
EUROPEAN AUTOMOTIVE INDUSTRY: CURRENT STATE, RISKS AND PROSPECTS OF MODAL SHIFT

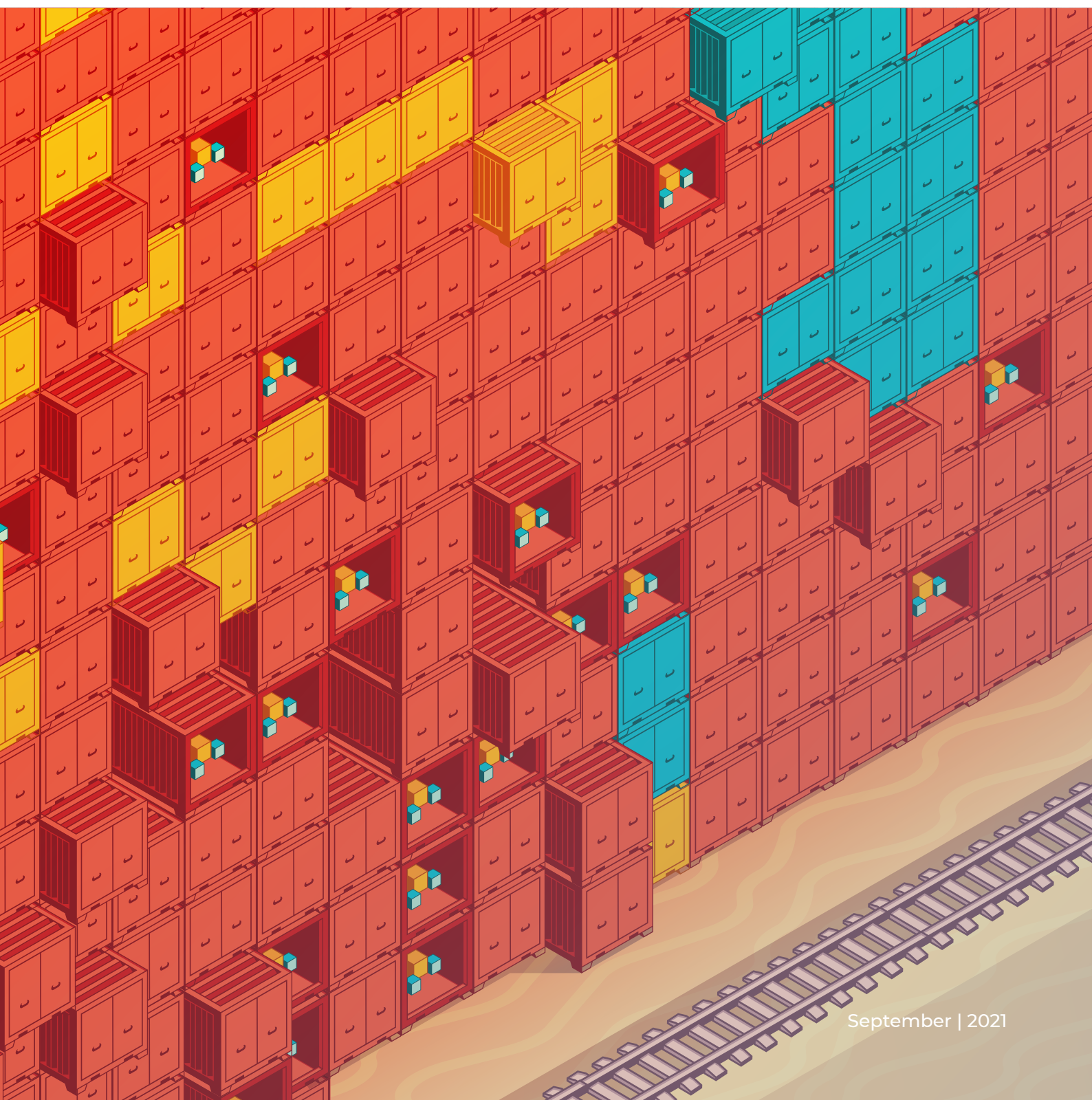


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INTRODUCTION

The automotive industry is one of the key sectors of the EU economy, especially in such countries as Germany, the Czech Republic, Belgium, etc. The state of the automotive industry also affects a number of related fields, from metallurgy to electronics, as well as transport. For a long time, the automotive industry has been the engine of growth. However, the year 2020 and the pandemic have had a significant effect on demand and, consequently, on production, which has fallen globally to the level of the years 2010 and 2011.

The European Union, a traditional automotive manufacturer, is still among the most important regions of the automotive industry in the world. European companies retain a competitive advantage in the global market, led by brands such as Volkswagen, BMW, Mercedes-Benz, Fiat, Peugeot Citroen and others, despite the emergence of new manufacturers, including in China. The automotive industry plays a special role in the socio-economic, scientific and technical development of the EU, it is characterized by an exceptional concentration of capital and is generally an integral part of the European Union economy: this industry generates 7% of GDP, not including related fields.

However, the European automotive industry faces many challenges. One of them is the decarbonization agenda: On 11 December 2019, the European Commission unveiled the European Green Deal, which includes a plan to reduce the carbon footprint of the EU and achieve carbon neutrality by 2050. If decarbonization issues are nothing new to the automotive field, the pandemic was a black swan for the industry and posed a unique challenge.

COVID restrictions hurt demand and lead to a decrease in car sales. Disruptions in commodity supply chains exacerbate the shortage of semiconductors needed for electronics in modern cars. According to automotive industry expert Professor Ferdinand Dudenhöffer from the University of Duisburg-Essen, the virus is the biggest threat to the global automotive industry in the past few decades.

In 2020, for the first time since World War II, EU GDP fell by a record 6.0%. In March and April, as well as in autumn, many European countries imposed quarantine restrictions and closed their borders, which led to a decline in business activity. The efforts of European states have made it possible to reboot the economy, allowing production to return to pre-crisis levels in the last quarter of 2021. The European Commission forecasts GDP growth of 4.8% in 2021 and 4.5% in 2022.

Passenger car sales in the EU fell by an “unprecedented” 24%, to less than 10 million cars in 2020. In this regard, Volkswagen AG group has lost its position as the largest automotive manufacturer in the world, giving way to Toyota. In total, Volkswagen car sales for the year fell by 15%, which was the worst performance in the last ten years. Restrictions in China, which accounts for more than 40% of the group's sales, also had an impact. A total of 5.73 million Volkswagen cars (-16.8%), 2.43 million Mercedes cars (-8.4%), and 2.05 million BMW cars (-8.4%) were sold worldwide in 2020.

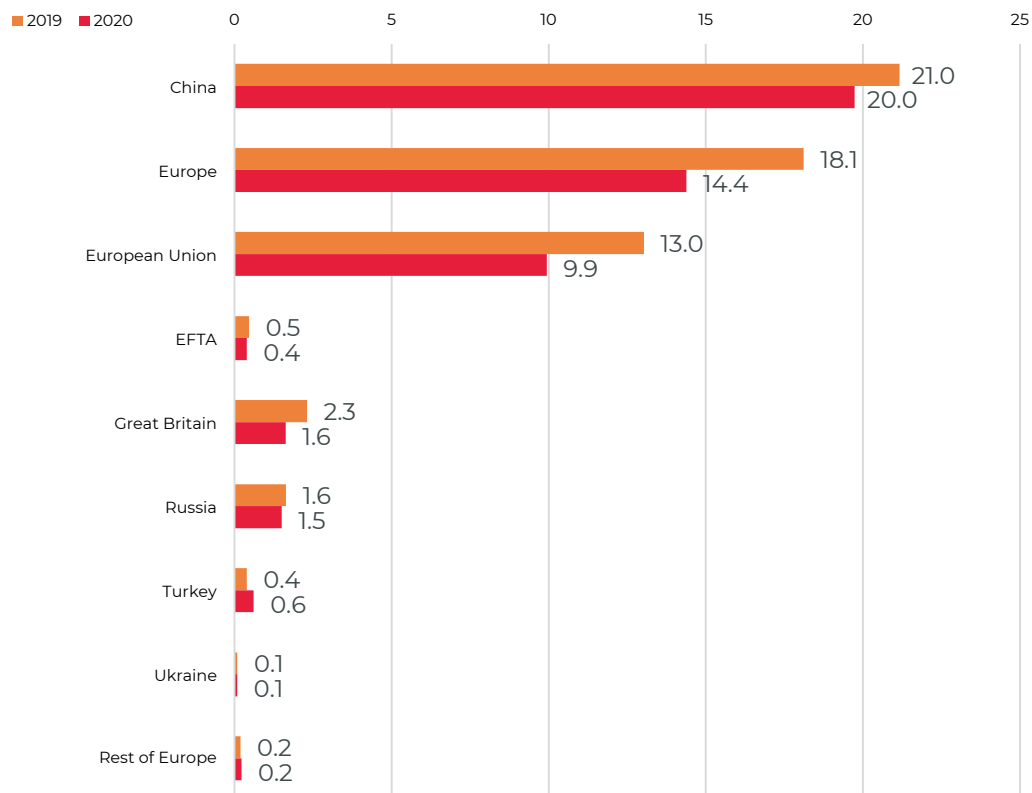
Next year will be a time of recovery for the European automotive industry, but a number of familiar problems will accompany the recovery: uncertainty associated with the spread of new strains of COVID-19, disruptions in supply chains, rampant inflation in Europe and trade wars.

THE CORONAVIRUS CRISIS AND ITS IMPACT ON EU CAR MANUFACTURERS

The automotive industry, an important part of the European economy, found itself in difficult conditions along with the rest fields of the economy. It accounts for **7%** of EU GDP; **14.6** million people are directly or indirectly related to the automotive industry (6.7% of those employed in the EU); **440.4** billion euros are taxes from the automotive industry; **74 billion euros** is the EU foreign trade balance in passenger cars. In addition, the automotive industry is the most knowledge-intensive, with **60.9** billion euros of investment in R&D annually, accounting for **29%** of all investment in the EU.

NUMBER OF NEW REGISTERED CARS IN EUROPE AND CHINA

Million cars



Source: European Automobile Manufacturers' Association (ACEA).

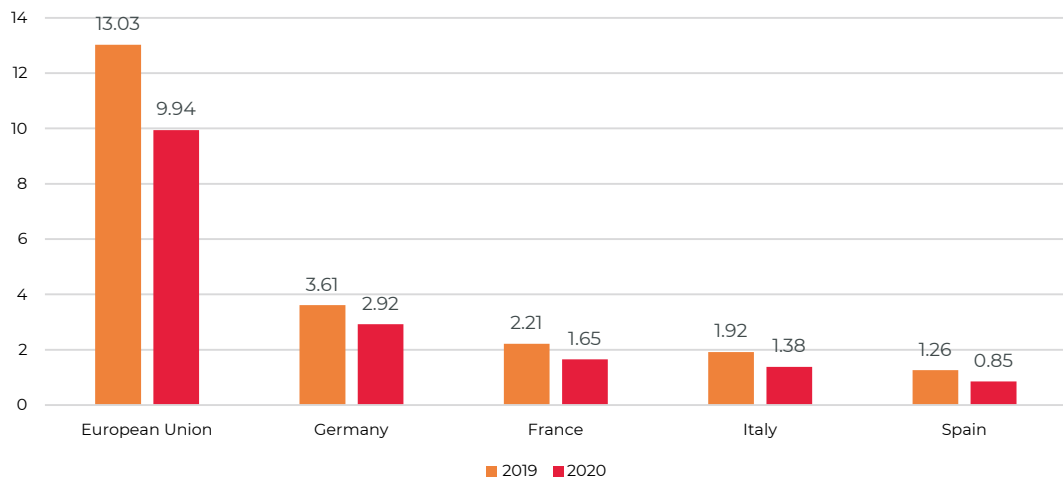
Reduced demand for cars in the EU

The specific feature of the coronavirus crisis as applied to the automotive industry was its simultaneous impact on all economic factors. First, measures to fight the pandemic have significantly reduced the demand for new cars. World sales of passenger cars decreased by 15.3% – from 74.9 million to 63.4 million cars. In Europe, the decline was even worse and amounted to 20.6%. At the same time, the European Union market fell even deeper - by 23.7%, and the record sales decline occurred in the UK – by 29.4%, which can be attributed to the consequences of leaving the EU. In the countries of the European Free Trade Association (EFTA), the decline was 16.7%. Demand for passenger cars also decreased in China – by 6.8%.

In each of the Big Four European countries (Germany, France, Italy, Spain) the decline was also **significant**. In Germany, the reduction in demand amounted to 19.1%, which is lower than in other countries. The record holder for the decrease in the number of registered passenger cars was Spain – 32.3%. France and Italy have also faced this problem.

NUMBER OF NEW REGISTERED CARS IN EU BIG FOUR COUNTRIES

million cars

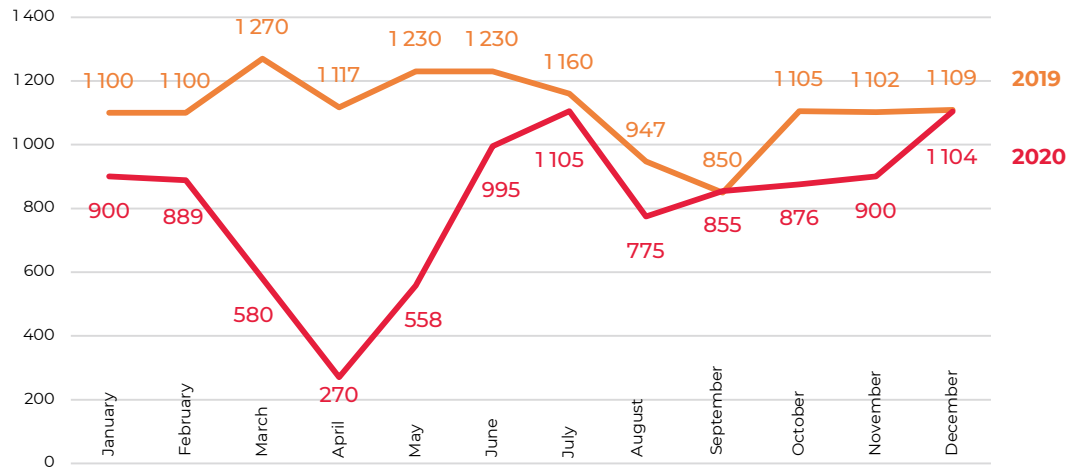


Source: European Automobile Manufacturers' Association (ACEA).

At the same time, the largest drop in sales relative to the previous reporting period **was observed** in spring of 2020, when it ranged from 52% to 76%. The drop occurred at the peak of the pandemic restrictions and largely coincided with the dynamics of the introduction of measures to fight COVID-19. However, by the end of the year and beyond, sales stabilized.

REGISTRATION OF NEW PASSENGER CARS IN THE EU IN 2020 BY MONTH

thousand cars



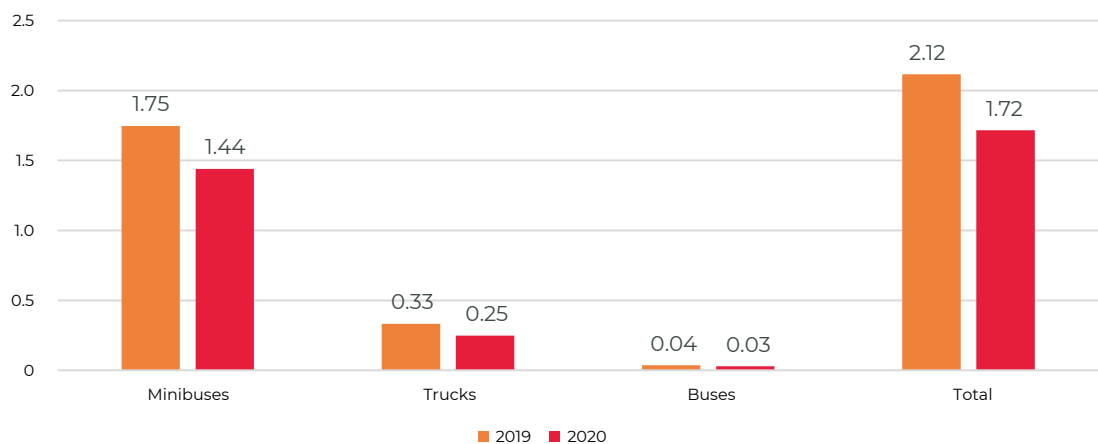
Source: European Automobile Manufacturers' Association (ACEA).

In addition to the passenger car segment, the coronavirus has also affected the commercial vehicle segment. Here the decline was 18.9% for all types of commercial vehicles. Trucks (-25.7%), buses (-20.3%) and minibuses (-17.6%) showed the largest decrease in sales. The negative impact of the pandemic on the commercial transportation segment was more moderate, resulting in a slower rate of demand contraction.

After a record **23%** drop in passenger car sales in the EU this September, including due to a shortage of semiconductors, new disruptions in the supply of components in 2022 and high car prices are predicted to slow the recovery in passenger car demand. At the same time, analysts of the automotive market assume the **recovery of demand** for cars already at the turn of 2021-2022.

NUMBER OF NEW REGISTERED COMMERCIAL VEHICLES IN EU COUNTRIES BY TYPE

million cars



Source: European Automobile Manufacturers' Association (ACEA).

— Reduction in the car supply

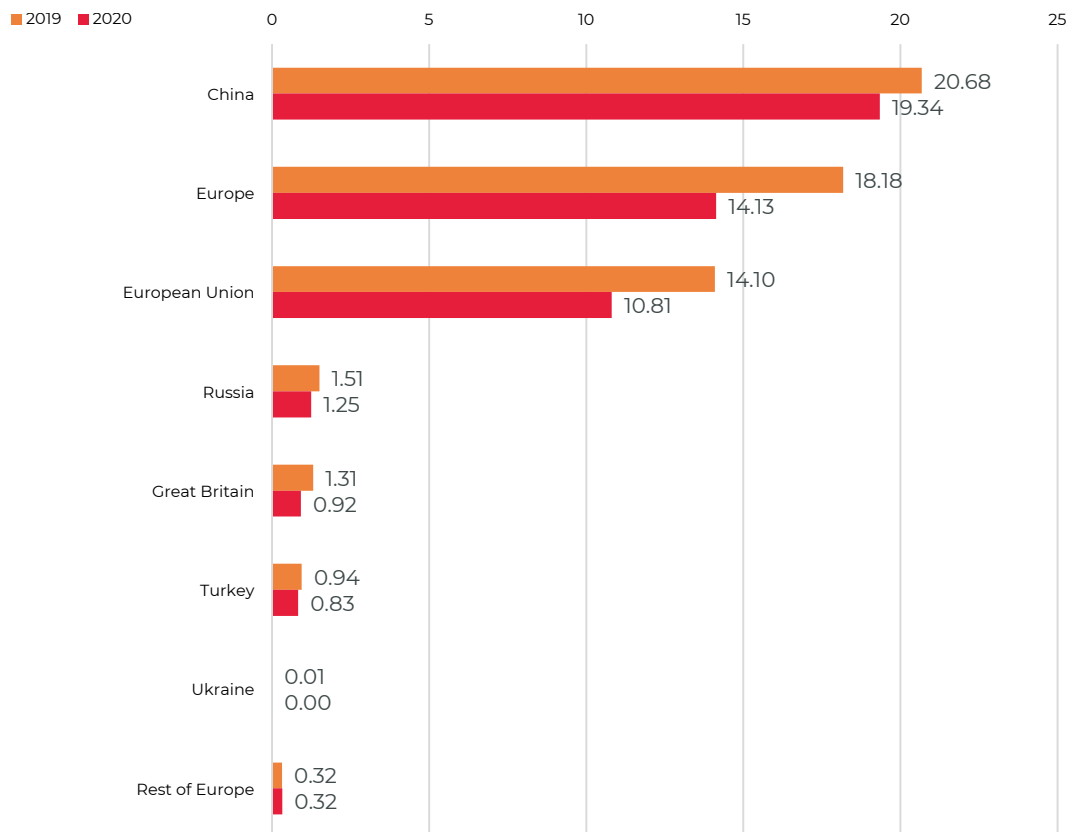
Second, the coronavirus crisis has had an impact on supply. The reduction in car production was the result of decreased demand, as well as logistical disruptions and production restrictions to prevent the coronavirus. The supply has also declined, having experienced the complex influence of a number of factors.

After stoppages in spring and a slow restart in the third quarter, industrial production increased at the end of 2020 due to demand stimulus and the need for companies to recover and restock due to likely disruptions in supply chains. However, according to the European Automobile Manufacturers Association (ACEA), production of passenger cars in the EU in 2020 decreased by 23.3%, to 10.8 million cars, and in the whole Europe – by 22.3%. Ukraine (-33%) and Great Britain (-29.7%) showed the record decline.

Against this backdrop, China's 6.4% fall in car production in 2020 was a success and a consequence of more rapid control of coronavirus outbreaks in the country. As a result, China remained the world leader in the production of passenger cars in quantitative terms.

NUMBER OF PASSENGER CARS PRODUCED IN EUROPE AND CHINA

million cars



Source: European Automobile Manufacturers' Association (ACEA).

According to IHS Markit, in 2022, passenger car production in Europe is expected to grow to 18.6 million (+161%), which will return production to pre-crisis levels. At the same time, some manufacturers claim that they have excess capacity, for example, the newly created company [Stellantis](#). Thus, the recovery will be accompanied by some restructuring of the industry, due to continued disruptions in chip delivery, volatility in the raw material markets for the industry, primarily steel markets, and the introduction of electric and hybrid cars into the production lineup. In addition, increased demand in China and manufacturers' desire to optimize production may change the location of European manufacturers' facilities (nearshoring and onshoring).

STATUS OF EU-CHINA TRADE AND MANUFACTURING IN CHINA

Trade in automotive products is one of the most important areas of EU-China trade, as well as one of the foundations of the cargo base of the Eurasian transit rail route. Therefore, the state of trade, the balance of freight traffic is in the field of special attention of both shippers and transport and logistics companies.

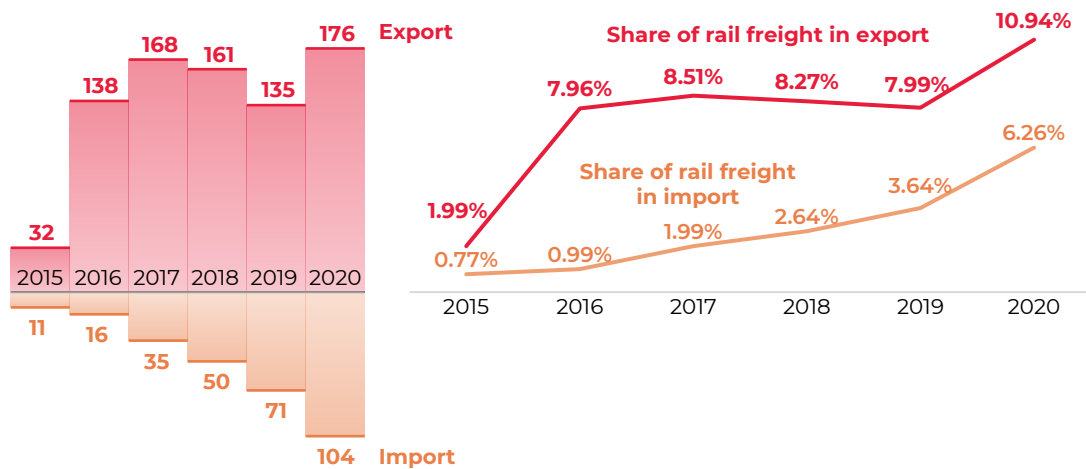
State of trade in physical terms and share of rail freight

In physical terms, trade in goods of group 87 (vehicles) according to the Foreign Economic Activity Commodity Nomenclature (FEACN) is important for both the EU and China, especially in the context of freight traffic along the Eurasian rail route. Statistics show that EU exports in this commodity group surpass imports from China. However, imports have steadily increased over the past five years, stopping at 104 thousand tons in 2020. At the same time, exports from the EU to China amounted to 176 thousand tons.

Moreover, the share of rail freight in the composition of transportation means used to carry goods of commodity group 87 showed a positive dynamics. Whereas in 2015 the share of these goods in EU imports by rail was 0.77% in physical terms, today it has already exceeded 6%, and for exports the figure is now at 11%.

EU TRADE WITH CHINA IN VEHICLES: RAIL FREIGHT TRAFFIC

thousand ton



Source: Calculated by the authors based on Eurostat data.

On the one hand, such dynamics is a reflection of the fundamental role of commodity group 87 in the utilization of the Eurasian railway route: precisely the automotive industry is one of the main clients of trans-Eurasian transit container rail services. On the other hand, the achievement of impressive rates of modal shift raises the question concerning the possibilities of further “pulling” of cargoes to the railroad.

To continue the modal shift, it will be important to capitalize on the environmental advantages of rail transportation, i.e. the willingness of automotive manufacturers to decarbonize their logistics chains. In addition, one should take into account the factor of China’s movement in the hierarchy of value chains: from the role of the «world conveyor» to becoming a center of independent automotive production with its own scientific and production base, despite the remaining advantages of the European automotive industry and the predominance of EU exports to China over imports.

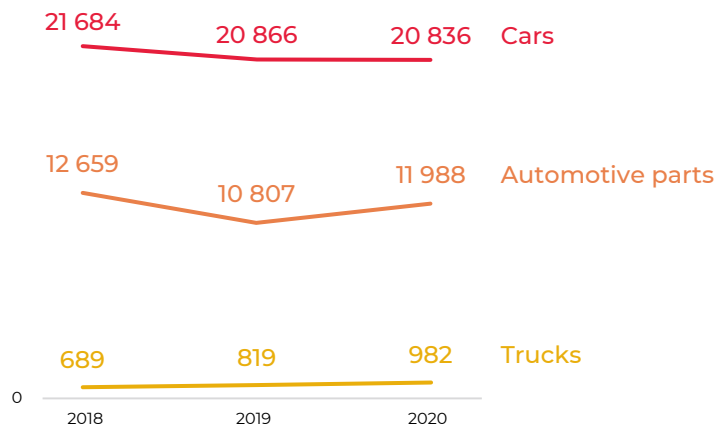
State of trade in value terms and key commodity groups

In value terms, according to the UN (UN Comtrade), EU exports of vehicles (FEACN group 87) to China increased by 4%: from 33.2 billion dollars in 2019 to 34.5 billion dollars in 2020, close to the inflation rate in the EU. EU imports from China increased by 11.2%: from 10.9 billion dollars to 12.2 billion dollars.

The most important commodity groups for EU exports to China in the category of vehicles are passenger cars (8703), automotive parts (8708) and trucks (8704). Passenger car exports, one of the EU's main export categories, have stayed at 21 billion dollars a year for the past three years, declining slightly since 2018. As shown by analysis based on Eurostat data, the share of rail freight in EU passenger car exports to China has also stabilized around 16%: in 2018 – 14.14%, in 2019 – 16.72%, in 2020 – 16.55%.

EU 27 EXPORTS TO CHINA OF CERTAIN CATEGORIES OF AUTOMOTIVE PRODUCTS

million dollars



Source: Compiled by the authors based on UN Comtrade data.

Automotive parts exports to China in 2020 approached the level of 2018, amounting to almost 12 billion dollars. Rail transport also took a significant share in the transportation of this commodity group – about 8%, which is also higher than the average for all commodity groups. Whereas in 2018 that share was 8.86% and in 2019 – 4.34%, in 2020 it was 8.44%.

Trucks are also in the top three of the main exported means of transport. Their exports to China have increased sequentially from 689 billion dollars in 2018 to 982 billion dollars in 2020, due to the continuing competitive advantage of the European automotive industry in this specific commodity group. At the same time, this commodity group is almost never transported by rail.

The main EU imports from China in the vehicle group are automotive parts (group 8708), motorcycle, bicycle and wheelchair parts (group 8714), as well as motorcycles and mopeds (group 8711). Automotive parts exports to the EU have slowly declined over the past three years, from 4.7 billion dollars in 2018 to 4.5 billion dollars in 2020.

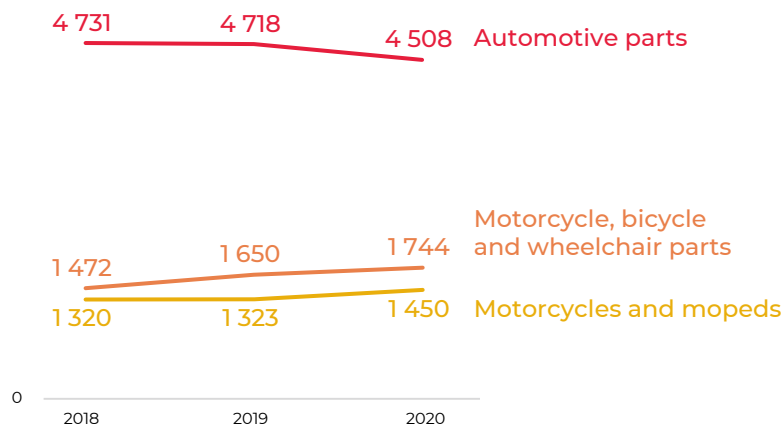
One of the reasons for this could be the development of China as a producer not only of components, but also of final products, which raises the country's level in global value chains. As for the rail share in automotive parts imports from China to the EU, it is steadily increasing: from 3% in 2018 and 4% in 2019 to 6% in 2020.

The next most important commodity group coming into the EU from China are motorcycle, bicycle and wheelchair parts. Whereas deliveries to the EU reached nearly 1.5 billion dollars in 2018, they stopped at 1.7 billion dollars in 2020, continuing an upward trend. Rail transportation of this commodity group has been growing at a steady pace for three years, as well as overall transportation from China to Europe (westbound). In 2018, the rail freight share was 2.5%, and in 2020 – already more than 7%.

Another important commodity category is motorcycles and mopeds, imports of which rose from 1.3 billion dollars to nearly 1.5 billion dollars. At the same time, the share of railway transportation also grew, but only slightly, from 6.3% in 2018 to 6.4% in 2020. This category is one of the main areas for China in trade with the EU.

EU 27 IMPORTS FROM CHINA OF CERTAIN CATEGORIES OF AUTOMOTIVE PRODUCTS

million dollars



Source: Compiled by the authors based on UN Comtrade data.

Thus, the decline in car production in the EU and China did not lead to a reduction in EU exports to China and EU imports from China of the main commodity groups of vehicles. It is fair to say that the volume of exports of the considered commodity categories has stabilized in value terms. Changes in volume are largely within the confines of inflation and currency fluctuations. The rail share in EU exports of land means of transport is quite high and hardly subject to change. As for EU imports, they are also growing at a moderate pace. At the same time, the rail transport share within the considered categories is increasing at a noticeable rate both in the direction to China, and in the direction to Europe.

One of the main trends that will also influence the direction of trade in passenger cars and their components is onshoring and nearshoring, i.e. shifting production not to distant countries with a cheap labor factor but back to the country of origin or to a nearby country with a lower labor factor cost. In the case of the EU, these countries tend to be Eastern and Southern European states.

China used to produce 70% of global car parts, but the COVID-19 pandemic has exposed the vulnerability of this supply chain, with many car manufacturers being **forced** to shut down production in 2020 because of the disruption. Onshoring (returning production facilities to the manufacturer's home country) and nearshoring (locating production in a country geographically close to the company's headquarters) can be a solution to this situation.

Serbia, for example, has the potential for such production locations in Europe. The country used to have its own car industry, but UN sanctions in the 1990s and an unstable political situation led to the destruction of the industry in the country. The proximity to the consumer, the availability of human resources for production and the relatively cheap labor force make such countries more attractive to large car manufacturers.

The growing competence of Chinese car manufacturers and the rise in actual production volumes have their own specific features and impact on EU-China bilateral trade. Firstly, China is continuing its transition from a «world's factory» to a consumer economy, which is now the economy of the West. In other words, the driver of car production in China will increasingly be domestic consumption. For example, China exported 995,000 passenger and commercial vehicles in 2020, which is slightly higher than in 2013. This suggests that the nature of EU-China trade in HS 87 goods will not change radically.

Secondly, China exported 760,000 passenger and 235,000 commercial vehicles in 2020: a record high for passenger vehicles and a record low for commercial ones. In other words, China's own production will increase and so will its exports, especially in the mass passenger transport segment, while European manufacturers will retain their advantages in the more technologically sophisticated and specific segments.

Thirdly, the US-China trade war is a trigger for the relocation of production against the backdrop of economic factors. To a lesser extent, it concerns European producers, especially in view of the Comprehensive Agreement on Investment (CAI). This does not mean that the industry is independent of bilateral relationships, but it makes the operating environment less unpredictable, which will facilitate well-established cooperation and preserve value chains.

IMPACT OF SEMICONDUCTOR SHORTAGES ON CAR MANUFACTURERS

The COVID-19 has had another impact on the automotive industry both in Europe and around the world. The demand for computers and various types of 'smart' technology, as people around the world switched to remote work, has created chip shortages in other technological areas of manufacturing. Entire industries faced supply problems and the automotive industry was one of the most vulnerable to the crisis.

The problem stems from the nature of production – the significant degree of international division of labor in the automotive industry. A modern car is a collection of parts produced all over the world, and due to the stream-lining of production, supply chain disruptions affect the entire production chain. Disruptions in international logistics, such as flight restrictions, shipping delays, have exacerbated the shortage of semiconductors in the international market.

Car manufacturers do not manufacture chips for cars themselves, but buy them from specialized companies such as Infineon Technologies AG, NXP, Renesas, SMIC and others. Meanwhile, the main semiconductor production facilities are located in East Asia. In connection with the latter, the US-China trade war has aggravated the situation. SMIC, for example, faced US sanctions for fulfilling PRC defense orders and was forced to withdraw from the US market, causing a major reallocation of chip supply chains.

Another factor is that automotive companies are not always priority customers for semiconductor manufacturers, as they are less likely to sign long-term contracts than electronics manufacturers. The Head of European Infineon Technologies also made the disappointing announcement at the opening of the company's new factory in Austria that chip prices would rise drastically as money is needed to expand production. The company has previously spoken out against setting up an advanced contract manufacturing in Europe for semiconductor components with state-of-the-art lithography. In their view, the automotive industry will not require technological processes thinner than 20 nanometers in the next five years, so any investment in more expensive hardware will be difficult to justify.

All of these factors have caused a wave of shutdowns at car production facilities in Europe in spring 2021:

- Volvo AB is introducing «shutdown days» within its global truck manufacturing operations due to the significant impact of the global semiconductor shortage.
- Works at Toyota's plant in Kolin, the Czech Republic, which produces the Aygo compact car for the European market, have been suspended for two weeks from 22 March after cold weather in the US disrupted chip production.
- Volkswagen has suspended production at its plant in Portugal from 22 to 28 March.

The shortage of semiconductors is a serious constraint on car production: the lack of necessary components is affecting production and will continue to affect European car makers in 2022, and according to some forecasts, in 2023 as well.

It should be noted that the need to speed up shipments within the production chains of car manufacturers in terms of semiconductor shipments (product groups 8541 and 8542) makes transit rail freight transportation along the Eurasian route an attractive alternative to other modes of transport. Despite the dominance of air freight in EU-Chinese trade in these commodity groups, railways could take advantage of the situation by taking over some of the volume of car component shipments.

DECARBONIZATION AGENDA IMPACT ON EUROPEAN CAR MANUFACTURERS

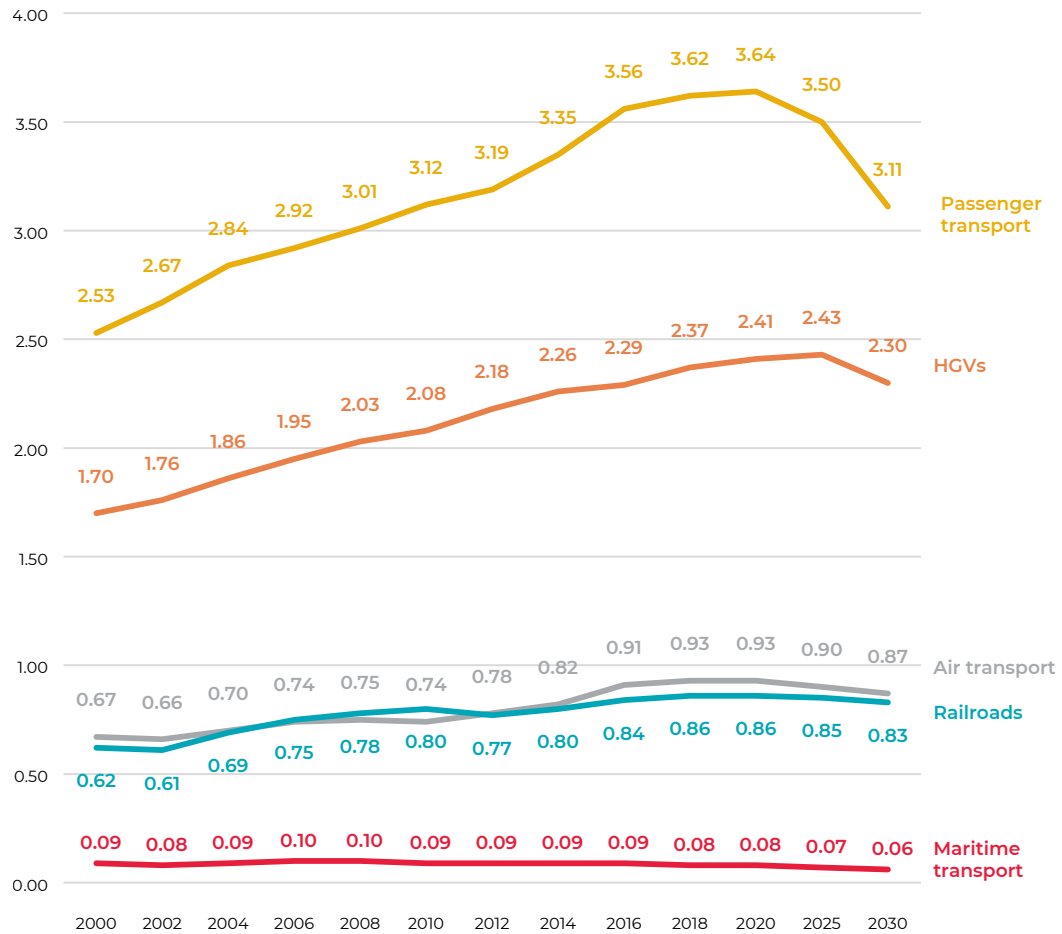
Against the backdrop of a serious collapse of the car market in general and in the EU in 2020, sales of all sorts of electrified vehicles have risen significantly. In particular, according to the European Automobile Manufacturers Association, the share of «hybrids» in total sales has reached 11.9% (in 2019 it was 5.7%). Electric vehicles increased their market share in the EU to 10.5% in 2020 from 3.0% in 2019. This growth can be explained both by the state demand support measures adopted in most EU countries, mainly aimed at “green” cars of various kinds, and by the substantial investment in electric and hybrid vehicles by the car manufacturers themselves.

Decarbonization has also been a catalyst for change in the industry. The European Union’s carbon neutrality initiative by 2050 is pushing car manufacturers to switch to electric and hydrogen engines, which requires not only updating product lines, but also upgrading factories and retraining employees. According to the ACEA, retraining employees would require car manufacturers to invest 7 billion euros annually. According to Director General of the ASEA Eric-Mark Huitema, the changes will affect 14.6 million Europeans. He believes that even the impact of the COVID-19 pandemic on the industry will not be as great as the decarbonization and digitalization of vehicles in Europe: «These two challenges are leading the automotive industry to the biggest technological disruption in history. They will affect the entire automotive ecosystem in Europe, from small businesses to the largest, from suppliers and dealers to services.»

A natural continuation of reducing the carbon footprint of manufacturing goods is to reduce emissions from finished products transportation. Some European car manufacturers have already started thinking about switching to new shipping methods, including rail as the most environmentally friendly alternative in terms of CO₂ emissions.

CO₂ EMISSIONS BY TRANSPORT MODES

Gt CO₂



Forecast for 2025 and 2030 in the sustainable development scenario

Source: International Energy Agency.

The Volkswagen Group has set the goal to switch completely to the delivery of materials and end products by rail in autumn 2020 in order to reduce the burden on the environment. In Germany, Volkswagen has concluded an [agreement](#) with Deutsche Bahn (DB) to switch to the rail transport within the country, following Audi, the [pioneer](#) of rail freight transportation. The Group aims to move up to 60% of its cars deliveries by 2022 (currently around 53%) by rail as a leader of the modal shift in the automotive industry. Switching to rail freight transportation would avoid mt 26,700 tonnes of CO₂ emissions per year.

Thomas Zernechel, Head of Volkswagen Group Logistics, states: “No other car producer in Europe transports more freights by rail using renewable electricity than Volkswagen. In addition to our production of carbon-neutral electric cars, this is our contribution to reducing emissions”. It is worth mentioning that brands such as AUDI, ŠKODA, SEAT, Porsche, Lamborghini etc. form this group. All of these measures are part of the VW Group’s goTOzero logistics strategy.

Other producers in Europe operate similarly. Toyota Motor Europe **supports** modal shift within its factories in Europe, as well as the inclusion of modal shift in key performance indicators for the direction. Renault also announced its intention to move away from road transportations in favor of rail ones where possible. As **noted**, it is necessary to continue investing in development of the rail network to make rail transportation more flexible and competitive.

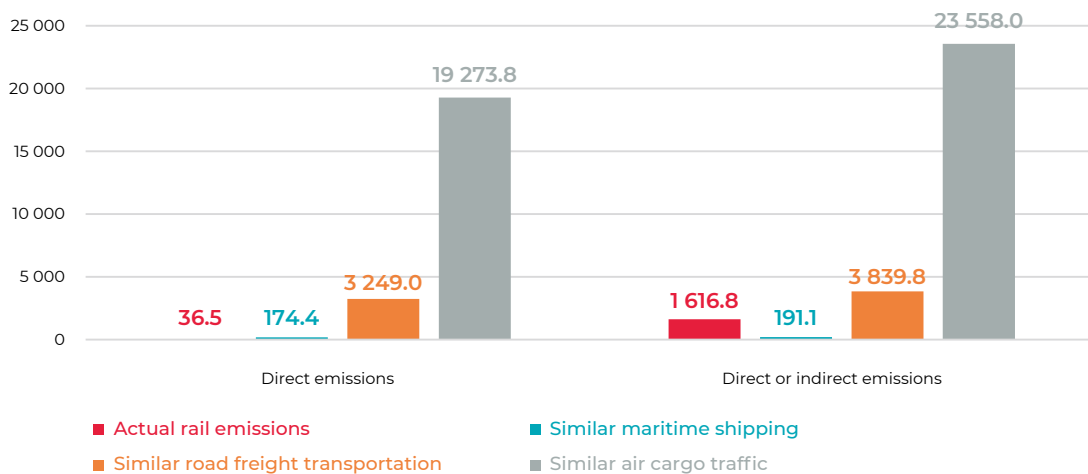
A notable example is Daimler corporation, which is one of the largest producers of premium cars in the world and **the largest** producer of commercial vehicles (Mercedes, AMG, Maybach and others). The company links 75 production facilities in 30 countries and some 8,500 retailers in almost all parts of the world with its global transportation and logistics network. These chains within the company transported 2.7 million vehicles in 2020. This is predominantly done by sea (about 350,000 TEU in 2020) and by air (about 120,000 tons of freights).

In one transportation segment, Mercedes-Benz has succeeded in achieving complete climate neutrality in cooperation with DB Cargo: from the beginning of 2020, production material for Mercedes-Benz car plants in Germany and the plant in Kecskemét, Hungary will be transported by trains running on green energy, allowing to ship the volume of goods equivalent to 270 trucks/day.

Decarbonization agenda highlights the environmental benefits of Eurasian rail container traffic. The ERAI portal's CO₂ emissions meter, an indicator of the environmental benefits of rail transportation for China-Europe-China rail container traffic, shows that air transportation is the least eco-friendly mode in terms of both direct and indirect air emissions. For the 546,902 TEU transported along the Eurasian rail route in 2020, rail is the most eco-friendly choice, especially in terms of direct emissions. Maritime transportation is also quite eco-friendly, but it shall be kept in mind that in addition to carbon dioxide (CO₂), ships emit other greenhouse gases such as sulfur oxide (SO_x), which the International Maritime Organization (IMO) is working to reduce.

CUMULATIVE EMISSIONS FROM FREIGHT TRANSPORTATION ON THE EURASIAN RAIL TRANSIT ROUTE IN 2020

546,902 TEU converted into KT of CO₂



Source: [CO2 emissions meter](#) of ERAI portal.

Indirect effects of the decarbonization agenda and the imminent introduction of the EU carbon tax (CBAM) on production factors should be noted. One of the foundations of trade between China and the EU has long been value chains, where the final product is formed from components imported from all over the world, including from its “workshop” — China. China’s growing welfare as well as rising labor costs and the protectionist nature of the EU’s carbon regulation initiatives have stressed the issue of re-shoring, i.e. bringing industries previously exported to other countries back to Europe.

Border closures have shown that even within a single European space, supply chains can be disrupted in such an internationalized area of production as the automotive industry. [Report of the State Committee on Franco-German Relations](#) attests to this. For example, Polish producers, who have traditionally specialized in engine construction and production of parts thereof (as per the European division of labor), are at risk. The automotive industry also accounts for a significant share of GDP in countries such as the Czech Republic, Hungary and Slovakia.

CONCLUSION: AUTOMOTIVE PERSPECTIVES AND IMPACT ON MODAL SHIFT

Despite the European car market recovery after the coronacrisis, this process will not be as rapid as originally expected. In 2020, there was a sharp decline in new car sales in the EU and the UK, to 13.69 million units. This volume, compared to 2019, is 23.7% less. Total sales volumes are forecast to recover in 2021, with growth of 9.6% to 15.01 million units. Recovery will continue with a further 6% increase to 15.92 million units in 2022. In parallel, however, there will be a sharp decline in sales of cars with internal combustion engines (ICE), especially those powered by diesel. Given the projected low growth in GDP and household incomes, total car sales will recover to pre-Covid levels until 2028.

Production volumes will recover somewhat faster. They will reach pre-pandemic levels by around 2025. This will happen primarily due to stronger export growth. ICE Cars, not bought in the EU, will be exported to Asia and North America by European automakers. There will still be demand for cars with such engines. Tougher requirements for cars (emission regulations, braking systems, driver monitoring) will raise car prices and could make the model range elite. Several other objective factors, such as rising steel prices, may also have an impact on the price of new cars. Prices for leather and hides used for interior trim have also risen by mt 30.5% on average.

The automotive industry is faced with a unique situation where several challenges are confronting at once. Firstly, this is the coronacrisis, which caused problems both with demand and production of vehicles. Secondly, this is a problem with components — primarily a shortage of semiconductors, as well as rising prices for some other goods. Finally, the decarbonization agenda is a fundamental challenge.

However, this situation also provides opportunities for a modal shift — shippers switching to rail alternatives to sea, air and road transportation, both within the EU and China-Europe-China. Many companies are aiming for carbon neutrality, and this is possible by switching to other ways of goods transportation, the most relevant of which is by rail.

The coronacrisis has also been a growth point for Eurasian transit, thanks to reliable rail transportation coupled with the cost and time advantages of trains. At the same time, the switch by automakers to “rail” is not a new trend — the past year has only highlighted and actualized it. There is no doubt that with good transport connectivity, high safety standards and timeliness, railways have huge potential for development and will be a reliable partner for many European automakers.