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# Mexico's Auto Industry Outlook 2020 - 2025

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# North America Light Vehicle Outlook

July 2020

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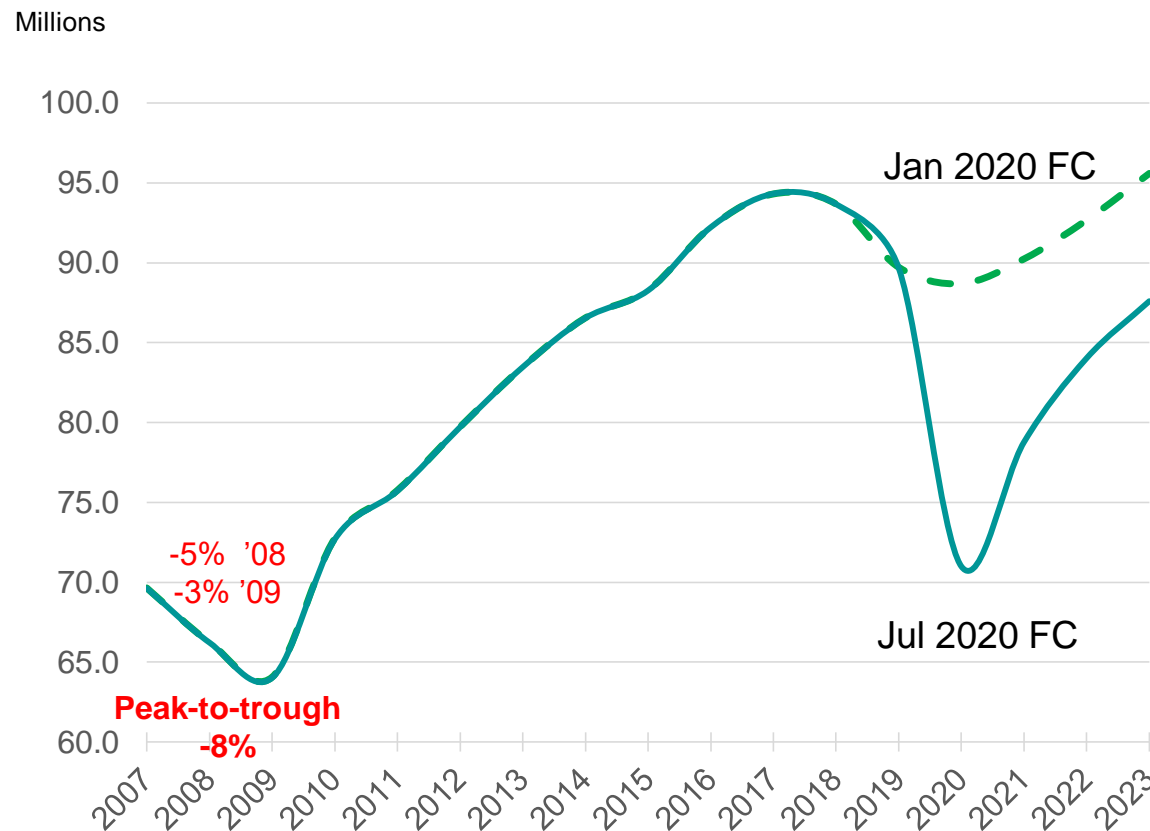
## Real GDP Growth – July Forecast

	2018	2019	2020	2021	2022	2023
<b>World</b>	3.2	2.6	-5.5	4.4	3.8	3.4
United States	2.9	2.3	-6.1	3.7	3.6	3.3
Canada	2.0	1.7	-7.0	3.7	4.2	2.4
Eurozone	1.9	1.3	-8.7	4.2	3.3	2.1
United Kingdom	1.3	1.4	-11.9	4.9	3.2	2.2
China	6.7	6.1	0.5	7.8	5.6	5.4
Japan	0.3	0.7	-5.2	2.0	1.4	1.2
India*	6.1	4.2	-6.3	6.7	5.1	6.1
Brazil	1.3	1.1	-9.1	4.1	3.0	2.0
Russia	2.5	1.3	-8.6	3.0	1.8	1.5

\* Fiscal years beginning April 1

# July '20 further cautious upgrade as much of world unlocks (delta +920k) 2020 autos outlook remains far worse than Great Recession 2-yr decline

## Global Light Vehicle Sales Outlook



Source: IHS Markit – June 2020 LVS Forecast

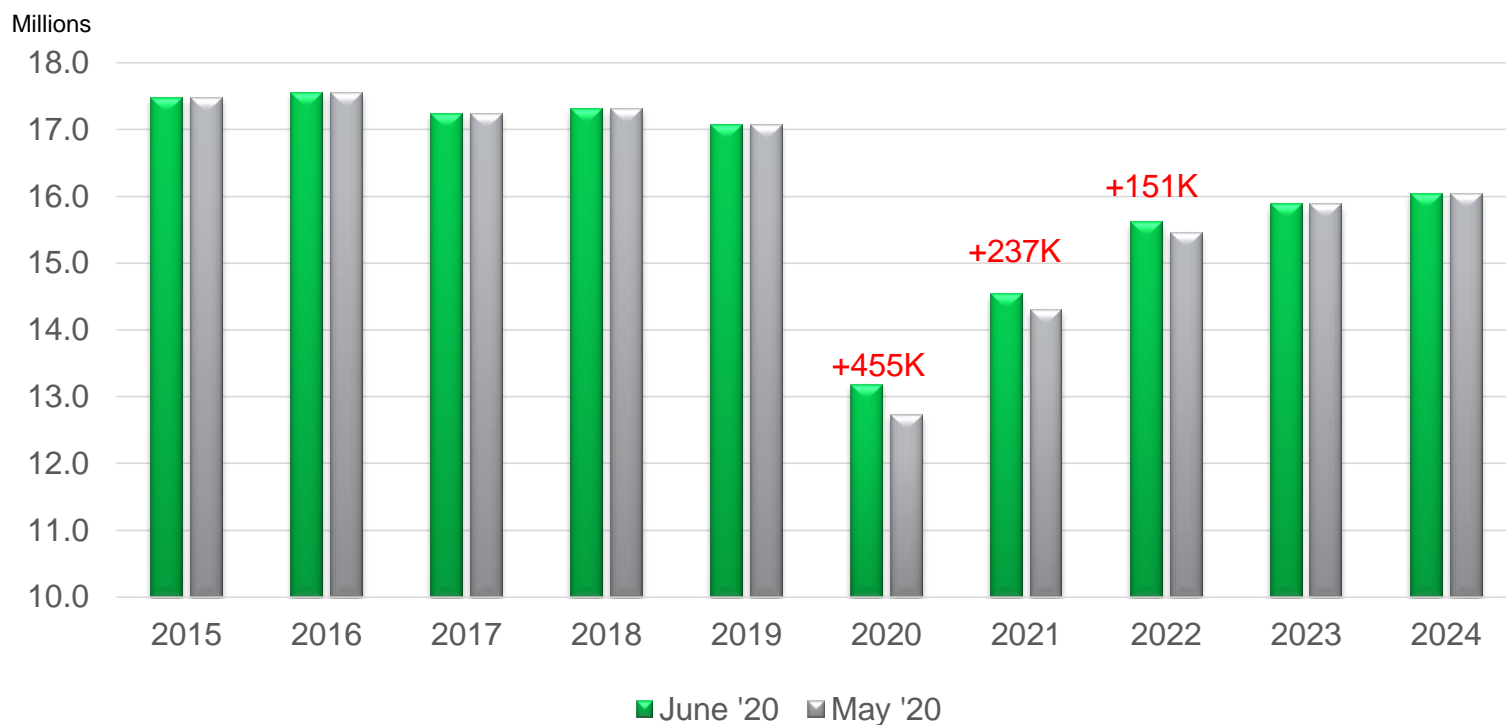
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Market	2020 TIV	Growth (% chg)	vs. Jan 2020
China	21.7m	-12.5%	-2.9m
USA	13.3m	-21.9%	-3.5m
WE/CE	13.7m	-24.4%	-3.9m
<b>Global</b>	<b>71.0m</b>	<b>-20.9%</b>	<b>-17.7m</b>

Note: China refers to Mainland China

## USA— better than expected recent results and improved employment situation lead to slight upgrade in near-term forecast settings

USA – Covid-19 Impacted Light Vehicle Sales Forecast (June 2020)



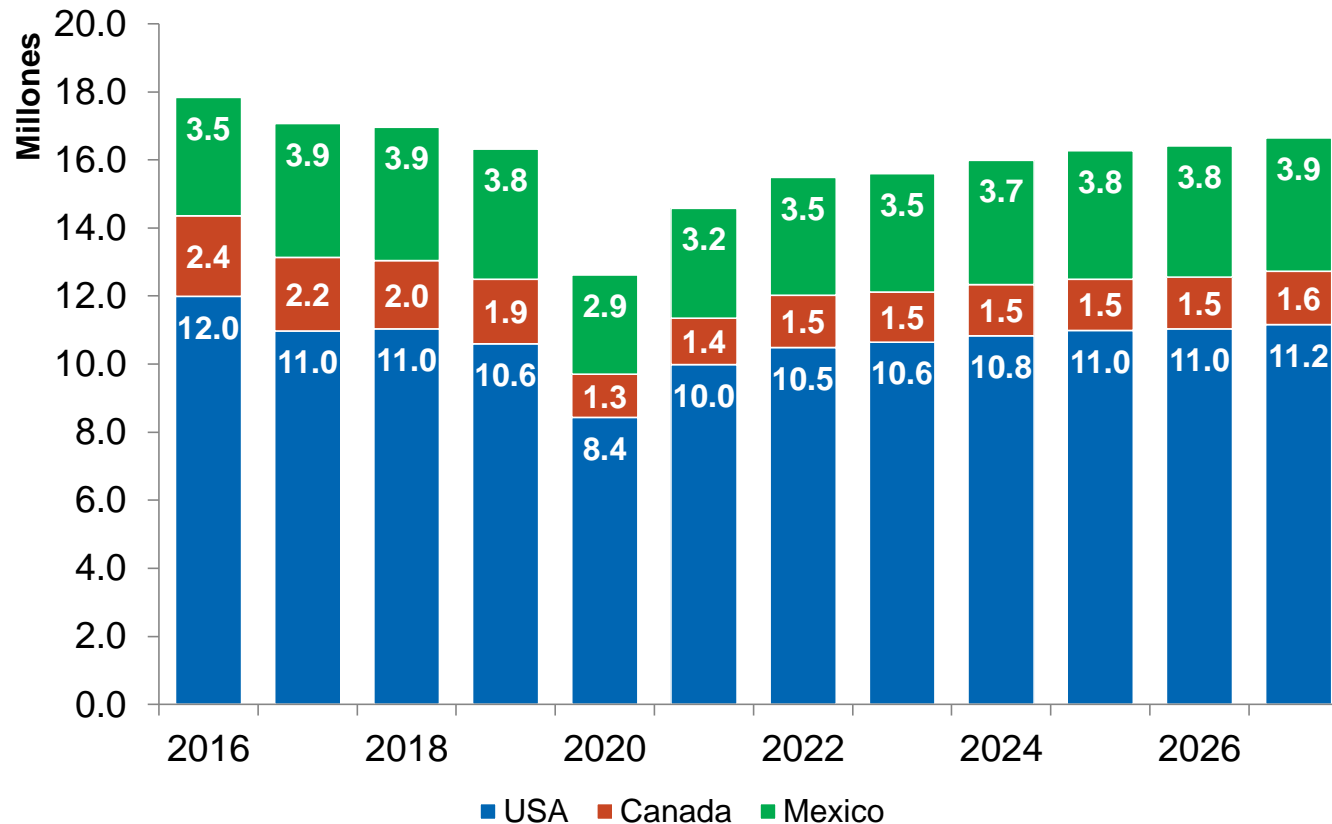
- After better than expected US auto sales declines in April (-47%) and May (-30%), and the surprise payroll employment results in May, we have walked our full-year 2020 LV sales volume projection to 13.2 million units. Upside bias to forecast remains, but risks to the recovering demand levels are also increasing heading into the second half of 2020.
- With the rising number of COVID-19 cases in some states, it will be important to track auto sales developments over the next few months. A “second wave” of severe “lockdowns” is not in the current baseline assumption.
- Retail sales are recovering much better than fleet sales – with auto consumers motivated by OEM incentives, 0% interest rates, “reopening” activities and likely supported by government stimulus checks.
- Although the US unemployment settings have changed for the better, the overall economic outlook for the year still remains dour, with GDP settings of -6.1% in 2020 followed by +3.7% in 2021 and +3.6% in 2022.

	2020	2021	2022	2023
% Growth YoY	-22.8%	+10.2%	+7.4%	+1.7%
Vol Delta vs. Pre-Crisis Jan Forecast	-3,636,000	-2,054,000	-811,000	-552,000

# North America Production

## Intra-regional production shifts

### North America light vehicle production



Source: IHS Markit

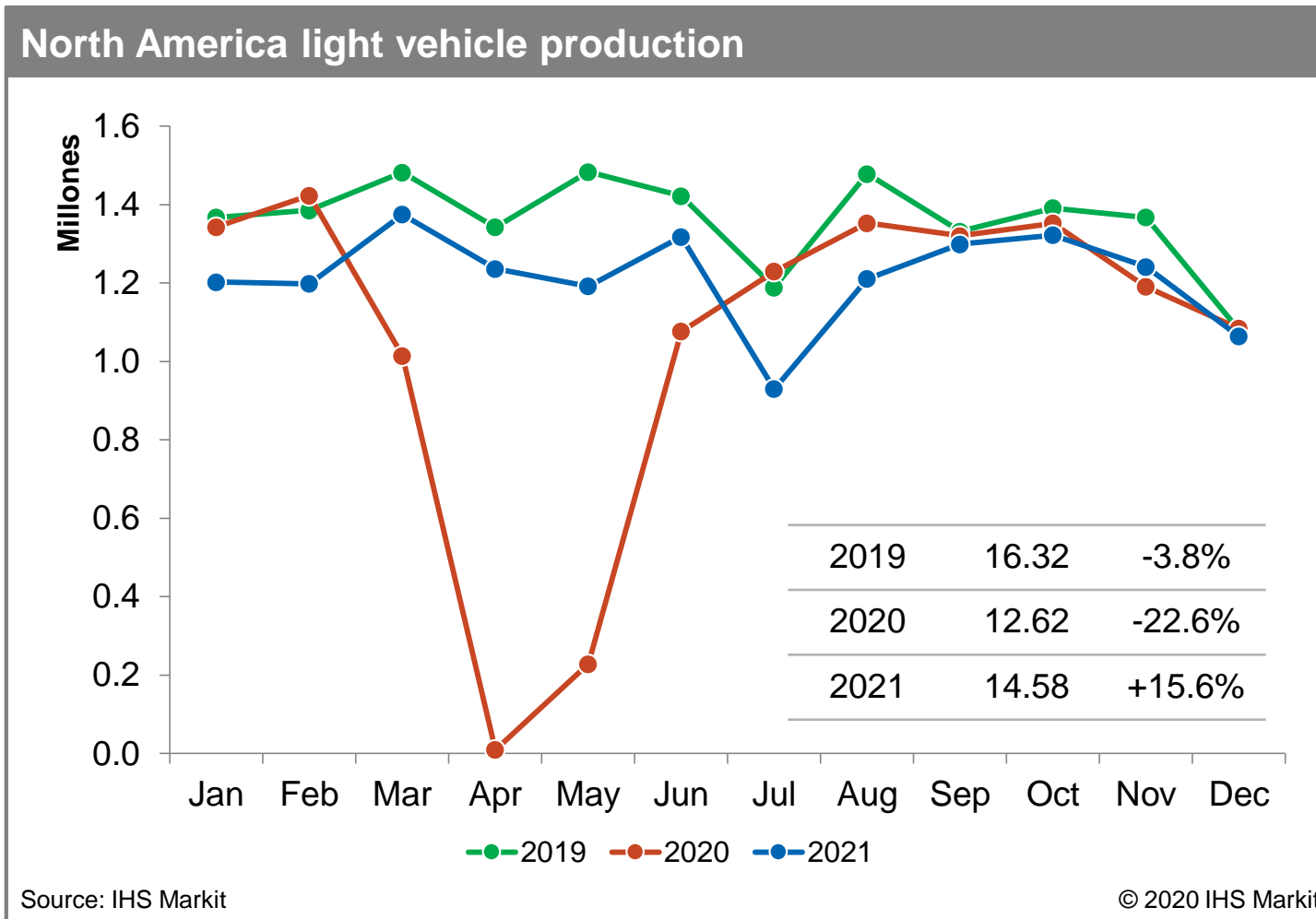
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### Mexico: 2019 – 2027

- +2.7% growth
- 103K units at 3.9M
- 24% of regional output
- New plants:
  - Kia-Monterrey (2016)
  - Audi-San Jose Chiapa (2016)
  - COMPAS-Aguascalientes (2017)
  - BMW-San Luis Potosi (2019)
  - Toyota-Guanajuato (2019)
- USMCA implications
- Resourcing risks
  - Plants
  - Products
- Exchange rates

# North America Production

## Short-term production evolution

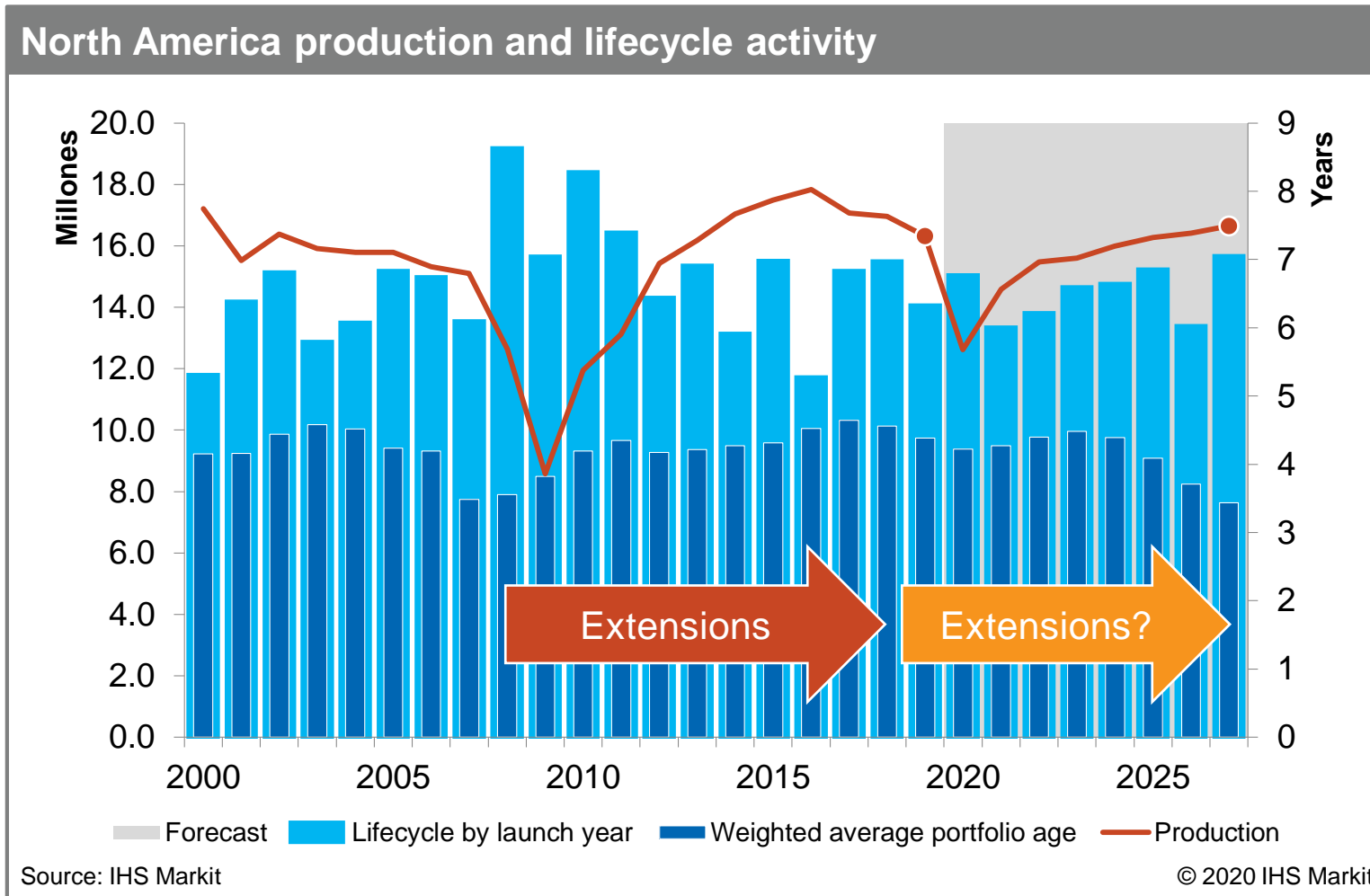


### July 2020 forecast

- 2020 revised up 41K to 12.6M units
- Assumed nine-week shutdown
  - Across all manufacturers
  - -2.6M units removed
  - Manufacturers produce 68K vehicles a day on average
- Restart to Alignment phase
  - 92% of total 2020 production decline between March and June
  - 80% of plants open by end of May
  - 99% open as of now
  - Full capacity utilization not expected until end of August
  - Alignment phase expected to begin 4Q 2020 through 1Q 2021
  - Use of line rates, shifts, and downtime to adjust to lower demand

# North America

## Lifecycle risk



### Metrics: 2019 to 2027

- Growth: 289,300 units or 1.8%
- CAGR: 0.2%

### Outlook

- Significant program extensions surrounding previous recession
- Product implications
  - Extensions
  - Capacity allocation
  - Defer other investment
  - Cut losses
  - Recoup investment
  - Delayed opportunities
- Contingency planning; identify programs with above or below average chance for extensions



# *Thank you!   Muchas Gracias!   Muito Obrigado!*

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