EVOLUTION AND IMPACT OF IMPORTS/EXPORTS OF CARS IN EU

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Abstract:
The European automotive industry has a reputation for delivering quality products around the globe and this industry is dynamic and competitive. High-quality products, significant investment and a highlyskilled workforce deliver exports with a €42.8 billion net trade contribution to the economy.
The global framework in which vehicle manufacturers do business is increasingly important. Export growth in emerging markets like China and Russia, investment in resources abroad and the economic downturn at home reinforce the goal of trade without barriers. Global trade agreements that deliver free markets are most beneficial and The automotive sector fully supports the gradual dismantling of EU import duties, but this concession must be accompanied by equivalent opportunities abroad for European manufacturers.

Key words: *automotive industry, sales, economic influences*

JEL classification: *L11, L62*

Opportunities to develop trade abroad should be pursued and manufacturers support steps to remove barriers such as unreasonable import tariffs and non-tariff barriers (NTB). The industry supports WTO and multilateral trade and seeks a balanced and fair Doha Round (DDA) that will deliver real market access to main developing economies. The current draft text on modalities for Non- Agricultural Market Access (NAMA), remains a concern. If a DDA agreement is later reached on such basis, it would give a green light to developing countries to keep peak import tariffs on European automotive products, while opening up opportunities for imports to Europe. This must be reviewed when talks recommence. The collapse of the Doha Round in July 2008 was disappointing, but reinforces the need to develop bilateral and regional agreements with major trading partners. These have the potential to deliver benefits for European auto makers and importers, improving access to these markets.

However, thorough impact assessments must be undertaken before any deal is signed. One-sided agreements that bring opportunities to thirdcountry importers but little benefit to the EU and its industry must be rejected, and consequently, only balanced agreements should be signed.

EU automotive output to rise by almost six percent in 2010

Automotive output in the European Union may rise by almost six percent in 2010, according to the Economic and Steel Market Outlook 2010-2011/Q2 2010 Report from EUROFER's Economic Committee, released by the European Confederation of Iron and Steel Industries (EUROFER). EUROFER said that improving economic conditions in 2011 should provide support for sales, particularly in Central Europe. In combination with a relatively favorable outlook for export demand, output growth could be sustained at a growth rate of close to four percent in 2011.

EU new car sales rose by 7.9% year on year in the first two months of this year. However, in actual monthly sales volumes, the market has been gradually trending downwards from the 1.3 million units' peak in September last year to 975,000 units in

February this year. To a large extent, this can be explained by the car scrapping schemes coming to an end in most countries. The impact on the German car market has been particularly strong with sales falling by almost 20% year on year in January-February 2010.

However, the prolongation of car scrapping schemes in other countries such as France, Italy and the UK helped to offset this impact. Commercial vehicle sales declined by almost eight percent in the first two months of this year. While the downturn in the EU-15 appears to be easing, demand in the new member states remained heavily depressed with sales falling by 47% in this period. First estimates for Q1 2010 automotive production show EU output rising by almost 21% compared with the extremely low levels registered in the same period of 2009. The final quarter of 2009 had seen the first year-on-year growth in output since mid-2008. While the improvement in domestic EU sales appears to be fading, demand from markets outside the EU - most notably China, India and Japan - is picking up again. This trend is expected to continue in the second quarter. However, further weakening of domestic car sales due to the coming to an end of the temporary prolongation of car scrapping programs may result in passenger car output weakening again in the second half of the year. Moreover, the outlook for the commercial vehicle market has remained subdued: fleet renewal in recent years, still reduced transport activity and difficult financing conditions are putting the brakes on demand.

Impact on Vehicle Imports from Outside the EU

One concern repeatedly raised over scrapping schemes at a member state level was that the increase in sales generated would be met largely by imports. This leakage would not provide the wider economic stimulus to the domestic economy and so there were typical complaints that tax money was being used to support jobs in other countries.

The extremes of this issue are in evidence in Cyprus, Luxemburg, and Greece, which do not have any final vehicle assembly base. Portugal, the Netherlands, and Austria each have only one car assembly plant, so they are affected to a lesser extent. The only primary linkages in these countries come from the direct components and parts industry that has been supplying other European car plants.

At an EU level, we find that the leakages are actually fairly small. Although there is some evidence that they have increased as a result of the scrapping schemes, the increase has not been substantial.

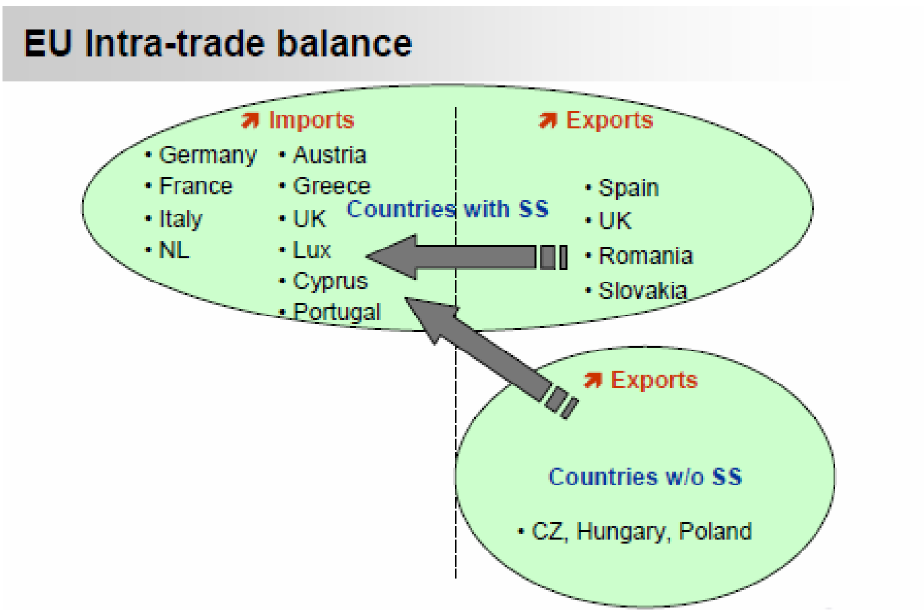

Figure 1. Net intra-trade in EU owing to scrappage schemes (Source: IHS GLOBAL INSIGHT)

Vehicle sales in the EU

New vehicle sales in the EU market consist largely out of replacement demand but with a significant element of discretion on the timing of vehicle replacement. New vehicle sales depend on a range of factors influencing 'affordability', consumer confidence, utility of change and the availability of finance. In New Member States, demand is geared more towards new motorisation rather than replacement. New light commercial vehicle sales are correlated with a broad spectrum of business investment and retail activity.

Table1 EU light vehicle sales by country market (2000-2008)

Countries	2002	2003	2004	2005	2006	2007	2008
Austria	301,920	325,685	340,324	336,736	339,076	330,693	326,596
Belgia	558,161	553,062	590,530	589,283	635,788	640,501	652,423
Bulgaria	13,772	16,548	24,790	33,434	43,295	53,334	61,191
Cipru	7,942	7,797	18,220	18,202	18,639	22,878	22,241
Cehia	162,151	168,183	160,162	163,788	169,488	189,751	203,647
Danemarca	142,604	126,524	166,044	202,883	219,765	219,107	178,496
Estonia	16,559	18,178	18,857	22,527	29,146	35,574	27,742
Finlanda	132,291	162,216	160,693	164,244	162,922	144,055	156,438
Franţa	2,549,929	2,390,304	2,421,347	2,487,270	2,440,581	2,526,611	2,510,175
Germania	3,421,131	3,417,945	3,456,944	3,518,568	3,665,783	3,370,630	3,314,478
Grecia	289,487	275,725	311,719	293,186	291,441	304,346	290,033
Ungaria	199,542	228,410	231,087	221,267	201,734	193,122	174,365
Irlanda	190,698	175,728	184,230	208,021	217,859	228,920	178,451
Italia	2,565,845	2,450,983	2,487,042	2,454,859	2,568,271	2,740,529	2,384,392
Letonia	9,023	10,015	12,830	18,719	28,227	36,413	22,007
Lituania	9,621	9,209	11,824	13,791	18,302	26,031	25,965
Malta	9,763	7,135	6,056	6,983	7,762	5,334	4,548
Olanda	591,824	566,401	570,929	531,394	548,773	584,445	585,064
Polonia	329,141	384,417	355,318	271,740	280,353	349,674	381,255
Portugalia	305,425	258,894	269,288	273,233	259,272	270,363	268,856
România	109,041	132,201	176,128	251,407	289,286	352,232	312,088
Slovacia	65,756	67,651	67,616	71,296	78,560	83,364	96,490
Slovenia	57,903	67,190	69,199	66,877	56,681	73,937	77,976
Spania	1,600,787	1,679,608	1,852,589	1,917,332	1,909,752	1,891,645	1,328,003
Suedia	282,622	289,464	294,938	309,296	322,594	351,517	293,406
Anglia	2,834,104	2,887,075	2,902,193	2,768,612	2,677,085	2,784,901	2,430,080
Total	16,757,042	16,676,548	17,160,897	17,214,948	17,486,435	17,773,857	16,306,409

Source: IHS Global Insight; light vehicles include passenger and light commercial vehicles

For more than a decade, sales in the EU have oscillated within a relatively narrow trading range (16.7m to 17.7m). Starting in the summer of 2008 sales decisively dropped out of the floor of this range and then crashed further in the final quarter of the year. Despite the unified EU market, the relative stability in sales in the union in recent years has been in part derived from unsynchronised 'minor' sales cycles in individual economies and vehicle markets. (For example weak sales in some countries such as Germany had been offset by good new vehicle sales in others such as Spain). In the five years leading up to the start of the 2008 credit crisis, EU wide sales were growing at a very modest 1.1% (CAGR). Over 40% of the growth over this period was derived from strong demand for vehicles in the New Member States.

Figure 2 shows the import penetration of the EU passenger car market. This relates to a sample of countries that had reported year-end data by 15 January. The import share is calculated on the basis of unit volumes sold rather than value, and it is based on the manufacturing source of vehicles registered rather than shipped.

Countries with scrapping schemes have a lower extra EU propensity to import vehicles than those without schemes: just under 12% compared with just over 14%. During the height of the scrapping schemes in 2009 there was, perhaps surprisingly, only a small increase in the aggregate import share relative to those countries without schemes.

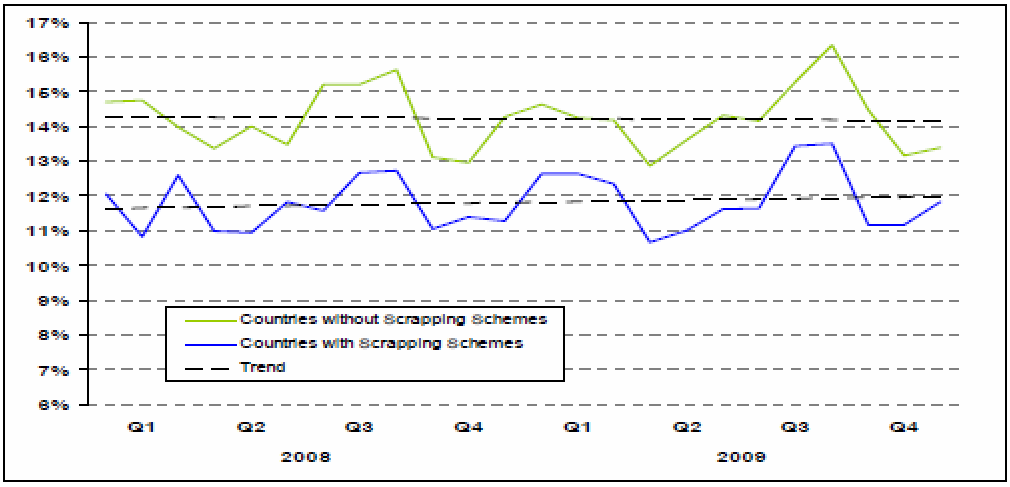

Figure 2 Market share for car imports into the EU25: Total market (Source: IHS GLOBAL INSIGHT)

In the next figures, we can obbserv that the most imports to the EU come from Japan

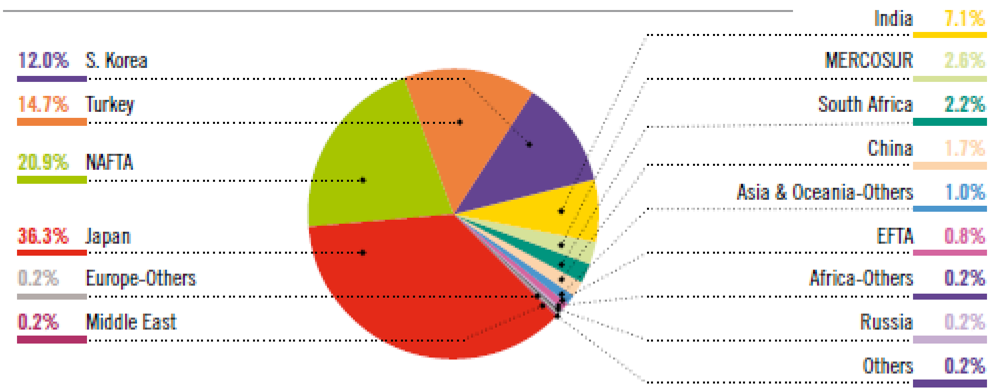

Figure 3 Passenger cars – origin of EU imports (in value) 2009 (Source: EUROSTAT)

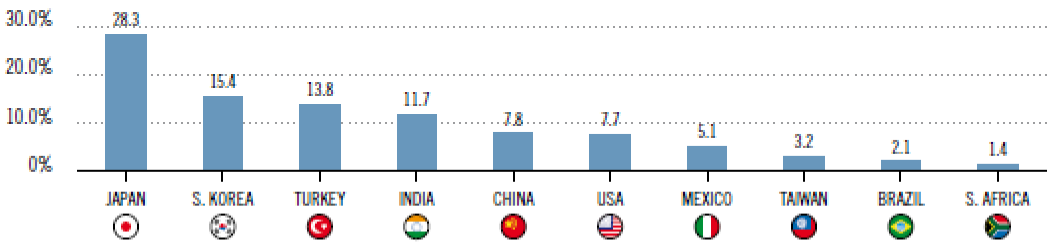

Figure 4 Passenger cars – origin of EU imprt (in units) 2009 (Source: EUROSTAT)

The industry will continue to emphasise the importance of reciprocal trade advantages for European manufacturers. Consideration must be given to the size of the market, market access and levels of tariff and non-tariff barriers, as well as a thorough assessment of the impact on the EU sector, and in the current economic climate, it should be imperative for the EU to negotiate agreements that do not weaken the competitiveness of the European auto industry.

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