



Europe's Automotive Overcapacity Imperative:

Why Operational Excellence Is No Longer Enough

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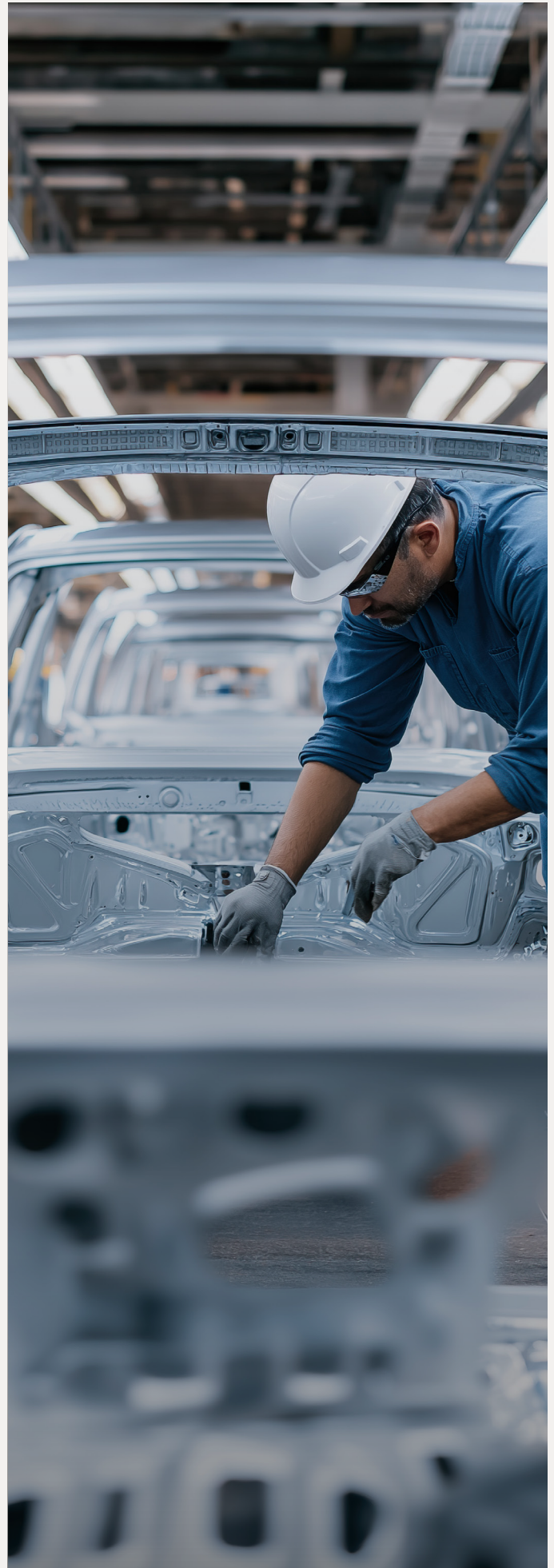
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Key Takeaways

- 1 Europe's automotive manufacturing footprint is structurally oversized.** At an 80% utilization benchmark, Europe faces **>20% overcapacity** – equivalent to ~5.4 million **vehicles** or the output of **more than 35 assembly plants**.
- 2 Utilization has structurally reset to ~60%. This is not a cyclical dip but a structural step-down in volumes that fundamentally undermines** fixed-cost absorption and the economics of today's plant networks.
- 3 Operational excellence alone will not restore competitiveness. In a structurally underutilized environment, advantage shifts to OEMs that actively manage utilization across the network** – aligning capacity to realistic demand, redefining plant roles, and increasing multi-model flexibility.



Europe's automotive scale advantage is turning into a strategic constraint

For decades, European automakers built one of the world's most powerful manufacturing networks – deep supplier ecosystems, highly skilled labor, and scale-driven efficiency. That footprint delivered competitiveness in a growth environment.

Today, the logic has inverted. Installed production capacity increasingly exceeds realistic demand by more than 5 million vehicles a year. Persistent underutilization is no longer a temporary inefficiency – it is structurally reshaping cost economics, profitability, and capital allocation across production networks.

This is not a cyclical downturn. European automotive manufacturing has entered a structurally lower utilization regime.

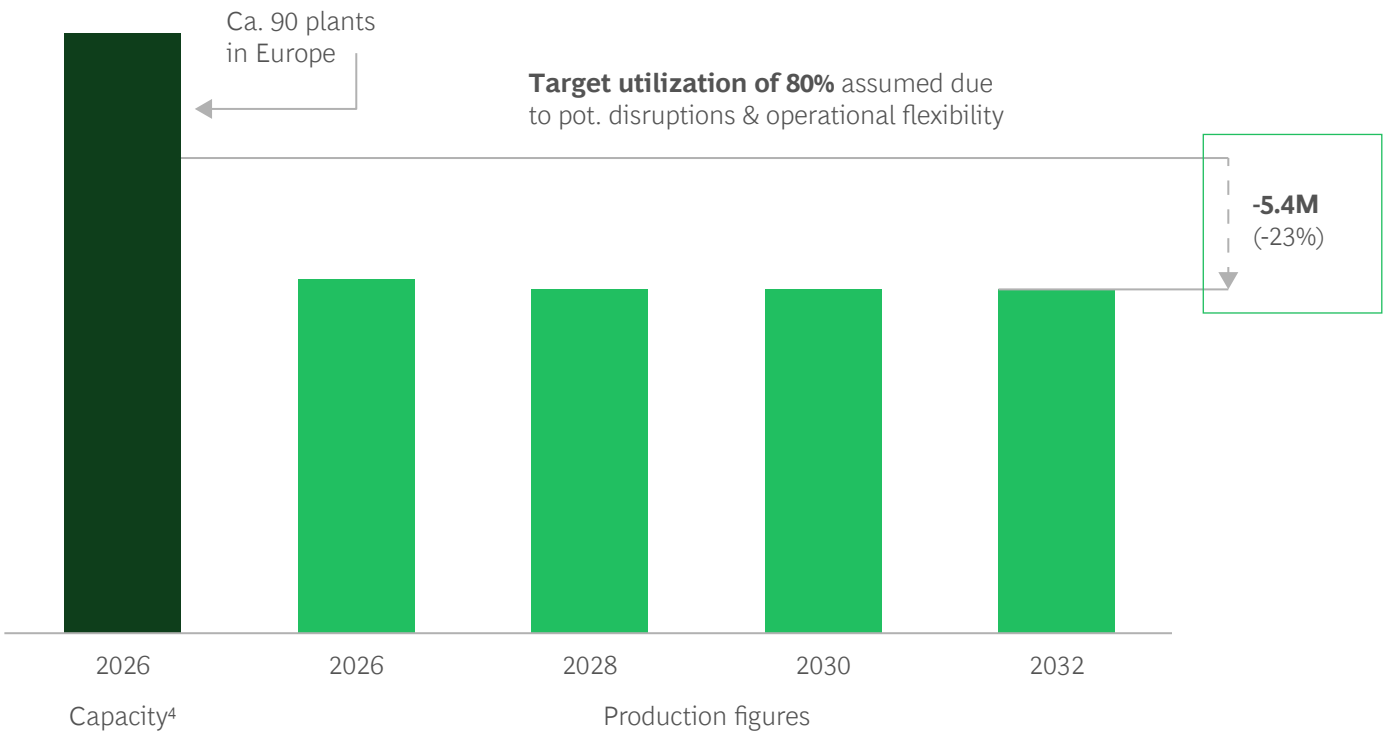
In this environment, manufacturing stops being a pure execution function. Utilization becomes a leadership issue – one that must be actively managed at network level.

The scale of the challenge is material.

EXHIBIT 1

Status quo | Europe faces > 20% automotive overcapacity within the next years – 5.4M vehicles equivalent to > 35¹ production sites

Production capacity 2026 vs. figures for Europe² passenger cars³ (M vehicles)



1. Values based on average plant production in 2025 of 0.15 M. 2. Vehicle-producing plants with >10,000 maximum capacity in 2026; all vehicle-producing plants amount to ca. 110; includes EU27 countries as well as Iceland, Norway, Liechtenstein, Switzerland & UK; Excludes Belarus, Russia, Turkey, Ukraine, Uzbekistan & Kazakhstan. 3. Excluding fuel cell. 4. Capacity = Maximum Capacity per S&P definitions.

The 80% utilization benchmark defines economic viability

In automotive manufacturing, “full utilization” is rarely the objective. Variants, maintenance, ramp-ups, and operational flexibility require headroom. That is why an average utilization level of around **80% has long served as** the pragmatic benchmark for economically viable automotive production networks.

Once utilization falls meaningfully below that threshold, the economics shift structurally – not incrementally. Three effects dominate:

- **Fixed-cost absorption deteriorates.** Even strong plant-level performance cannot offset rising cost per vehicle once volumes fall below the level required to absorb labor, depreciation, and overhead.

- **Network complexity becomes harder to fund.** Multi-platform footprints, parallel powertrains, and EV ramp-ups amplify the penalty of underutilization across the network.

- **Capital gets locked into legacy footprints.** Resources that should fund flexibility, automation, or next-generation platforms remain tied up in underloaded assets.

Below roughly 60% utilization, manufacturing stops being a pure execution function. It becomes a strategic constraint on competitiveness – one that must be actively managed at network level, not optimized plant by plant.



Utilization has structurally reset – this is not a cyclical dip

Across European OEMs, average automotive plant utilization is projected at roughly 60% – around 20 percentage points below the 80% benchmark.

More importantly, the data indicates a structural step-down following the Covid period, rather than a temporary dip within a traditional cycle. Volumes have reset to a lower baseline, and current forecasts suggest no structural return to pre-2020 utilization levels through the early 2030s.

Several structural forces reinforce this lower baseline: persistent demand volatility across powertrains and price points, constrained export outlets amid geopolitical fragmentation, intensified import competition, and sustained macroeconomic pressure on consumer purchasing power.

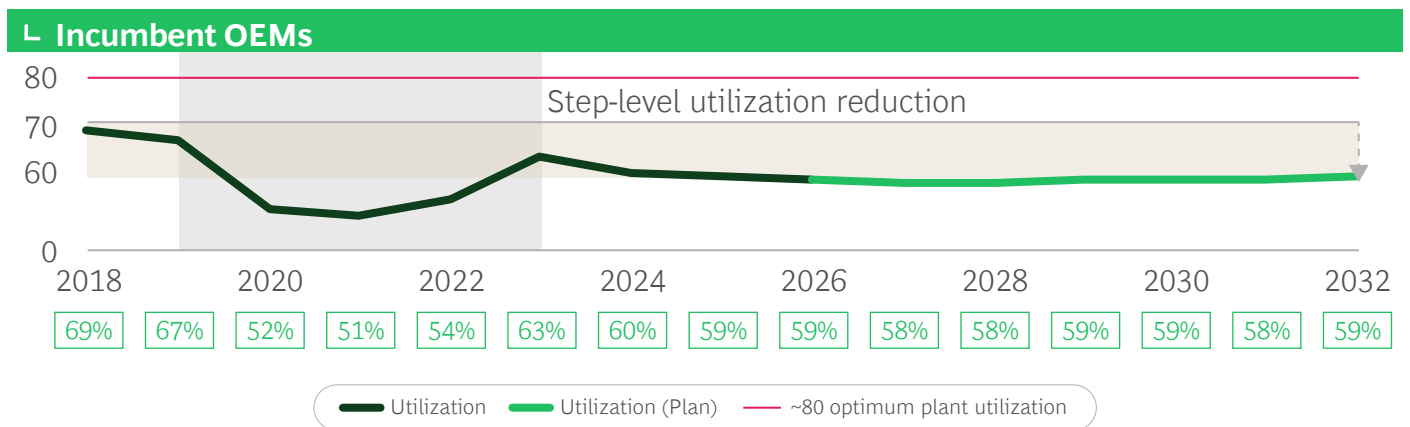
This distinction matters – and it changes what leaders must do next. Cyclical downturns can be managed through temporary measures – shift reductions, selective downtime, local cost optimization. Structural resets cannot.

Treating persistent underutilization as a short-term shock delays decisions that ultimately become unavoidable. As long as leadership assumes a rebound, capacity adjustments, role clarifications, and portfolio actions remain postponed.

The result is a prolonged mismatch between installed capacity and realistic demand – one that compounds cost pressure and constrains strategic flexibility year after year.

EXHIBIT 2

Europe – General OEM utilization | Incumbent OEMs utilization has reset well below ~80% optimal due to a step-down in volumes



Source: S&P Global Mobility LV Production Capacity Forecast (Jan 2026)

Overcapacity is unevenly distributed – and demands network decisions

Structural overcapacity is often discussed as a single regional average. In reality, utilization across European automotive networks is highly dispersed.

Across OEMs, average utilization ranges from **44% to 76%**. At the plant level within individual OEMs, utilization spans from **23% to above 100%**.

This dispersion fundamentally changes the nature of the problem. Overcapacity is not evenly distributed across the network – it is concentrated in specific sites, segments, and ongoing portfolio transitions.

As a result, underutilization is not primarily a question of plant efficiency. It is a question of volume allocation, model positioning, and role clarity across the network.

Some sites face persistent structural underload, while others approach capacity constraints. In such an environment, incremental local optimization cannot restore balance.

Production leadership must therefore decide how to reposition volumes and models across the footprint – and where structural capacity reductions are required to align installed capacity with the new volume reality.

Transitions explain underutilization – but do not replace the need for structural action

Persistent underutilization is often attributed to ongoing portfolio transitions – most notably electrification, parallel powertrains, and platform renewals. These shifts do affect plant utilization patterns.

However, transitions do not eliminate structural overcapacity. In many cases, they amplify it. Parallel powertrains require duplicate industrial footprints. EV ramp-ups often begin with cautious volume assumptions. Platform fragmentation increases complexity.

As a result, transitional dynamics can prolong underutilization rather than resolve it.

The critical leadership question is therefore not whether transitions explain current utilization levels. It is whether the production network is being actively repositioned to reflect realistic medium-term volumes.

Transitions require deliberate role definitions, volume reallocations, and – where necessary – structural capacity reductions. Waiting for stabilization is not a network strategy.



Overcapacity is global – but network alignment is local

Structural underutilization is not limited to Europe. Across major automotive regions, average plant utilization remains well below the 80% economic benchmark. Europe and the Americas converge around 60% utilization, while Asia operates even lower at ~52%, despite carrying the largest absolute installed capacity.

The implication, however, is not that excess capacity can be absorbed through global balancing. Automotive production is becoming increasingly localized, shaped by geopolitics, trade barriers, regulatory divergence, and regional supply chain clustering. Export smoothing is structurally constrained. Industrial policy and investment logic increasingly favor local capacity expansion – IRA-




driven plant additions in the US, NEV-policy-led capacity in China – further limiting the ability to rebalance excess capacity across regions.

In this environment, network performance must be managed region by region. Installed capacity needs to reflect realistic regional demand, not historical global allocation logic.

Global overcapacity does not reduce the urgency of action – it reinforces the need for deliberate local network alignment – across volumes, models, and structural capacity levels.

EXHIBIT 3

Global utilization comparison | With declining scale in Europe, competitiveness hinges on keeping local plants highly utilized

Europe 2025 ¹		Americas 2025 ¹		Asia 2025 ²	
Excludes Belarus, Russia, Turkey, Ukraine, Uzbekistan and Kazakhstan		Includes all countries on North and South American continent		Includes greater China, South Asia, Japan and Korea	
Optim. Capacity 80%	19 M	Optim. Capacity 80%	24 M	Optim. Capacity 80%	83 M
Volumes	14 M	Volumes	18 M	Volumes	54 M
Utilization Max. Cap.	59%	Utilization Max. Cap.	60%	Utilization Max. Cap.	52%
# Vehicles overcapacity ³	5 M	# Vehicles overcapacity ³	6 M	# Vehicles overcapacity ³	29 M
Global Utilization Max. Cap.		54%	Global # Vehicles overcapacity ³		40 M

1. Plants with max. capacity >10,000 in 2026 2. Plants with max. capacity >40,000 in 2026
Source: S&P Global Mobility LV Production Capacity Forecast (Jan 2026)

The competitive shift: from operational excellence to utilization leadership

For decades, competitive advantage in automotive manufacturing was defined at plant level – through productivity, quality, cost efficiency, and continuous improvement. In a growth environment, operational excellence was the primary lever.

That logic no longer holds. In a structurally underutilized environment, the decisive variable is not plant efficiency in isolation, but how effectively the production network as a whole is aligned with realistic demand.

The source of advantage shifts upward by one level – from optimizing plants to actively managing utilization across the network.

Utilization leadership means translating medium-term

volume realism into deliberate capacity and role decisions. It requires repositioning volumes and models across sites and clarifying which plants serve as strategic anchors, which provide flexible swing capacity, and which require structural repositioning or exit.

This shift fundamentally expands the mandate of production leadership. The question is no longer only how efficiently each plant operates, but how decisively the network is aligned with volume reality.

Operational excellence remains necessary – but it is no longer sufficient. In a structurally lower-volume world, competitiveness depends on utilization leadership.

What utilization leadership requires

If competitiveness now depends on utilization leadership, the mandate of production leadership shifts accordingly.

In a structurally lower-volume environment, three decisions determine whether a production network remains competitive – or structurally misaligned.

Set the utilization target. Competitiveness requires explicitly defining the utilization level the network is designed for – anchored in realistic medium-term demand assumptions. Without a clear target, capacity planning remains implicit, and structural misalignment accumulates over time.

Clarify plant roles. Not every site can serve as a long-term anchor. A competitive network requires clarity on which plants form the strategic core, which provide flexible

capacity, and which are misaligned with future volume realities. Role clarity enables disciplined volume allocation and portfolio alignment.

Act on structural capacity. Where installed capacity exceeds realistic demand, structural adjustments must follow – through volume repositioning, repurposing, partnerships, or exit. The differentiator lies in timing: proactive action preserves strategic flexibility, while delayed decisions narrow options.

The question, therefore, is not whether these levers exist – but how they are translated into a disciplined, fact-based decision process.

A battle-proven approach to network realignment

Structural network realignment rarely fails because of analytical gaps. It fails because decisions are delayed, fragmented, or insufficiently anchored at leadership level. Translating utilization targets, plant roles, and structural capacity adjustments into decisive action requires a structured decision architecture.

In our work with leading automotive manufacturers, three elements consistently differentiate successful network transformations from stalled ones:

Step 1: Network diagnosis

Establish full transparency across the production footprint – installed and technical capacity, realistic demand, cost structure, utilization dispersion, and internal best-cost benchmarking. This creates a common economic baseline and makes the demand–capacity gap explicit at board level.

Step 2: Scenario analysis

Translate structural options into quantified, decision-ready scenarios. This includes optimization moves, consolidation paths, repurposing concepts, partnership models, and divestment alternatives – each with clear impact, risk, and feasibility implications. Trade-offs become explicit – and comparable.

Step 3: Optimization execution

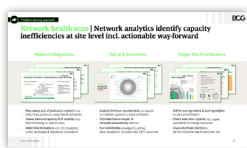
Anchor decisions in disciplined implementation. Depending on site economics and strategic role, this may include production optimization, majority sale, repurposing, or structured exit with social plans and asset disposals. Execution speed and sequencing determine whether structural intent translates into sustainable competitiveness – or erodes under operational compromise.

Ultimately, utilization leadership is not defined by analytical rigor – but by the willingness to act on its implications.

EXHIBIT 4

Battle-proven BCG approach | Achieving an efficient and resilient production network through a structured 3-step decision process

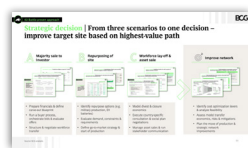
01 Network Diagnosis



Network health scan

to create transparency across the production network, including internal comparison and best-cost benchmarking

02 Scenario Analysis



Scenario comparison

translating optimization, transformation and divestment into decision ready scenarios incl. quantified impact and risks

03 Optimization Execution

O Optimization of production (cost, platform, complexity)



A Majority sale of production site to an investor



B Repurposing independently or via partnership



C Structured exit (incl. social plan and asset disposal)



Utilization leadership will define the next decade

Europe's automotive production network remains one of the most capable in the world. But scale without alignment turns from advantage into structural drag.

In a structurally lower-volume environment, incremental efficiency gains will not restore competitiveness. Structural alignment will.

The differentiator is no longer production excellence in isolation. It is utilization leadership – the ability to align capacity with realistic demand, define clear plant roles, and act decisively on structural overcapacity.

In the decade ahead, competitiveness will be determined not by who optimizes best – but by who realigns fastest.



