



SLOVAKIA - Largest per capita car producer

The Slovak automotive sector has resolutely set aside the typical features of a planned economy. Built upon the heritage of the former supply chain for ŠKODA, the sector is today considered as the most booming branch of the Slovak economy, accounting for more than 25% of industrial production and more than 30% of national export. Local acting companies, mainly VW and ŠKODA and after recent investments also PSA and KIA, comply with high standards in the field of quality, productivity, logistics, environment and human resources certification. Thanks mainly to the strategic entry of foreign capital, the prospects for the near future remain quite optimistic and a considerable increase in production is expected. Production beyond 2008 should increase to 700,000 vehicles a year. Assets are the development of research and development centres in cooperation with technical universities along with an ongoing restructuring process of the country's secondary education system and apprentice training centres (started in 2004).

KEY FIGURES

Although a relatively small market, Slovakia is rapidly becoming one of the major automotive production hubs in Central and Eastern Europe. Slovakia's car industry is dominated by three carmakers - Volkswagen in Bratislava and the new Kia Motors Slovakia in Žilina and PSA Peugeot Citroen in Trnava (a plant which, once it reaches full strength, will produce 450.000 cars each year). Together, these companies are projected to produce 800.000 units by 2008 and to export 90% of them, determining a level of export dependency without parallel in the national industry. These new plants have yet to make a significant impact on local sales, with Skoda still enjoying the largest market share. The country's car density, at 261 cars per 1,000 people, will climb further with rising GDP per capita. The total industry turnover in 2006 increased by 6.5 percent year-on-year to Sk330 billion (€88 billion), and is expected to reach Sk400 billion this year, meaning that the automotive industry produced over 25% of Slovakia's overall industrial output last year. According to the national automotive industry association (ZAP), employment increased in industrial production approx. by 3.9 % in 2006, while in the automotive industry approx. by 4.3 % for a total of 65.000 units. The recent investments made by PSA and KIA are expected to create ca 35,000 jobs, and the total figure for the automotive industry including the supplying chain will represent 90 – 95,000 jobs in the near future. These investments should make Slovakia the world's largest per capita automotive producer by 2008.

FOREIGN DIRECT INVESTMENTS

Until recent years the volumes of foreign investment in Slovakia have been rather low in comparison with neighbouring countries. Reasons may be sought mainly in the exclusion of foreign investors from the privatisation process, the unstable political and economic environment and the lack of trust on the part of investors associated with these factors. However, this trend seems to have been inverted in the very last years, mainly thanks to the capitals attracted by the automotive industry. The main positive prospects are connected with having production capacities available, skilled labour, manufacturing tradition, ability to adapt and geographical advantages.



CLUSTERS

Despite the lack of a significant national cluster policy, the Bratislava regional automotive cluster represents one of the most important examples among the Central and Eastern European countries.

R&D

High economic growth normally tends to be associated with substantial R&D expenditure. Slovakia provides an interesting exception from this correlation. The rapid economic growth in per capita GDP happened alongside deep fall in R&D expenditure, employment and infrastructure. According to this trend, also the overall R&D capacities in the automotive industry were quite low until recent years, when none of the assembly and/or production plants reported very significant R&D activities in Slovakia. However, the automotive industry together with four technical and economical universities such as STU Bratislava, Technical University in Košice, University of Žilina and University of Trenčín, have recently launched some common projects concerning research and development of main production processes. This strategy aims at making national laboratories competitive in specified fields of research giving effective support to small enterprises focused on research innovation and services in the automotive field.