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## **Southeastern Europe: a land of promise for automotive investors**

The International Organization of Motor Vehicle Manufacturers (OICA) has said that 80.1 million motor vehicles were manufactured worldwide in 2011, a 3.1% year-on-year increase in global automotive production. The number of passenger cars produced rose to 59.9 million from 58.3 million in 2010. The combined output of motor vehicles in the three Southeast European countries manufacturing them in 2011 - Romania, Slovenia and Serbia - fell by 9.5% from 2010 to 525,141 units.

This analysis of the automotive industry in southeastern Europe (SEE) covers Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Macedonia, Moldova, Montenegro, Romania, Serbia and Slovenia. The automotive industry, which we consider, includes production and sales of passenger cars, light commercial vehicles, buses and coaches, medium-sized and heavy-duty trucks, and automotive components.

Forecasts for the next three years indicate recovery for both global and European automobile production.

<b>Light Vehicle Production Forecast in units</b>			
	<b>2012</b>	<b>2013</b>	<b>2014</b>
Central and Eastern Europe	6,497,232	7,314,985	8,009,410
World	77,692,672	83,217,999	87,113,156

*Source: J. D. Power and Associates*

<b>Light Vehicle Sales Forecast in units</b>			
	<b>2012</b>	<b>2013</b>	<b>2014</b>
Central and Eastern Europe	4,479,892	5,275,932	6,106,662
World	78,417,996	83,375,821	87,189,194

*Source: J. D. Power and Associates*

### **SEE automotive industry**

The automotive industry in southeastern Europe is presented by two subsectors – motor vehicle manufacture and automotive components manufacture. The first subsector encompasses the production of passenger cars, buses and trucks and is represented in Romania, Slovenia, Serbia and Bulgaria. Automotive components are manufactured in the above-mentioned countries and in Croatia, Macedonia and Bosnia and Herzegovina.

#### ***Motor vehicle production in SEE***

Romania, Slovenia and Serbia reported a decrease of their motor vehicle output in 2011 compared to the previous year due to drop in demand on most European markets. The steepest drop was reported in Serbia – 17.6%, Slovenia followed with 12.4% and Romania with 4.5%. The launch of new manufacturing facilities in Bulgaria and Serbia in 2012 is expected to give a boost to the sector.

<b>Production of cars by country in units</b>			
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Romania	310,243	323,587	279,320
Serbia	15,050	17,384	16,337
Slovenia	168,955	201,039	202,570

*Source: International Organization of Motor Vehicle Manufacturers*

<b>Production of commercial vehicles by country in units</b>			
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Romania	24,989	27,325	17,178
Serbia	740	649	401
Slovenia	5,164	10,301	10,179

*Source: International Organization of Motor Vehicle Manufacturers*

<b>Total production of motor vehicles by country in units</b>			
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Romania	335,232	350,912	296,498
Serbia	15,790	18,033	16,738
Slovenia	174,119	211,340	212,749

*Source: International Organization of Motor Vehicle Manufacturers*

### ***Automotive components production in SEE***

Automobile plants usually group a large number of automotive suppliers at the same location or in the vicinity, contributing enormously to the economy of regions and countries. **The high potential for import substitution related to the increase in motor vehicles production in southeastern Europe remains one of the main features of the local automotive component market.** New players are expected to enter this market following the arrival of new passenger car manufacturers.

Opportunities for the automotive components sector include above all investment in R&D centres, increasing role of national automotive clusters or possible creation of international and regional clusters. Tucked between western Europe, Russia and the Middle East, the region of southeastern Europe offers automotive manufacturers and suppliers a potential strategic advantage in terms of transportation.

### **Motor vehicle sales in SEE**

Although the volume of the second-hand automobile market is significant in SEE, our analysis concentrates on the sales and registrations of new motor vehicles only as the best indicator for market development.

In 2011 the EU-27 market of new passenger cars declined for a fourth year running, contracting by 1.7% to 13.1 million units. For 2012, international consulting company IHS forecasts another fall in the EU-27 new cars market, by 6.1%. In 2011, Bulgaria recorded the fourth highest year-on-year increase in new passenger car registrations in the European Union – a hefty rise of 22.3% - primarily as a result of the stable macroeconomic environment in the country. In the same year Romania registered the fourth most severe annual drop in new car registrations in the EU-27, by 13.6%.

According to data from automotive organizations and the statistical institutes in the SEE countries, total sales in the region (no data available for Albania and Kosovo) fell to 265,845 cars in 2011 from 292,349 in 2010. Motor vehicle sales in the region moved in opposite directions in the different countries in 2011 compared to 2010. The largest year-on-year increase was registered in Moldova (25%), followed by Bulgaria (19.8%) and Croatia (7.7%). The negative record was set by Macedonia, where new car sales in 2011

were 38% lower than in 2010. Other significant drops were marked in Romania (23%) and Serbia (18.3%).