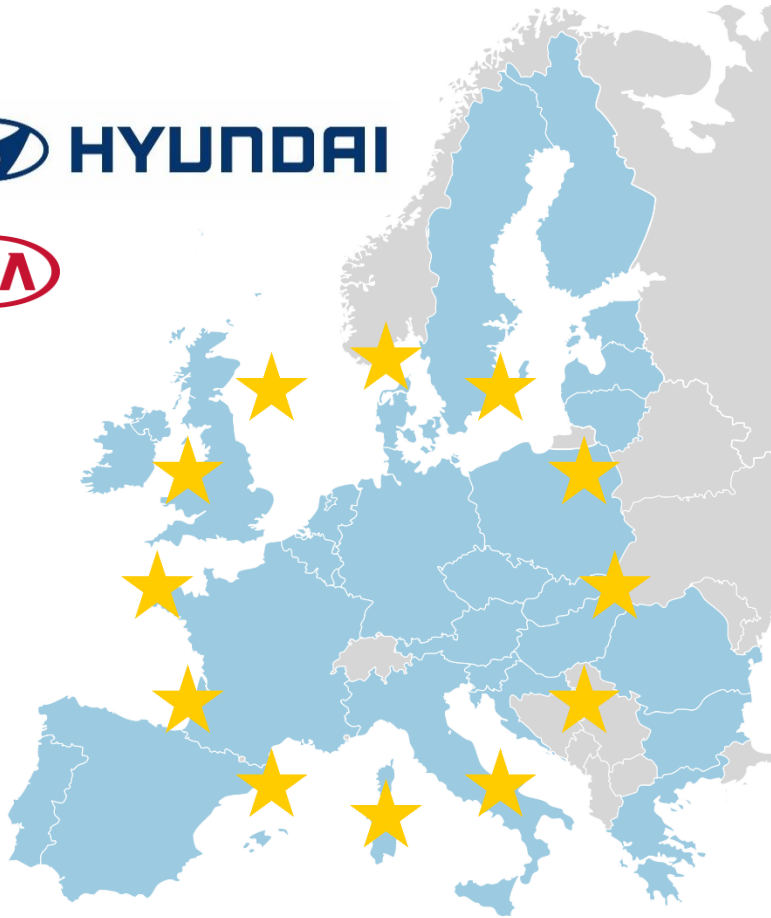


The economic and societal contribution of Hyundai and Kia in Europe



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October 2017

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Table of Contents

Page

Executive Summary	ii
1 Background and context	1
2 Hyundai's and Kia's contribution to the EU economy	8
3 Hyundai's and Kia's contribution to national and regional GDP and employment	13
4 Tax contributions by Hyundai and Kia in the EU	16
5 Contributions to society and corporate social responsibility	17
Index of tables & figures	20
Annex 1 Report tables with footnotes	22

Executive Summary

Hyundai Motor Group in Europe



Key figures

- ❑ Over 390,039¹ people owe their jobs to the presence of Hyundai and Kia in Europe.
- ❑ Including customs duties, sales and income taxes, Hyundai and Kia contributed €2.5 billion in taxes to European governments in 2016.
- ❑ Hyundai and Kia are directly responsible for value added of €5.3 billion across the areas of manufacturing, supplies, research & development and sale & distribution.
- ❑ The direct output produced by Hyundai and Kia generates additional value added throughout the economy of €10.5 billion

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 provides a quantification of the economic and societal benefits deriving from the presence of Hyundai and Kia in Europe. The report draws on the most up-to-date data on the operations of Hyundai and Kia in Europe, as well as official and industry data sources. The focus of the report is on the direct and indirect contribution of the European operations of Hyundai and Kia to GDP, employment and tax revenues in the EU.

The data for the report was collected between June and July 2017 by the Hyundai and Kia subsidiaries in Europe, namely the manufacturing operations in the Czech Republic (HMMC) and in Slovakia (KMS); the group technical centre in Germany (HMETC); as well as the European distributors of the two brands (HME and KME) and each brand's sales companies in the individual Member States.

A growing presence in Europe

- Hyundai and Kia are two success stories at the heart of the European automotive industry.
 - In 2016, the number of passenger cars sold by the Hyundai in the EU was up by **7.2%** and Kia sales by **12.7%** compared with sales in the previous year.
 - Market shares for Hyundai and Kia in 2016 stood at **3.3%** and **2.9%** respectively².

Creating wealth and jobs in Europe

Value added along the value chain

- The Hyundai and Kia factories produce **€1.2 billion** in gross value added (GVA) from a turnover of **€10.8 billion** and provide high-quality employment to **7,098** full-time staff and agency workers.
 - They purchase car part supplies worth **€8.7 billion**, **€6.9 billion** of which **(78%)** is sourced from within Europe.
 - This represents a **six percentage point increase** of the share of purchases sourced from Europe between 2014 and 2016.
- Demand by Hyundai and Kia provides employment for **35,306 people** in the supplier industry, whose additional gross value added is estimated at **€1.1 billion**.
- The entire value chain from R&D to distribution is located in Europe. Hyundai and Kia have sales distribution networks in all EU Member States.
 - Sales and distribution add an additional **€2.9 billion** to European GDP³, whilst the R&D facility adds an additional **€45.4 million**.
- The combined direct GVA of Hyundai and Kia in the EU amounts to **€5.3 billion**.
 - This figure includes the GVA of external suppliers and independent retailers of the two brands.

² In terms of new passenger car registrations. Figures were obtained from ACEA (<http://www.acea.be/statistics/article/consolidated-registrations-by-manufacturer>).

³ GDP is the market value of goods and services produced in a country within a specified period of time.

- 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 GVA of €5.3 billion directly produced in Europe generates **output throughout the European economy of €15.8 billion**. This figure is based on an estimated multiplier of three for the automotive industry⁴.

Employment

- The workforce employed directly by Hyundai and Kia and supported by their operations in the upstream and downstream markets consists of **82,987 individuals**.
- In addition, **307,052 European workers** are employed due to demand induced by the presence of Hyundai and Kia.
- In total, **390,039⁵** people owe their jobs to the presence of Hyundai and Kia in Europe.

Tax revenues

- Including customs duties, sales and corporation taxes, Hyundai and Kia contribute a total of **€2.5 billion** in taxes to European governments.

⁴ 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].

⁵ For the methodology underpinning the use of this multiplier, see 'Contribution of the Automotive Industry to the Economies of All Fifty States and the United States'. *Center for Automotive Research*. Available at: <http://www.cargroup.org/wp-content/uploads/2017/02/Contribution-of-the-Automotive-Industry-to-the-Economies-of-All-Fifty-States-and-the-United-States2015.pdf> [accessed 24 August 2017].

1 Background and context

1.1 Hyundai Motor Group at a glance

Hyundai Motor Group (HMG) is a global conglomerate headquartered in Seoul, South Korea. Formed in 1998 through Hyundai Motor Company's acquisition of Kia

HMG is the world's fourth largest vehicle manufacturer

Motors, the corporation is composed of over 600 companies and affiliates active across a

range of different industries. The most significant business sector in terms of group revenue, net profit and employment is the **automobile sector**.



HMG is the **largest vehicle manufacturer** in South Korea, and was the **world's fourth largest vehicle manufacturer** behind Japanese Toyota, the German Volkswagen Group and the Renault-Nissan Alliance in 2015⁶. Despite the challenging economic environment, the group sold **7.8 million vehicles** in 2016⁷, generating revenues of **€105.1 million**⁸. HMG's automobile activities provided employment to **168,677 people**⁹ in 2016.

1.2 Hyundai and Kia in the EU

Hyundai and Kia are **two success stories at the heart of the European automotive industry**. Both are among the fastest growing car brands in Europe, with Hyundai having increased sales volumes at a compound annual growth rate of 6.4% during the last ten years (86% over 10 years) and Kia having increased sales every year since 2008.



In 2016, Hyundai increased its **sales** volume by **7.5% to 505,396 passenger cars**. Kia sold **435,027 passenger cars** in the EU and EFTA markets last year, marking a **12.7% increase** from sales in the previous year. Hyundai's and Kia's market share in terms of passenger cars in the EU and EFTA markets stood at **6.2%** in 2016¹⁰.

⁶ In terms of production. <http://www.oica.net/wp-content/uploads/ranking2015.pdf>

⁷ <https://www.cnn.com/2017/01/02/hyundai-kia-global-vehicle-sales>

⁸ Dollar-denominated global company sales of 116,304,000,000 were converted using the average USD-to-EUR-exchange rate of 1.1069 for 2016 as reported by Eurostat.

⁹ <http://www.hyundaimotorgroup.com/About-Us/IR-Information.hub>

¹⁰ ACEA Consolidated Registrations - by Manufacturer. Available at: <http://www.acea.be/statistics/article/consolidated-registrations-by-manufacturer>

The centrepieces of the company's European operations are the manufacturing sites in the Czech Republic and Slovakia, as well as the major design, R&D, sales and marketing headquarters in Germany.

1.2.1 Manufacturing sites in the EU

Hyundai and Kia operate two manufacturing facilities in the EU, one in Nošovice in the Czech Republic and one in Žilina, Slovakia. Investment by Hyundai and Kia has been instrumental in making the Czech Republic and Slovakia the world's top two producers of cars per capita¹¹.

Hyundai opened its European flagship plant, **Hyundai Motor Manufacturing Czech (HMMC)** in November 2008 following a €1 billion investment. The plant produced **358,400 cars** in 2016¹².

Kia's European production base is the **Kia Motors' Žilina Plant (KMS)** in Žilina, Slovakia. **Operational since December 2006**, the plant is located 90 kilometres south of HMMC. In 2016, KMS built **339,500 cars** and **612,900 engines**¹³. KMS is one of the few plants in the world that has the capacity to manufacture up to eight different models on the same line. KMS will invest €130 million in Slovakia in 2017 to adjust production lines in preparation for new model production¹⁴.

HMG investment helped to make the Czech Republic and Slovakia the world's top producers of cars per capita

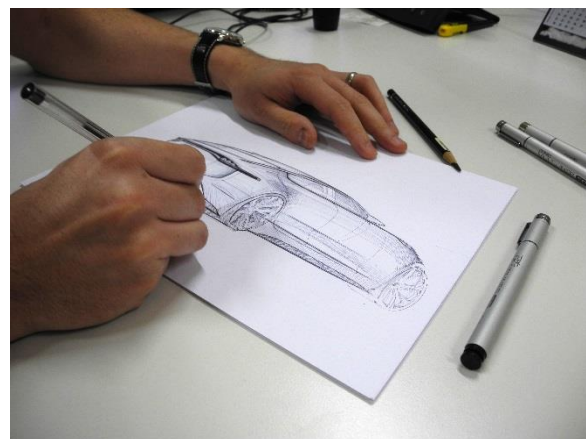
1.2.2 Distribution networks

Both Hyundai and Kia maintain extensive distribution and dealership networks throughout the European Union. The European distribution and marketing headquarters of Hyundai and Kia, Hyundai Motors Europe (HME) and Kia Motors Europe (KME) are both based in Frankfurt, Germany.

1.2.3 Research and Development functions

Research and development takes place in the **Hyundai Motor Europe Technical Center (HMETC)**, a high-tech Design and Engineering Centre in Rüsselsheim near Frankfurt, Germany. The Center develops vehicles specifically designed for European customers and engines that comply with tough European environmental regulations.

Further work is carried out at the **Hyundai vehicle test centre** at the Nürburgring race



¹¹ Reuters (2012).

¹² HMMC News, Issue 100 (2017), p. 8. Available at: <http://www.hyundai-motor.cz/download/hyundai-news-100.pdf> [accessed 25 August 2017].

¹³ 'Kia achieves record manufacturing volumes in Slovakia' (KMS press release, 13 January 2017)

¹⁴ Ibid.

track in Germany. The facility represents an investment of €5.5 million. Tests carried out at the 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.

1.3 Economic context

1.3.1 The European economy

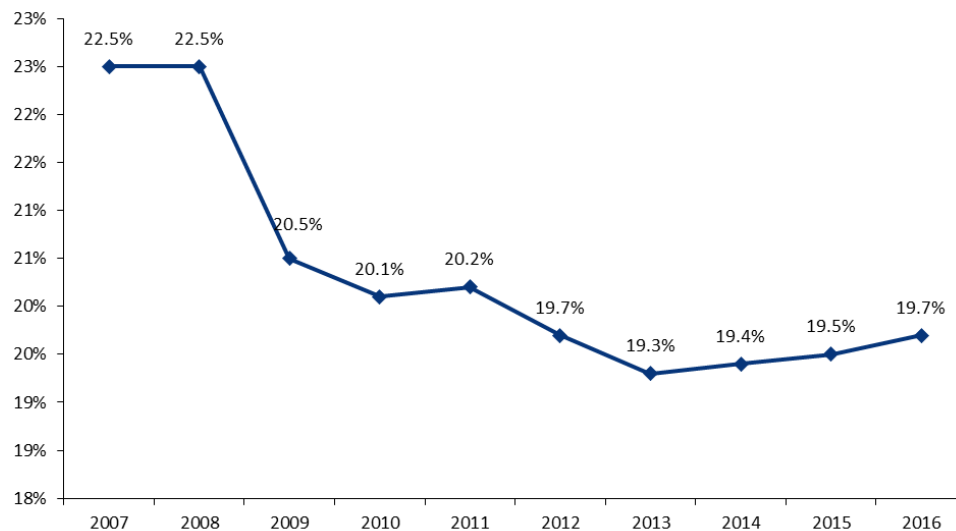
The recovery of the European economy following the global financial crisis in 2008 and the European sovereign debt crisis in 2009 is now well underway. For the first time in almost a decade, the economies of all EU Member States are expected to grow throughout 2017 and 2018, with aggregate EU GDP expected to grow at an average rate of 1.8 percentage points in both years¹⁵. Similarly, unemployment rates have exhibited a continuous decline since 2013, with the current total unemployment rate being at its lowest level in eight years.

Large-scale, high-tech manufacturing operations aid Europe's economic recovery

However, the pace of the European recovery has been considerably slower than after recessions in the past, and **GDP growth rates remain well below pre-crisis levels.**

Moreover, **investment levels** have struggled to improve after the crisis. The investment share of aggregate European GDP is still almost **three percentage points lower than before the crisis**, and investment growth remains relatively flat (see Figure 1).

Figure 1 Investment as percentage of GDP, EU28 (2007-2016)



Note: Gross fixed capital formation (GFCF) consists of resident producers' acquisitions, less disposals, of fixed assets during a given period plus certain additions to the value of non-produced assets realised by the productive activity of producer or institutional units. Investments in financial assets are not measured.

Source: Eurostat

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.

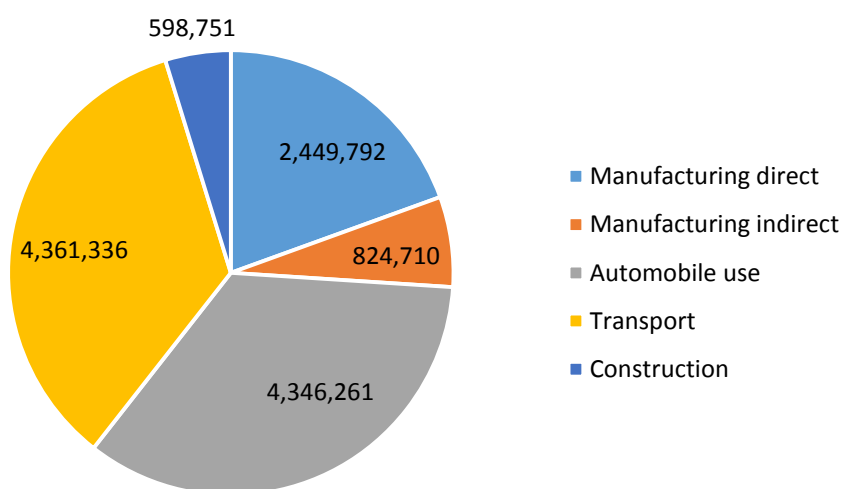
¹⁵ EC DG Economic and Financial Affairs (2017). 'Winter Economic Forecast 2017'. Available at: https://ec.europa.eu/info/publications/economy-finance/european-economic-forecast-winter-2017_en [accessed 13 April 2017].

1.3.2 The automotive sector in Europe

The automotive industry is crucial for **Europe's economic wealth**. 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). To strengthen the competitiveness of the EU automotive industry and preserve its global technological leadership, the European Commission supports global technological harmonisation and provides funding for R&D.

The automotive industry plays a key role in the European economy, producing value added corresponding to **4%**¹⁶ of EU GDP, and providing **12.6 million jobs** in Europe (**5.7%** of total EU employment)¹⁷.

Figure 2 EU automotive employment (2015)



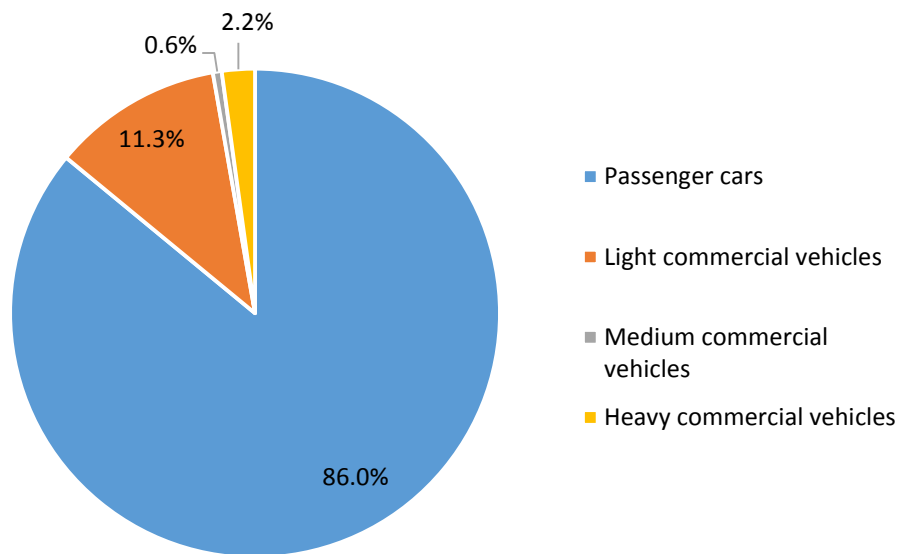
Source: ACEA, Eurostat

In 2016, **19.2 million motor vehicles** were manufactured in the EU, representing **approximately 20% of the motor vehicle production worldwide**. In particular, the 230 EU assembly and production plants¹⁸ manufactured 16.5 million cars and 2.7 million commercial vehicles in 2016, providing **3.3 million direct and indirect jobs**. The EU automotive industry produces an average of **7.6 vehicles per worker** annually.

¹⁶ The statistics displayed in this section are provided by the European Association Manufacturers Associated (ACEA) 2017-2108 Pocket Guide report, available at: http://www.acea.be/uploads/publications/ACEA_Pocket_Guide_2017-2018.pdf [accessed 08 August 2017].

¹⁷ 2015 figures (latest available).

¹⁸ 2017 figure.

Figure 3 EU motor vehicle production by type (2016)

Source: ACEA, Eurostat

While the largest producers in terms of volume of motor vehicles manufactured are **Germany, Spain, the UK, and France**, relative to the size of the national economy the **automotive sector is most pivotal in central European countries such as Slovakia and the Czech Republic**. 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 producing more than 1 car for every 10 inhabitants.

The **sales and distribution** segment is at the core of the EU automotive industry. It is not only a major employer – it employed more than **4.3 million people** in 2015 – but plays an important role in bringing together the sector’s supply and demand sides. In 2016, almost **17 million motor vehicles were registered in the EU**, where 86% consisted of passenger car registrations, while the remaining 14% consisted of commercial vehicles. Interestingly, 29 new passenger cars were registered per 1,000 inhabitants in the EU in 2016.

The EU automotive sector’s **exports** significantly contribute to the EU economy. In 2016, the EU exported 6.3 million vehicles, generating **€135.4 billion of revenues**. The biggest markets for EU motor vehicles exports are the United States and Turkey, followed by China, Switzerland, Hong Kong, Japan, Australia, Norway, South Korea, and Israel. The EU automobile industry imports around **3.4 million cars annually**. This means that the EU is a net exporter of motor vehicles. In fact, in 2016, the EU automobile industry generated a **trade surplus of almost €90 billion**.

In 2016, the EU exported 6.3 million vehicles, generating €135.4 billion of revenues

The European automotive sector invests significantly in **research and development**. In fact, it is the world’s largest automobile investor in R&D. Moreover, of the **7,954 patents granted in 2016 worldwide**, more than 61% came from the EU and other EPO member states.

The automotive sector is the EU's greatest private investor in R&D

The European automotive sector is also the **EU's greatest industrial investor in R&D**, contributing to 27% of total European R&D in 2015, with €50.1 billion invested. The European manufacturers' R&D investments have considerably reduced the environmental impact of vehicle production. For instance, volatile organic compounds (VOC) emissions per car produced have been reduced by over 30% over the last 10 years. Similarly, water consumption and CO₂

emissions per car produced have been reduced by 32% and 26%, respectively, over the last decade. R&D contributions have also improved the emissions of new cars: the average new car emitted 118.1g CO₂/km in 2016, a 1.2% reduction as compared to 2015.

Against the background and economic context described in the previous sections, the remainder of this report is aimed at highlighting the contribution of Hyundai and Kia in a number of areas including output, GDP, employment, and taxes.

2 Hyundai's and Kia's contribution to the EU economy

Hyundai and Kia create output by using inputs from different industries and adding value through its employees. The economic contribution of Hyundai and Kia is reflected in:

- Hyundai and Kia's **turnover or sales**;
- Hyundai and Kia's **gross value added (GVA)**, defined as turnover minus payments for non-labour inputs. GVA represents a company's contribution to national GDP at market prices, with national GDP being equal to the combined GVA of all businesses in the country¹⁹;
- The numbers of **persons employed** by Hyundai and Kia; and
- Compensation of Hyundai and Kia employees in the form of **salaries, wages and benefits**.

This chapter estimates the economic impact of Hyundai and Kia along the entire value chain, distinguishing between Hyundai's manufacturing, research and development, distribution and retail activities. Unless otherwise specified, the figures presented in the following sections are based on 2016 financial data that has been provided by the different operating entities of Hyundai and Kia in Europe.

2.1 Manufacturing

Hyundai and Kia operate two manufacturing facilities in the EU, the **Hyundai Motor Manufacturing Czech (HMMC)** in Nošovice (CZ) and the **Kia Motors' Žilina Plant (KMS)** in Žilina (SK).

*HMMC and KMS
contributed **€1.2 billion**
to EU GDP in 2016*

We estimate that the manufacturing facilities contributed almost **€1.2 billion to EU GDP** in 2016, based on a **turnover of €10.8 billion**.

*HMG factories
provided employment
to **7,169 people** in
2016*

As of 2016, the Hyundai and Kia manufacturing sites offer high-quality employment to **7,169 staff**, providing them with salaries, wages and benefits of almost **€157.5 million**. This means that **13.8% of employees in the Czech and Slovak automobile manufacturing industry** work at either the Nošovice or Žilina plant.

¹⁹ It is important to subtract the cost of bought in goods and services from company sales when calculating GVA, as money paid to suppliers would otherwise be double counted when deriving national GDP through company-level GVA aggregation.

Table 1 Impact of Hyundai and Kia manufacturing operations in the EU

	Hyundai	Kia	Total HMG (Hyundai + Kia)
Turnover (€ millions)	5,280.5	5,566.2	10,846.7
GVA (€ millions)	535.3	635.9	1,171.2
Employment (headcount)	3,248	3,850	7,098
Employee compensation (€ millions)	61.2	96.3	157.5

Notes are provided in Annex 1.

Source: London Economics' analysis based on HMMC, KMS and Eurostat data

2.1.1 Suppliers (car parts)

Hyundai's and Kia's European manufacturing operations rely on inputs from the automotive supply industry. In 2016, the HMMC and KMC plants together purchased input supplies worth **€8.7 billion, up 14%** from 2014²⁰.

*HMG purchased EU input supplies worth **€6.9 billion** in 2016*

€6.9 billion, or 78% of all inputs, were sourced from **EU-based suppliers**, marking a 6 percentage point increase in the share of purchases sourced from within the EU between 2014 and 2016. The majority of inputs is sourced from within the countries in which the Hyundai and Kia manufacturing sites are located: **68% (€2.4 billion) of HMMC supplies** are sourced from the **Czech Republic**, while **50% (€2.6 billion) of KMS input supplies** are sourced from **Slovakia** (see also section 3.1).

The table below reports the additional economic impact in the Czech Republic and Slovakia that is generated by Hyundai's and Kia's demand for parts and accessories for motor vehicles, both domestically and within the wider EU economy. It shows that Hyundai and Kia sustained **value added of €1.1 billion** and **employment of 35,306 people** in the automotive supply industry in 2016²¹.

*HMG supports EU GDP of **€1.1 billion** through purchases of local input supplies*

Similarly, the impact of Hyundai/Kia on the wider EU automotive supply industry was imputed assuming that the GVA, employment and wage payments generated by EU car parts and accessories manufacturers located outside the Czech

Republic/Slovakia were proportional to the fraction of total sales made by the wider EU automotive supply industry (excluding the Czech Republic/Slovakia) that are accounted for by Hyundai and Kia purchases, i.e. 0.3% for Hyundai and 0.49% for Kia.

²⁰ Supply purchases in 2014 amounted to €7.6 billion.

²¹ See Annex 1 for methodological notes on the impact on the supplier industry.

Table 2 Impact of Hyundai and Kia on the domestic car part manufacturing industry in the Czech Republic and Slovakia

	Hyundai domestic suppliers (CZ)	Hyundai other EU suppliers (outside CZ)	Kia domestic suppliers (SK)	Kia other EU suppliers (outside SK)	Total HMG suppliers (Hyundai + Kia)
Turnover (€ millions)	2,430.2	677.7	2,609.9	1,146.4	6,864.2
GVA (€ millions)	379.6	161.8	298.7	270.8	1,110.9
Employment (headcount)	13,516	3,283	12,882	5,625	35,306
Employee compensation (€ millions)	203.6	114.3	189.4	188.9	696.2

Notes are provided in Annex 1.

Source: London Economics' analysis based on HMMC, KMS and Eurostat data

2.2 Sales and distribution

Both Hyundai and Kia maintain extensive distribution and dealership networks throughout the European Union. Hyundai and Kia subsidiaries and distributors in the EU member states sell new and used cars and accessories to dealers or directly to fleet and end-customers. Designated Hyundai and Kia dealers then re-sell the cars and provide additional maintenance services and insurance to end-customers across the EU.

*HME and KME
contributed **€2.9
billion** to EU GDP in
2016*

The total GVA contribution of Hyundai's and Kia's dealership and distribution network is around **€2.9 billion** and the network sustains over **40,000 employees**.

Table 3 Impact of Hyundai's and Kia's sales and distribution network in the EU

	Hyundai	Kia	Total HMG (Hyundai + Kia)	HMG as % of EU automobile sales industry
Turnover (€ millions)	18,159.4	14,988.2	33,147.6	2.2%
GVA (€ millions)	1,614.5	1,319.4	2,933.9	3.9%
Employment (headcount)	23,547	16,730	40,278	2.7%
Employee compensation (€ millions)	739.9	537.1	1,277	2.8%

Notes are provided in Annex 1.

Source: London Economics' analysis based on HME, KME and Eurostat data

2.3 Research and development

Both Hyundai's and Kia's European research and development activities take place at the **Hyundai Motor Europe Technical Center (HMETC)** in Rüsselsheim, Germany. In 2016, the center's direct contribution to the EU economy amounted to **€45.4 million**, an increase of **16.4%** since 2014²². In addition, the **308 employees** at the center produce significant intangible benefits to the European economy in the form of **knowledge and productivity spillovers**.

*HMETC
contributed
€45.4 million
to EU GDP in
2016*

Table 4 Impact of Hyundai's and Kia's research and development activities

	HMG (Hyundai + Kia) research and development
Turnover (€ millions)	64.8
GVA (€ millions)	45.4
Employment (headcount)	308
Employee compensation (€ millions)	34.1

Notes are provided in Annex 1.

Source: London Economics' analysis based on HMETC data

2.4 EU-wide impact on GDP and employment

HMG's overall contribution to the European economy is calculated as the sum across the impacts generated by Hyundai's and Kia's manufacturing activities, including the effects on the suppliers of car parts and accessories, and the economic impacts generated by HMG's European sales, distribution and R&D operations. The table below shows that Hyundai's and Kia's total direct contribution to EU GDP amounted to **€5.3 billion** in 2016. A total number of **82,987 jobs** were supported by Hyundai and Kia in the same year.

*HMG's total direct
contribution to EU GDP stood
at **€5.3 billion** in 2016*

Table 5 Combined EU-wide impact of activities by Hyundai and Kia

	Gross value added (€ millions)	Employment (headcount)
Manufacturing	1,171.2	7,098
Suppliers	1,110.9	35,306
Sale and distribution	2,933.9	40,275
Research and development	45.4	308
Total	5,261.4	82,987

Notes are provided in Annex 1.

Source: London Economics' analysis based on HMMC, KMS, HME, KME, HMETC and Eurostat data

²² Gross value added amounted to €39.0 million in 2014 (London Economics, 2015).

The figure below further illustrates how Hyundai's and Kia's different activities contribute to EU GDP, with each square representing gross value added of €100 million.

Figure 4 Hyundai's and Kia's contribution to EU GDP (by activity)



Note: Each square represents gross value added of €100 million.

Source: London Economics based on HMMC, KMS, HME, KME, HMETC and Eurostat data

In addition to the direct output, value added, jobs and wage income generated by HMG itself, Hyundai's and Kia's economic activities generate **knock-on effects** throughout the EU economy. These knock-on effects arise from the companies' purchases of goods and services from other sectors in the economy to support their activities. These purchases generate income for the supplying industries, which are in turn spent on their own purchases from input suppliers to meet Hyundai's and Kia's demands.

In 2016, HMG generated output throughout the EU economy worth €15.8 billion

Economic multipliers estimate the extent to which the **direct** output produced by an economic unit generates **additional** activity throughout the economy. According to the Organisation for Economic Co-operation and Development (OECD)²³, the output multiplier of the automobile industry is **close to three** in G7 countries. This multiplier was estimated

for the automotive industry as a whole, i.e. including design, testing, manufacturing and sales. Furthermore, according to the Center for Automotive Research, direct employment in the automotive industry produces a multiplier of 4.7²⁴.

The multiplier is calculated using input-output tables and combines 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. Similarly, an employment multiplier of 4.7 means that for each worker in the automotive sector, 3.7 additional jobs are created. For Hyundai and Kia, this means that the GVA of €5.3 billion in Europe generates a combined direct and indirect **output throughout the European economy of €15.8 billion**, which supports a total of **390,039 EU jobs**²⁵.

HMG supported 390,039 EU jobs in 2016

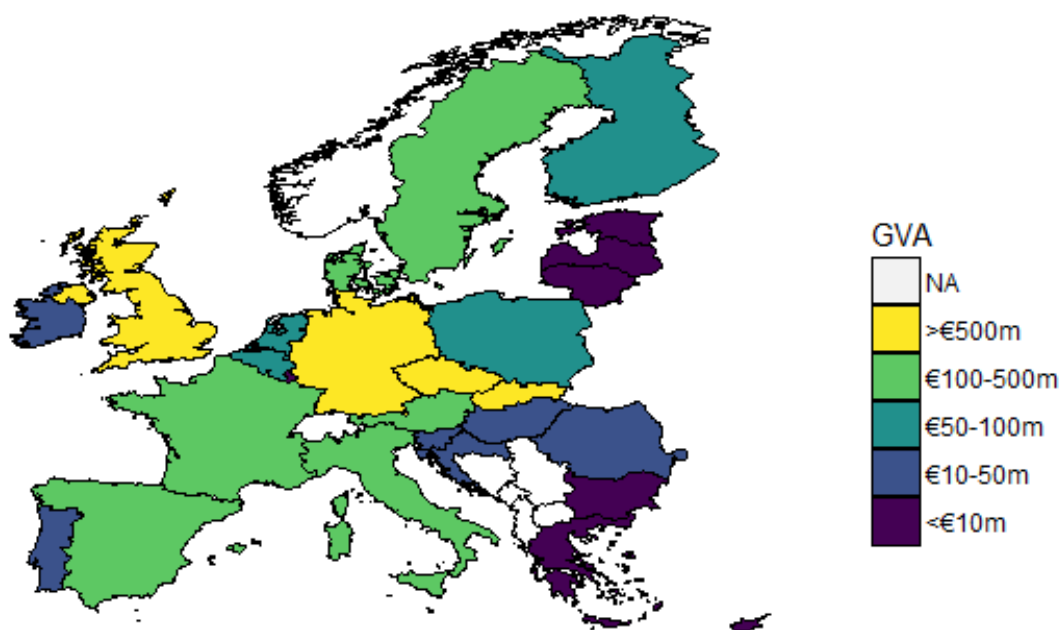
²³ Haugh, D., Mourougane, A. and Chatal, O. (2010). 'The automobile industry in and beyond the crisis'. *OECD Economics Department Working Paper*, No. 745, p. 6-7.

²⁴ Available at: <http://www.cargroup.org/wp-content/uploads/2017/02/Contribution-of-the-Automotive-Industry-to-the-Economies-of-All-Fifty-States-and-the-United-States2015.pdf> [accessed 24 August 2017].

3 Hyundai's and Kia's contribution to national and regional GDP and employment

Hyundai's and Kia's commercial presence in the EU has a positive impact throughout Europe. The figure below illustrates HMG's direct contribution to the national GDP of EU Member States, considering the companies' manufacturing, sale and distribution, as well as R&D activities²⁶.

Figure 5 Hyundai's and Kia's contribution to national GDP in EU Member States



Note: The figure depicts Hyundai's and Kia's gross value added by Member State. For the Czech Republic and Slovakia, the value added of HMMC and KMS manufacturing activities are considered as well as the value added arising from sales and distribution activities of subsidiaries, distributors and dealers. For Germany, the value added generated by the HME and KME head offices is considered as well as the value added of HMETC in addition to the value added arising from sales and distribution activities of subsidiaries, distributors and dealers. All other Member State figures refer to the value added arising from the sales and distribution activities of subsidiaries, distributors and dealers.

Source: London Economics' analysis based on HMMC, KMS, HME, KME, HMETC and Eurostat data; the map shapefile was obtained from thematicmapping.org, Copyright © 2009 Bjørn Sandvik.

This section turns to a more disaggregated analysis of the impact of Hyundai and Kia in regions where manufacturing sites are located and in key sales markets.

²⁵ The value of €15.8 billion is obtained by multiplying € 5,261,407,540 by a multiplier of three and rounding to the nearest €0.1 billion. The EU28's overall GDP of €14.82 trillion supports a workforce of 218.4 million [Eurostat: gross domestic product at (current) market prices (2016) and Eurostat (LFS): total employment ages 16 to 64 years (2016)].

²⁶ The value added generated by manufacturers of car parts and accessories that is induced by Hyundai's and Kia's demand for supplies could not be considered at the national level, as no data was available on the country of origin of input supplies other than the domestically sourced supplies.

3.1 Regional impact of manufacturing operations

Hyundai's and Kia's European manufacturing operations have a considerable impact on the national and regional economies of the Czech Republic and Slovakia. Hyundai represents almost **10% of employment** in the **Czech automobile manufacturing sector**, and is responsible for approximately **18% of the industry's GDP contribution**. The Kia manufacturing site in Slovakia accounts for **more than 20% of employment** and **almost 50% of the value added** created by **Slovakian automobile manufacturers**.

Table 6 Impact of Hyundai's and Kia's manufacturing operations in the Czech Republic and Slovakia

	Hyundai	as % of CZ automobile manufacturing industry	Kia	as % of SK automobile manufacturing industry
Turnover (€ millions)	5,280.5	28.3%	5,566.2	37.8%
GVA (€ millions)	535.3	17.8%	635.9	49.4%
Employment (headcount)	3,248	9.3%	3,850	22.5%
Employee compensation (€ millions)	61.2	7.4%	96.3	20.9%

Notes are provided in Annex 1.

Source: London Economics' analysis based on HMMC, KMS and Eurostat data

HMG's two European manufacturing sites further sustain the local economies in the **Moravian-Silesian (CZ)** and **Žilina (SK)** regions by creating jobs for local people. This ensures that the wages paid out by Hyundai and Kia are spent in the local economy, which further helps create jobs in the regions. **Hyundai's share of GDP in the Moravian-Silesian region stood at 3.4% in 2016²⁷**, while **Kia Motors' Žilina Plant was responsible for 7.3% of the Žilina Region**.

Table 7 Regional GVA and employment impact of Hyundai and Kia manufacturing operations

	Hyundai	as % of Moravian-Silesian region (CZ)	Kia	as % of Žilina region (SK)
GVA (€ millions)	535.3	3.4%	635.9	7.3%
Employment (headcount)	3,248	0.6%	3,850	1.4%

Notes are provided in Annex 1.

Source: London Economics' analysis based on HMMC, KMS and Eurostat data

3.2 Regional impact of sales, distribution and R&D activities in key markets

Hyundai and Kia have sales and distribution functions in all EU Member States. The table below presents the direct impact of Hyundai and Kia in key markets.

²⁷ 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 8 Economic impact in key markets

	France	Germany	United Kingdom
Turnover (€ millions)	2,542.0	6,673.7	6,406.7
GVA (€ millions)	170.6	849.1	645.3
Employment (headcount)	2,815	8,532	5,810
Employee compensation (€ millions)	118.6	287.1	183.9

Notes are provided in Annex 1.

Source: London Economics' analysis based on HME, KME, HMETC and Eurostat data

The figures show that the economic impact of Hyundai's and Kia's non-manufacturing activities is highest in Germany. This is due to the fact that Germany not only has sizeable domestic sales and distribution operations, but also hosts the European headquarters for both brands, as well as R&D, design and test centres are located, which are activities with high value added.



KME building in Frankfurt, Germany

4 Tax contributions by Hyundai and Kia in the EU

Hyundai and Kia significantly contribute to the public finances of EU Member States. In 2016 alone, Hyundai's and Kia's European tax payments resulted in almost **€2.5 billion** revenues for the public purse.

*HMG paid **€2.5 billion** in taxes in 2016*

Table 9 Tax contributions of Hyundai and Kia in the EU

	Hyundai (€millions)	Kia (€ millions)
Manufacturing	87.5	148.3
Sale and distribution	1,166.3	1,043.5
Research and development		21.5
Total		2,467.1

Notes are provided in Annex 1.

Source: London Economics' analysis based on HMMC, KMS, HME, KME and HMETC data

5 Contributions to society and corporate social responsibility

5.1 CSR overview

The Hyundai Motor Group is aware of its responsibility towards citizens, customers, investors and stakeholders, which goes beyond the simple manufacturing of products and mobility solutions.

HMG exercises its social responsibilities through a variety of CSR campaigns, projects, and programs catering to the needs of stakeholders, including the marginalized of society at large, employees, customers, partner businesses, and local communities.



In 2016, HMG's expenditure on corporate social responsibility activities in Europe amounted to **€3.2 million**.

Table 10 HMG CSR expenditure (2016)

Activity	Hyundai	Kia	Total HMG (Hyundai + Kia)
Manufacturing (€)	121,250	1,621,582	1,736,016
Sale and Distribution (€)	620,000	909,903	1,529,903
Total (€)	741,250	2,524,669	3,265,919

Source: Hyundai/Kia

Table 11 Hyundai/Kia Corporate Social Responsibility Overview - Selected initiatives

Country	Name of initiative	Description	Budget (€)
Europe	Skills for the Future	Hyundai's pan-European social program to develop entrepreneurial skills of the young people, ran in partnership with JA Europe	1,750,000 (2012-2016)
Italy	Kia Little Green Ambassador	Education for children to promote eco-friendly behaviour	110,000
Sweden	Protect Every Child NGO	Financial donation to prevent sexual abuse of children through NGO FTS Protect Every Child	71,000
Netherlands	Het Vergeten Kind NGO	Financial donation for the support of mistreated and abandoned children	61,000
Germany	Baerenherz Foundation	Financial donation of the sick children in Wiesbaden	60,000
Czech Republic	Hyundai Endowment fund	Financial donation to local municipalities	48,000
United Kingdom	Street League	Hyundai UK has donated since 2012 to increase the employability of young people	31,000

Source: Hyundai/Kia

5.2 A snapshot of key initiatives

5.2.1 Hyundai Motor Europe and 'Skills for the Future'



In 2012, Hyundai Motor Europe launched a pan-European educational programme - 'Skills for the Future' (SFF), in partnership with Junior Achievement-Young Enterprise (JA-YE) Europe.

At a time when youth unemployment in Europe was at an all-time high, SFF was designed for students between the age of 15 and 18. The programme's objective was to foster these young Europeans' entrepreneurial spirit, as well as increase their general employability by enhancing their Science, Technology, Engineering and Maths (STEM) skills.

Over the course of 2012-2016, Hyundai volunteers visited schools to highlight the skills needed in the automotive sector and acted as mentors to help students develop a series of mini-companies. The students' efforts were acknowledged during an annual European Skills for the Future Award Ceremony.



Overall, more than 15,000 students have participated in the programme since Hyundai Motor Europe started the collaboration with JA Europe in 2012.

Figure 6 Key figures for 2012-2016

	2013	2014	2015	2016
Hyundai volunteers:	53	79	159	95
Participating students:	1,030	4,381	5,282	5,020
Participating schools:	37	105	144	89



Award ceremony, June 2016

5.2.2 Kia Motors Slovakia and the 'Via Bona' award

In April 2017, Kia Motors Slovakia received the Via Bona Slovakia award for philanthropy and corporate social responsibility in category of large companies.



The Via Bona Slovakia Award has been presented to companies by the Pontis Foundation since 1998. The most inspiring examples of corporate social responsibility are chosen by an independent jury composed of representatives from the business sector, state, media, non-profit organizations and educational institutions.

"Thank you very much. Receiving this prize is a big honor for us. At the same time is also a big obligation to continue with the corporate social responsibility in the community and region where we

are active," said Dae-Sik Kim, President of Kia Motors Slovakia.

The jury recognised the long-term effort made by KMS to be a responsible employer and producer that supports the local region through financial grants to deserving projects or volunteering activities by employees.

In 2016, the Kia Motors Slovakia foundation supported 179 projects for a total amount of €1,621,582.

Index of tables & figures

Tables

Table 1	Impact of Hyundai and Kia manufacturing operations in the EU	9
Table 2	Impact of Hyundai and Kia on the domestic car part manufacturing industry in the Czech Republic and Slovakia	10
Table 3	Impact of Hyundai's and Kia's sales and distribution network in the EU	10
Table 4	Impact of Hyundai's and Kia's research and development activities	11
Table 5	Combined EU-wide impact of activities by Hyundai and Kia	11
Table 6	Impact of Hyundai's and Kia's manufacturing operations in the Czech Republic and Slovakia	14
Table 7	Regional GVA and employment impact of Hyundai and Kia manufacturing operations	14
Table 8	Economic impact in key markets	15
Table 9	Tax contributions of Hyundai and Kia in the EU	16
Table 10	HMG CSR expenditure (2016)	17
Table 11	Hyundai/Kia Corporate Social Responsibility Overview - Selected initiatives	17
Table 12	Impact of Hyundai and Kia manufacturing operations in the EU	22
Table 13	Impact of Hyundai and Kia on the domestic car part manufacturing industry in the Czech Republic and Slovakia	23
Table 14	Impact of Hyundai's and Kia's sales and distribution network in the EU	23
Table 15	Impact of Hyundai's and Kia's research and development activities	24
Table 16	Combined EU-wide impact of activities by Hyundai and Kia	24
Table 17	Impact of Hyundai's and Kia's manufacturing operations in the Czech Republic and Slovakia	24
Table 18	Regional GVA and employment impact of Hyundai and Kia manufacturing operations	25
Table 19	Economic impact of key markets	25
Table 20	Tax contributions of Hyundai and Kia in the EU	25

Figures

Figure 1	Investment as percentage of GDP, EU28 (2007-2016)	4
Figure 2	EU automotive employment (2015)	5
Figure 3	EU motor vehicle production by type (2016)	6
Figure 4	Hyundai's and Kia's contribution to EU GDP (by activity)	12
Figure 5	Hyundai's and Kia's contribution to national GDP in EU Member States	13
Figure 6	Key figures for 2012-2016	18

Annex 1 Report tables with footnotes

Table 12 Impact of Hyundai and Kia manufacturing operations in the EU

	Hyundai ⁽¹⁾	Kia ⁽²⁾	Total HMG (Hyundai + Kia)	HMG as % of EU automobile manufacturing industry ⁽³⁾
Turnover (€ millions)	5,280.5	5,566.2	10,846.7	1.5%
GVA (€ millions)	535.3	635.9	1,171.3	1.0%
Employment (headcount)	3,248	3,850	7,098	0.7%
Employee compensation (€ millions)	61.2	96.3	157.5	0.2%

Note: (1) Hyundai figures relate to the output and employment generated at the HMMC Nošovice plant (CZ). (2) Kia figures relate to the output and employment generated at the KMS Žilina plant (SK). (3) The automobile manufacturing industry is identified by NACE (Rev.2) code C29.1 (Manufacture of motor vehicles). Figures are rounded to the nearest €0.1 million. Company-level data was provided by HMMC and KMS (2016 data). Data on the economic contribution of the EU automobile manufacturing industry was obtained from the Eurostat Structural Business Statistics (SBS) for the latest available year: *Turnover or gross premiums written* (2015 data); *Value added at factor cost* (2014 data); *Number of persons employed* (2015 data); *Personnel Costs* (2014 data).

Source: *London Economics' analysis based on HMMC, KMS and Eurostat data*

Impact of Hyundai and Kia on the domestic car part manufacturing industry

Data on GVA, employment and wages at the independent enterprises that supply parts used in the manufacturing plants operated by Hyundai and Kia were not available for this study. To estimate the impact of Hyundai and Kia on these variables, we assume that the impact is proportional to the fraction of supplier sales that are accounted for by Hyundai and Kia purchases. This means that, if Hyundai and Kia 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 and Kia.

The figures for GVA, employment and wages and salaries in Table 13 are derived as follows: first, we take the value of the supplies purchased by the Hyundai and Kia manufacturing plants within the domestic economy. This is assumed to be equal to the turnover of domestic automotive suppliers that can be attributed to the presence of Hyundai and Kia. Dividing the value of input supplies purchased by Hyundai and Kia by the total turnover of the sector (C29.3 – 'Manufacture of parts and accessories for motor vehicles') in the domestic economy yields a contribution of 11.1% for Hyundai and 26.9% for Kia.

By multiplying the domestic totals for GVA, employment and personnel costs in the sector by the respective percentages (the proportion assumed to be attributable to demand by Hyundai and Kia), we derive an estimate of the impact of Hyundai and Kia in the domestic supplies part of the value chain (columns 1 and 2). This analysis assumes that all domestic purchases of supplies from the Hyundai and Kia manufacturing plants are obtained from the car parts and accessories sector as it was not possible to break down purchases into car-parts and non-car-parts. In 2012, 96% of purchases from HMMC and KMS combined could be attributed to car parts.

Table 13 Impact of Hyundai and Kia on the domestic car part manufacturing industry in the Czech Republic and Slovakia

	Hyundai domestic suppliers (CZ) ⁽¹⁾	Hyundai other EU suppliers (outside CZ) ⁽²⁾	Kia domestic suppliers (SK) ⁽³⁾	Kia other EU suppliers (outside SK) ⁽⁴⁾	Total HMG suppliers (Hyundai + Kia)
Turnover (€ millions)	2,430.2	677.7	2,609.9	1,146.4	6,864.2
GVA (€ millions)	379.6	161.8	298.7	270.8	1,110.9
Employment (headcount)	13,516	3,283	12,882	5,625	35,306
Employee compensation (€ millions)	203.6	114.3	189.4	188.9	696.2

Note: (1) Hyundai domestic supplier figures relate to the output and employment generated by Czech firms supplying car parts and accessories to the HMMC Nošovice plant (CZ). (2) Hyundai 'other EU' supplier figures relate to the output and employment generated by EU firms located outside the Czech Republic supplying car parts and accessories to the HMMC Nošovice plant (CZ). (3) Kia domestic supplier figures relate to the output and employment generated by Slovakian firms supplying car parts and accessories to the KMS Žilina plant (SK). (4) (2) Kia 'other EU' supplier figures relate to the output and employment generated by EU firms located outside Slovakia supplying car parts and accessories to the KMS Žilina plant (SK). Figures are rounded to the nearest €0.1 million. Data on input supply purchases (= turnover of suppliers) was provided by HMMC and KMS (2016 data). Figures for domestic supplier GVA, employment and employee compensation are imputed assuming that the GVA, employment and wage payments generated by domestic car parts and accessories manufacturers in order to satisfy Hyundai's and Kia's demand are proportional to the fraction of total sales made by the domestic automotive supply industry that are accounted for by Hyundai and Kia purchases, i.e. 11.1% for Hyundai and 26.9% for Kia. Figures for 'other EU' supplier GVA, employment and employee compensation are imputed assuming that the GVA, employment and wage payments generated by EU car parts and accessories manufacturers outside the Czech Republic (Hyundai) or outside Slovakia (Kia) in order to satisfy Hyundai's and Kia's demand are proportional to the fraction of total sales made by the EU automotive supply industry (excluding the Czech Republic or Slovakia) that are accounted for by Hyundai and Kia purchases, i.e. 0.3% for Hyundai and 0.49% for Kia. Data on the economic contribution of the domestic and wider EU automotive supply industry was obtained from the Eurostat Structural Business Statistics (SBS) for the latest available year: *Turnover or gross premiums written* (2015 data); *Value added at factor cost* (2014 data); *Number of persons employed* (2015 data); *Personnel Costs* (2014 data). The automotive supply industry is identified by NACE (Rev.2) code C29.3 (Manufacture of parts and accessories for motor vehicles).

Source: London Economics' analysis based on HMMC, KMS and Eurostat data

Table 14 Impact of Hyundai's and Kia's sales and distribution network in the EU

	Hyundai ⁽¹⁾	Kia ⁽²⁾	Total HMG (Hyundai + Kia)	HMG as % of EU automobile sales industry ⁽³⁾
Turnover (€ millions) ⁽⁴⁾	18,159.4	14,988.2	33,147.6	2.2%
GVA (€ millions) ⁽⁵⁾	1,614.5	1,319.4	2,933.9	3.9%
Employment (headcount) ⁽⁶⁾	23,547	16,730	40,278	2.7%
Employee compensation (€ millions) ⁽⁷⁾	739.9	537.1	1,277	2.8%

(1) Hyundai figures relate to the output and employment generated by HME, its subsidiaries/distributors as well as Hyundai dealers. (2) Kia figures relate to the output and employment generated by KME, its subsidiaries/distributors as well as Kia dealers. Figures are rounded to the nearest €0.1 million. (3) The automobile sales industry is identified by NACE (Rev.2) code C45.1 (Sale of motor vehicles). (4) Company-level data on subsidiary/distributor turnover was provided by HME for all EU Member States except Cyprus, Greece, Malta and Sweden and by KME for all Member States except Luxembourg (2016 data). Dealer turnover was imputed for both Hyundai and Kia for dealers in all EU28 by multiplying the number of dealerships in the country with the latest national Eurostat 'per enterprise' value for turnover in the NACE Rev.2 sector C45.1. (5) Subsidiary/distributor GVA was imputed for both Hyundai and Kia assuming that the fraction of GVA generated by subsidiaries/distributors in total sector GVA is the same as the fraction of turnover generated by subsidiaries/distributors in total sector turnover. Dealer GVA was imputed for both Hyundai and Kia for dealers in all EU28 by multiplying the number of dealerships in the country with the latest national Eurostat 'per enterprise' value for GVA in the NACE Rev.2 sector C45.1. (6) Hyundai combined subsidiary/distributor and dealer employment was imputed based on the combined distributor and dealer numbers provided for the 2015 report. Those numbers were adjusted assuming that Hyundai employment growth between 2014 and 2016 was the same as sector level growth between 2014 and 2015 (latest available figure, i.e. 1.7%. 2016 data on Kia subsidiary/distributor employment was provided by KME. Dealer employment was imputed for Kia for dealers in all EU28 by multiplying the number of dealerships in the country with the latest national Eurostat 'per enterprise' value for employment in the NACE Rev.2 sector C45.1. (7) Subsidiary/distributor employee compensation was imputed for both Hyundai and Kia assuming that the fraction of wage income generated by subsidiaries/distributors in total sector wage compensation is the same as the fraction of employment generated by subsidiaries/distributors in total sector employment. Dealer employee compensation was imputed for both Hyundai and

Kia for dealers in all EU28 by multiplying the number of dealerships in the country with the latest national Eurostat 'per enterprise' value for employee compensation in the NACE Rev.2 sector C45.1. All imputations rely on data on the economic contribution of the domestic and wider EU automobile sales industry, which was obtained from the Eurostat Structural Business Statistics (SBS) for the latest available year: *Turnover or gross premiums written* (2015 data); *Value added at factor cost* (2014 data); *Number of persons employed* (2015 data); *Personnel Costs* (2014 data); *Number of enterprises* (2014 data). The automotive supply industry is identified by NACE (Rev.2) code C29.3 (Manufacture of parts and accessories for motor vehicles).

Source: *London Economics' analysis based on HME, KME and Eurostat data*

Table 15 Impact of Hyundai's and Kia's research and development activities

	HMG (Hyundai + Kia) research and development
Turnover (€ millions)	64.8
GVA (€ millions)	45.4
Employment (headcount)	308
Employee compensation (€ millions)	34.1

Note: Figures relate to the value added and employment generated at by HMETC. Figures are rounded to the nearest €0.1 million. Data was provided by HMETC (2016 data). As no data on turnover was available, turnover data was imputed assuming that HMETC's share in the 'Research and experimental development on natural sciences and engineering' sector's GVA was the same as HMETC's share in industry turnover.

Source: *London Economics' analysis based on HMETC data*

Table 16 Combined EU-wide impact of activities by Hyundai and Kia

	Gross value added (€ millions)	Employment (headcount)
Manufacturing	1,171.2	7,098
Suppliers	1,110.9	35,306
Sale and distribution	2,933.9	40,275
Research and development	45.4	308
Total	5,261.4	82,987

Note: Manufacturing figures relate to the value added and employment generated by HMMC and KMS. Supplier figures relate to the Sale and distribution figures relate to the value added and employment generated by HME and KME. Research and development figures relate to the value added and employment generated by HMETC. GVA figures are rounded to the nearest €0.1 million. Company-level data was provided by HMMC, KMS, HME, KME and HMETC (2016 data).

Source: *London Economics' analysis based on HMMC, KMS, HME, KME, HMETC and Eurostat data*

Table 17 Impact of Hyundai's and Kia's manufacturing operations in the Czech Republic and Slovakia

	Hyundai ⁽¹⁾	as % of CZ automobile manufacturing industry	Kia ⁽²⁾	as % of SK automobile manufacturing industry
Turnover (€ millions)	5,280.5	28.3%	5,566.2	37.8%
GVA (€ millions)	535.3	17.8%	635.9	49.4%
Employment (headcount)	3,248	9.3%	3,850	22.5%
Employee compensation (€ millions)	61.2	7.4%	96.3	20.9%

Note: (1) Hyundai figures relate to the output and employment generated at the HMMC Nošovice plant (CZ). (2) Kia figures relate to the output and employment generated at the KMS Žilina plant (SK). Figures are rounded to the nearest €0.1 million. Company-level data was provided by HMMC and KMS (2016 data). Data on the economic contribution of the automobile manufacturing industry in the Czech Republic and Slovakia was obtained from the Eurostat Structural Business Statistics (SBS) for the latest available year: *Turnover or gross premiums written* (2015 data); *Value added at factor cost* (2014 data); *Number of persons employed* (2015 data); *Personnel Costs* (2014 data). The automobile manufacturing industry is identified by NACE (Rev.2) code C29.1 (Manufacture of motor vehicles).

Source: London Economics' analysis based on HMMC, KMS and Eurostat data

Table 18 Regional GVA and employment impact of Hyundai and Kia manufacturing operations

	Hyundai ⁽¹⁾	as % of Moravian-Silesian region (CZ)	Kia ⁽²⁾	as % of Žilina region (SK)
GVA (€ millions)	535.3	3.4%	635.9	7.3%
Employment (headcount)	3,248	0.6%	3,850	1.4%

Note: (1) Hyundai figures relate to the output and employment generated at the HMMC Nošovice plant (CZ). (2) Kia figures relate to the output and employment generated at the KMS Žilina plant (SK). Figures are rounded to the nearest €0.1 million. Company-level data was provided by HMMC and KMS (2016 data). GDP and employment figures by NUTS 3 region were obtained from Eurostat for the latest available year: *Gross domestic product at current market prices* (2015 data); *Employed persons* (2014 data for the Moravian-Silesian region, 2013 data for the Žilina region).

Source: London Economics' analysis based on HMMC, KMS and Eurostat data

Table 19 Economic impact of key markets

	France	Germany	United Kingdom
Turnover (€ millions)	2,542.0	6,673.7	6,406.7
GVA (€ millions)	170.6	849.1	645.3
Employment (headcount)	2,815	8,532	5,810
Employee compensation (€ millions)	118.6	287.1	183.9

(1) Figures relate to the output and employment generated by HME, KME, HMETC, HME and KME subsidiaries/distributors as well as Hyundai and Kia dealers.

Table 20 Tax contributions of Hyundai and Kia in the EU

	Hyundai (€millions)	Kia (€ millions)
Manufacturing ⁽¹⁾	87.5	148.3
Sale and distribution ⁽²⁾	1,166.3	1,043.5
Research and development ⁽³⁾	21.5	
Total	2,467.1	

Note: (1) Hyundai figure relates to the taxes paid by HMMC and includes corporate income tax, individual income tax on wage income, social security contributions, property tax and road tax, but excludes VAT. Kia figure relates to the taxes paid by KMS and includes corporate income tax, individual income tax on wage income, social security contributions, property tax, road tax, customs / import duties and other special taxes and levies (e.g. securement and withholding taxes from royalty payments), but excludes VAT. (2) Hyundai figures relates to the taxes paid by HME and includes corporate income tax, individual income tax on wage income, social security contributions, VAT, property tax, road tax, customs / import duties and other special taxes and levies. Tax data was available for HME subsidiaries/distributors in all Member States except for Cyprus, Greece, Malta and Sweden. Kia figure relates to the taxes paid by KME and includes corporate income tax, individual income tax on wage income, VAT and customs / import duties. Tax data was available for KME subsidiaries/distributors in all Member States except for Latvia, Lithuania and Luxembourg. Data on VAT and customs/import duties was only available for the Netherlands. (3) Figure relates to the taxes paid by HMETC and includes corporate income tax, individual income tax on wage income, social security contributions, VAT, property tax, customs / import duties and other special taxes and levies. Figures are rounded to the nearest €0.1 million. Tax data was provided by HMMC, KMS, HME, KME and HMETC (2016 data).

Source: London Economics' analysis based on HMMC, KMS, HME, KME and HMETC data



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