SeeNews

Business Intelligence
for Southeast Europe

Southeast Europe
The New Hot Destination of the Global Automotive Industry

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The New Hot Destination of the Global Automotive Industry

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The automotive industry in Southeast Europe (SEE)[1] is represented by all subsectors – manufacture and distribution of passenger cars, light commercial vehicles, buses and coaches, medium-sized and heavy-duty trucks and buses, alternative fuel vehicles (hybrids and electric cars), and automotive parts and components. It is among the most rapidly expanding industries in the economies of all countries in the region in terms of contribution to the GDP, volume of production and job creation, as well as one of the leading sectors attracting FDI.

Total Vehicle Production (Units)			
	2017	**2016**	**2015**
Romania	359,250	359,306	387,177
Slovenia	189,852	133,702	133,092
Serbia	79,912	80,320	83,630
SEE	**629,014**	**573,328**	**603,899**

Source: OICA

Passenger Car Production (Units)			
	2017	**2016**	**2015**
Romania	359,240	358,861	387,171
Slovenia	189,852	133,702	133,092
Serbia	79,360	79,360	82,400
SEE	**628,452**	**571,923**	**602,663**

Source: OICA

Vehicle production

In 2017 a total of 629,014 vehicles were manufactured in SEE, according to the International Organization of Motor Vehicle Manufacturers (OICA). This represented almost 3.0% of the total European and 0.6% of the global vehicle production, with shares staying unchanged over the last three years. In 2017, however, annual growth rates of 9.7% in the region significantly exceeded the European average of 3.1% and the global average of 2.4%. This can be explained with the constantly increasing demand for new cars in line with the overall sound economic growth in SEE, paired with consumers' preference for local brands, especially in Romania, the region's largest market. Passenger car assembly in SEE is concentrated in three countries – Romania, Slovenia and Serbia.

Passenger cars are the most significant subsector of the automobile assembly industry in the region. In fact, despite the presence of a number of minor bus, truck and other commercial vehicle production plants in most countries, OICA data reveals that they form close to 1.0% of the output in Serbia only. In Romania only single units of heavy-duty trucks are manufactured, while in Slovenia practically all vehicles produced are passenger cars.

Romania – the face of the SEE automobile sector

The automotive industry in Romania consists of the two major passenger car producers, Dacia and Ford, and several others with limited production numbers, supported by more than 600 original equipment manufacturers that supply both local plants and production sites throughout Europe with automotive components. The sector's contribution was 13% of the GDP and provided jobs to more than 200,000 employees in 2017.

The country is the undisputed leader in automobile manufacture in SEE, with 359,240 vehicles produced in 2017 accounting for a 57.1% share of SEE's motor vehicles output. In terms of passenger car manufacture, the picture is similar, as they constitute more than 99% of the total vehicle manufacture in the country. However, Romania's dominance in the regional industry fades slightly – two years ago, its share stood at 64.1%, while in 2016 it slid down to 62.7%. This is caused by the slowdown of local growth, but the introduction of Ford's EcoSport model at the end of 2017 – the biggest investment in the automotive sector in the country in the last years – a new boost of growth is expected.

Dacia exported 611,973 vehicles in 2017, or a 12% y/y increase. France remains the top export destination for the Romanian manufacturer with 119,356 units, followed by Germany with 64,918, Italy with 63,374 and Spain with 56,301. Europe has the dominant share in Dacia's exports with 75% of all export sales in 2017, but Morocco and Algeria grow in importance and both enter among the seven largest markets for Dacia.

Romania concentrates on production of low-budget cars and has gained considerable share in two segments of the global market - customers in the SEE region and other emerging markets with lower incomes, and customers in Germany, France, Spain and other western European countries with a preference for low-budget cars.

Slovenia – the driver of growth

Slovenia's passenger car production soared in 2017, which was its strongest year since 2010. A total of 189,852 units were manufactured, up 42.0% on the

1 Southeast Europe (SEE) includes Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Macedonia, Moldova, Montenegro, Romania, Serbia and Slovenia

year. Slovenia thus accounted for 30.2% of passenger car production in SEE, ranking second behind Romania, and making up 1.0% of all cars manufactured in Europe. Slovenia's automotive industry generated 10% of the country's GDP and 12.5% of its export of goods.

Revoz d.d. is Slovenia's leading motor vehicles manufacturer in terms of total revenue and number of units produced. The company has been owned by Renault and has produced models under the French brand since 2004. It sells its output both on the domestic market and abroad, the top export destinations being France, Germany and the UK.

Serbia – in search of new markets

Serbia's automotive industry is considered the most important and promising industrial sector in the country. In 2017, it employed more than 40,000 workers, accounted for 14% of the FDI and contributed 10% to the country's exports. The major driver of the sector is Fiat's plant in Kragujevac, central Serbia, launched in 2008, where the Fiat 500L is assembled. The Italian car maker invested a total of EUR 980 mln in the production, co-financed by the Serbian state, according to local government investment support agency SIEPA. Another local manufacturer is Ikarbus, which produces buses and coaches sold mainly on the domestic market, with a small share exported to Russia.

In 2017, close to 80,000 passenger cars were manufactured, which, however, is only half of the annual capacity of Fiat's plant. Serbia was the only passenger car-producing nation in SEE not to report an increase in its output compared to 2016. This can be explained by the comparatively low demand on the domestic market, where most Fiat 500L cars are sold – Serbia had the lowest annual growth in car sales among the major SEE national markets in 2017.

Being a priority sector, the automotive industry can rely on the government's ambition to attract global strategic partners to establish new production or revive suffering and non-functional plants in the country.

Bulgaria – who will be next?

Automobile assembly in Bulgaria has a long tradition of unsuccessful attempts by international car manufacturers, such as Fiat and Renault. The latest attempt collapsed at the beginning of 2017, when Chinese car maker Great Wall stopped operations at its plant in Lovech, northwestern Bulgaria, and filed for bankruptcy with many of its already produced vehicles remaining unsold. The Great Wall plant launched in 2012, with an annual production capacity of 50,000 units that was never reached. The manufacturer's main markets included Bulgaria, Romania, Serbia and Macedonia.

Given the widening base of automotive component suppliers in the country and the formation of automotive cluster, the automotive industry is declared a priority sector by the government. In February 2018 the government stated its intention of attracting a global automobile manufacturer to carry out its production activity in Bulgaria. The first talks will be held with car makers from Germany and the UK (BMW Group, according to InvestBulgaria Agency), followed by manufacturers from South Korea and India.

Vehicle sales

OICA reported that the total SEE motor vehicles market, excluding Montenegro and Kosovo, stood at 401,612 vehicles in 2017, an increase of 13.8%, compared to 2016.

Out of the total vehicles sold in 2017, 333,463 were passenger cars. SEE was among the fastest growing new passenger car markets in the world, with an annual growth rate of 14.0% in 2017 – far above the global average of 1.9% and the European average of 3.7%. Driven by the sound macroeconomic environment, all but one national market in the region grew. Moldova and Bosnia and Herzegovina were the leaders with rates exceeding 30% y/y, while Serbia recorded the most modest annual growth of 9.8%. Only in Macedonia 11.3% less new cars were sold in comparison to 2016.

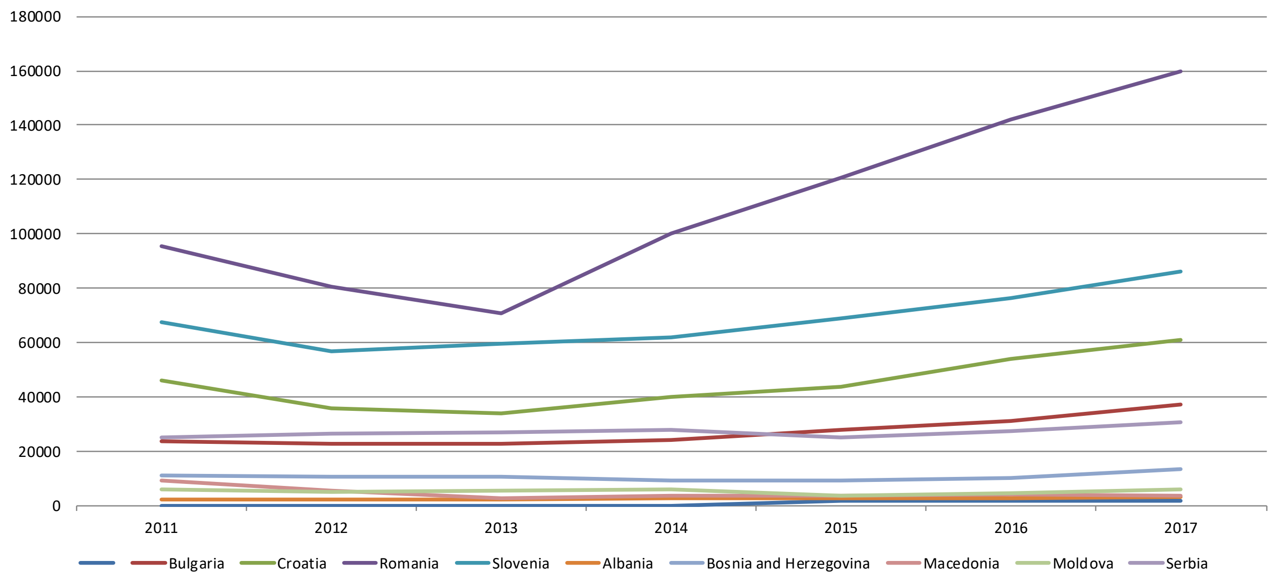
The number of passenger cars owned per 1,000 inhabitants in SEE remains far below the European average, which implies a higher potential for future growth on the local markets. According to Eurostat data, Slovenia scored the highest in the region, with 531 cars in 2016. Bulgaria outpaced Slovenia in terms of growth rates throughout the 2013-2016 period and ranked second with 443 vehicles per 1,000 inhabitants. Croatia also reported consistent growth and ranked third with 374 cars, while Romania, partially because of its size and weaker economic development in some areas of the country, landed at fourth place in the region with 261 vehicles. Four of the five statistical regions in the European Union with the lowest number of passenger cars per 1,000 inhabitants are located in Romania and they are also among the regions with the lowest GDP per capita. All SEE countries researched by Eurostat marked positive growth rates of car penetration in each of the last four years.

Romania remained the largest national market in the region with 39% of all new passenger car sales in SEE in 2017. Although among the lowest in the region, its annual growth rate stood at an impressive 13.4%. The reported 130,415 new passenger cars sold are the highest figure since the slump in 2009. However, the 2008 pre-crisis levels of 285,500 new cars are still out of reach.

As a country with local automobile assemblers, Romania's new car market dominated by domestic brands. Dacia accounted for more than 30% of the total sales, while the Romanian arm of the global manufacturer Ford ranked fifth after Volkswagen, Skoda and Renault, according to the Romanian Automotive Manufacturers and Importers Association (ACAROM). However, the domestic market absorbed only a small share of the output of Dacia and Ford's local plants – under 10%. After the removal of the environmental tax on used automobiles by the government in 2016, ACAROM reported that registered imported second-hand cars doubled in 2017, at the expense of stagnating sales of new local automobiles. This trend is expected to persist in the short run.

Despite being one of the least populated countries in SEE, **Slovenia** ranks as the second largest market for new passenger cars in the region, after Romania. In 2017, domestic sales amounted to 70,869 units, or by 11.3% more than in the

Total Vehicle Sales (Units)



Source: OICA

previous year. On the other hand, the annual growth rate was only higher than Serbia's and Macedonia's, a consequence of the saturating local market, which boasts the highest number of cars per capita in SEE. As a whole, fluctuations on the Slovenian market have been minimal during the last decade – less than 50% between the peak and the 2009-2013 post-crisis period, while sales in all other SEE countries contracted two or three times.

The new passenger car market in **Bulgaria** has been recovering fast over the last years and, in 2017, twice as many cars were sold as compared with the lowest, after-crisis point in 2010 – 31,591 vehicles against 16,257 seven years ago. Generally, the level of new passenger car sales is an indicator of a country's economic health; in Bulgaria the growth rate is among the fastest not only in SEE, but also in Europe – 19.8% y/y in 2017. In the first two months of 2018, the increase is even faster – 39.5% on the year, the highest rate in the European Union, according to ACEA.

Exports

In value terms, SEE exports of passenger motor vehicles amounted to EUR 7.596 bln in 2016, or up by 4.5% compared to the previous year, International Trade Centre (ITC) data shows. Thus, the region's exports grew at a higher rate than global exports, which increased by 3.6% on the year. SEE still had a negligible, but stable share in global passenger car exports – 1.2% in 2016.

Slovenia was the largest exporter of passenger motor vehicles in SEE in 2016, with EUR 3.188 bln, or nearly half of the region's total passenger vehicle exports. It was also the fastest growing among the three major players in SEE, with an annual jump of 12.5%.

The dominant manufacturer, Romania, lost its top position in exports for the first time and was the second biggest exporter in SEE after Slovenia. In terms of vehicles alone, the value of exports in 2016 stood at EUR 2.872 bln, according to ITC statistics. In annual terms, Romania suffered a 1.4% drop in exports and was among the few European countries to do so. In 2016, the country's automotive sector, including parts and components, reported exports of EUR 13.0 bln, or 24% of Romania's total exports.

Serbia ranked third in SEE as a motor vehicle exporter with a value of EUR 1.109 bln in 2016. It recorded the sharpest drop in the region on the year – by 5.3%. The downtrend persisted in 2017, Serbia being the only country in SEE with available ITC data for that year, when it exported output worth EUR 0.937 bln, a new annual decrease, by 15.5%

Skoda ahead of local brands on the top in SEE

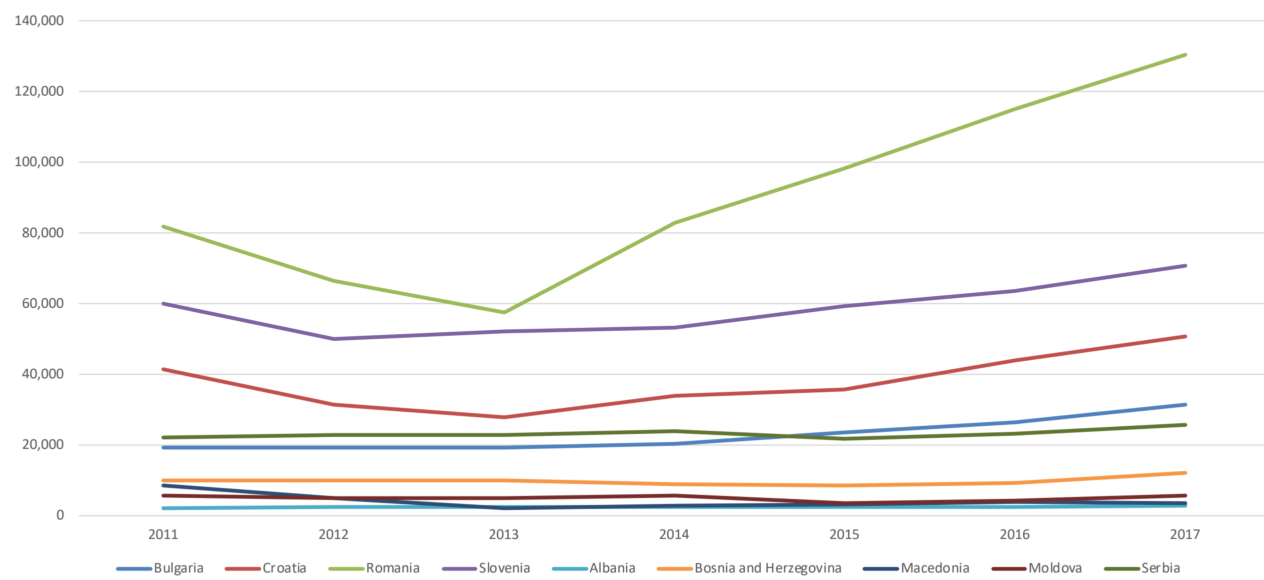
In 2017, the SEE new passenger car market remained dominated by European manufacturers, led by Skoda and with a particularly strong presence of local brands. The Czech car maker was the most popular brand in half of the countries in SEE – Serbia, Bosnia and Herzegovina, Macedonia and Kosovo, while the local powerhouse Dacia expectedly occupied the top spot only in Romania and Moldova. Volkswagen outpaced domestic Renault in Slovenia, but the latter was the winner in Bulgaria.

Volkswagen outperformed Dacia and Renault in terms of density and, in ranking in the Top 3 in all SEE countries but Moldova, it maintained its position as the most equally distributed top brand in the region.

Automobile parts and components

The automobile parts and components subsector is more widely represented in SEE than automobile production and assembly. A network of component suppliers for all major car manufacturers in Europe has developed throughout SEE – Romania, Slovenia and Serbia are already established as leaders, but Bulgaria, Macedonia, Croatia, and even Moldova and

Passenger Car Sales (Units)



Source: OICA

Bosnia and Herzegovina have clusters of automotive companies.

The factors underlying the region's development as a preferred destination for multinational automotive companies to locate their production sites are the cost-competitive environment, access to a qualified workforce with engineering and technical skills, and the well-developed IT and supporting industries. The geographical proximity to big manufacturers within SEE, as well as in Central Europe and Turkey, which are among the European leaders in automobile assembly, ensures competitive advantage in terms of low distribution costs and just-in-time delivery.

International Trade Centre data shows that exports of parts and accessories for motor vehicles has steadily grown each year between 2013 and 2016 in all SEE countries, except Montenegro and Kosovo. The average annual growth rate in the region stood at 18.1% in 2016. Macedonia and Moldova more than doubled the value of their automotive component exports within a year, while Albania, Bulgaria, Romania and Slovenia posted double-digit growth rates. In 2016, Romania generated automotive component exports of EUR 5.348 bln, or 77.4% of the region's total exports in the sector. Slovenia and Serbia followed with EUR 963.3 mln and EUR 171.4 mln, respectively, while Bulgaria reported exports of EUR 94.7 mln.

Romania has the largest in size and importance automotive components subsector in SEE, consisting of more than 600 suppliers. Its development is boosted by the presence of major passenger car assembly plants in the country. According to the Romanian Investment Agency, both production and exports of components have doubled in value within five years. Export grows faster than production, which is a sign of the increasing competitiveness of Romanian auto component makers on the international markets. The country acts as an automotive industry hub in the region, with easy access to major markets such as Western Europe, Russia, Poland, Ukraine and Turkey.

Romania specialises in the manufacture of tyres, cables, conductors, plastic and rubber components, bearings and transmission components, electronics, batteries, safety systems and optical devices.

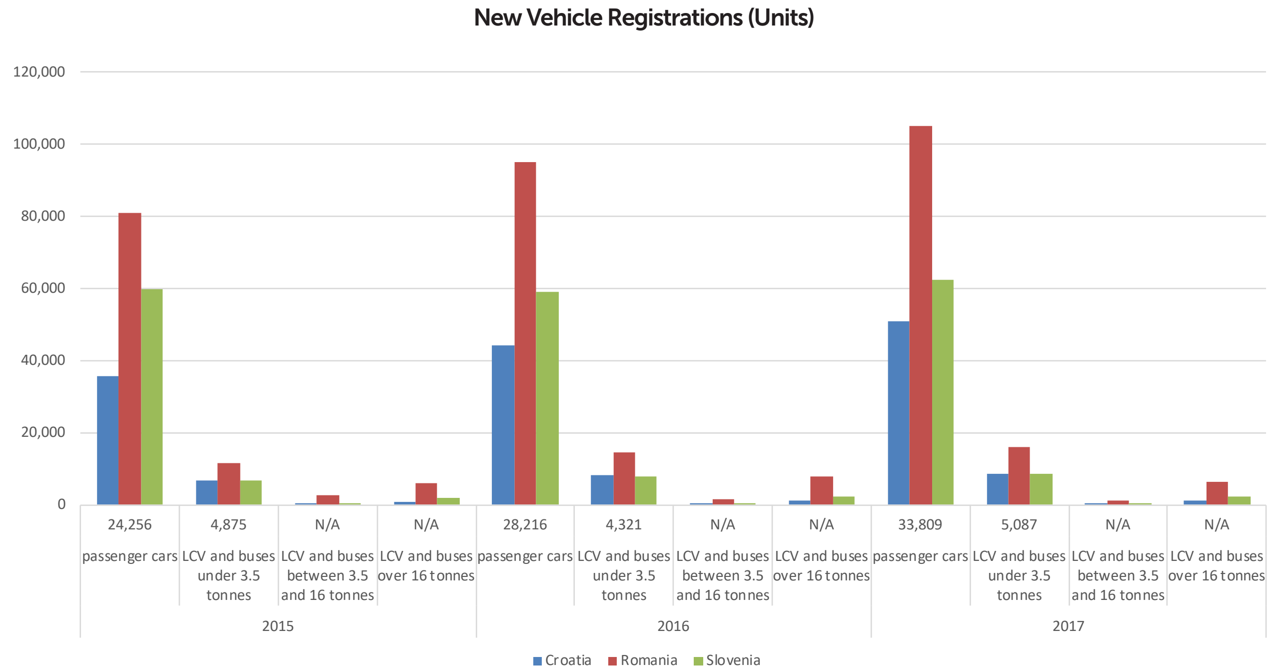
More than 270 companies were active in the automotive components sector in **Slovenia** as of end-2016, employing more than 16,000 people. More than 90% of the sector's output was exported, with half of it going to assembly plants in Germany to clients like Audi, BMW, Mercedes Benz, Volkswagen and Ford. The rest was exported to France, Italy, Austria, the UK, the USA, Hungary, Mexico and Romania.

The country specialises in the manufacture of car body parts, steering system and drive components, seats and covers, braking systems, exhaust systems, engine and gearbox components and electronic components.

Serbia's automotive components subsector accounted for more than half of the total value of the automotive industry's output in 2015, according to the Serbian Business Registers Agency and Serbian Development Agency. The most important product categories produced in Serbia include tyres, wiring harness, casted parts, plastic parts, rubber hoses, seats and seat covers and other body parts.

The components subsector in Serbia is represented by more than 70 companies, providing jobs to 40,000 employees. Approximately 20% of the workers are employed in entirely local companies, while the rest work in automotive components plants of global manufacturers, mainly from Germany, South Korea, Italy, France, Slovenia and the USA. A characteristic feature of Serbia's car parts subsector is its extremely uniform geographical allocation, which covers all parts of the country, with Kragujevac as a distinguished centre with more than 10 suppliers headquartered around the Fiat plant.

According to Automotive Cluster Bulgaria and the Ministry of Economy, in



Source: Association Auxiliaire de l'Automobile

2017 the automotive components industry in **Bulgaria** was represented by 170 companies with more than 40,000 employees, which contributed 4.0% to Bulgaria's GDP. The combined total revenue of the companies in the sector stood at EUR 3.5 bln, of which 90% from exports to major international car makers.

A survey by Automotive Cluster Bulgaria and consultancies Colliers International and PricewaterhouseCoopers Bulgaria in 2017 showed that 85% of the automotive components producers operating in Bulgaria plan to expand their activities in the country. A positive trend is that the share of suppliers with own research and development activities in Bulgaria grows constantly and exceeded 40% in 2017.

The number of employees is expected to double in the next four years, given the plans announced by international automotive companies to enter or expand their already existing activities in Bulgaria. The factors for the rapid growth, compared to the other countries in SEE, are: comparatively late launch of the industry in Bulgaria and low starting point lead to the higher growth rate. Other factors include the presence of a developed IT sector in the country, which enables the creation of highly innovative products and solutions in the automotive industry. More than half of the FDI in Bulgaria in the last years are in the automotive sector. Since 2005, a total of EUR 400 mln have been invested in 20 automotive industry projects certified under the Investment Promotion Act.

The prime location of the sector in Bulgaria is the Trakia Economic Zone near Plovdiv in central southern Bulgaria, where more than 10 automotive parts suppliers have their production facilities. Other major locations are the capital, Sofia, and Ruse and Pleven in northern Bulgaria, as well as the whole region of southeastern Bulgaria.

Macedonia – booming automotive industry without automobiles

Despite the lack of motor vehicles assembly plants in Macedonia, the automotive sector enjoys dynamic development and growing importance for the country's economy. The Automotive Cluster of Macedonia points out catalytic converters, safety systems, seat belts, airbags, electronic controllers and sensors, precision engineered and plastic products and casting components as the products in which the country specialises. As of 2017, more than 50 companies carried out production activities in the country, mainly for clients in Germany and Serbia with a combined 40% share in Macedonia's automotive components exports

Alternative fuel vehicles – an emerging opportunity

Electric automobiles still have very low penetration in the region. As of end-2017, data from the Bulgarian Association of Car Manufacturers shows that 3,388 hybrids and 384 electric cars were registered. This represented a combined share of less than 0.15% of all vehicles on the Bulgarian roads for alternative fuel cars. However, their number is rapidly growing and a third of all hybrids (1,195) and electric cars (106) in use were registered in 2017 alone. This made a total share of 3.8% of all passenger car registrations in the country, up from 2.1% a year earlier. The figures in Slovenia and Romania, as reported by France-based Association Auxiliaire de l'Automobile, are slightly lower – 2.9% and 2.1%, respectively. In comparison, the average share of hybrids and electric cars in the overall passenger car registrations in the European Union stood at 5.6% in 2017 and 4.2% in 2016. The main reason for the faster growth rate in SEE lies in the later entry of alternative fuel vehicles and the ongoing removal of regulatory and infrastructural obstacles as compared with the rest of Europe, where the market is closer to saturation.

Bulgaria was the country with the fastest annual growth of new electric chargeable passenger cars in 2017 in the region – more than eightfold compared to 2016. The jump was due to the very low figure in 2016, when only 13 new vehicles were registered. Slovenia and Romania remained by far the leading SEE markets in terms of new electric car registrations, although they recorded a more moderate growth – to 456 in 2017 from 198 in 2016 in Slovenia, and to 188 from 74 in Romania, respectively.

Unlike electric chargeable vehicles, hybrids have reached significantly higher absolute sales in Romania, Slovenia and Bulgaria, due to their better usability given the inadequate electric charging infrastructure in SEE. In 2017 Romania was the largest hybrid market in SEE with more than half of all newly registered hybrids in the region – 2,039, up from 1,089 a year ago. Slovenia was the fastest growing market, almost trebling its sales to 1,005 units, while hybrid sales in Bulgaria jumped to 1,195 vehicles in 2017 from 580 in 2016.

The underdeveloped and partially lacking infrastructure for electric vehicles in SEE, together with insufficient government incentives, pose a problem for electric car transportation in the region. This can be relieved through private sector initiatives, such as the Green Balkanika project by Slovenia's automotive technologies provider Hidria d.o.o. The latter was announced in 2016 and aims to equip the roads between Munich, Germany, and Istanbul, Turkey, with charging stations, as well as to connect all countries in the Western Balkans with a road fully suitable for alternative fuel vehicles by 2020. The project is co-financed by the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) with the support of the European Commission.

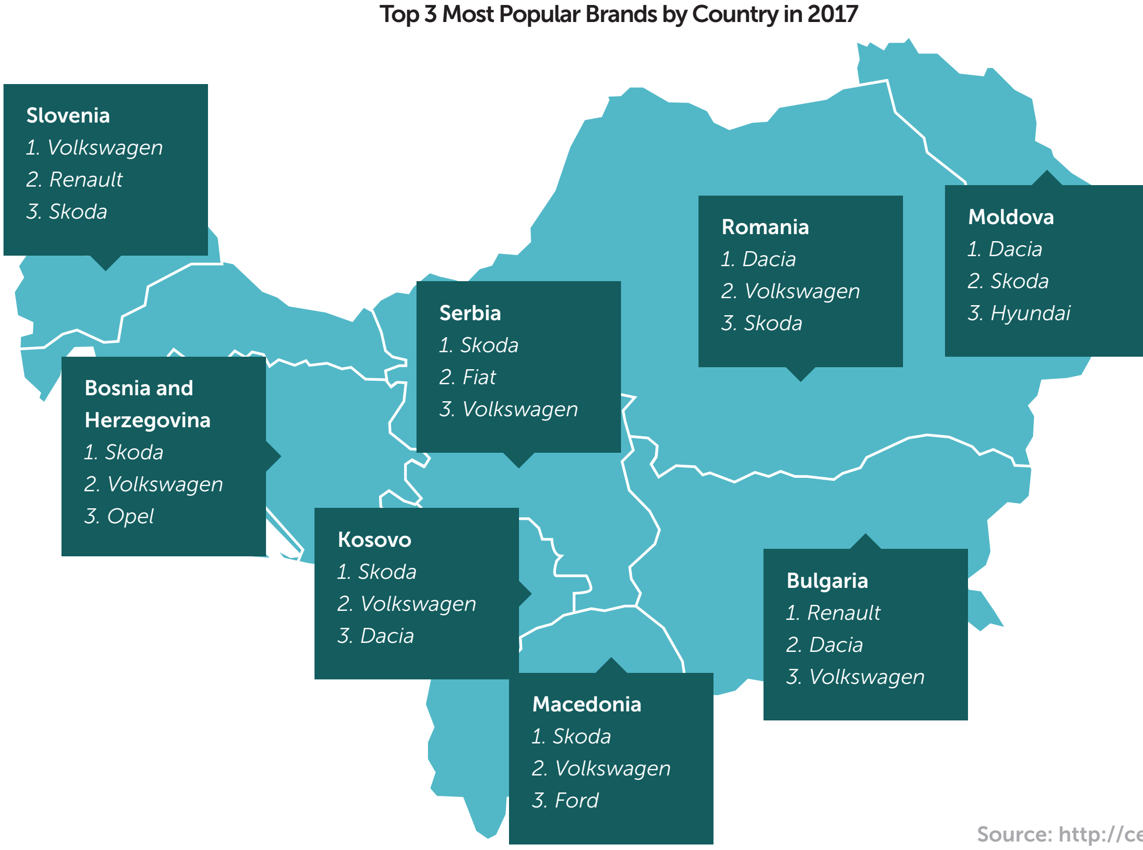
Another major project in the region is by US-based electric automobiles manufacturer Tesla Inc., which plans to expand its network of supercharger electric vehicle charging stations in SEE with three stations in Romania and Serbia each, and one station in Bulgaria, Bosnia and Herzegovina, Macedonia and Moldova each.

The role of governments is to provide incentives, such as direct subsidies for the purchase of electric vehicles, as well as facilitate the access to electricity. As of 2017, in Serbia and other countries, charging stations are not allowed to sell electricity if the market is not liberalised. An important step by governments is to equip the public administration with electric vehicles.

In an effort to facilitate the penetration of alternative fuel vehicles, in 2017 Bulgaria's Association of Car Manufacturers proposed a government subsidy of EUR 5,000 for each new electric car and of EUR 2,500 for each plug-in hybrid vehicle. In addition, it was proposed that the purchase of alternative fuel vehicles be relieved of value-added tax.

In May 2017, a similar measure was approved by the Romanian government – under the Rabla Plus programme, it doubled the financial incentives for the purchase of an electric chargeable vehicle to EUR 11,000, and provided an incentive of up to EUR 1,450 for the purchase of a non-plug-in hybrid vehicle.

Top 3 Most Popular Brands by Country in 2017



Source: http://ceauto.co.hu/

Projects and investments

- Germany-based Leoni Grup will invest EUR 48 mln in the construction of a plant for electric cables for Mercedes Benz in Pleven, northern Bulgaria, to be launched in 2018 and fully operational by October 2019.
- In 2017, the automobile electrical components manufacturer Yazaki Bulgaria EOOD opened its third Bulgarian plant in Dimitrovgrad, southeastern Bulgaria, after an investment exceeding EUR 50 mln.
- The German automobile air conditioner components manufacturer Mahle announced its plans to increase the number of employees in its Sofia-based subsidiary Behr-Hella Thermocontrol by 50% in 2018.
- In October 2017, Ford launched the production of its new model EcoSport in the Craiova factory in southern Romania, in which it had invested EUR 200 mln.
- Japan's Mitsubishi Motors revealed in March 2017 that Timisoara in Romania, together with Hungary and Slovakia, was one of the three options for a new engine production site worth a green field investment of EUR 200 mln.
- In September 2016, the Romanian car interior decorations supplier of Mercedes Benz and BMW, Hib Rolem Trim, invested, jointly with the government of China's Xiangshan County, USD 30 mln in the construction of a new plant in Brasov, which is planned to be fully operational by Q2 2019.
- In January 2018, Chinese company Mei Ta launched the construction of its second plant in Serbia, which will start operations in October 2018. The total value of the investment exceeds EUR 100 mln.
- Chinese company Yinlong expressed an interest in taking over local bus and trucks producer Ikarbus and investing EUR 30 mln in it. Serbia's government has given the green light, but negotiations around the deal are at a standstill as of 2017 due to the high indebtedness of Yinlong.
- IGB Automotive, a German producer of car heaters, and sensor and control units, invested EUR 4.5 mln in a new factory in Indjija, central Serbia, launched in January 2017.
- In February 2018 Slovenia's ambassador to India revealed that the government was in preliminary talks with three Indian companies from the automotive sector for the establishment of manufacturing or assembly plants in Slovenia.
- In January 2017 Canada's car and components manufacturer Magna announced its intention to invest EUR 1.240 bln in a new passenger car assembly plant in Slovenia with an annual capacity of 200,000 vehicles. Later the company stated that it had still not decided between Slovenia and Hungary for the location of the plant.

Trends

The automotive industry is among the most dynamic sectors in SEE. Measured by the increase in combined revenue of all companies entering the SeeNews Top 100 annual ranking, the automobile sector shows development in the 2007–2016 period unmatched by any other industry in the region. In 2016, the automobile companies featured in the ranking reported a combined total revenue of EUR 11.496 bln, double that in 2006, when it stood at EUR 5.916 bln. The automotive sector ranked fourth in terms of total revenue in SEE in 2016, two spots up compared to 10 years ago. In the 2012–2017 period, the sector grew at a CAGR of 14.7%.

The automotive sector, and especially passenger car assembly, plays a leading role in the economies of Romania, Slovenia and Serbia. Automotive companies will continue to grow in importance – Romania's Dacia is the largest company in terms of total revenue in 2016 not only in Romania, but in SEE as a whole. FCA Srbija, the company operating the Fiat plant, is the third biggest Serbian company and the country's largest exporter, as is Revoz in Slovenia. In the other SEE countries, most notably in Bulgaria and Macedonia, the sector represented by automotive component suppliers is also among the fastest growing contributors to GDP.

The emphasis in the development of the region as an automotive hub lies on introducing the R&D activities of global players – an intention declared by the Bulgarian government and Automotive Cluster Bulgaria, and already executed by companies like Porsche and BMW in Romania.

The big challenge for SEE automobile and component manufacturers is to fully use the potential of close partnership with the IT industry. It will result in automation and the creation of innovative solutions in order to stay competitive on the world automotive market.

In a global context, the major trends ahead of the automotive industry in SEE are the accelerating macroeconomic growth on the positive side, and the risk of some countries implementing protectionist measures on the negative. In most SEE countries, including Romania, Serbia, Bulgaria and Macedonia, the automotive sector is set as a priority industry. Its development will be further facilitated through state incentives in the form of efforts to attract foreign investors, investor-friendly tax measures, minimised bureaucracy, easy access to financing, and programmes for improvement of workforce skills and qualification.