



A Report on Opportunities in Automobile Industry in the Slovak Republic

At present, Slovakia is one of the most attractive countries in Europe for the investments in the car industry. The automobile industry is the most dynamically developing sector in the Slovak Republic. Along with India, Thailand, Iran and the Czech Republic, the American research company, World Markets Research Centre identified it as one of five new centres in the world in which the car production will be centred in the future. It is a motive power of the country's economy development and fulfils the conversion task of former armament industry in the Slovak engineering. The share of automobile production on the industrial production is more than 20%, the share on the overall GDP of the Slovak Republic is 17% and is increasing each year. The similar situation is also in the field of export, which is 32% of the total Slovak export even though Volkswagen is the only manufacturer currently producing cars in Slovakia. The automobile industry is responsible for more than one-fourth of all FDI coming into Slovakia. The car industry has become an unprecedented opportunity for Slovakia. At present it's employees about 55 thousand people, it is expected that up to 2010 it will employ more than 100 thousand.

Currently, companies which have already set up or in the process of setting up car manufacturing in Slovakia include Volkswagen, KIA Motors of South Korea and PSA Peugeot Citroen, which is investing at Trnava in Slovakia an amount of about Euro 730 millions to build a new factory. In 2006 the Slovak PSA Citroen will produce 300,000 vehicles per year with plans to expand capacity to 500,000 by 2009. In March 2004, Slovakia was selected over Poland by South Korea's

Hyundai/KIA Motor to build a Euro 1,200 million car assembly plant in Zilina region. It will directly employ 2,800 workers, another 8,000 at suppliers and would produce 200,000 cars a year after 2006. About 8-9 suppliers, including Hyundai Mobis, have decided to follow KIA to Slovakia. In December 2004, the Slovak Republic succeeded in attracting another strategic investor - Getrag Ford Transmissions, which will establish its plant in the Kosice Self-Governing Region. The investment will be to the extent of Euro 350 million and the expected production capacity is 300,000 car transmission components, with an annual turnover of Euro 300 - Euro 400 million. Till the end of 2007, the company will create nearly 1000 jobs directly and approximately 1500 jobs through potential suppliers. In May 2005, South Korean tyre maker Hankook Tyre picked Slovakia for a new factory in which it plans to invest more than Euro 500 million (US\$ 643 million). The Hankook factory is expected to create about 1600 jobs directly and another 600-700 jobs indirectly.

The production of these car makers will focus on exports. Together with Volkswagen's existing plant in capital Bratislava, the three Slovak plants could produce more than 800,000 cars a year after 2006, giving the country the highest per capita production in the world. Diversification of the Slovak car industry among three large producers - Volkswagen, PSA Peugeot and KIA - lessens the economic risks associated with oscillating global demands. Another mitigating factor for Slovak Republic is the low cost of doing business in Central Europe. According to the experts, the automobile industry in Slovakia is

partially protected against recession because car makers are more likely to dampen production in western facilities where the costs are higher.

Compared to production in other countries of the EU, Slovak production is influenced by the relatively cheap and qualified labour. Slovaks earn an average monthly wage of \$ 535, compared with \$ 737 in Poland and \$ 788 in the Czech Republic. Slovakia is gaining ground in the EU through the quality of assembled products, mainly in the area of passenger cars, but also by the quality of supplied components.

The Automotive Industry Association and the Economy Ministry of Slovakia worked out a SWOT (Strength, weakness, opportunities and threats) analysis of the country's automobile sector. According to the SWOT analysis, Slovakia's strengths stem from a long-term tradition in the machinery industry, experience with Volkswagen Slovakia, a well-built suppliers network and good cooperation between the public and private sector. Slovakia's weaknesses include weak history of innovation, little or no regional development strategy and unfinished industrial parks and highways.

Several different component producers have announced plans to set up production in Slovakia since PSA Citroen and KIA announced their intention to open auto-manufacturing plants in the country. Example of such investments include, Spanish firm Cikautxo, Austrian engineering firm Rubig, Johnson Controls and Visteon (both US) and South Korean firms DongWon Metal and Donghee.



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Overseas Information



Addresses of major players in the Slovak automobile and component industry are as follows

Continental Matador, s.r.o.
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Tel. : +421-42-4632100
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Public Relations Officer (PRO) :
Ivona Mikušová
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(Manufacturing of tyres for heavy vehicles and buses)

Johnson Controls International, s.r.o.
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Priemzselný park pre auto výrobu
Záhorie 1006, Loyorno 90055
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(Manufacture of automobile seats for Volkswagen Slovakia)

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SNP 60, Nová Dubnica 01851
Tel. : +421-32-6550200
Fax : +421-32-6550218
Website : www.leoni-cable-assemblies.com
(Manufacture of cable connectors)

Osram Slovakia, a.s.
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Tel. : +421-35-6464111
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(Manufacture of lighting systems)

Punch Products, s.r.o.
Vlárska 28, Trnava 91700
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(Manufacture of plastic parts)

Tower Automotive, a.s.
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(Manufacture of automobile)

Yazaki Slovakia, s.r.o.
Lehotská cesta 2, Prievidza 97180
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Public Relations Officer (PRO) :
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(Manufacture of auto cable connectors)

Major automobile manufacturers in the process of setting up are

Kia Motors Slovakia, s.r.o.
Marianske namestie 30/5, 010 01 Zilina, Slovakia
Tel. : +421-41-5151111
Fax : +421-41-5150980
Website : http://www.kia.sk
Purchasing : Send offers to : Kia Motors Slovakia, s.r.o., General Purchasing Team
Marianske namestie 30/5, 010 01 Zilina, Slovakia
Tel. : +421-41-5156213
E-mail : dponcikova@kia.sk

Peugeot Citroën Automobiles Slovakia, s.r.o.
Zavarská cesta - stavenisko PSA Peugeot Citroën
919 26 Zavar, Sloval Republic
Tel. : +421-33-5936111
Website :
www.slovakia.psa-peugeot-citroen.com

Addresses of automobile association and concerned department in the Economy Ministry

Automotive Industry Association of the Slovak Republic
Sabinovská 6
821 02 Bratislava
Tel. : 00421-2-48247951
Fax : 00421-2-48247952
E-mail : zapsr@zapsr.sk
Website : www.zapsr.sk

Ministry of Economy of the Slovak Republic
Office of Government Plenipotentiary for Automotive Industry in Slovakia
Mierová 19
827 15 Bratislava
Tel. : 00421-2-43423930
Fax : 00421-2-43423928
E-mail : pribula@economy.gov.sk

Major Auto Fairs in Slovakia

Autosalon, Bratislava (normally March every year)
Organizer :
Ing. Slavomir Machala, INCHEBA, a.s.
Viedenska cesta 7, 85251 Bratislava
Tel. : +421-2-67272138
Fax : +421-2-67272201

Autosalon Nitra (normally September/October every year)
Organizer :
Ing. Frantisek Durkovic, OS3
Agrokomplex - Vystaniectvo
Vystavna 4, 94901 Nitra
Tel. : +421-37-6572301/2/3
Fax : +421-37-7335983
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The automobile industry is still in the process of large expansion, as PSA Citroen and KIA plants would start production only in 2006/07. Hence there is ample opportunity for Indian automobile companies and component producers to either enter Slovakia directly or as a supplier to the large auto manufacturers in Slovakia.

(Source : Embassy of India, Bratislava)