



*Edition #1 – Data Digest is CLEPA’s new monthly publication shedding light on the health and resilience of the European automotive supply industry through latest facts and figures*

## What you will find in this edition

- 1 – Raw material and energy costs continue to increase
- 2 – Profitability is under pressure
- 3 – Financial stability shows signs of distress
- 4 – The mobility ecosystem is facing challenges
- 5 – Investment in R&D is the key
- 6 – Uncertainties remain around the transition

## Cost pressures put EU's private innovation stronghold at risk

A third, and possibly a fourth year of crisis marked by cost pressures, supply chain disruptions, and suppressed vehicle production volumes will put the investment capabilities of the EU's private R&D stronghold at risk, with the automotive sector representing 34% of overall private R&D investments across Europe.<sup>1</sup>

"Despite the challenges over the last two years, automotive suppliers kept their commitment to invest and deliver on the green and digital mobility transition. Cost pressures and changing economic realities have led to a third year of crisis-mode that risks bringing important players in the ecosystem towards the breaking point."

Nils Poel  
CLEPA's Senior Manager Trade & Market Affairs

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<sup>1</sup>Joint-Research Centre, 17 December 2021, The 2021 EU industrial R&D investment scoreboard:  
<https://op.europa.eu/en/publication-detail/-/publication/fb50fc5e-570e-11ec-91ac-01aa75ed71a1/language-en>

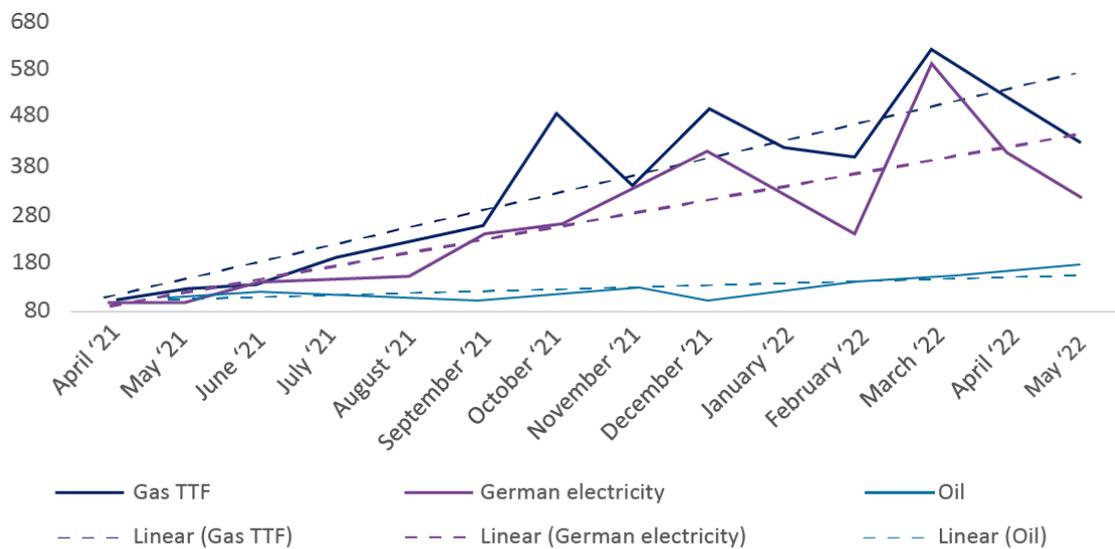
## 1 – Raw material and energy costs continue to increase

Gas prices have steadily increased since April '21 and they have quadrupled in just over a year, while electricity prices have increased more than threefold. Oil has shown a more gradual increase, trading 80% above levels recorded in April '21. Automotive suppliers processing metals deeper down in the supply chain will typically be more energy intensive and more directly affected. These companies tend to be smaller in size and therefore more vulnerable.

Figure 1

### Energy costs index

Source: CLEPA Analysis, EPEX, ICE, Financial Times

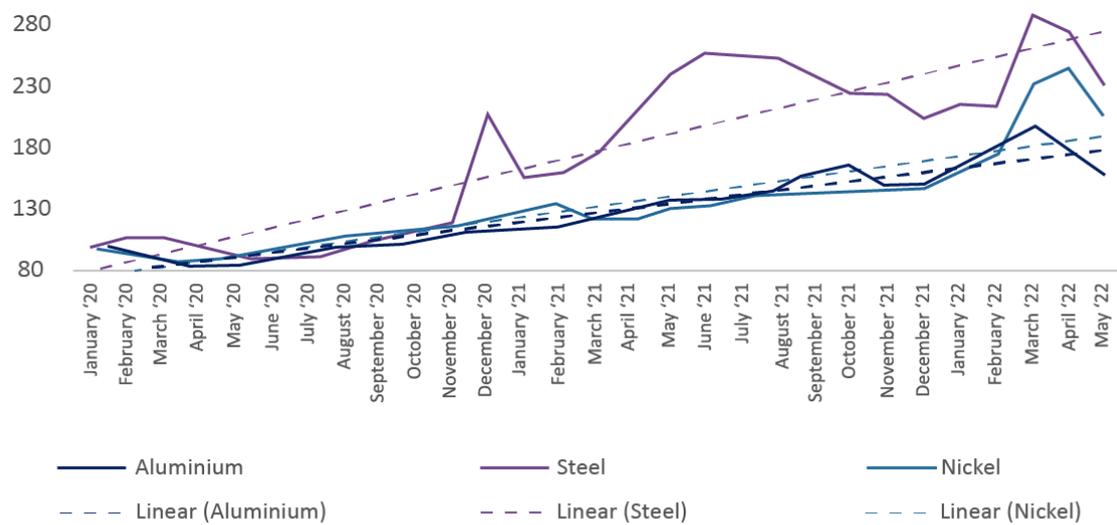


The increase of gas and electricity prices has a direct impact on aluminium and steel prices and therefore impacts suppliers across the board. Nickel prices have steadily increased and recorded a significant jump after the invasion of Ukraine, given Russia's role as a nickel supplier. 69% of suppliers indicated to have problems passing on cost increases to their customers.

Figure 2

### Cost index for raw material inputs

Source: CLEPA Analysis, Westmetall, Argus Media



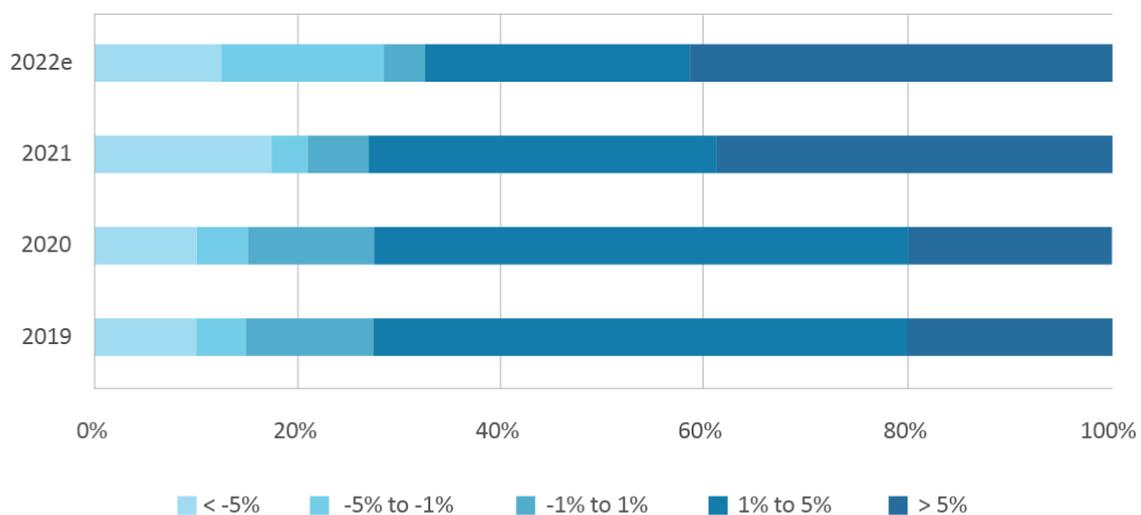
## 2 – Profitability is under pressure

Cost increases and difficulties to pass these on result in a significant share of suppliers expecting losses over 2022, more than during the two preceding years of COVID-19 and semiconductor shortage reductions. Almost 1/5 of suppliers reported losses of more than 5% in 2021 and almost 1/3 expect to report losses over 2022. Other suppliers (often in the area of digital technologies and electronics) are showing resilience, with the share of suppliers with a profitability of more than 5% doubling between 2020 and 2021.

Figure 3

### Operational profitability, automotive suppliers

Source: CLEPA's Pulse Check Survey, 16 February - 2 March 2022



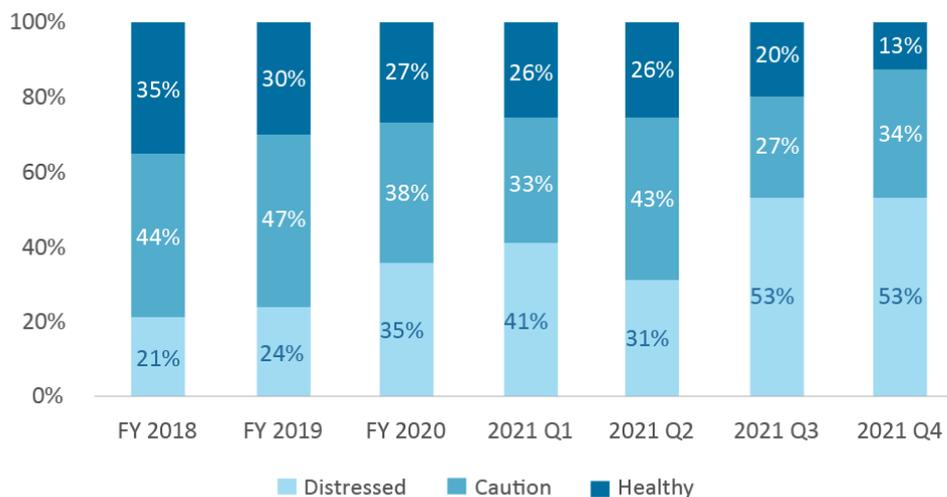
On average, cost pressures and supply chain disruptions are likely to suppress operational profitability by 3 percentage points. Average margins were around 2.6% in 2020 and around 5% in 2019. This pressures suppliers' ability to maintain investments in green and digital innovation.

**3% less operational profitability**

### 3 – Financial stability shows signs of distress

More than four in ten automotive suppliers show signs of financial distress, undermining resilience against external shocks. This figure has worsened over the last three years, which was undoubtedly impacted by the outbreak of the COVID-19 pandemic and the subsequent shortages of raw materials and semiconductors.

Figure 4  
**Financial health of automotive suppliers**  
 Source: PwC, 2 May 2022



## 4 – The mobility ecosystem is facing challenges

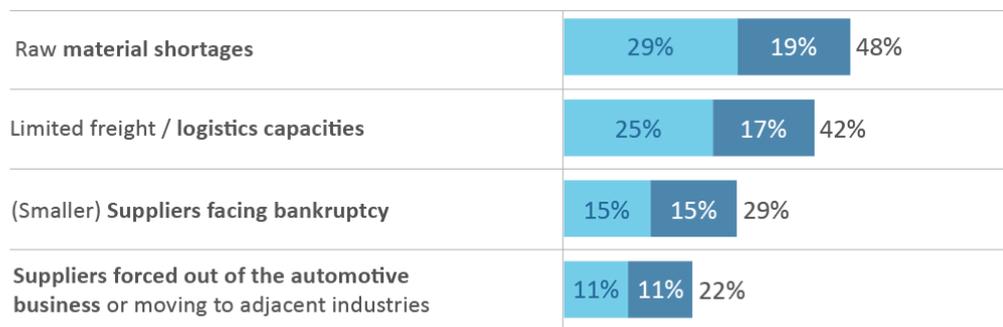
Almost half of suppliers see raw material shortages and limited freight capacity as critical, with respectively 19% and 17% indicating that this is already impacting their business. 29% of suppliers is critically concerned about their suppliers going bankrupt, with 15% reporting that this has already taken place.

Figure 5



### Which of the following concerns around your supply chain do you consider critical?<sup>1</sup>

Source: CLEPA's Pulse Check Survey, 16 February - 2 March 2022



1. % of suppliers rating the concern as critical (4) or very critical, already taking effect (5) on a scale 1-5  
Note: N=54 (16 February - 2 March, 2022)

■ Critical                      ■ Very Critical - Already taking effect

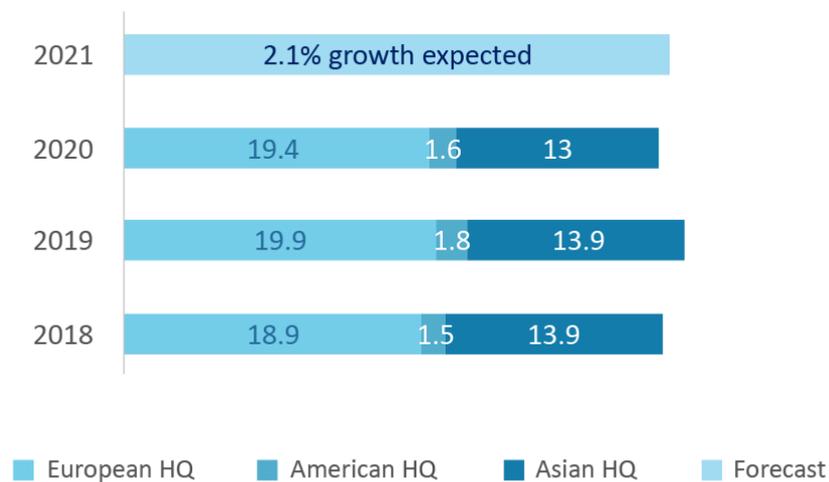
## 5 – Investment in R&D is the key

Despite financial pressures, investment in R&I continues among automotive suppliers, as confirmed by [CLEPA's latest Pulse Check](#). Particularly in Europe, innovation is seen as the real key to continuing to compete in the markets. However, on-going pressures could impact future investments.

Figure 6

### R&D investments in billion euros

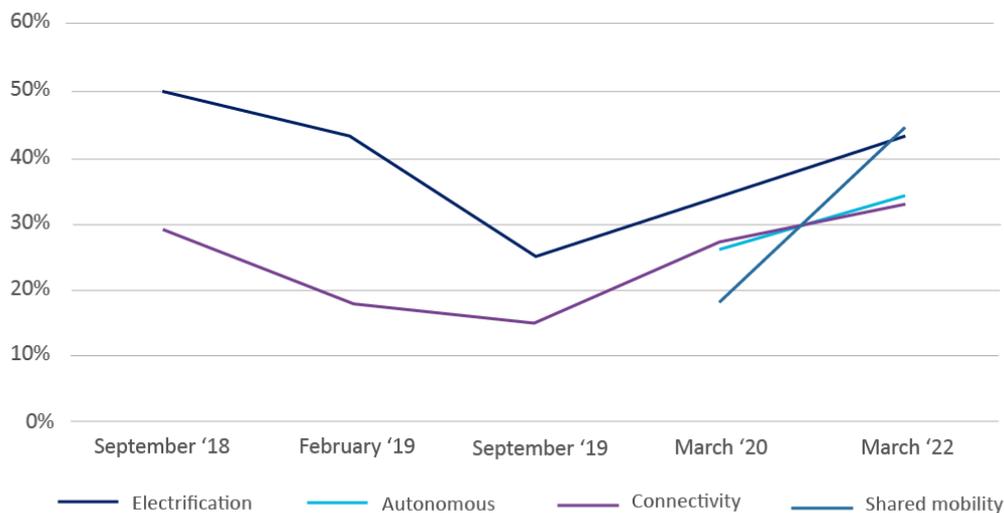
Source: PWC Strategy& and IHS Markit



## 6 – Uncertainties remain around the transition

The focus on innovation is also reflected in the general feeling of readiness for change. With regard to the Autonomous, Connected, Electric and Shared Vehicles (ACES) trends, compared to when COVID-19 broke out two years ago, companies are feeling increasingly prepared for change in the sector. Nevertheless almost 60% do not feel well prepared for the electrification and digital transformation of the automotive industry.

Figure 7  
**% of suppliers feeling very well prepared**  
 Source: CLEPA's Pulse Check Survey, 16 February - 2 March 2022



"We are shifting paradigms from years of relative stability to a situation of high volatility, inflation, supply chain disruptions and new business models. Striking a balance between immediate needs and long-term planning is becoming increasingly difficult. Now it is more essential than ever to sustain the mobility ecosystem, especially in view of the double green and digital transition."



Sigrid de Vries, CLEPA's Secretary General  
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*Are you interested in knowing more about it?*

Contact CLEPA Communications Team at [communications@clepa.be](mailto:communications@clepa.be)

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