Press release

THE AUTOMOTIVE MANUFACTORING SECTOR IS REPORTING SERIOUS SUPPLY CHAIN ISSUES AND PRICE HIKES FOR MICROPROCESSORS, STEEL AND PLASTIC COMPONENTS

Lack of supply is leading to an alarming increase in delivery times, slowing down production flows and resulting in obvious price increases.

Turin, 10th February 2021 – Since the beginning of the year, the automotive sector has been sounding the alarm about difficulties in obtaining supplies of steel, raw plastic materials, and microprocessors - the latter being essential components in-vehicle electronics.

In the case of steel and raw plastic materials, there have been significant price increases since the beginning of 2021, affecting flat products and laminates in the first case, and ABS (acrylonitrile-butadiene-styrene), PA6 (polyamide 6), PA6.6 (polyamide 66) and PP (polypropylene) in the second.

The lack of supply in the industry for microprocessors has forced several car manufacturers and first-tier suppliers to halt production at plants throughout Europe. If this situation, which is mainly due to the downsizing of production volumes by leading companies in the Far East, were to continue, the risk of negative impacts on the European automotive industry in terms of employment would be exceptionally high, adding to the problems that already exist in this critical phase regarding the management of the COVID-19 pandemic.

Regarding both steel and raw plastics, we face a situation of imbalance between supply and demand. This situation was predicted at the end of 2020, but what is more worrying, is the scale of the problem over the last few weeks. Shortages of the materials are causing delivery times to become dangerously long, in some cases even trebling and thus threatening the ability of some companies to meet the demands of their customers, leading to delays, and risking significant financial losses.

Among the factors that are thought to be driving this trend is China's uptake of a large proportion of the world's raw material supply, and the need to replenish its stocks before the upcoming Chinese New Year shutdown. Again, looking at the Far East, it is likely that the current unavailability of containers, insufficient in numbers due to an unexpected upturn in trade in some countries, primarily China, and cancellations by logistics operators of new unit orders in the first half of 2020, the lockdown period, has also contributed to this problem.

In an economic situation as delicate as the one we are currently experiencing, with a gradual recovery after the 'annus horribilis' of 2020 and with the pandemic still raging, plus a historical phase of radical change in the automotive sector, what is happening is an additional challenge facing the industry.

Regarding the European steel production sector, between June 2020 and January 2021, we have seen price increases of over €300 per tonne, with projections showing no signs of decreasing. After the impact of the COVID-19 crisis, major steel producers in the EU restarted production very gradually, perhaps waiting for a stable trend of recovery in demand, resulting in delivery times inconsistent with the schedules of major sectors, including the automotive industry.

It is essential that, regarding the steel market, the extension of safeguard measures on imports of certain steel products into the EU, introduced in 2018 in response to US duties and due to expire on, 30th June 2021, is avoided at all costs. Under these measures, for 28 categories of steel products, grouped into three families (flat products, long products, and tubes), tariff quotas were introduced by country of origin and global tariff quotas per quarter, after which an additional duty rate of 25% is added.

These are measures that involve additional costs that are no longer justifiable or economically sustainable for Italy's manufacturing base. Considering that the socio-economic crisis triggered by the pandemic has disrupted global macroeconomic patterns and led to a sharp reduction in consumption and production at a national level, the conditions that had led to its implementation have disappeared.

For more information: ANFIA Press Office
Miriam Gangi – m.gangi@anfia.it
Ph. +39 011 5546502
Mob. +39 338 7303167

The Automotive Production Chain in Italy
5,546 companies
278,000 employees (direct and indirect), more than 7% of the employees in the Italian manufacturing sector
106.1 billion Euros of turnover, which means 11% of the Italian manufacturing sector turnover and of 6.2% of the Italian GDP
76.3 billion Euros of tax levy of motorization