



How much market shelter has China provided for European production?

Justin Cox, Director, Global Production

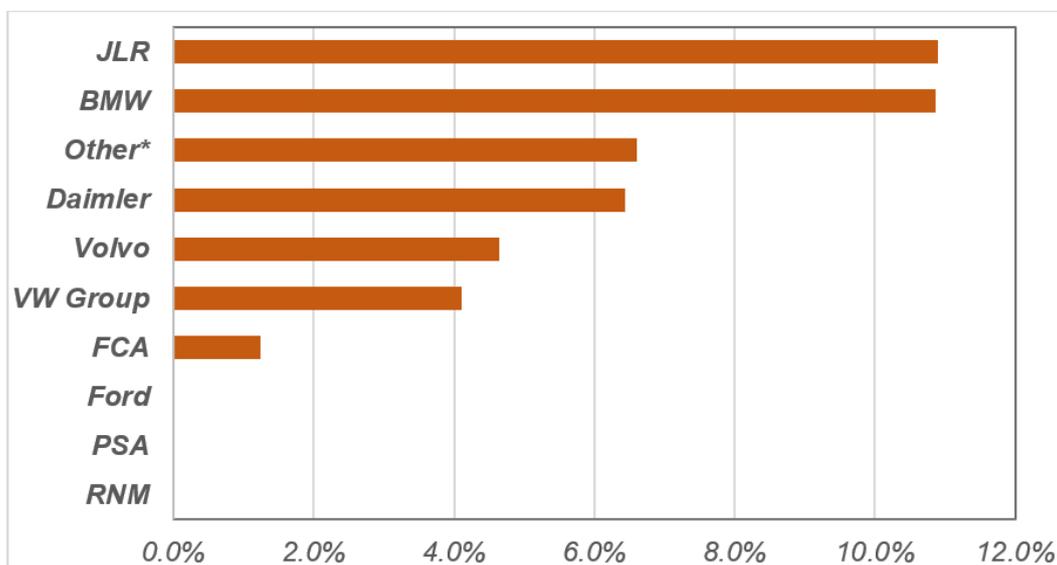
Right now, there appears to be an abundance of upbeat news emanating from China's automotive market. Monthly sales in the world's biggest Light Vehicle market have increased year-on-year since the widespread relaxation of domestic lockdowns in March. Indeed, over the April-July period this year, Chinese Light Vehicle sales grew by almost 8%. Contrast this with the 35% contraction elsewhere in the world over the same period and it is understandable that those automakers exposed to the solidifying recovery in China have received a potential boost.

However, this good news from China hardly moves the needle when it comes to providing a fillip for Europe's domestic producers. In aggregate, Light Vehicle exports to China only make up around 2.5% of total annual pan-European Light Vehicle output, with some key OEMs, such as PSA and Renault, not exporting to China at all from their European plants.

Others, like JLR, BMW and Daimler, whose European export shares to China are relatively high (see chart below), have enjoyed a boost in activity to support demand for a few key export models. However, this has been modest when compared with the recent volume gains made by these groups' localised joint-venture plants. In fact, between April and July, JLR, BMW and Daimler saw output at their Chinese facilities increase by 36%, 46% and 16%, respectively, when compared to the same period in 2019. Of course, group-wide, this is a positive development for volume, but it is worth emphasising that these automakers share the full financial effect from stronger output with their respective Chinese joint-venture partners.

All European OEMs will, no doubt, be eager to see the emerging Light Vehicle sales recovery in Europe and elsewhere accelerate as China's recovery alone provides a sparse and relatively limited lift to domestic European Light Vehicle production volume.

2020 estimated share of European Light Vehicle output destined for China



Source: LMC Automotive European Light Vehicle Trade Flow Service
 * Ferrari / Aston Martin / McLaren