

### **Main highlights: Real car prices within the EU continued to fall in 2010, while price differences between Member States narrowed further.**

*As in the previous years, consumers in the vast majority of Member States have benefited from a fall in real car prices in 2010. Real car prices adjusted for inflation decreased EU-wide by 2.5%. As in the previous year, consumers in most new Member States benefited in particular from significant price decreases.*

*Price differentials between the Member States continued to decrease slightly within the EU, mostly due to an alignment of the prices level between the Euro zone and the other Member States, while the mostly price dispersion within the Euro zone remained stable.*

### **Real car prices declined by 2.5% in the EU**

Demand for passenger cars, which had picked up in the second half of 2009 following the financial crisis, reflecting the cautious upturn of the overall EU economy, as well as the impact of fleet renewal schemes in 13 EU Member States, dropped again in 2010. Following the end of the fleet renewal schemes in many Member States, car registrations dropped by 5.5 % throughout 2010.

Given that the scope of the car renewal schemes diverged between Member States and that these schemes were put in place only in certain countries, their expiry contributed to a wide variation in national car sales trends. While in the largest EU market, Germany, car registrations dropped massively by 23.4 %, the Italian and French markets contracted by 9% and 2% respectively. Spain and the UK saw new car registrations increase by 3.1% and 1.8% respectively.

Real car prices (i.e. prices adjusted for quality improvements and inflation, including taxes), fell in 24 out of 27 Member States, translating into an EU-wide fall in prices by 2.5%. Apart from Italy and Malta, where real car price remained practically stable (+0.2% respectively), the prices increased only in Portugal by 2.6%.

Post-tax prices tended to decrease more moderately in the Euro Zone (-1.5%) than in the EU as a whole, above all due to the mostly moderate price decreases in the Euro Zone's high volume markets. In particular, prices decreased rather moderately in France (-0.9%), Spain (-1.6%) and Germany (-1.9%) and remained stable in Italy, while becoming significantly cheaper in the UK (-3.7%), the largest market outside the Euro Zone.

As in the previous year, consumers in most new Member States enjoyed a particular high fall in post-tax car prices. In 2010 the decrease was most significant in Slovakia (-17.4%), followed by Bulgaria (-13.5%), Slovenia (-11.6%) and the Czech Republic (-9.0%). Real prices in Poland, the largest new Member State, fell by 5.6%.

The favourable long term price trend that continued in 2010 supports the assumption that competition between car manufacturers in the primary market for car sales continues to benefit consumers throughout the EU. It appears that the long-term downward price trend was particularly accentuated in 2010 due to lacklustre demand following the expiry of the fleet renewal schemes in many Member States.

## **EU-wide price dispersion between Member States decreased slightly; price dispersion within the Euro zone remained stable**

Pre-tax price differences for new cars between Member States continued to fall in 2010, with the average standard deviation ("indicator") going down from 8.5% to 8.2%. The fact that the British Pound appreciated by 10.3% against the Euro in 2010 led to relatively lower prices in the Euro zone compared to the UK, which used to be the least expensive country for new cars in the EU. This exchange rate adjustment contributed significantly to the overall price convergence. Within the Euro zone, the indicator remained stable at 6.5%, as in the previous year.

### **Cheap and expensive Member States**

While pre-tax prices continued to converge slightly between Member States in terms of list prices, cheap and expensive Member States remained broadly in the same category with regard to their overall price levels.

Greece became the cheapest country for new cars within the Euro zone in terms of pre-tax prices (average list prices were, in 2010, 5.6% below the Euro zone average), followed by Slovenia (4.8% below the Euro zone average) and Malta<sup>1</sup> (4.6% below the Euro zone average). In 2009, Malta was the least expensive country in the Euro zone, followed by Greece.

In the EU as a whole, Denmark became the country with the lowest list pre-tax prices for new cars (previously the third cheapest country). The second cheapest country was Hungary (previously on place 5), followed by the UK (previously the cheapest country).

Germany and Luxembourg remain the most expensive countries in the EU (with pre-tax list prices of 7.7% and 7.0% respectively above the Euro zone average), followed by Austria and France (with pre-tax prices of 4.8% and 4.3% respectively above the Euro zone average).

### **Price dispersion across car segments and manufacturers**

EU-wide price differences before tax for medium and smaller cars remained broadly stable but converged markedly for executive and luxury cars (dispersion indicator: 7%, -1.5% compared to the previous year) as well as the increasingly relevant segment of multi-purpose and sports utility cars (7.2%, -2.9%).

Within the Euro Zone, pre-tax price dispersion remained broadly stable not only for smaller and medium sized cars but also the executive and luxury cars segment. Price dispersion increased in the segment D for larger cars (7.2%, +1.1%), and decreased for multi-purpose and sports utility cars (5.3%, -0.8%)

Executive and luxury cars (segments E and F) continued to have the lowest pre-tax price dispersion within the Euro zone (the dispersion indicator remained quite stable at 3.7%, a decrease of 0.3% compared to the previous year).

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<sup>1</sup> However, it should be noted that the ranking of Malta is based on a much more limited range of models available in Malta.

In the light of the low Euro zone pre-tax price dispersion for executive and luxury cars, it is not surprising that at the manufacturer level, price dispersion remains the lowest for Mercedes (3.4% average standard deviation, +0.1%) and BMW (3.5%, +0.6%).

Euro zone pre-tax price dispersion as measured by the indicator remained broadly the same for Fiat, GM and PSA, increased slightly by around 1% for Ford and Renault and more markedly for Volkswagen (+2.1%) and Toyota (+3.1%).

The Jaguar and Land Rover brands of Tata displayed the lowest pre-tax price dispersion (2.5% on average), as well as the brands of Daihatsu and Mazda (4.7% and 5.0% respectively), while the prices of the Toyota brands diverged most markedly (indicator: 10.8%).