



The Crystal Ball (aka Economic & Automotive outlook)

27 November 2019



Your presenter







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Agenda

- 1 Economic overview 
- 2 Political and Brexit impacts 
- 3 Outlook for supply chain 
- 4 Outlook for dealers 

The global economic backdrop

Looking back ...

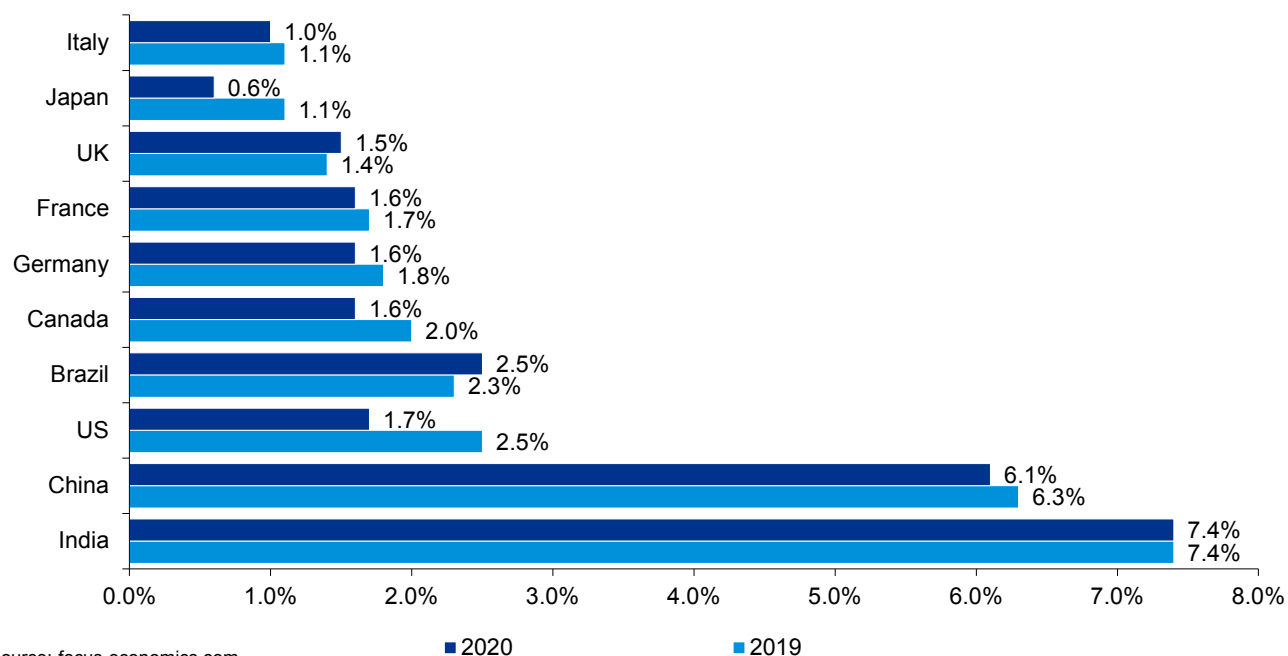
At the end of 2018, the world economy looked to be in a precarious position:

- Two of the Eurozone's three largest economies were in – Or on the verge of – Recession
- Chinese growth had slowed to a 10-year low
- US economy showed signs of losing steam
- Global trade volumes down 1.2% year-on-year

The current picture ...

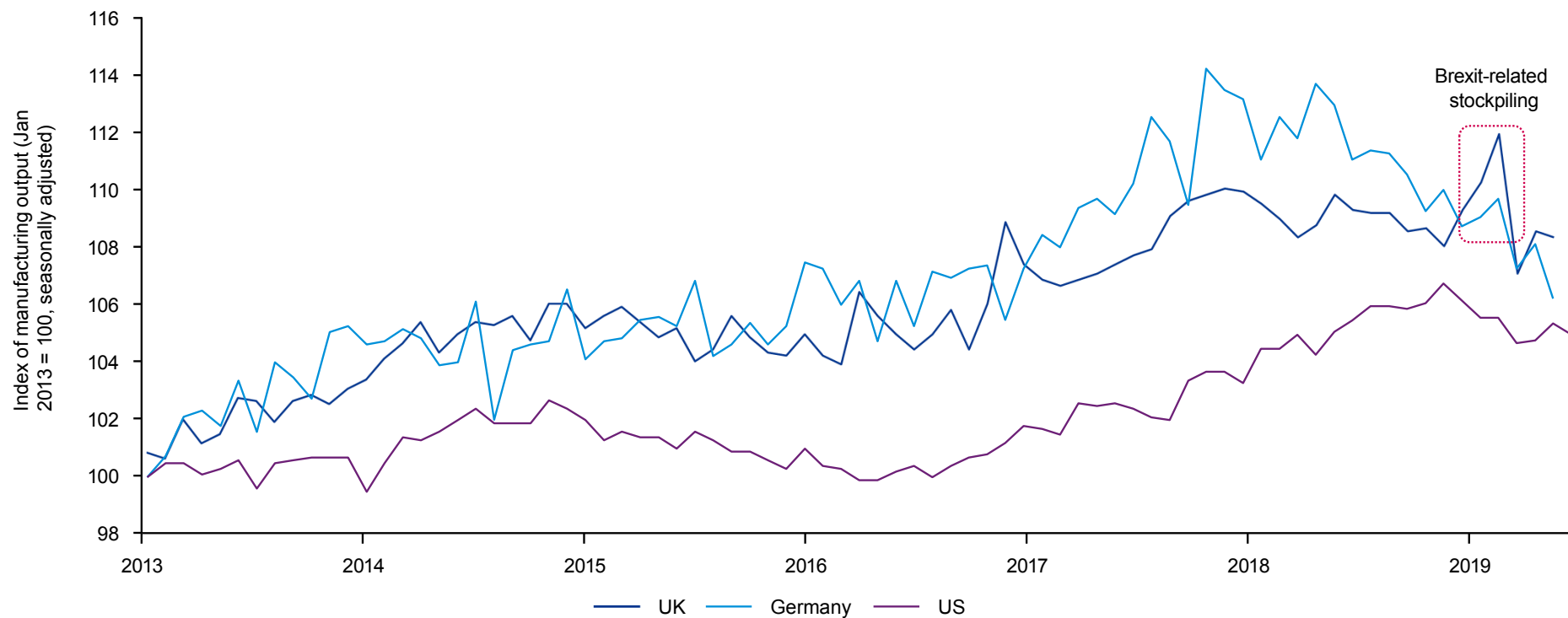
Major economies are forecast to slow:

Top 10 biggest economies – GDP growth



Source: focus-economics.com.

Manufacturing sector slowdown in selected advanced economies



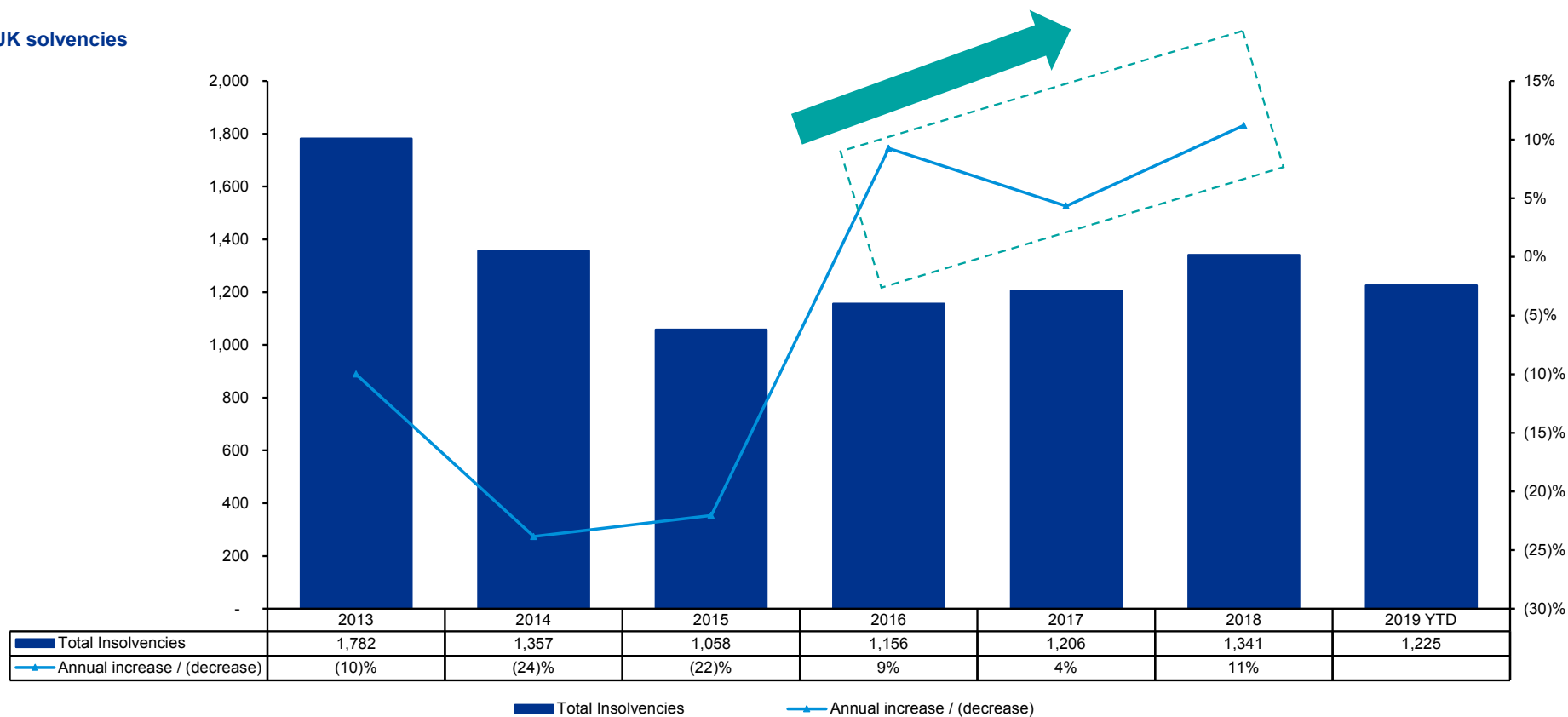
Source: ONS, Deutsche Bundesbank and Federal Reserve Board via Haver



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Increase in number of insolvencies in the UK

UK solvencies

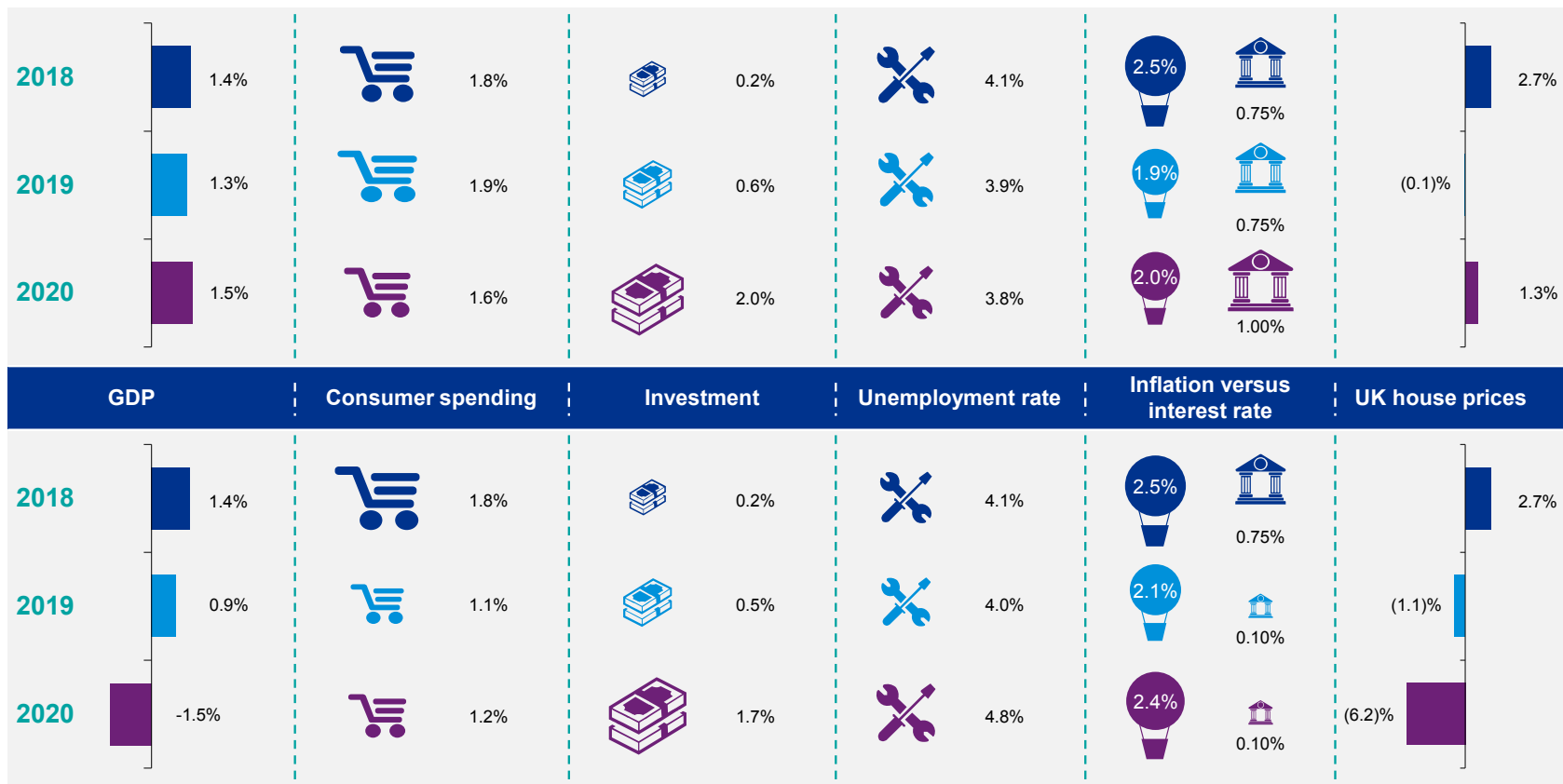


A snapshot of the UK economy



Deal scenario

These figures incorporate the government's stated preference to leave the EU under the terms of a withdrawal agreement



No-deal scenario

These figures represent a scenario where the UK leaves the EU without a deal

Political challenges

We are in an increasingly turbulent political period –
The general election has further increased uncertainty, but it is far from certain that the outcome will usher in a period of greater stability or break the deadlock

Businesses face a number of interlinked political challenges – Much of their focus to date has been on Brexit but a general election presents wider operational risks for firms as the focus shifts to broader domestic policy change



Unpredictable and volatile election

- Voters becoming less loyal to parties
- Almost half of voters have switched sides since 2010



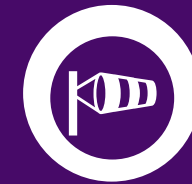
Changing key battlegrounds

- Tories targeting pro-Leave seats in North & Wales
- Labour and Lib Dems battle for Remain vote



Brexit versus domestic policy

- Tories predominantly focused on Brexit
- Labour keen to refocus agenda on domestic policy



The known unknowns

- First winter election in almost a century
- Tactical voting and electoral pacts may affect result

Brexit predictions

The outcome of the general election will likely have an impact on the outcome of Brexit. This table shows how the country would arrive at various outcomes, and what each outcome would potentially mean for companies

General Election outcome	Brexit outcome
Conservative victory with working majority ^(a)	Withdrawal Deal + FTA (Dec 2020)
	No Deal on 31 Jan
Inconclusive election result (e.g. Conservative-led minority government)	Uncertainty continues
Labour-led administration	Extension for second referendum

Note: (a) Working majority has a specific meaning but here this refers to a reliable Commons majority which allows the government to implement their agenda without delay

Brexit continues to distort the economy:

- Business stockpiling has artificially inflated growth at the start of the year, but will have the opposite effect later on as inventories are drawn down. Also de-stocking through late spring / early summer
- Nearly two in five SMEs have postponed some or all of their investment plans as a result of Brexit uncertainty
- Consumer confidence has been subdued throughout the year. Felt in car sales, especially compared to EU

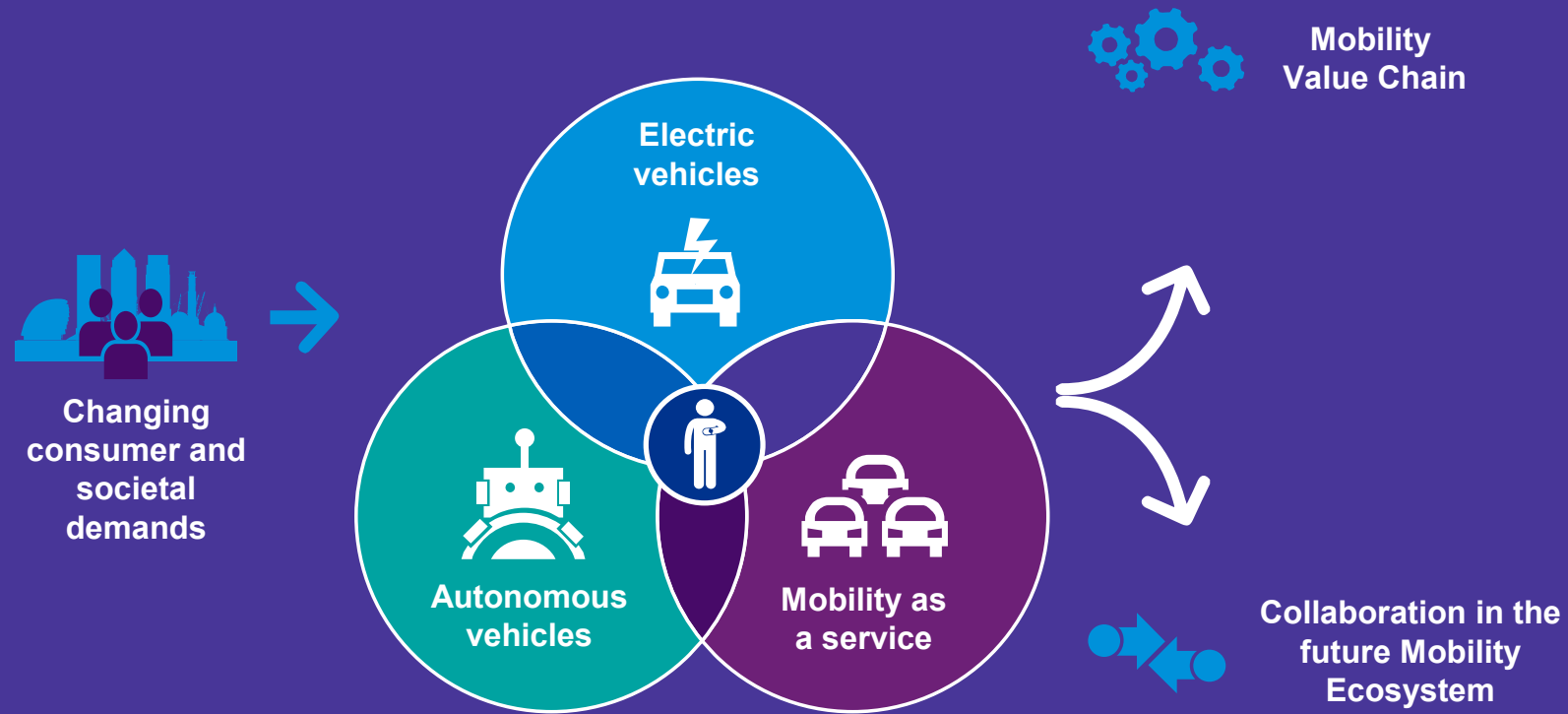


Outlook for automotive



Three main disruptive forces

Will fundamentally transform how people and things move



Manufacturers and suppliers



OEM mega-mergers



Further OEM alliances and collaborations



Consolidation of suppliers



OEMs rationalising supplier base



Continued push into EV/hybrid



Soft demand



Change in bank lending appetite



Opportunities



Dealers - car buying themes

01

Digitalisation/online/alternative outlets and channels



02

Demand from young people



03

Urbanisation



04

Uberisation/sharing services



05

Buy versus lease versus rent

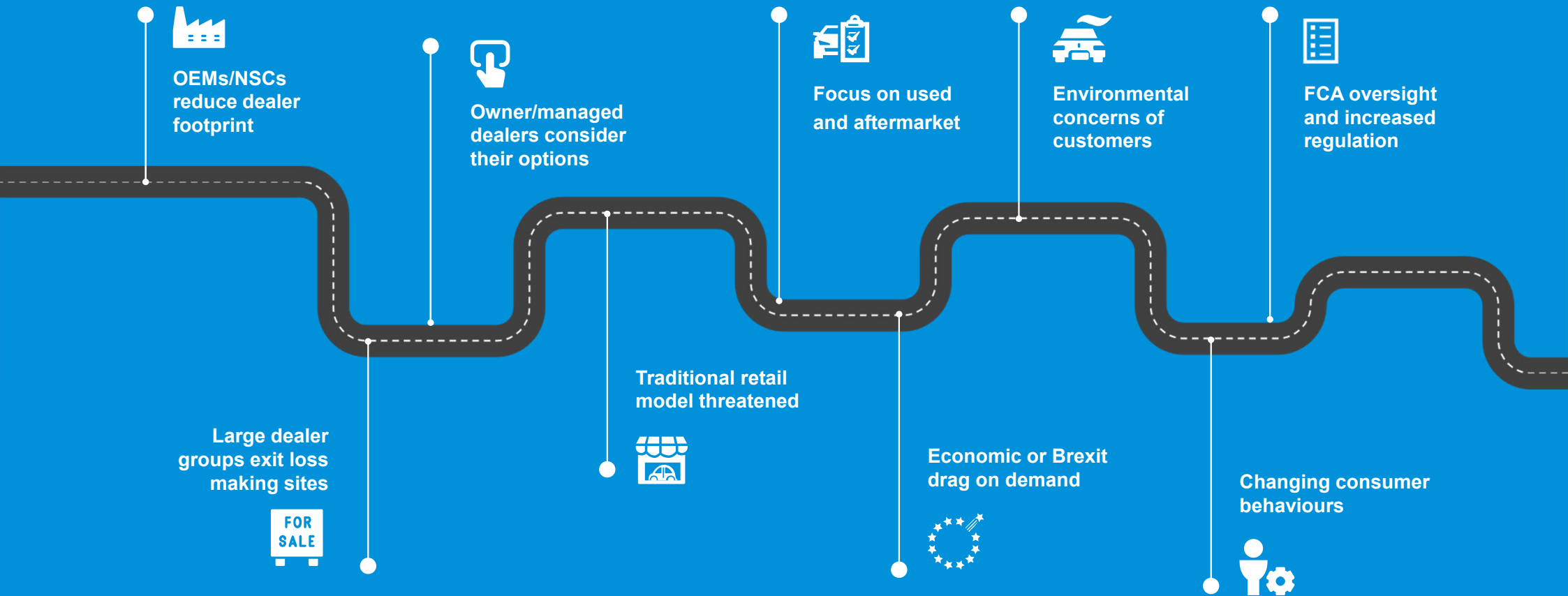


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Shift in ownership away from individuals



Dealerships and retail - key themes



The rise of EV

New York City (Fifth Avenue), Easter 1900: Cars are the exception



“ *If I had asked people what they want, they would have answered ‘faster horses’.*

Henry Ford

The rise of EV

New York City (Fifth Avenue), Easter 1913 - Only 13 years later!



When will we reach the inflexion point of demand?



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