THE PERFORMANCE OF THE AUTOMOTIVE INDUSTRY AFTER THE CRISIS IN TWO SEMI-PERIPHERAL EU REGIONS

GÁBOR TÚRY

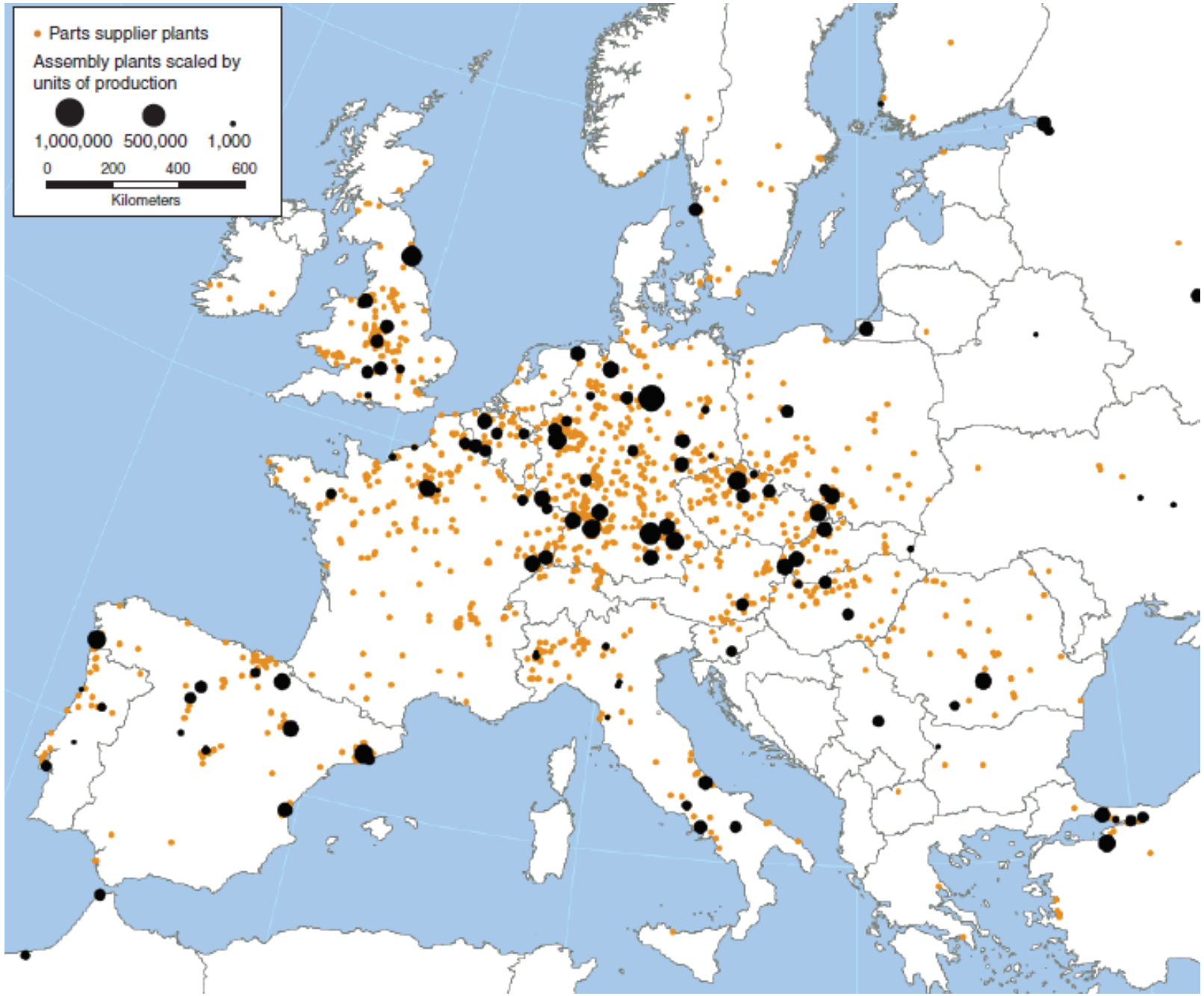
Institute of World Economics, CERS HAS, Hungary

15th European Association for Comparative Economic Studies Conference

Warsaw, September 6-8th, 2018

ABOUT THE TOPIC

- Based on economic development, we can define center and periphery (western, southern, eastern) areas in Europe. There is no exact division, it depends on the methodology to select the countries.
- Our target countries are the Central European (Czech Republic, Hungary, Poland and Slovakia) and the Iberian countries (Spain and Portugal);
- **Why these countries?**
- No indigenous OEMs in the car manufacturing;
- Dependency i.e. current automotive industry is based on foreign investments in the 80's and from the 90's + except Spain almost the 100% of the production sold abroad (high export ratio)
- Play key role in globalization and the redistribution of resources in European and global automotive industry



AUTO ASSEMBLY AND PARTS SUPPLIER PLANTS IN EUROPE (2013)

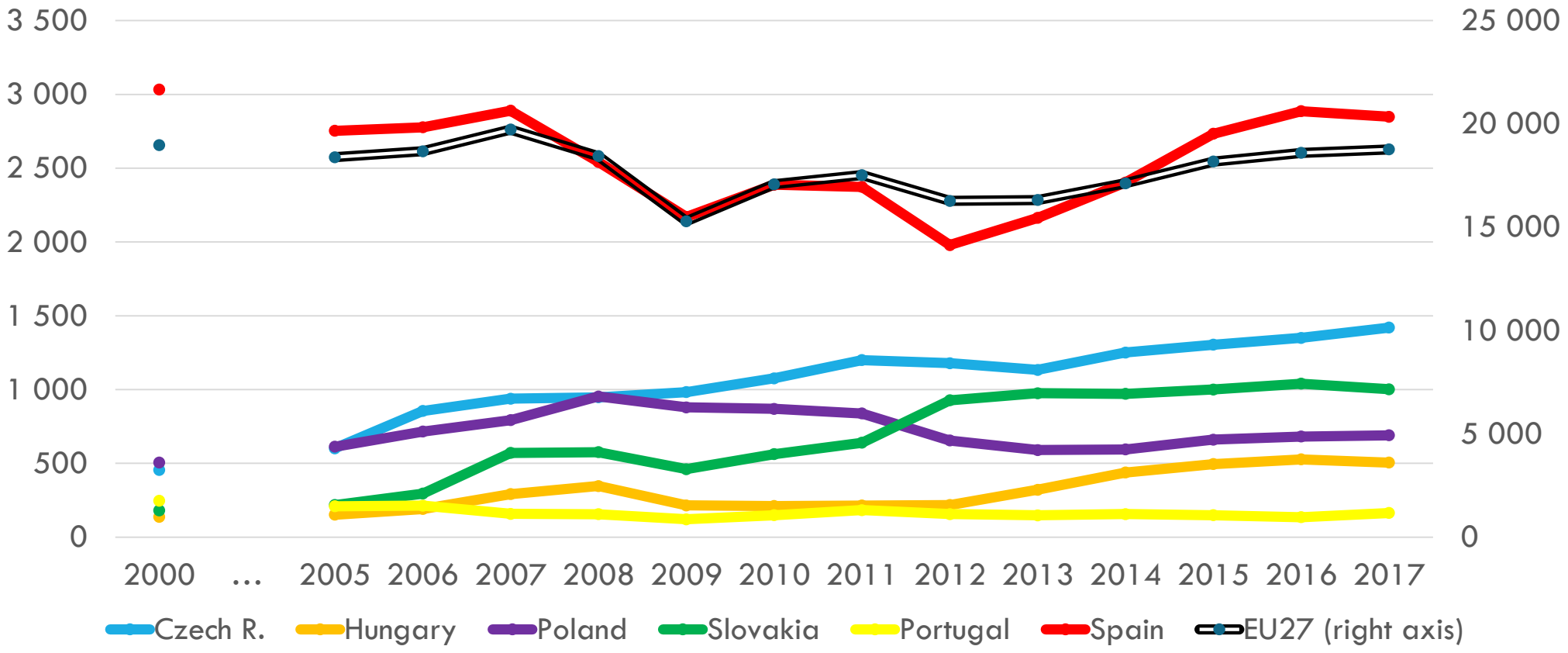
Source: Klier and Rubenstein (2015)

LABOR COSTS IN THE AUTOMOTIVE INDUSTRY (AVERAGE PERSONNEL COSTS, EUR/PERSON/MONTH)

	2008	2016
Czech Republic	1 350	1 675
Hungary	1 300	1 558
Poland	1 142	1 308
Slovakia	1 075	1 700
Spain	3 317	3 633
Portugal	1 642	1 883
Germany	**5 150**	**6 442**
France	**4 283**	**4 983**
Italy	**3 308**	**4 025**
EU28 (from 2011)	**3 558**	**4 242**

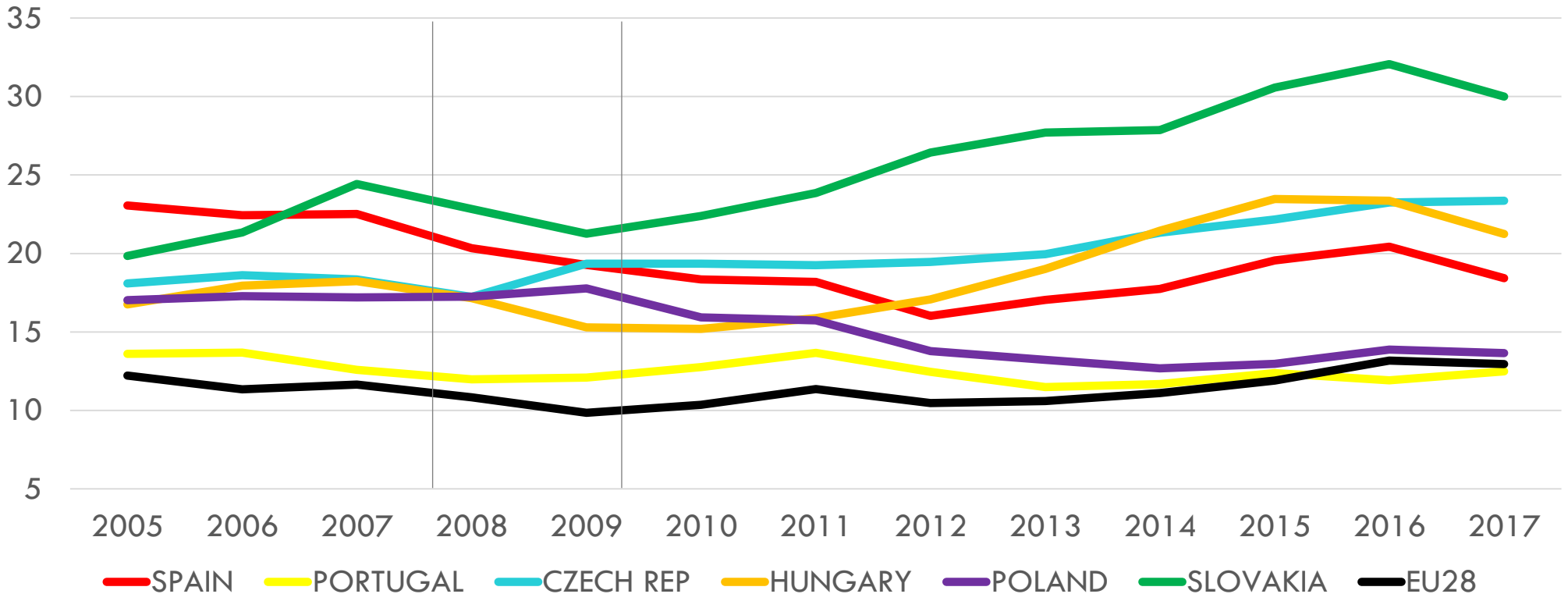
Source: Eurostat (2018): Annual detailed enterprise statistics for industry

ROAD VEHICLE PRODUCTION (THOUSAND)



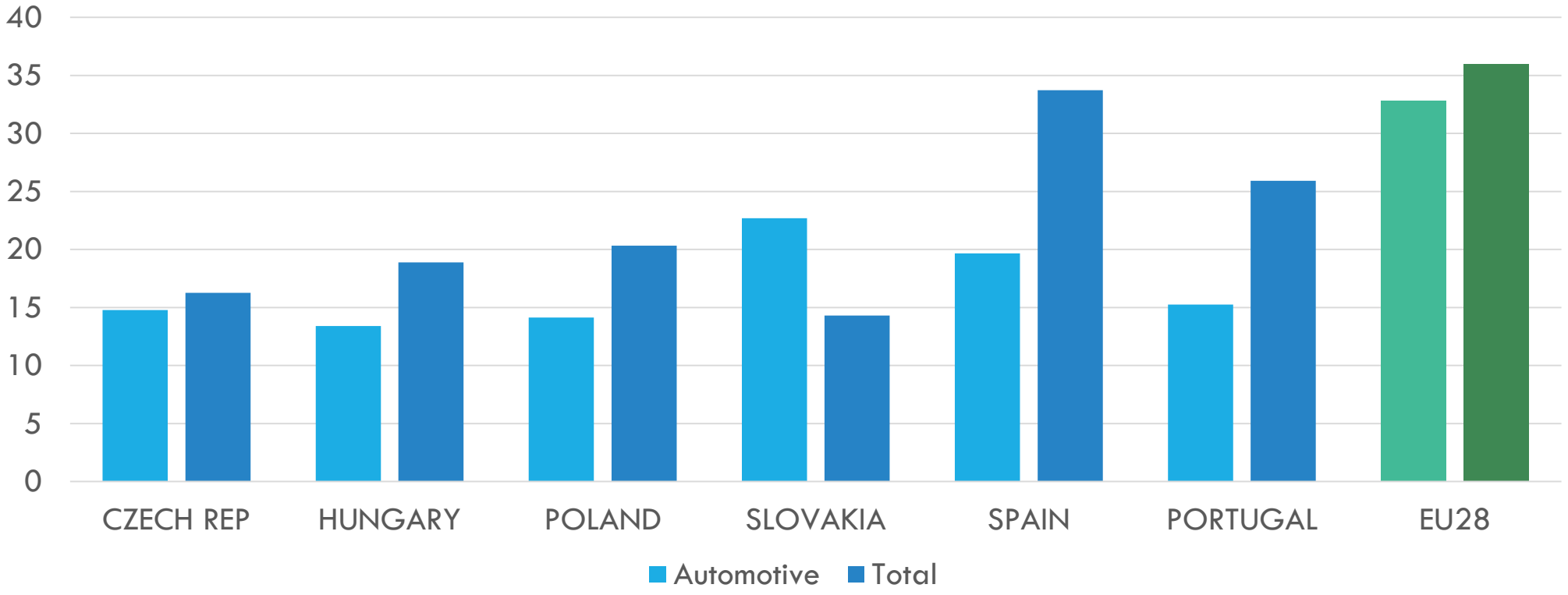
Source: OICA (2018): production statistics

AUTOMOTIVE EXPORT AS PERCENT OF THE TOTAL EXPORT



Source: authors' calculations based on Eurostat ComExt database (2018)

DIFFERENCES IN GLOBAL EMBEDDEDNESS
SHARE OF EXTRA-EU EXPORT (PERCENT OF TOTAL, 2017)



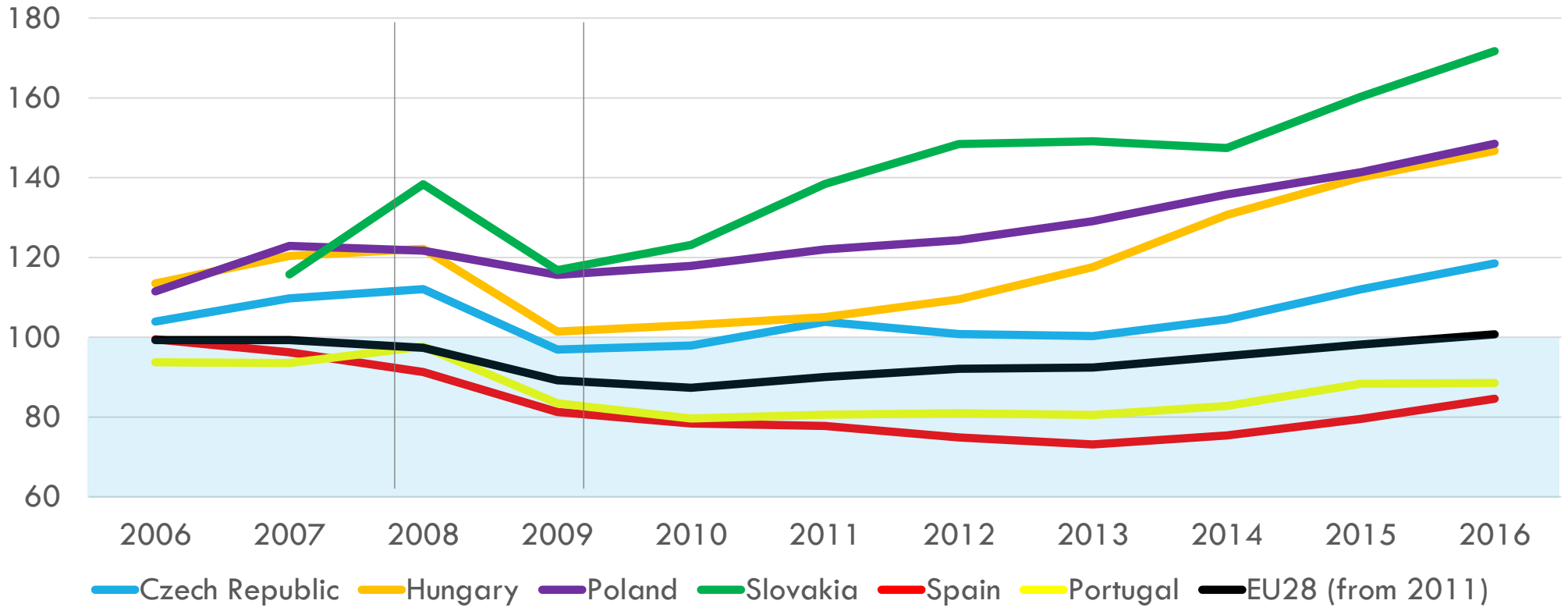
Source: authors' calculations based on Eurostat ComExt database (2018)

CRISIS EFFECTS - EMPIRICAL APPROACH

- Spain and Portugal had the worst figures compare to the EU average;
- Going into details:

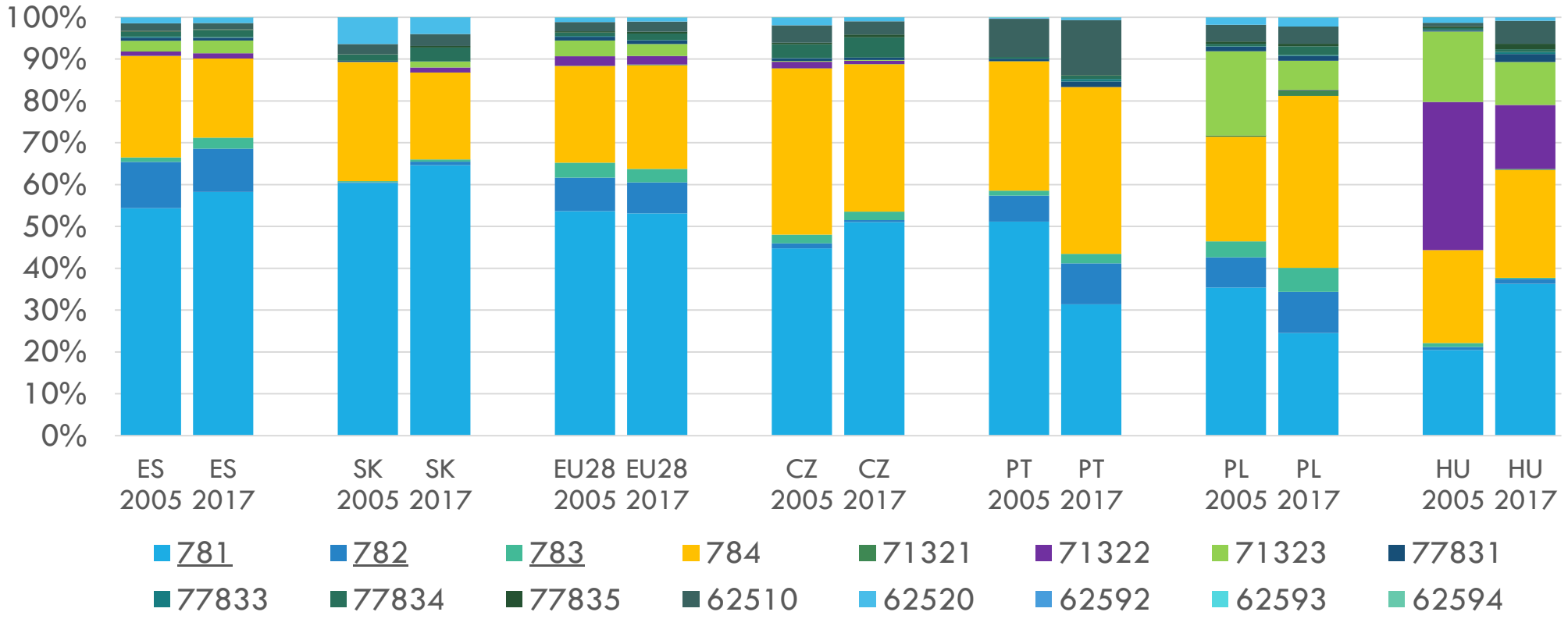
- *production figures show the different performance of the companies;*
- *as well as the different product portfolio in the whole automotive industry in the car production and the road vehicle production;*
- *new investments: production launched just after the crisis started*

DIRECT AUTOMOTIVE MANUFACTURING EMPLOYMENT (NACE C29, 2005=100)



Source: Eurostat (2018): Annual detailed enterprise statistics for industry

COMPOSITION OF THE AUTOMOTIVE EXPORT BY MAIN PRODUCTS (2005 AND 2017)



Vehicle exports are numbers underlined.

Source: authors' calculations based on Eurostat ComExt database (2018)

CHANGING GLOBAL PATTERN OF PRODUCTION FOR COMPANIES IN THE EXAMINED COUNTRIES (PERCENT)

	EU/World		EU6/World		EU6/EU	
	2005	2016	2005	2016	2005	2016
Daimler*	73.6	68.8	4.9	11.1	6.6	16.1
FIAT*	64.5	59.5	16.5	14.4	25.6	24.2
Ford**	33.4	17.3	6.2	6.2	18.7	35.6
General Motors	26.6	13.0	8.3	7.2	31.4	55.6
KIA-Hyundai	5.8	8.9	5.8	8.9	100.0	100.0
Nissan	14.6	11.3	5.5	2.2	38.0	19.3
PSA	83.3	67.6	20.2	31.8	24.2	47.0
Renault	82.3	52.6	19.2	17.1	23.4	32.4
Suzuki	7.0	7.2	7.0	7.2	100.0	100.0
Toyota	6.1	5.0	0.0	0.9	0.0	17.8
Volkswagen	70.6	48.8	29.1	21.0	41.2	43.1

* without Chrysler; **Saab ceased its production in 2012, Volvo was sold to Chinese Geely in 2010

Source: authors' calculations based on OICA (2018)

FURTHER ASSEMBLY PLANTS

- Indian owned Jaguar Land Rover to move UK production of model „Discovery" to Nitra, Slovakia. The plant will have an annual capacity of 150 thousand vehicles, but with the capacity to expand to another 150 thousand if needed. The first cars are expected to come off the production line in late 2018.
- German car manufacturer Damiler began construction of its second car plant in Kecskemét to increase its production.
- German car manufacturer BMW announced in summer 2018 construction of new plant in Debrecen, Hungary. The factory will have a production capacity of 150 thousand cars.

SOME EXAMPLE OF THE TECHNOLOGICAL CHANGE

- Audi Hungaria is preparing to launch the serial production of electric cars in late-2018, early-2019, which will coincide with the start of production of electric motors at the Hungarian plant;
- PSA's Szentgotthárd plant (former GM) to continue „normal operation" despite ownership change, but there are no future plans for the technological change;
- Suzuki – no engine production (yet) in Hungary, announced a joint production with Toyota to the Indian market;
- The second Kecskemét Daimler plant in will be a "flex-plant," meaning it will be able to produce cars with different architectures as well as EV;
- Škoda "Vision E" is the basis of an electric car will be launched by 2020. Not only the production of electric motors and electrical components but also for a purely electric-drive vehicle at the Mladá Boleslav and Kvasiny plants to cover the needs of Škoda and the Group as a whole;
- LG Chem battery plant in Poland produces batteries for cars, the biggest consumers are the Renault and Nissan;
- VW's plant in Bratislava has been producing the e-up! in Slovakia since 2013;
- the Jaguar Land Rover Automobile Plc plant in Nitra (central Slovakia), has applied for permission to add a new wing, chiefly for battery production.

MAIN FINDINGS

- main part of the trade is part of global value chains, no maneuvering room for the suppliers;
- production and export figures of the selected countries reflect the performance of the company on the target markets;
- in the case of OEMs and suppliers, the product portfolio is relevant for production, export and employment data;
- number of investors and the concentration observed in the sector is also decisive in the development of the production volume and the future prospects of the industry;
- specialization of the industry/production has impact on trade relations and prospects;
- only a few investments in producing new technologies to replace the conventional internal combustion engines.