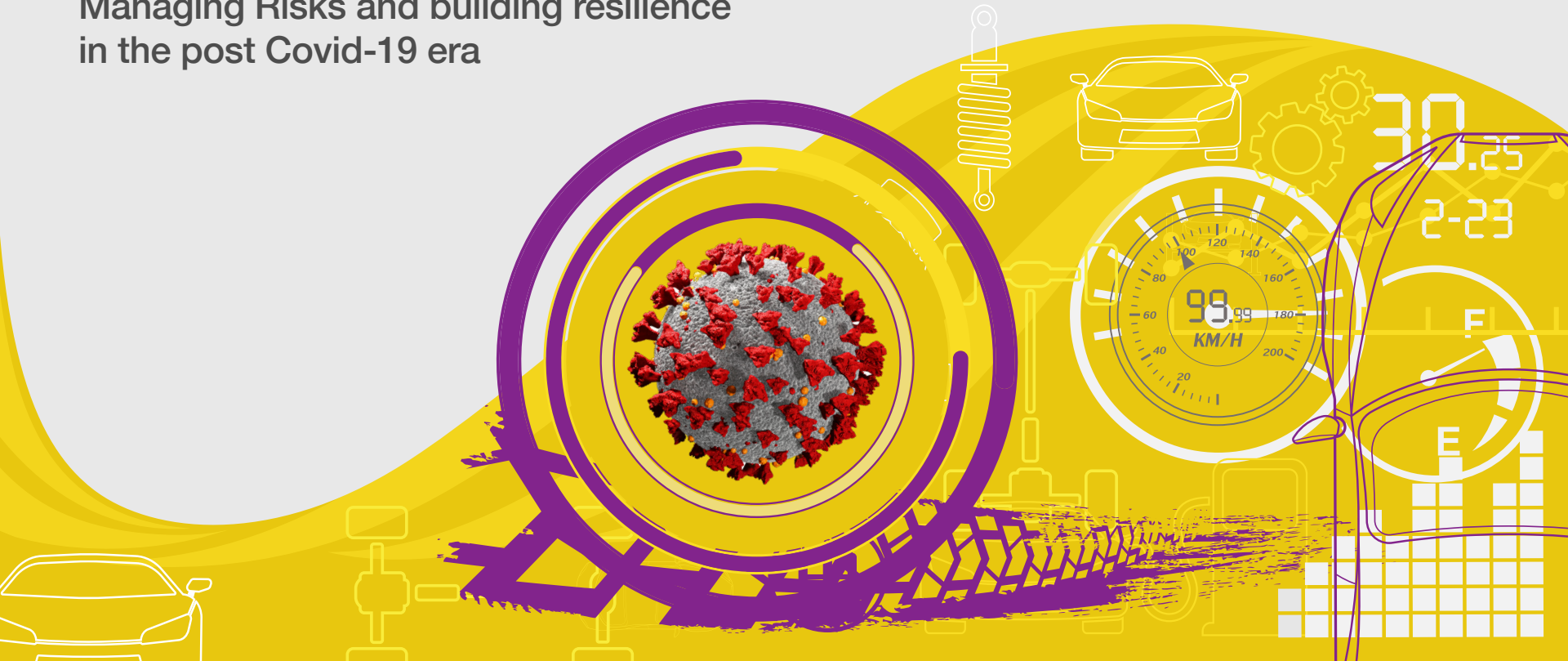


AUTOMOTIVE INDUSTRY

Managing Risks and building resilience
in the post Covid-19 era



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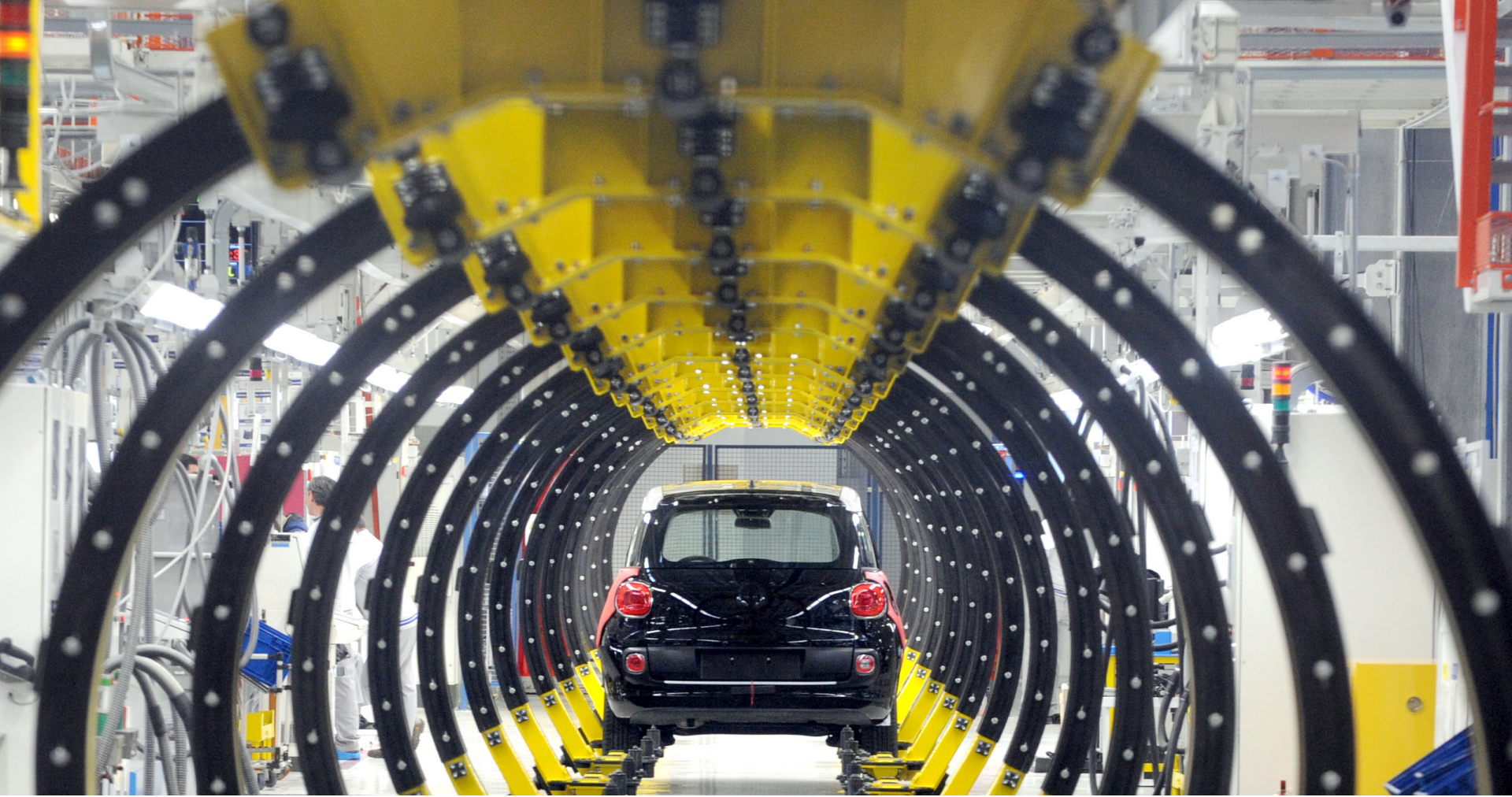


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SUMMARY

Executive Summary

Covid-19 is an infectious virus that has recently been identified. In December 2019, the Wuhan Municipal Health Commission, China, announced a cluster of cases of pneumonia in Wuhan, Hubei Province, however a novel coronavirus had finally been discovered. The global number of COVID-19 cases across the world as of 20 August 2020, there have been 22,431,929 confirmed cases of COVID-19, including 787,773 deaths, reported to the European Centre for Disease Prevention and Control (ECDC).¹ The impact of COVID-19 on global mobility remains uncertain, based on the various actions taken by governments and authorities.

A Science magazine article showed that travel bans had only marginal consequences, slowing the initial dissemination of COVID-19, when paired with infection prevention and control steps to dramatically mitigate transmissions. As a result of the pandemic, many countries and regions have imposed quarantine, entrance bans or other restrictions on the most affected areas for residents or recent travelers. Many governments have placed travel restrictions on all other countries and territories or forbidden their own citizens from traveling abroad. The emerging of the new virus has impacted global mobility, both in terms of limitations on external travel and punitive controls on human movement.²

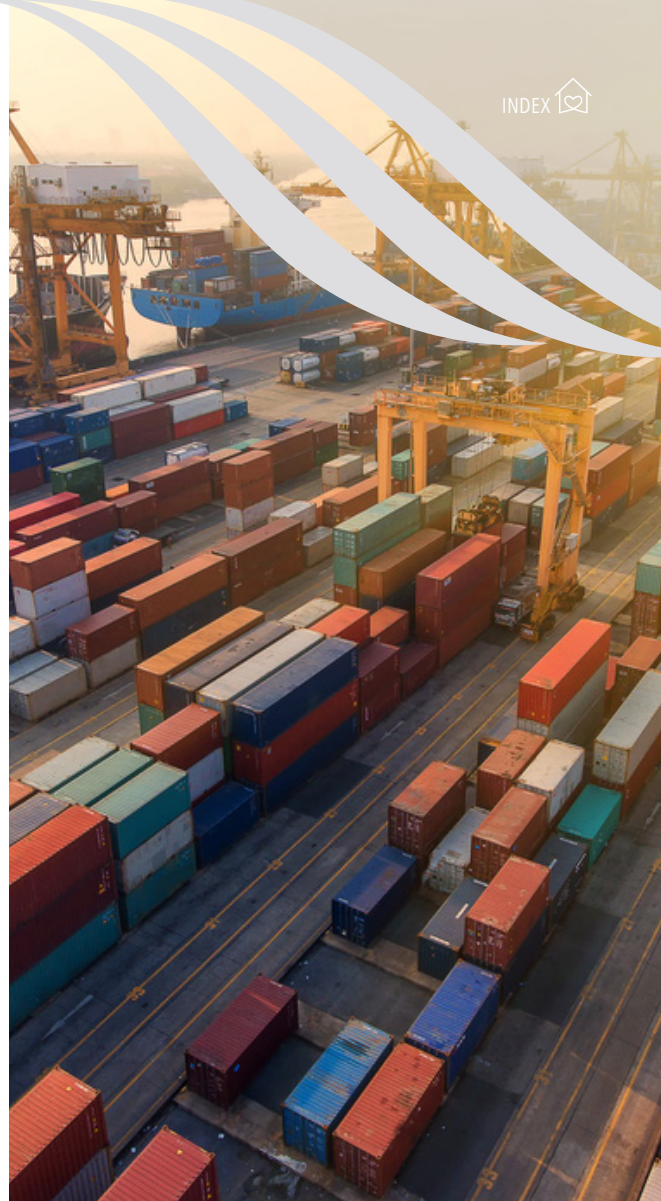


1. ECDC. (2020, August 20). Covid-19 situation update worldwide, as of 20 August 2020. European Centre for Disease Prevention and Control.

2. Chinazzi, M., Davis, J. T., Ajelli, M., Gioannini, C., Litvinova, M., Merler, S., & Vibound, C. (2020, April 24). The effect of travel restrictions on the spread of the 2019 novel coronavirus (Covid-19) outbreak. Science, 368 (6489), 395-400.

The outbreak has adversely affected many industries with significant impact on all aspects of industrial development, including the automobile industry, which has had a rapid and significant impact on the internationally industrialized automotive sector. The sector is facing a sharp downturn in demand and investment. The impact on the automotive industry was felt for the first time in Europe, but it has since become significant in many other areas of the world.

More specifically, this scenario entails disruption of Chinese exports of parts quickly rotated to large-scale interruptions of manufacturing throughout Europe, and the closure of assembly plants in the United States. Except for big plants that are entirely shut down under municipal government, it is also struggling with a widespread stoppage of economic activity, with only some factories work in small units with limited staff to keep their employees safe. This puts extreme pressure on an industry that is already facing a downturn in global demand, which is expected to result in increased competition for mergers and acquisitions and a severe contraction in Gross Domestic Product (GDP).

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While the IMF forecasted robust economic growth in more than 160 countries across the world four months earlier, the monetary institution altered projections after the outbreak, prediction that economies in more than 170 countries will weaken or experience negative growth during 2020.³ By the end of February, about half of the main industrial companies had resumed activities in a number of regions, but with much lower capacity, based on local government reports from different countries. Small and medium-sized businesses were particularly hard hit, with only a handful of them resuming operations. Even as factories resume, the revival of the global economy, including the highly productive supply chains, is expected to take time.

It is estimated that plant closures in Europe and North America have resulted in the removal of some 2.5 million passenger vehicles production, at a cost of USD 77.7 billion in lost sales to car and parts manufacturing firms. To be more precise, analysts are holding to their earlier forecast of an over 24% annual decline for 2020, at around 13.4 million units.

3. Gopinath, G. (2020, April 14). The great lockdown: Worst economic downturn since the Great Depression. IMF Blog.





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