
Association for Corporate Growth

A Much Deeper Recession and a Much Slower Recovery

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Peter Nagle, Senior Analyst II, +1 248 465 2823, peter.nagle@ihsmarkit.com



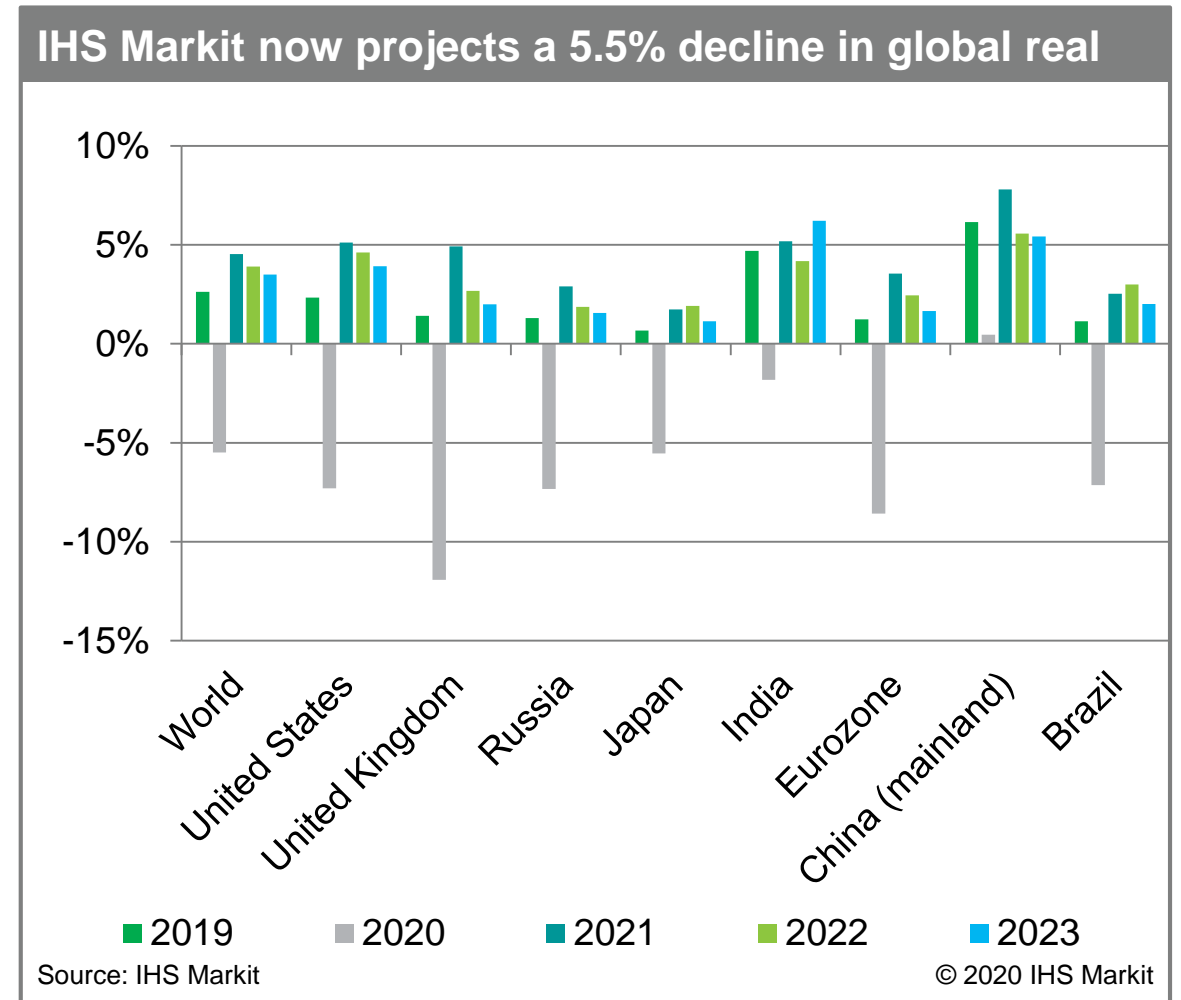
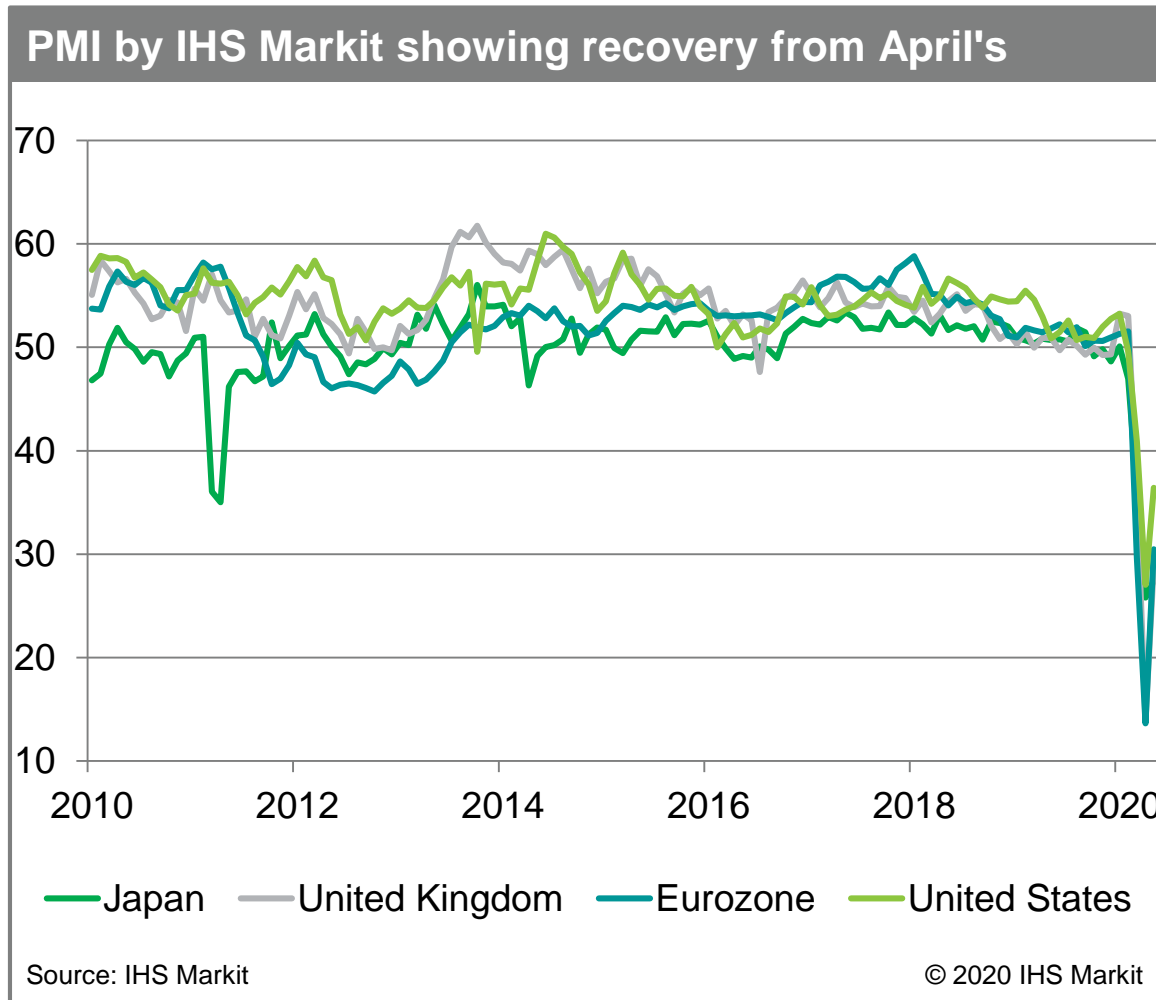
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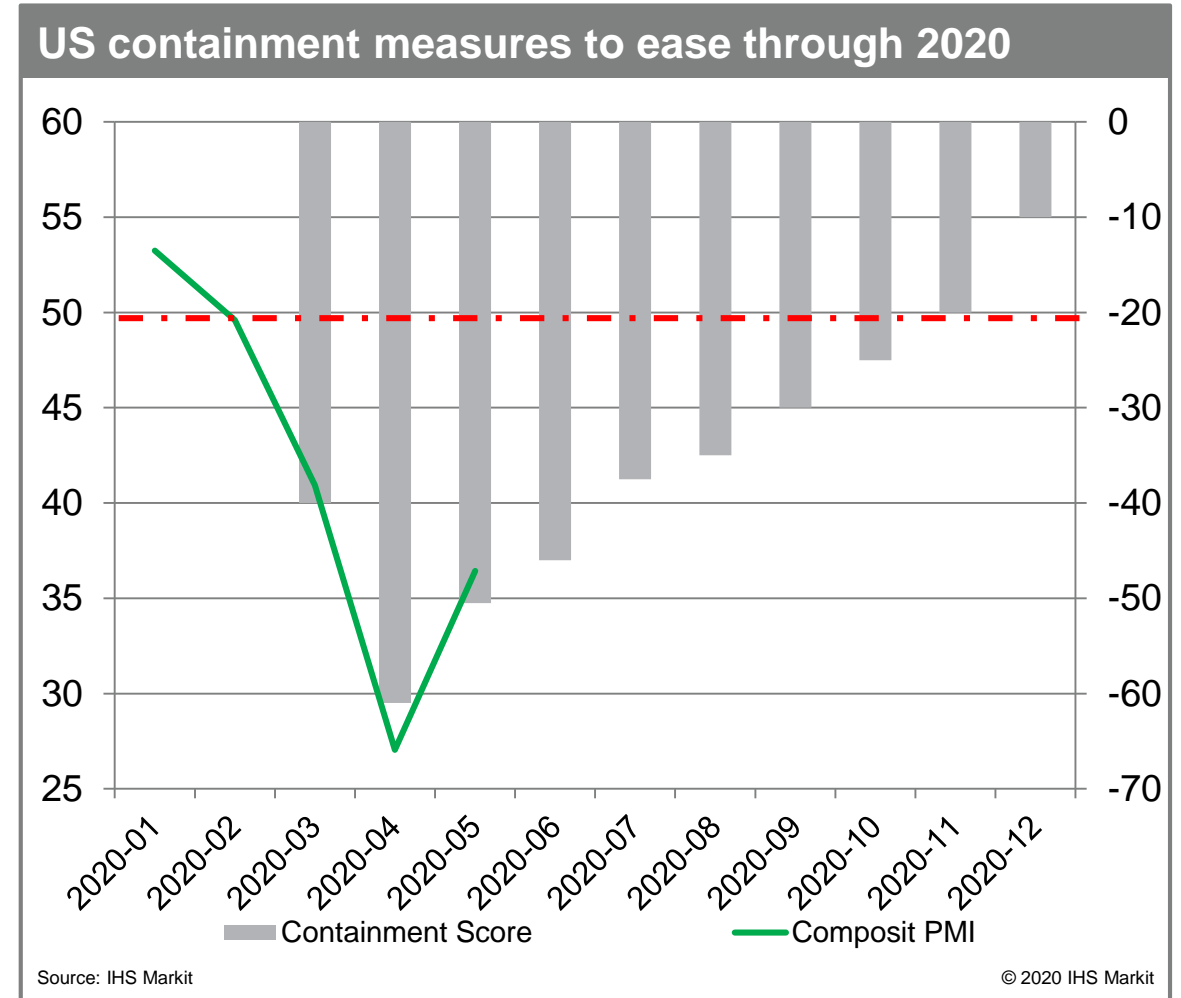
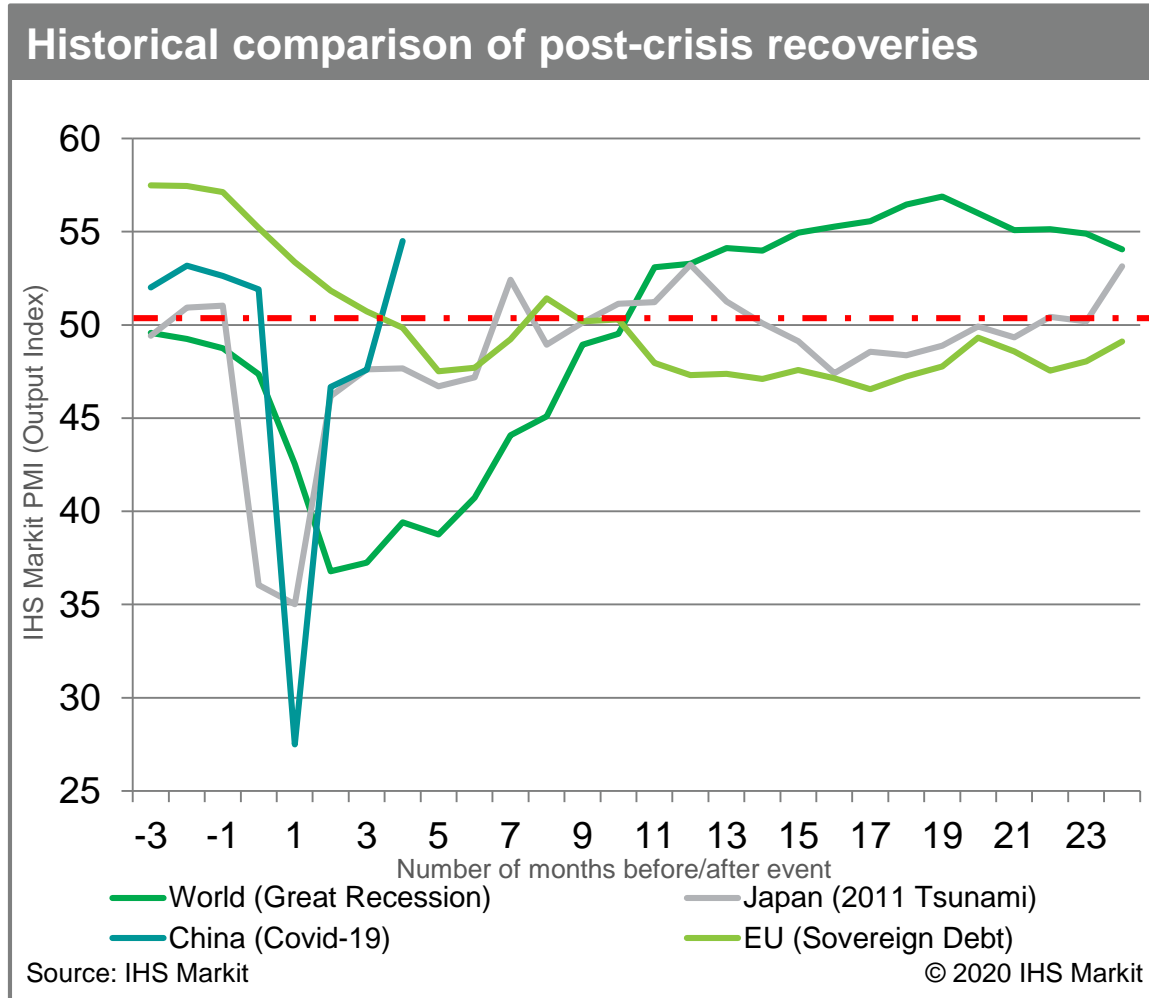
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Most regions already in severe recession as output drops at record pace to all-time lows

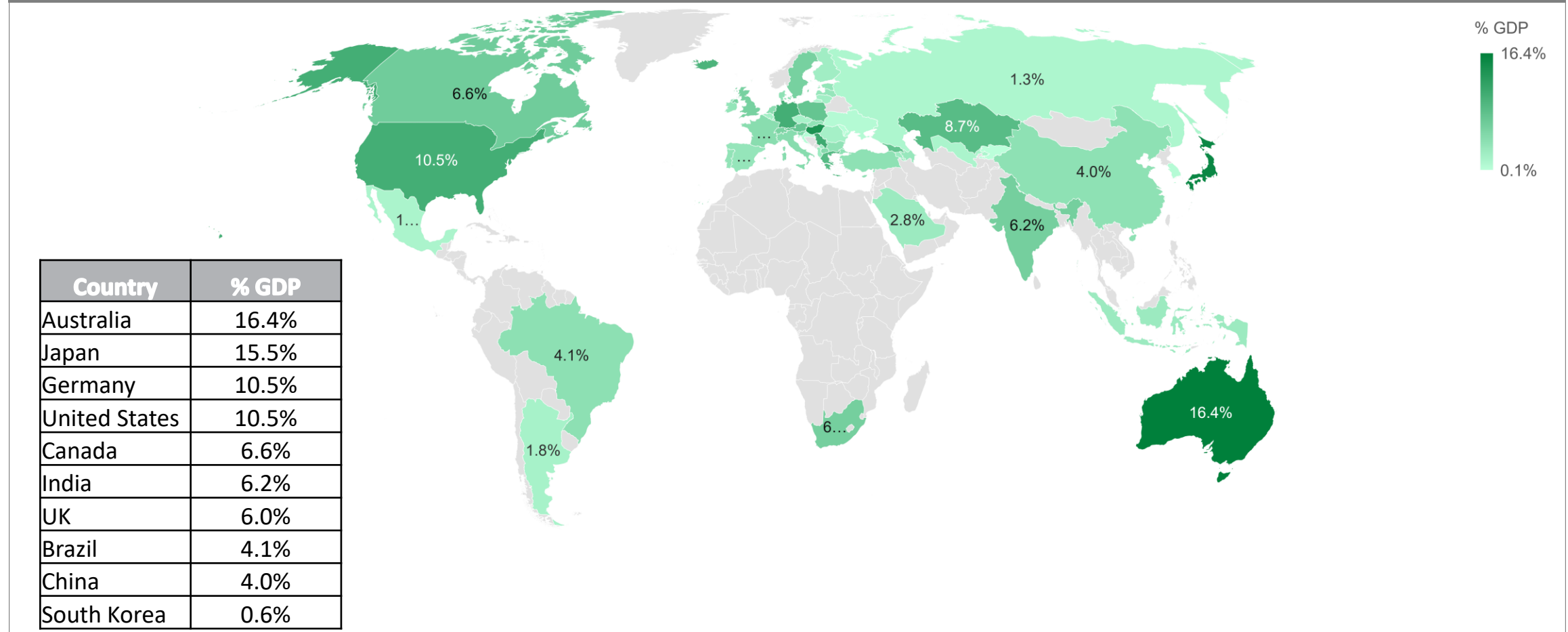


What can we expect from the post-Covid recovery?

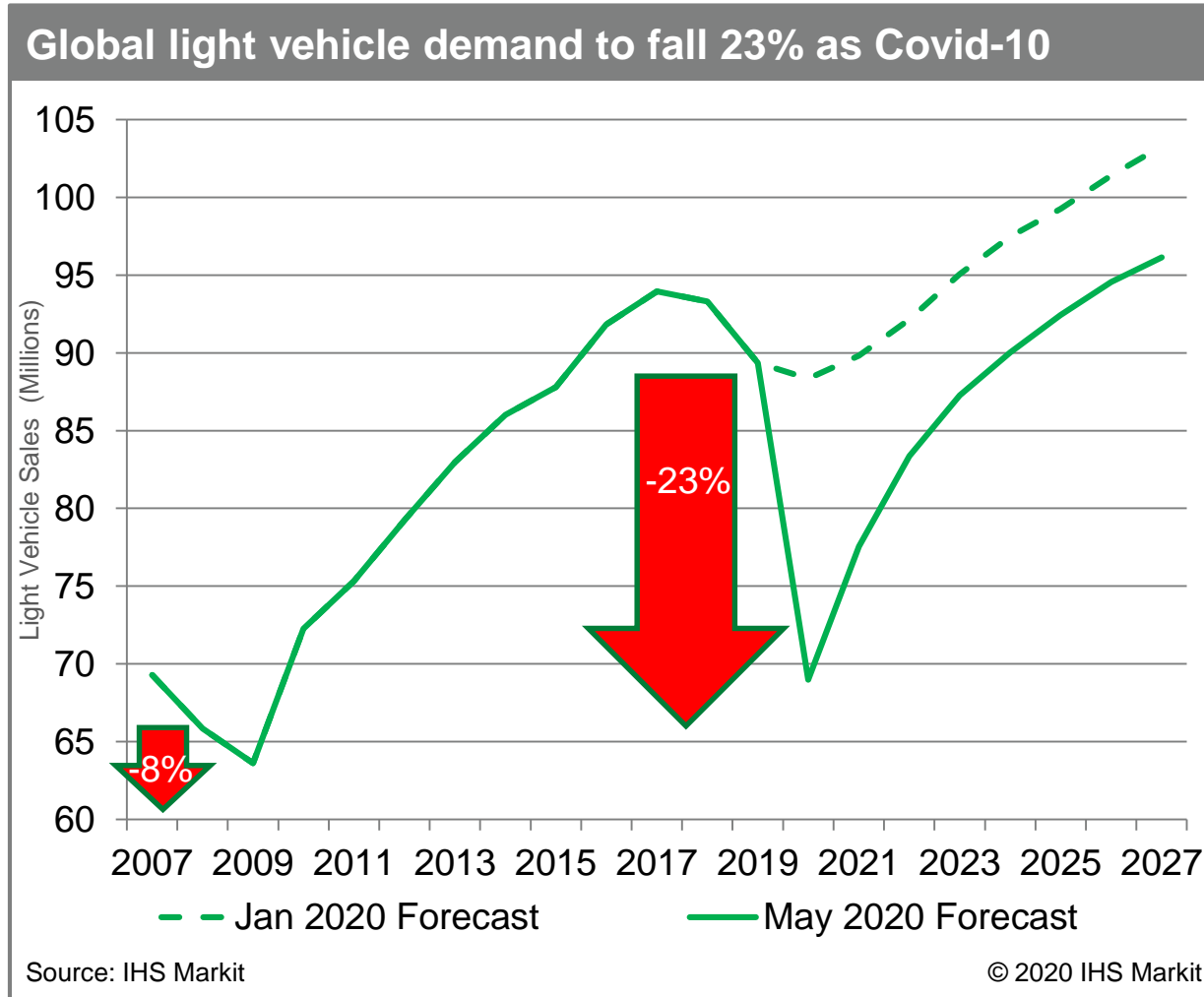


Governments applying lessons from GFC to combat Covid-19 economic Depression, 57 governments have announced almost \$5T in support

Total cost of fiscal effort as a share of GDP

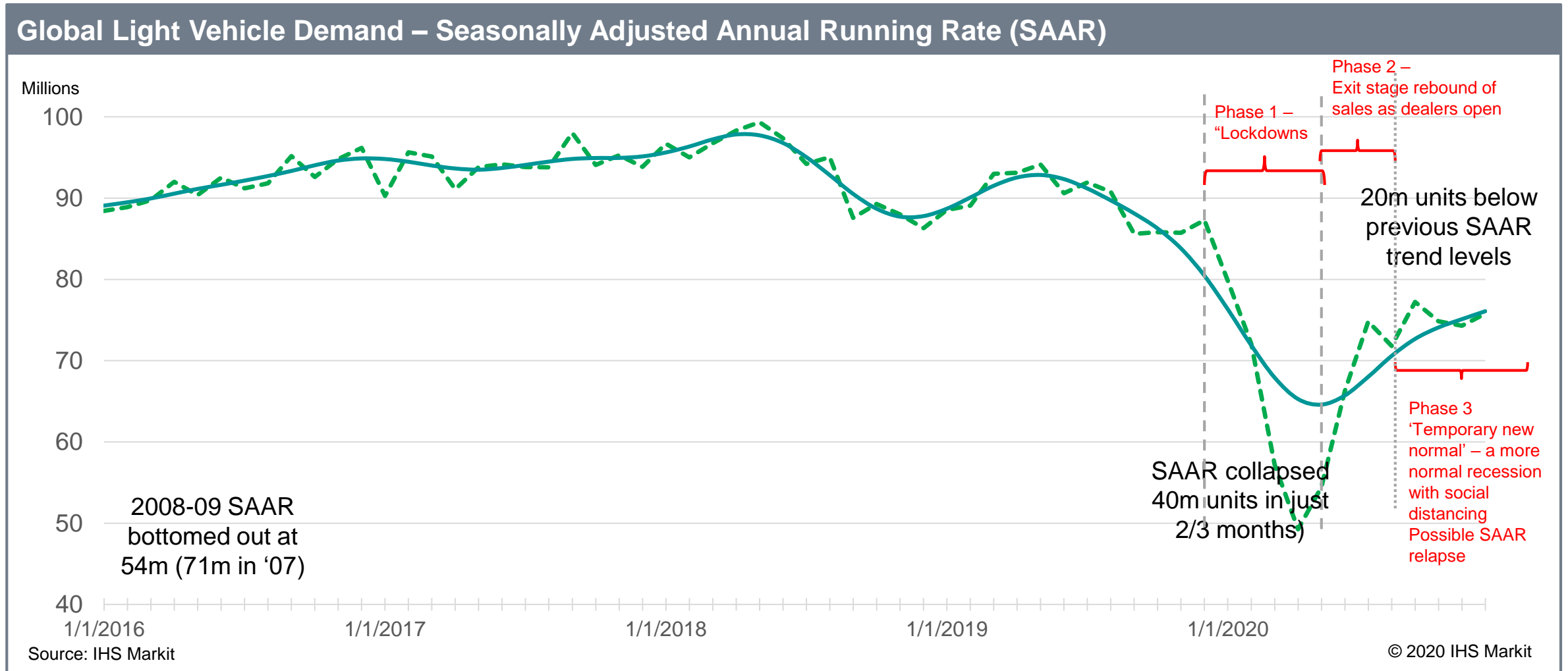


Automotive recession far deeper than 08/09 and more immediate

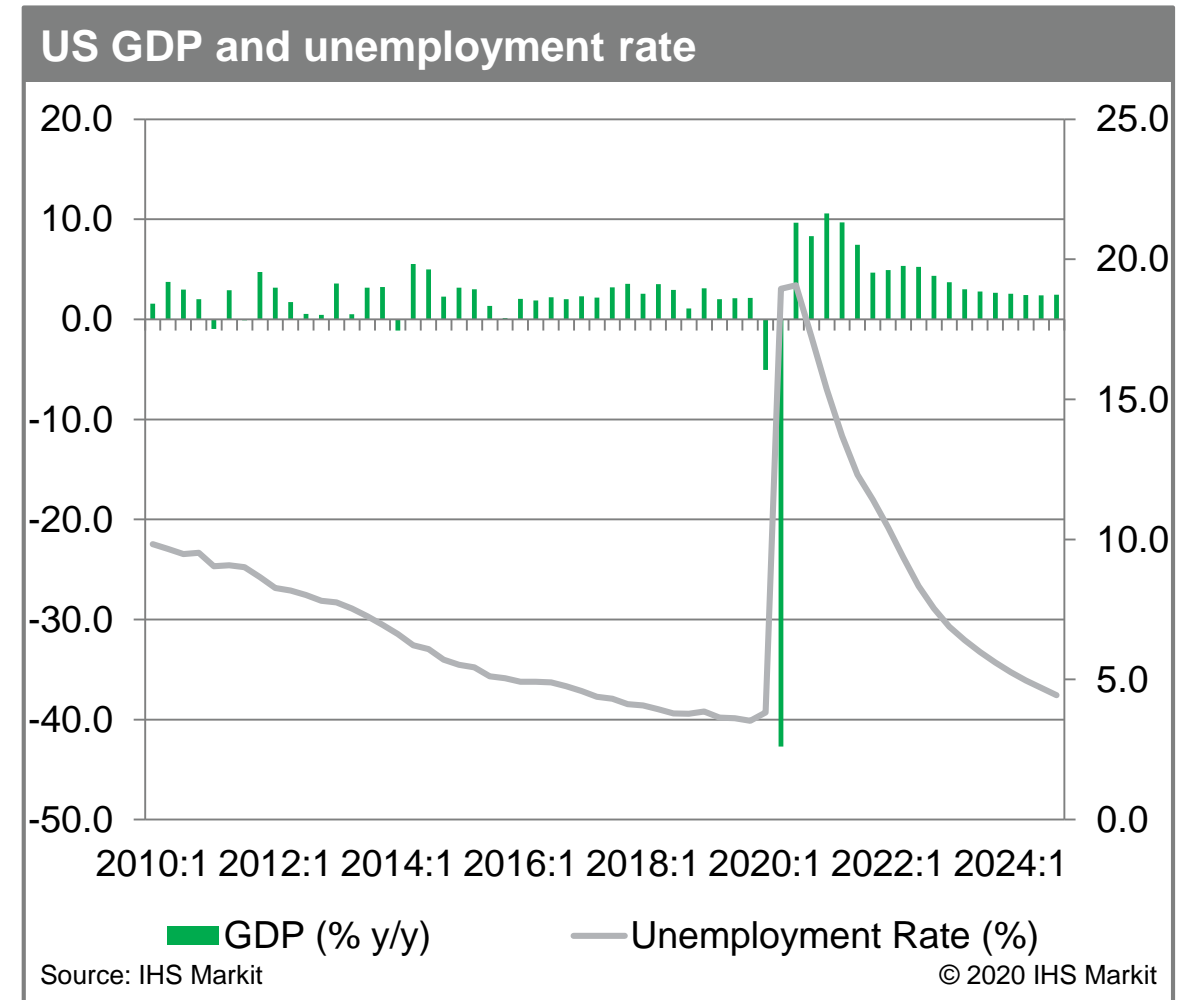
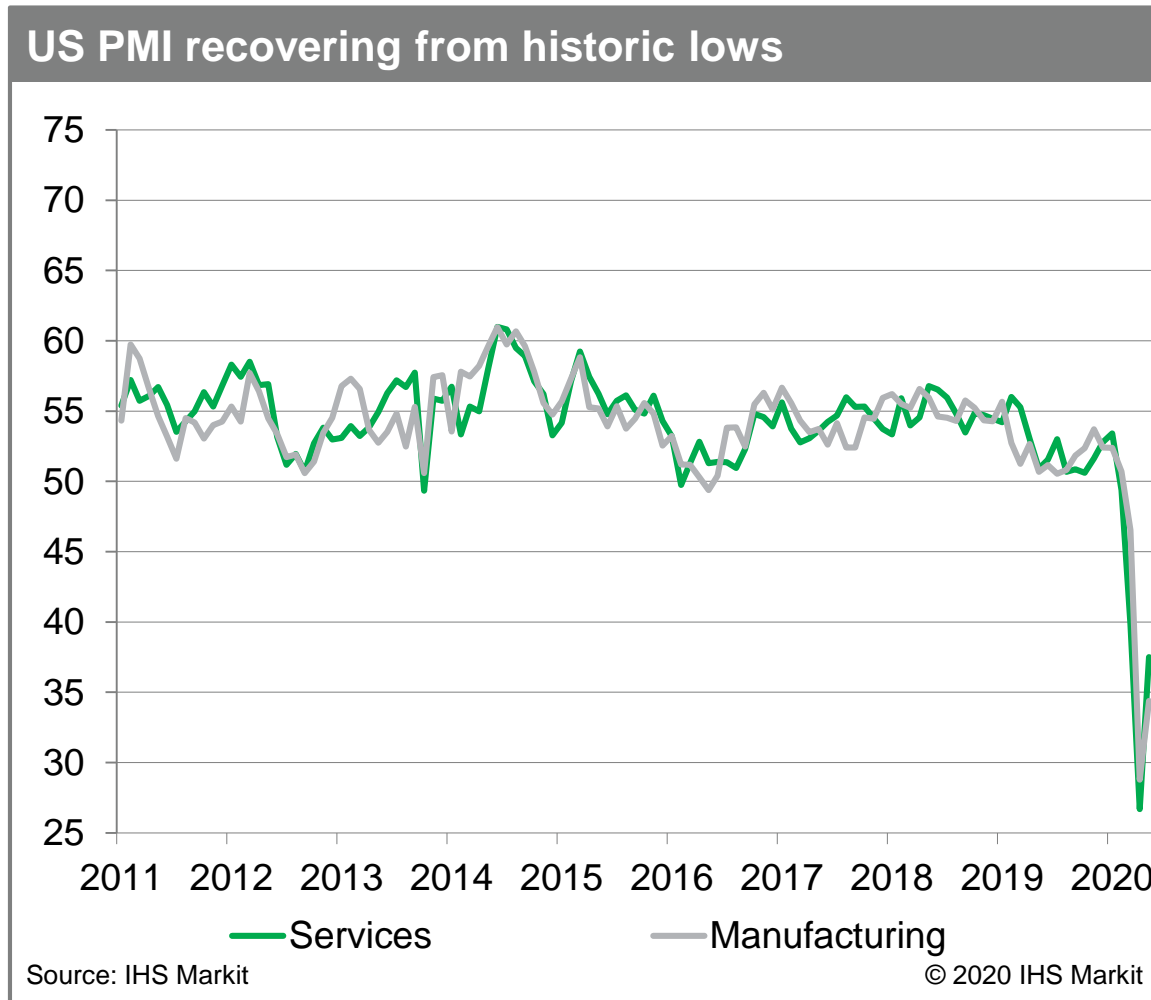


Market	2020 total (million)	Growth (% chg.)	vs. Jan 2020 (million)
China	21.2	-0.147	-3.4
United States	12.7	-0.254	-4.1
Europe	13.3	-0.264	-4.2
Global	69.2	-0.229	-19.5

Nature of autos demand likely means worst of is already behind us...

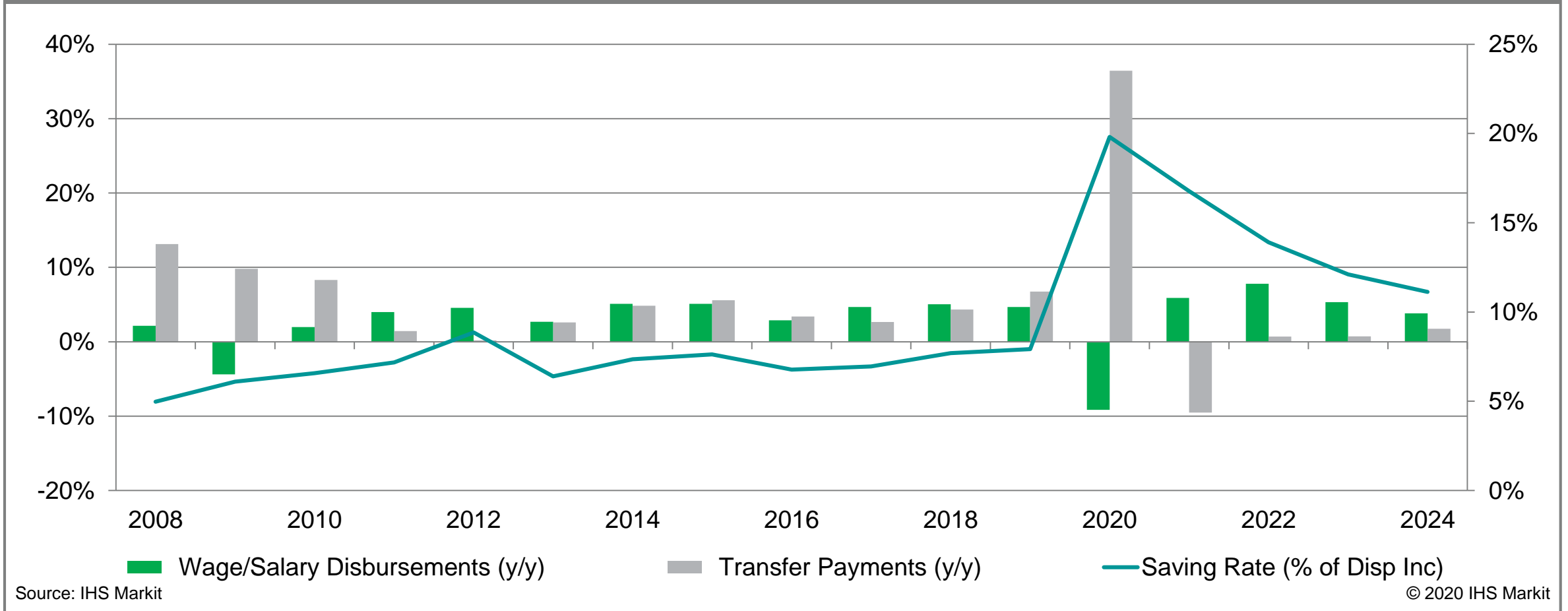


US economy has experienced swift decline in output and employment, however recent indicators improving

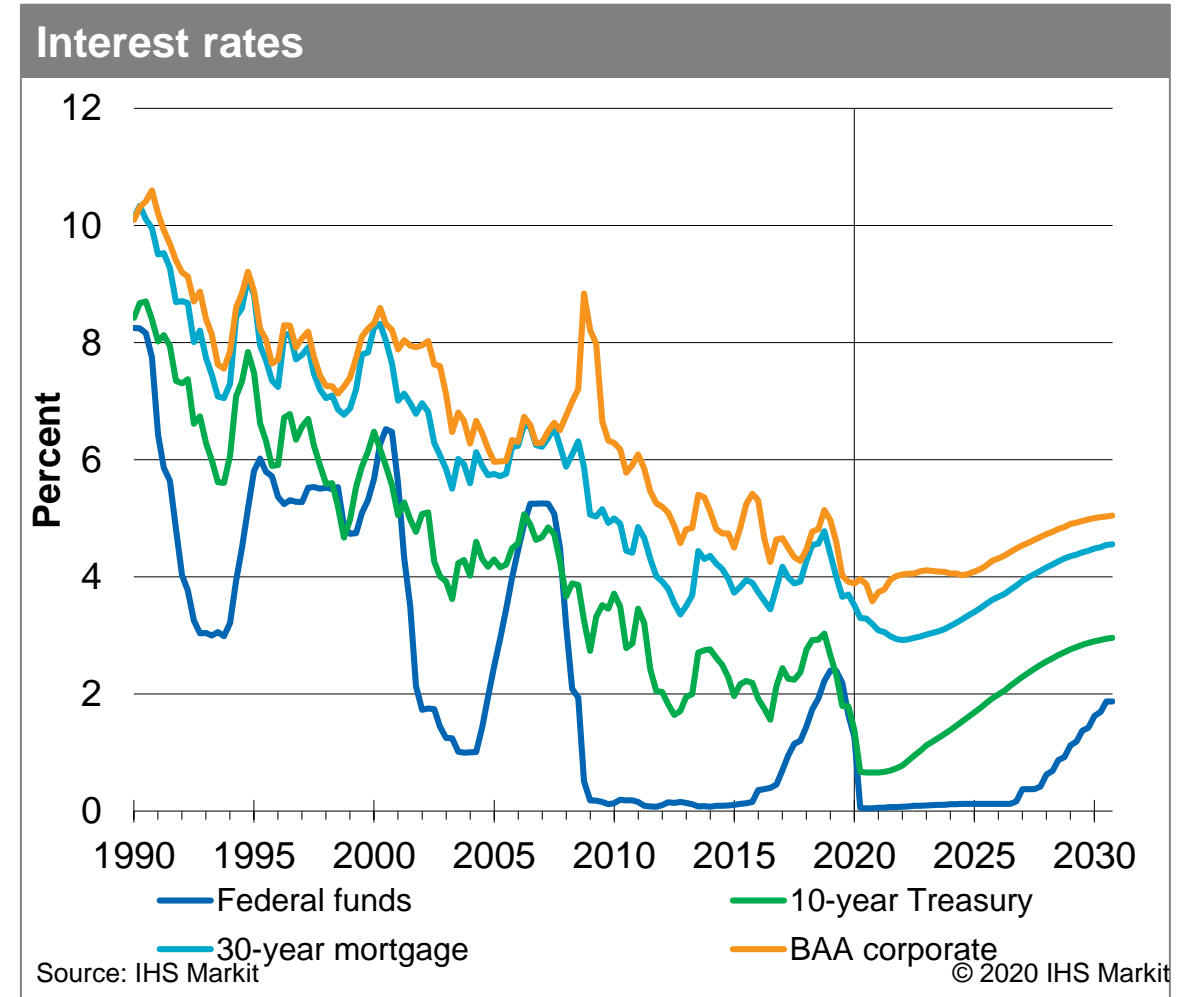
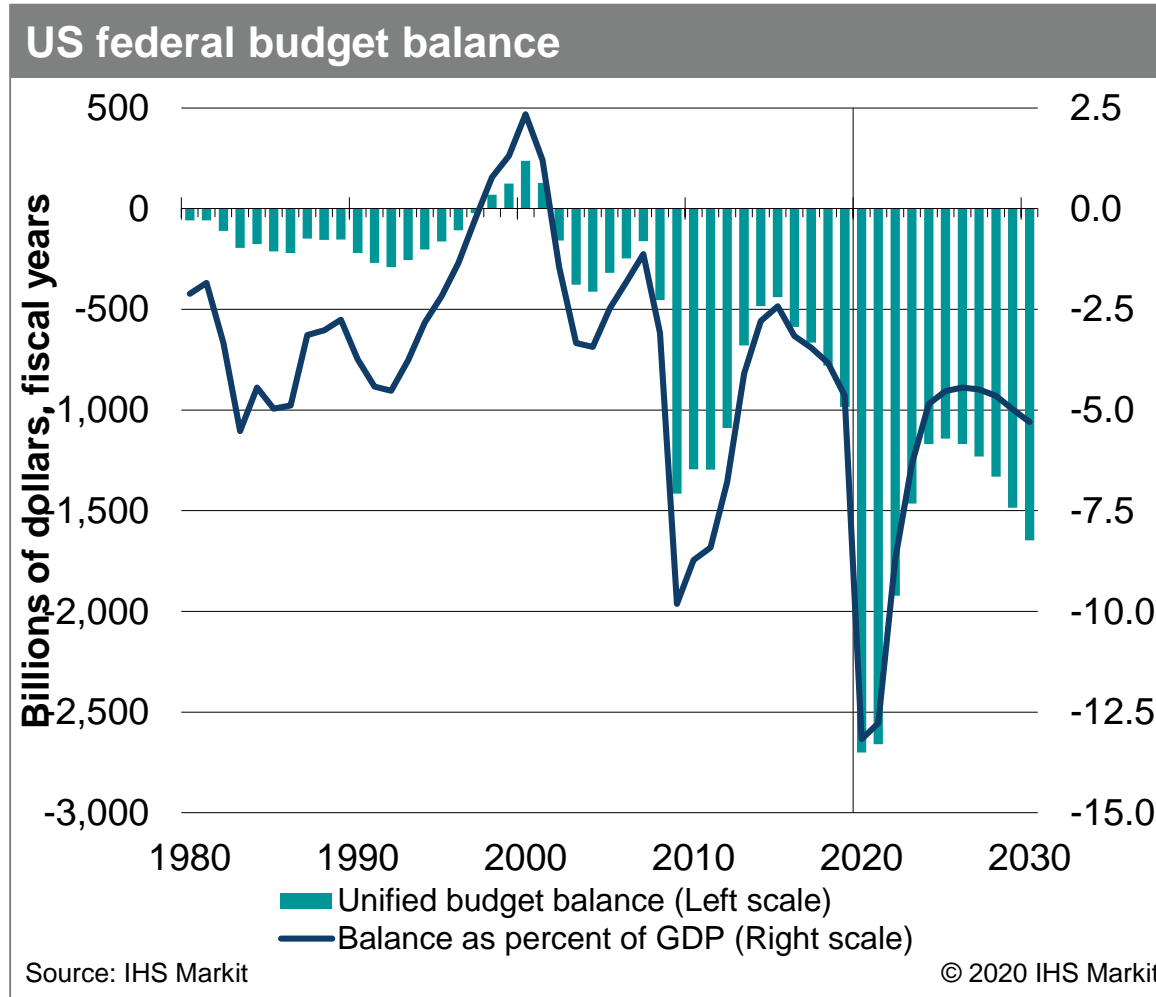


Disposable personal income grew 13% in April yet consumption fell 14%

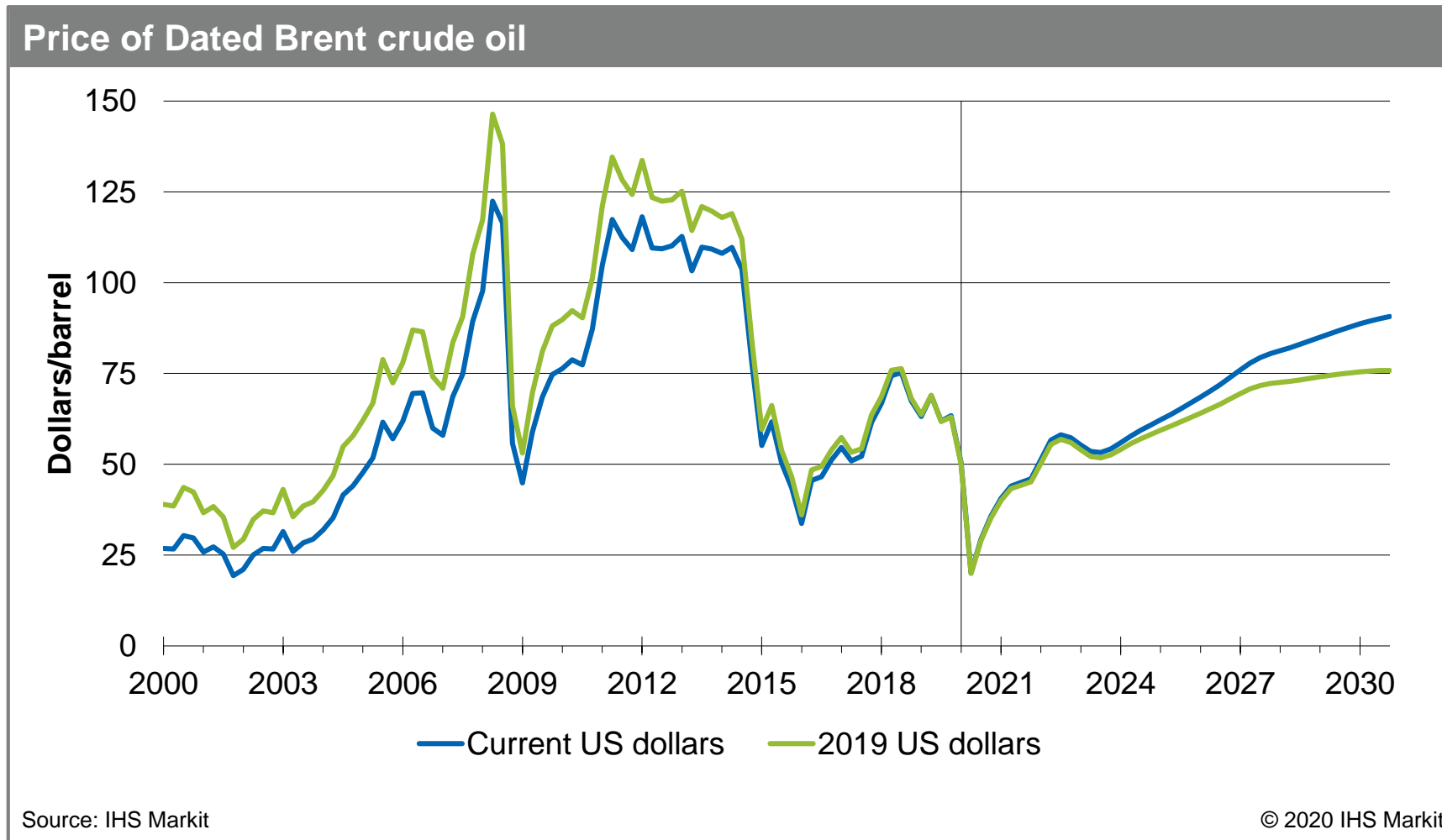
Personal income being supported by increased federal transfers, consumers hesitant to spend



Spending to stabilize the economy will result in record federal budget deficits, the Federal Reserve will maintain accommodative policies

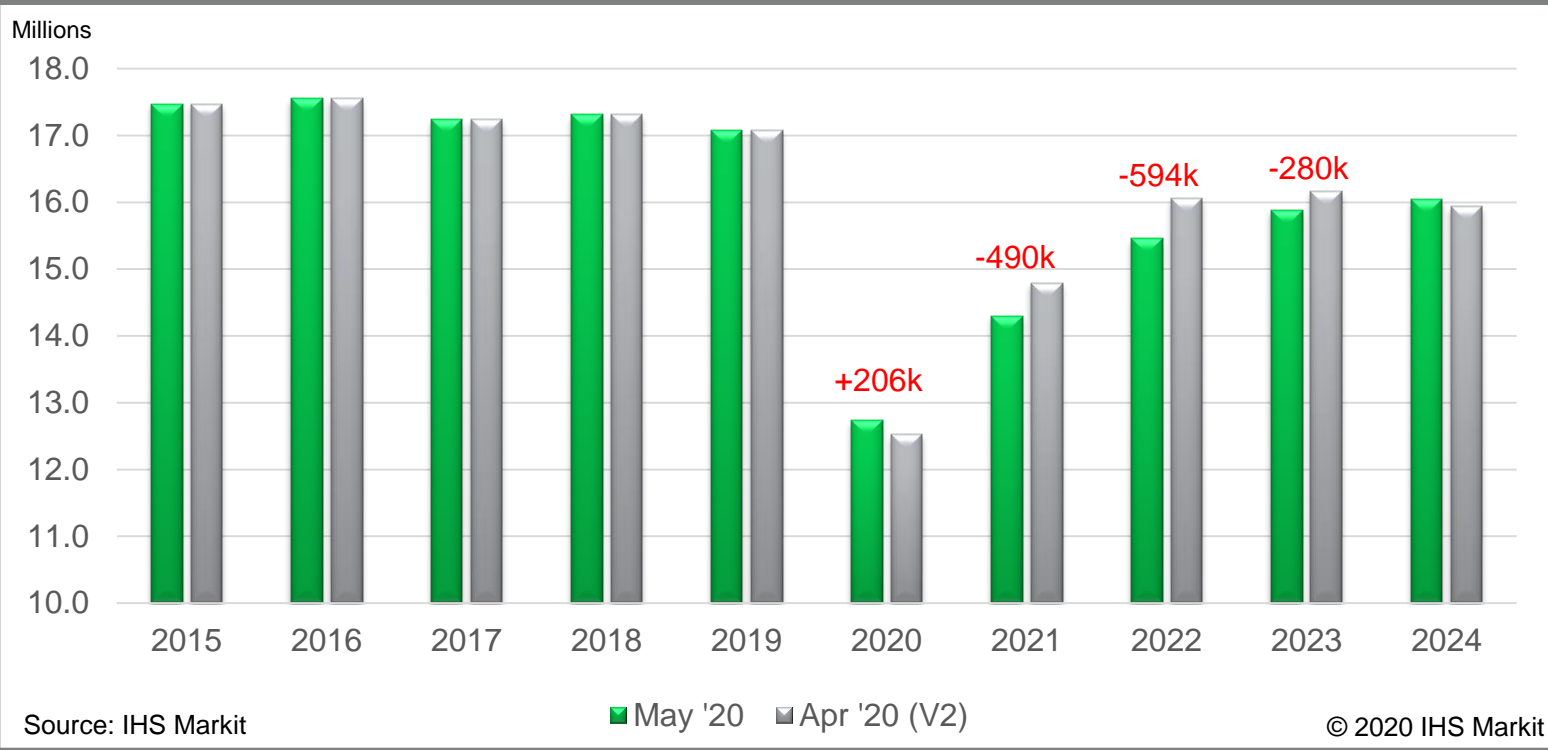


Collapsing global demand depresses prices, despite further production cuts



USA—April sales down but not to worst-case levels. Slower rebound in sales volumes with downgraded economic outlook in May settings

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

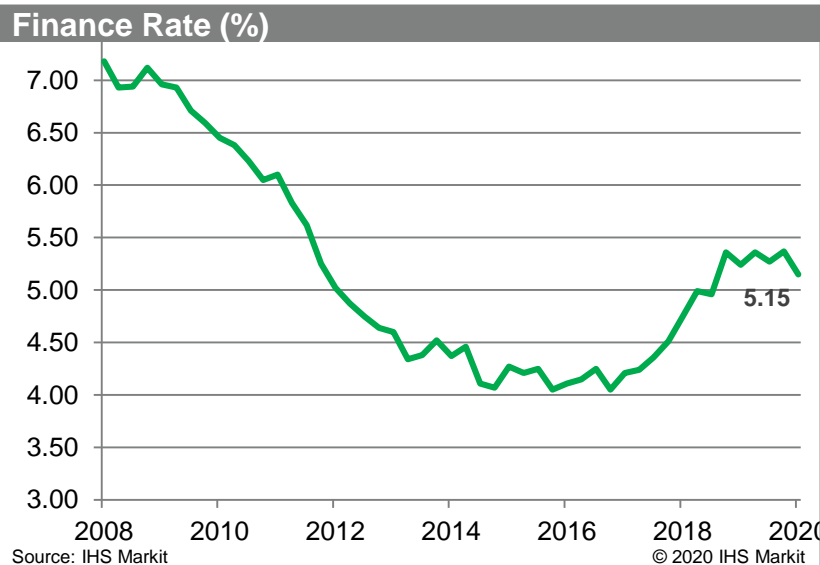


- While the economic damage brought on by COVID-19 continues to lean to the downside, US auto sales dropped an estimated 47% in April. Better than some of the performances realized elsewhere around the globe.
- OEM Incentives/support, online sales & almost half of states not limiting dealer activity 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%).

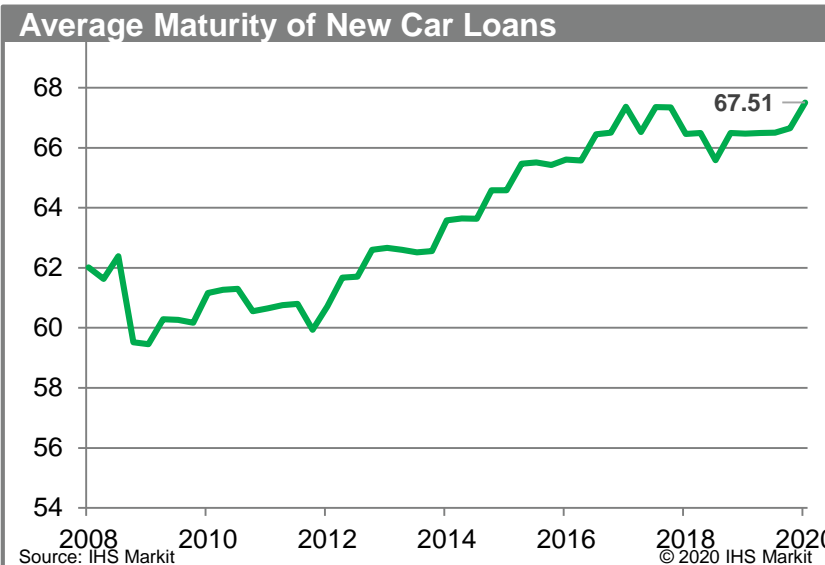
	2020	2021	2022	2023
% Growth YoY	-25.4%	+12.3%	+8.1%	+2.7%
Vol Delta vs. Pre-Crisis Jan Forecast	-4,091,000	-2,291,000	-961,000	-553,000

\$300 or less payments disappearing, only 12% of registrations in 2019

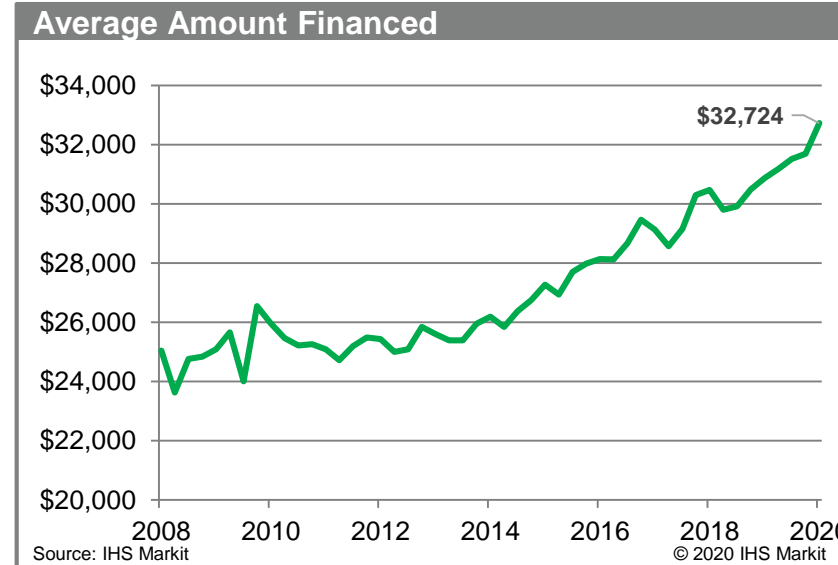
Steady APRs



Loan terms rising again as OEMs expand programs

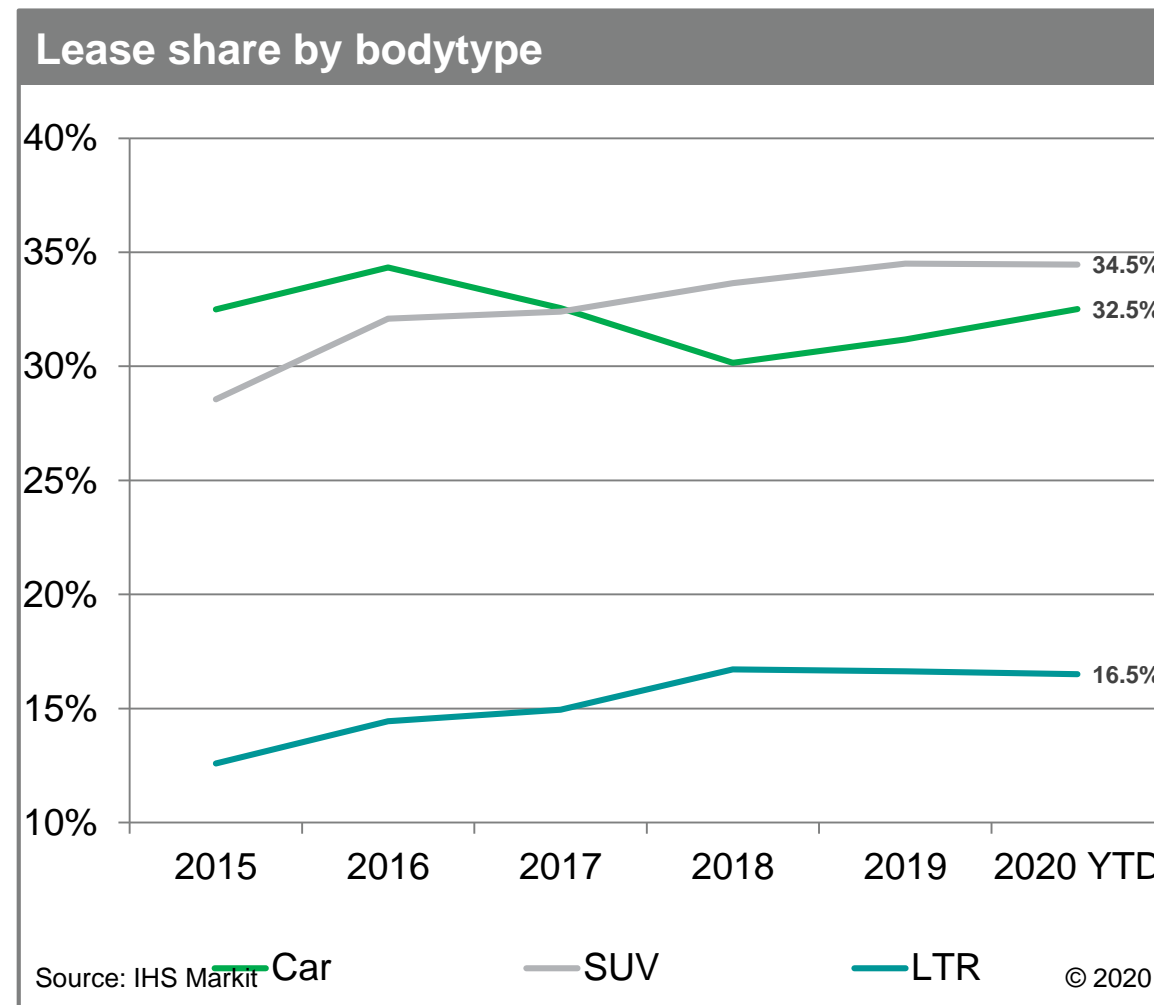
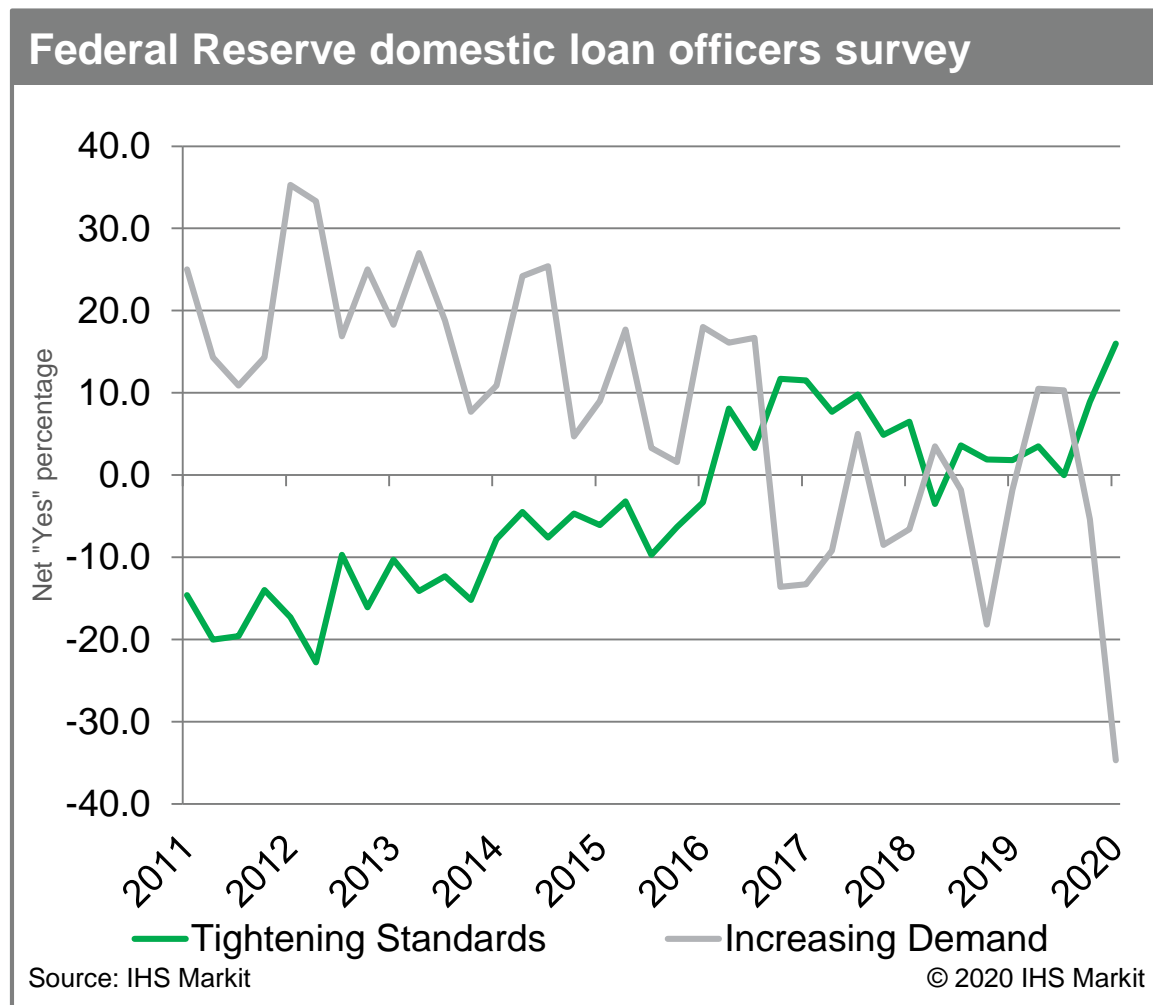


Amount financed continues to rise



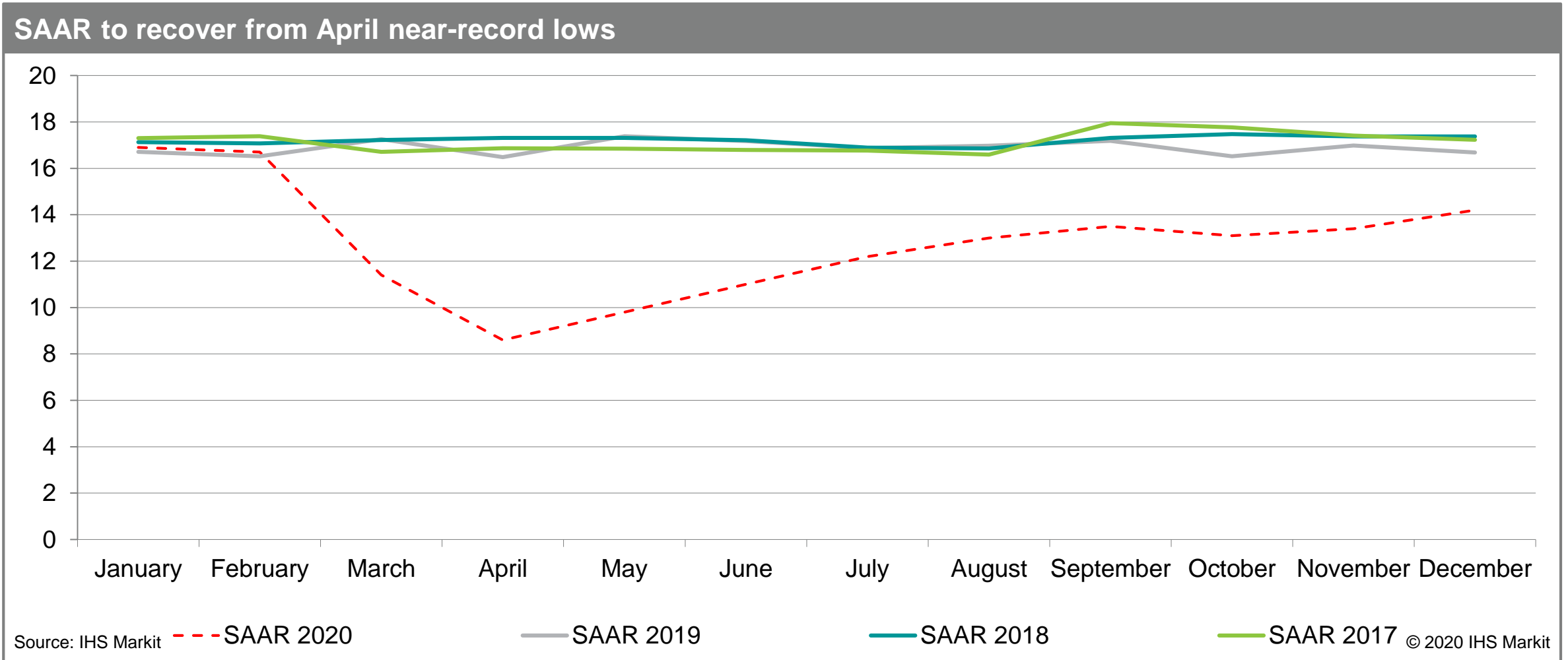
Rising monthly payments, for those who can qualify...

Demand recovering from April collapse, credit tightening as risk rises

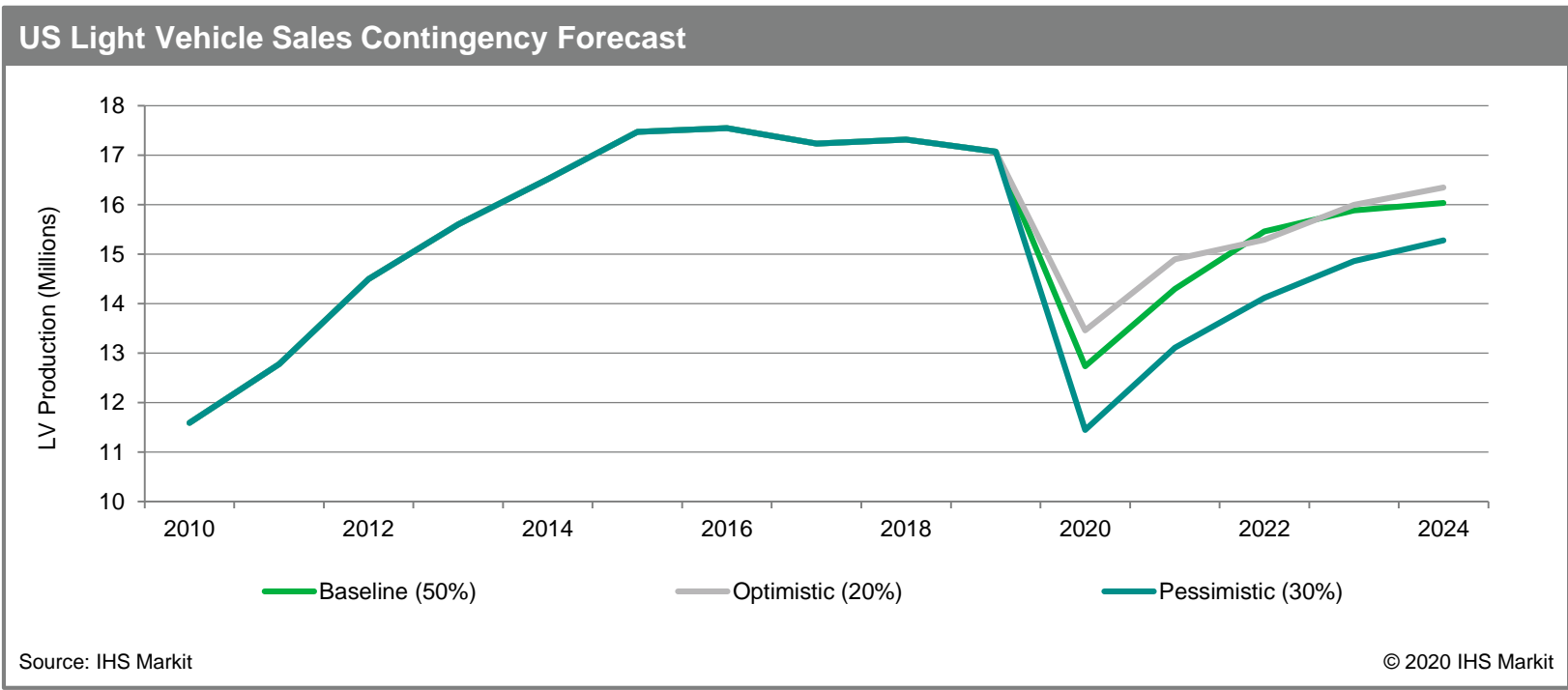


Source: Board of Governors of the Federal Reserve System (FRED)

Light vehicle SAAR for May 2020 fell to only 12.2m, volume down 30% y/y



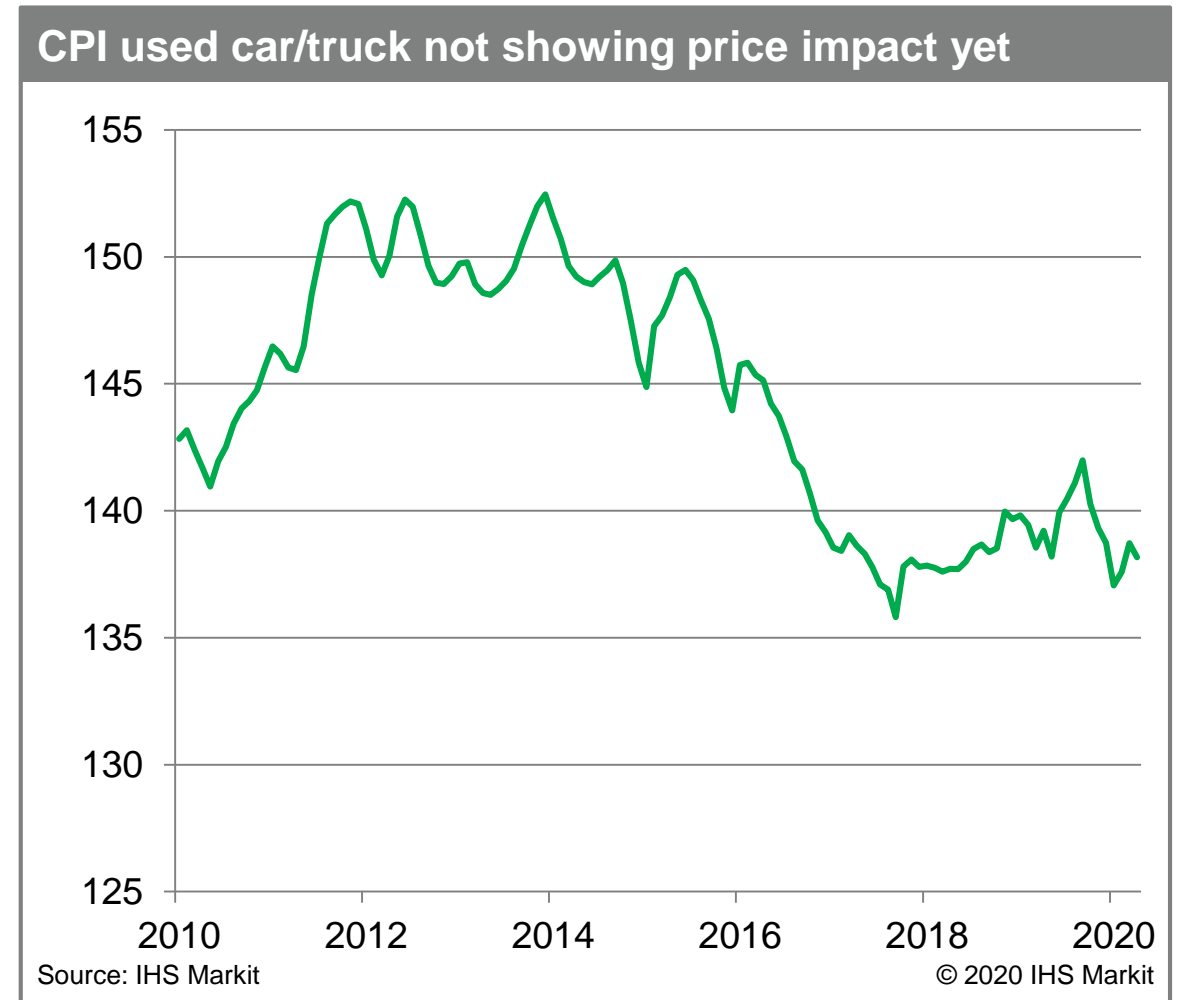
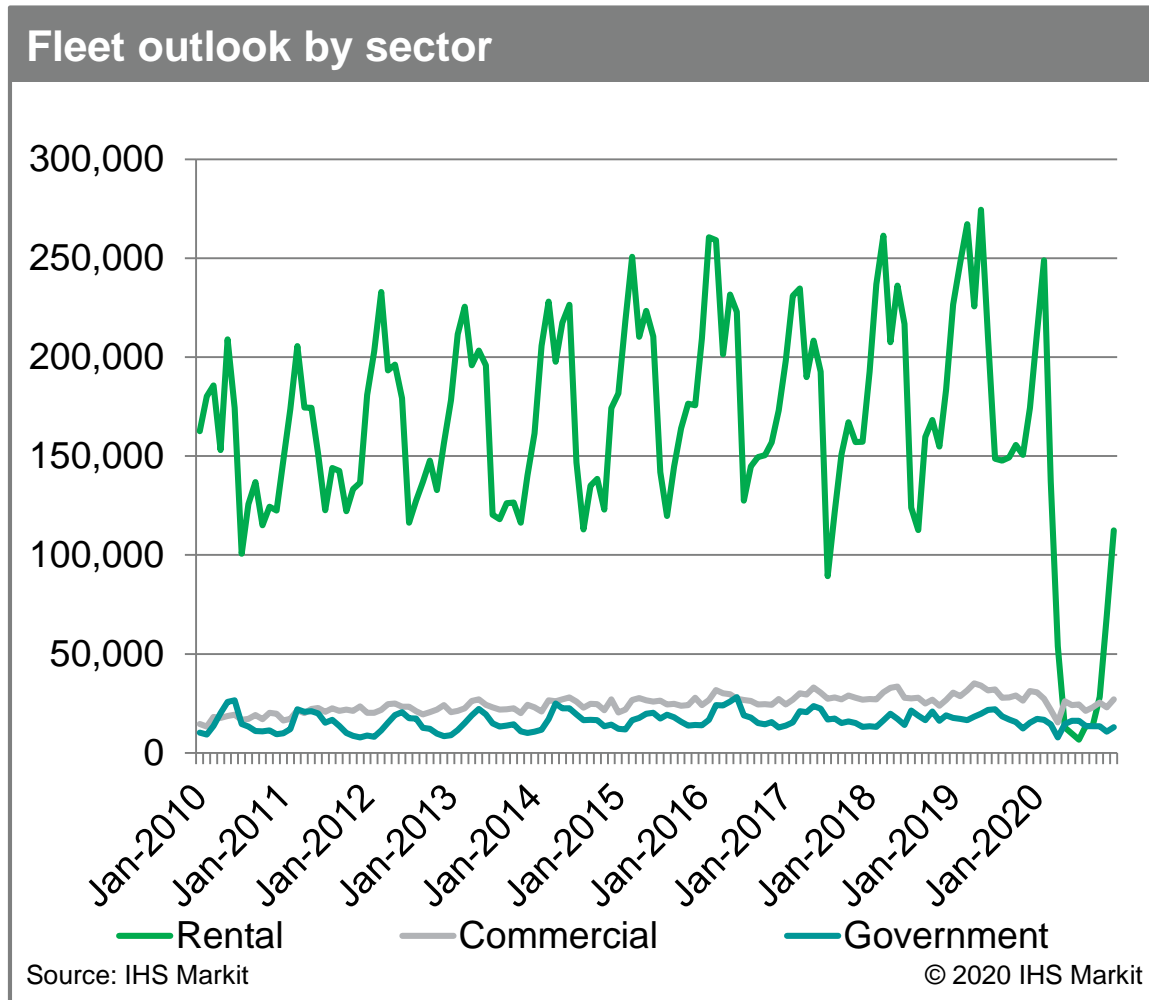
Stimulus could provide near-term lift, second wave of infections produce double dip recession



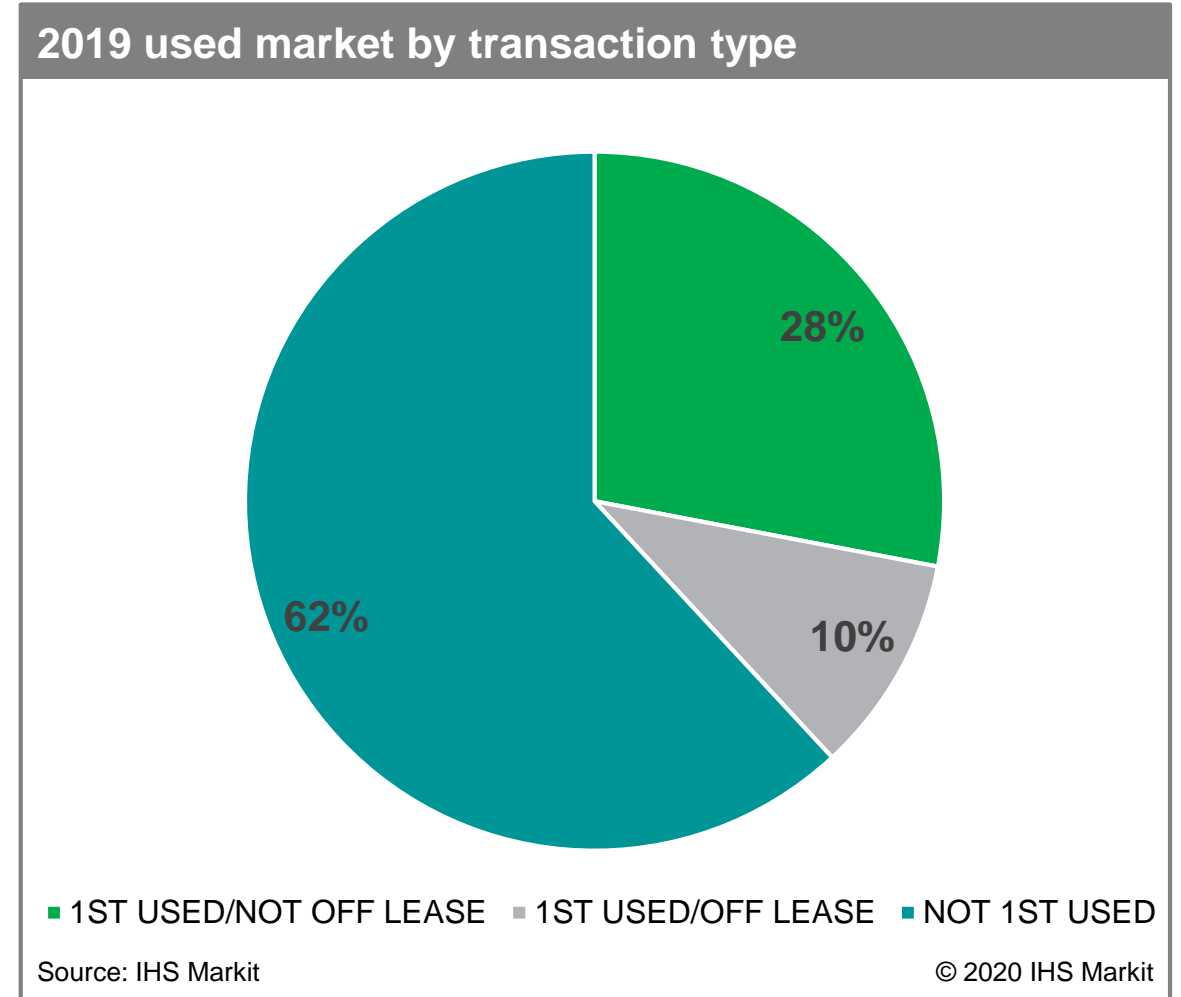
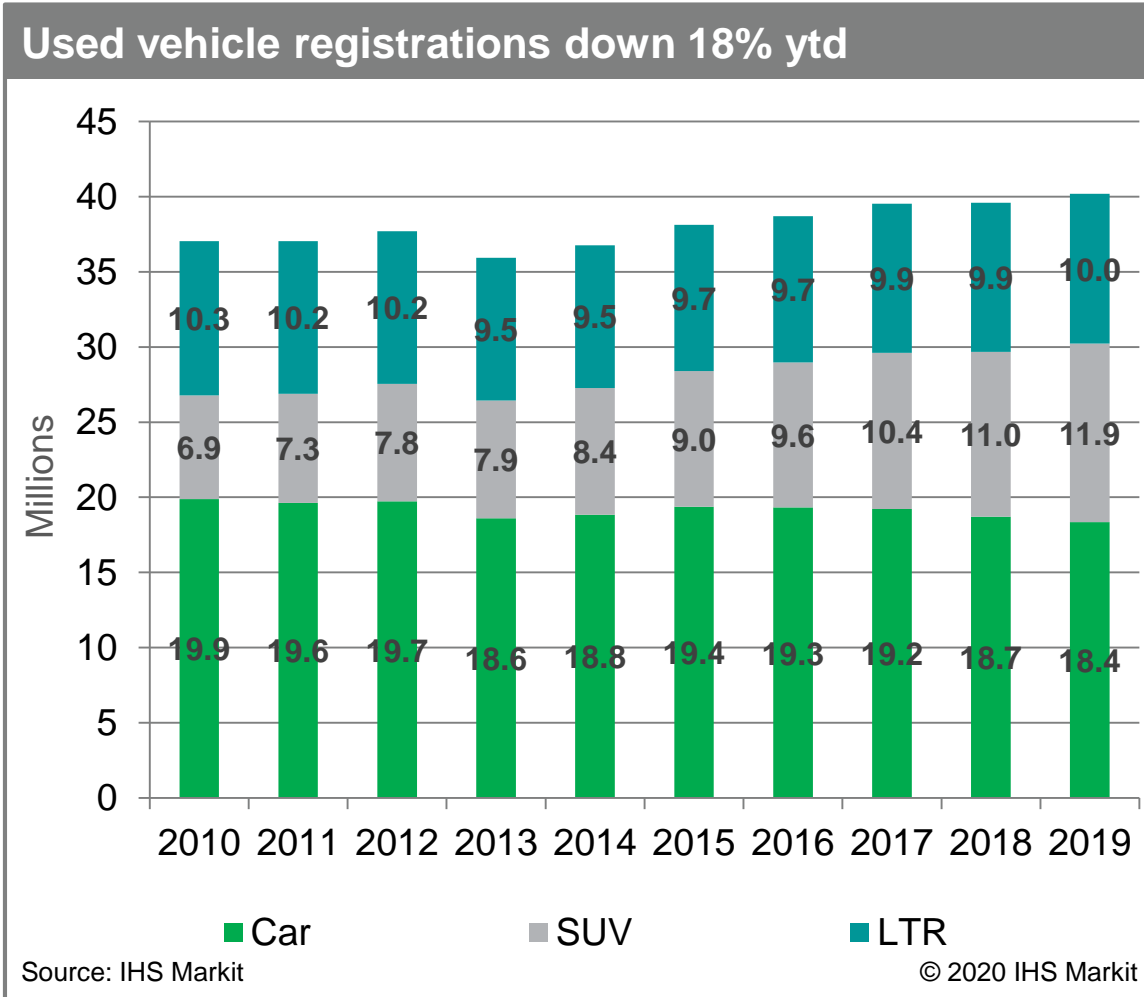
- **Baseline forecast:** Efforts to contain COVID-19 shutter large swaths of the economy and create deeper recession than 2008-09. Inventory in the system offsets some of the plant disruption impact, yet also limits near-term growth prospects as we re-open the economy; OEMs expected to prioritize production of more profitable programs (e.g. trucks).
- **Optimistic forecast:** Reflects a broader V-shaped recovery as stimulus measures are expanded to include light vehicle scrapping programs. Additionally, measures to gradually reopen shuttered economies are successful and not interrupted by a return of the virus. A stronger economic response in 2021–23 accelerates recovery in light vehicle demand.
- **Pessimistic forecast:** Assumes that virus-fighting efforts prove to be effective and allow for a temporary recovery. However, a second wave of the virus hits during the 4Q-2020. Another phase of lockdowns is required, although learnings from the initial experience mean the disruption is shorter in nature. Stimulus measures prove ineffective at backstopping the crisis. Economic recovery begins later and at a much slower rate.

Sales (M)	2019	2020	2021	2022	2023	2024
Baseline (50%)	17.08	12.73	14.30	15.46	15.88	16.04
Optimistic (20%)	17.08	13.46	14.89	15.29	16.00	16.35
Pessimistic (30%)	17.08	11.44	13.11	14.12	14.86	15.28

Since 2010 fleet has averaged 2.6m units, pandemic having disproportionate impact on rental demand

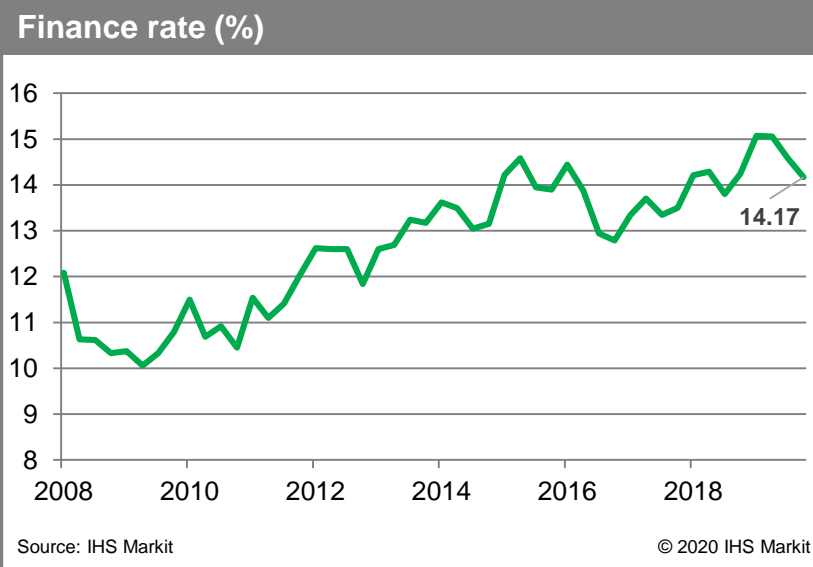


Impact of fleet sell-offs on used pricing could offset current dynamic

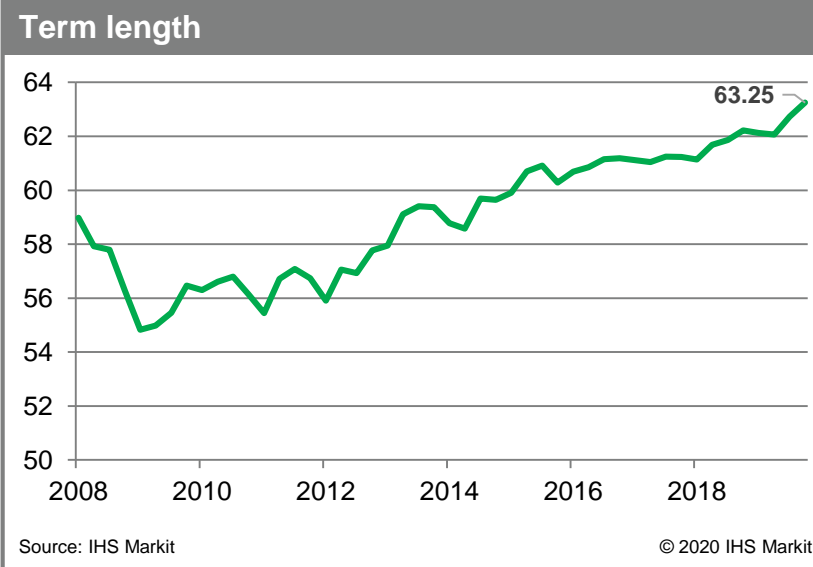


The structural problem impacting new vehicle financing are more severe in used marketplace

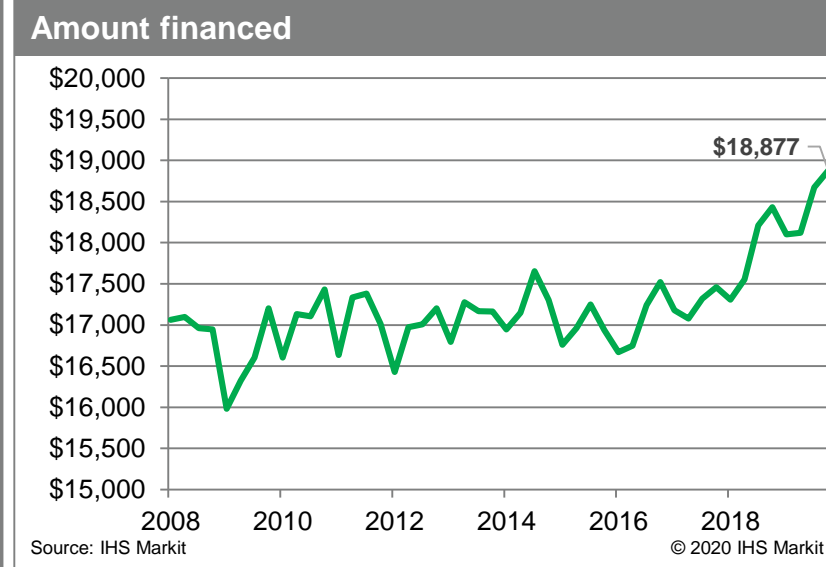
APRs appear more responsive to FED action in 2019



Loan terms continue to rise as vehicles mix becomes more expensive



Amount financed continues to rise



Used market popularity driven by tighter lending standards and more off-lease product

IHS Markit Customer Care

CustomerCare@ihsmarkit.com

Americas: +1 800 IHS CARE (+1 800 447 2273)

Europe, Middle East, and Africa: +44 (0) 1344 328 300

Asia and the Pacific Rim: +604 291 3600

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