



AS IT IS

Carmakers Struggle With Electronic Parts Shortage

August 07, 2021

Carmakers -- including BMW, Fiat, Chrysler and Peugeot -- warned this week that the worldwide semiconductor processor shortage will continue in 2021 and **beyond**. The shortage has affected both production and sales of automobiles.

Last year, carmakers had to shut down plants because of the COVID-19 pandemic. Now they have to compete with the consumer electronics industry for the limited supplies that were also affected by the health crisis.

Automobiles have become increasingly dependent on processors, also known as chips. They are needed for computers to help engines with better fuel economy and assist drivers in emergency **braking**.

Without a good supply of chips, carmakers have centered production on higher-profit models. The higher prices keep their businesses going even though they are selling fewer cars.

Richard Palmer is the chief financial officer of Stellantis. The company sells cars under 14 **brands** including Fiat, Chrysler and Peugeot. He said the company did not expect chip supply to improve before the last three months of the year. That would mean a production loss of around 1.4 million vehicles for 2021.

BMW, so far, has been less affected by the chip shortage than others. That is because of its strong relations with its suppliers. But the German carmaker warned that there will be more problems during the second half of this year.

"The longer the supply **bottlenecks** last, the more tense the situation is likely to become," BMW chief financial officer Nicolas Peter said in a statement. "We expect production restrictions to continue in the second half of the year." Those restrictions will cause a lower number of sales, he added.

Slowing production

Carmakers such as Tesla and Ford have also warned that for the near future, a lack of chips is slowing production. "While we're making cars at full speed, the **global** chip shortage situation remains quite serious," Tesla CEO Elon Musk said last week.

German chipmaker Infineon Technologies confirmed the shortage on Tuesday. The company said the latest wave of COVID-19 cases slows the production of materials in Asia. And the amounts of goods available have now hit all-time lows.

Reinhard Ploss is the Chief Executive Officer of Infineon. He told economists that a sharp limit to supplies is hurting the recovery of worldwide car markets. He observed that "it will take time to get back" to a balance between supply and demand. "In our view, this will take until well into 2022," Ploss added.

The Ifo economic research group in Munich, Germany said Tuesday that the German car industry and its suppliers faced the worst chip supply shortage in 30 years. Its study showed that the shortage has affected 83 percent of companies, up from 65 percent in April.

Oliver Falck is an Ifo researcher. He said, "This is leading to production stoppages. The shortages of semiconductors will **persist** for some time to come."

I'm Jill Robbins.

Nick Carey and Douglas Busvin reported on this story for Reuters. Jill Robbins adapted it for Learning English. Hai Do was the editor.

Words in This Story

beyond – *prep.* outside the limits or range of

brake – *v.* to use the brake (a device for slowing or stopping something) on a vehicle

brand – *n.* a category of products that are all made by a particular company and all have a particular name

bottleneck – *n.* something that slows down a process

global – *adj.* involving the whole world

persist – *v.* to continue to occur or exist beyond the usual, expected, or normal time

What do you think of the current chip shortage? Has it affected businesses in your country? We want to hear from you. Write to us in the Comments Section.
