

# AUTOMOTIVE INDUSTRY & AUTONOMOUS VEHICLES IN THE POST COVID-19 ERA

Asia Pacific and China's game changing strategy



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## SUMMARY

# Executive Summary

Covid-19 has caused unprecedented lockdowns all over the globe, culminating in a massive supply and demand shock. Production closures as well as work cuts and pay cuts also threaten the economy, while credit may be limited to firms and households amid substantial policy and central bank funding. As the lock-down policies are only slowly eased, the pandemic can have long-lasting consequences on business activities, environment and the economy.

China, where the outbreak was first recorded at the end of December, was the first nation to close down, ban travel and shut down factories. Although the sales of light vehicles declined by 18.6 percent in January, February saw, the largest decline ever reported in the time span, with sales contracted by 79.1 percent. However, in April, sales of light-duty vehicles reached the 2 million-vehicle mark relative to sales of just 1.4 million vehicles in March 2020, rising by 4.4 percent year-over-year due to the increase in commercial vehicles.

In Europe, the first full month of the outbreak constraints in place resulted in the biggest monthly decrease in demand for cars since records started. The demand for vehicles declined sharply in March, with the EU light-vehicle market contracting by 44 percent year-on-year as lockdown steps came into force, closed car companies and customer confusion created a drag.

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In April 2020, the number of new passenger cars registered in the European Union declined by 76.3 percent year-on-year. All of the 27 EU economies reported double-digit falls in April, while Italy and Spain experienced the greatest losses, with car sales dropping by 97.6 percent and 96.5 percent respectively.

In the US, sales of new passenger cars and light trucks fell by 47.9 percent year-over-year in April. In June, Covid-19 cases saw an increase in several key US states, such as California and Florida, prompting new limits on the travel of people and leading to significant headwinds in PV sales in the region. With more social constraints and lockdowns expected to be imposed in the coming weeks, US recovery hopes remain precarious. According to Counterpoint Research, there is an annual decrease in sales of more than 24 percent for 2020 at about 13.4 million units.

Such declines are close to or greater than the contraction of the sector during the 2008-09 economic crisis. The automotive industry was under threat long before the pandemic. The weak demand in China, the world's largest automotive market, the trade war, the search for the future of vehicles, the shifting transportation trends and the need for more environmental sustainability have contributed to both cyclical and systemic stresses on the industry.

Now that other economies have been in a global lockdown, production chains have been disrupted, competition has dropped, the auto industry is facing even greater difficulties. When the automotive industry is expected to recover from this ongoing crisis and make significant systemic changes? This study explores the above issue and aims to determine the Covid-19 impact on Original equipment manufacturers (OEMs) during the transition period.



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Governments would need to help people prevent unforeseen effects that could result from impulsive behavior, and more reliably evaluate the risks involved with their travel choices. They can eventually positively determine which transport patterns become more permanent in the aftermath of the crisis. As policymakers are in the process of planning and introducing stimulus policies to mitigate the economic effects of the recession, there is a potential that direct funding to the initiatives already addressed, in particular transport infrastructure construction, could have a significant economic effect.

Brand-consumer marketing coordination may be one of the positive markers of crisis stabilization and improved revenue. Successful marketing engagement is related to a greater awareness of customer brand/product preferences.

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