

S&P Global Mobility forecasts 88.3M auto sales in 2024

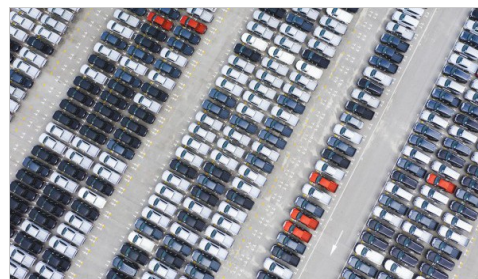
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As 2024 approaches, S&P Global Mobility forecasts 88.3 million new vehicle sales worldwide next year as the recovery rolls on. With the brakes off the supply chain, the risk to further growth is that demand momentum fades as consumer uncertainty overtakes pent-up demand.



Source: Getty Images

Global new light vehicle sales in 2024 will see a 2.8% increase year-over-year, according to a new forecast by S&P Global Mobility. The light vehicle output recovery continues to feed inventory restocking efforts across many regions, as supply chain and demand is further recovering, supported by lingering pent-up consumer demand. S&P Global Mobility remains wary on recovery prospects, however, with consumer demand challenged by elevated vehicle pricing alongside challenging credit and lending conditions.

The forecast outlook incorporates stickier interest rates, improving supply chains, [the affordability squeeze](#), lofty new vehicle prices, patchy consumer confidence, energy price/supply concerns, auto lending risks, and ongoing electrification growing pains.

"2024 is expected to be another year of cagey recovery, with the auto industry moving beyond clear supply-side risks, into a murkier macro-led demand environment," said Colin Couchman, executive director of global light vehicle forecasting for S&P Global Mobility. "A major concern is how 'natural' EV demand will fare as governments consider scaling back interventionist policy support - especially for incentives and subsidies, industrial policy, and OEM planning targets."

Full-year 2023 global light vehicle sales - projected to reach nearly 86.0 million units by S&P Global Mobility - represent a 8.9% increase from 2022 levels, with new auto demand benefiting from ongoing output gains from restocking inventories as supply chains normalize.

Market-by-market forecasts

Europe: Wrapping up 2023, solid Western/Central European market momentum should deliver 14.7 million units (+12.8% y/y), as improved vehicle production levels help delivery times and inventory recovery. For 2024, S&P Global Mobility forecasts 15.1 million units, up by 2.9% y/y - reflecting economic recession risks, tighter credit conditions, easing pent-up demand, still-high car prices, and tapering EV subsidies.

"Key challenges for Europe include the dynamic electrification transition, alongside wait-and-see customers, lurking Chinese OEMs, energy woes, and looming EU elections," Couchman said.

United States: US sales volumes are expected to reach 15.9 million units in 2024, an estimated increase of 2.0% from the projected 2023 level of 15.5 million units.

"Just when the auto industry is looking to return to a sense of normalcy from the supply side of the equation, US consumers in the market for new vehicle in 2024 will continue to face affordability issues by way of high interest rates, tight credit conditions and slow-to-recede new vehicle prices," said Chris Hopson, manager of North American light vehicle sales forecasting for S&P Global Mobility. "An uncertain consumer translates to an expectation of a mildly progressing auto sales environment next year."

"With an assumption that auto production levels will continue to advance in 2024, growth of new vehicle inventory presents the opportunity for rising incentive levels and deal making - a potential

release valve to the vehicle price pressures realized over the last year," Hopson added.

With the rollout of several highly anticipated models, US BEV sales will continue to develop in the new year. By the end of 2024, there will be nearly 100 BEV models available, double the number there were in 2022, covering several more segments and providing consumers interested in an electric vehicle even more choice.

Mainland China: For the year ending, the CNY100 billion extension of New Energy Vehicle (NEV) incentives and recovering local vehicle production supporting domestic sales, 2023 should see a recovery to 25.3 million units (+4.9% y/y), according to S&P Global Mobility. For 2024, the market will continue to be supported by pent-up demand with gradual improvement of consumer confidence - which has not fully recovered to pre-pandemic levels. 2024 demand is forecasted at 26.4 million units, up a further 4.2%.

Mainland China NEV affordability is likely to further improve in 2024 with local battery cell prices already declining significantly through 2023. Coupled with NEV tax exemption into 2024-2025, NEV penetration (as % of passenger vehicles) is projected to further increase to 44% in 2024, from 36% in 2023.

2024 production outlook downshifting towards traditional demand-driven model

On the manufacturing side, global light vehicle production in 2023 is expected to finish at 89.8 million units - a healthy 9.0% improvement over 2022 levels that exceeds expectations in several regions, further building on implied inventory restocking. This marks a welcome return to pre-pandemic levels of production on a global basis, powered by gains in mainland China and India.

S&P Global Mobility continues to see a general production outlook that is reliant on a more traditional demand-driven model. As we transition to 2024, with inventories reaching equilibrium in many markets, global production growth is expected to slip into a mild reverse as the industry navigates recovery after a tumultuous several years. For 2024, S&P Global Mobility forecasts light vehicle production levels to decline by 0.4%, to 89.4 million units.

"Vehicle output levels are flirting with the top of the current cycle, with faster-than-expected inventory restocking potentially colliding with real-world consumer demand levels," said Mark Fulthorpe, executive director of global light vehicle forecasting for S&P Global Mobility. "During 2023, vehicle production has benefitted from a virtuous cycle of improving supply chains and strong order backlogs. As these conditions recede, manufacturing will have less support."

In mainland China, S&P Global Mobility forecasts effectively flat production levels for 2024, down 0.1%, at 28.3 million units. With inventories largely restored to pre-crisis levels and fragile domestic demand, further export gains are expected to provide the main positive effect.

Europe is expected to produce 17.4 million units in 2024, off by 1.8% from an estimated 17.8 million this year. Like in mainland China, inventory levels are estimated to be restored close to pre-crisis levels and will provide little upside in an environment marked by diminishing backlogs and weaker incoming demand. Growing imports from China are also expected to be felt.

For the North American region, overall production is expected to make a small gain, 0.5%, at 15.7 million units - boosted by 3.9% growth in US activity. Inventory restocking continues to provide an upside, but it is not uniform, with pockets of the Detroit-3's lineup overstocked while Japanese and Korean brands still have a pipeline to fill.

While supply chain conditions have undoubtedly improved since 2022, we continue to warn of a structural deficit in capacity for semiconductors, notably older mature nodes. There was theoretical overcapacity in 2023 as demand from other industries eased, but there remains a risk that constraints could resurface once demand from other sectors recovers.

"We do not foresee chip supply problems in 2024 as allocation for automotive is robust and is bolstered by recent stockpiling of chips by the vehicle makers," said Jeremie Bouchaud, director, semiconductor, E/E and autonomy practice, S&P Global Mobility. "But 2025 could be a bottleneck if non-automotive demand comes back strongly."

Electrification shift looks unstoppable despite near-term uncertainty in Europe & US

The past few years have seen many OEMs reaffirming electrification ambitions for the coming five to 15 years. More recently the narrative has shifted, with some automakers highlighting the twin challenges of the electrification transition—scaling output of sellable BEVs and finding willing customers to buy them.

Reports of the demise of electric vehicles have been greatly exaggerated, and S&P Global Mobility projects global sales for battery electric passenger vehicles to be on track to post 13.3 million units for 2024 - accounting for an estimated 16.2% of global passenger vehicle sales. For reference, 2023 posted an estimated 9.6 million BEVs, for 12% market share.

Beyond 2024, many questions remain in the electrification space, especially regarding charging infrastructure, grid power, battery supply chains, global sourcing patterns, [a swath of newly arriving EVs](#), and the appropriate level of policymaker support to help smooth the transition from fossil fuel to electric. For the time being, China's NEV policy, Europe's "Fit for 55," and the IRA in the US are the key mile markers for policymakers' visions for a greener mobility future.

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