

Main highlights: car price differentials across EU remain unchanged

The European Commission's latest report on car prices shows that price convergence across the EU as well as in the euro zone has remained largely unchanged during the second half of 2005. In the euro zone, pre-tax prices are generally lowest in Finland and most expensive 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.

Price differentials in the second half of 2005 remained stable. In some of the new Member States such as Poland, Hungary and Lithuania, vehicle manufacturers seem to have adjusted their prices downwards, which suggests that car prices across the EU have not tended to converge towards levels in high price countries. However, as price differentials for certain best-selling models remain significant, the Commission remains vigilant to ensure that consumers enjoy the freedom to buy anywhere in the EU. The Commission has recently shown its determination to protect this freedom by adopting a decision imposing fines on a vehicle manufacturer who had been limiting parallel trade of cars (see IP/05/1227).

Convergence stabilises across EU

Price differences decreased during the first year following the enlargement, with the average standard deviation of prices between the 25 national markets falling from 6.9% in May 2004 to 6.4 % in November 2004. However, since then, price dispersion in the EU as well as in the euro zone has remained virtually constant (6.4 % in the EU and 4.4% in the euro zone).

Of the 1267 price quotes in the report, 568 exceed by more than 20% the cheapest market in the EU (compared to 579 out of 1878 in the previous report). This shows that price differences for particular models between the cheapest and most expensive Member States can still be substantial. The reduction in the number of comparable price quotes indicates that vehicle manufacturers try to provide affordable models in the new Member States adapted to local consumer demand. Of the 10 top best selling cars in the EU in 2005, the widest price difference in the euro zone is for the VW Golf, which costs almost 27 % more in Germany than in Finland. This difference represents a potential saving of €3200 (including VAT) for the German consumer buying in Finland.

Cheap and expensive Member States

Germany continues to be the most expensive market overall in the EU for the models surveyed. In Germany, 38 models out of 87 in the report are sold to consumers at the highest prices in the euro zone and 16 models are 20 % more expensive than in the cheapest national market within the euro zone. Within the euro zone, Finland is cheapest. Outside the euro zone, Denmark is the cheapest market in the EU with prices 5.8% below those in Finland.

Prices stable

Compared with December 2004, car prices at December 2005 have increased by 0.6% in the EU (+1.3% in the euro zone). Headline inflation amounted to 2.1% over the same period in EU-25 (+2.3% in the euro zone).

Car prices decreased in Poland (-10.8 %), in Lithuania (-7.2%), in Hungary (-4.3%), in Finland (-2.8 %), in Greece (-0.8%), in the UK (-0.5%) and in France (-0.4%). Prices increased, though at a moderate pace, in Italy (+2.4%), in Germany (+1.8%) and Denmark (+1.5%).

Member States with traditionally low pre-tax prices generally did not experience significant increases in consumer prices for cars. In fact, while prices increased somewhat in Denmark, they decreased in other countries with low pre-tax prices such as Finland, Lithuania and Greece.