Automotive Manufacturing in Emerging Europe
H1 2021
Romania, Czechia, Slovakia, Poland, Bulgaria, Turkey

A Multi-country DEMO Sector Overview
by FRD Center
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Since 2000, FRD Center offers upon demand new suppliers identification and selection services, market research and intelligence, B2B matchmaking and M&A consulting services to foreign companies and organisations interested to enter Romania and the emerging markets in Europe as manufacturers, exporters, consultants, investors or joint-ventures, to relocate their operations, or to source in CE, SE and Eastern Europe.

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Sibiu International Theatre Festival FITS (SibFest) - www.sibfest.ro

The Sibiu International Theatre Festival is the most complex festival in Romania. Internationally, it is recognised as one of the most important performing arts festivals in Europe, alongside Edinburgh International Festival (Great Britain) and Avignon Festival (France).
In this Regional Sector Overview

1. MANUFACTURING OF AUTO VEHICLES
2. MANUFACTURING OF AUTO COMPONENTS AND SPARE PARTS
3. RECENT AND ANNOUNCED INVESTMENTS IN THE AUTOMOTIVE SECTOR
4. E-MOBILITY AND ELECTRIC VEHICLES in Emerging Europe / Romania
5. COVID19 pandemic effects and recovery

in the following markets in Emerging Europe:

- Romania
- Czechia
- Slovakia
- Poland
- Bulgaria
- Turkey
New Supplier Identification and Selection in Emerging Europe

Demand for new suppliers identification and selection services received from foreign Client

Longlist of local players generated by FRD Center using criteria agreed with Client

Approach local Decision Makers in confidence

Background and reputation checks by FRD Center

Shortlisting by Client

- Present report to Client
- Facilitate direct contact with selected local firms
- Follow up and pursuit
- Factory visits
- Assist Client with negotiations
- Other upon demand

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About FRD Center

One of the pioneer privately owned independent market entry consulting firms in Emerging Europe

Covers markets such as Romania, Bulgaria, Poland, Hungary, Czechia, Serbia, Lithuania, Turkey etc.

Provides assistance to:
- Foreign companies, SMEs, corporations
- Foreign export promotion agencies, international trade organisations, global consulting groups, chambers of commerce, commercial sections of embassies

FRD Center is an accredited Expert Consultant with: Switzerland Global Enterprise Expert Network, Business Finland Consultants Network, Sweden on the Go Consultants Network, Red de promocion exterior, Instituto de Fomento Region de Murcia and an EU commission approved partner of “EU GATEWAY | BUSINESS AVENUES”

Services include:
- Multi-country market research
- New suppliers identification and selection
- Players identification and detailed profiles
- Comparative analysis
- Data collection, interviews with KOLs
- Reputation checks

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1. MANUFACTURING OF AUTO VEHICLES

1.1 Romania

There are two OEM manufacturers of passenger cars in Romania:
Automobile Dacia
Ford

Automobile Dacia, acquired by the Renault Group in 1999, is the main manufacturer of auto vehicles in Romania. It has a plant in Arges county, Southern Romania.

Ford Group has a plant in Craiova, SW Romania, acquired in 2008.

Automobile Dacia and Ford manufactured a cumulated number of 438,207 auto vehicles in Romania in 2020, 11.9% lower compared to 2019. The decrease was caused by the production interruptions due to COVID-19.
1. MANUFACTURING OF AUTO VEHICLES

1.1 Romania

By models, the domestic production of passenger cars in Romania in 2020 was as follows:

- Dacia Duster: 183,286 units
- Ford EcoSport and Ford Puma: 179,008 units
- Dacia Sandero: 36,416 units
- Dacia Logan: 30,834 units
- Dacia Logan MCV: 8,663 units
1. MANUFACTURING OF AUTO VEHICLES

1.2 Czechia

Czechia is the biggest manufacturer of passenger cars in the CEE and the autovehicle manufacturing is the strongest industrial sector in the country.

The production of cars and LCVs in Czechia recorded 1,152,901 units in 2020, 19.24% lower compared to 2019. Unfortunately, the industry was hit by the COVID-19 crisis in the spring of 2020, when the manufacturers were forced to halt production.

The production of cars and LCVs in Czechia in 2020 was split as follows:

- Skoda: 65%
- Hyundai: 20.7%
- TPCA - Toyota Peugeot Citroen Automobile: 14.3%

The three manufacturers of cars and LCVs in Czechia recorded the following y-o-y production decreases in 2020:

- Hyundai: -22.86%
- TPCA: -21.68%
- Skoda: -17.44%
1. MANUFACTURING OF AUTO VEHICLES

1.2 Czechia

In January 2021, Toyota took full ownership of the joint-venture manufacturing plant founded in 2002 with PSA in Kolin, Czechia. The Kolin plant manufactures the Toyota Aygo, Peugeot 108 and Citroën C1 cars. It will continue production of the vehicles for both Toyota and PSA.

Tatra, the only manufacturer of CVs in Czechia, produced 1,180 units in 2020, a slight decrease of 0.08% compared to 2019.

The production of buses in Czechia in 2020 reached 5,070 units, 2.82% lower compared to 2019.

Iveco is the main manufacturer of buses in Czechia. It produced 4,518 buses in Czechia in 2020, 1.97% lower compared to the previous year.

Jawa is the only manufacturer of motorcycles in Czechia. It produced 553 motorcycles in 2020, 43.57% lower than in 2019.
1. MANUFACTURING OF AUTO VEHICLES

1.3 Slovakia

Slovakia is the world leader in car production per 1,000 inhabitants.

Slovakia is the second biggest manufacturer of passenger cars in the CEE, after Czechia.

The auto vehicles production in Slovakia recorded approximately 985,000 units in 2020, which is 11% less than a year before. The drop was caused by the COVID-19 governmental measures and the closure of plants.

Photo: Sario
1. MANUFACTURING OF AUTO VEHICLES

1.3 Slovakia

Slovakia is home to four car makers:
• Volkswagen
• Kia
• PSA Peugeot Citroen
• Jaguar Land Rover

The four car producers in Slovakia accounted for 49.5% of the country’s total industrial production and over 46% of its industrial exports in 2019.

Volkswagen is the biggest car plant and largest private sector employer in Slovakia.

Since the arrival of Volkswagen in 1991 in Slovakia, the automotive industry became the pillar of Slovakia’s economy and the engine of its growth.
1. MANUFACTURING OF AUTO VEHICLES

1.4 Poland

OEMs such as Volvo, General Motors and FCM operate in Poland. The production of passenger cars in Poland recorded around 258,400 units in the first 11 months of 2020, 36.2% lower compared to the same period of 2019. The lowest production levels were recorded in April and May 2020 due to the COVID-19 restrictions.

The production of LCVs and CVs over 3.5t including truck tractors reached 150,853 units in Poland in the first 11 months of 2020, 22.2% lower compared to the similar period of the previous year.

The Polish production of vehicles for public transport (buses to carry ten persons or more) registered 5,555 units in the first 11 months of 2020, 16.1% lower than the first 11 months of 2019.

Photo: The Irish Times
1. MANUFACTURING OF AUTO VEHICLES

1.5 Turkey

As all the countries in Emerging Europe, Turkey was also influenced by the COVID19 pandemic.

The production of passenger cars in Turkey recorded 855,043 units in 2020, 13% lower compared to 2018.

The production of commercial vehicles (trucks, pick-up, buses and minibuses) in Turkey decreased by 7.5% in 2020 compared to 2019, reaching 442,811 units.

Out of the manufacturers of auto vehicles in Turkey, Ford Otosan was the biggest exporter in 2020, followed by Oyak Renault, Toyota, Tofaş and Hyundai Assan. Ford Otosan is a joint venture between Ford Motor Company and Koc Holding. Ford Otosan has three factories in Turkey.

Oyak Renault is a joint venture between Renault and Oyak Turkish Group. It is one of the biggest Renault plant outside Western Europe and a very successful foreign direct investment in Turkey.
FRD Center is monitoring the players and market opportunities in the Industrial Manufacturing, Automotive, Machine-Tools, Technology, Furniture Manufacturing sector in CE Europe, Eastern Europe and SE Europe.

Upon demand, FRD Center identifies and selects the local players according to the Client’s criteria, provides New Vendor Identification and Selection services.

For 20 years, FRD Center facilitates commercial relations between foreign manufacturers, investors, exporters with local key decision makers and provides B2B matchmaking, Trade Missions, Inward Buyer Missions, Roundtables etc.

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with your specific demand for local support
2. PRODUCTION OF AUTO COMPONENTS

2.1 Romania

Romania is an attractive market for foreign manufacturers of auto components.

The automotive components manufacturing is a dynamic sector in Romania, benefiting from a long tradition of industrial manufacturing, metal working and casting, an educated and productive labour force and ongoing foreign investments.

The automotive components sector is dominated by big foreign companies that have manufacturing facilities in Romania, such as: Michelin, Takata, Continental, Autoliv, Schaeffler, Johnson Controls, Delphi, TRW Automotive, Pirelli, Leoni, Draxlmaier, Yazaki, Daimler, Huf etc.

Key foreign manufacturers of automotive components were attracted in Romania by the significant investments made on the domestic market by the manufacturers of auto vehicles Automobile Dacia and Ford.

*Photo: ZF.ro*
2. PRODUCTION OF AUTO COMPONENTS

2.1 Romania

- The German Group Continental is the biggest producer of automotive components in Romania. All five divisions of Continental are represented in Romania. Continental has seven production units, four engineering centres and a tire distribution centre in Romania.
- Various manufacturers of automotive components in Romania recruit people in 2021 in order to develop their activities. One example is Leoni which announced at the beginning of 2021 the recruitment process of approximately 100 persons at its auto cables plant in Bihor county, NW Romania.
- Schaeffler Romania, the local subsidiary of the German Group Schaeffler, recorded an increase of its turnover by 8% in the first semester of 2020 compared to the same period of 2019.
2. PRODUCTION OF AUTO COMPONENTS

2.2 Czechia

The Czech automotive industry has the highest gross value added per employee in the CEE region.

The automotive industry companies represent the backbone of the Czech economy.

Czechia has a century-long engineering tradition, well-developed infrastructure, skilled workforce and a strong innovation potential for R&D projects.

Examples of leading automotive manufacturing sub-sectors in Czechia are:
- alternative fuel propulsions
- auto security components
- electric parts
- advanced technologies and supplies for automotive parts manufacturers
- in-car entertainment
2. PRODUCTION OF AUTO COMPONENTS

2.2 Czechia

56 out of Top 100 global top Tier 1 automotive suppliers have locations in Czechia.

Examples of key foreign investors in the automotive components sector in Czechia are: Valeo, Faurecia, Leoni, Bosch, Mahle, Magna, Continental, Schaeffler, Denso, Johnson Controls.

Valeo is one of biggest automotive employers in Czechia with around 4,000 employees on five sites.
2. PRODUCTION OF AUTO COMPONENTS

2.3 Slovakia

The automotive industry has a strong tradition in Slovakia. It is the most important sector and driving force of the Slovak economy. There were over 340 Tier 1 and Tier 2 auto suppliers operating in Slovakia in 2019. These prove parts, components and subassemblies to clients throughout Europe and overseas.

Over the past 20 years, the automotive sector has been a significant source of foreign direct investment in Slovakia. The automotive industry in Slovakia has a share of 50% of the country's total industrial production and a share of 13% of the GDP of Slovakia.

Slovakian automotive industry benefits from cost effective, skilled and educated labour force, numerous technical schools, developed and steadily growing R&D centers and innovation network, well-developed infrastructure, wide supplier network, high potential for e-mobility and attractive investment incentives.

New orders in industry increased by 3.1 % in November 2020 compared with October 2020. In November 2020, new industrial orders amounted to EUR 5 044,2 million. Compared with November 2019, they rose by 8 %
2. PRODUCTION OF AUTO COMPONENTS

2.3 Slovakia

Over 350 automotive suppliers operate in Slovakia.
Some examples are:
- Brose
- Faurecia
- Schaeffler
- Lear
- Antolin
- Magneti Marelli
- Continental
- Adient
- Magna

The manufacturer of components for the automotive industry Brose aims to employ 2,000 workers in its factory in Prievidza, Slovakia by 2025 at the latest, compared to 1,060 people in August 2020.

Photo: MediaFax

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2. PRODUCTION OF AUTO COMPONENTS

2.4 Poland

The automotive industry is a key driver of Poland’s economy. The auto parts manufacturing accounts for 11% of industrial production and 4% of gross domestic product in Poland.

The automotive industry is among the most efficient sectors in Poland, in terms of the average productivity per employee.

The automotive industry in Poland benefits from well-developed infrastructure, high qualified employees with solid technical education and attractive incentives offer.

A great opportunity for the automotive sector in Poland in the development of the R&D activity. Some examples of automotive manufacturers which established successful R&D centres in Poland are: TRW, Delphi, Wabco, Faurecia, Nexteer, Tenneco, Eaton, Valeo, Mahle or GKN Driveline.

Examples of major automotive Tier 1 and 2 subcontractors in Poland are: Valeo, Michelin, Mahle, Hutchinson, Autoliv, Yazaki, VOSS, Lear, Faurecia, Bridgestone, Delphi, Johnson Controls, Kongsberg etc.
2. PRODUCTION OF AUTO COMPONENTS

2.5 Bulgaria

The automotive parts manufacturing industry is one of the fastest growing sectors in Bulgaria with numerous Tier 1, Tier 2 and Tier 3 players developing operations in this South Eastern part of Europe. Bulgarian companies as well as local operations of foreign players produce almost everything part of the car starting with bearings, cables, electronics and electronic components, air conditioning systems, filters, electric cabling, accumulators, gearboxes, alternators, engines and engine components, starters, switches, power-train systems, steering wheels, injection systems and modules, alarms, installations, interior and seats, sensors, seat parts, lighting fixtures, locking systems, A/C systems, lightning and signalling systems, batteries and electric car components a.s.o.
Turkey has a strong automotive components sector. In recent years, Turkey developed a highly competitive automotive components industry, with a large capacity and a wide variety of products.

In the first eight months of 2020, Turkey exported automotive subindustry products worth more than 5.5 bnUSD. 22% of these were sent to Germany, which has a 38% share in Turkey’s total automotive exports.

There are over 430 Tier 1 suppliers and around 150 R&D and design centers in Turkey which qualifies as the 15th largest automotive manufacturer in the world.

Turkey offers automotive manufacturing opportunities, with skilled workers and a central location for easy access to the EU, Eurasia and the Middle East.

The players in Turkey manufacture components and parts for auto vehicles produced on the domestic and global markets, as well as for the OEMs and after market. The Turkish automotive and spare parts industry is concentrated in the Marmara Region.
3. INVESTMENTS IN THE AUTOMOTIVE SECTOR - 3.1 Romania (examples)

The Swedish car safety equipment manufacturer Autoliv announced in November 2020 plans to relocate the production from Vargarda, Sweden to existing facility in Brasov, Centre Romania.

The German Group Schaeffler targets to open a new production hall in 2021 in Romania.

The German Group Continental completed in December 2020 an investment of 4 mEUR in a new odour emission treatment system at its tire plant in Timisoara, Western Romania. Furthermore, Continental completed in July 2020 an investment of 27 mEUR in expanding its R&D center in Iasi, NE Romania. Continental developed in 2020 core components for Volkswagen ID.3 E-model in Iasi.

Photo: Cars.ro
3. INVESTMENTS IN THE AUTOMOTIVE SECTOR - 3.1 Romania (examples)

- Ford Romania started in October 2020 the series production of the new Puma ST at its plant in Craiova, SW Romania. The Puma ST is powered by a 200 PS 1.5-litre EcoBoost engine. Furthermore, Ford announced in July 2020 an investment of approximately 30 mEUR in a new pressing line at its plant in Craiova.

- The German manufacturer of automotive chains IWIS inaugurated in September 2020 its first plant in Romania. It covers a total surface of approximately 7,000 sqm in Oradea, NW Romania.

- Iveco Defense started the construction of an automotive plant in Dambovita county, where it will manufacture military trucks for the Romanian Army.

- Star Assembly, part of the Daimler Group, started in August 2020 to increase the production capacity of the 8G-DCT dual-clutch automatic transmission in its plant in Sebes, Centre Romania, due to high demand.

- The manufacturer of automotive locking systems Huf Romania, part of the German Group Huf, doubled in 2020 the production area at its factory in Arad, Western Romania, reaching 20,000 sqm.
3. INVESTMENTS IN THE AUTOMOTIVE SECTOR - 3.2 Czechia (examples)

Skoda opened in January 2021 a new facility to manufacture test vehicles and prototypes at its Mlada Boleslav site in Czechia. The carmaker uses robot stations and virtual reality solutions throughout the entire production process.

The Czech manufacturer Torsus introduced in October 2020 the Praetorian school bus, designed for off-road use and featuring all-wheel drive. The off-road bus is powered by a 6.9L inline 6-cyl. diesel producing 290 hp.

Skoda announced in July 2020 that the plant in Vrchlabi, Czechia will become its first CO2-neutral site. Much of its carbon-dioxide reductions are achieved by the transition to renewable energies, which cut emissions from 45,000 metric tons a year to just 3,000 metric tons.
Kia completed in December 2020 a range of upgrades to its production plant in Zilina, Slovakia, as a result of a 70 mEUR investment. The investment allows the plant to produce small-capacity, high-efficiency, hybrid-compatible petrol engines on three engine production lines, with the fourth dedicated to the Smartstream 1.6-litre diesel engine.

Volkswagen announced in November 2020 plans to invest around 1 bn EUR in Slovakia in the next five years, out of which approximately 500 mEUR in the production of two new models: Volkswagen Passat and Skoda Superb.

In August 2020, the automotive producer Magna announced the expanding of its powertrain business with a new facility in Kechnec, Slovakia. The facility will cover 7,675 sqm and is expected to be completed in March 2021.
BWI Group opened in July 2020 a new technical center in Krakow, Poland. It supports the design and development of BWI Group’s various suspension products and implementation support for BWI Group manufacturing sites worldwide.

Toyota Motor Manufacturing Poland started in June 2020 the production of the latest generation of the 1.5L petrol engine in Jelcz-Laskowice. Furthermore, Toyota plans to start producing a new electronic continuously variable transmission (e-CVT) at its Polish plant in Walbrzych in 2021.

The European Investment Bank signed in June 2020 a 125 mEUR loan with the Belgian Group Umicore to finance part of the greenfield production facility for cathode materials for automotive batteries in Poland. The loan covers approximately half of the project costs in the initial phase.

In March 2020, the European Investment Bank signed a 480 mEUR loan agreement with LG Chem Wroclaw Energy Poland for the construction and operation of manufacturing facilities for advanced lithium-ion cells and batteries for electric vehicles. The total project costs are estimated at 1.5 bn EUR.
The German company Festo will build its third production facility in Bulgaria, with investments of 40 mEUR. The plant near Sofia is expected to be completed in 2023.

In October 2020, Bosch announced plans to open 350 jobs at its Bulgaria-based software engineering centre.
3. INVESTMENTS IN THE AUTOMOTIVE SECTOR - 3.6 Turkey (examples)

Ford Otosan Turkey and AVL will continue in 2021 their joint development of autonomous driving solutions, thorough the development of automated driving of trucks. The autonomous trucks will have SAE L4 Highway Pilot technology. In the first half of 2021, Ford Otosan and AVL aim to show the next major step in their cooperation toward the development of real H2H transportation.

Samvardhana Motherson Automotive Systems Group announced in January 2021 the acquisition of a 75% stake in Plast Met Group Turkey, specialised in the production of moulded parts, sub-assemblies for mirrors and lighting systems.

In October 2020, the Chinese electric vehicle battery manufacturer Farasis signed a letter of intent with the Turkish automotive company Turkiye’nin Otomobili Girisim Grubu to jointly develop energy storage products through a Turkey-based joint venture. The two companies will produce battery modules and packs in Turkey, using battery cells provided by Farasis.

The supplier of braking control systems and other advanced technologies Wabco Holdings held in January 2020 the ground breaking ceremony for its first manufacturing facility in Turkey. This represents a total investment of 20 mUSD.
Several Emerging Europe countries in the region updating their public transport fleets with electric vehicles (EVs), offering subsidies for electric car purchases

Fiat Chrysler will invest approximately 167 mEUR in its plant in Tychy, Poland, where new hybrid and electric Jeep, Fiat and Alfa Romeo models will be built. The mass production is expected to start in the second half of 2022.

Lithuanian company Elinta Motors plans to release four different types of electric minibuses by the end of 2021. The vehicles used for public transport will be fully manufactured in Lithuania.

The State-owned ElectroMobility Poland (EMP) announced in December 2020 an investment is an electric vehicle factory in Jaworzno, Silesia region. EMP plans to launch two models under the brand name Izera. The production is scheduled to start in 2024.

The Korean producer LS Cable & System bought a 30,000-sqm site in Dzierzoniow, Poland in October 2020 with the purpose to build an electric vehicle battery parts plant.
4. E-MOBILITY AND ELECTRIC VEHICLES in Romania - some news

In January 2021, Enel X Romania, part of Enel X, the advanced energy services division of Enel Group, installed the first six charging stations for electric vehicles in the city of Constanța. The network developed by the company in Romania thus reached 53 stations, respectively 106 charging points.

Enel X Romania has the largest public e-Mobility infrastructure plan in the country, which includes the installation of approx. 2,500 charging points across all regions, involving an overall investment between 15 and 20 million euros.

The number of electric charging locations at the end of 2020 in Romania exceeds 500 with the number of charging sockets counting more than 1000.

At the end of H1 2020, some 20% of the vehicle models available for purchase were xEVs in Romania. Some 72 models of EV & PHEV were part of the offer in the Romanian auto dealers’ portfolios.

The total of new EV registrations in Romania in 2020 exceeded 3100, with over 250 units of VW ID 3 registered in December only. Sector specialists consider that the market share of HEV + EV in Romania reached around 9.4% in 2020.
5. COVID19 pandemic effects and recovery

The coronavirus pandemic brought along an abrupt drop in activity and a halt in automotive production in Emerging Europe.

Europe’s carmakers have been hit badly by the economic fall out from the Covid-19 pandemic, with EU car sales falling in the first nine months of 2020 to 7.1 million units, which represent approx. 30% vs 2019.

After a year that saw the sharpest drop ever in EU car sales due to the COVID-19 pandemic, the European Automobile Manufacturers’ Association (ACEA) forecasts that 2021 will mark a first step on the path to recovery, with sales rising by about 10% compared to 2020. The fallout of COVID is expected to persist into the first quarter of 2021, but the car market should pick up in the second half of the year as vaccination programmes progress.

Boosted by increasing industry investments and national support measures to stimulate demand during the COVID crisis, the market share of electrically-chargeable cars grew strongly last year, with provisional 2020 figures showing an EU-wide market share of 10.5% (up from 3% in 2019).
FRD Center assists international companies with overseas expansion, new suppliers identification, targets origination and market entry to the Emerging Markets in Eastern Europe, CE and SE Europe.

Are you a foreign company looking to source, expand, acquire local players, build strategic partnerships or to find new Clients in Eastern Europe?

As one of the pioneer privately owned market entry advisory firms in Romania, operating for 20 years, FRD Center has high competencies in market entry advisory and is quite well placed to assist foreign companies with a multitude of aspects related to new vendor identification & selection, market opportunity assessment, B2B matchmaking with local Decision Makers and M&A in Romania and the region.

This is a DEMO market analysis. For B2B matchmaking according to your specific needs, contact the FRD Center team at europa@frdcenter.ro
For tailored Market Research, B2B Matchmaking with local players in the sector, New Suppliers Identification, Target Origination and M&A assistance feel free to contact

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