

## Press release

For business editors  
2 September 2019

### **Electromobility and autonomous driving: Acceleration of strategy change in the automotive supplier industry**

- **New Commerzbank Automotive sector report**
- **CO<sub>2</sub> fines from 2020: The clock is ticking for manufacturers**
- **Sector head Cedric Perlewitz: “The market for green and sustainable financing will increasingly become a differentiator”**

The starting point for the automotive supplier sector has after record years turned challenging: in the first six months of 2019 there was a simultaneous decline in the production figures (Europe: -5 %, China: -13 %, North America: -3 %) <sup>1</sup>. Commerzbank Research also expects 2019 global sales to fall by around 4%. This downturn is hitting this key industry in the midst of a fundamental transformation process and increasing margin pressure. Although it does come with some positive aspects as Cedric Perlewitz, Automotive Sector Head at Commerzbank explains: “As a result of the gloomier economic outlook, we are seeing an acceleration of strategy change from automotive suppliers. This applies to the focus of investments in electric vehicles, as a response to the sustainability needs of customers as well as a CO<sub>2</sub> strategy to avoid fines and sanctions. From 2020, the clock is ticking for manufacturers.”

#### **Strategy change on the rise**

When it comes to the topic of sustainability, the German automotive sector is aligning itself more closely to the future generation of customers. Manufacturers are bringing forward launch dates for electric cars – this is also against the background of competition from Asia. “We are observing the use of large budgets for converting factories despite the uncertainty around the timing of the E-Transformation, which has already been in full swing for some time,” says Perlewitz. “For instance, many suppliers are increasingly reporting successes with larger orders for electric vehicles.”

The desire of the major carmakers and politicians to establish electric vehicles on the mass market is currently countered by comparatively high prices. “In the medium term the hybrid car, with a combination of an internal combustion engine and an electric motor, will be a step on the way to achieving this goal,” says Perlewitz. The

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<sup>1</sup> Source: LMC June 2019

current challenge facing smaller and medium-sized enterprises is to produce parts for internal combustion engines in present models while at the same time investing in new technologies for electromobility.

### **Connected and autonomous driving, lightweight construction and shared mobility**

Connected and autonomous driving (“AD”) are other important drivers of research and technical developments. 80% of all newly registered cars in Germany already connected. Safety and driver assistance systems (ADAS<sup>2</sup>/AD Level 2+), as well as information and communications systems, are increasingly being used and often already in compact class vehicles. However, before autonomous vehicles can be launched on the market; a number of legal obstacles need to be overcome. The development of artificial intelligence is also not yet so advanced that a driver can hand over control of the vehicle for a long period of time. This is where new partnerships and cooperation models with new market players from outside the auto industry are emerging to promote new ecosystems for AD. “New technologies are breaking up the traditional ‘balance of power’ between manufacturers and suppliers,” says Cedric Perlewitz.

Commerzbank Research sees the possibility of CO<sub>2</sub> fines for manufacturers as a primary risk factor. Manufacturers must act to avoid losing half of their profits<sup>3</sup> through EU fines. In order to meet stricter emissions reduction targets and avoid CO<sub>2</sub> fines from 2020/2021, the automotive industry is using alternative materials as well as new powertrain technologies and software in the short term. Lighter materials such as aluminium, plastics, high-strength steel and carbon bring clear advantages. Greater demand for car-sharing services in the wake of new mobility requirements will allow for the establishment of new business models, in particular in the metropolitan regions and cities.

### **Sustainable financing**

This change of strategy will at the same time lead to increased financing requirements, says Commerzbank expert Perlewitz. In the future green and sustainable financing could become an important differentiating factor, as is already common practice in other sectors (utilities, real estate sector as well as manufacturing industry). Financing proceeds need to be allocated exclusively to a “green” project portfolio (for example investments in transformation/new plants for e-components, electric models).

“In view of the enormous transformation process, the strategies on the part of the automotive and supplier industries are simultaneously driving forward new formats and sources of financing. If investments in new e-projects are clearly allocated, we expect such forms of financing to gain in significance in the European automotive sector. This will also open up new target investor groups for issuers,” says Cedric Perlewitz.

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<sup>2</sup> Advanced Driver Assistance Systems

<sup>3</sup> Source: Commerzbank Research, July 2019

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## **About Commerzbank**

Commerzbank is a leading international commercial bank with locations in just under 50 countries. In the two business segments Private and Small Business Customers, as well as Corporate Clients, the Bank offers a comprehensive portfolio of financial services which is precisely aligned to the needs of its clients. Commerzbank finances around 30% of Germany's foreign trade and is leading in financing for corporate clients in Germany. Due to its in-depth sector know-how in the German business world, the Bank is also a leading provider of capital market products. Its subsidiaries comdirect in Germany and mBank in Poland are two of the world's most innovative online banks. With approximately 1,000 branches, Commerzbank has one of the densest branch networks among German private banks. In total, the Bank serves more than 18 million private and small business customers, as well as more than 70,000 corporate clients, multinationals, financial service providers and institutional clients worldwide. In 2018, it generated gross revenues of €8.6 billion with approximately 49,000 employees.