2020
China	23.1m	-7.0%	-1.5m
USA	14.3m	-16.0%	-2.5m
WE/CE	13.8m	-23.7%	-1.8m
<b>Global</b>	<b>75m</b>	<b>-16.4%</b>	<b>-13.6m</b>

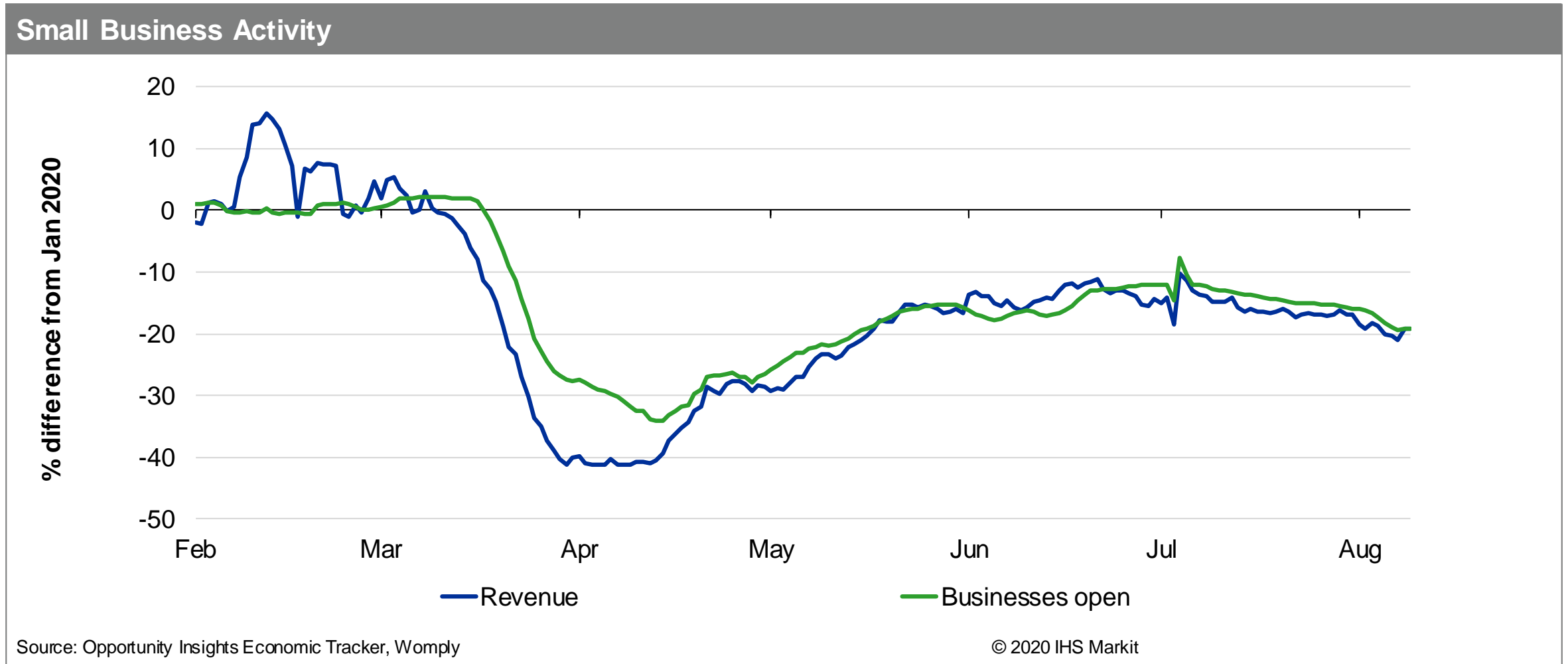
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Note: China refers to Mainland China

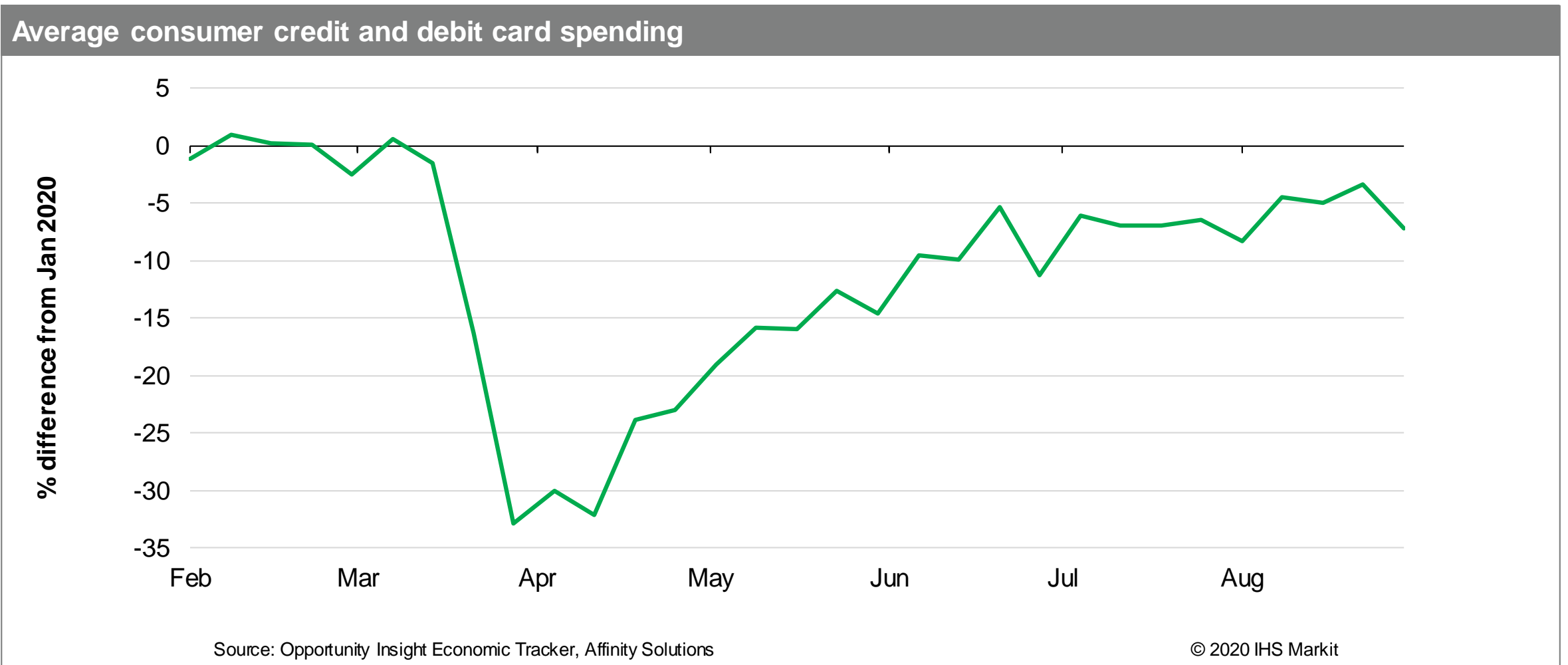
# A surge in COVID-19 cases generated concerns of implications on a second economic slowdown



# Small-business backpedaled, but has recovered from earlier lows



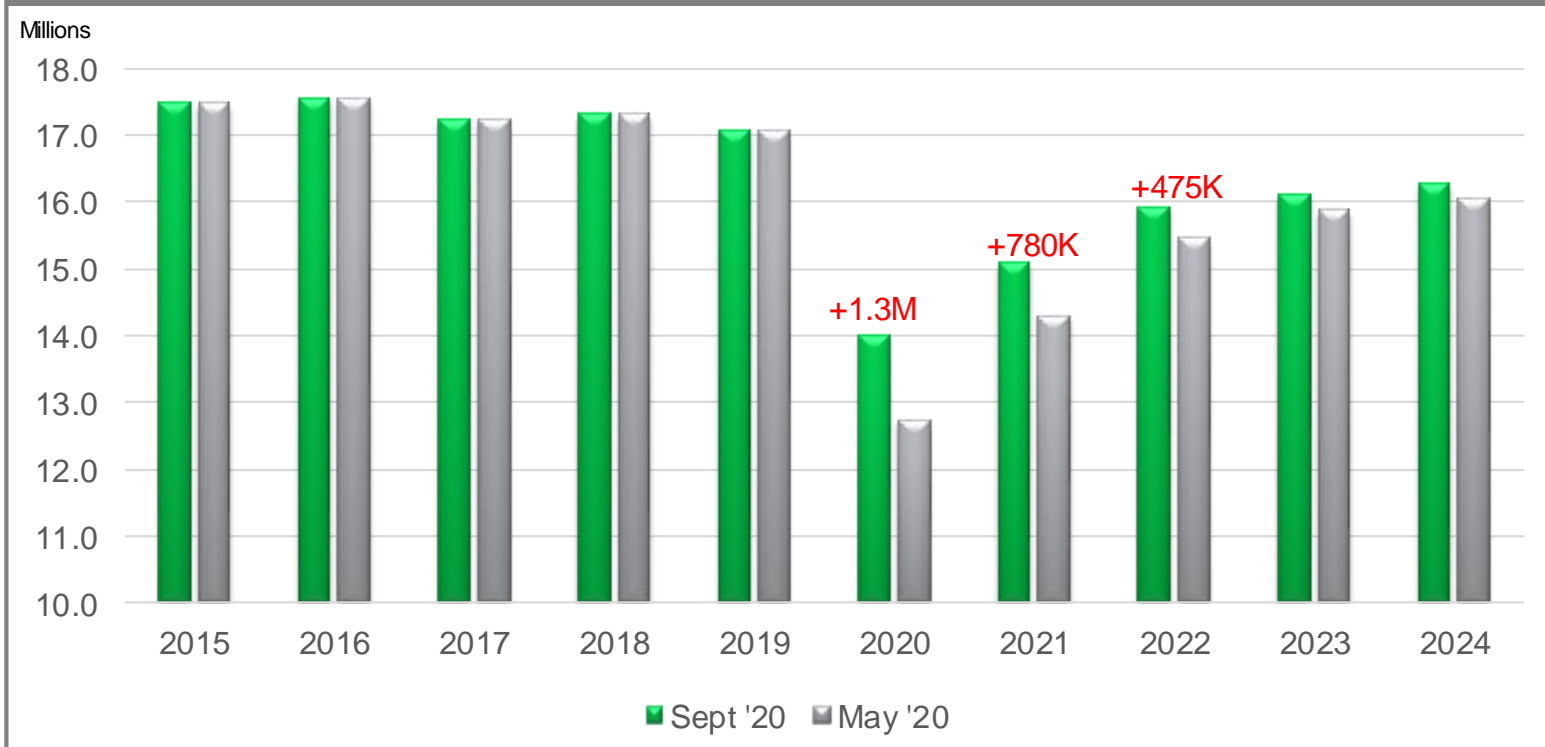
# Consumer spending may be leveling out





# Better than expected recent results and improved employment situation lead to upgrade in near-term forecast settings

USA – Covid-19 Impacted Light Vehicle Sales Forecast (September 2020)



	2020	2021	2022	2023
% Growth YoY	-18.0%	+7.6%	+5.7%	+1.1%
Vol Delta vs. Pre-Crisis Jan Forecast	-2,810,00	-1,513,000	-486,000	-325,000

- With a seasonally adjusted selling rate estimate of 15.2 million units in August and 16.3 million units in September the pace of light-vehicle sales continues to improve from the April 2020 low reading of 8.7 million units.
- Auto consumers continue to be motivated by incentives, 0% interest rates, and government stimulus effects. The outlook for the remainder of the year remains opaque but the sequential rise in auto demand levels from April reflects that consumers who are willing, ready, and able to enter a new car purchase are doing so.
- Retail sales are recovering much better than fleet sales. Fleet sales were only roughly half of what they were but down a milder 30-40% y/y in August and September.
- Although the US unemployment settings have changed for the better, the overall economic outlook for the year still remains dour, with GDP settings of -4.0% in 2020 followed by +3.5% in 2021 and +3.6% in 2022.

# Light vehicle sales versus economic leading indicators

Used-car imports created a distortion between vehicle sales and macroeconomic indicators

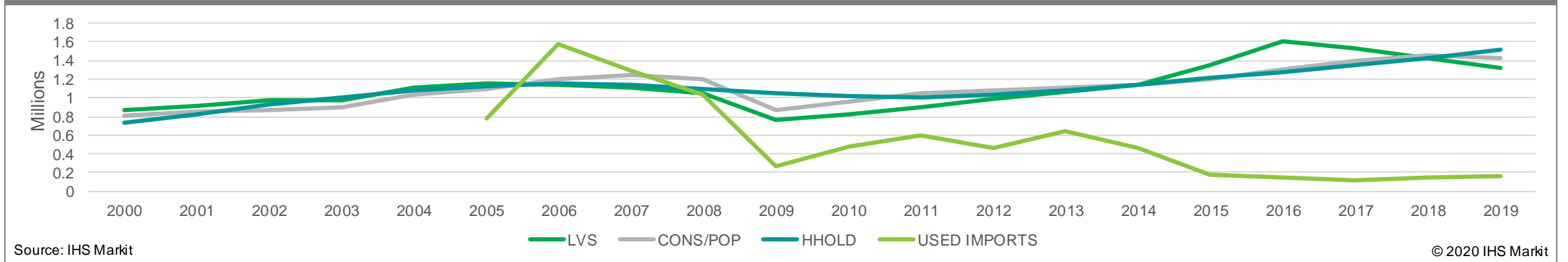
## Economic Indicators vs Light Vehicle Sales (2000-2019)

Country	Consump (nom)	GDP (nom)	Disposable Income (nom)	Profits (nom)	Employee comp (nom)	Consump (real)	GDP (real)	Disposable income (real)	Bank rate	Exchange rate	Labor force	Female labor force	Male labor force	Employ	Female employ	Male employ	Unemploy rate	Female unemploy	Male unemploy	Education expend	Health expend	Primary enroll	Secondary enroll	Tertiary enroll	H. holds	Urban pop	Total pop
Mexico	19.9%	19.8%	19.2%	21.5%	24.5%	59.5%	57.9%	59.6%	3.9%	60.7%	41.6%	42.3%	41.1%	46.6%	46.7%	46.4%	6.4%	5.3%	6.9%	14.1%	15.3%	72.0%	54.9%	60.2%	44.4%	44.2%	43.5%
Argentina	70.3%	76.9%	64.7%	76.3%	73.2%	84.2%	87.1%	38.9%	0.1%	5.9%	56.0%	59.2%	50.5%	70.6%	69.9%	69.3%	78.1%	80.2%	76.4%	73.6%	70.2%	13.2%	48.7%	52.7%	62.4%	60.5%	60.1%
Brazil	83.5%	86.7%	86.7%	80.6%	68.0%	62.8%	69.9%	73.6%	63.7%	10.9%	35.1%	37.2%	32.0%	57.7%	54.9%	60.3%	87.2%	87.3%	87.0%	81.2%	74.4%	0.2%	51.1%	48.6%	40.0%	38.9%	40.0%
Chile	96.1%	96.0%	96.0%	94.1%	94.1%	89.2%	88.5%	89.5%	39.5%	1.7%	89.2%	88.7%	89.5%	90.2%	89.6%	90.5%	73.4%	67.9%	74.6%	90.0%	90.8%	0.0%	55.8%	88.2%	84.1%	83.5%	83.3%
Colombia	91.5%	91.7%	91.6%	91.6%	88.5%	74.5%	77.6%	74.9%	68.1%	0.9%	69.2%	71.5%	66.5%	74.3%	77.1%	71.1%	84.0%	88.6%	77.2%	88.8%	62.3%	30.4%	93.0%	74.3%	76.9%	74.5%	74.4%
Ecuador	60.4%	59.8%	60.4%	58.4%	59.3%	66.7%	58.3%	66.7%	24.4%	24.2%	52.2%	55.1%	47.1%	53.2%	55.0%	50.5%	40.6%	45.1%	37.7%	56.7%	53.1%	54.6%	52.7%	62.1%	54.9%	57.7%	56.9%
Peru	92.9%	94.0%	93.1%	95.1%	97.0%	86.8%	87.8%	87.2%	67.2%	38.4%	80.6%	83.4%	77.0%	84.0%	86.2%	81.2%	92.5%	80.2%	81.5%	85.5%	84.1%	63.7%	73.9%	87.7%	77.4%	76.7%	73.8%

Source: IHS Markit

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## Mexico's simulations versus actual sales

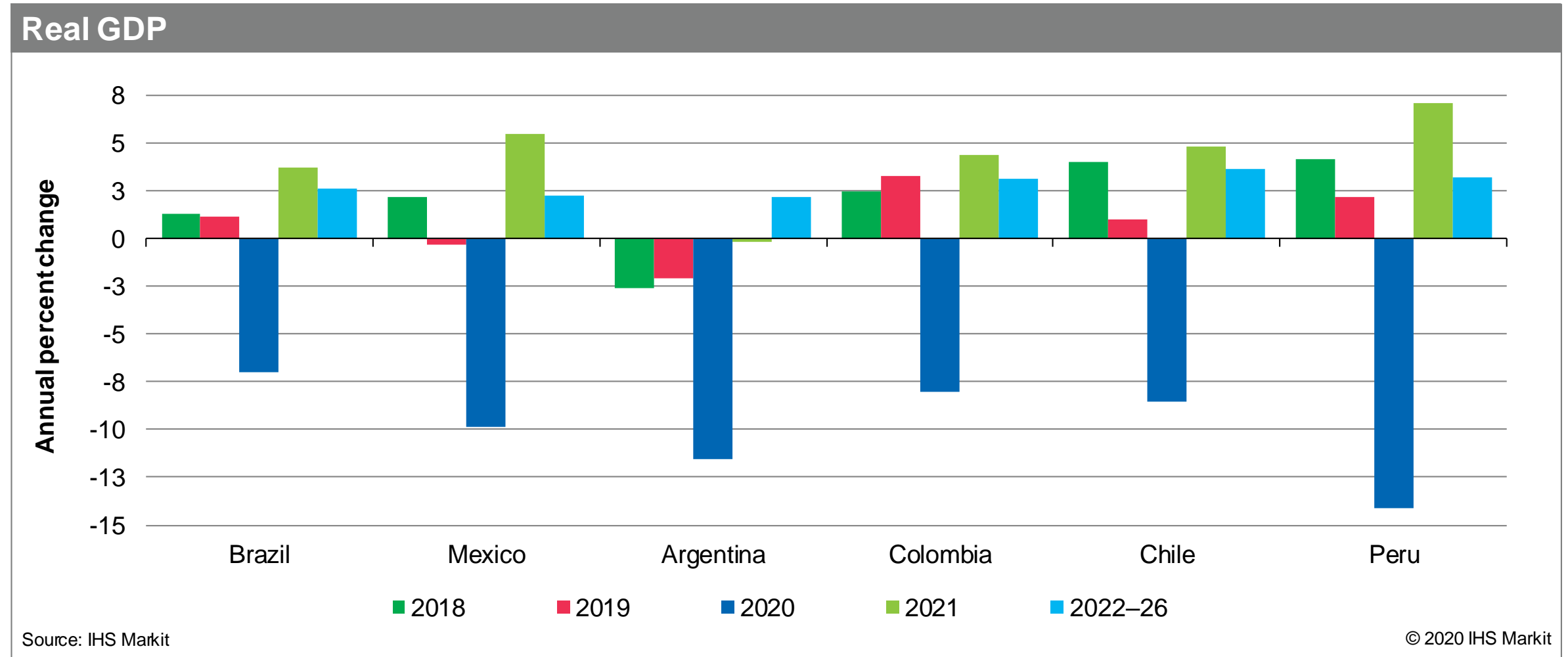


Source: IHS Markit

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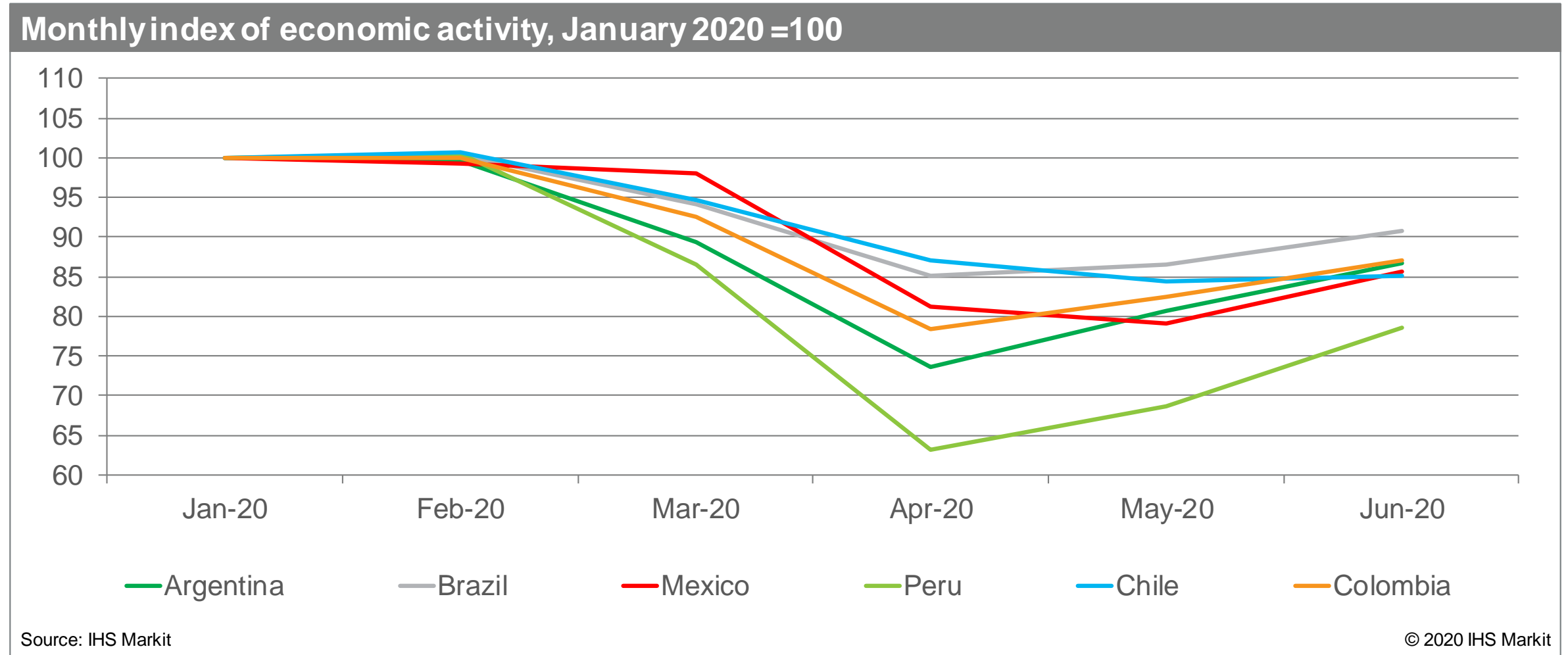
# Latin America: Real GDP

Mexico's economy expected to be one of the most affected in Latin America



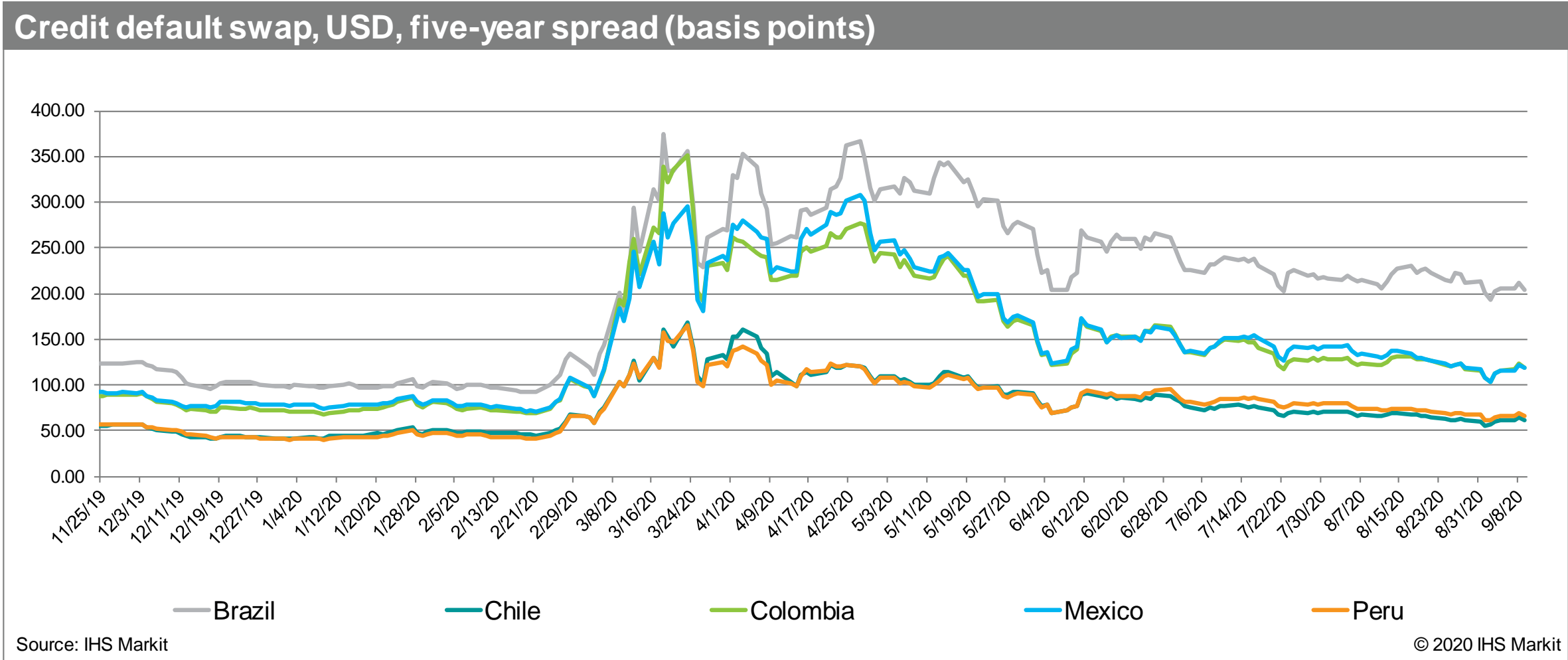
# Latin America: Index of economic activity

Unlike most other nations in Latin America, Mexico did not go into full lockdown



# Latin America: Credit spread by country

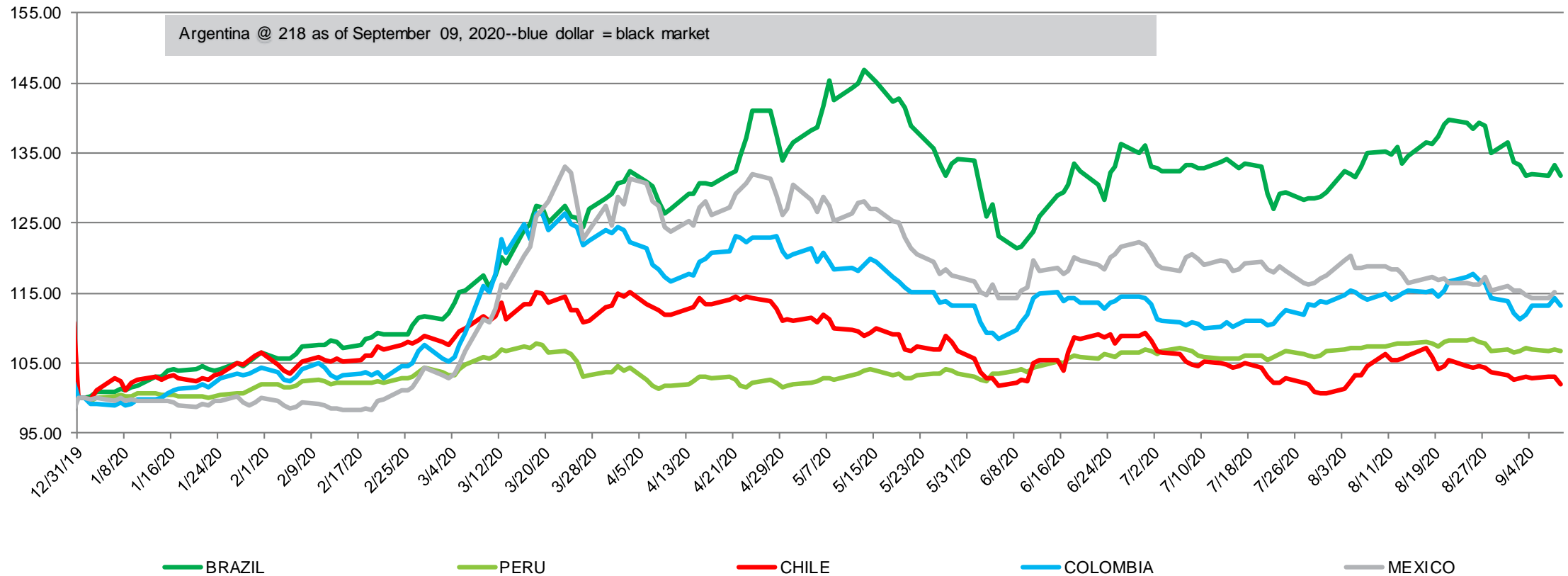
Spreads are easing, not quite at pre-pandemic levels yet



# Latin America: Exchange rates

Currency devaluation expected to be temporary, MXP20–21/USD expected in 2021

Nominal exchange rates: Local currencies versus US dollar, 31 December 2019 = 100

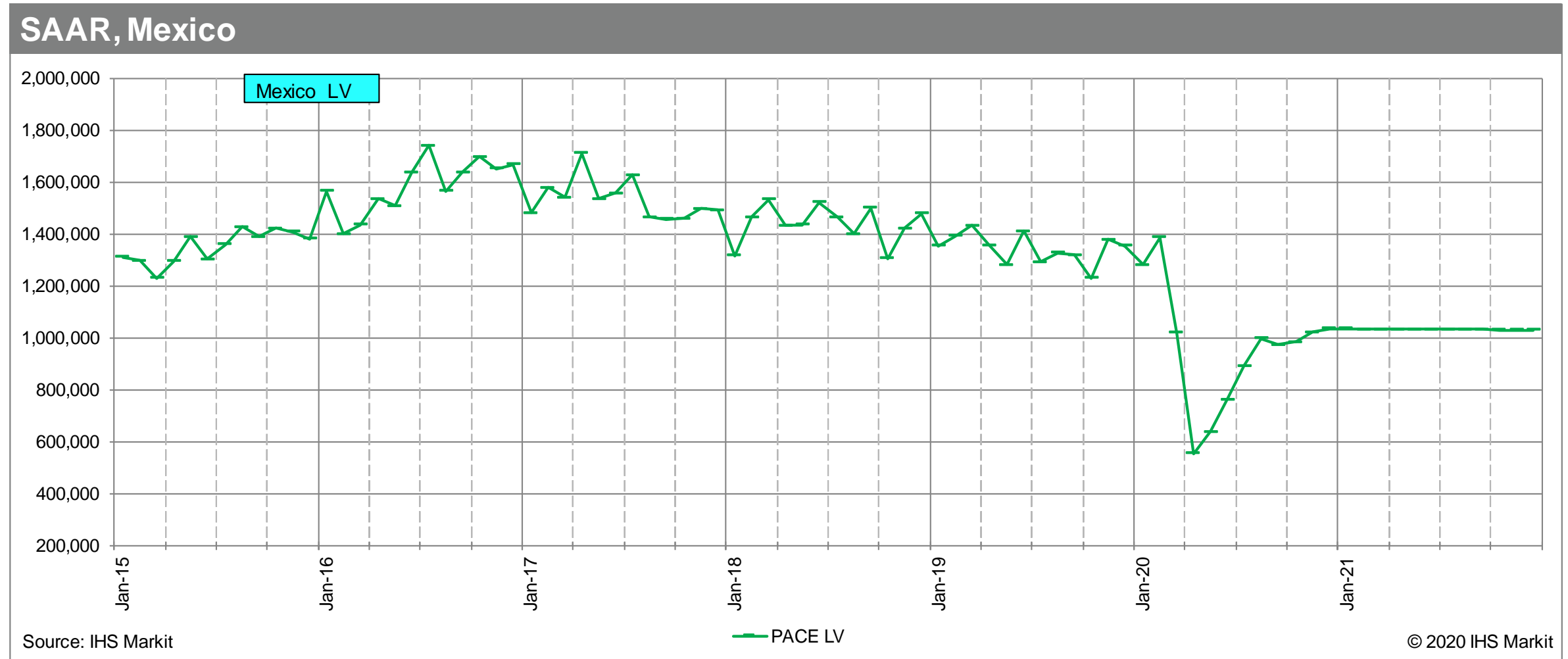


Source: FINANCIAL TIMES, INTERACTIVE DATA CORP, IHS Markit

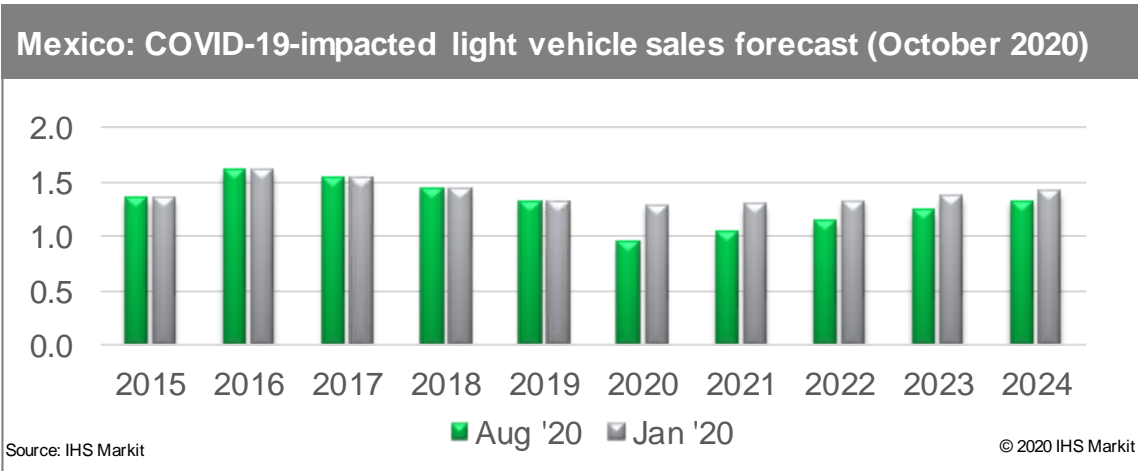
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# Mexico: Light vehicle sales, SAAR

Light vehicle sales are distantly mirroring normalization, with August tallying 1.0 million units



# Mexico: Light vehicle sales



**September Forecast comparison**

	2020	2021	2022	2023
% growth, y/y	-28.3%	10.2%	8.9%	8.7%
Vol delta vs. pre-crisis Jan forecast	-329,000	-251,000	-180,000	-130,000

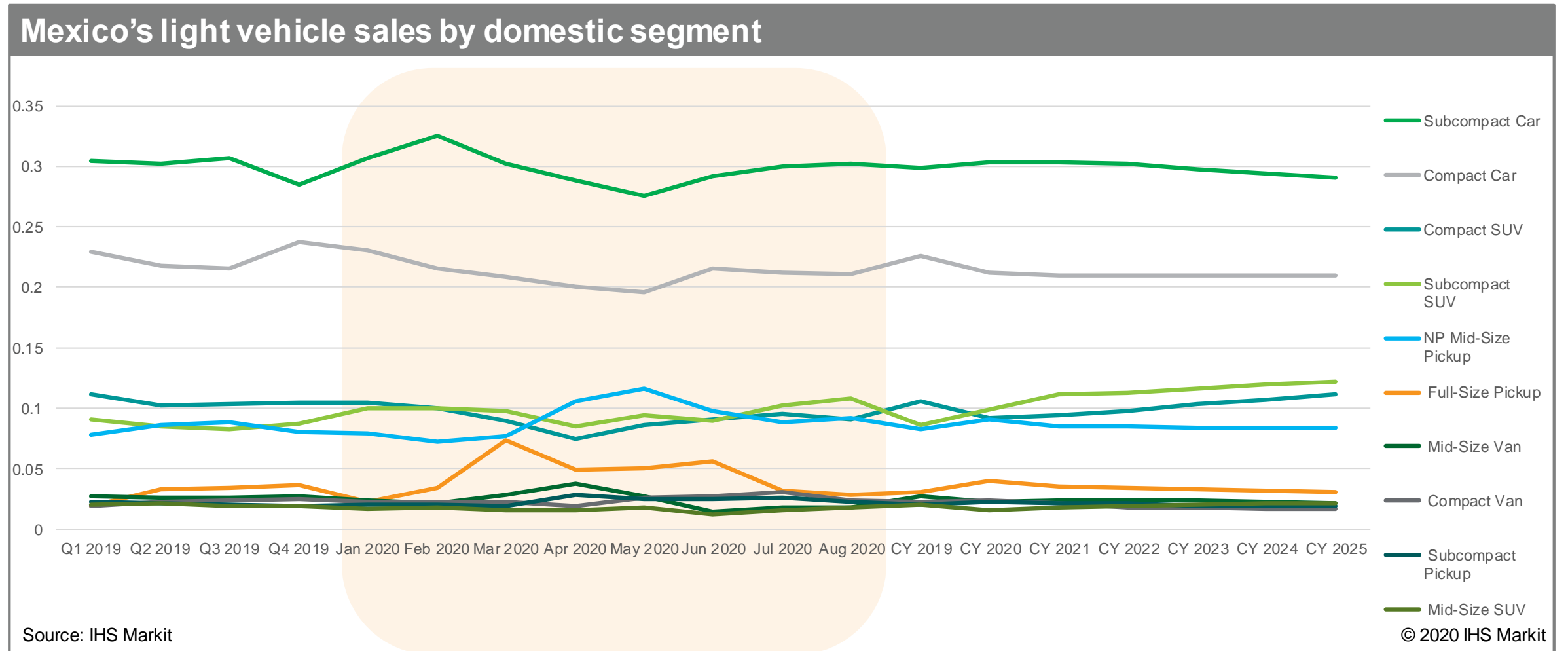
Source: IHS Markit © 2020 IHS Markit

- The Mexican economy is now expected to contract by close to 10% this year as President Lopez Obrador seems reluctant to implement tougher measures.
- Oil prices will likely not help.
- The Mexican peso took a severe hit, falling to MXP25/USD, and has stabilized at MXP21/USD.
- If the currency remains volatile, headwinds in car prices are likely.
- Will the stronger-than-expected US recovery haul Mexico along with it?
- IHS Markit's forecast currently envisions year-on-year drops of up to ~57% for some months in the second quarter.
- IHS Markit now expects a nearly 330,000-unit drop for the year (~28%), followed by a quick recovery.
- By Latin American standards, Mexico will be one of the nations to contract the least.
- Yet, Mexico's sales will contract the most in North America.



# Light vehicle sales domestic segments

Subcompact and compact segments are trying to recover, but has the damage been done for good?



# Bottom line for Mexico's light vehicle sales

## Key forecast implications

- Mexico experiences a severe economic downturn, with its economy being one that fares among the worst in Latin America.
- However, Mexico's vehicle demand does not have any strict economic drivers.
- IHS Markit assumes the Mexican peso stabilizes or it may take a toll on vehicle demand in coming years.
- Light vehicle sales are expected to close below the 1-million-unit mark in 2020.

## Key uncertainties

- Will the United States have a stronger-than-expected recovery?
- Will the currency remain weak and thus permeate into vehicle pricing?
- Will the entry segments remain weak? Will banks remain cautious with their lending?
- Lastly and likely most important, how does Mexico tackle the pandemic? Are there any potential second waves?

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