



# AMDA Mayo 18 Webinar Automotriz

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# Mexico's economic outlook

18 May 2020

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## Global PMI\* output & economic growth



## Global PMI output indices

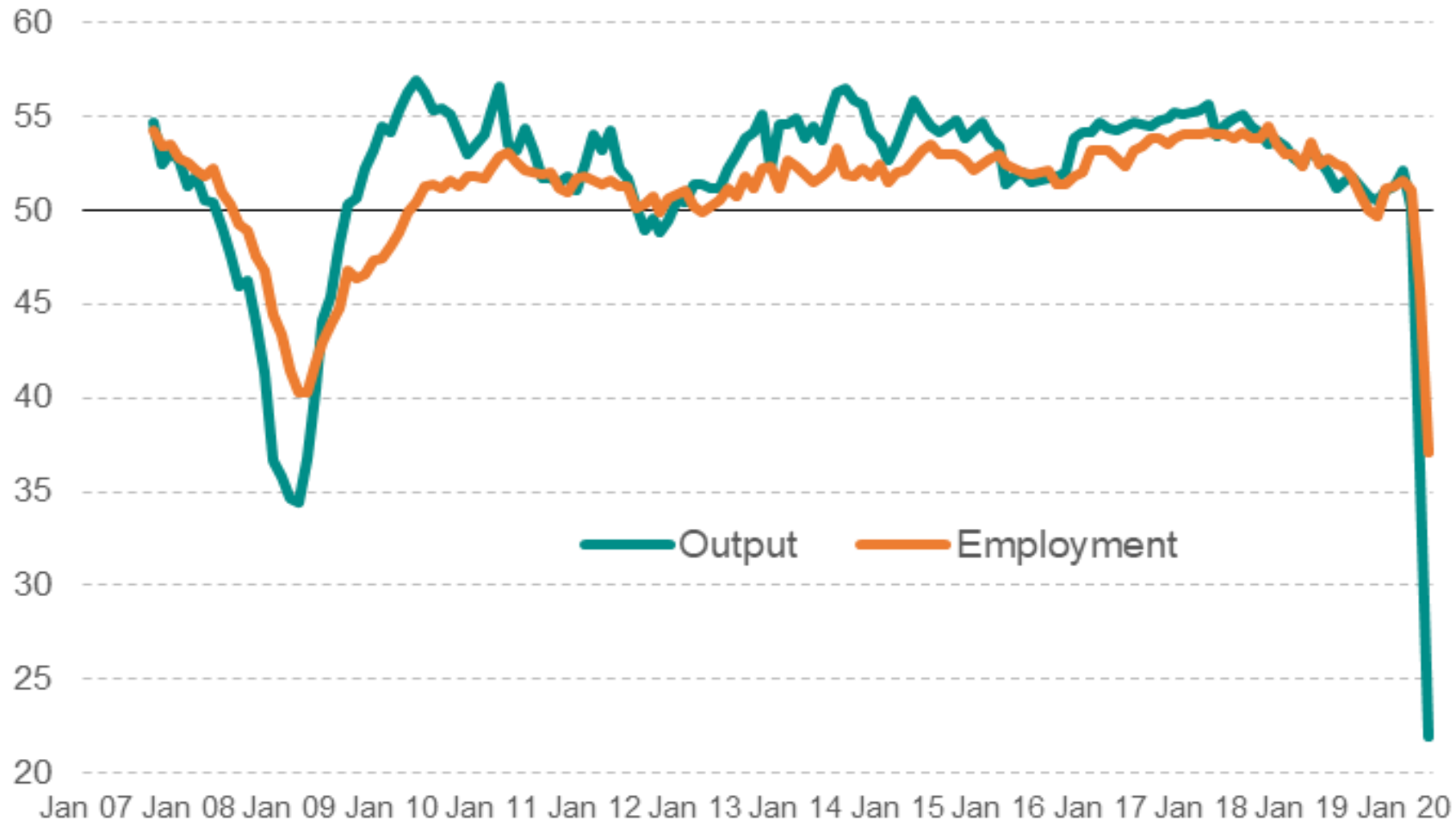


Sources: IHS Markit, JPMorgan.  
 \* PMI shown above is a GDP-weighted average of the survey manufacturing and services indices.

Sources: IHS Markit, JPMorgan.

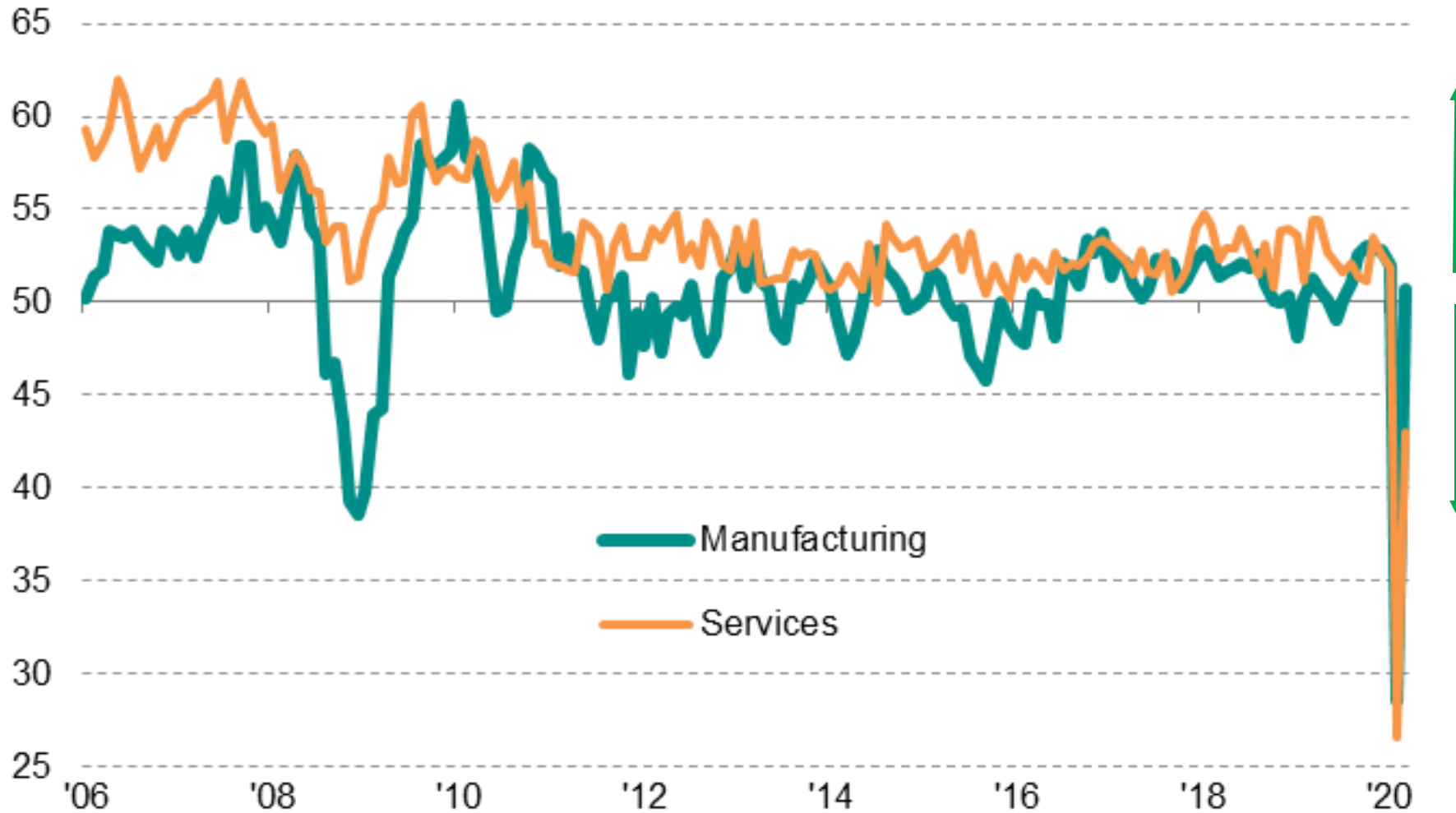
## Developed world sees economic collapse

Flash Composite PMI of 'G4' developed economies



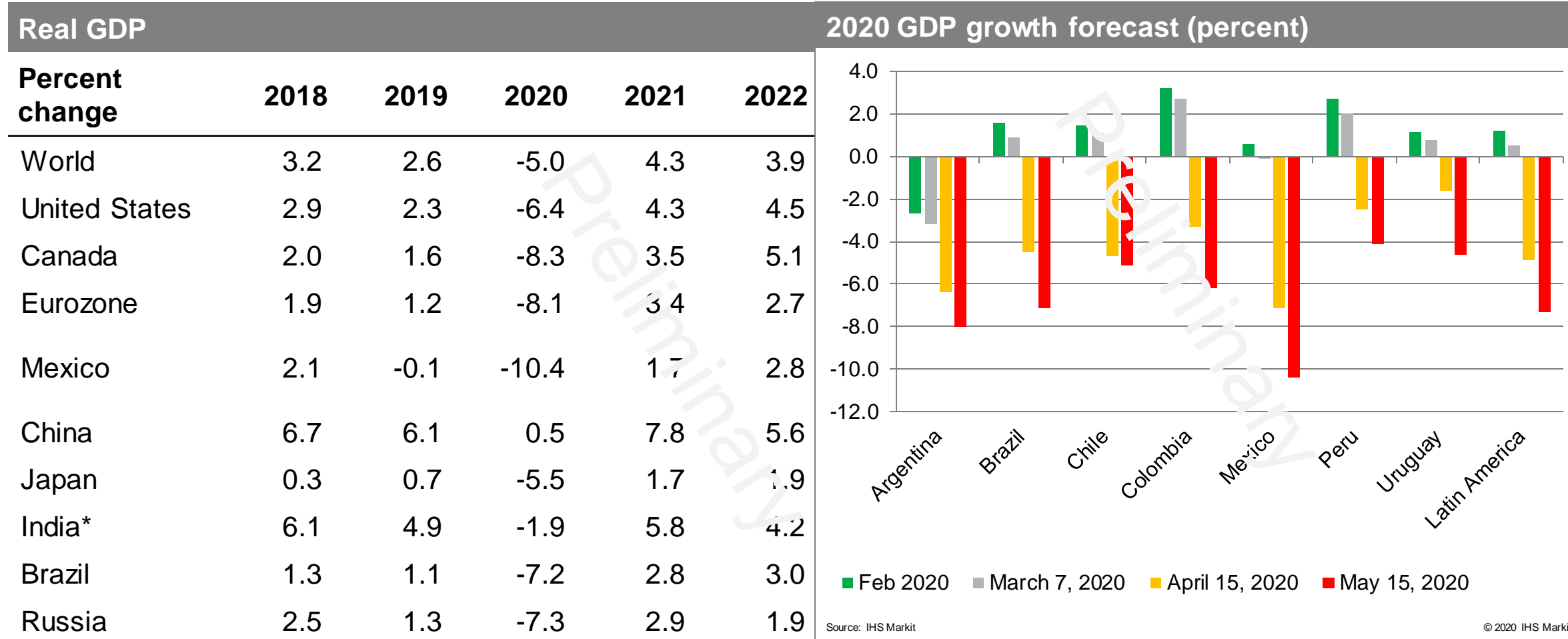
## China output indices recover from record lows

Caixin (IHS Markit) China PMI Output



## Significant slow down and recession in most of the world

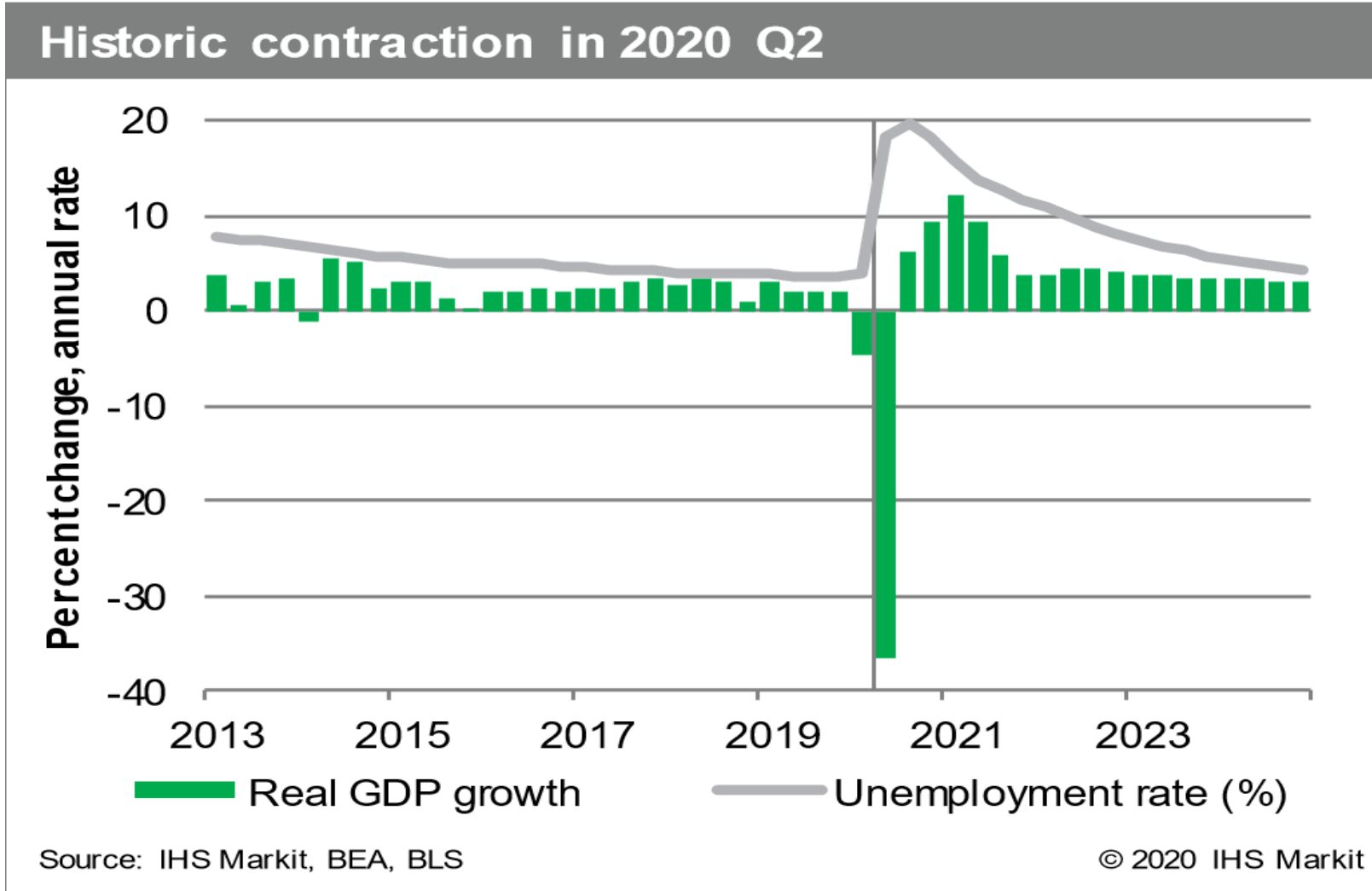
In the last month we have revised our forecasts, now showing Latin America in recession, with significant domestic demand destruction



## US economy enters a deep recession

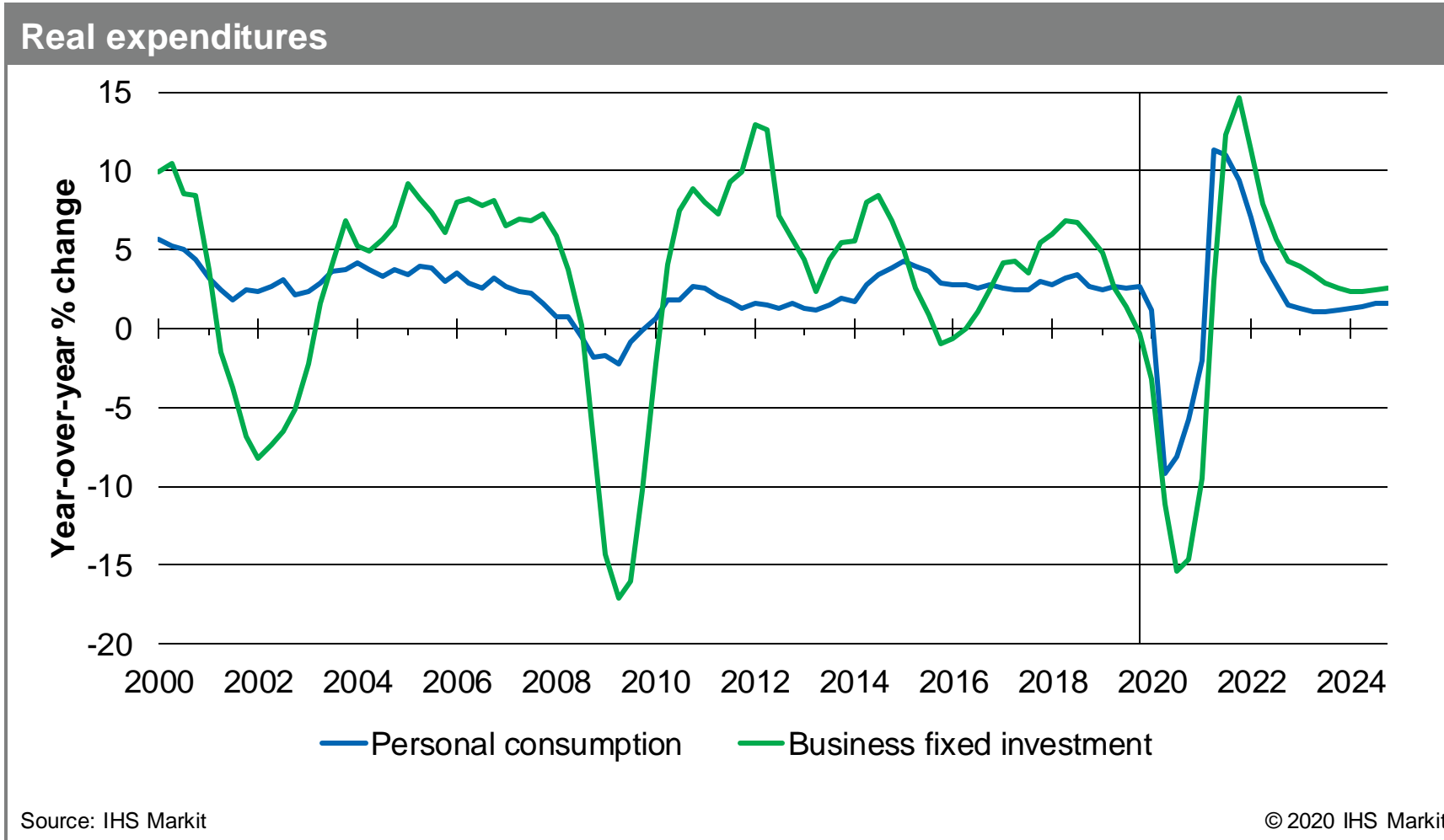
- The US economic outlook has deteriorated sharply in the past month as the coronavirus disease 2019 (COVID-19) virus has spread and most states have mandated closure of nonessential businesses.
- Equity price declines, a widening of risk spreads, and widespread disruptions of activities indicate consumer and business spending will be considerably weaker than previously forecast.
- We assume the pandemic will subside in the third quarter. The biggest hit to US growth will come in the second quarter, when consumer spending plunges.
- The recession will result in a peak-to-trough decline in real GDP of 8.3% during the first three quarters of 2020.
- The Federal Reserve (Fed) is expected to hold its federal funds rate near zero for several years.
- The unified federal budget deficit will double to USD1.95 trillion in fiscal 2020 and peak at USD2.15 trillion in fiscal 2021 as the CARES Act is implemented.

# The COVID-19 recession will bring a temporary surge in unemployment



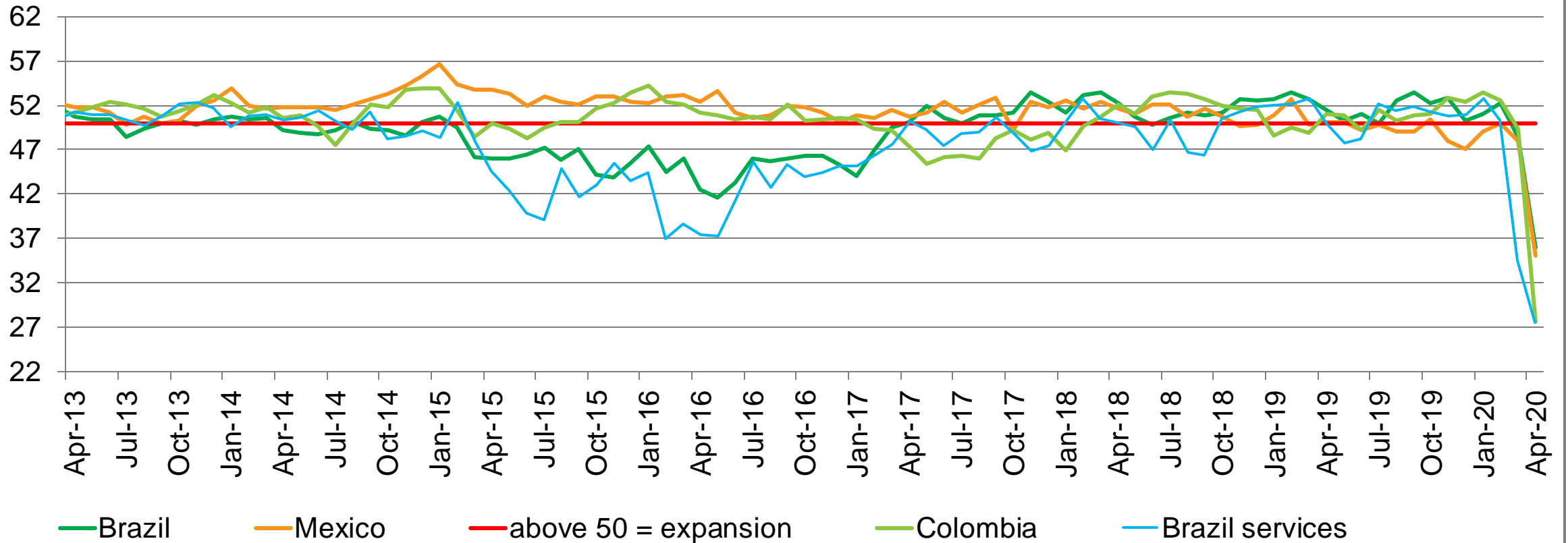


# US growth in real personal consumption and business fixed investment will decline sharply in 2020



# Latin America: recession arrived

Manufacturing PMIs and service PMI for Brazil

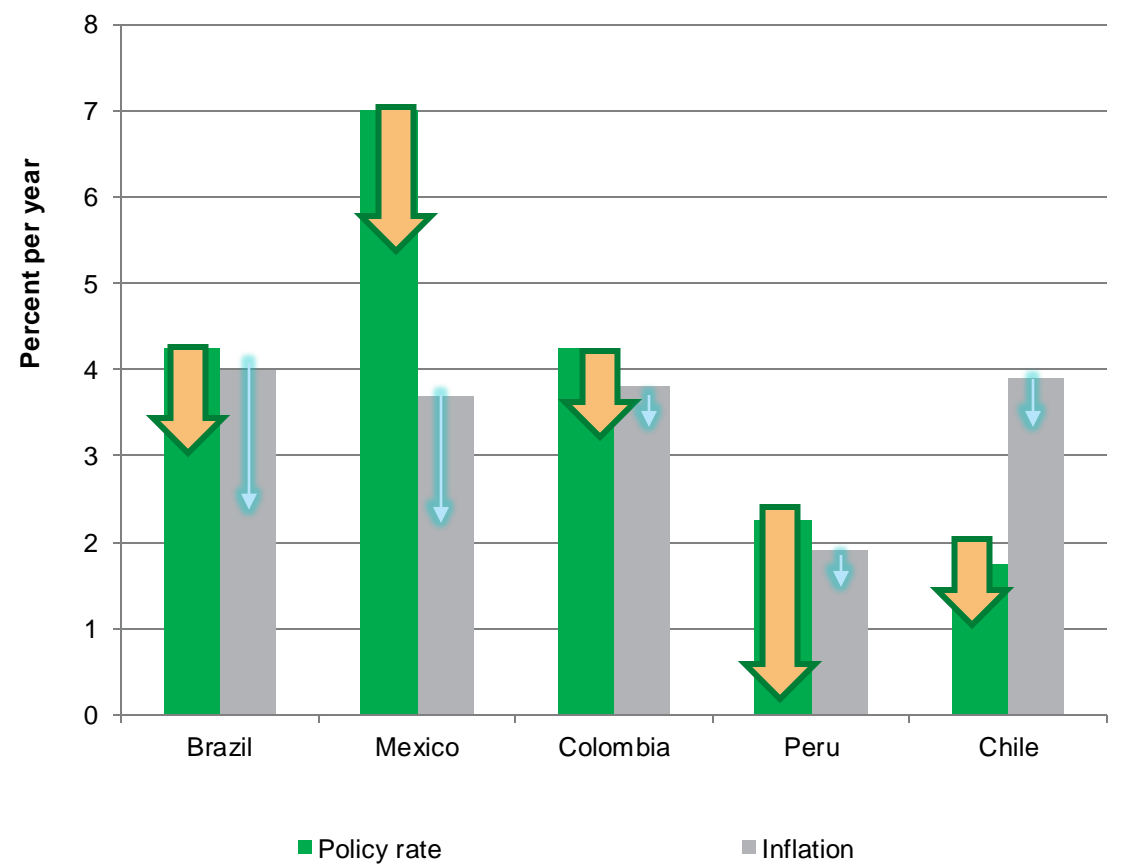


Source: IHS Markit

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# Likely policy stimulus: not much room for policy rate cuts, but extra liquidity and credit will come

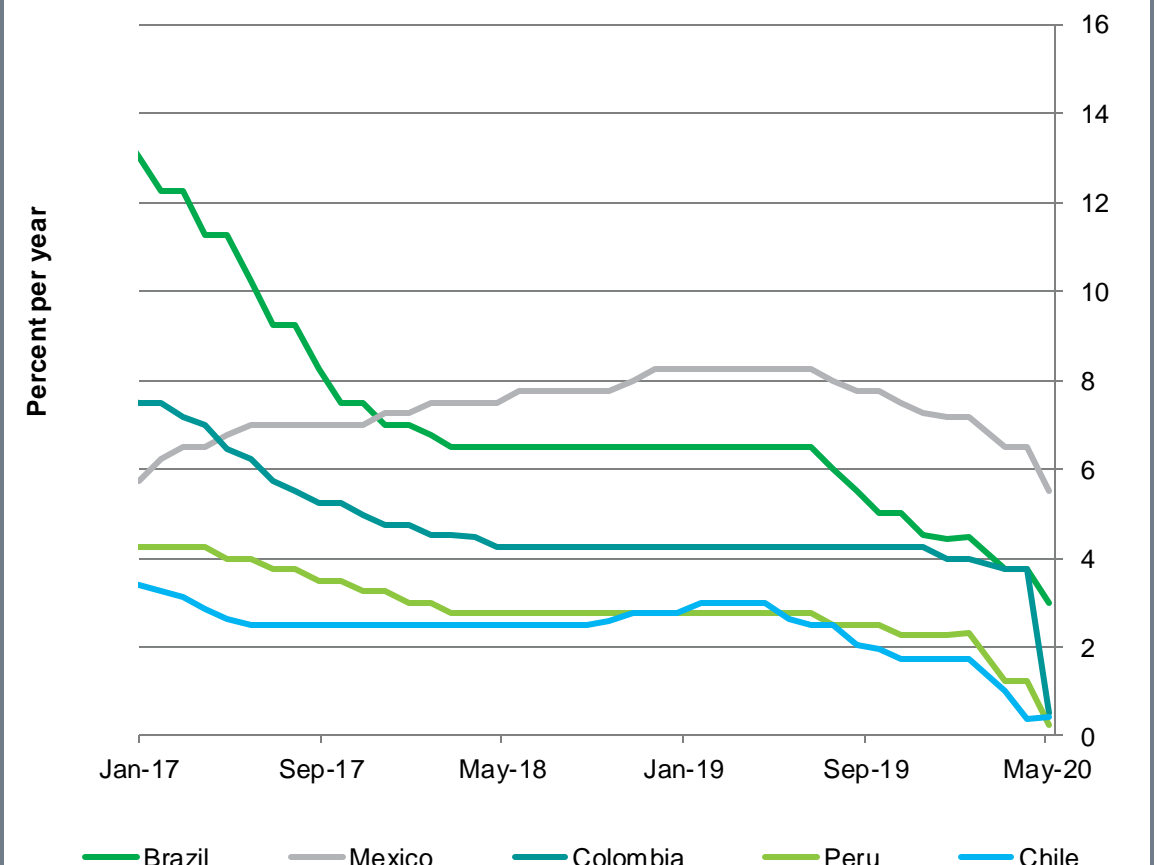
Monetary policy: policy rate and inflation



Source: own countries central banks

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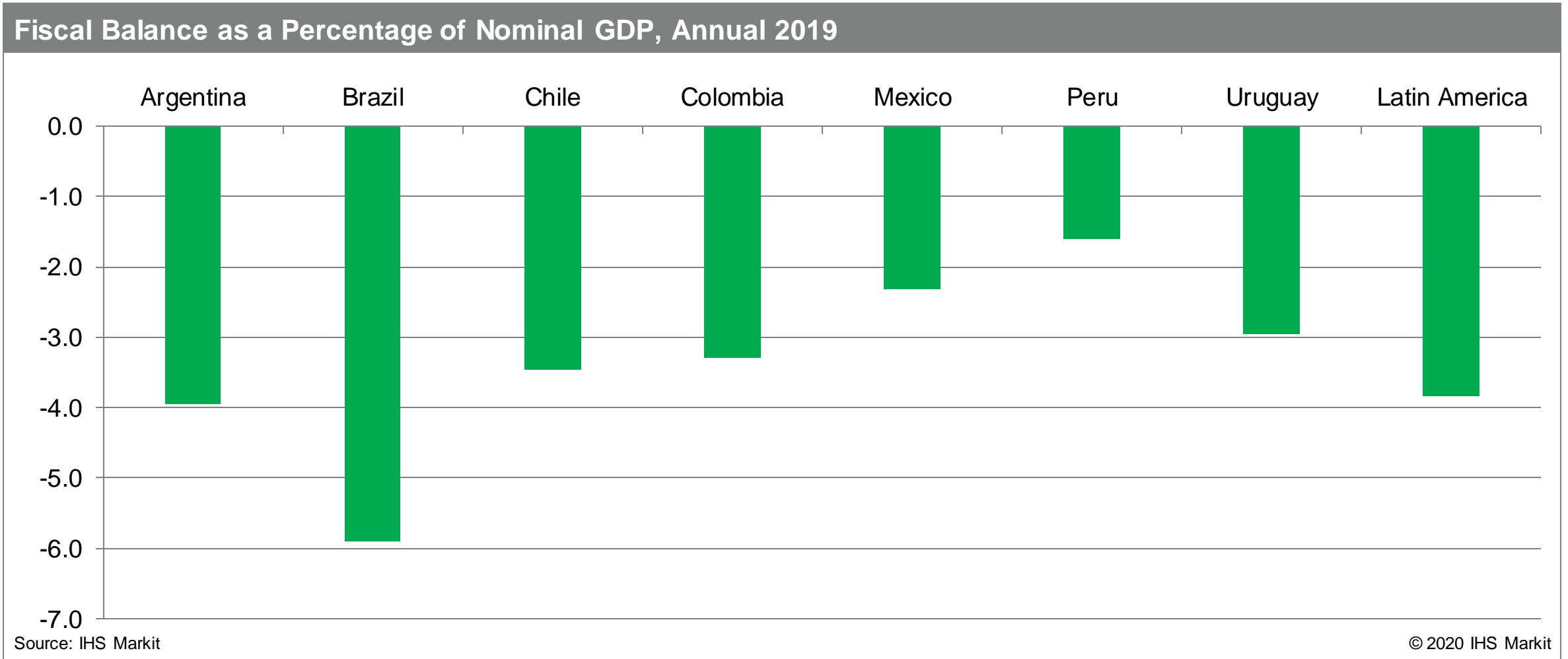
Monetary policy rate



Source: IHS Markit

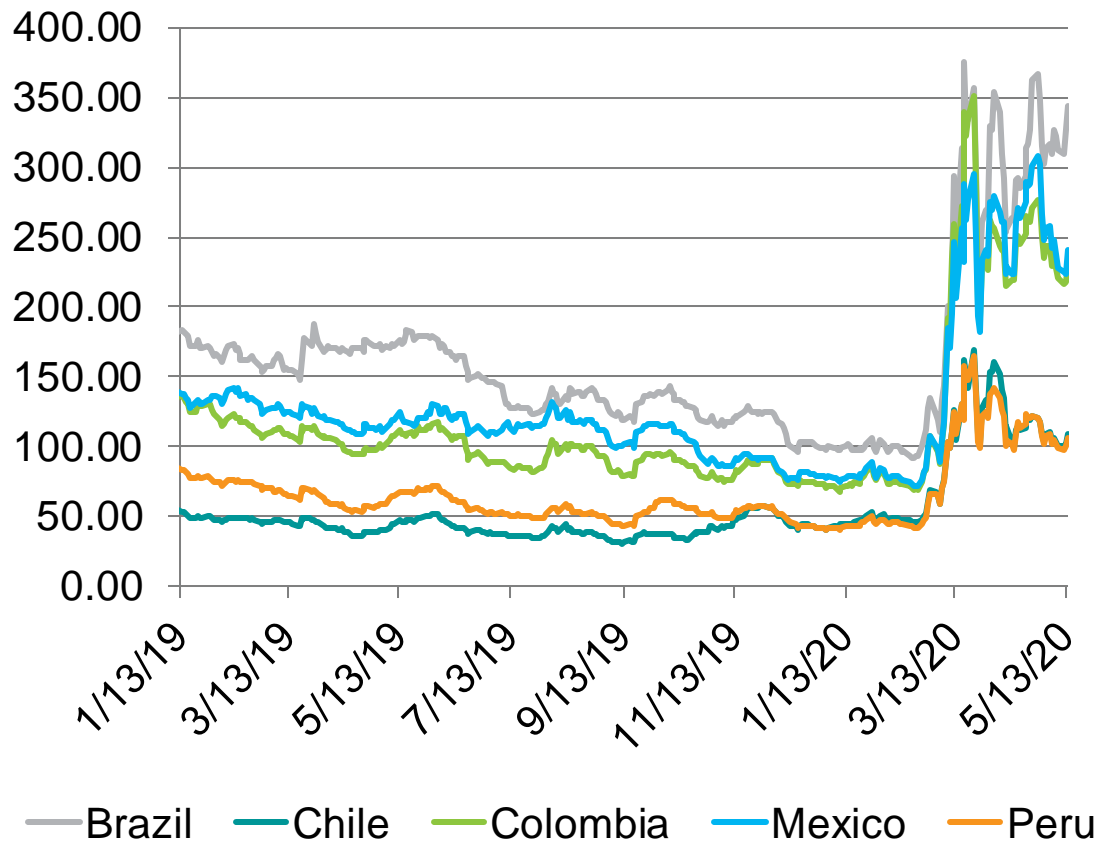
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## Likely policy stimulus: fiscal stimulus should come despite already large fiscal deficits



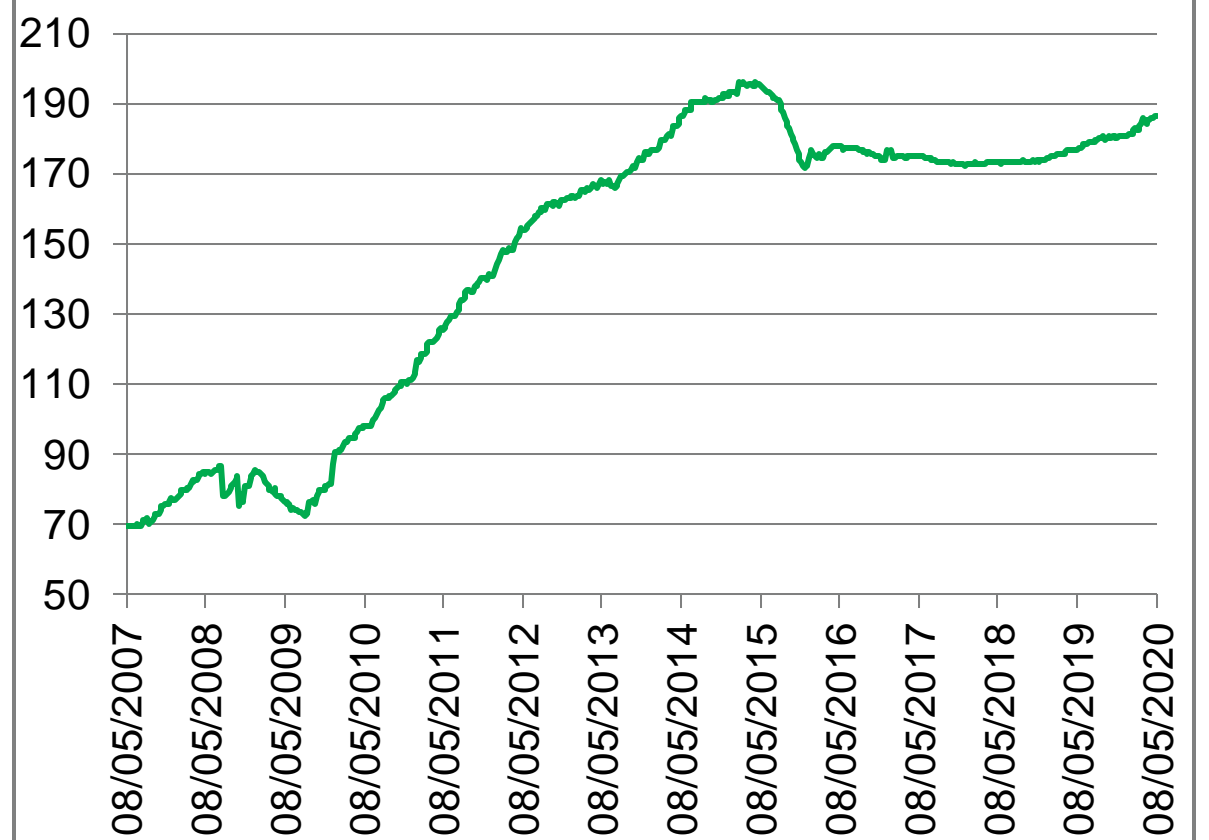
# Sovereign risk increase, may lead to capital outflows

Credit default swap USD 5-year spread (basis)



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Mexico: Foreign exchange reserves - USD billions

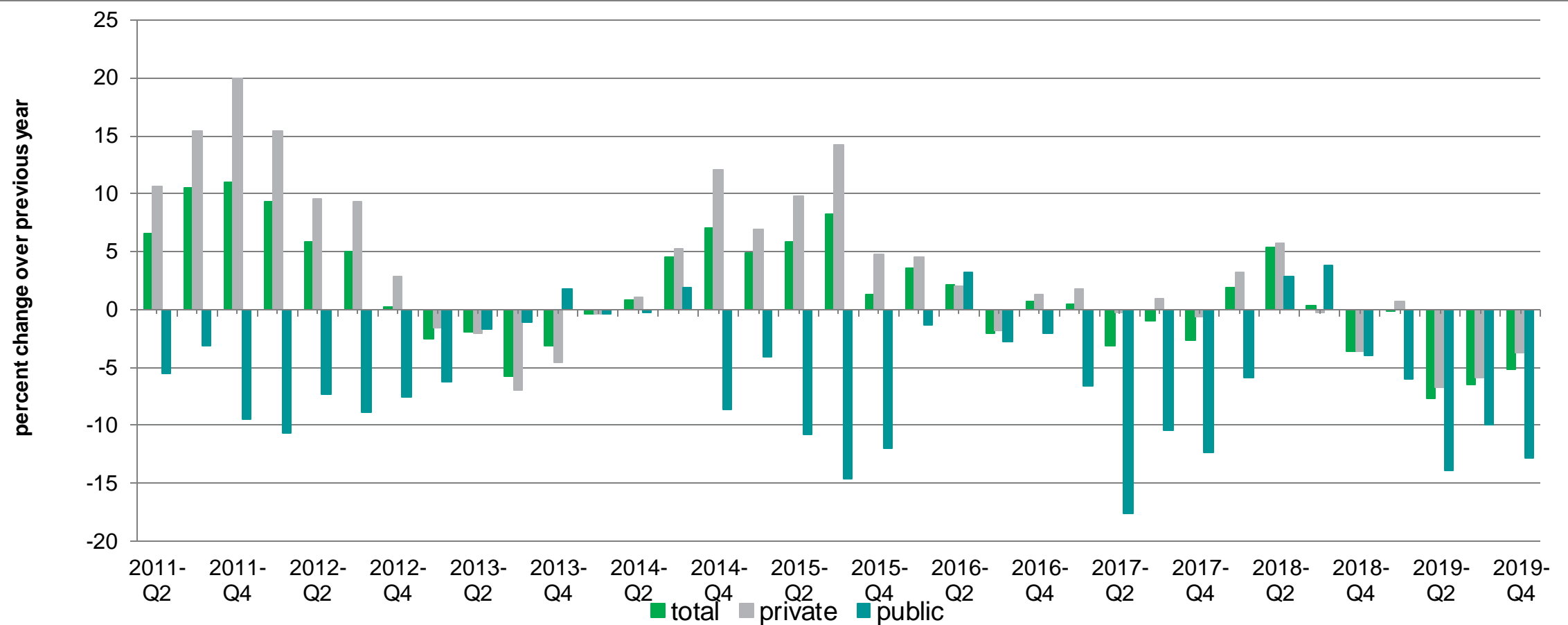


Source: IHS Markit

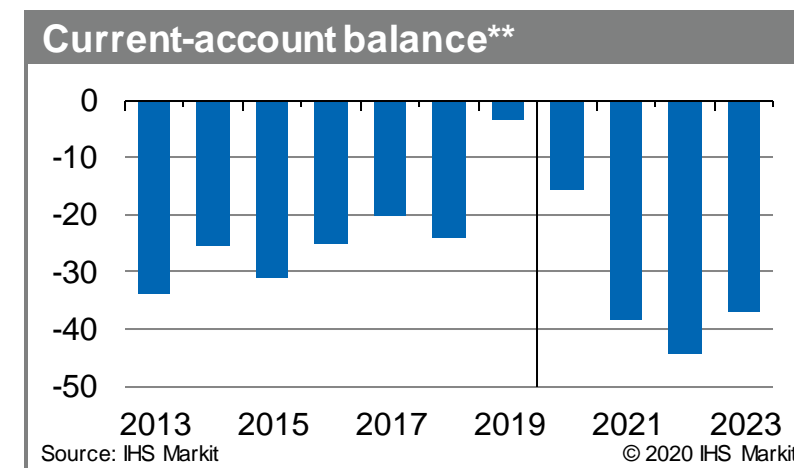
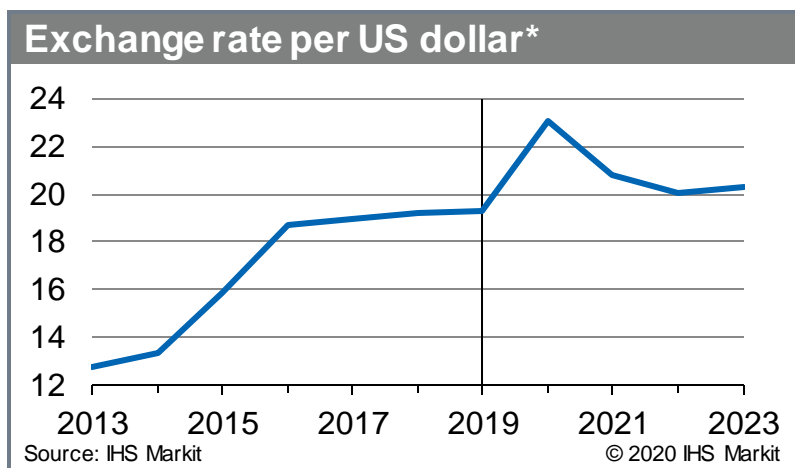
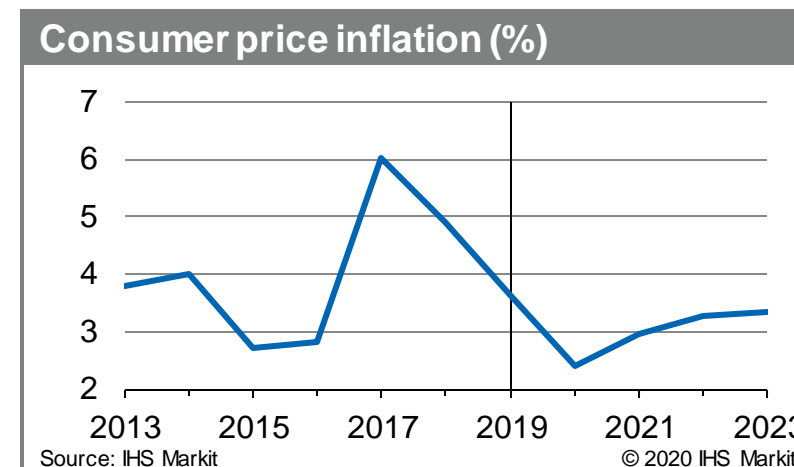
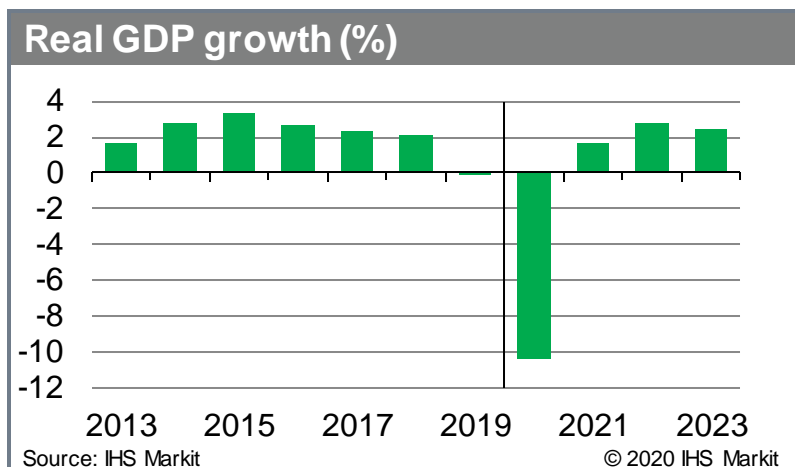
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Long-term problems will still preclude growth after the pandemic is over. Investment will continue to constrain growth in Mexico. AMLO must get trust from private investors

### Mexico: Fixed Investment



# Mexico outlook summary



\*Annual average, \*\*Billions of US dollars



# Global Automotive Outlook

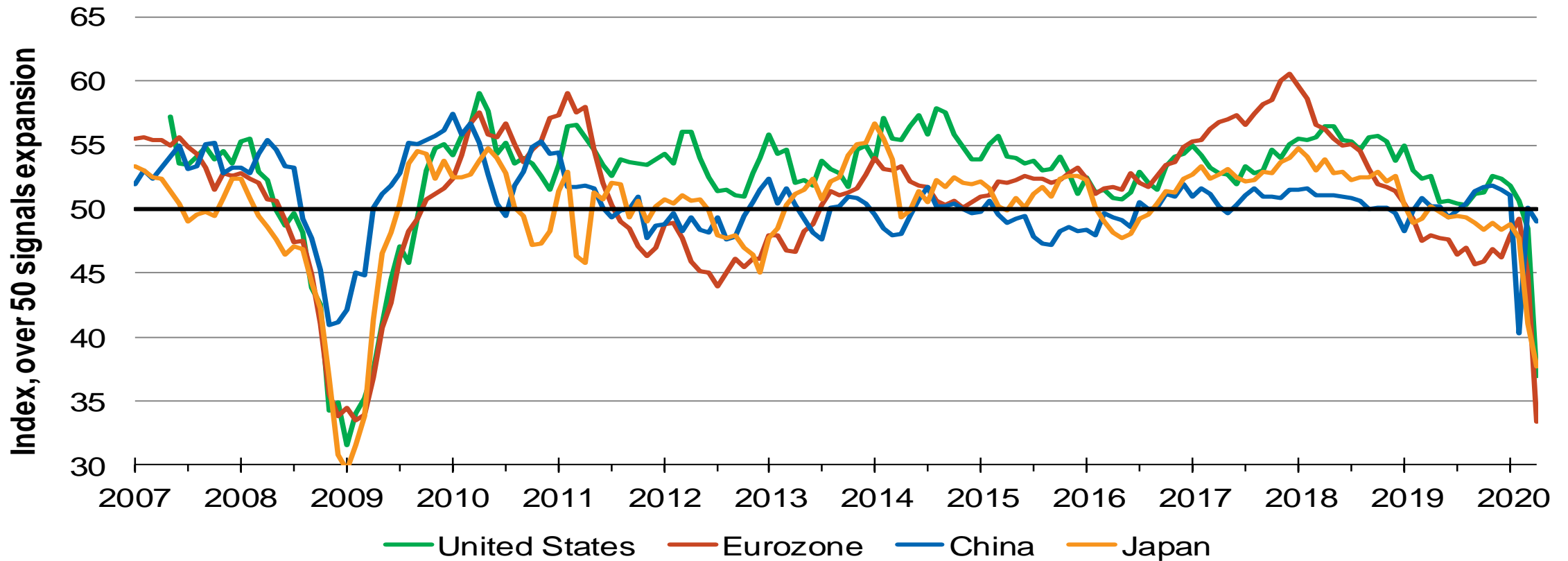
18 May 2020

**Guido Vildoza**, Senior Manager, Americas Light Vehicle Sales, IHS Markit



# IHS Markit manufacturing PMIs® point to a serious downturn

Purchasing managers' indexes

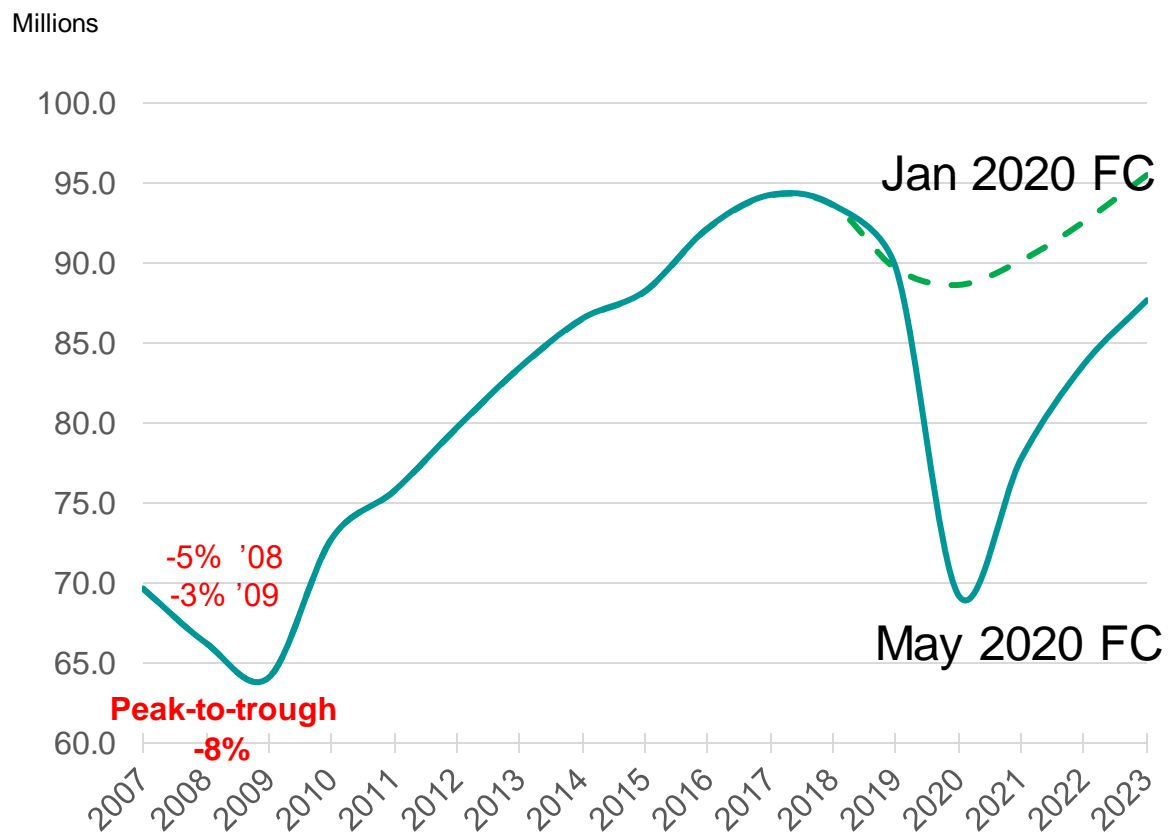


Source: IHS Markit

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# Global Automotive Outlook

## Global Light Vehicle Sales Outlook



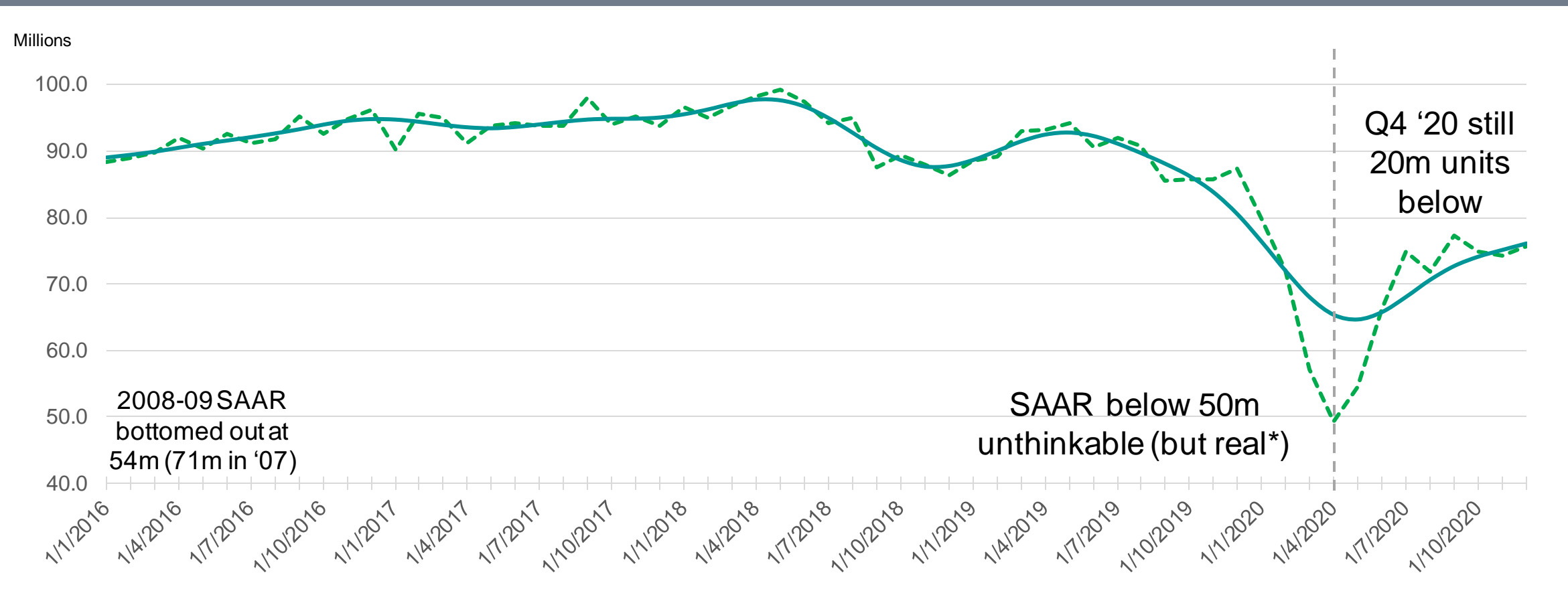
Source: IHS Markit – May 2020 LVS Forecast

Market	2020 TIV	Growth (% chg)	vs. Jan 2020
China	21.2m	-14.7%	-3.4m
USA	12.7m	-25.4%	-4.1m
WE/CE	13.3m	-26.4%	-4.2m
<b>Global</b>	<b>69.2m</b>	<b>-22.9%</b>	<b>-19.5m</b>

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# Global Automotive SAAR

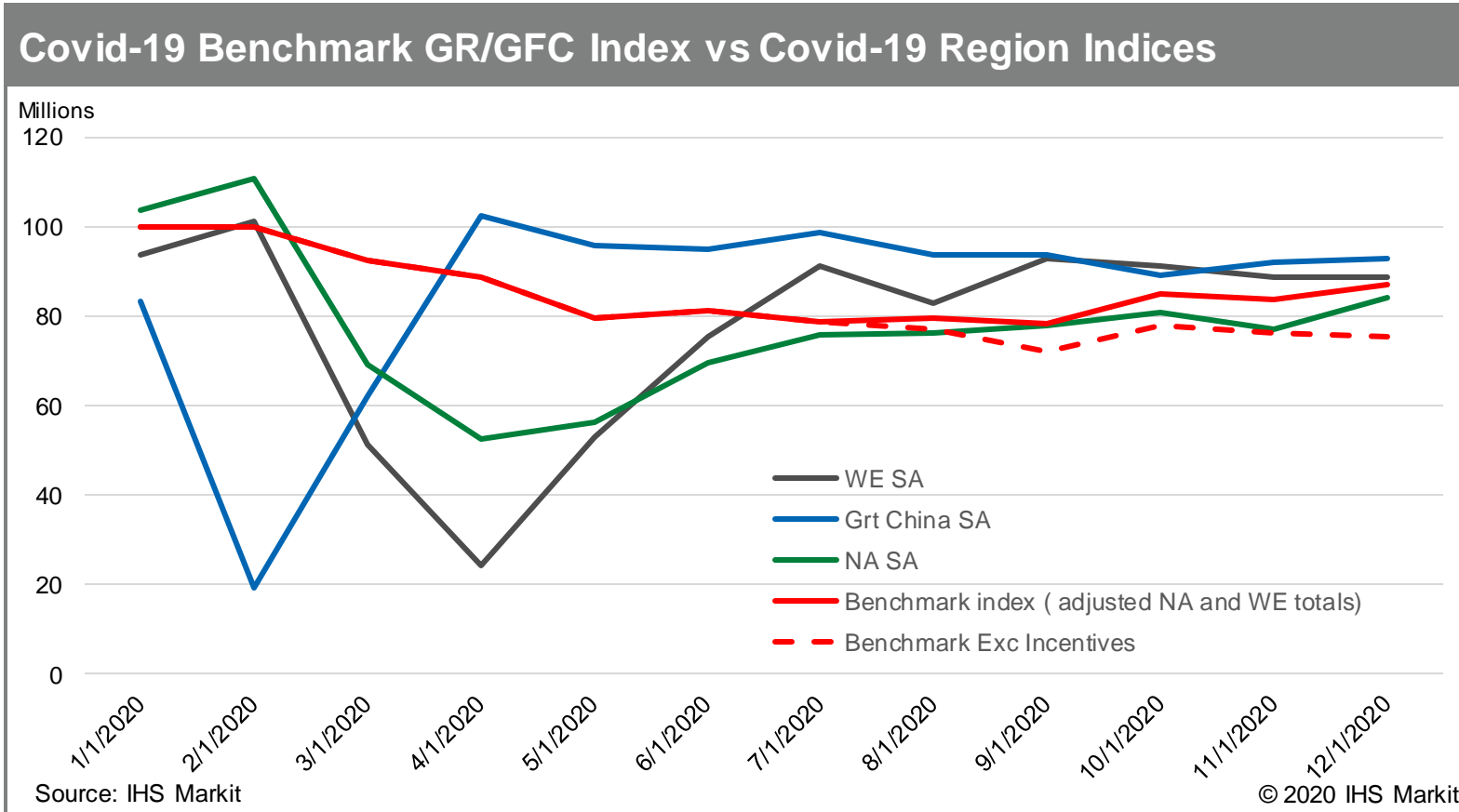
Global Light Vehicle Demand – Seasonally Adjusted Annual Running Rate (SAAR)



Source: IHS Markit

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# Regional "Walk" Index



- **GFC:** Benchmark of global financial crisis as “normal recession” for mature markets. Lehman/credit crunch hit from Sept 2008 then 4-6 months before peak impact. 6-9 month recession (scrappage).
- **Gr. China:** instant hit to auto sales from Covid-19 lockdown. Relatively early exit & recovery to previous trend levels-esp. pent-up demand.
- **W.Europe:** deep/longer instant hit reflects geography & varied lockdowns. Econ support helps but recovery still averages out below rates of previous recession.
- **USA:** H1 fall not as fast/hard as only partial national lockdown, with poorer recovery prospects (esp. jobs).

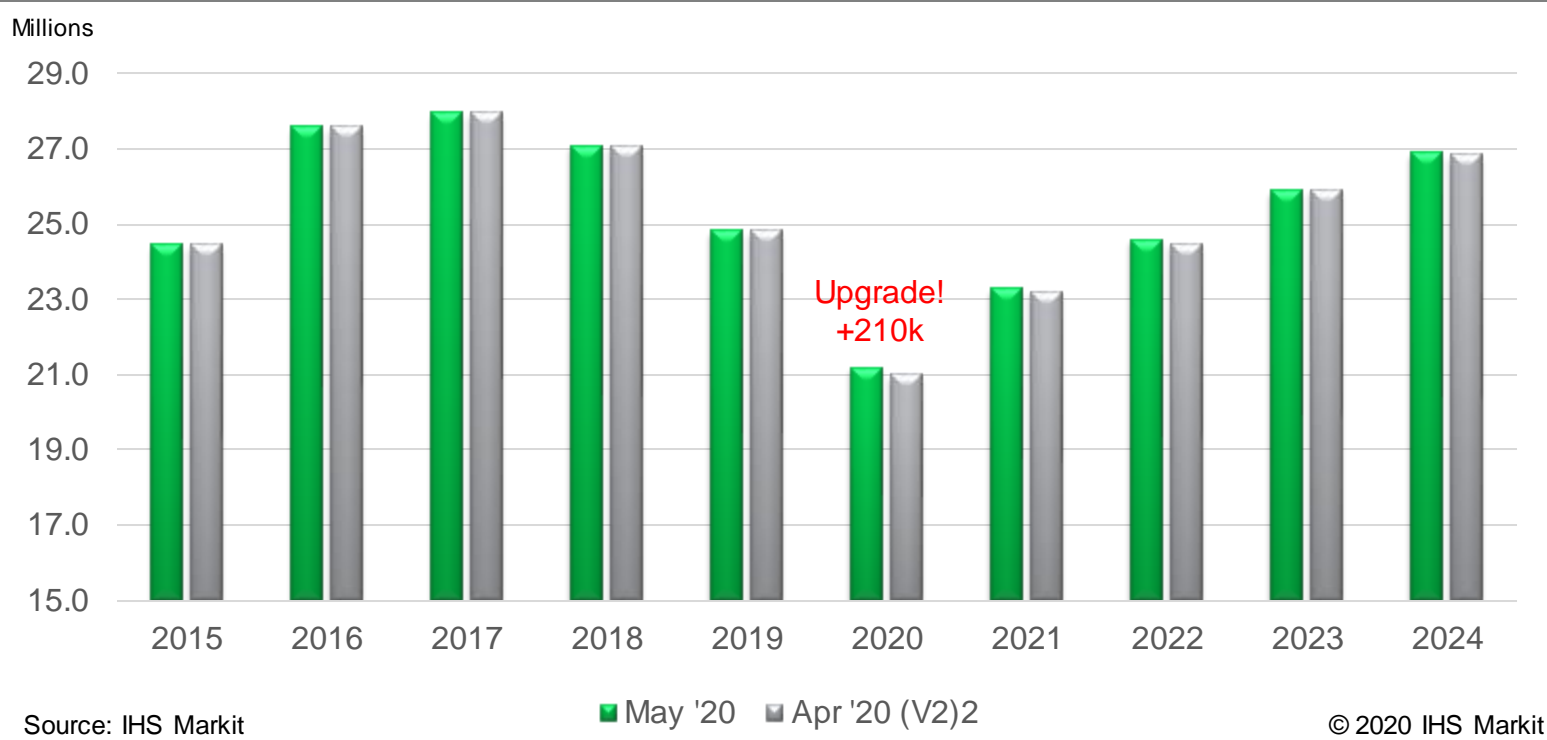
### Global 2020 LV Demand Monthly “Walk”

Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
-10%	-19%	-39%	-48%	-43%	-27%	-18%	-21%	-9%	-12%	-13%	-13%

Note: GFC line is blended performance of WE&NA

# China Outlook

Mainland China – Covid-19 Impacted LV Sales Forecast (May 2020)

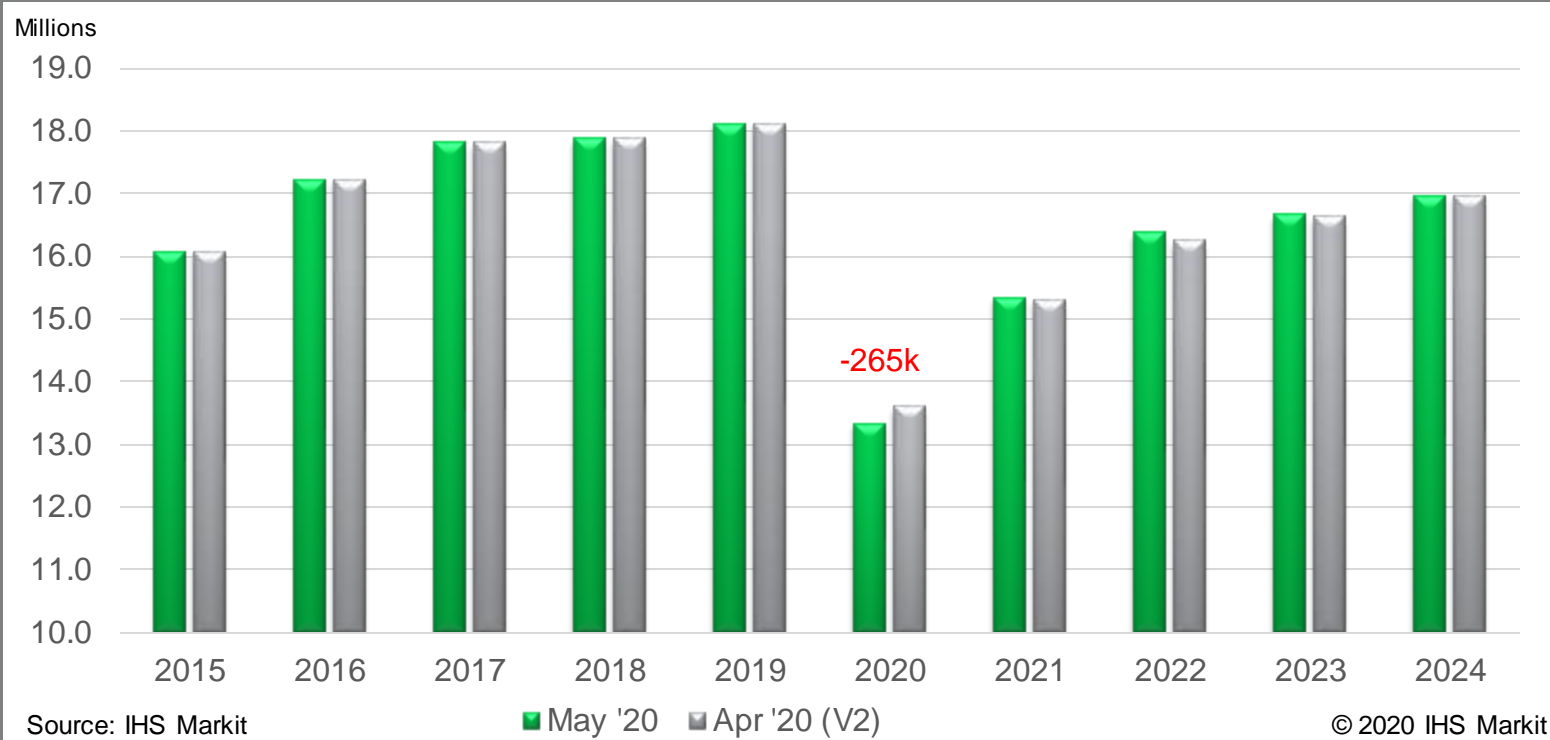


- **Economy:** Q1 GDP declined by 6.8% & 2020 GDP growth expected to below 1%.
- **Export from China** declined by 6.4% in Jan-Apr but expected to slow down significantly from H2 as EU and US would suffer from severe economic contraction
- **Demand :** light vehicles sales in Apr declined by 2.8% (estimate based on CAAM), a marked improvement comparing to 48% decline in Mar.
- **We expect vehicle demand to drop 2-3% in Q2 and Q3 respectively** assuming the spread of virus is at least under control in Q2 while vehicles sales in Q4 could decline by 7% as decelerating exports/trade take a toll on consumer confidence
- **Aversion to public transport post-outbreak could help vehicle sales but upside limited** due to much higher vehicle density & slower economic growth.
- **17 cities/provinces have introduced vehicles incentives inc. plate quota, NEV subsidy, scrappage incentives.** In addition, nationwide implementation of China 6 would be postponed to Jan, 2021 from Jul,2020. Financial institutions were instructed to provide auto finance with lower down payment/interest rate and longer terms

	2020	2021	2022	2023
% Growth YoY	-14.7%	9.9%	5.6%	5.3%
Vol Delta vs. Pre-Crisis Jan Forecast	- 3,444,430	- 2,218,032	- 2,081,961	- 1,890,959

# Europe Outlook

EU (WE/CE) – Covid-19 Impacted Light Vehicle Sales Forecast (May 2020)

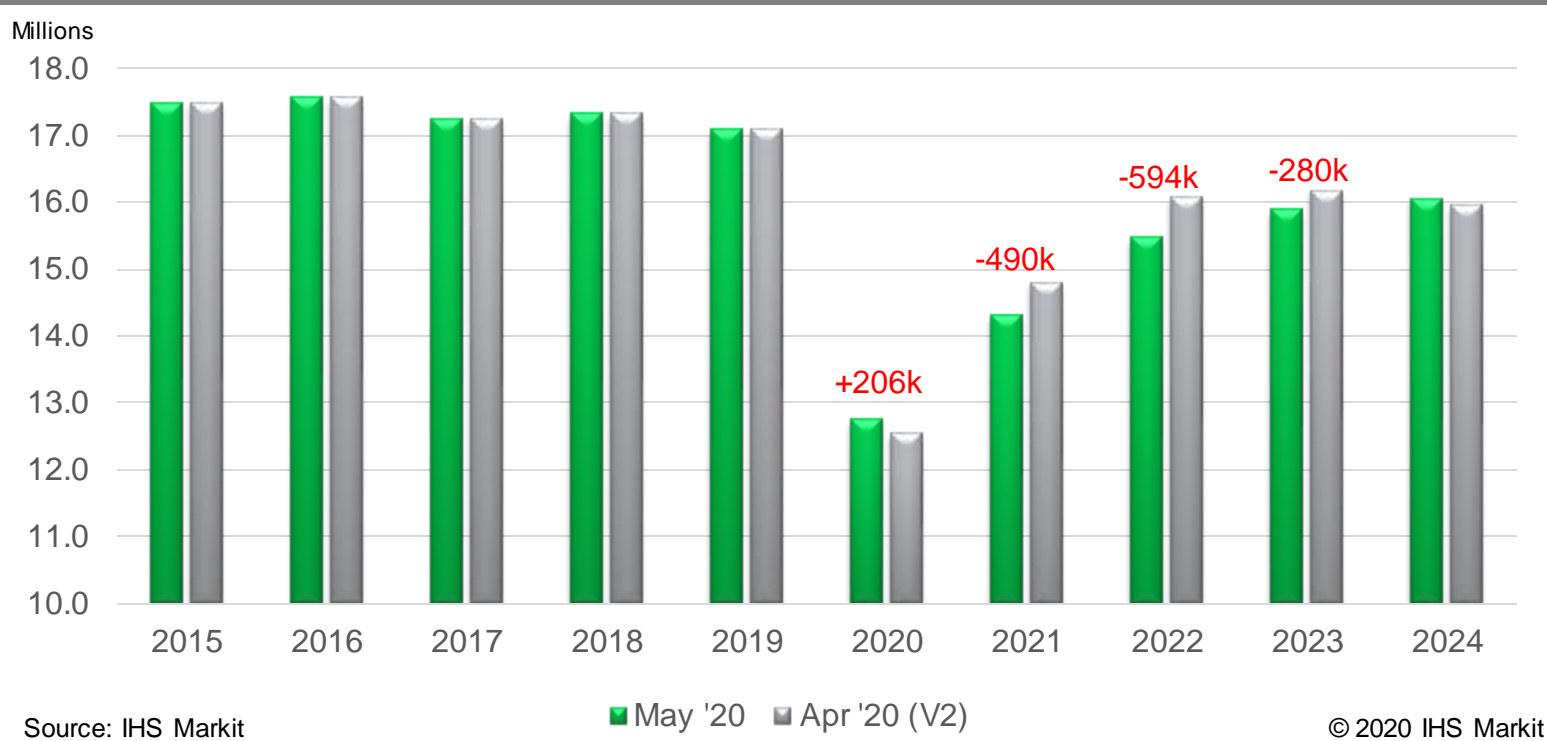


	2020	2021	2022	2023
% Growth YoY	-26.4%	15.0%	6.8%	1.8%
Vol Delta vs. Pre-Crisis Jan Forecast	-4,229,357	-2,104,462	-1,287,430	-1,049,862

- Eurozone facing deep recession, '20 GDP -8.1%. Lockdowns ended or are softened in main European countries like Italy, Spain, France & Germany. UK will follow soon. Tentative exit-strategies & cautious softening of containment measures. Cautious reopening esp. on fears of 2<sup>nd</sup> COVID-19 spike (not in basecase).
- Car dealerships reopen/look to reopen (online). Many European automotive production plants reopened/planning re-starts, which should support demand recovery prospects.
- April '20 figures disastrous due to full-month of lockdown in many markets. PC April '20 figures : ITA -98%, ESP -97%, UK -97%, FRA -89%, GER -61%, WE -80%. Scandinavian countries avoided massive losses as their containment measures were softer with Denmark (down 38%), Finland (down 39%), Norway (down 34%), and Sweden (down 38%).
- European governments economic support measures—some v. big & v. quick (e.g. DEU, UK, ITA). ECB announced measures to support bank lending & expanded its asset purchase program. EU/EZ mulling collective action—risk of N/S divide. No news on EC CO2 targets. OEMs also want/need further stimulus measures.

# USA Outlook

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

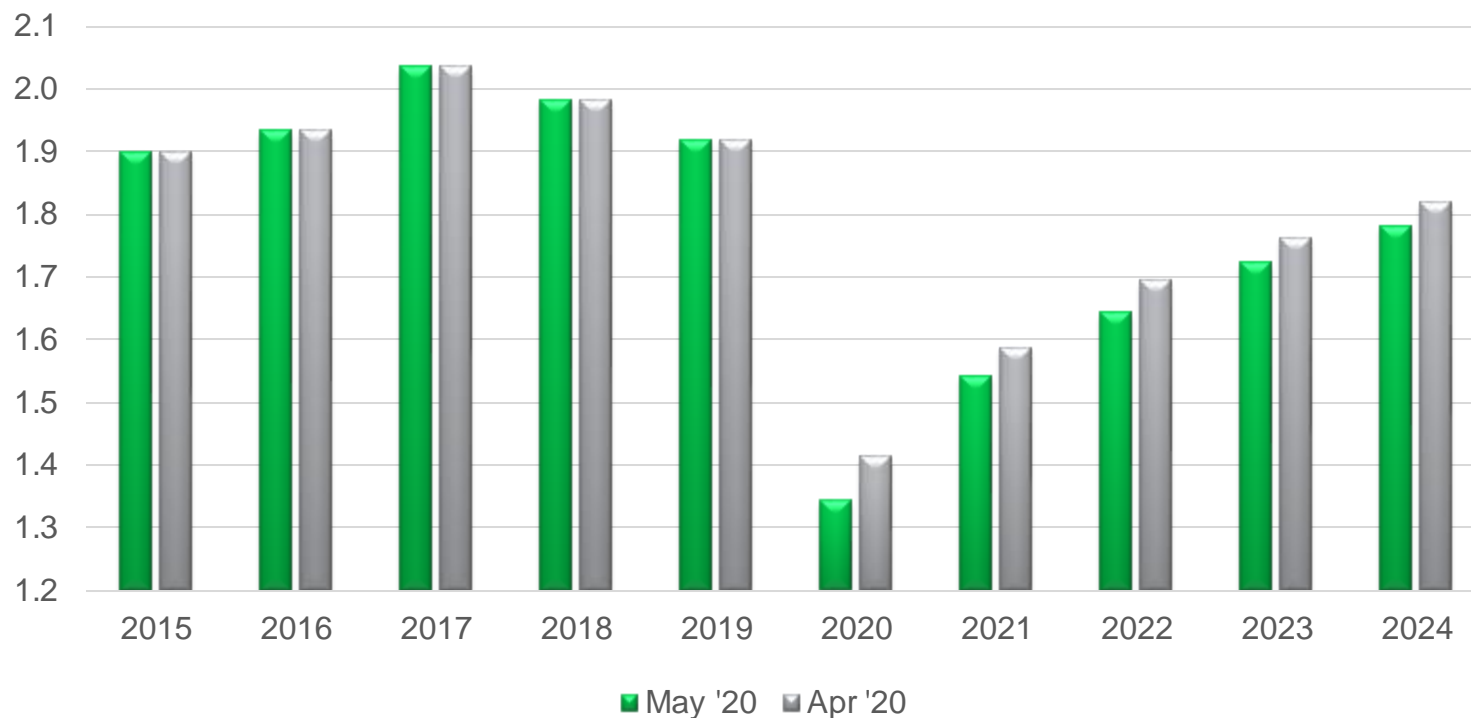


	2020	2021	2022	2023
% Growth YoY	-25.4%	+12.3%	+8.1%	+2.7%
Vol Delta vs. Pre-Crisis Jan Forecast	-4,091,000	-2,291,000	-961,000	-553,000

- While the economic damage brought on by COVID-19 continues to lean to the downside, US auto sales dropped an estimated 47% in April. Better than some of the performances realized elsewhere around the globe.
- OEM Incentives/support, online sales & almost half of states not limiting dealer activity helping to provide some cushion against worst-case scenario.
- Vehicle inventory levels will be an important variable moving through the immediate forecast horizon. There could be some model-level pressures as the sales pace picks up and assembly plants begin slowly come online again.
- With employment losses totaling over 30 million & the unemployment rate expected to rise to almost 20% later this year, consumers are expected to remain on the sidelines, pointing towards a weak recovery outlook. US unemployment rate settings sit at 14.9% in 2020, 13.5% in 2021, 9.5% in 2022, all up from previous April settings. GDP of -7.3% in 2020, 5.1% in 2021, 4.6% in 2022.
- 2020 volume LVS setting of 12.7m units (-25% y/y) followed by 14.3m in 2021 (up 12%).

# Canada Outlook

**CANADA– Covid-19 Impacted Light Vehicle Sales Forecast (May 2020)**



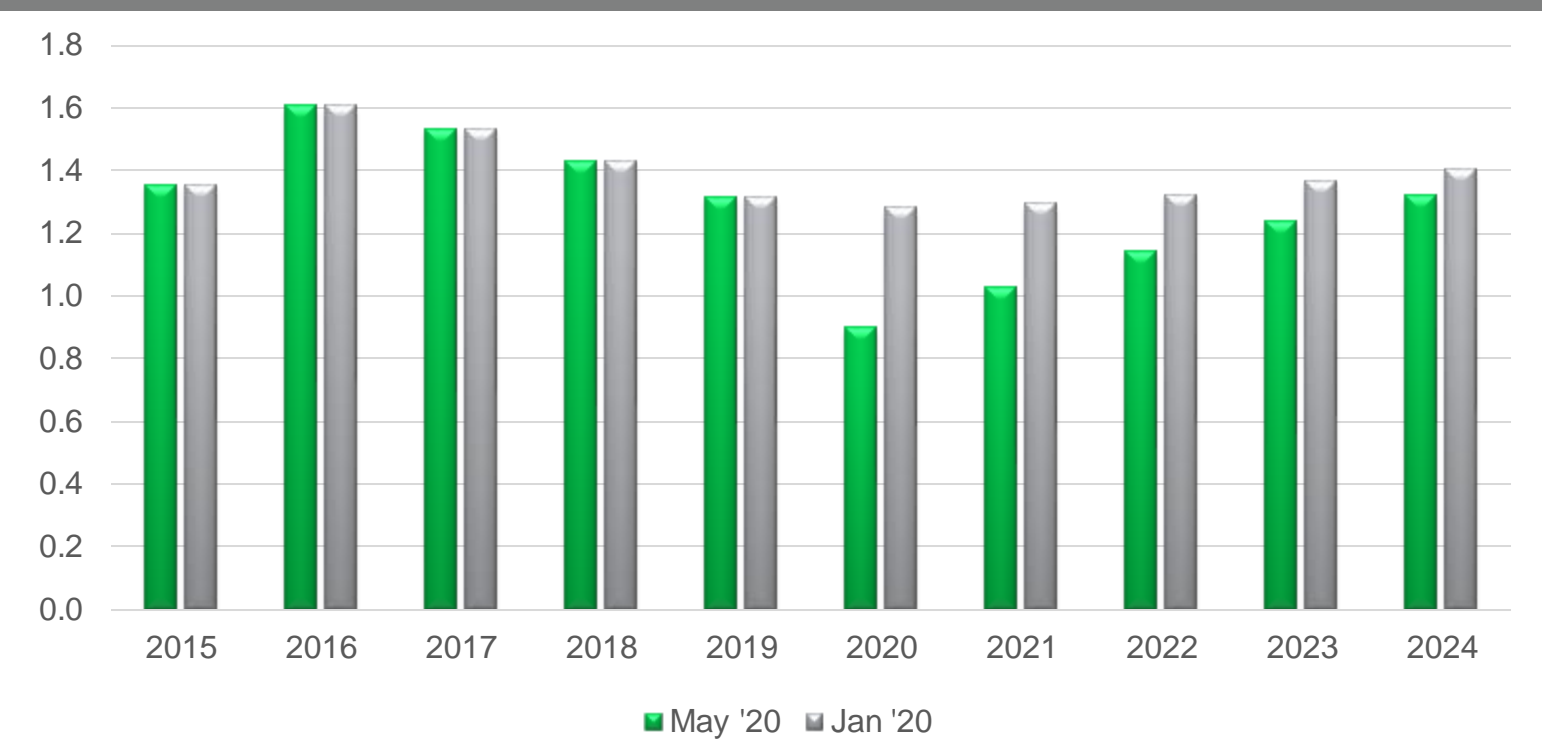
	2020	2021	2022	2023
% Growth YoY	-30%	15%	7%	5%
Vol Delta vs. Pre-Crisis Jan Forecast	-540,000	-359,000	-283,000	-215,000

- The magnitude of the supply and demand shocks from the coronavirus disease 2019 (COVID-19) virus restrictions, not to mention the oil price war, makes Canada's economy especially vulnerable.
- Canada's economic forecast was revised to -8.3% in 2020, down by 2.8 percentage points compared with the April forecast setting.
- Commensurate with the downgraded economic outlook and low April sales total (down estimated 77% y/y), the light vehicle sales forecast for 2020 has been lowered to 1.34 million units (down from previous 1.41 million unit setting).
- Owing to the strict social distancing measures and closure of nonessential businesses, employment will drop in the second quarter, with the unemployment rate rising to 10.4%, before slowly lowering to 9.2% in fourth quarter 2020. Overall, household expenditures will decline 3.9% in 2020, which is the first annual decrease since 1991.



# Mexico Outlook

Mexico – Covid-19 Impacted Light Vehicle Sales Forecast (May 2020)

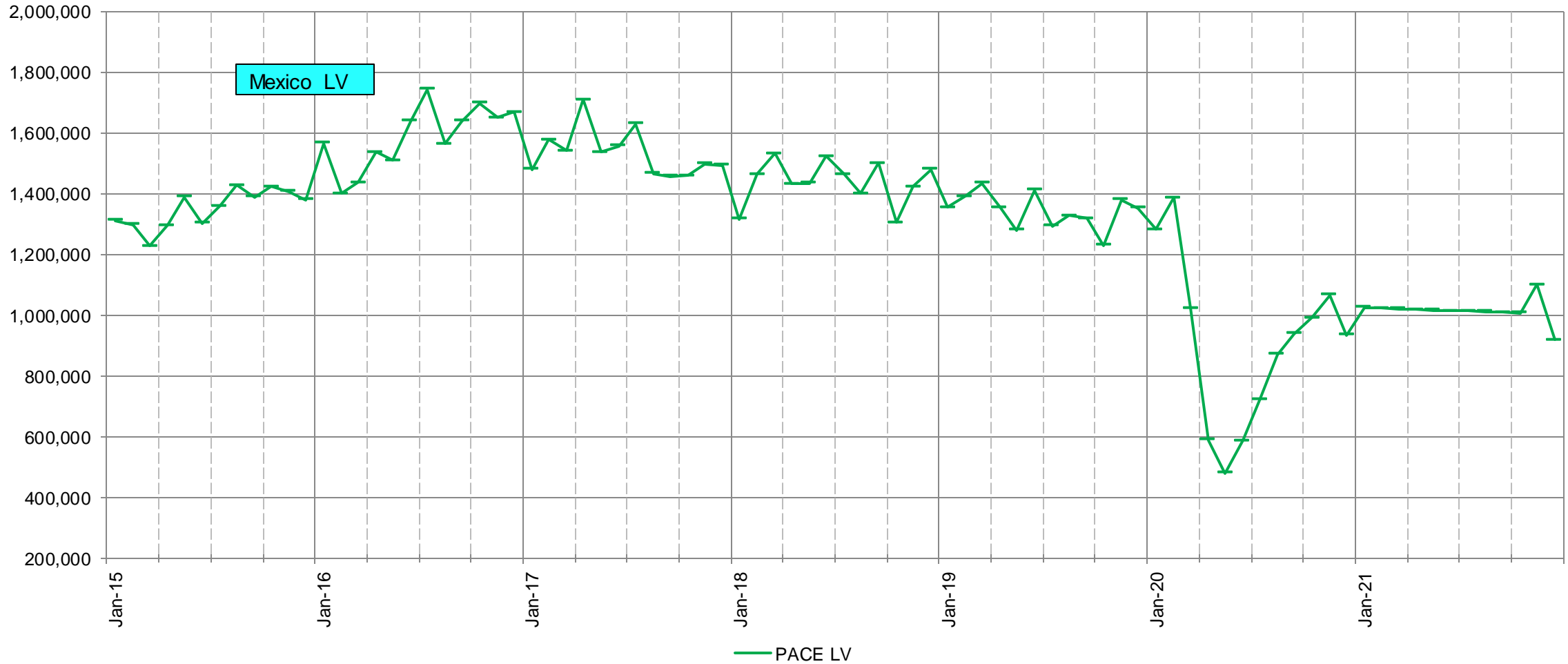


- The Mexican economy is now expected to contract by 6-7% this year as President Lopez Obrador seems reluctant to implement tougher measures.
- Oil prices are likely to not help.
- President Lopez Obrador has instructed a quarantine through the end of May due to COVID 19. Automotive not considered essential business
- The Mexican Peso has taken a severe hit, falling to 25 MXP/USD.
- We see the US economy falling into a severe recession in the second and third quarters of 2020 and will likely sweep Mexico along with it.
- Our forecast currently envisions YOY drops of up to ~70% for some months of the second quarter.
- We now expect a nearly 400,000 unit drop for the year (~32%) followed by a quick recovery.

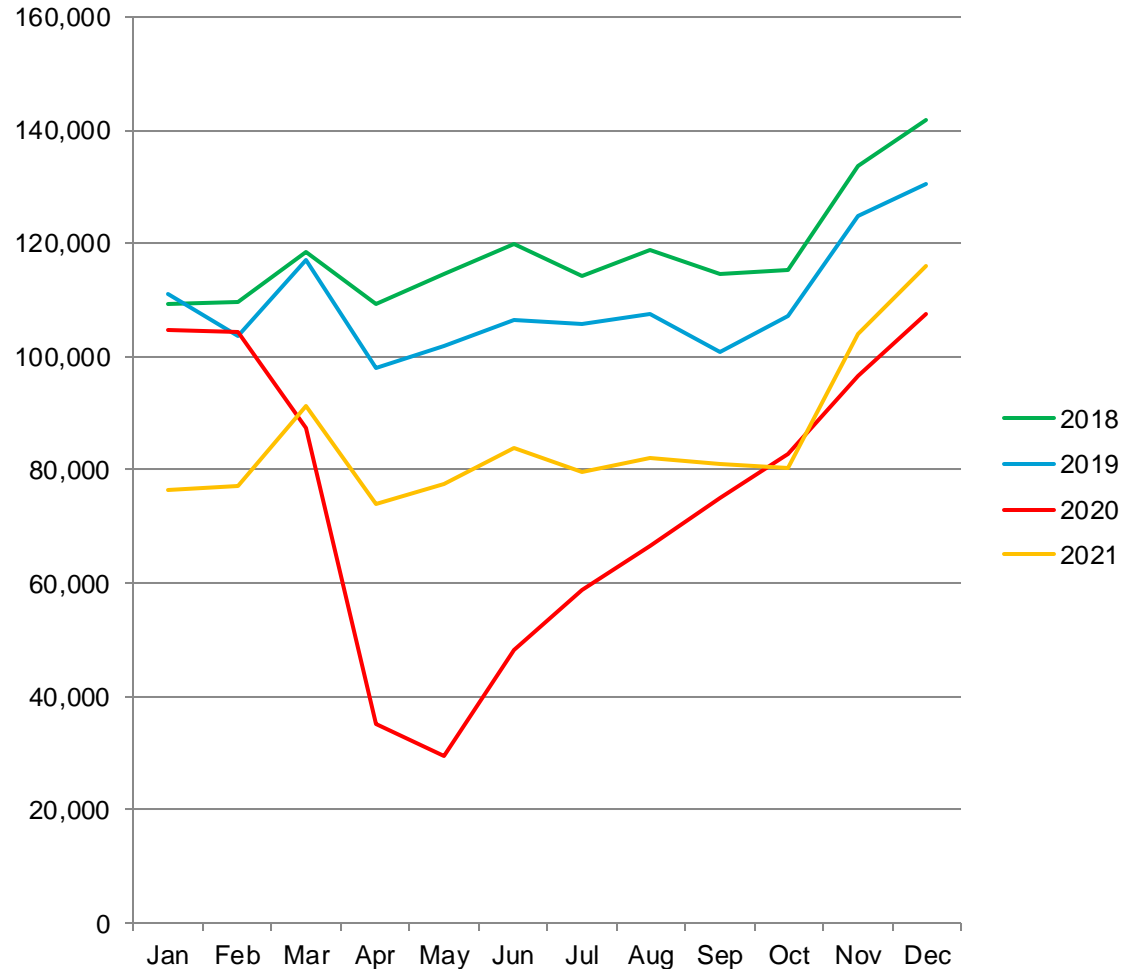
	2020	2021	2022	2023
% Growth YoY	-31.9%	14.2%	11.2%	8.4%
Vol Delta vs. Pre-Crisis Jan Forecast	-385K	-267K	182K	-131K

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# Mexico SAAR May



# Mexico Monthly Walk May



<b>Jan-20</b>	104,832	-6%
<b>Feb-20</b>	104,328	1%
<b>Mar-20</b>	87,517	-25%
<b>Apr-20</b>	34,903	-64%
<i>May-20</i>	<i>29,235</i>	<i>-71%</i>
<i>Jun-20</i>	<i>48,187</i>	<i>-55%</i>
<i>Jul-20</i>	<i>58,588</i>	<i>-45%</i>
<i>Aug-20</i>	<i>66,522</i>	<i>-38%</i>
<i>Sep-20</i>	<i>74,929</i>	<i>-26%</i>
<i>Oct-20</i>	<i>82,605</i>	<i>-23%</i>
<i>Nov-20</i>	<i>96,389</i>	<i>-23%</i>
<i>Dec-20</i>	<i>107,516</i>	<i>-18%</i>
<i>Jan-21</i>	<i>76,372</i>	<i>-27%</i>
<i>Feb-21</i>	<i>77,041</i>	<i>-26%</i>
<i>Mar-21</i>	<i>91,099</i>	<i>4%</i>
<i>Apr-21</i>	<i>73,807</i>	<i>111%</i>
<i>May-21</i>	<i>77,563</i>	<i>165%</i>
<i>Jun-21</i>	<i>83,926</i>	<i>74%</i>
<i>Jul-21</i>	<i>79,522</i>	<i>36%</i>
<i>Aug-21</i>	<i>82,241</i>	<i>24%</i>
<i>Sep-21</i>	<i>81,145</i>	<i>8%</i>
<i>Oct-21</i>	<i>80,213</i>	<i>-3%</i>
<i>Nov-21</i>	<i>104,040</i>	<i>8%</i>
<i>Dec-21</i>	<i>116,098</i>	<i>8%</i>

¡Gracias!  
Thank you!

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