European Market Opportunities — Spanish Automobile and Parts Industry

歐洲市場商機—西班牙汽車與零組件產業

Overview of the Automotive Industry

Spain is a country with the largest automobile production in Europe after Germany. In 2023, the output value of the country's automobile industry was USD156 billion, accounting for 10.2% of Spain's GDP. This output value (including whole vehicles and components) accounted for 18.1% of its exports. The automobile production volume was 2.45 million units (including 40 new car models and 22 EV models), ranking 9th in the world. There are 9 world-leading car manufacturers, 17 assembly plants and 15 R&D centers in Spain. The automobile industry clusters there include Santander (Mercedes-Benz, Nissan), Vigo (Opel, Fiat, Stellantis), Palencia (Renault), Valladolid (Renault, Mitsubishi, Iveco), Victoria (Seat), Pamplona (Audi, Opel, etc.), Avila (Nissan), Zaragoza (Opel, Citroën, Stellantis, etc.), Barcelona (Seat, Audi, etc.), Madrid (Iveco, Citroën, Stellantis, etc.), Valencia (Ford), Sevilla (Renault, etc.). In addition to being sold domestically in Spain, 89.8% of the assembled vehicles and 60.2% of the components (more than 1,600 manufacturers in the supply chain, with an output value of USD 41.95 billion) are exported. In addition to being sold to major EU countries, they are also sold to Turkey, Morocco, Egypt, the U.S., UAE and other countries. The Spanish automobile industry employs more than 2 million people and occupies a very important position in Spain's manufacturing industry.

Current Status of Spanish Automobile Production and Sales

Automobile

According to the data from the Spanish Automobile and Truck Manufacturers Association (ANFAC), Spanish vehicle production totalled 2.45 million units in 2023, an increase of 10.4%. Despite this, it has not recovered to the pre-pandemic level of 2.5 million vehicles.

In 2023, Spain's automobile production was still dominated by conventional gasoline vehicles, accounting for 54.8%, where diesel vehicles accounted for 24.4%, and EVs accounted for 13.2% (323,255 units), a growth of 21.3%, of which pure EVs (BEV) were 157,751 units (accounting for 6.4%), an increase of 24.2%, and plug-in hybrid EVs (PHEV) were 165,504 units (accounting for 6.8%), an increase of 18.7%. In 2023, Spanish automobile export sales totaled 2.2 million and 1,802 units, an increase of 13.9%, equivalent to 9 out of every 10 cars produced in Spain being exported. **The EU is Spain's main export destination, accounting for 90% of total export sales and growing by 13.4%. The top five destinations for Spain's automobile exports are France, Germany, the UK, Italy and Turkey, in order.** **Figure 1** is the Spanish automobile production forecast.

According to the association's report, Spanish car sales in June 2024 were 123,068 units, an increase of 3.23%, among which the sales of alternative energy vehicles (including BEV+EREV, PHEV, natural gas vehicles, hybrid EVs and FCEV) were 52,214 units, an increase of 11.4%. From January to June 2024, the cumulative sales of automobiles were 640,857 units, an increase of 7.83%, of which the sales of alternative energy vehicles were 270,129 units, an increase of 18.4%.

Although the overall automobile sales showed a growth trend, the sales of EVs (BEV and PHEV) in June 2024 were only 11,658 units, a decrease of 11.47%. The cumulative sales in the first half of 2024 were 60,734 units, a decrease of 1.5%. **If we look at the policy goals of Spain's climate change and energy transformation law (PNIEC), the Spanish EVs and plug-in hybrid vehicles were expected to reach 280,000 units in 2024. The current sales status varies a lot from the government's goals, and the EV promotion goal could miss the set mark.**

Parts and Components

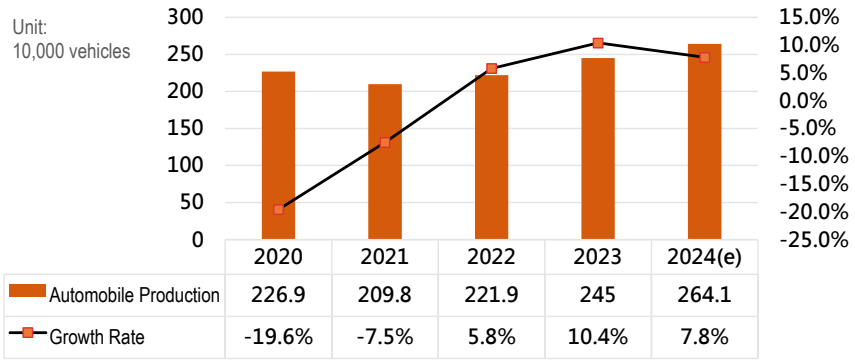
Despite the turbulence of the global economic situation and the uncertainty in EV transformation, the Spanish automotive parts industry still has competitiveness, with an output value of USD41.95 billion in 2023, an increase of 16.8% compared with 2022. In addition to the rapid growth of marketing due to industrial development, it is also related to the rising costs of raw materials, energy, logistics, labor and prices. The Spanish export value of parts and components in 2023 was USD26.73 billion, an increase of 14.7% compared with 2022, and the export revenue accounted for approximately 63.7% of the industry's total revenue. The domestic market value was USD15.22 billion, of which USD12.02 billion supplied the assembly needs of various car manufacturers, and USD3.2 billion was for domestic components repair and replacement.

The global automotive industry is accelerating electrification, and lowering manufacturing costs of the EV industry as well as the pressure from product competitiveness. **The Spanish auto parts industry association predicted that the automotive parts industry would still grow by 2.8% in 2024 compared with 2023.** In addition, Spanish government policy incentives and European funds will also be critical key factors in supporting the development of the automotive parts industry. **Figure 2** is a forecast of Spanish auto parts output value.

New Energy and EV Industry Development

The Spanish government has implemented an EV industry incentive plan since 2019, providing subsidies for the construction of charging stations and consumers' purchase of EVs. At the end of 2023, the Spanish government allocated an additional USD1.3 billion to extend the incentive program to mid-2024. In 2021, the Spanish government approved an economic recovery and strategic transformation project for the development of EVs and supporting networks, which was supported by the EU Recovery Plan. The USD2.5 billion funds for the first phase will be provided by more than 550 companies. Another focus of the project is to provide USD6.6 billion in funds to invest in battery production and promote the development of the EV industry value chain. **Spain has abundant solar and wind energy resources, and cities such as Barcelona have convenient transportation and have significant advantages in developing the EV industry.**

Figure 1. **Spanish Automobile Production Forecast**



	2020	2021	2022	2023	2024(e)
Automobile Production	226.9	209.8	221.9	245	264.1
Growth Rate	-19.6%	-7.5%	5.8%	10.4%	7.8%

Figure 2. **Forecast of Spanish Automotive Component Output Value**

	2020	2021	2022	2023	2024(e)
Component Ooutput Value	417.4	371.1	386.7	419.5	431.2
Growth Rate	8.5%	-11.1%	4.2%	8.4%	2.8%

Data source: ITRI/ISTI (2024/07)

Stellantis Group has invested more than USD1.1 billion to produce small EVs in Zaragoza and Vigo, Spain. It plans to start mass production in 2025. It will introduce the "STLA Small" production platform to promote the electrification of the manufacturing process, which will ensure a 10-year sustainable development for the carmaker.

The 2015 Paris Agreement represents the determination of all countries around the world to curb global warming. The European Commission issued the package proposal "Clean Energy for All Europeans" at the end of November 2016 to ensure compliance with the Paris Agreement. **The Spanish government realizes that it needs to reduce its dependence on fossil fuels in order to effectively reduce greenhouse gas emissions. The relevant measures proposed to the transportation authorities are urgent and have set a target of putting 5 million EVs on roads by 2030.**

The Spanish government has successively launched relevant plans to encourage people replace conventional fuel vehicles with EVs and install EV charging infrastructure. The MOVES program was launched in February 2019 and is managed by the Institute for Energy Diversification and Energy Efficiency (IDAE). The funding is co-financed by the European Regional Development Fund (ERDF) within the Spanish Multiregional Operational Plan (POPE) 2014-2020. The total budget of the MOVES project is USD49.5 million, which is allocated to autonomous regions according to population size. Each autonomous region's budget allocation must meet the requirements of 20% to 50% for vehicle purchase subsidies, and 30% to 60% for the construction of infrastructure such as charging systems (of which at least 50% will be used for fast or ultra-fast charging stations), 5% to 20% for financing loan services, and the remainder for supporting transportation plans.

In order to encourage the development of the EV industry, Spain has implemented vehicle purchase subsidies to encourage replacement of old vehicles with new ones. The subsidies are applicable to individuals, legal persons, enterprises, administrative agencies, etc. The policy requires the replacement of M1 vehicles that are more than 10 years old or N1 vehicles that are more than 7 years old. The MOVES program provides different subsidies for personal and enterprise versions for purchase of new energy vehicles. Take the general public as an example, if you purchase a new M1 or N1 vehicle and keep it for more than one year, you can receive subsidies ranging from USD1,430 to USD6,600 depending on electric mileage, and the manufacturer or dealer must provide at least USD1,100 or more discount offers.

Focused on Catalonia, Spain is Becoming the New Energy Vehicle Manufacturing Center in Europe

In 2022, German VW Group launched a massive investment overseas. According to its EV layout plan, VW prepares to invest at least 33 billion euros globally, of which nearly one-third (or 10.6 billion euros) is for Spain. This capital will be used at a critical moment when the automotive industry is facing a major change. Its weight and use undoubtedly have an important strategic value.

Catalonia is a hotspot for investment by German automobile manufacturers in Spain. As a major automobile industry hub in Spain, Catalonia has a complete automobile industry chain. According to Catalonia's official statistics, there are more than 350 local companies, accounting for 21.8% of the total number of Spanish automobile companies, forming a strong industrial agglomeration efficacy.

Catalonia Becomes the Center of Focus

Catalonia is the most economically prosperous region in Spain. Catalonia only accounts for 15% of the country's population, but its total output value accounts for 20% and exports account for 25%. Because new energy vehicles present an industrial division of labor completely different from conventional vehicles in terms of energy sources and intelligence, the global automobile industry is facing a reshuffle. Major conventional automobile brands have adjusted their strategies and laid out their plans in advance, which has also brought about major changes in the global automobile industry landscape.

In the process of adjustment, Spain is not only favored by Western industries and investors such as Germany. The complete automobile industry chain and marketing network are the top factors that attract investment from manufacturers from various countries, and the focus of various countries is particularly concentrated on Catalonia. **International automobile brands are using Spain and Catalonia as the entrance to the European market and production bases, and are vigorously developing there.**

The Spanish government announced the MOVEA initiative (Plan to Boost Mobility with Alternative Energy Vehicles) to increase the research, development and sales of new energy vehicles through subsidies. The MOVEA initiative has been modified in several versions, focusing on providing subsidies for electric transportation. EVs in Spain have generally benefited from this plan, and the application of EVs in Catalonia has achieved greater development.

Conclusions and Suggestions

For a long time, Taiwan has focused on the European and North American markets but paid less attention to Spain. Its import and export of auto parts with Spain, in terms of value, type and quantity, is much smaller than with the other European and North American markets. Spanish automobile assembly technology and components manufacturing technology are mostly derived from leading international manufacturers. Taiwan has technical advantages in manufacturing high precision and cost competitive dies and fixtures. Spanish automobile manufacturing automation happened early, and it has accumulated many years of collaboration with international leading manufacturers. Spain has a vast market in Europe, and its manufacturing technology and production capacity are bigger than Taiwan. However in recent years, due to changes in industrial structure and economic development, Spain has experienced high unemployment and stagnant domestic demand. There is room for complementary industries in fasteners, precision stamped parts, rubber and plastic injection molding relevant to the automobile industry. Spain, located in Western Europe, is close to Africa. Geographically, it can be regarded as a springboard for Taiwanese manufacturers to enter Europe and even the emerging African market. These manufacturers can make contact with Spanish manufacturers and attend international exhibitions to expand visibility and demonstrate competitive edges to gain business opportunities. ◘

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