

## A Look at the Automotive Industry in 2022

It's been a tumultuous twelve months, and every industry has been affected. Whilst the easing of restrictions and vaccines have meant recovery in some areas, it's been a more complex story in others.

The automotive industry has had an eventful 2021 with manufacturers and sellers having to react to a changing market. Of course, these have dictated the behaviour of consumers too. Let's look back on a year of ups and downs and examine where we are as an industry going into 2022.

### Supply Issues

One of the biggest challenges of the year was coping with reduced production of new cars. The previous year saw worldwide car production reach their lowest levels since 1984. Many manufacturers have been forced to reduce their output – for example in September [Toyota cut production by 40%](#), building 540,000 cars instead of the planned 900,000. Renault, BMW, Nissan, Ford and more followed suit.



You may be familiar with the reason for all of this: the semiconductor shortage. With electronics controlling almost all of the major functions of a car, they've become the bottleneck that has throttled the market (a modern car utilises between 1,500 and 3,000 semiconductor chips). We should be prepared to live with shortages for the foreseeable future, with Intel's Chief Executive [warning it could be two years](#) before supplies return to normal.



The most obvious effect of this is that many vehicles now have much longer delivery times, with many dealers warning of waits longer than forty weeks for some models. Discounts are also getting rarer too, having to make the most out of every sale. Any semiconductors that can be procured are also being funnelled to the most profitable cars, further limiting consumer choice.

Manufacturers have tried to sidestep shortages, altering designs to require less chips. Smart features have been a major casualty of this: Peugeot 308s are being produced with traditional speedometers instead of a digital instrument cluster, Nissan cut the number of vehicles with built-in navigation and Chevrolet are even building trucks without fuel economy modules. Tesla even [rewrote their onboard software and offered customers IOUs on USB ports](#) to keep up with demand. The risky play worked – they became the 5<sup>th</sup> company globally to be valued at \$1 trillion.

It's been a tough year on both sides of the sales process. Naturally, this has driven massive growth in another area of the industry...

### The Used Car Explosion

With new cars being more difficult to buy, people are flocking to used models. There's been a huge boom, with some models actively gaining value over the last two



years – unprecedented outside the classic car market. Online-only dealers like Cinch and Cazoo further drove the demand, spending small fortunes on their marketing budgets and rapidly growing their userbases.

Other factors are in play, of course: new drivers who turned of age during lockdown are eager to gain their licence and own their own car, while older individuals are looking for more freedom and adventure after months indoors. Many are also looking to avoid public transport, seen as a major vector for coronavirus infection.

The top ten most popular cars listed on AA Cars have [had price increases of up to 46%](#) over the last two years. The top honour goes to the Audi A3, with the Ford Focus rising 43%, the VW polo at 34% and the Nissan Qashqai at 33%. Many dealerships are seeing their most expensive cars sell the quickest, able to comfortably profit from this unusual meeting of supply and demand.

The forecast for this situation is irreparably linked to global shortages: expect prices to remain high for the foreseeable future, until more than a select number of models from each manufacturer gets their share of chips. In fact, they may continue to rise if there's not enough replacement second-hand cars to fill the empty spaces in the forecourts.

Despite both of the above points, there has been some good 2021 news. The future may finally be here.

### The Rise of Electric Vehicles

The 2030 ban on the sale of petrol and diesel cars is fast approaching, and 2021 showed that the public is coming onboard as electric vehicles saw one of their biggest years ever. Out of the 1.6 million cars registered, 453,000 were hybrids, plug-in hybrids and electric vehicles – that's 28% of all new cars. More were sold in that 12-month period than the previous five years combined.



To give some idea of their popularity: one of the biggest selling cars of the year was an EV: the Tesla Model 3; out of the 40,000 Vauxhall Corsa sold, 5,000 of them were the electric Corsa E; [Volkswagen Group's EV sales double in 2021](#); and [Audi reporting a 58% growth](#) of zero-emissions vehicles. Some are even predicting that [electric sales will overtake petrol by as soon as 2025](#).

The fact that these numbers are so high despite the shortages show that people are not only eager but prepared to make the change to a fully-electric car. There's more information than ever – from the passionate community of drivers and manufacturers – about how to fully utilise and properly take care of EVs, and this will only continue to grow as more switch fuels.

There's still a long way to go before they become truly mainstream: the price point is still steep compared to similarly-spec petrol and hybrid models, and there's still the precepted low range of EVs. The government support for electrifying roads has been mixed, announcing that every [new house built will require a charge point](#) but [continually cutting the EV purchasing grant](#). A lot needs to be done to address one of the major roadblocks for consumers looking to switch: the scale and reliability of the charging network. According to Zap Map, there are almost 29,000 devices (compared to 23,000 last year), but more needs to be done to educate and reassure the general public about charging on the road.

## Conclusion

Overall, it's been a year of adaptation. After a year of pandemic living, plans for both consumers and companies have had to change, faced with the idea that 'normal' may still be a distance away. Many go into 2022 on a waiting list, while others forgo new cars for nearly-new second-handers.

The biggest success of the year is clearly seen in the country's continued switch to eco-friendly cars. The upward trend is heartening – especially with both consumers and manufacturers embracing them – but the true test will be in expanding the infrastructure and onboarding those on the fence. Prices will naturally fall in time and second-hand vehicles will be more available, but more can be done to help make others confident that electric is right for them.



If you're looking to make a change in 2022 we have new, used and leased cars of all engine types, with exclusive savings for our serving Armed Forces and military veterans. Browse our selection now at <https://www.police.motorsourcegroup.com/CNC>