



CBI
Ministry of Foreign Affairs

CBI Trade Statistics:

Automotive parts and components

Introduction

Exporters from developing countries will find opportunities in mature Western European markets, such as Germany, France, Italy and Spain that are characterised by high R&D investments in automotive. Besides the traditional markets, developing country exporters will benefit from growing markets in European countries with both growing production and trade, such as Poland, the Czech Republic and Hungary.

Management summary

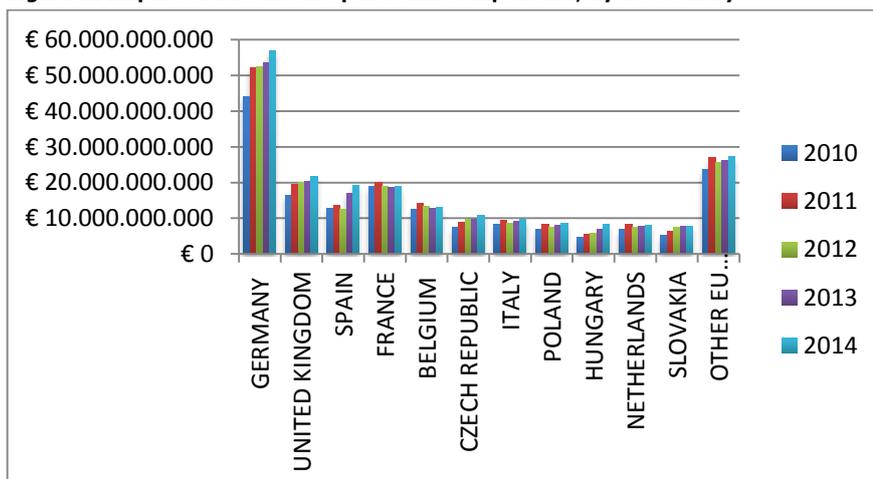
Despite the presence of a significant number of popular car brands, the European automotive market has been suffering for some time now. Car purchases in the region have slowed and the short-term outlook is still far from positive. The demand will probably not have been recovered before 2020. While the European market is mature, third markets, for instance developed and developing markets, are growing fast, determining changes in trade flows and in the value chain. Worldwide car sales are reaching record levels due to the development of emerging economies, and will expand further in coming years. Total sales are expected to exceed 100 million by 2020 with a 10% growth on 2008 mainly as a result of the motorisation of emerging markets. The share of the European market in worldwide sales will therefore decrease significantly, from 29% in 2004 to an expected 20% in 2020. This will lead some European players to adapt their strategy and pursue more overseas exports, as well as look into high-end or cheaper entry level products. Despite the fact that the Western European market is characterised by stagnation, the global nature of this industry allows players to focus on growing markets for their products. Europe remains an important destination for automotive parts and components.

Definition: In this document, 'Europe' refers to all 28 members of the European Union.

Import

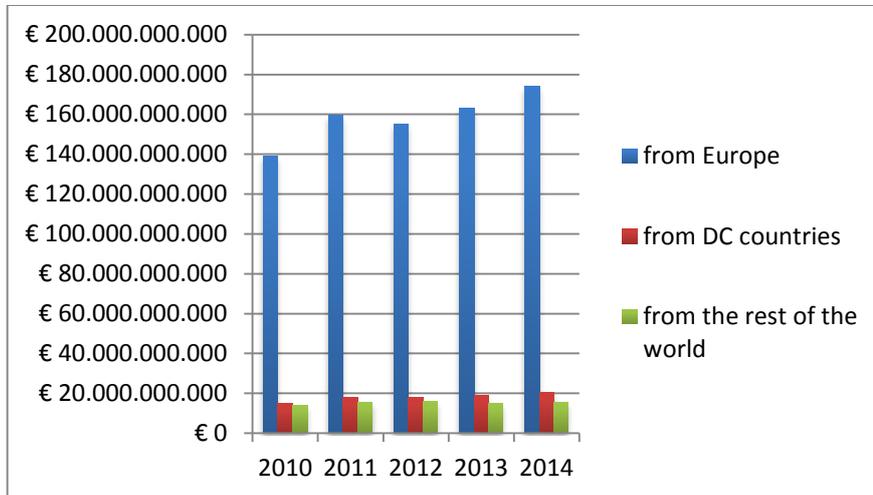
The European automotive industry is a key sector for the European economy, providing a positive contribution to the trade balance (difference between export and import) of around €24 billion in 2014. Though the over-capacity that characterised Western European markets has slowed down import, the import of parts and components is still very relevant for the European market. Indeed, the automotive industry is very global and most players are active in the domestic as well as in the international markets. The largest European supplier of parts and components is Germany. Amongst developing countries, China is the leading supplier of parts and components, followed by Turkey, Morocco and India.

Figure 1: Import of automotive parts and components, by EU country



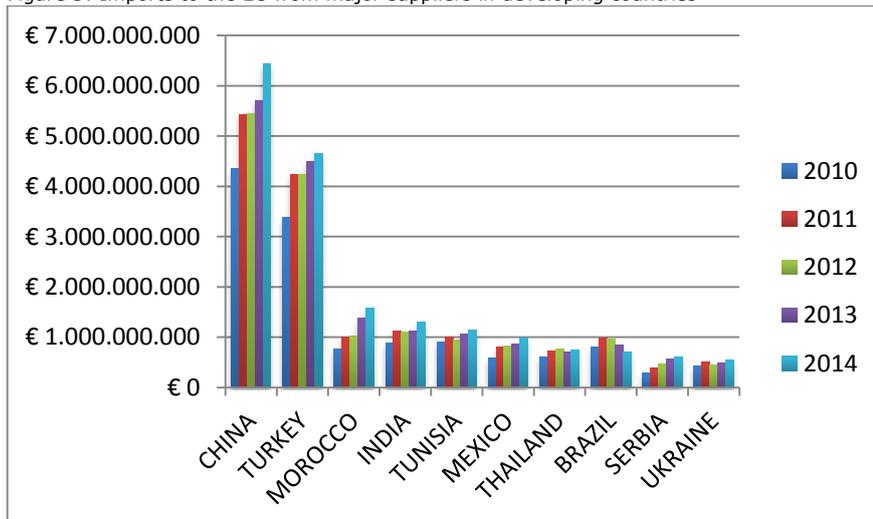
Data source: Eurostat 2015

Figure 2: Import of automotive parts and components to the EU, by region of origin



Data source: Eurostat 2015

Figure 3: Imports to the EU from major suppliers in developing countries



Data source: Eurostat 2015

Interpretations and opportunities

In 2014, imports from developing countries accounted for about 10% of total imports. Although this share is relatively small, European imports of parts and components from developing countries grew at a compound annual growth rate (CAGR) of 8.8% between 2010 and 2014.

Tip:

- Analyse your production capabilities and the demand trends for different product groups in automotive parts and components in Europe. Understand the potential of your products within the specific product groups and gather information on the key trends in target markets to create a unique selling proposition.

Germany has the biggest automotive market in Europe with an import volume of EUR 56.7 billion accounting for more than one quarter of European automotive parts and component imports. Eastern European countries, such as Poland (4%), Slovakia (4%), the Czech Republic (5%) and Hungary (4%) display interesting potential.

Tip:

- Consider cooperation with the leading Western European countries such as Germany. Think of establishing contacts and developing business with new European countries such as Poland, the Czech Republic and Hungary. Also, given their geographical position and their participation in both production clusters and development programmes, these countries could grant an interesting location for reaching out to both Western European and South-eastern countries for suppliers of parts and components. This could be accomplished by starting a new distribution facility or by supplying a European partner, who would subsequently distribute your products throughout Europe.

The share of imports from developing countries to Europe has been increasing, with certain niche markets experiencing exceptional growth. For example, Moldova’s expansion of its export of wiring sets was the primary source of the extraordinary increase (400%) in its export of automotive parts and components to Europe.

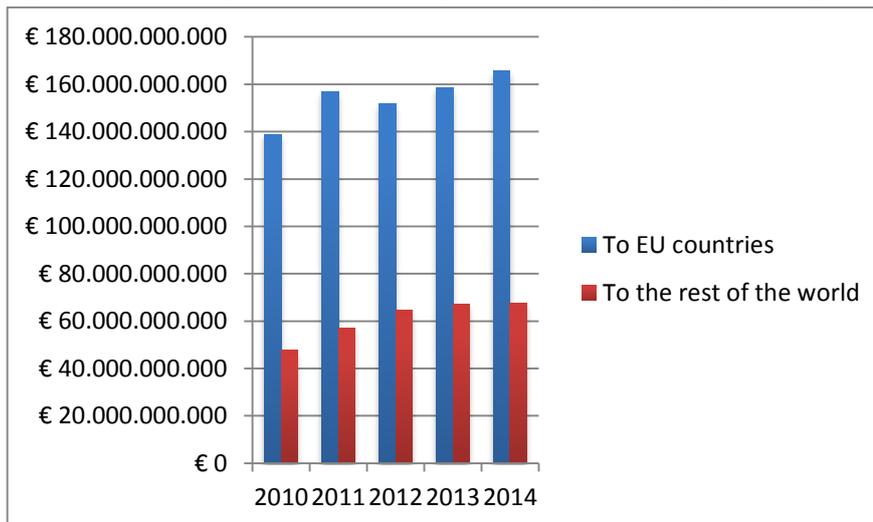
Tip:

- Given the presence of several production clusters in Europe and the eagerness of European buyers to keep the supply chain as close and short as possible, EU neighbouring developing countries could have an advantage over more distant developing countries. For more distant developing countries collaboration with these countries (Morocco, Moldova, etc.) might be beneficial to improve their reach into Europe.

Export

The automobile sector is a leading sector for European export with a net trade contribution of €24 billion. European companies and brands are successful in many third markets, such as in South America and China. Vehicles assembled in the EU are sold in many markets, but particularly in the United States and China. While most cars from European original equipment manufacturers (OEMs) are still manufactured in Europe, cars from European OEMs are fabricated all around the world. For example, Volkswagen produces vehicles in Mexico for the American market. The European export of automotive parts and components has seen organic growth in the past few years, displaying a CAGR of 5.7% between 2010 and 2014.

Figure 4: Total EU exports of automotive parts and components, by product (2010–2014), in € million



Data source: Eurostat 2015

Figure 5: EU industrial hubs for automotive parts and components

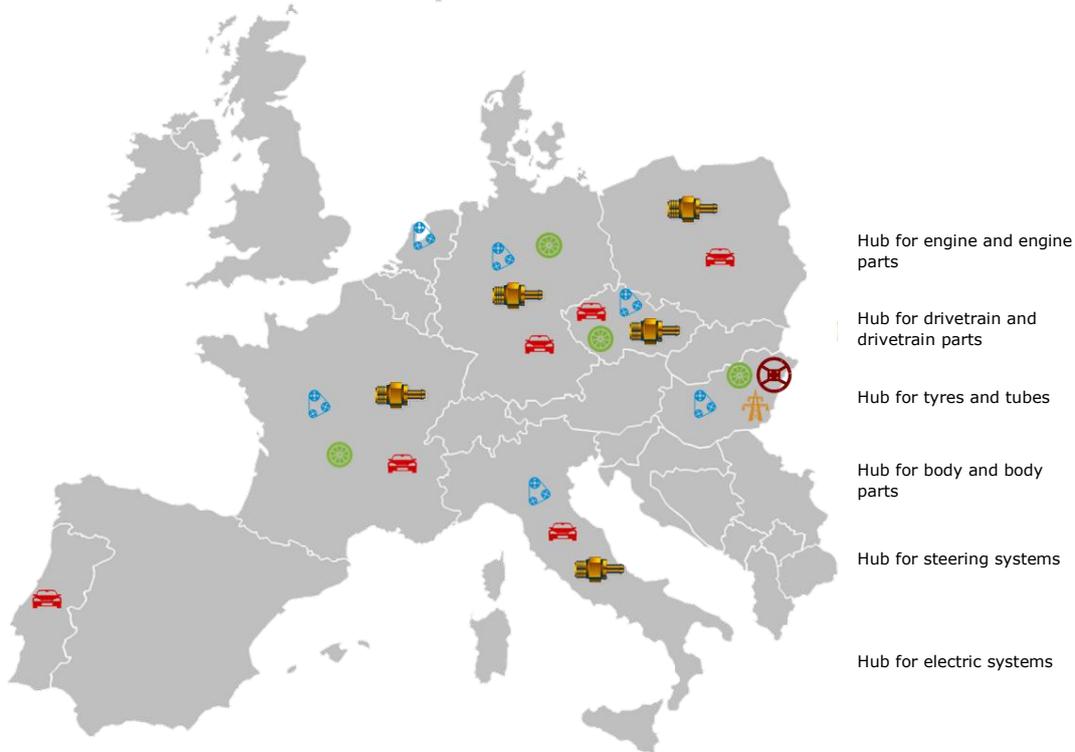
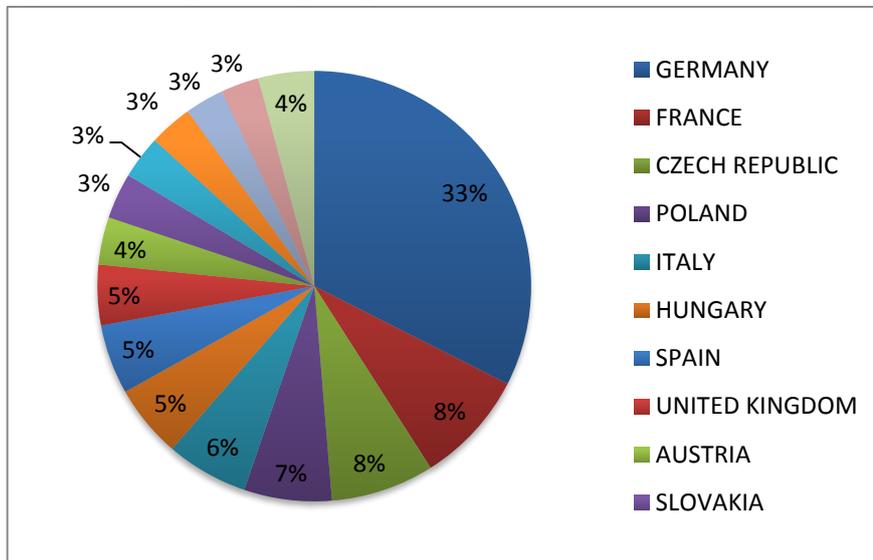


Figure 6: Most important exporting countries in the EU in 2014



Data source: Eurostat 2015

Most important developments

Most of the re-export of components from and to European countries is due to the fact that production in the automotive sector often involves plants located in different countries, rather than being mere export. Parts and components travel across borders to be included in different production processes in different plants.

Tips:

- Eastern and Central European countries, such as Poland, the Czech Republic and Slovakia are presenting interesting opportunities.
- Developing-country exporters should try to understand the main production clusters in Europe. For an overview of this on a product basis, consult [the CBI Product Fact Sheets](#).

Depending on the different components, traditional Western European manufacturers as well as new Eastern European countries are leading hubs in the automotive sector. Romania is becoming a small industrial hub within Southeast Europe with easy access to major markets such as Russia, Poland, Ukraine and Turkey. The demand for automotive components in Romania and other countries in Central and Southeast Europe is expected to increase. Major automotive components manufactured in Romania include electric and electronic systems, tyres, cables, steering wheels, gear boxes, safety systems, car seats, upholstery, etc.

Tip:

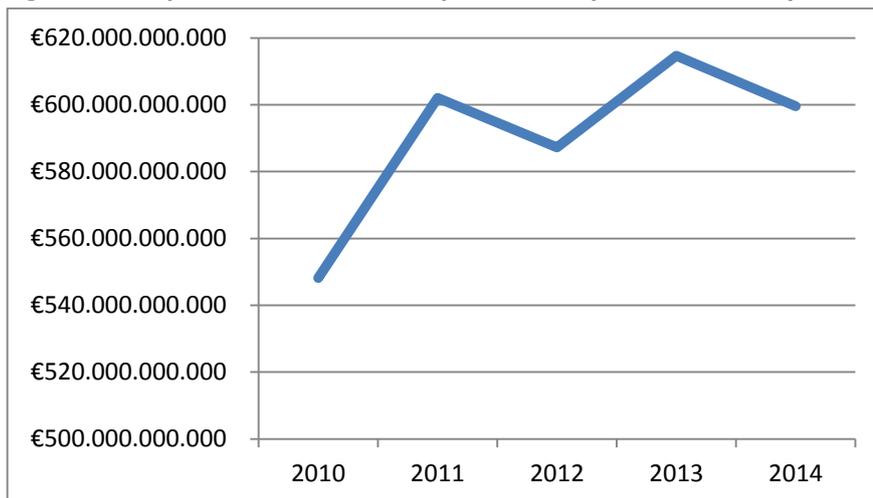
- Together with the traditional Western European manufacturing countries, Southeast Europe is an interesting region to target. This said, you need to be aware of the fact that most of the European production in automotive involves several countries and targeting specific countries might be difficult.

Sales from Europe to emerging markets are currently growing, although future growth is not guaranteed. While exports to China have increased over the past six years, exports to India have declined from €1.6 billion in 2011 to €1.4 billion in 2014.

Production

In Europe, the production of automotive parts and components tends to fluctuate over time. At the global level, the market share of cars made in Europe is gradually declining. Despite the loss of market share, the absolute number of cars produced in Europe is not declining, and forecasts are positive. Of all European countries, Germany remains the most important producer of automotive parts and components.

Figure 7: Total production of automotive parts and components in the EU (2010–2014)



Data Source: Eurostat/ProdCom 2015

Interpretations and opportunities

Germany is Europe's number one automotive market in terms of production and sales. It accounts for over 30% of all passenger cars manufactured and almost 20% of new registrations.

Tip:

- The European market will continue to present interesting opportunities suppliers of parts and components from developing countries. Enter European markets with better-priced propositions for labour intensive components in Europe. Besides the largest European markets (Germany, France, Italy, UK, etc.), consider establishing relationships with growing European markets such as Poland, Romania, Hungary, the Czech Republic and Croatia.

The automotive sector represents the largest private investor in R&D in Europe.

Tip:

- Understand the potential of your products in specific applications (such as bigger cars) and gather information on the key trends in target markets to create the unique buying proposition. For additional insight into trends in the automotive industry, consult the [CBI Trends Study](#).

Although it is still recovering from the economic crises, production by OEMs increased in the first half of 2015, especially in Southern Europe. While German car production appears to be stable, the production of OEMs in other countries has been increasing (e.g. in Italy, OEM production increased by 58.5%). Due to current or former excess production capacity, production in some countries could rise very quickly.

Tip:

- Follow the European political debate on the automotive sector and the measures adopted to sustain it, in order to understand where to position your products.

European production of automotive parts is benefiting from an increase in exports to the United States and an increase in demand from Turkey. Due to recent political changes, exports to Russia have dropped.

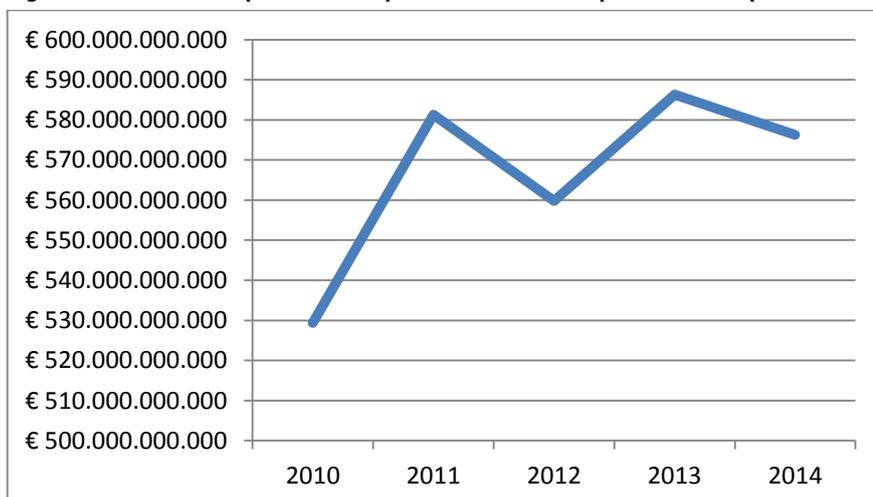
Tip:

- Together with understanding European markets and developments, develop knowledge on related markets that represent growing demand for European final products.

Consumption

The EU market is recovering slowly, and EU registrations are expected to increase. In the longer term, new car sales are expected to increase, especially in Eastern Europe. With 14.9 million new cars sold, the EU and EFTA constitute an interesting market.

Figure 8: European consumption of automotive parts and components



Data source: (Production + import - export)

Interpretations and opportunities

European consumption of automotive parts and components has slowly come back to pre-crisis levels, after a steep decline in 2010. Most of the demand is still coming from the traditional Western European manufacturers, i.e. Germany, France, Italy, the UK and Spain. In 2014, 5.6% more passenger cars were sold in the EU.

Tip:

- Most potential for automotive parts and components is still to be found in traditional Western European manufacturing companies, which still display the highest levels of consumption.

In Western Europe, vehicle density is already very high and considerable growth cannot be expected however Central and Eastern Europe still has a great deal of potential, as do the emerging economies.

Tip:

- Further growth in demand can be expected in new European member states, such as Poland, Hungary and the Czech Republic

The quality of automotive parts has improved in recent years. Due to the fact that better quality parts require less frequent replacement, the European after-sales market seems to offer the most potential for developing country suppliers. In Europe, the density of car ownership is high, and people tend to postpone the purchase of new cars. Both of these aspects contribute to the demand for maintenance and spare parts.

Tip:

- The after-sales market presents potential both in the short and long term. Consider targeting the after-sales market with your products.

The market for commercial vehicles, not supported by demand measures, took the full brunt of the financial crisis and decreased by more than 30%. The market has recovered to some extent since 2009, although the 2014 levels (about 1.8 million vehicles) are still far from those seen in 2007 (2.7 million vehicles).

Tip:

- The commercial vehicle application, though usually very interesting, has been heavily hit by the economic crisis and will not be displaying interesting demand levels in the near future.

For powered two-wheelers, the market is also declining and registrations in 2011 (1.6 million vehicles) showed a decrease of around 40% compared to 2007 levels with an even more drastic drop in 2012. The markets in Southern Europe, traditionally important for this sector, have been heavily impacted by the debt crisis. Moreover, around half of the powered two-wheelers sold on the EU market are imported, mainly from Asia.

Tip:

- The category 'new powered two wheelers' does not represent great potential in the short term as most important markets (southern European markets) have been heavily impacted by the economic crisis. On the other hand, the number of circulating two wheelers is declining more slowly, opening up some opportunities for parts and components in the aftermarket.

Poland, though displaying relatively low volumes (10% of German volumes), can be seen as a growing market, where growth is expected to take place at a nominal rate of 5.7% per year.

Tip:

- Think about new European markets as the fastest growing in terms of consumption for automotive in Europe in the medium term.

Sources

- [BCG](#): The European Automotive Aftermarket Landscape, Customer Perspective, Market Dynamics and the Outlook to 2020, 2013.
- [ACEA](#): Pocket Guide 2015-2016.
- [European Commission](#): Cars 21 High Level Groups, on the Competitiveness and Sustainable Growth of the Automotive Industry in the European Union, Final Report 2012.
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- [Library of the European Parliament](#): A Picture of the EU Car Industry, Library Briefing, 28-02-2013.



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