

An Overview of the Current Automotive Market in the Eastern Europe and Its Opportunities for Fastener and Related Tools Suppliers

by Sharareh Shahidi Hamedani

Introduction

Based on statistics released by OICA (The Organization of International Car Manufacturers Association), the numbers of cars produced in Eastern Europe since 2000 have been shown in the following table.

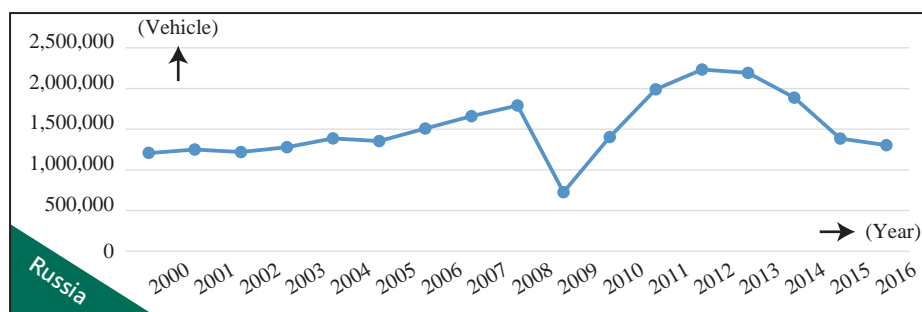
Million units	2000	2001	2002	2003	2004	2005	2006	2007	2008
Total World	58.39	56.31	59	60.66	64.49	66.72	69.22	73.26	70.73
Total Eastern Europe	2.730	2.616	2.617	2.785	3.238	3.543	4.234	5.107	5.489
Eastern Europe market share	4.7%	4.6%	4.4%	4.6%	5.0%	5.3%	6.1%	7.0%	7.8%
Million units	2009	2010	2011	2012	2013	2014	2015	2016	
Total World	61.76	77.58	79.82	84.24	87.3	89.75	90.52	94.64	
Total Eastern Europe	3.858	4.783	5.506	5.767	5.873	5.783	5.456	5.426	
Eastern Europe market share	6.2%	6.2%	6.9%	6.8%	6.7%	6.4%	6.0%	5.7%	

Eastern European car manufacturers have produced about 6.0% to 7.0% of the whole cars produced in the world. The statistics above show that the market share of Eastern Europe has dropped since 2011. Russia, Poland, Czech Republic, Slovakia, Hungary, Slovenia, Romania, Ukraine and Serbia are all main car manufacturers in this region.

Russia¹

Russia was once the biggest car manufacturer in this area from 2000 to 2015 but it has lost its leading position since 2016 and Czech Republic has replaced Russia as the biggest one and Russia has moved down to the 2nd place.

Russia	Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Vehicle	1,205,581	1,250,682	1,219,750	1,278,792	1,386,127	1,354,504	1,508,358	1,660,120	1,790,301
Russia	Year	2009	2010	2011	2012	2013	2014	2015	2016	
	Vehicle	725,012	1,403,244	1,990,155	2,233,103	2,192,245	1,887,293	1,384,399	1,303,896	



Why the Increasing Trend of Russia's Car Production Dropped in 2009?

Russia's automotive industry was hit hard by the recession in the late 2000s. Its production of passenger cars dropped from 1,470,000 units in 2008 to just 597,000 units in 2009. Lorry production fell from 256,000 to 91,000 in the same period.

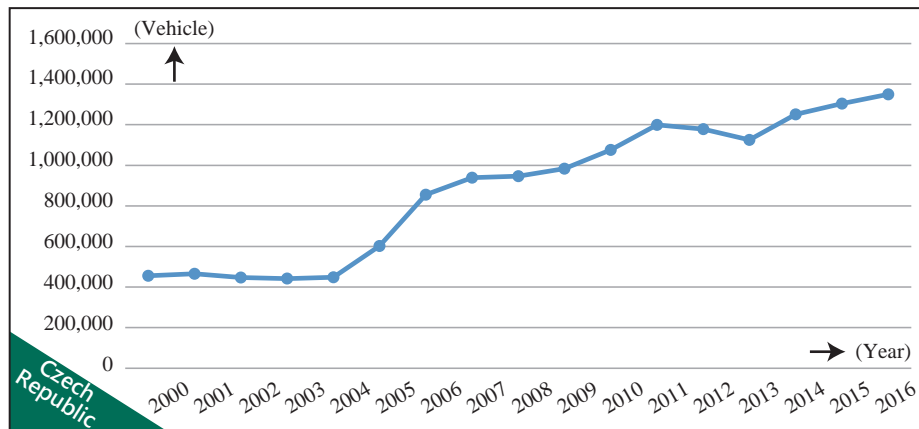
Russia's Car Manufacturers Between 2012-2016

After a four-year drought during which sales halved, Russia's car market looks to have bottomed out, leaving manufacturers optimistic that 2017 will bring the first signs of recovery for a market with the potential to become Europe's biggest for new-car sales.

Trade sanctions, price hikes in response to a weak ruble and a slump in oil revenue prompted car buyers in Russia to enter hibernation starting in 2013, but car executives believe leading indicators are finally pointing in the right direction and further state subsidies provide an additional safety net. “Given that the government will continue with a scrapping program similar to the one in place last year, and that the ruble and inflation remain stable, a 5 percent growth for 2017 is possible,” Ford of Europe President Jim Farley told Automotive News Europe.

Czech Republic

Czech Republic	Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Vehicle	455,492	465,268	447,088	441,699	448,360	602,237	854,907	938,648	946,567
Czech Republic	Year	2009	2010	2011	2012	2013	2014	2015	2016	
	Vehicle	983,243	1,076,384	1,199,848	1,178,995	1,125,534	1,251,220	1,303,603	1,349,896	

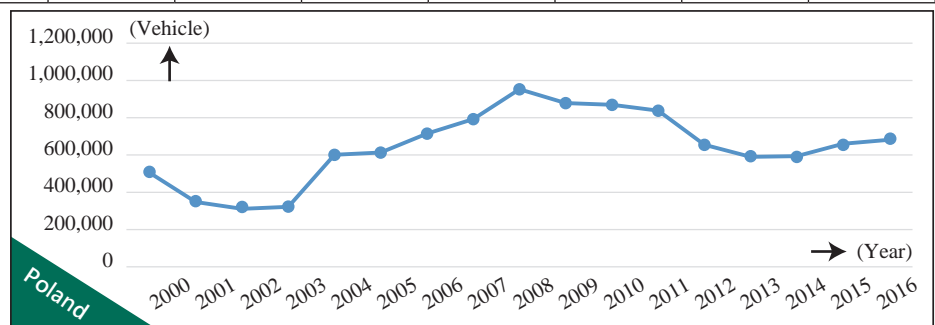


Czech Republic has improved its production annually and in 2016 it became the biggest car producer in the Eastern Europe. It can be an attractive market for fastener and tooling suppliers. With a strategy fastener and tooling suppliers can achieve their success in the Czech Republic market, which hosts one of the highest concentrations of automotive-related manufacturing and design activity in the world.

Poland

Poland is the only economy in the Eastern Europe to have avoided the recession starting from 2008. However, the automobile industry in Poland did not develop well year by year. The scale of demand on the domestic market is exceptionally small. The domestic market should gradually increase alongside the income growth. And it is the cause of Poland in the car manufacturing growth starting from 2014.

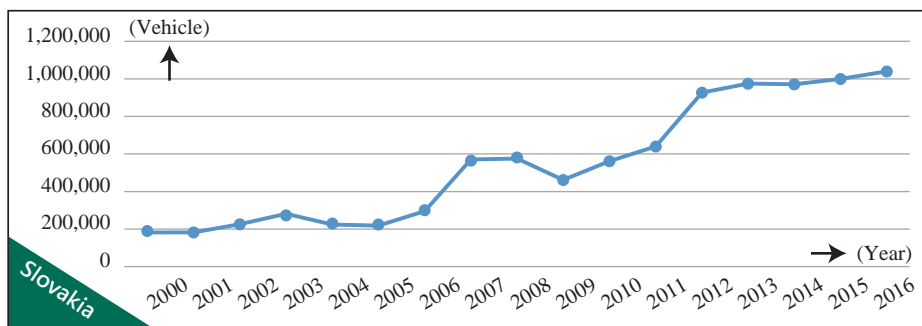
Poland	Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Vehicle	504,972	347,875	311,132	322,061	601,000	613,200	714,600	792,703	952,840
Poland	Year	2009	2010	2011	2012	2013	2014	2015	2016	
	Vehicle	878,998	869,474	838,133	654,756	590,159	593,504	660,603	681,837	



Slovakia

Slovakia is an interesting case that shows how an industry can improve annually in a country. Slovakia remains to be the world’s leader in car production per capita, and planned investments and the launch of new models both mean it is likely to keep this position. Moreover, another carmaker, Britain’s Jaguar Land Rover looks to be considering a new investment. Slovakia ranks the first with the production of 183 cars per 1,000 citizens !

Slovakia	Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Vehicle	504,972	347,875	311,132	322,061	601,000	613,200	714,600	792,703	952,840
Slovakia	Year	2009	2010	2011	2012	2013	2014	2015	2016	
	Vehicle	878,998	869,474	838,133	654,756	590,159	593,504	660,603	681,837	



The biggest threat for car manufacturers in Slovakia is Brexit, and it may affect the investment of British car manufacturers in Slovakia like Jaguar Land Rover.

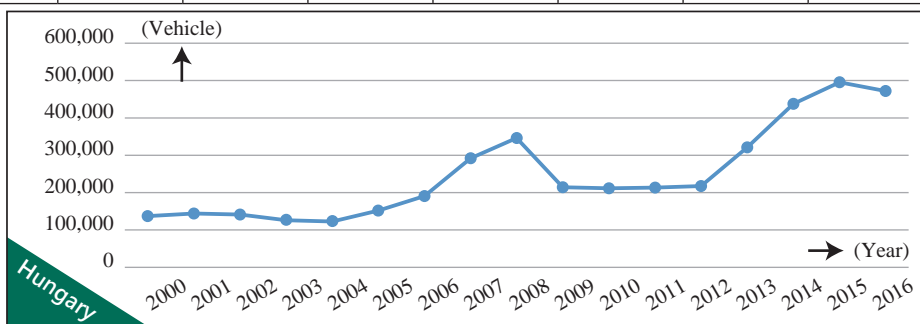
BTW Slovakia can be the most important market for fasteners and tools suppliers in the Eastern Europe yet.

Hungary

The automotive industry is the fastest growing sector of the Hungarian economy. It has undergone a quantitative and qualitative change in recent years. The Hungarian automotive industry may be described as a clustered industry, resulting in companies being able to take advantage of the benefits of geographical proximity and the existence of critical mass. The automotive industry has a significant role in the Hungarian economy illustrated by its added value, which is 10% of the Hungarian GDP and the number of employees, which is more than 115 thousand.

In this country the tools and fastener suppliers can establish their own factories besides the factories, the major car manufacturers have realized the benefits of creating local R&D centres, which they have established many worldwide. This trend offers opportunities for Hungary, as is shown by recent investments. Furthermore, these investments targeted the fastest rising segment: premium car production. So Hungary's production is extremely well positioned. The investments in the last couple of years demonstrate there are good initiatives in the field of R&D activities in Hungary, but I think there is still room for improvement in order to be more attractive to high-value-added activities. To create this attractive atmosphere, high-level cooperation is required between the companies, universities and research institutes."

Hungary	Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Vehicle		137,398	144,313	141,513	126,116	122,666	152,015	190,823	292,027
Hungary	Year	2009	2010	2011	2012	2013	2014	2015	2016	
	Vehicle		214,543	211,461	213,531	217,840	321,287	437,599	495,370	472,000

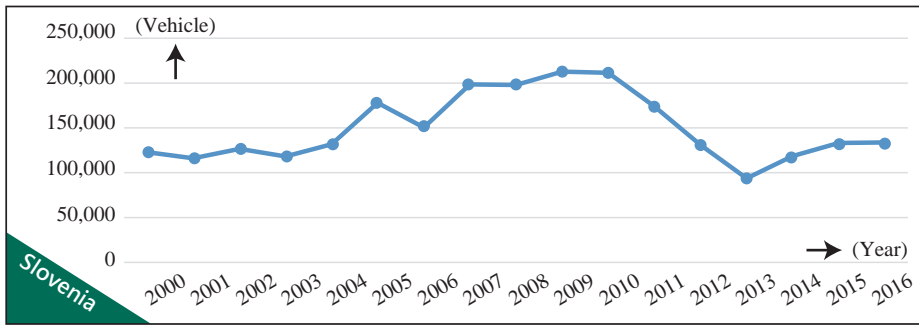


Slovenia

With 16,000-strong direct automotive employment in over 250 companies and the total employment depending on the automotive sector estimated to be five times higher, Slovenia has highly qualified people for the competitive and sustainable auto industry. Slovenia's automotive industry generates one tenth of the country's GDP and accounts for 12.5% of its exports of goods. Slovenian companies have achieved compliance with all EU green and safety requirements and supply the international industry leaders.²

Slovenia's sharp economic downturn eased somewhat in the final quarter of 2009, the slippage into the deepest crisis since gaining independence was mainly the result of a dramatic decline in investment; gross fixed capital formation fell by nearly one quarter, affecting all types of investment. The investment slump was a consequence of the sharp decline in export orders along with a running down of stocks built up in the past couple of years.³

Slovenia	Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Vehicle		122,949	116,082	126,661	118,199	131,646	177,951	150,320	198,402
Slovenia	Year	2009	2010	2011	2012	2013	2014	2015	2016	
	Vehicle		212,749	211,340	174,119	130,949	93,734	118,591	133,092	133,702

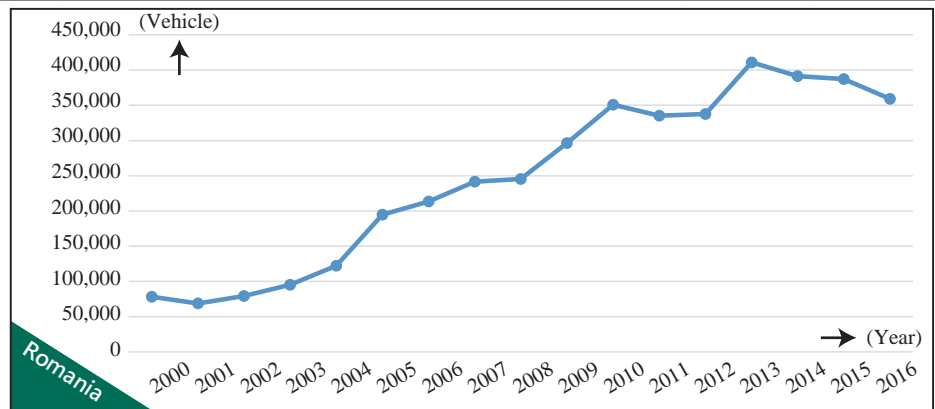


Based on the data Slovenia market is not a stable market for exporters of fasteners and tools, as it could not cover its market after the recession year 2009.

Romania

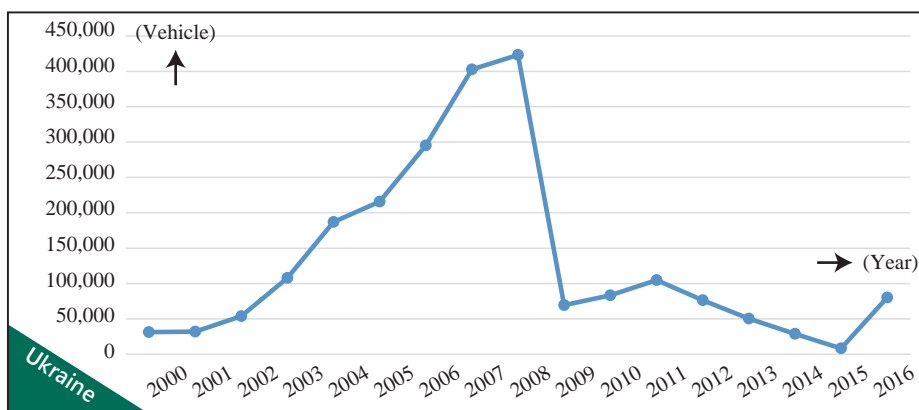
The automotive industry has been one of the most profitable sectors of the Romanian economy. Romania has a small but growing automotive cluster with a network of suppliers and components manufacturers. Most of the Romanian suppliers work in joint ventures with foreign partners, the Romanian party providing production facilities, utilities and engineering services, while the international car manufacturers bring in their brands, global know-how and services⁴. In this case fastener and tools producers can make their own factories in Romania and catch the Romanian market.

Romania	Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Vehicle	78,165	68,761	79,456	95,247	122,185	194,802	213,597	241,712	241,712
Romania	Year	2009	2010	2011	2012	2013	2014	2015	2016	
	Vehicle	296,498	350,912	335,232	337,765	410,997	391,434	387,177	359,306	



Ukraine

Ukraine	Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Vehicle	31,255	31,824	53,773	107,890	186,890	215,759	295,260	402,591	423,127
Ukraine	Year	2009	2010	2011	2012	2013	2014	2015	2016	
	Vehicle	69,295	83,133	104,654	76,281	50,449	28,751	8,244	80,320	

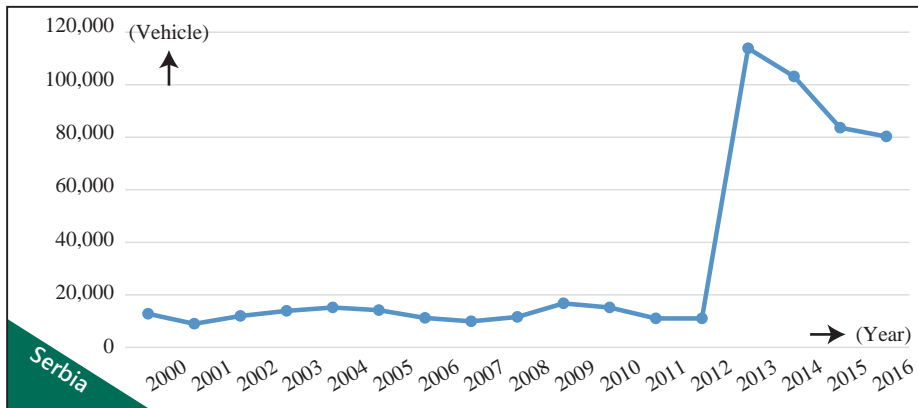


The automotive industry became one of the worst hit sectors by the crisis in Ukraine, in 2016, Ukraine's carmakers produced only 5,264 vehicles compared with 50,449 units in 2013 and 423,127 units in 2007. However, in 2016 they recovered a part of the effect of crisis but this market because of the problem with Russia is always risky.

Serbia

Serbia is a small manufacturer in the automotive industry but 2013 was a starting point for this country to change its numbers.

Serbia	Year	2000	2001	2002	2003	2004	2005	2006	2007	2008
	Vehicle		12,740	8,979	11,972	13,903	15,194	14,179	11,182	9,903
Serbia	Year	2009	2010	2011	2012	2013	2014	2015	2016	
	Vehicle		16,738	15,200	11,023	11,032	113,878	103,150	83,630	80,320



Last Word

This study shows that different actions to the same problem cause different results. 2008-2009 were the years of big recessions and the actions of Eastern European countries were totally different, which is a clue for fasteners and tools suppliers for defining their entering strategies in each country.

1. <http://europe.autonews.com/article/20170206/ANE/170209984/russia-slump-forecast-to-end;-rapid-recovery-unlikely>
2. <http://www.sloveniapartner.eu/industries/automotive/>
3. <https://wiiw.ac.at/slovenia-unprecedented-drop-followed-by-mild-recovery-dlp-2013.pdf>
4. http://s3.amazonaws.com/zanran_storage/www.buyusainfo.net/ContentPages/2532403717.pdf

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