Global capacity still running ahead of production

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Although global Light Vehicle production is on pace to drop by more than 2% this year, to 92 million units, and rebound only marginally in 2020 (+3% year-on-year), we will see a total of 36 new plants added this year (50 new plants versus 14 plant closures) and 16 more next year, bringing the total to 758 Light Vehicle plants worldwide. While we are expecting a loss of 2 million in global Light Vehicle build in 2019, 3.6 million units of new capacity will be added, on top of the existing 45 million units of idle capacity, or 34% of the total.

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In other words, things will get worse before they get better. The increased capacity this year will lower plant utilisation rates to 63% in 2019-2020, before rebounding to 66% in 2022. Most of the new capacity is still going into China, despite the recent market slowdown there. Light Vehicle production in China is expected to drop by 5% YoY this year and grow only modestly from 2020 onwards. The rate of the capacity expansion in the mainland has been running at more than twice the pace of the market growth. While capacity expanded by 6% in the past three years, the market contracted by 1% in the same period. Between now and 2026, 4.2 million units of new capacity have been planned.

Behind China, in terms of plant capacity expansion, are (in descending order) the US, India and Mexico. The US will see 1.3 million units of new capacity added over the next seven years, followed by India’s 0.7 million and Mexico’s 0.6 million.

VW Group is at the forefront when it comes to investing in plant expansion, with 1.4 million units of new capacity in the pipeline between now and 2026, and the largest investments being made in China and Serbia. Hyundai Group follows in second place, on just under 1.2 million units, with China, India and the US being the top investment locations. Daimler ranks third, on 0.7 million, with BMW and Toyota Group not far behind.