

Suppliers' expectations of the growth of production and revenues for 2015 are higher than last year. The key to success of the automotive industry at its current size and successful performance will be the ability to transform its potential into sustainable development.

# ***Automotive Suppliers Survey***

***Slovakia, 2015***



Consultancy firm PwC in co-operation with the Automotive Industry Association of the SR (ZAP) and Slovak Automotive Institute (SAI) surveyed the current situation, key factors and the outlook for the coming years in the automotive suppliers industry in Slovakia.

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# Dear Friends and Business Partners



The results of the 18th Annual Global CEO Survey conducted by PwC have recently been published and discussed in Davos, and Automotive CEOs globally are not all optimistic about the economic outlook: 50% believe the economy will stay the same this year. Only 31% think it will improve. However, they are confident of generating higher revenues in the short- and long-term, and the focus is on China, the US and Germany, in that order, as the sources of growth.

Automotive CEOs believe the challenges derive from the risk of over-regulation and changes in regulation, they also worry about finding people with the right skills. Global megatrends might be colliding and have disruptive potential. And challenges always have chances incorporated, and these have been identified to be in areas such as materials and digital technology.

Slovakia appears to be a sunny island in the automotive world. The Slovak automotive industry continues to provide major contribution to the overall Slovak economic development. But the megatrends will affect the prospects of Slovakia. The global competition in the

automotive industry will even pick up the pace and Slovakia needs to be prepared and stay an attractive location to invest.

Slovak automotive suppliers are positive, and the optimism has even increased compared to last year. And they are alert with regards to the uncertainty in Eastern Europe and the production capacities outside of Slovakia. The Slovak automotive supplier industry is delivering to global markets and needs to stay capable to respond to global demands. There are some main aspects that Slovak automotive suppliers consider to be key for future success: Education, qualification and localisation of innovation. Furthermore digital technology will play an important role, and these areas have been identified potentials not only for the multinationals but also for the local suppliers.

This is the third Slovak Automotive Suppliers Survey and the results have been published in May 2015. The responses and results included draw a good picture of what is on the agenda of the industry, and if you compare with last year's topics, some areas, such as education, seem to develop into the right direction, and it is crucial to keep focus. I trust you will find the results and conclusions interesting and value added.

**Jens Hörning**  
Automotive Industry Leader  
PwC Slovakia



Permanently sustainable and competitive Slovak automotive industry is the key premise on which all activities of the Automotive Industry Association of SR are based. The third year of the study prepared by PwC, our member and partner in the automotive sector, represents one of the sources that offer information about the trends and requirements of the manufacturers in Slovakia.

This year, one section of the survey has been devoted to the dual

education system in Slovakia which can be considered as the first step to a broad reform of the Slovak school system and which is inevitable in order to ensure sufficient number of skilled and qualified staff to serve the needs of Slovak industry. Despite its premiere in the 2015/2016 academic year, the dual system gave rise to large interest on the part of firms. During the ten-days' application period, 131 firms applied for the participation in the system.

Another step within the transformation of technical education is a change in the system of education provided by technical universities and its direction based on the requirements of the industry and practical life. An increased share of robots and robotised workplaces within the structure of Slovak automotive industry and automotive suppliers will create pressure on the qualification and skills of the staff. Sufficient number of experts supports the economic growth of the country. At the same time, it creates conditions for the establishment of R&D centres. Innovation, science and research, in particular, the applied research are another condition for the prosperity and sustainability in Slovakia where the low labour costs no longer appear to be its strength. Currently, one-third of suppliers has part of their own research activities in Slovakia. Those who do not will start establishing it. The aim of the

Automotive Industry Association of SR is to help create conditions for an intense R&D development and thus motivate other companies to establish their R&D practices in Slovakia.

Despite big turbulences particularly in the Eastern part of Europe, the development within the automotive industry has confirmed the stability under Slovak conditions. In 2014, 971 160 vehicles were manufactured in Slovakia. Optimism prevailing among Slovak suppliers is resulting from expectations of the stable production with growing trend, despite unfavourable situation on the European markets. On the one hand, the reason is diversification of sales of the local final manufacturers as well as favourable location of the suppliers: in the centre of intense development of the car manufacturing in Europe.

Future development is significantly tied to the development of markets in the Eastern part of the continent, and to the ability to substitute the temporary blackouts on these markets. An important role will play application of technologies ensuring reduction of carbon dioxide emission as well as use of alternative fuels including electromobility.

The survey, which was performed among automotive suppliers in Slovakia in 2015, confirms that it is necessary to continue with the changes which have already started and which must be supported and effectively implemented in real life. These activities comply with the strategy of the Automotive Industry Association of SR for the years 2014 to 2016. The core activities include changes in the education system, an intense development of applied research and innovations in the Slovak environment. The objective of all activities of the Automotive Industry Association of SR in cooperation with its partners is to create conditions for the future of a competitive and thus prosperous Slovak Republic.

**Juraj Sinay**  
President  
Automotive Industry Association of the Slovak Republic



*“According to the survey, almost 80% of the Slovak automotive suppliers believe that the availability and quality of skilled labour slow down their further growth. Four out of ten companies in the survey confirmed they annually require at least 10 employees in those missing professions. The recent legislative implementation of new dual system of education with significant contribution of ZAP in the last 3 years has resulted in some 90% awareness among the suppliers. A quarter of them actually consider participation in dual education already in 2015 – a good start in the first year but let’s hope for wider spread in near future for the benefit of entire industry.”*

**Peter Mrnka, Director**  
*Automotive Industry Specialist*

Position of the Slovak automotive industry continues to be very strong also in 2015. However, more important than its current size and popular results is the future growth potential of automotive companies and how they turn such potential into positive development. We are glad to report that in our 2015 Automotive Suppliers Survey, some respondents have already taken active steps to utilize the potential and proven strengths of their companies.

Our 2015 Automotive Suppliers Survey that PwC conducted in cooperation with the Automotive Industry Association of the Slovak Republic and Slovak Automotive Institute shows again some optimistic messages for the outlook of current year. In spite of many challenges and risks that the companies see in global and European economies, the

expectations of growth in 2015 are high and even exceeding those for the prior year. In the times of political and economic uncertainties in Eastern Europe and pressure of international OEMs on production costs (evidenced by the shutdown of few production plants in Western Europe), Central Europe represents a solid opportunity for development.

Many companies forecast double digit revenue growth in 2015 supported by further increase in labour productivity, additional staff recruitment and investments. One of the main topics of this year Survey is the dual system of education that shall well respond to the needs of the automotive industry. Several respondents have signed up or confirmed their interest to participate in such scheme.





## Growth and regional differences

The Slovak automotive suppliers again confirmed a wide diversity of final markets to which their products are supplied. Besides traditional OEM customers in Slovakia and Central Europe, most of suppliers' deliveries are made to Western Europe, followed by Eastern Europe, Asia and USA. As documented below, these territories have reported different growth rates in 2014 both in car production and car sales.

The global vehicle production reached almost 90 million in 2014, some 3% above the prior period. The worldwide growth has thus slowed down from 4-5% in the last three years primarily due to lower growth rate in China and due to economic situation in Brazil and Russia, both falling by 16 and 13%, respectively. Leading the upward trend were still China and North America which showed assembly increase of 1.6 million and 0.9 million respectively. While China's growth was largely expected, the significant gain in North America can be attributed to ongoing investments and plant localizations in Mexico and another year of strong sales in USA.

### Western Europe (EU 15)

The key market for Slovak automotive suppliers recorded a higher production output for the first time since 2011 with a growth index of some 5%. This has been proven in all 5 major automotive countries, but specifically in Spain (production +11%) due to its continuous government subsidies and growing demand. Since September 2013, the sales market has achieved 16 consecutive months of year-over-year gains in most of EU countries e.g. Spain (+18%), UK (+9%), Italy (+4%), Germany (3%), however such sales trend has slightly slowed down in Q3 and Q4 of 2014. According to PwC Autofacts, EU28 car assembly is expected to grow in 2015 by further 4% to 17.5 million vehicles due to increasing role of EU domestic demand. Close down of several production plants in Western Europe in last few years shall contribute to better capacity utilization at almost 80 % and higher profitability.

### EU 13 (new member states)

The car assembly in Central Europe grew by 5% in 2014 and correlated well with the sales trend in Western Europe. The biggest rise in car

manufacturing output was recorded in Czech Republic of some 10%. Car sales significantly raised by almost 17% with exceeding 1 million units sold for the first time since 2008. The increase of demand was evenly spread in all large territories – Czech Republic, Poland, Hungary and Romania recording a total gain of 90 thousand cars.

### Eastern Europe

The cars sales dropped significantly in Russia and Ukraine due to political and economic conditions during entire 2014. Consumers' uncertainty was further undermined by weak Ruble resulting in higher car prices. Some OEMs and suppliers have cut their working shifts, consider reducing labour force or potentially close down their plants.

### North America

The high sales in USA were still driven by recovered demand, supported by positive macroeconomic conditions mainly GDP growth, low interest rates and unemployment. An interesting sales factor was also the lowest oil price since 2009 which contributed to larger shift of customer focus towards SUVs and pickups. Sales in USA are forecasted to moderate rise also in 2015. Mexico continues to determine most of North America's assembly trend thanks to its custom policy, supplier basis and labour costs. In 2014, the country already became one of the largest car exporters after Japan and Germany, with over net 2 million cars exported. It is predicted that Mexico will further increase its vehicle production by some 30% to 4 million till 2019.

### China

In spite of decreased GDP growth and governmental regulations, the car assembly rose by over 7% in 2014 to match the same trend of local sales. When looking at sales segmentation, the emerging middle class of customers helps drive the major demand. Further, the highest year-to-year sales increase is reported for SUVs and MPVs with 32% and 4 % whilst passenger cars showed only plus 6 % compared to 2013. Expectations for 2015 are some 8% gain in assembly volume.

Production – all vehicles (in thousand of units)	2012	2013	Change	2014	Change
EU15 & EFTA	12 791	12 766	0%	13 402	5%
EU13 (new members)	3 447	3 418	-1%	3 575	5%
of which: Slovakia	927	988	7%	973	-2%
Russia	2 233	2 175	-3%	1 887	-13%
USA	10 333	11 046	7%	11 661	6%
Mexico	3 002	3 055	2%	3 365	10%
Brazil	3 403	3 740	10%	3 146	-16%
China	19 272	22 117	15%	23 723	7%
India	4 175	3 881	-7%	3 840	-1%
Japan	9 943	9 630	-3%	9 775	2%
All other	15 610	15 472	-1%	15 374	-1%
<b>Total production</b>	<b>84 208</b>	<b>87 300</b>	<b>4%</b>	<b>89 747</b>	<b>3%</b>

Sales – all vehicles (in thousand of units)	2012	2013	Change	2014	Change
EU15 & EFTA	13 420	13 182	-2%	13 869	5%
EU13 (new members)	905	913	1%	1 067	17%
of which: Slovakia	78	75	-4%	82	9%
Russia	3 142	2 950	-6%	2 546	-14%
USA	14 786	15 884	7%	16 842	6%
Mexico	1 025	1 101	7%	1 176	7%
Brazil	3 802	3 767	-1%	3 498	-7%
China	19 306	21 984	14%	23 492	7%
India	3 596	3 241	-10%	3 177	-2%
Japan	5 370	5 376	0%	5 563	3%
All other	16 815	16 995	1%	16 936	0%
<b>Total Sales</b>	<b>82 166</b>	<b>85 393</b>	<b>4%</b>	<b>88 165</b>	<b>3%</b>

Source: OICA, World Motor Vehicle Production, by country 2012–2014

# Positive outlook for 2015

Compared to last year when pessimistic expectations also occurred and some companies expected decline of the business, in this year's survey, positive outlooks for the next year have further increased. This year, 30% of firms expect revenue growth at least by five percent and 31% of firms expect even a two digit rate growth. In comparison, only about 44% of respondents expected growth last year. Exactly 30% of suppliers expect that the position will be at least the same as it was in 2014. This indicates that Slovak automotive suppliers are part of the supplier chain of the car producers who have leveraged recovery of demand in the European market and capitalise on the sales growth in other parts of the world.

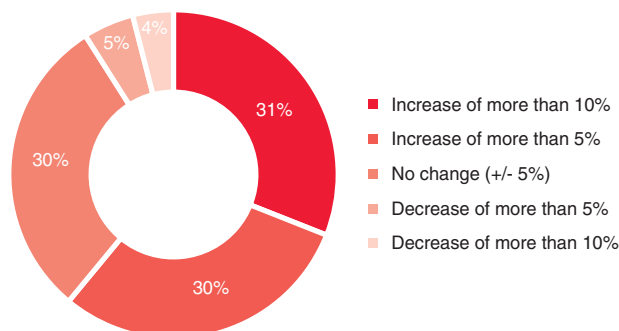
The suppliers believe that productivity of labour measured by the revenues will also grow. Whilst they expect to recruit even a little more people than last year, the pace is slower compared to revenue growth.

One-sixth of respondents intend to increase the headcount by more than 10%. More than a quarter of respondents consider increasing the staff number by five to ten percent. Almost half of respondents (45%) plans to retain the headcount at the same level and only every eighth firm expects staff reduction.

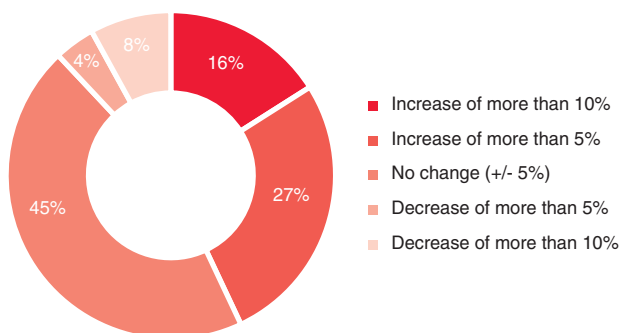
Technological expectations of automotive supplies are closely connected to the expected innovations. Almost 70% of suppliers expect that their production will be influenced by the trend of car weight reduction aimed at reducing fuel consumption and carbon dioxide emission. With a relatively large margin, these are followed by adjustments to car engines, downsizing or use of alternative fuel with various share of electric power. Part of firms started to implement innovations due to pressure on increased safety to the safety not only what regards a construction of the vehicles but also additional assistant systems.

Slovak automotive suppliers see their business risks particularly in the developments on target markets. The survey shows that a suspension of recovery or only a slow growth in strong markets of developed economies are viewed as major threat to the growth. Almost three-fifths of respondents are concerned about this. Almost half of respondents see the risks in uncertainty in the East Europe and one-third of them are concerned about fast growing markets that are not being able to offer the sufficient demand for their production. Existence of production capacities outside Slovakia is also seen as a risk: a quarter of respondents view it as thread to their growth. One-tenth of respondents consider the regulation as a risk, either the regulatory requirements of the EU or local governments.

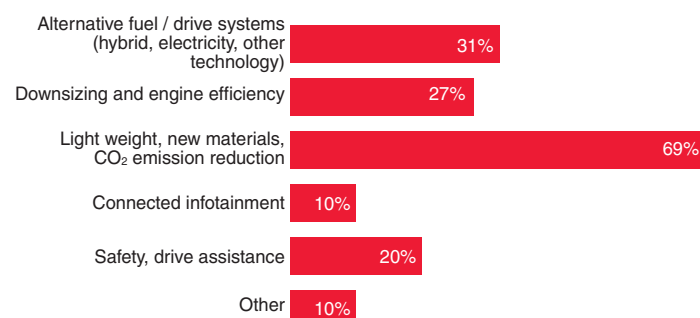
**Chart 1: What do you think the development of your revenues will be in 2015?**



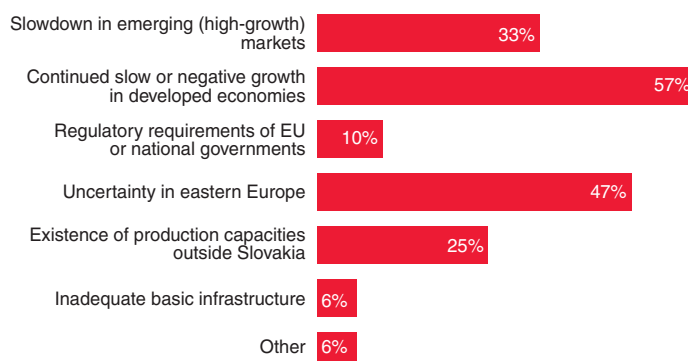
**Chart 2: What do you think the development of the total staff number will be in 2015?**



**Chart 3: What global trends does your company follow through the product innovation? Respondents could mark up to 3 areas.**

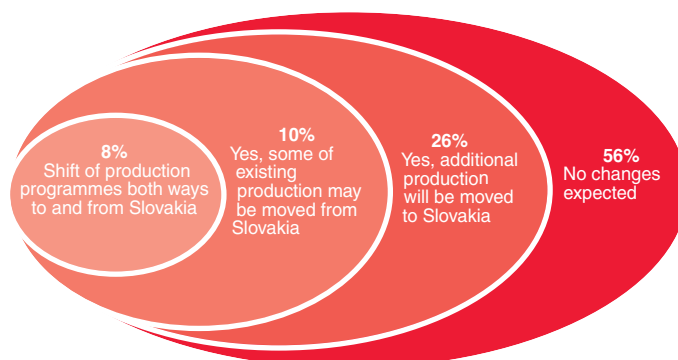


**Chart 4: How concerned are you, if at all, about the following threats to your growth prospects? Respondents could mark up to 3 areas.**



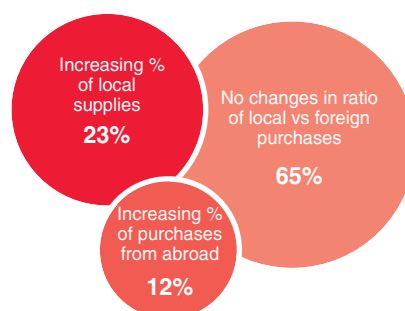
In particular, the introduction of new production capacities can support Slovak automotive suppliers in their development. Out of more than half of a hundred respondents, 26% expect transfer of production operations to Slovakia. This is by three percentage points more than last year. This year, only 10% of respondents expect that the group or the shareholders will decide to transfer part of production from Slovakia. More than half of suppliers do not expect any changes.

**Chart 5: Is the shareholder/group planning to transfer production in the next 12 months?**



This is confirmed by the observation of firms from localisation of material and spare parts purchases: almost two-thirds of respondents say that the share of supplies from Slovakia does not change and almost a quarter of respondents believe that the share of supplies from local producers is increasing.

**Chart 6: What is the trend of localisation of purchases (of materials and services) in Slovakia?**



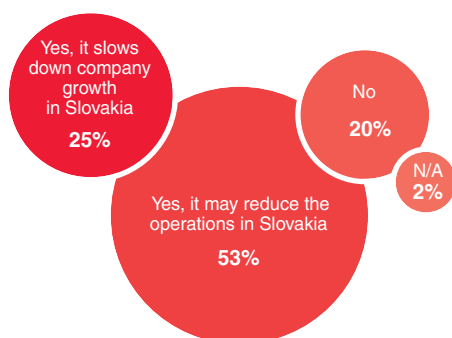
“Expansion in emerging markets requires the ability to react quickly to the customer’s needs.”

*Martin Hluchý*  
Plant Controlling Manager  
GETRAG FORD Transmissions  
Slovakia s.r.o.



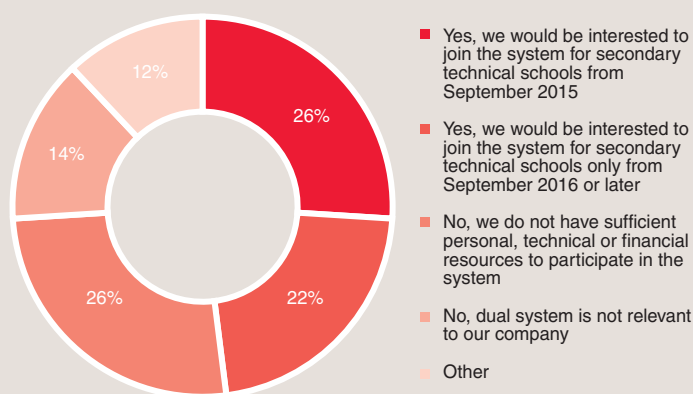
# Impact of qualification and education on the development of firms

**Chart 7: Do you consider the availability and quality of skilled labour an issue of your business?**



Due to rapid development of technologies, the availability of qualified staff is an important theme for the automotive industry development all over the world. In Slovakia, this theme has continuously been identified as substantial. In this year's survey, 78% of automotive suppliers confirmed that lack of availability and quality of skilled people may slow down the growth of their companies in Slovakia. One-fourth of respondents acknowledged that they grow more slowly due to difficulties with hiring adequate staff.

**Chart 8: Do you consider your company's involvement in the dual education system (i.e. providing practical education at your premises)?**



This was the reason why the industry kept waiting for an amendment to the act on professional education which has formally introduced dual education into the Slovak educational system. The system includes the relevant share of practical courses. So far, the reactions of respondents are diverse. Some firms have already experienced dual education in Slovakia as part of ongoing pilot projects. Slightly more than a quarter of respondents stated that they will join the system as soon as in September, i.e. the beginning of the nearest academic year. Another over 20% of respondents believe they will join the system at a later date. However, 40% of respondents decline to join the system. This group includes mostly firms that do not feel up to joining such system.

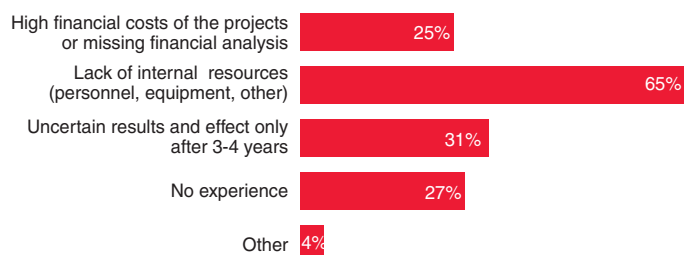
“Due to the lack of qualified staff which really slows down the development of our company, we launched the pilot project in dual education even before it was part of Slovak legislation.”

*Martin Kele*  
Managing Director  
MATADOR HOLDING, a.s.

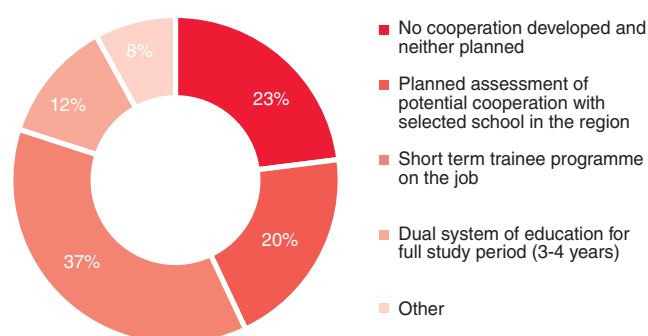


Almost two-thirds of companies identified the lack of internal resources, particularly personnel and equipment, as a serious barrier for taking part in the dual education system. A quarter of companies indicated financial reasons and, in addition to high costs, they mentioned also unavailability of financial analyses relating to the participation in the system. More than 30% of firms consider a risk, the uncertain perspectives of the outcomes from the system and, moreover, they have to wait for the first graduates for another three or four years. Quite a lot of firms are concerned about insufficient experience with participation in educating the staff. Over 40% of firms lack this experience and more than a half of respondents within this group have not even considered dual education. Among others, lack of interest on the part of schools was also cited. More than one-third (37%) of respondents have already tested a short-term programme for interns in some of their operations and only 12% of firms are engaged in the dual education programme over the whole course of study.

**Chart 9: What, in your opinion, are the key barriers of participation in the dual education system, for companies?**  
Respondents could mark up to 2 areas.

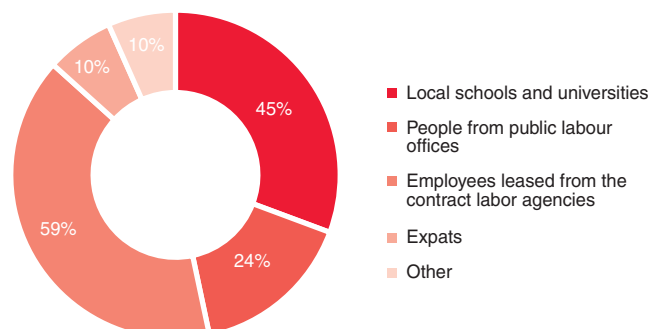


**Chart 10: What is the level of cooperation with schools and universities?**



The insufficient level of satisfaction with the graduates is reflected in the overview of main new staff resources wherein schools share only 45%. They notably lag behind the almost three-fifth share of staff hired through personnel agencies. This finding highlights the firms' demand for applicants with practical experience which the graduates lack to a large extent.

**Chart 11: What are the key sources of new labour?**  
Respondents could mark up to 2 responses.



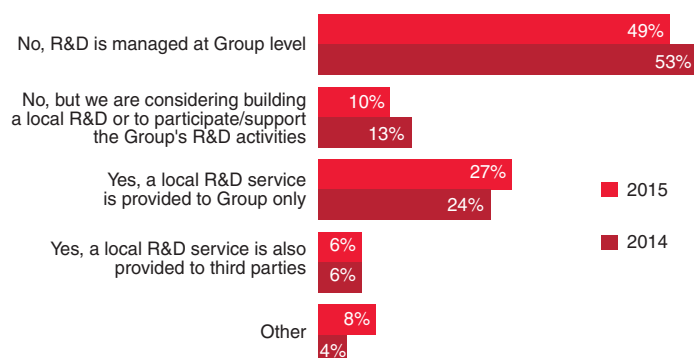
## ***Slovak suppliers of the automotive industry need specialists mainly for the following qualifications:***

CNC machine operators (milling machine operator, adjuster, programmer, lathe operator), PLC programmer, rubber-press operator, constructor, mechanical and electronic technician, metal worker, process engineer, machine operator, quality technician, serviceman, developer, and welder.

# Innovation and R&D in Slovakia

R&D activities can have a considerable effect on the development of automotive suppliers. However, compared to manufacturing plants, branches of international companies achieve innovation capabilities only with difficulties. Similar to last year, this year's survey also has shown that around a half of local firms receive complete innovative solutions from the parent. However, the innovation capabilities of local suppliers are apparent: almost one-third of respondents identified some form of own development activities or engagement in R&D activities of the Group. Prevailing are development activities and centres engaged in the intra group development. These were cited by more than a quarter of respondents. Only a few respondents identified that they have an independent development centre engaged in innovation activities as part of services for clients outside the group. However, the development centres are continuously growing and have already been extended in some firms. Almost ten respondents employ more than 20 experts in their innovation centres.

**Chart 12: Do you have local research and development competence?**



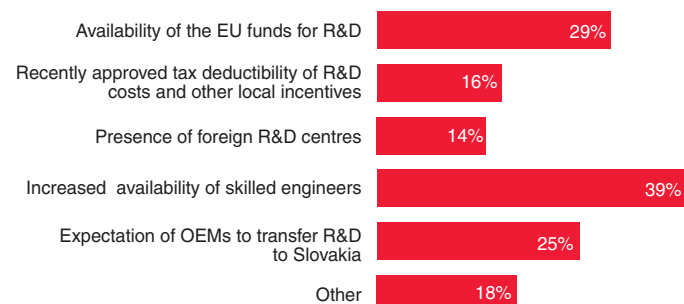
“We enlarged last year our Technical Centre in Slovakia with more than 120 engineers on site now. Our investment into this R&D centre supports the global growth strategy on one side and is valued by our customers on the other side. Thanks to the international expertise we provide and the stronger relationships we establish with our customers and suppliers, Bratislava Tech Centre became a key stone in our worldwide footprint.”

*Bertrand Faulconnier  
Operations Director, Central Europe  
Plastic Omnium Auto Exteriors, s.r.o.*

Similar to manufacturing, the development of innovation activities in automotive supplier firms is dependent on the availability of skilled people. Almost two-fifths of respondents stated that better availability of skilled technical experts and engineers could be the key driver to launch and extend the R&D activities. 29% of companies believe that better availability of the EU funds for R&D would be of help. Almost the same percentage of respondents admit that final customers' interest, i.e. the car makers', would support them in launching or extending R&D activities.

A smaller part of companies consider recent introduction of tax deductibility of R&D costs or the follow up of the example of other foreign firms that already operate their R&D centres, as a relevant driver.

**Chart 13: What factors would drive the start / increase of R&D activity in your company (if approved by shareholders)?**  
Respondents could mark all that applied.



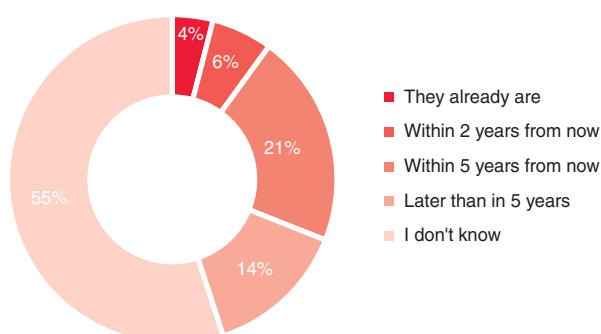


# Introduction of digital network technologies

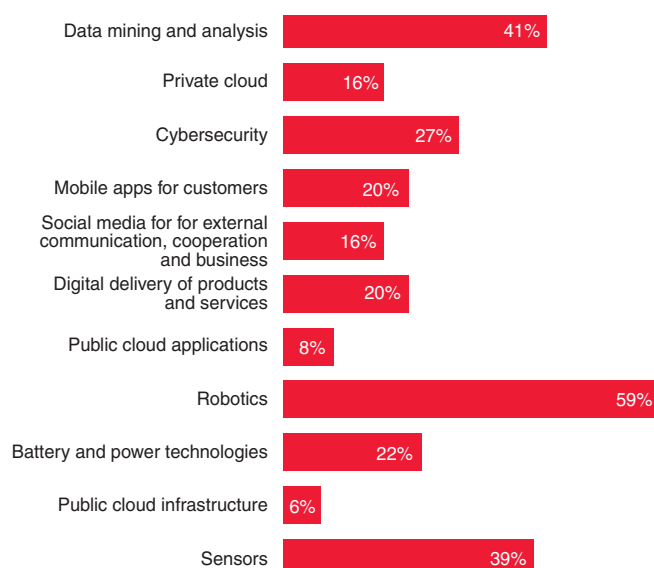
An important theme within the international industry, in which the automotive industry ranks among leaders, is the introduction of modern digital and network solutions known as Industry 4.0. Industry 4.0 includes solutions such as smart manufacturing, internet of things and, what regards products, also cars connected to the communication networks. As follows from the Global PwC CEO Survey, in particular the automotive CEOs expect benefits from the

industry digitalisation. As much as 90% expect better use of data collected by the firm and almost the same percentage believe that modernisation will improve effectiveness of the operations and more than four-fifths believe that customers will benefit from modern technologies. However, 55% of CEOs are concerned about the pace at which new technologies are introduced.

**Chart 14: Within what time frame do you expect solutions or components for Industry 4.0 (Smart Factory, Internet of Things, Connected Cars, etc.) to be subject of your activities (any of R&D, production, logistics, etc)?**



**Chart 15: Which of these technologies will be of the highest strategic importance to your organisation over the next three to five years? Respondents could select 5 technologies from the list.**



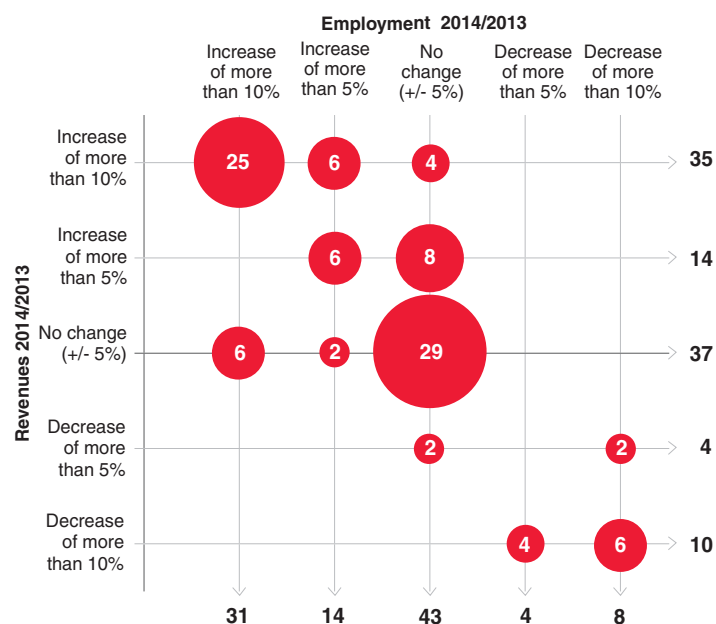
More than a half of respondents of the Slovak survey are unable to estimate when Industry 4.0 will be implemented in their ordinary business. All of them expect this will happen, but their estimates of the time of implementation differ. A few of the respondents stated that they have already applied Industry 4.0. in their activities. Together, more than a quarter of firms expect its implementation within five years, prevailing majority favour a more slowly introduction. 14% of respondents think that digital manufacturing will not become reality earlier than in five years.

In the Global Automotive CEO Survey, significant importance was ascribed to collection and analysis of big data and mobile technologies: as much as around 80% of respondents. Almost three-quarters (70%) focus their expectations on new ways of using energy resources and storing energy in batteries.

The global CEOs reached concord with their Slovak peers in the growing importance of robotics. Much more global automotive CEOs assign significance to it compared to the overall average within the industry (53 versus 37 percent). In the Slovak survey, emphasis is given mainly to the production and almost 60% of Slovak CEOs believe that robotics will become one of the key technologies in three to five year perspective. They attach high importance to data analysis even though only with half intensity compared to the global CEOs. The expectations of better use of sensor technologies ranked very high and were cited by around 40% of respondents. More than a quarter of respondents cited the cyber security as an important theme for the future. Significance of other technologies varies in the CEO's responses.

# Economic results of 2014

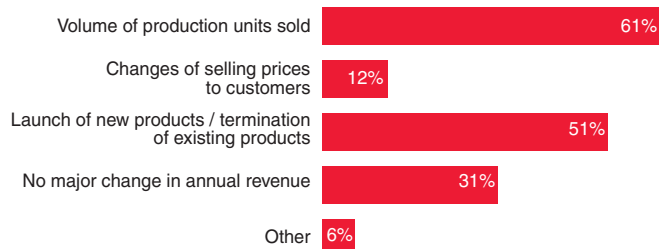
**Chart 16: Relationship between changes in revenues and changes in employment (in %)**



The revenues of more than one-third of automotive suppliers participating in the Survey grew at a two digit rate, last year. Similar number of companies recorded a stable level and 14% of respondents recorded a more moderate, one-digit growth. The same number, 14% of respondents recorded reduction of sales revenues, which is slightly less than in the last year's PwC Survey. Compared to last year respondents' expectations, the results of suppliers participating in this year's edition were better; the number of firms that achieved a two-digit growth was by 10 percentage points higher. Number of firms that expected reduction of their turnover was in fact lower.

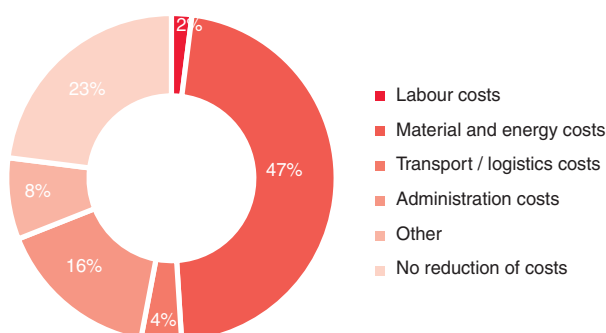
The Survey shows that employment development is relatively stable. Slight growth has been recorded in the share of firms whose staff number has not changed. On the other hand, only one-eighth of respondents reduced their staff last year, whilst the staff number grew at a two-digit rate in more than thirty percent of companies. The comparison of the development of revenues and employment shows that firms continue to create conditions for the growth of labour productivity as measured by revenues. Not only that firms with notable revenue growth prevailed among those that hired most staff, but in every tenth firm revenues grew notably quicker than the staff number. Compared to last year's survey, the operating profitability of respondents has been stabilised, and over 40% of respondents managed to retain it on an unchanged level. Even though the number of firms with two-digit profitability growth rate was lower than in previous year, the number of suppliers whose profitability dropped notably has decreased.

**Chart 17: What is the main reason for the improvement / worsening of your annual revenue? Respondents could mark all that applied.**



The assertion that Slovak automotive firms are doing well can be confirmed by the view on reasons that influence their financial position. Firms were encouraged to identify several influences. Three-fifths of respondents identified the product sales volume. At the same time, more than a half of respondents believe that their results were influenced by the product lifecycle, introduction of new products or termination of old products in the market. The revenues of more than 30% of firms did not change significantly and the impact of other factors including selling changes was relatively small.

**Chart 18: If you reduced the costs of your business in 2014, which of the following areas was most affected?**



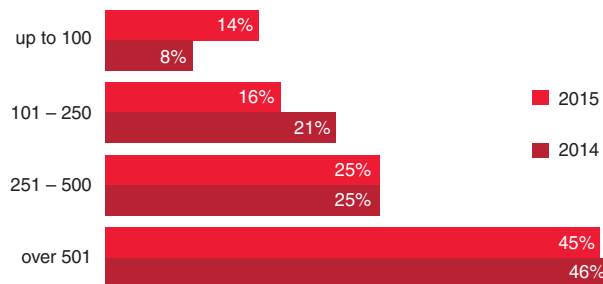
The theme of production costs strongly resonates among automotive suppliers. Although with a slightly lower share than before but still with almost a half share, the most frequently designated target of reductions were the costs of material and energy. Almost one-sixth of respondents took actions aimed at reducing administration costs. Almost a quarter of respondents did not record any cost reduction. Positive message for the staff is that further streamlining of personnel costs has almost disappeared from the responses.



## Main characteristics of respondents

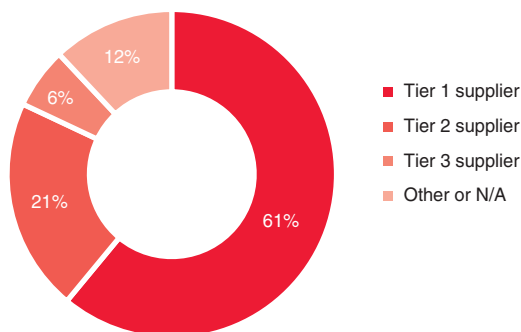
Similar to last year, we managed to receive opinion of major players in the Slovak market. 45% of respondents were firms with more than 500 staff and another quarter were firms with more than 250 staff. The remaining 30% share was almost equally distributed among firms with up to a hundred people and 101 to 250 people.

Chart 19: How many people (own staff and external) work in your plants?

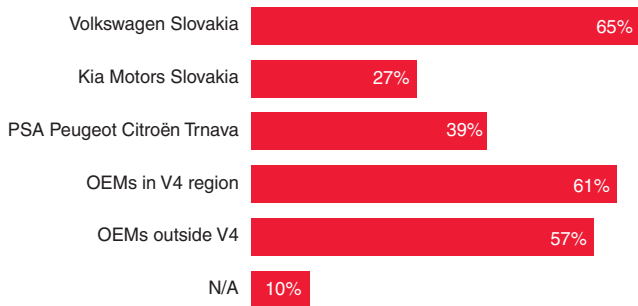


This has been reflected in the classification of survey respondents within the supplier chain of automotive firms. Over a three-fifth share of Tier 1 suppliers was a little more than last year. The shares of Tier 2 and Tier 3 suppliers and other types of suppliers were only slightly different.

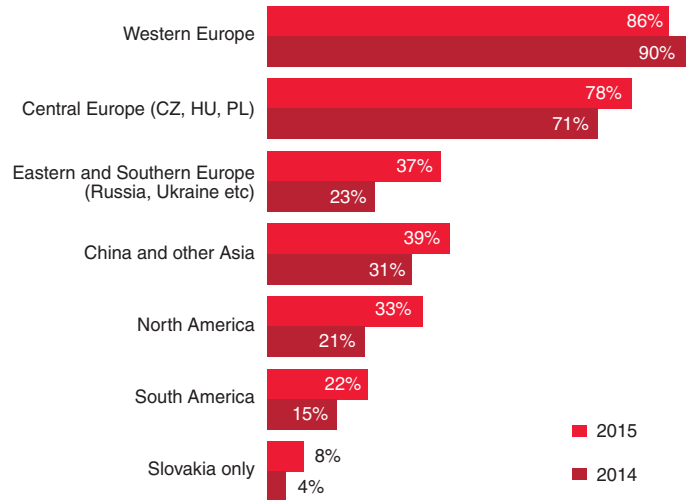
Chart 20: Based on the supply chain, what is your Company considered to be?



**Chart 21: What are final OEM customers for your products.**  
Respondents could mark all that applied.



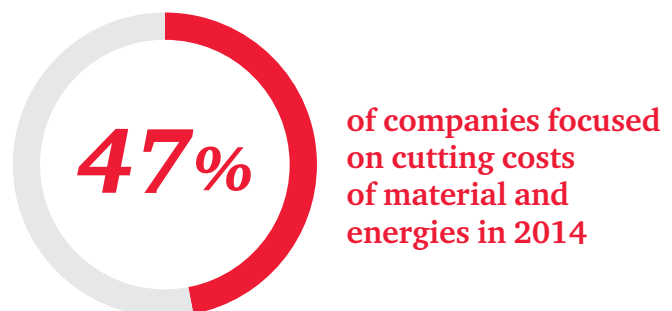
**Chart 22: What are the key final foreign markets for your output?**  
Respondents could mark all that applied.



The customer structure proved to be very interesting. Compared to last year, we asked how supplies are spread among the car producers in Slovakia. Despite that the share of respondents that provide supplies to local car producers increased, more than 60% of them provide supplies also to the assembly plants in other V4 countries and almost the same percentage to the more distant countries. Export of most suppliers is directed to the West European markets (86%). The reason for the high share of export to the V4 countries (78%) rests in logistics. The share of East and South European, Chinese and other Asian and North

American markets varies from 30% to 40%. The share of suppliers that are not engaged in export activities is less than 10% which is a positive finding due to diversification of the key customers.

The findings of the survey show that local car manufacturers had even more suppliers than last year - the products of almost two-thirds of respondents end up in products of the local Volkswagen Slovakia (last year it was 50%), the share of suppliers to PSA Peugeot Citroën in Trnava grew to 39% (31% in 2014) and from 25% to 27% to Kia Motors Slovakia.







are concerned  
about a slow  
growth  
of developed  
economies



expect their  
revenues to  
grow this year



see a problem  
in the lack  
of skilled  
labour force



are interested in  
getting involved  
in the dual  
educational system



consider robotics  
the most strategic  
technology  
in the coming  
years



carry out  
research and  
development  
activities in  
their plants

## About Survey

The Survey was conducted by consultancy firm PwC in co-operation with the Automotive Industry Association of the SR and Slovak Automotive Institute. Addressed automotive suppliers replied via on-line questionnaire from 9 March to 15 April 2015 and 53 car suppliers operating on Slovak market participated in the Survey.

This report looks at the key findings in the car suppliers market, gives a comprehensive analysis of the business model, and provides an assessment of the 2014 results and its key factors, and an outlook for the coming years.

## About PwC

PwC helps organisations and individuals create the value they're looking for. We're a network of firms in 157 countries with more than 195,000 people who are committed to delivering quality in assurance, tax and advisory services. Find out more and tell us what matters to you by visiting us at [www.pwc.com/sk](http://www.pwc.com/sk).

## About ZAP

Automotive Industry Association of the Slovak Republic is a voluntary association of legal entities doing business and involved in the automotive industry association. The main aim of ZAP SR is the sustainability and competitiveness of the automotive industry in Slovakia and its strategic objectives for 2015 are especially focused to improving and shaping the business environment, to promote the creation and R&D base for the automotive industry, to improve cooperation with OEMs and subcontractors, to create environmental legislation. See [www.zapsr.sk](http://www.zapsr.sk) for more information.

## About SAI

Slovak Automotive Institute is an independent think-tank, providing business intelligence services and analyses, relevant to the automotive and related industries and transport.

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