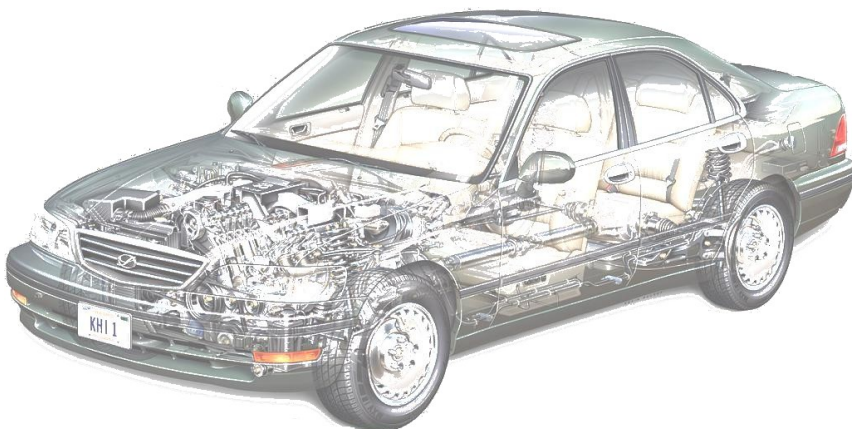


MARKET BRIEF: Motor Vehicle Manufacturing in Czech Republic



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MOTOR VEHICLE MANUFACTURING IN CZECH REPUBLIC

Production Developments

The Czech Republic is an export oriented auto manufacturer, with around 90 percent of production exported. The Volkswagen Group including Skoda is responsible for the majority of output in the country.

In 2008, 183 thousand new cars were sold in the Czech Republic, up 4.6% on 2007. Since 2003, vehicle sales have grown annually by 3.6%. This is better than the EU average growth of 1.4%. The Czech Republic is the 14th largest market in the EU, ranking after Sweden and Portugal but above Hungary and Ireland. Based on the first five months of the year, sales of new cars during 2009 should reach 170 thousand, down 7% on 2008. (Acea, 2009)

The government stimulated new car sales, first by waiving VAT from April 1, 2009 onwards, then, from October 2009 onwards, through a wrecking premium. The imports of second-hand cars, which reached a record high of 231 thousand cars in 2008, will be less attractive, as a result of higher duties on cars not fulfilling the Euro-3 emission norm. Imports decreased by 40% during the first 7 months of 2009. (SDA-CIA, 2009)

Total motor vehicle production has been growing annually at a healthy compound growth rate of 20.5% between 2004 and 2008. The growth has been driven by passenger cars production, accounting for about 98.7% of the total volume of motor vehicles production in the Czech Republic, as well as by light commercial vehicles production that have registered a CAGR of 53.9% over the last five years.

FIGURE 1 CZECH REPUBLIC: Motor Vehicle Production 2004 - 2008

Volume (in pcs.)	2004	2005	2006	2007	2008	CAGR 08/04
Passenger Cars	443 065	599 472	848 799	925 060	933 312	20.5
Light Commercial Vehicles	1 122	1 220	1 077	6 238	6 288	53.9
Heavy Trucks	2 200	2 050	1 993	3 168	2 726	5.5
Buses & Coaches	1 972	2 050	2 948	3 182	3 496	15.4
Total MV Production	448 360	602 237	854 817	937 648	945 822	20.5

Source: OICA; ACEA; Automotive Industry Association of the Czech Republic (AIA CR).

Besides passenger cars, light & heavy commercial vehicles, buses & coaches, there are also trailers & semitrailers manufacturers - Panav a.s. and Schwarzmuller s.r.o. who together produced 2424 vehicles in 2008 - and a motorcycle manufacturer - JAWA Moto spol. s r.o. that produced 1550 motorcycles last year.

As it was obvious from the FIGURE 1, the production growth has slowed last year. The true impact of the global economic downturn will manifest in the output this year. We estimate the total annual motor vehicle production to plummet by -21.4% to 743.6 thousand vehicles.

Production Forecasts

Nevertheless, based on announced expansive plans of Czech carmakers, we estimate that the production dynamics will soon recover, and for the next year we suppose an annual increase by 6.6%, and for subsequent three years we expect double digit growth rates. In the period from 2009 to 2013, the motor vehicle manufacturing output should see a compound annual growth rate of at least 12.4%.

FIGURE 2 CZECH REPUBLIC: Motor Vehicle Production Forecast 2009 - 2013

Volume (in 1000 pcs.)	2009	2010	2011	2012	2013	CAGR 13/09
Total MV Production	743.6	792.8	930.0	1 075.2	1 186.2	12.4

Source: Data for 2009, 2010 & 2012 are CSM Worldwide forecasts; data for 2011 and 2013 are MARKETiN forecasts.

Czech Republic could break the level of one million motor vehicles produced per year in 2012 at the latest. FIGURE 3 shows our forecast for years 2004 to 2013, when the annual output could reach 1 186.2 cars produced per year.

FIGURE 3 CZECH REPUBLIC: Motor Vehicle Production 2004 – 2013 (in Thousand Pieces)

Source: Data for 2004 to 2008 are actual consumption data from ACEA & AIA CR; data for 2009, 2010 & 2012 are CSM Worldwide forecasts; data for 2011 and 2013 are MARKETiN forecasts.

Key Players

The motor vehicle production will again be driven by the passenger car manufacturers: Škoda Auto a.s., T.P.C.A. Czech, s.r.o. and Hyundai Motor Manufacturing Czech s.r.o. Especially the plans of Hyundai Motor to launch manufacturing of a new model Kia Venga in the third quarter 2009, could contribute significantly to the re-start of the total output growth in 2010.

FIGURE 4 CZECH REPUBLIC: Overview of Major Makes Manufactured in Czech Plants

Company	Group/JV	Plant Location	Type of prod.	Makes
Škoda Auto a.s.	Volkswagen Group	Mladá Boleslav	Engines, p. cars	Škoda
		Vrchlabí	Passenger cars	Škoda
		Kvasiny	Passenger cars	Škoda
T.P.C.A. Czech, s.r.o.	PSA + Toyota	Kolín	Passenger cars	Toyota, Peugeot Citroën
Hyundai Motor Manuf.Czech s.r.o.	Hyundai	Nošovice	Passenger cars	Hyundai, Kia*
Avia Ashok Leyland Motors, s.r.o.	Avia Ashok Leyland	Letňany (Prague)	Trucks	Avia
Tatra a.s.	Tatra	Kopřivnice	Engines, trucks	Tatra (trucks+military v.)
Iveco Czech Republic, a.s.	Fiat Group	Vysoké Mýto	Buses	Irisbus (former Karosa)
SOR Libchavy s.r.o.	SOR	Libchavy	Buses	Sor

Source: AIA CR; ACEA; MARKETiN. Note: * Production of a new model of this make should be launched in 2010.

There are also two truck manufacturers - Avia Ashok Leyland Motors, s.r.o. and Tatra a.s., and two major bus manufacturers - Iveco Czech Republic, a.s. and SOR Libchavy s.r.o. located in the Czech Republic.

FIGURE 5 CZECH REPUBLIC: Other Selected Heavy Trucks and Buses Manufacturers**Avia Ashok Leyland Motors, s.r.o.****Address:** Beranových 140, 199 03 Praha 3**Manpower 2006:** 270**Production/Assembly 2006:** 500 commer. vehicles**Brands and models:** AVIA**Sor Libchavy, s.r.o.****Address:** Dolni Libchavy 48, 561 16 Libchavy**Manpower 2006:** 440**Production/Assembly 2006:** 410 buses**Brands and models:** SOR**IVECO Czech Republic, a.s.****Address:** Dobrovskeho 74, 566 03 Vysoke Myto**Manpower 2006:** 1 940**Production/Assembly 2006:** 2 477 buses, coaches**Brands and models:** IRISBUS, IVECO**Tatra, a.s.****Address:** Areal Tatry 1450/1, 742 21 Koprivnice**Manpower 2006:** 1 730**Production/Assembly 2006:** 1 500 commer. vehicles**Brands and models:** TATRA*Source: OICA.*

Besides that, there are also some small local sports car manufacturers in the Czech Republic, such as Kaipan s.r.o. specializing on custom-built cars under the brand Kaipan, and Auto Projekt Centrum, s.r.o. producing and selling roadster makes known as Gordon. And two local small-scale bus manufacturers should be mentioned, too: KHMC s.r.o., a Czech manufacturer of small buses, and Tedom s.r.o., focusing mainly on the production of CNG buses and engines both under the brand name Tedom (engines formerly known under Liaz name). And to have a complete picture of the motor vehicle manufacturers in the Czech Republic, local manufacturer of tractors Zetor Group should be noted, too.

FIGURE 6 CZECH REPUBLIC: Motor Vehicle Production by Manufacturers 2004 - 2008

Volume (in pcs.)	2004	2005	2006	2007	2008	'08 Share
Cars + LCVs - TOTAL:	507 328	597 994	849 876	931 298	939 600	100%
Škoda Auto a.s.	443 868	494 122	556 196	622 811	603 247	64%
T.P.C.A. Czech, s.r.o.*	0	103 819	293 650	308 478	324 289	35%
Hyundai Motor Manuf.Czech s.r.o.	0	0	0	0	12 050	1%
Alfine a.s.	50	46	13	0	0	0%
Kaipan s.r.o.	16	7	16	8	13	0%
Auto Projekt Centrum, s.r.o.	0	0	1	1	1	0%
Heavy trucks - TOTAL:	2 200	2 050	1 993	3 168	2 726	100%
Avia Ashok Leyland Motors, s.r.o.	545	553	482	737	474	17%
Tatra a.s.	1 654	1 497	1 511	2 431	2 252	83%
Praga a.s.	1	0	0	0	0	0%
Buses & Coaches - TOTAL:	1 972	2 198	2 948	3 182	3 496	100%
Iveco Czech Republic, a.s.	1 690	1 897	2 477	2 698	3 020	86%
SOR Libchavy s.r.o.	235	247	411	418	368	11%
KHMC s.r.o.	47	49	45	49	61	2%
Tedom s.r.o.	0	5	15	17	47	1%

*Source: AIA CR. Note: * Full name of the joint venture is Toyota Peugeot Citroën Automobile Czech, s.r.o.*

The biggest personal cars manufacturer is Skoda Auto a.s. with 603,247 cars produced in 2008. Its production accounts for 64% of the total passenger car output.

Skoda Auto, a.s.

Address	V. Klementa 869, CZ 293 60 Mlada Boleslav
Production Launch	1991
Manpower	23 400 people (in 2006)
Production/Assembly	603 247 cars (in 2008); Annual Capacity: 700 000 cars
Makes (Models)	SKODA (Octavia, Octavia Combi, Octavia Tour, Superb, Fabia, Fabia Combi, Praktik, Roomster, Yeti)

SKODA AUTO/Volkswagen Group is the dominant car manufacturer in the Czech Republic. Although, Skoda Auto saw a drop in output of around 3 percent to about 603,200 units in 2008. But in the same year, the company raised sales by 7 percent to a record 674,530 cars. While there was more than 20 percent cut in production in the 1Q 2009, Skoda Auto has recently launched a shift on Saturday to catch up with demand in the 2Q 2009.

SKODA AUTO's long-term goals are to produce one million cars in 2012 and to double its current production to 1.5 million by the year 2018. SKODA AUTO has recently announced its plan to significantly change how it purchases supplies. SKODA AUTO wants to significantly reduce the number of its direct suppliers from the current 1,300 to 400 (roughly 75% of all supplies are sourced from the top 300 suppliers and 94% from the top 1,000 suppliers). Reportedly, supplies from Asia will be increased, while the number of domestic suppliers should be kept more or less unchanged.

Toyota Peugeot Citroën Automobile Czech, s.r.o.

Address	Prumyslova zona, 280 02 Kolin
Production Launch	2005
Manpower	3 300 people (in 2006)
Production/Assembly	324 289 cars (in 2008); Annual Capacity: 300 000 cars
Makes (Models)	CITROEN (C1), PEUGEOT (107), TOYOTA (Aygo)

The output at Toyota-Peugeot-Citroen (Aygo, 107. C1) increased by 5.1 percent to 324,289 cars in 2008. In May 2009, TPCA confirmed its estimate to produce 330,000 cars within the year. This near two percent growth in production would be beneficial due to the ongoing financial crises and production cuts elsewhere.

Hyundai Motor Manufacturing Czech s.r.o.

Address	Průmyslová zóna Nošovice, CZ 739 51 Nižní Lhoty 700
Production Launch	2008
Manpower	About 2000 people (by the end of 2008)
Production/Assembly	12 050 cars (in 2008); Annual Capacity: 300 000 cars
Makes (Models)	HYUNDAI (i30, i30cw), KIA (Venga – <i>launched by end of 2009</i>)

In November 2008, South Korean car maker Hyundai launched production in its brand new plant in Nosovice in northern Moravia. Hyundai had produced 12,050 cars (i30) in the plant by end-2008 and 20,000 car in 1Q 2009. Hyundai's sales in the period of January to May jumped to 10.2 percent and a majority of cars sold originated in the Czech plant.

CONTACT US

This is just a brief excerpt from one of our projects. If you need more information about this market, please contact:

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As a CEO and senior consultant at MARKETiN CEE, Pavol has led and conducted numerous market research, competitive intelligence and strategy consulting projects, especially for leading global companies from heavy-industry and related business-service sectors, and assisted them in entering Slovak, Czech and other CEE markets.

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