



CENTER FOR
AUTOMOTIVE
RESEARCH

Coronavirus Update

Kristin Dziczek – Vice President

6 March 2020



Agenda

Background on China Trade &
Market Trends

Coronavirus Timeline

Likely Disruptions

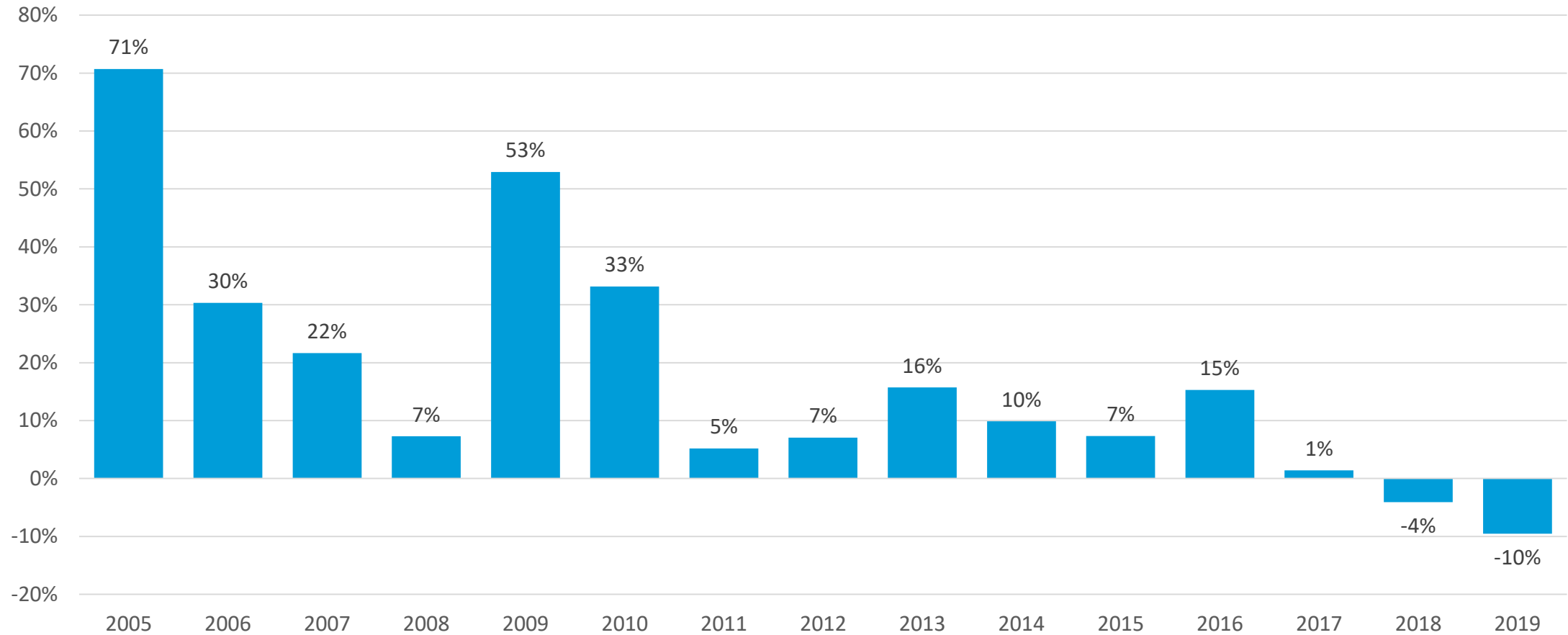
Guest Speaker Introduction

Q & A

Takeaways:

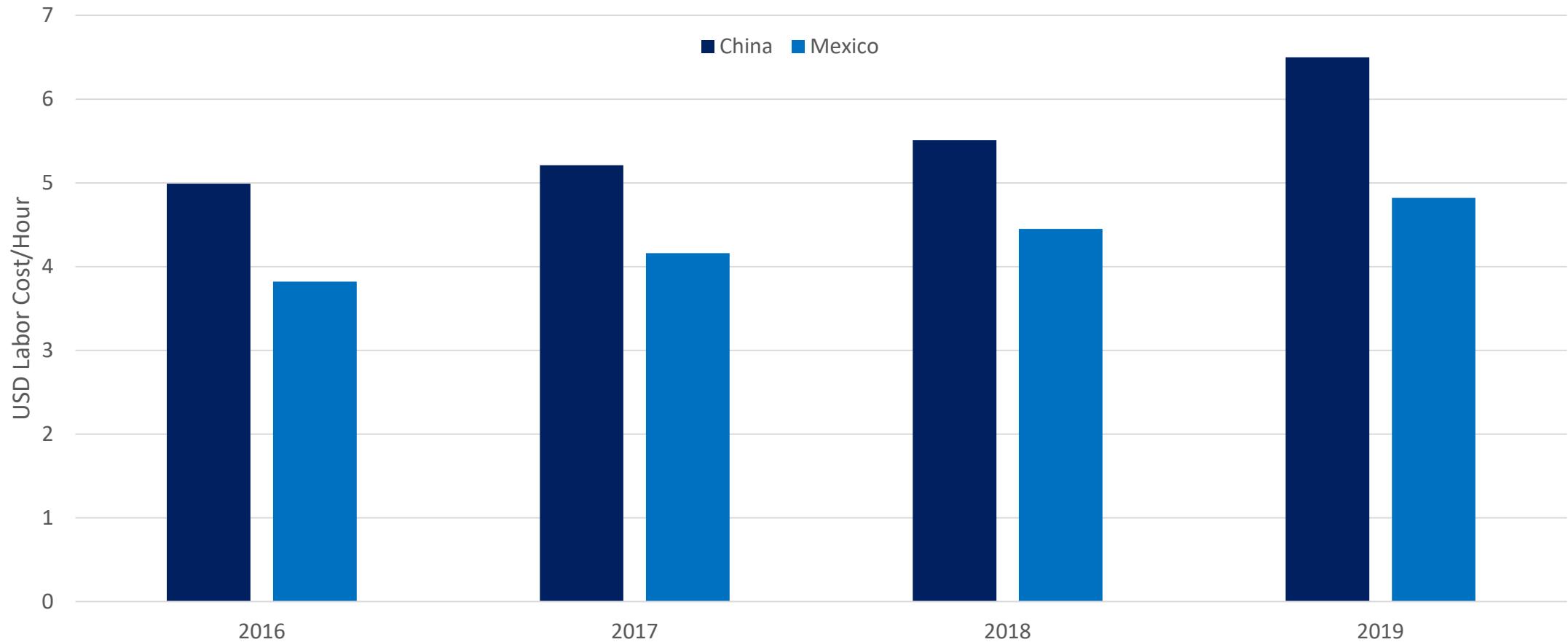
- A view of the Chinese auto industry right now
- An overview of automotive sourcing trends in China—including diversification strategies
- Insights into the layered impacts of a slowing China market, the state of U.S.-China trade relations, & coronavirus
- Impact of tooling sourced from China & other impacted areas on North American product launches
- The potential for North American production disruption & financial impacts of the coronavirus outbreak

China Passenger Vehicle Sales Annual Growth Rate 2005 – 2019



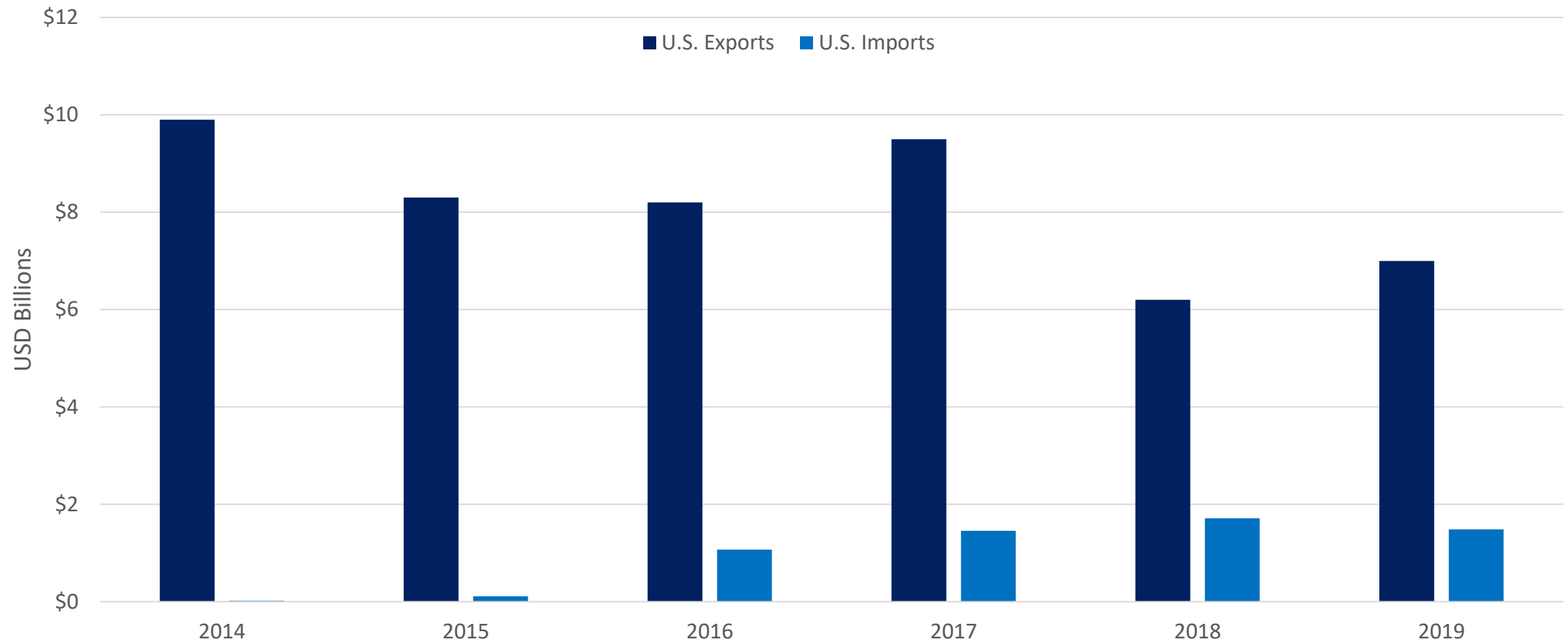
Labor Costs are Rising Faster in China than Mexico

Hourly Manufacturing Labor Costs, USD 2016-2019



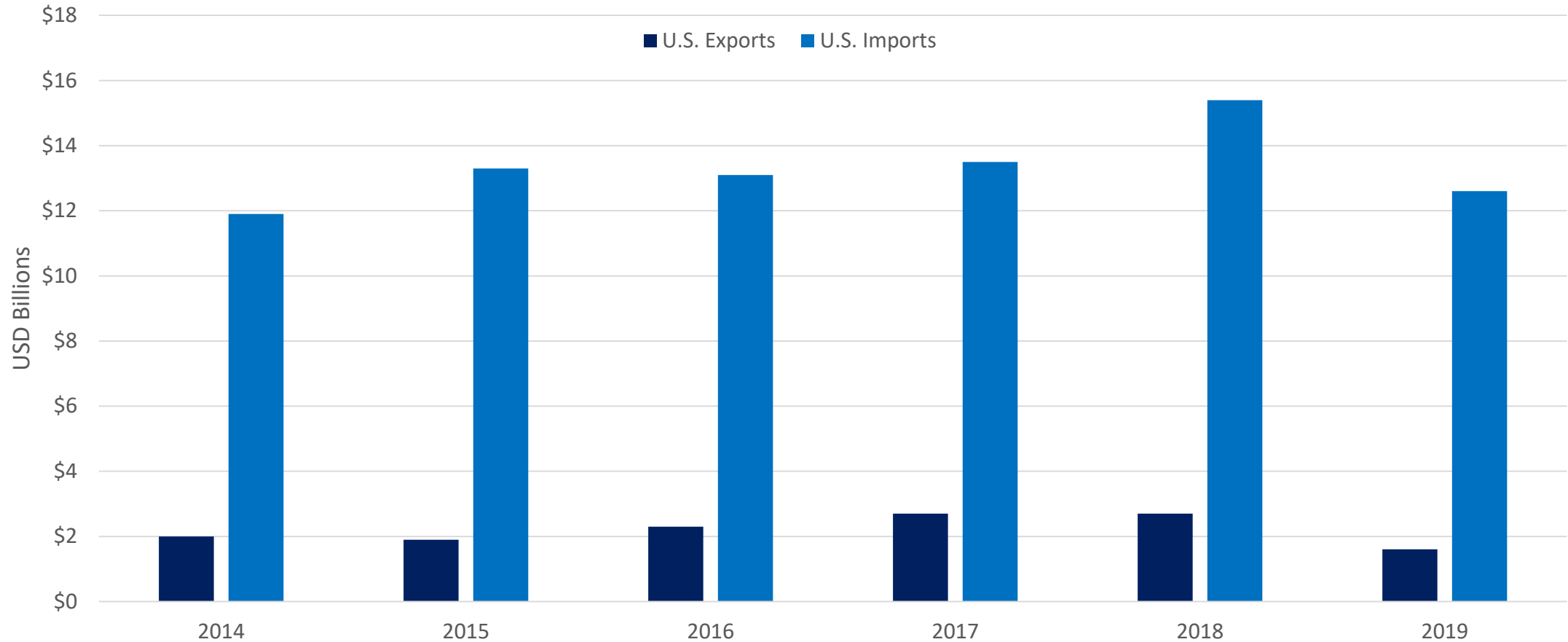
U.S.-China Vehicle Imports & Exports

2014-2019, USD Billions

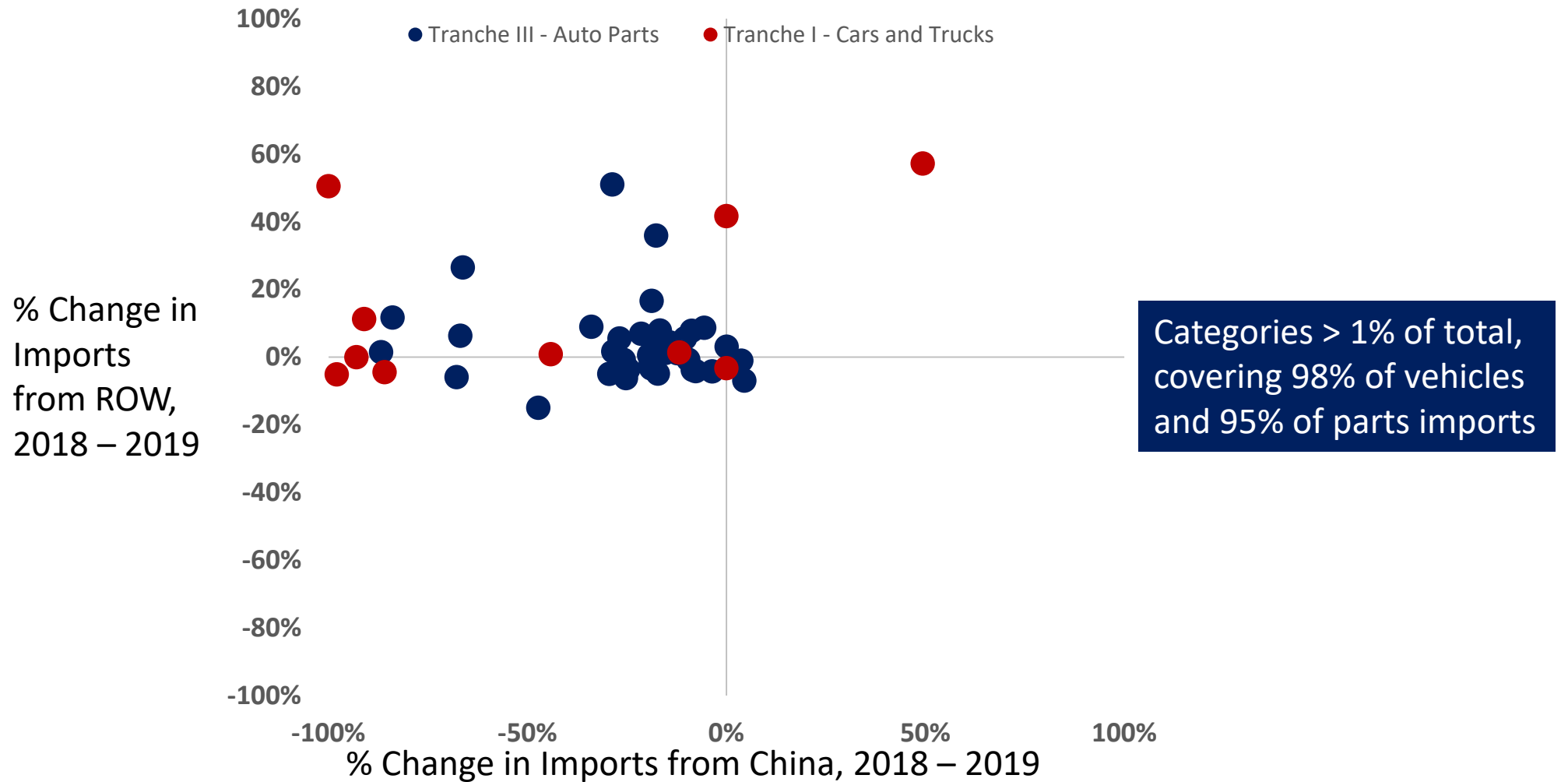


U.S.-China Auto Parts Imports & Exports

2014-2019, USD Billions

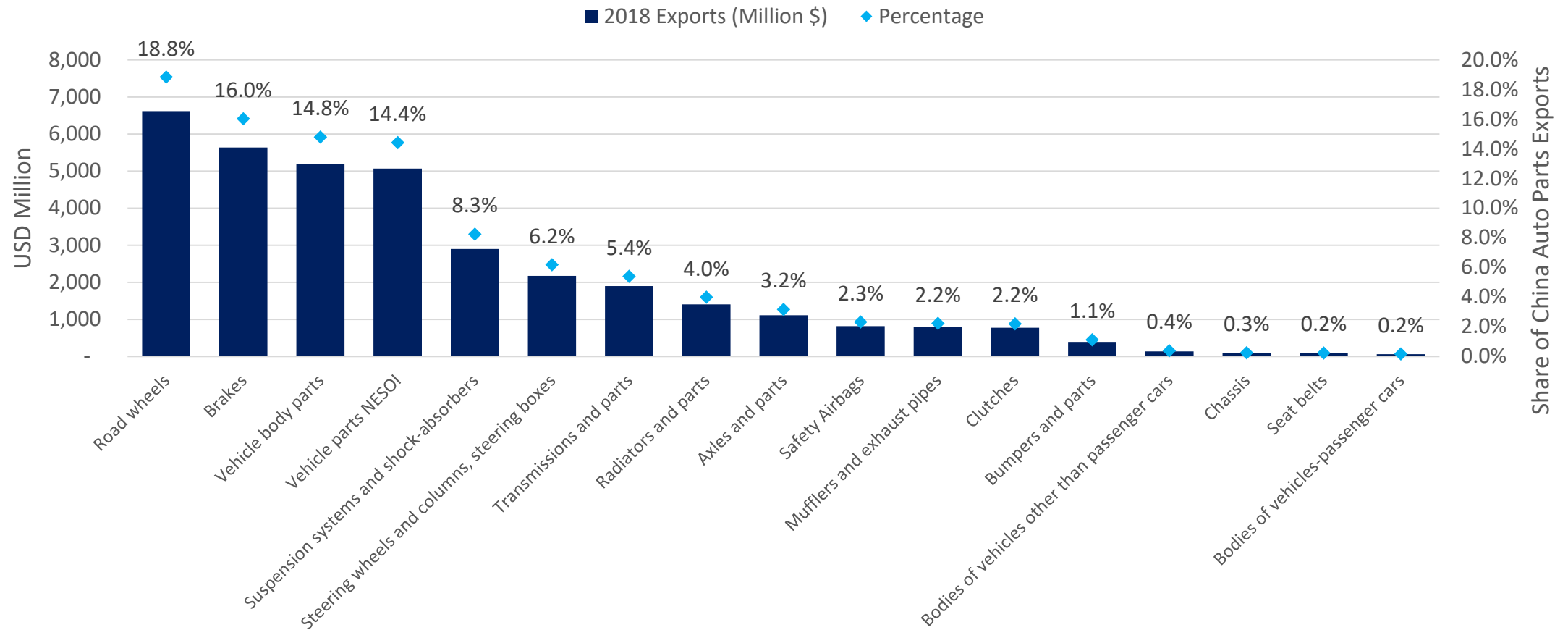


Tariff Impacts on Chinese and the Rest of World Auto Imports 2018 vs. 2019



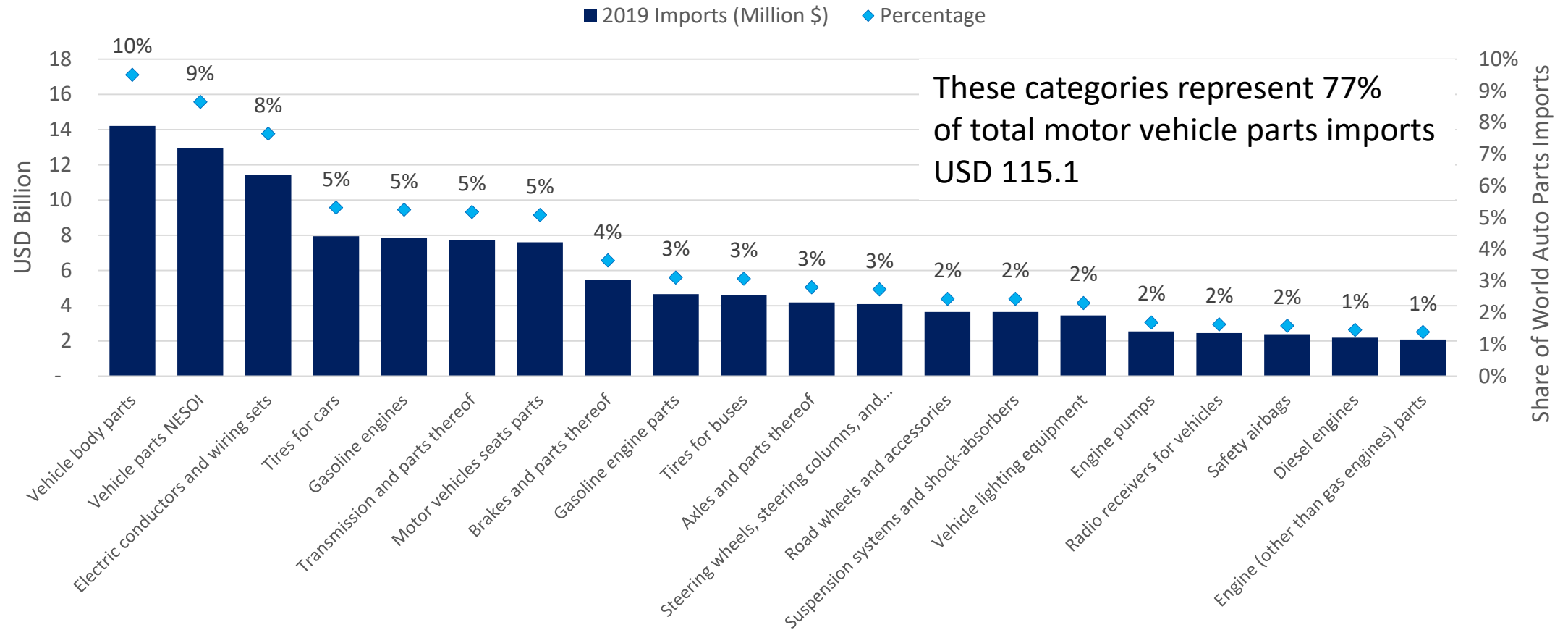
China Exports of Automotive Parts*

2018 (USD Million)



U.S. Motor Vehicle Parts Imports – Top 20 Categories

2019 (USD Billion)



Coronavirus – Timeline & Key Developments

China – Coronavirus Outbreak

January 20 – First reported case by China National Health Commission

January 23 – Wuhan City closed

January 24 – Hubei Province traffic restrictions imposed

January 31 – February 12 travel restrictions imposed by select cities across China

Auto Production

January 31 – Crisis delayed National return to work until February 3

February 3 – National return to work further delayed until February 9 (1wk) @ 20 Province Shutdown

February 10 – Partial production resumes, e.g. 'ghost shifts'

February 7 – Hyundai idles plants in South Korea

February 10 – Nissan idles plant in Japan

Govt officials unofficial 'guidance' for March 10~ production restarts

Supply Chain Disruption

Hyundai/Kia (South Korea) – wiring harnesses

GM (North America) – appliques

Honda (Japan) – brakes and interior trim

Wuhan City – turbos, IP's, brakes, EPS, seat frames

Hubei Province – brakes, HVAC, steering, exhaust manifolds, power electronics

North America – Impact

GM announces plans to airship parts for NA light trucks

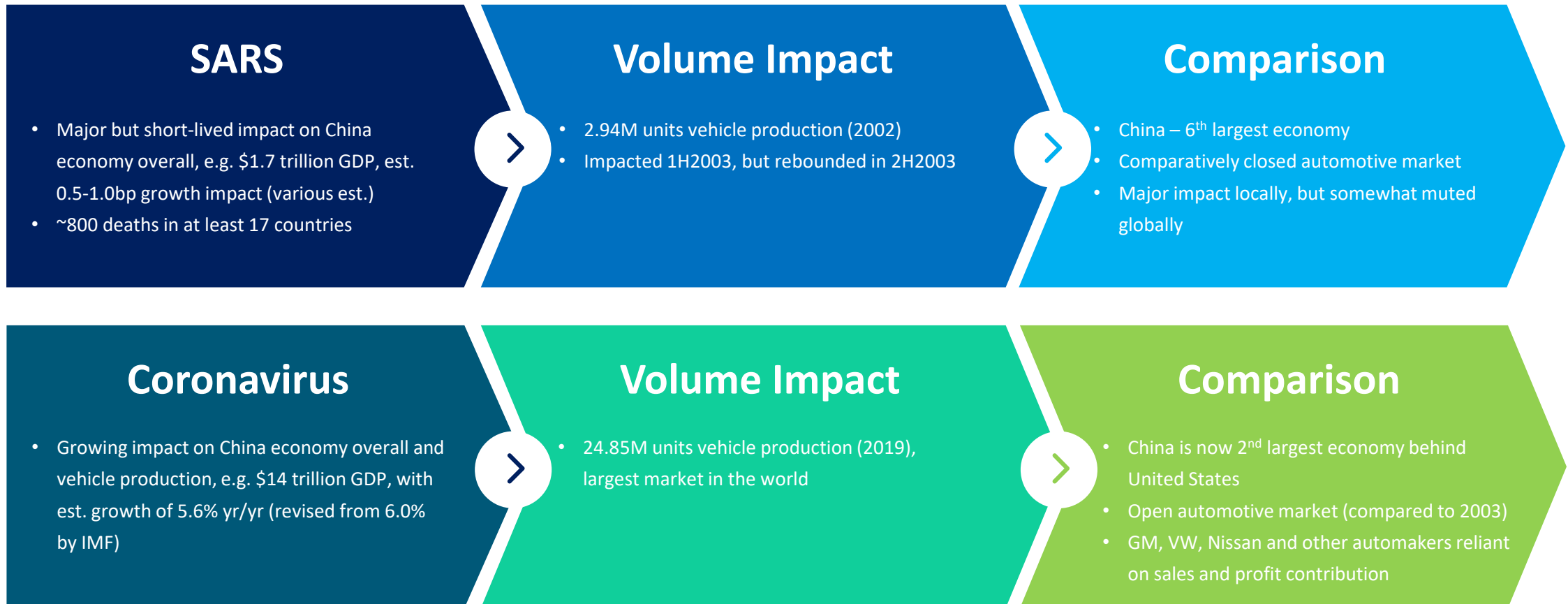
Limited thus far but FCA and GM warning about potential March impact

ROW – Impact

SARS vs. Corona Virus:

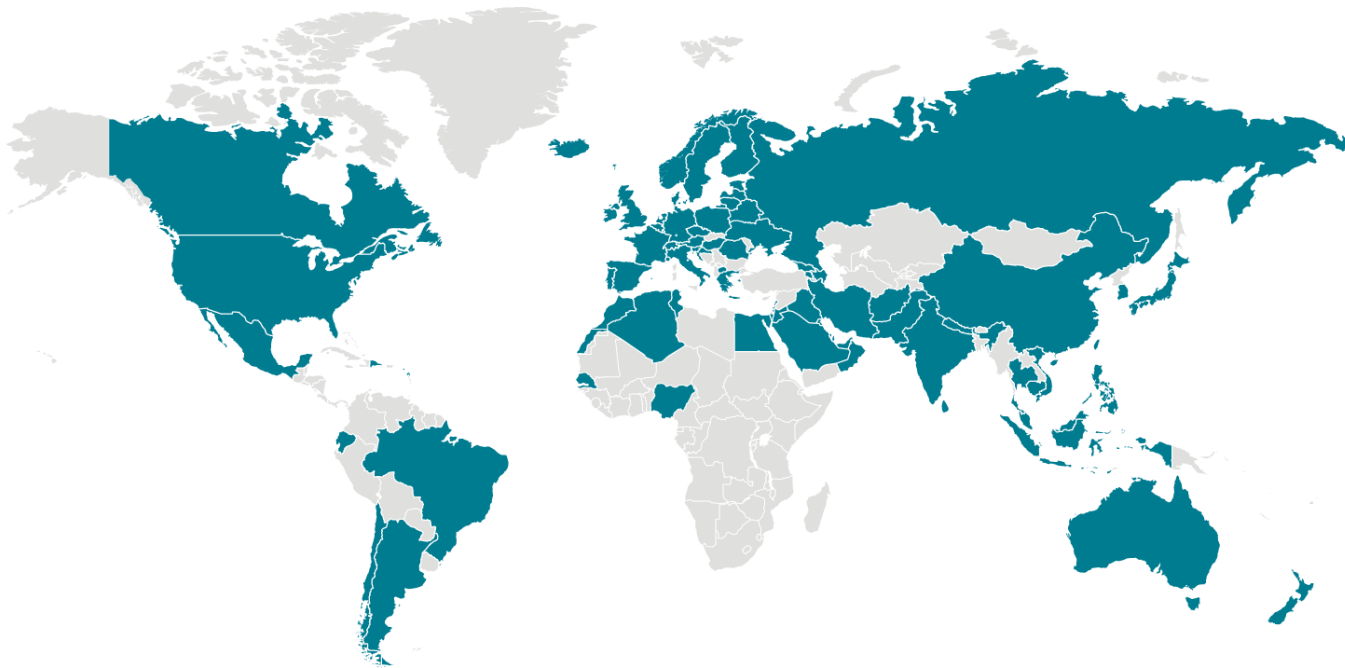
“History Rhymes but doesn’t Repeat Itself.”

-Barton Biggs, Morgan Stanley Chief Economist (former)



Coronavirus (COVID-19) Update

Threat to U.S. Production & U.S. Firms



- Biggest threats are supply disruptions & financial
- Imports from China & ROW impacted
- GM has largest China exposure of D3 automakers

Coronavirus (COVID-19) Update

Timing of Impacts



- China → North America = 30-60 days shipping
- North American suppliers keep 2+ months of parts inventory sourced from Asia
- Timing with Lunar New Year means 1 week downtime was planned
- Many Chinese automotive parts come to U.S. in parts & components manufactured elsewhere
- Inventory and supplier tiers may mitigate supply chain disruption or delay visibility of supply chain problems

Speakers



Kristin Dzikczek
Vice President



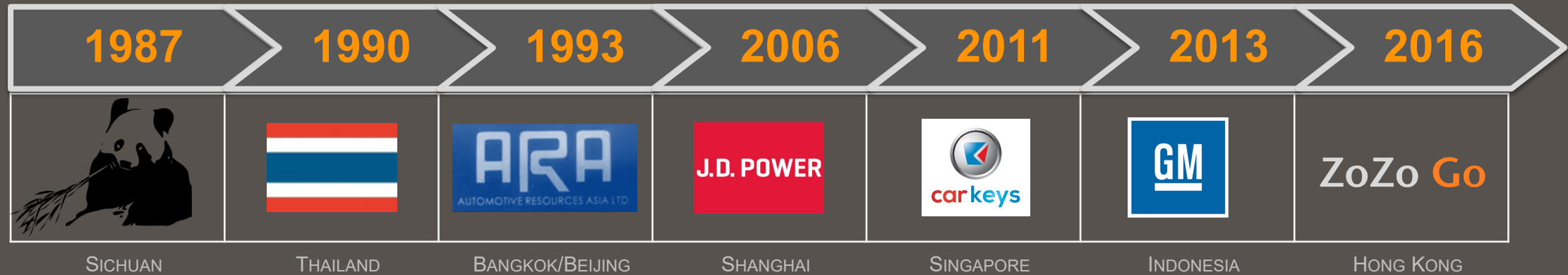
Michael Dunne
CEO, ZoZo Go



Paul Stepanek
Owner



Growing automotive companies in Asia



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Major
Intersection

Rush Hour

Beijing

February 26



Coronavirus Quotas

Buying Masks
and Alcohol
Sanitizers

Beijing

CCTV 13
新闻

Tens of
Millions

On The
Move

Chengdu Airport

北京

中国医学科学院北京协和医院感染内科主任 李太生

每个人都是易感人群

星期六 12:50

韩国通报一例新型冠状病毒感染的肺炎确诊病例。截至目前，韩国累计确诊病例为1

**PAY ATTENTION TO
THE THREE "NO'S"**

No making up rumors.

No believing rumors.

No spreading rumors.

**"It's the biggest way to help
in the battle against spread
of the coronavirus."**

English translation
by ZoZo Go



Red
Slogan

Avoid
Rumors!

Shanghai

Monday March 2nd, Shanghai

Full traffic



Blue sky (for now)

From Rhea Chen, CMD
HR Leader



Passenger rail trips are up 60,000 /day since Feb. 20th.



Drivers have special permits to cross provinces.



Seaports are open and shipping internationally.



Six million are back to work in Guangdong (about 1/3 of normal)



85% of China's Starbucks 4,292 stores are open



Wuhan has a surplus of hospital beds.

Speakers



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Thank you
