Coronavirus outbreak disrupts global auto industry as carmakers shut down production in China

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The outbreak of the 2019-nCoV coronavirus in China, declared a global health emergency by the World Health Organization, is rattling the global auto industry. International auto manufacturers have shut down production in facilities across China in response to the spread of the deadly coronavirus outbreak, which originated in Wuhan, the capital city of China's Hubei province at the end of December 2019.

Many manufacturers are further extending the annual Lunar New Year holiday shutdown at least through February 10. So far, 11 of China's 31 provinces have announced extended holiday shutdowns of all non-essential industries for at least an additional week in attempt to contain the spread of the virus. These provinces are Hubei, Shanghai, Guangdong, Chongqing, Zhejiang, Jiangsu, Anhui, Yunnan, Fujian, Jiangxi and Shandong. According to IHS Markit, a global industrial analytics and research group, the 11 provinces are responsible for two-thirds of China's automotive production.

Wuhan, the epicenter of the coronavirus outbreak, is an important production hub for the global auto industry. Known as China's "Motor City," major global auto manufacturers rely on production in Wuhan for large portions of their Chinese output: 54 percent for French automaker PSA, 47 percent for Japanese automaker Honda, 19 percent for American automaker General Motors (GM) and 15 percent for Chinese automaker Donfeng.

GM, Toyota and Volkswagen have closed their plants in the region at least through February 9 in light of advice from local authorities. Honda and Nissan, which have also suspended operations in the region, are expected to have operating profits decline by 11 percent and 6.1 percent, respectively, for each month of production stoppage, according to JP Morgan Chase.

IHS Markit further predicts that the continued idling of the plants in these areas will lead to a first-quarter production loss of 350,000 units, or 7 percent, if the shutdown is extended to February 10. However, if the shutdown extends through mid-March, first-quarter output is expected to take a 32.3 percent hit, a loss of more than 1.7 million units, according to the report.

The coronavirus outbreak will have a much more serious impact on the Chinese and global markets than the 2003 Severe Acute Respiratory Syndrome (SARS) outbreak, which had little impact on the global auto sector. Today, China's auto industry is six times the size it was in 2003 and is the world's leading automaker, producing 25 million vehicles or a quarter of cars and trucks manufactured each year. Approximately 1.6 million of the more than 9 million workers directly employed by the global auto industry work in China.

The country is also the world's largest car market with 23 million new vehicles registered in 2018, compared to 17 million in the US. The country's domestic auto market has recently declined, however, largely due to the trade war measures of the United States and the slowing global economy. Even before the outbreak of the coronavirus, *Bloomberg* reported that China was heading toward its lowest sales forecast in five years.

The impact of the shutdowns will reach throughout the world. Due to China's central position in the world automotive industry and world economy as a whole, production delays will impact the international supply chain for transnational corporations producing vehicles around the world. Sig Huber, senior managing director at the consultancy Conway Mackenzie and former global director of purchasing at Fiat Chrysler Automobiles NV, told *Bloomberg* that “If work stoppages are extended, we could start to see production disruptions in other parts of the world.”

Electric vehicle producer Tesla is among the companies monitoring the situation for supply chain impact outside of China. It expects a 10-day delay in operations at its new Shanghai plant, the first Tesla plant built outside of the US.

China eclipsed Japan as the world’s second-largest economy in 2010. With a current gross domestic product of nearly $14.55 trillion, it accounts for over 16 percent of the global GDP and is expected to reach as high as 21 percent of the world’s output by 2024.

The impact of the coronavirus on the world economy has been reflected in sharp drops on global stock markets as the deadly virus has continued to spread.

The livelihoods of autoworkers in China and their families hang in the balance as plants are shut down for indefinite periods across the country. The virtual lockdown of Wuhan has entered its second week. One of the reasons for the extended shutdown cited by global auto manufacturers is the uncertainty that workers would be able to travel to work in factories, as public transportation systems such as buses and subways have been suspended throughout Wuhan, in addition to workers in other areas taking their own precautions and choosing not to travel out of fear of contracting the virus.

Chinese autoworkers and their families will no doubt struggle financially during the extended shutdown period and its aftermath. Over the last year and half, GM, Ford, Volkswagen (VW) and other carmakers have already embarked on a global rampage against jobs, announcing layoffs and plant closures in response to the shift towards electric vehicles and falling demand in China and around the world. GM and VW expect production in the region to be reduced by 11 percent year-over-year as a result of the crisis.

While the vast majority of workers in the US and other countries feel nothing but sympathy for their counterparts in China, the Trump administration has sought to use the virus to whip up anti-Chinese nationalism. During a TV interview last week, Trump’s commerce secretary, Wilbur Ross, said the outbreak of the virus “will help to accelerate the return of jobs to North America.” He told *Fox Business News*, “I don’t want to talk about a victory lap over a very unfortunate, very malignant disease. The fact is, it does give business yet another thing to consider when they go through their review of their supply chain.”

While seeking to stoke up economic nationalism, Ross could care less about the jobs of US workers. The billionaire made his fortune buying up distressed steel, coal mining and auto parts companies, stripping them of their assets and flipping the companies for huge profits, leaving thousands of workers without jobs and pensions. In conducting these corporate raids, the asset stripper enjoyed the backing of the United Steelworkers, the United Auto Workers and other unions, which blamed the job losses on Japan and other US competitors.

Vast resources exist in the US and China, the world’s two leading economies, to combat the spread of the virus, which now has confirmed cases reported across Asia, Europe, North America and Australia. However, the division of the world into rival nation states is the biggest obstacle to the collaboration of scientists, health care professionals and workers around the world, and the marshalling of the necessary global resources to combat the spread of this and future epidemics.

The spread of the virus has also underscored the vast economic inequality in China and the rapacious character of the capitalist ruling class, which has made huge fortunes from exploiting the working class and providing a cheap labor platform for the transnational corporations. The financial losses incurred by the profit-hungry corporations as a result of the spread of the coronavirus outbreak will be shifted onto the backs of the working class in China and worldwide, through job cuts, attacks on safety and health benefits, shortened hours, wage losses and forced overtime to make up for lost production.