



Covid-19 and the automotive sector in CEE economies

16 December 2020

<https://www.oecd.org/coronavirus/en/>



Outline of the presentation

- The automotive industry in CEE countries



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- Impact of the Covid-19 crisis on the automotive sector in CEE countries and medium-term prospects for car sales



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- Risks of global value chains



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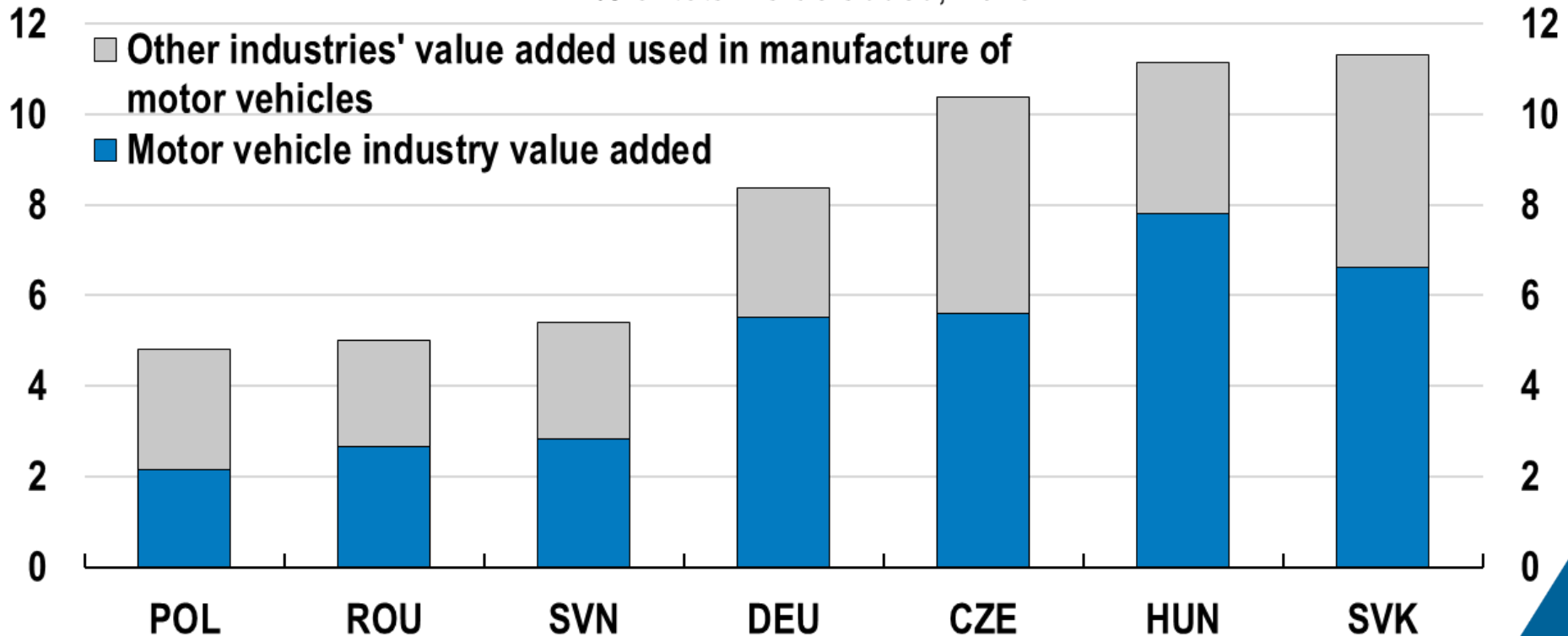
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- Risks of global value chains
- Policy priorities



The automotive industry plays an important role in CEE economies

Footprint of the automotive industry on economic activity

% of total value added, 2015



Note: The blue bar represents the value added of the domestic motor vehicle industry to any final destination, while the grey bar represents the value added of domestic non-motor vehicle industries meeting final demand for motor vehicles, both domestic and foreign.

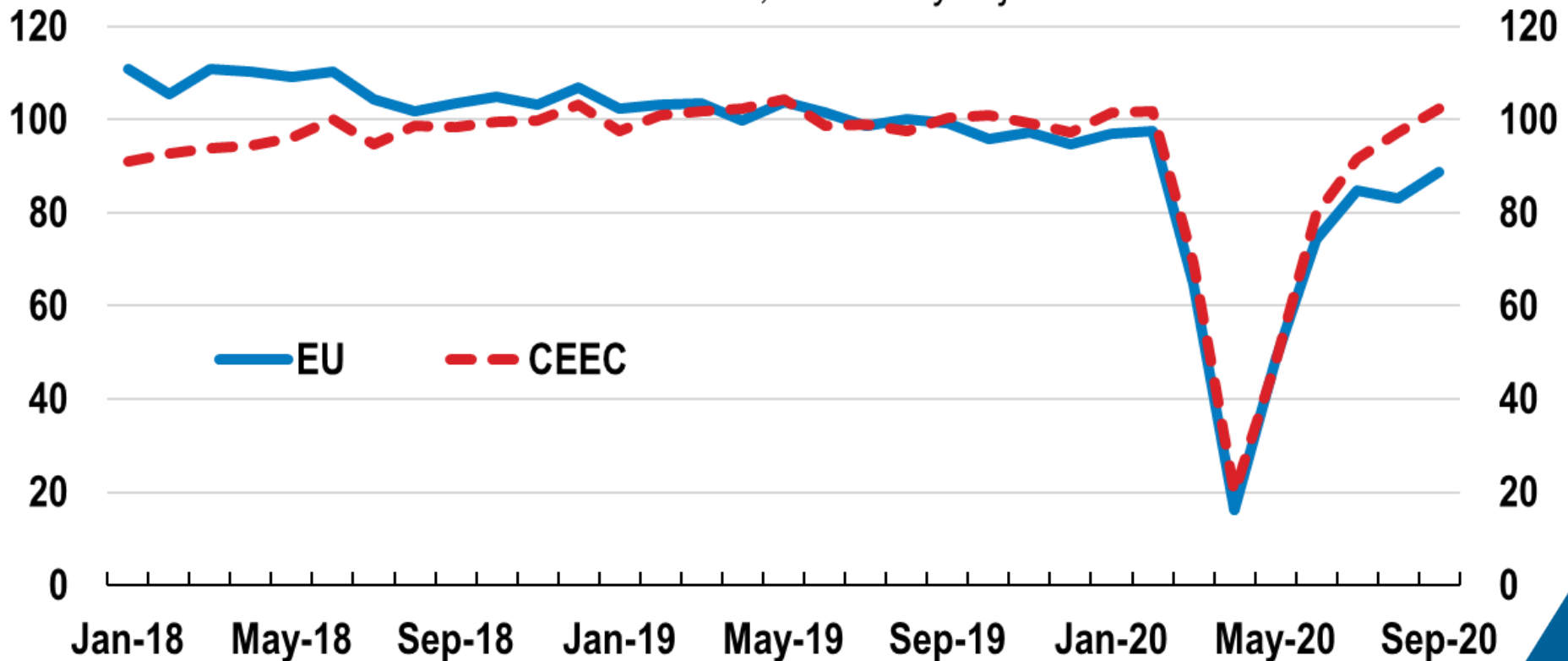
Source: OECD Trade in Value Added (TiVA) database, 2018, "Origin of Value Added in Final Demand".



The pandemic hit the sector hard, but the recovery was fast

Volume of production of motor vehicles, trailers and semi-trailers

Index 2019 = 100, seasonally adjusted



Note: CEEC include the Czech Republic, Hungary, Poland, Slovak Republic and Romania. Data refer to the Motor vehicles, trailers and semi-trailers industry (i.e. category 29 in the ISIC Rev 4 classification), except for Slovak Republic (Manufacture of transport equipment industry i.e., categories 29 and 30).

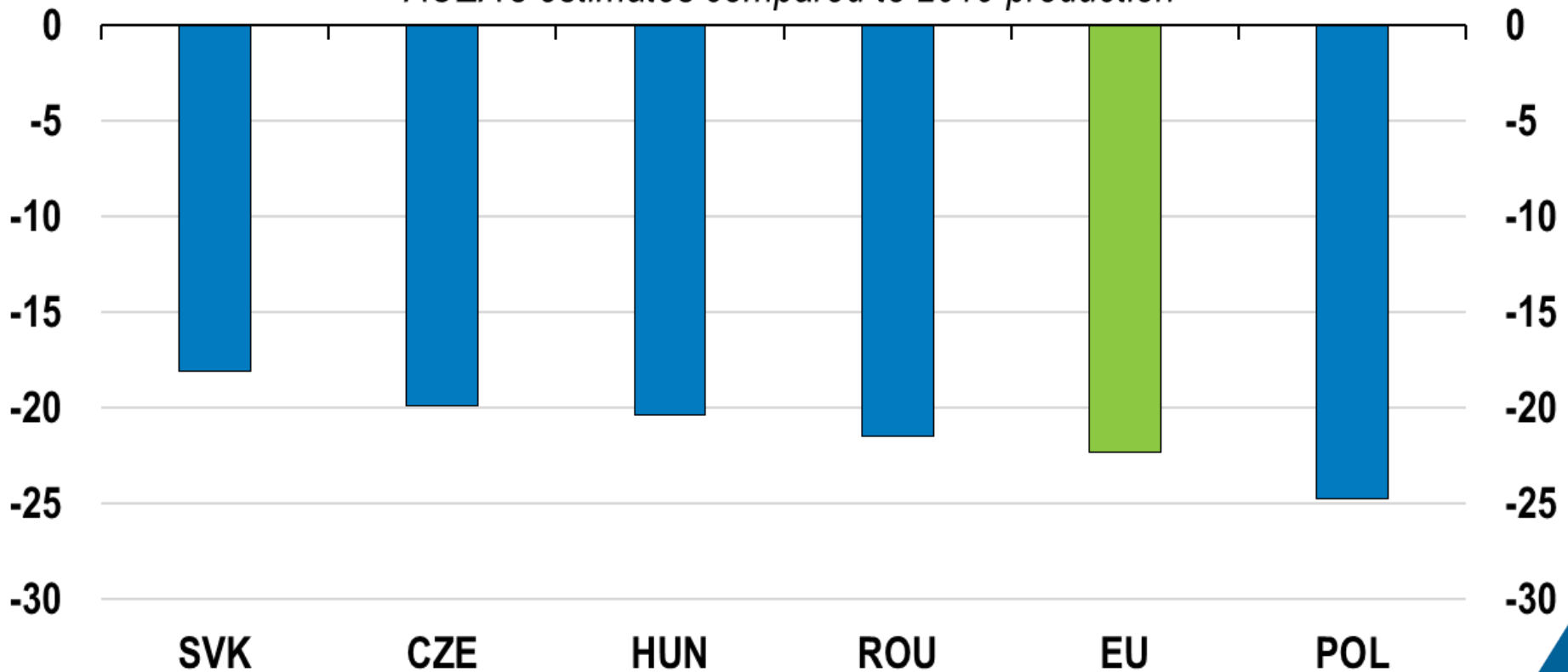
Source: Eurostat; National Bank of Slovakia.



Some countries were more affected than others

Estimated production reductions in the CEEC region until Sep-20

ACEA's estimates compared to 2019 production

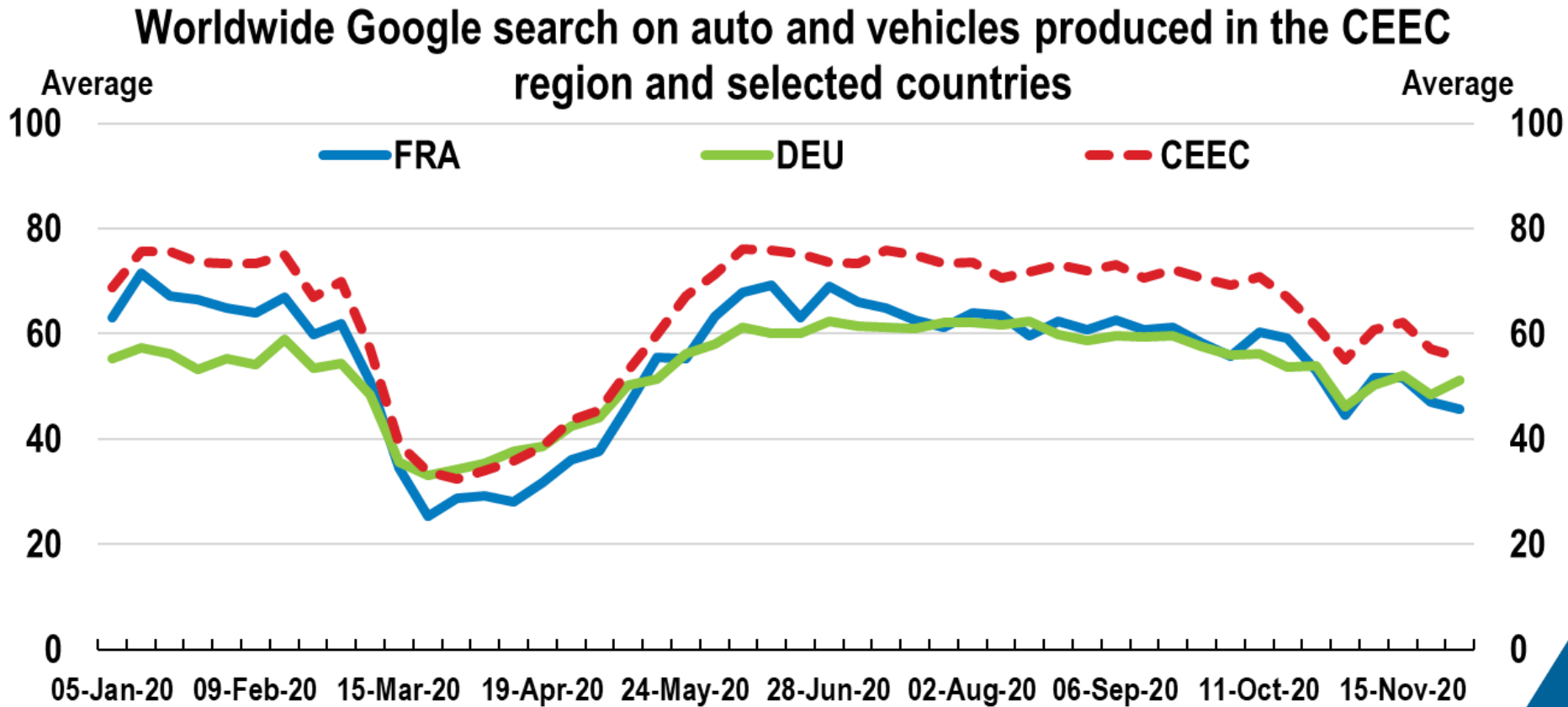


Note: The Figure shows the impact of the coronavirus pandemic on the production of passenger cars and light commercial vehicles (up to 6 tonnes) in 2020 (until September), compared to 2019 production. The EU aggregate take also into account the United Kingdom.

Source: OECD calculations based on ACEA.



Car demand has lost momentum



Note: The Figure shows averages of the interest over time on car models produced in each country/region (from Google Trends). The interest over time represents the number of worldwide searches for each car model produced in the country/region, relative to the highest number of researches recorded over the period from 1st January 2019 to 29th November 2020. This indicator varies between zero (no or limited number of searches) and 100 (peak of popularity).

Source: OECD calculations based on Google Trends.



Car demand will likely remain low

- Car sales move in line with GDP growth
- We expect rather slow economic recovery in 2021-22
- Prospects in the region depends on developments in main trading partners
- Car sales might remain below pre crisis level in 2021 in Europe and in Germany



A different impact across market segments?

- Increasing demand for small and/or cheaper cars?
 - During downturns consumers tend to turn to smaller cars
 - On average, car production in the CEE region has a focus on mass market segment.



A different impact across market segments?

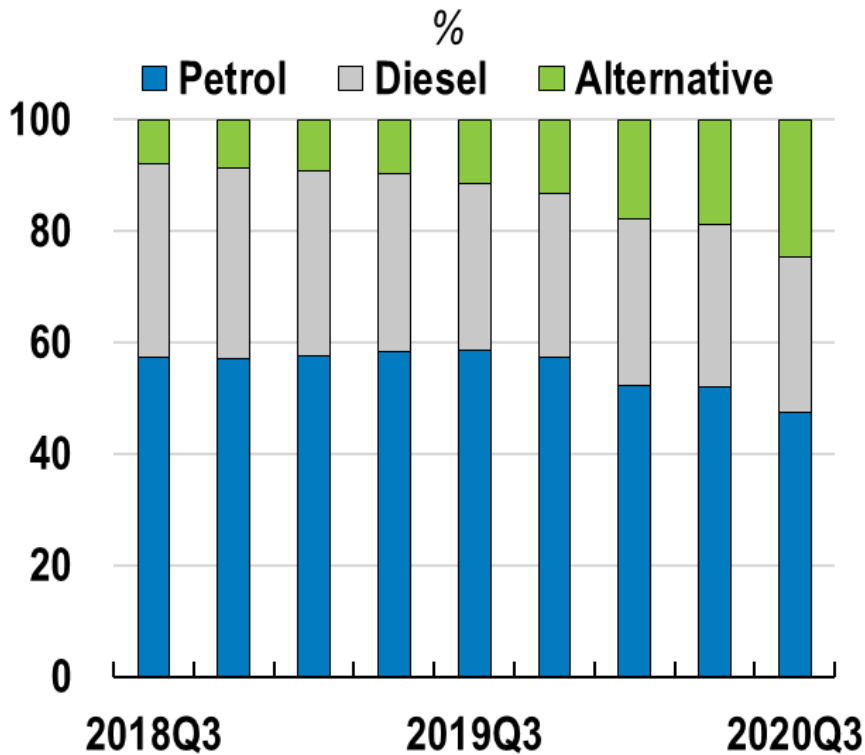
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- Increasing demand for electric cars



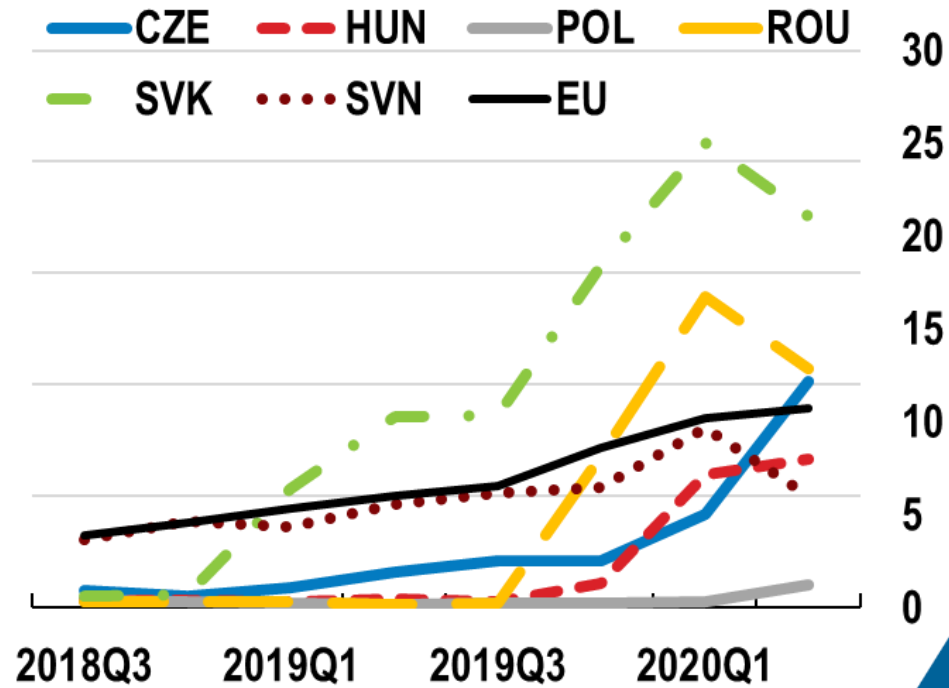
Demand for electric cars has increased

Car sales in Europe, by fuel type



Exports of alternative cars

% of exports of total road vehicles, monthly average



Note: The alternative cars category refers to vehicles principally designed for the transport of less than 10 persons, with both spark-ignition internal combustion reciprocating piston engine and electric motor; with both diesel engine and electric motor; and with only electric motor as motors for propulsion.

Source: OECD calculations based on ACEA and Eurostat International Trade database.



New risks to the supply chain?

- Fragmented production implies large exposure to shocks, but supply chains have been resilient so far.
- Low car demand can trigger disruptions.
- Diversifying suppliers is complicated and costly.
- Shortening the supply chains?



Policy priorities

- Address skill shortages
- Provide liquidity support to viable firms
- Improve access to quality infrastructure (digital)
- Support domestic firms' capacity to liaise with MNE



Main findings

- The fast recovery might be short-lived due to low demand from Europe.
- Prospects in the CEE automotive sectors mainly depend on foreign demand developments.
- Supply chains have been resilient so far, but the risk of bankruptcy-related disruptions has increased
- Low profitability can undermine needed investment.



Questions for discussion

- Are CEE countries well placed to benefit from structural transformation of the automotive sector?
 - Alternative power trains
 - Digital transformation

- How will the pandemic affect their attractiveness for investment?
 - Shortening of GVCs (from Asia to Europe)
 - Reshoring of high value-added activities



Thank you for your attention

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