COVID-19/PHASE 2: THE CAR WILL BE THE CORNERSTONE OF MOBILITY FOR ITALIANS. THE "FEAR EFFECT" COULD GENERATE A 30% INCREASE IN USE

IN ITALY, THERE ARE 350,000 CARS SITTING IN DEALERSHIPS REPRESENTING € 7 BILLION IN FROZEN ASSETS. A CUSTOMER-CENTRIC STRATEGY IS REQUIRED TO RESTART ACTIVITIES

PRESS RELEASE

Bologna, May 4, 2020 – Understanding how to return to a new normal in the automotive industry, which directly and indirectly employs 13.8 million people in Europe (7% of Europe's GDP) and among the most affected by the lockdown, was the focus of the webinar: *"CRIF Automotive Roundtable. Returning to growth in the new normal. The Role of Car Financing for the future of the Automotive Sector*" organized by CRIF and Nomisma. Key players in the sector took part, including **ALD**, **BMW BANK**, **BNPP PF** and **SCANIA**.

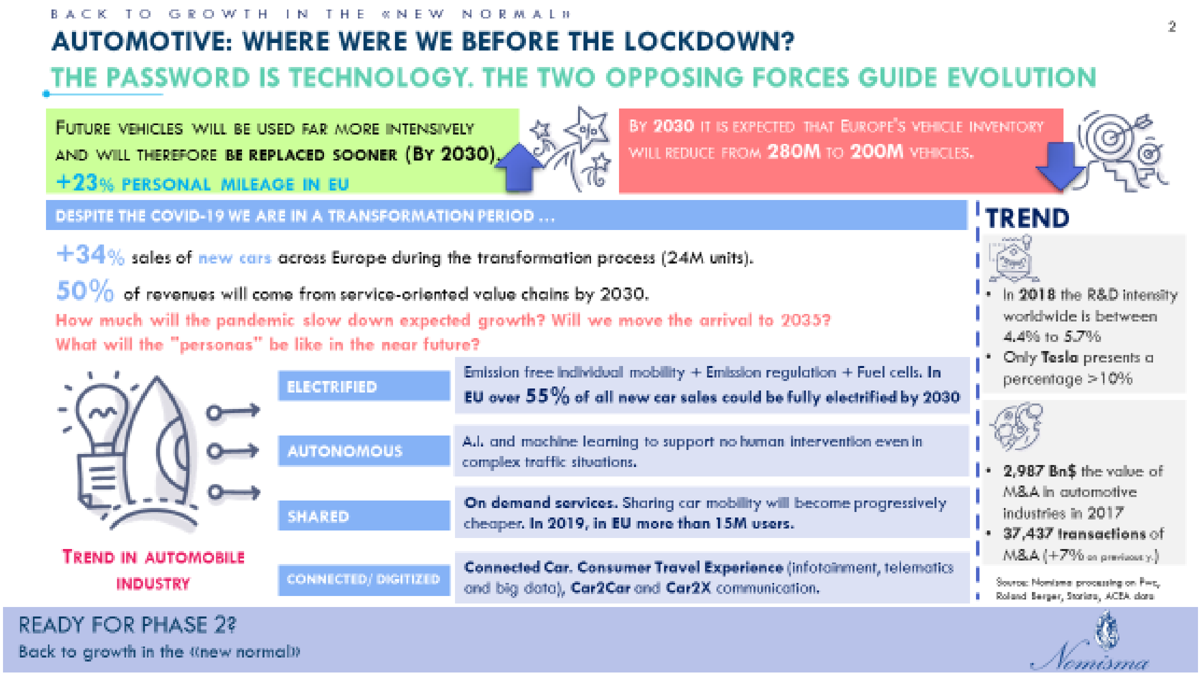
Before the pandemic

Before the start of the pandemic, the automotive industry was on the verge of major revolutions: **electric** (by 2030 more than 55% of new cars sold will be electric), **autonomous driving**, anytime, anywhere **connection**, and **car sharing**. A process that requires significant investment in R&D by car manufacturers and estimated globally as being between 4% and 6%, with Tesla blazing the trail with a percentage greater than 10%.

Technology was the industry watchword during the event, for innovation and financial stability in a complex, partially saturated market. On a "system" level, 2017 saw a 7% annual growth on a European level in the number of M&A transactions, exceeding 37,000. Market evolution is driven by two opposing forces: on the one hand, the **trend toward more intensive car use** (+23% in personal mileage by 2030) and therefore the need for faster replacement and more frequent maintenance, and on the other hand, the **recognition of a reduction of around 80 million vehicles by 2030 in Europe**, in favor of greener and shared mobility solutions.

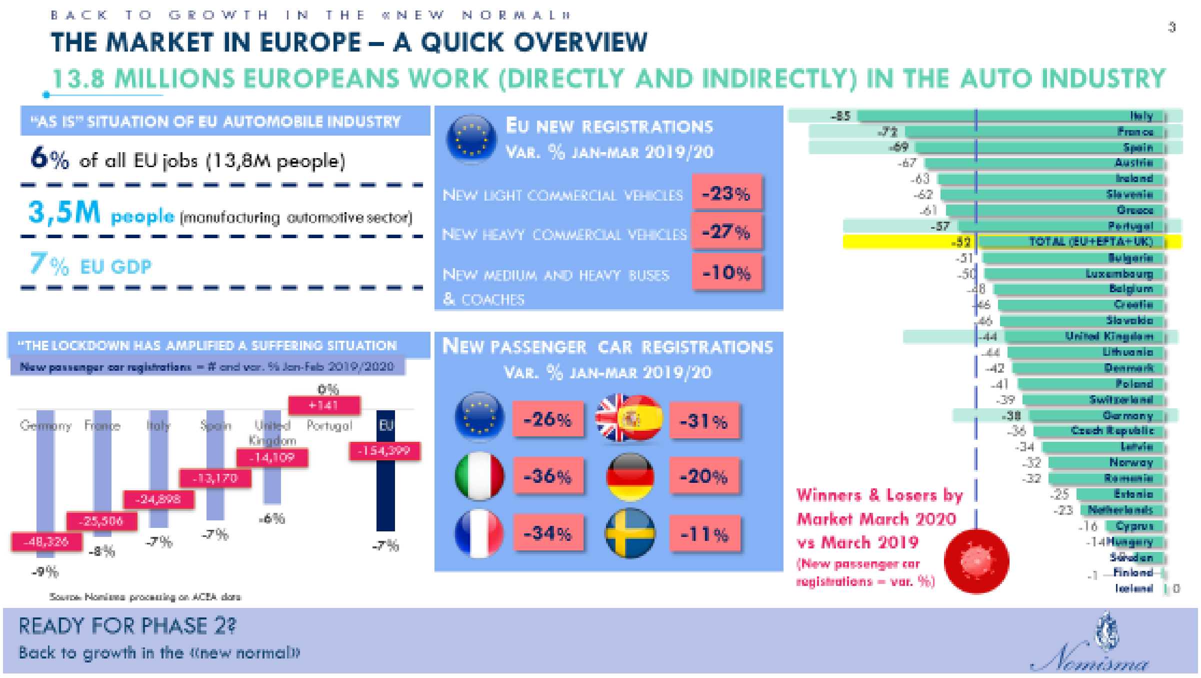
Lockdown

With the lockdown, all players are wondering: by how long will this revolution be postponed? **Does it seem reasonable to move the finish line to 2035?** And in the "new normal" how will consumer needs change, and what will the **"buyer personas" be in the near future?**



March 2020 saw an **85%** fall in car registrations in Italy compared to the previous year, **33 percentage points lower than the average value in the EU - EFTA - UK area**; a situation that seems less "painful" if you compare the **first quarter**: **-36% compared to -26%.** Italy is not the only one showing signs of an abrupt slowdown; the situation is similar geographically - **France** (-34%), the **UK** and **Spain** (-31%), and **Germany** (-20%) - and more generally for all categories of vehicles, including **commercial vehicles**, both light (-23% EU) and heavy (-27% EU).

While it is true that **COVID-19** has been the main cause of the collapse of the automotive market, it is equally true that the lockdown has, unfortunately, exponentially amplified past difficulties (-7% decrease in the number of car registrations in the first two months of 2020 compared to 2019).

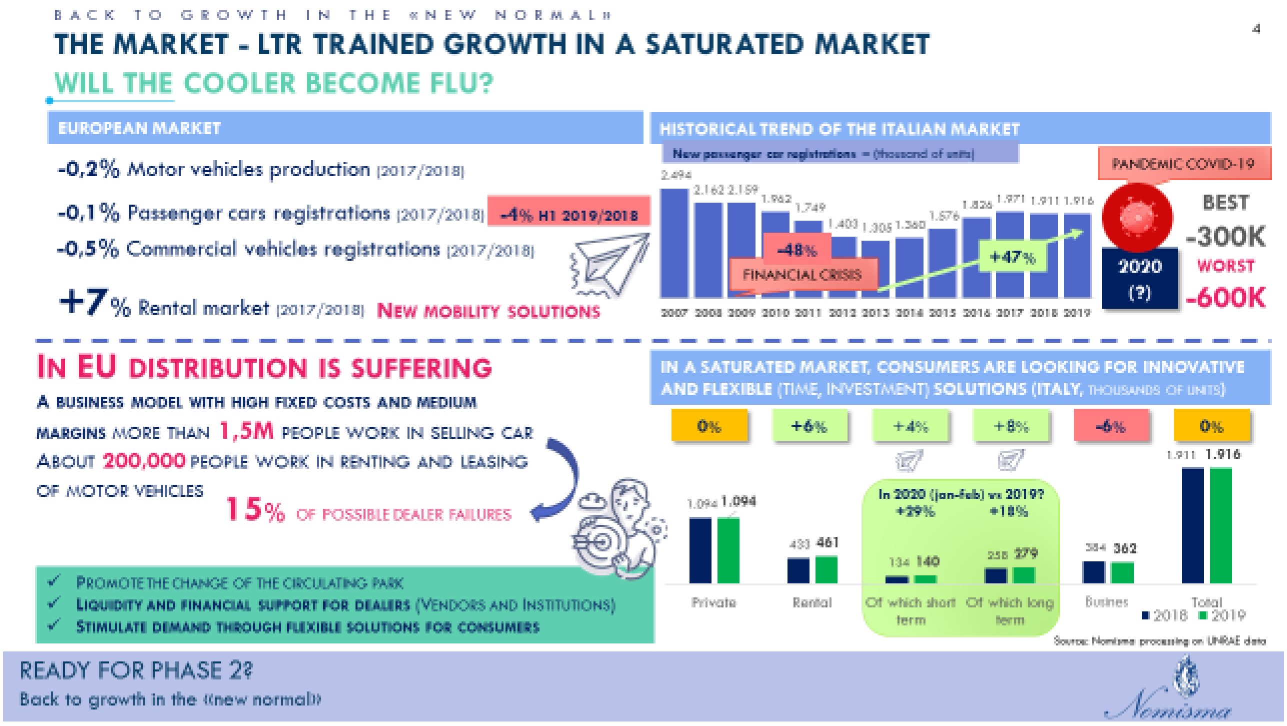


In 2019, there were **1.9 million car registrations** in Italy, a figure still far from the 2.5 million registrations in 2007, before the financial crisis. The market, which remained stable overall in 2019 compared to 2018, owes this performance to growth in the **rental sector** (+6%), in particular **long-term rental**, which was able to offset the trend in the business and private segments.

When it comes to mobility, it should be remembered that before COVID-19, there were about 100 million daily weekday journeys in Italy, with an urban mobility index (72%) that has increased by 9 percentage points over the last decade. In this context, **nearly 6 out of 10 citizens in 2019** chose the **car** as their main means of transport, and despite the fact that the sustainable mobility index has increased by 6 percentage points (37%) over the past decade, **cars have remained a certainty for Italians**, leaving public transport only a 14% share.

Car use will be the cornerstone of mobility in phase 2 in Italy, especially given that public transport is inevitably one of the potential vehicles for infection. It is difficult, if not impossible, in this situation to reconcile social distancing with the financial sustainability of public transport that will circulate at 25%-30% of its actual capacity. **The "fear effect" will generate a potential 30% increase in private car use** – as already seen in China – and a possible, albeit more limited, use of bikes. Cycling and walking will be the preferred options for shorter distances.

In Italy, however, there are currently **350,000 cars sitting in dealerships**, representing **€ 7 billion in frozen assets**, and in this situation the main players are having to estimate the impact of COVID-19 on performance in terms of registrations in 2020, where the **most negative scenario** would see a decline of **600,000 units** and the "best" 300,000 units. The problem lies not only in cars or commercial vehicles, but **in the future of the 150,000 people** – 1.5 million in Europe – working in **1,400 dealerships**, making the final link between car manufacturers and end customers.



What is the solution? The overall picture for 2020 is a 9.7% drop in global trade, a growth of less than 1% in Europe's GDP, and a 9% contraction in Italy's GDP. Together, these elements will lead to a contraction of the potential market and a growing risk aversion, despite some positive *revenge spending.* In this context, the keyword is **customer-centricity**, accompanied by a very tricky question: **how can we boost consumption? What are the key consumer needs?** Putting the customer at the center of the automotive industry means the collaboration of the main stakeholders, institutions, vendors (car manufacturers and related financial companies), dealers, and rental companies, under a shared banner: **liquidity, flexibility, exit** and **digitalization.**