

THE ECONOMIC AND SOCIETAL BENEFITS DERIVING FROM THE PRESENCE OF HYUNDAI IN EUROPE



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Executive summary



in Europe



Key figures

- **Over 155,000¹ people owe their jobs to the presence of Hyundai in Europe.**
- **Including customs duties, sales and income taxes, Hyundai contributed €870 million in taxes to European governments in 2014**
- **Hyundai is directly responsible for value added of €2.4 billion across the areas of manufacturing, supplies, research & development and sale & distribution**
- **The additional value added produces a further €7.2 billion in output and 114,000 jobs through the output multiplier**

¹ Figures presented in the executive summary are rounded. Where available, the precise (unrounded) figures are provided within the report. Any summations or calculations are based on the unrounded figures.

The report

This report is a revised and updated edition of the study entitled “the economic and societal benefits deriving from the presence of Hyundai in Europe” published in December 2013. The new report draws on data covering the period 2014 and uses a refined data collection approach to improve the accuracy and reliability of the impact data assembled in the first version. The focus is on the direct and indirect contribution of the European operations of Hyundai to GDP, employment and tax revenues in the EU. It also provides new insights into the wider social contributions made by Hyundai through programmes promoting **education, entrepreneurship and social initiatives**.

The data for the report was provided between February and August 2015 by the Hyundai subsidiaries in Europe, namely the manufacturing operation in the Czech Republic (HMMC); the group technical centre in Germany (HMETC); as well as the European distributors of the Hyundai brand (HME) and sales companies in the individual Member States.

The economic context

- The economic situation in the EU remains fragile. While real GDP has increased since early 2013, growth has only started to pick up from 1.4% in 2014 to a projected 1.8% in 2015².
- Although in decline, unemployment remains high in Europe. This highlights the importance of high-quality, stable and sustainable employment.
- The automotive industry is:
 - a direct employer of a large and highly-skilled workforce, with an even larger effect on overall employment through the multiplier effect on jobs along the automotive value chain;
 - a major contributor to exports, the crucial source of growth over the foreseeable future;
 - a magnet for foreign direct investment (FDI);
 - a vital source of innovation and technology development.

A growing presence in Europe

- Hyundai is a major success story at the heart of the European automotive industry.
 - Hyundai is a growing presence in European markets: the number of Hyundai vehicles sold in the EU in the first half of the year increased by 8.8% between 2014 and 2015.
 - Hyundai’s market share in the first half of 2015 was 3.2%³.

Manufacturing cars in Europe

- Hyundai has invested in a large manufacturing facility in the EU in the Czech Republic.

² ACEA Economic and Market Outlook June 2015. Accessed 02 July 2015:
http://www.acea.be/uploads/statistic_documents/Economic_and_Market_Outlook_Q12015.pdf

³ ACEA New Passenger Car Registrations, Press Release 16 July 2015.

- Manufacturing output in the European plant has increased rapidly:
- Hyundai Motor Manufacturing Czech (HMMC) went from producing 251,000 vehicles in 2011 to 300,000 vehicles in 2012 and 330,000 units in 2015.
 - In 2014 84% of Hyundai vehicles sold in the EU were produced in the Czech Republic and Turkey.⁴

Creating jobs and wealth in Europe

Employment

- The workforce employed directly by Hyundai and supported by their operations in the upstream and downstream markets consists of 41,000 individuals. In addition, 114,000 European workers are employed due to demand induced by the presence of Hyundai⁵.
- In total, 155,000⁶ people owe their jobs to the presence of Hyundai in Europe.
- The companies making up the operations of Hyundai in the European Union have a variety of training programmes to develop, maintain and enhance employees' skills over a broad range of specialisations. All provide formal training.

Tax revenues

- Including customs duties, sales and corporation taxes, Hyundai contributes a total of €868 million in taxes to European governments.

Value added along the value chain

- The Hyundai factories produce €525 million in gross value added (GVA) from a turnover of €3.9 billion and provide high-quality employment to 3,212 full-time staff and agency workers.
 - They purchase car part supplies worth €3.4 billion, €2.5 billion of which (74%) is sourced from within Europe.
 - This represents an 8.5 percentage point increase of the share of purchases sourced from Europe between 2012 and 2014.
- Demand by Hyundai provides employment for 14,804 people in the supplier industry, whose additional gross value added is estimated at €466 million.
- The entire value chain from R&D to distribution is located in Europe. Hyundai has sales distribution networks in all EU Member States.
 - Sales and distribution add an additional €1.4 billion to European GDP⁷, whilst the group R&D facility servicing the needs of both Hyundai and Kia brands adds an additional €39 million, with Hyundai's share estimated to be €21 million.⁸

⁴ 84% (352,000 out of 417,000) of Hyundai vehicles sold in the EU were produced in manufacturing plants in the Czech Republic and Turkey.

⁵ The EU27's overall GDP of €13.88 trillion supports a workforce of 217.8 million [Eurostat: gross domestic product at (current) market prices (2014) and Eurostat (LFS): total employment ages 16 to 64 years (2014, latest available figure)]. The employment generated via the multiplier effect is the product of the induced output of €7.2 billion (obtained by multiplying Hyundai GVA of €2,415,880,655 by a multiplier of three) and the average number of jobs supported by €1 of EU's overall GDP.

⁶ This figure is derived by summing the number of employees directly involved in Hyundai entities (41,323), and the number of employees derived by the multiplier (113,748), and rounding to the nearest thousand.

- The combined GVA of Hyundai amounts to €2.4 billion.
 - This figure includes the GVA of external suppliers and independent retailers of the Hyundai brand.
 - GVA measures an economic entity's contribution to gross domestic product and is the value of the goods and services produced by the company net of input costs.
- The additional output generated by Hyundai's activities in Europe throughout the economy amounts to €7.2 billion. This figure is based on an estimated multiplier of three for the automotive industry⁹.
 - Given that the European economy supports one job per €63,700 of GDP on average, the €7.2 billion in output induced by Hyundai through a multiplier of three supports 114,000 jobs.

Social contributions

- Hyundai supports a variety of pan-European corporate social responsibility programmes. Key programmes are:
 - **'Skills for the Future'**, Hyundai Motor Europe's first pan-European programme launched in 2012 and run jointly with Junior Achievement-Young Enterprise (JA-YE) Europe, aiming to improve youth employability;
 - **'Brilliant Young Entrepreneurs'**, designed to stimulate entrepreneurship amongst European university students.
- Hyundai has initiated and continue to support financially and in other ways a wide variety of local and national projects focusing on social, environmental and educational issues. National distributors are involved with a variety of their own corporate social initiatives:
 - Hyundai Motor España's 'Children's Desert' sponsors Spanish children to deliver supplies to children living in the Moroccan desert;
 - Hyundai Motor Deutschland cooperates with the Caritas Welfare Federation to educate and develop children and teenagers;
 - Hyundai Motor Czech Republic supported relief activities for flood victims.

⁷ GDP is the market value of goods and services produced in a country within a specified period of time.

⁸ Based on 2.7% Kia market share compared with Hyundai's 3.2% market share, it is estimated that Hyundai has a 54.2% share of R&D GVA.

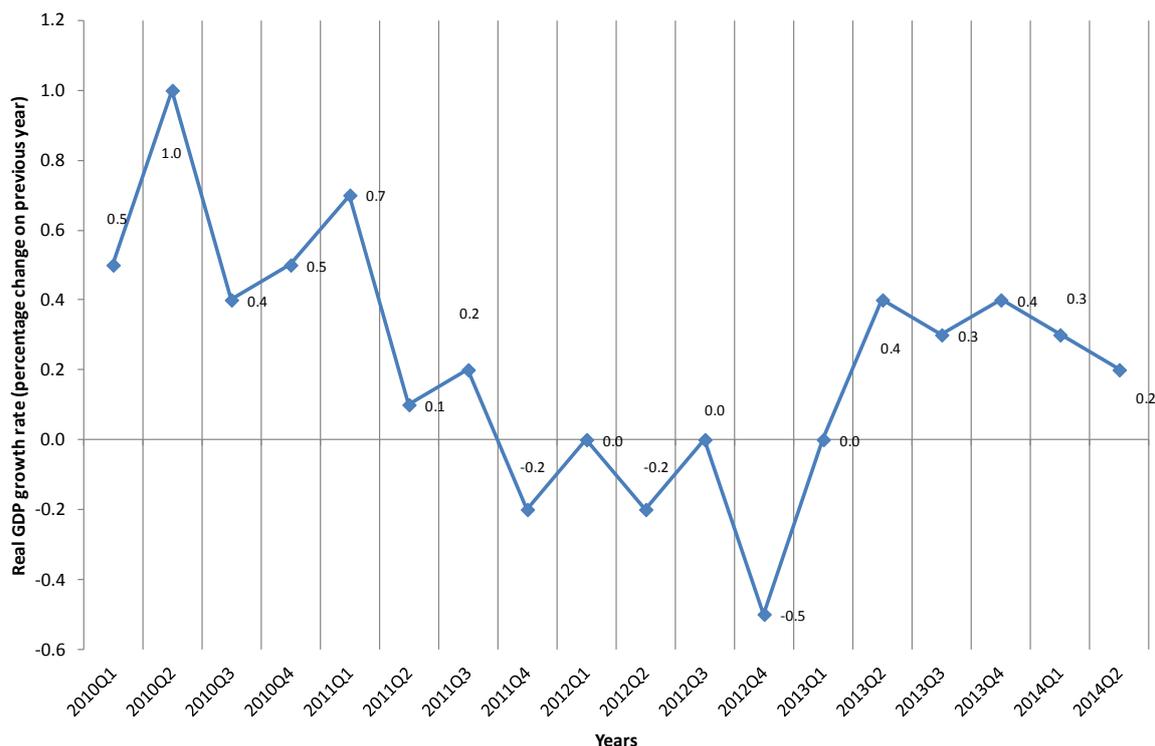
⁹ For the methodology underpinning the use of this multiplier, see Haugh, D., Mourougane, A. and Chatal, O. (2010). 'The automobile industry in and beyond the crisis'. *OECD Economics Department Working Paper* No. 745. Available at: <http://bit.ly/ZlneSQ> [accessed 02 June 2015].

1 Background & context

1.1 The economic context

In the aftermath of the 2008 financial crisis and the European sovereign debt crisis of 2009, the recovery of the European economy remains fragile. The latest figures suggest that, while there has been positive GDP growth since early 2013, growth across the EU has only started to pick up and is expected to reach a modest 1.8% in 2015.¹⁰

Figure 1 Real GDP growth rate (percentage change on previous quarter), EU27



Source: Eurostat

Although declining, unemployment still remains high in many Member States as a result of the slow recovery. The forecasted unemployment rate for the EU in 2015 is 9.6%.¹¹

The economic forecasts underline the important role played by large-scale, high-tech manufacturing operations in providing high-quality, stable and sustainable employment and adding value to the European economy.

¹⁰ ACEA Economic and Market Outlook June 2015. Accessed 02 July 2015: http://www.acea.be/uploads/statistic_documents/Economic_and_Market_Outlook_Q12015.pdf.

¹¹ EC DG Ecofin Spring Economic Forecast. Available at: http://ec.europa.eu/economy_finance/eu/forecasts/2015_spring_forecast_en.htm.

1.2 The automotive sector in Europe

“The automotive industry is crucial for Europe’s prosperity. The sector provides jobs for 12 million people and accounts for 4% of the EU’s GDP. The EU is among the world’s biggest producers of motor vehicles and the sector represents the largest private investor in research and development (R&D).”¹²

- is a crucial source of economic growth for the foreseeable future;
- is a magnet for foreign direct investment (FDI);
- is a vital source of innovation and technology development.

The automotive sector is of strategic importance to the EU economy and provides a unique contribution to Europe’s economic wellbeing. The European automotive industry:

- is a direct employer of a large and highly-skilled workforce;
- has an even larger effect on overall employment through the multiplier effect on jobs along the automotive value chain;
- is a major contributor to exports;

On the international scale, the sector is a major contributor to Europe’s economic strength: The European Automobile Manufacturers Association (ACEA)¹³ reports that the European Union accounted for **22% of world car production in the first quarter of 2015**. The trade surplus of Europe’s car industry stands at €90.2 billion for 2014¹⁴, an increase of 4.7% between 2014 and 2015. A total of 5.5 million cars were exported from the EU in 2014, with the United States and China being the top destinations for EU motor vehicle exports.

Germany, France, the United Kingdom and Spain are the largest producers in terms of volume of motor vehicles, but relative to the size of the national economy the automotive sector is also pivotal in central European countries like the Czech Republic, Slovakia and Hungary. Slovakia and the Czech Republic, in particular, have a large and thriving automotive sector, which places them at the top in Europe in terms of motor vehicle production relative to size, with both countries **producing more than 1 car for every 10 inhabitants** (see Figure 2).

Moreover, the sector is dynamic and highly innovative. ACEA¹⁵ reports that the automobile industry is the EU’s largest investor in R&D, accounting for 25% of total R&D spending in 2013. The industry invests €32 billion, or 4% of turnover, in R&D every year. A focus on investments in new engine technologies has resulted in advances in air quality. Carbon monoxide emissions from cars and pollutants from trucks have decreased, while car fleet carbon dioxide emissions decreased by 32% between 1995 and 2013. Engine improvements have also improved fuel efficiency, particularly in heavy duty vehicles. The latest figures show that in 2013 the automotive sector filed 10,568 patents at the European Patent Office.

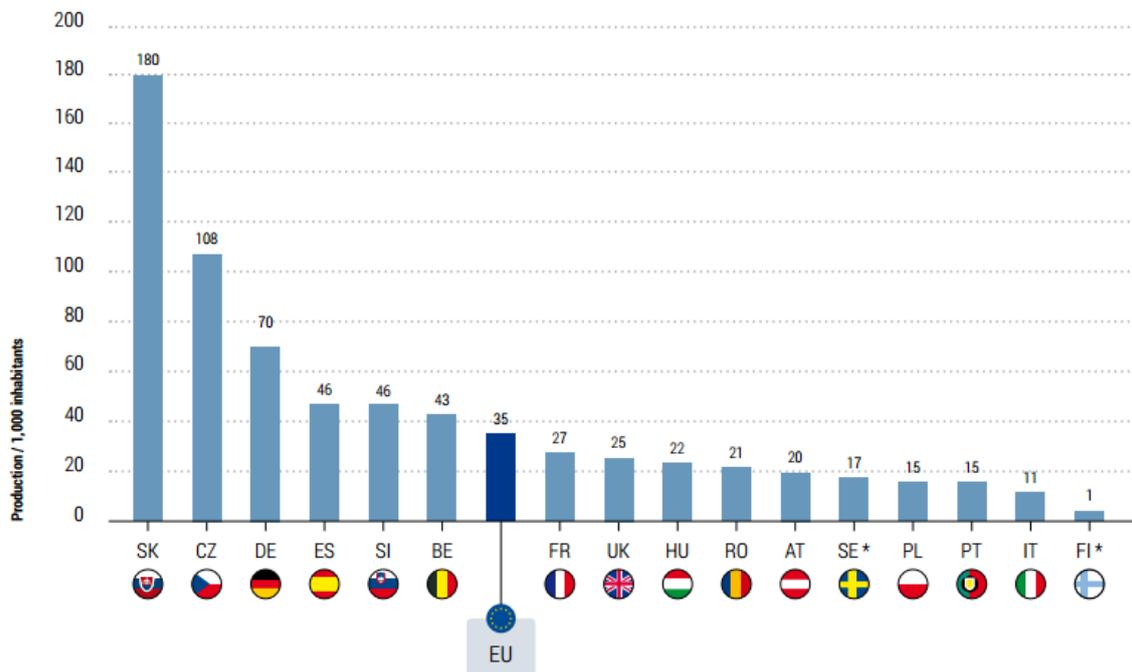
¹² Available at: http://ec.europa.eu/growth/sectors/automotive/index_en.htm [accessed 24 February 2015].

¹³ http://www.acea.be/uploads/statistic_documents/Economic_and_Market_Outlook_Q12015.pdf

¹⁴ http://www.acea.be/uploads/statistic_documents/09032015_Economic_and_Market_Outlook_0315.pdf

¹⁵ ACEA Pocket Guide 2014-15. Available at: http://www.acea.be/uploads/publications/POCKET_GUIDE_2014-1.pdf.

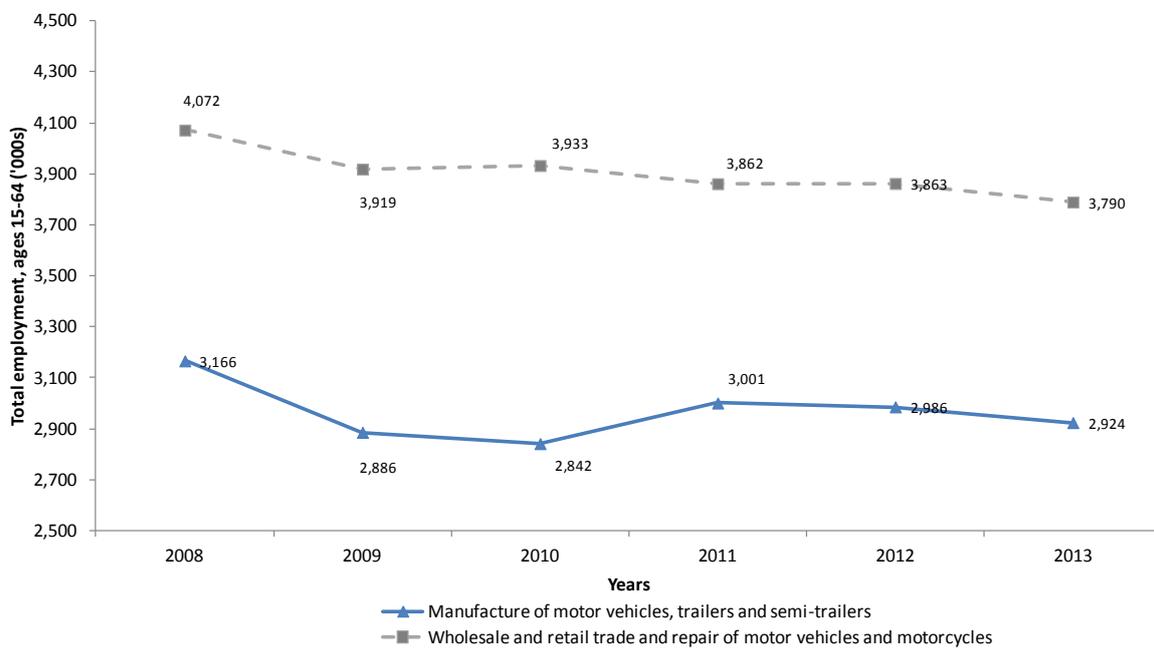
Figure 2 Motor vehicle production per 1,000 inhabitants, 2013



Note: *only production of cars available in 2013

Source: ACEA Pocket Guide, 2014-2015

Figure 3 Direct employment in the automotive sector, EU27 (2008-2013)



Note: Employment for individuals aged 15 to 64 years

Source: Eurostat (LFS)

The automotive industry provides high-quality manufacturing jobs, both for skilled and semi-skilled manual workers and for highly-skilled engineers and management professionals. A detailed

study of the European automotive sector¹⁶ completed in 2008 found that manual workers still represent the bulk of the workforce in most countries: around 60% in the EU15 and over 70% in the new Member States, but also in Spain¹⁷. Overall, the study found that the relative number of managers, engineers and other professionals and technicians increases over time compared with the number of manual workers. However, skilled manual jobs are still in demand, with the greater use of information technology in cars increasing the need for electricians and electronic specialists, for example. The automotive industry has been a crucial factor in maintaining employment levels in Europe during the recent years of weak economic activity (Figure 3).

According to Eurostat, approximately **3.79 million people were employed in the 'automotive trade'** and approximately **2.92 million in 'automotive manufacturing'** in 2013, which means a total of 6.71 million people were directly employed by the automotive sector in 2013. This compares to a total of 5.0 million directly employed in the finance and insurance sector¹⁸, and 1.1 million in the telecommunications sector¹⁹.

1.3 Hyundai in the EU

Globally, Hyundai Motor Group (HMG) is composed of companies and affiliates active across a range of different business sectors. The automotive sector, made up of companies using the Hyundai and Kia names, is the most significant in terms of Group revenue and profit. In 2014, the Group sold 8 million vehicles worldwide, an increase of around 12% since 2012.²⁰ Despite the challenging economic environment, the Group is expected to sell 8.2 million cars during 2015, which is likely to further strengthen its status as a leading global automaker. With factories across nine countries, the Group's global network and presence is very significant.

It is therefore no surprise that Hyundai is a major success story at the heart of the European automotive industry. In the first half of 2015, the volume of Hyundai EU sales increased by 8.8% compared with the first half of 2014. Market shares for Hyundai in the first half of 2015 remained stable at 3.2% compared to the first half of 2014.²¹ This success has been driven by substantial investments in Hyundai operations across Europe. Major facilities are located in two Member States: design and R&D and sales and marketing headquarters are in Germany; while manufacturing takes place in the Czech Republic.

The centrepiece of Hyundai's investment in Europe is the **manufacturing facility in Nošovice, Czech Republic**. Investment by Hyundai has been instrumental in making the Czech Republic world's second largest producer of cars per capita²².

¹⁶ Loire, P., Paris, J.-J., Ward, T. and Weis, C. (2008). 'Comprehensive analysis of the evolution of the automotive sector in Europe'.

¹⁷ 2007 data. Ibid., p. 63.

¹⁸ Eurostat (LFS) NACE Rev.2 'Financial service activities, except insurance and pension funding' + 'Activities auxiliary to financial services and insurance activities' 2013 (latest available figure).

¹⁹ Eurostat (LFS) NACE Rev.2 'Telecommunications', 2013 (latest available figure).

²⁰ <http://www.businesskorea.co.kr/article/8368/5th-place-globally-hyundai-kia-motors-sells-over-8-million-vehicles-2014>.

²¹ ACEA New Passenger Car Registrations, Press Release 16 July 2015.

²² Reuters (2012).

1.3.1 Hyundai Motor Manufacturing Czech (HMMC)

Hyundai opened its European flagship plant, **Hyundai Motor Manufacturing Czech (HMMC)** in November 2008 following a €1 billion investment. The plant produced 307,450 cars in 2014 and will reach a production capacity of 330,000 vehicles per year in 2015²³. The factory produces the award winning ix35 and i30 and exports €3.9 billion worth of vehicles to 56 countries²⁴. 50% of Hyundai cars registered in the EU are produced locally in the Czech Republic.

1.3.2 Research and Development

Research and development takes place in the **Hyundai Motor Europe Technical Center**, a high-tech multifunctional facility located in Rüsselsheim near Frankfurt, Germany²⁵. The Center develops vehicles designed for the European market and engines that comply with tough European environmental regulations.

In addition, the new Hyundai vehicle test centre at the Nürburgring race track in Germany was completed in 2013. The new facility represents a €5.5 million investment. Tests carried out at the new facility are used by engineers at the company's existing R&D centre in Rüsselsheim to improve the quality and driving performance of Hyundai's European-designed vehicles.

Against the background and economic context described above, the remainder of this report is aimed at highlighting the contribution of Hyundai in a number of areas:

- contribution to employment and GDP;
- training and development of the labour force;
- total tax contributions;
- wider social contributions.

Unless otherwise specified, the data used in the following sections was provided by the different operating entities of Hyundai in Europe.

²³ HMMC website [accessed 02 July 2015]: <http://www.hyundai-motor.cz/english.php?rubrika=basic-info>.

²⁴ Hyundai Annual Report 2013, page 25.

²⁵ Hyundai Motor Company Annual Report 2013, p. 43.

2 Contribution to employment and GDP

The following tables illustrate the contribution of Hyundai to the EU economy. The selected indicators are:

- turnover;
- gross value added (GVA);
- employment;
- wages and salaries.

The tables are based on data supplied by the different Europe-based Hyundai entities and comparison data from European statistical office (Eurostat). The analysis distinguishes the impact of Hyundai's manufacturing, research and development, distribution and retail activities.

2.1 Manufacturing

Hyundai operates a major manufacturing facilities in the Czech Republic (Nošovice). In 2014, Hyundai produced value added of €525 million from a turnover of almost €3.9 billion and provided high-quality employment to 3,212 staff.

Table 1 Impact of Hyundai manufacturing

Indicator	Hyundai ⁽¹⁾
Turnover (€)	3,861,770,768
Gross value added (€)	525,421,575
Employment	3,212
Wages & salaries (€)	50,143,237

Note: (1) Nošovice plant (CZ)

Source: Hyundai, Eurostat (SBS)

2.1.1 Regional impact in the Czech Republic

The impact of the HMMC manufacturing operations on the national and regional economies of the Czech Republic and Slovakia continues to be considerable. HMMC represents around **10% of employment in the 'manufacturing of motor vehicles' sector in the Czech Republic.**

96% of HMMC employees live in the Moravian-Silesian region, which demonstrates the impact that HMMC has on the regional economy in terms of creating jobs for local people and sustaining the local economy. This ensures that the wages paid out by the plant are spent in the local economy, which helps to create and sustain further jobs in the region. **HMMC's share of GDP in the region in 2014 was around 3.3%**²⁶.

²⁶ This value was calculated using the Eurostat NUTS 3 2011 GDP value for Moravskoslezský kraj (15,932million), and the gross value added for 2014 provided by Hyundai/Kia (525,421,575).

Table 2 Hyundai share of persons employed in manufacture of motor vehicles in the Czech Republic

	Hyundai ⁽²⁾	Manufacture of motor vehicles in Czech Republic ⁽¹⁾
Number of persons employed	3,212	33,734
Hyundai %	100%	10%

Note: (1) Number of persons employed in the Czech Republic is obtained from Eurostat NACE Rev. 2 industry classification 'manufacture of motor vehicles' and the data is 2013 (latest available figure). (2) Nošovice plant (CZ).

Source: Hyundai, Eurostat (SBS), ACEA

Table 3 Hyundai share of regional GDP⁽¹⁾

	Hyundai	Moravskoslezský kraj ⁽³⁾
GVA/GDP ⁽²⁾	€525,421,575	15.9bn
Hyundai %	100%	3.30%

Note: (1) GDP at current prices by NUTS 3 regions, 2011 (latest available year). (2) Hyundai GVA is compared with regional GDP. Regional GDP figures are rounded to the nearest 100,000,000. (3) This is the same as the NUTS 2 region "Moravskolezsko".

Source: Hyundai, Eurostat

2.1.2 Suppliers (car parts)

The Hyundai manufacturing operation is a one of the major customers of the automotive supply industry at the national level in the Czech Republic, at the European level, and internationally. HMMC purchases supplies worth €3.4 billion, €2.5 billion (74%) of which is sourced from within the EU28. This represents an 8.5 percentage point increase in the share of purchases sourced from within the EU between 2012 and 2014²⁷.

Hence – assuming the impact on the supplier base is proportional to the overall magnitude of the purchases by Hyundai from domestic manufacturers of parts and accessories for motor vehicles, i.e. 11.2% for Hyundai – the direct effects include the employment of 11,766 people in the supplier industry as well as additional gross value added (and hence a GDP contribution) of almost €330 million.

²⁷ Data on GVA, employment and wages at the independent enterprises that supply parts used in the manufacturing plants operated by Hyundai were not available for this study. To estimate the impact of Hyundai on these variables, we assume that the impact is proportional to the fraction of supplier sales that are accounted for by Hyundai purchases. This means that, if Hyundai purchases are responsible for 50% of the sales of a supplier firm, we assume that 50% of the employment at that firm is also directly attributable to the demand from Hyundai. The figures for GVA, employment and wages and salaries in Table 4 are derived as follows: first, we take the value of the supplies purchased by HMMC within the Czech Republic. This is assumed to be equal to the turnover of automotive suppliers in the Czech Republic that can be attributed to the presence of Hyundai. Dividing each value by the total turnover of the sector ("manufacture of parts and accessories for motor vehicles") in the Czech Republic yields a contribution of 11.2% from Hyundai. By multiplying the domestic country-totals for GVA, employment and personnel costs in the sector by the respective percentages (the proportion assumed to be attributable to demand by Hyundai), we derive an estimate of the domestic-regional impact of Hyundai in the supplies part of the value chain (column 1). The figures presented in the table are rounded to full integers.

Table 4 Impact of Hyundai car parts suppliers in domestic country

Indicator	Hyundai suppliers in Czech Republic ⁽¹⁾	Total manufacture of parts and accessories for motor vehicles in the Czech Republic ⁽²⁾
Turnover (€) ⁽³⁾	1,873,380,546	16,790,400,000
Gross value added (€) ⁽⁴⁾	329,702,658	2,955,000,000
Employment ⁽⁵⁾	11,766	105,450
Wages & salaries (€) ⁽⁶⁾	196,058,718	1,757,200,000

Note: Figures rounded to the nearest integer. Rounding occurs through estimation procedures as explained in footnote. It is assumed that all purchases of supplies from manufacturing plants are attributed to car parts as it was not possible to break down purchases into car-parts and non-car-parts. In 2012, 96% of purchases from EU28 Hyundai Motor Group manufacturing plants (HMMC and KMS) combined could be attributed to car parts. (1) Purchases from suppliers for the Nošovice plant (CZ). (2) Eurostat SBS (NACE Rev.2) (3) Eurostat SBS = Turnover or gross premiums written, 2013 data (latest available figure). Data provided by the Czech automotive manufacturers' association AutoSAP puts the total turnover of the automotive industry in CZ in 2014 at €36bn. (4) Eurostat SBS = value added at factor cost, 2012 data, latest available figure. (5) Eurostat SBS = number of persons employed (2013 data). 2014 data provided by the Czech automotive manufacturers' association AutoSAP counts 155,500 automotive industry employees in CZ overall in 2014. (6) Eurostat SBS = Personnel costs (2012 data).

Source: Hyundai, Eurostat (SBS)

In addition to purchases from the domestic region, HMMC purchases auto supplies from businesses in the wider EU28. HMMC purchases €606 million worth of car part supplies, producing an estimated €137 million in gross value added.

Table 5 Impact of Hyundai car parts suppliers in wider EU28.

Indicator	Hyundai suppliers outside Czech Republic ⁽¹⁾
Turnover (€) ⁽²⁾	605,721,167
Gross value added (€) ⁽³⁾	136,777,902
Employment ⁽⁴⁾	3,038
Wages & salaries (€) ⁽⁵⁾	95,263,288

Note: Figures for GVA, employment and wages & salaries are imputed assuming that GVA, employment and wage payments by European car parts to Hyundai are proportional to their non-domestic EU suppliers' share of the industry's turnover in the wider EU27 NACE sector G: Wholesale and retail trade; repair of motor vehicles and motorcycles. (1) Purchases from suppliers for the Nošovice plant (CZ). (2) Total turnover in EU27 excluding the Czech Republic is €221,177 million. Eurostat SBS (NACE Rev.2), Eurostat SBS = Turnover or gross premiums written, 2013 data, latest available figure. (3) Eurostat SBS = value added at factor cost, 2012 data, latest available figure. (4) Eurostat SBS = number of persons employed (2013 data) (5) Eurostat SBS = Personnel costs (2012 data).

Source: Hyundai, Eurostat (SBS)

Table 6 Employment supported by Hyundai purchases from the supply chain: share of national and regional employment

	Europe outside Czech Republic	Czech Republic
Hyundai employment	3,038	11,766
Hyundai %	0.30% ⁽¹⁾	11.2% ⁽²⁾

Note: The number of employees attributable to Hyundai demand in each region is calculated using the total purchases of supplies data, in the same way as in the previous two tables. (1) This is the share of total EU28 employment excluding the Czech Republic in the NACE sector (=1,004,408) that Hyundai's supply purchases is responsible for. (2) This is the share of employment in the NACE sector in the Czech Republic (=105,450) that Hyundai's purchases is responsible for.

Source: Hyundai, Eurostat (SBS)

2.2 Sale and distribution

Hyundai maintains an extensive distribution and dealership networks throughout the European Union. The total GVA contribution of Hyundai's dealership and distribution network is around €1.4 billion, and turnover is almost €14 billion. The network sustains around 23,000 employees.

Table 7 Impact of Hyundai sale and distribution

Indicator	Hyundai ⁽¹⁾
Turnover (€)	13,928,198,722
Gross value added (€)	1,402,814,461
Employment	23,146
Wages & salaries (€)	805,161,000

Note: (1) HME employment and wage data was available for distributors and dealerships for all EU28 countries except Latvia, Lithuania, Estonia and Luxembourg. HME GVA and turnover distributor data is available for all EU28 countries except Latvia, Lithuania, Estonia and Luxembourg for HME. Turnover and GVA was imputed for dealers in all EU28 countries except Latvia, Lithuania, Estonia and Luxembourg. For the countries for which dealership data was imputed, the figures for dealerships were estimated using Eurostat (2012 data) 'per enterprise' value for the indicator in the NACE Rev.2 sector 'sale of cars and light motor vehicles', multiplied by the number of dealerships in the country provided by HME in the previous study. Due to lack of Eurostat data, the Eurostat (2012 data for all indicators) EU27 per enterprise value was used to estimate dealerships for the following countries: Ireland, Spain and Malta.

Source: Hyundai, Eurostat (SBS)

2.3 Research and development

Hyundai Motor Europe Technical Center (HMETC) is a research and development establishment servicing the needs of Hyundai, as well as Kia. It is small in terms of its immediate contribution to the economy as measured by employment and value added. However, the Center produces significant intangible benefits to the European economy such as knowledge spillovers and productivity spillovers; defined as stimulating further innovation through knowledge-sharing. Gross value added for HMETC increased over 2012-2014 by 21.2%.²⁸

Table 8 Impact of Hyundai research and development 2014

Indicator	Europe Technical Center ⁽¹⁾	Hyundai Share (54.2%) ⁽²⁾
Turnover (€)	67,073,466	36,378,829
Gross value added (€)	39,021,233	21,164,059
Employment	298	162
Wages & salaries (€)	29,068,485	15,765,958

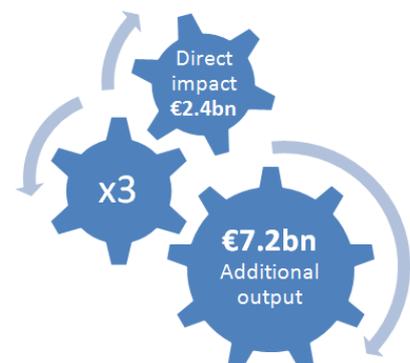
Note: (1) Figures relate to the joint Hyundai Motor Europe Technical Center (HMETC). (2) Based on 3.2% market share compared with Kia's 2.7%, see section 1.3 above.

Source: Hyundai/Kia

2.4 EU-wide impact on GDP and employment

The contribution to GDP is measured by the combined GVA of the different activities undertaken by Hyundai in Europe²⁹. Our calculations show that the value added amounts to €2.4 billion.

A 2010 OECD study³⁰ puts the *output multiplier* of the automobile industry³¹ at **close to three** in G7 countries. The multiplier is calculated using input-output tables and combines



²⁸ Gross value added for 2012 was €32,183,126.

²⁹ Gross value added (GVA) is defined as the revenue net of cost of supplies. GVA represents the additional wealth created by the different activities undertaken by Hyundai in Europe.

³⁰ Haugh, D., Mourougane, A. and Chatal, O. (2010). 'The automobile industry in and beyond the crisis'. *OECD Economics Department Working Paper*, No. 745, p. 6-7.

³¹ Including their design, testing, manufacturing and sales. Ibid.

information on both domestic and import inter-sectoral linkages. A value of three means that a €1 increase in the value added delivered by the automobile industry increases economy-wide output by €3. As Haugh et al. (2010) report, “this level of multiplier is at or close to the top of what is observed in other industries, and always stronger than the average across industry (which is estimated to be at 2.2)”. For Hyundai, this means that the GVA of €2.4 billion in Europe generates output throughout the European economy of €7.2 billion, which supports around 114,000 jobs throughout the European economy.³² Note that we use a multiplier that is calculated for the automotive industry as a whole, i.e. including design, testing, manufacturing and sales. While it is likely that certain activities within the automotive value chain have a higher multiplier, we do not attempt to quantify the precise way in which the multiplier varies across different activities.

The workforce employed directly by Hyundai, supported by their operations in the upstream and downstream markets, is over 41,000 individuals.

Table 9 Combined EU-wide impact of activities by Hyundai on GDP and employment

Hyundai Activity	Gross value added (€)	No. of employees
Manufacturing	525,421,575	3,212
Suppliers	466,480,560	14,804
Sale and distribution	1,402,814,461	23,146
R&D	21,164,059	162
Total	2,415,880,655	41,323

Note: 2014 data; rows may not sum to total due to rounding; figures rounded to the nearest integer.

Source: Hyundai

3 Training and development of the labour force

Hyundai’s European entities provide significant opportunities for training and development of their employees. This is important for the wider economy because improving knowledge and skills of the labour force increases efficiency and productivity, which is a key driver of economic growth. The various organisations that make up the Hyundai operations in the European Union have put in place a variety of training programmes to develop, maintain and enhance employees’ skills over a broad range of specialisms. Separate training programmes exist for technicians, sales and service staff, HR professionals, as well as researchers and managers.

The training provided by Hyundai can take different forms: from highly specialised, task specific training for technicians to training with general applicability. Often the training provided to Hyundai employees leads to externally recognised, formal qualifications.

On average, HMMC provided **21 hours of training per employee in 2014**, an increase of 40% from 2012. All employees at Hyundai’s European plant obtain formal qualifications.

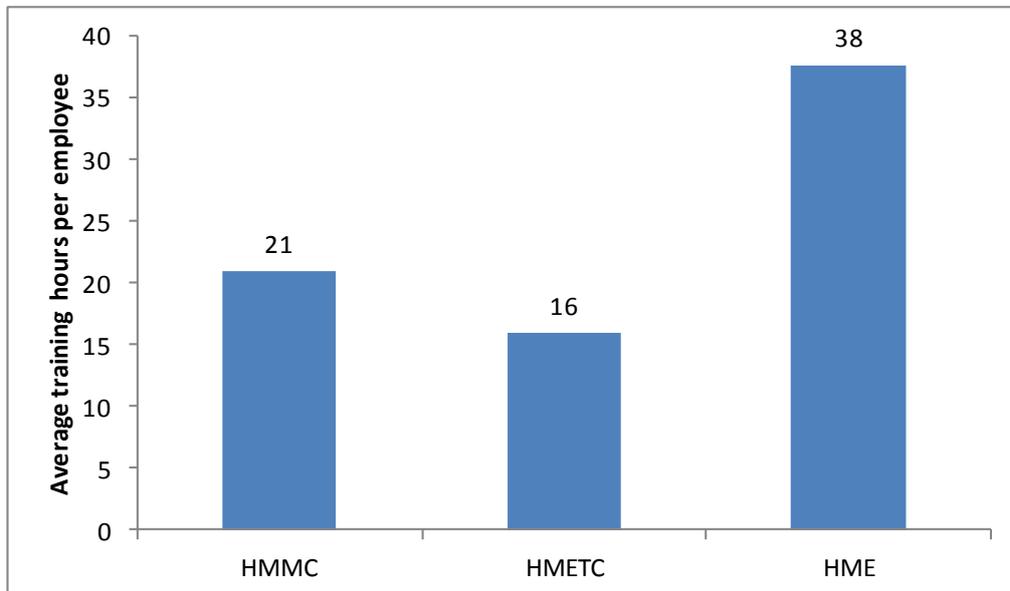
At the European Technical Center, initial training is intensive, with new employees undergoing 56 hours of training. Standard practice is a week-long training programme at the Hyundai Motor Company headquarters in Korea. Various seminars for improving specific employee skills are

³² The value of €7.2 billion is obtained by multiplying €2,415,880,582 by a multiplier of three and rounding to the nearest decimal. The EU27’s overall GDP of €13.88 trillion supports a workforce of 217.8 million [Eurostat: gross domestic product at (current) market prices (2014) and Eurostat (LFS): total employment ages 16 to 64 years (2014, latest available figure)]. The employment generated via the multiplier effect is the product of the induced output of €7.2 billion and the average number of jobs supported by the EU’s overall GDP.

offered on an ongoing basis. HMETC provided an average of **16 hours of formal training per employee throughout 2014**.

Hyundai's distribution network also contributes heavily to employee training and development. In 2014, HME provided 969,821 training hours to its employees, **equivalent to 44 hours per employee**.

Figure 4 Average number of training hours per employee



Source: HMMC, HMETC and HME data

4 Tax contributions by Hyundai in Europe

Hyundai is a major contributor to the public finances of EU Member States. The tax contributions of the manufacturing operations are particularly substantial: **HMMC was one of the top five contributors of corporate taxes in the Czech Republic** in 2014. The different activities based in Europe resulted in revenues for the public purse of €880 million in 2014.

Table 10 Tax contributions by Hyundai in Europe (2014)

Activity	Hyundai
Manufacturing (€) ⁽¹⁾	26,433,820
R&D (€) ⁽²⁾	9,799,452
Sale and Distribution (€) ⁽³⁾	832,190,079
Total (€)	868,423,351

Note: (1) includes corporate and individual income tax, road tax, real estate, and customs. (2) Includes social security contribution, income taxes on wage income, corporate income tax, property tax, input VAT and sales VAT. As a shared Hyundai/Kia facility undertakes R&D in Europe, the R&D tax contribution is allocated to Hyundai according to its market share (54.2%). (3) Includes Total income taxes paid, total payroll taxes and income taxes on wage income, sales taxes, import duties on car imports paid, and any other special taxes and levies. Distribution and dealership data was provided on Hyundai taxes for the following countries: Austria, Belgium, Czech Republic, Finland, France, Germany, Italy, Malta, Netherlands, Slovakia, Slovenia, Sweden and United Kingdom.

Source: Hyundai

5 Contributions to society and corporate social responsibility

The Hyundai Motor Group is committed to sustainability, accountability and transparency. The Company is aware of its responsibility towards citizens, customers, investors and stakeholders, which goes beyond the simple manufacturing of products and mobility solutions. Through its report “Brilliant Hope - Hyundai Motor Global Social Contribution Activities White Paper”, the group complies with the EU-Directive on the Disclosure of non-financial information³³ and the legal requirements on improved corporate reporting with regards to environmental matters, social and employee aspects and respect for human rights. Disclosing relevant information on such topics aims to provide interested parties with a more comprehensive picture of the company’s performance and underscores the link between economic growth and sustainability.

5.1 CSR expenditure

Hyundai makes contributions to corporate social responsibility activities around the world, through initiatives which include the provision of training and education to disadvantaged individuals, supporting charities, environmental initiatives, and activities which promote culture and social cohesion. In 2014, Hyundai’s expenditure on corporate social responsibility activities amounted to €2.6 million.

Table 11 Corporate social responsibility expenditure

Activity	Hyundai
Manufacturing (€)	138,000
Sale and Distribution (€)	2,461,328
Total (€)	2,599,328

Source: Hyundai

Table 12 Hyundai Corporate Social Responsibility Overview - Selected initiatives

Country	Name of initiative	Description	Budget (€)
Spain	Children’s Desert	Support children in the Moroccan desert	70,000
Spain	Blood donation	Blood donation for employees	
Spain	FERO	Cancer Research Foundation	10,000
Germany	Caritas	Financial donation	156,000
Poland	Internship Program	10 students per year will have the opportunity to work with HMP	124,500
UK	Street League	Financial donation plus Street League activity (Brand ambassador visits, vehicle loans, work placements)	82,650
Czech Republic	Prague Philharmonic Orchestra, Prague Museum, Foundation "Kolečko"	Financial donation (Culture)	31,361

³³ EU-Directive 2014/95 on disclosure of non-financial and diversity information by certain large undertakings and groups as adopted by the Council of the European Union 29 September 2014.

Source: Hyundai

5.2 Hyundai Motor Manufacturing Czech (HMMC)

5.2.1 Hyundai Endowment Fund

Through the **Hyundai Endowment Fund**, an organisation founded by HMMC in collaboration with state institutions and environmental organisations, HMMC distributed **€911,000 mainly in the Frýdek-Místek and Nový Jičín Districts of the Moravian-Silesian Region** to support 10 community projects in 2014. These projects aim to protect and improve the environment, and to improve transparency of public administration and public access to decision making. Projects that receive funding promote sustainable development in the region, involve citizens in public activities, and promote protection of the environment.

5.2.2 Good Neighbour

HMMC launched the “Good Neighbour” fund in 2014. With an annual budget of around €27,000, the Good Neighbour scheme allows surrounding villages, towns, cities and regions to apply for funding with a view to supporting “social life in their communities”³⁴ to promote good relationships in HMMC’s neighbourhood. The maximum fund per municipality is around €1,820.³⁵ The funding enables municipalities to organise cultural, social, sports and other events. New ideas for projects to support cultural, sport and social life were developed in 2014, with HMMC funding 33 projects in 13 municipalities with 15,000 inhabitants.

5.2.3 Traffic Safety

In addition, HMMC supports projects aimed at increasing awareness and teaching the local community about safety and crime prevention. For example, reflective items were distributed to 1,800 schoolchildren from surrounding municipalities to promote road safety and reduce the number of road accidents involving children. HMMC was also a partner of the 35th Traffic Competition for Young Cyclists which ran from May to June 2014, with the same aim of promoting education in traffic safety and appropriate behaviour in road traffic.



Traffic education became a compulsory part of the Czech school curriculum in 2013. One year later, a children’s traffic playground was opened in Frýdek-Místek to support road safety education. HMMC is a partner of this playground and has supported it by purchasing 20 new bicycles for educational purposes.

5.2.4 Education and youth training

HMMC donates testing vehicles for educational purposes to local schools and universities in the Moravian region, an ongoing initiative established in 2008. Over the lifetime of the program,

³⁴ HMMC Internal newsletter, no.55 / January 2013.

³⁵ Equivalent to CZK 50,000 using market exchange rates on 02 June 2015.

HMMC has donated 87 cars and 14 components. These vehicles are not suitable for road use and are for educational and training purposes.

The “Driving licences for children from children’s homes” initiative assists young people from children’s homes who are searching for their first job by sponsoring their driving licenses. In 2014, 8 children from children’s homes in Frýdek-Místek, Ostrava and Karviná were supported through this program.

5.2.5 Social initiatives

Since its inception in 2006, the St Nicolas Party has become an annual tradition during which HMMC employees dress up in costume and give presents to local children in Nošovice before Christmas.

The Re-Share project was a scheme developed in cooperation with the Salvation Army to place a container for old clothes in the HMMC parking lot. Compared to previous years where they held annual old clothes donation campaigns, this method allowed clothes to be donated the entire year resulting in approximately 500 kg of used clothes donated in 2014.

New programs for 2015 include “Road-kill Prevention” which involves installing protective barriers alongside a ring-road, and “H-Volunteer Designer” which gives HMMC employees the opportunity to suggest volunteer events in cooperation with the surrounding municipalities.

5.2.6 Culture and sports

HMMC sponsors a series of sports and cultural events including the Hyundai Perun Sky Marathon and cultural events organised by the Municipal Culture Centre in Ostrava, which showcase traditional and contemporary Korean culture such as Taekwondo and calligraphy. Finally, HMMC offers financial support for Czech-Korean Days in Ostrava aimed at promoting multicultural understanding and closer ties between the Czech Republic and Korea.

5.3 Hyundai Motor Europe (HME)

In 2012 and 2013 Hyundai Motor Europe launched two pan-European social programmes in order to develop entrepreneurial skills amongst young people in Europe: **Skills for the Future** and **Brilliant Young Entrepreneurs**.

5.3.1 Skills for the Future

Skills for the Future is Hyundai Motor Europe’s first pan-European programme and is run in partnership with Junior Achievement-Young Enterprise (JA-YE) Europe, aiming to improve youth employability. Since the programme’s launch in 2012, 10,000 young people between the ages of 15 and 18 in 15 European countries have had the opportunity to try their hands at enterprise, learn valuable STEM (science, technology, engineering and mathematics) skills and apply their knowledge in new ways.



At a time when youth unemployment in Europe is at an all-time high, the aim is to increase automotive sector awareness amongst students in vocational schools, to underline the importance of scientific and technical skills for future job opportunities and to help schools to prepare young people for their future careers. Moreover, HME is contributing to the European automotive industry by increasing the availability of workers with the right skills and competencies in a sector with acute skills shortages. So far, Skills for the Future has run for an initial three year period with a budget of about €1 million.

Skills for the Future activities include classroom visits where Hyundai employees share their knowledge and expertise with students across Europe. In addition 32 schools across Europe took part in an online Skills for the Future competition, resulting in the top nine schools receiving a Hyundai car to use for educational purposes.

In the three years that the program has been running, it has grown increasingly popular. More than 5,000 students took part in at least one of the Skills for the Future activities in the 2015 academic year, five times more than the 2013 academic year when the program was first launched. Students worked with over 150 Hyundai volunteers through classroom visits, master classes, competitions, and through the development of their mini companies.

Table 13 Skills for the Future Participants (2013-2015)

Indicator	2013	2014	2015
Students	1,030	4,381	5,282
Schools	37	105	144
Volunteers	53	79	159
Master Classes	8	19	33

Source: Hyundai

On 8-10 June 2015, the Hyundai Skills for the Future Award was hosted in Prague, where students who had developed and run their own mini-companies in the past academic year were given the opportunity to compete for the award of best mini-company of the year. 20 mini-companies pitched their ideas at a trade fair where members of the Jury Panel visited and conducted interviews.

The 2015 Skills for the Future Award was won by the student company 'SoberDrive' from the United Kingdom, aimed at reducing drink-driving accidents.



As part of the event, a policy and industry stakeholder roundtable was organised to debate "Closing the skills gap: how to drive innovation and increase Europe's competitiveness". Leaders from the public and private sector who spoke at the event concluded that there needs to be widespread action to address the skills mismatch in Europe and increase its competitiveness.



In the future, HME plans to roll out Skills for the Future in all 30 European countries in which they operate, as well as expanding the program to their dealer network.

5.3.2 Brilliant Young Entrepreneurs

Brilliant Young Entrepreneurs (BYE) is a programme for university students to encourage entrepreneurship. Through BYE Hyundai Motor Europe provides financial and mentoring support to participants whose developing business plans have strong potential to become 'real' businesses.

BYE was launched in April 2013 and complements Skills for the Future. Operated by JA-YE Europe and supported by HME, the programme has attracted business start-up entries from university students in 17 countries: Belgium, Bulgaria, Czech Republic, Denmark, Finland, Estonia, Latvia, Lithuania, Malta, the Netherlands, Norway, Portugal, Romania, Slovakia, Spain, Italy and the United Kingdom.

BYE is a core element of Hyundai's efforts to encourage the development of young entrepreneurs. The Hyundai Award is presented annually to the most outstanding start-up enterprise. The award is presented to the enterprise that has presented a clear plan for becoming a real business by demonstrating its business potential, growth opportunities, community impact, financial performance and innovation.

Table 14 Brilliant Young Entrepreneurs Participants (2013-2015)

Indicator	2013	2014	2015
Markets	12	13	17
National Awards	13	14	16
Students	600	1,482	1,600
Universities	100	172	180

Source: Hyundai

Since 2013, BYE has expanded its coverage from 12 markets to 17 markets increasing the program's reach to 1,600 student participants from 180 universities in 2015. 43 youth enterprises have received financial and mentoring support to establish and grow their business.

Jury members from HME in each country take part in the selection process and act as mentors for the young start-ups for a year. So far, 60 Hyundai volunteers have been involved in mentoring the award winning businesses which are all innovative, diverse and have real start-up potential.

Each year, a start-up is selected from each country as the national winner, receiving a €15,000 investment. The monetary award is presented at a grand finale.

The national winners for 2014 presented a broad variety of ideas and technologies, ranging from SMTH Smooth (a slim and smooth bamboo wallet), to Cool4Sea (a climate solution for use on ships offshore), to JackSavior (a new plug for headsets) and Pohcit (a small bag designed to hold the fluid drainage bottle, providing mobility and comfort for recovering breast cancer patients post-surgery).

5.3.3 Regional Corporate Social Responsibility Initiatives

Hyundai's national distributors support a variety of causes, often focused locally and nationally, but also involving overseas development.

Spain

For the past 10 years, Hyundai Motor España (HMES) has supported the 'Children's Desert' programme. With a budget of €70,000 for 2015, HMES provides 12 vehicles for Spanish children to deliver supplies to children living in the Moroccan desert. In 2013, ophthalmologists also joined the trip and provided an eye examination and glasses for about 300 children.

Germany

In the same 10 years, Hyundai Motor Deutschland GmbH (HMD) cooperated with Germany's largest charity, Caritas Welfare Federation, with the aim of educating and developing children and teenagers. In addition to a €156,000 financial donation to Caritas in 2015, HMD has partnered with the welfare foundation to deliver 40 volunteer work projects.

In 2013, a focus was placed on marginalised youth and included mentoring programs to help children of immigrant and minority groups. Youth groups from remote areas in South Africa were also flown in to provide workshops and concerts to minority youth, and disabled and elderly persons.

Finally HMD and Caritas host workshops in Berlin to encourage companies to take part in corporate social responsibility activities, while educational sessions on safe and environmentally friendly driving are also provided for employees every year.

Czech Republic

In the Czech Republic, Hyundai Motor Czech Republic (HMCZ) supported relief activities for flood victims by providing SUV vehicles. HMCZ also supported education by donating three vehicles to auto mechanic schools for training, and provided technical training at the Czech Republic Brand Academy. Finally, in order to facilitate cultural exchange, HMCZ collaborated with the Prague city museum to organise the 'Seoul City Walls' exhibition.

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Annex 1 GDP and employment contribution in Germany and the Czech Republic

Table 15 GDP and employment contribution in Germany

Indicator	Hyundai
Turnover	3,075,611,204
GVA	299,691,146
Employment	3,951

Note: Hyundai figures include values for Hyundai's share (54.2%) of HMETC design, research and development, sales and distribution provided by HME as well as imputed Hyundai dealership values for turnover and GVA based on Eurostat per enterprise data for Germany.

Source: Hyundai/Kia

Table 16 GDP and employment contribution in the Czech Republic

Indicator	Hyundai
Turnover	4,375,612,401
GVA	543,013,901
Employment	3,914

Note: : Hyundai figures include values for HMMC manufacturing and HME sales and distribution as well as imputed Hyundai dealership values for turnover and GVA based on Eurostat per enterprise data for the Czech Republic.

Source: Hyundai



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