

Main highlights: car price differentials across EU remain at low level.

The European Commission's latest report on car prices shows that price dispersion across the Europe has remained largely unchanged during the first half of 2007 both at EU and euro-zone level. Among the euro-zone Member States, pre-tax prices are generally lowest in Finland and highest in Germany. Looking at the EU as a whole, Denmark is least expensive on average followed by Lithuania, which is the cheapest market among the new Member States, while the most expensive Member States within the EU-27 is Slovakia.

Price differentials within the EU in the first half of 2007 remain stable overall. The standard deviation index is pointing at a historically very low level of average price dispersion. In virtually all Member States, car prices adjusted for headline inflation have decreased, which suggests that car prices across the EU have not tended to converge towards levels in high price countries. For the first time, this report includes figures for Bulgaria and Romania, where cars are in general cheaper than in the euro zone.

Price dispersion overall stable

The latest report provides an indication that pre-tax price differentials across the EU Member States have been stable on average compared to the earlier Car price Reports released in March 2007 and August 2006. Price differentials within the euro-zone have even slightly decreased compared to the last publication, thus returning to historic low levels. More precisely, the dispersion indicator — the average standard deviation of prices — for the EU-25 stabilised compared to the last Report (at 6.4%), while the same indicator for euro zone has eased somewhat (4.4% compared to 4.6% in the Report published in March 2007). It should be mentioned that, the entry of Romania and Bulgaria in the EU leaves the indicator virtually unchanged (6.5% for EU-27 and 6.4% for EU-25). The same applies for the enlarged euro zone, where the entry of Slovenia only increased the indicator by 0.1 percentage point (to 4.5%)

Within the EU-27, 579 out of 1824 price quotes listed in the report show prices that exceed by 20% the cheapest national market in the EU. This compares to 581 out of 1 823 price quotes in March 2007 issue for EU-25, and 598 out of 1 789 in the August 2006 issue.

Of the 10 top best selling cars in the EU in 2006, the widest price difference in the euro zone is for the Peugeot 307, which costs 31% more in France than in Finland. This difference represents a potential saving of €4700 (including VAT) for the French consumer buying in Finland.

Cheap and expensive Member States

Within the euro zone, Finland remains the cheapest country in terms of pre-tax prices (around one third of the 87 models of the report reach their euro-zone lows in Finland) followed by Greece then Slovenia, the 13th country having joined the euro-zone. In the EU as a whole, Denmark remains the cheapest country, with prices 5.6% lower than in Finland, followed by Lithuania (0.7% lower than in Finland). Germany remains the most expensive country in the euro zone (32 models out of 87 in the report are sold in Germany at the highest price in the

euro zone). Slovakia is now the most expensive country EU-27 wide, with prices 8.4% higher than EU average, followed by the Czech Republic, the previous most expensive Member States.

On average, prices in Bulgaria and Romania are cheaper than in "older" Member States (pre-tax prices in the report are, on average, respectively 2.9% and 1.8% lower than average prices in the EU).

Price dispersion across car segments

While prices across car segments have in general further converged both within the euro-zone and EU-wide, price dispersion for executive and luxury cars have somewhat increased across Member States (dispersion indicator reaches 4.9% for these segments compared to 4.2% in previous report).

At manufacturers' level, GM and PSA prices have picked up (from respectively 7.6% and 6.1% in previous report to 8.3% and 6.7%) whereas the majority of manufacturers have tended to decrease the dispersion of the prices of their cars across EU.

Prices still declining in real terms

Between May 2006 and May 2007, the EU price index for cars (reflecting actual prices paid by consumers, including VAT and registration taxes) increased by 1.1%, as against 2.1% for headline inflation. The price increase was slightly higher in the euro zone (+1.5%) but was still lower than headline inflation (+1.9%). Among the high-volume markets, car prices increased moderately and less than headline inflation in Spain (+1.8%), Italy (+1.5%) and France (+1.3%). Following the increase by the German government of the VAT rate by 3 percentage points in January 2007, car prices in Germany increased more than headline inflation (3.2% as against 2%). Car prices in the UK were virtually unchanged (+0.3%).

Furthermore, Member States with traditionally low pre-tax prices did not experience any increase in consumer price for cars. Car prices have stabilised in Denmark (+0.0%), even while decreasing in Finland (-2%) and Greece (0.7%). On average, prices for cars decreased in the new Member States (0.7%) while increasing for other products (+3.6%). Car prices for instance decreased in Slovakia (8.5%), Slovenia (3.2%) and Romania (-4.2%) and remained virtually unchanged in Poland (+0.1%).

These price changes are consistent with the longer-term trend, which shows that prices for cars have tended to increase significantly less than the average price for the other products.