

**CAR** CENTER FOR AUTOMOTIVE RESEARCH

# Michigan Automotive Industry Update

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Consensus Revenue Estimating Conference

17 May 2019

## THE CENTER FOR AUTOMOTIVE RESEARCH (CAR)

Automotive industry contract research and service organization (non-profit ) with more than 30 years experience forecasting industry trends, advising on public policy, and sponsoring multi-stakeholder communication forums.



### RESEARCH

Independent research and analysis on critical issues facing the industry.



### EVENTS

Industry-driven events and conferences that deliver content, context, and connections.



### CONNECT

Consortia that bring together industry stakeholders to participate in working groups, networking opportunities, and access to CAR staff.

# AGENDA

- Sales & Production
- Employment
- Automaker Investments
- GM Announcements
- Trade Update

## Sales & Production Overview

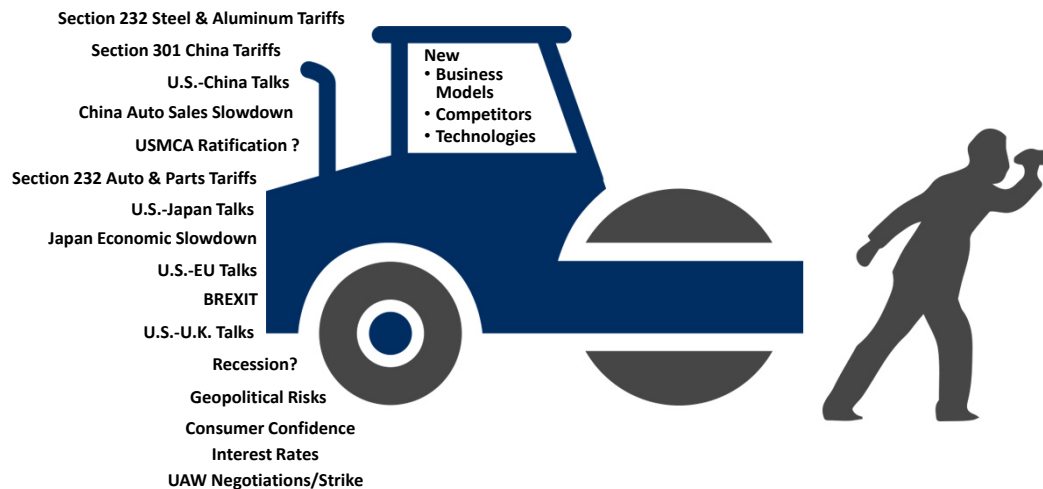
### Areas to Watch

- Michigan's share of U.S. vehicle production increased to 18.8%
- Michigan's engine production will decrease and transmission production will increase over the next few years
- Electrified vehicle market share increased to 4.4%, the highest level ever recorded

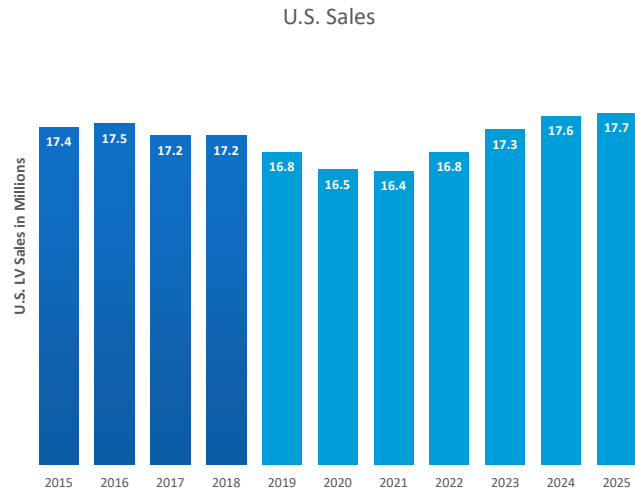
## Positive Factors in the CAR Forecast

- Projected moderate U.S. economic output growth in 2019
- Historically low U.S. unemployment rates
- Relatively low oil prices continue through 2020
- Underlying nominal wage growth continues
- High levels of consumer confidence were reached in Q4 2018, and
- Solid new housing starts and home prices rebounding to pre-recession levels

## Risks to the Forecast

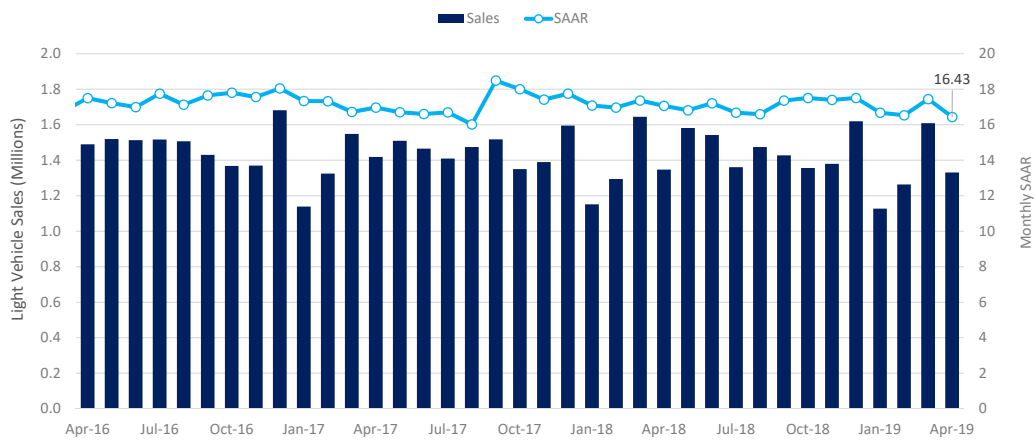


## CAR's U.S. Light Vehicle Sales Forecast 2019-2025



Source: CAR Research, January 2019 | CENTER FOR AUTOMOTIVE RESEARCH | 7

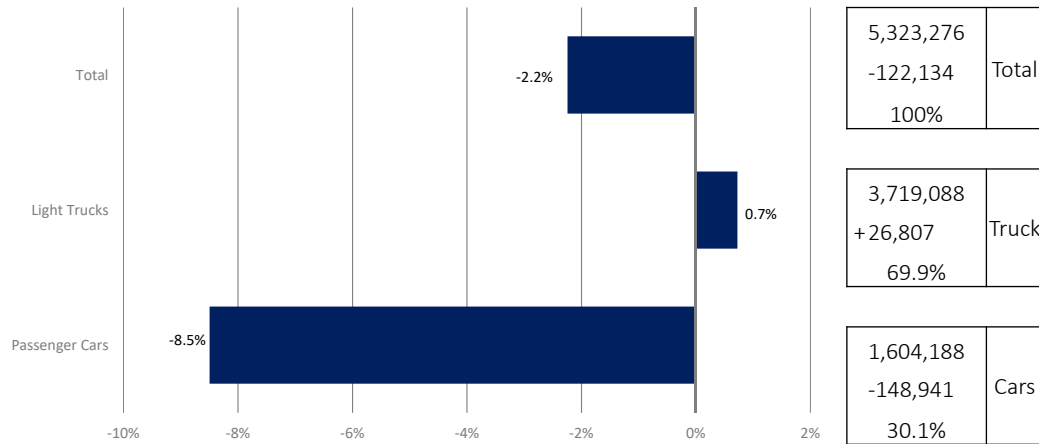
## U.S. Light Vehicle Monthly Sales and SAAR: April 2016 to April 2019



Source: Wards Auto; CAR Research | CENTER FOR AUTOMOTIVE RESEARCH | 8

## U.S. Light Vehicle Sales

Percent Change (YTD) Through April: 2019 vs. 2018

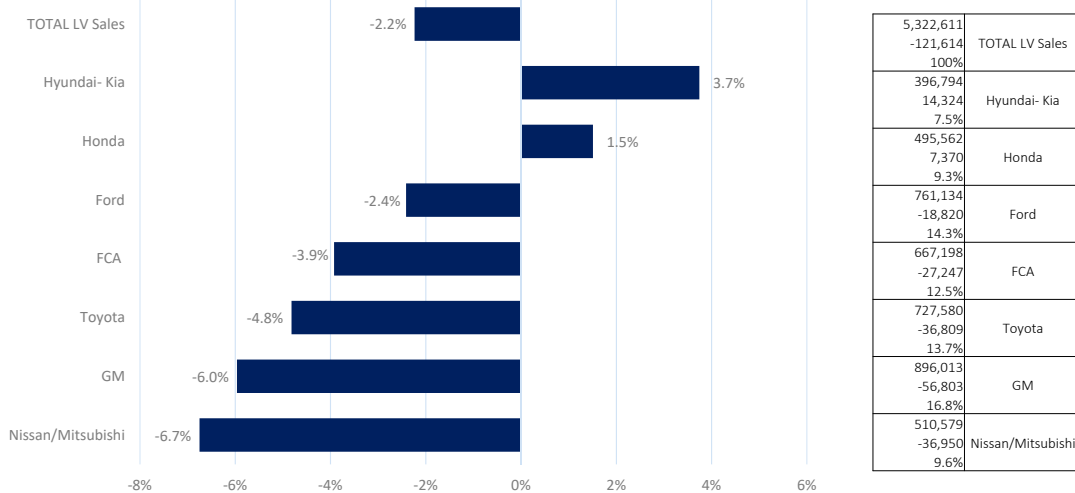


Source: Wards Auto; CAR Research

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9

## Percent Change in Sales of Light Vehicles Per OEM: YTD Through April: 2019 vs. 2018

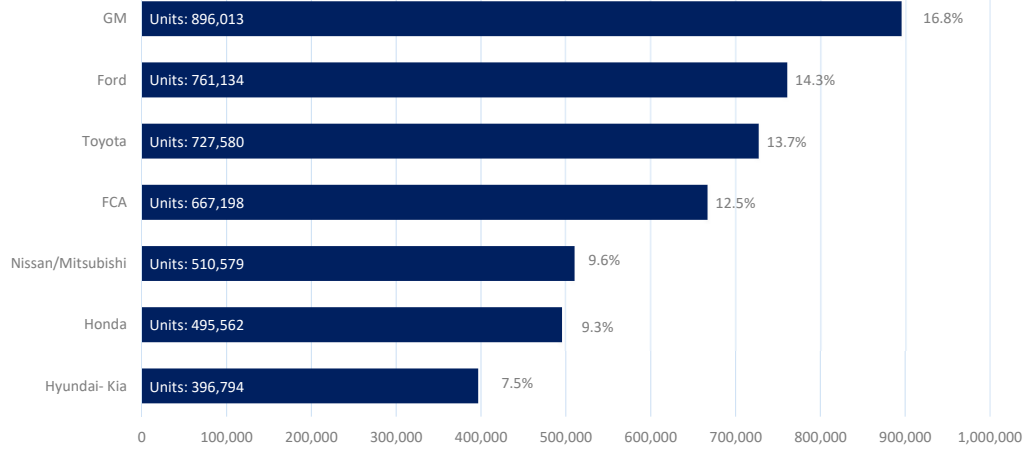


Source: Wards Auto; CAR Research

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10

## U.S. Market Share: YTD April 2019

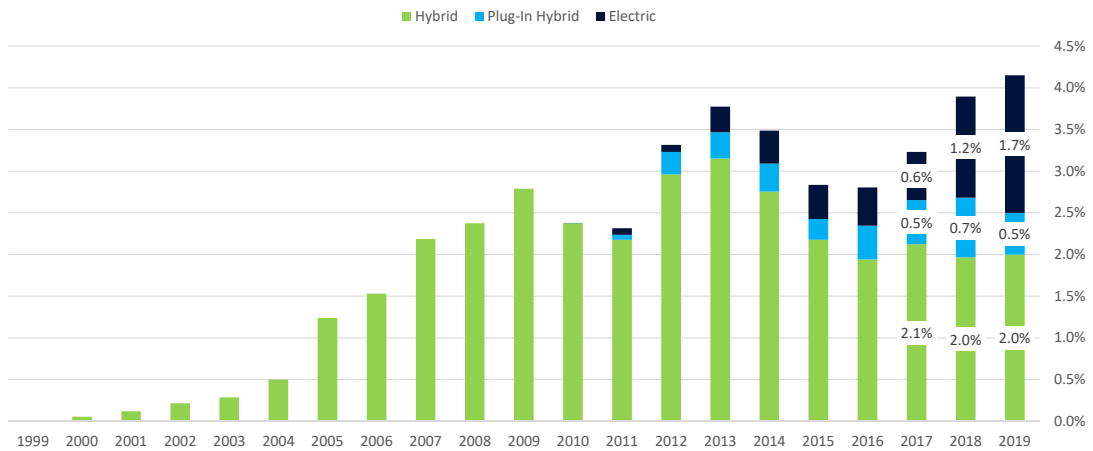


Source: Wards Auto; CAR Research

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11

## U.S. Electrified Light Vehicle Sales by Propulsion Technologies 1999 – 2019 YTD Through April



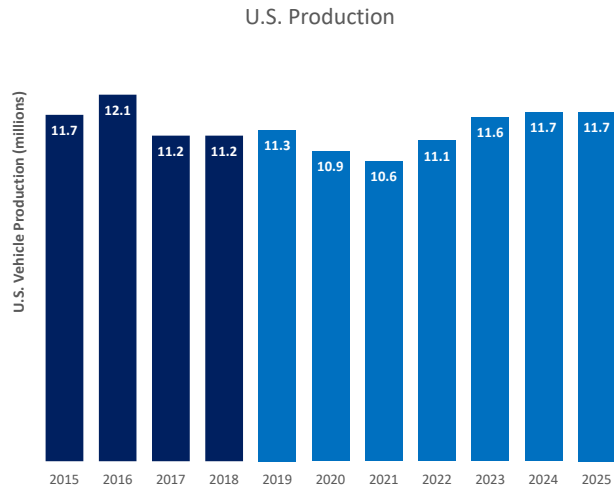
Note: Electrified vehicles consist of BEV, HEV and PHEV

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12

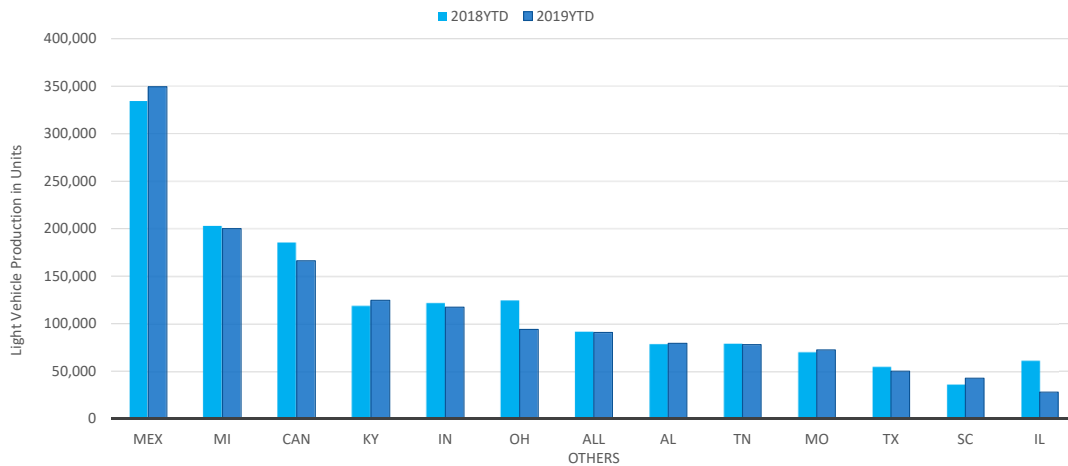
Source: Ward's Automotive Reports (from 2010 and on), HybridCars.com and CAR Research

## CAR's U.S. Light Vehicle Production Forecast 2019-2025



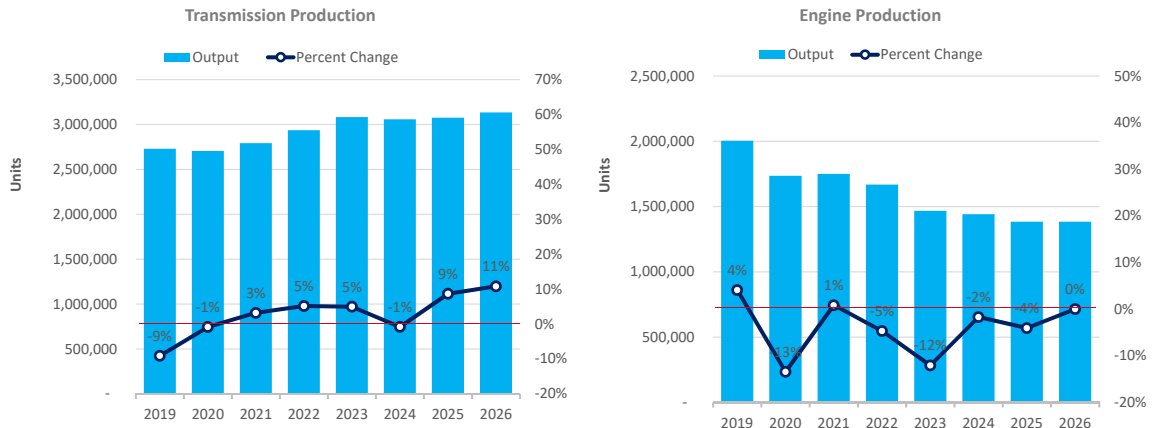
Source: CAR Research, January 2019 | CENTER FOR AUTOMOTIVE RESEARCH | 13

## 2019 Light Vehicle Production: Michigan Ranks 1<sup>st</sup> in the U.S.; 2<sup>nd</sup> in NAFTA Region



Source: Ward's Auto Intelligence | CENTER FOR AUTOMOTIVE RESEARCH | 14

## Michigan Powertrain Production Forecasts: 2019 to 2026



Source: LMC Automotive 1Q 2019

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15

### Employment Overview

#### Areas to Watch:

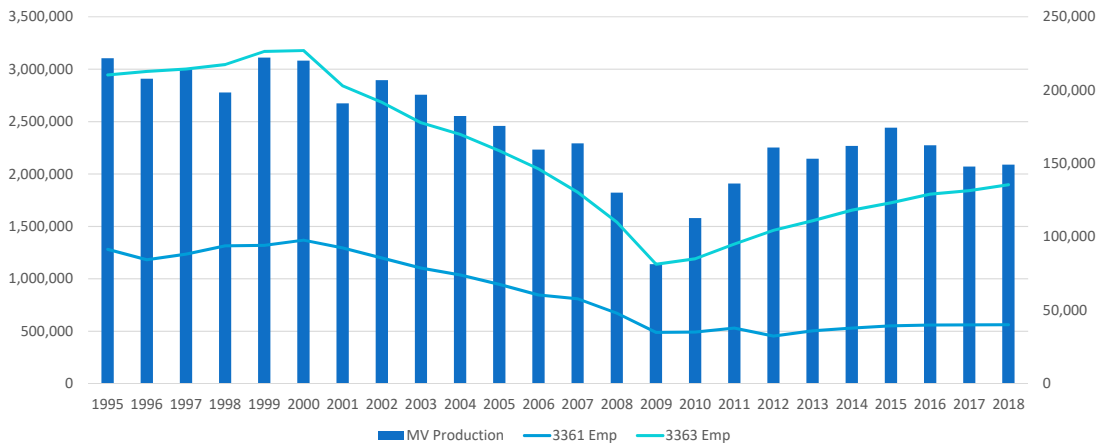
- At the end of Q1 2019, Michigan motor vehicle & parts manufacturing employment **increased by 2.2% YOY**
- Michigan holds the **highest share (21.4%)** of U.S. automotive employment, down **0.5** percentage point from the fourth quarter last year

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16

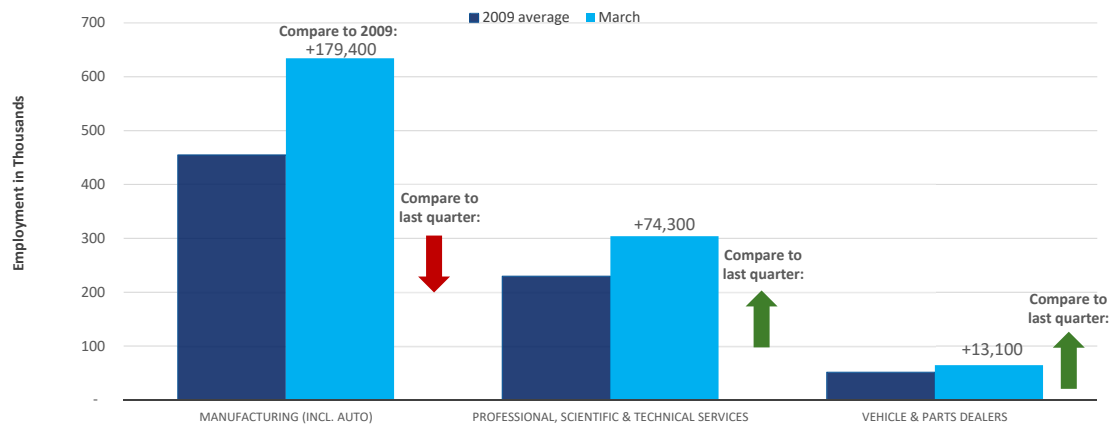


## Michigan Motor Vehicle Production and Motor Vehicle Employment 1995 – 2018



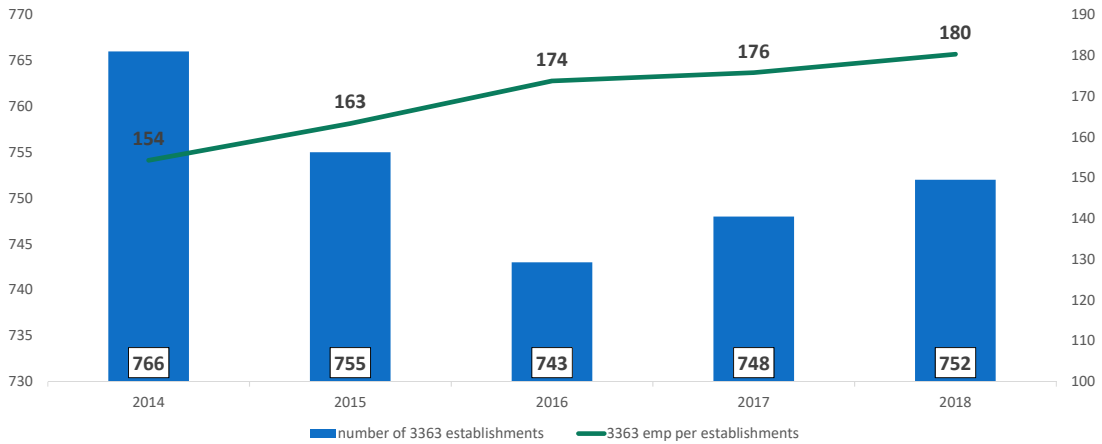
Source: Current Employment Statistics, Bureau of Labor Statistics | CENTER FOR AUTOMOTIVE RESEARCH | 17

## Michigan Employment by Automotive-Related Industries Professionals And Engineering, Vehicles & Parts Dealer Employment Increased March 2019



Source: Current Employment Statistics, Bureau of Labor Statistics; NAICS 3361 & 3363 | CENTER FOR AUTOMOTIVE RESEARCH | 18

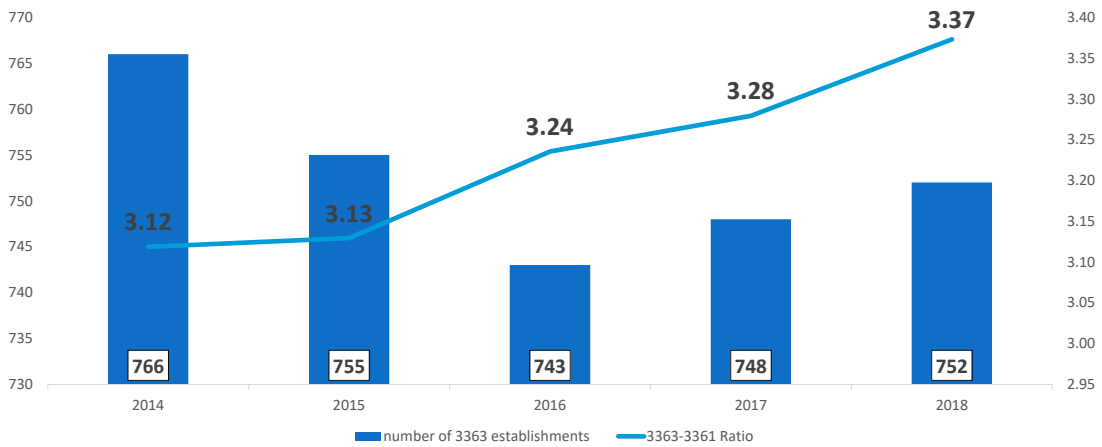
### Michigan Automotive Supplier Establishments and Employment Per Establishment 2014 – 2018



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 Source: Quarterly Census of Employment and Wage; Current Employment Statistics, Bureau of Labor Statistics

19

### Michigan Automotive Supplier Establishments and Supplier Employment Per Motor Vehicle Manufacturing Employment 2014 – 2018



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 Source: Quarterly Census of Employment and Wage; Current Employment Statistics, Bureau of Labor Statistics

20

## Investment Overview

### Areas to Watch

- Since the recession, automakers have announced roughly **\$131.2B** across North America
- In Q1 2019, Michigan received **55%** of U.S. investment
- FCA has announced 2 of Michigan's largest investments – both at **\$1.6B** each for Mack Engine and Sterling Heights

Note – the following Book of Deals analysis covers publicly announced capital investments made by automakers throughout North America.

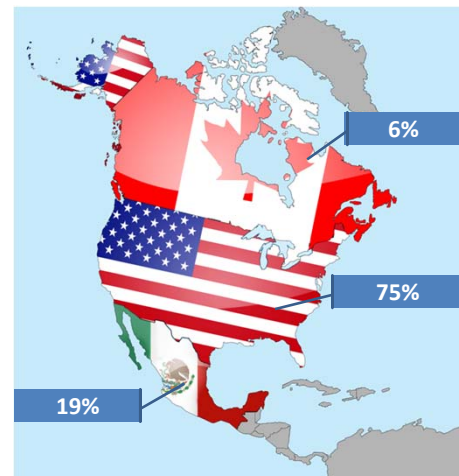
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21

## N.A. Announced Automaker Investment by Region 2009 to Q1 2019

Region	Investment Amount (\$USD)
Canada	\$8.2B
United States	\$98.2B
<i>U.S. Great Lakes</i>	\$63.1B
<i>Michigan</i>	\$32.8B
<i>South</i>	\$22.3B
Mexico	\$24.8B
<b>Total</b>	<b>\$131.2B</b>

Note: U.S. Great Lakes includes: IL, IN, KY, MI, MO, and OH  
South includes: AL, FL, GA, MS, SC, TN, and TX

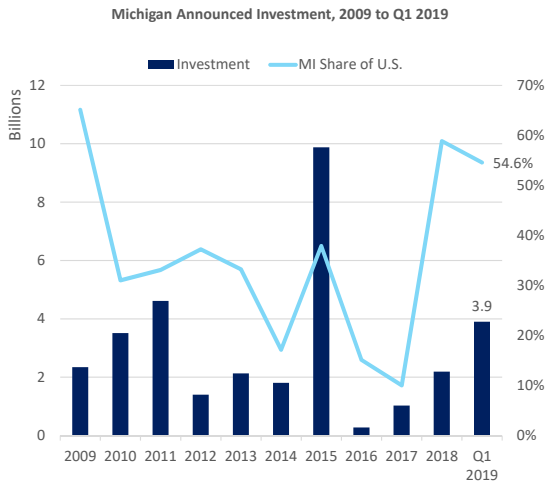


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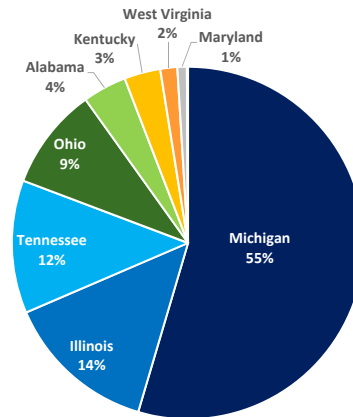
22

Source: CAR Book of Deals, Q1 2019

## Automaker Announced Investment: MI vs. Other States Q1 2019



Share of U.S. Announced Automaker Investment by State, Q1 2019

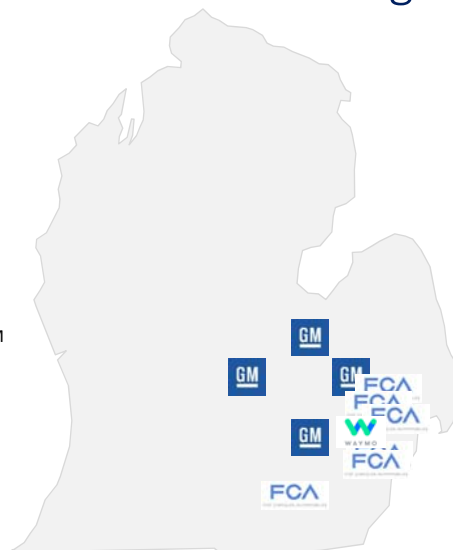


Source: CAR Book of Deals, Q1 2019

## Automaker Investments in Michigan Q1 2019

**FCA: \$3.5 Billion (6 announcements)**

- Mack Ave Engine: \$1.6B
- Jefferson North: \$900.0M
- Warren Truck: \$500.0M
- Sterling Heights/Warren (Stamping): \$400.0M
- Dundee Engine: \$119.0M
- Auburn Hills (Components Plants): \$12.6M



**GM: \$356.0 Million (4 announcements)**

- Orion Township: \$300.0M
- Lansing Delta: \$36.0M
- Romulus Powertrain: \$20.0M
- Flint: Not Disclosed

**Waymo: \$13.6 Million (1 announcement)**

- Detroit (AAM's Tech Center): \$13.6M

Source: CAR Book of Deals, Q1 2019



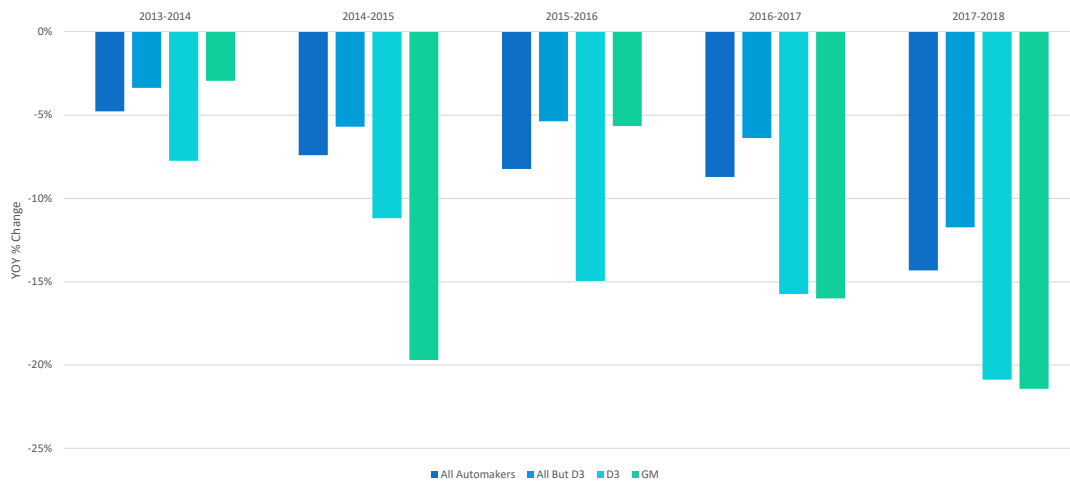
## GM Announcements

Plant	Products	End of Production	Employment	Union Local
Detroit/Hamtramck	LaCrosse, Volt, CT6, Impala	June 1, 2019 January 2020	1,542	UAW Local 22
Lordstown	Cruze	March 1, 2019	1,618	UAW Local 1112
Oshawa	Impala, XTS, Silverado, Sierra	Q4 2019	2,900	Unifor Local 222
Warren Trans.	6 Speed Trans	August 1, 2019	335	UAW Local 909
Baltimore Ops.	Pickup transmissions	April 1, 2019	310	UAW Local 239

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25

## YOY Change in U.S. Passenger Car Market Shares 2013 – 2018

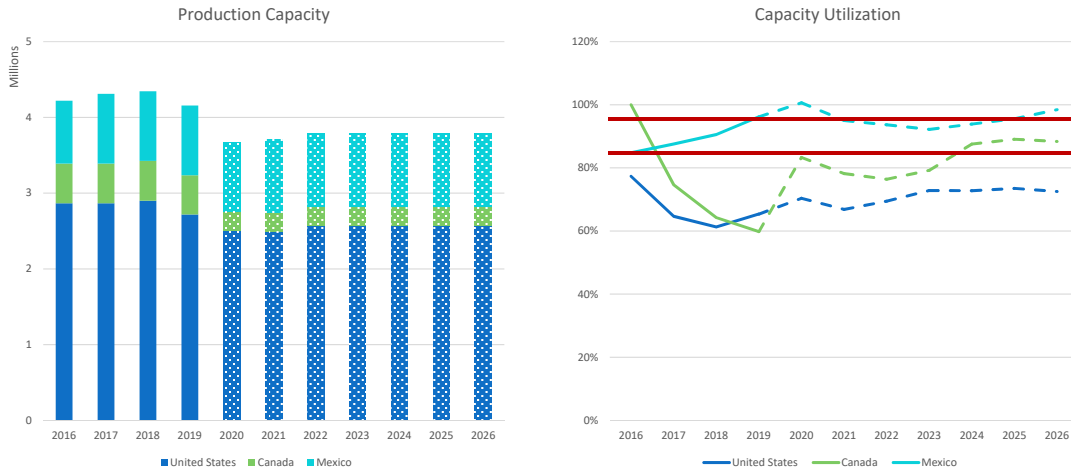


Source: IHS Markit

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26

## GM Vehicle Production Capacity and Capacity Utilization by Country, 2015-2018, 2019-2025(f)

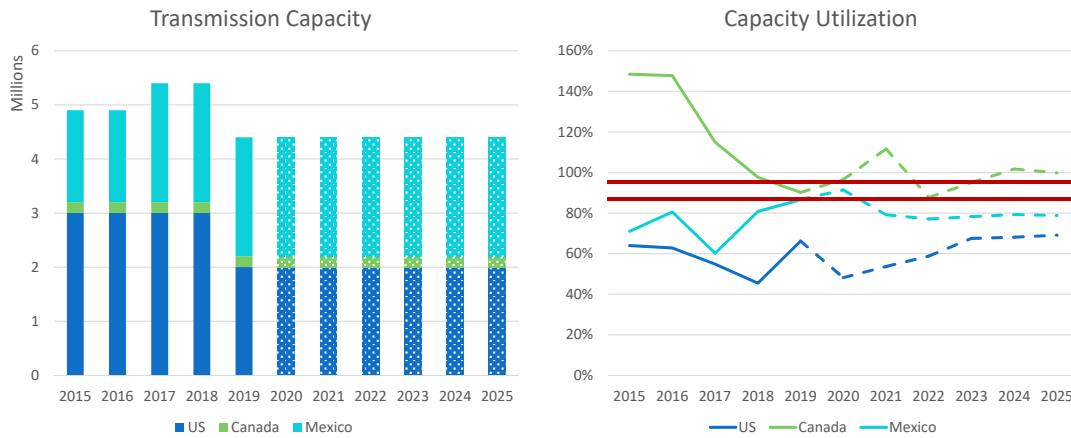


Source: CAR analysis of LMC Automotive data

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27

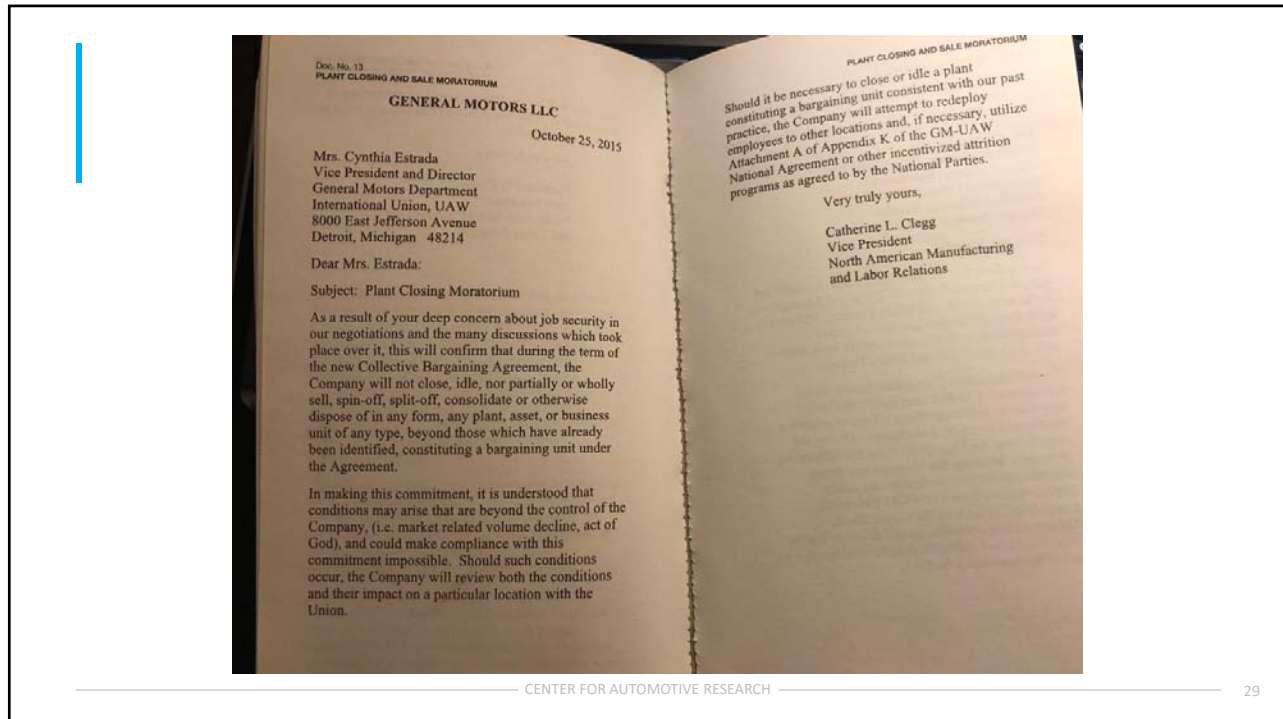
## GM Transmission Capacity and Capacity Utilization by Country, 2015-2018, 2019-2025(f)



Source: CAR analysis of LMC Automotive data

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28



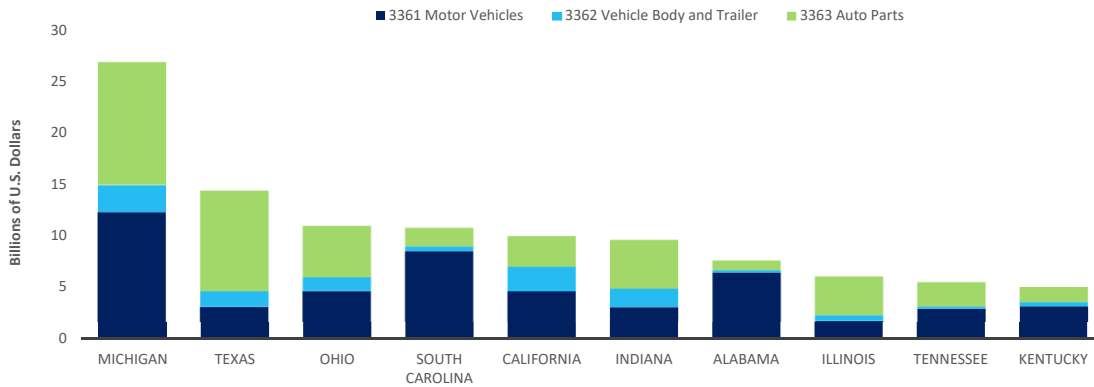
## Export Overview

### Areas to Watch

- Michigan automotive exports were **\$26.8 Billion** in 2018
- **61%** of Michigan vehicles exports go to Canada
- **70%** of Michigan auto parts exports to NAFTA region

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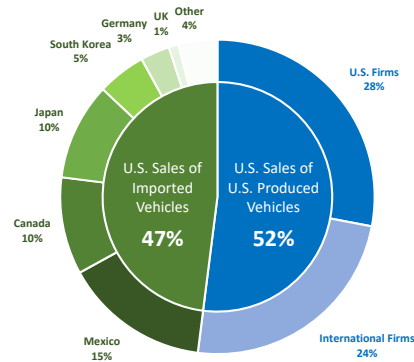
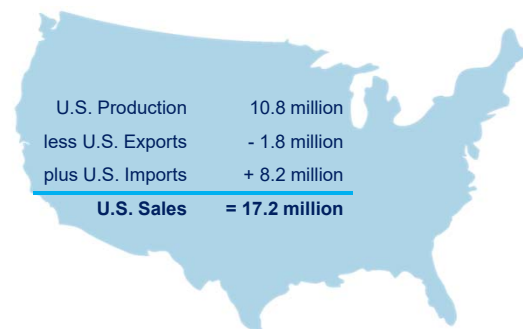
## Top Ten U.S. States by Automotive Exports in Dollar Terms: Michigan Motor Vehicle Exports decreased 1.03% in 2018 Total



• The major destinations for Michigan exports are Mexico and Canada

## The United States cannot currently self-supply the vehicles American dealers sell to U.S. consumers.

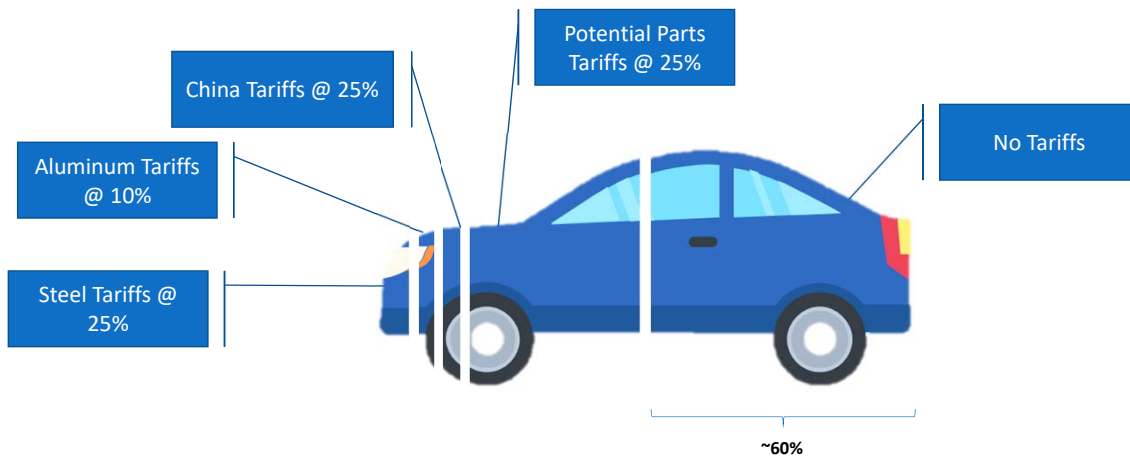
### Sourcing of U.S. Light Vehicle Sales 2018



**FCA, Ford, & GM Represent 43% of Canada & Mexico Imports**



## Tariffs are piling up on light vehicles



Source: Center for Automotive Research

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33

## U.S. Consumer & Economic Impacts of U.S. Automotive Trade Policies

- Assume:
  - USMCA is ratified,
  - Section 232 tariffs on steel & aluminum remain in place on all current countries,
  - Section 301 China tariffs remain at current levels, and
  - Section 232 auto & parts tariffs are levied at 25% on all trading partners except Canada, Mexico, & South Korea

<https://www.cargroup.org/wp-content/uploads/2019/02/US-Consumer-Economic-Impacts-of-US-Automotive-Trade-Policies.pdf>

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34

## Impact of USMCA, Section 232 Steel & Aluminum Tariffs, Section 301 China Tariffs & Potential Section 232 Auto & Parts Tariffs



+\$2,750 average  
+\$1,900 U.S.-built  
+\$3,700 imports



-366,900 jobs



-\$30.4B GDP



-1.3M fewer U.S. sales  
-\$43.6B dealership revenue  
-77,000 dealership jobs

Source: Center for Automotive Research

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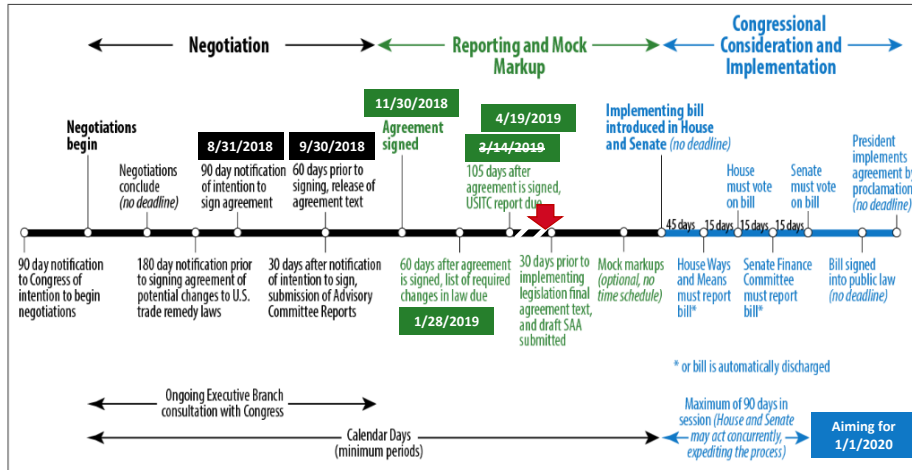
35



36

# NAFTA Timeline Under Trade Promotion Authority

Figure 1. Congressional Timeline

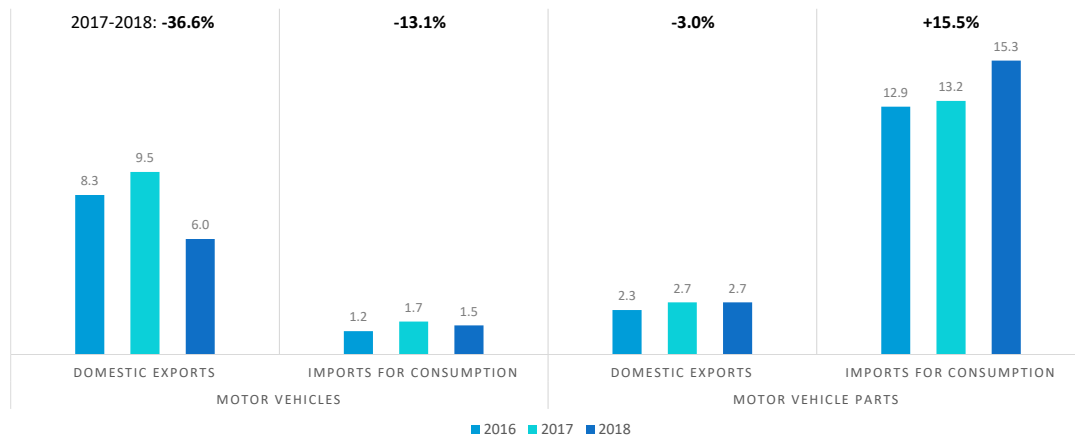


Source: CRS.

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37

# U.S.-China Light Vehicle & Parts Trade (USD Billions) 2016-2018

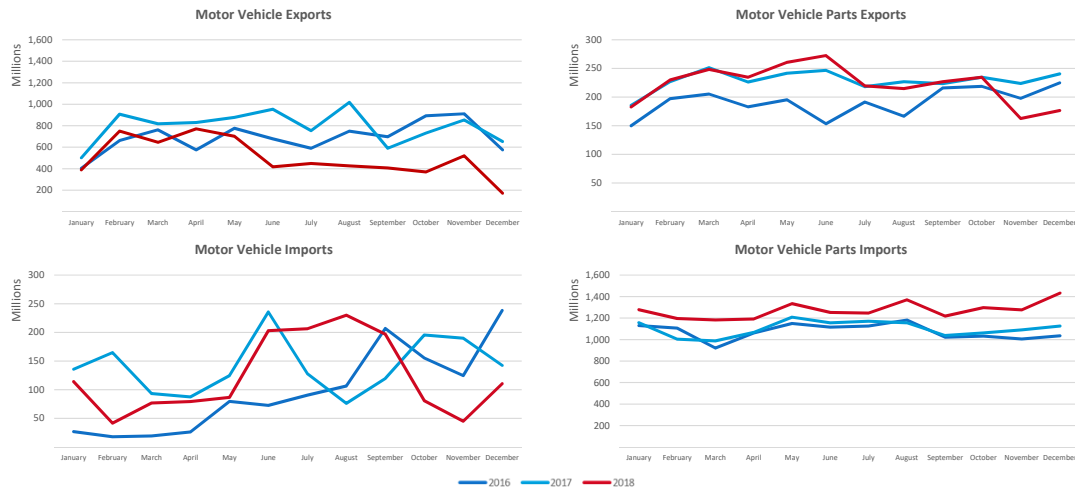


Source: U.S. International Trade Commission

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38

## Trends in Monthly China Motor Vehicle and Parts Domestic Exports and Imports for Consumption 2016-2018



Source: U.S. International Trade Commission

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## Brief China Trade Update

U.S. raised tariffs from 10% to 25% – includes all automotive goods

U.S. moves to impose tariffs on nearly all Chinese imports – including consumer goods

China retaliates with tariffs on \$60B U.S. imports (rates increase from 5-10% to 20-25%)

Average increase in cost due to tariffs/U.S.-built vehicle = \$190



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40

# Section 232 on Autos & Parts Presidential Decision due by Saturday, 18 May 2019; Executive Order Expected TODAY

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Thank you

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