



IHS Markit®

Commercial Vehicles: Market Trends in Mexico & North America

AMDA Commercial Vehicles Forum 2021

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Outline

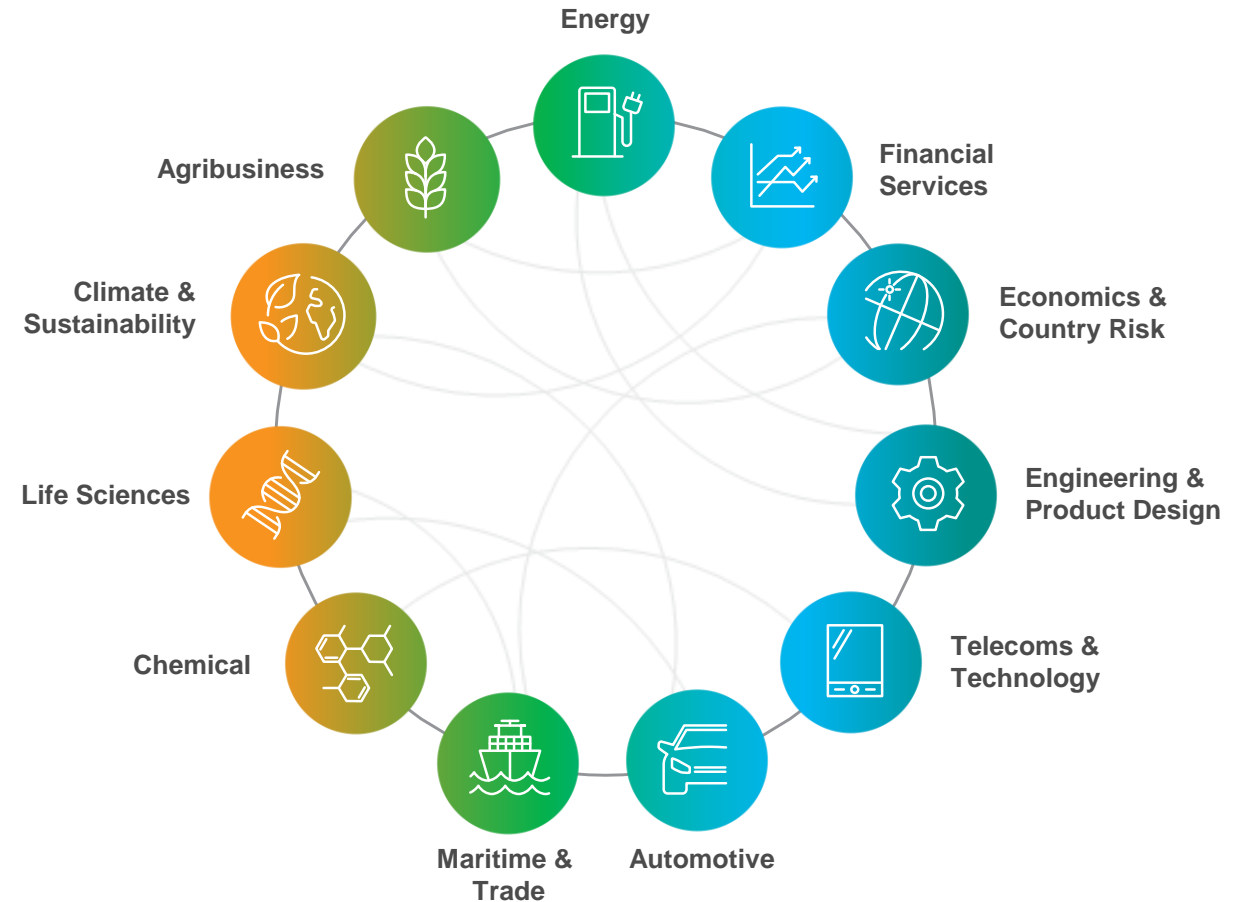
- About IHS Markit
- Mexico's commercial-vehicle market in the global context
- Recovery in 2021 and beyond
- Structural issues

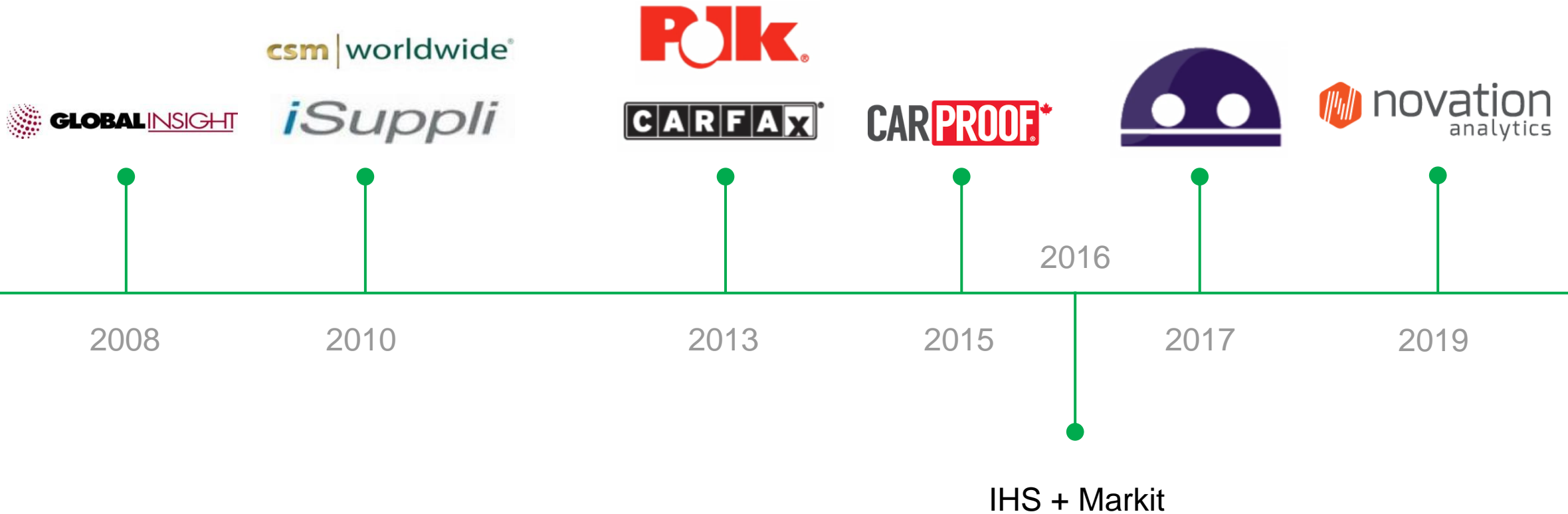
About IHS Markit

A world leader in critical information, analytics and solutions

Addressing strategic challenges with interconnected capabilities

<p>50,000+ customers in over 140 countries</p>	<p>80% of the Fortune Global 500</p>
<p>94/100 largest US corporates</p>	<p>\$4B annual revenue NYSE: INFO</p>





Other acquisitions: IMS Research, BDW, and Global Mapping Solutions

Unmatched credentials

100%

of the top automakers
14 OEMs with revenue greater than \$50 billion



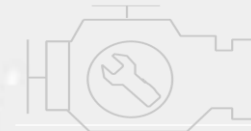
100%

of the top MHCV providers



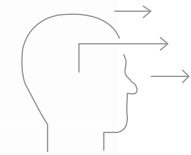
95%

of the top automotive suppliers
with revenue greater than \$5 billion



900+

automotive experts
on the ground in 16 countries



Address issues
driving industry



Global long-term
forecasts

covering almost 100%
of light & medium/heavy commercial vehicle
sales & production



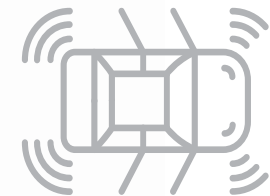
Vehicles in Operation
(VIO) coverage

for 70+ countries (95% of industry)



Autonomous &
mobility forecasts

covering US, Europe, China and India
with 5 years of historical data and 12 year forecasts



Automotive Solutions

AFTERSALES SOLUTIONS

- Predictive Marketing
- Targeted Campaigns
- Parts & Service Marketing



COMPLIANCE & PERFORMANCE

- Alternative Propulsion FC
- Compliance
- Performance
- Fuel Efficiency
- CO2 benchmarking
- Cost To Comply



MARKET REPORTING

- Sales Performance
- National and subnational Reporting
- Sales Channels
- Vehicles in Operation
- Market Share Analysis



COMPONENTS, FEATURES & TECHNOLOGY SOLUTIONS

- Component Forecasting
- Technology Benchmarking and Vehicle Specification Comparison
- Supplier Profiles
- Sourcing Strategies OEMs



FORECASTING

- Sales/Demand Forecasting
- Production Forecasting
- Medium and Heavy Commercial Vehicle Forecasting
- Economic Forecasting



PAST PRESENT FUTURE



CONSULTING

- Sales by Powertrain
- EV and Mobility Scenarios
- Product Portfolio and Launch Planning



NETWORK PLANNING

- Ideal Network Planning
- Impact Analysis
- Future Retail Formats



MOBILITY & ENERGY FUTURE

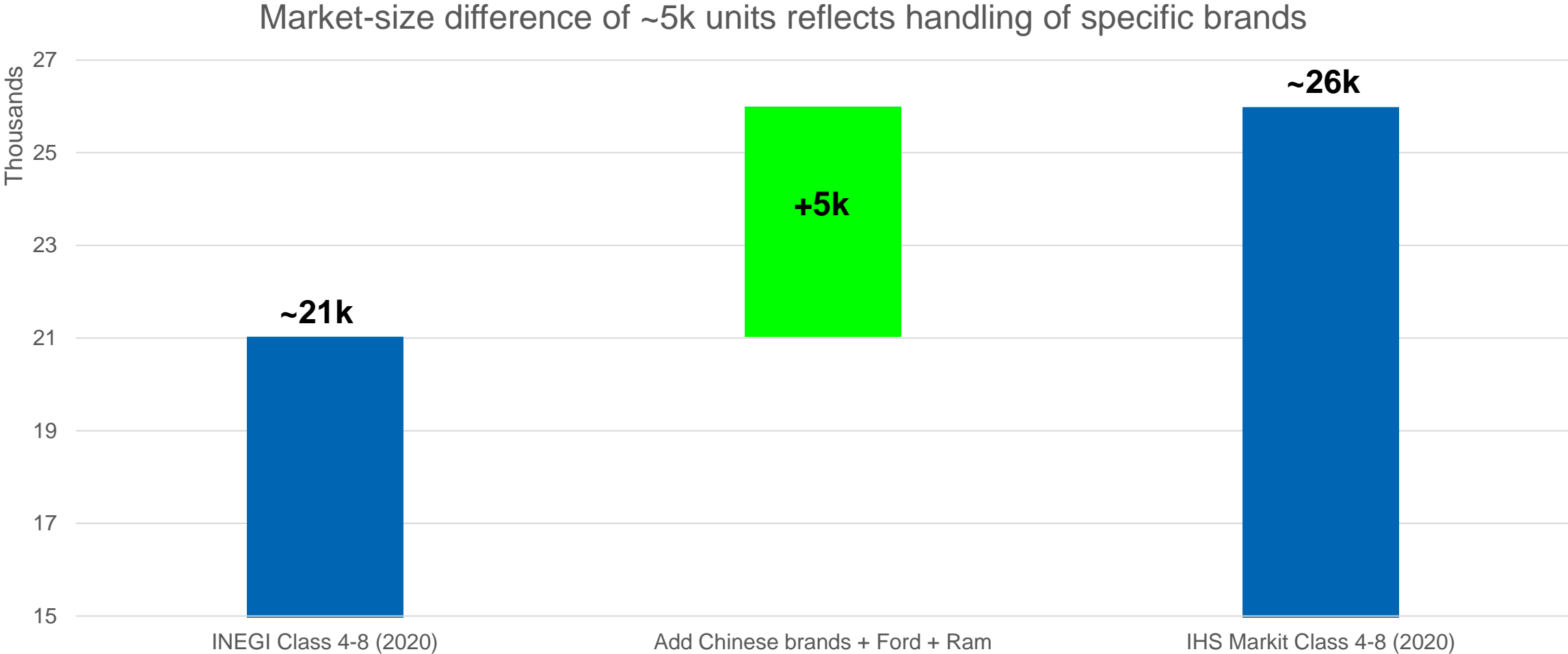
- Electrification
- Car Sharing/ Smart Cities
- Autonomous Driving
- Evolving of vehicle fleets
- Mobility service companies



Global context

Comparing the Class 4-8 truck-market size by IHS Markit and INEGI

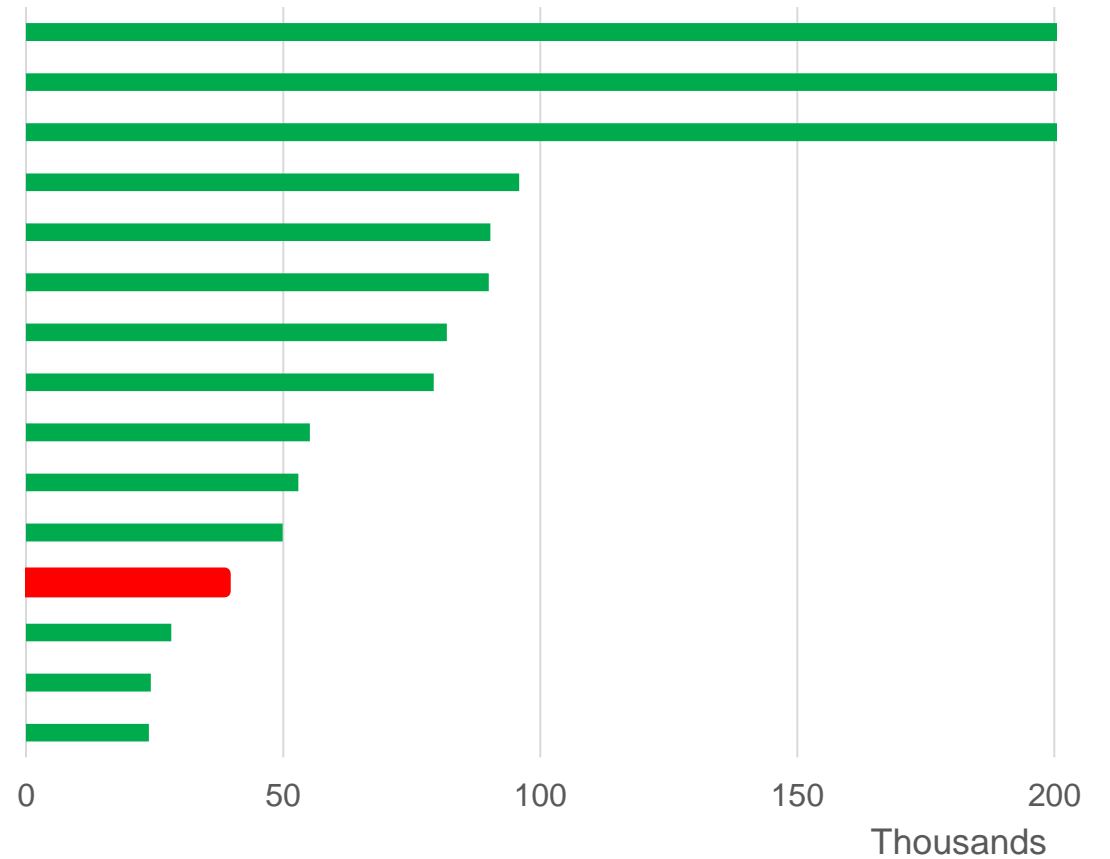
Example based on reported 2020 figures



In medium- & heavy-truck sales alike, Mexico ranks in the top fifteen globally

#12

2019 global truck sales ranking (>6T)



Motorization path of other global, regional economies suggests more growth



- Economic growth, truck population (parc) closely correlated
- Increased overall income and per capita income parallels increased truck sales

From <30,000, annual sales of 40,000-50,000 new trucks >6T may be possible

Pro

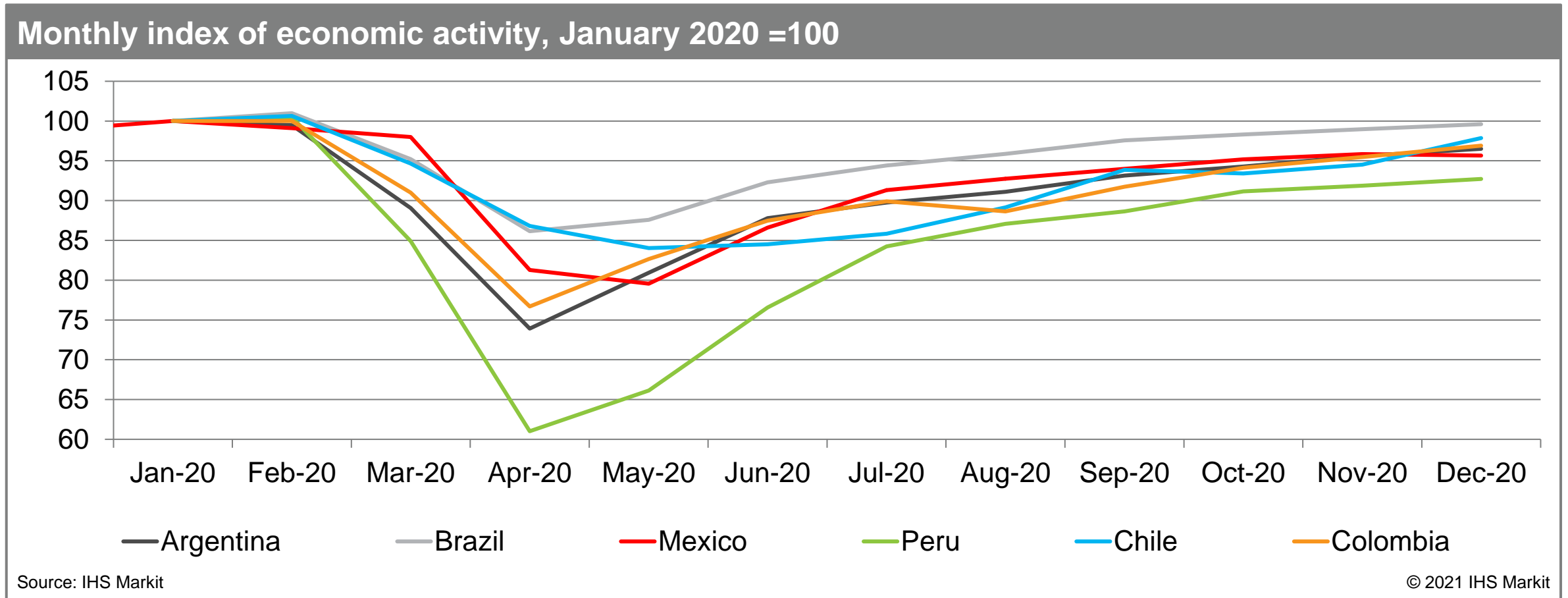
- Solid trend economic growth expected
- High transport-intensity of economy
- Close relationship w/ neighboring US economy

Con

- Post-COVID recovery
- Structural headwinds to the economy
- Truck-specific challenges

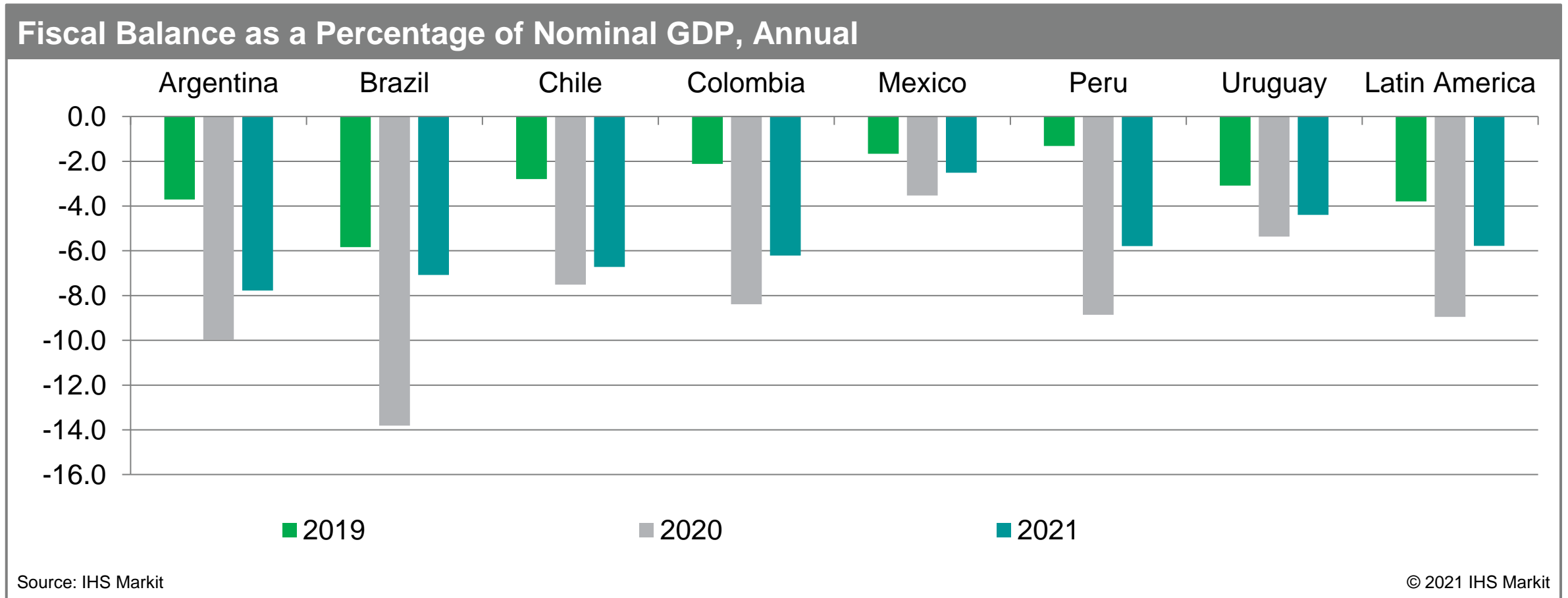
Recovery in 2021 and beyond

Recovery is underway,... but will take time



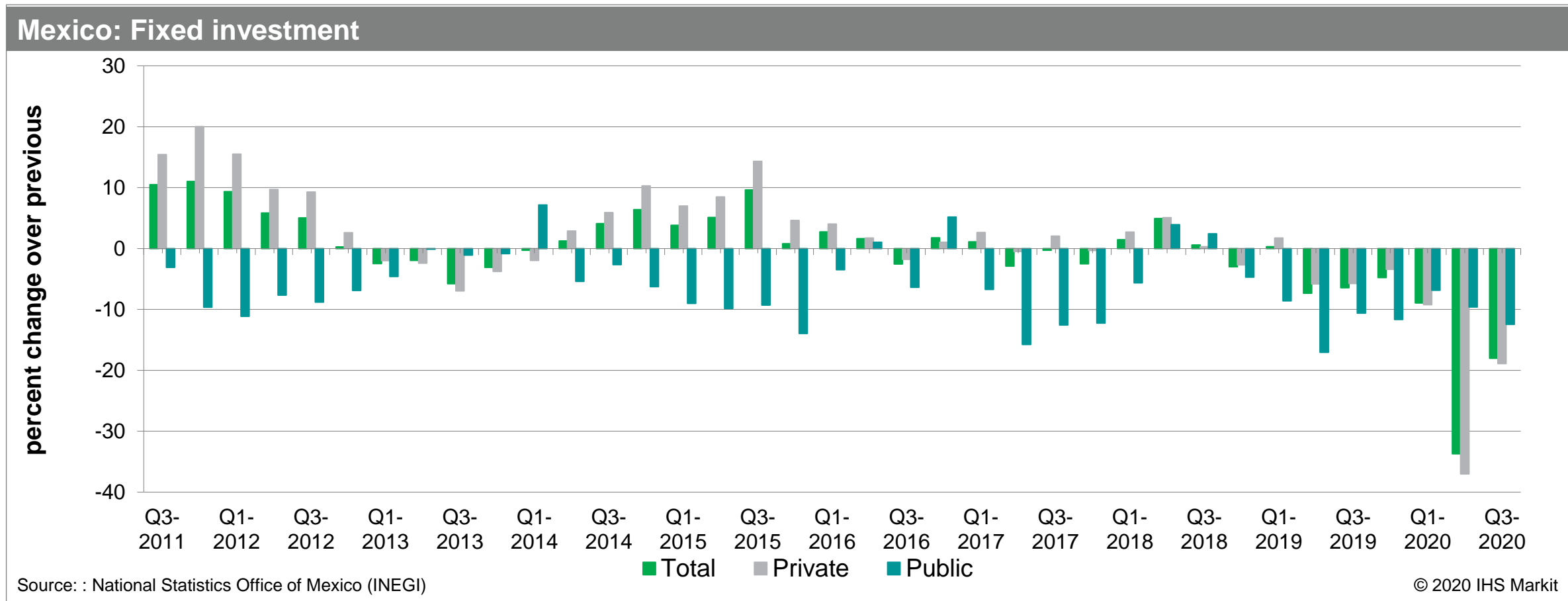
Fiscal adjustment needed in 2021

In Mexico, the fiscal burden comes from PEMEX, the state-owned oil company

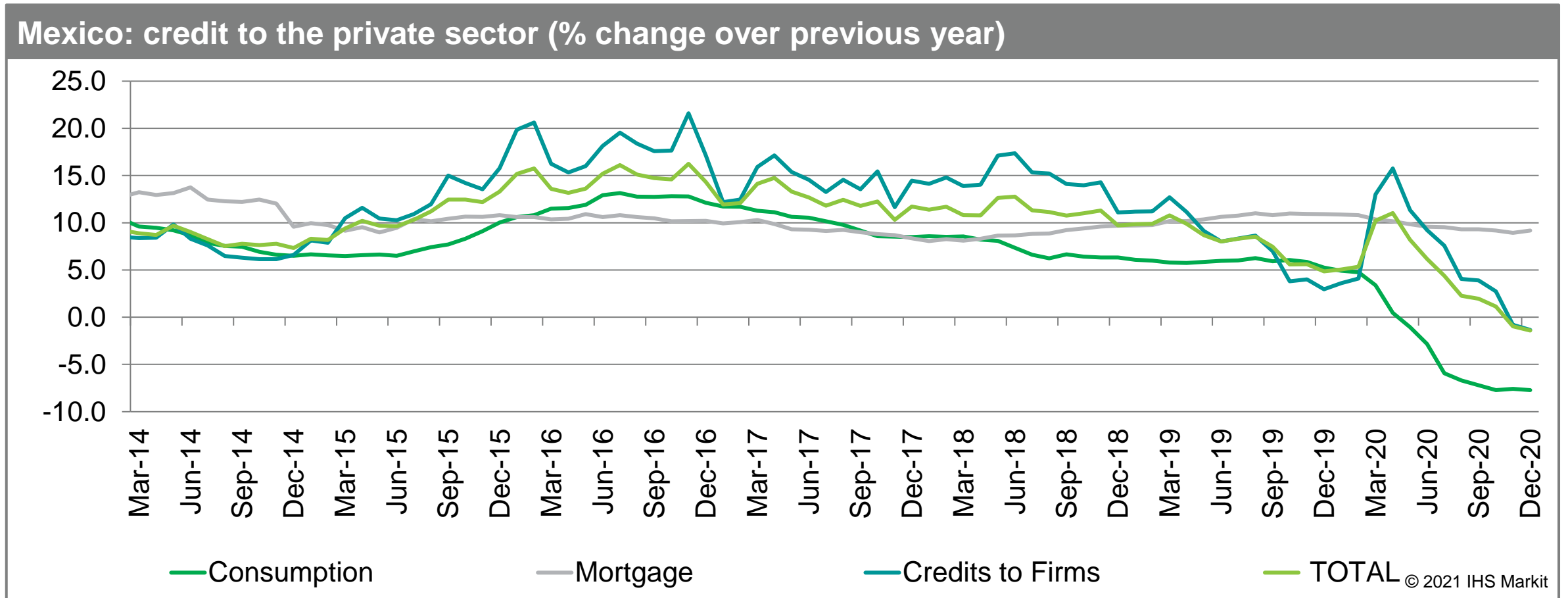


Investment will continue to constrain growth in Mexico

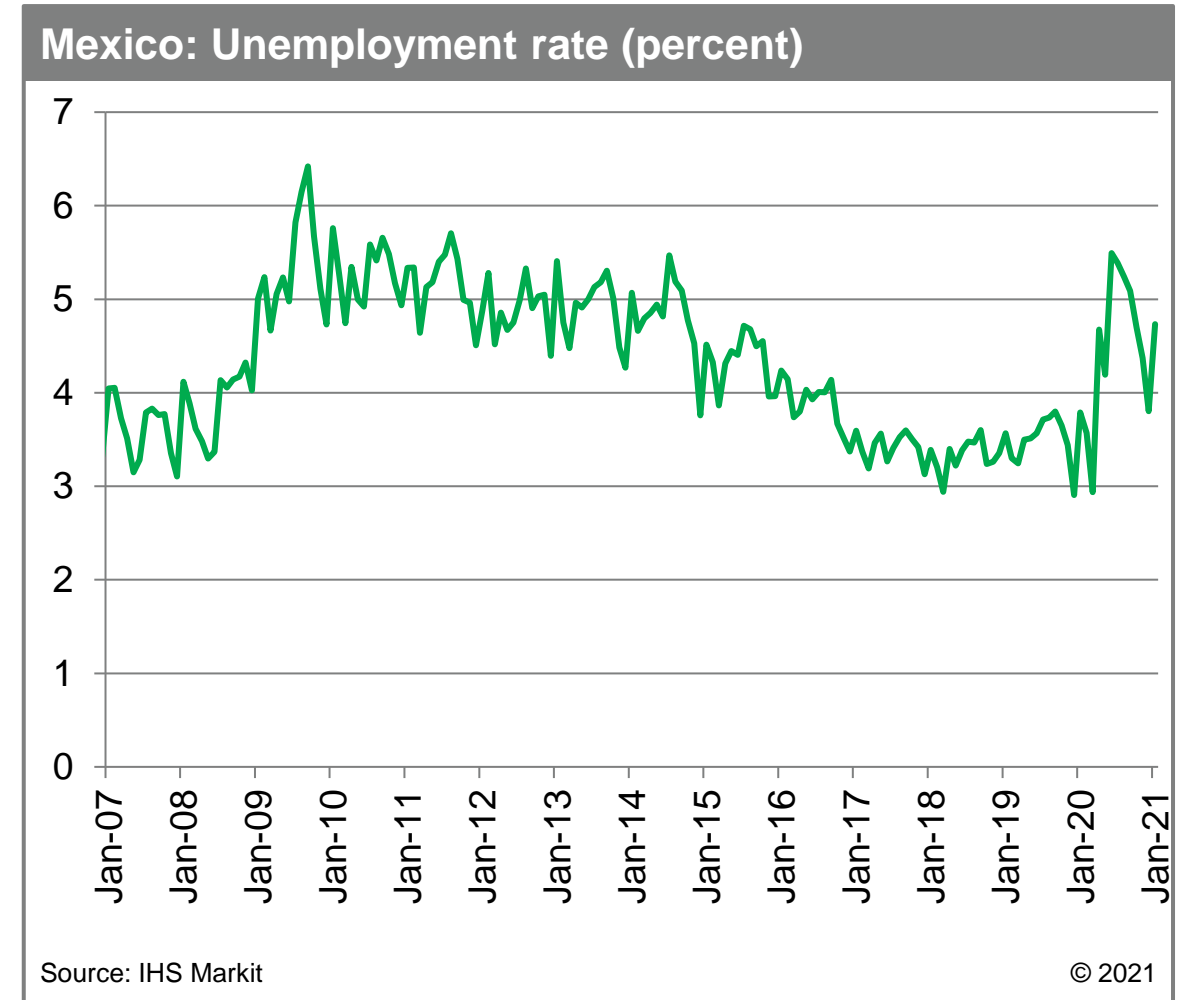
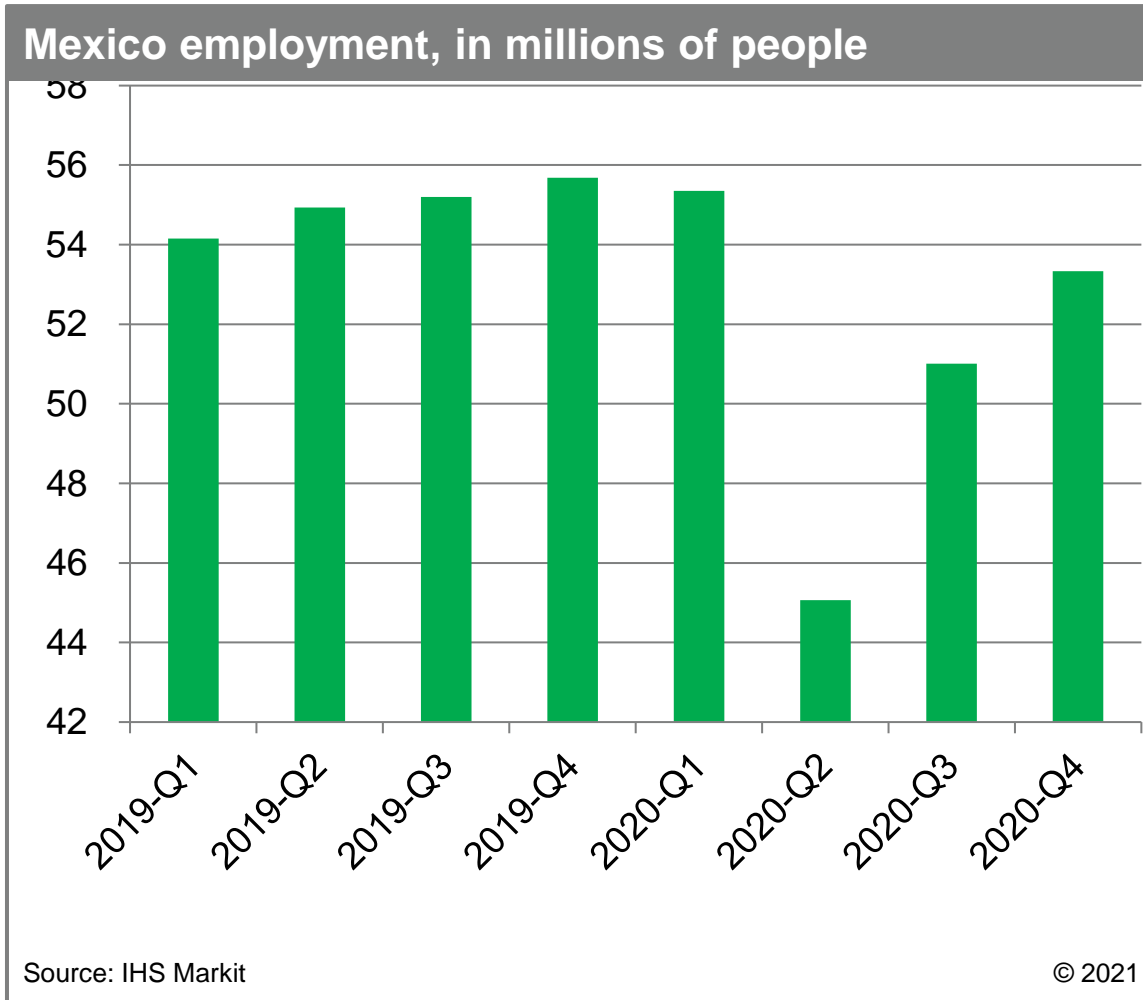
Relatively low oil prices preclude government spending on infrastructure. AMLO must get trust from private investors.



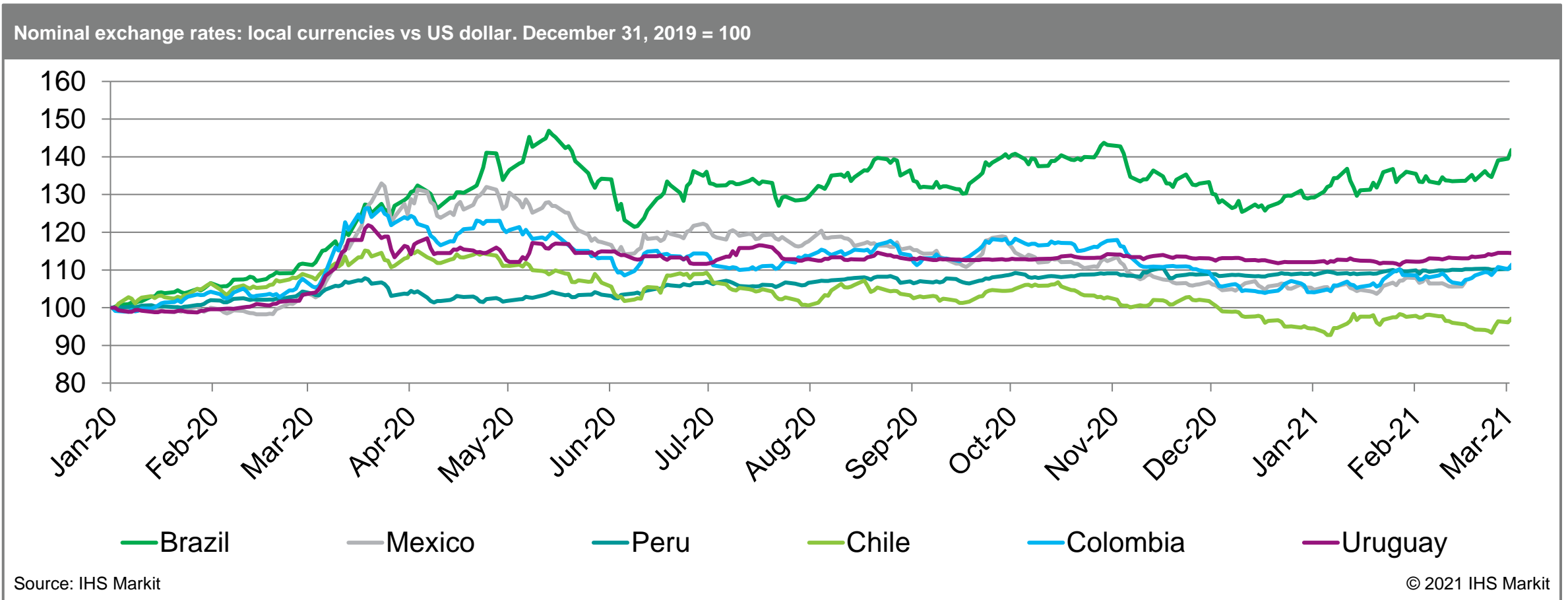
Credit continues to decline



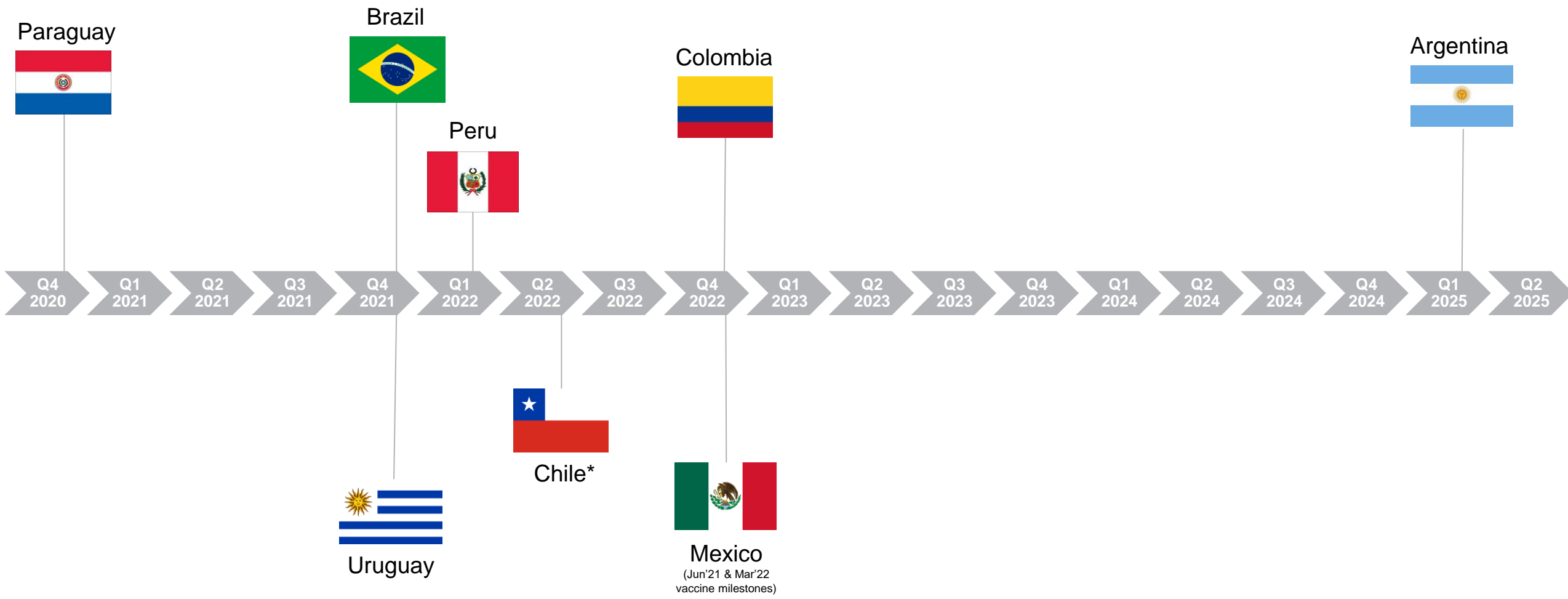
Labor Market: 12 million people left the labor force in April, by December 9.5 million had returned. Not all have found a job, still 2 million jobs missing



Volatility still reigns in FX markets, but the worst may be over



The forecast GDP “crossovers” vary significantly → when will GDP return to pre-pandemic (Q4 2019) levels?



*Chile's Q4 2019 was unusually low because of social unrest; we have used GDP levels from Q3 2019 to determine when Chile will return to pre-pandemic levels

Mexico: Macroeconomic outlook

Private household consumption expected to lead medium- and long-term growth

Concept	2019	2020	2021	2022	2023	2024-28
Real GDP	-0.1	-8.7	4.4	2.8	2.6	2.2
Real imports	-0.7	-15.2	10.1	5.3	3.7	2.4
Real exports	1.5	-8.7	9.8	6.1	1.4	1.9
Real private consumption	0.6	-10.9	4.0	2.9	3.4	2.8
Real govt. consumption	-1.3	4.0	5.1	0.8	2.7	1.3
Real fixed investment	-4.6	-18.5	5.0	3.3	2.5	1.8

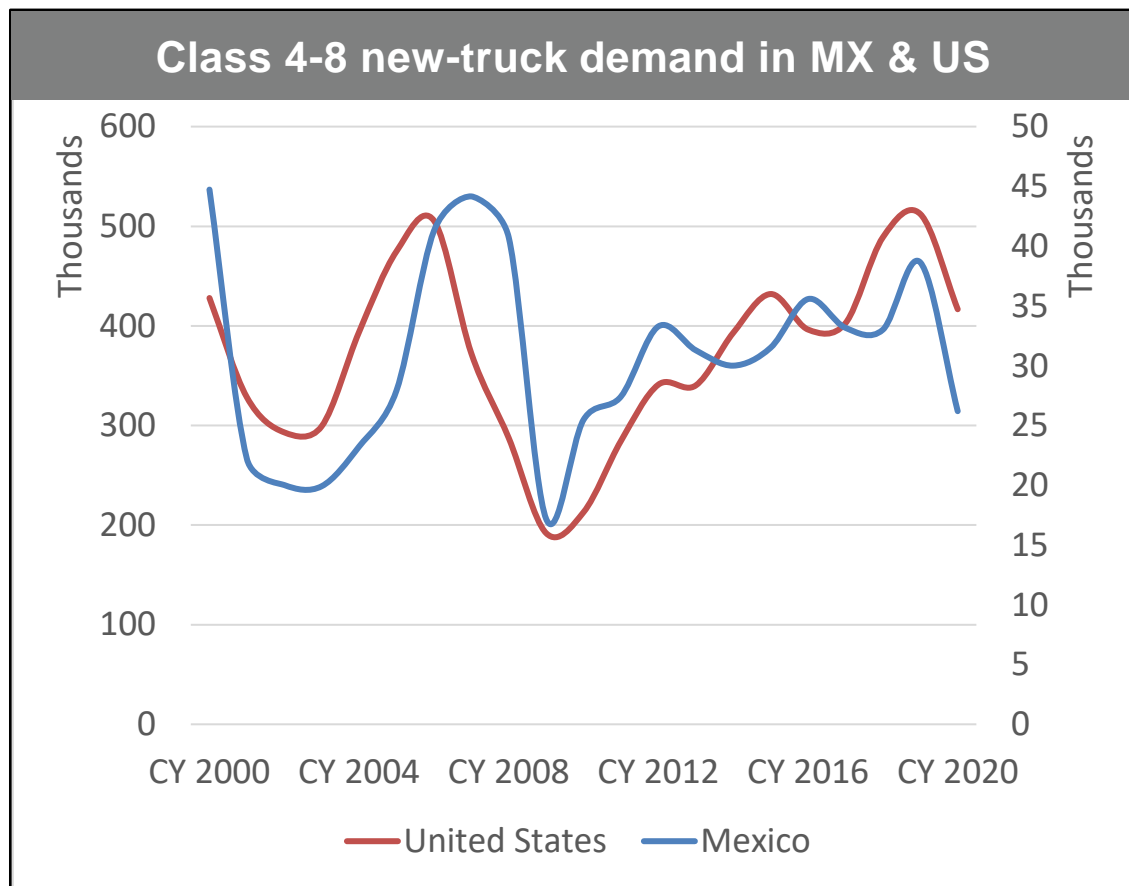
Mexico's forecast driven by US expansion

- The US macro team at IHS Markit has sizably revised up GDP growth for the US in 2021 and 2022 mostly owing to the impact of a sizeable stimulus package in the US. This implies better exports for Mexico and also stronger remittances as well as increased foreign direct investment. **These factors led to Mexico's GDP growth forecast being revised from 3.7% to 4.4% in 2021.**
- Operational risks are increasing, and this may be a major constraint to investment and growth. Recent regulatory actions by the Mexican government that favor state-owned companies have created major distrust about Mexico's regulatory processes in the energy sector.
- COVID-19 vaccinations started in Mexico in late December 2020, and according to their calendar, all inhabitants 40 years and older would be vaccinated by end-June 2021. This calendar anticipates that all the population will be **inoculated by March 2022.**

Mexico: Influence of US economic and truck-market developments

Large truck-buying cycles in Mexico mirror the US

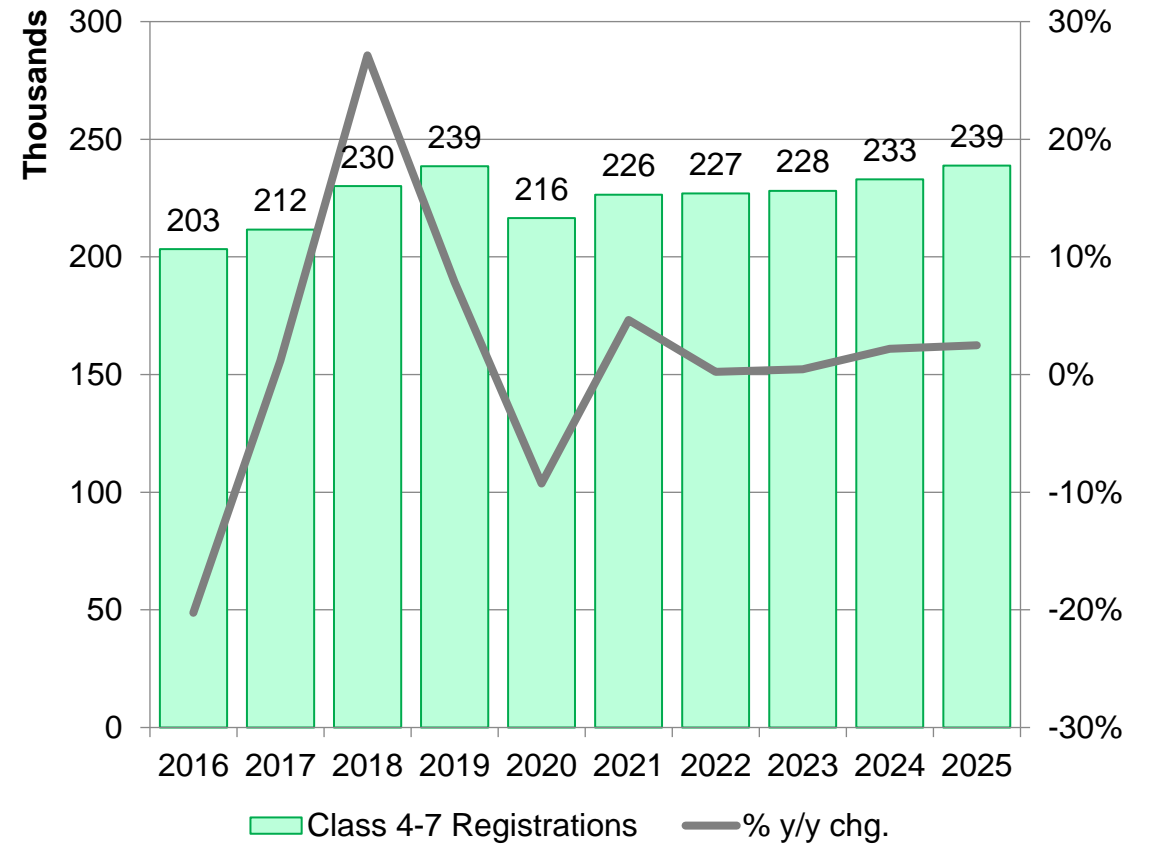
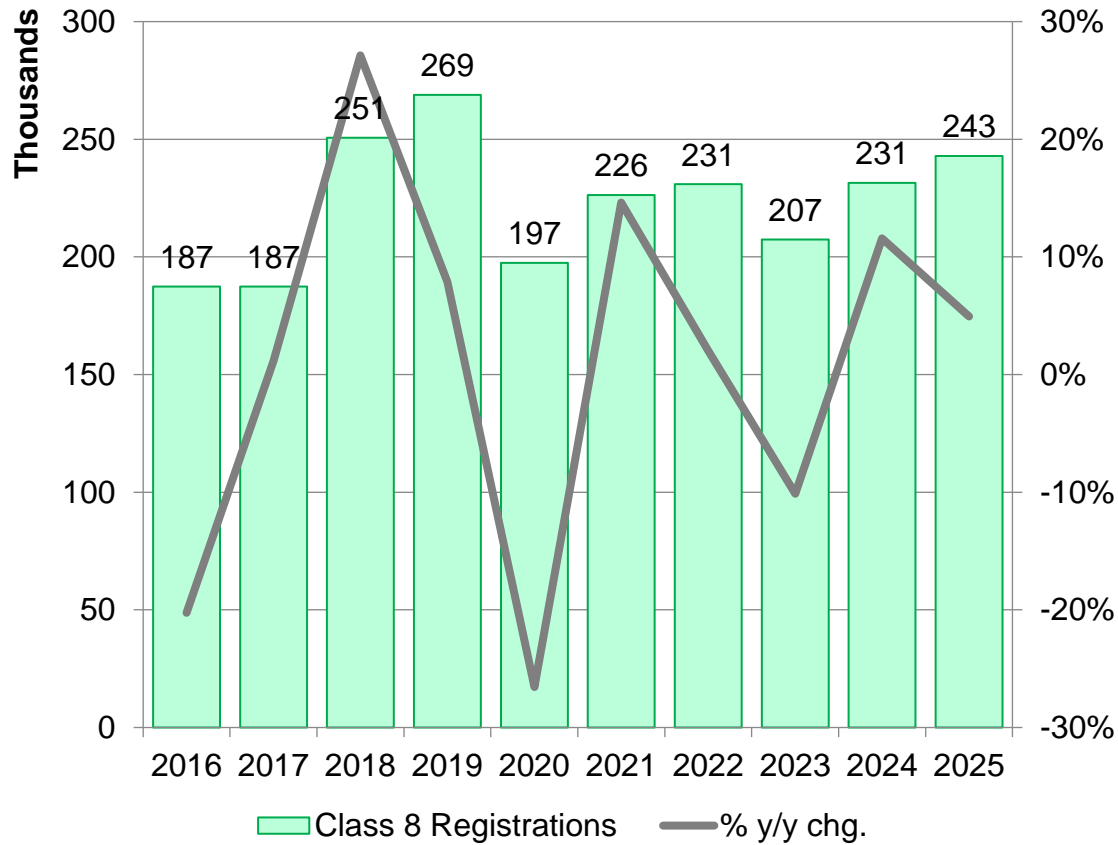
US growth springing back quickly, with stimulus tailwind



Real GDP				
Percent change	2019	2020	2021	2022
World	2.6	-3.7	5.0	4.2
United States	2.2	-3.5	5.7	4.1
Canada	1.9	-5.5	5.0	4.0
Eurozone	1.3	-6.8	3.8	3.9
Mexico	-0.1	-8.2	4.4	2.8
Mainland China	6.0	2.3	7.6	5.6
Japan	0.3	-4.8	2.2	1.8
India*	4.2	-8.2	9.8	5.7
Brazil	1.4	-4.1	3.9	2.6
Russia	1.3	-3.1	2.1	2.4

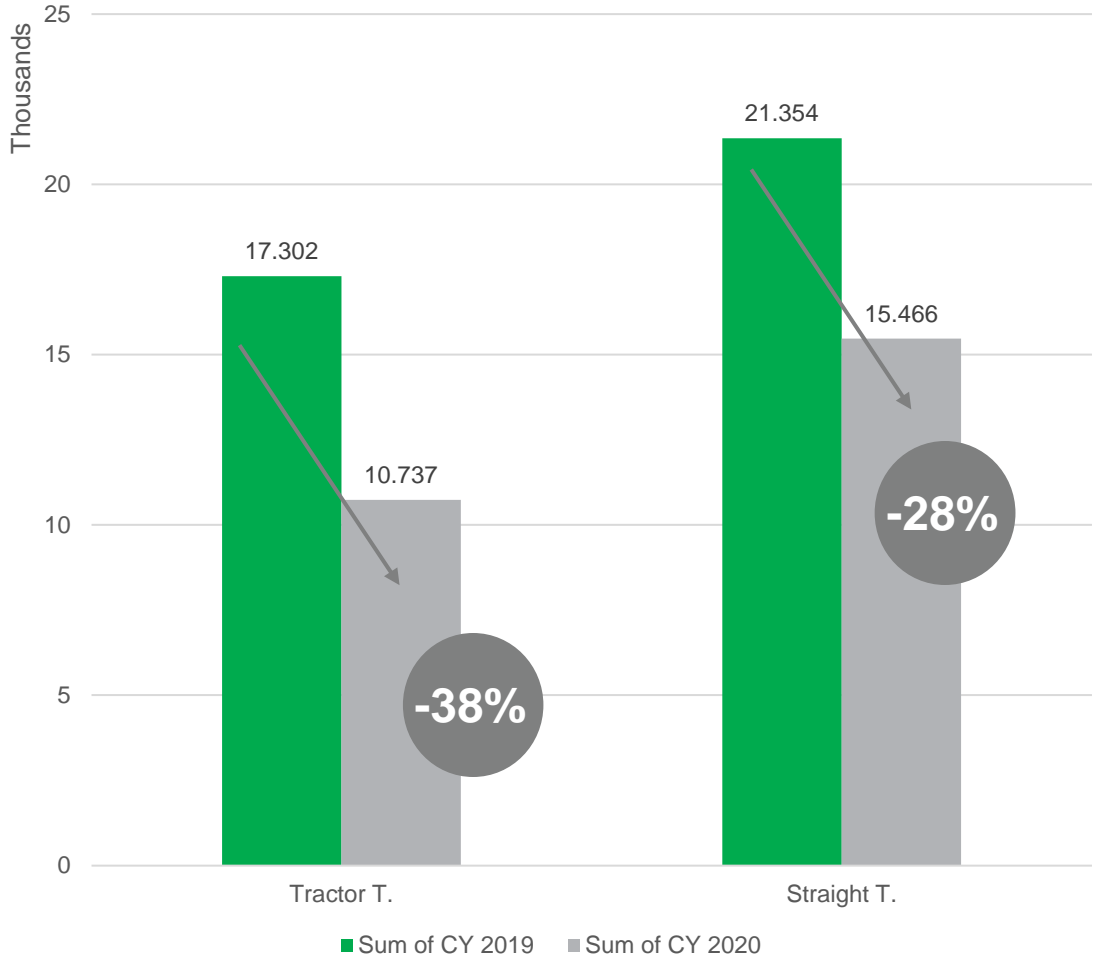
United States: Class 4-8 truck registrations outlook

Published “2021Q1” outlook: Upside opportunities and downside risks remain

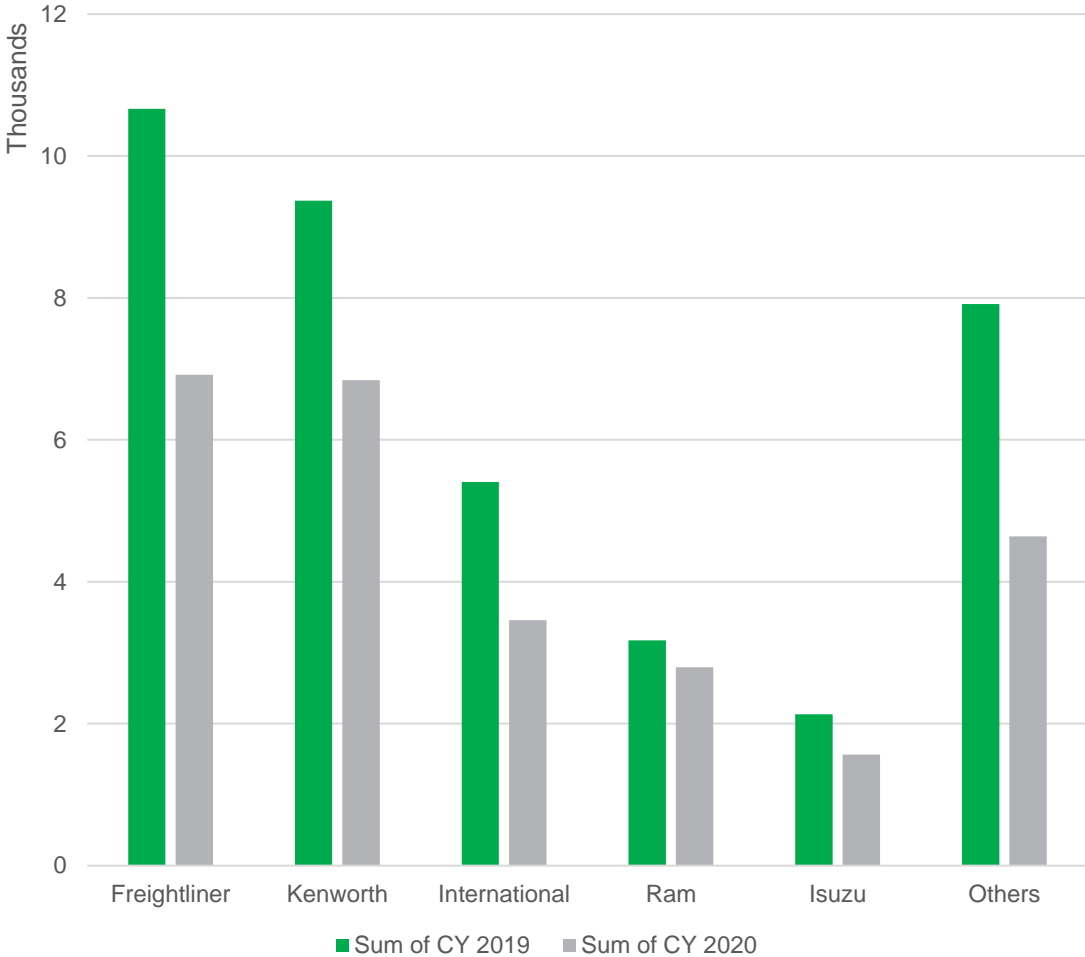


What happened in the truck market in 2020?

Straight trucks & tractor trucks (y/y %cha)



Class 4-8 sales by brand: 2020 vs. 2019

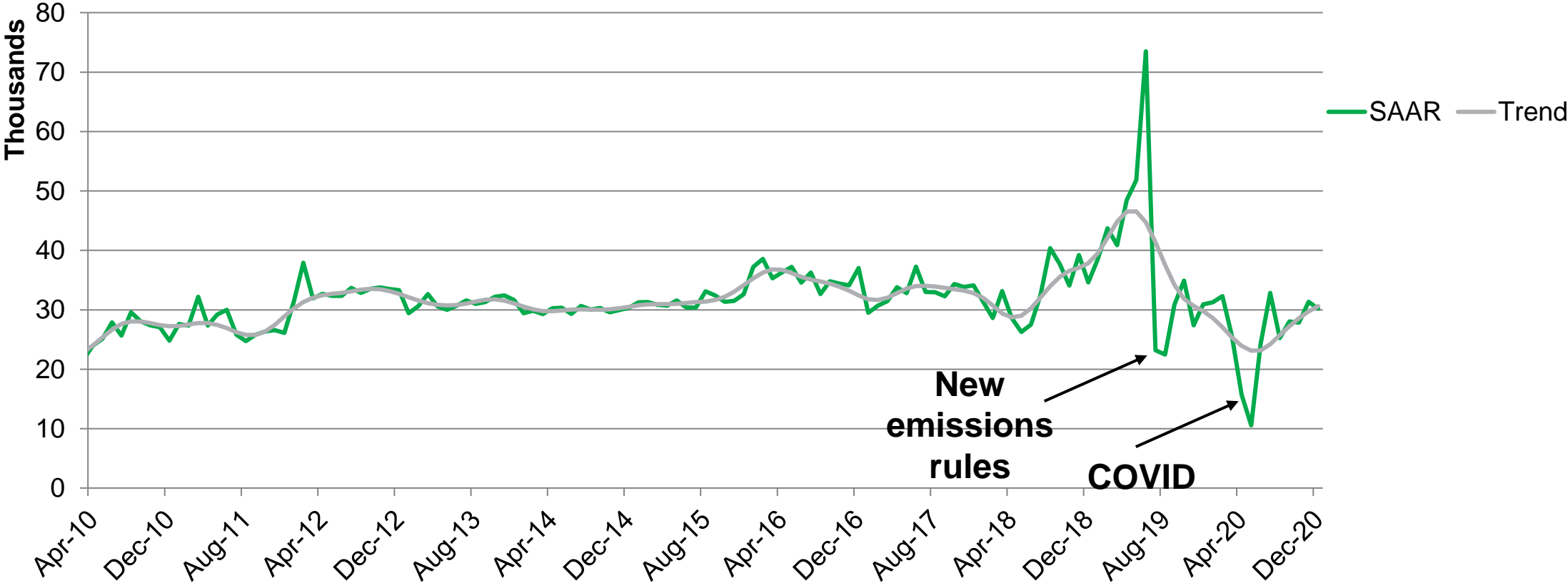


Source: Historical data based on INEGI, IHS Markit; forecasts by IHS Markit.

Monthly data reveal that the market is turning sharply upward

After hitting bottom in May 2020, annualized new-truck sales nearly back at pre-COVID levels

Annualized monthly Class 4-8 truck sales (endpoint=Dec'20)

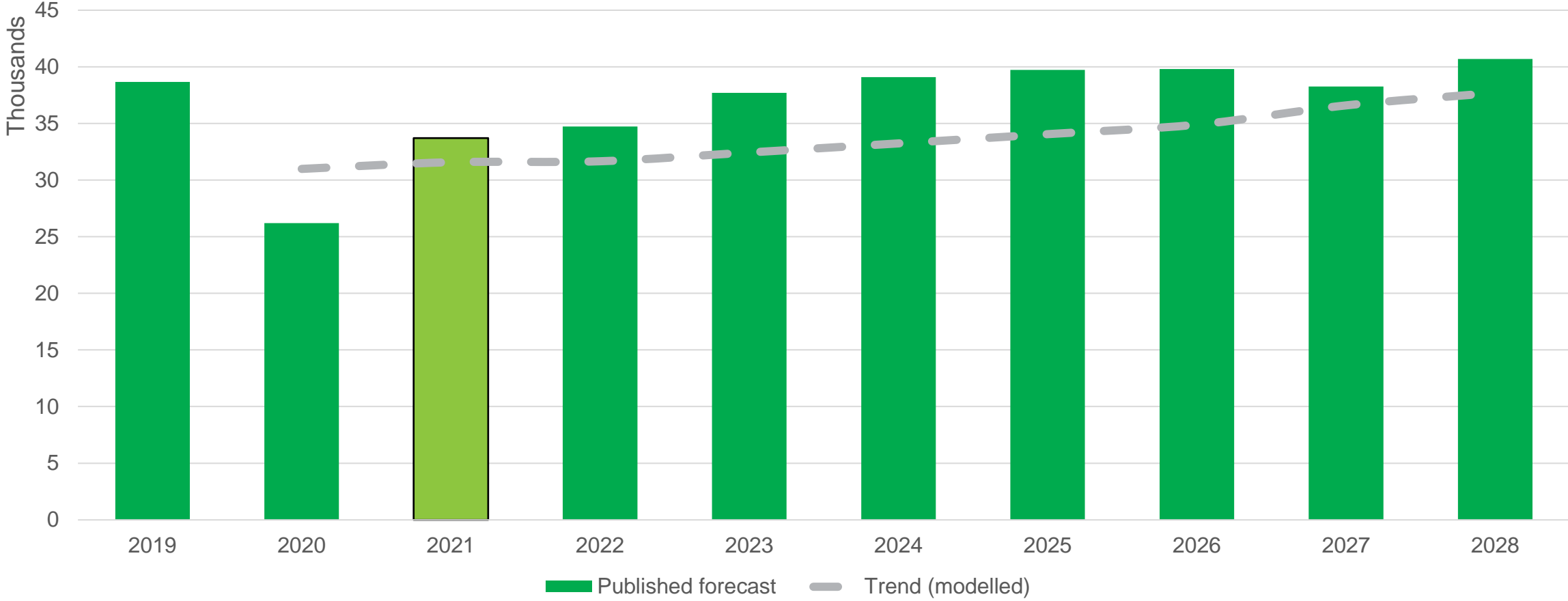


Source: Historical data based on INEGI, IHS Markit; seasonal adjustment & annualization by IHS Markit.

Mexico: Class 4-8 sales forecast to achieve 2021-28 CAGR of +2.7%

Boosted by post-COVID recovery, new-truck sales to exceed “trend” in short- and medium-terms

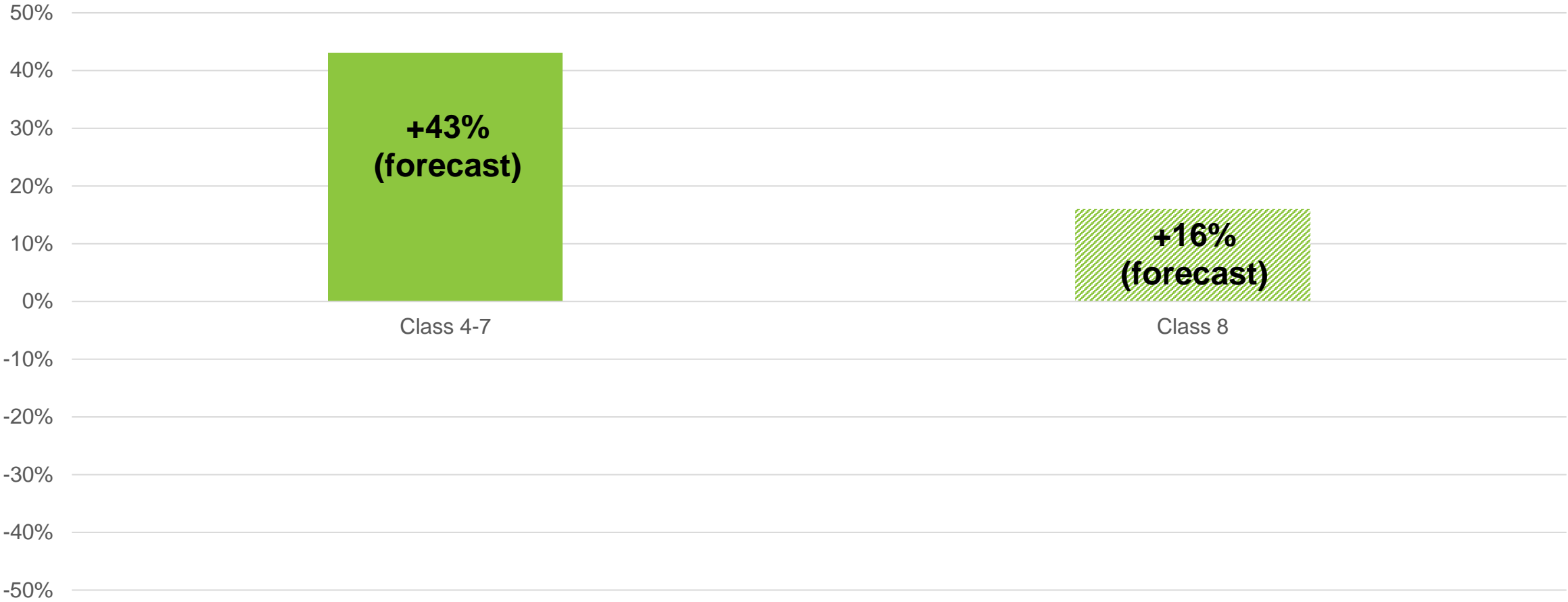
Actual and forecast sales of new Class 4-8 trucks (excl. buses)



Source: Historical data based on INEGI, IHS Markit; forecasts by IHS Markit.

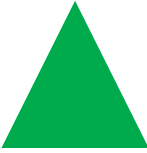

Mexico: In 2021, medium-duty recovery to outpace heavy-duty rebound

IHS Markit expectations for 2021 truck sales growth (%cha y/y)



Source: Historical data based on INEGI, IHS Markit; forecasts by IHS Markit.

Mexico: Risks & opportunities around the baseline truck sales forecast

	Short term	Medium term	Long term
	<ul style="list-style-type: none"> • Next step of emissions standards to Euro VI now postponed • Stronger sales during bounce-back expected after 2021 • Unexpectedly robust US economic rebound (US\$1.9 trillion stimulus) • Possible infrastructural investments could boost truck demand – if realised 	<ul style="list-style-type: none"> • Economy expected to expand at steady pace • Manufacturing and cross-border traffic showing increase, while T-MEC (USMCA) provides stability • Fleets growing in size • For manufacturers, rest of world (ROW) offering opportunities 	<ul style="list-style-type: none"> • Economic growth within trade area to continue: positive for traffic flow, equipment demand • Return to higher oil prices would support nation's important energy sector, fiscal spending (is it likely?) • Tighter emissions controls may limit used-truck imports
	<ul style="list-style-type: none"> • Economy now off track • Pandemic-related risks • Country's dependency on petrochemical industry offers limited market opportunities • Market demand for trucks in the shadow of 2019 bubble, economy • Few public projects to expect 	<ul style="list-style-type: none"> • Political climate, with its security risks • Expectation of tougher Euro VI emissions rules may cause pre-buy bubble, to erode sales afterwards • Availability of "clean diesel" needs to be expanded 	<ul style="list-style-type: none"> • Further regulations may hit independent operators particularly hard • Political/security situation likely to remain unsettled, even in longer term; new restrictions on trucks in future possible
General	<ul style="list-style-type: none"> • Mid-2019 pre-buy underlined long-term shift in MD/HD ratio: Post-Euro V drop much harsher for Class 8 trucks 	<ul style="list-style-type: none"> • Advantageous cost structure but limited domestic market • Still lucrative production base – logistics, costs, continuity • Stepping stone for North American market entry • Technical conformity in unison with regional market 	

Structural issues

Mexico is among the most transport-intense economies in the world

As a %share of total economic output, land-transport is seen returning to pre-COVID levels

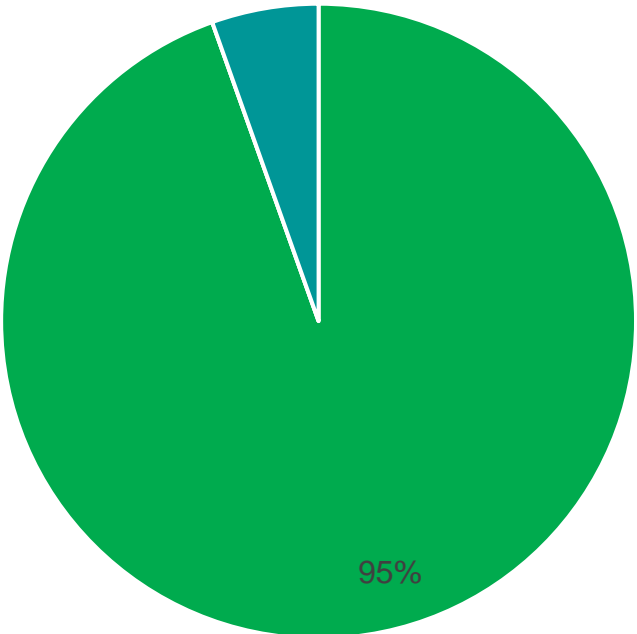


* Source: IHS Markit World industry Service (WIS). Based on land-transport gross output (GO) in real \$US as share of total economy output in real \$US.

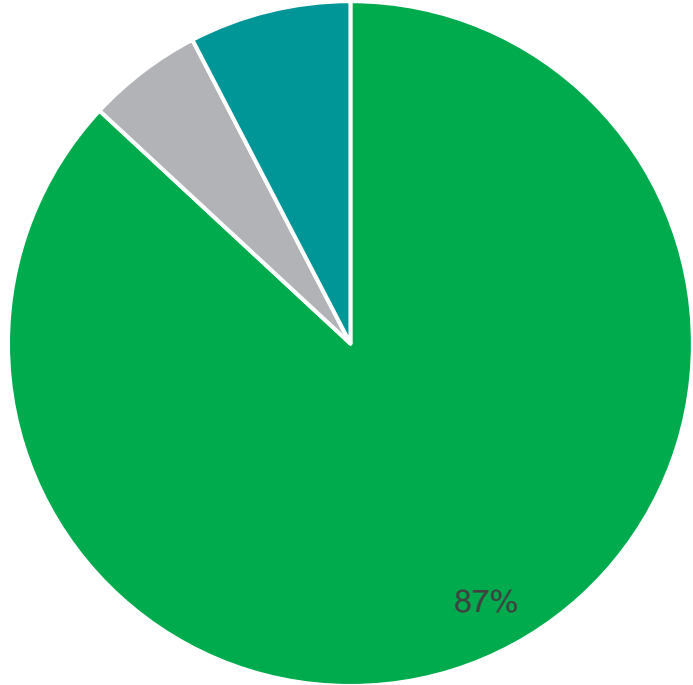
Mexico: Changing import landscape has squeezed established players

Estimated first-time registrations in Mexico, by source (incl. first-time registrations of used trucks)

2009
(NAFTA relaxes used-import rules)



2019

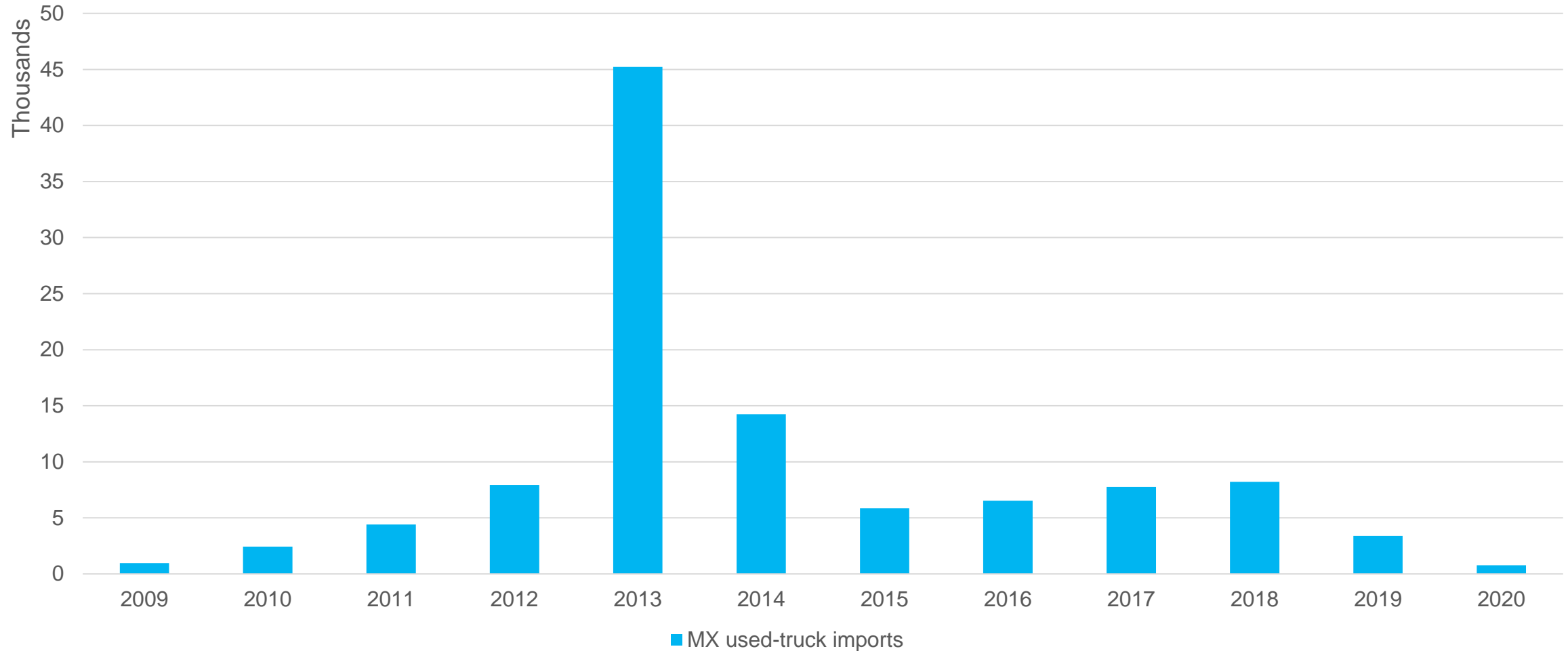


■ Established brands ■ Mainland China OEMs ■ Used-truck imports

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Mexico: Used-truck imports by year

Imports of used trucks >5T GVW (includes some Class 3, in addition to Class 4-8) *

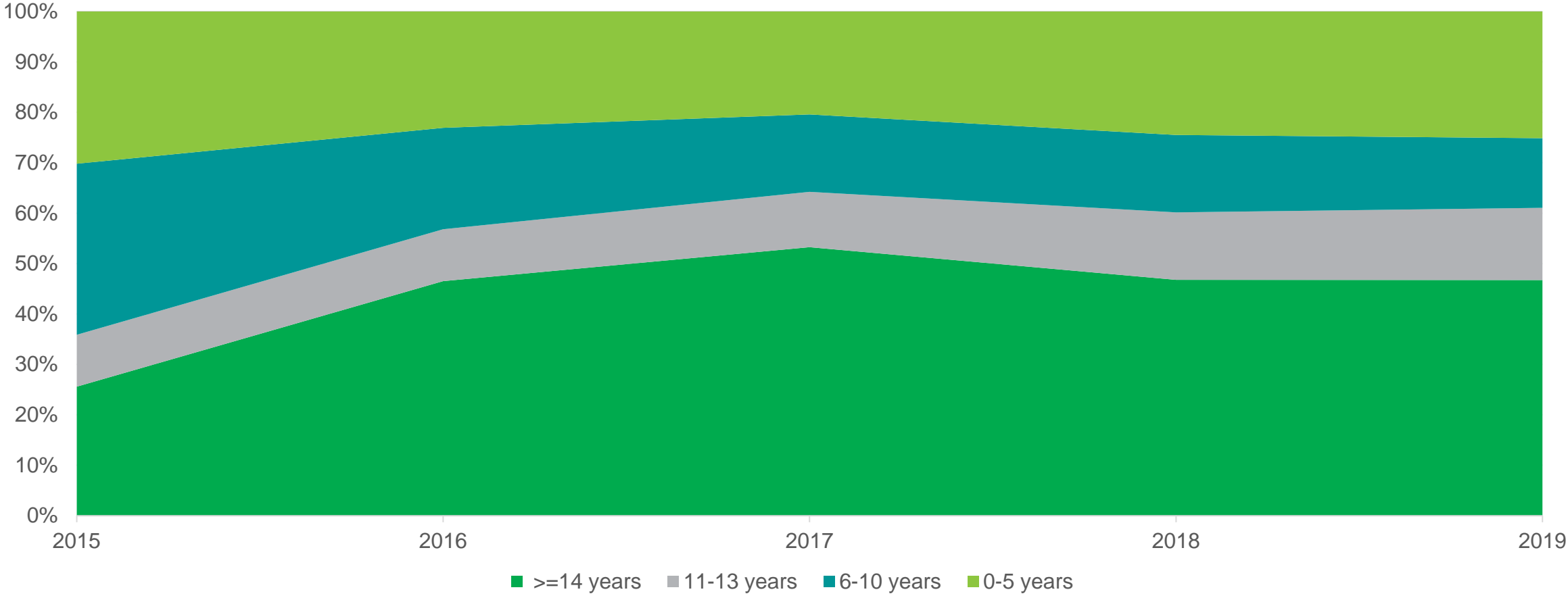


* Source: IHS Markit Global Trade Atlas (GTA). NB: US export statistics suggest a much lower figure for 2013.

Mexico: Used trucks boosted age of Class 4-8 parc initially; age falling again

Age profile estimates for medium- and heavy-commercial-vehicle truck parc (VIO)

Mexico:Registered Class 4-8 trucks by calendar year and according to estimated age



* Source: IHS Markit

“Showroom” transition in Mexico: Following new emissions regulations, established brands have updated their offerings

•Then...

Freightliner Columbia + Cascadia Classic

International Prostar

Mack Vision (CH)

•...and now

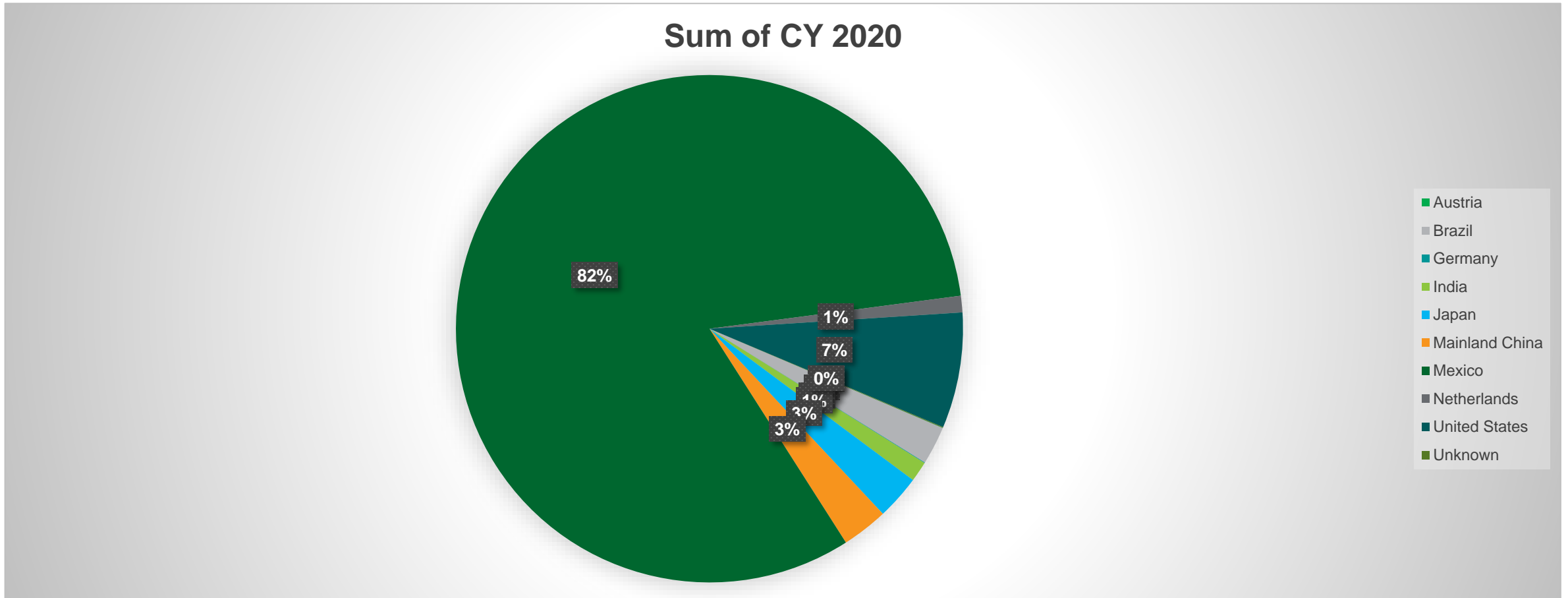
Freightliner new Cascadia + Cascadia Classic

International LT

Mack Anthem

Mexico: Trend toward greater market opening seen continuing

Class 4-8 truck sales by source country, incl. known and estimated (2020)

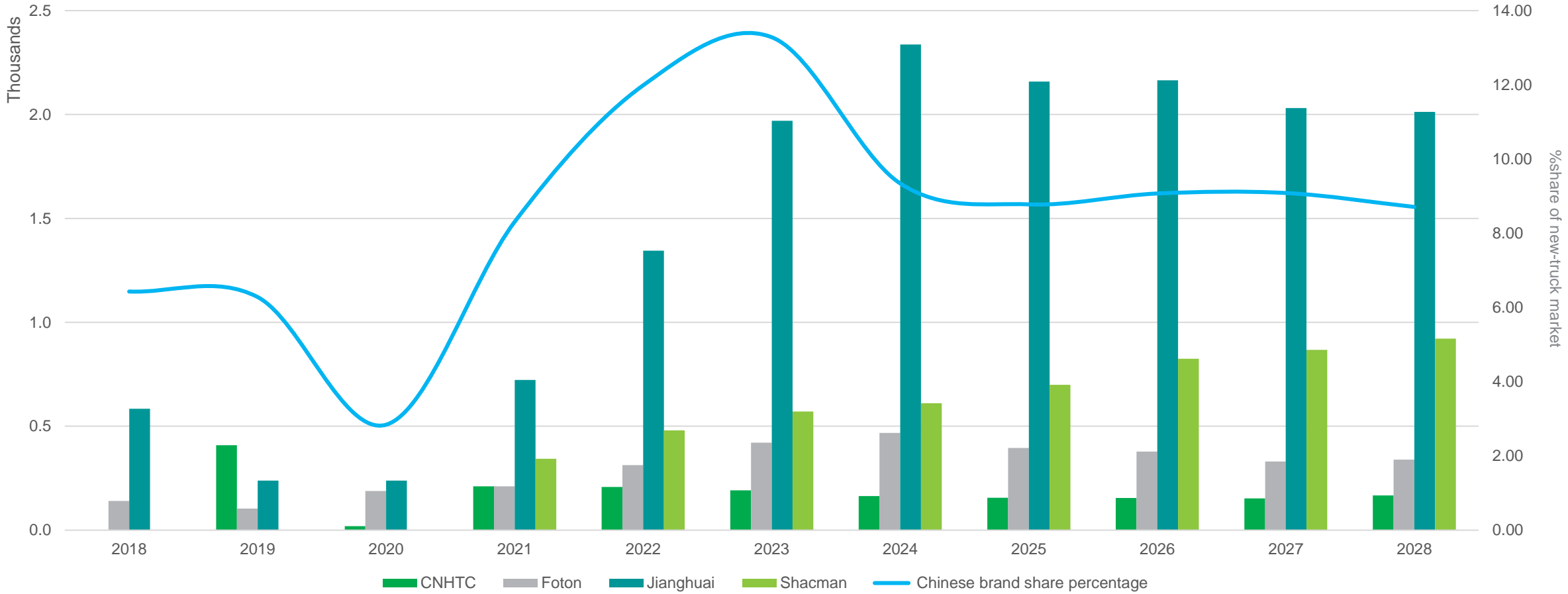


* Source: IHS Markit

Mexico: Focus on medium & heavy-duty truck imports from Mainland

%share of new-truck market seen reaching ~8%, exceeding pre-pandemic ~6%

Selected brands' actual and forecast truck imports from Mainland China to Mexico (not all brands shown in units)



* Source: Forecasts by IHS Markit

Mexico: Other issues

- US Stimulus 3.0 (impact on Mexico)
- Supply vs. Demand
- Chips
- Regulation (T-MEC/USMCA & emissions)
- Technology

Conclusion

Summary

- A top global truck market, Mexico is expected to return to growth and approach (and possibly exceed) prior records this decade
- Post-COVID recovery may be slower than elsewhere in region, but US stimulus represents an upside, through various channels
- There is a chance neighboring US could see new-truck sales possibly snap back to near 2019 levels
- The years 2021-22, in particular, could see even stronger new-truck sales than expected
- In addition to economic factors, other influences shaping Mexico's truck market include competition from used trucks and new players following an import-based strategy, and these influences are expected to continue as T-MEX/USMCA enters into force

Questions?

Thank you!