

Industry trends

Automotive

Pressure on household incomes is weakening demand, although EV sales are gaining momentum



Global overview

Automotive output is enjoying a surge this year and is expected to increase 10.6% by the end of 2023. Motor vehicle and parts production accelerated during the first half of the year, largely due to an easing of the supply chain disruptions and working through the backlogs of orders.

However, we expect production growth to slow to 2% in 2024, as weaker demand takes hold of the industry, particularly in

advanced economies. Persistently high interest rates are weighing on automotive production and sales, as household incomes remain under pressure and financing has become more costly. In addition, once the backlogs of orders are worked through, there will be lower demand for automotive production in 2024 and 2025. Downside risks for the sector are tenaciously high inflation, while component shortages could also add strain to automotive supply chains.

We expect global hybrid and electric vehicle (EV) sales to account for 59% of global light vehicle sales by 2030, up from 10% in 2020. The US Inflation Reduction Act will support EV sales in the US, while in Europe the shift towards electrification is accelerating. In China, the EV transition maintains a strong momentum, and Chinese EV exports are accelerating.

Industry performance forecast

Europe		Asia and Oceania		Americas		
Austria	Netherlands	Australia	New Zealand	Brazil	Excellent	The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.
Belgium	Poland	China	Phillipines	Canada	Good	
Czech Republic	Portugal	Hong Kong	Singapore	Mexico	Fair	
Denmark	Slovakia	India	South Korea	USA	Poor	
France	Spain	Indonesia	Taiwan		Bleak	
Germany	Sweden	Japan	Thailand		The credit risk in the sector is relatively high / business performance in the sector is below its long-term trend.	
Hungary	Switzerland	Malaysia	Vietnam		The credit risk in the sector is poor / business performance in the sector is weak compared to its long-term trend.	
Ireland	Turkey					
Italy	UK					

Industry trends

Automotive

Motor vehicles and parts output	2022	2023*	2024*	2025*
Global	4.5	10.6	2.0	2.7
Americas	5.7	8.6	2.7	1.2
Asia-Pacific	4.6	10.7	1.8	3.6
Europe	2.6	13.1	1.6	2.3

Year-on-year, % change /*forecast – Source: Oxford Economics

Global registration of new light vehicles	2022	2023*	2024*	2025*
Global	-0.7	6.5	4.3	3.8
Combustion engines vehicles	-8.9	-2.0	-5.9	-4.0
Electric vehicles	62.4	30.8	32.4	18.2
Hybrid vehicles	18.5	37.5	23.2	15.7

Year-on-year, % change /*forecast – Source: Oxford Economics

Strengths and growth drivers

Emerging markets. Low vehicle density and a growing middle-class in emerging markets is driving demand, especially in Asia.

Green transport. New model launches and ranges, decreasing prices, purchase incentives and CO2 reduction policies will drive demand.

New technologies. Level 3 self-driving cars will hit the roads in 2023. McKinsey predicts the autonomous driving car market could reach sales of USD 400 billion by 2035.

Constraints and downside risks

Geopolitical risks. The sector relies on a global network of suppliers and is vulnerable to protectionism, tariffs and disruptions.

Advanced market demographics. High vehicle density and aging populations imply a decrease in future demand.

New players. Tech companies and start-ups are disrupting the EV market, creating new competitors for traditional automotive manufacturing.

Supplier obsolescence. Manufacturers of combustion engine vehicle parts will need to change or face extinction.



Automotive outlook Americas

North America: Automotive key figures	2022	2023*	2024*	2025*
Production index (real)	5.6	9.7	2.6	1.1
Gross output (sales) (real, USD)	-0.1	13.3	2.3	1.2
Investment (real, USD)	7.1	9.9	2.2	2.7
Gross operating surplus (profits), (nominal USD)	14.4	17.9	-0.3	1.3

Year-on-year, % change /*forecast – Source: Oxford Economics

USA

After a surge this year, the USA's automotive growth will be modest moving forward through 2024 and 2025.

We expect automotive output to increase 9.6% in 2023, followed by a 4.3% increase in 2024, supported by a steady recovery in inventories and order backlogs. However, ongoing industrial action in the industry is a major downside risk to this outlook.

Car sales are forecast to grow 13.3% in 2023, slowing to 2.3% in 2024. However, both years represent growth after the 9.6% contraction seen in 2022.

This slowdown in growth is likely to last through much of 2024. However, the longer-term growth outlook is fair, buoyed in large part by growing demand for electric vehicles and government support for green industry.

Inflation Reduction Act

In the mid-and long-term, the Inflation Reduction Act will support EV production and sales growth and is likely to attract significant new investment. The Act aims to reduce reliance on imports and to encourage domestic investment in areas such as batteries and chips. The new rules will award credits based on the location of battery components and minerals production domestically or in countries that are US free trade partners. Investment is already underway in battery and EV production in North America, even at the expense of investment in other regions.

Industry performance forecast	
	Brazil
	Canada
	Mexico
	USA
	Excellent The credit risk situation in the sector is strong / business performance in the sector is strong compared to its long-term trend.
	Good The credit risk situation in the sector is benign / business performance in the sector is above its long-term trend.
	Fair The credit risk situation in the sector is average / business performance in the sector is stable.
	Poor The credit risk in the sector is relatively high / business performance in the sector is below its long-term trend.
	Bleak The credit risk in the sector is poor / business performance in the sector is weak compared to its long-term trend.



Automotive outlook Asia Pacific

Asia Pacific: Automotive key figures	2022	2023*	2024*	2025*
Production index	4.6	10.7	1.8	3.6
Gross output (sales) (real, USD)	4.1	11.2	1.3	3.6
Investment (real, USD)	5.7	13.8	1.9	3.2
Gross operating surplus (profits), (nominal USD)	-13.5	1.0	0.2	12.1

Year-on-year, % change / *forecast – Source: Oxford Economics

China

Although domestic demand remains sluggish amid weaker economic conditions and low consumer confidence, growth in the EV segment is strong.

We expect Chinese automotive output to grow by 9.7% in 2023 and 4.0% in 2024, largely supported by export growth.

Domestic car sales are forecast to increase annually by only 0.9% in 2023 and 2024. A severe property market downturn remains a downside risk.

EV growth is robust, with local brands increasing their domestic market share and expanding overseas. The current tax incentive on passenger cars has been extended until end of 2027 for electric vehicles, with a phased reduction in support.




















However, the booming of EV market has attracted many new players, leading to increasing competition. A lot of smaller businesses are not yet breaking even due

to high input costs and are heavily reliant on external funding by investors. Without continuous capital flow, those firms could quickly fail. Additionally, the EU Commission has started an investigation into alleged state subsidies for Chinese EVs, and is threatening to impose punitive tariffs on imports.

Long-term outlook is good

The long-term outlook for production and sales is good, thanks to the enormous market potential. Low market saturation and a growing middle-class provide many opportunities for new sales. In China, the average level of car ownership amounts to about 200 cars per 1,000 people (compared with about 800 cars per 1,000 people in the US).

Industry performance forecast

 Australia
 China
 Hong Kong
 India
 Indonesia
 Japan
 Malaysia
 New Zealand
 Phillipines
 Singapore
 South Korea
 Taiwan
 Thailand
 Vietnam
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Automotive outlook Europe

Europe: Automotive key figures	2022	2023*	2024*	2025*
Production index	2.6	13.1	1.6	2.3
Gross output (sales) (real, USD)	5.3	12.3	1.4	2.3
Investment (real, USD)	6.1	13.0	2.6	4.2
Gross operating surplus (profits), (nominal USD)	-7.7	27.1	3.0	3.9

Year-on-year, % change /*forecast – Source: Oxford Economics

Europe

Despite lower inflation and a gradual recovery in real wages, increased interest rates continue to dampen consumer spending and investments.

Although we expect automotive output in Europe to increase by 13% in 2023, order backlogs have started to decrease substantially over the past couple of months, and economic conditions remain weak. We expect both production and car sales growth to decrease sharply in 2024. Persistently high inflation and component shortages remain downside risks.
























Growth of electric vehicles in Europe

So what about electric vehicles, can these drive the industry in the same way as they are predicted to do in the USA and China? Currently high pricing and a lack of charging

infrastructure make EVs less appealing in the short term, but we expect this segment to grow strongly in the mid-term and longer.

The share of hybrid and light EV production in the eurozone is forecast to reach 80% of total automotive production by 2027, compared with a 50% share of this segment globally.

However, favourable subsidies under the US Inflation Reduction Act have raised competitiveness concerns. And the shift away from internal combustion engines will reshape the industry and its competitive structure in Europe. This poses a major challenge for the bulk of small-and medium-sized suppliers.

Industry performance forecast	
	Austria
	Belgium
	Czech Republic
	Denmark
	France
	Germany
	Hungary
	Ireland
	Italy
	Netherlands
	Poland
	Portugal
	Slovakia
	Spain
	Sweden
	Switzerland
	Turkey
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