

Performance of car manufacturers in Slovakia during the COVID-19 pandemic

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Abstract: *This article provides focus on impact of coronavirus on automotive industry in Slovak Republic which represents 50 % of industrial production. Changes in this industry create significant changes on economy of country and it is important to watch closely overall. Paper provides analysis of financial statements four eminent car manufacturers, which are Volkswagen, Stellantis, KIA, Jaguar Land Rover. The analysis of financial statements does provide exceptional results of decisions which car manufactures did during coronavirus. The subject for analysis from financial statements are revenues from operating activities, operating costs, stocks, labor costs, pretax profit, and profit after tax. In July 2022 Volvo announced to build new car production factory in Slovakia, which will be the fifth main car producer in the country.*

Keywords: *automotive industry, financial statements, COVID-19, revenue, crisis*

JEL codes: M41, M20, H12

1 Introduction

This article provides analysis of automotive industry before and after spreading of virus COVID-19 which caused pandemic and had affect on people as employees in car manufacturers. As automotive industry represents 50% of industrial production of Slovakia it is important element in economy of country. It is important to monitor increases and decreases of performance of this part of industry due to effect on all economy (Pelle, Tabajdi, 2021), (Lovciova, 2018), (Paksiova, Lovciova, 2018). Slovakia has 4 main car manufacturers which are Volkswagen, Stellantis, KIA and Jaguar Land Rover. In July 2022 Volvo announced that they will be the fifth major car producer in Slovakia and will build new factory. As all manufactures have headquarters outside of Slovakia, they are reporting financial statements according to IFRS (Tumpach, Juhaszova, Kubascikova, Kriskova, 2021), (Tumpach, Surovicova, Juhaszova, Marci Kubascikova, 2020). Also neighboring country Czech Republic has large car production and academics provide research and monitoring of performance of this production (Tousek, Malinska, Prokop, Prochazka, 2021). Monitoring of automotive industry in countries outside of Europe, for example in Australia provides significant information on prediction of future processes (Conley, 2022). The objective of this article is to determine if all main manufacturers have decrease in revenues from operating revenues, operating costs, labor costs, stocks, pretax profit, and profit after tax.

2 Methodology and Data

For purpose of this article empirical research was made based on a self-collected database consisting of the biggest car manufacturers in Slovakia - Volkswagen, Stellantis, KIA, Jaguar Land Rover. Financial statements from year before the crisis created by world pandemic of virus COVID-19 (2019) and during the pandemic (2020). Worldwide pandemic is happening once in century and the ability to adapt humankind is important for future predictions. Applied research method was fundamentally a quantitative descriptive analysis of a coded database of qualitative inputs. Financial statements of these companies are published in www.registeruz.sk, which is Register of financial statements.

3 Results and Discussion

The result of research was summarized in six tables – Table 1 Revenues from operating activities, Table 2 Operating costs, Table 3 Stocks, Table 4 Labor costs, Table 5 Pretax profit, Table 6 Profit after tax. Every table provides focus on specific part of financial statements of car manufacturers.

Revenues from operating activities

Revenues from operating activities provide us information on revenues before the COVID-19 crisis and during. Revenues show us the nominal value of sales. During the pandemic was general lockdown and many employees were sick and could not go to work. Also transport was affected, and factories could not produce without components which had impact on number of produced cars and later sales of cars. Revenues from operating activities in year 2019 were in Volkswagen 10 396 766 000 Eur, Stellantis 3 228 401 000 Eur, KIA 5 647 860 000 Eur, Jaguar Land Rover 282 012 131 Eur. Revenues from operating activities in year 2020 were in Volkswagen 9 785 290 000 Eur, Stellantis 3 459 932 000 Eur, KIA 4 589 391 000 Eur, Jaguar Land Rover 280 662 005 Eur. Difference in revenues from operating activities between years 2019 and 2020 was in Volkswagen - 611 476 000 Eur, which is -5,88%, Stellantis + 231 531 000 Eur, which is +7,17%, KIA -1 058 469 000 Eur, which is -18,74% and Jaguar Land Rover -1 350 126 Eur, which is -0,48%.

Table 1 Revenues from operating activities

Revenues from operating activities	Volkswagen	Stellantis	KIA	Jaguar Land Rover
2020	9 785 290 000	3 459 932 000	4 589 391 000	280 662 005
2019	10 396 766 000	3 228 401 000	5 647 860 000	282 012 131
Difference	- 611 476 000	231 531 000	-1 058 469 000	-1 350 126
%	-5,88	7,17	-18,74	-0,48

Source: Register účtovných zázvievok

Operating costs

Information about operating costs provide us insight to amount of costs which were used in production of cars, and we can see increase of costs or decrease. In case of stopped production is logical that also there is decrease of costs. Operating costs in year 2019 were in Volkswagen 10 075 717 000 Eur, Stellantis 3 170 017 000 Eur, KIA 5 245 000 000 Eur, Jaguar Land Rover 263 411 317 Eur. Operating costs in year 2020 were in Volkswagen 9 492 843 000 Eur, Stellantis 3 405 913 000 Eur, KIA 4 433 938 000 Eur, Jaguar Land Rover 263 582 451 Eur. The difference between year 2019 and 2020 were in Volkswagen -582 874 000 Eur, which is -5,78%, Stellantis + 235 896 000 Eur, which is +7,44%, KIA - 811 062 000 Eur, which is -15,46%, Jaguar Land Rover + 171 134 Eur, which is + 0,06%.

Table 2 Operating costs

Operating costs	Volkswagen	Stellantis	KIA	Jaguar Land Rover
2020	9 492 843 000	3 405 913 000	4 433 938 000	263 582 451
2019	10 075 717 000	3 170 017 000	5 245 000 000	263 411 317
Difference	-582 874 000	235 896 000	- 811 062 000	171 134
%	-5,78	7,44	-15,46	0.06

Source: Register účtovných zázvievok

Stocks

Stocks in financial statements describe information about the number of stocks which are in the stock. It can be increase due to not finished cars or decrease due to show transportation of car parts. Stocks in 2019 were in Volkswagen 301 832 000 Eur, Stellantis 62 150 000 Eur, KIA 476 429 000 Eur, Jaguar Land Rover 10 283 340 Eur. Stocks in year 2020 were in Volkswagen 268 968 000 Eur, Stellantis 27 218 000 Eur, KIA 375 922 000 Eur, Jaguar Land Rover 10 945 087 Eur. Difference between year 2019 and 2020 were in Volkswagen -32 864 000 Eur, which is -10,89%, Stellantis -34 932 000 Eur, which is -56,21%, KIA -100 507 000 Eur, which is -21,10% and Jaguar Land Rover +661 747 Eur, which is +6,44%.

Table 3 Stocks

Stocks	Volkswagen	Stellantis	KIA	Jaguar Land Rover
2020	268 968 000	27 218 000	375 922 000	10 945 087
2019	301 832 000	62 150 000	476 429 000	10 283 340
Difference	-32 864 000	-34 932 000	-100 507 000	661 747
%	-10,89	-56,21	-21,10	6,44

Source: Register účtovných závierok

Labor costs

Labor costs represents how were these costs affected by number of working employees during pandemic of virus COVID-19. Because is there is world pandemic, of course it effects people, employees who cannot work if they are sick or have positive test. Governments was helping to pay employees who could not work because factories were closed for example due to lack of components. Labor costs in year 2019 were in Volkswagen 282 012 131 Eur, Stellantis 111 107 000 Eur, KIA 125 016 000 Eur, Jaguar Land Rover 78 505 045 Eur. Labor costs were in year 2020 in Volkswagen 280 662 005 Eur, Stellantis 107 205 000 Eur, KIA 106 672 000 Eur, Jaguar Land Rover 90 607 358 Eur. Difference in labor costs between year 2019 and 2020 were in Volkswagen -57 420 000 Eur, which is -11,23%, Stellantis -3 902 000 Eur, which is -3,51%, KIA -18 344 000 Eur, which is -14,67% and Jaguar Land Rover +12 102 313 Eur, which is +15,42%.

Table 4 Labor costs

Labor costs	Volkswagen	Stellantis	KIA	Jaguar Land Rover
2020	280 662 005	107 205 000	106 672 000	90 607 358
2019	282 012 131	111 107 000	125 016 000	78 505 045
Difference	-57 420 000	-3 902 000	-18 344 000	12 102 313
%	-11,23	-3,51	-14,67	15,42

Source: Register účtovných závierok

Pretax profit

Profit before tax is important indicator of financial situation of company. In regards of managing production during worldwide pandemic it is important to show this marker. We can see if company was able to stay in profit or got to loss. Pretax profit in year 2019 in

Volkswagen was 319 672 000 Eur, Stellantis 59 462 000 Eur, KIA 403 815 000 Eur, Jaguar Land Rover 14 742 085 Eur. Pretax profit in year 2020 was in Volkswagen 277 842 000 Eur, Stellantis 53 294 000 Eur, KIA 134 352 000 Eur, Jaguar Land Rover 13 537 966 Eur. Difference between year 2019 and 2020 was in Volkswagen -41 830 000 Eur, which is -13,09%, Stellantis -6 168 000 Eur, which is -10,37%, KIA -269 463 000 Eur, which is -66,73% and Jaguar Land Rover -1 204 119, which is -8,17%.

Table 5 Pretax profit

Pretax profit	Volkswagen	Stellantis	KIA	Jaguar Land Rover
2020	277 842 000	53 294 000	134 352 000	13 537 966
2019	319 672 000	59 462 000	403 815 000	14 742 085
Difference	-41 830 000	-6 168 000	-269 463 000	-1 204 119
%	-13,09	-10,37	-66,73	- 8,17

Source: Register účtovných zázvierok

Profit after tax

Profit after tax indicates the financial performance of company after paying the taxes. Every company can have different tax conditions because some car manufacturers receive from government tax holidays. Profit after tax in year 2019 in Volkswagen was 447 572 000 Eur., Stellantis 65 331 000 Eur, KIA 318 613 000 Eur, Jaguar Land Rover 13 400 687 Eur. Profit after tax in year 2020 in Volkswagen was 206 684 000 Eur, Stellantis 41 424 000 Eur, KIA 105 894 000 Eur and Jaguar Land Rover 11 544 709 Eur. The difference in profit after tax between year 2019 and 2020 was in Volkswagen -240 888 000 Eur, which is -53,82%, Stellantis -23 907 000 Eur, which is -36,59%, KIA -212 719 000 Eur, which is -66,76% and Jaguar Land Rover -1 855 978, which is -13,85%.

Table 6 Profit after tax

Profit after tax	Volkswagen	Stellantis	KIA	Jaguar Land Rover
2020	206 684 000	41 424 000	105 894 000	11 544 709
2019	447 572 000	65 331 000	318 613 000	13 400 687
Difference	-240 888 000	-23 907 000	-212 719 000	-1 855 978
%	-53,82	-36,59	-66,76	- 13,85

Source: Register účtovných zázvierok

Conclusions

This article was able to find conclusion for the goal which was set at the beginning. Research showed in 6 tables if there was decrease or increase in items of financial statements car manufacturers in Slovakia between year 2019 and 2020. Revenues from operating activities had 3 manufacturers decreased except Stellantis which increased +7,17% in the year of pandemic. Operating costs had 2 manufacturers in decrease except Stellantis and Jaguar Land Rover. Stocks had all manufacturers decrease except Jaguar Land Rover, which increased them +6,14%. Labor costs had all manufacturers decreased except Jaguar Land Rover, which had increased them by +15,42. This can be caused by Jaguar Land Rover still being in expanding phase of plant as it is the newest car manufacturer in Slovakia. Pretax profit and profit after tax had all manufacturers in decrease. The highest decreases had KIA -66,76% and Volkswagen -53,82%. This conclusion provides us how negatively pandemic affected the car industry in Slovakia,

which is 50% of industrial production in country. It is important to monitor results of financial situation due to massive effect in industrial production of Slovakia.

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