



# What's changed in a year?

Pete Kelly, Managing Director

At the start of 2019, we highlighted a number of issues to watch in the global automotive industry. Key among them were the market slowdown in China, trade frictions and Brexit. While concerns related to these issues have changed, they have not gone away.

China did, indeed, see the slowdown intensify in the early months of 2019, but the local Light Vehicle market has since stabilised. This year, we do not expect the market to either grow or shrink in any significant way.

On trade and tariffs, specifically with respect to vehicle imports to the US, agreement appears to have been reached between the US, Canada and Mexico. Korea has also secured safety from potential US tariffs, while Japanese vehicle imports, as numerous as they are, look to be avoiding too much attention. The threat of tariffs for European OEMs, however, remains.

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Brexit did not happen in a disorderly fashion, as sometimes appeared likely during a politically fractious 2019. The newly elected UK government will now take the UK out of the EU at the end of January and into a 2020 of little change. But another deadline looms, with parallels to the 2019 'no-deal' scenario, at the end of 2020, if the UK and EU do not have agreements in place for a post-Brexit status quo. The direction of the negotiations throughout this year will have important consequences for the future of the UK and European automotive sector.

Vehicle electrification was big news in 2019, as expected, even though sales continued to be modest. But the formal start of CO2-reduction targets in 2020 in the EU is likely to see a lot more electrification across vehicle powertrains, with significant jumps in sales of pure battery vehicles, conventional and plug-in hybrids, and 48V mild hybrids. The targets only get tougher in 2021. The PSA-FCA tie-up, which was, in part, driven by these kinds of regulatory directives, may not be the last.

A new issue to consider is the resilience of the large mature markets in the US and Europe. Last year's global decline mainly impacted non-mature markets, some of which (i.e. Turkey or India) may come back a little in 2020. But can the industry rely on the US and Europe for stability? The answer is most likely yes, although with some fragility remaining, it will be worth keeping a close eye on developments.