

Volkswagen AG**VW warns of big production hit as chip shortage worsens**

Carmaker's Spanish brand Seat says losses likely if supply chain woes bring more stoppages



VW says it does not have the factory capacity to recoup lost vehicle production numbers later in the year © David Ramos/Getty

Peter Campbell in London and **Daniel Dombey** in Madrid APRIL 24 2021

Be the first to know about every new Coronavirus story

Get alerts

Volkswagen has warned top managers to brace for a bigger production hit in the second quarter than the first because of the global chip shortage, according to the head of the company's Seat brand.

"We are being told from the suppliers and within the Volkswagen Group that we need to face considerable challenges in the second quarter, probably more challenging than the first quarter," Wayne Griffiths, president of VW's Spanish brand, told the Financial Times.

The warning raises the possibility of higher losses for the world's second-largest carmaker, which said last year it expected production output to fall by 100,000 vehicles in the first quarter of 2021 because of semiconductor shortages.

VW has already warned it does not have the factory capacity to recoup lost output later in the year.

Griffiths said that the shortage was the “biggest challenge” the company faces at the moment.

The steepening toll from the crisis is being felt across the industry, with shortages expected to hit production until the second half of the year.

Ford has in the last week closed a dozen facilities in North America and Europe, some for months, while Jaguar Land Rover will this week shut two of its UK factories.

Renault last week suspended production guidance completely, saying there was too much uncertainty in its supply chain, while Daimler cut the hours of more than 18,000 staff in Germany to cater to lower production levels.

Carmakers have already lost out on making hundreds of thousands of vehicles in the opening months of this year, with most large manufacturers announcing stoppages to production that analysts expect to cost the industry billions of dollars over the course of the year.

The crisis, which began last year but was exacerbated by the Texas storms and a fire at a Renesas chip factory in Japan, comes just as manufacturers were banking on a recovery in demand after the pandemic.

Griffiths, who took on the role last October, said that production at Seat’s Martorell plant outside Barcelona was currently “hand to mouth”, with the brand deciding which cars to build only after it receives chips from suppliers.

“The name of the game this year will be flexibility,” he said. Once the company receives its chips, it can decide which models to build, flipping between hybrid and traditional cars depending on the components it receives.

“We have to try to build when we get [chips] available,” he added.

Across the VW group, the company has announced stoppages at several plants, including last week partially halting output from its Slovakia plant that builds many of the company’s largest sport utility vehicles.

[Copyright](#) The Financial Times Limited 2021. All rights reserved.
