

Industry match-ups



Spain versus Turkey

European football championship 2016



Sector playing field: automotive industry
Match preview

4:3*

* Comparison of Atradius credit risk situation/business performance outlook for the industry
(Ranking from one ball (very poor) to five balls (very good))



Squad performance for the tournament – check

Spanish automotive industry

2015	2016f	2017f
3.2	2.7	2.3
5.9	3.1	4.5

7.8
high

Turkish automotive industry

2015	2016f	2017f
3.7	3.3	3.5
8.4	3.7	5.9

6.8
high

Country
GDP growth

Automotive sector value
added growth (%)

Average automotive sector growth
over the past 3 years (%)

Level of competition

Sources: IHS, Atradius

A heavyweight in the European automotive playing field

Spain is still the second largest car manufacturer in Europe, behind Germany, and ranks number 9 globally.

In 2015 the Spanish automotive sector recorded a positive performance, as production and capacity utilization returned to pre-crisis levels. Spanish car production increased 12.7%, to more than 2.7 million units, while value increased by 21% to EUR 36.4 million. Automotive exports increased 11.4% by units and 18% by value, to EUR 31.7 million. Automotive is Spain's second largest export industry with more than 85% of the national production exported. The sector has also benefited from the domestic economic rebound that began in 2014, with new vehicle registrations increasing in 2015.

The positive development carried over into 2016, and is expected to continue in the coming months. Businesses' profitability have generally increased over the past 12 months, and is expected to continue to grow in 2016.

While external financing requirements and gearing are generally high in this sector, banks are increasingly willing to provide credit to this industry, for both short-term financing (working capital management) and long-term facilities (i.e. capital expenditure financing).

Some difficulties ahead

Automotive demand in Turkey has started to decrease, as the market contracted 3% year-on-year in the first quarter of 2016. This was mainly due to a more difficult political and economic environment coupled with security issues, all negatively impacting domestic demand. It is expected that automotive demand will remain at lower levels in the second half of 2016.

Despite a favourable raw material costs environment, low flat steel prices, profitability of Turkish car producers and suppliers remained unchanged over the last twelve months. Price wars are common in the market and with lower raw material prices, companies feel more comfortable in cutting prices to try to increase market share. Competition played an important role in the direction of stable bottom-line figures. Businesses' margins are expected to remain largely unchanged in 2016.

Gearing and financial requirements are average in the Turkish automotive sector. Supplier support, rather than bank finance, is usually sought out in this sector. However, when needed heavy investments are to be funded by bank loans.



Players to watch

Spain

- Larger Spanish suppliers/car part producers are performing well and are successful abroad, with very good performance in Europe, Asia and the NAFTA region.

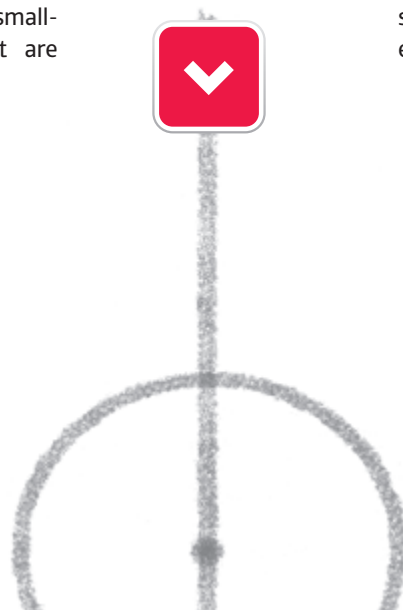


Turkey

- Caution is advised in the Spanish car part supplies producers segment with small- and medium-sized businesses that are highly leveraged.



- All sectors (automotive manufacturers, suppliers and car part producers, car dealers) are affected by lower sales.





Major strengths and weaknesses

Spanish automotive industry

Importance to the Spanish economy

High productivity levels

High competitiveness of the Spanish automotive components industry

Skilled workforce and strong commitment to research and development



Turkish automotive industry

Good geographic proximity to main export markets like Europe

Widespread distribution networks

A lot of involvement of foreign manufacturers through joint ventures

Increasingly strong competition from emerging economies

Dependence on external market demand



Interest rate hikes and foreign exchange risks

High taxes

Many businesses are undercapitalised

Fierce competition in the market



Fair play ranking: payment behaviour and insolvencies

Spanish automotive industry

- On average, payments in the Spanish automotive sector take around 60 days.
- Payment experience is good, and the level of protracted payments has been average over the past couple of years.
- Non-payment notifications are low, and we do not expect major increases in the coming months due to the positive evolution of the automotive sector.
- The level of automotive insolvencies is low, and this is expected to remain unchanged in H2 of 2016.

Turkish automotive industry

- Payment duration in the automotive sector ranges between 60 days and 90 days.
- Payment behaviour is generally stable, with non-payment notifications expected not to increase in the coming months.
- Automotive insolvencies are low in numbers and are expected to remain stable in the coming six months.



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