



*Edition #8 – 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*

## **Resilience in the face of declining competitiveness - will it be enough?**

**Continued low profitability and slumping exports to China are causes for concern**

What you will find in this edition

- 1** – More than half of suppliers operate with low profitability
- 2** – Imports continue to increase faster than exports
- 3** – Exports to China fall by 19%
- 4** – EU attracts more foreign direct investment

In the first quarter of 2023, European automotive suppliers demonstrated resilience, displaying positive indicators in terms of profitability, trade balance, and foreign direct investment (FDI). Nevertheless, half of suppliers are still struggling to achieve profitability levels necessary to maintain long-term investments in the sector's transformation.

While exports to China have declined for the second quarter in a row, with a 19% drop following a 9% YOY decline in Q4, the strong growth in exports to the US and UK has helped to prevent further deterioration of the EU's trade balance.

The FDI inflow targeting the EU battery supply chain continues to reinforce the transformation of the EU automotive supply chain. However, investments in other crucial components and materials required for a successful transformation are still lagging behind. In May, the US surpassed the EU in planned battery production capacity for the first time, highlighting how the US Inflation Reduction Act's tax credits have enhanced the attractiveness of the United States as a prime destination for battery investments.

"Suppliers showed resilience in Q1, but the weakening trade balance with China and low profitability remain a concern. While an increase in FDI commitments is a pleasant surprise, not all projects will materialise and their delivery timelines are uncertain."

Nils Poel, CLEPA's Deputy Head of Market Affairs  
CLEPA Data Digest #8 | June 2023



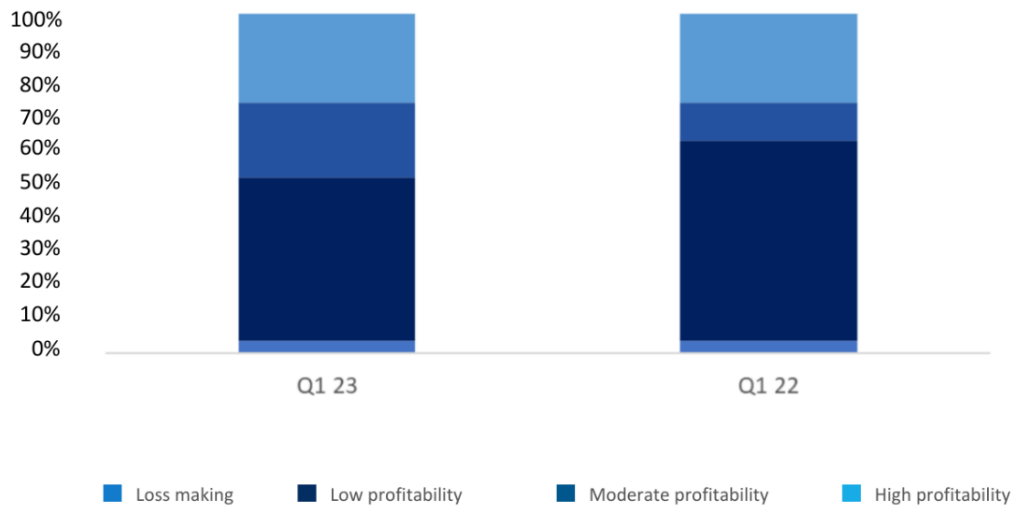
## 1 - More than half of suppliers operate with low profitability

In the first quarter of 2023, automotive suppliers improved their average operational profitability (by 0.26%) to 6%, compared to results in 2022. However, it is concerning that over half of suppliers still recorded profitability rates below the recommended threshold of 5%, which is generally considered necessary to maintain long-term investments.

Figure 1

### Q1 Profitability Radar

Source: CLEPA analysis, based on 27 quarterly results



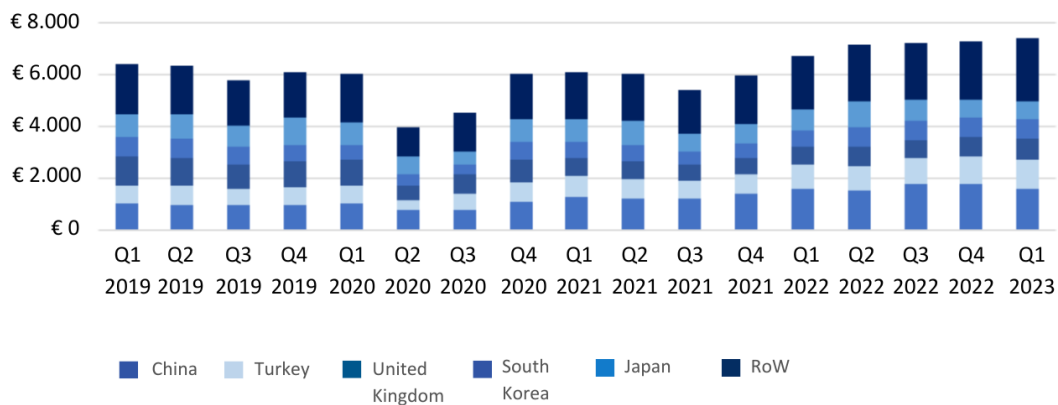
## 2 - Imports continue to increase faster than exports

During the first three months of 2023, the EU's imports increased by 11% compared to the same period in 2022. Notably, imports from Turkey and South Korea grew by 21% and 16% respectively, whereas imports from Japan fell by 13% and import growth from China stabilised to 3%. Imports from China have exhibited a rapid growth of 59% between 2019 and 2022.

Figure 2

### Import

Source: S&P Global IHS GTA



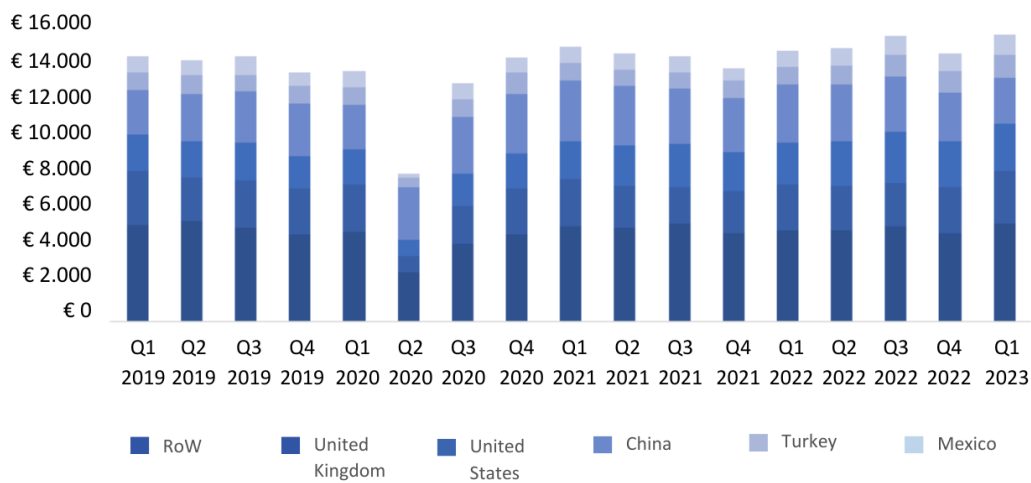
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Trade partner	Share of EU imports	YoY change
<b>China</b>	22%	+3%
<b>Turkey</b>	15%	+21%
<b>UK</b>	11%	+11%
<b>South Korea</b>	10%	+16%
<b>Japan</b>	9%	-13%

### 3 – Exports to China fall by 19%

In the first quarter of 2023, the EU’s export of components surpassed €14 billion, growing by 6% compared to last year. This growth contributed to a 13% increase in the trade surplus, to €6.7 billion, highlighting how exports continue to significantly outweigh imports. Strong growth in exports to the US and UK have compensated for a steep fall of 19% in exports to China, which is the second consecutive drop in a row, after exports to China also fell by 9% in the last quarter of 2022.

Figure 3  
**Export**  
 Source: S&P Global IHS GTA



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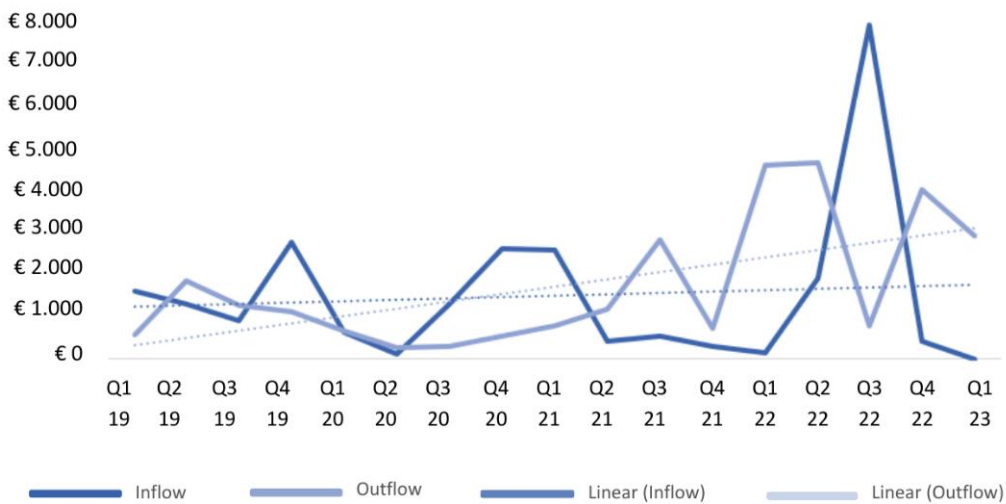
Trade partner	Share of EU Exports	YoY change
<b>UK</b>	18%	+13%
<b>US</b>	16%	+12%
<b>China</b>	16%	-19%
<b>Turkey</b>	8%	+34%
<b>Mexico</b>	7%	+16%

## 4- EU attracts more foreign direct investment

Non-EU headquartered companies have made significant investments of €4.5 billion in the EU automotive supply chain, primarily driven by a multi-billion investment announcement from ProLogium, a Taiwanese battery manufacturer in Northern France. However, despite these recent investments, the EU has fallen behind the US in terms of battery gigafactory capacity for the first time, [according to Benchmarkminerals](#).

In contrast, EU automotive suppliers have invested €2.8 billion outside the EU, with China accounting for 33% of this total. Following a period of relatively low investment rates over the past three years, EU companies have now directed €2.3 billion towards activities related to e-mobility in China over the last two quarters of 2022.

Figure 4  
**Foreign direct investment from/into the EU**  
 Source: CLEPA Analysis, FDI Markets



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European Association of Automotive Suppliers

"Resilience alone is unlikely to secure the transformation. Policymakers have rightfully taken temporary measures to improve the competitiveness of the EU battery supply chain, but there is more than one beating heart. Less regulatory burden and a coherent industrial strategy that strengthens ecosystems and supports the realisation of objectives rather than specific technologies, is urgently needed."



Benjamin Krieger, CLEPA's Secretary General  
 CLEPA Data Digest #8 | June 2023

*Are you interested in knowing more?*

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

## **CLEPA DATA DIGEST**

Edition 8, June, 2023

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