

The shifting automotive arena and its impact on Europe

News coming from the auto industry is mixed as the year draws to a close. Revenues and profitability are improving¹, but employment and investments in the EU fall behind expectations at a time where international competition increases. A difficult environment to navigate for industry and for policy makers.

CLEPA's recent research shows, that employment in the automotive supply industry has stopped growing in the recent months and there is a risk that the overall balance for this year turns negative. This would mean a continuation of a trend: employment in the industry in Europe has been shrinking, with a net loss of almost 43,000 jobs since 2019.

This is in stark contrast with a [study commissioned by CLEPA](#) in 2021 on the effect on employment of electrification and further development of the Euro pollutant emission standards. The study expected a net gain of almost 100,000 jobs in the first years of the transformation, before declining sharply towards the year 2040.

The transformation of the automotive industry has left the spreadsheets and policy papers and is reaching the factory floors and offices in the real world.

On a more positive note, profitability of the industry has been improving recently. The share of businesses with a "healthy" profitability above 5% has reached 45%, up from 23% in 2022. Healthy revenue and profits are a precondition for investments in the transformation and the innovation, which will make it reality.

This comes at a time of a sharpening international competition: The automotive industry, suppliers included, still contribute substantially to European export revenues and reduce the foreign trade deficit. A top group of EU suppliers competes successfully in the Chinese market, particularly on EV powertrain components. However, China's exports to the EU surged by almost 11%, while the EU's exports to China fell by 16% in the first half of '23.

Politically, 2023 has also seen a mix of news. The Euro 7 pollutant emission standards could and should have been more ambitious. The discussion on CO2 standards for heavy-duty vehicles is not over yet. However, the regulation will leave more space for different technologies than the one for cars and the highly ambitious targets proposed by the Commission will not be increased further. Both are in line with CLEPA's proposals.

The Commission has yet to put forward a proposal for the role of renewable fuels and the long-awaited proposal for a sector-specific legislation on access to data from connected vehicles. We keep pushing for both.

We have achieved improvements in the rules for taxonomy, supply chain due diligence, and are making progress to improve the Net Zero Industry Act. We have seen the first iteration of

¹ As shown by our most recent Pulse Check survey, conducted together with McKinsey partnership with McKinsey.

the fully automated vehicles safety requirements and test methods. Challenging discussions on PFAS restrictions and the development of vehicle LCA will continue next year.

Moreover, CLEPA has significantly bolstered its engagement in EU R&I policy and projects, championing technological advancement and profiling the industry as a driver for innovation and sustainability. This effort contributes to shaping dialogue with policymakers in the upcoming legislative term.

While the industry supports the policy objectives, for example on climate and sustainability, we have to point out the need to reassess the administrative burden resulting from the growing set of rules. A renewed focus on competitiveness in the political debate is welcome but must translate into concrete action, until and even more so beyond the elections next year. As we gear up for the next legislative term we will emphasise the importance of the automotive industry for manufacturing, employment, competitiveness and innovation within the EU.

Before we dive into the work ahead, enjoy a relaxing Christmas break and have a great start to the new year!