

European Car Market

# Price and Volume Movements

Year to October 2004

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This report shows the volume and share winners and losers among the dominant manufacturers in the five largest European car markets. It also shows the movement in the market volume and the movement in the average price of a vehicle within the market. Lastly, it shows annual price movement by make.

## Summary

The price increases reported this quarter have fallen across all markets. The report continues to demonstrate the correlation between sales volume movement and price increases.



The European market overall is recovering due to the slowing rate of decline in sales in Germany and France.

Most manufacturers are finding it hard to make price increases, however, because of the continuing reluctance of market volumes to improve faster.

Higher price rises in Germany are still expected, although this is likely to be contingent on an increasing market. As with Germany, French prices can be expected to rise as the market starts to grow.

In the UK, where sales are likely to fall below the previous year, the manufacturers have less scope for increasing prices even though the weaker £ Sterling has reduced their Euro revenue.

Now that the Italian market is in decline, price increases are likely to remain low. Spanish price increases are likely to fall now that the peak of sales growth appears to have passed.

The one segment that continues to grow strongly in all countries is the small MPV sector. The large number of models introduced into this sector over the last 18 months is putting pressure on prices in what would normally be a demand-driven suppliers market consistent with higher-than-average price increases.

### About the price increases quoted

The price increases quoted relate to retail prices inclusive of local taxes (they are not transaction prices.) We have compared the prices of all derivatives available within the market with the prices of the same derivatives (or their recognised predecessors) 12 months earlier.

If a derivative available now did not exist (and did not replace a derivative that did exist) 12 months earlier, then it has been excluded from the analysis. Generally speaking about two-thirds of the derivatives available now were available 12 months earlier. This varies by make and by market.

Analysing prices this way avoids the distorting affect of completely new model or derivative introductions and special editions. Clearly, these excluded vehicles have an effect on average prices, but including them can

lead to misinterpretation at this level of detail. This price analysis gives a real picture of how the models that have been available in the market over the year have increased in price.

### The charts are based on up-to-date prices

The data relates to prices applicable in October 2004, with annual volumes data to August 2004. Automotive data are provided by [JATO Dynamics Limited](http://www.jato.com) and analysis and commentary are provided by [eurocarprice.com](http://www.eurocarprice.com).

### Prices are volume weighted

The price movement of all the derivatives within each make have been grouped by model and fuel type, and a volume weighting applied equal to the sales volume of the model/fuel type combination over the last twelve months.

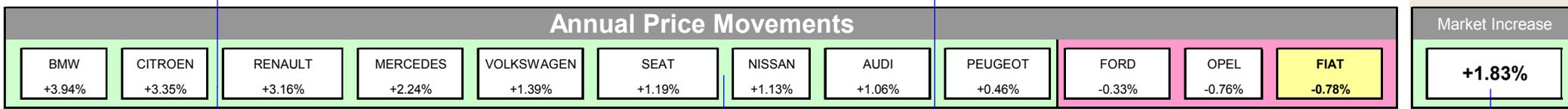
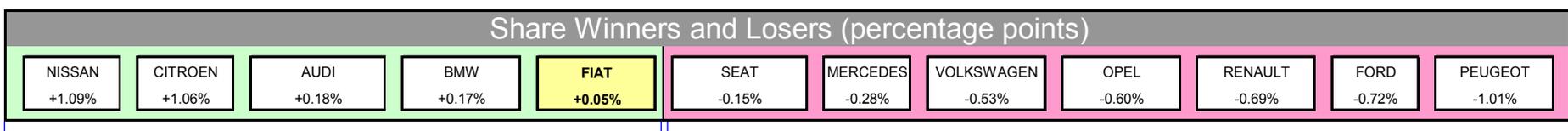
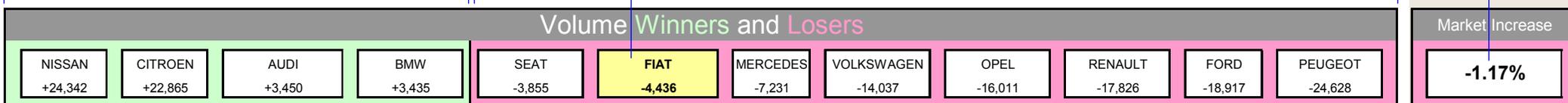
## Key to charts

**Volume Winners:** The brands that have recorded the greatest increases in volume during the last 12 months. The number shows the additional units achieved compared to the previous 12 months.

**Market Leader:** the manufacturer with the largest market share tends to lead pricing activity in their market

**Volume Losers:** The brands that have recorded the greatest reduction in volume during the last 12 months.

**Market Increase (volume):** The overall change in total market volume during the last 12 months vs. the previous 12 months.



**Share Winners:** The brands that have recorded the greatest gain in share during the last 12 months. The number shows the increase in the brand's share of the total market.

**Annual Price Movements:** The average price increases by make. The manufacturers with the largest average price increases are shown to the left while those with the lowest increases are shown to the right.

**Share Losers:** The brands that have recorded the greatest reduction in share during the last 12 months.

**Market Increase (price):** The average price increase for the whole market.

## France

The French market continues to contract, although at a slower rate.

France had second-lowest average price rise of the 'Big Five' European markets in the year to August and this price rise was smaller than in the previous quarter. We still expect to see higher price rises in France, but they may not happen until there is some growth in sales.

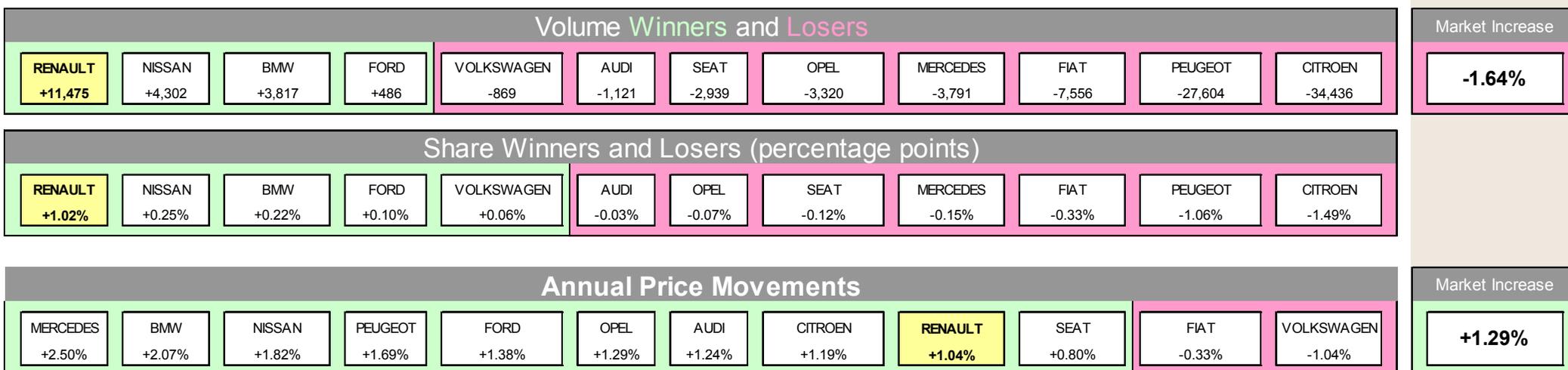
The small MPV sector provided some relief in the decline. Fiat Idea, Opel Meriva, Ford Focus C-Max, and Renault Scenic and Grand Scenic all recorded large gains in sales.

Mercedes increased prices by an average of 2.5% and suffered volume and share falls as sales of all models fell.

Market leader Renault increased prices by less than the market average (an average of 1.04%). Renault's market share increased by over 1% point, recording the highest sales volume gain (mainly attributable to Scenic and Grand Scenic).

Nissan increased prices by 1.82% and enjoyed the largest sales gain (attributable to Micra and X-Trail). Large sales declines by Peugeot and Citroen were due to the wait for replacements for the 106 and Xsara respectively.

Volkswagen had the lowest average price rise of this group of manufacturers at 1.04%. Volkswagen's share increased marginally, attributable to Touran and Touareg.



## Germany

The German market continued to decline in the year to August. Sales were down 1.22% compared to the previous 12 months and the average price rise was only 1.42%. Prices rose more slowly than we predicted in our last report, when we expected some recovery in sales volumes. In fact, Ford and Renault reduced their prices, and Peugeot and Opel increased prices by less than 1%.

BMW, Mercedes and Audi increased prices by more than 2%. BMW enjoyed the largest share and volume gains despite making the second highest average price rise: 2.22%. Sales growth was due to the new Series 5, X3 and X5.

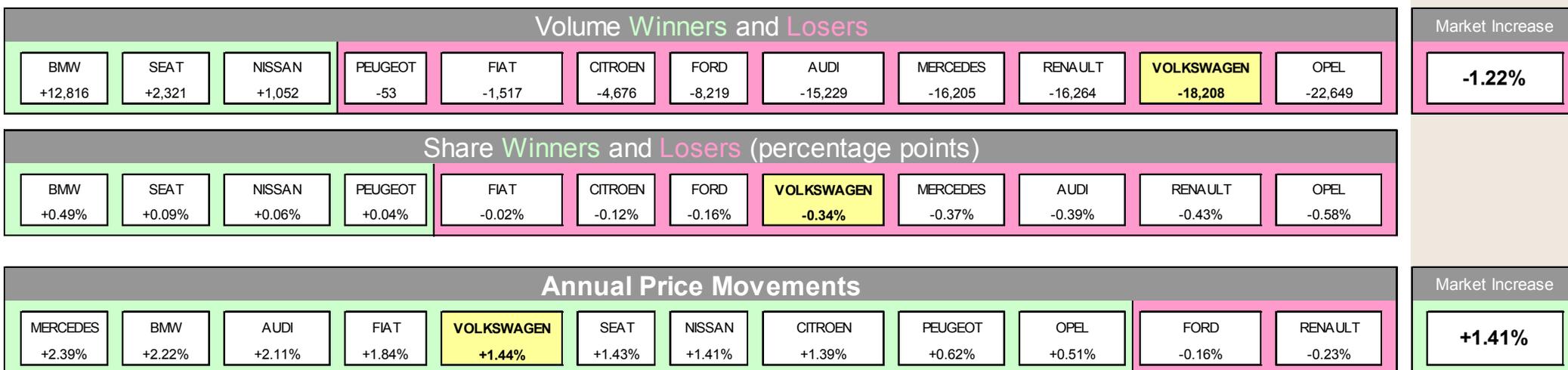
Mercedes introduced the highest price rise over the period and suffered reductions in share and volume. The fall in sales was largely due to A-Class, which now has a number of recent-entrant competitors.

Market leader Volkswagen increased prices by an average of 1.44% but VW's share fell by 0.34% and its volume declined by over 18,000 units. The success of the Touran (sales up by 64,000) helped offset much of the fall in sales for Lupo, Polo, Golf, Passat and Sharan.

Despite price reductions by Ford and Renault, these manufacturers continued to lose volume and market share. The Ford model not to lose volume over the period was Focus C-MAX. The Renault models that gained volume over this period were Megane and Scenic.

Despite having no replacement for the 106, Peugeot gained market share though the 307 and 407, with an average price increase of only 0.62%.

Opel increased its average price by 0.51% and lost volume and share, although sales of Meriva and Signum rose.



## Great Britain

The UK market continued to grow, although sales volumes and prices increased less quickly than the previous quarter's report.

The year's sales volume to August 2004 was 1.09% greater than the sales achieved in the previous 12 months, while the average prices across the whole market increased by 1.69%.

The year-on-year volume and price increase figures in the previous quarter were 3.11% and 2.06% respectively.

Fiat recorded the highest average price rise of 2.93%. Fiat's sales and share would have been disappointing had it not been for sales of the Panda, which was not available in the previous year.

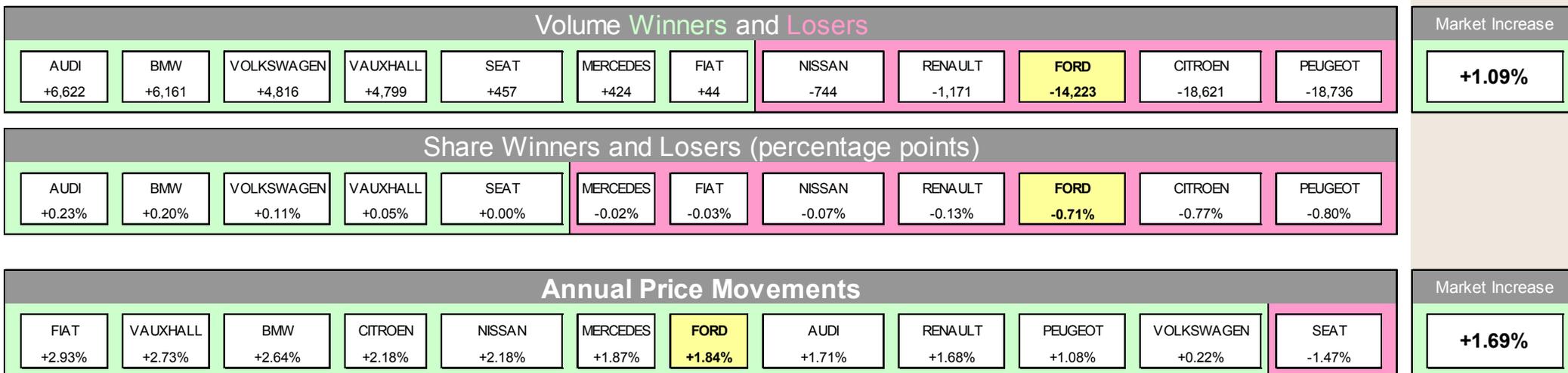
Seat maintained its market share with an average price reduction over the year.

Vauxhall increased prices by more than 1% above the market average, and gained sales volume and share, attributable to Meriva and Signum.

BMW increased sales volume and share (through Series 5, Series 6, X3 and Z4) whilst increasing average prices by 2.64%.

Citroen increased prices by an average of 2.18% and lost significant volume and market share, spread across its range.

Market leader Ford recorded an average price increase of 1.84%, whilst losing volume and market share despite the recent sales growth of Focus C-MAX.



## Italy

Last quarter, we did not expect the Italian market to contract further and therefore we predicted a slight improvement in prices. In fact, Italy's market volume fell by 2.05% in the 12 months to August 2004, which was 0.88% further than in the year to May.

The average annual price increase for the market was 1.28%, compared to 1.83% the previous quarter.

Two manufacturers made average price increases above 3%. BMW enjoyed market share and volume growth, whilst Renault suffered a market share and volume reduction.

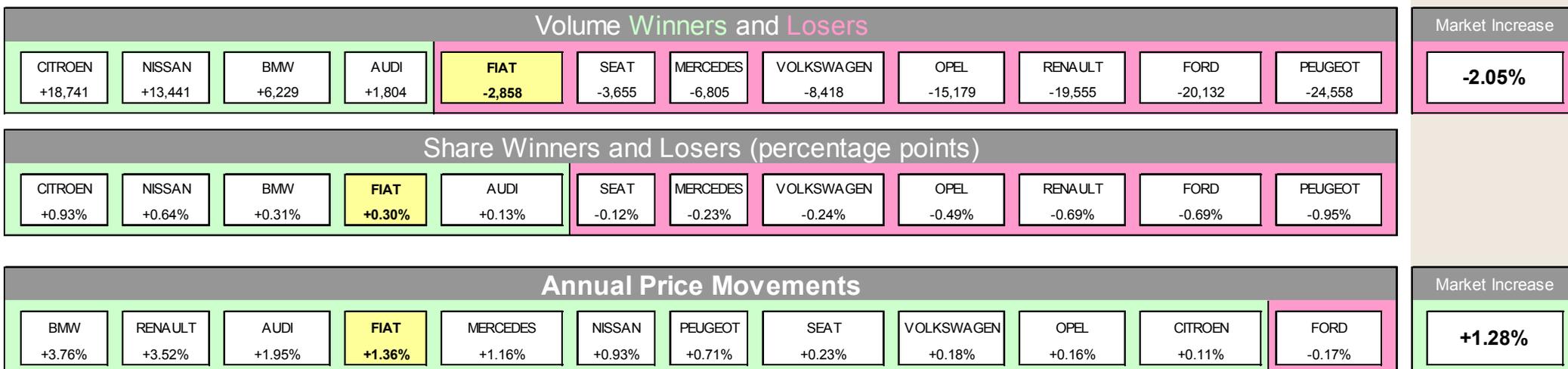
For BMW, the sales growth was attributable to X5, Series 5, Series 6, X3, and Z4. Renault's fall in sales took place despite strong growth in sales of the new Megane, Scenic and Espace.

Market Leader Fiat, increased prices by 1.36% and increased market share by 0.3% points. Sales success for the new Panda and Idea was offset by general reductions across the rest of the range.

Ford reduced prices by 0.17% but still experienced volume and share falls. The only model to increase sales was the new Focus C-MAX.

Peugeot suffered the largest volume and share fall, although the 407 contributed to a sales increase within the upper medium segment. Peugeot's average price increase was 0.71%.

Citroën increased prices by an average of 0.11%, gaining 0.93% points market share. Sales increase was due to the newly introduced C2.



## Spain

The market in Spain continues to grow. Sales have cooled a little recently but still grew by an impressive 11.35% in the year to August. This strong market environment has encouraged the manufacturers to increase their prices more aggressively than in the other 'Big Five' markets.

Nevertheless, the average price increase in Spain, of 2.42%, was smaller than we reported last quarter and lower than predicted.

Fiat increased prices by an average 6.0%. Its share fell marginally but sales increased in the strong market by more than 4,000, due to Idea, Panda and Ulysse.

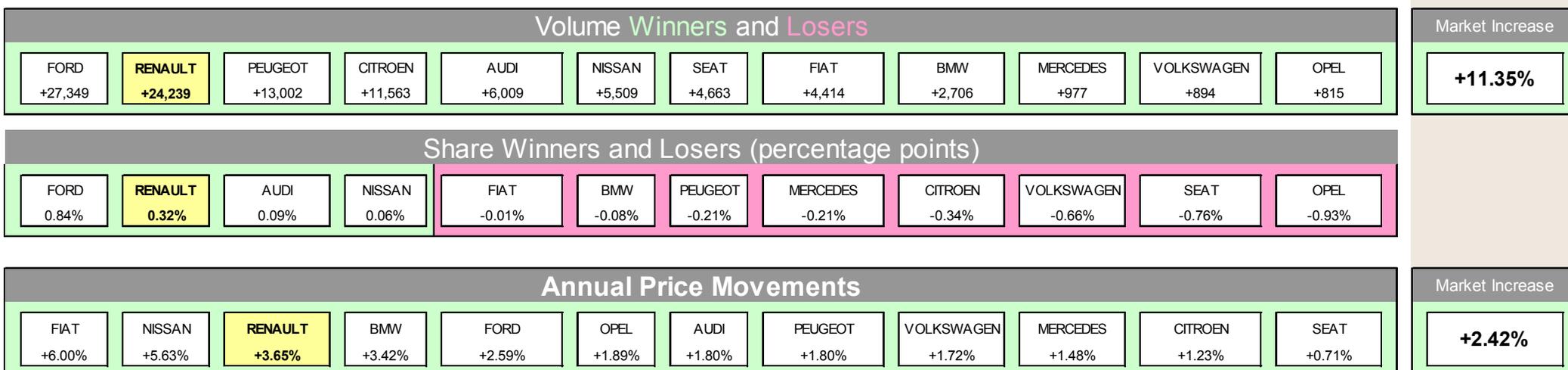
Despite Nissan's increase of 5.63%, it achieved higher volume and slight growth in market share. Nissan's sales growth was due to a strong performance by Micra and, to a lesser extent, X-Trail.

Renault combined an average price increase of 3.65% with the second-largest market share growth amongst the monitored manufacturers. Scenic and Megane were mainly responsible.

Ford increased prices by 2.59% and enjoyed the largest share and volume increases, due to Fiesta, Focus C-MAX and Ka.

Opel suffered the largest share fall while increasing prices by an average of 1.89%. Meriva and Zafira enjoyed increased sales volumes.

Local manufacturer Seat increased prices by only 0.71% but lost market share despite higher sales of Leon and the new Altea.



## This report is produced by:

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