

Economic and Market Report

State of the EU auto industry
First three quarters of 2021



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EU ECONOMIC OUTLOOK

Global supply-chain disruptions will continue to restrain economic activity in the coming months. Despite these headwinds, the economy of the European Union is expected to continue to grow this year according to the European Commission's latest forecast.

GDP growth in the EU is projected to be 5.0% in 2021, as consumer spending will continue to provide support, fuelled by excess savings accumulated during the lockdown period. Over the coming two years, the EU's GDP is set to further increase but at a moderate pace: 4.3% in 2022 and 2.5% in 2023.

With the relaxation of COVID-related restrictions, labour market conditions have improved so far in 2021. Although employment in the EU is still below pre-pandemic levels, unemployment is projected to decline more rapidly than expected. The European Commission forecasts the EU unemployment rate to decrease from 7.1% this year to 6.5% in 2023.

After staying low for years, inflation in the European Union is set to remain above 2% this year and next, largely owing to the strong effect of higher oil prices. In 2023, inflation should then lower again to 1.6%, as energy prices are expected to gradually stabilise.

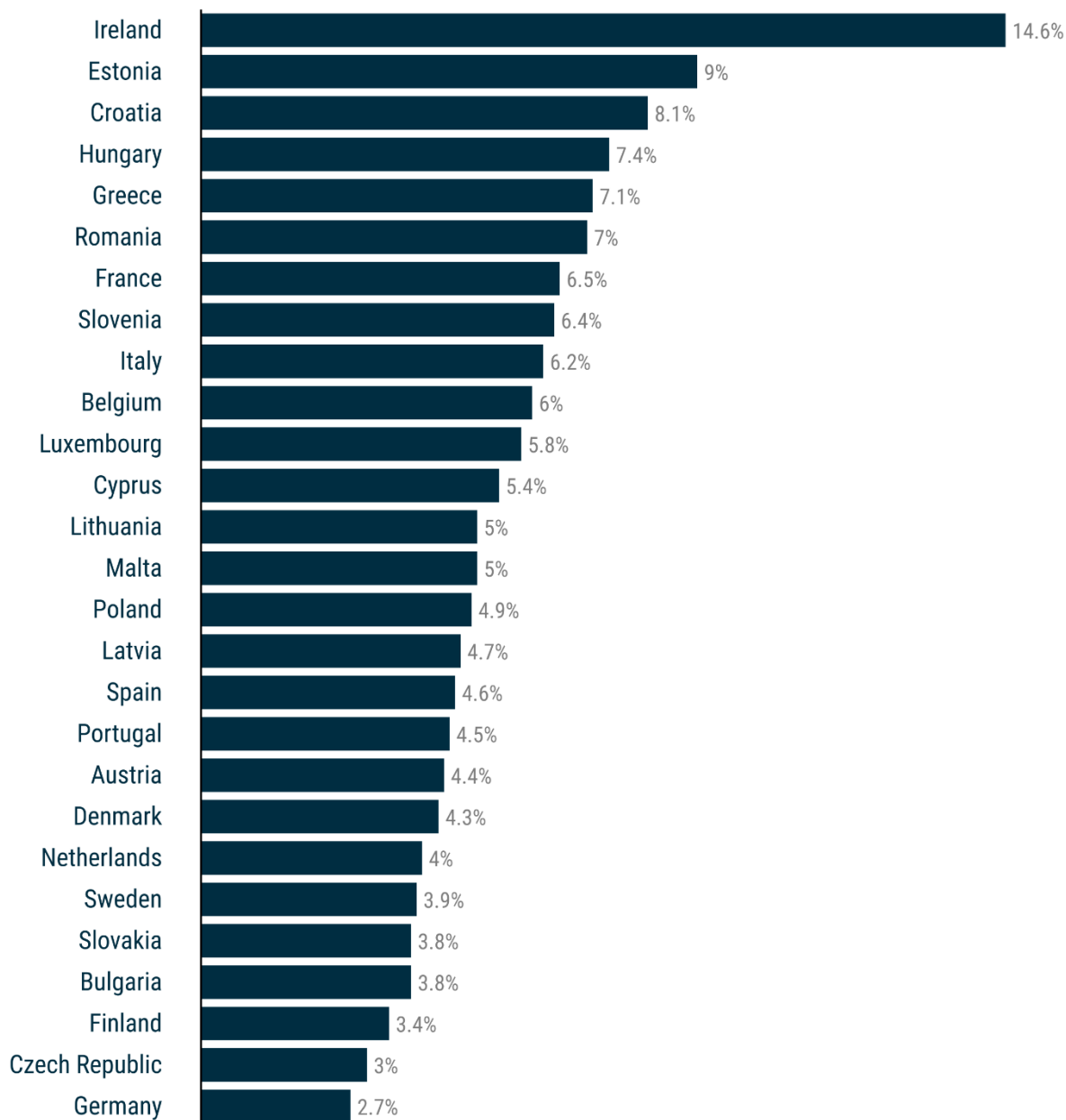
Table 1: Overview – EU forecast

	2021	2022	2023
GDP (%)	5.0	4.3	2.5
Inflation (%)	2.6	2.5	1.6
Unemployment rate (%)	7.1	6.7	6.5

SOURCE: EUROPEAN COMMISSION EUROPEAN ECONOMIC FORECAST, AUTUMN 2021

Figure 1: EU GDP growth forecast for 2021 | by country

GDP growth 2021 (%)



SOURCE: EUROPEAN COMMISSION EUROPEAN ECONOMIC FORECAST, AUTUMN 2021

PASSENGER CARS

REGISTRATIONS

WORLD

Nine months into 2021, global sales volumes struggled to rebound to pre-pandemic levels, with a worldwide semiconductor shortage putting additional pressure on an already stressed automobile industry. Global demand for new cars increased by 11.3% to roughly 49 million units so far this year, with growth mainly being the result of 2020's low base of comparison. However, total registrations around the world were still 6.6 million units below 2019 levels.

European passenger car registrations went up by 8.0% to 11 million units during the first nine months of the year. Eastern Europe made a major contribution to this growth, with double digit gains seen in Russia (+14.0%), Turkey (+11.9%) and Ukraine (+28.5%). The recovery rate was more modest in the European Union, with a 6.6% increase to 7.5 million cars.

Through the first three quarters of 2021, demand in North America was mainly driven by the 16.3% increase in US car sales, although recovery in the United States continued to be subdued by new vehicle inventory constraints.

South America's year-to-date figures were solid, expanding by 19.9% from January to September, totalling approximately 2 million units. The Brazilian market also performed well, with car sales up 7.6% so far in 2021.

Japanese demand for new cars improved slightly (+2.1%) as consumers gradually returned to a 'new normal' amid the COVID-19 pandemic. By contrast, South Korean car sales decreased by 8.2% during this nine-month period, mainly owing to the global microchip shortage and its impact on vehicle output.

The Chinese car market totalled 13.9 million units (+5.4%) from January to September 2021, with recovery momentum weakening later in the year.

Nevertheless, China still accounted for 28.4% of global car sales so far this year.

Passenger car sales in India grew by 48.6% during the first nine months of the year, mainly due to the first half of 2020's very low base, and reached 2.4 million units registered.

Table 2: World new passenger car registrations | by region

	Jan-Sep 2021 ¹	Jan-Sep 2020	% change 21/20	% share 2021
EUROPE	11,009,290	10,189,236	+8.0	22.5
European Union ²	7,526,613	7,057,927	+6.6	15.4
EFTA	318,691	266,206	+19.7	0.7
United Kingdom	1,316,614	1,243,656	+5.9	2.7
Russia	1,174,698	1,030,618	+14.0	2.4
Turkey	434,800	388,690	+11.9	0.9
Ukraine	77,268	60,119	+28.5	0.2
Others: Europe ³	160,606	142,020	+13.1	0.3
NORTH AMERICA⁴	10,934,043	9,378,759	+16.6	22.3
<i>of which the United States</i>	9,296,883	7,992,453	+16.3	19.0
SOUTH AMERICA	1,985,604	1,656,605	+19.9	4.1
<i>of which Brazil</i>	1,156,818	1,074,649	+7.6	2.4
ASIA	22,696,354	20,854,026	+8.8	46.4
China	13,920,023	13,204,145	+5.4	28.4
Japan	2,875,099	2,815,839	+2.1	5.9
India	2,351,119	1,582,090	+48.6	4.8
South Korea	1,098,333	1,195,863	-8.2	2.2
Others: Asia ⁵	2,451,780	2,056,089	+19.2	5.0
MIDDLE EAST/AFRICA	2,333,085	1,894,715	+23.1	4.8
WORLD	48,958,376	43,973,341	+11.3	100.0

SOURCE: ACEA, IHS MARKIT

¹ Provisional figures

² Data for Malta not available

³ Includes Belarus, Bosnia-Herzegovina, Kazakhstan, North Macedonia, Serbia and Uzbekistan

⁴ Based on production type

⁵ Includes Hong Kong, Taiwan and all the other South Asian countries, excluding India

THE EUROPEAN UNION

After four months of substantial gains from March to June 2021 – the result of last year's low base of comparison, caused by pandemic-related lockdowns – registrations across the EU showed a reversing trend in the third quarter of the year.

The EU passenger car market contracted by 23.1% in September, marking the lowest number of registrations for a month of September since 1995. This decrease in sales was largely caused by a lack of supply of vehicles due to the ongoing semiconductor shortage.

The substantial September loss also impacted the EU's year-to-date performance, which for the first three quarters now stands at 7.5 million units – up 6.6% compared to the same period in 2020.

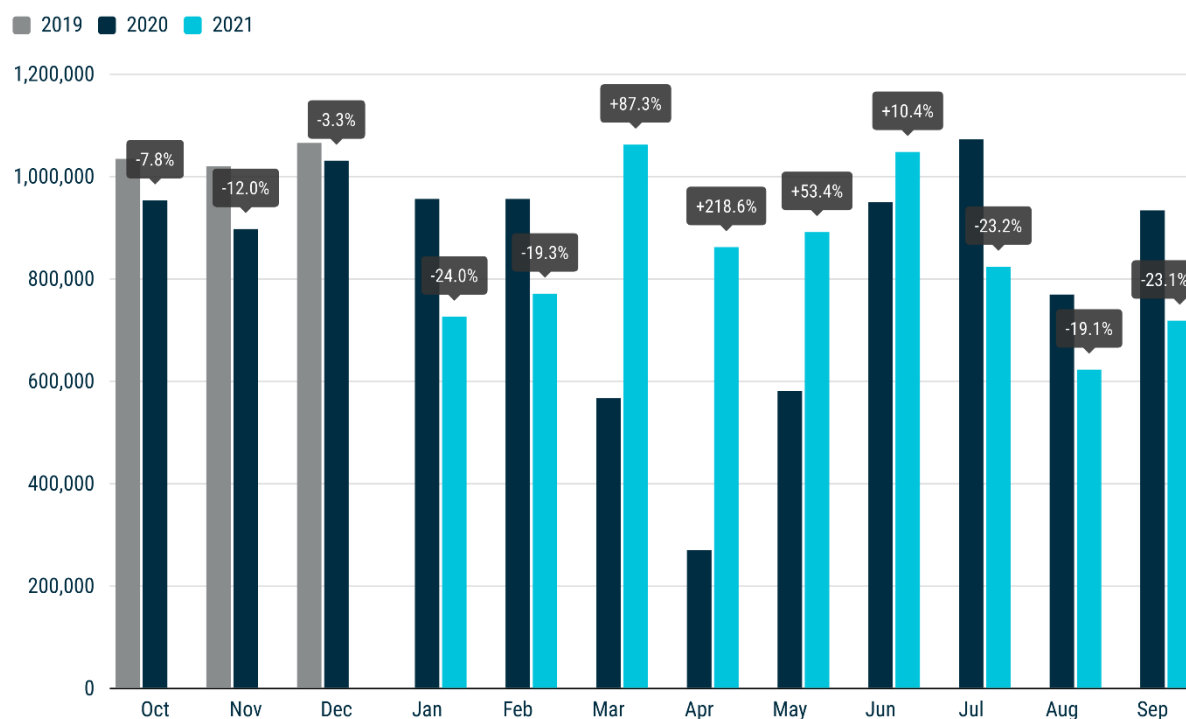
Significant gains earlier in the year helped to keep cumulative volumes in positive territory in three of the four major EU markets. Italy posted the highest increase so far (+20.6%), followed by Spain (+8.8%) and France (+8.0%). By contrast, the German car market slipped back into negative territory (-1.2%).

Table 3: Top 4 – New passenger car registrations in the EU

	Jan-Sep 2021	Jan-Sep 2020	% change 21/20
Germany	2,017,561	2,041,831	-1.2
France	1,260,373	1,166,698	+8.0
Italy	1,165,491	966,335	+20.6
Spain	647,955	595,436	+8.8
EUROPEAN UNION	7,526,613	7,057,927	+6.6

SOURCE: ACEA

Figure 2: New passenger car registrations in the EU | 12-month trend



SOURCE: ACEA

PRODUCTION

WORLD

So far in 2021, car production in Europe increased by a mere 4.3% compared to 2020 levels, as the microchip shortage prevents production from realigning with demand. The main contributors to the region's growth were Russia and Ukraine, with demand surging by 20.9% and 189.5% respectively.

Despite ongoing supply chain issues, US auto plants manufactured approximately 4.8 million passenger cars from January to September 2021, or 10.8% more than during the same period in 2020. Manufacturers continued to focus their efforts on preserving production to keep pace with demand, although this is leaving little room for restocking of inventory.

In the first nine months of 2021, Brazil posted strong growth with car production up 16.2% to reach more than 1.2 million units – but also here based on a particularly low base in 2020. Output improved markedly at regional level, with South American volumes rising more than 20%, as Argentina's production also rebounded.

Chinese passenger car production in January-September this year totalled 14 million units, up 10.2% compared to the year before. Indeed, China maintained its position as the world's largest car producer with a market share of over 30%. However, due to the risks posed by electric power outages and the lack of microchips, growth could fall again by the end of this year.

During the first three quarters of 2021, production volumes in Japan remained stuck at 2020 levels with some 4.9 million cars manufactured. South Korea faced a similar trend with approximately 2.4 million units produced so far, representing an increase of only 0.8% over last year.

Thanks to a low base of comparison, Indonesia and Thailand recorded significant gains, up 53.6% and 23.1% respectively, as more than 1 million units were built in total. India posted similar results, with car production increasing by 49.2% during the nine-month period; again the result of 2020's low base and increased demand for personal mobility.

Global passenger car output increased by 8.9% to 45.6 million units between January and September this year. Nevertheless, disruptions in the supply of semiconductors will continue to remain the key risk to production during the fourth quarter of 2021.

Table 4: World passenger car production | by region

	Jan-Sep 2021 ⁶	Jan-Sep 2020	% change 21/20	% share 2021
EUROPE	10,061,508	9,649,233	+4.3	22.0
European Union	7,603,340	7,371,604	+3.1	16.7
United Kingdom	654,714	624,630	+4.8	1.4
Russia	1,016,889	841,342	+20.9	2.2
Turkey	572,279	567,750	+0.8	1.3
Ukraine	7,515	2,596	+189.5	0.02
Others: Europe ⁷	206,771	241,311	-14.3	0.5
NORTH AMERICA	7,098,630	6,789,235	+4.6	15.6
<i>of which the United States</i>	4,765,211	4,300,252	+10.8	10.4
SOUTH AMERICA	1,415,703	1,168,819	+21.1	3.1
<i>of which Brazil</i>	1,245,103	1,071,500	+16.2	2.7
ASIA	25,920,559	23,312,442	+11.2	56.8
China	14,119,882	12,811,058	+10.2	30.9
Japan	4,925,539	4,912,127	+0.3	10.8
India	2,668,191	1,788,882	+49.2	5.8
South Korea	2,365,407	2,347,599	+0.8	5.2
Indonesia	588,623	383,106	+53.6	1.3
Thailand	520,880	423,303	+23.1	1.1
Others: Asia ⁸	732,037	646,367	+13.3	1.6
MIDDLE EAST/AFRICA	1,147,168	1,007,957	+13.8	2.5
<i>of which Iran</i>	664,846	641,513	+3.6	1.5
WORLD	45,643,568	41,927,686	+8.9	100.0

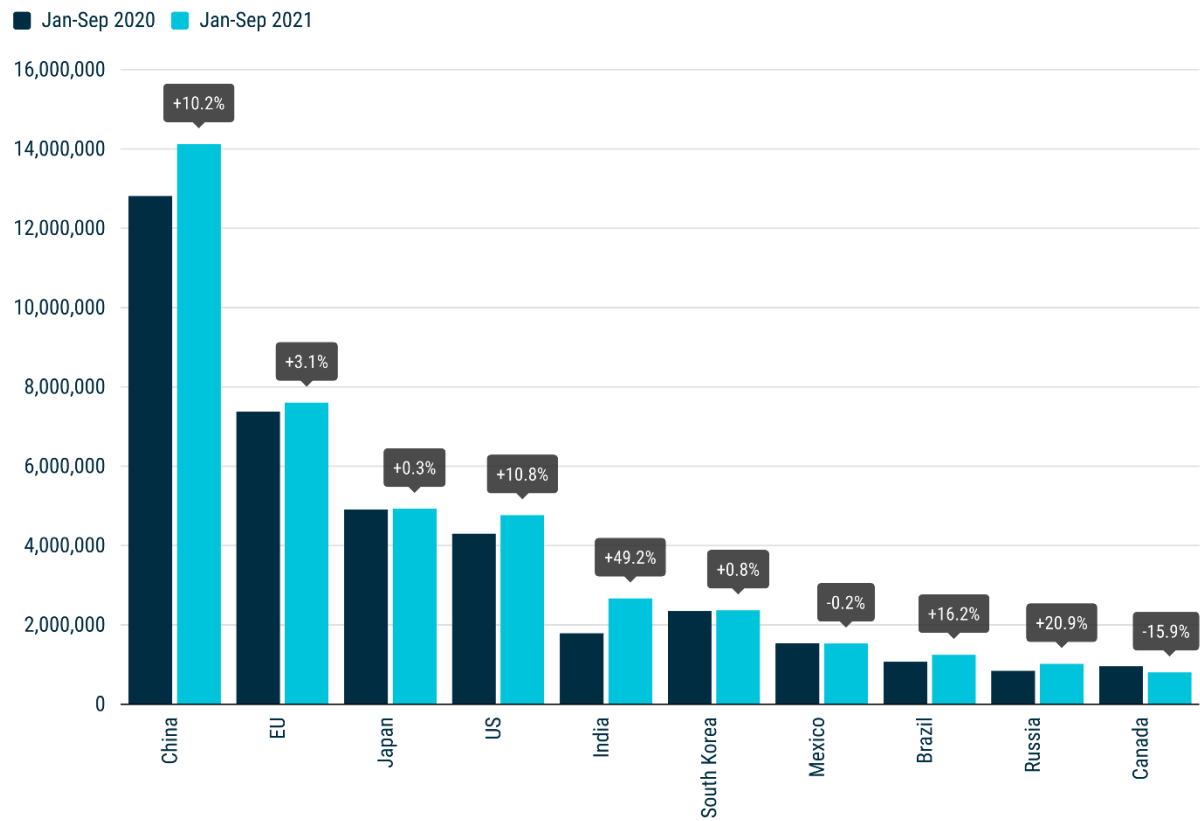
SOURCE: IHS MARKIT

⁶ Provisional figures

⁷ Includes Belarus, Kazakhstan, Serbia and Uzbekistan

⁸ Includes Taiwan, Australia, Malaysia, Pakistan, Philippines and Vietnam

Figure 3: Top 10 world passenger car producers



SOURCE: IHS MARKIT

THE EUROPEAN UNION

Despite demand being incentivised and the need to rebuild inventory after last year's lockdown, passenger car production in the European Union still struggled to take off as supply shortages further deteriorated throughout the year.

EU car output increased by only 3.1% in the first nine months of the year to reach 7.6 million cars built, which is still 3 million units less than 2019 pre-crisis volumes.

Looking at the EU's 10 main car-producing countries, manufacturing activity only slowed down in Germany (-4.7%) so far this year. The biggest gains, on the other hand, were observed in Slovakia (+13.4%), Italy (+14.6%) and Sweden (+10.3%).

Table 5: Top 10 passenger car producers in the EU

	Jan-Sep 2021	Jan-Sep 2020	% change 21/20
Germany	2,203,615	2,311,981	-4.7
Spain	1,250,106	1,182,381	+5.7
Czech Republic	830,163	789,720	+5.1
Slovakia	744,338	656,639	+13.4
France	638,122	584,050	+9.3
Italy	332,427	290,161	+14.6
Hungary	330,056	311,429	+6.0
Romania	315,115	305,073	+3.3
Sweden	195,787	177,490	+10.3
Belgium	170,937	160,809	+6.3
EUROPEAN UNION	7,603,340	7,371,604	+3.1

SOURCE: IHS MARKIT

TRADE

With pandemic restrictions easing and demand for new passenger cars increasing, trade activities picked up again in 2021.

Eight months into the year, EU car exports represented a total value of €80 billion, up 16.4% compared to the same period in 2020. Nonetheless, this is still approximately €1.6 billion less than pre-pandemic levels back in 2019.

In parallel, during the same period, imports of cars amounted to €34 billion, resulting in a trade surplus of almost €50 billion for the European Union this year to date, or 18.0% more than in January-August 2020.

Table 6: EU passenger car trade

Trade in value (in million €)	Jan-Aug 2021	Jan-Aug 2020	% change 21/20
Imports	34,132	29,900	+14.2
Exports	80,063	68,811	+16.4
Trade balance	49,931	38,911	+18.0

SOURCE: EUROSTAT

IMPORTS

So far in 2021, the United States maintained its leading position as the main country of origin of EU car imports with a 17.6% value market share, followed closely by Japan, the United Kingdom and South Korea. Together, these four markets accounted for more than 60% of the value of extra-EU imports of passenger cars.

Imports originating from the United States (-2.2%) and Japan (-4.6%) contracted slightly in value terms compared to last year. At the same time, the value of cars imported into the European Union from the EU's other major trading partners grew significantly, most notably imports from China (+161.5%).

Table 7: Top 10 countries of origin of EU passenger car imports

Trade in value (in million €)	Jan-Aug 2021	Jan-Aug 2020	% change 21/20	% share 2021
United States	6,016	6,152	-2.2	17.6
Japan	5,077	5,324	-4.6	14.9
United Kingdom	4,884	4,137	+18.1	14.3
South Korea	4,550	3,661	+24.3	13.3
Turkey	4,009	3,941	+1.7	11.7
Mexico	3,145	2,233	+40.9	9.2
China	2,409	921	+161.5	7.1
Morocco	1,659	1,204	+37.9	4.9
South Africa	1,240	1,455	-14.7	3.6
Switzerland	222	171	+29.8	0.7

SOURCE: EUROSTAT

EXPORTS

During the first eight months of 2021, the export value of EU-built passengers cars heading to the United Kingdom declined by 2.9%. By contrast, exports to the United States (+16.9%) and China (+21.2%) increased substantially during this eight-month period, making them the EU's first and second most valuable export markets for cars, ahead of the UK.

Exports to other major destinations also saw strong growth, most notably those to Norway and Russia, with the value of exported cars seeing an increase of over 50%.

Table 8: Top 10 destinations for EU passenger car exports

Trade in value (in million €)	Jan-Aug 2021	Jan-Aug 2020	% change 21/20	% share 2021
United States	15,133	12,944	+16.9	18.9
China	13,588	11,213	+21.2	17.0
United Kingdom	13,439	13,844	-2.9	16.8
Switzerland	4,149	3,636	+14.1	5.2
South Korea	4,129	4,416	-6.5	5.2
Japan	3,844	3,499	+9.9	4.8
Turkey	3,051	3,020	+1.0	3.8
Norway	2,800	1,816	+54.2	3.5
Russia	2,004	1,317	+52.2	2.5
Australia	1,745	1,310	+33.2	2.2

SOURCE: EUROSTAT

COMMERCIAL VEHICLES

REGISTRATIONS

THE EUROPEAN UNION⁹

Nine months into 2021, demand for new commercial vehicles in the European Union remained positive, despite registrations declining in July, August and September of this year. The total volume for this nine-month period now stands at 1,436,934 units, a year-on-year gain of 19.1%.

Because of the low base of comparison of the first half of 2020, each of the four major EU markets recorded growth so far this year: Italy (+29.7%), France (+16.8%), Spain (+10.4%) and Germany (+8.5%).

Table 9: New commercial vehicle and bus registrations in the EU | by segment

	Jan-Sep 2021	Jan-Sep 2020	% change 21/20
Vans ¹⁰	1,198,426	1,009,786	+18.7
Trucks ¹¹	217,000	175,793	+23.4
Buses ¹²	21,508	20,422	+5.3
TOTAL	1,436,934	1,206,001	+19.1

SOURCE: ACEA

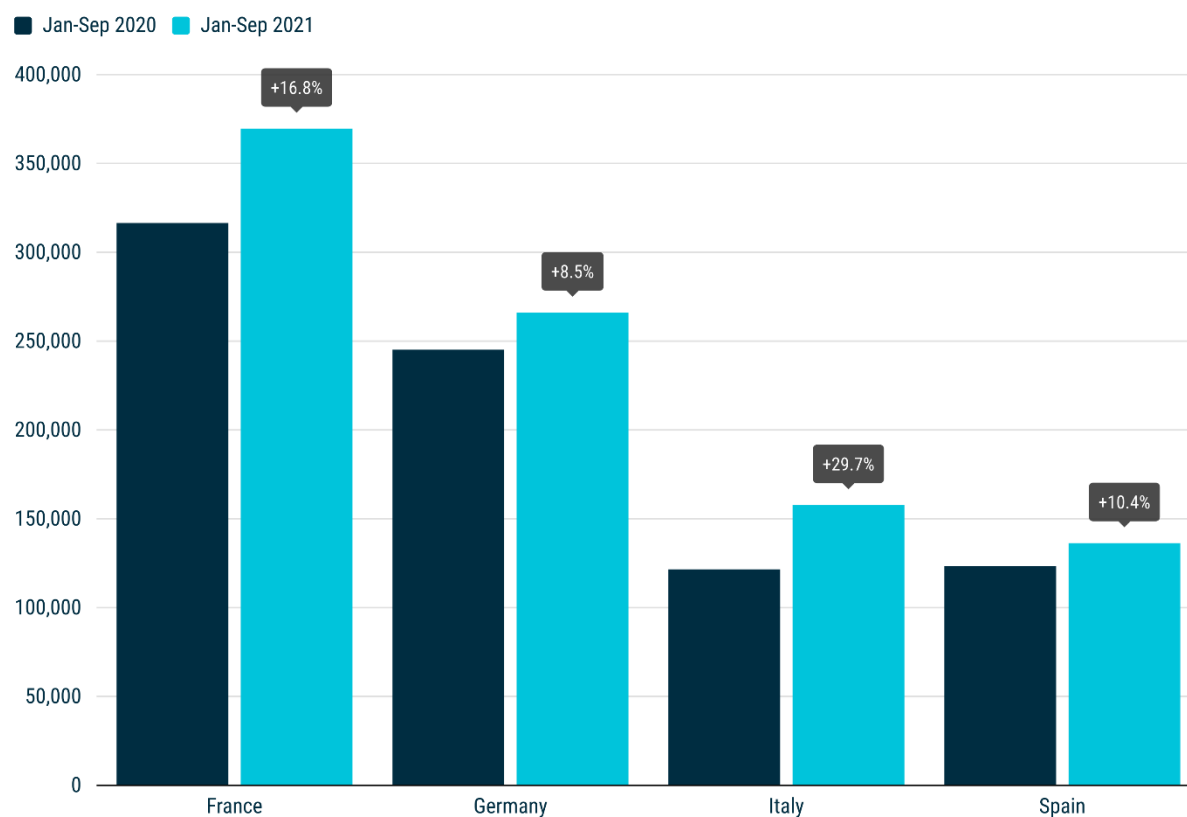
⁹ Data for Malta not available

¹⁰ Light commercial vehicles up to 3.5t

¹¹ Medium and heavy commercial vehicles over 3.5t

¹² Buses and coaches over 3.5t

Figure 4: Top 4 – New commercial vehicle and bus registrations in the EU



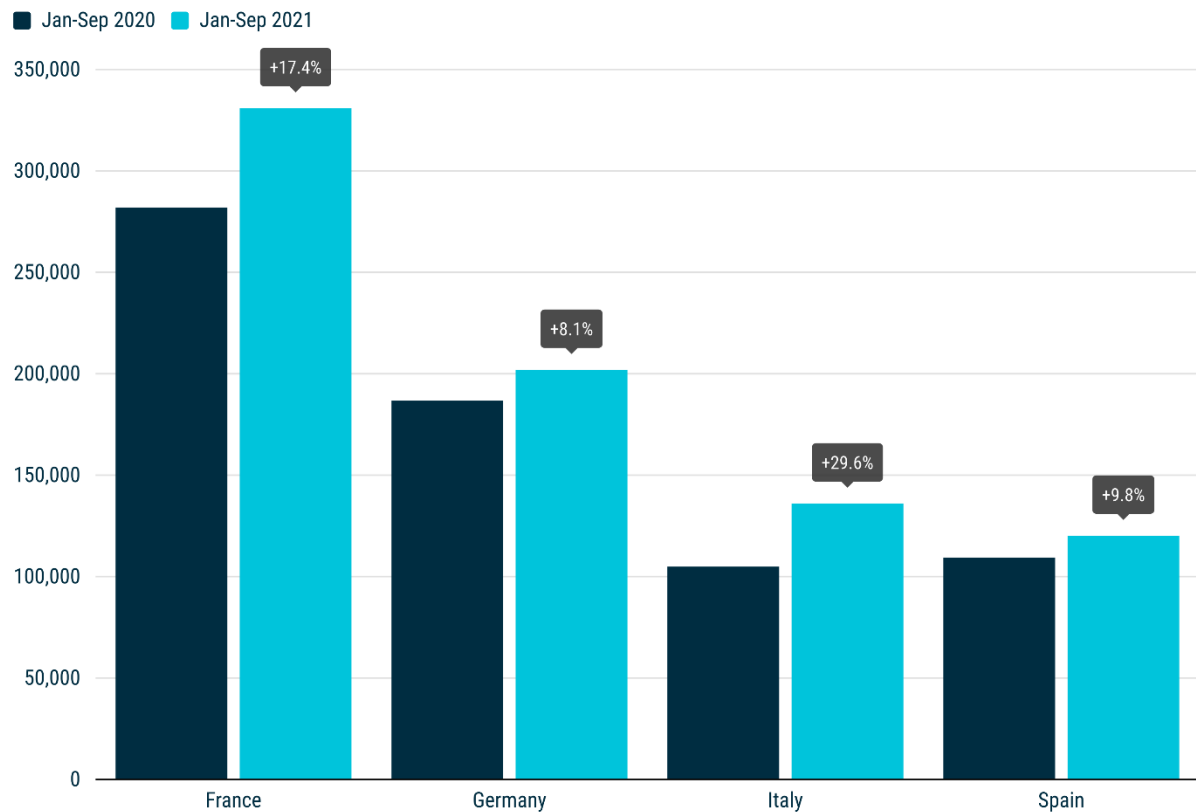
SOURCE: ACEA

Vans

Over the first three quarters of 2021, EU light commercial vehicle sales increased by 18.7% to reach nearly 1.2 million units. The region's cumulative performance was helped by gains recorded during the first half of the year, as demand shrank in the third quarter.

The four key EU markets reflected the same trend, with 2021 growth still in positive territory so far, despite the declines seen in recent months. Italy posted the strongest increase over the nine-month period (+29.6%), followed by France (+17.4%), Spain (+9.8%) and Germany (+8.1%).

Figure 5: Top 4 – New van registrations in the EU



SOURCE: ACEA

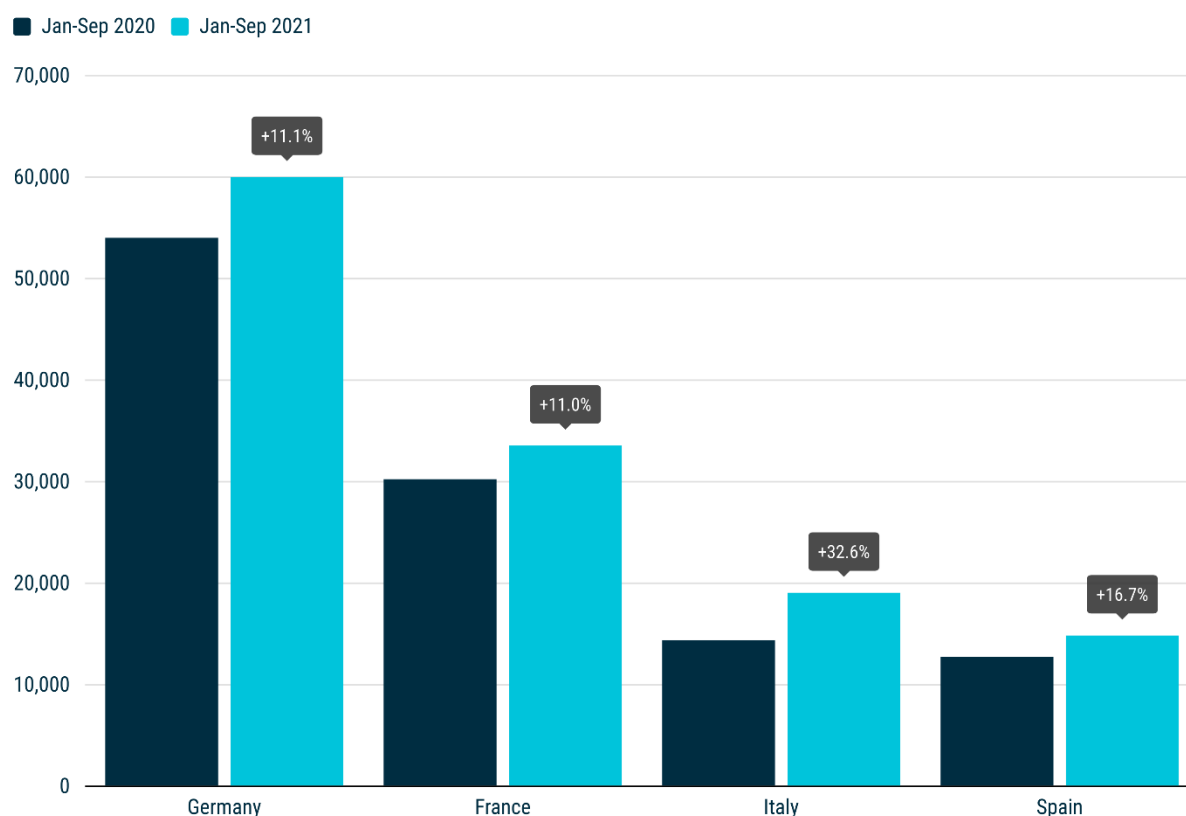
Trucks

Growth in the medium and heavy commercial vehicle category was stronger than that of vans so far this year, again thanks to a low base of comparison.

From January to September, 217,000 new trucks were sold across the European Union, up 23.4% compared to the same period in 2020.

All major markets recorded double-digit percentage gains so far this year, with the highest seen in Italy (+32.6%) and Spain (+16.7%). Germany, the leading truck market with some 60,000 units registered, followed with an 11.1% increase.

Figure 6: Top 4 – New truck registrations in the EU



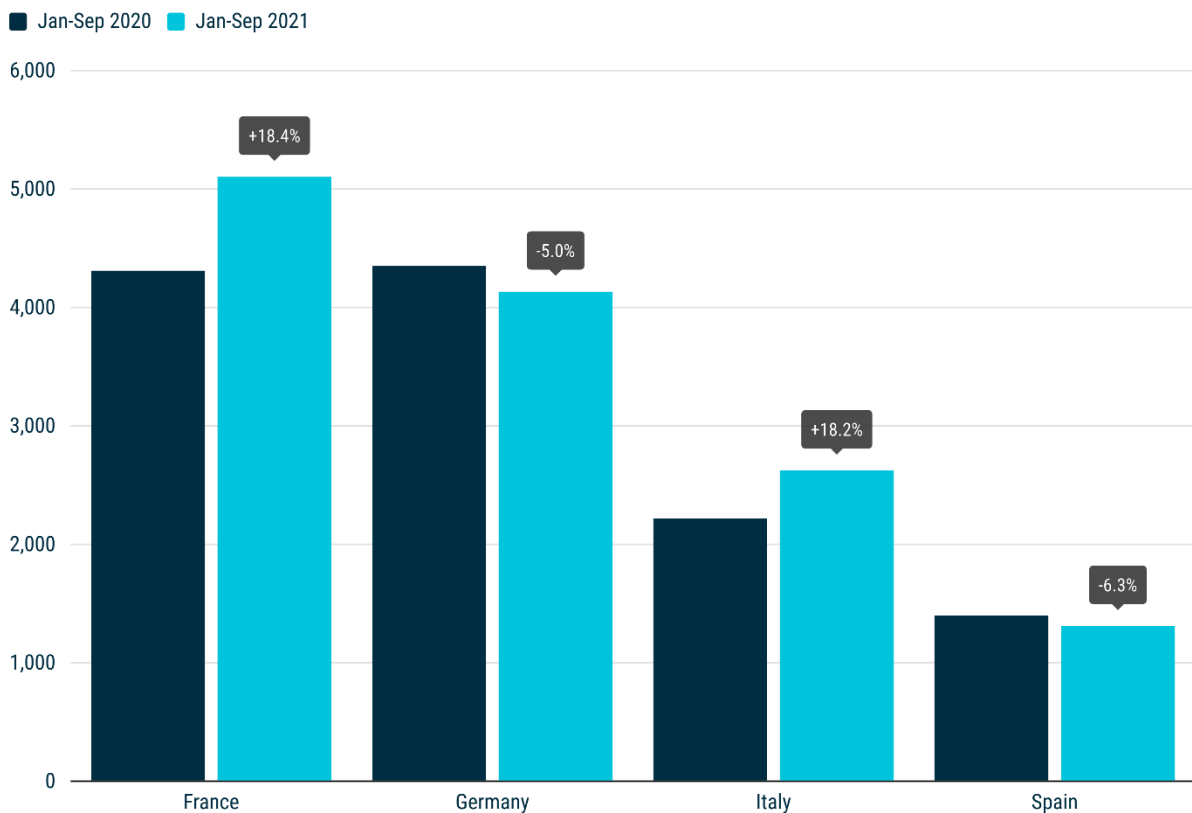
SOURCE: ACEA

Buses

After a slow start during the first two months of the year, demand for new buses picked up again in the second quarter and during the summer months, although subsequently slowing down again in September. As a result, year-to-date volumes reached 21,508 units, an increase of 5.3% compared to the same period the year before.

Looking at the major EU markets, results were mixed. France, the leading market in this category with 5,103 buses registered, saw an increase of 18.4% so far this year, and Italy followed with similar growth (+18.2%). By contrast, demand in Spain (-6.3%) and Germany (-5.0%) declined during the nine-month period.

Figure 7: Top 4 – New bus registrations in the EU



SOURCE: ACEA

PRODUCTION OUTLOOK

WORLD

Pandemic-related factors continued to affect European manufacturing activity in the first quarter of 2021. The situation improved in the second quarter of the year, with domestic demand for commercial vehicles picking up as vaccination programmes progressed across the region. Despite ongoing supply chain constraints when it comes to steel, semiconductors and transportation in general, commercial vehicle production in Europe is set to expand 7% by the end of the year.

In North America, production recovered strongly during the first half of the year, especially the truck and bus segments. However, supply chain issues also affected US production in the third quarter. Looking at full-year 2021 figures, North American output is expected to total 4.2 million commercial vehicles, up 9.7% compared to 2020.

The shortage of microchips had a limited impact on South American manufacturing activities so far this year. Total production of new vans, trucks and buses in the entire region is expected to count 0.8 million units in 2021, 36.2% more than one year ago.

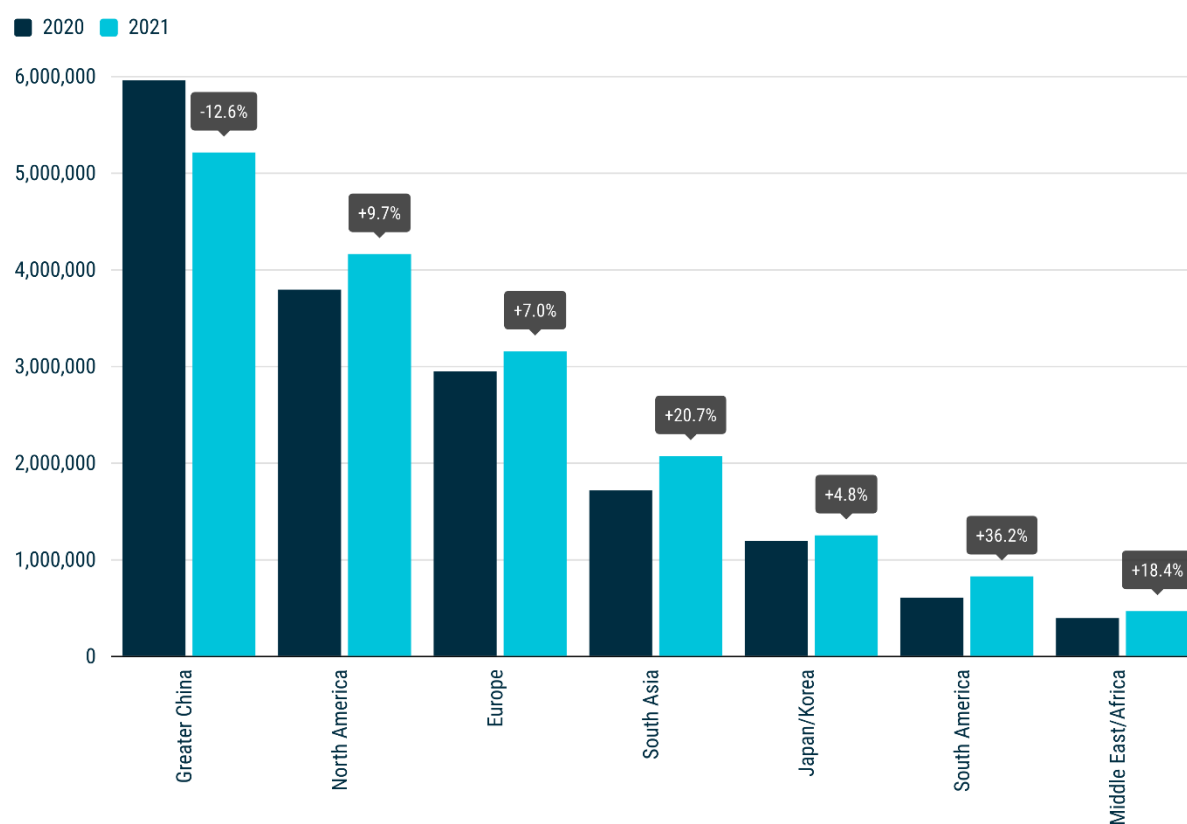
Price inflation and supply chain disruptions are putting great pressure on production in China, dragging down full-year results. Indeed, Chinese commercial vehicle output is expected to weaken in 2021, falling by 12.6% compared to 2020 to reach 5.2 million units.

The South Asian commercial vehicle industry is recovering, after having witnessed several plant shutdowns last year. The region's production is forecast to reach nearly 2.1 million commercial vehicles in 2021, up 20.7% year-on-year, thanks to strong domestic demand.

Production disruptions caused by the lack of semiconductors had a significant impact on Japan and South Korea, especially during the third quarter of the year. As a result, full-year output is expected to drop by 4.8% to 1.3 million units.

The total number of commercial vehicles manufactured in the Middle East and Africa is expected to reach approximately 0.5 million units in 2021, an increase of 18.4% compared to 2020. Increasing domestic demand should propel production activity, especially in South Africa – the largest commercial vehicle producer of the region.

Figure 8: World commercial vehicle production¹³ | by region



SOURCE: IHS MARKIT

¹³ 2021 forecast

TRADE

Between January and August 2021, the total value of EU commercial vehicle exports strongly increased (+14.3%), generating a trade surplus of more than €3.6 billion for the European Union.

The van segment was largely responsible for sustaining growth, both imports (+51.9%) and exports (+23.8%) showed double-digit gains compared to 2020.

At the same time, imports of trucks and buses declined slightly so far this year (-3.1%) while exports increased by 5.9%, resulting in a €2.5 billion trade surplus when looking at these two segments.

Table 10: EU commercial vehicle and bus trade | by segment

Trade in value (in million €)	Vans ¹⁴	Trucks & buses ¹⁵	TOTAL
Jan-Aug 2021			
Imports	3,425	1,256	4,681
Exports	4,173	4,043	8,216
Trade balance	748	2,787	3,535
Jan-Aug 2020			
Imports	2,255	1,296	3,551
Exports	3,371	3,818	7,189
Trade balance	1,116	2,522	3,638
% change 21/20			
Imports	+51.9	-3.1	+31.8
Exports	+23.8	+5.9	+14.3
Trade balance	-32.9	+10.5	-2.8

SOURCE: EUROSTAT

¹⁴ Commercial vehicles up to 5t

¹⁵ Commercial vehicles over 5t, including buses and coaches

IMPORTS

With a 45.5% market share, Turkey was the main country of origin of EU commercial vehicle and bus imports in 2021 to date, although the increase in value remained modest (+6.0%) compared to last year.

Eight months into 2021, the value of commercial vehicle imports from most of the EU's main trading partners grew by double or triple digits. Both South Africa and the United Kingdom – the EU's second and third largest import partners – saw increases of around 70% in the value of their exports to the European Union.

Looking at the 10 main countries of origin, the United States was the only negative exception, as the value of US-built commercial vehicles exported to the European Union declined by 15.4% during the eight-month period.

Table 11: Top 10 countries of origin of EU commercial vehicle and bus imports

Trade in value (in million €)	Jan-Aug 2021	Jan-Aug 2020	% change 21/20	% share 2021
Turkey	2,128	2,009	+6.0	45.5
South Africa	976	579	+68.5	20.8
United Kingdom	471	278	+69.4	10.1
Morocco	325	98	+232.9	6.9
China	194	128	+51.5	4.1
Thailand	190	131	+45.5	4.1
Switzerland	107	73	+45.9	2.3
Norway	97	79	+21.7	2.1
Japan	61	17	+270.1	1.3
United States	33	39	-15.4	0.7

SOURCE: EUROSTAT

EXPORTS

The overall value of commercial vehicle exports to the EU's three main export destinations showed a strong rebound in January-August 2021.

Exports of EU-made commercial vehicles to the United Kingdom (+32.7%), Norway (+19.7%) and Switzerland (+12.1%) – which together account for almost half of the total value of EU commercial vehicle exports – all increased significantly.

The value of exports to other main destinations saw similar double-digit increases, with the exception of South Korea, for which the value of commercial vehicles imported from the EU remained at the same level as last year.

Table 12: Top 10 destinations for EU commercial vehicle and bus exports

Trade in value (in million €)	Jan-Aug 2021	Jan-Aug 2020	% change 21/20	% share 2021
United Kingdom	1,830	2,429	+32.7	29.6
Norway	606	725	+19.7	8.8
Switzerland	587	658	+12.1	8.0
Turkey	314	418	+33.2	5.1
Australia	231	334	+44.5	4.1
Russia	188	308	+63.5	3.7
Israel	221	305	+37.7	3.7
Ukraine	153	258	+68.8	3.1
China	541	230	-57.5	2.8
South Korea	149	150	+0.1	1.8

SOURCE: EUROSTAT



ABOUT THE EU AUTOMOBILE INDUSTRY

- 12.6 million Europeans work in the auto industry (directly and indirectly), accounting for 6.6% of all EU jobs
- 11.6% of EU manufacturing jobs – some 3.5 million – are in the automotive sector
- Motor vehicles are responsible for €398.4 billion of tax revenue for governments across key European markets
- The automobile industry generates a trade surplus of €76.3 billion for the European Union
- The turnover generated by the auto industry represents more than 8% of the EU's GDP
- Investing €62 billion in R&D per year, automotive is Europe's largest private contributor to innovation, accounting for 33% of the EU total

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