

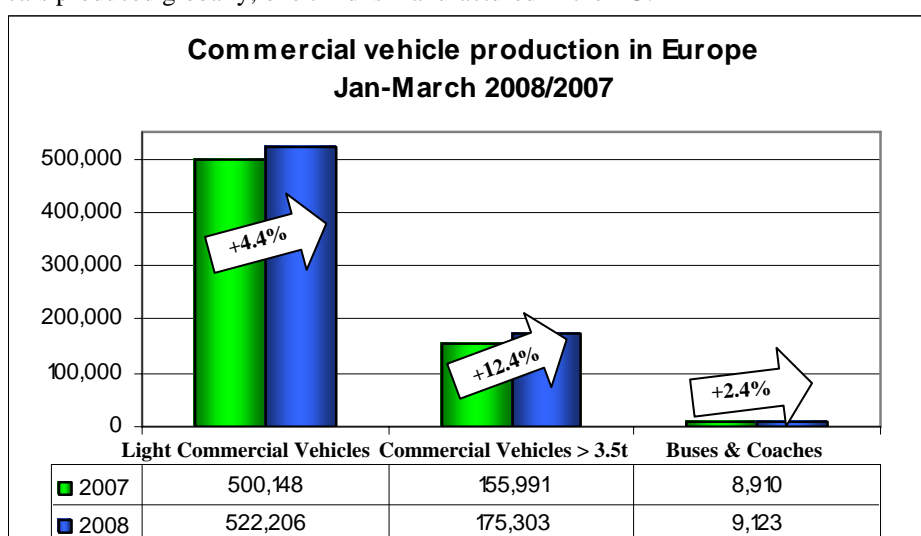
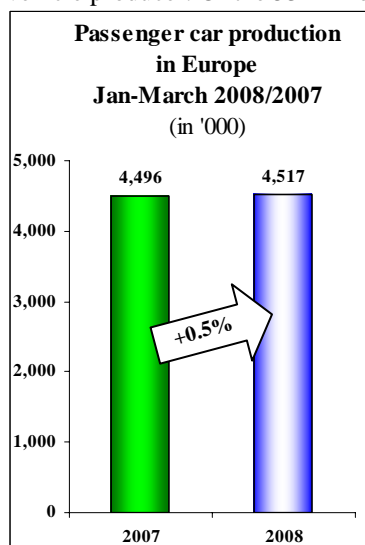


Passenger car production stable over first quarter 2008

Vehicle demand set to slow

In spite of the economic uncertainty prevailing over the first half year, passenger car production in Europe has been stable in the first quarter, with a slight increase of 0.5%. Demand, however, is likely to contract over the course of the year as a consequence of deteriorating economic circumstances. Automotive forecasts point to a decrease of -2.7%. Demand for diesel powered cars remained firm, representing 53.1% of total new car registrations from January to June 2008. CO2-related car taxation is now levied in fourteen EU countries, with in some countries a marked impact on demand.

The European automotive industry is key to the strength and competitiveness of Europe. The car industry provides jobs to more than 2.2 million people and indirectly to another 10 million families in the EU27. Europe is the world's largest vehicle producer. Of the 53 million cars produced globally, one third is manufactured in the EU.



Automobile production

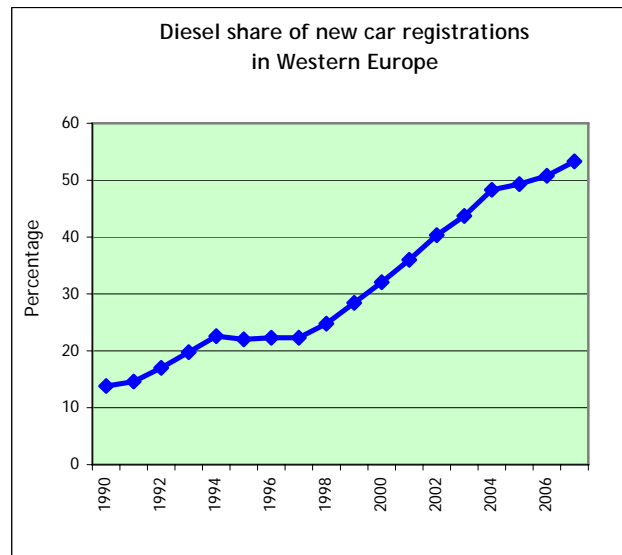
In the first quarter of 2008, production of motor vehicles (cars, vans, trucks and buses) increased by 1.2% compared to last year. In total, 5,223,812 vehicles were produced in the enlarged Europe. All vehicle categories positively contributed to this result. Passenger cars consolidated their production level (+0.5%) and accounted for 86% of the whole production. A particularly solid growth was noted in the truck sector (+12%) thanks to a booming demand on the European markets. The production of light commercial vehicles and buses went up by 4% and 2% respectively.

Market demand

Reflecting overall difficult economic circumstances, European new passenger car registrations fell 2.0% in the first half of 2008. Rising inflation and soaring fuel prices were among the main factors influencing new registrations. Over the first six months of the year, 8,344,117 new cars were registered, 93% in Western Europe. All new EU Member States posted growth in the first half year, resulting in a 6.9% increase for the region. Five months into the year, new commercial vehicle registrations went up by 1.3%. Demand grew for trucks (+8.7%) and buses (+22.4%) but contracted for light commercial vehicles (-0.4%).

Demand characteristics

Of the 7.7 million passenger cars registered in Western Europe over the first half year, 53.1% were **diesel** powered, compared to 52.1% in the same period of 2007. The interest in diesel cars is explained to a large extent by improved diesel engine technology, significant increases in fuel prices and larger consumer demand for fuel efficiency. Demand for 'small' and 'lower-medium' cars has grown further. 'Small' and 'lower-medium' cars represented respectively 38.4% and 32.3% of total new registrations over the first six months of 2008, compared to 37.7% and 32.1% for the same period in 2007. The **4x4** segment saw a decrease in demand (-8.7%), accounting for 8.8% of new registrations from January to June 2008. In 2007, 35% of newly registered cars emitted less than 140 gCO₂/km and additional 11% less than 120 gCO₂/km. CO₂-related taxation is now levied in fourteen EU countries.



Market forecasts

Automotive forecasts point to a decrease of -2.7% in car demand for 2008. New member states are likely to improve their result at a somewhat slower pace (+9%) while the Western European market will possibly slow down (-3.6%). Of the main markets, only France and Germany are expected to register more cars than last year. This will, however, not offset a decline in most of the remaining EU15 countries.

Vehicles in use

In 2006, there were 251 million vehicles on the European roads according to the latest ANFAC (Spanish Automobile Association) report. The few new EU members missing in the report account for around 10 million additional cars. Passenger cars represent 88% (230 million) of all the vehicles on the European roads. The European car fleet is highly concentrated in five main markets (Germany, Italy, France, UK and Spain) and is characterised by a high diesel penetration (30%). In terms of car density, the ratio of cars to population was 0.5 in Western Europe with one car on every second citizen. In Eastern Europe this figure is one to five. On the mature and saturated West European market, car demand stems mainly from replacement whereas in the new EU Members there are still many new customers.

Economic background

Despite torments on international financial markets, GDP in **2007** grew by 2.6% in the **euro area** and by 2.8% in the **EU27**. However, growth moderated towards the end of last year given the persisting negative impact of the financial markets turmoil and the slowdown of global activity triggered by the US subprime crisis. Soaring energy and food prices furthermore affected both growth and inflation adversely. Consequently, the European Commission has revised its forecasts for 2008 and 2009 downwards. Growth in the euro zone and in the EU27 is expected to slow down to 1.7% and 2.0%, respectively, in **2008** and to 1.5% and 1.8% in **2009**. The **US** (+2.2%) and **Japanese** (+2.0%) economies grew slower than Europe's in 2007. GDP growth for both countries has been revised down for 2008 to 0.9% and 1.2% respectively and to 0.7% and 1.1% in 2009. A deeper and more protracted downturn of the US economy is expected as the contraction in the housing sector continues to deepen, affecting the rest of the economy.

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ACEA publishes its Economic Report three times per year: in February, June and November. For the previous Economic Report click [here](#). For further information, please contact Quynh-Nhu Huynh, Manager Statistics & Communications at qh@acea.be or + 32 2 738 73 55. Please also visit www.acea.be
