European Automotive Survey 2013

Survey results

Ernst & Young

Quality In Everything We Do

Structure of the study

- Survey of 300 companies active in the European automotive industry (15% OEMs, 85% suppliers)
- Phone interviews conducted by an independent market research institute in January 2013 (Valid Research, Bielefeld).

Country	
Germany	75
France	60
Italy	30
Spain	30
United Kingdom	30
Russia	15
Austria	10
Czech Republic	10
Slovakia	10
Poland	10
Portugal	10
Hungary	10

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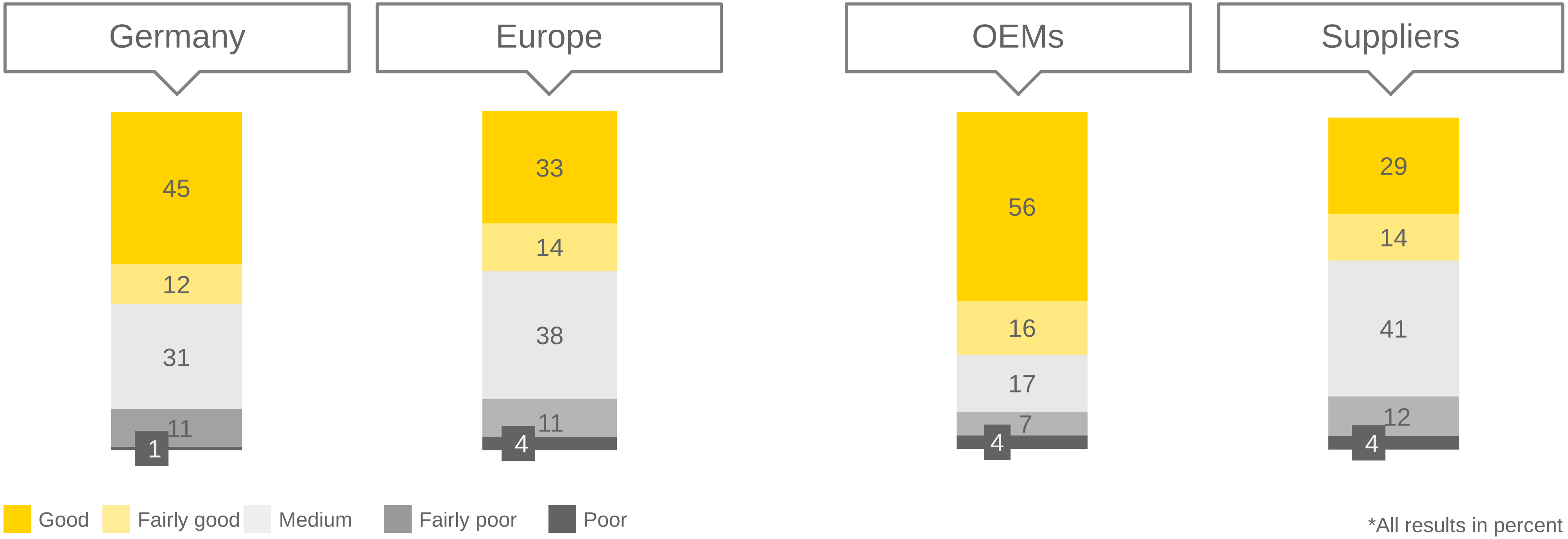
Current and future business situation

OEMs significantly more satisfied than suppliers – German automotive industry doing good business

How would you assess your current business situation?*



*All results in percent

- Europe's auto industry managers are satisfied for the most part with their current business situation.
- In Europe, OEMs are on average more satisfied than suppliers: 56% of OEMs are completely satisfied with their current situation; the corresponding figure for suppliers is only 29%.

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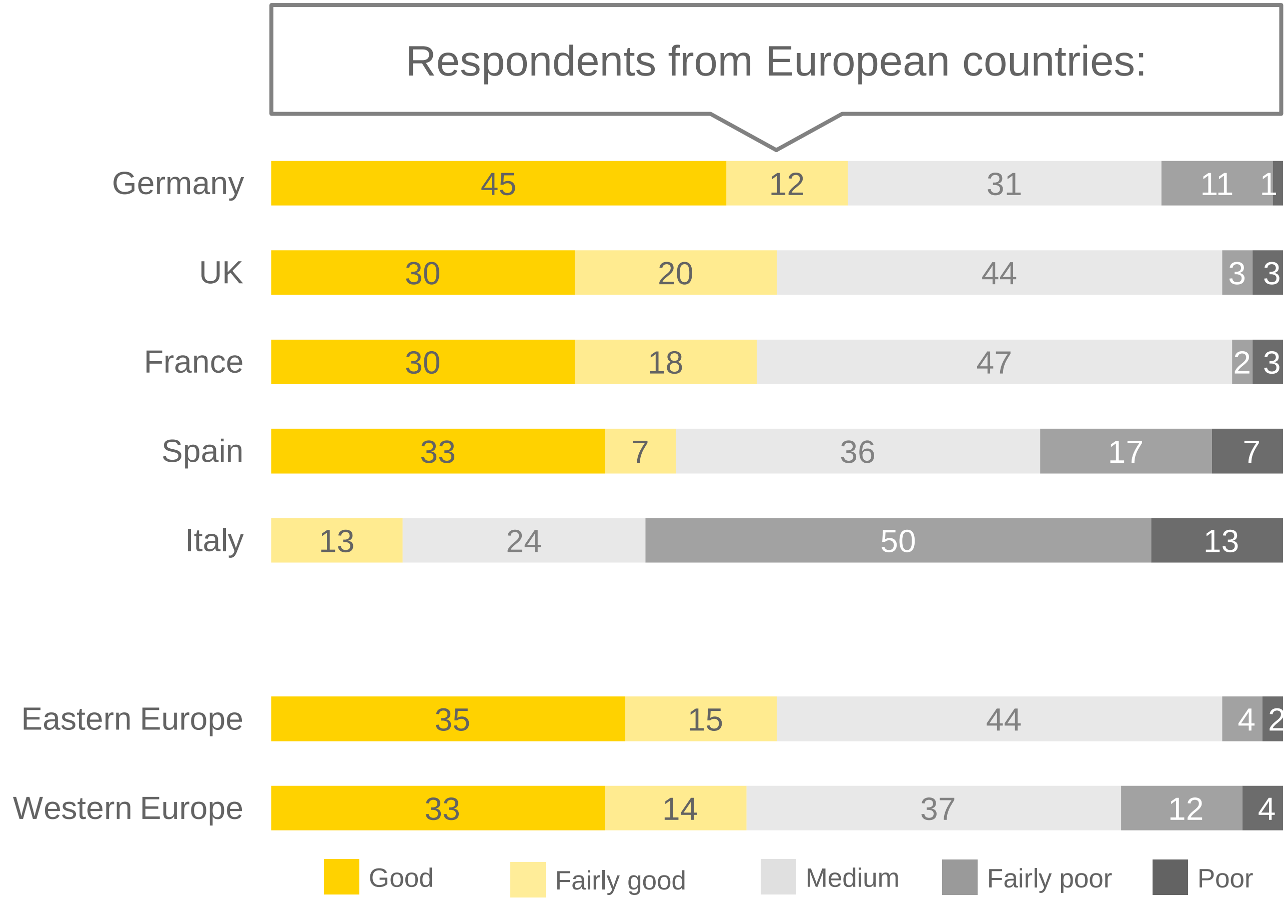
Italy's automobile industry is in a deep crisis

How would you assess your current business situation?*

- Eastern European companies are significantly more satisfied with their current business situation than western European companies.
- In Germany, the UK and France respondents report above-average satisfaction.
- The majority of companies in Italy report a poor business situation (63%).



*All results in percent

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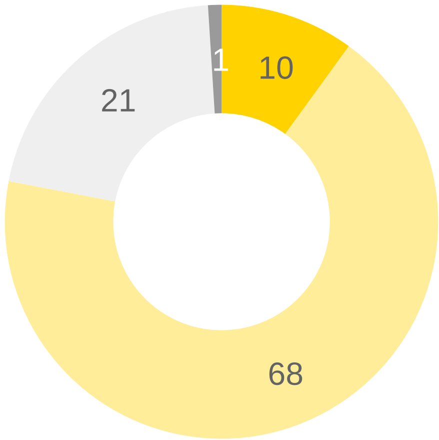
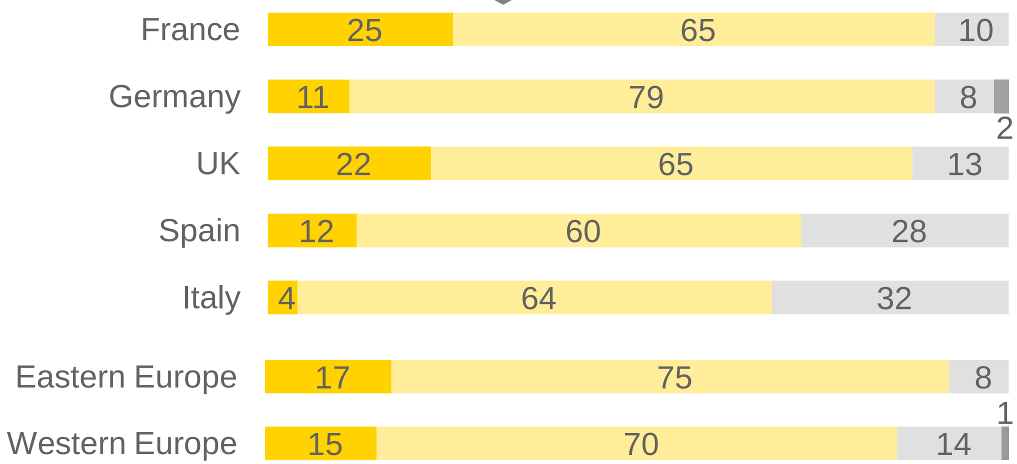
Mainly optimistic projections

How will your company's business situation develop over the next six months?

All respondents



Respondents from European countries:



Significantly improve | Slightly improve | Slightly deteriorate | Significantly deteriorate

*All results in percent

- Auto industry managers in eastern Europe, France, Germany and the UK in particular look to the future with optimism. In Italy, by contrast, every third respondent anticipates a deterioration in their own business situation.

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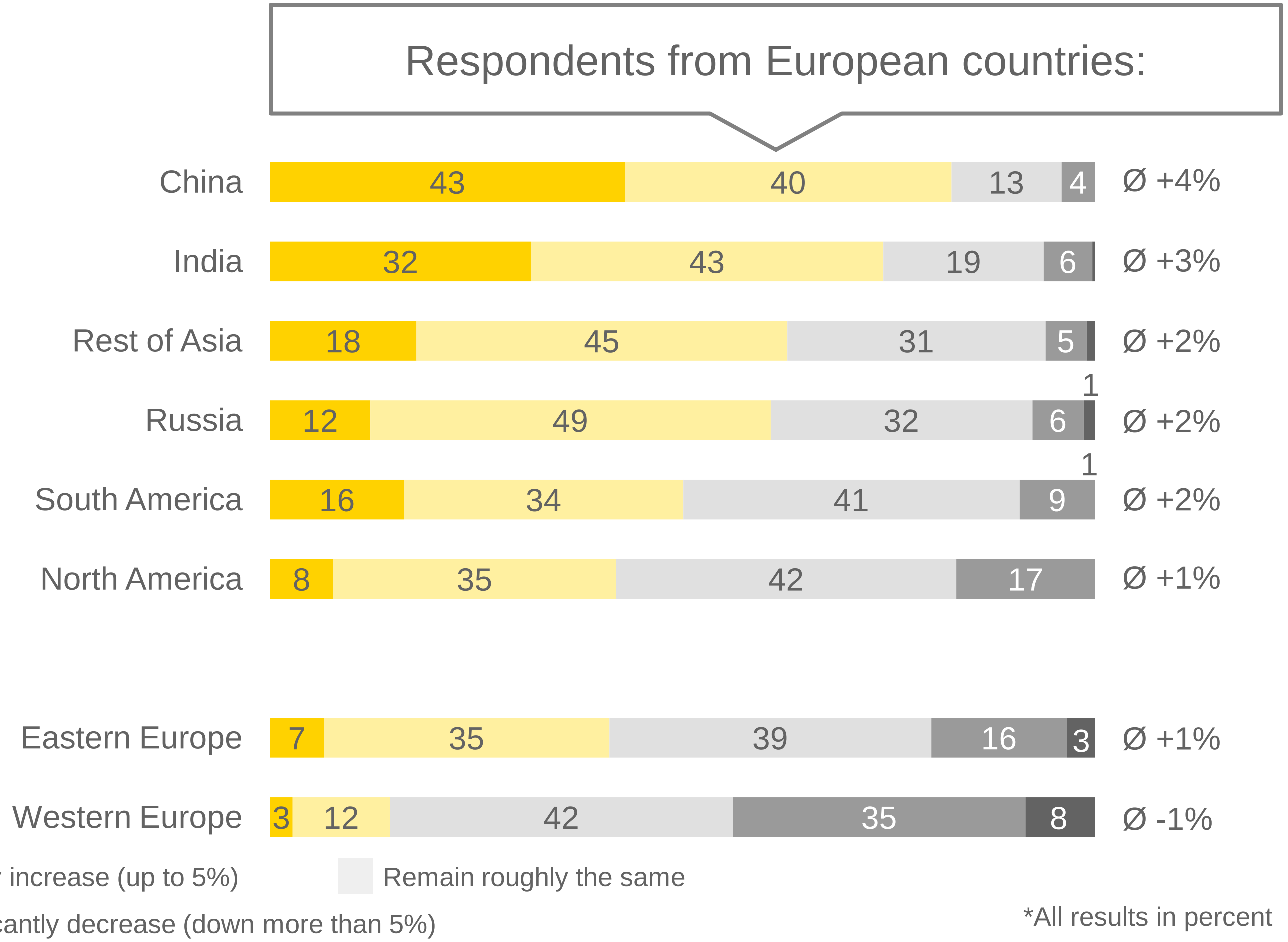
...but a further decline in sales is expected in western Europe

How will global passenger vehicle sales develop in the next 12 months in the following regions?*

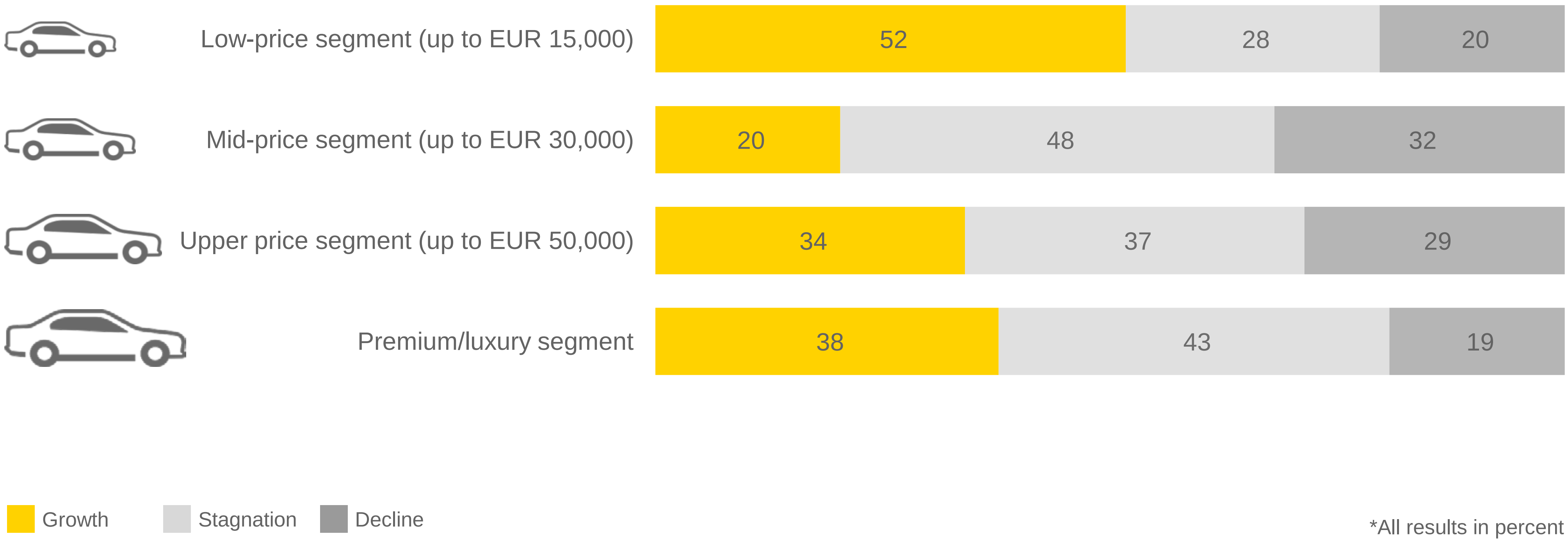
- Auto industry managers expect sales to increase in Asia in particular.
- A further decrease is forecast for western Europe. Only 15% of respondents expect sales figures to increase.
- Respondents in Germany expect the western European market to decrease by 3%.



*All results in percent

Growth only in the lowest and highest price segments

What short- and medium-term prospects do you foresee for the new passenger vehicle market?*



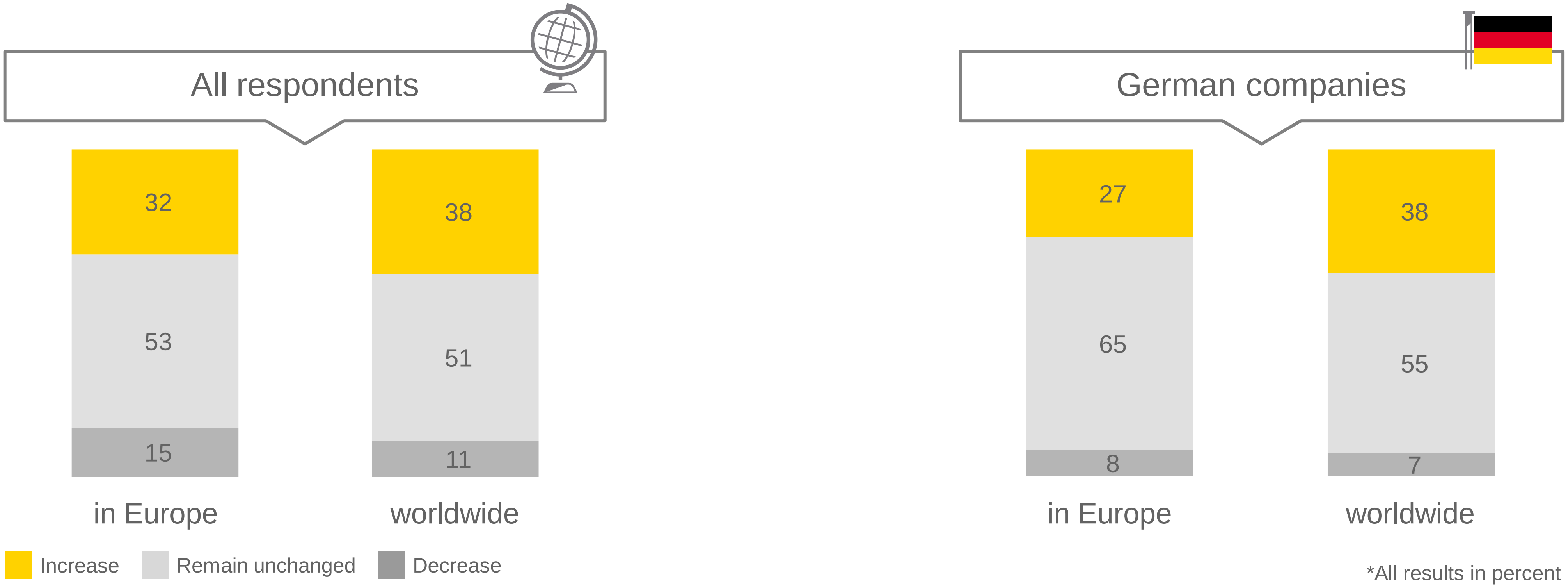
*All results in percent

- Growth in small cars segment: 52% of respondents expect healthy growth rates in low-price segment.
- No consensus on luxury cars segment: indeed, 34% expect strong growth in this segment, while a 29% forecast stagnation or even declining sales figures.

The companies' strategic and operational planning

Despite the crisis: production capacity also to increase in Europe

Do you expect to increase or decrease your production capacity in the coming year?*



*All results in percent

- Despite the crisis, the European companies polled intend to increase more often than reduce production capacity, not only worldwide but also in Europe.
- German companies are more cautious when it comes to increasing capacity in Europe.

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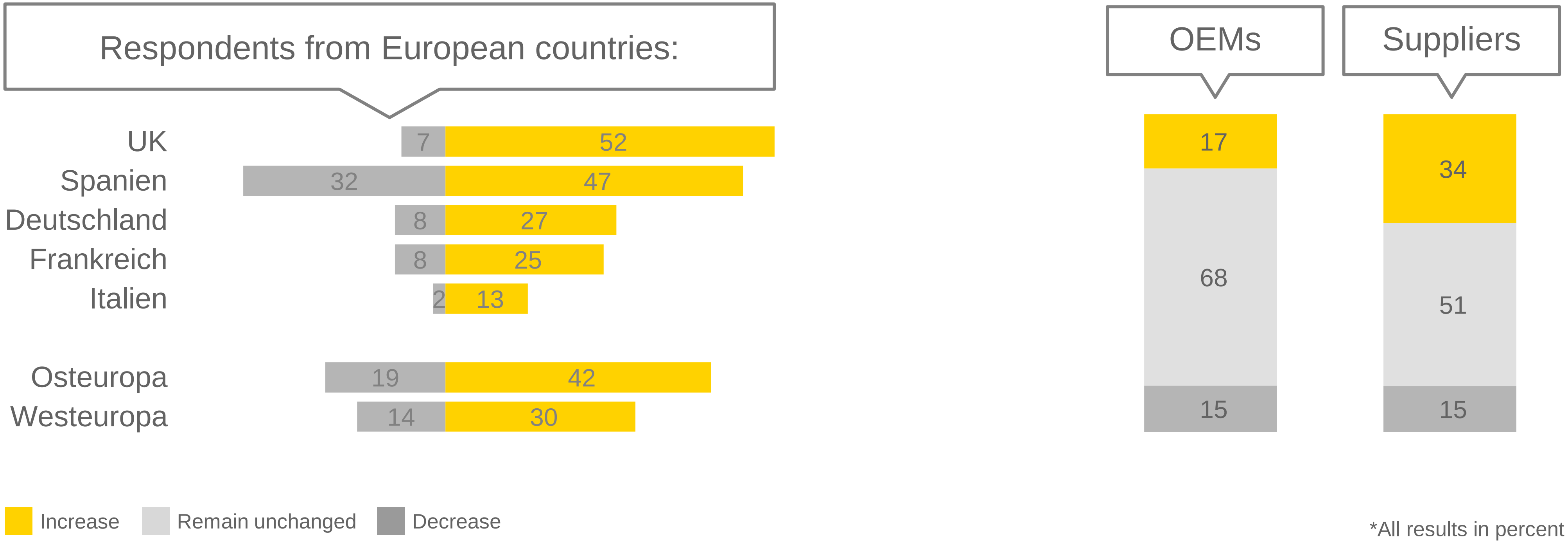
Production in Europe: OEMs are considerably more cautious than suppliers

Do you expect to increase or decrease your production capacity in Europe in the coming year?*

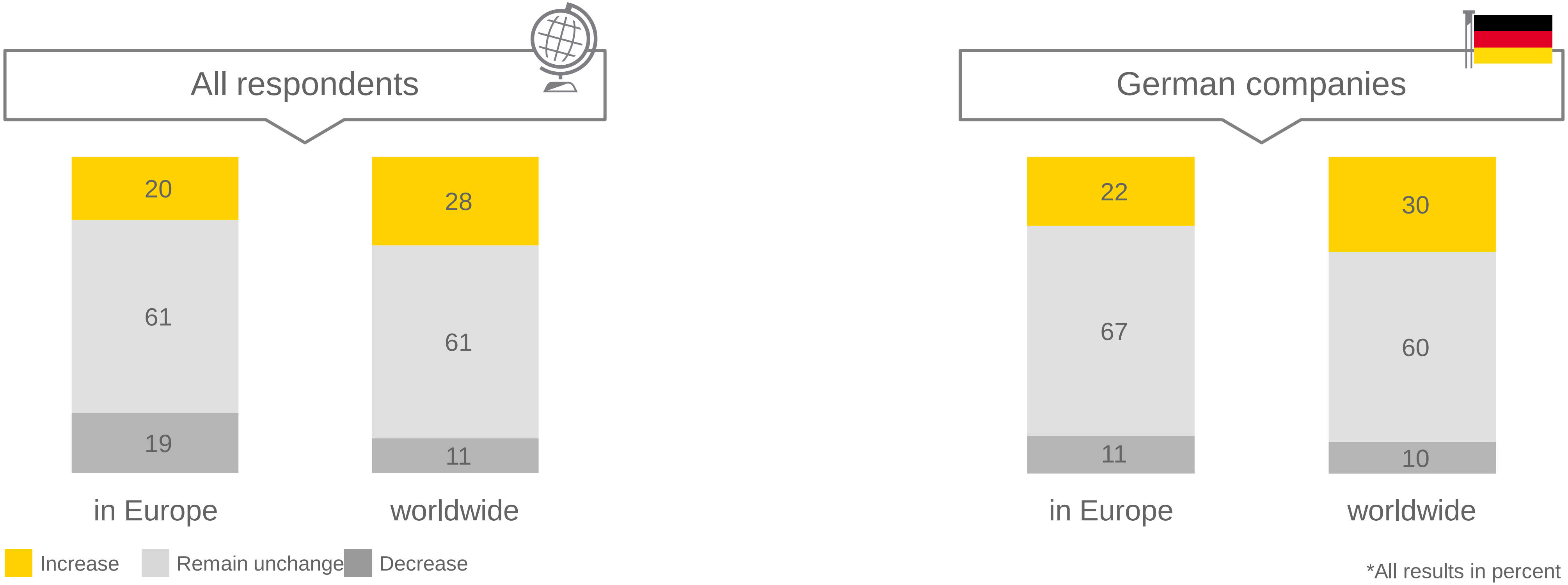


*All results in percent

- One in three Spanish companies intends to reduce production capacity throughout Europe in 2013 – by contrast, a very small percentage of British, German and French companies intend to reduce capacity.
- 42% of companies plan to step up investment in eastern Europe; in western Europe, the corresponding figure is only 30%.

German companies intend to continue creating jobs...

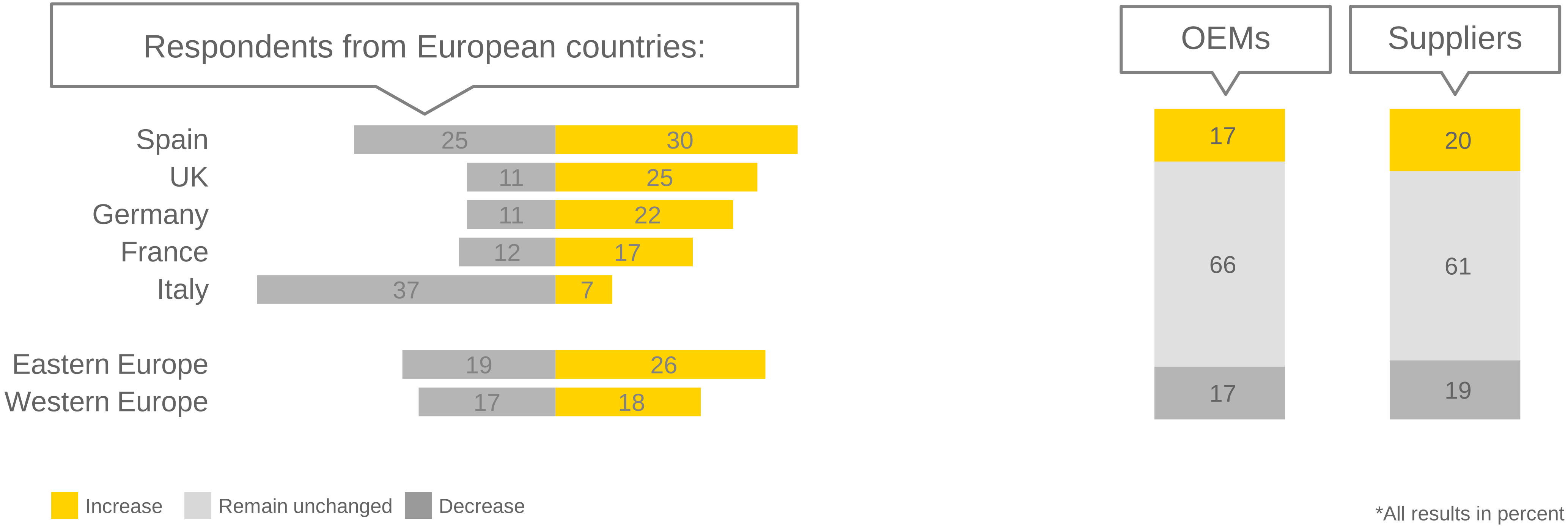
How will employment in your company develop over the next six months?



- Considerably more European companies in the automobile industry intend to create jobs (28%) than to cut them (11%). In Europe, by contrast, employment is likely to stagnate at best: one in five companies intends to create jobs, and the same number plan to reduce headcount.

...but in Europe the labor market is stagnating

How will employment in your company in Europe develop in the coming year?*

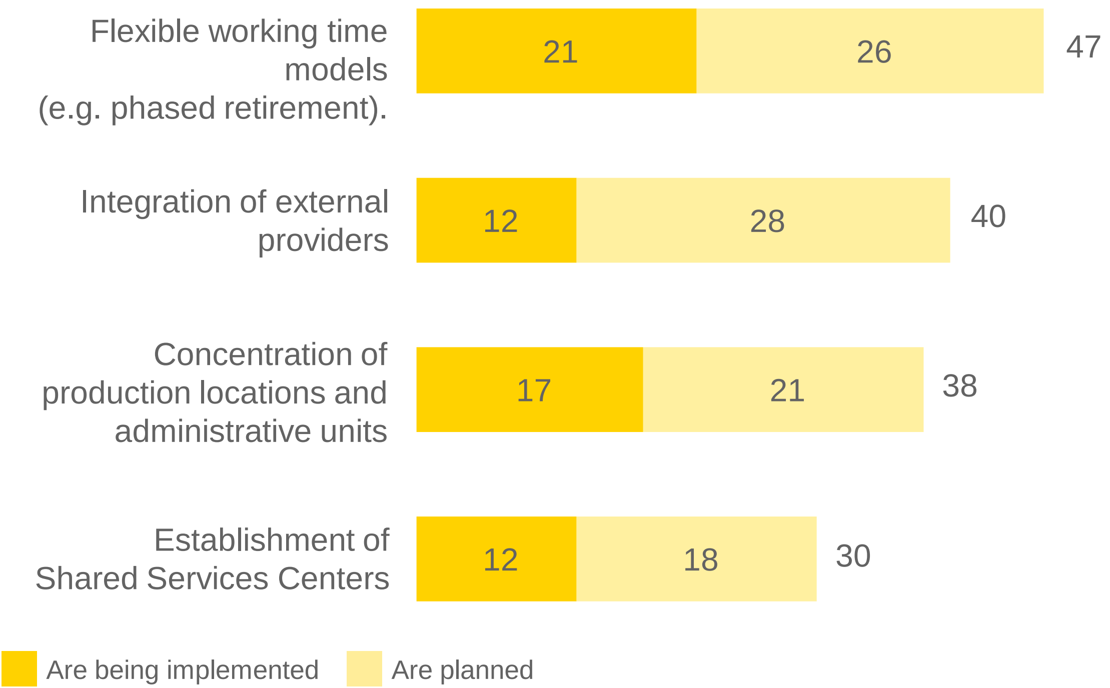


*All results in percent

- Alarm signals for Italy: In Europe, only 7% of the Italian companies polled intend to create jobs; by contrast, more than a third (37%) intend to cut jobs.
- Eastern European companies are more optimistic in their HR policy than western European companies.

Companies opt for greater flexibility

Are you currently planning to step up one or more of the following measures aimed at raising flexibility?*



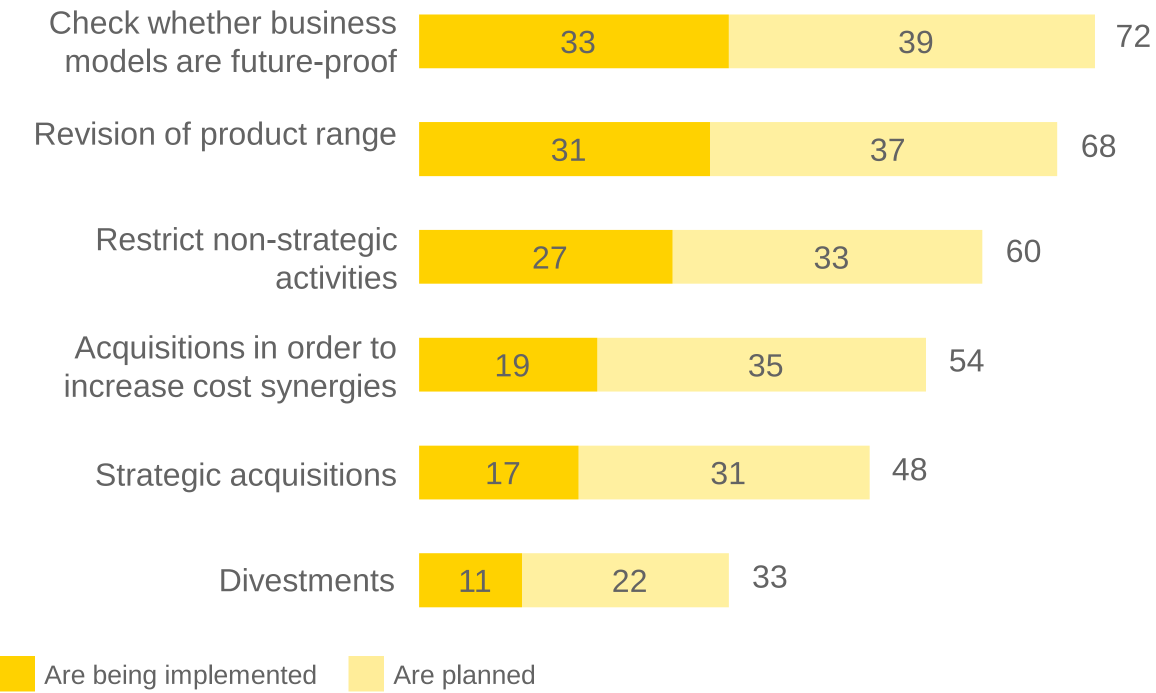
"Implemented" and "planned"		
	OEMs	Suppliers
Working time models	34	49
Integration of external providers	46	39
Concentration of production locations	43	37
Shared Services Center	33	29

*All results in percent

- In view of the uncertain economic development, companies are taking various measures geared to increasing flexibility and efficiency. The most common measures implemented or planned are flexible working time models (47%); external providers are also increasingly being integrated (40%).

Business models and product ranges under scrutiny

Strategic realignment: are you currently planning one or more of the following measures?



"Implemented" and "planned"

	OEMs	Suppliers
Business models	68	73
Product range	74	67
Restrict non-strategic activities	50	61
Acquisitions (cost synergies)	52	55
Strategic acquisitions	46	49
Divestments	25	34

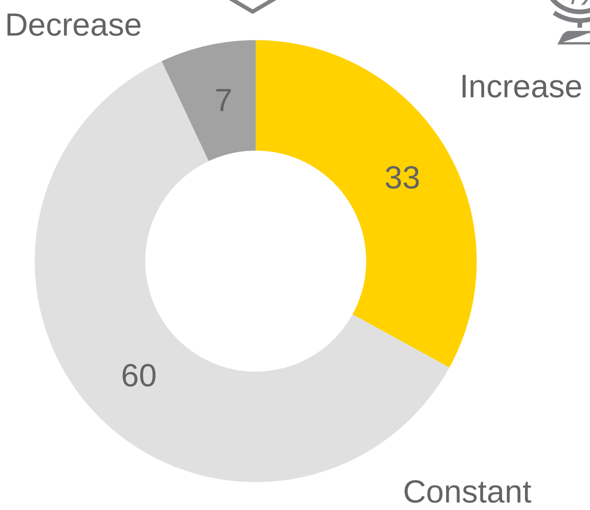
*All results in percent

- In order to make themselves crisis-proof, 72% of the companies polled are reviewing whether their business models are future-proof – and two thirds are giving their product range a complete makeover.
- Acquisitions for cost or strategic reasons are on the agenda at half of the companies.

OEMs in particular are increasingly backing research and development

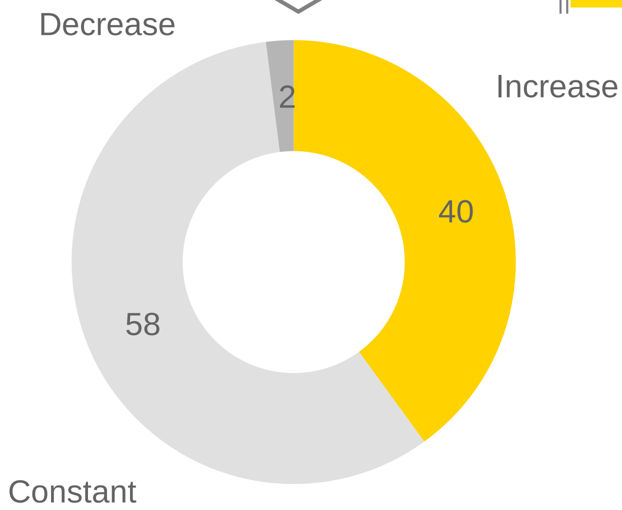
How will your company's investments in research and development develop in the coming year?*

All respondents



	Increase	Decrease
OEMs	41	5
Suppliers	32	7

German companies

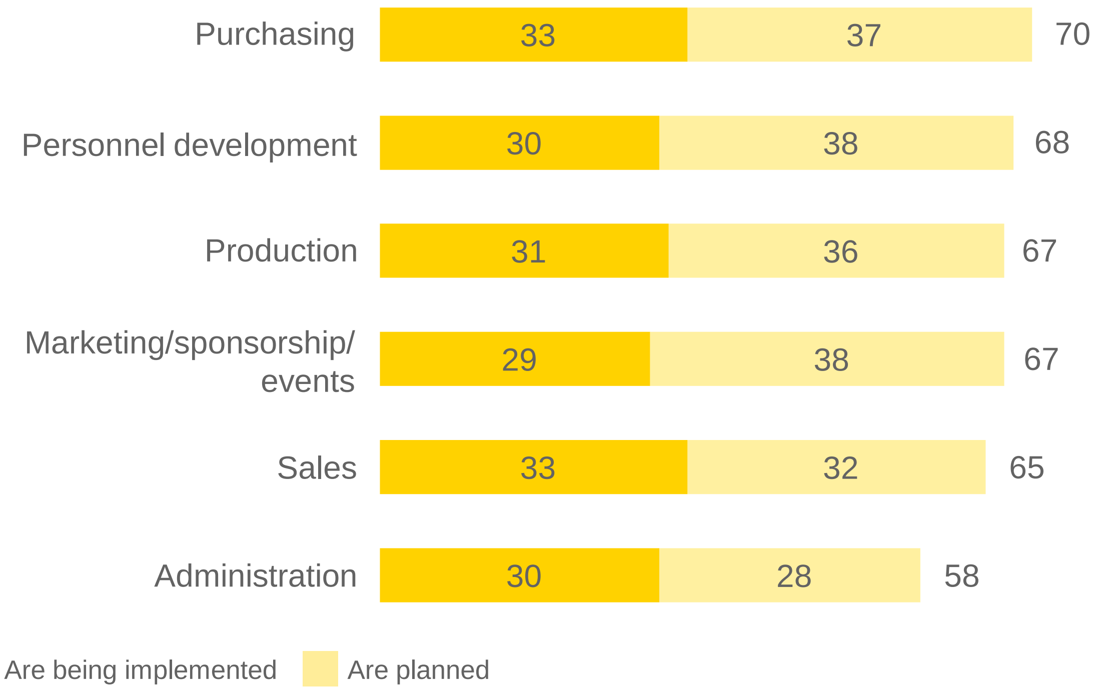


*All results in percent

- Despite rising cost pressure, most companies do not intend to save on research.
  One in three intends to increase its R&D spend; only 7% intend to decrease these investments.
- In Germany, the companies are more willing to invest: 40% intend to increase their R&D spend.

Focus on optimizing processes

Are you planning to increasingly streamline processes in the following business units?



"Implemented" and "planned"		
	OEMs	Suppliers
Purchasing	68	70
Personnel development	68	68
Production	68	67
Marketing/events/ sponsorship	71	65
Sales	73	63
Administration	68	55

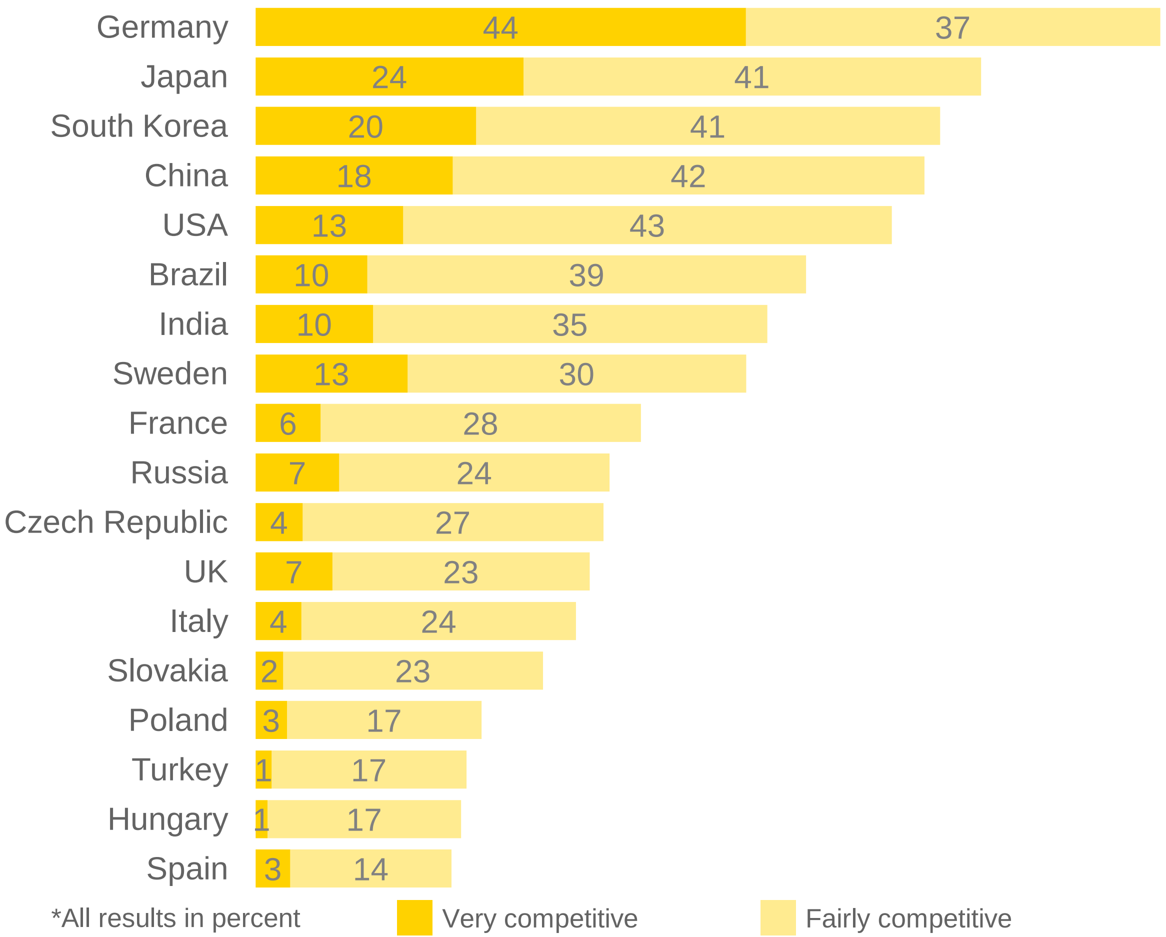
*All results in percent

- In the coming year, the companies intend to streamline structures in procurement in particular (70%).
- More than two thirds of the companies are also looking at personnel development, production and marketing in order to increase efficiency.

Attractiveness of automotive sites

Top countries: innovation power

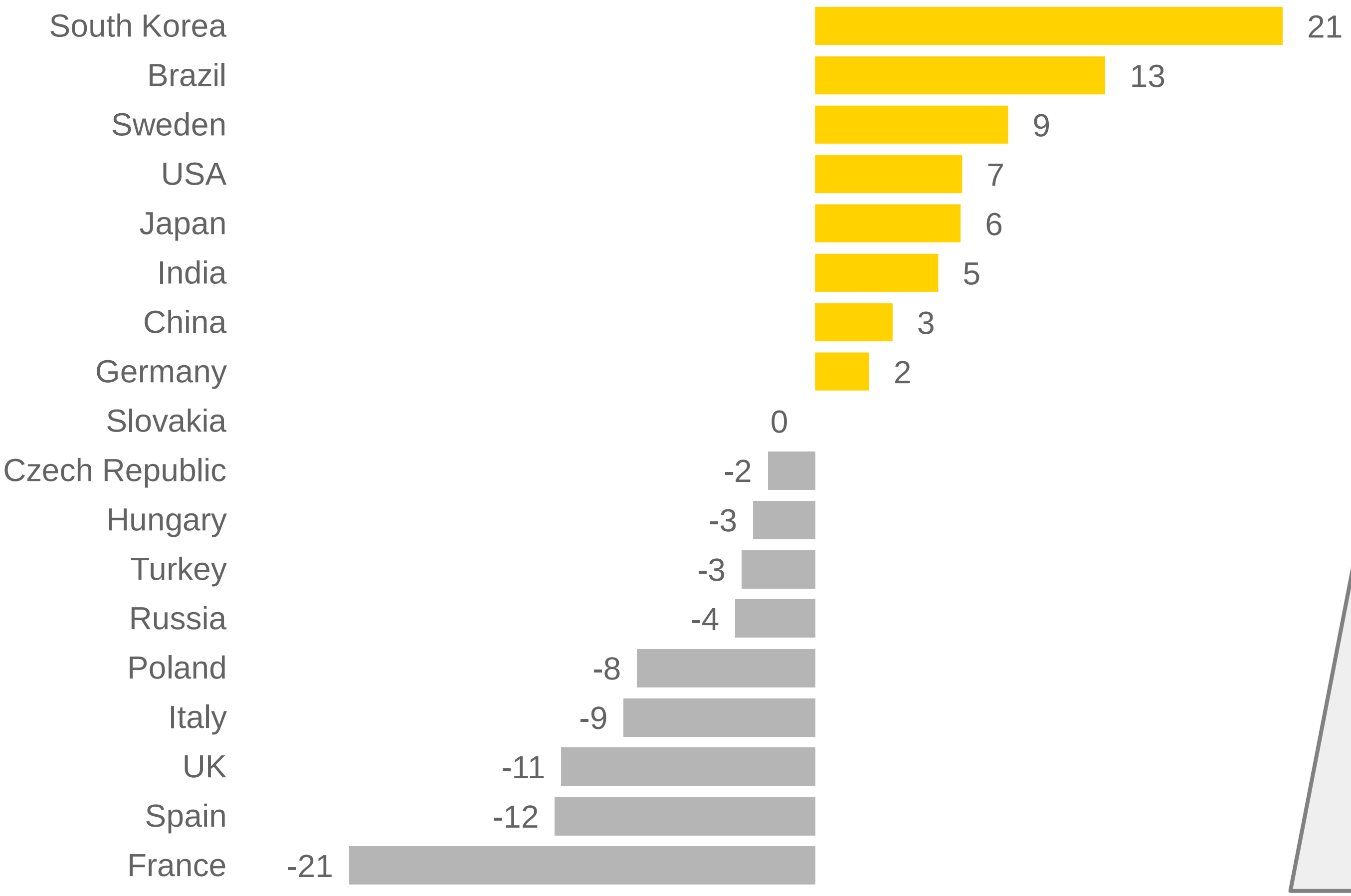
In your opinion, how competitive are the following automotive hubs with respect to innovation power?*



*All results in percent

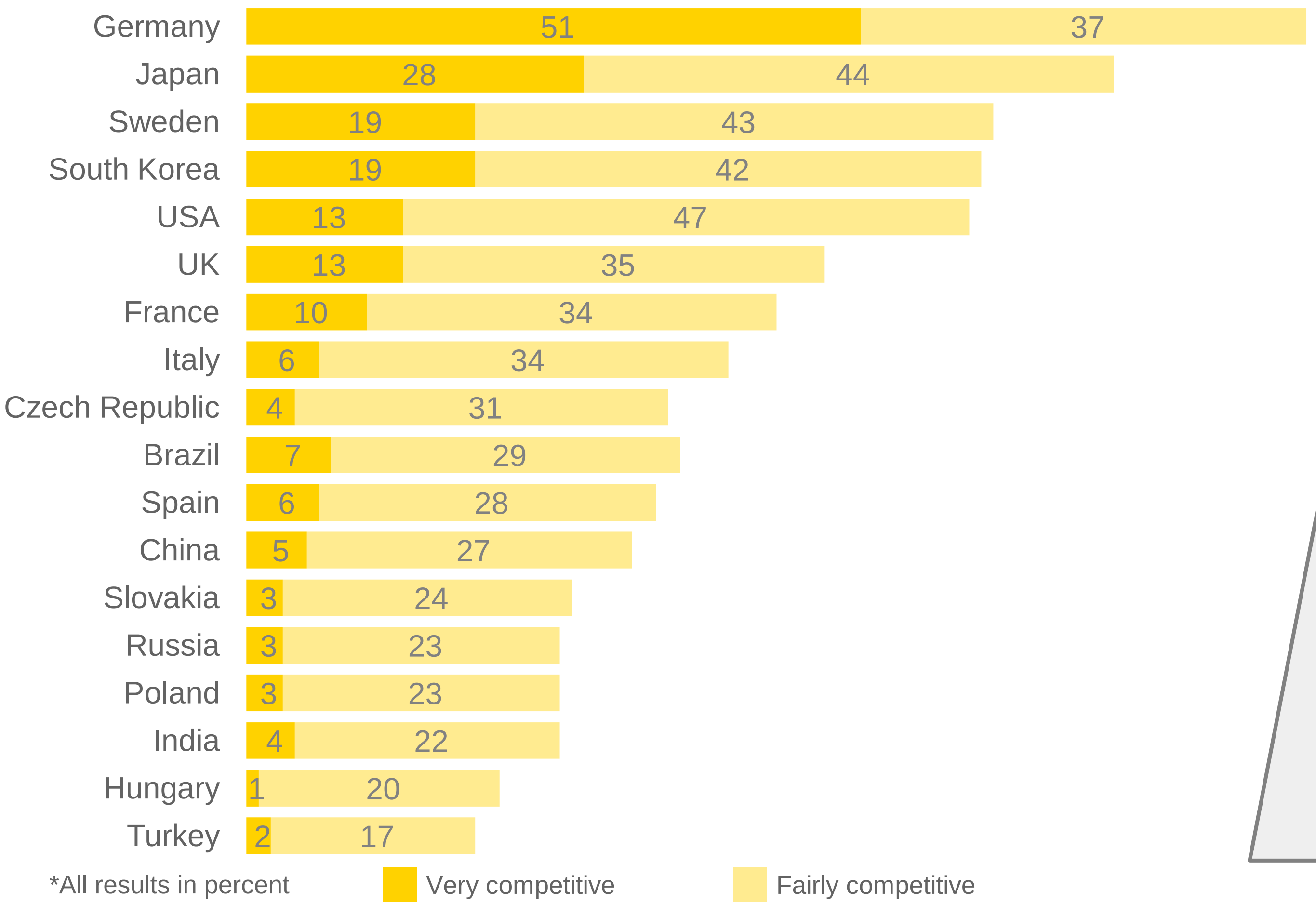
Top countries: innovation power

Difference 2011-2013 in percentage points



Top countries: product quality

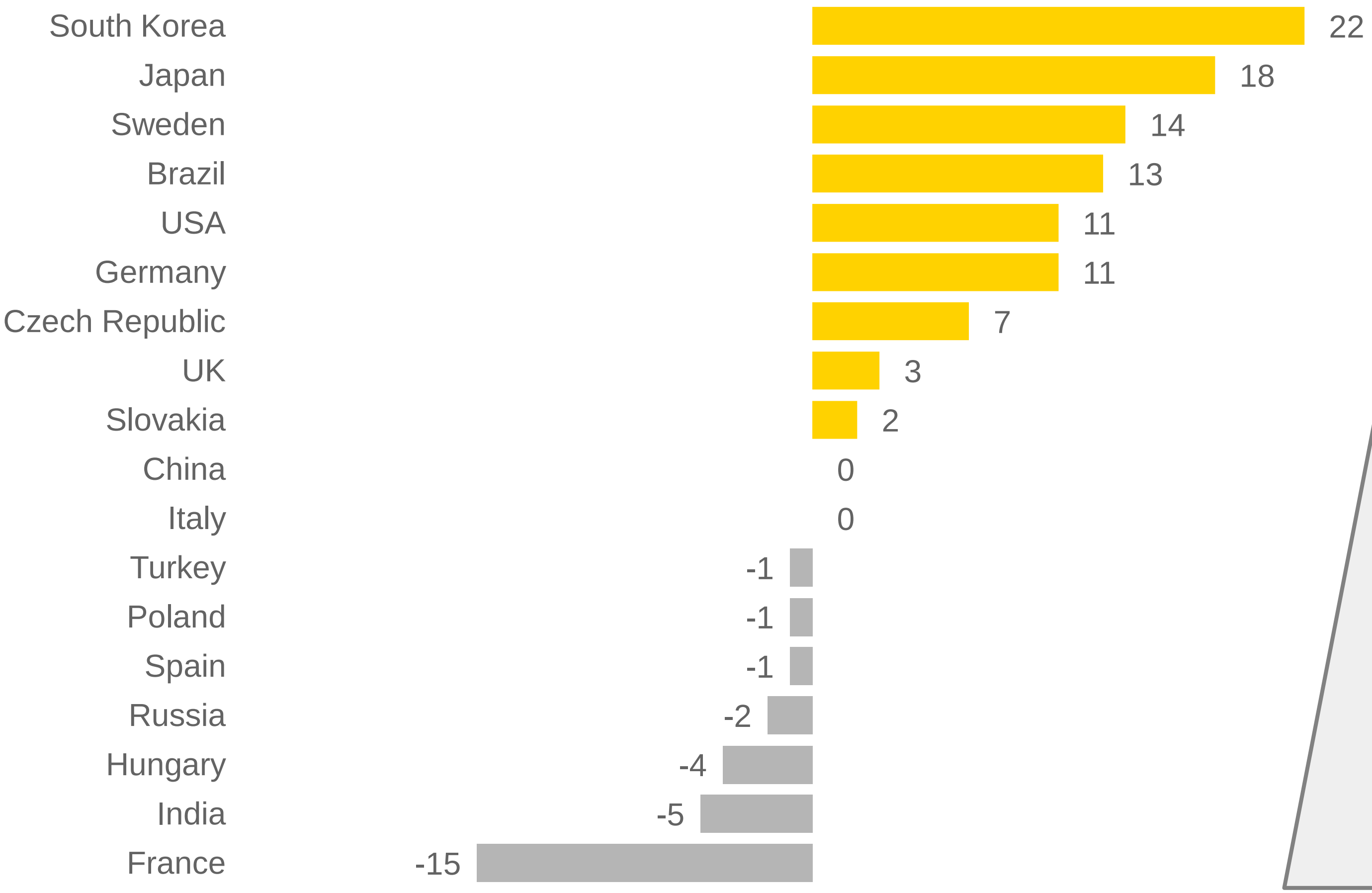
In your opinion, how competitive are the following automotive hubs with respect to product quality?*



*All results in percent

Top countries: product quality

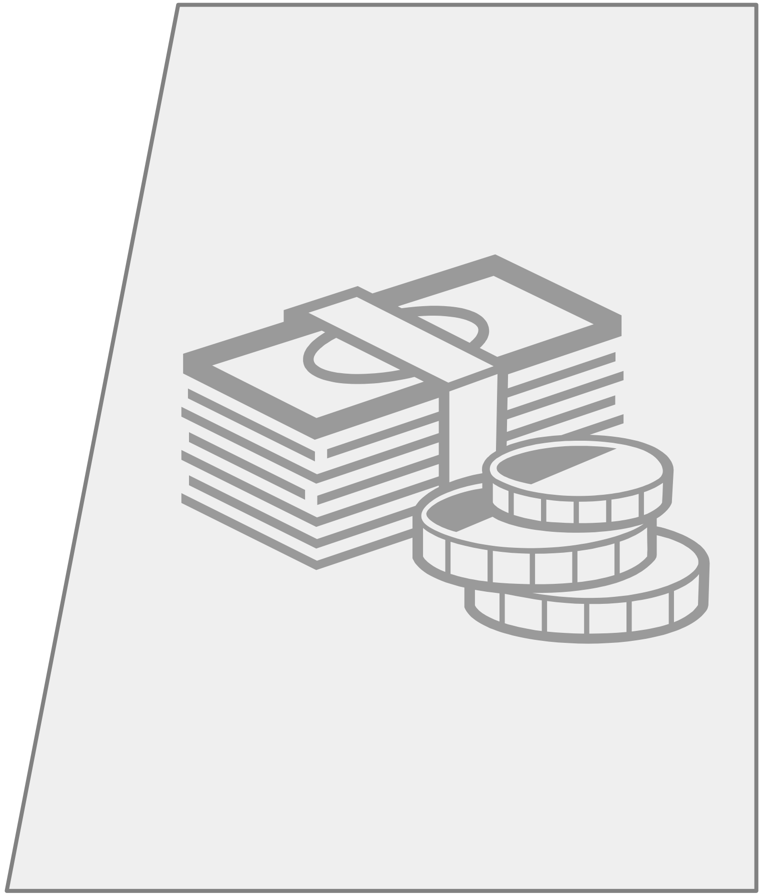
Difference 2011-2013 in percentage points



Top countries: manufacturing costs

In your opinion, how competitive are the following automotive hubs with respect to manufacturing costs at present?*

Country	Very competitive	Fairly competitive
China	40	31
India	34	35
Czech Republic	8	54
Slovakia	10	51
Hungary	11	46
Poland	7	49
Brazil	6	45
South Korea	8	37
Turkey	5	35
Russia	3	34
Germany	8	21
Japan	6	22
USA	5	23
Spain	4	21
Sweden	6	16
France	5	15
Italy	5	13
UK	5	13



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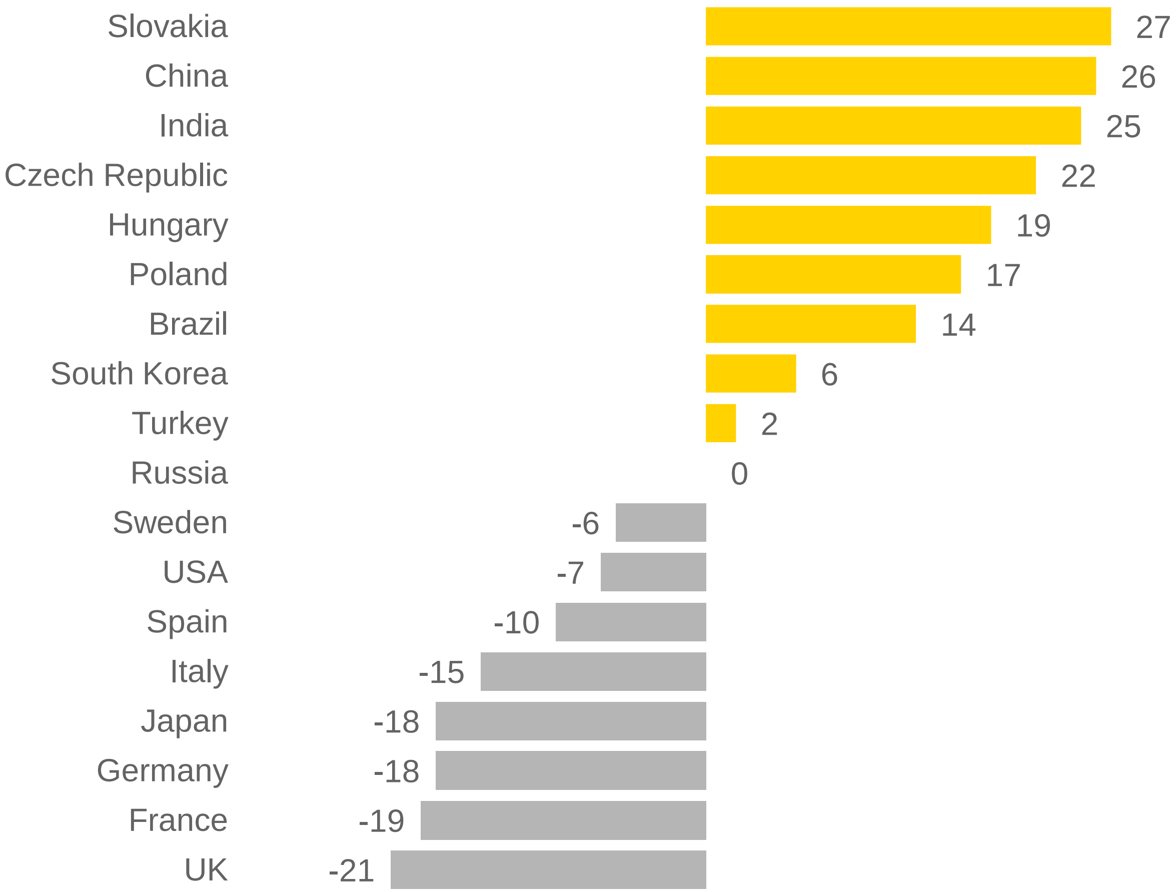
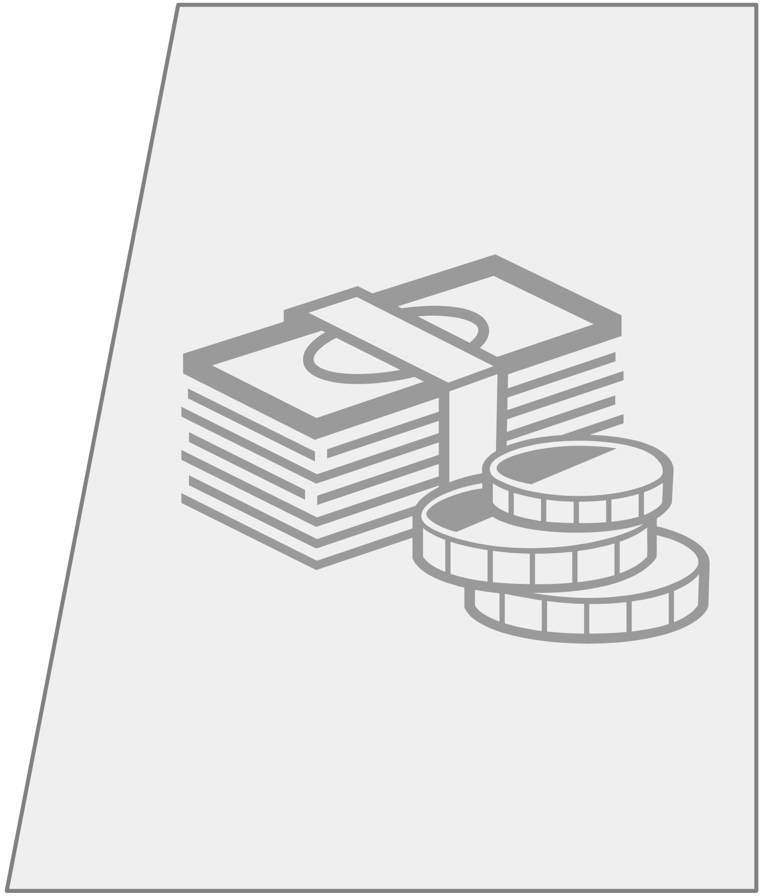
Top countries: manufacturing costs

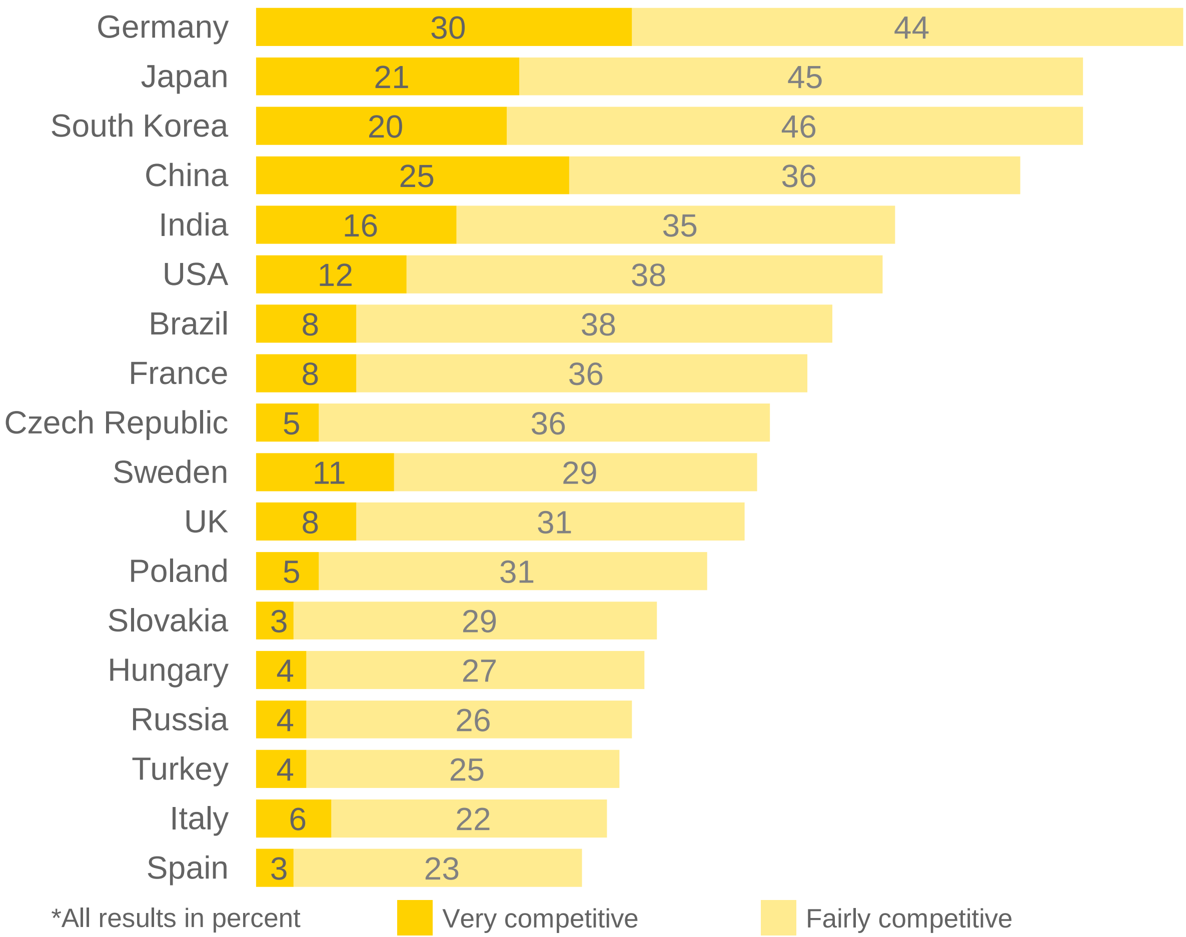
Difference 2011-2013 in percentage points

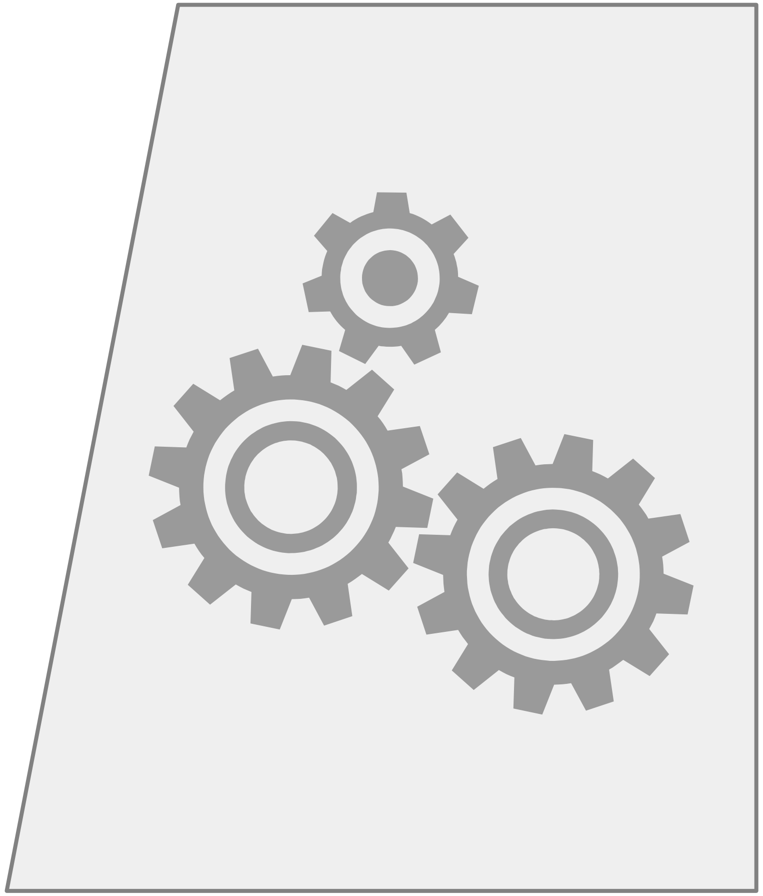




Top countries: productivity

In your opinion, how competitive are the following automotive hubs with respect to productivity?*

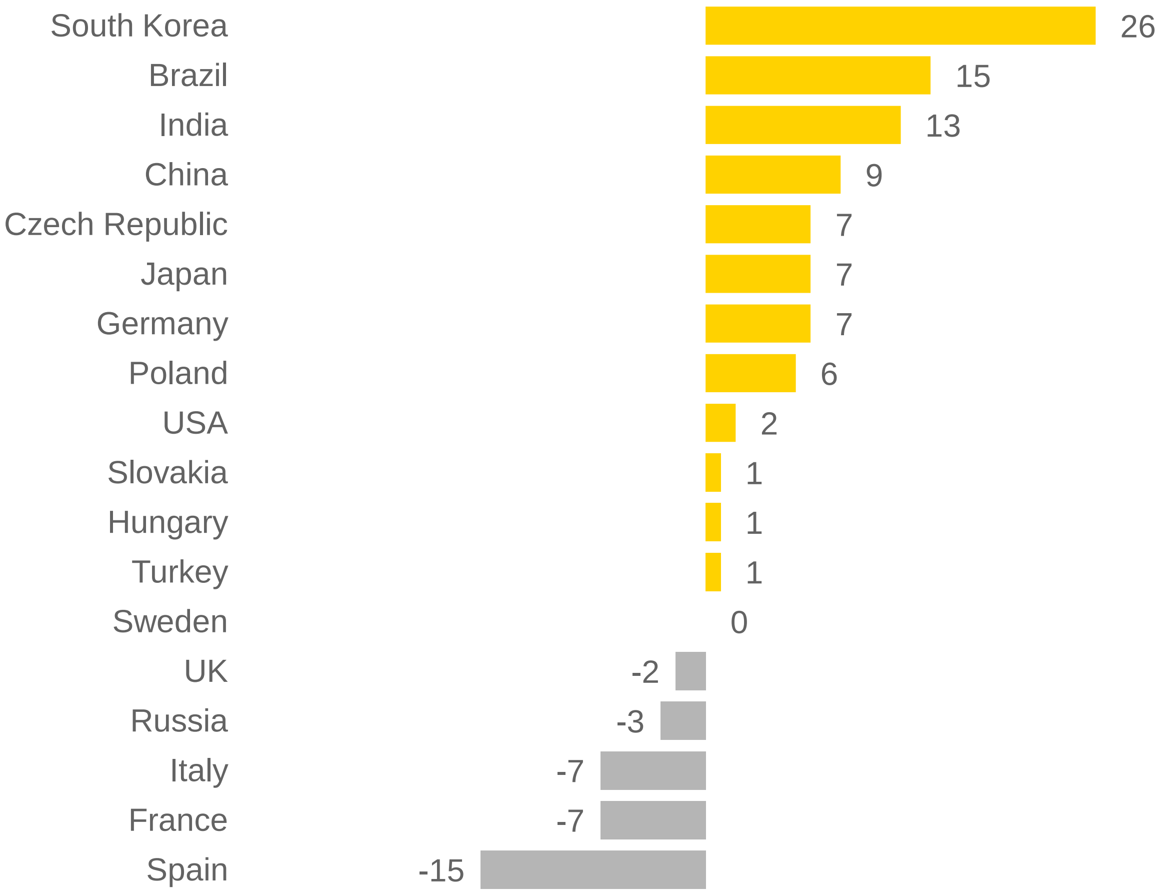


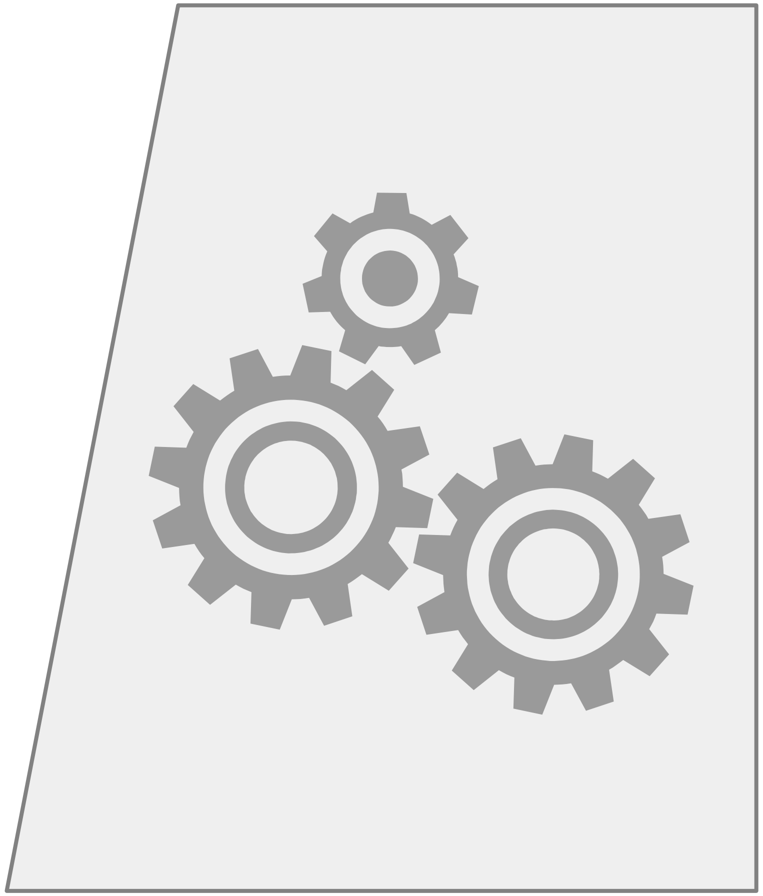


*All results in percent

Top countries: productivity

Difference 2011-2013 in percentage points





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