Automotive Industry in the Czech Republic 2017

Overview

AUTOMOTIVE INDUSTRY ASSOCIATION

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Introduction

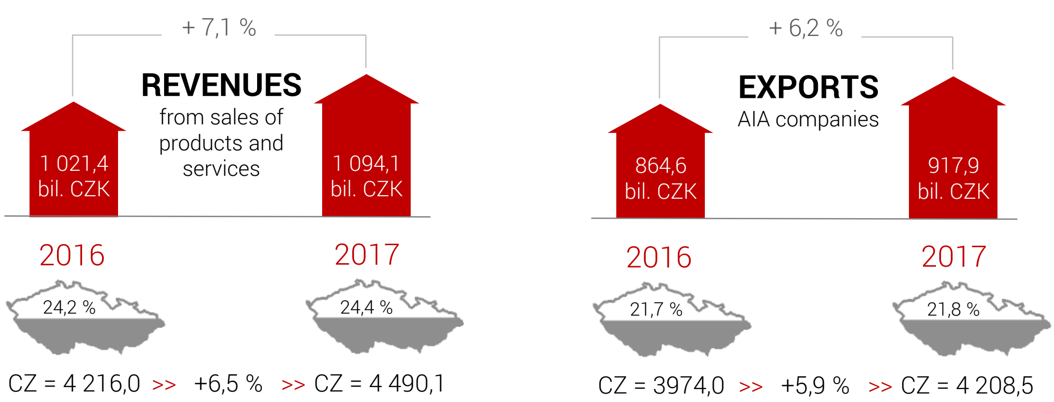
The 2017 Czech Automotive Industry Overview presents a selection of data about the state of the Czech automotive industry in the year 2017 and the industry's position within the Czech economy. The overview has been completed with the aid of the following sources: Czech Statistical Office, Central Vehicle Registry, Car Importers Association, ACEA, OICA, and several others. However, our primary source are the data provided by members of the Automotive Industry Association (AIA). Apart from financial figures, the overview also covers human resources, and statistical data regarding the production, sales, and the vehicle parc, both in the Czech Republic and worldwide. The overview also mentions awards won by AIA members in the 2017 Best Czech Automotive Company of the Year contest. Finally, the overview outlines AIA's current issues and priorities.

Position of the automotive industry in the Czech economy

The automotive industry, which has long been the most important branch of the Czech economy, has witnessed further growth in 2017 that surpasses even the overall GDP growth and the Czech industrial production as a whole. For several years now, the automotive industry has contributed nearly 9 % to the Czech GDP, and represents 26 % of the Czech industrial production (of which 24.4 % is generated by AIA companies). The automotive industry contributes significantly to the growth of added value, labor productivity, the average wage, and the Czech economy as a whole.

Vehicle production figures have been the highest in history, improving the financial results of both Czech automotive manufacturers and suppliers. Total revenues achieved by AIA companies have approached 1.1 trillion CZK at a 7.1 % year-on-year growth rate, or more specifically, the record-breaking CZK 1,094.1 billion. The exports volume of AIA companies has grown by 6.2 % in 2017, reaching CZK 917.9 billion. Automotive industry exports represent 24 % of the total volume of Czech exports (21.8 % of which is generated by AIA companies).

The automotive industry has again made a substantial contribution to the Czech Republic's balance of trade, with a positive balance of CZK 450 billion. Most of its exports is directed toward the European markets – almost 84 % of the automotive exports have gone to the EU and EFTA countries. This corresponds to a marked increase in demand on most of the target markets of the Czech automotive industry, especially the Central and Western European countries. Sales in the recovering Eastern European markets have also improved compared to the recent past. This development is in line with the general economic boom experienced both in the Czech Republic and abroad, as well as the industrial development indicators recorded by the Czech Statistical Office.



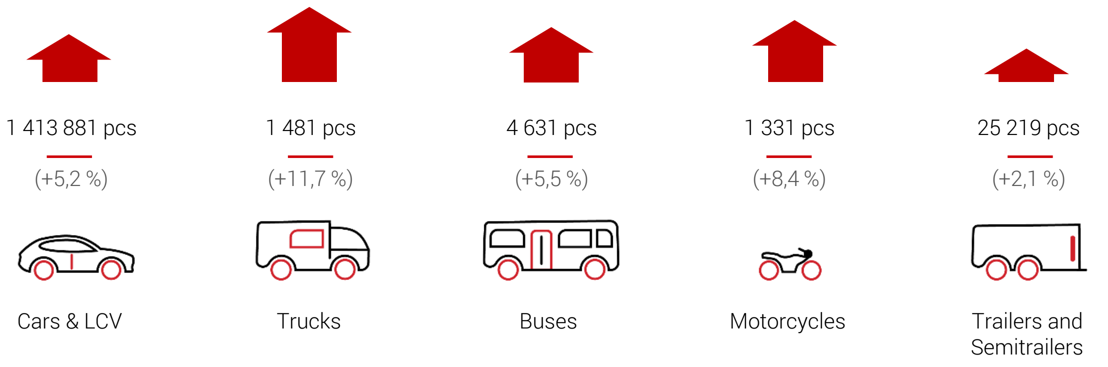
Automotive Production Development

The sector has seen a year-on-year growth by more than 5.2 %, with 1,446,543 vehicles produced. Historically, this represents a new record, making the Czech Republic the fifth largest European vehicle manufacturer and 17th largest vehicle manufacturer worldwide.

Passenger car manufacturing remains the most important segment of automotive production in the Czech Republic, with 1,413,881 cars produced in 2017 – a historical record for the local manufacturers. Czech Republic is the second largest car manufacturer in the world per capita, preceded only by Slovakia.

Bus production is another important segment of finished vehicle production, with 4,631 buses having been produced in 2017, making the Czech Republic the world's number one bus manufacturer per capita. Truck production has also grown significantly, with 1,481 trucks having been produced by Tatra Trucks.

The Czech automotive industry has grown at a faster rate than the global automotive industry, partly thanks to the current boom on the European automotive market. While worldwide motor vehicle production has seen a year-on-year growth by 2.4 % (with 97.3 million vehicles produced), Czech vehicle production has grown by 5.2 %.



Results by Manufacturer Segments

Positive development in the Czech automotive industry in the year 2017 has also resulted in higher production and sales figures for the end-product manufacturer segment. The revenues of finished product manufacturers have seen a year-on-year growth of 10 %, to CZK 613.6 billion. Their total exports have achieved a positive balance of CZK 559 billion, which represents a 10 % year-on-year growth. Employee numbers in end-product manufacturing companies have grown by 10.2 %.

Auto parts and accessories manufacturers/suppliers are also an important segment of the Czech automotive industry. Automotive suppliers have contributed significantly to the favorable results of the automotive industry segment in 2017, even if their key indicators have lagged slightly behind the end product manufacturers. Automotive suppliers form the largest group within the AIA, with 78,000 employees.

The overall production volume for automotive suppliers has reached CZK 460.5 billion, representing a year-on-year growth of 3.4 %. Automotive suppliers have also contributed substantially to the Czech automotive industry's exports, with the total exports balance amounting to CZK 353.1 billion (0.6 % y.o.y. growth). Of the 10 largest AIA exporters, 6 are supplier companies. Automotive suppliers generate approximately 40 % of AIA companies' overall revenues, and employ 62 % of people in the industry.

We should also mention the third segment of companies (Others), specializing in design, service provision, research and development. Production volume within this segment amounted to CZK 19.9 billion in 2017, representing a year-on-year growth of 10.4 %. Exports within the segment have also seen a dynamic growth by 10.5 %, to a total exports value of CZK 5.8 billion.

Human Resources

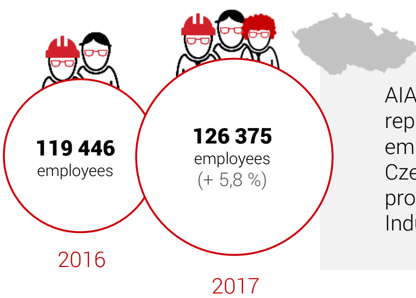
In 2017, AIA members have employed 126,000 people, which represents a 5.8% year-on-year increase. Employee numbers have grown in all production segments, both in blue- and white-collar professions. There were 2.5 times more employees in blue-collar professions than white-collar employees. AIA companies employ approximately 10 % of people in the Czech industry, and make up 24 % of the total industrial production.

The employment and revenues figures attest to the high productivity and efficiency of the Czech automotive industry. The entire automotive industry, including other companies than AIA members, currently employs approximately 160,000 people, or 400,000 if we also count employees in related industries and segments. The Central Bohemian and the Moravian-Silesian Regions have the most people working in the automotive industry.

With the automotive industry consistently achieving higher labor productivity than other industries, employee wages are equally above average. Average employee wage in the automotive industry has been growing steadily, exceeding CZK 37,000 in 2017, which puts it nearly 27 % above the overall Czech average wage. Wages in the automotive industry have grown faster than in the manufacturing industry as a whole.

Even though the Czech automotive industry boasts a first rate workforce, the shortage of qualified employees is currently the most important obstacle and threat to further growth.

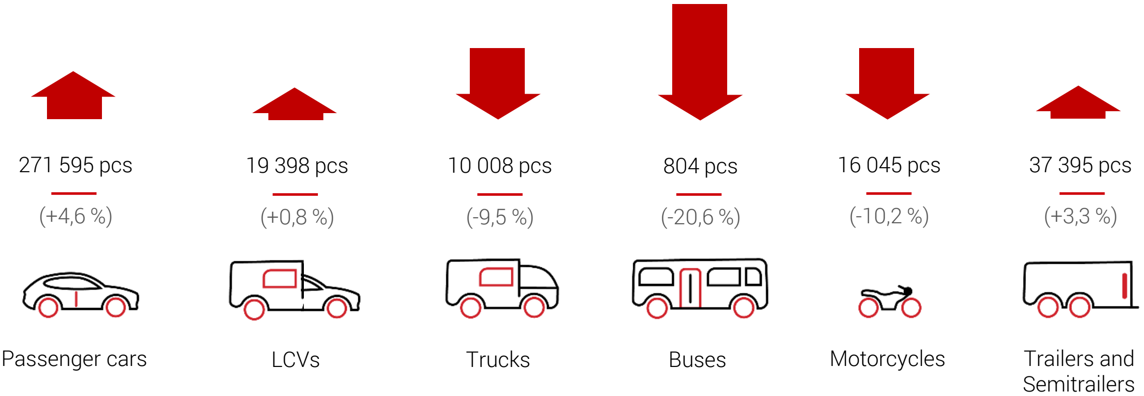
* The average wage in the Czech Republic in 2017 is 29 504 CZK



AIA members represents 10 % of employees in the Czech Industry, producing 1/4 of the Industrial output.

First Vehicle Registration in the Czech Republic

In 2017, a total of 569,120 new and used vehicles have been newly registered in the Czech Republic, 361,739 of these being new vehicles. First registrations of vehicles have seen a year-on-year increase in all vehicle categories, with the exception of buses, trucks and motorcycles. 207,381 used vehicles have been registered for the first time. Passenger cars made up the largest share both in the new and used category, with 271,594 new cars (+4.6 %) and 170,634 pre-owned cars (+3.8 %) having been registered for the first time. The import of used cars has a significant influence on the Czech vehicle parc average age and make-up. The high age of imported used vehicles has a considerable impact on both the environment and on traffic safety, since the number of cars older than 10 years keeps increasing, and currently includes 53.5 % of the entire car parc. First registrations of light commercial vehicles have increased by 0.8 % to 19,398 vehicles. First registrations of new trucks have dropped by 9.5 % compared to the previous year, to a total of 10,008 vehicles. 804 new buses have been registered for the first time in 2017, which represents a drop by 20.6 % compared to 2016. Motorcycle first registrations have dropped by 10.2 % to a total of 16,045.



Vehicle Parc Make-up

As of 31 December 2017, a total of 7,655,797 motor vehicles having the average age of 17.5 years have been registered in the Czech Republic, including 5,592,738 passenger cars. The number of automobiles per 1,000 people in the Czech Republic thus exceeds the average figures in the European Union, which well illustrates the fact that while the Czech vehicle parc has been expanding, it has not been sufficiently renewed. The average vehicle age grows ever higher, despite the increase in new vehicle sales, especially passenger cars. The average age of cars in the Czech Republic is currently 14.6 years, compared to the EU average of 11 years. The situation is even worse in other vehicle categories: the average age of motorcycles and tractors is more than 30 years. The age structure of the Czech vehicle parc is equally unfavorable: in the car category, vehicles aged 10 years or higher make up 65 % of the total.

Passenger cars

5 592 738 pcs
Number of passenger car fleets in the Czech Republic as of 31 December 2017

14,6 years
The average age of a passenger car in the Czech Republic in 2017

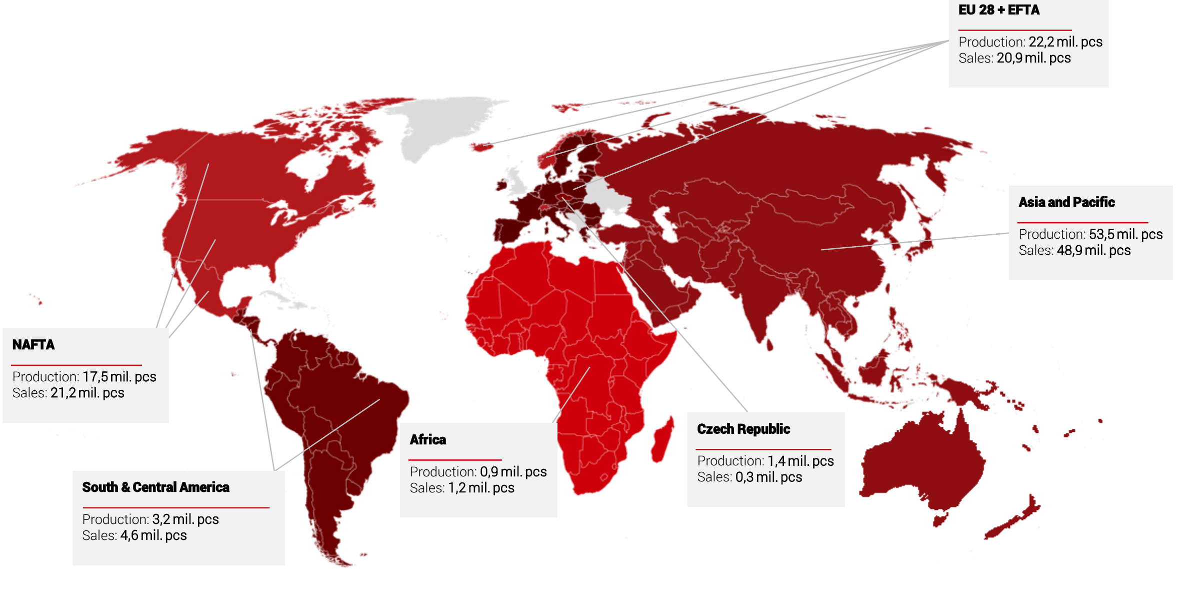
65 %
Share of passenger cars in the fleet of motor vehicles in the Czech Republic older than 10 years

Worldwide Production and Sales

Vehicle production and sales have been growing steadily since 2009. In 2017, the automotive industry has contributed significantly to the worldwide economic growth. Growth within the automotive industry has largely been bolstered by fast-increasing demand in Asia, especially China. However, Europe has also seen continuing growth, production and sales, which have reached the highest figures in the past ten years. After 7 years of continuous growth, production and sales in North America have decreased slightly. Sales and production in South America have continued to grow, even though they have yet to reach the figures from 2013. The African market is still fairly small and prone to fluctuations; production has been growing steadily over the past 8 years, but sales have dropped again last year.

Worldwide, the number of newly registered vehicles has reached 96.8 million, which represents a year-on-year growth of 3.1 %. Global production figures have reached 97.3 million (2.8 % year-on-year growth). The Asian region has made the most significant contribution to the worldwide growth, with a year-on-year increase in newly registered vehicles of 4.3 %, to a total of 48.9 million. China has remained the largest market, with 29.1 million newly registered cars and light utility vehicles in 2017. The second place belongs to the USA, where 17.6 million cars and light utility vehicles have been registered in 2017. Japan is in third place, with 5.2 million vehicles sold. Germany is the fourth largest world market and the largest in Europe, with 3.8 million cars and light utility vehicles sold last year.

The positive trend in car manufacturing and sales should continue in 2018. OICA (Organisation Internationale des Constructeurs d'Automobiles) has predicted a 1 % growth in vehicle sales, with more than 98 million vehicles to be sold worldwide.



Award-winning Companies

The excellent results achieved by the Czech automotive industry in 2017 and its significant contribution to the overall growth of the Czech economy have resulted in a number of awards won by AIA member companies in nationwide contests and surveys.

AIA has announced 20 member companies who have been awarded the title Supplier for Car of the Year 2017 (Škoda Kodiaq). For the twentieth consecutive year, AIA has announced the names of six companies who have been awarded the title Automotive Company of the Year, based on their current financial results. The following companies have been awarded the title:

up to **250** employees:	GLOBAL ASSISTANCE a.s.	TIBERINA AUTOMOTIVE BĚLÁ spol. s r.o.	Toyota Tsusho Europe SA Czech Republic Branch
over **250** employees:	Iveco Czech Republic, a. s.	Magna Exteriors (Bohemia) s.r.o.	ŠKODA AUTO a.s.

A number of automotive companies have won awards in such contests as Employer of the Year 2017, Exporter of the Year 2017, and several others.

Current Issues and Priorities

AIA's priorities focus on the following areas:

AIA's primary mission is to provide support to its members, and expanding its portfolio of services is therefore one of AIA's long-standing spheres of activity. This includes especially organizing or co-organizing member events; consultations on draft bills; publishing information brochures and publications; monitoring the media; data collection and analysis; and ad hoc services provided to members on a daily basis.

Another important issue is the current unsatisfactory situation on the Czech labor market. Our priorities include the continuous education and training of our companies' employees; professional retraining; cooperation with regional authorities in building a better social infrastructure; and active measures toward improving workforce flexibility and mobility. The automotive labor market is interconnected with and dependent upon the support of education in technical fields. Priorities in this area include especially the introduction of certain elements of a dual education system. Other measures supported by AIA in this area include the coordination of vocational training and education on both national and regional level; changes in the funding of vocational education and restructuring of the study fields; improving the prestige of vocational education; internships awarded to teachers specializing in vocational training and specialized technical subjects in our companies, as well as involving professionals from the field in training and education.

An important part of AIA's activities is engaging in a continuous discussion with Czech political representatives and other partners, especially the regional authorities. AIA also considers one of its important tasks to act as a platform for the exchange and sharing of experience and opinions with other professional unions and associations.

One of AIA's chief priorities is the future of the automotive industry. In this respect, AIA's activities focus on three main areas: electromobility, self-driving vehicles, and digitization. Our goal is to create optimal conditions for strengthening the Czech automotive industry and help it stay competitive on the global market. To this end, AIA has formed joint task forces with other partners and the responsible government ministries in order to draw up an Action Plan for the Future of the Czech Automotive Industry, which defines specific measures to be implemented in each area, as well as the necessary tools to achieve them.

The last but currently very carefully monitored area is the proposed EU legislation regarding the reduction of CO_2 emissions. Its final wording will largely define the future of mobility, and will have a significant impact on both automotive manufacturers and their suppliers.

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