SeeNews

Business Intelligence
for Southeast Europe

Southeast Europe
The New Hot Destination of the Global Automotive Industry

2019

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The New Hot Destination of the Global Automotive Industry

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The automotive industry in Southeast Europe (SEE)[1] is represented by all subsectors – manufacture and distribution of passenger cars, light commercial vehicles, buses and coaches, medium-sized and heavy-duty trucks and buses, alternative fuel vehicles (hybrids and electric cars), and automotive parts and components. It is among the most rapidly expanding industries in the economies of all countries in the region in terms of contribution to the GDP, volume of production and job creation, as well as one of the leading sectors attracting FDI.

Vehicle production

Motor vehicles production in SEE reported a sound growth in 2018, according to preliminary data by the four passenger car producers in the region – Romania's Automobile Dacia and Ford Romania, Slovenian Revoz and FCA Srbija. Their combined annual output stands at more than 740,000 units provisionally, or 18% more than the production in 2017. The rise is caused primarily by the launch of a new model by Ford Romania, which tripled the company's annual figures. Automobile Dacia and Revoz also increased slightly their output, while FCA Srbija cut production volumes by a quarter compared to 2017 and registered a decline in output for second consecutive year.

In 2017 a total of 629,014 vehicles were manufactured in SEE, according to the International Organization of Motor Vehicle Manufacturers (OICA). This represented almost 3.0% of the total European and 0.6% of the global vehicles production, shares staying unchanged during the last three years. However, in 2017 annual growth rates of 9.7% in the region significantly exceed the European average of 3.1% and the global average of 2.4%. This can be explained with the constantly increasing demand for new cars in line with the overall sound economic growth in SEE, paired with the preference of consumers towards local brands, especially on the region's largest market Romania. Passenger cars assembly in SEE is concentrated in three countries – Romania, Slovenia and Serbia.

Total Vehicle Production (Units)

	2017	2016	2015
Romania	359,250	359,306	387,177
Slovenia	189,852	133,702	133,092
Serbia	79,912	80,320	83,630
SEE	**629,014**	**573,328**	**603,899**

Source: OICA

Passenger Car Production (Units)

	2018*	2017	2016	2015
Romania	470,000	359,240	358,861	387,171
Slovenia	210,000	189,852	133,702	133,092
Serbia	60,000	79,360	79,360	82,400
SEE	**740,000**	**628,452**	**571,923**	**602,663**

* Preliminary estimates. Source: OICA

Romania: The face of the SEE automobile sector

The automotive industry in Romania consists of the two major passenger car producers, Dacia and Ford, and several others with limited production numbers, supported by more than 600 original equipment manufacturers that supply both local plants and production sites throughout Europe with automotive components. The sector's contribution was 13% of the GDP and provided jobs to more than 200,000 employees in 2017.

The country is the undisputed leader in automobile manufacture in SEE with more than 470,000 vehicles produced in 2018, a share of 63.5% in SEE's motor vehicles output. In terms of passenger cars manufacture, the picture is similar, as they constitute more than 99% of the total vehicles manufacture in the country. Romania's dominance in the regional industry bounced back in 2018 to its 2016 level, while in 2017 Romania's share in SEE had fallen to 57.1%. This is caused by the introduction of the EcoSport model by Ford in end-2017, the biggest investment in the automotive sector in the country in the last years, the sustainable growth of Dacia and by the crisis in Serbian Fiat manufacture.

According to the Romanian Car Makers Association (ACAROM), Dacia produced a total of 335,262 vehicles in 2018, up from 313,833 units in 2017. In the period January – November 2018, Ford increased its production threefold year-on-year to 132,159 vehicles, almost all of which under the EcoSport SUV model. Thus, provisional data estimates for the output of automobile industry in Romania in 2018 stands at more than 470,000, or a 35% annual increase.

More than 70% of the vehicles manufactured by Dacia in 2018 were Duster – 236,921 units. The other three models produced in the country were Sandero with 42,146 vehicles, Logan with 33,841 vehicles and Logan MCV with 22,354 vehicles.

In 2018 Dacia sold 519,088 cars in the EU in 2018, a 12.0% y/y increase. According to the French Automobile Manufacturers Committee it exported 140,326 vehicles to France, up by 19.1% compared to 2017. Germany's Federal Transportation Authority reported that 71,746 vehicles under the Dacia brand were sold in Germany in 2018, up by 14.5% y/y.

Romania concentrates on production of low-budget cars and has gained

1 Southeast Europe (SEE) includes Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Macedonia, Moldova, Montenegro, Romania, Serbia and Slovenia

considerable share in two segments of the global market - customers in the SEE region and other emerging markets with lower incomes, and customers in Germany, France, Spain and other western European countries with a preference for low-budget cars.

Slovenia: The driver of growth

Slovenia's automotive industry generated 10% of the country's GDP and 12.5% of its exports of goods in 2017. Local passenger cars manufacturer Revoz d.d. alone generated 3.7% of Slovenia's GDP and 4.4% of its total exports in 2017.

Revoz d.d. is Slovenia's single passenger cars manufacturer. Since 2004 the company is owned by Renault and produces models under the French brand – as of end-2018 they include Twingo, Smart Forfour and Clio. It sells its output both on the domestic market and abroad, the top export destinations being France, with 38% of the exports in 2017, Germany with 17% and Italy with 13%.

Preliminary estimates show production figures exceeding 210,000 vehicles in 2018, or a new double-digit annual growth. Sales revenue is expected to stand at EUR 1.8 bln, up from EUR 1.6 bln in 2017 and EUR 1.0 bln in 2016. Slovenia's passenger cars production had soared in 2017, which was its strongest year since 2010. A total of 189,852 units were manufactured, up by 42.0% on the year. Thus Slovenia accounted for 30.2% of the passenger cars production in SEE, ranking second behind Romania, and 1.0% of all cars manufactured in Europe.

Serbia: In search of new markets

Serbia's automotive industry is considered as the most important and perspective industrial sector in the country. In 2017 it employed more than 40,000 workers, accounted for 14% of the FDI and contributed 10% to the country's exports. The major driver of the sector is Fiat's plant in Kragujevac, central Serbia, launched in 2008 where Fiat 500L is assembled. The Italian car maker invested a total of EUR 980 mln in the production, co-financed by the Serbian state, according to local government investment support agency SIEPA. Another local manufacturer is Ikarbus, which produces buses and coaches sold mainly on the domestic market, with a small share exported to Russia.

Provisional data by the company shows that the output of the plant in 2018 was around 60,000 cars, compared to almost 80,000 in 2017 and 83,630 in 2016, which however is only half of the annual capacity of Fiat's plant. Serbia was the only passenger cars producing nation in SEE to not report an increase of its output compared to 2017. This can be explained by the comparatively low demand on the domestic market, where most of the Fiat 500L cars are sold – Serbia had the lowest annual growth in car sales among the major SEE national markets in 2017.

Being a priority sector, the automotive industry can rely on the government's ambition to attract global strategic partners to establish new production or revive suffering and non-functional plants in the country.

Bulgaria: Who will be next?

Automobile assembly in Bulgaria has a long tradition of unsuccessful attempts by international car manufacturers, such as Fiat and Renault. The latest attempt collapsed at the beginning of 2017, when Chinese car maker Great Wall stopped operations at its plant in Lovech, northwestern Bulgaria, and filed for bankruptcy with many of its already produced vehicles remaining unsold. The Great Wall plant launched in 2012, with an annual production capacity of 50,000 units that was never reached. The manufacturer's main markets included Bulgaria, Romania, Serbia and Macedonia.

Given the widening base of automotive component suppliers in the country and the formation of automotive cluster, the automotive industry is declared a priority sector by the government. In February 2018 the government stated its intention of attracting a global automobile manufacturer to carry out its production activity in Bulgaria. The first talks will be held with car makers from Germany and the UK (BMW Group, according to InvestBulgaria Agency), followed by manufacturers from South Korea and India.

Vehicle sales

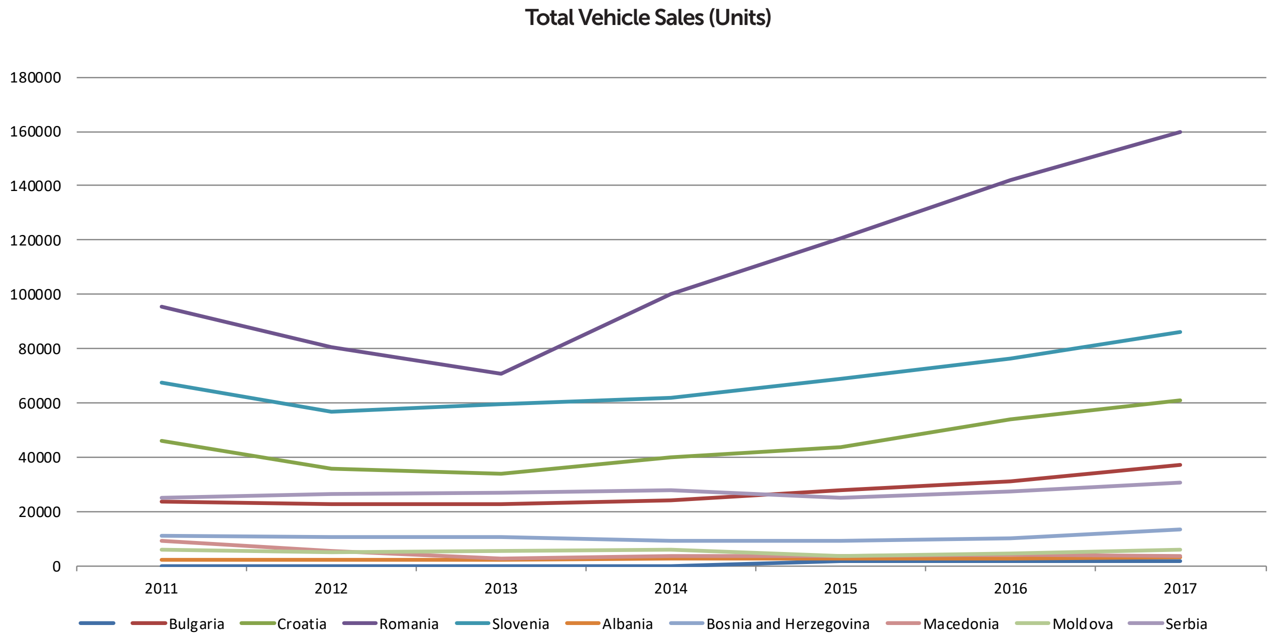
According to ACEA (European Automobile Manufacturers Association) new passenger car registrations in the four EU-members in SEE stood at 297,942 units in 2018, up from 258,935 vehicles in the previous year. Nearly half of these sales were realized in Romania – 130,919 cars, a 23.1% y/y increase compared to 2017, which was the second highest annual growth rate in the EU. Slovenia was the second largest new car market among the EU members in the region with 72,835 new cars registered in 2018 and a modest annual rise of 2.7%. Croatia was the third fastest growing new passenger car market in Europe with an annual growth rate of 18.7%, which led to a total number of 59,856 registrations in 2018. Bulgaria also reported a sound increase, of 9.9% on the year, and new passenger cars registrations reached 34,332 in 2018, compared to 31,244 in 2017.

OICA reported that the total SEE motor vehicles market, excluding Montenegro and Kosovo, stood at 401,612 vehicles in 2017, an increase of 13.8%, compared to 2016.

Out of the total vehicles sold in 2017, 333,463 were passenger cars. SEE was among the fastest growing new passenger car markets in the world, with an annual growth rate of 14.0% in 2017 – far above the global average of 1.9% and the European average of 3.7%. Driven by the sound macroeconomic environment, all but one national market in the region grew. Moldova and Bosnia and Herzegovina were the leaders with rates exceeding 30% y/y, while Serbia recorded the most modest annual growth of 9.8%. Only in Macedonia 11.3% less new cars were sold in comparison to 2016.

The number of passenger cars owned per 1,000 inhabitants in SEE remains far below the European average, which implies a higher potential for future growth on the local markets. According to Eurostat data, Slovenia scored the highest in the region, with 531 cars in 2016. Bulgaria outpaced Slovenia in terms of growth rates throughout the 2013-2016 period and ranked second with 443 vehicles per 1,000 inhabitants. Croatia also reported consistent growth and ranked third with 374 cars, while Romania, partially because of its size and weaker economic development in some areas of the country, landed at fourth place in the region with 261 vehicles. Four of the five statistical regions in the European Union with the lowest number of passenger cars per 1,000 inhabitants are located in Romania and they are also among the regions with the lowest GDP per capita. All SEE countries researched by Eurostat marked positive growth rates of car penetration in each of the last four years.

Romania remained the largest national market in the region in terms of new passenger cars sales in SEE in 2018. The reported 130,919 new passenger cars sold are the highest figure since the slump in 2009. However, the 2008



Source: OICA

pre-crisis levels of 285,500 new cars are still out of reach.

As a country with local automobile assemblers, Romania's new cars market is dominated by domestic brands. In 2018 Dacia accounted for 28.2% of the total sales, while the Romanian arm of the global manufacturer Ford ranked fifth after Skoda, Renault and Volkswagen, according to the Romanian Automotive Manufacturers and Importers Association (ACAROM). However, the domestic market absorbed only a small share of the output of the local plants of Dacia and Ford – under 10%. After the removal of the environmental tax on used automobiles by the government in 2016 and the subsequent doubling of the registered imported second-hand cars in 2017 at the expense of stagnating sales of new local automobiles, ACAROM reported a new twist in the trends on both markets. The fading effect of the tax removal led to a decrease of 9.0% in second-hand registrations, while new car sales grew by impressive 23.1%. In terms of sales by model in the first 11 months of 2018, Dacia occupied the top three spots with Logan – 19,558 vehicles, Duster – 12,029 vehicles and Sandero – 9,440 vehicles.

Despite being one of the least populated countries in SEE, **Slovenia** ranks as the second largest market for new passenger cars in the region after Romania. In 2018 the domestic sales amounted to 72,835 units, compared to 70,892 in the previous year. On the other hand, the annual growth rate was lower than the other SEE countries with provided sales data for 2018, a consequence of the saturating local market, which boasts the highest number of cars per capita in SEE. As a whole, fluctuations on the Slovenian market have been minimal during the last decade – less than 50% between the peak and the post-crisis period 2009-2013, while sales in all other SEE countries contracted two or three times. In terms of brands, Volkswagen was the leader on the Slovenian market with 11,817 new passenger cars sold in 2018, followed by Renault with 10,511, Skoda with 6,830 and Opel with 4,607 cars. The other brands to enter Top 10 in Slovenia were Fiat, Peugeot, Hyundai, Citroen, KIA and Dacia, according to data from Slovenian Chamber of Commerce.

The new passenger cars market in **Bulgaria** is recovering at a fast pace in the last years and in 2018 more than two times more cars were sold compared to the bottom after-crisis 2010 – 34,332 vehicles against 16,257 seven years ago, ACEA data shows. Generally, the level of new passenger cars sales is an indicator of a country's economic health and in Bulgaria the growth rate is among the fastest not only in SEE, but also in Europe – 9.9% y/y in 2018. Although two times slower than in 2017, this growth rate remains above the European average. Data from the Ministry of Internal Affairs shows that the most preferred brand in Bulgaria in 2018 was Dacia with 3,666 new vehicle registrations, followed by Renault with 3,423, Skoda with 3,235 and Toyota with 2,783. The other producers with more than 1,000 new vehicles registered in the country in 2018 were Nissan, Volkswagen, Peugeot, KIA, Ford and Citroen.

Exports

SEE exports of passenger motor vehicles in value terms amounted to EUR 7.088 bln in 2017, or up by 4.6% compared to the previous year, International Trade Centre (ITC) data shows. Thus the region's exports grew by a slightly lower rate than the global exports, which increased by 5.0% on the year. SEE still had negligible, but stable share in the global passenger cars exports – 1.1% in 2017.

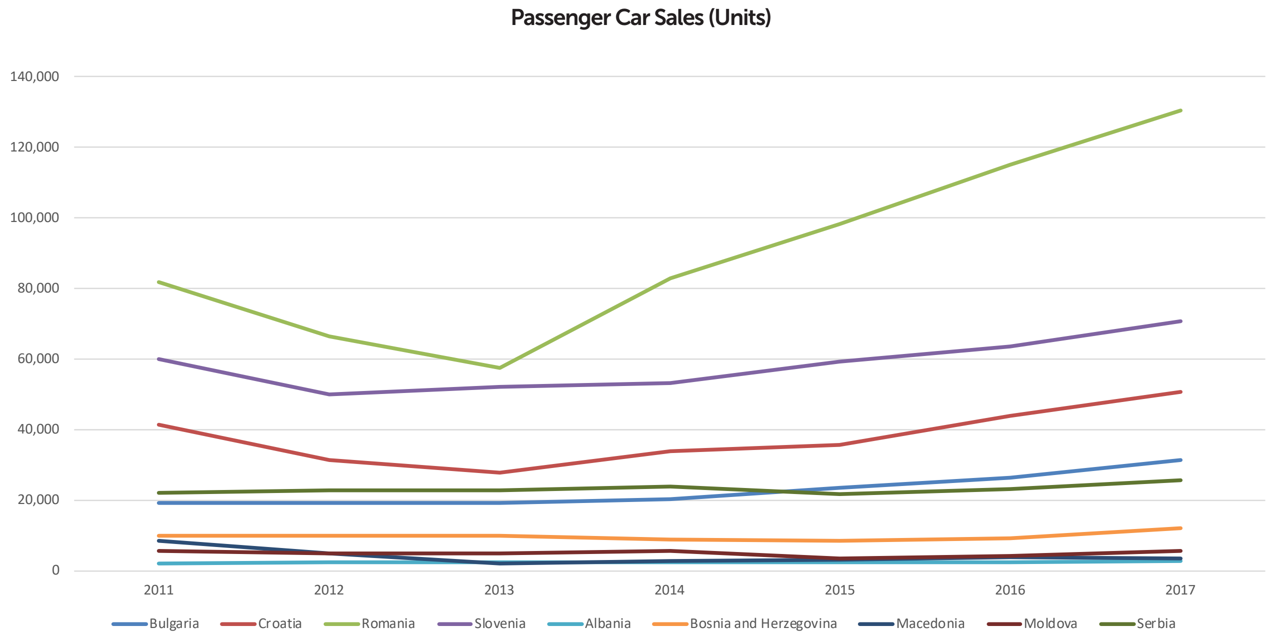
The largest exporter of passenger motor vehicles in 2017 in SEE was Romania with EUR 2.990 bln, or nearly half of the region's total exports of passenger vehicles. It was also the second fastest growing among the three major players in SEE with an annual rise of 4.1%. In the first eleven months of 2018, provisional data shows that Ford Romania tripled its exports compared to the same period of 2017 to 132,663 vehicles.

In annual terms, Slovenia reported a 12.4% increase in exports to EUR 2.652 bln.

Serbia ranked third in SEE as a motor vehicle exporter with a value of EUR 0.936 bln in 2016. It recorded the sharpest drop in the region on the year – by 5.3%. The downtrend persisted in 2017, Serbia being the only country in SEE with available data in ITC along with Montenegro to drop in exports, when it exported output worth EUR 0.937 bln, a new annual decrease, by 15.5%.

Skoda strengthens its positions on the top in SEE

The SEE new passenger cars market in 2018 remained dominated by European manufacturers, led by Skoda and with particularly strong presence of local brands. The Czech car maker was the most popular brand in half of the



Source: OICA

countries in SEE – Serbia, Bosnia and Herzegovina, Macedonia and Kosovo, while the local powerhouse Dacia expectedly occupied the top only in Romania and Moldova.

Skoda outperformed Volkswagen, Dacia, Toyota and Renault in terms of density and with Top 3 places in all SEE countries but Bulgaria, the Czech manufacturer substituted Volkswagen as the most equally distributed top brand in the region.

The big newcomer in the Top 3 rankings in 2018 was Toyota, which occupied the top in Bulgaria, the second spot in Moldova and the third in Macedonia.

Automobile parts and components

The automobile parts and components subsector is more widely represented in SEE than automobile production and assembly. A network of component suppliers for all major car manufacturers in Europe has developed throughout SEE – Romania, Slovenia and Serbia are already established as leaders, but Bulgaria, Macedonia, Croatia, and even Moldova and Bosnia and Herzegovina have clusters of automotive companies.

The factors underlying the region's development as a preferred destination for multinational automotive companies to locate their production sites are the cost-competitive environment, access to a qualified workforce with engineering and technical skills, and the well-developed IT and supporting industries. The geographical proximity to big manufacturers within SEE, as well as in Central Europe and Turkey, which are among the European leaders in automobile assembly, ensures competitive advantage in terms of low distribution costs and just-in-time delivery.

International Trade Centre data shows that exports of parts and accessories for motor vehicles has steadily grown each year between 2013 and 2017 in most SEE countries, except Albania and Moldova, and only for 2017 – Bosnia and Herzegovina. The average annual growth rate in the region stood at 18.9% in 2017. Macedonia and Montenegro more than tripled the value of their automotive components exports within a year, while Croatia, Bulgaria and Romania posted double-digit growth rates. In 2017 Romania generated automotive components exports of EUR 6.520 bln, or 80.4% of the total region's exports in the sector. Slovenia and Croatia followed with EUR 872.7 mln and EUR 199.1 mln, respectively, while Bulgaria reported exports of EUR 110.1 mln.

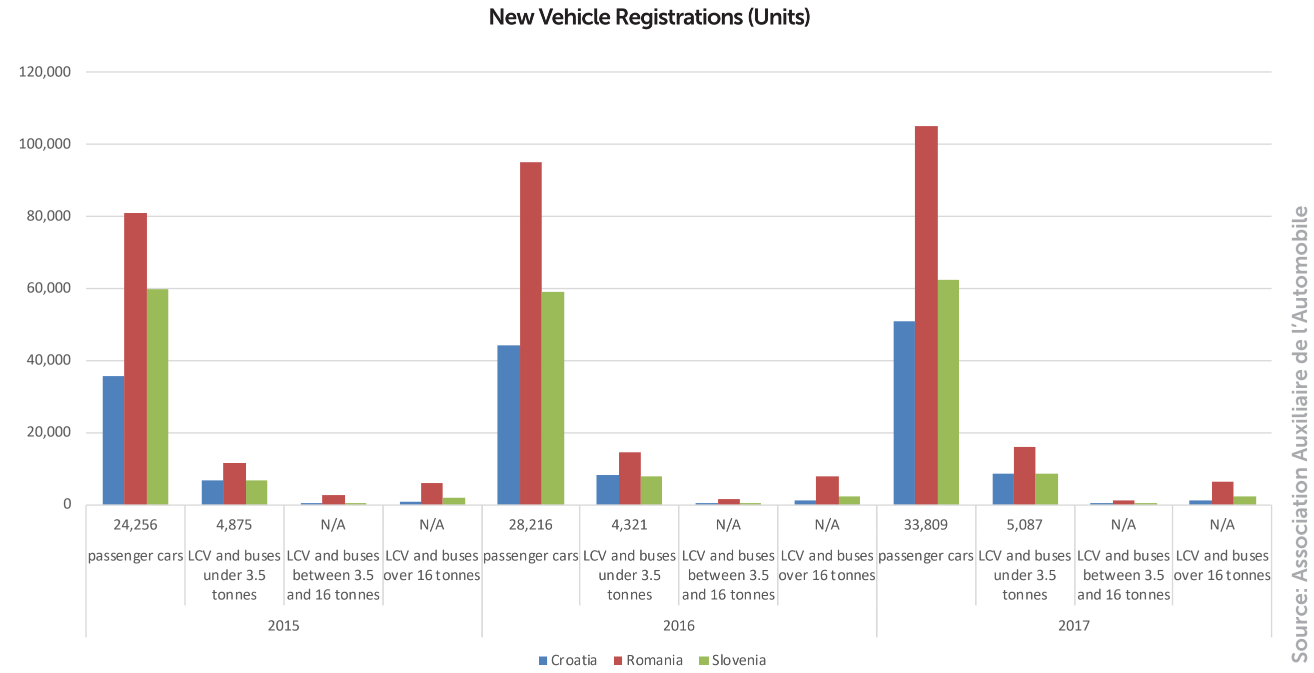
Romania has the largest in size and importance automotive components subsector in SEE, consisting of more than 600 suppliers. Its development is boosted by the presence of major passenger car assembly plants in the country. According to the Romanian Investment Agency, both production and exports of components have doubled in value within five years. Export grows faster than production, which is a sign of the increasing competitiveness of Romanian auto component makers on the international markets. The country acts as an automotive industry hub in the region, with easy access to major markets such as Western Europe, Russia, Poland, Ukraine and Turkey.

Romania specialises in the manufacture of tyres, cables, conductors, plastic and rubber components, bearings and transmission components, electronics, batteries, safety systems and optical devices.

More than 270 companies were active in the automotive components sector in **Slovenia** as of end-2016, employing more than 16,000 people. More than 90% of the sector's output was exported, with half of it going to assembly plants in Germany to clients like Audi, BMW, Mercedes Benz, Volkswagen and Ford. The rest was exported to France, Italy, Austria, the UK, the USA, Hungary, Mexico and Romania.

The country specialises in the manufacture of car body parts, steering system and drive components, seats and covers, braking systems, exhaust systems, engine and gearbox components and electronic components.

Serbia's automotive components subsector accounted for more than half of the total value of the automotive industry's output in 2015, according to the Serbian Business Registers Agency and Serbian Development Agency. The most important product categories produced in Serbia include tyres, wiring harness, casted parts, plastic parts,



rubber hoses, seats and seat covers and other body parts.

The components subsector in Serbia is represented by more than 70 companies, providing jobs to 40,000 employees. Approximately 20% of the workers are employed in entirely local companies, while the rest work in automotive components plants of global manufacturers, mainly from Germany, South Korea, Italy, France, Slovenia and the USA. A characteristic feature of Serbia's car parts subsector is its extremely uniform geographical allocation, which covers all parts of the country, with Kragujevac as a distinguished centre with more than 10 suppliers headquartered around the Fiat plant.

According to Automotive Cluster Bulgaria and the Ministry of Economy, in 2017 the automotive components industry in **Bulgaria** was represented by 170 companies with more than 50,000 employees, which contributed 5.0% to Bulgaria's GDP. The combined total revenue of the companies in the sector stood at EUR 2.5 bln, of which 90% from exports to major international car makers.

A survey by Automotive Cluster Bulgaria and consultancies Colliers International and PricewaterhouseCoopers Bulgaria in 2017 showed that 85% of the automotive components producers operating in Bulgaria plan to expand their activities in the country. A positive trend is that the share of suppliers with own research and development activities in Bulgaria grows constantly and exceeded 40% in 2017.

The number of employees is expected to double in the next four years, given the plans announced by international automotive companies to enter or expand their already existing activities in Bulgaria. The factors for the rapid growth, compared to the other countries in SEE, are: comparatively late launch of the industry in Bulgaria and low starting point lead to the higher growth rate. Other factors include the presence of a developed IT sector in the country, which enables the creation of highly innovative products and solutions in the automotive industry. More than half of the FDI in Bulgaria in the last years are in the automotive sector. Since 2005, a total of EUR 400 mln have been invested in 20 automotive industry projects certified under the Investment Promotion Act.

The prime location of the sector in Bulgaria is the Trakia Economic Zone near Plovdiv in central southern Bulgaria, where more than 10 automotive parts suppliers have their production facilities. Other major locations are the capital, Sofia, and Ruse and Pleven in northern Bulgaria, as well as the whole region of southeastern Bulgaria.

Macedonia – booming automotive industry without automobiles

Despite the lack of motor vehicles assembly plants in Macedonia, the automotive sector enjoys dynamic development and growing importance for the country's economy. The Automotive Cluster of Macedonia points out catalytic converters, safety systems, seat belts, airbags, electronic controllers and sensors, precision engineered and plastic products and casting components as the products in which the country specialises. As of 2017, more than 50 companies carried out production activities in the country, mainly for clients in Germany and Serbia with a combined 40% share in Macedonia's automotive components exports

Alternative fuel vehicles – an emerging opportunity

Electric automobiles still have very low penetration in the region. As of end-2017, data from the Bulgarian Association of Car Manufacturers shows that 3,388 hybrids and 384 electric cars were registered. This represented a combined share of less than 0.15% of all vehicles on the Bulgarian roads for alternative fuel cars. However, their number is rapidly growing and a third of all hybrids (1,195) and electric cars (106) in use were registered in 2017 alone. This made a total share of 3.8% of all passenger car registrations in the country, up from 2.1% a year earlier. The figures in Slovenia and Romania, as reported by France-based Association Auxiliaire de l'Automobile, are slightly lower – 2.9% and 2.1%, respectively. In comparison, the average share of hybrids and electric cars in the overall passenger car registrations in the European Union stood at 5.6% in 2017 and 4.2% in 2016. The main reason for the faster growth rate in SEE lies in the later entry of alternative fuel vehicles and the ongoing removal of regulatory and infrastructural obstacles as compared with the rest of Europe, where the market is closer to saturation.

Bulgaria was the country with the fastest annual growth of new electric chargeable passenger cars in 2017 in the region – more than eightfold compared to 2016. The jump was due to the very low figure in 2016, when only

13 new vehicles were registered. In the first nine months of 2018 the trend persisted, according to local Ministry of Internal Affairs – a total of 554 electric cars were in use compared to 276 in September 2017. Slovenia and Romania remained by far the leading SEE markets in terms of new electric cars registrations, although they registered a more moderate growth – to 456 in 2017 from 198 in 2016 in Slovenia and to 188 from 74 in Romania, respectively.

Unlike electric chargeable vehicles, hybrids have reached significantly higher absolute sales in Romania, Slovenia and Bulgaria, due to their better usability given the inadequate electric charging infrastructure in SEE. In 2017 Romania was the largest hybrid market in SEE with more than half of all newly registered hybrids in the region – 2,039, up from 1,089 a year ago. Slovenia was the fastest growing market, almost trebling its sales to 1,005 units, while hybrid sales in Bulgaria jumped to 1,195 vehicles in 2017 from 580 in 2016.

In the first 11 months of 2018, newly registered hybrid vehicles were 3,169 and reached 2.8% of the total new car sales in Romania, up from 2.1% in 2017. The number of new electric chargeable vehicles sold in Romania more than doubled in January – November 2018, compared to the same period of 2017, to 847 from 378 units. According to the Slovenian Chamber of Commerce, 2,161 new hybrid and electric chargeable vehicles were registered in the country, compared to 1,502 in 2017.

The underdeveloped and partially lacking infrastructure for electric vehicles in SEE, together with insufficient government incentives, pose a problem for electric car transportation in the region. This can be relieved through private sector initiatives, such as the Green Balkanika project by Slovenia's automotive technologies provider Hidria d.o.o. The latter was announced in 2016 and aims to equip the roads between Munich, Germany, and Istanbul, Turkey, with charging stations, as well as to connect all countries in the Western Balkans with a road fully suitable for alternative fuel vehicles by 2020. The project is co-financed by the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) with the support of the European Commission.

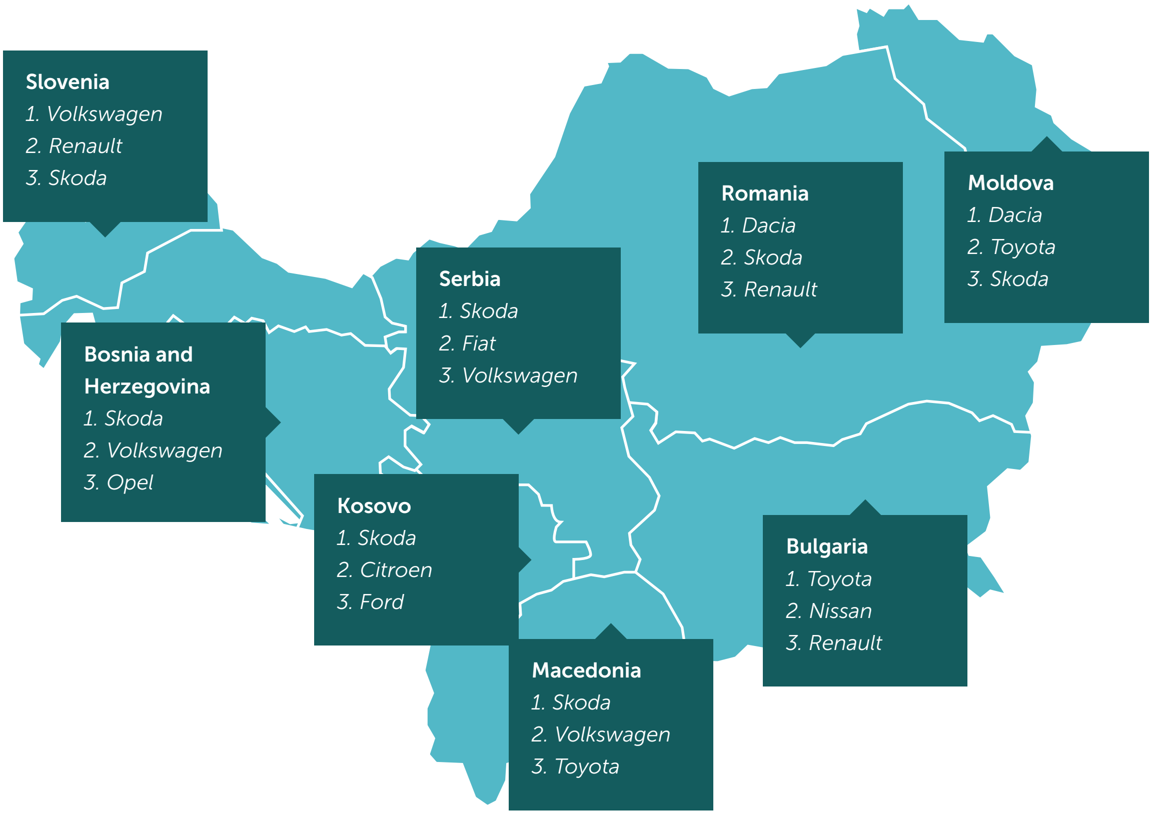
Another major project in the region is by US-based electric automobiles manufacturer Tesla Inc., which plans to expand its network of supercharger electric vehicle charging stations in SEE with three stations in Romania and Serbia each, and one station in Bulgaria, Bosnia and Herzegovina, Macedonia and Moldova each.

The role of governments is to provide incentives, such as direct subsidies for the purchase of electric vehicles, as well as facilitate the access to electricity. As of 2017, in Serbia and other countries, charging stations are not allowed to sell electricity if the market is not liberalised. An important step by governments is to equip the public administration with electric vehicles.

In an effort to facilitate the penetration of alternative fuel vehicles, in 2017 Bulgaria's Association of Car Manufacturers proposed a government subsidy of EUR 5,000 for each new electric car and of EUR 2,500 for each plug-in hybrid vehicle. In addition, it was proposed that the purchase of alternative fuel vehicles be relieved of value-added tax.

In May 2017, a similar measure was approved by the Romanian government – under the Rabla Plus programme, it doubled the financial incentives for the purchase of an electric chargeable vehicle to EUR 11,000, and provided an incentive of up to EUR 1,450 for the purchase of a non-plug-in hybrid vehicle.

Top 3 Most Popular Brands by Country in 2018



Source: http://ceauto.co.hu/

Projects and investments

- In September 2018 Germany-based Leoni Grup invested EUR 32 mln in the construction of a plant for electric cables for Mercedes Benz in Pleven, northern Bulgaria, which is to be fully operational by October 2019.
- In November 2018 Volkswagen Group announced its plans to build a plant in Bulgaria, Romania or Turkey, which will start assembly of the Skoda Karoq and Seat Ateca models by 2022.
- The German automobile air conditioner components manufacturer Mahle announced its plans to increase the number of employees in its Sofia-based subsidiary Behr-Hella Thermocontrol by 50% in 2018.
- In January 2019 Romania's subsidiary of German Daimler Group, Star Assembly SRL, announced its plans to launch the production of a new type of gearbox for Mercedes-Benz passenger cars in its plant in Sebes, western Romania.
- In September 2018 Ford Romania started production of a new Ford Focus model, after in October 2017 Ford had launched the manufacture of its model EcoSport in the Craiova factory in southern Romania, in which it had invested EUR 200 mln.
- In September 2016 Romanian car interior decorations supplier of Mercedes Benz and BMW Hib Rolem Trim invested, jointly with the government of China's Xiangshan County, USD 30 mln in the construction of a new plant in Brasov, which is planned to be fully operational by Q2 2019.
- In 2018 Fiat Chrysler Automobiles Group announced that its Serbian arm FCA Srbija planned to invest in the electrification of the Fiat 500L model.
- Chinese company Yinlong expressed interest to take over local bus and trucks producer Ikarbus and invest EUR 30 mln in it. Serbia's government has given the green light, but the negotiations around the deal are in standstill as of 2017 due to the high indebtedness of Yinlong.
- In August 2018 Revoz d.d. announced the launch of production of a new generation Renault Clio model in the first half of 2019, which would be the first model entirely assembled in the Slovenian plant.
- In February 2018 Slovenia's ambassador in India revealed that the government was in preliminary talks with three Indian companies from the automotive sector for the establishment of manufacturing or assembly plants in Slovenia.
- In January 2017 Canada's car and components manufacturer Magna announced its intention to invest EUR 1.240 bln in a new passenger car assembly plant near Maribor, northeastern Slovenia with an annual capacity of 126,900 vehicles.

Trends

Automotive industry is among the most dynamic sectors in SEE. Measured by the increase in combined revenues of all companies entering the SeeNews Top 100 annual ranking, the automobile sector shows development in the period 2007 – 2017 unmatched by any other industry in the region. In 2017 the automobile companies featured in the ranking reported combined total revenue of EUR 14.219 bln, more than double that of 2006, when it stood at EUR 5.916 bln. In the period 2013 – 2017 the sector grew at a CAGR of 12.0%.

The automotive sector, and especially passenger car assembly, plays a leading role in the economies of Romania, Slovenia and Serbia. Automotive companies will continue to grow in importance – Romania's Dacia is the largest company in terms of total revenue in 2016 not only in Romania, but in SEE as a whole. FCA Srbija, the company operating the Fiat plant, is the third biggest Serbian company and the country's largest exporter, as is Revoz in Slovenia. In the other SEE countries, most notably in Bulgaria and Macedonia, the sector represented by automotive component suppliers is also among the fastest growing contributors to GDP.

The emphasis in the development of the region as an automotive hub lies on introducing the R&D activities of global players – an intention declared by the Bulgarian government and Automotive Cluster Bulgaria, and already executed by companies like Porsche and BMW in Romania.

The big challenge for SEE automobile and component manufacturers is to fully use the potential of close partnership with the IT industry. It will result in automation and the creation of innovative solutions in order to stay competitive on the world automotive market.

In a global context, the major trends ahead of the automotive industry in SEE are the accelerating macroeconomic growth on the positive side, and the risk of some countries implementing protectionist measures on the negative. In most SEE countries, including Romania, Serbia, Bulgaria and Macedonia, the automotive sector is set as a priority industry. Its development will be further facilitated through state incentives in the form of efforts to attract foreign investors, investor-friendly tax measures, minimised bureaucracy, easy access to financing, and programmes for improvement of workforce skills and qualification.

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