

COMPETITIVENESS OF THE CAR TRADERS IN HUNGARY AFTER THE ECONOMIC CRISIS

Beatrix HORÁNYI, Olga MARKÓ

Szent István University, Faculty of Economics and Social Sciences

E-mail: horanyi.beatrix@gtk.szie.hu

Summary: The role of automotive industry in the economic life is beyond dispute. It has decisive significance on the field of employment, export, research and development and innovation as well. Its increasing relevance had already been perceptible following the change of regime, and has been even more conspicuous since the turn of the millennium.

Beside the real estate market, the automobile market bore the biggest loss both on national and European level as the economic crisis of 2008 has emerged, which originates in the vast amount of credit purchases. However this is not the only reason of the drop of sale indicators. There are many factors which have been influencing the automotive industry unto this day, and difficulties occurred within the sector, yet before the crisis began. One of the indispensable conditions of the development is the convenient regulatory background. As for the automotive industry, it is one of the most regulated sectors, it changes constantly, meanwhile the diverse regulations result in tight competitiveness. The enterprises operating in the car industry have to adjust to this changing environment and their subsistence and development depends on the ability of doing so.

In our publication we seek to resume the results of the first phase of a national survey. We started our research by collecting secondary data in order to present the role and relevance of the Hungarian and European automotive industry. In addition, our aim was to examine how the economic crisis affected the competitiveness of the sector in question.

Key words: economic crisis, car traders, competitiveness

1. Situation of the automotive industry and its importance

The automotive industry is an integral part of the economy, so its importance is indisputable in EU and national relation as well. More than 260 million cars travelling the roads of Europe and nearly 7% of them are new vehicles under one year old.

It has significant role on the field of employment, since more than 12 million families depend on this industry for their livelihood. 30% of new cars are made in the EU. The essentially production-based automotive industry becomes increasingly knowledge-based sector where the manufacturers are spending € 20 billion a year for R & D activities.

The automotive industry also plays a prominent role both in employment and exports, as well as in research and development and innovation. For the maintenance and development of the industry appropriate regulations are essential. With more than 80 policies and 115 regulations, the automotive industry belongs to the most regulated sectors of the EU (ACEA 2010).

The European Commission (2014) identified the following objectives in connection with the automotive industry:

1. "To strengthen the competitiveness of the automotive industry

The aim is to identify and assess policy issues of significant importance to the competitiveness of the EU automotive industry and to suggest solutions that take into consideration economic, social and environmental objectives.

2. To complete, adapt and simplify the Internal Market regulatory framework

The work on improving the Internal Market is built upon the introduction of the EC Whole Vehicle Type-Approval System which allows manufacturers to have a vehicle "type" approved in one Member State and then be able to market the vehicle in all other Member States without further tests.

3. To promote globalisation of the technical regulatory framework through UNECE Global technical harmonisation is a key factor in strengthening the competitiveness of the European automotive industry world-wide. The EU is a Contracting Party to two agreements of the United Nations Economic Commission for Europe (UNECE): the 1958 Agreement on Uniform Technical Prescriptions for Vehicles, and the Global Agreement of 1998.”

By the middle of the 90's following the political transformation, Suzuki, Opel and also AUDI settled down in Hungary, which give the largest proportion of the production even now. (Kemenczei 2010) The significance of the Hungarian machine and vehicle industry are growing continuously since the turn of the millennium, although the crisis had a considerable effect on these industrial branches.

2. Effects of economic crisis to the automotive industry

One of the largest losers of the economic crisis started in 2008 was the passenger car market. Decrease of financing possibilities were caused also by the drastic decrease of liquidity, as the consequence of it the population mostly postponed the purchase of cars. At the same time, independently from the crisis, difficulties came forward already before 2008 in the automotive industry. Markets started to become saturated, capacity excess came forward, people bought on credit, and the demand grew rather continually towards the energy more saving cars. (Antalóczy – Sass 2011) The government of more countries introduced the so-called wreck program, in case replacing the old, polluting, not energy saving cars and at the same time purchasing of a new car customers received support (OECD 2010).

Due to this the car realizations rose back onto the level before the crisis in more countries.

It was another important measure that they tried with different discriminative steps for example to ban the polluter cars from certain quarters, thereby increase the mood for buying new cars. (National Employment Service 2010)

Ernst & Young car industrial analysis in 2010 managed to get onto that result, that the Central and Eastern European countries' motor industry felt the effect of the crisis less. In these countries mainly small cars are produced, for which the demand did not fall significantly in the past years, during the crisis, although decrease shown on the largest market player's Suzuki's selling indicators. Crisis had also huge affects on AUDI as the largest exporter. On one hand it comes from the premium category role of AUDI and on the other hand, that the target countries of the engines produced in Hungary primarily belongs to European regions hit by crisis. (Demeter 2010)

On the Automotive Hungary 2013 – International Trade Exhibition for Automotive Industry Suppliers Csaba Kilián (CEO of AHAI¹⁴) said, that the automotive industry is the fastest improving sector of the Hungarian economy and it went through in a quantitative and qualitative leap and into which more than 4 billion Euros of working capital arrived in the last 5 years. (MTI 2013)

2.1 Effect of the crisis onto the realization of new cars

We have already mentioned in the previous chapter that the automotive industry got into an increasingly heavier situation in the years before the crisis. Markets started to become saturated, which has the consequence that capacity excess appeared and besides this people

¹⁴ Association of the Hungarian Automotive Industry

rather bought on credit. (Antalóczy – Sass 2011) Following the 2005 selling peak from 2006 decreases started appearing in turnover, although between 2006 and 2008 nearly 200.000 more cars were sold on the domestic market, than as much the purchasing power would justify. The realization of new cars attained with nearly 6 % decline the 176.978 in 2007, and with a 10 % decline in 2008 already the 160.000 were not reached in Hungary. (Automotive Industrial Advisor Cluster 2009) By 2009 that number dropped back with more than 100.000, it exceeded just the 60.000, which meant 60% decrease. (Automotive Industrial Advisor Cluster 2010)

According to HAAD (Hungarian Association of Automobile Dealers) the crisis made his effect even harder, that the wreck premium system were not introduced in Hungary, the VAT was increased and apart from this car dealers were not allowed to apply for a job-maintaining application any more. (Management Forum 2009)

The 1st table shows the putting motor vehicles into traffic according to vehicle types in the last three years.

Table 1: Putting new motor vehicles into traffic 2011-2013

	2011	2012	2013
Car	45106	53057	56140
Light Commercial Vehicle	11437	10901	11416
Bus	152	54	432
Heavy Commercial Vehicle	4316	4157	4991
Motorbike	1956	1799	1896
Total	62967	69968	74875

Source: HAAD, 2013

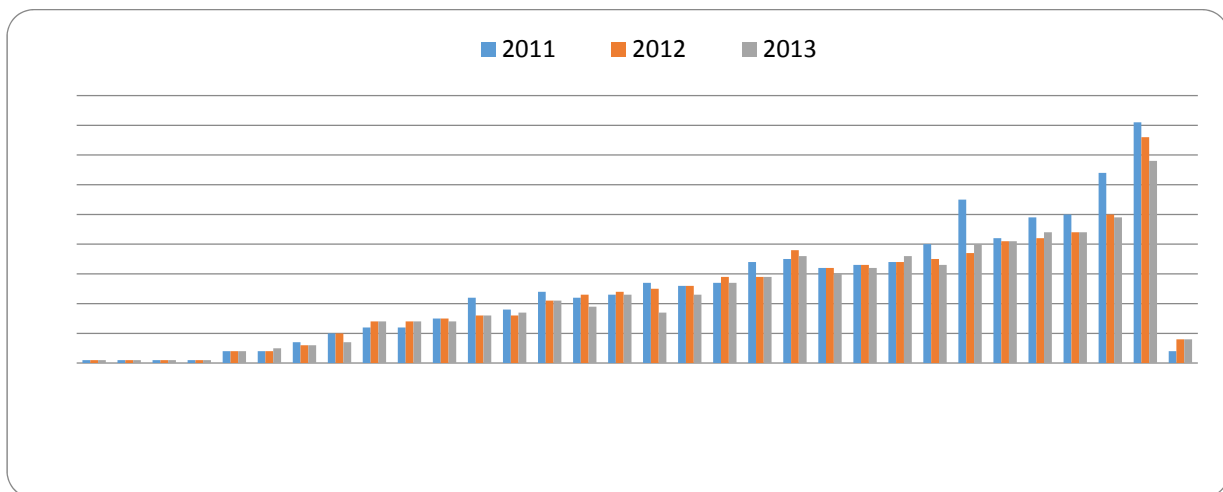
In 2011 45.106 pieces of new passenger car were put into traffic, which is 3,7 percentages more than in the year before. The number of all of the new vehicles increased by 9,1 percentages in 2011, nearly to 63.000 (HVG 2012a). In the table it is also observable, that 25% more new passenger cars were put into traffic in 2013 than in 2011.

According to the different researches done in last years, considerable changes in the automotive industry can be expected only after 2014, since the results show that different tax changes (personal income tax and corporation tax) neither proved to be fruitful properly in the promoting of the realization. (HVG 2012b)

3. Situation of Hungarian car dealers after the crisis

HAAD in 2013, as in each year, prepared the mapping of the Hungarian car dealers' state. According to that it can be say that no one left the market and new car brand did not appear on the Hungarian market in the last two years. In our survey a car dealer is considered as one business unit, although there one or more car brands might be on sale. In one car showroom different brands may be sold, so it is possible, that one company is dealing with more car brands in more car showrooms, even so they represent one trading unit. On the other hand, if a company has more locations, it will represent more business units even if they are dealing with only one car brand, since the company continues the car dealer activity in separate car showrooms. According to the above mentioned the number of car dealers were 448 in 2013, which is 4% less than in 2012. "Number of car showrooms was 785 in 2011, which reduced to 750 in 2012. In 2013 732 showrooms can be counted throughout the country." (HAAD 2013)

Figure 1: Number of car showrooms and their change per car brands 2011-2013



Source: HAAD, 2013

On the diagram it can be seen, that there was a decrease in the number of car showrooms in case of Suzuki, Opel, Renault, Ford, Chevrolet, Fiat, Peugeot, Seat and Mazda, while in case of AUDI and BMW considered as luxury categories an increase can be observed, such as by SSangyong, which counts as a new player in the market.

In the first phase of our research we tried to present the significance of automotive industry, its situation and the effect of the crisis based on secondary data.

We set it as an aim in our following examination to reveal that what kind of factors and how they influence the competitiveness of car dealers after the crisis. Further we would like to examine what kind of opportunities stood for the compensation of the effects of the crisis for car dealers, which ones were the necessary changes to which they were bound in order to survive. We are curious about the fact that how survivor car dealers see the future of the industry and their own company.

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