

OUTLOOK FOR 2020

CHINA'S CAR MARKET RECOVERY PUSH

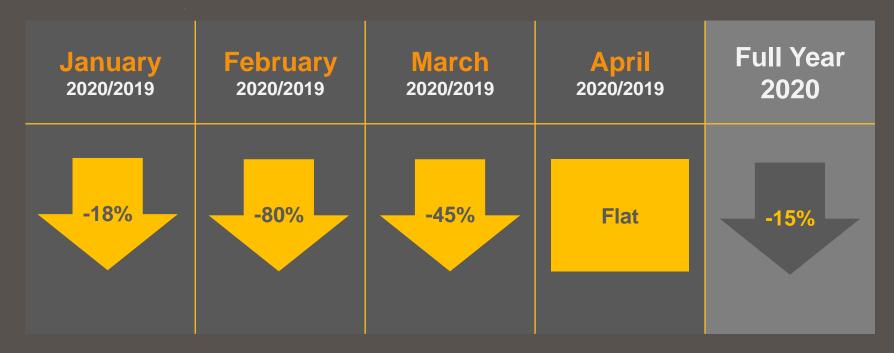
June 2020

EXECUTIVE SUMMARY

- China aspires to a V-shape recovery.
- Launched all-of-society campaign to <u>boost</u> car sales. April surprised up.
- But a V-shape is doubtful. Look instead for a long tail gradual recovery.
- Consumer confidence shaken by serious economic and political headwinds.
- Tens of millions of unemployed.
- **US-China** relations at a 50-year low.

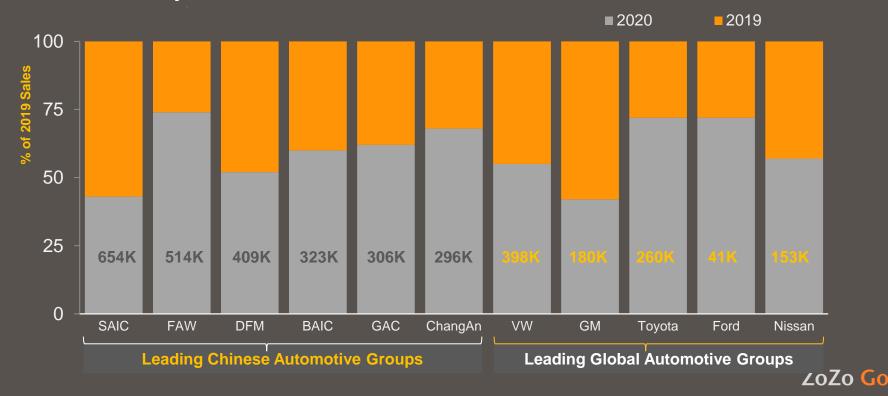
CHINA LIGHT VEHICLE SALES - 2020

Vehicle sales are projected to fall 15-17% in 2020.



AUTOMAKERS ENDURE THROUGH EARLY 2020

Sales as a percent of 2019 - Q12020





February 2020: Peak of Covid19 Lockdown

Production and Demand Came to a Standstill

March 2020: Testing Temps Everyday Everywhere

Showroom Traffic at 20% Normal Rate





April 2020: Constant, Careful Vigilance

Contactless Car Sales and Delivery Grow



May 2020: Incentives + "Relief Buying" Lifts Sales

Customers Return to the Showrooms (with Masks)



FACTORS IMPACTING FUTURE NEW CAR DEMAND

Forces For

All of Society Campaign

- National Policies
- City Policies
- OEM Actions
- Associations Actions



Dampers Against

Tough Covid Realities

- Weakest economy in 10 years
- Job losses (millions)
- Collapsing export markets
- Tensions with US and EU
- Covid19 "China Problem"
 Narrative

City/provincial policies encourage car buying.

Home city to the "Big 6" automakers all announced incentives for car buyers

Changehun: One time subsidy of \$570-per car.

Beijing: Increasing monthly quota caps by 20,000 units. Incentives \$1,600 for trade-in of old cars.

Wuhan: Subsidies for trading in older cars \$1,500-\$1800

Chongoing: Electronic cash vouchers of \$280 for 25,000 car buyers in May. .

Shanghai: \$7800 subsidy towards EV charging, increase monthly quota by 40,000 vehicles, \$380 incentives for buying Euro VI vehicles.

Guangzhou/Shenzhen: \$1,420-\$2,800 subsidy when consumers by an EV, increasing monthly quota by 10,000 units, investing in new charging stations.

Other Cities: Now allow pickup purchases and are organizing special car buying events

- Nanjing
- Tianjin
- Shaanxi
- Jinan
- Chengdu
- Taiyuan
- Hebei
- Henan
- Xinjiang
- HarbinGuilin
- Hunan
- Yunnan
- Ningbo
- Shenzhen

SUMMARY

China light vehicle sales will decline by 15-17% in 2020.

The all-of-society effort to ignite sales cannot overcome underlying economic weakness - both domestic and global

WW, Toyota and Honda continue to take share. Detroit Three continue to lose share. GM sales may land at 2.3M, down from a peak of 4M in 2017.



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