CBI
Ministry of Foreign Affairs

CBI Product Factsheet for Rubber and Metal Parts for Vehicles in the EU5

'Practical market insights for your product'

The aftermarket for vehicle rubber and metal parts appears to offer better opportunities than the OEM market, which is struggling with the declining production levels. Germany is the biggest import market, with imports valued at €488 million a year, with 23% of those imports from developing country (DC). The share of DC imports to other EU5 countries is increasing, indicating that this market is becoming increasingly opportune for DC exporters.

Product definition

Automotive rubber and metal parts (HS codes 40169952; 40169958) are grouped under the Automotive Parts and Components sub-category. This Product Factsheet analyses the market for vehicle rubber and metal parts in the EU5 countries (i.e. the biggest EU economies: Germany, France, the UK, Italy and Spain).

Product specifications

Quality

Compliance with international standards and the European standards on safety is required, as is 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.

Materials

These products are made of vulcanised rubber, forged steel or rubber-to-metal bonded parts, intended exclusively or primarily for use in motor vehicles.

These parts are used in most parts of a vehicle, such as for connecting joints, protect moving surfaces, to transport liquids/gases and to isolate vibrations. Rubber and metal parts include various types of bushing, rods, sealing, joints and dust covers.

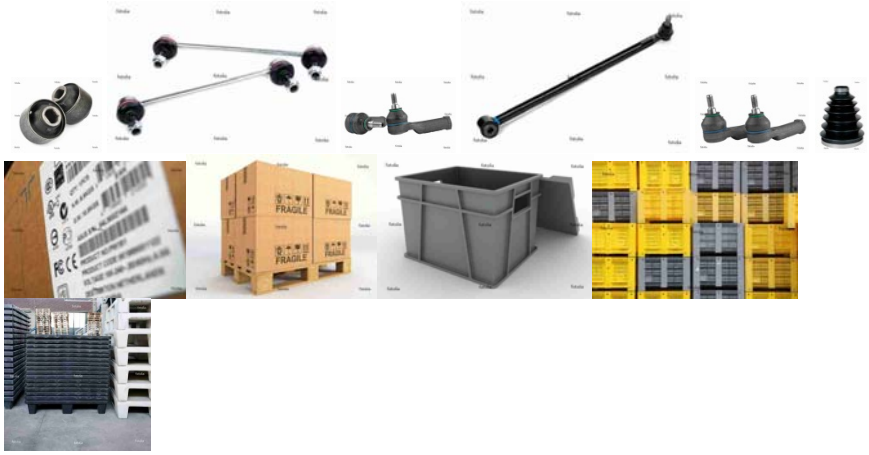
Considerations for action

- For further information on requirements for exporting casting and forgings to the EU, please refer to CBI Buyer Requirements: Automotive Parts and Components
- For more information on requirements for packaging and packing waste, please refer to the EU legislation on packaging and packaging waste

Packaging & Labelling

In general, packaging is dependent on the buyer - either the OEM or end-user (the aftermarket sector). For aftermarket applications, the packaging is typically disposable packaging, where the packaging is discarded after being used just once. Returnable packaging is most often used by OEM suppliers, so as to reduce cost and 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 all 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.

Figure 1: Vehicle rubber and metal parts and 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..

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.

- Check if your buyer uses the International Material Data System (IMDS). This is a

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).

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.

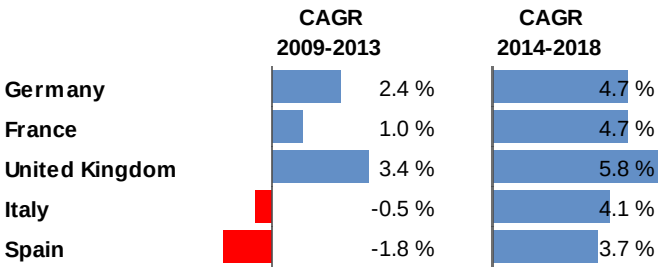
Considerations for action

- 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

The GDPs of the EU5 countries have grown by only 1.3% on average between 2009 and 2013. However, the IMF predicts a considerable rise in the GDPs of all of the EU5 nations between 2014 and 2018. The estimated UK GDP CAGR for 2014-2018 is an impressive 5.8%, followed by solid increases in all other EU5 countries. Italy and Spain, in particular, went from negative growth in 2009-2013 to a predicted growth of close to 4% for 2014-2018.

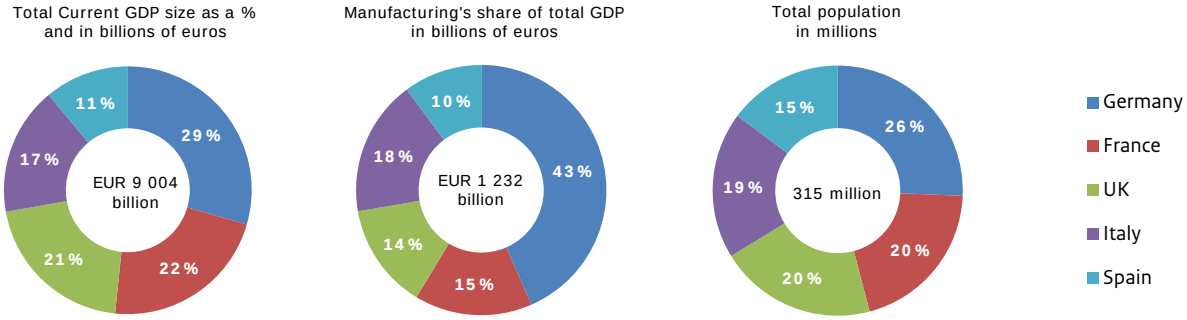
Figure 2: GDP Compound (current prices) Annual Growth Rate (CAGR) for 2009-2013 and 2014-2018 in the EU5



Data source: IMF 2014, World Economic Outlook Database

The total GDP for the EU5 nations was estimated at more than €9 trillion in 2013. Germany is the largest market in the EU5, with a GDP of €2.65 trillion, accounting for almost one-third of the total GDP, and with by far the strongest manufacturing base of all the EU5 nations (€535 billion in 2013). Germany is followed by France and the UK, each of which represent roughly one-fifth of the GDP value and 15% of total manufacturing for the five countries. With its GDP in 2013 close to €1 trillion and manufacturing at €125 billion, Spain is the smallest of the five economies.

Figure 3: Key 2013 macroeconomic indicators for the EU5, in billions of euros (population in millions)



Data source: IMF and OECD 2014

Trade Statistics

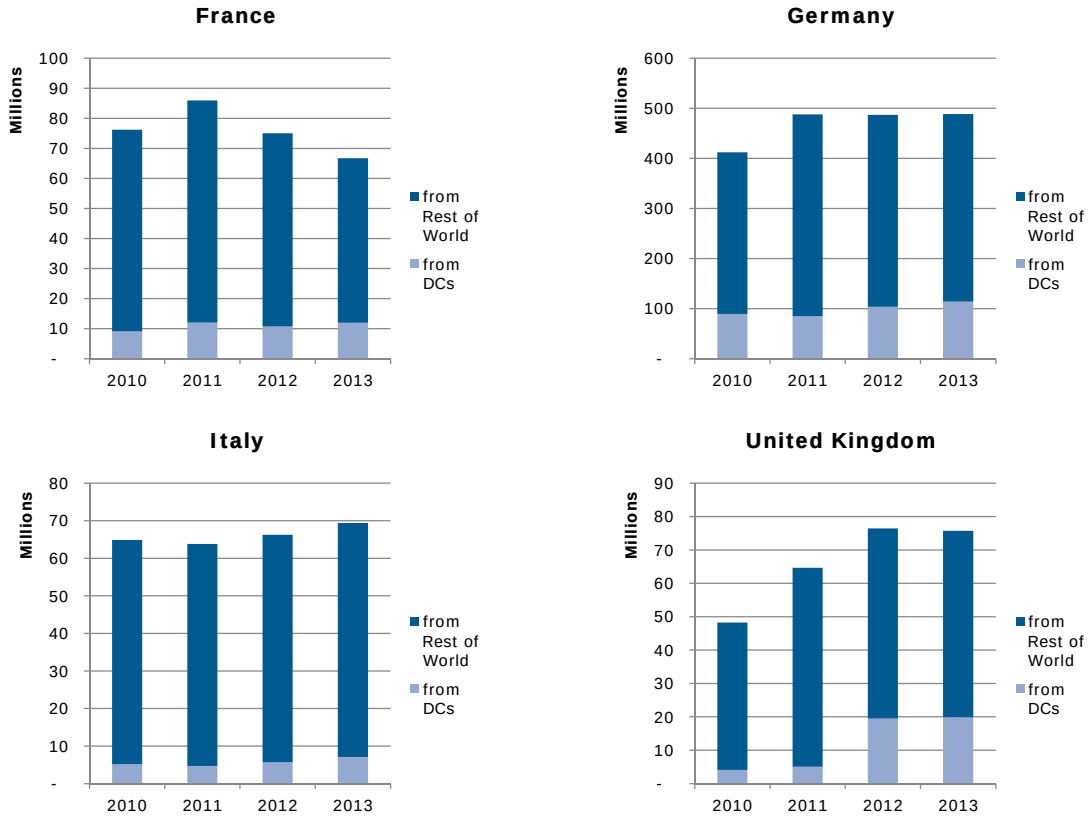
Imports and exports

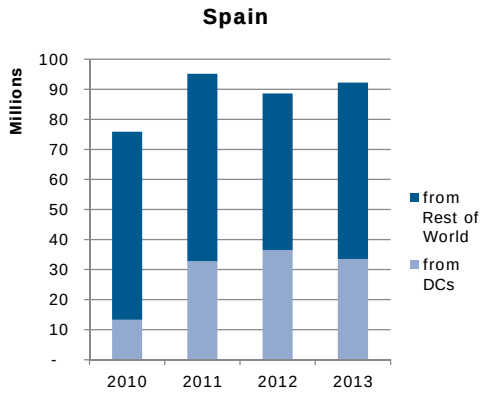
The EU5 imported roughly €793 million worth of rubber and metal parts in 2013. Germany alone represents nearly 62% of the imports, standing at €488 million in 2013. It is followed by the UK at €76 million and Italy at €69 million. The imported rubber and metal parts are shipped mainly from Western and Eastern Europe as well as from Turkey and China.

Imports of rubber and metal parts from the DCs to the EU5 represented over €186 million (23.5% of total imports) in 2013 and have grown at a CAGR of 15.5% between 2010 and 2013. Germany, Spain and the UK combined represent nearly 90% of DC rubber and metal parts imports.

The biggest DC exporters of rubber and metal parts to the EU5 are Turkey (€84 million), China (€50 million), India (€20 million) and Morocco (€20 million), together accounting for approximately 94% of all rubber and metal parts imports from the DCs to the EU5. Spain and the United Kingdom are the biggest importers of rubber and metal parts from the DCs, with a 36% and 26% share respectively, followed by Germany at 23% and France at 18%. These high percentages indicate that the EU5 has a great interest in sourcing rubber and metal parts from developing countries. Based on the current trends, the future outlook is that the imports from the DCs will continue to grow at a very fast rate, effectively increasing the share of DC exporters in the market.

Figure 4: Import of vehicle rubber and metal parts, in millions of euros





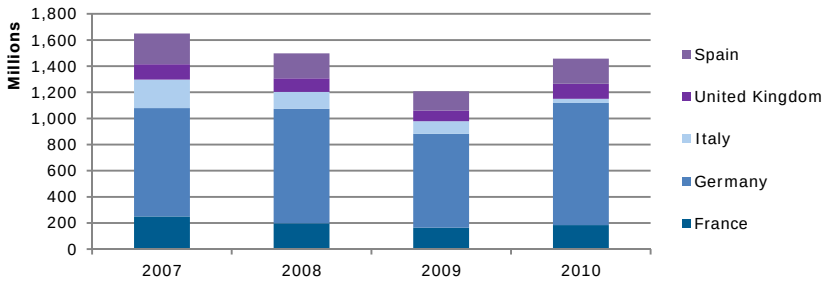
Data source: Eurostat 2014

The EU5 is a net exporter of rubber and metal parts, and in 2013 it exported close to €954 million worth of those parts. Germany is by far the largest exporter of rubber and metal parts among the EU5 countries, with nearly €486 million in exports (comprising a 51% share of all EU5 rubber and metal parts exports). It is followed by Spain at €198 million (21% share of the total). EU5 rubber and metal parts exports grew at a 5.6% CAGR between 2010 and 2013. The export market is subject to demand in the developed countries, as roughly 83% of the exports are eventually sold in Western and Eastern Europe and in other developed countries. However, it must be noted that exports to the DCs have been growing at a much higher rate than exports to the Rest of the World. Between 2010 and 2013, they grew at a CAGR of 10.6%. China, Mexico, Turkey and Brazil are the largest importers and together account for roughly €109 million or 66% of DC exports.

Figure 5: Export of vehicle rubber and metal parts, in millions of euros

Data source: Eurostat 2014

Figure 6: Total consumption* of rubber and metal parts in the EU5 countries, in millions of euros



*Apparent consumption
Data source: Eurostat (Prodcom 2013)

Market trends and opportunities

Although the European market is expected to grow slowly over the short/medium term, there are still opportunities to be explored by DC exporters in many of the EU5 countries and sectors, particularly in Germany and in the aftermarket sector across the region. The OEM market demand for rubber and metal parts is declining in the EU5 due to falling OEM production. On top of this, the OEM market is covered mainly by Tier 1 and 2 solution providers, making it challenging for developing country suppliers to enter the European market. However, despite these issues, the aftermarket demand tends to be more resistant to these market conditions. In addition, the market for OEMs of commercial vehicles, agricultural/construction equipment, motorcycles and outdoor power tools is substantial in this sector. Suppliers of rubber and metal parts should also consider other, less regulated industrial sectors in the EU5, such as the manufacturers of different machinery and rotating devices.

Germany is the biggest European market for rubber and metal parts, with estimated 2013 imports of €488 million (up from €412 million in 2010) or almost 62% of the total EU5 market. With an average compound growth of 5.8% per year and a 23% share of imports originating from the DCs, Germany is an excellent market for DC exporters of rubber and metal parts. The remaining EU5 nations each exhibit a high degree of willingness to sourcing their rubber and metal automotive parts from developing countries. They are also experiencing a high rate of growth in respect of DC imports, as compared to the Rest of World imports, indicating a shift in sourcing. The DC imports rates of the United Kingdom and Spain, in particular, have been increasing at impressive rates, making them extremely opportune markets for DC exporters.

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 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 rubber and metal parts 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 the 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 nations. Those players who are active in several European nations 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 an 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 an OEM for OES sales through approved service chain	10-30%
Tier 1 delivering to an 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 – 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, meet buyers and to promote your company. The most prominent automotive trade fairs in Western Europe are: Hannover Messe - the world's leading trade fair for industrial technology in Germany; Internationale Automobil-Ausstellung (annual) – German automotive trade fair; the Barcelona Motor Show (biennial) – Spanish automotive trade fair; the British International Motor Show (organized by SMMT once every two years); the Paris Motor Show (biennial) – French automotive trade fair and the Bologna Motor Show (annual) – Italian 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