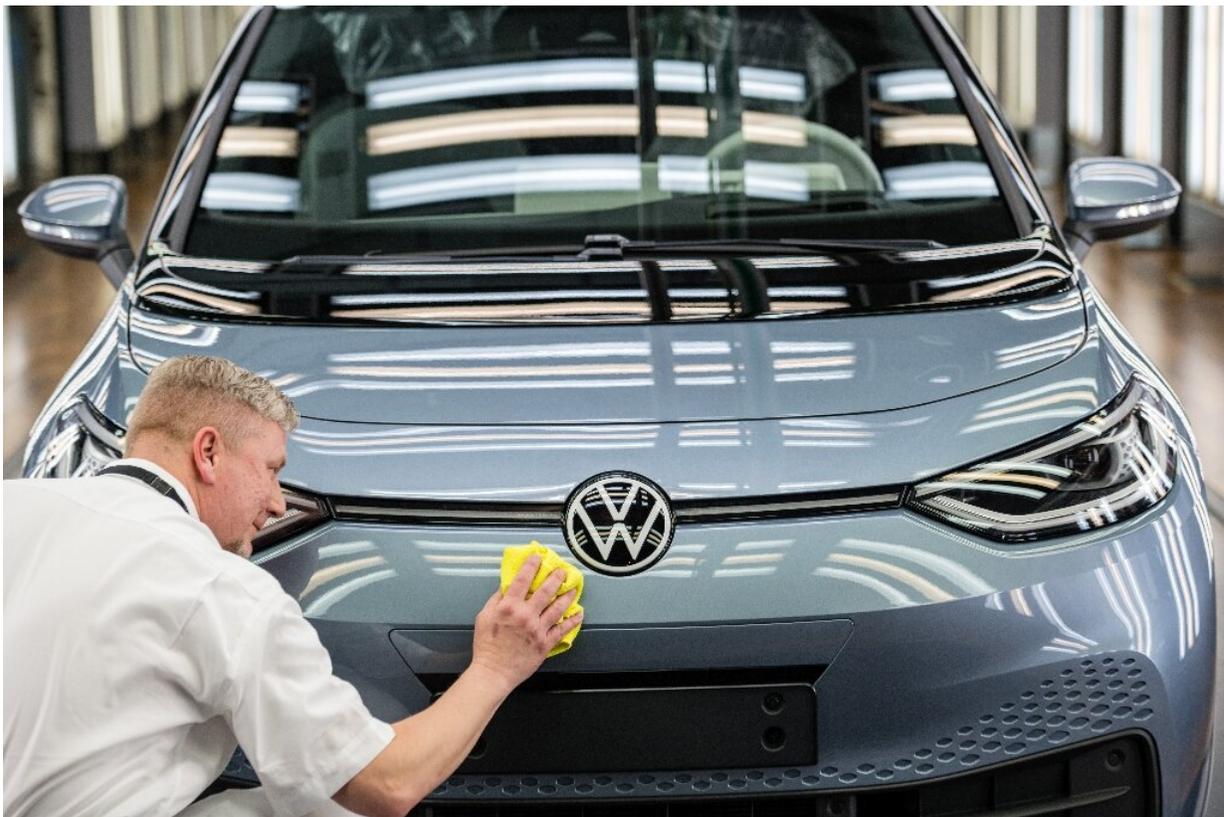


VW lowers car deliveries outlook over chip woes

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Volkswagen is betting its future on electric vehicles, like this ID 3.

German carmaker Volkswagen posted strong first-half profits on Thursday but cut this year's forecast for car deliveries over a worsening semiconductor chip shortage.

The 12-brand group—which includes Porsche, Audi, Seat and Skoda—said high demand for luxury vehicles had powered a "record" performance over the first six months.

Adjusted operating profits, before special items, reached 11.4 billion euros (\$13.5 billion), higher than the 10 billion achieved over the same period in pre-crisis 2019—the year before coronavirus lockdowns pummelled the auto industry.

VW said it had managed to contain the impact from the chip crunch so far, but the fallout was likely to be "more pronounced" in the third quarter.

Like other carmakers, VW has been forced to trim production at some plants because of the semiconductor supply disruptions, fuelled by a pandemic-driven surge in demand for home electronics.

The effects were already being felt in key market China, where VW said sales had slowed.

In a conference call with reporters, Diess said his teams had offset some of the lost production by "prioritising the semiconductors towards their higher profitable brands and markets".

With the semiconductor bottlenecks set to intensify, VW lowered the group's full-year deliveries forecast.

Chief financial officer Arno Antlitz said deliveries to customer were now expected to be up 10 percent on the year, down from a prior estimate of 15 percent.

But the group remained optimistic overall, buoyed by what Diess called a "record result" in the first half of the year.

"The premium segment performed especially well with double-digit returns," Diess said.

The group said it was now targeting an operating return on sales, a closely-watched measure of performance, of 6.0 to 7.5 percent for 2021. The previous goal had been 5.5-7.0 percent.

Diess also noted that VW's e-offensive was "picking up momentum", with 171,000 all-electric vehicles delivered worldwide over the first six months, a jump of 165 percent year-on-year.

The group, which is spending tens of billions of euros on the industry-wide shift towards greener cars, has set its sights on become the world leader in electric vehicle sales.

VW expects battery-powered cars to make up half its sales by 2030, and "almost 100 percent" by 2040.

VW shares were up 0.5 percent in midday trading, just beating the 0.4 percent overall gain on the DAX 30, but they trailed the gains of over 1.0 percent made by shares in German automaker rivals Daimler and BMW.

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