

Automobiles & Parts: Impact of Chip Shortage

June 2022

Semiconductor supplies have not yet recovered from COVID disruption. This has caused problems for many industries, but the impact is becoming acute for manufacturers of automobiles and parts.

Figure 1 and 2 show credit trends and credit distributions for auto manufacturers in the main regions.

Figure 1: Credit Trend, Global, North America, Asia & Europe Automobile & Parts; May-20 to Apr-22

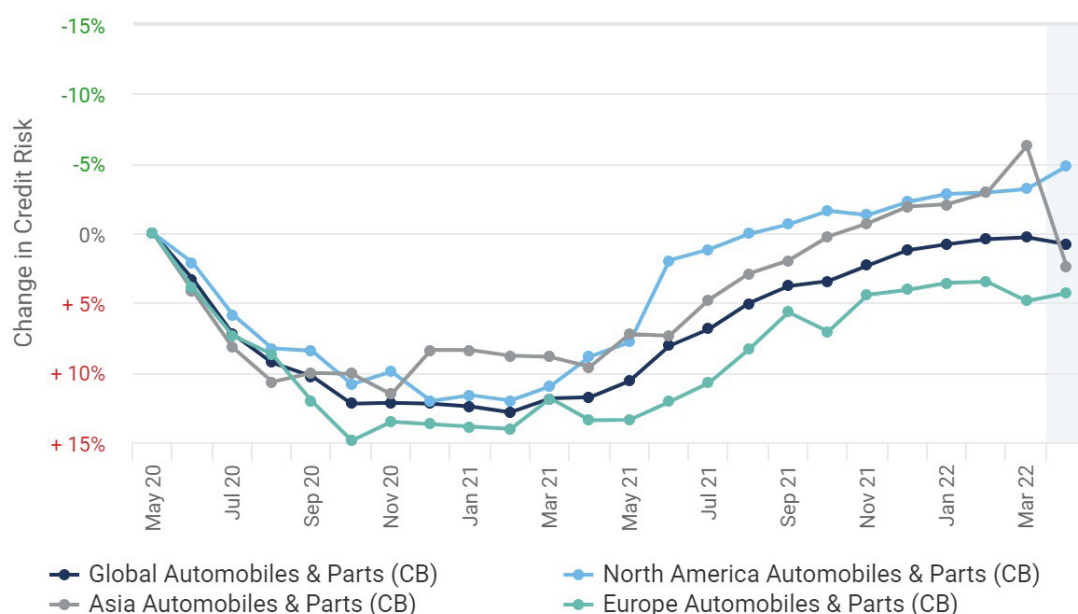
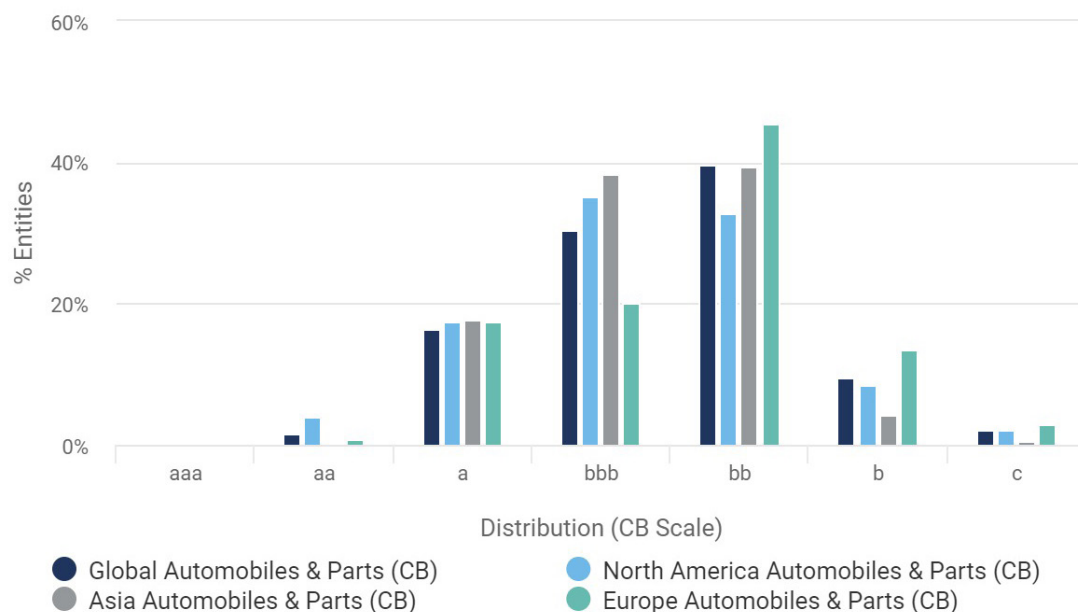


Figure 2: Credit Distribution, Global, North America, Asia & Europe Automobile & Parts; Apr-21 vs Apr-22

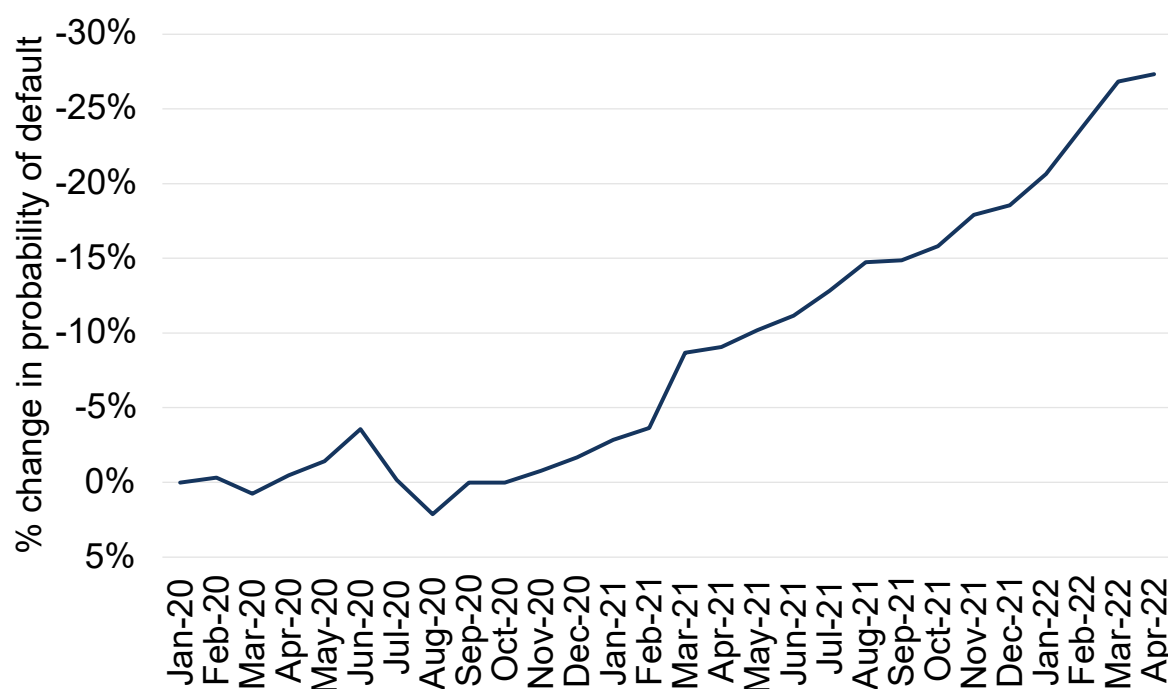


Auto-maker credit deteriorated during lockdown, but recovery began early as the public shunned public transport on health grounds. Credit has continued to recover as economies have reopened but it is now plateauing globally, with Asia turning negative again.

COVID disrupted supplies of labour and materials at all stages of car manufacture, but silicon chip supplies are particularly tight - bad news for automobiles, but good news for semiconductor firms.

Figure 3 shows the dramatically improving credit trend for 28 semiconductor companies in the [iShares Semiconductor ETF index](#) - 86% of these are now investment grade.

Figure 3: Credit Trend, 28 Semiconductor Companies Listed on the iShares Semiconductor ETF Index



But Taiwan Semiconductor has 50% of the [global semiconductor market](#) - so it is possible that recent military rhetoric from China over Taiwanese sovereignty has encouraged stockpiling.

Electric car technology is very semiconductor intensive, needing about [2,000 chips per vehicle](#), and demand is strong - registrations of battery electric vehicles (BEVs) and plug-in hybrids (PHEVs) have risen steadily, and government policies in Europe and China are increasingly [pro-EVs](#). But labour and supply shortages mean long waiting lists, with over a year for some electric models from [Porsche and Volkswagen](#) and many petrol models are also suffering long lead times.

Semiconductors are not the whole story - as new car manufacturing struggles with shortages of labour and general parts (with rising car thefts specifically aimed at scarce components), prices of second-hand cars have risen sharply. For example, UK used car sales [grew 11.5% YOY in 2021](#). Prices of second-hand cars have been rising sharply; since April 2020 UK used car prices have risen by [as much as 12%](#).

This is good for some dealers, but negative for online car dealers like Carvan ([ccc+](#)) and Cazoo ([b](#)) which have recently announced staff layoffs against a backdrop of [plummeting valuations](#). Consumer cutbacks combined with easing of COVID restrictions have dented [online car sales](#), and online listings have also dropped as professional dealers Hoover up any surplus stock.

The shortage of new cars and parts has affected car rental supplies – existing stock is not easy to repair or replace, and demand is growing as tourism recovers with COVID restrictions easing from mid-2021 onwards. Some drivers, expecting WFH to be permanent, sold their cars to take advantage of the spike in second hand prices; now they can either pay up for a replacement or rent for special occasions - but rental rates have spiked, so the global car market is [effectively in backwardation](#).

Figure 4 lists some car rental companies and their current Credit Consensus Rating (CCR).

Figure 4: Car Rental Companies

Car Rental Company Name	CCR	Country
AVIS BUDGET CAR RENTAL LLC	b-	United States
DONLEN FLEET LEASE FUNDING 2 LLC	a+	United States
ENTERPRISE RENT A CAR UK LTD	a	United Kingdom
GRANTHAM MOTOR CO LTD	bb	United Kingdom
HA FLEET PTY LTD	a+	United States
HERTZ CORP	b+	United States
INTERNATIONAL CAR RENTAL LTD	bb	United Kingdom
LOCALIZA RENT A CAR SA	bb	Brazil
SIXT RENT A CAR LTD	bb	United Kingdom

War in Ukraine has led to record petrol prices, but many drivers have no realistic alternative. And those who can are determined to hold on to traditions: Rolls-Royce reported that COVID spurred wealthy motorists to buy more Rolls-Royces than ever before – [because it made them realise life is short](#). In 2021, the luxury carmaker booked the highest annual sales in its 117-year history, selling [5,586 vehicles](#).

Despite higher costs of cars, parts, technology and fuel, petrol cars are likely to be around for some time yet.

Figures 5-9 show detailed credit trends for some of the affected companies.

Figure 5: [Broadcom Inc.](#), an American designer, developer, manufacturer and global supplier of a wide range of semiconductor and infrastructure software products.

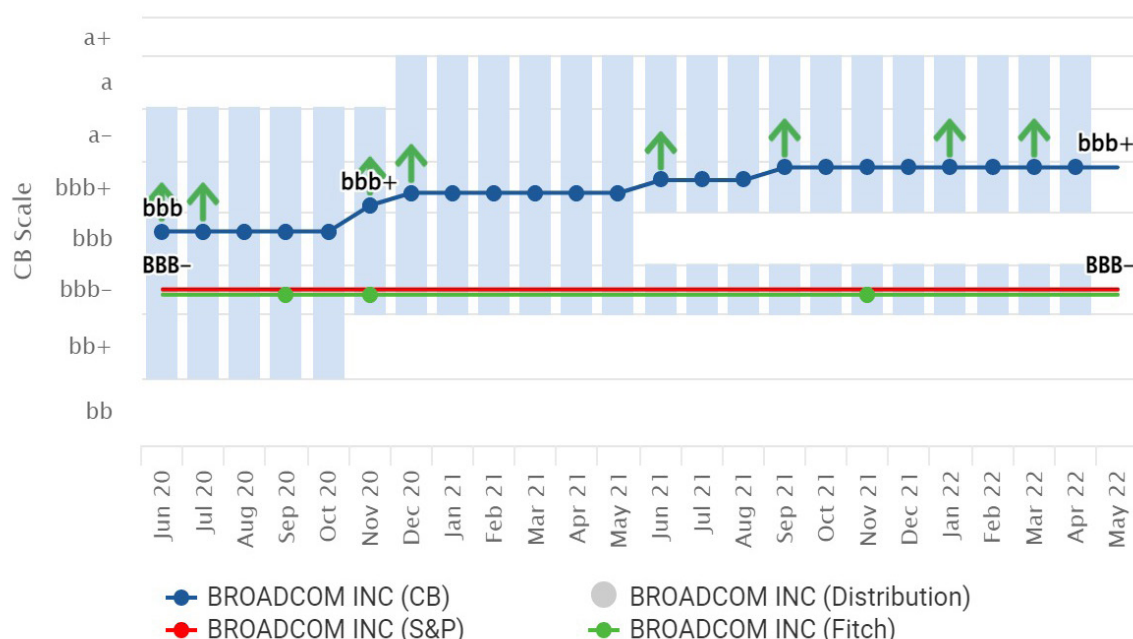


Figure 6: Jaguar Land Rover LTD, a British multinational automobile manufacturer which produces luxury vehicles and sport utility vehicles.

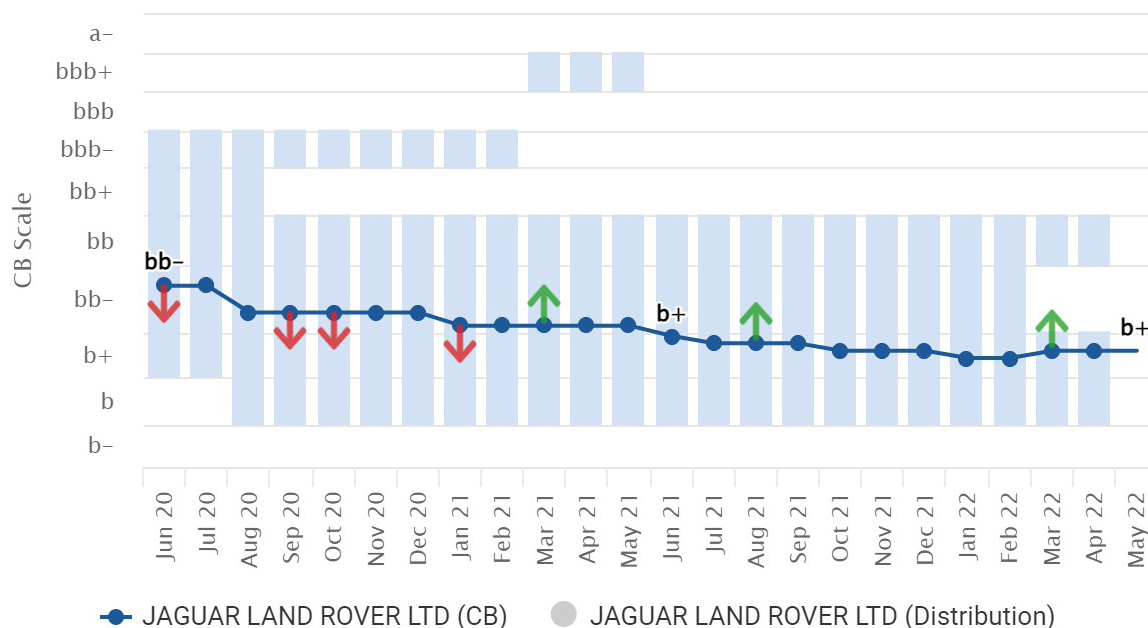


Figure 7: Dana Inc., is a leading automobile parts supplier of fully integrated drivetrain and electrified propulsion systems for all passenger vehicles.

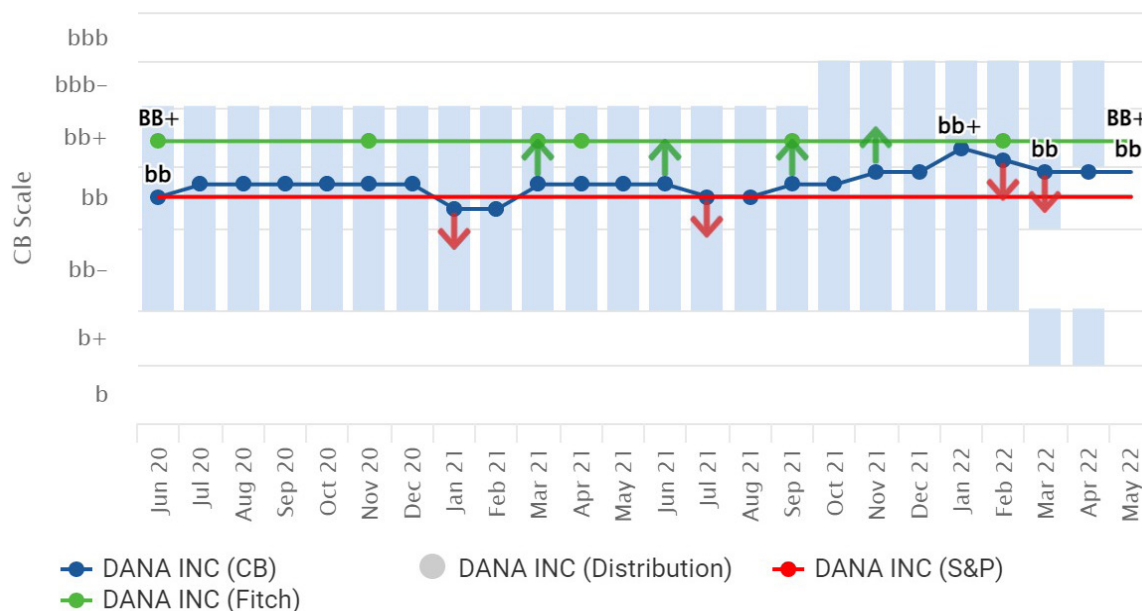
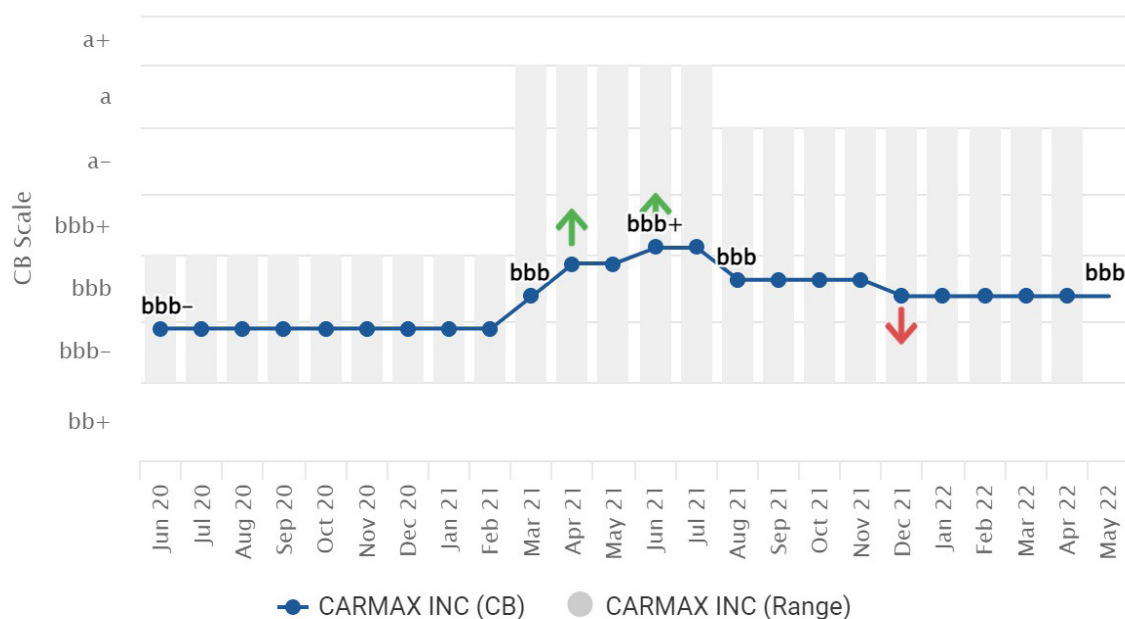
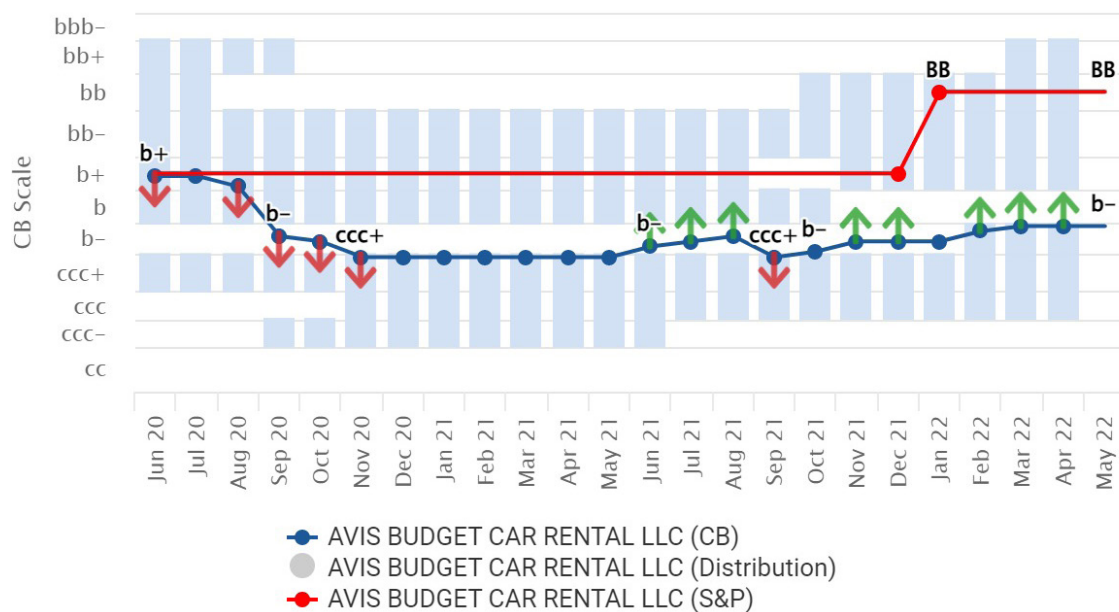


Figure 8: [CarMax Inc.](#), an online used vehicle retailer based in the United States – limited CRA information available.**Figure 9:** [Avis Budget Car Rental LLC](#), one of the world's largest car rental providers.

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- Credit Risk Management
- Systematic Credit Trading
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- Supply Chain Risk
- Trade Credit Insurance
- Fund Management
- Regulation, RWA & Capital
- Onboarding, KYC & Relationship Management
- Point-in-Time (PIT) Impairments
- Accounts Payable & Receivable



10 Million

Contributed Credit Risk Estimates Per Year
40 Million+ Estimates Collected Since Launch



60,000+

Entities Covered



2x

Twice Monthly Frequency



75%

Unrated by Major Credit Rating Agencies



1,200+

Aggregates



160+

Countries



80+

Months of Data



50+

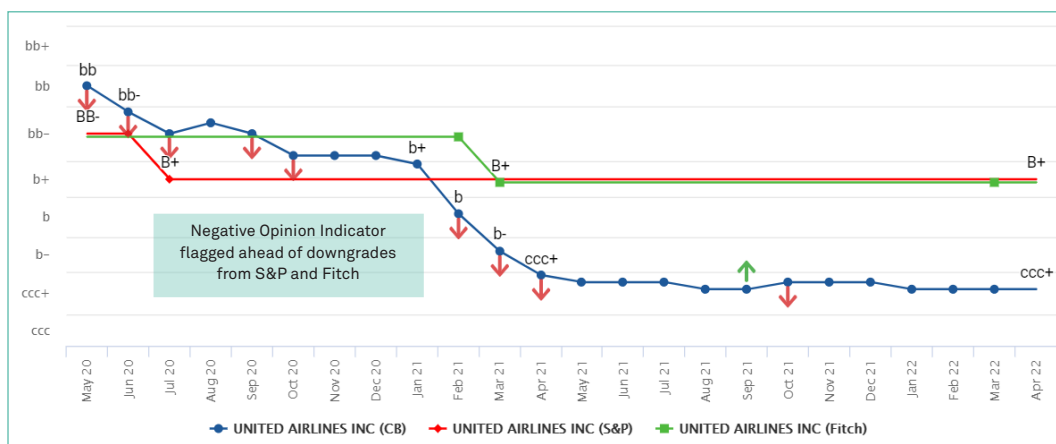
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Opinion Indicator: Month over month observation-level net downgrades or upgrades

Credit Benchmark Web App: Entity-Level Data Sample

Home Coverage Aggregates Single Name Lookup My Portfolios **BETA** Screener Reports **5** Contact Support

CB Screeners View All

Credit Strength Dampens Wildfire Risk
Focus on Australia
Credit Benchmark Coverage v. Agencies
Global Credit Recovery
Shifting Recreational Trends
Credit Benchmark Dislocations v. Agencies
Trade Credit Risk and Supply Chains
Credit Recovers as Lumber Prices Skyrocket
5G and Satellite Internet
Airlines Pulling Out of Credit Risk Tailspin

Quickly filter the database of 60,000+ legal entities

Build screener with criteria below:

S&P Rating is Unrated

Fitch Rating is Unrated

CCR is aaa aa+ aa aa- a+ a a- bbb+ bbb bbb-

Combine qualitative and quantitative fields to screen for entities that meet your criteria

Screen for public and non-publicly rated entities within specific geographies, industries, sectors and within your defined rating thresholds

44,628 Entities found

Save Run Clear All Criteria

Screeners

Start creating your first screener

Start

CBID	Entity Name	Credit Consensus Rating	S&P Rating	Fitch Rating
CB0000000009	IHS GLOBAL CANADA LTD	bbb-	Unrated	Unrated
CB0000000025	GYP HOLDINGS III CORP	bb	Unrated	Unrated
CB0000000080	GESTIELLE CEDOLA DUAL BRAND	a-	Unrated	Unrated
CB0000000087	TRANE TECHNOLOGIES LUXEMBOURG FINANCE SA	bbb+	Unrated	Unrated
CB0000000088	TECK HIGHLAND VALLEY COPPER PARTNERSHIP	bbb	Unrated	Unrated

Credit Benchmark Web App: Data Screen Sample

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