



CENTER FOR
AUTOMOTIVE
RESEARCH

Coronavirus Update

Kristin Diczek – Vice President

6 March 2020



Agenda

Background on China Trade &
Market Trends

Coronavirus Timeline

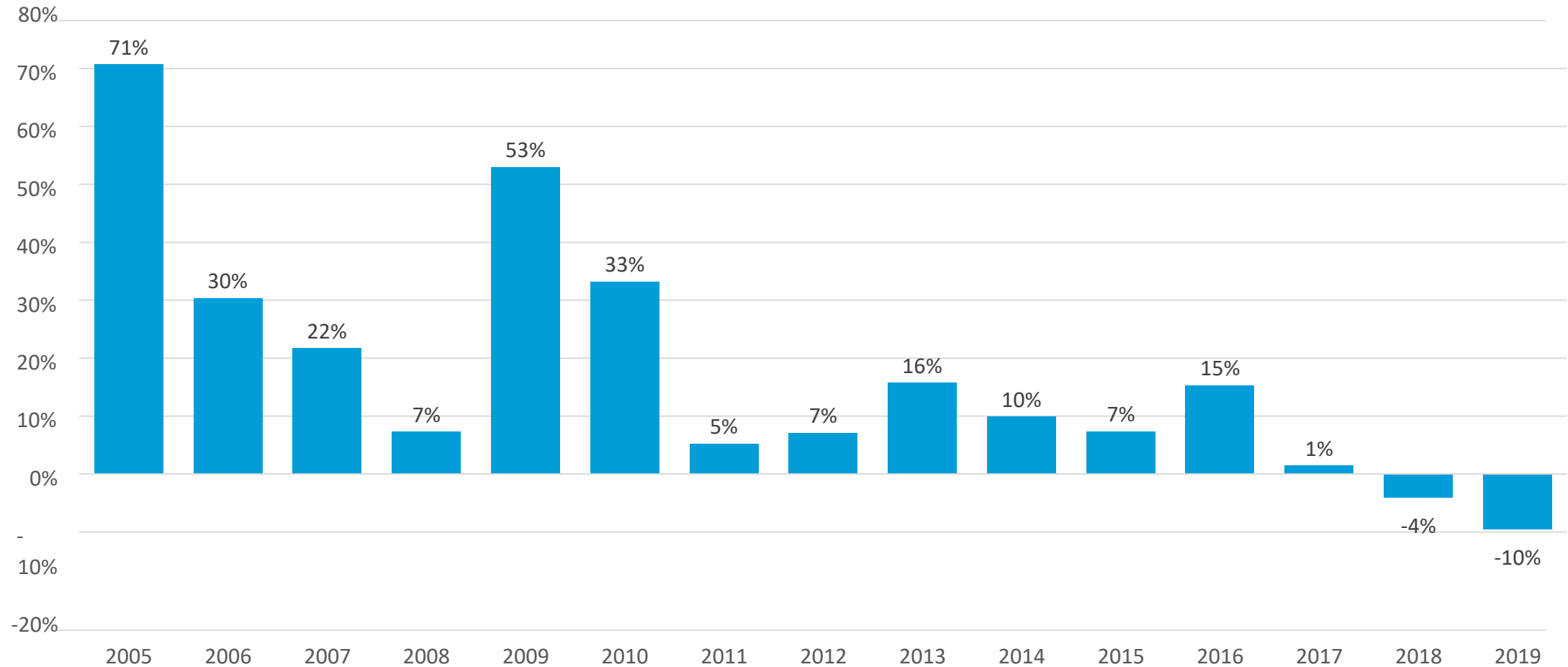
Likely Disruptions

Guest Speaker Introduction

Q & A

of a growing 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

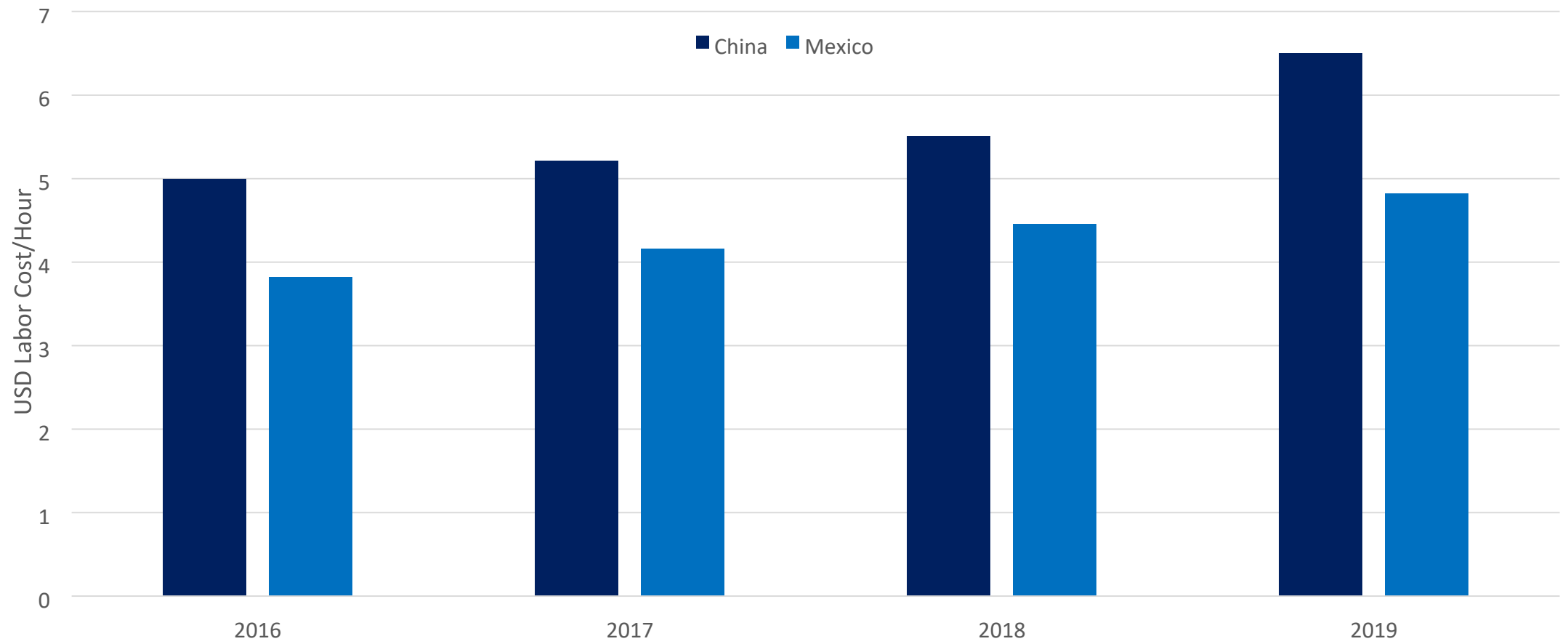
China Passenger Vehicle Sales Annual Growth Rate 2005 – 2019



Source: Marklines

Labor Costs are Rising Faster in China than Mexico

Hourly Manufacturing Labor Costs, USD 2016-2019



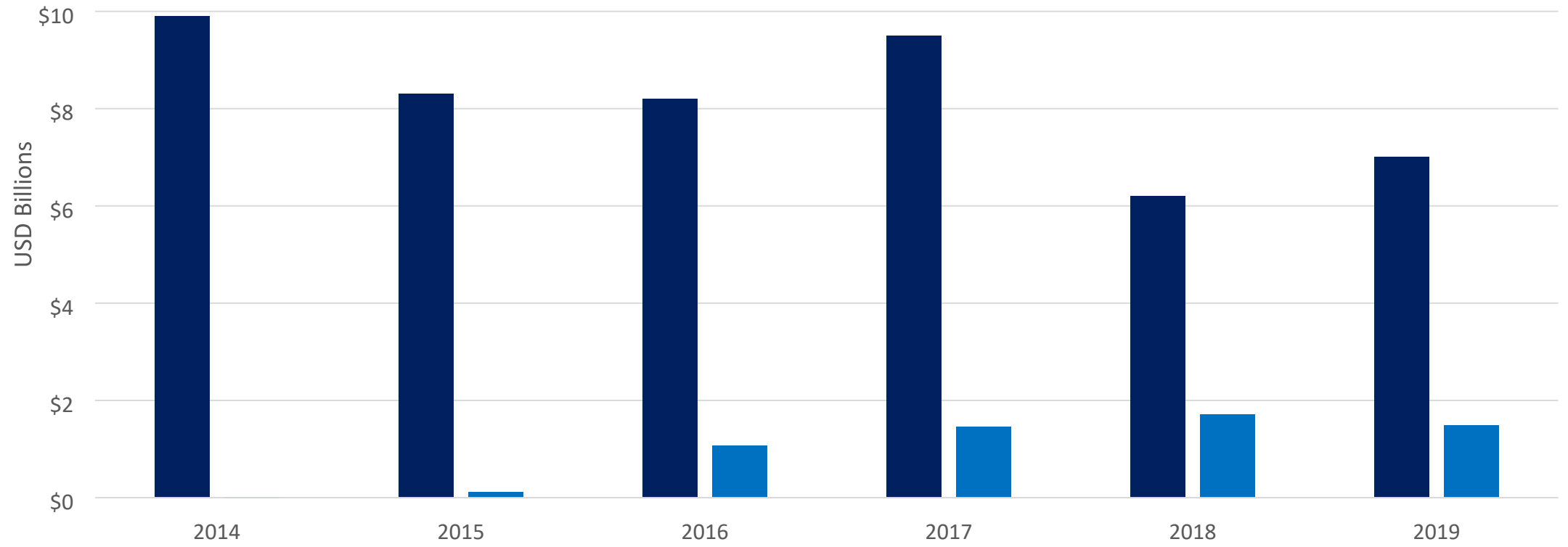
Source: Statista

U.S.-China Vehicle Imports & Exports

2014-2019, USD Billions

\$12

■ U.S. Exports ■ U.S. Imports

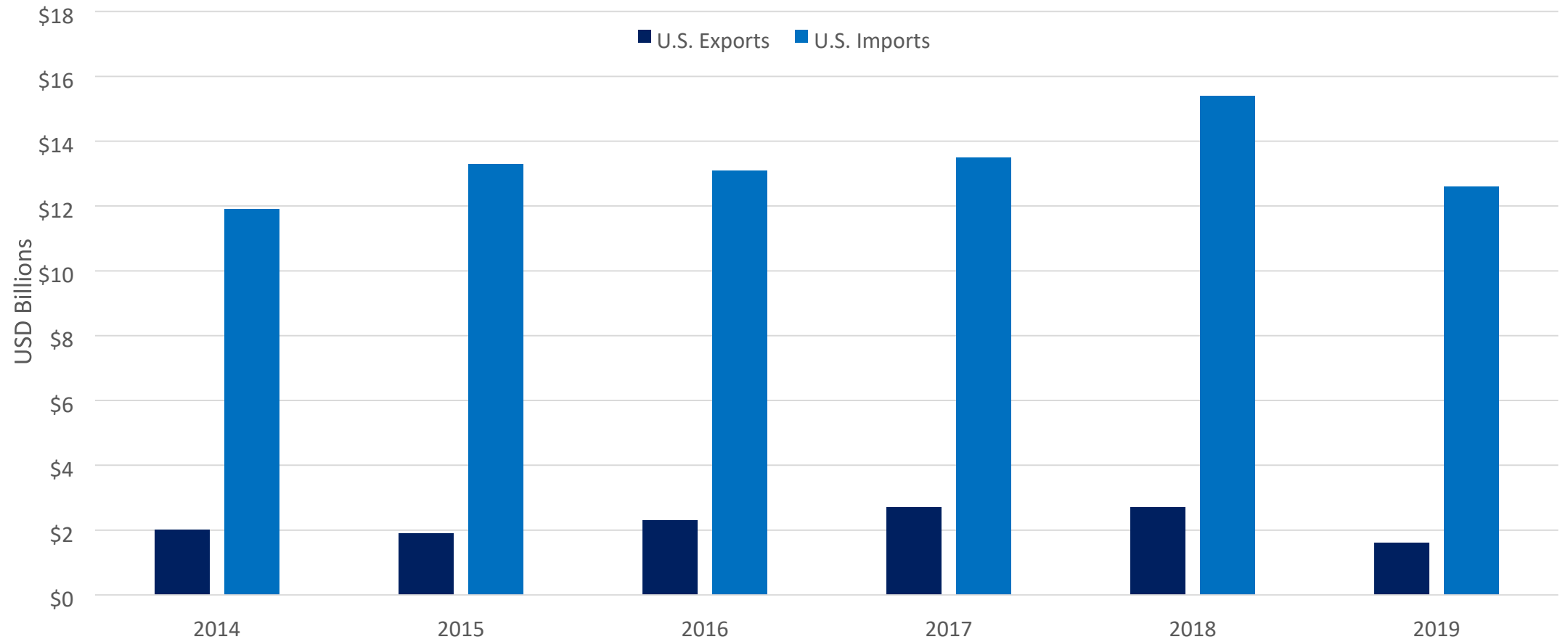


Source: U.S. International Trade Administration



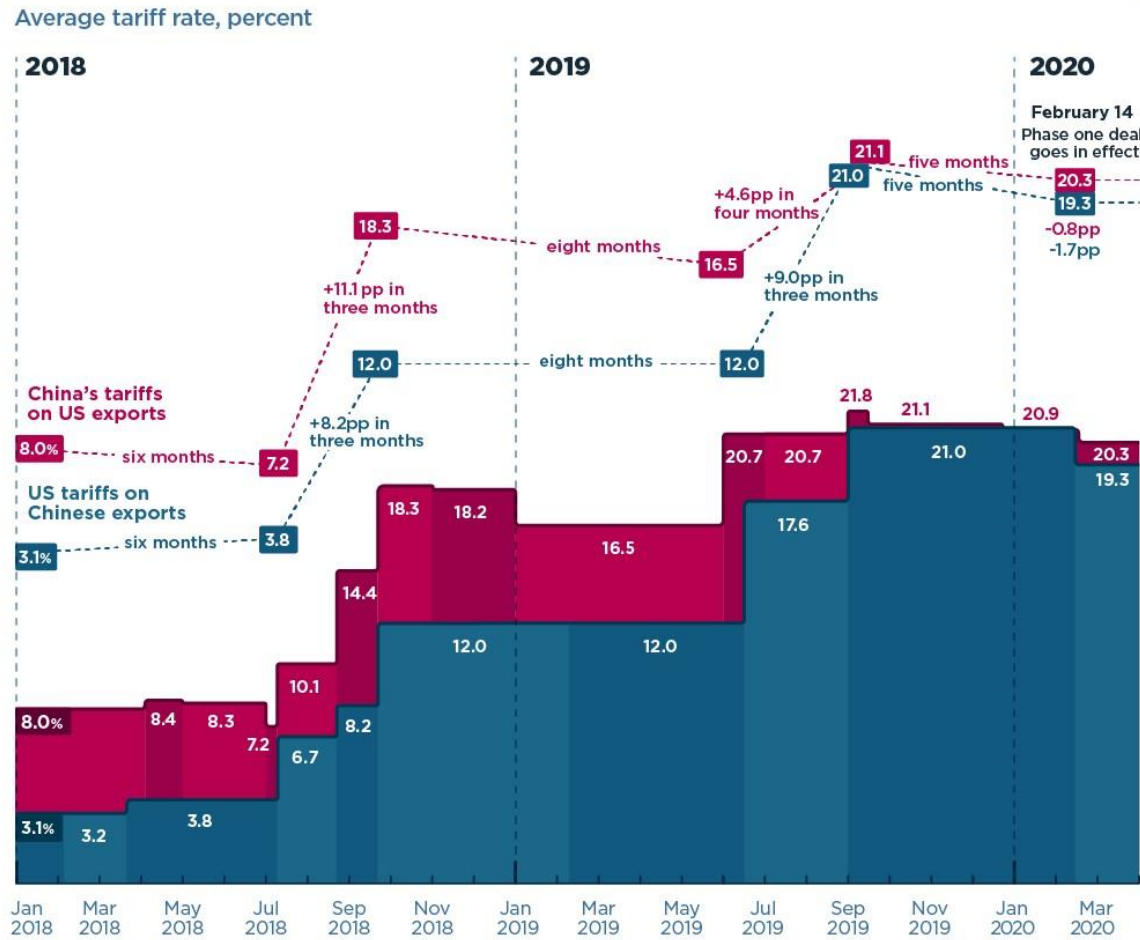
U.S.-China Auto Parts Imports & Exports

2014-2019, USD Billions



Source: U.S. Department of Commerce, Bureau of the Census, Domestic Exports and Customs Import Value

US-China Trade War Tariffs: An Up-to-Date Chart

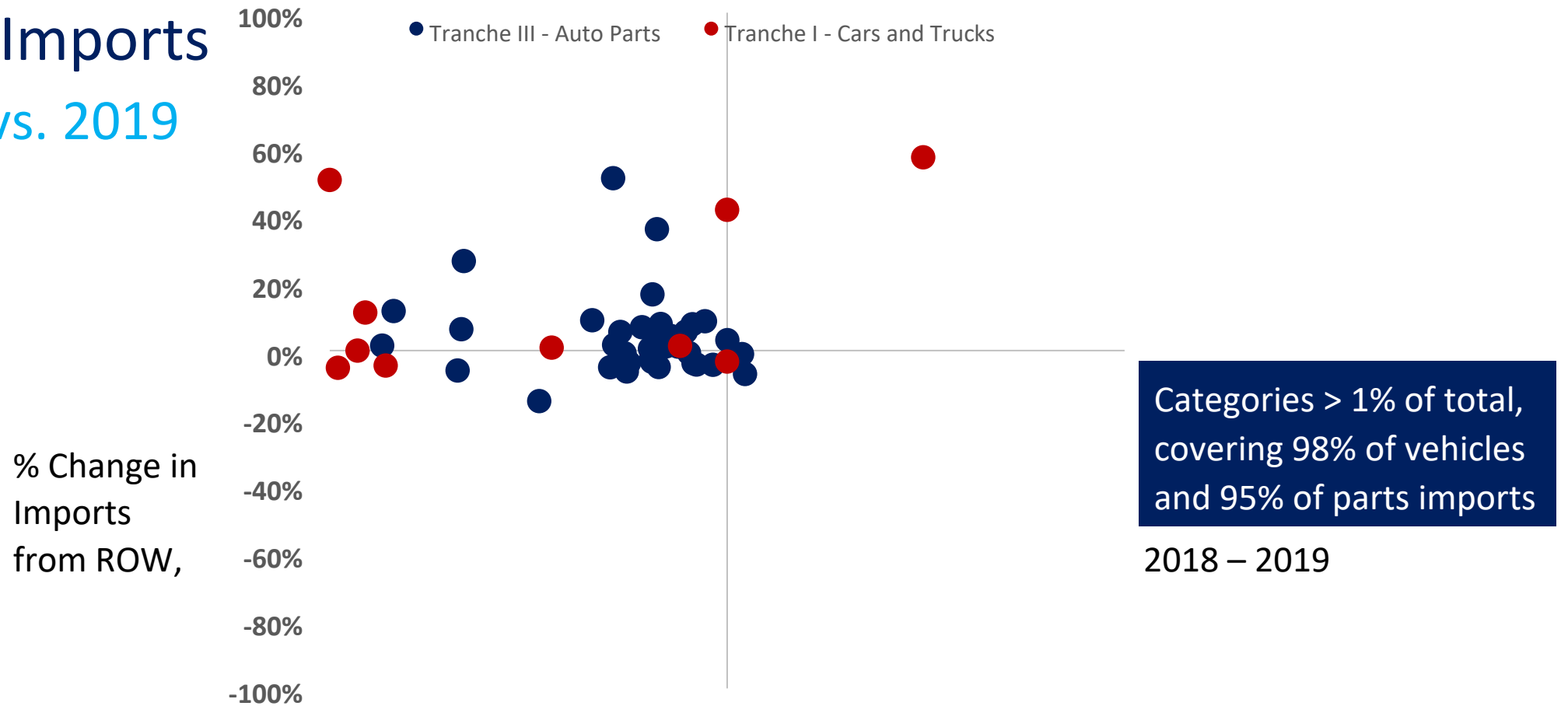


China Trade War

Source: [Chad Bown & Melina Kolb, Peterson Institute for International Economics](#)

Tariff Impacts on Chinese and the Rest of World Auto

Imports
2018 vs. 2019



-100% **-50%** **0%** **50%** **100%**

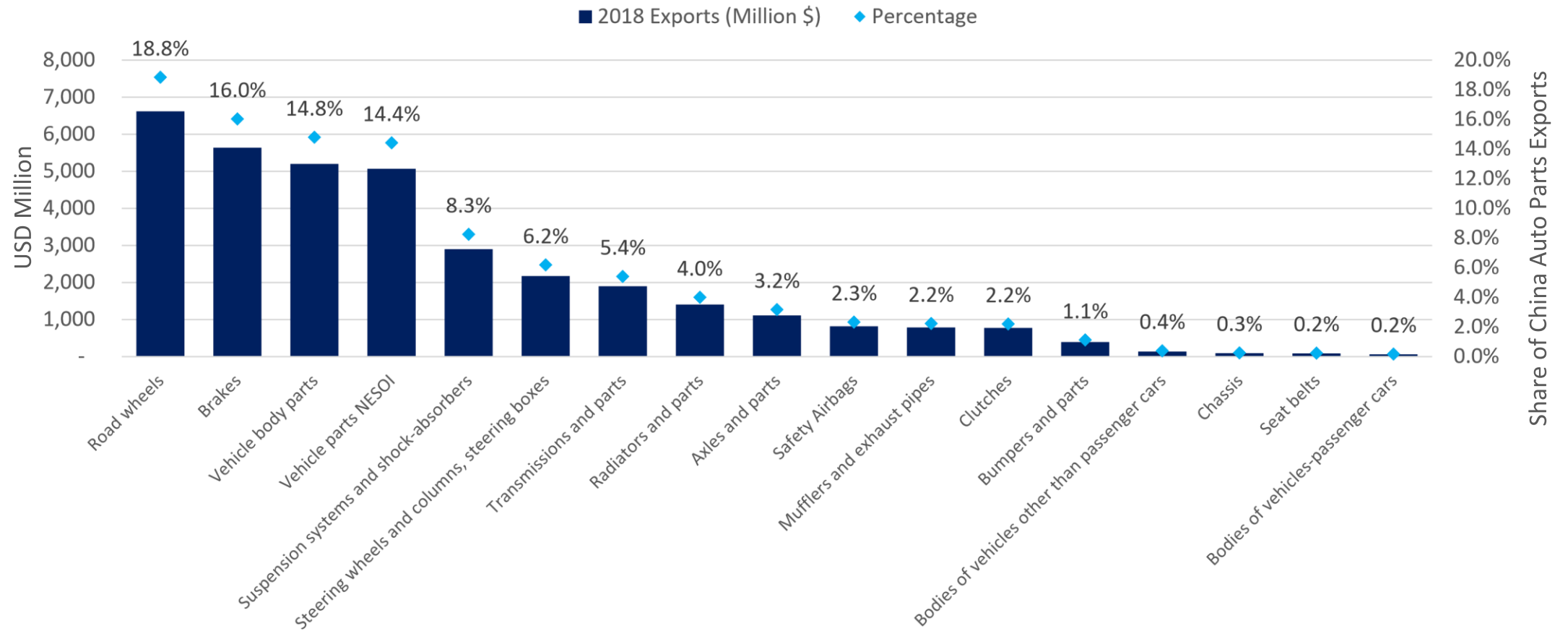
% Change in Imports from China, 2018 – 2019

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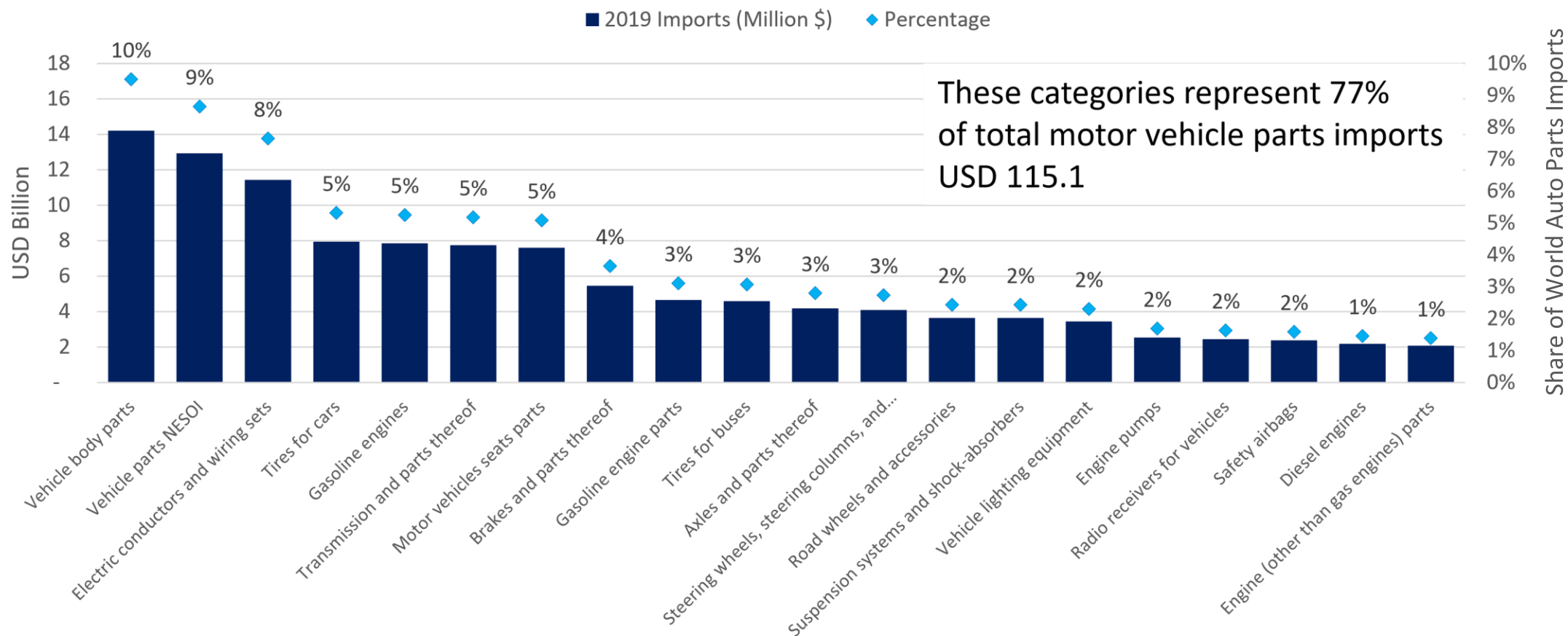
Source: CAR Research based on the trade data retrieved from USITC DataWeb. The data is consist of six-digit HTS automotive goods in three tranches effected on: July 6, 2018; August 23, 2018; and September 24, 2018.

China Exports of Automotive Parts*

2018 (USD Million)



U.S. Motor Vehicle Parts Imports – Top 20 Categories 2019 (USD Billion)



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

Supply Chain Disruption

Hyundai/Kia (South Korea) – wiring harnesses

GM (North America) – appliques

Honda (Japan) – brakes and interior trim

North America – Impact

GM announces plans to airship parts for NA light trucks

Coronavirus – Timeline & Key Developments

in South Korea

February 10 – Nissan idles plant
in Japan

Govt officials unofficial
'guidance' for March 10~

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

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

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)

SARS

- Major but short-lived impact on China economy overall, e.g. \$1.7 trillion GDP, est. 0.5-1.0bp growth impact (various est.)
- ~800 deaths in at least 17 countries



Volume Impact

- 2.94M units vehicle production (2002)
- Impacted 1H2003, but rebounded in 2H2003



Comparison

- China – 6th largest economy
- Comparatively closed automotive market
- Major impact locally, but somewhat muted globally

Coronavirus

- Growing impact on China economy overall and vehicle production, e.g. \$14 trillion GDP, with est. growth of 5.6% yr/yr (revised from 6.0% by IMF)



Volume Impact

- 24.85M units vehicle production (2019), largest market in the world

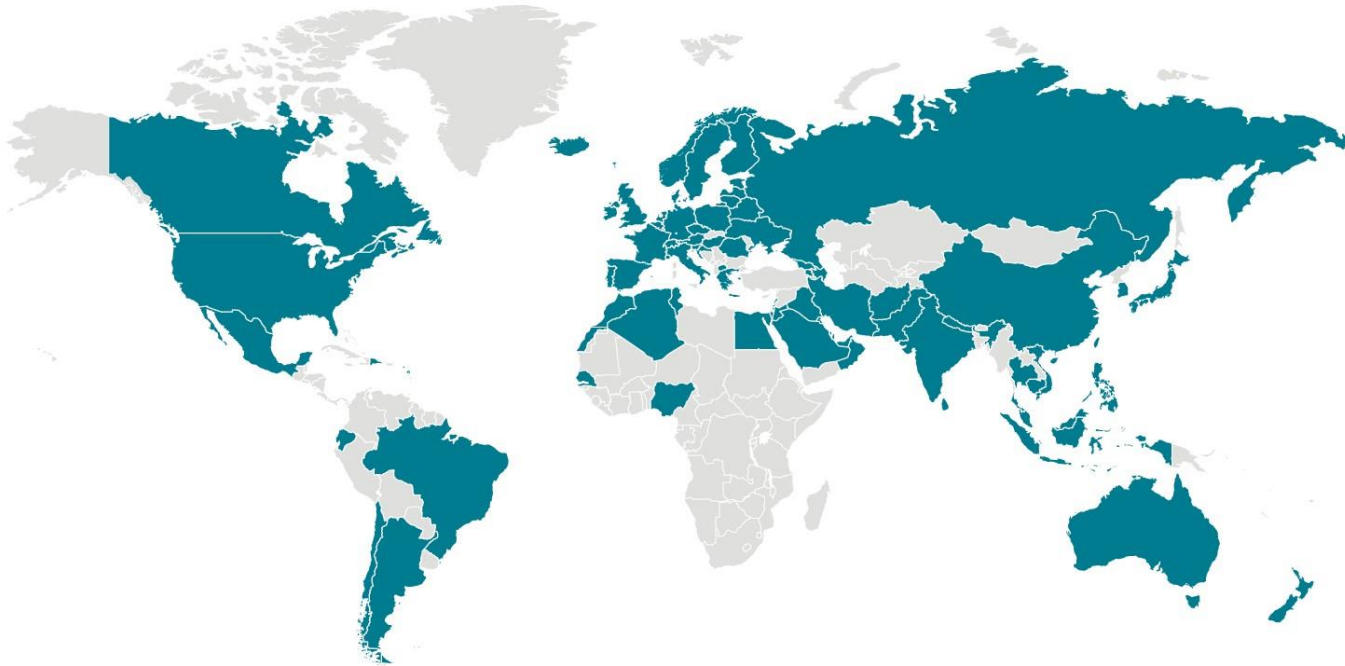


Comparison

- China is now 2nd largest economy behind United States
- Open automotive market (compared to 2003)
- GM, VW, Nissan and other automakers reliant on sales and profit contribution

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

Map Source: WHO as of 3/5/2020

Coronavirus (COVID-19) Update

Timing of Impacts



problems

- 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

Speakers



Kristin Dzikczek
Vice President



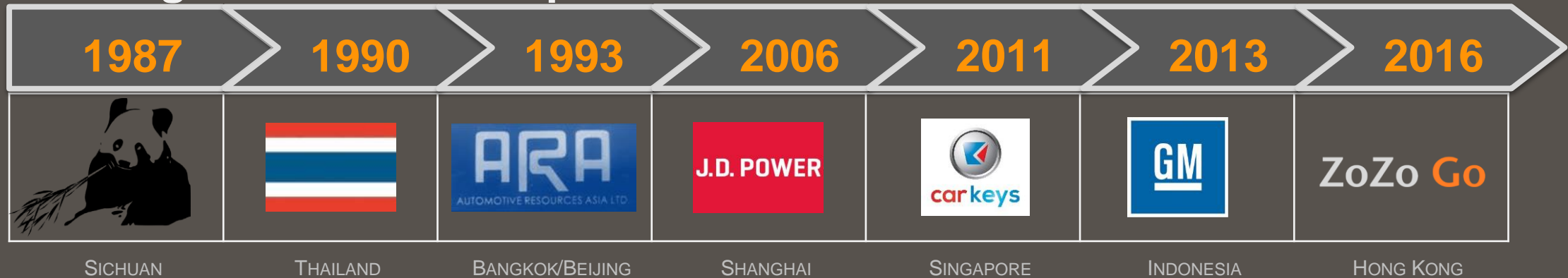
Michael Dunne
CEO, ZoZo Go



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.



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

Drivers have special permits to cross provinces.



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



Seaports are open and shipping internationally.



Wuhan has a surplus of hospital beds

Speakers



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Thank you
