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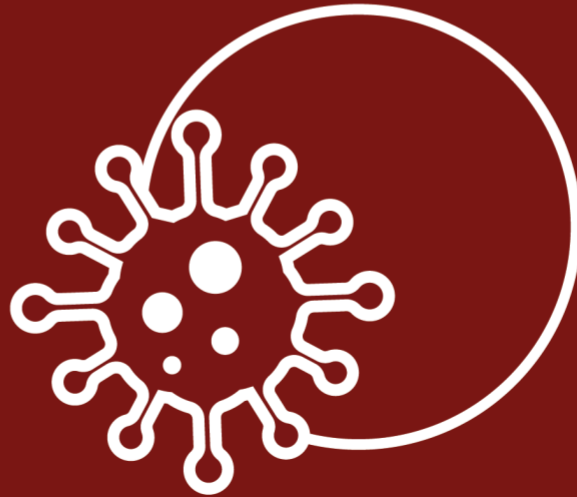
March 2020

Global Vehicle Demand Forecast 2020-2030

The Drastic Impact of the Coronavirus Crisis

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1. Introduction: Automotive Demand Shock

The coronavirus (covid-19) outbreak is an unprecedented event in modern history. Markets have never faced such a widescale disruption in peacetime. In an effort to contain the virus, a large share of the world's population is now living and working under something like house arrest, allowed only to leave for specific reasons.

The automotive industry, including vehicle manufacturers, suppliers, retailers, technology and service providers, is likewise facing a mass shutdown of production and demand across nearly all major regions, including Europe, North America, India and Africa, with plants and operations closing elsewhere as well. Only in China, which is now ramping industrial and economic activity back up after months of lockdown, are most factories moving back towards normality.

Such a widescale shutting of assembly lines has never occurred before. Even during the second world war, many factories were put to use producing munitions. While some will now produce medical equipment, the lights will remain off for most facilities.

With economic and industrial activity largely put on hold, our analysis reveals that there will be a severe demand-side impact leading to a sharp decline in vehicle sales volumes. At the global level, our base-case assessment is for declines of 9.5m passenger and commercial vehicles, an 11% drop from 2019. However, in the event of failures to contain the virus and even longer lockdowns, global sales could plummet by more than 20%. The worst-hit region is likely to be Europe, where are our base forecast is for a drop of 15%, with the possibility of a 30% drop. The impact in North America is also likely to be significant.

Such falls would be far more extreme than the 2008-2009 financial crisis – and the pain felt could be much deeper than it was then.

Such declines will stem largely from:

- Strict quarantines and 'lockdowns' disrupting public life and preventing consumers going out
- Consumers redirecting their resources to stockpiling and panic buying other 'essentials'
- Consumer confidence collapsing during the global pandemic
- The deferral of big-ticket purchases such as vehicles

In regions with 'lockdowns', we expect demand to collapse virtually to zero for a number of months. Car dealerships in most regions are being encouraged or forced to close as they are deemed non-essential retail outlets. The only likely sales could potentially be consumer personal contract plans (PCP) or lease renewals, as well as commercial and essential service vehicle fleet maintenance, much of which was already 'locked in'. A small number of online sales might also occur.

Cumulatively, we expect these sales levels to be very low, at less than 5% of normal volumes.

Whether this will be a short term 'demand interruption', with purchases deferred until later, when the industry might see a strong rebound in demand, remains a huge question. However, we do not expect a 'V-shaped recovery' in which demand recovers back to normal immediately after the crisis.

There is unlikely to be enough of a rebound later in the year to make up for that lost ground during 2020, as consumer confidence will take a long time to recover before most feel confident enough to make major financial decisions such as purchasing a vehicle.

Government incentives and stimulus, including programmes specifically for the automotive sector, could quicken recovery and stave off much more significant economic pain. However, much like the race to beat the spread of coronavirus, the automotive industry is facing a marathon rather than a sprint.

1.1 Forecasting Methodology

In such an uncertain time, in which it is still not clear how long the epidemic will last, how are we forecasting sales?

This is an important question in such unparalleled times as there is no real point of reference or comparison. However, we have examined:

- ▶ The 2008-2009 financial crisis which gives some insight into how consumer demand reacted.
- ▶ Sales volumes for January and February, which showed dramatic falls in sales figures especially in China, but with accelerated declines also in Europe and the US.
- ▶ The trajectory of China's virus development, which we have extrapolated to other regions – at least those that apply similar draconian strategies to limit the movement of people.
- ▶ China's gradual return to normality, which shows anecdotal signs of a tentative consumer recovery (although it's too early to be sure on this until March sales figures are released).
- ▶ The lockdowns announced and enforced in each region.
- ▶ The number of Coronavirus cases and deaths in each country, which indicate which regions are likely to continue to face significant restrictions. For example, we largely expect such lockdowns to be in place in Europe and much of North America for 2-3 months.
- ▶ The huge government stimulus and measures announced, and what their short-, medium -and long- term effects could be.

It is clear the situation is fast moving. Our forecast will be subject to further updates and could change in the event of significant new developments.

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2. Economic Stimulus and Government Support

Any demand recovery will depend in large part upon the attempts made to stimulate the economy more broadly, including eventual measures that could also target the automotive industry.

In the first instance, most governments are focused on avoiding what could otherwise be a global depression, with huge unemployment figures and claims.

2.1 Macroeconomic Stimulus

Around the world there has been unprecedented announcements by governments with stimulus packages to prevent economic collapse. A few examples include:

▶ **US:** A $2 trillion economic stimulus package has been announced and is making its way through Congress, with the Federal Reserve also slashes interest rates and launching stimulus measures.

▶ **EU:** The European Central Bank (ECB) has launched an emergency €750bn ($820 billion) package to ease the impact of the coronavirus pandemic. Individual European governments are also taking major actions.

▶ **Interest rates:** Central banks around the world, including the US Federal Reserve, the Bank of England, ECB and central banks in Japan, Canada, and Switzerland have cut their base rates to near zero.

Such stimulus packages will inevitably add to governments' struggles to address growing national debt ($23 trillion in the case of the US, which is over 100% of GDP). By that measure, the longer-term impact on the economy will be potentially negative – however, without these measures, economies could collapse so drastically that it would take many years, if not decades, to recover.

2.2 Government Support

Government have also initiated drastic and bold policies to save businesses and to protect jobs, which is set to fundamentally alter the role of the state, at least in the short term. This is also particularly notably in economies in which privatisation had been a trend for decades. Examples of interventions include:

▶ **Loans**: US, UK, French and other governments have announced plans to offer people loans or cash to help them pay bills or keep their businesses going. In the US package, around $500 billion will be specifically allocated to loans and loan guarantees for businesses.

▶ **Government to pay salaries:** Many governments, including the French, British, German and Danish governments, have promised to pay salaries directly to workers to prevent them losing their jobs. In the US, $250 billion will be given directly to families in need, with further money also bolstering unemployment insurance.

▶ **Nationalisation:** In the UK the government has temporarily nationalised some rail franchises, while France has suggested it could take over automotive firms. Sectors such as air and cargo

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could be further nationalised in Europe, at least temporarily. The US bailout has also allocated funds specifically to bail out the airline and air cargo sectors.

For European and American governments to intervene in this way with such state-led, socialist measures is unprecedented during peace time, even compared to the financial rescue packages during the financial crisis. John Maynard Keynes, the advocate of Keynesian economics – i.e. for governments to intervene in a recession – would be proud. Time will tell if the measures will prove him right.

2.3 Automotive Specific Stimulus

In most regions, government measures have not yet targeted the automotive industry specifically, although measures to support incomes and loans would also apply to automotive-related firms. However, with economic activity largely at a standstill because of restrictions, efforts to stimulate vehicle demand would, in most instances, be premature.

The exception is China, where production and economic activity are restarting. Chinese automotive OEMs have already approached the Chinese government for support during this period, but limited measures have been revealed so far.

To stimulate demand after the crisis is over, what more could governments do to restore consumer demand?

▶ **Taxation:** One option would be to temporarily reduce (or completely waive) vehicle purchase tax.

▶ **'Cash for clunkers'** and other similar scrappage schemes could be implemented to stimulate demand for new vehicles.

▶ **Easing regulation:** One suggestion is that the current CO_2 emissions targets and fines coming into force in the EU and China in 2020 could be relaxed or delayed.

▶ **Subsidies:** Governments could use the crisis as an opportunity, for example to radically increase subsidies for electric vehicles. That could lead to supply issues, however, as there were already battery supply chain constraints earlier this year as OEMs ramped up production.

Such measures could end being costly for governments. But we would argue that, similar to wider economic stimulus, they may well prove more effective than allowing large parts of the automotive industry to fail. Without such stimulus, governments might have to resort to bailouts or even nationalisations to support this vital 'pillar industry'.

Notably, some OEMs are already offering 0% finance deals of up to seven years, and also allowing buyers the option to delay their first payment by up to 90 days.
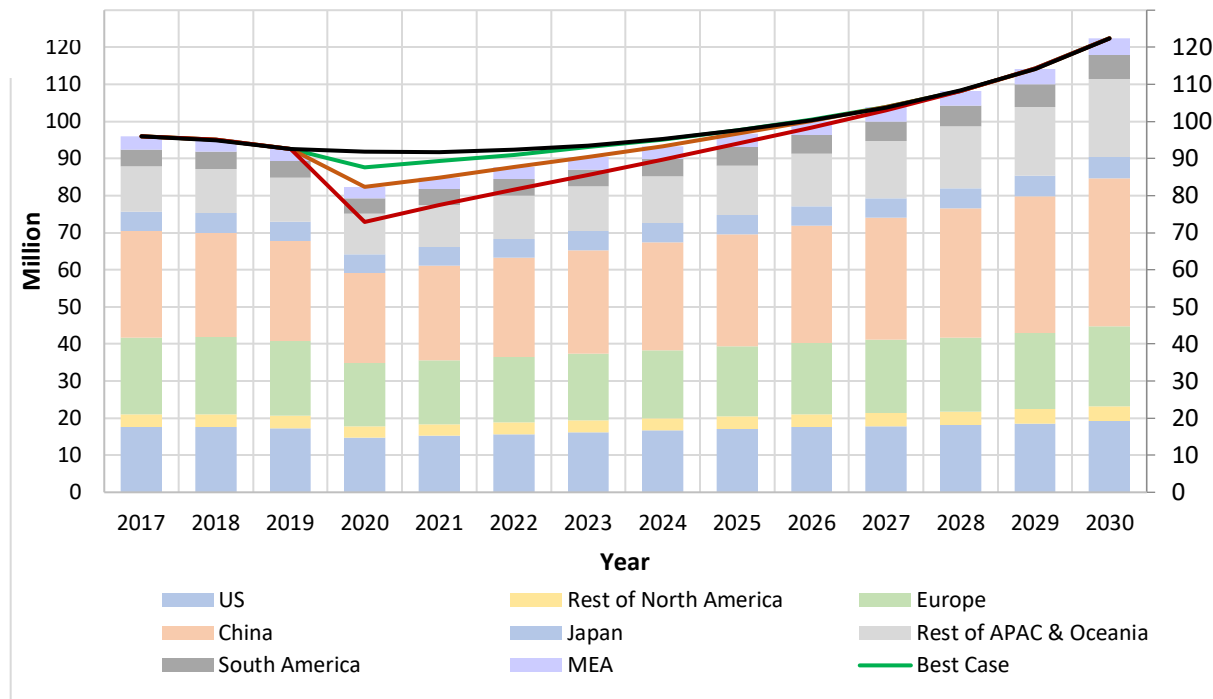
3. Global Automotive Sales Volume Forecast 2017-2030

We expect global vehicle sales volumes to take a major hit in 2020 and likely beyond. We have forecasted the impact under three different scenarios: best case, base case and worst case. We have compared these forecasts with our original 'business as usual' (BAU) outlook, which is how we would have expected sales volume to develop had the coronavirus crisis not occurred.

Our BAU forecast for 2020 was for volumes of 91.9m passenger and commercial vehicles, which would have represented a decline of around 0.8% from 2019. However, global volumes will now decline by significantly more.

▶ **Best Case** - A fall in volume in 2020 of **4.3m** units (**-4.6**% from BAU, **-5.4%** from 2019). Under this scenario we see a gradual return of consumer confidence, as sales volumes recover fairly quickly over the coming 1-2 years. However, it will take until 2023 or 2024 to completely recover to normal volumes.

▶ **Base Case** - A fall in volume in 2020 of **9.5m** units (**-10.4**% from BAU, **-11.1%** from 2019). In this scenario, the demand recovery will be somewhat slower, only recovering to normal volumes by 2027-2028.

▶ **Worst Case** - A fall in volume in 2020 of **19m** units (**-20.7**% from BAU, **-21.3%** from 2019). The impact will be much deeper and long lasting, with effects felt for much of the decade. In this scenario, it would be 2029 before volumes fully recover to normal levels.
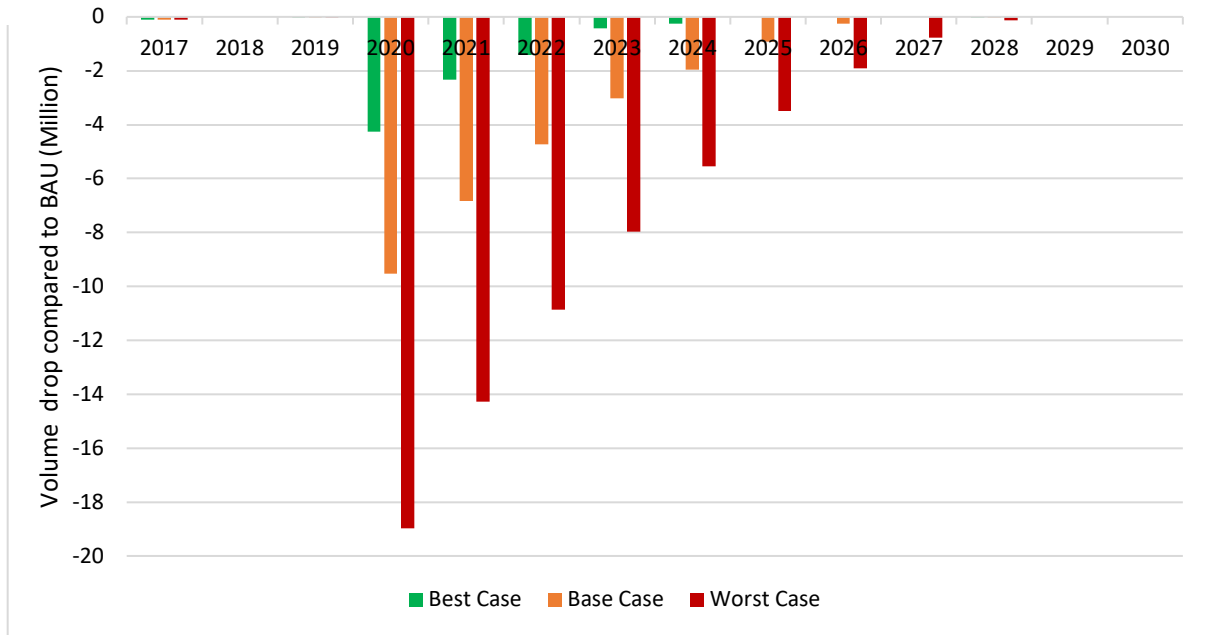
Figure 3.1 Global & Regional Automotive Sales Volumes Forecasts Under 3 Scenarios 2017-2030 (units)

Source: Automotive from Ultima Media

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Figure 3.2 Global Automotive Sales Volume Drop Compared to BAU Under 3 Scenarios 2017-2030 (units)

Source: Automotive from Ultima Media

4. US Automotive Sales Volumes Forecasts 2017-2030

Initially, it was assumed that the US would be largely unaffected by the coronavirus. President Donald Trump initially dismissed the problem, before starting to act more decisively in recent weeks.

That early period of inaction by the US government has arguably allowed the virus to get a grip, and it now looks likely that the country will become a major epicentre of the disease. Some parts of the country are following a similar trajectory to western Europe in some regions, notably New York, where infections are growing at a staggering rate. The required lockdowns across states will have to be deeper and longer than they would have otherwise been to get the virus under control – and that will ultimately impact vehicle sales over the next few months.

Most US states have already implemented strict restrictions on movement with more than half of the population in some form of lockdown, including the northeast, west coast and the Midwest. These account for large shares of automotive demand, as well as industry. We expect the US to remain largely in lockdown mode for at least 2-3 months.

One consideration in our forecast on US demand is the difficulty in enforcing 'social distancing', and the likelihood of restrictions lasting longer than authorities hoped. The US has one of the highest levels of personal freedom in the world and is regarded as a highly individualistic culture. A government-imposed, nationwide lockdown would be a last resort, not least in an election year (current lockdowns are enforced at state level). This contrasts hugely with the lockdown imposed by the Chinese government, which was largely accepted by the Chinese population.

Donald Trump has already given indications that he expects to see some of the country open again for business as early as the middle of April – far earlier than most experts suggest would be needed to contain the virus.
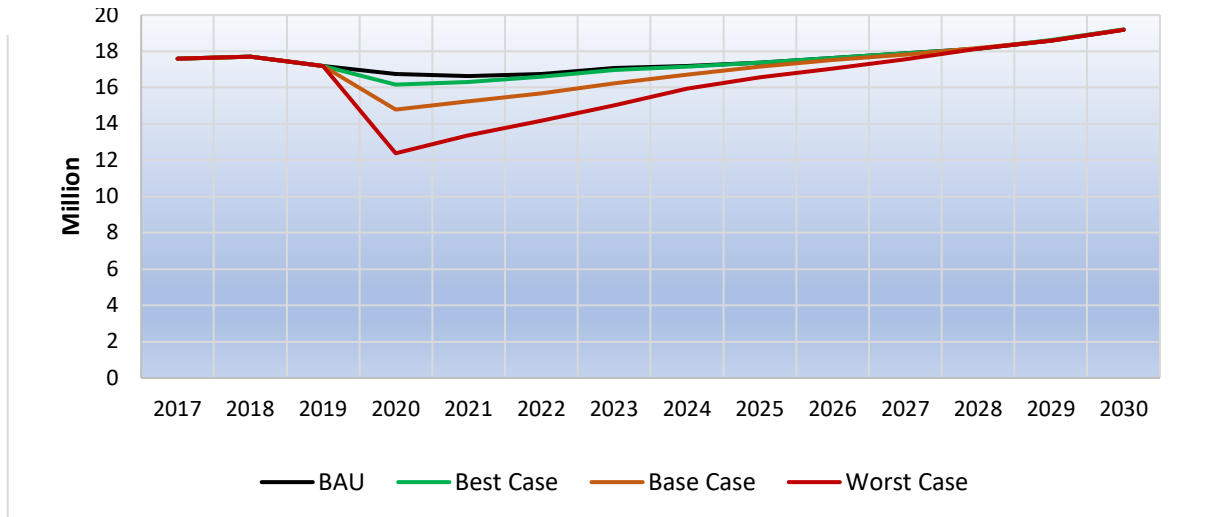
4.1 US Forecast

The US is poised for the largest economic and government stimulus package in history, the effects of which could help recovery in the medium term. However, in the short term, we still expect devastating declines in vehicles sales.

With a prolonged lockdown in the country's major automotive markets, we forecast a decline in sales in our base case of 14% compared to 2019, but close to 28% in our worst-case scenario.

- ▶ **Best Case** - A fall in volume in 2020 of **0.57m** units (**-3.4**% from BAU, **-6%** from 2019). In this scenario, demand recovers quickly, and could recover back to business as usual by 2020.

- ▶ **Base Case** - A fall in volume in 2020 of **1.95m** units (**-11.6**% from BAU, **-14%** from 2019). In the base case scenario, we foresee a sharp contraction in sales in 2020, with a steady but gradual demand recovery that only reaches pre-crisis volumes by 2024-2025.

- ▶ **Worst Case** - A fall in volume in 2020 of **4.36m** units (-**26**% from BAU, **-28%** from 2019). In the worst case, a severe fall will only see recovery later in the decade around 2027-2028.
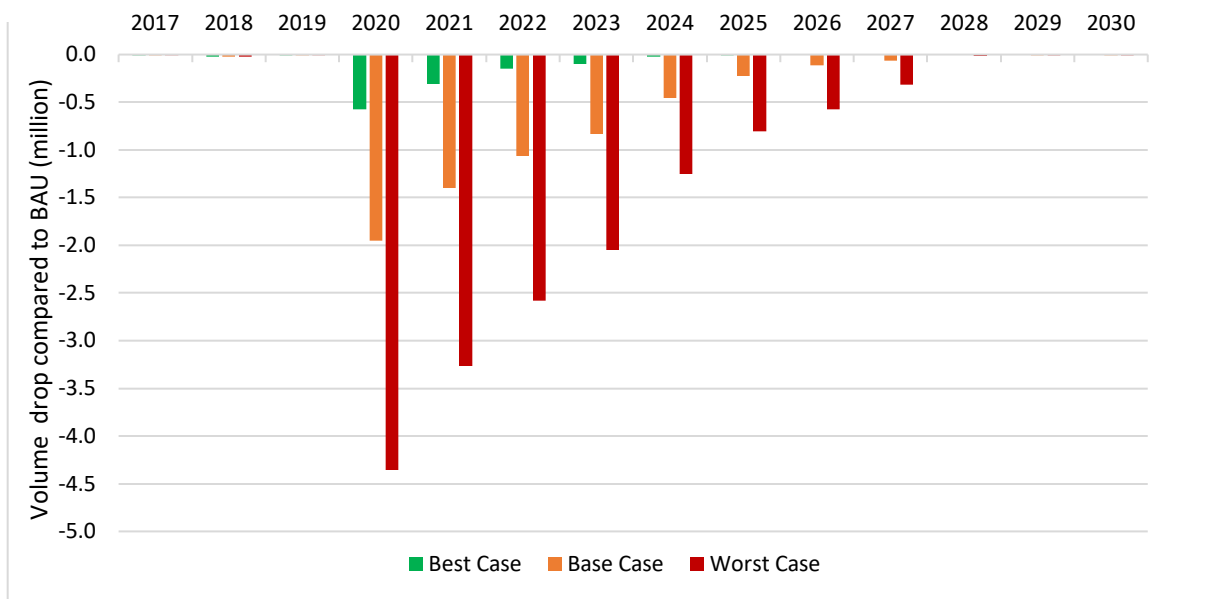
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Figure 4.1 US Automotive Sales Volume Forecast Under 3 Scenarios 2017-2030 (units)

Source: Automotive from Ultima Media

Figure 4.2 US Automotive Sales Volume Drop Compared to BAU Under 3 Scenarios 2017-2030 (units)

Source: Automotive from Ultima Media

5. Rest of North America Automotive Sales Volumes Forecasts 2017-2030

Canada has imposed significant restrictions and closed its borders and could well be heading to a full lockdown. The country has a rising number of cases; however, it appears to be managing the pandemic reasonably well.

Mexico has relatively few cases so far and has imposed relatively few restrictions – but could be at risk of a major outbreak should it spread in the country.
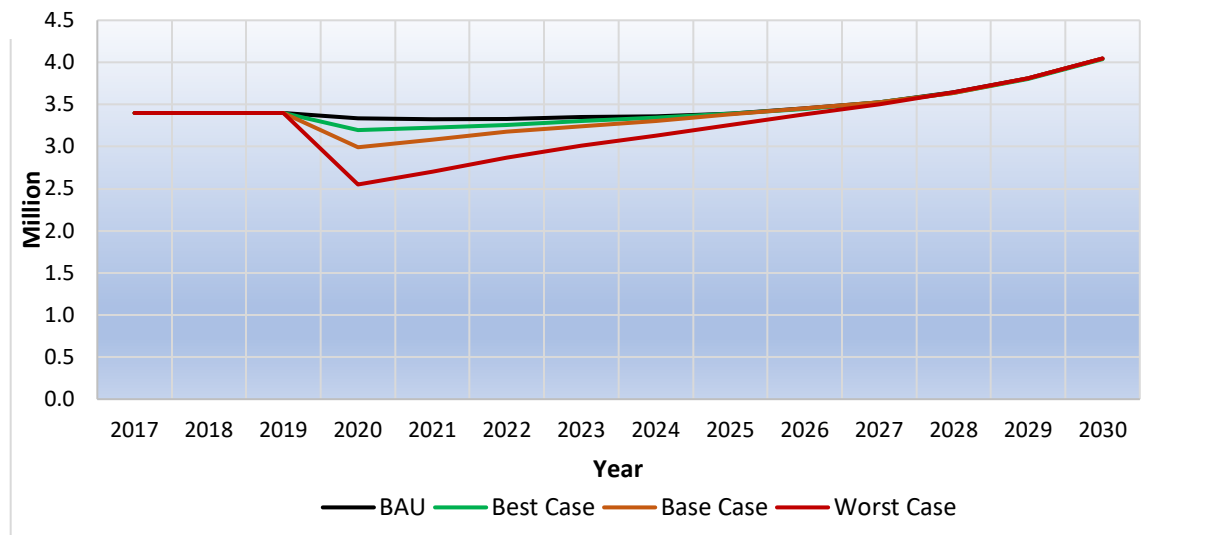
The large land borders with Canada and Mexico inevitably mean that these countries will experience a similar coronavirus infection rate to that of the US, and would therefore face a similar period of lockdown, with a similar effect upon vehicle sales in the coming months.

5.1 Rest of North America Forecast

We expect Canada and Mexico to suffer sharp declines in 2020 volumes in line with the US, falling around 12% from 2019 in our base case scenario. Thereafter we expect a steady but gradual demand recovery, only reaching pre-crisis volumes by 2025-2026.

- ▶ **Best Case** - A fall in volume in 2020 of **0.14m** units (**-4.1**% from BAU, **-6%** from 2019)
- ▶ **Base Case** - A fall in volume in 2020 of **0.34m** units (**-10.2**% from BAU, **-12%** from 2019)
- ▶ **Worst Case** - A fall in volume in 2020 of **0.78m** units (**-23.5**% from BAU, **-25%** from 2019)
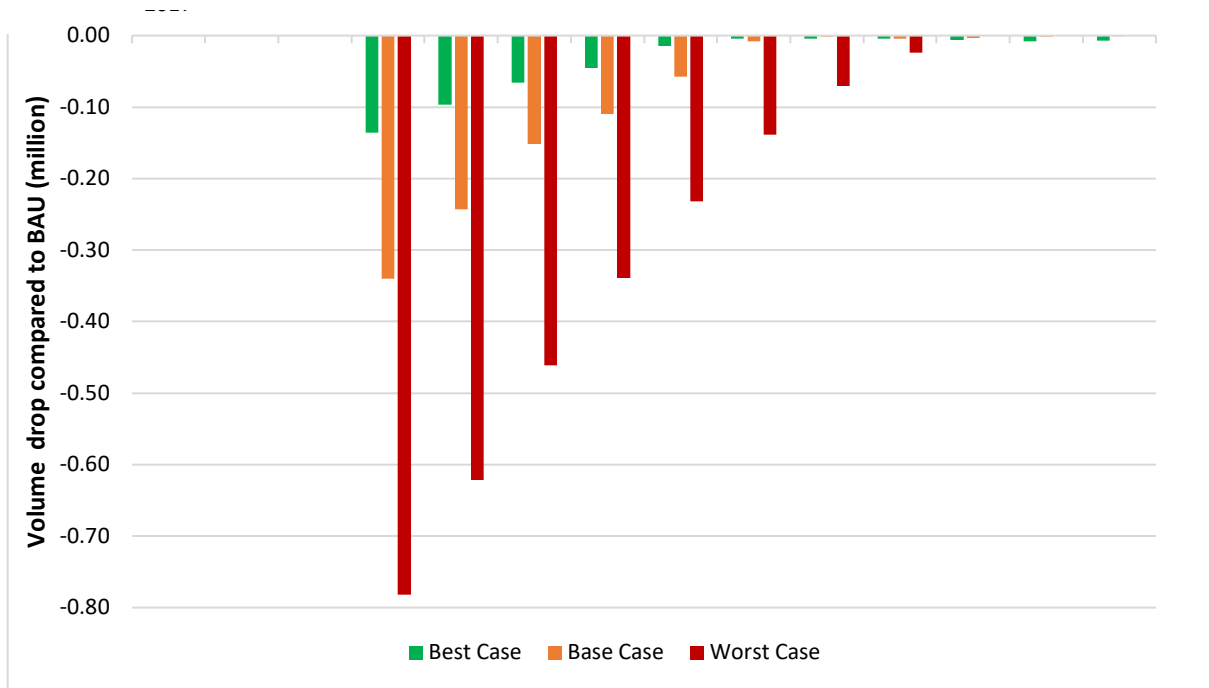
Figure 5.1 Rest of North America Automotive Sales Volume Forecast BAU Under 3 Scenarios 2017-2030 (units)

Source: Automotive from Ultima Media

Figure 5.2 Rest of North America Automotive Sales Volume Drop Compared to BAU Under 3 Scenarios 2017-2030 (units)

Source: Automotive from Ultima Media

6. Europe Automotive Sales Volumes Forecasts 2017-2030

For Europe, we foresee the most severe impacts on vehicle demand. Under the base case scenario, we forecast a very slow and gradual demand recovery, but only reaching pre-crisis volumes by 2027-2028.

Europe has faced a similar problem as the US government in terms of initially implementing guidelines limiting social contact: that is, a highly individualistic culture used to personal freedom. Democratically elected governments were obliged to try a somewhat voluntary approach at first to avoid upsetting their electorate. However, when these 'stay at home' and 'social distancing' recommendations were introduced in various countries, they were not strictly followed.

Further measures to restrict populations came in waves, starting with quarantining a portion of the country in Italy, before escalating to much wider restrictions. In most European countries today, lockdowns are enforced with threats of fines.

This is again a significant contrast with China, which was able to lockdown Hubei Province and impose restrictions much more effectively on its population. Now, China is already on the other side of the crisis and starting to lift restrictions.

Because of the inability to contain the spread of the virus, the resulting lockdown will therefore be longer and stricter across Europe than it might have been – and ultimately consumer demand and vehicle sales will suffer more as a result.

While most government have announced initial limits to these restrictions, in practice they are likely to last considerably longer.

Italy – lockdown began 9th March 2020
Denmark – lockdown began 11th March and officially extended to 13th April
Ireland – lockdown began 12th March
Norway – lockdown began 12th March for 2 weeks, but may extend
Poland – lockdown began 13th March
Spain – lockdown began 15th March 2020
France – lockdown began 16th March 2020
Czech Republic – lockdown began 16th March
Belgium – lockdown began 17th March
Greece- lockdown began 23rd March
UK - lockdown began 24th March for 3 weeks
Germany – lockdown began 20th March
Switzerland – lockdown began 24th March until 19th April
Portugal– lockdown
Slovenia – lockdown
Croatia – partial lockdown
Sweden – restrictions

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The European Central Bank (ECB) has launched an emergency €750 billion ($820 billion) package to ease the impact of the coronavirus pandemic, and many European countries have announced financial support for businesses.
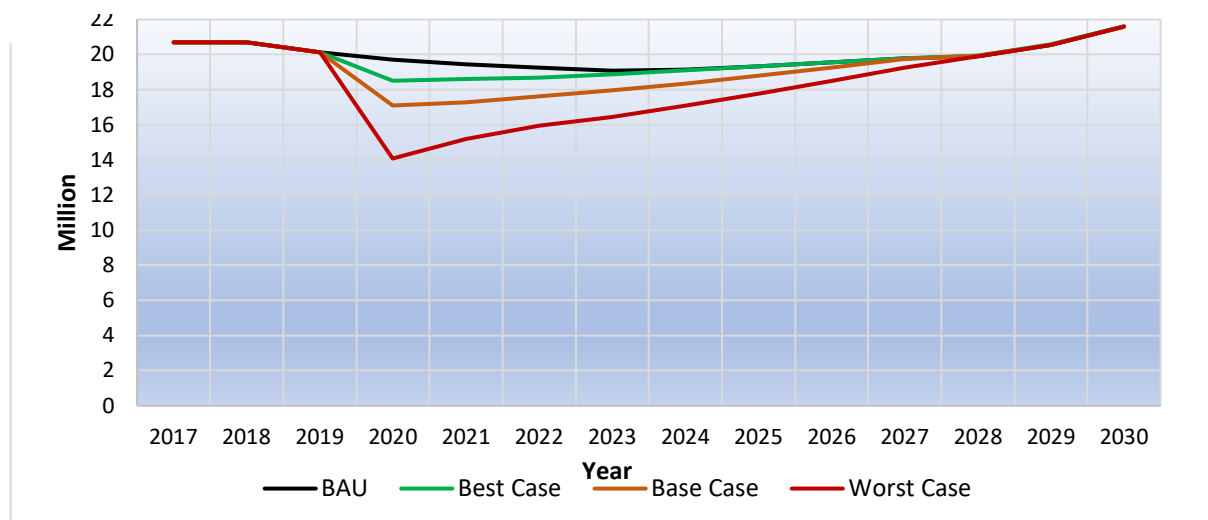
For example, the UK has announced £330 billion ($390 billion) of government-backed loans to help businesses with cashflow during this period. This will undoubtedly help businesses in the immediate crisis period; however, we believe that these loans will become a financial drag in the longer term, impacting the recovery of those businesses and their ability to invest and grow.

6.1 Europe Forecast

In the face of prolonged lockdowns and restrictions, we forecast a significant impact on European automotive demand, which is likely to be felt for much of the decade. In our worst-case scenario, European vehicle sales would fall by as much as 30% compared to 2019.

▶ **Best Case** - A fall in volume in 2020 of **1.2m** units (**-6**% from BAU, **-8%** from 2019). In this scenario, sales would have a strong recovery later in 2020 and gradually recover, reaching previously forecasted levels between 2023-2024.

▶ **Base Case** - A fall in volume in 2020 of **2.6m** units (**-13.2**% from BAU, **-15%** from 2019). In this scenario, a steep decline in 2020 leads to years of stagnating demand. Previous levels would only be reached by 2026-2027.

▶ **Worst Case** - A fall in volume in 2020 of **5.6m** units (**-28.5**% from BAU, **-30%** from 2019). This drastic decline in sales in 2020 would weigh on vehicle demand for much of the decade, only recovering after 2028.
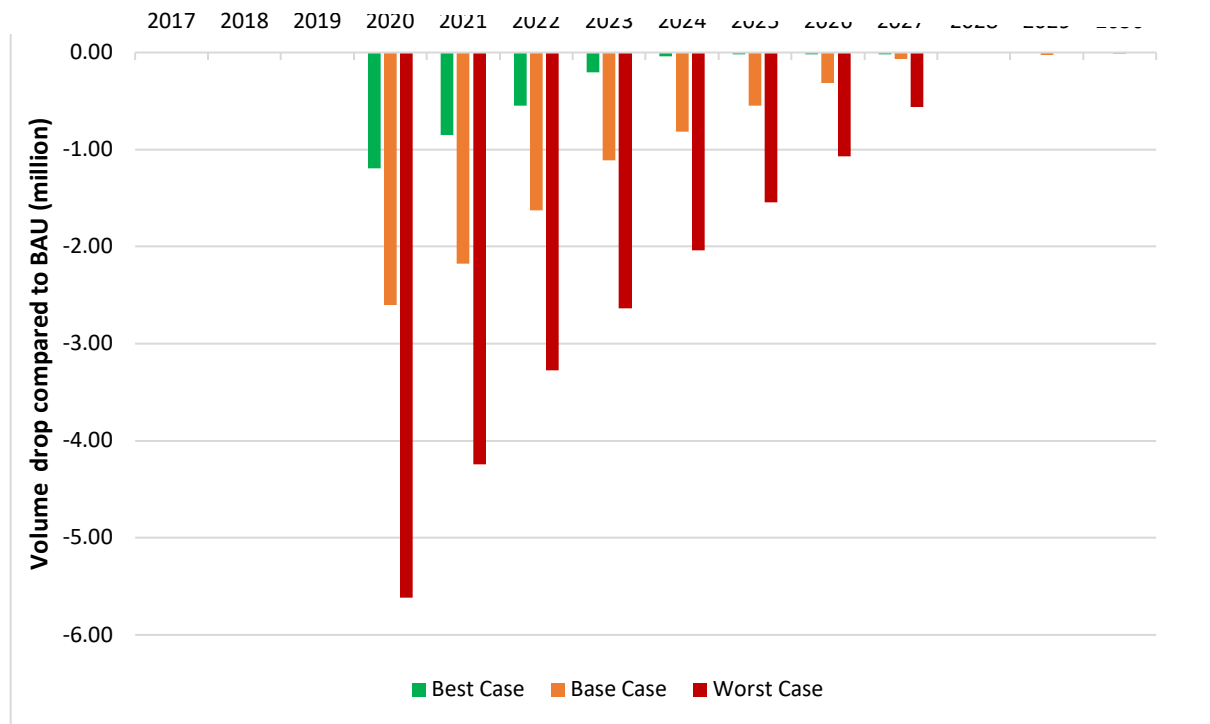
Figure 6.1 Europe Automotive Sales Volume Forecast Under 3 Scenarios 2017-2030 (units)

Source: Automotive from Ultima Media

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Figure 6.2 Europe Automotive Sales Volume Drop Compared to BAU Under 3 Scenarios 2017-2030 (units)

Source: Automotive from Ultima Media

7. China Automotive Sales Volumes Forecasts 2017-2030

Initial outbreaks of coronavirus emerged in China back in November 2019. The country's lockdown began on 23rd January 2020. It should be remembered that China's central government had more direct authority to impose these restrictions, and that the population – which arguably shares a more collective-minded culture compared to the US and Europe – followed it more obediently for the common good.

Now, China appears to be on the other side of the crisis and is starting to lift those restrictions, although much of the country still faces limits to movements in various ways. It also cannot be ruled out of risk of a second wave of infection, in part from imported cases.

Even though Wuhan, in Hubei province, was where the Coronavirus outbreak began, China is also set to start lifting restrictions in the region by early April. This is significant because it gives hope that the virus can be overcome. It also gives a sense of the likely timelines necessary once a strict lockdown is implemented.

7.1 China Forecast

While there are signs of hope, we can also see that the impact of the country's restrictions was severe. Early estimates suggest that GDP might have dropped by 20-25% in February on an annualised basis, a depression-level decline. China's vehicle sales were just 310,000 units in February 2020, 79% down from February 2019.

On the demand side, there are reports that sales are slowly and gradually recovering.
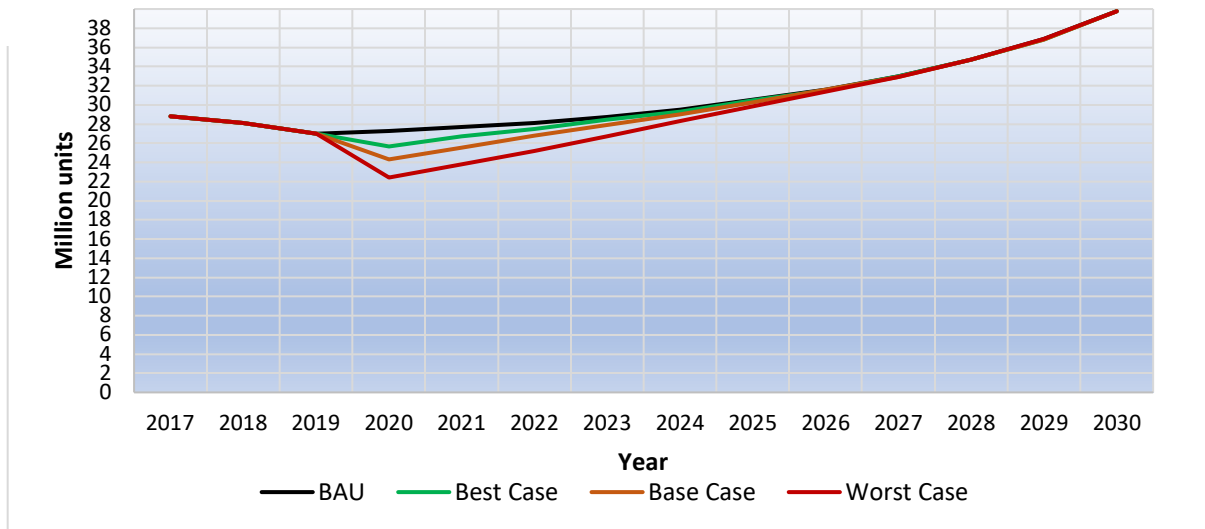
Pre-coronavirus, we had foreseen a small gain for China in 2020 following two straight years of declining sales in the world's largest vehicle market. We now foresee one of the most severe impacts upon demand in 2020, followed by a steady but gradual demand recovery that will see volumes reach pre-crisis volumes by 2023.

The shorter-term outlook is one of demand stabilising into Q2 and rebounding to some extent in the second half of the year. However, the falls are likely to be so drastic in Q1 that it will be impossible to regain that ground later in the year, which is why our base case forecast is for a double-digit decline.

▸ **Best Case -** A fall in volume in 2020 of **1.63m** units (-6% from BAU, -4.9% from 2019)
▸ **Base Case** - A fall in volume in 2020 of **2.98m** units (-10.9% from BAU, -9.9% from 2019)
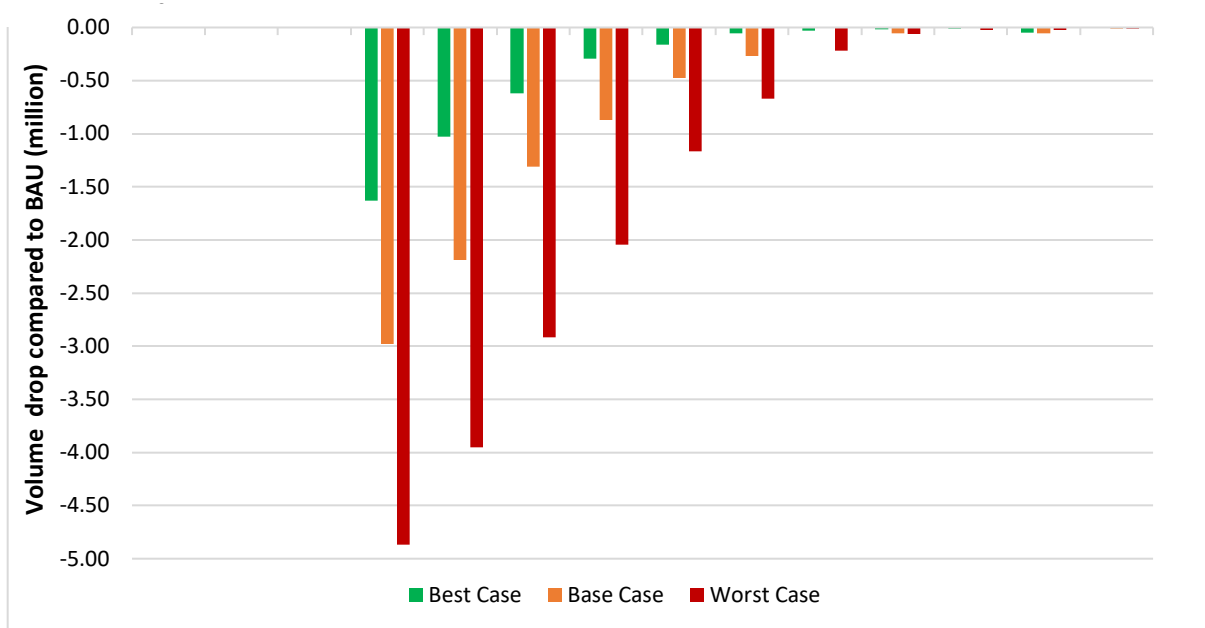▸ **Worst Case** - A fall in volume in 2020 of **4.87m** units (-17.8%, -16.9% from 2019)

Figure 7.1 China Automotive Sales Volume Forecast Under 3 Scenarios 2017-2030 (units)

Source: Automotive from Ultima Media

Figure 7.2 China Automotive Sales Volume Drop Compared to BAU Under 3 Scenarios 2017-2030 (units)

Source: Automotive from Ultima Media

8. Japan Automotive Sales Volumes Forecasts 2017-2030

Although it was one of the first countries outside of China to report cases, Japan has largely avoided significant infection rates from coronavirus. Currently the Japanese government has resisted draconian measures and is urging 'cooperation' to avoid a countrywide lockdown.

However, the country's economy and automotive industry is set to be impacted hard by the crisis, including a huge drop in the demand that will result from declines in its major export markets, such as Europe, the US and the Middle East. Likewise, the country could be at risk of a second wave of infections.

The Olympic Games, which were also scheduled to be in Japan this summer, have also been postponed to 2021.
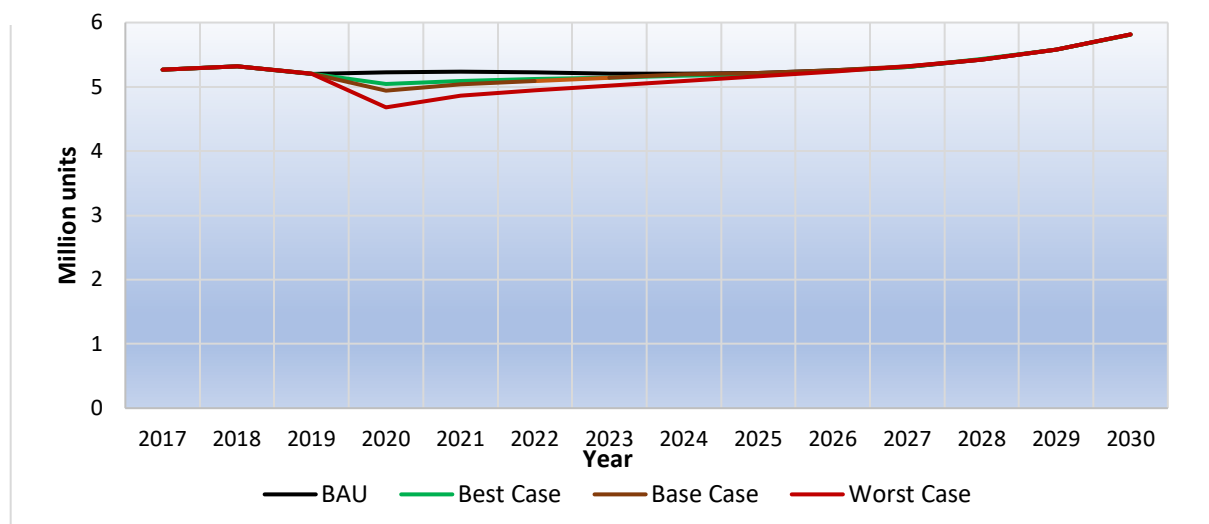
At the macroeconomic level, the Bank of Japan also eased monetary policy by pledging to buy risky assets at double the current pace and announced a new loan programme to extend one-year, zero-rate loans to financial institutions.

8.1 Japan Forecast

For Japan we foresee a moderate impact upon demand, with a steady but slow demand recovery that will only reach pre-crisis volumes by 2025-2026.

- ▶ **Best Case** - A fall in volume in 2020 of **0.18m** units (-**3.5**% from BAU, -**3**% from 2019)
- ▶ **Base Case** - A fall in volume in 2020 of **0.29m** units (-**5.5**% from BAU, **-5**% from 2019)
- ▶ **Worst Case** - A fall in volume in 2020 of **0.55m** units (-**10.5**%, **-10**% from 2019)
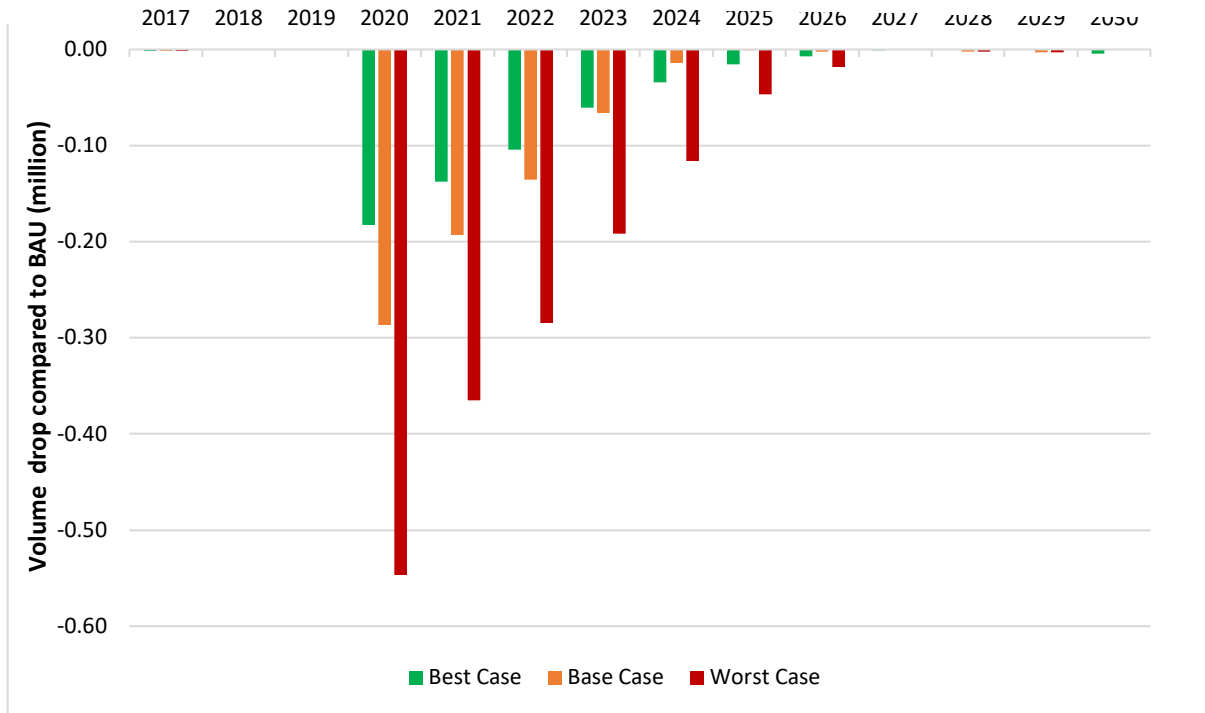
Figure 8.1 Japan Automotive Sales Volume Forecast Under 3 Scenarios 2017-2030 (units)

Source: Automotive from Ultima Media

Figure 8.2 Japan Automotive Sales Volume Drop Compared to BAU Under 3 Scenarios 2017-2030 (units)

Source: Automotive from Ultima Media

9. Rest of APAC & Oceania Automotive Sales Volumes Forecasts 2017-2030

For the rest of APAC and Oceania, the impact of the coronavirus pandemic ranges significantly. Countries including Hong Kong, Taiwan and Singapore have been upheld as models for how best to contain such a disease. South Korea had a very high rate at first but seems to have gotten to grip with the outbreak without imposing a lockdown.

However, a number of countries in South-East Asia are starting to see increases, with countries here, along with Australia, imposing more restrictions. India has now also imposed a three-week lockdown. South Korea and even Singapore could also be at risk of a second wave of infections.

- ▶ India – 24th March full lockdown for 21 days
- ▶ Indonesia – lockdown
- ▶ Malaysia – 24th March
- ▶ New Zealand – 25th March lockdown
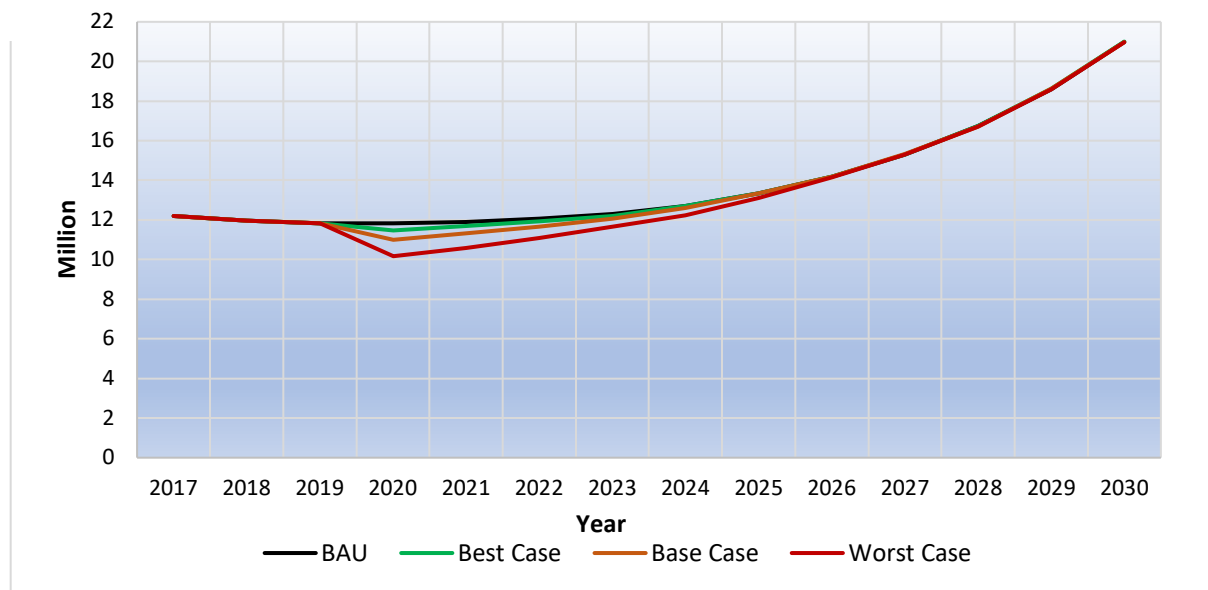- ▶ Australia – from 30th March lockdown

9.1 Rest of APAC & Oceania Forecast

We still see a strong impact upon demand as major countries impose restrictions, although we do not anticipate these measures lasting as long as they will in Europe or the US. We expect a steady but gradual demand recovery, only reaching pre-crisis volumes by 2022 to 2023.

- ▶ **Best Case** - A fall in volume in 2020 of **0.4m** units (-**3.1**% from BAU, **-3%** from 2019)
- ▶ **Base Case** - A fall in volume in 2020 of **0.84m** units (-**7.1**% from BAU, **-7%** from 2019)
- ▶ **Worst Case** - A fall in volume in 2020 of **1.70m** units (-**14.1**%, **-14%** from 2019)
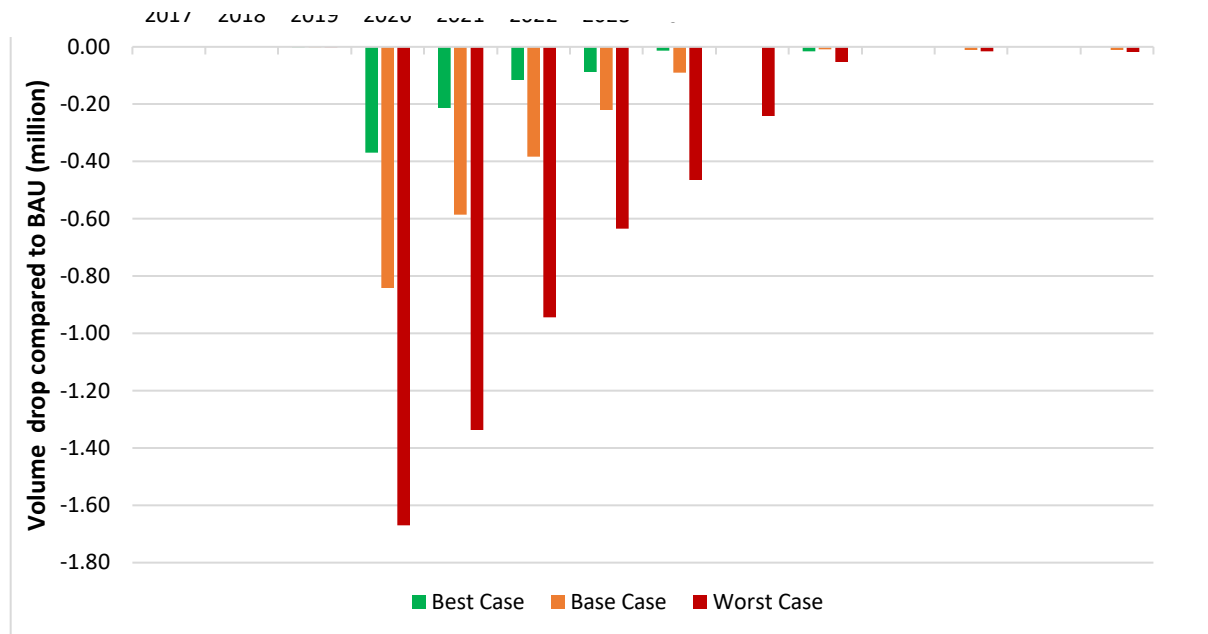
Figure 9.1 Rest of APAC & Oceania Automotive Sales Volume Forecast Under 3 Scenarios 2017-2030 (units)

Source: Automotive from Ultima Media

Figure 9.2 Rest of APAC & Oceania Automotive Sales Volume Drop Compared to BAU Under 3 Scenarios 2017-2030 (units)

Source: Automotive from Ultima Media

10. Central & South America Automotive Sales Volumes Forecasts 2017-2030

Coronavirus has not reached Central and South America in a major way yet, however cases are spreading in Brazil, Ecuador and Chile. Some countries, including Argentina, have taken pre-emptive measures to contain the spread of the coronavirus.

Brazil, on the other hand, has implemented only partial measures – and its president, Jair Bolsonaro, has downplayed the threat of the virus and called for restrictions in major cities to be lifted. Should the disease take further hold, we see risk of a major catastrophe.

El Salvador – 11th March lockdown
Puerto Rico – 15th March lockdown
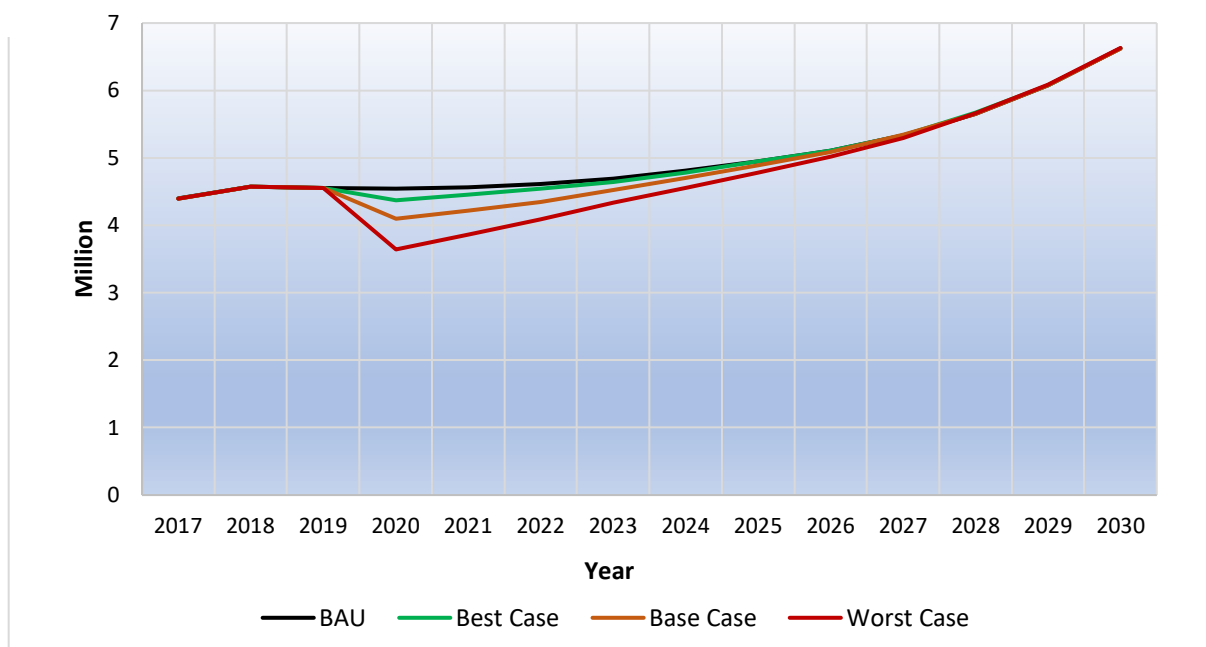**Argentina** – 21st March lockdown
Columbia – 24th March Quarantine for 19 days

10.1 Central & South America Forecast

We therefore foresee a relatively severe impact upon demand, which will be much worse depending on how far the crisis spreads in Brazil. In our base case, we forecast a 10% decline this year followed by a steady but gradual demand recovery, which will only reach pre-crisis volumes by 2023 to 2024.

- ▶ **Best Case** - A fall in volume in 2020 of **0.2m** units (-**3.9**% from BAU, **-4%** from 2019)
- ▶ **Base Case** - A fall in volume in 2020 of **0.45m** units (-**9.9**% from BAU, **-10%** from 2019)
- ▶ **Worst Case** - A fall in volume in 2020 of **0.9m** units (-**19.9**%, **-20%** from 2019)
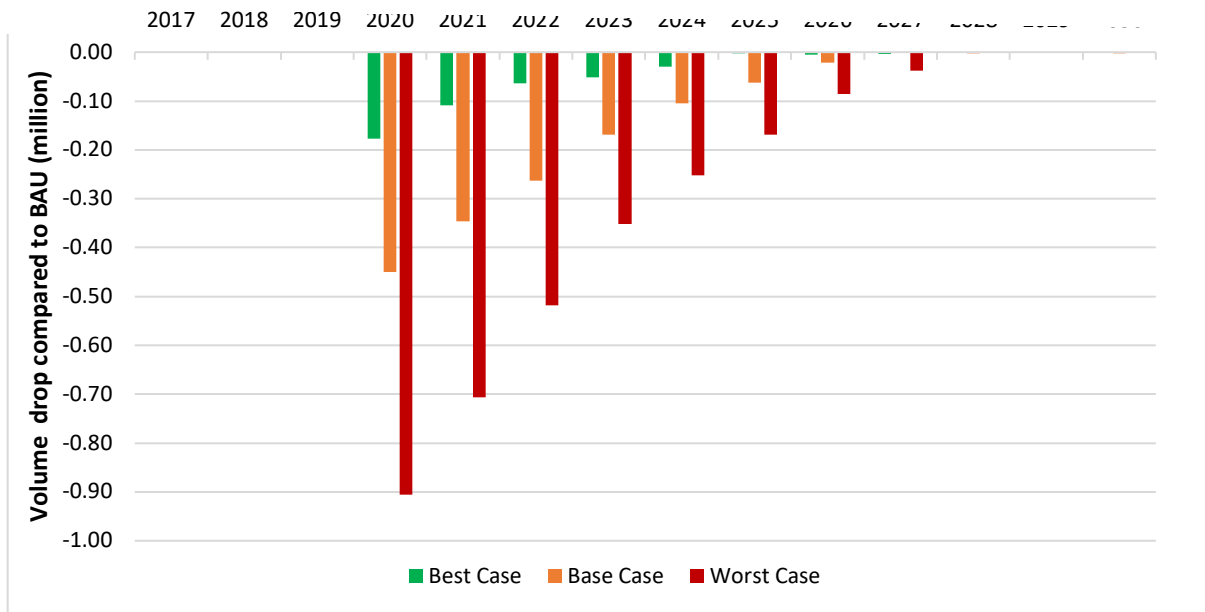
Figure 10.1 Central & South America Automotive Sales Volume Forecast 2017-2030 (units)

Source: Automotive from Ultima Media

Figure 10.2 Central & South America Automotive Sales Volume Drop Compared to BAU Under 3 Scenarios 2017-2030 (units)

Source: Automotive from Ultima Media

11. Middle East & Africa Automotive Sales Volumes Forecasts 2017-2030

Iran has been one of the most badly affected countries outside of China and ranks 6th in world for Coronavirus deaths.

Apart from Iran, countries from the Middle East have been relatively unaffected by the pandemic, with a handful of cases in Turkey, Egypt and Iraq. There have also been a small number of cases on the African continent, with countries imposing restrictions to limit any spread, including in North Africa and South Africa.

Should the pandemic take hold in Africa, it would be catastrophic for the continent. However, we do not currently see a major outbreak in these regions.

A number of severe lockdowns are already in place.

Iran - 13th March lockdown.
Kuwait - 13th March lockdown
Israel – 19th March partial lockdown
Morocco – 20th March lockdown
Jordan – 21st March lockdown
Algeria – 23rd March lockdown
South Africa - 26th March lockdown
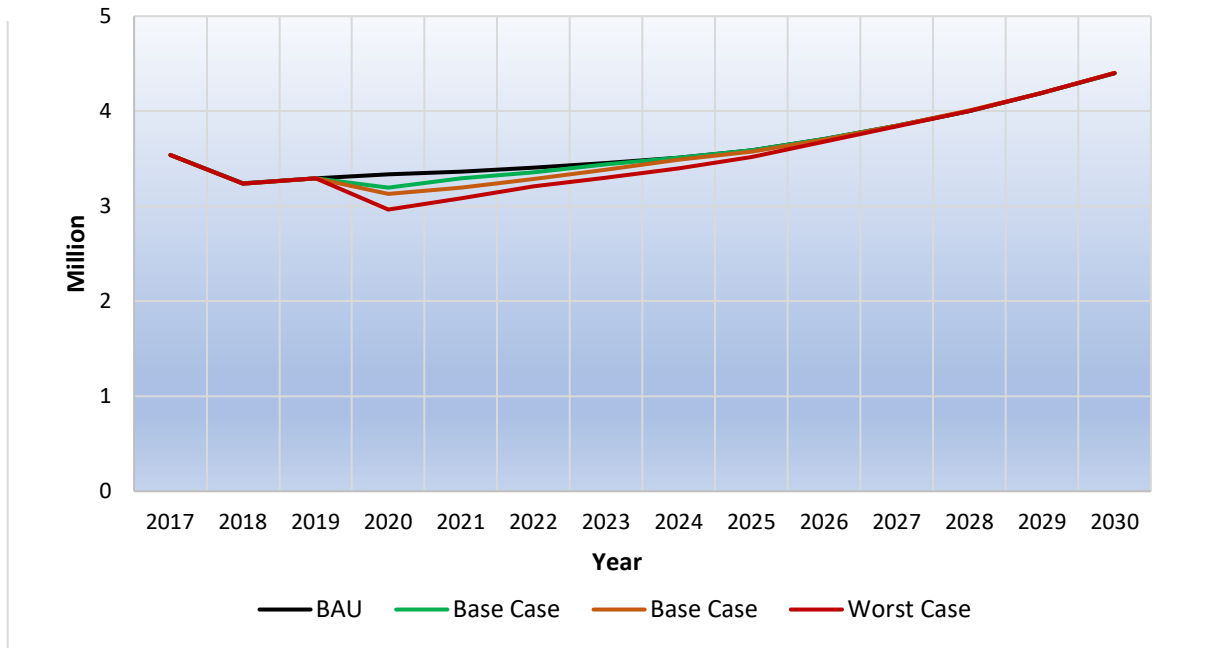**Kenya –** Some restrictions
Nigeria – Some restrictions

11.1 MEA Forecast

For the Middle East and Africa, we foresee a moderate impact upon demand, with a decline of around 5% decline this year in our base case, and 10% in the worst case. We foresee a gradual demand recovery, which will only reach pre-crisis volumes by 2022 to 2023.

- ▶ **Best Case** - A fall in volume in 2020 of **0.14m** units (-**4.3**% from BAU, **-3%** from 2019)
- ▶ **Base Case** - A fall in volume in 2020 of **0.21m** units (-**6.3**% from BAU, -**5%** from 2019)
- ▶ **Worst Case** - A fall in volume in 2020 of **0.37m** units (-**11.2**% from BAU, **-10%** from 2019)
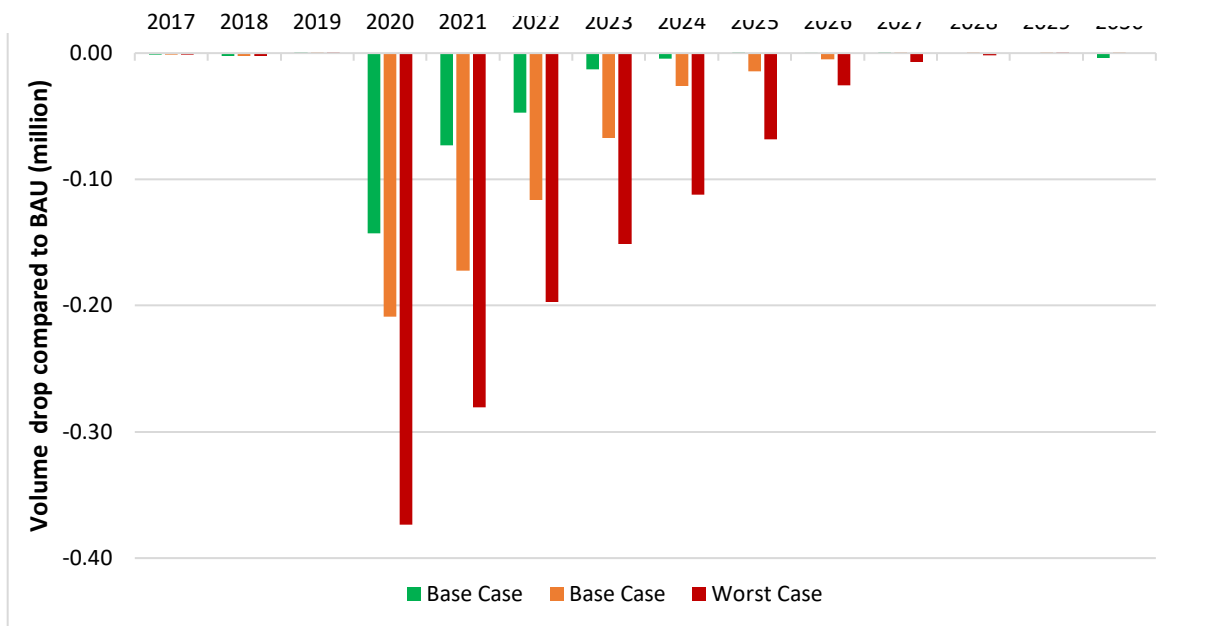
AUTOMOTIVE
FROM ULTIMAMEDIA

Figure 11.1 MEA Automotive Sales Volume Forecast Under 3 Scenarios 2017-2030 (units)

Source: Automotive from Ultima Media

Figure 11.2 MEA Automotive Sales Volume Drop Compared to BAU Under 3 Scenarios 2017-2030 (units)

Source: Automotive from Ultima Media

12. Conclusion – Struggles to Restart, But Reasons to Hope

The coronavirus crisis will pass. However, its impact on demand is set to be dramatic, and the scars it leaves on the wider automotive industry are likely to be long lasting. This could be an event that transforms the economy and the sector in ways not yet apparent, from the businesses that ultimately survive or do not, to the mobility patterns of daily and working life.

Even before assessing the long-term impacts, there will be challenges in restarting 'business as usual', both on the demand and the supply side.

► Consumer confidence will have taken such a hammering that it could take years to fully recover.

► Any government-backed loans that individuals or businesses take out will be a drag on finances, reducing disposable income and the ability to purchase or lease a new vehicle. That is why most of our forecasts show demand affected for more than five years.

► And at the fiscal level, government bailout and stimulus programmes will almost certainly be funded by extra public borrowing – adding to national debt and debt interest payments – ultimately resulting in higher taxes which will put a drain on discretionary consumer spending.

► Such a full re-starting of production facilities has never really been attempted during peacetime. This is a highly complexity undertaking.

► Supply chains will likely remain disrupted for some time ahead. It will take a while before smooth just in sequence/just in time supply chain practices can be resumed.

► Some automotive suppliers, dealers and logistics providers could be at risk of going out of business, which would crimp the ability of carmakers to produce and sell vehicles.

And yet, despite the dire statistics and warnings, there is hope on the horizon. Coronavirus cases in China are beginning to plateau. Some regions, such as Japan, have managed the crisis well, with others such as South Korea appearing to have avoided the worst-case scenario.

And there are patterns to suggest how the global automotive industry could recover. The Chinese government strategy of a draconian shutdown of the economy and social distancing, at least at this early stage, appears to have brought the virus outbreak under control. Already, some government-imposed restrictions are being lifted in China, including in Wuhan, the original epicentre of the virus.

And with that, there are anecdotal reports that vehicle demand is beginning to return, albeit slowly. That gives hope even to the most hard-hit areas, such as Italy, which may in the coming days approach the peak of the outbreak.

The growth trajectory that the virus outbreak has taken in China gives hope that, if other regions properly follow similar drastic measures, the effects of the outbreak can be mitigated in a similar way. At the least, this could help avoid the worst-case scenarios, which would see lockdowns imposed for many months longer than any of us hope.

7. Appendix

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