

Covid-19



Market Watch: Automotive Industry Bulletin

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The View from Ireland



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As the world grapples with the COVID-19 pandemic, the automotive industry in particular has been severely impacted. OEMs, Supply Chains (Tiers 1, 2 & 3) and dealership networks have almost all shut down since March, and sales and production this year will be significantly lower than forecasted.

As a key employer and contributor to GDP in Europe, North America and Asia, this crisis in the automotive industry will come with enormous economic cost. The industry was already suffering from several pressures before COVID-19, including significant regulatory changes and falling sales in China, the growth engine of the global vehicle market, as well as the change from internal combustion to electric engines. Nor do they help European OEMs who face fines if CO2 fleet emissions are not brought down to EC directive levels.



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However, amidst all this turmoil there are opportunities; some companies are using this time to re-think and re-engineer internal processes whilst, others are evaluating how automation technologies and Industry 4.0 can enhance their operations, and many are investing more time in research and development activities. Several OEMs have joined in the global battle on COVID-19 by shifting manufacturing to Ventilator Manufacturing etc.

The Automotive OEM market is undergoing unprecedented change with the emergence of disruptive technologies. In particular, Connected and Autonomous Vehicles (CAVs) are currently one of the single biggest topics in global markets. Coupled to this is the development of two independent markets that are gathering momentum - Electric Vehicles and Shared Mobility; collectively known as CASE (Connected, Autonomous, Shared, Electric). Ireland has an existing track record in the design of key components linked both directly and indirectly to the auto sector and across the CASE market already. As this market evolves, opportunities exist for clients within EI that are currently beginning or contemplating product development targeting this market.

In these challenging times, Enterprise Ireland is here to support you, to navigate the challenges and address concerns. For full information on Enterprise Ireland's Covid-19 Business Response and supports, visit:

www.enterprise-ireland.com/businessresponse



Introduction



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Lead Market Adviser

Automotive

The worldwide Automotive industry is facing an unprecedented situation. As a result of the current COVID-19 crisis, the global Automotive market is facing critical vehicle sales downturn, assembly plant closures, spillover effects for the entire supply chain and massive government initiatives as well as companies' plans to reopen plants and dealerships again.

This will undoubtedly be a major challenge for all involved parties. The negatives aside, there will also be emerging opportunities for new technologies, growing companies, changing rules on market entries, collaborations and diversified ways of doing business in the medium term. Irish companies are already responding to these extraordinary market conditions, and Enterprise Ireland's global Automotive Team is prepared to support them to the fullest extent possible.

Our Market Watch for the Automotive industry provides insights from Enterprise Ireland's leading market advisors across the world, which you should find beneficial as you seek a comprehensive guide to what COVID-19 may mean for your business moving forward.

Reporting from each market, we share information on the client and buyer sentiment and outlook, and also consider production demand and expectations from partners in market. We look at overall challenges and opportunities from leading Automotive areas, OEMs and suppliers, as well as the different Government mandates and financial supports in place for businesses impacted by COVID-19.



Automotive – Europe

SUMMARY

- Throughout Europe there has been great disruption to the Automotive industry's supply chain. Production plants across Europe are temporarily on hold at most carmakers and employees on temporary short-time working schemes. The industry employs 13.8 million people, about 6.1% of the total EU employment – More than 1.1 million directly affected.
- Companies have slashed investments and slow development of new vehicles, and focus on core sections of business. New projects seem to need special permits from higher management in a lot of cases.
- Morgan Stanley estimates that the lockdown and its repercussions will mean a combined €56 billion euros in lost car sales in Europe for the Automotive industry by the end of April.

DEVELOPMENTS

- February 2020: EU passenger car market contracted by 7.4% to 957,052 units registered. Germany recorded the most significant drop (-10.8%), followed by Italy (-8.8%), Spain (-6.0%) and France (-2.7%).
- Car-makers like JLR, Porsche, Volvo and BMW extend production stop until after Easter due to demand situation and supply chain shortages. Some plan to resume production in May.
- In Germany car dealers are allowed to reopen from May 4th.

SUPPORTS

- There are various, general government supports and incentives for SME business specifically for each region, that can apply different businesses. Our Market Advisors will help to steer you regarding specific supports that may be applicable to your business across Europe.
- The European Union (EU) provides insights into various funding & tender initiatives that that may be relevant for Irish Automotive companies – find an overview [here](#)
- There's a guideline to identify the right EU funding for your specific business – [here](#)

OPPORTUNITIES/ CHALLENGES

- With supply chains and production heavily disrupted, there's a general ubiquitous challenge for companies to engage in new business at this time.
- Opportunity for companies within the Electric vehicle supply chain may occur through positive trend in EV sales: Growth in sales across Europe in January and February 2020: Germany +7 %; France, Italy and Spain around +9%.
- Cost reducing solutions (overall) as well as tracking, monitoring, sensing and advanced mobility technologies could experience a greater interest in the industry post Covid-19.



Automotive – U.K.

SUMMARY

- All vehicle manufacturers have ceased production in the UK, except for, McLaren and some others who are working on the UK's HSE (Health Service Executive) Medtech needs & Nissan which have deployed staff to help build an Emergency Covid Hospital in Sunderland. All tiers of supply have been encouraged to support this effort where they can. However in line with Government Guidelines on social distancing / non-essential manufacturing companies were encouraged to close during the three week lock down which is now currently extended for an indefinite period.

DEVELOPMENTS

- UK Car sales are 44% down for March, which you would expect with car show rooms being closed – which will ultimately lower demand for Vehicles from manufacturing plant in the medium to long term. This is a steeper fall than during last financial crisis and the worst March since late nineties with some 203,370 fewer cars sold in the month. The 2020 outlook has been downgraded to 1.73 million sales, -23% lower than previous expectation.
- UK Government are expected to extend the Lock Down period this week.

SUPPORTS

- There are no particular UK Government supports for automotive industry beyond the general supports for employees and industry (statutory sick-pay, support for furloughed workers, HMRC deferral scheme, business loan schemes).

OPPORTUNITIES/ CHALLENGES

- Apart from limited elements of the sector exploring how they can assist in provision of ventilators etc, this industry has essentially shut-down. With UK consumer confidence at its lowest level since 2008 and similar low confidence in its export markets, a slow return to growth is to be expected. It will be important to keep an eye on elements of the UK and international supply chain which may not survive the crisis. Keeping close to the local UK clusters and networks will help identify such supply-led opportunities. The main opportunity remains a medium-term one to assist those OEMs and their associated supply chain who have a growth plans involving shifts to electric technology.



Automotive – Central & Eastern Europe

SUMMARY

- Due to the suspension of production by a majority of OEM car manufacturers, most clients had to interrupt their supplies to automotive customers in CEE.
- Locked down borders across the region and travel bans within those countries limit the ability to visit established customers, to win new customers and to start new projects.
- Some companies use the current situation as an opportunity to review their internal processes, to improve efficiency, to optimize cost and to implement new technologies for remote working, online learning, etc.

DEVELOPMENTS

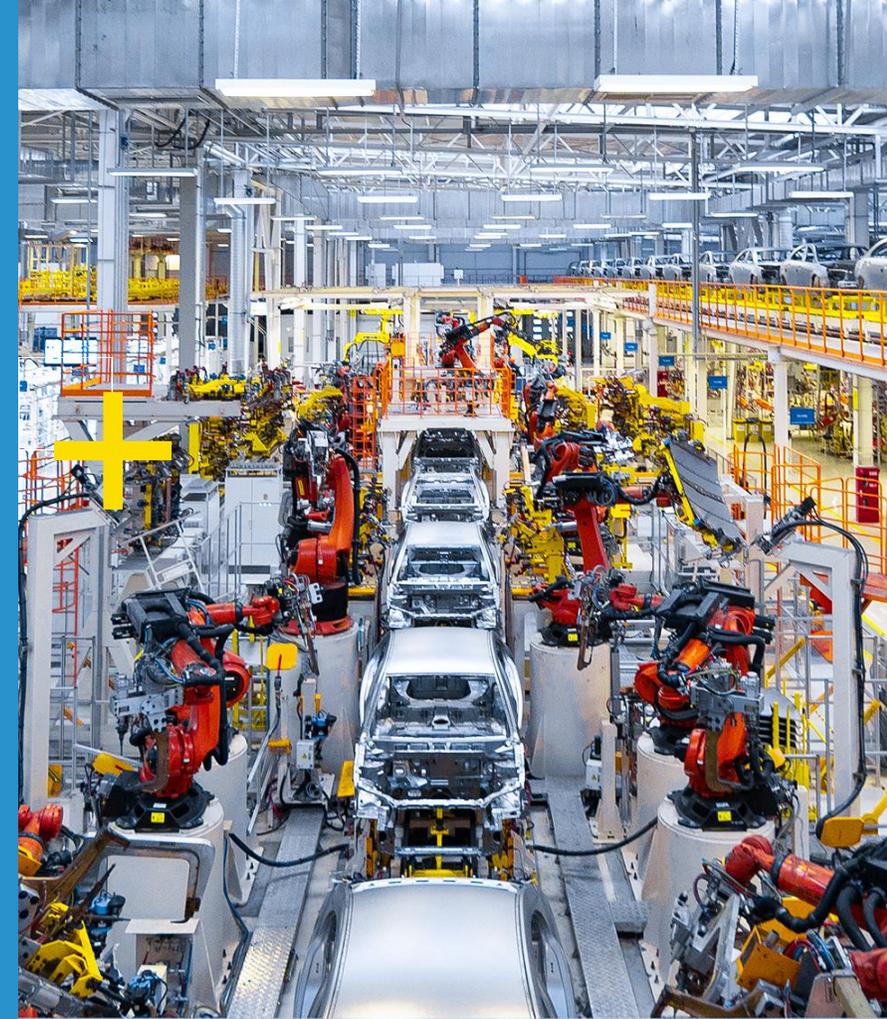
- Majority of automotive OEMs in CEE have suspended their production from mid-March till after the Easter. They include Skoda Auto/VW, TPCA & Hyundai in Czechia; VW, KIA, PSA & JLR in Slovakia; VW, PSA & FCA in Poland; Audi, Mercedes-Benz, Suzuki & Opel in Hungary; Dacia & Ford in Romania.
- Many large Tier 1 & Tier 2 suppliers also suspended their production temporarily which is having an impact on the whole supply chain and may cause major financial problems especially to SME suppliers.

SUPPORTS

- There are various government announcements on supports and incentives for SME business throughout the CEE region. However, no supports specific to the automotive sector have been announced to date by the CEE governments.

OPPORTUNITIES/ CHALLENGES

- Owing to the current crisis, established automotive supply chains may be disrupted. OEMs and their Tier 1-2 suppliers may decide to restructure their supply chains and look for new suppliers in Europe, which might bring new opportunities to Irish companies.
- Irish companies may try to diversify their customer base by exploring new industry sectors. Enterprise Ireland overseas offices are ready to help with the new customer and partner search.



Automotive – North America

SUMMARY

- USA automakers (Ford, GM, FCA, Mercedes-Benz, Subaru, Toyota, VW) have stopped production and re-focused efforts on producing masks and ventilators to combat COVID-19.
- Michigan has 3rd most COVID-19 cases of any US State. USA auto executives are not meeting in person. This pandemic has affected companies' ability to engage with USA auto execs.
- In Canada, GM, Ford, and supplier Magna have halted production.

DEVELOPMENTS

- USA Automotive Production Forecasts have been revised downwards from 16.5m cars in 2020 to 13.5m (21% decline).
- Automotive companies are working to create new travel policies and methodologies for conducting meetings.
- TU Detroit Show postponed until 18-20 August. Event venue is now being used to house 1,000 hospital beds for COVID patients.
- Ford's COVID-19 response is called 'Project Apollo' while GM's are called 'Project M' and 'Project V' (Masks and Ventilators).
- In Canada, many dealers have closed, and new car sales will likely decline 1st half 2020. Some suppliers have been asked to adjust production to essential medical equipment.

SUPPORTS

- \$2 trn federal coronavirus relief package ('CARES') includes \$350 bn for small businesses.
- For example, the SBA [Paycheck Protection Program](#) loan incentivizes small businesses (< 500 employees) to keep employees on payroll.
- There is no direct aid to the automotive supply chain in relation to this stimulus package.

OPPORTUNITIES/ CHALLENGES

- Dual Sourcing Opportunity – COVID-19 has shown that an over-reliance on one geography can cripple automotive supply chains. This crisis presents an additional reason to promote Ireland to automotive buyers. Ireland as an ideal partner for dual sourcing (English-speaking, tech-savvy nation) to mitigate future supply risk.
- Diversification Opportunity – Automotive companies should look for opportunities to supply other sectors (agriculture, transport, energy, etc.).
- Buyer Focus: Auto Execs are less focused on tech sourcing during the crisis. However, COVID may result in an increase in-car transportation post-crisis. That would present a renewed need for existing Irish in-car technology solutions.



Automotive – Middle East, India, Africa

SUMMARY

- Across the Gulf governments have taken a big impact on their budgets due to both the COVID-19 outbreak coupled with the oil price war between Saudi Arabia and Russia. Feeling that large projects with major transport agencies such as Emirates Transport, RTA Dubai, DoT Abu Dhabi are currently still going ahead as planned. Unlikely any new projects will be given the go ahead in the short term.
- In Saudi Arabia major transportation projects are still going ahead but delays are likely now that they are operating with budgetary constraints.
- W Motors forecast to open the Middle East's first hypercar factory in Q4 2020 is likely to be delayed.
- The automotive industry in the region is heavily dependant on EU and US production which has temporarily ceased.
- Renault, GM, Nissan and Ford have ceased operations across plants in Egypt, Morocco, Kenya, S. Africa and India.

DEVELOPMENTS

- Prolonged shut down of production facilities and OEM factories will likely result in a price crash for cars in the region. Any vendors in the supply chain will be impacted.
- Ghana have ramped up their automotive industry ambitions by announcing a robust policy to attract automotive investment and bring vehicle assembly factories to the country.

SUPPORTS

- Within the UAE, Qatar and KSA governments have offered financial packages to keep the economy buoyant. No specific stimulus packages have been announced for the automotive sector in GCC.
- Many of the free zones across the Gulf are offering stimulus packages to SME's such as postponement of rent payments by up to 6 months.
- No disclosed support packages for the automotive industries in India or Africa right now.

OPPORTUNITIES/ CHALLENGES

- Focus for clients should be trying to provide customers with cost efficiencies.
- New technologies around surveillance, monitoring, tracking will become the new norm.
- New urban mobility opportunities are likely to emerge such as crowd control, thermal imaging and disaggregating crowds rather than densifying cities in the short term.
- Challenges on payment delays with government entities likely to worsen.



Automotive – APAC

SUMMARY

- Roughly 55% of global commercial vehicles are produced in the Asia Pacific region and China, Korea, Japan and Thailand are taking 80% this market share for both domestic need and global exports, including the components supply chain business in the global market.
- All major players here have been hit heavily by the recent pandemic due to disruption of supply chain, travel bans, logistical challenges and government restrictions for workers intercity travel.
- Production capacity has dropped 70% from Jan – March 2020, and different production plants are only expected to resume their norm by Q3, or even later.

DEVELOPMENTS

- Reconstruction & diversification trends of the automotive supply-chain are expected across the industry after the Covid-19 pandemic stabilizes in the region.
- Governmental bail-outs and subsidy plans are expected to be rolled out in Mainland China, Korea and Japan between Q2 – Q3 to restore the economy's confidence and suppress the surge of unemployment across this sector.
- EI Asia Pacific Team will mainly capture the Tier 1 car-maker recovery opportunities in regions like Geely, BYD, Beijing Automotive (China), Hyundai & KIA (Korea) and Toyota, Nissan and Honda (Japan).

SUPPORTS

- There is very little funding & support specifically for the Automotive sector. For general support packages in the various regions, please get in touch with our Advisor Patrick Yau – contact details below.

OPPORTUNITIES/ CHALLENGES

- A re-shuffle of the regional supply-chain system with contingency warehousing and core component stocking is happening in China and ASEAN countries.
- There will be a speed-up of the EV development in response to the new healthcare guidelines and carbon emissions regulation scheme (Japan and Korea focus).
- Government will introduce Vehicle Tracking System (VTS) for public transport and public service vehicle (ambulance, police car, fire-service truck, and school-bus) – Singapore, Hong Kong, Taiwan and China. We expected different government driven project roll-out at Q3-Q4 as part of the stimulus package in response of the Covid-19 recession.
- Tier 1 automotive producers will upgrade their air-filtration ventilation and germ-killing systems in their coming new model (Taiwan and Korea producers have already rolled-out the pilot case for testing).
- Introduction of location tracking components and driver's mobile coupling devices with commercial vehicle at Tier 1 cities in Asia (highly dense-populated city like Beijing, Shanghai, Tokyo, Seoul and Singapore).



Industry Insights

See the following industry reports :

- **Leadership in a crisis: Responding to the coronavirus outbreak and future challenges** (see report [here](#))
- **Impact of the Coronavirus on Automotive Employment & Production Europe** (see report [here](#))
- **Daily global Automotive news** (see [Autonews.com](https://www.autonews.com))
- **Effects of Corona on industries worldwide – an overview** (see article [here](#))
- **Covid-19: Implications for business** (see report [here](#))
- **Getting ahead of the next stage of the coronavirus crisis** (see report [here](#))
- **Beyond coronavirus: The path to the next normal** (see report [here](#))
- **Impact of the Coronavirus on Business** (see report [here](#))

Please contact the Enterprise Ireland Market Research Centre at market.research@enterprise-ireland.com for additional information and industry reports.





Thank You.



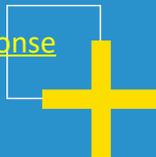
Enterprise Ireland is the government organisation responsible for the development and growth of Irish enterprises in world markets. We work in partnership with Irish enterprises to help them start, grow, innovate and win export sales in global markets.

In this way, we support sustainable economic growth, regional development and secure employment.

During this unprecedented period Enterprise Ireland is on hand to support you in overseas markets, to help you secure and sustain existing business relationships and to research opportunities that may emerge during the crisis.

Please connect with our experienced Market Advisors by email to discuss further.

Learn more at www.enterprise-ireland.com/businessresponse



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