Economic Conditions and Business Development

The world economy

During the year under review, the covid-19 pandemic and especially the measures that were implemented to combat it caused the global economy to contract by around 4.0% in real terms, thus leading to the most severe recession since the end of World War II. As a result, the global gross domestic product shrank at more than twice the rate as in the financial crisis of 2008/2009. Central banks and governments around the world have implemented extensive and unusually expansive measures in order to cushion the impact of this huge drop in economic activity on companies and jobs. Thanks to this support, last year's trough of the crisis was already reached in the second quarter, globally, when national lockdowns greatly restricted large areas of economic activity in almost all of the world's major economies. The subsequent gradual easing of these measures initially caused a strong rebound, which, however, lost considerable momentum in some regions toward the end of the year due to a renewed rapid rise in the number of infections. The recession and the pandemic-related restrictions also caused global trade to contract substantially, which hampered growth further, particularly in export-dependent economies.

The pandemic hit the economies of the industrialized countries very hard. This was also the case in the United States, where the economy suffered a major drop in the first half of the year, accompanied by a huge increase in unemployment. Thanks to numerous monetary and fiscal measures, as well as the comparatively moderate governmental restrictions despite continuously high infection rates, the economy recovered very dynamically in the second half of the year. Nonetheless, the country's economic output decreased by 3.5% during the year as a whole, compared to 2019. In the first half of the year, the covid-19 pandemic and the associated containment measures also caused the eurozone to plunge into a deep recession that affected the manufacturing and services sectors equally. However, this drop varied greatly among the different member states and was determined not only by the intensity of the pandemic but also by a country's dependence on sectors such as tourism and hospitality, which were particularly hard hit by the crisis. During the summer, economic activity in Europe also recovered considerably amid the easing of restrictions. However, renewed restrictions as a result of an intense second wave of infections that began in the fall affected the economy once again and led to a decrease of about 7.0% for the year as a whole. The impact on the job market was at least mitigated somewhat by short-time work and other employment-protection measures. Within this context, the German economy shrank by an estimated 5.0%.

Although China was the first country to be affected by the pandemic, it was also the first to contain the spread of the virus and return to its pre-crisis level already in the course of the year despite suffering a major slump in the first quarter. China was the only major economy in the world to achieve positive growth in the year as a whole, expanding by 2.3%. The other Asian economies were also affected by the pandemic to various extents, but in some cases were able to benefit from China's quick recovery. However, the economic downturn was especially pronounced in India, which had, in absolute terms, one of the highest numbers of infections worldwide. As a result, its gross domestic product dropped by around 7.5%.

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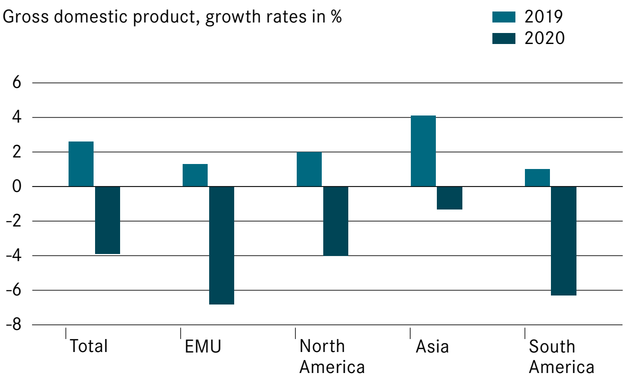
Economic growth

Gross domestic product, growth rates in %



Source: IHS Markit, own calculations

The South American economies were particularly hard hit by the pandemic. Government budgets and currencies were already reeling before the crisis occurred, so that the large numbers of infections and long lockdown measures caused economic output to drop sharply and recover at only a slow pace. The decrease was also pronounced in Central and Eastern Europe, due to large numbers of infections, disrupted industrial supply chains, and the region's economic dependence on the eurozone. In addition to the pandemic, the economies of the Middle East were affected by the low oil price, which temporarily dropped to below US$20 per barrel during the second quarter and, despite recovering somewhat later in the year to around US$40 per barrel, was significantly below the previous year's level. The total economic output of the emerging markets decreased by around 2.0%.

Currency exchange rates were volatile in this recession-impacted environment. Against the US dollar, the euro moved between $1.070 and $1.228 during the year. At the end of the year, the euro was around 9% stronger than at the end of 2019. The range of fluctuation of the Japanese yen against the euro was 114.6 to 127.2. Year-on-year, at the end of 2020, the euro had appreciated by about 4% against the yen. At the end of 2020, the value of the British pound compared to the euro was about 6% lower than at the end of the previous year. The euro rose by almost 40% against the Brazilian real and by around 35% against the Turkish lira. The euro rose considerably against the ruble, gaining around 30% of its relative value.

Automotive markets

The development of the **global car market** was also affected by the covid-19 pandemic during the year under review. Even though demand already reached its low point in the second quarter and recovered gradually thereafter, the global market nevertheless contracted substantially by around 15% during the year as a whole. ↗ B.05

The Chinese market, which was the first big sales market to be affected by the pandemic, decreased slightly. However, at around 6%, this drop was less severe than initially expected. The US light vehicle market also developed somewhat better than feared during the early stage of the pandemic. However, at around 15%, the drop in demand was still very pronounced.

By contrast, the covid-19 pandemic had an especially severe impact on the European market. Overall car demand decreased by more than 20% in Europe. Of Europe's three biggest individual markets, Germany developed best, registering a decrease of around 19%, while the markets in France and the UK suffered even greater decreases of around 25% and almost 30% respectively.

The economic impact of the covid-19 pandemic also had a noticeable effect on **demand for vans**. In the EU30 region (European Union, United Kingdom, Norway and Switzerland), the market was significantly lower than in the previous year. The market volume for mid-size and large vans was 12% below that of the prior year, while the decrease in the small van segment was even more severe, at more than 25%. The US market for large vans was also substantially lower than in the prior year, declining by 19%. The demand for large vans also decreased considerably in Brazil. In China, however, the market for mid-size vans was significantly above the level of the prior year.

The severe economic crisis caused the **demand for heavy-duty trucks** to decrease sharply in many of Daimler's key sales markets. The North American market contracted by 30%. Demand for heavy-duty trucks also dropped substantially in the EU30 region, where it decreased by around 28%, according to latest estimates. By contrast, the decrease in Brazil was less pronounced than initially expected and amounted to some 10%. The Japanese market also did better than expected, declining by around 7%.

The **bus markets** were also affected by the covid-19 crisis. Bus demand in the EU30 region was significantly below the previous year's level and the market also contracted considerably in Brazil.

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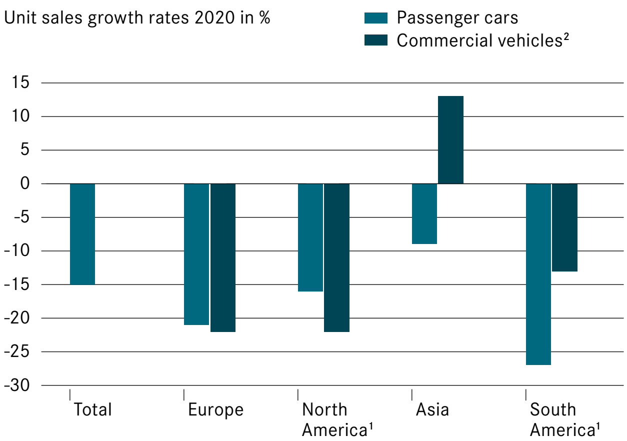
Global automotive markets

Unit sales growth rates 2020 in %



1 Cars segment includes light trucks
2 Medium- and heavy-duty trucks

Source: German Association of the Automotive Industry (VDA), various institutions