



CBI Product Factsheet: Mountings in Eastern Europe

‘Practical market insights for your product’

The overall demand for mountings in Eastern Europe is growing at a high rate, due to increased automotive production in this part of Europe. Hungary is the largest import market, followed by Romania and the Czech Republic. The share of imports from the Developing Countries (DCs) is still relatively small, with the exception of Romania and Bulgaria where it comprises one-tenth of all imports. Generally, the share of DC imports is growing, indicating that there are opportunities for developing country exporters in Eastern Europe.

Product definition

Mountings are grouped under “Base metal mountings, fittings and similar articles” (HS code 83023000). This Product Factsheet analyses the market for mountings in Eastern Europe, including Poland, the Czech Republic, Hungary, Bulgaria, Romania, Slovakia and Slovenia.

Product specifications

Quality

Compliance with international standards and the European standards on safety is required, as is as conformity with existing EU and national legislation and practices. The ISO/TS 16949 standard is considered to be the highest level of quality. This standard is important for the European automotive industry, as it outlines best practices for the design, development, manufacture, installation and servicing of automotive products.

The quality of materials used in the production of mountings and their parts for European vehicles is very high in order to ensure their durability and safety, so the supplied parts have to be carefully manufactured and inspected, as defective parts may be returned.

Materials

Traditional automotive mountings are made from iron or steel and may include items such as foot rests, grip bars, rails and handles, fittings for blinds, interior luggage racks, window opening mechanisms, specialised ashtrays, tailboard fastening fittings, etc.

Packaging & Labelling

In general, packaging is dependent on the buyer: either the OEM or end user (the aftermarket sector). In the aftermarket sector, the packaging is typically disposable, as it is discarded after being used just once. Returnable packaging is most often used by OEM suppliers, so as to reduce cost and to improve the efficiency of packaging operations. Returnable packaging is not discarded after use and the empty packaging is recycled by the OEM or by a designated packaging operator. In order to export to the EU, product packaging must comply with EU standards. To reduce the harmful impact of packaging on the environment, the EU has instituted legislation concerning the management of packaging and packaging waste.

Considerations for action

- For more information on for packaging and packing waste requirements, please refer to the [European Commission](#).

Figure 1: Automotive mountings packaging



Source: Fotolia

Buyer Requirements

Legislative Requirements: The most important requirement for automotive components is that they comply with the technical standards set by EU legislation in order to guarantee vehicle and environmental safety.

Type-approval is a certification for various types of motor vehicles and their components, which includes agricultural and forestry tractors. The type-approval or certification is valid in all EU Member States and is required when selling any products in the EU. Many automotive components are not approved until the final assembly, in which case certification of individual components is not necessary, although these components will still have to comply with type-approval requirements.

The End of Life Vehicles (ELV) Directive aims to avoid environmental pollution during the scrapping process through reducing the hazardous materials used in vehicle production. Vehicles must be designed to facilitate proper dismantling and recycling (by coding the components), and the use of heavy metals such as lead, mercury, cadmium and hexavalent chromium is prohibited (with the exception of a few applications).

Considerations for action

- Check with your buyer, or with [the approval authority of the country you want to export to](#), what the specific standards are for the parts you are manufacturing.
- Read more about type approval at the [EU Export Helpdesk](#).
- To understand the specific requirements for replacement brake lining assemblies, drum brake linings and discs and drums, refer to the [regulation number 90 of the Economic Commission for Europe of the United Nations \(UN/ECE\)](#)
- Check if your buyer uses the International Material Data System (IMDS). This is a collective, computer-based data system developed by automotive OEMs to manage environmentally relevant aspects of the different parts used in vehicles. It has been adopted as the global standard for reporting on material content in the automotive industry.

Common buyer requirements: In addition to legislative approval, there are other common buyer requirements. While these are not obligatory in the legal sense, they are implemented by various competitors in the market and are thus necessary in order to compete effectively.

Quality Management: In order to apply for type-approval, production processes need to meet quality management criteria. ISO TS/16949 and ISO 9001 are accepted as standard requirements and EU buyers and manufacturers often insist on them.

Corporate social responsibility (CSR) and the extent to which buyers expect a certain level of social and environmental performance is becoming increasingly important. Bigger EU companies have developed their own CSR policies and require their suppliers (and their sub-suppliers) to conform to these. Signing a supplier code of conduct is often a prerequisite. These codes of conduct generally cover compliance with local laws, protection regarding workers' health and safety, respecting basic labour rights and also business ethics. The implementation of an environmental management system is often a requirement for core suppliers.

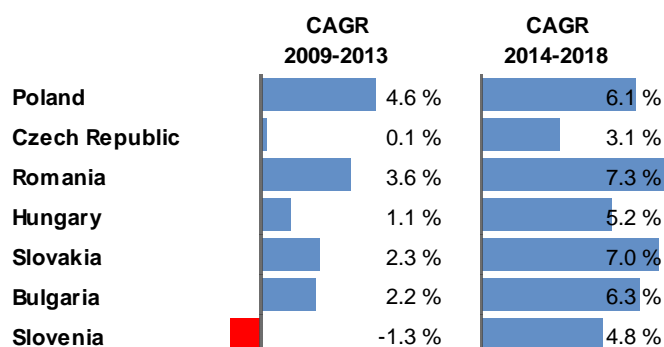
Considerations for action

- Implement ISO 9001 and ISO TS/16949, as it is a standard requirement of EU buyers. Click [here](#) for more information on ISO TS/16949 at the ISO website
- Most big car brands publish their CSR policies and supplier code of conduct on their websites. An internet search for these may give valuable insight into assessing your company's performance by comparison.
- Implement an environmental management system, such as [ISO 14001](#), as it is a common requirement.

Macroeconomic statistics

In 2013 Eastern Europe saw an average growth of 5.5% after the previous year's 6.8% contraction. Forecasts for 2014 and 2015 growth are estimated at 4.1% and 5.7% respectively. Poland, one of Eastern Europe's largest markets, as well as Romania and Slovakia are all forecast to experience an average growth of more than 6% through 2018.

Figure 2: GDP (current prices) Compound Annual Growth Rate (CAGR) for 2009-2013 and estimate for 2014-2018 for selected Eastern European countries

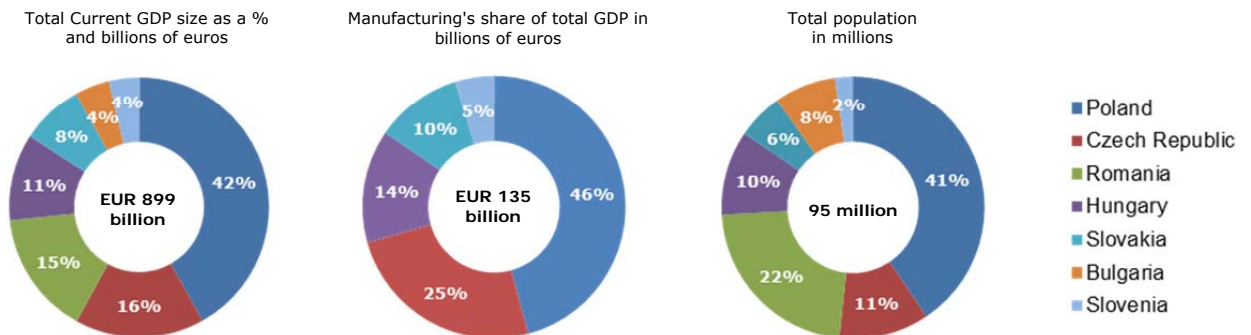


Data source: IMF 2014, World Economic Outlook Database

The value of the GDP for the seven Eastern European countries covered by this document was estimated at €899 billion (or roughly one-tenth of the GDP value for the EU5 countries i.e. the biggest Western European economies: Germany, France, the UK, Italy and Spain) in 2013. Poland is the largest market in Eastern Europe, with a GDP of approximately €377 billion and a production value of €62 billion, accounting for

more than 40% of the total GDP and production values for the seven Eastern European nations in question. The Czech Republic is the second largest Eastern European economy with a strong manufacturing base, followed by Romania and Hungary. Bulgaria and Slovenia are relatively small economies, together accounting for less than 10% of the total Eastern European GDP.

Figure 3: Key 2013 macroeconomic indicators for Eastern Europe, in billions of euros (population in millions)



*No data available for Bulgaria and Romania
Data source: IMF and OECD 2014

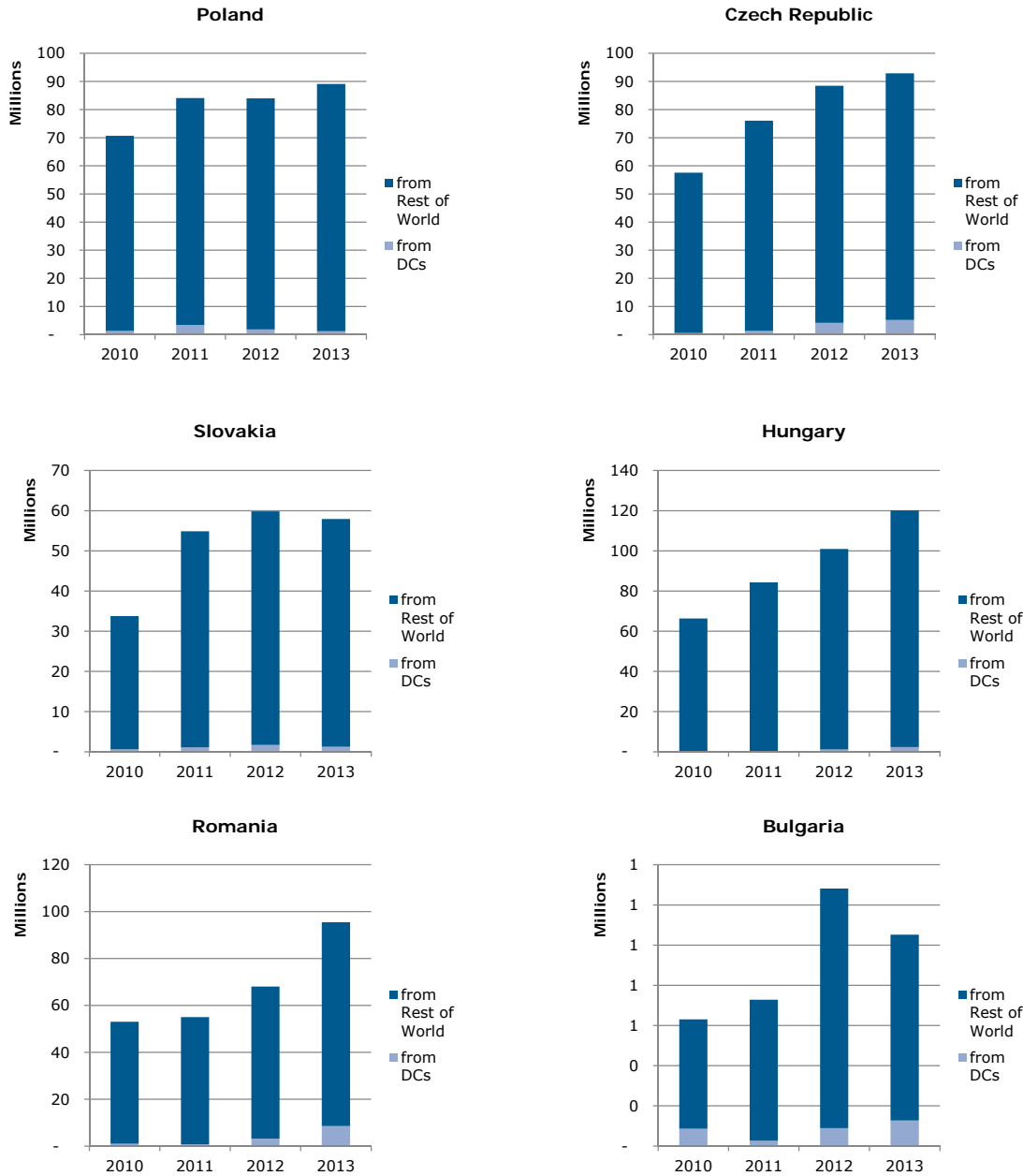
Trade Statistics

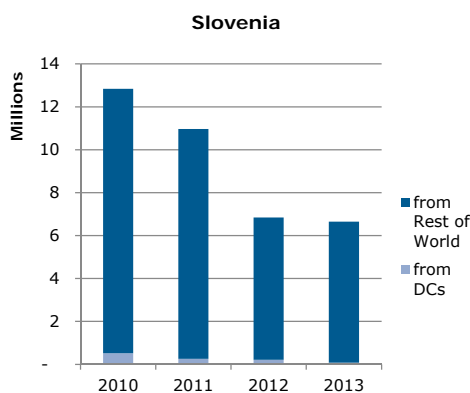
Imports and exports

Eastern Europe imported roughly €463 million worth of automotive mountings in 2013. Hungary, Romania and the Czech Republic represent nearly 66% of the imports, worth €308 million in 2013. The imported mountings are shipped mainly from Western and Eastern Europe as well as from other developed countries such as Korea.

Imports of mountings from the DCs to Eastern Europe were estimated at over €19 million (4% of total imports) in 2013 and they grew at a CAGR of 65.6% between 2010 and 2013. Romania and the Czech Republic together represent nearly 73% of DC mountings imports. The biggest DC mountings exporters to Eastern Europe are Turkey (€12.5 million) and China (€4 million). Bulgaria and Romania have the largest shares of mountings imports from the DCs, with 12% and 9% respectively. This indicates a willingness to source mountings from developing countries.

Figure 4: Import of mountings in the Eastern Europe, in millions of euros (the range of the y-axis varies by country due to different import levels)

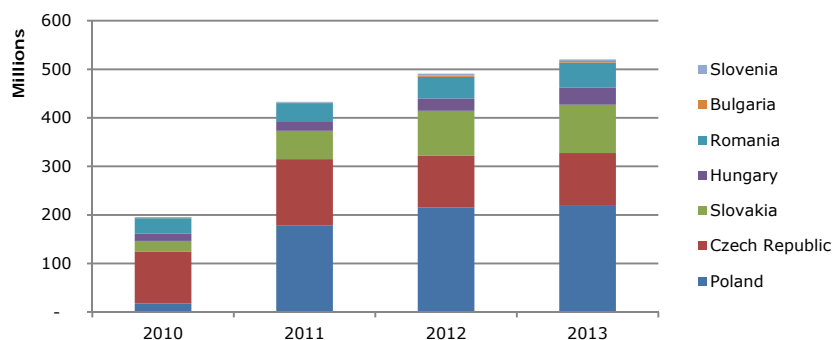




Data source: Eurostat 2014

In 2013 Eastern Europe exported close to €520 million worth of automotive mountings. Poland is by far the largest exporter of mountings among the Eastern European countries, with over €220 million in exports (over a 42% share of all Eastern European mountings exports). It is followed by the Czech Republic with €107 million in exports and Slovakia with €100 million in exports. Eastern European mountings exports grew at a 38.6% CAGR between 2010 and 2013 (up from €195 million in 2010). The export market is subject to demand from developed countries, as roughly 95% of the exports are sold in Western and Eastern Europe and in other developed countries. China, Turkey, Serbia and Morocco are the largest importers of mountings and account for roughly €20 million.

Figure 5: Export of mountings, in millions of euros



Data source: Eurostat (Prodcom) 2014

Market trends and opportunities

Eastern Europe is in a prime position to capitalise on the decline in the European automotive market, with lower labour costs, a solid infrastructure and locations close to major Western European markets. Before the economic crisis started in 2008, many European OEMs invested in production sites across Eastern Europe. Few of these plants have been closed and production volumes have remained stable. Eastern Europe looks set to remain a strong hub of automotive manufacturing for the near future, although the risk does exist that OEMs may move people intensive operations to lower-cost regions, such as North Africa. This again provides an opportunity for DC exporters to do business with these countries.

Hungary is the biggest import market for automotive mountings in Eastern Europe, with estimated imports of €120 million in 2013 (up from €66 million in 2010). It is

followed by Romania at €95 million and the Czech Republic at €93 million. All Eastern European countries, with the exception of Bulgaria and Slovenia, have experienced a very strong growth in imports since 2010, indicating that the market is dynamic and full of opportunity for exporters. Romania and Bulgaria have the highest shares of automotive mountings originating from developing countries (roughly 9% and 12%), which indicates a willingness to source components from this part of the world. Most other Eastern European countries have seen their shares of DC imports grow, indicating an overall increase in the demand for competitively-priced parts from developing countries.

For more information on automotive market trends and opportunities, please refer to [CBI Trend Mapping for Automotive Parts and Components](#).

Price

Apart from the distribution of new parts, the aftermarket for automotive parts also encompasses the vigorous distribution of used or overhauled parts and components. Pricing depends on supply chain positioning. The aftermarket sector, in particular, is very discount-driven and has varied mark-ups at each distribution step for different parts and components. Due to the large variation in parts types and models, it is difficult to provide a general overview of mountings prices, but it is possible to provide some insight into the margins imposed by different players in the supply chain. Based on the margin ranges, DC suppliers selling to a tier 3 supplier in the OEM supply chain could price their products at between 64% and 81% of the OEM delivery price. In

order to better ascertain prices of specific products and models,

check the internet to determine the appropriate range, or talk directly to wholesalers and/or retailers. The price of branded spare parts will not differ greatly among the various countries. Those players who are active in several European countries have largely harmonised their prices, and any differences in pricing may be because of different logistical and local costs. In the Original Equipment sector, the price is set by contracts of four years or more, which usually include a 3-5% price reduction each year after the first year. In the aftermarket sector, the prices are negotiated every year.

OEM supply chain	Margin
Tier 1 supplier delivering to OEM	6-8%
Tier 2 supplier delivering to tier 1	6-15%
Tier 3 supplier delivering to tier 2	10-25%
Aftermarket OES supply chain	Margin
Tier 1 delivering to OEM for OES sales through approved service chain	10-30%
Tier 1 delivering to OEM for OES sales through independent outlets	10-25%
OEM delivering OES parts through its approved service chain	25-65%
OEM delivering OES parts through independent outlets	30-40%

Main sources

- [European Commission's macroeconomic publications](#)
- [IMF](#) – a good source for macroeconomic information
- [OECD](#) – a good source for macroeconomic and industry-specific information
- [European Commission's Directives and Regulations pertaining to motor vehicles, their trailers, systems and components](#)
- [CLEPA](#) - the European Association of Automotive Suppliers
- [ACEA](#) - the European Automobile Manufacturers Association
- [Ernst & Young's Automotive information](#) - Automotive information – a good source of automotive information
- [Ernst & Young's European Automotive Survey 2013](#) – interviews mostly with automotive suppliers
- [Inovev](#) - Worldwide automotive knowledge platform that offers free-of-charge and fee-based content Trade fairs are a good place to network, to meet buyers and to promote your company. The most prominent automotive trade fairs in Eastern Europe are: the [Sofia Motor Show](#) (site in Bulgarian) –

Bulgarian automotive trade fair; [Motor Show Poznań](#) – Polish automotive trade fair; [Bucharest Auto Show and Accessories](#) - Romanian automotive trade fair; [AUTOSALON Brno](#) - Czech automotive trade fair; [Autosalon Bratislava](#) (annual) - Slovak automotive trade fair

More information

CBI market information:

- [CBI Buyer Requirements: Automotive Parts and Components](#)
- [CBI Buyers' Black Box: Automotive Parts and Components](#)
- [CBI Market Channels and Segments Automotive Parts and Components](#)
- [CBI Market Competitiveness Automotive Parts and Components](#)

This survey was compiled for CBI by the Global Intelligence Alliance

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