SLOVAKIA – Integration into global automotive supply chains

Doris Hanzl-Weiss, wiiw

FIW-Workshop, Vienna, June 6, 2014
Integration into global automotive supply chains

Main points:

- The role of the automotive industry
- Importance of foreign direct investment
- Automotive supply chains
Automotive sector is the main industry in Slovakia

Output, Manufacturing = 100

Source: Eurostat National Accounts.
Catching-up in terms of value added

Value added, Manufacturing = 100

Source: Eurostat National Accounts.
Automotive industry dominates the region
Automotive industry overview (NACE Rev.2 29), 2011

<table>
<thead>
<tr>
<th></th>
<th>Production</th>
<th>Employment 1</th>
<th>Foreign direct investment 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>in mn EUR</td>
<td>in % of manuf.</td>
<td>ths. Persons</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>561.1</td>
<td>2.3</td>
<td>10,087</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>31,647.8</td>
<td>22.4</td>
<td>138,575</td>
</tr>
<tr>
<td>Hungary</td>
<td>15,800.8</td>
<td>18.6</td>
<td>65,022</td>
</tr>
<tr>
<td>Poland</td>
<td>26,669.1</td>
<td>11.2</td>
<td>146,685</td>
</tr>
<tr>
<td>Romania</td>
<td>9,046.0</td>
<td>14.9</td>
<td>116,156</td>
</tr>
<tr>
<td>Slovakia</td>
<td>16,435.8</td>
<td>28.5</td>
<td>50,998</td>
</tr>
<tr>
<td>Slovenia</td>
<td>2,598.5</td>
<td>11.7</td>
<td>12,837</td>
</tr>
</tbody>
</table>

Notes: 1) Employment defined as number of employees, 2010. 2) Inward FDI stock for CL "Manufacture of transport equipment". 3) 2010.
Source: Eurostat SBS; wiiw FDI Database.
EU accession is the main driver for FDI-inflows

FDI inward stock, transport equipment, in million EUR

Notes: NACE rev. 1 classification until 2008, since 2009 NACE rev. 2 classification system.
Source: wiww Database on Foreign Direct Investment in Central, East and Southeast Europe.
Automotive and metals sector major recipients of FDI

FDI inward stock, Manufacturing = 100

Source: wiiw Database on Foreign Direct Investment in Central, East and Southeast Europe.
Automotive companies in Slovakia top
Main automotive companies, 2012

<table>
<thead>
<tr>
<th></th>
<th>2012-Revenue in EUR mn</th>
<th>Place 2012</th>
<th>Place 2011</th>
<th>Employees 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>ŠKODA AUTO</td>
<td>10,448</td>
<td>3</td>
<td>26,265</td>
</tr>
<tr>
<td>(2)</td>
<td>Volkswagen Slovakia</td>
<td>6,587</td>
<td>14</td>
<td>8,400</td>
</tr>
<tr>
<td>(3)</td>
<td>AUDI Hungary</td>
<td>5,536</td>
<td>19</td>
<td>7,322</td>
</tr>
<tr>
<td>(4)</td>
<td>Kia Motors Slovakia</td>
<td>3,919</td>
<td>31</td>
<td>3,158</td>
</tr>
<tr>
<td>(5)</td>
<td>Fiat</td>
<td>3,373</td>
<td>37</td>
<td>5,841</td>
</tr>
<tr>
<td>(6)</td>
<td>AUTOMOBILE-DACIA</td>
<td>2,863</td>
<td>45</td>
<td>13,652</td>
</tr>
<tr>
<td>(9)</td>
<td>PCA Slovakia</td>
<td>1,936</td>
<td>83</td>
<td>2,953</td>
</tr>
</tbody>
</table>

Note: Place means relative position among all companies in Central Europe.

Source: Deloitte CE Top 500 ranking, Coface CEE Top 500.
Slovak automotive exports surge after the crisis

Automotive exports (NACE Rev. 2, division 29), in mn of EUR

Source: Eurostat COMEXT.
Foreign linkages equal to domestic ones

Domestic and foreign sourcing in the transport equipment sector (34&35)

Source: WIOD.
Backward linkages more significant than forward linkages
Transport equipment (34&35): Slovakia’s linkages with selected countries

Source: WIOD.
German supply chains dominate in the region

Foreign value added content of transport equipment exports, 2011, in % of gross exports

Notes: EU-14 is EU-15 without Germany; EU-12 means EU-12 without the respective country. Source: WIOD.
Integration into global automotive supply chains

Conclusions & challenges:

- Automotive industry is the key sector in manufacturing
- Potential for increasing domestic linkages and value added
- Import and export linkages quite different
SLOVAKIA – Integration into global automotive supply chains

Thank you for your attention!