

Study on business co-operation potential and opportunities in the sector of car components

PORTUGAL

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- 2.- Market information of Portugal
- 3.- Overview of the automotive industry in Portugal.
- 4.- Overview of the car components and accessories sector in Portugal.

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1.- General information of the country. Portugal

Prime Location

The combination of Portugal's economic openness, strong ties with the EU and unique geo-strategic location, make it a natural gateway between the EU and world markets.

The country's ties with the African continent, Brazil and transatlantic link with the USA, provide a cost-effective internationalization base.



Key Facts

Official name	Portuguese Republic
Type of government	Parliamentary Democracy
President	Jorge Sampaio
Prime-Minister	Pedro Santana Lopes
Area	92.151,8km ²
Population	10.356.117
Language	Portuguese
Capital	Lisbon
EU Membership	1986
Currency	Euro
Per capita GDP	14.100 USD (2003)
Per capita GDP, in PPP	18.300 USD (2003)

Key Economic Indicators

	2000	2001	2002	2003	2004*	2005*
	current prices, billion euro	percentage changes, volume (1995 prices)				
GDP at market prices	115.5	1.8	0.5	-1.3	0.8	2.4
Private Consumption	71.6	1.2	0.5	-0.8	1.5	2.4
Government Expenditure	23.7	3.3	2.7	-0.6	-1.0	-0.6
Gross Fixed Capital Formation	32.4	0.7	-5.2	-9.6	1.8	6.2
Exports	36.4	2.0	2.6	3.9	5.2	6.4
Imports	49.4	1.0	-0.5	-1.0	5.2	6.5

* forecast
Source: OECD

		2001	2002	2003	2004
	Unit	percentage annual rates			
Inflation rate	%	4.4	3.6	3.3	2.4
Unemployment rate	%	4.0	5.0	6.3	6.3
Public debt	% GDP	55.8	58.4	60.3	60.8
Household saving ratio	% GDP	10.7	11.9	12.2	12.1
Current Account	% GDP	-9.5	-6.7	-5.1	-5.8
Gross fixed capital formation	% GDP	27.9	25.7	23.0	n.a.

POPULATION:
EU 25 > 453 M
EU 15 > 378 M

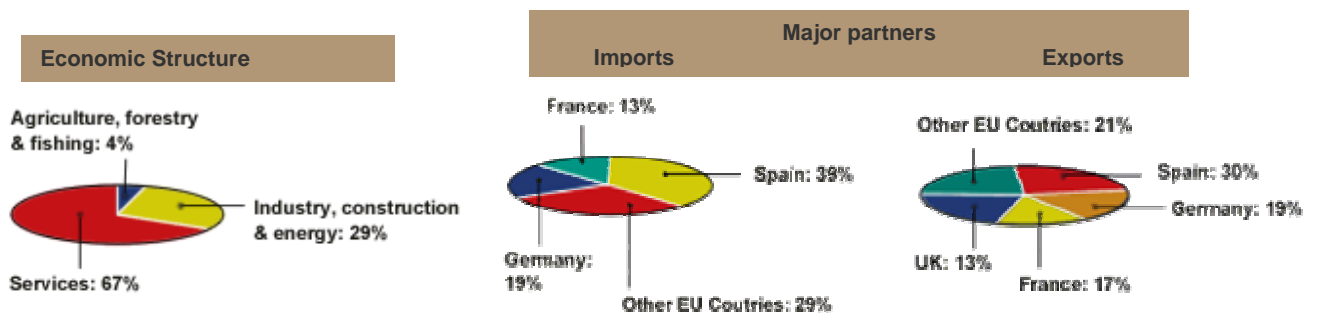
PT 10 M



* forecast
Source: European Commission, Banco de Portugal and OECD

2.- Market Information of the country.

Over the past 25 years, services have gained increasing importance in the Portuguese economy, as they have in the economies of other EU countries. The service sector currently accounts for 54% of the Portuguese economy in terms of employment and 67% in gross value added (GVA). Agriculture accounts for 12% of employment and 4% of GVA. Manufacturing industry has undergone significant changes. In a sector that was highly dependent on traditional industries such as textiles, footwear, ceramics, cork, ship repair and food and drinks, new industries, including automobiles and auto components, electronics and pharmaceutical goods among others, have gained increasing importance. Services have become the most vigorous sector of the economy with distribution, transport and communications, tourism and financial services showing strong growth.



Source: Portuguese National Institute of Statistics,

Main Product Groups

In 2003, the main product groups coming from the EU were Machinery & Equipment, Vehicles & other Transportation Material and Chemical Products. Overall, in relation to total imports from EU countries, they accounted for 47,3%. Exports of Vehicles & other Transportation Material, Machinery & Equipment and Clothing accounted for the highest figures 46.8% of the 2003 total to EU countries. The main product groups imported from non-EU countries were Fuel, Machinery & Equipment, Vehicles & other Transportation Material. As a whole they accounted for 54.5% of total imports. The major types of goods

exported were Machinery & Equipment, Vehicles & other Transportation Material, Textile Materials and Lumber & Cork. Those products accounted for 51.9% of the value of exports to non-EU countries in 2003

3.- Overview of the Automotive Industry

The automotive industry provides an excellent example of Portugal's industrial capabilities.

The industry generates more than 6.6 billion Euros a year (including 4.1 billion in components) and currently employs more than 45.000 workers in about 160 companies. **Estimated growth over the next two years is 16 percent.**

Investment in the automotive component industry continues to attract a large number of investors and is strongly supported both by the government of Portugal and European Union funds under the Community Support Framework for 2000-2006. **Forecasts based on export and market trends show demand for automotive components increasing by 5 to 7 percent a year over the next few years.**

The **main areas** of automotive production in Portugal include **electronics, die castings, plastic parts, seats, and climate control systems**. Companies that have chosen Portugal for important investments in the automotive sector include **Delphi Automotive, Faurecia, Lear Corporation, Johnson Controls, Sekurit Saint Gobain, Visteon and Valeo**.

Manufacturers including VW, Mitsubishi, Opel, Toyota and Citroën assemble more than **240,000 cars a year in Portugal**. **More than 80 percent of Portugal's vehicle production is exported to other European countries.**

4.- Overview of the car components and accessories industry in Portugal

Thirty years ago, car components industrial sector was characterised by a large number of companies, in particular small companies. Each manufacturer presented a very diversified product range, i.e. a low specialization level, mainly targeted to the national market.

The sector was also characterised by intensive labour force and by a reduced level of foreign direct investment.

In **1979**, a new strategy was implemented for the sector in part due to the installation of the international Renault in Portugal.

Renault's investment represented simultaneously the cause and the motive for the growing importance of car components industry in the national trade balance.

The 80's brought a reduction in the number of companies operating in Portugal, which simultaneously were getting bigger and more specialised. Other significant changes occurred as well: the investment became capital intensive, exports grew, and foreign investment became significant.

In 1994, Volkswagen agreement with the Portuguese government resulted in the establishment of **AutoEuropa, actually one of the biggest car producer in Portugal.**

During this decade, the sector strongly invested in relevant competitiveness areas such as Design and R&D, as well as in the establishment of partnerships and joint-ventures.

Nowadays, **car component manufacturing industry** counts with around 200 **companies, mainly SME**, employing around **40 000 workers**. During 2001, car components manufacturing accounted for € (million)

1.004 of total national industrial production, of which 422 millions targeted to national market, 530 millions to EU Market and 52 millions to third countries.

The production of Portugal's automotive component industry is focused on **engines and engine components, moulds, tools and other areas.**

Number of Companies	200
Directly employed staff	40,000
Turnover (billion Euro)	4.294
Exports (billion Euro)	2.834

Vehicle assembly

Vehicle assembly expanded rapidly in Portugal during the 1990s; the number of vehicles assembled increased fourfold between 1991 and 2000. There are currently five main vehicle assembly operations employing 7,648 workers.

Evolution of Vehicle Assembly in Portugal. Key Facts, 1991-2000

	1991	2000
Workers	4,996	7,648
Vehicles assembled (1)	141,377	244,786
Vehicles exported (1)	71,894	225,675
Internal market	66,255	26,615

(1) Includes light and mixed passenger vehicles, and light and heavy commercial vehicles.

Source: ACAP, 2000 (<http://www.acap.pt/>)

Assembly Plants Operating in Portugal, 2000

Car maker	Location	Model	Production 2000
Toyota	Ovar	Hiace; Dyna	4,519
Citröen	Mangualde	Saxo; Berlingo	49,747
Mitsubishi	Tramagal	Canter	11,714
Opel	Azambuja	Corsa	53,066
VW/AutoEuropa	Palmela	Sharan; Galaxy; Alhambra	125,740
TOTAL			244,786

Source: ACAP, 2000 (<http://www.acap.pt/>)

Comparative performance

From 1990 to 1999, the gross value of Portugal's transportation equipment sector increased by 38 percent – over 750 million Euros. The third largest increase in Western Europe (after Spain and Ireland). Growth is expected to continue steadily over the next two years.

With over 3.5 billion Euros worth of automotive exports in 1998, Portugal was among European leaders, exporting more than the Czech Republic, three times more than Poland or Hungary and ten times more than Ireland.

From 1994 to 1998, passenger car exports increased by a factor of 11, vehicle component exports doubled and exports of commercial vehicles increased by more than one-third.

Comparative Export Performance in the Automotive Industry 1998, Million Euros

Country	Total	Passenger cars	Commercial Vehicle	Vehicles components
Germany	101	67	8	26
France	37	22	3	12
Spain	28	18	4	6
UK	26	16	2	8
Belgium-Lux.	26	19	2	4
Netherlands	8	5	1	2
Portugal	4	3	567	538
Czech Rep.	4	2	319	1
Poland	2	1	384	465
Hungary	1	612	12	635
Ireland	388	230	71	85

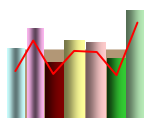
Source: International Trade Center (<http://www.intracen.org/>) (exchange rate 1 USD = 1,12 Euro)

Components and Accessories: Main Companies and products

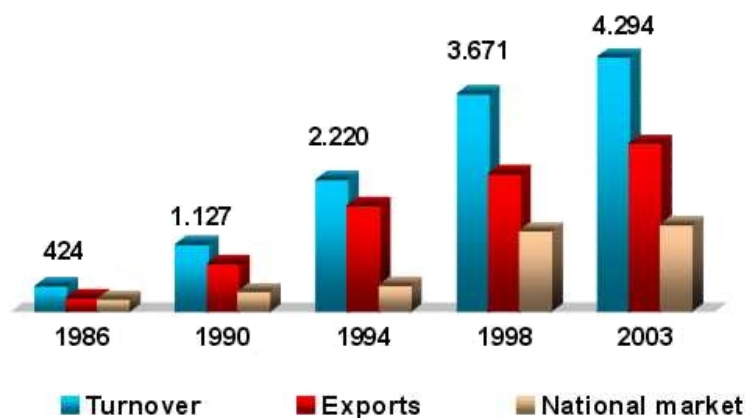
PRODUCT	COMPANY NAME	NR. OF EMPLOYEES	CERTIFICATION
Interiors	ACECIA (Complementary Group of companies):		
	SIMOLDES	>250	ISO 9001
	TAVOL	50 to 250	ISO 9002
	SUNVIAUTO	>250	ISO 9001
	PLÁSFIL	>250	ISO9002
	IPETEX	50 to 250	
	LEAR CORPORATION		
	TMG		
	FAURECIA	>250	
	Full seats	BERTRAND FAURE	>250
VAN PRO		50 to 250	ISO 9002
Foam for seats	JOHNSON CONTROLS	>250	
Metal and mechanics	ROBERT BOSH	>250	
	MAHLE	>250	
	SODECIA	>250	
	ARJAL	>250	ISO 9001
	TENNECO	50 to 250	ISO 14001 / ISO 9002
	SONAFI	50 to 250	ISSO 9002
	J. DEUS & FILHOS		ISSO 9001
	COMPORTEST:	250	ISSO 9002
	GAMETAL	50 to 250	ISSO 9001
	INAPAL METAL	>250	ISSO 9002
Plastic components	M. C. GRAÇA		
	SOMMER ALLIBERT	>250	
	IBER OLEFF	50 to 250	ISO9001 / ISO 9002
	INAPAL PLÁSTICOS	50 to 250	ISO 9001

Car Batteries	AUTOSIL	>250	ISO 9001
Glass	SEKURIT SAINT-GOBAIN	>250	ISO 9001
Cables	YASAKI SALTANO	>250	ISO 14001 / ISO 45001 / ISO 9001
	DELPHI - PACKA	>250	
	INDELMA	50 to 250	
	CABELAUTO	50 to 250	
Electronic components	BLAUPUNKT	>250	ISO 14001 / ISO 9002
	VISTEON	>250	
	DELPHI	>250	
	HUF	>250	
	SIEMENS	>250	
Tyres	CONTINENTAL MABOR	>250	

Statistics.

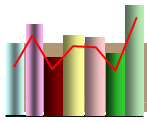


Components Industry Evolution



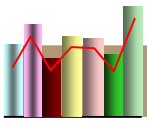
Years	National Market	Exports	Turnover
1986	200	224	424
1990	329	798	1.127
1994	434	1.786	2.220

x 1.000.000 EUR

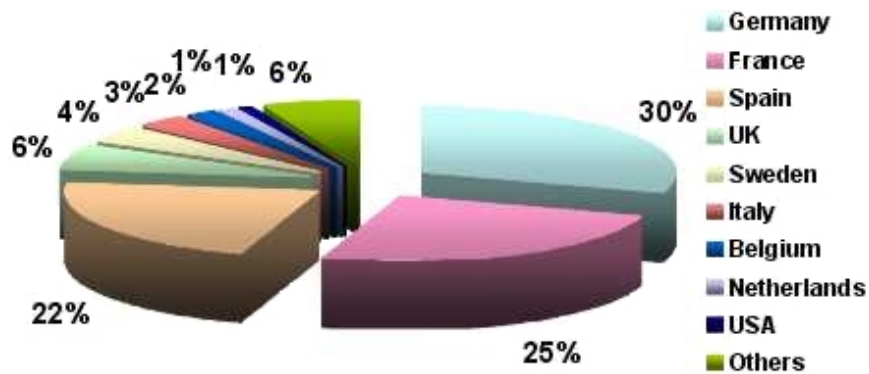


Main Customers

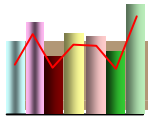
BMW	DAIMLER-CHRYSLER	DELPHI
FAURECIA	FIAT	FORD
GENERAL MOTORS	VOLKSWAGEN GROUP	HONDA
JOHNSON CONTROLS	LEAR CORPORTATION	MITSUBISHI TRUCKS EUROPE
MITSUBISHI	OPEL PORTUGAL	PSA - CITROËN LUSITÂNIA
PSA - PEUGEOT CITROËN	RENAULT / NISSAN	ROBERT BOSCH
SAAB	SALVADOR CAETANO	SIEMENS
TOYOTA	VALEO	VISTEON
VOLVO	VW - AUTOEUROPA	YAZAKI SALTANO



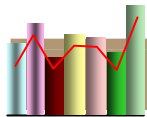
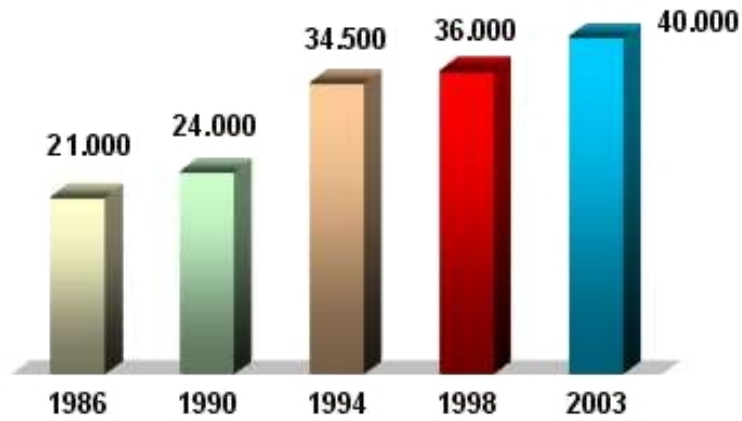
Export Markets



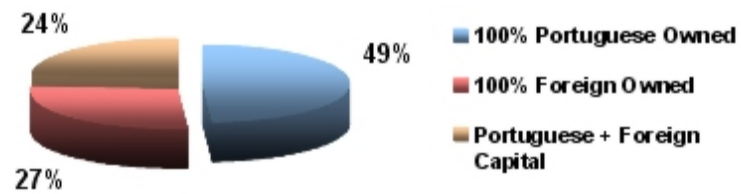
(% of Turnover - 2003)



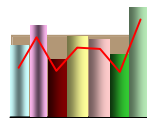
Number of Employees



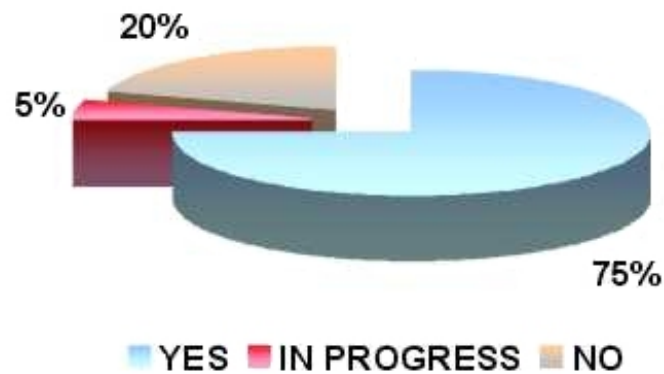
DISTRIBUTION OF COMPANY CAPITAL

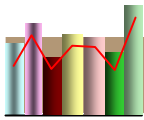


(% n° enterprises - 2003)

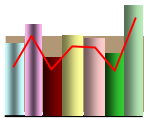
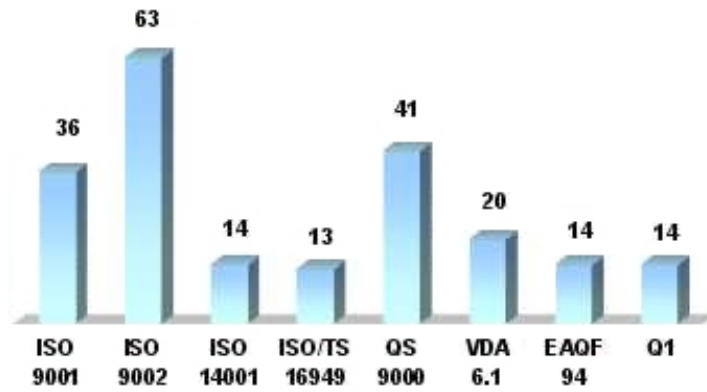


Companies Certification

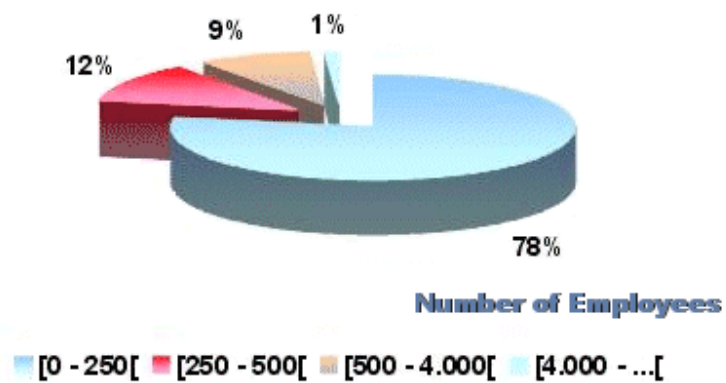


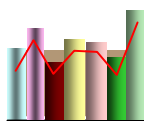


Quality System Certification

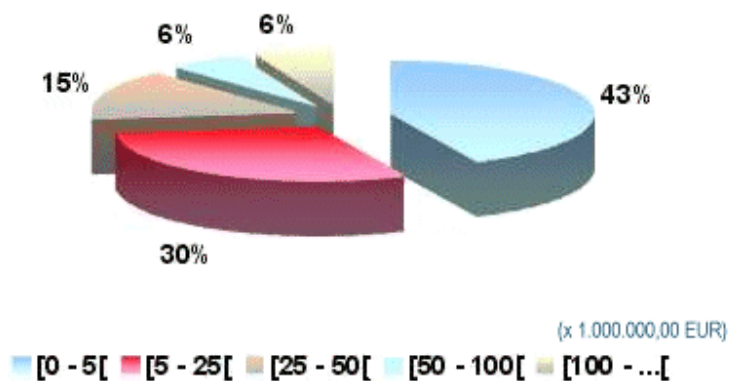


Number of Employees by Enterprises





Turnover by Enterprises



Useful contacts

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Sources.

ICEP PORTUGAL (www.icep.pt)

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AFIA - PORTUGUESE ASSOCIATION OF AUTOMOTIVE SUPPLIERS (www.afia-afia.pt)