

ICE vehicles central to Europe's ongoing pricing problem

16/12/24

Concerns are mounting over the survival of Europe's automotive industry if manufacturers are unable to find ways to reduce their prices.

This is according to a new paper from JATO Dynamics, *"Rising car prices and their impact on Europe's automotive industry"*, which reveals that registrations of new passenger cars across 28 European markets totalled just 9.74 million units during the first three quarters of 2024. These results fall far short of the 12.11 million units registered during the same period in 2019, with the gap increasing further to 2.55 million units when compared with 2018 levels.

Felipe Munoz, Global Analyst at JATO Dynamics, commented: "Europe is a mature automotive market and therefore years of extreme growth are an event of the past. However, while the automotive market has typically demonstrated a cyclical nature, current weak performance and high price tags are not a natural response to years of crisis, but rather evidence of a deeper-rooted problem."

Impact of regulation on car prices

While the 2035 EU mandate - for all new cars sold to be zero emissions capable - is critical to the global effort to mitigate climate change, the speed at which this can be achieved will be dictated by the economic strength of the industry and currently, this regulation is causing car prices to rise across the region.

With consumers encouraged to make the shift to BEVs, China has also taken the opportunity to introduce a wave of affordable electric alternatives. Having secured its supply chain to produce batteries, China is able to produce competitively priced BEVs in Europe. According to JATO Dynamics' data, of the 7.2 million BEVs sold globally between January and September 2024, 4.1 million of them were sold in China and 3.7 million were sold by Chinese manufacturers.

In comparison, the average retail price of a car in Germany today is €56,735. This is more than the average German employee makes in a year before tax (€51,900), according to the Federal Statistical Office. There is a similar story of high average retail prices across the other four big markets in Europe. In France, the average totalled almost €49,000, Spain €54,000, and Italy €56,000. In the United Kingdom, the average retail price of a brand-new car is £49,451, equating to €59,360 at the November 2024 exchange rate.

ICE vehicles significant contributor to rising cost of Europe's cars

ICE vehicles have been central to the price increases seen in four of the five countries. In Germany, while BEV prices increased by 5.2% between 2019 and 2024, prices of ICE vehicles increased by 26.1%. In Spain, BEV prices have increased by 1.9% while ICE prices have increased by 17.7%. In the UK, prices for BEVs have increased by 16.5% and 29.4% for ICE. In

France, prices for electric cars decreased by 6.4% over this time, while combustion engine vehicles increased by 10.4%. The only exception here is Italy, where BEV price increases (31.5%) outpaced those seen in ICE cars (18.4%).

Munoz continued: "The rising prices of ICE vehicles comes in contrast to what many believe: that the arrival of more electric cars is the driving force behind Europe's pricing problem. However, with just ten years until the EU's 2035 deadline, it is alarming that BEVs still account for only 15% of total passenger car registrations in Europe. This presents a different problem entirely - reflecting a potential disconnect between those setting the policies and those working across the automotive industry."

Unable to lower its high prices, Western Europe's automotive market lost the equivalent of 3.3 million units in new cars sales between 2019 and 2023. Munoz concluded: "Until now, European OEMs may have been able to remain profitable despite higher prices. However, the emergence of China as an automotive superpower has changed the game and they must now look for new ways to reduce their prices in an increasingly competitive market, or risk extinction."

About JATO

JATO Dynamics, founded in 1984, now has representation in over 51 countries around the world. We provide precision under pressure, providing the world's most timely, accurate and up-to-date automotive information on vehicle specifications, pricing, sales and registrations for over 30 years. We offer more than just data, as we've watched the world change, and consumer mindsets alter with it we have been able to offer insights that help inform the industry. We're able to react to short-term market movements, plan for long-term developments and ultimately to meet the needs of our clients. Visit JATO at www.jato.com for more information.