



Edition #2 – DATA DIGEST is CLEPA’s 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. EU is still the leader in car parts export, while industry in China is gaining ground
2. EU industry shows resilience to challenges in Chinese markets but is hovering in North America and Mexico
3. EU value-add is under growing pressure
4. Japan and South Korea increasingly invest in China and the US

EU's export success story is not over (yet)

Will the EU remain the epicenter of the automotive industry?

The EU automotive supply ecosystem continues to perform well in terms of global exports, foreign direct investment, revenues and value creation. Comparing how the EU sector fares against its regional competitors in North America and Asia, shows a resilient sector that will have to continue to be innovative to maintain its strong position as the epicenter of the automotive industry, which is increasingly shifting to Asia.

The year 2019, with the outbreak of the COVID-19 pandemic and other subsequent crises, is shaping up to be a watershed date for automotive suppliers. Since then, the industry has faced unprecedented pressures, which could affect the future ability to invest in innovation, especially for SMEs.

"EU's automotive supply industry remains a global export champion. A remarkably strong position on the Chinese market is the key to the sector's success, but China's growing competitiveness shows the importance of an EU trade policy that facilitates access to non-EU markets"



Nils Poel, CLEPA's Senior Manager Trade & Market Affairs
Data Digest | Edition #2

1 – EU is still the leader in car parts export, while industry in China is gaining ground

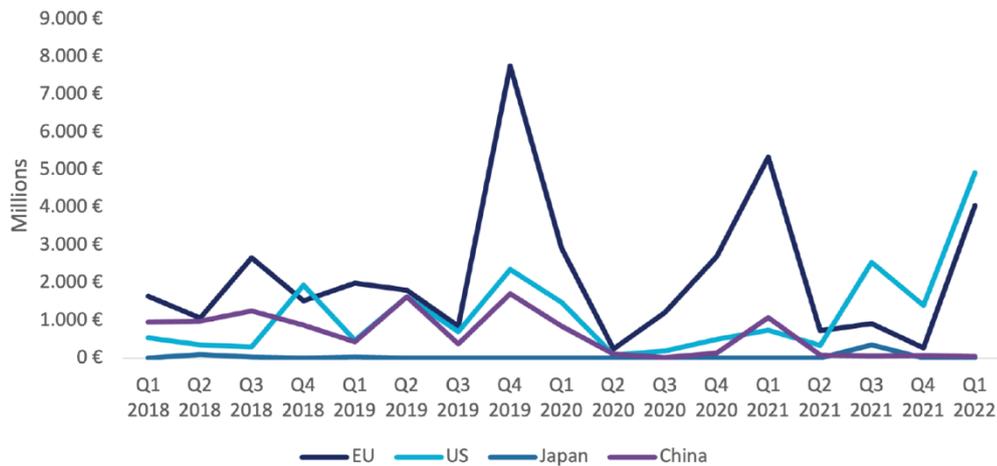
The European automotive supply industry remains the leader in global exports, while feeling the heat from China. Since 2018, China’s sales of automotive components abroad surpassed those of the US and Japan, ranking second after the EU.

Figure 1
Export of auto components by quarter
Source: IHS Global Trade Atlas



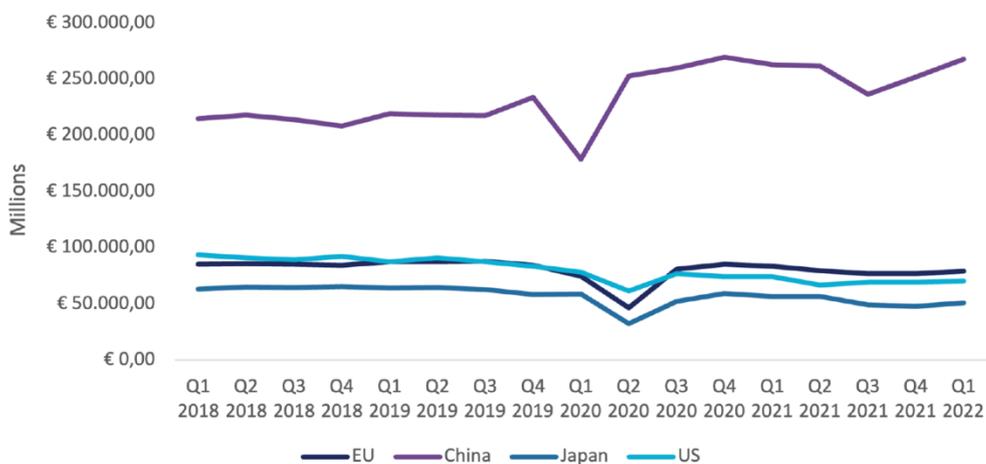
As of the first quarter of 2022, EU and the US have overtaken China and Japan as preferred destinations for Foreign Direct Investment in the automotive components industry.

Figure 2
Foreign direct investment in automotive component industry
 Source: CLEPA Analysis, FDI Markets



Chinese automotive supply industry revenues see continued growth path post-COVID, while EU, US and Japan stagnate.

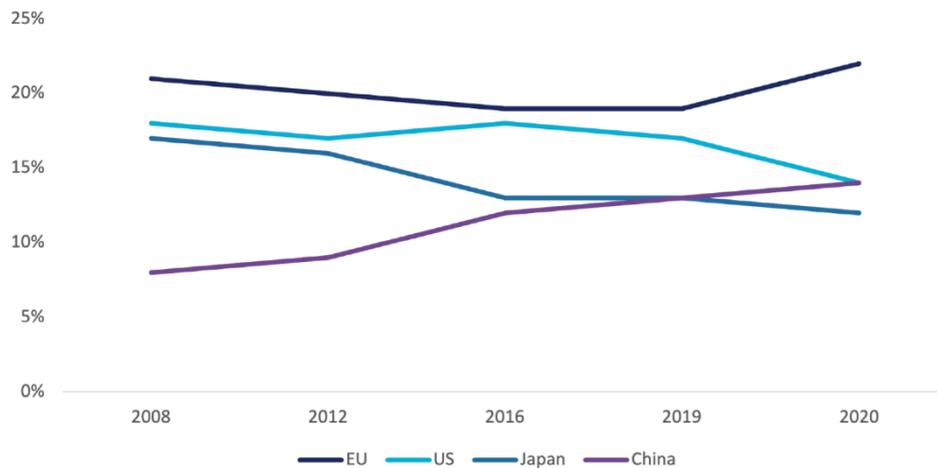
Figure 3
Revenues of automotive suppliers, by quarter, by country in 2015
 Source: Oxford Economics



2. EU industry shows resilience to challenges in Chinese markets but is hovering in North America and Mexico

Despite China’s growing competitiveness, EU suppliers have defended their global export market share, for now.

Figure 4
Automotive components
Source: UN Comtrade and CLEPA Analysis



China, US and Mexico are the three biggest importers of auto components in the world, excluding the European Union, which is by far the biggest supplier to China, a position that has even expanded since 2018. In the first quarter of 2022, 50% of Chinese imports of auto parts came from the EU. In both Mexico and the US, EU auto parts are under pressure and hovering around 10%, with China becoming increasingly competitive on the Mexican market.

Figure 5

China: % of auto parts imports from key trading partners

Source: IHS Global Trade Atlas, data for HS code 8708

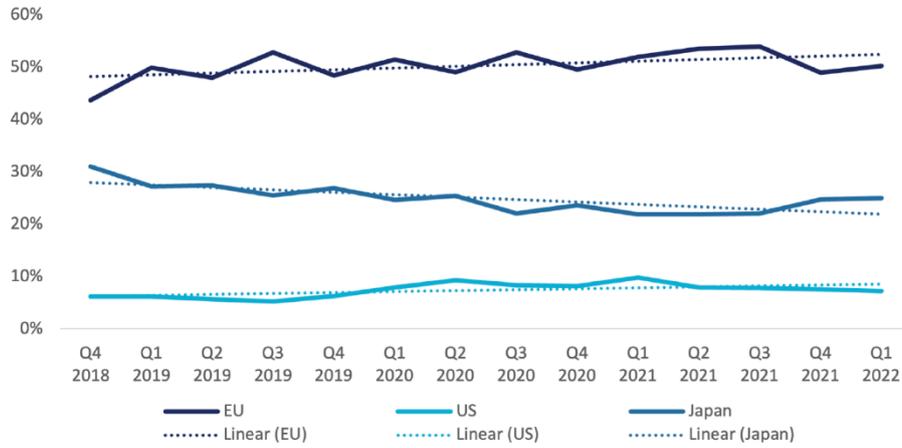


Figure 6

US: % of imports from key trading partners

Source: IHS Global Trade Atlas, data for HS code 8708

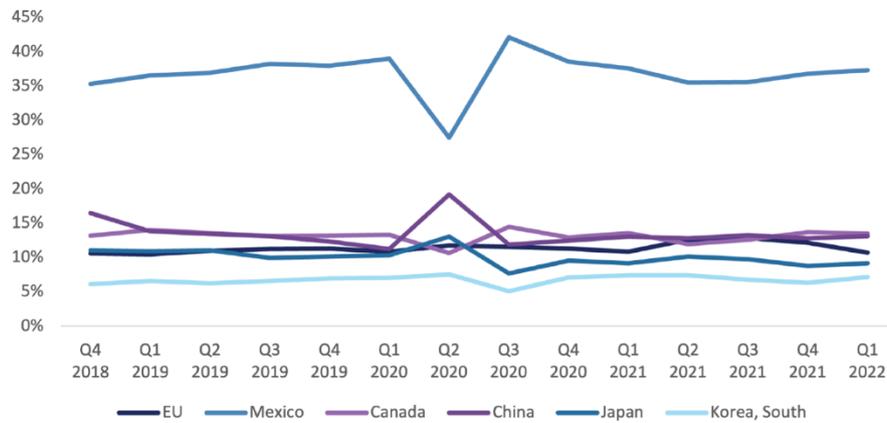
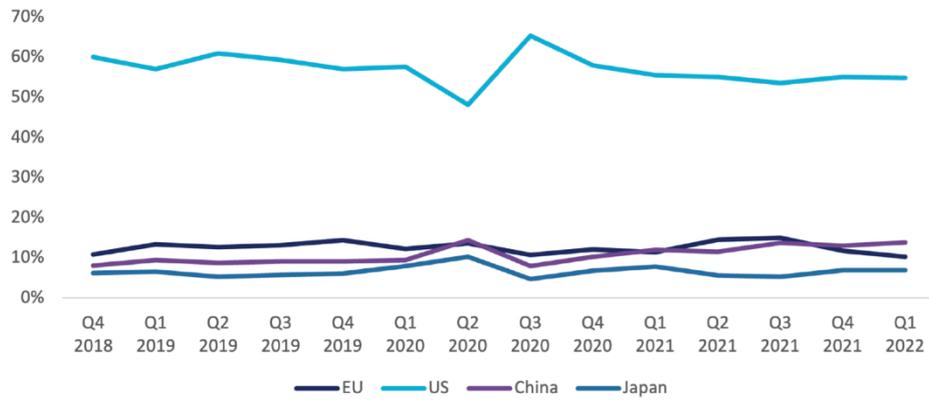


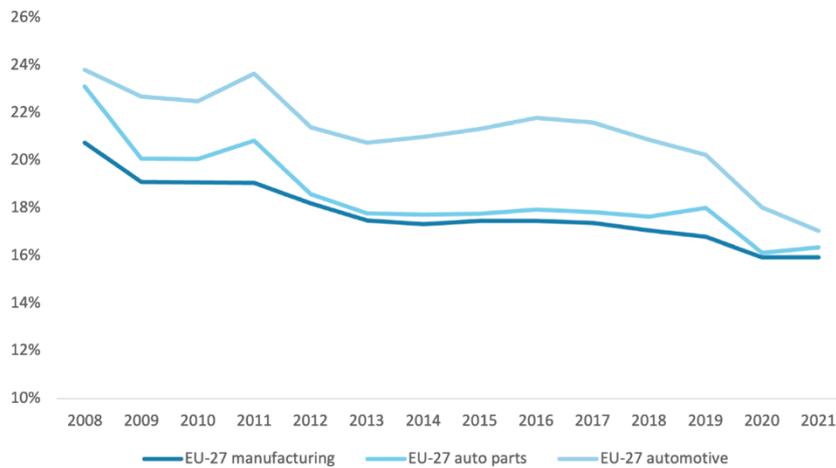
Figure 7
Mexico: % of imports from key trading partners
Source: IHS Global Trade Atlas, data for HS code 8708



3 – EU value-add is under growing pressure

16% of the world’s value creation in the automotive supply industry happened in the EU in 2021, a significant fall compared to the 23% record in 2008. The decrease is mostly driven by the growing significance of Asia to the global economy. The EU’s share of GDP fell in the same time from just above 20% in 2008 to just below 15% in 2021. Automotive components and automotive as a whole continue to slightly outperform the manufacturing sector as whole, but the sector is under growing pressure since 2019.

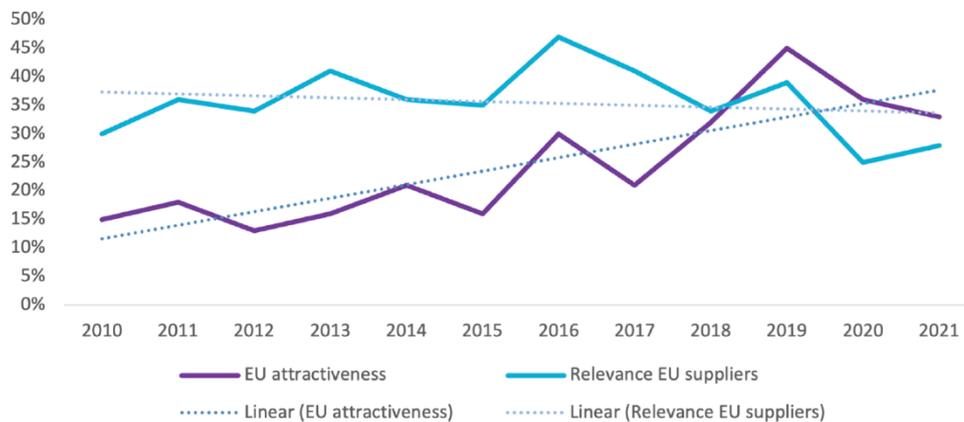
Figure 8
Value add market share
Source: Oxford Economics and CLEPA Analysis



4 – Japan and South Korea increasingly invest in China and the US

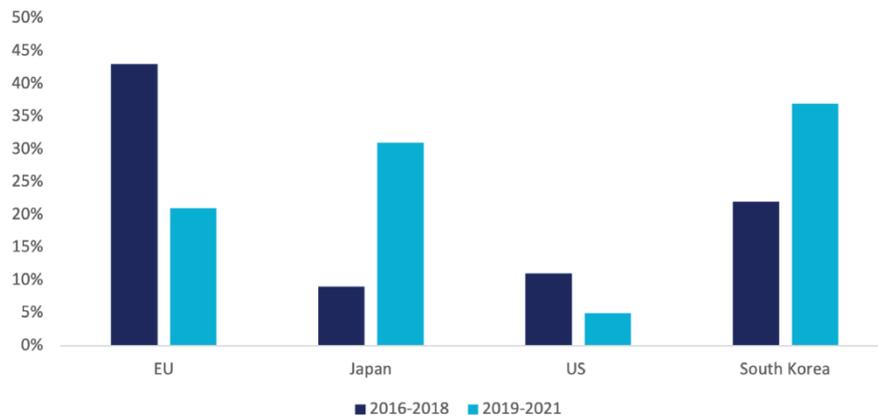
The EU attracted 33% of greenfield investment in the automotive component sector in 2021. The EU’s share of FDI received is significantly up compared to the early 2010s, when the EU attracted between 13% and 18%. The increase is largely driven by investments related to battery cell manufacturing and assembly but after a peak in 2019, investments have started to cool down. EU headquartered suppliers remain important investors in the global automotive component sector and are responsible for between 30% to 40% of investments.

Figure 9
% of global foreign direct investment in the automotive component sector
Source: FDI Markets and CLEPA Analysis



EU (66.8 bln.), US (46 bln.) China (41.5 bln.) and Mexico (37 bln.) were the four biggest destinations for foreign direct investment into the automotive supply industry. While EU and US headquartered suppliers seem to cool on China, South Korean and Japanese suppliers keep investing.

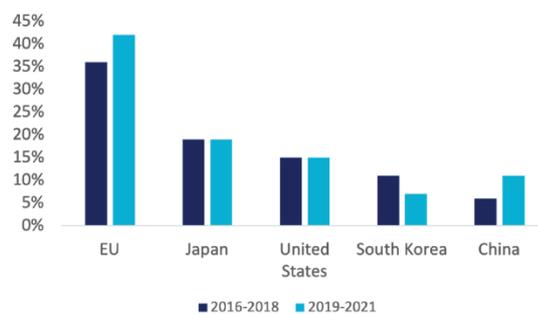
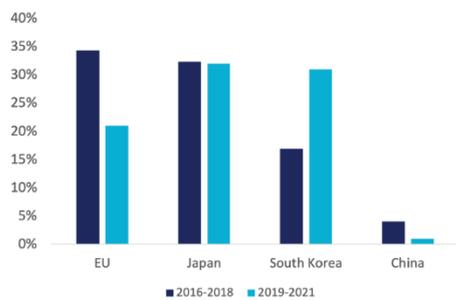
Figure 10
% of automotive FDI into China
Source: FDI Markets and CLEPA Analysis



EU headquartered suppliers continue to dominate investments into Mexico, while South Korea and Japan build importance as investors into the US.

Figure 11
% of automotive FDI into US
Source: FDI Markets and CLEPA Analysis

Figure 12
% of FDI investments into Mexico
Source: FDI Markets and CLEPA Analysis



"European automotive suppliers continue to perform successfully in the global market, but we should not underestimate the pressure points since 2019. The green and digital transition, coupled with increased foreign competition, will require increased investments in R&D and talent acquisition for new technologies. The automotive ecosystem needs support to overcome this phase of change, made more difficult by current geopolitical scenarios and supply chain disruptions."



Sigrid de Vries, CLEPA's Secretary General
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Contact CLEPA Communications Team at communications@clepa.be

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