During the second half of 2020, OEMs in North America were still trying to recover from the near 100% shutdown in production in April, as well as additional outbreak disruptions throughout much of 2020 that kept inventory quite lean. In fact, the assembly restart from May through December did little except meet the recovery demand, and raw inventory increased by only 200,000 units over that period, with high concentration in the September to November timeframe.

The impact of the current situation is somewhat masked in a recovering market.
2021 came with a new level of optimism that inventory would return to healthy levels by the spring, but that notion quickly evaporated as semiconductor and other material shortages, along with weather disruptions, have put already lean inventory at a critical level.

We currently estimate that the chip shortage alone will cut North American production levels by nearly 550,000 units in the first half of 2021, of which 175,000 are not expected to be made up within 2021.

Lean inventory is going to be part of the landscape for the foreseeable future and likely will constrain demand over the next few months, if not the full year. The shortage may cause a permanent shift in what is considered a 'normal' level of inventory. We do expect Car inventory to remain below the previous 60-day target and likely even under 50 days. Trucks have more trim-level options but still could see leaner inventory levels after the shortfall is replenished.

The impact of the current situation is somewhat masked in a recovering market. While we have increased our US forecast for Light Vehicle demand to 16.6 million units in 2021, demand would likely push through the 17 million units this year if inventory were at a normal level. Given that assembly plants continue to be hit by downtime, the situation is set to get worse before it gets better, leaving consumers with fewer choices at dealerships in the coming weeks.