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**Prospects for UK vehicle production**

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## Contents

- European overview
- The UK in 2020
- The UK in 2021
- UK production for 8M/2021
- UK forecast to 2026
- UK VMs' strategies
- European VMs' battery and cell plans
- The UK's battery factory challenge
- Concluding remarks

## European overview

Production forecast regularly downgraded since start of year; recovery slow and taking longer than expected

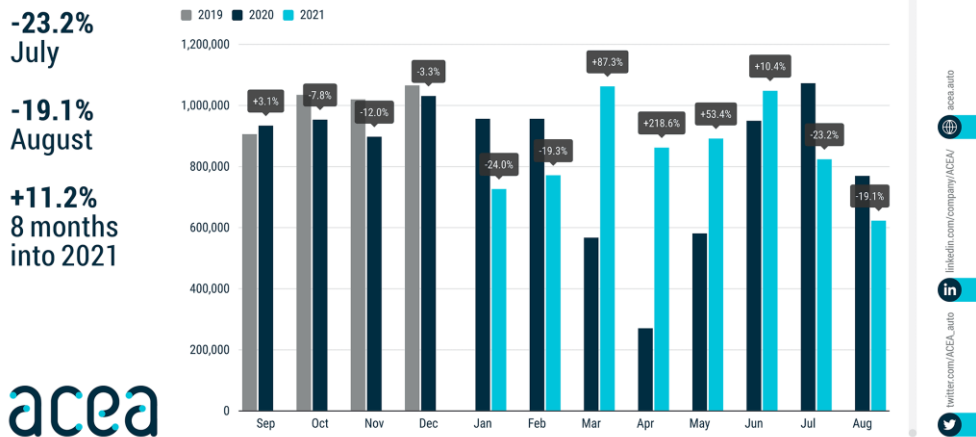
- 2019 production was c19.2m
- **Fell 22% to c15m in 2020**, mainly due to COVID
- **January** forecast expected 2021 rebound to 16.8m, ie 88% of 2019
- **May** forecast was 15.9m, nearly 1m lower, and <83% of 2019
- **Now**, with semiconductor supply problems (up 1 year delivery delays) clearly structural & embedded, **production likely to be nearer 15.4m**
- **VM execs expecting problems into 2022, even 2023**

- Global auto industry was ill-prepared for semiconductor supply chain problems; **JIT model now threatened**
- Lessons of Japanese tsunami & Thai floods not learned
- Reliance on a very small chip supply base either not noticed or ignored
- In consequence:
  - Most Ford Europe plants closed for 1-3 months: Cologne likely to have lost 6 months of production by year-end
  - Opel Germany plants likely to stay closed for much of Q4
  - Most VW plants have seen shutdowns
  - JLR and Nissan have seen frequent and irregular production stoppages
  - Even Toyota affected – 40% cutback worldwide in Q4 ...
- Barely a day goes by without another plant announcing a production halt or cutback

## European overview (2): Production situation mirrored in sales

- For 8M/2021, EU sales grew 11.2%, to 6.8m.
- Provisional full year projections = c10.2m, ie broadly unchanged on 2020
- Some recovery year-to-date eg, Italy (+30.9%), France (+12.8%), Spain (+12.1%) and Germany (+2.5%)
- But sales fell 18% in August, after a 23% fall in July. The recovery earlier in the year appears to have stalled
- Largest markets saw double-digit falls in August: Spain (-28.9%), Italy (-27.3%), Germany (-23.0%), France (-15.0%).
- **Chip shortages also mean stocks have been significantly rundown and order times now stretch well into 2022**

### PASSENGER CAR REGISTRATIONS IN THE EU



## The UK in 2020 ...

- UK car & LCV production fell 28.5% to 972k
- First time <1m for over 10 years
- Production fall due to factory shutdowns of 6-8 weeks or longer
- Falling demand due to COVID, associated economic slowdown

- *Production re-start especially strong in LCVs, but effective capacity reduced by social distancing and COVID compliance*
- *Production disruption in Q4 at UK/France border due to COVID, long distance supply disruption, early signs of production fall due to chip shortages*
- *UK-EU TCA signed*

# The UK in 2021

- Slow start to UK production, with Jan-Mar down nearly 5.5% @318,000
- 8M/2021 @589,000, c14% up – but still down on 8M/2019 @879,000
- Current **optimistic** year end forecast has 2021 at close to 1m, but could be below 2020's 972k, depending on Q4 line stoppages
- Loss of Honda output compounds the downturn ...

## Some good news ...

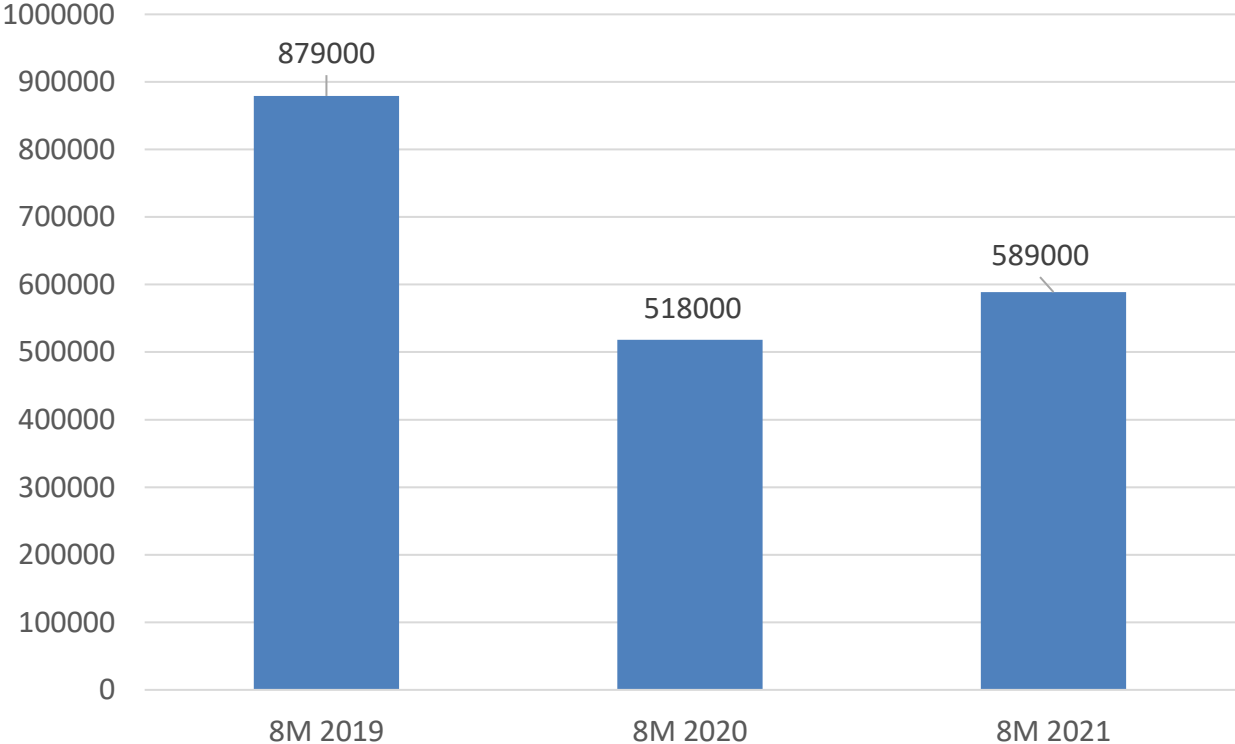
- *New Nissan Qashqai production finally started*
- *£1bn investment confirmed at Nissan, for new EV and new battery plant*
- *£100m investment at Stellantis Ellesmere Port to convert factory to assemble electric vans*
- *All new strategy announced for JLR: details re EV timing and battery sourcing to be confirmed*

## Questions remain ...

- *When will next Mini start?*
- *What is timing of next Evoque and Discovery Sport, Toyota Corolla replacement?*

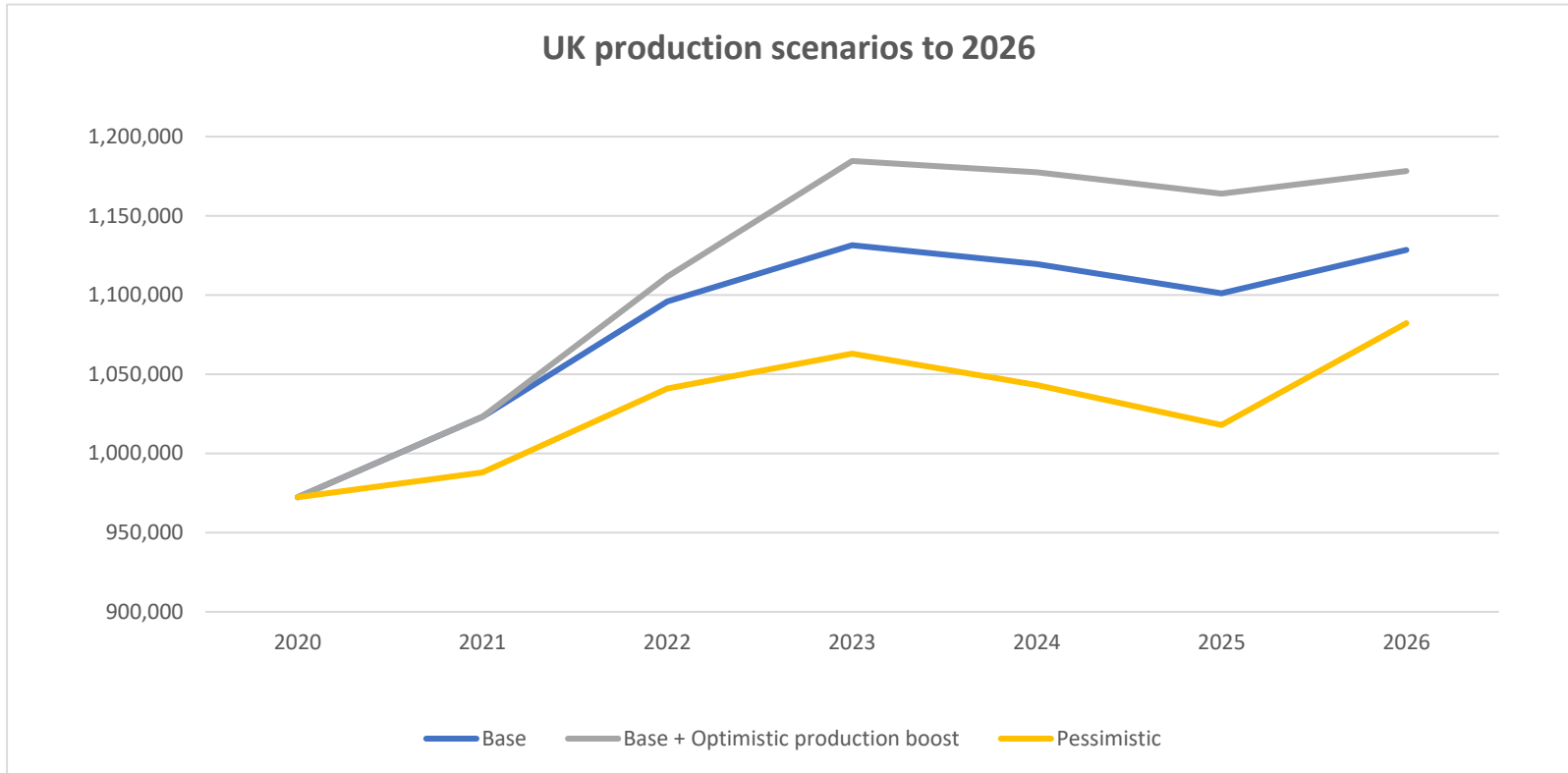
# UK 8M car production 2021 vs 2020 and 2019

8M/21 is just 67% of 8M/2019



# UK production forecast to 2026

## 2017's 1.7m will not be repeated





# Jaguar Land Rover: a better future?

- **Reimagine** strategy announced in February
- **Jaguar** to go all-electric, from 2025:
  - New platform could be bought-in, or evolution of existing I-PACE
  - Castle Bromwich will stop making cars – will it assemble batteries?
  - Unlikely to see more than 30,000 Jaguars pa, at least initially
  - Jaguar repositioned vs Porsche not BMW or Mercedes
  - Volume limited by price hike and avoiding Land Rover competition

- *Land Rovers will be built on **two** new platforms:*
  - **EMA:** Evoque, Discovery Sport and ?
  - **MLA:** Range Rover, Range Rover Sport and ?
  - First all-electric Land Rover in 2024
  - *Platforms & production locations for next Velar, Discovery and Defender to be confirmed*
  - Like Jaguar, Land Rover entry price points will be higher, aiming for **profit not volume**
- ***Sourcing of batteries to be announced soon***
- *Probable that some of the largest Range Rovers will be hydrogen powered*
- *Wolverhampton beginning the transition from pure ICE to hybrids and e-motors*

# Good news re Nissan and Stellantis but questions remain elsewhere ...

## Stellantis & Nissan

- **Nissan £1bn investment**
  - New 100k+ pa EV from 2024, replacing/expanding Leaf range
  - New battery plant (Envision)
  - Will Qashqai also go electric or remain hybrid through to 2030s
- **Ellesmere Port retained**
  - Astra stops in April 2022
  - £100m investment
  - Electric vans assembled from late 2022
  - But with imported batteries

## Questions & uncertainty at other VMs

- *Next **Mini(s)** from 2025, on shared BMW platform:*
  - *Paint shop investment suggests future is secure but production volumes, variants and market allocations are not known – split with BMW Leipzig and Chinese partner to be clarified*
- ***Toyota** should continue with hybrid Corolla from 2025/26: **no EVs before 2030s***
- *New **Bentley** electric SUV will likely be made in VW Hanover; UK BEV production confirmed, **but with imported batteries***
- **Aston Martin:** can it get to 10,000?
- **Lotus:** investment by Geely; aiming to make > 2,500 EVs by 2030
- **LEVC:** has started van version of taxi, but doubtful that 20,000 capacity will be used?
- **Arrival** electric CVs awaiting final confirmation, but likely ... others new EVs possible ...

## European VMs' expanding in-house battery cell production, taking control from established battery companies

- **VW** plans 6 gigafactories, alone and with cell producers
- **Stellantis** will have 3 gigafactories, in Germany, France & Italy; possibly in Spain too
  - Daimler now partnering Stellantis (with battery assembly at each Mercedes plant)
- **Renault** converting Douai to full EV production (400k pa):
  - With Envision battery plant as per Nissan

- **BMW** expanding battery component production, finishing and pack assembly at all plants in Germany
- **Ford** expected to invest in battery cell production with SKI of Korea – possibly in Dagenham
- **Tesla** factory in Berlin SOP 2022. but full production awaits own cell and battery plant (timing to be confirmed)

# The UK battery factory challenge ...

- **UK has one definite gigafactory – @Nissan:**
  - *Britishvolt yet to win/announce major VM contracts*
  - *Possible gigafactory at Coventry airport*
- **Biggest driver for another UK gigafactory comes from JLR:**
  - *MINI batteries already sourced in Europe – and this will continue in medium term*
  - *Nissan and Toyota will make hybrids with Asian batteries*
  - *Ellesmere Port electric vans will source cells/batteries first from China & Spain, later from France or Germany*
  - *Bentley will source batteries from Germany*

- **VMs regard batteries and cells as core technology:**
  - *Bringing cell production and battery in-house (vertical integration) is an unmistakable trend*
  - *Role of established battery suppliers changing*
  - **VMs will reduce dependency on cell producers and external battery pack assembly**
  - **Any UK gigafactory has to have an anchor VM client to be successful ...**
  - **But fragmented nature of UK EV production may be insufficient for another gigafactory**

## In conclusion: 2020 was challenging, 2021 just as challenging ... 2022 and beyond may be even more challenging

- UK light vehicle production **might** get back to 1m – if no more major shutdowns in Q4
- UK-EU TCA should allow UK output to climb back above 1.2m over the long term (if no trade disputes)
- But output will stay below past peaks:
  - Do not expect to see recovery to past glories of 2017!
  - UK production has fallen permanently – **and could fall again ... especially as JLR refocuses on profit not volume**
- **Trade rules will become increasingly significant – risk of tariffs on UK made vehicles sold in markets with UK FTAs!**

### *Despite the challenges and difficulties ...*

- *Battery supply chain possibilities*
- *Even if cells are imported, battery assembly needs suppliers*
- *Possible wider re-sourcing to UK in response to supply chain disruption?*
- *Public procurement could boost UK production – but beware FTA/WTO rules*