Blog

JAMES NORRIS, SENIOR ANALYST, EUROPEAN LIGHT VEHICLE PRODUCTION

3 DECEMBER 2021

Conventional models: the biggest casualty of supply-side disruptions

The ongoing procurement crisis has scuppered any chance of a post-2020-outbreak recovery, with European Light Vehicle production from January to October 2021 set to grow by just 1% year-on-year. Despite near-identical production volumes, closer analysis reveals clear winners and losers.

Due to the scarcity caused by supply-side disruptions, automakers have been forced to prioritise higher-margin vehicles. This has benefited the SUV and Sporty bodystyles, in particular, leading to growth of 8% and 16% year-on-year, respectively, between January and October this year. On the losing side are Conventional models, such as hatchbacks, sedans and wagons, leading to a drop in output of 9% year-on-year over the same period.

The Sporty bodystyle consists overwhelmingly of expensive Premium/Super-Premium models and accounts for roughly 2% of Europe's overall Light Vehicle production, versus 35% and 47%, respectively, for SUV and Conventional models (using 2019 volumes). So, although Sporty models have grown at twice the rate of SUVs, when it comes to absolute volumes, SUVs have been the biggest benefactors of targeted resource allocation, with a gain of just over 400,000 units from January to October 2021, versus the year-ago period. In turn, Conventional models have fallen by around 550,000 units.

Ranking	Top 10 SUVs (by volume gained)	Jan-Oct % Change (YoY)	Bottom 10 Conventionals (by volume lost)	Jan-Oct % Change (YoY)
1	Peugeot 2008	21%	Ford Focus	-50%
2	Volkswagen T-Roc	24%	Mercedes-Benz A-Class	-36%
3	Volvo XC60	38%	Ford Fiesta	-54%
4	Volvo XC90	39%	Renault Clio	-24%
5	SEAT Arona	39%	Volkswagen Golf	-25%
6	Peugeot 3008	19%	Škoda Octavia	-28%
7	Kia Sportage	18%	Renault Mégane	-37%
8	Land Rover Defender	57%	Peugeot 208	-24%
9	Hyundai Tucson	9%	Opel Corsa	-18%
10	Ford Puma	13%	Chevrolet Sonic	-51%

Source: LMC Automotive European Light Vehicle Production Forecast, November 2021
Note: Models that began production after the start of 2020 are not included in the ranking

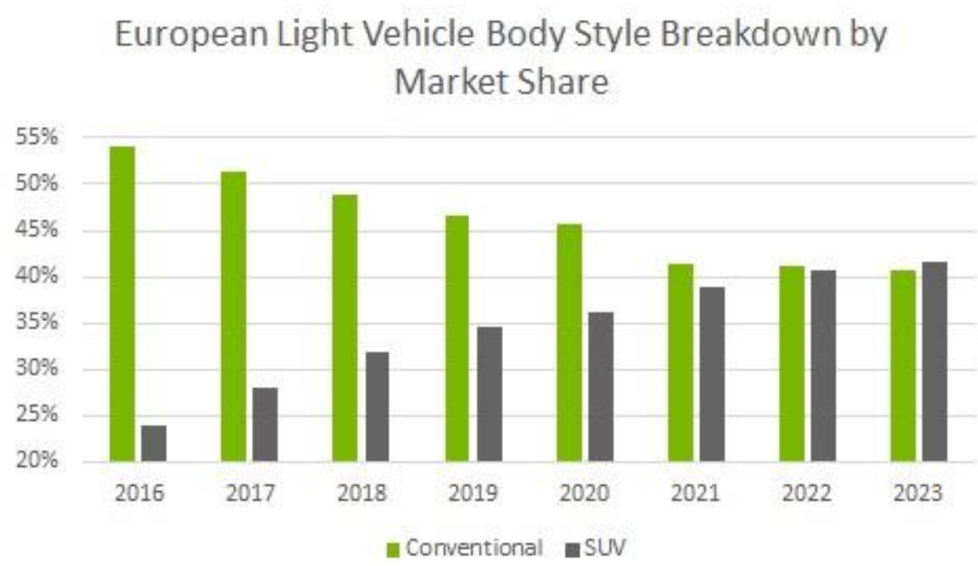
The table above shows the top 10 SUV and bottom 10 Conventional models by total volume gained/lost from year-to-date October 2021, when compared with the same period in 2020. The table highlights automakers' prioritisation strategies at work. For example, the biggest winners appear to be Small SUVs (Peugeot 2008, Volkswagen T-Roc and Ford Puma), which are more in demand and command far higher prices than their hatchback counterparts (Peugeot 208, Volkswagen Golf and Ford Fiesta).

Continued overleaf

Continued.

Although no great secret, another consideration is that Conventional models have been losing market share to SUVs for a number of years (as illustrated in the chart below).

So, what real impact has the procurement crisis had on this transition? It certainly could be argued that it has accelerated the decline in the Conventional segment, whose market share is set to drop by 4% from 2020 to 2021. This is substantial when contrasted with an average decline of 2% over the last ten years. Not only that but this boost suggests that SUV will be the most produced bodystyle in Europe by 2023.



Source: LMC Automotive European Light Vehicle Production Forecast, November 2021