Global auto industry in downward spiral as coronavirus spreads worldwide

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Financial analysts have voiced alarm over the impact of the coronavirus (COVID-19) pandemic on the global automotive industry in recent days. Auto sales in China have plunged after the country's government imposed sweeping social distancing measures, which have been credited with the recent slowing of the deadly virus' spread in the country in recent weeks.

The China Passenger Car Association reports that new car sales in the country dropped 80 percent year over year in February, the largest monthly dip on record for the agency. On average, car sales fell to 7,100 units a day during the month compared with 45,000 units per day in February 2019. At the very beginning of the year it projected a decline of only 2 percent for 2020, before the major impact of the virus throughout China was fully realized.

The sharp decline in Chinese auto sales comes on top of a two-year slump. Sales in 2019 slid by 8.2 percent and 3 percent in 2018, the first contraction in the auto market since the 1990s, according to the China Association of Automobile Manufacturers.

American automakers General Motors and Ford hold a strong presence in China and have been struggling with sales in the country for the past year. General Motors, which has announced the closure of facilities in the US and has already laid off workers this year, has seen Chinese vehicle sales decline for two years in a row and recorded its largest drop in 2019.

Ford, which has also announced a plant closure and layoffs in the US, saw vehicle sales in China fall for the third consecutive year in 2019 by 26.1 percent. Both GM and Ford expected sales to continue to fall in China for 2020, a decline that will be intensified by the present crisis.

At the same time, auto manufacturers have struggled to keep production going in China, which shuttered plants beginning with an extension of the Lunar New Year holidays as the disease took hold in Wuhan, the country's auto industry capital. China produces nearly one-third of all motor vehicles worldwide, producing 27.8 million vehicles in 2018.

The auto slowdown in China reveals the global interdependence of the nature of the auto industry and will have a deep and direct impact on workers' lives in China and throughout the world. Modern auto manufacturing is globalized, dependent on a complex, integrated supply chain and division of labor. Any disruption in the global supply chain will impact production in every other country through lower sales or parts shortages.

Autoworkers who are impacted by the virus in one country are deeply connected to their brothers and sisters throughout the world. They manufacture the same products for the same corporations and take part in the labor process as part of one interdependent network.

• China: The world's leading auto producer shuttered plants across the country last month including US-based General Motors, German automaker Volkswagen and Japanese automaker Nissan. Many plants have since restarted operations. However, re-opened plants are not all running at full capacity as many workers travel from outside provinces and continue to be affected by quarantines. About 80 percent of world auto production is dependent upon parts from China, making it a vital part of the global production process.

• South Korea: Earlier this month South Korean automaker Kia suspended production at its plants in the country after wiring harness supplies from China dried up. The spread of the pandemic throughout the country and quarantine measures also led to a significant drop in auto production coming out of the Hyundai and Kia plants in the country which is not expected to recover until the end of this week. Domestic auto sales in South Korea are projected to be down by up to 40 percent and to not recover until April.

• Italy: Italian-American automaker Fiat Chrysler has closed four factories across Italy, which are tentatively expected to re-open on March 16. Volkswagen announced Thursday that it will close its Lamborghini factory in Italy, due to reopen March 25. Pirelli tires has also announced production cuts across Italy amidst the economic crisis caused by the virus.

• United States: The world's second largest auto producer has tripled its dependence on auto parts from China between 2010 and 2018. Most manufacturers keep only a one- to two-month parts supply on hand, meaning that major auto producers in the US will run out of parts by the end of the month. General Motors CEO Mary Barra said that it has enough supplies to last only through the end of March at the latest.

• Mexico: Auto manufacturing is responsible for almost 3 percent of gross domestic product in the seventh-largest auto producing country in the world. Production is expected to be suspended at auto factories throughout the country and some locations report that they are already running low on parts, and some important plants are not expected to make it through the end of this week. The Mexican car industry is heavily dependent on auto part imports from China. The Mexican auto parts industry is heavily dependent on the US export market, which would cripple the industry if US demand drops due to production shutdowns north of the border.

• Germany: A worker at BMW's research and development center in Germany tested positive for COVID-19, the disease caused by the virus. BMW has since placed 150 workers in quarantine who may have had contact with the person who was diagnosed. Germany has reported over 1,500 cases of the coronavirus and recorded its first two deaths from the virus on Monday, while Chancellor Angela Merkel has no plans to stem the outbreak, which could infect 70 percent of the population.

The COVID-19 pandemic is projected to erase as much as $2.7 trillion from total global gross domestic product in 2020. Global stock exchanges saw their largest sell-off on Monday since the 2008 financial crisis, with a 7 percent decrease in all market indexes as Italian officials moved to lock down the entire country. The sell-off was compounded by the sharp fall in oil prices.

There are signals that countries in Europe and Asia are entering into recessions, and a recession in the US looms near. The COVID-19 crisis is only a trigger. At the heart of the crisis lies the instability of the capitalist system itself, compounded by the growth of an enormous financial bubble.

A new recession in the US, Europe or Asia will have major implications for the autoworkers around the world. Automakers prior to the present outbreak had announced hundreds of thousands of layoffs and many plant closures worldwide in the past year alone due to falling demand, mainly in Asia, but also in Europe, Latin America and North America.

US sales are expected to decline to 16.5 million units in 2020, according to research group LMC Automotive. The group originally projected close to 17 million auto sales in the US in 2020. It has since said that US auto sales could drop even farther below its initial revision.

Industry analyst group Cox Automotive told the *Detroit Free Press* that a supply chain disruption will have the greatest impact on US automotive sales, and in the event that the US sees coronavirus outbreaks that lead to workplace closures and travel restrictions, the US will most likely face recession.

Autoworkers in the US were forced to bear the brunt of the White House's bailout to the big banks and corporations after the 2008 financial crash. The Big Three US auto manufacturers—Ford, Chrysler, and General Motors—received billions in financial aid from the government in return for a massive restructuring of the auto industry, which slashed thousands of auto jobs, cut wages and benefits for existing workers and new hires, forced older workers into early retirement and created a two-tier system of wages and benefits with the full complicity of the United Auto Workers.

The banks and corporations will use the onset of recession as an opportunity to carry out a further brutal restructuring on the backs of workers. The corporations see a silver lining in the spread of the COVID-19 infection, which carries a high fatality mortality rate among older adults, since it could potentially save them billions in pension and health care costs.