

EY Business sector pulse: Automotive sector

*Trends and outlook in the Serbian
automotive sector*

PREVIEW OF THE FULL REPORT

September 2025



The better the question. The better the answer. The better the world works.

Acronyms and abbreviations

ADAS - Advanced Driver Assistance Systems
BEV - Battery Electric Vehicle
BMS - Battery Management System
EV - Electric Vehicle
GDP - Gross Domestic Product
GVA - Gross Value Added
ICE - Internal Combustion Engine
ICT - Information and Communication Technology
IoT - Internet of Things
MENA - Middle East and North Africa
OEM - Original Equipment Manufacturer
PEM - Pan-Euro-Mediterranean Convention
R&D - Research and Development
R&D&I - Research, Development, and Innovation
SBRS - Serbia Business Registers Agency
SDV - Software-Defined Vehicle
SORS - Serbian Office of Statistics
ZEV - Zero Emission Vehicle

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The big picture

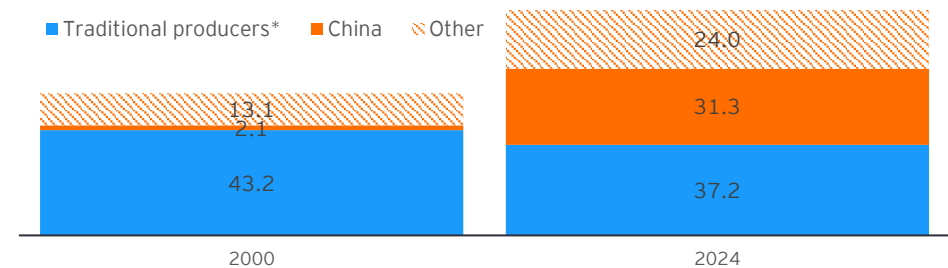
Global automotive industry is undergoing a deep transformation: new producers emerge, demand at formerly key markets is weakening, while new and disruptive technologies profoundly change cars' mechanics.

New competitors emerged - China now manufactures approximately one third of global output, vs 4% in 2000. Meanwhile, traditional hotbeds of production like Germany or USA are rapidly losing share in global output.

Demand at traditionally important EU markets is waning - car sales in key markets sharply decreased since the pandemics, and so 2024 saw some 10.7 m new cars registered across the EU - or as much as 20% less than in pre-COVID period. Changes in consumers' behavior, relatively weaker households' consumption, but also adverse demographics, might have contributed.

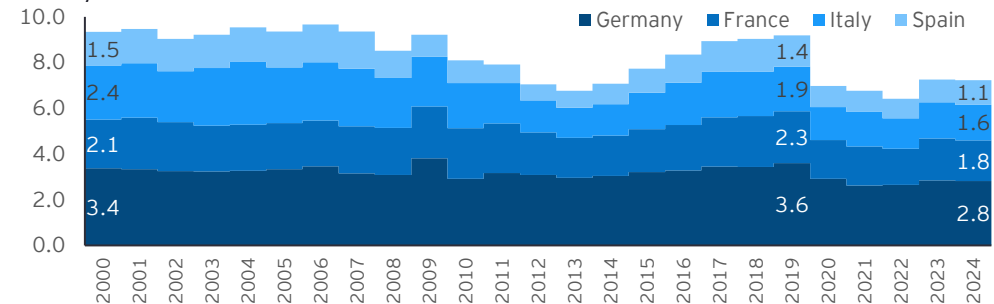
Rise of EVs - On the back of subsidies and climate policies in some countries, sales of EVs has surged in recent years, their share in global car sales increasing from less than 0.5% in 2014 to 22% in 2024. At the same time, sales of cars with "traditional" internal combustion engines plummeted, resulting in a downturn in the associated supplier network.

China ascended to global dominance in car production: output in m. vehicles



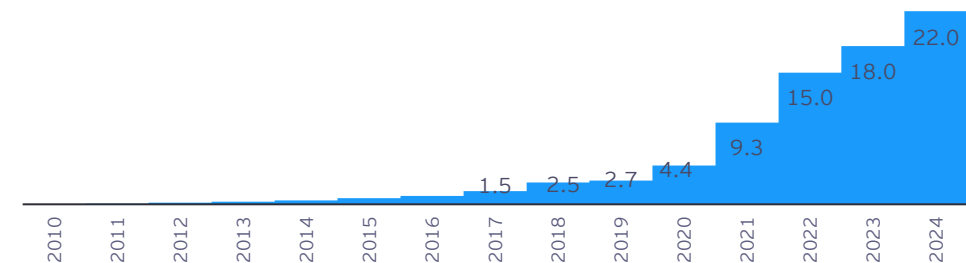
Source: OICA, EY' calculations
* EU, Japan, S. Korea and USA

European sales are gradually decreasing: registrations of new cars (in m) at key markets



Source: Eurostat, EY' calculations

Rise of EVs and Hybrids: share in global sales of new vehicles (in % of total)



Source: IEA, EY' calculations

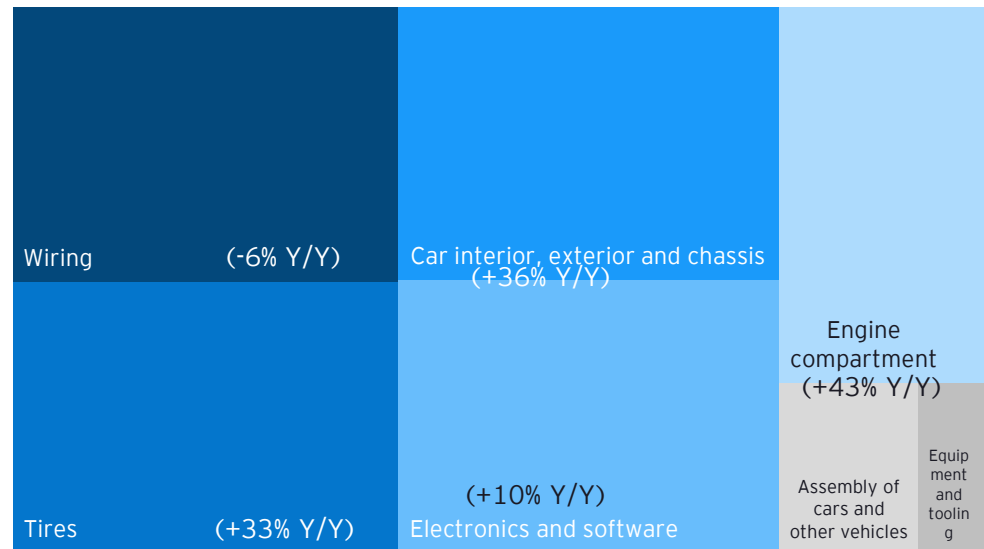
Serbian automotive sector has been booming since the late 2000s, but parts of the sector lost competitiveness recently. However, room for further growth is ample – especially in area of some more advanced production processes.

Massive foreign investments since the late 2000s – facilitated by Gvt' ambitious incentives – led to surge of output of car components, with Serbia's producers being primarily tied to the Germany-centric ICE supply chain.

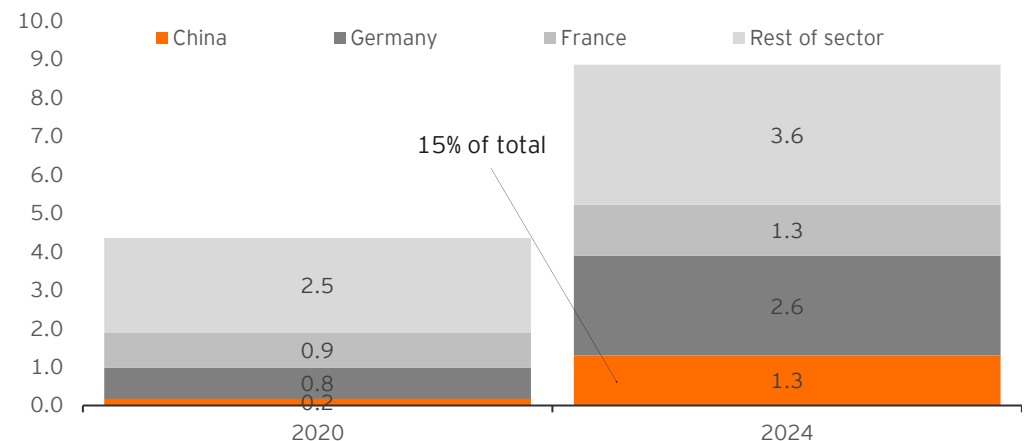
However, global transformation of the automotive is deeply impacting Serbian manufacturing:

- **Chinese companies are increasingly present.** They are now among the top investors, and Chinese firms now generate 15% of revenues in Serbian automotive sector, up from only 3% in 2020, with an outlook of further increase in coming period.
- **Wiring harnesses were top export item until recently, but it is now losing competitiveness,** as labor and other costs sharply increased – many of such companies are now looking to relocate to lower cost areas, such as MENA region.
- **Tire output is surging,** after major investments from Chinese Linglong, and some other significant global players like Toyo, or Goodyear.
- **Output of more advanced components and fully assembled vehicles is also increasing.** Grande Panda and Citroën C3 are coming out of Stellantis' plant since early 2025, while Serbian manufacturers are also increasingly producing parts for electronic batteries, radars, sensors, software, ADAS elements, etc.

Serbian automotive sector produces an increasingly diverse set of items, while generating EUR 9 b in revenues (2024)



Chinese companies in Serbia are increasingly active: structure of revenues per country of ownership (in EUR b)










Source: SBRS, EY' calculations

An aerial night photograph of a road winding through a dark, dense forest. The road is illuminated by a long, bright orange light trail, likely from a car's headlights or taillights. The surrounding trees are dark and silhouetted against the night sky.

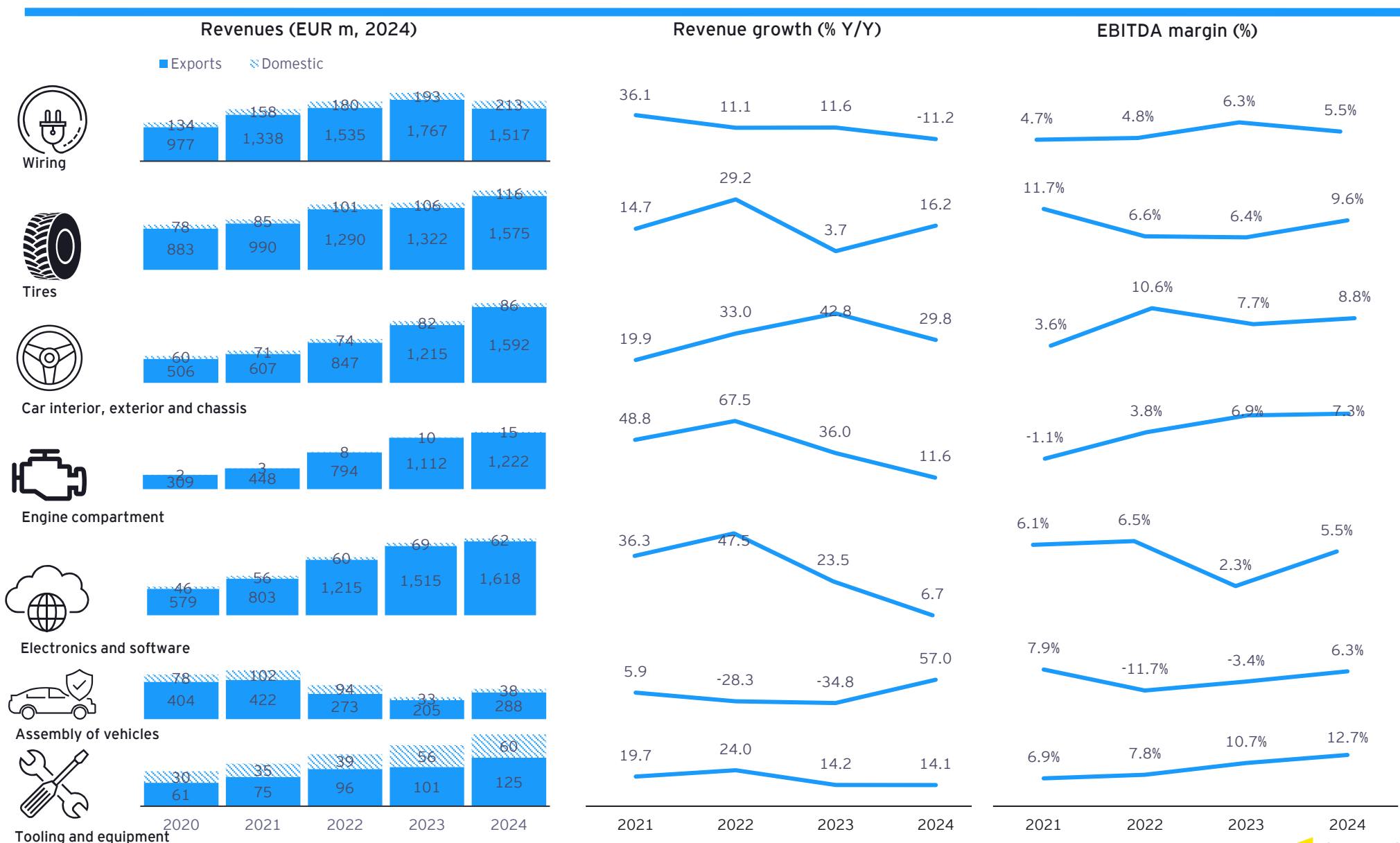
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Snapshots of main trends

Categorizing companies into main segments in Serbia.

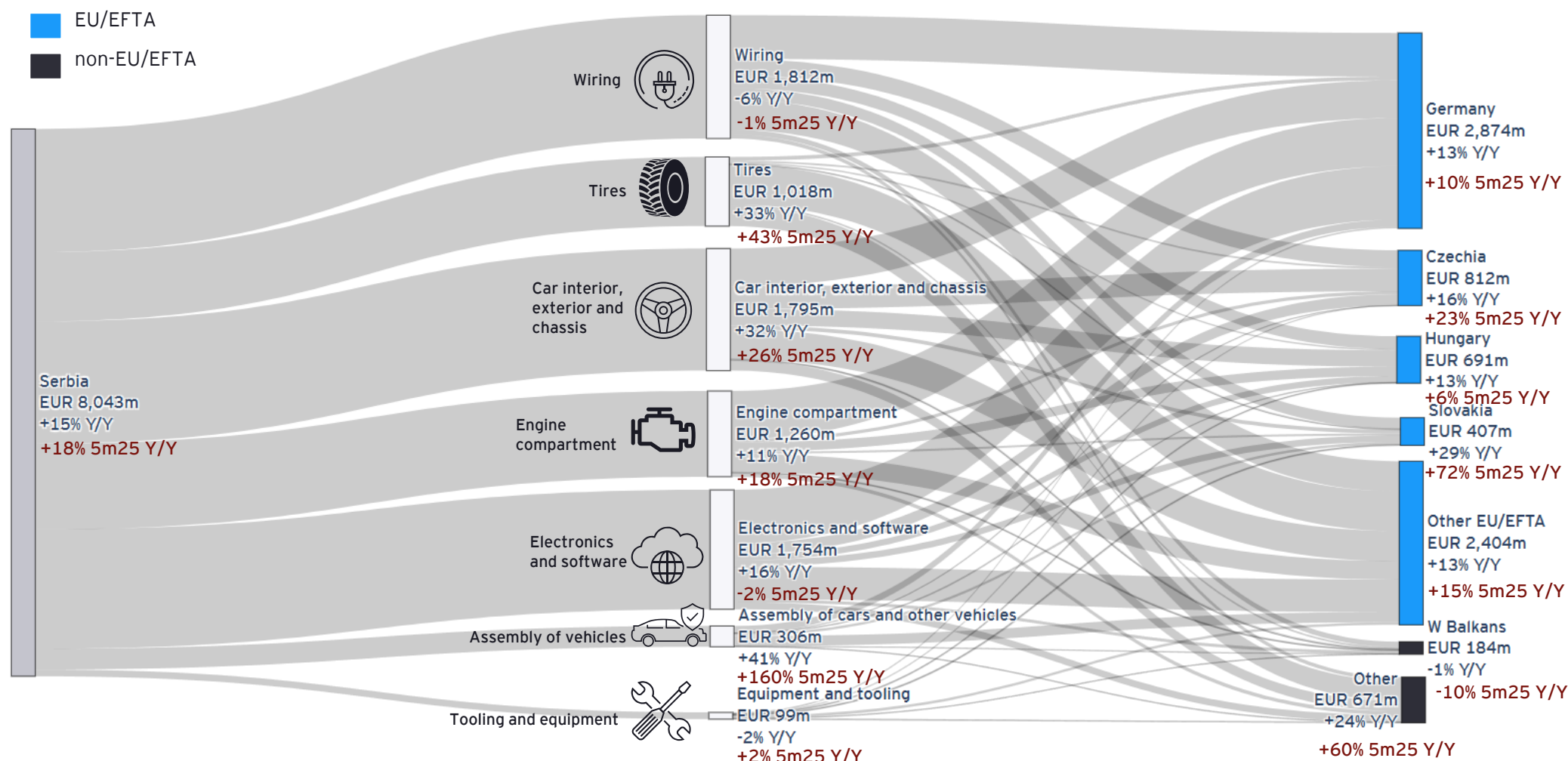
Icon	Segment	Description	Number of identified companies	Total revenue (2024, EUR m)	Total employment (2024)
	Wiring	Wiring harnesses - bundled wires, connectors and terminals that transmit power and data throughout a vehicle - remain a labor-intensive component due to the precision required in production. Typically manufactured from copper and aluminum, their production is concentrated in low-cost, labor-abundant countries such as Mexico and Vietnam. In 2024, Serbia ranked as the world's 8 th -largest exporter of wiring harnesses, underscoring its continued relevance in this segment.	19	1,769	39,147
	Tires	Tire production involves processing natural and synthetic rubber, carbon black, silica, steel cords and textile reinforcements to ensure vehicle safety and performance. The process is more technically complex than wiring harness assembly, and still labor-intensive. It also carries a significant environmental footprint, generating substantial CO ₂ and other particulate emissions.	6	1,748	8,768
	Car interior, exterior and chassis	This segment includes the manufacturing of seating, frames and other plastic, steel, aluminum and glass components, part of a vehicle's interior or exterior. Powertrain elements, such as the engine and cooling or exhaust systems are excluded. The manufacturing of these components involves metal stamping, welding, foam molding and upholstery. These production processes range in complexity (from moderately to highly complex), often requiring some level of precision engineering.	41	1,741	22,061
	Engine compartment	The production of engine compartments or powertrain components encompasses engines (internal combustion or electric motors), exhaust systems, cooling systems, EV batteries, and more elements which together provide moving energy to a vehicle. Manufacturing involves precision casting, machining, and assembly of metal alloys (aluminum, steel) for engines, catalytic converters for exhausts, lithium-ion cells for EV batteries. These processes are highly complex, requiring advanced automation for machining and battery assembly, yet labor-intensive for intricate tasks like engine calibration and battery pack integration.	19	1,287	11,683
	Electronics and software	Car electronics and software production encompasses components like electronic control units (ECUs), sensors, infotainment systems, and advanced driver-assistance systems (ADAS), drives vehicle connectivity, safety, and electrification. Manufacturing involves semiconductor integration, PCB assembly, and software. These processes are highly complex, requiring advanced automation for chip placement and testing, yet labor-intensive for software validation and system integration.	19	1,764	13,973
	Vehicle assembly	The pinnacle of the automotive value chain, integrates components like engines, chassis, electronics, and interiors into complete vehicles. Key processes include body shop operations (robotic welding and stamping of steel/aluminum panels), painting (automated spray systems with anti-corrosion coatings), and final assembly (installing powertrains, interiors, and electronics via automated lines and manual fitting). Highly complex, it demands precise automation for welding and painting, yet remains labor-intensive for tasks like wiring installation, seat fitting, and defect inspection, requiring skilled technicians. In context of this analysis, apart from car assembly, it also includes assembly of other vehicles, such as trams, bikes and trailers	8	394	3,255
	Equipment and tooling	Involves machinery and tools like CNC machines, robotic welders, stamping dies, and molds used to produce vehicle parts and support assembly lines. Processes include machining high-precision tools, setting up fixtures for assembly, etc. Moderately complex, these tasks rely on automated systems for cutting and welding but require skilled labor for tool design, setup, and maintenance, making them labor-intensive for small-batch or custom work	18	187	2,958

Weakening of foreign demand started to bite into performances of a part of the industry in 2024.



Foreign trade structure is evolving towards higher value-added products: exports of FCA' cars, Linglong's tires, Minth's battery components, among other, are launched and expanding, while wiring brings in less and less revenue.

Serbian export* in 2024 (in EUR m) with growth rates in 2024 and the first five months of 2025 (in %, Y/Y)



Source: Customs Administration of the Republic of Serbia

* The data relates to exports made by companies included in this analysis, expressed in EUR m, and growth rate % Y/Y for 2024 and first five months 2025. Data is produced by the Customs administration and may somewhat differ from the Income statement data

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Transaction diligence

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Due diligence on the seller's part
Improving the client's bargaining position and reducing possibility of interference
Speeding up the completion of the transaction and helping that process goes smoothly
Collaboration with client management to ensure the value of transactions in the crucial period after business venture

Capital & Debt Advisory

Strategic consulting in the field of real estate
Help with financing projects in the real estate sector
Mergers and acquisitions in the field of real estate
Development of real estate portfolio strategy, optimization and restructuring
Advising in relation to non-performing loans where the asset guarantee is real estate

Mergers and Acquisitions (M&A)

Detailed advising for mergers and acquisitions for clients who want to sell parts of their business, find a strategic partner or raise funds
Restructuring of companies who are faced financial difficulties
Structuring the business enterprise, planning acquisitions or purchase
Expertise: you can rely on experienced and responsible teams throughout the whole transaction process, from the idea to the realization and conclusion

Valuation, Modelling and Economics

Valuation (intangible assets, related parties, securities)
Business modelling
Planning and implementation of acquisitions and the purchase of legal entities
Assessment of sales or purchase price for new investors or those who come out from investments
Restructuring support team helps clients find financial, strategic and operational solutions for increasing liquidity, credit worthiness and return on investment of shareholders
Economic advisory team provides tailor-made analyses and insights using advanced research and data science tools.

Strategy & Execution

Development of comprehensive growth strategy, incl. corporate, business unit, portfolio and go-to-market strategy
Execution support with focus on value creation (e.g., profitability, net working capital, capital project excellence)
Design of target operating models, covering organizational structure, core processes, and talent
Pre- and post-transaction advisory including target screening, commercial & operational DD, post-merger integration

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