

Box 9

RECENT DEVELOPMENTS IN THE CAR INDUSTRY IN MAJOR EURO AREA COUNTRIES

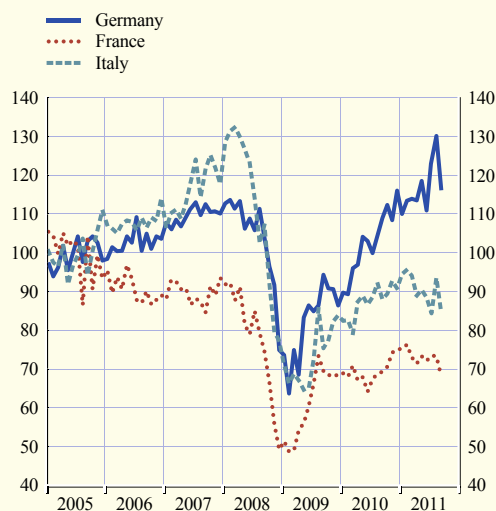
This box looks at recent developments in the car industry in Germany, Italy and France. It describes the production side, the role of exports and the impact of car purchases on domestic consumption.

Production

The production of motor vehicles, trailers and semi-trailers (hereafter simply referred to as “cars”) has recovered for the major European car manufacturers since its trough in early 2009 but, as Chart A shows, the recovery has been much stronger in Germany than in France and Italy. German car production was at record high levels in the third quarter of 2011, whereas French and Italian car production stood at around 15% and 30% below previous peaks respectively. The economy-wide impact of the post-2009 car production boom is magnified by the importance of the car industry in

Chart A Manufacture of motor vehicles, trailers and semi-trailers (including parts)

(index: 2005 = 100; monthly data; working day and seasonally adjusted)



Source: Eurostat.

Germany. Car production constitutes a larger share of total manufacturing production in Germany than in France and Italy (the available shares for 2005 were 13% for Germany, compared with 8% for France and 5% for Italy).

Exports

Looking at the recovery in car exports from their trough in early 2009, a similar picture emerges as for car production. Total car exports from Germany have recorded new highs in 2011, whereas car exports from France and Italy have been about 45% and 40% below previous peak levels, respectively (see Chart B). The strength of German exports is largely due to extra-EU exports. Indeed, in 2011 extra-EU exports exceeded the peak level of 2007 by more than 30% in Germany. The table provides some insights into the underlying reason for the comparatively strong extra-EU car export performance of Germany. In 2010 Germany had the highest share of extra-EU car exports in total exports (almost 50%), with the main trade partners being the United States and China, each having a share of around 10%. In France and Italy, the shares of extra-EU car exports are only about 20% and 30% respectively.

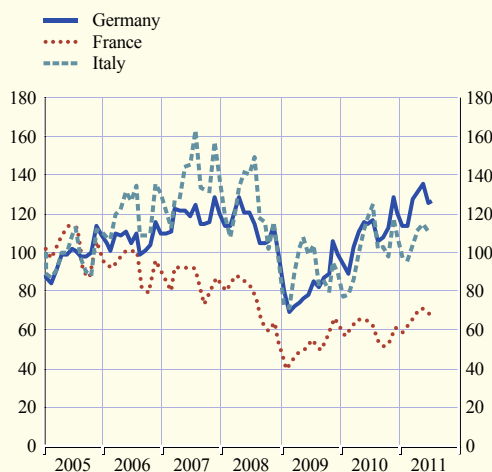
With regard to China being an important and growing car export market, Chart C shows that Germany has been the main beneficiary of increasing car exports to China. From 2008 to 2010 the volume of German car exports (including parts) to China increased by more than 200%. In 2011 Germany's share in the value of total car imports into China has amounted to 60%, compared with a cumulative share of around 4% for France and Italy. By 2010, in addition to exports of finished cars, German car manufacturers were producing an increasing number of cars abroad. For German car manufacturers, one of the main external locations for car production is China, where they made more than 1.5 million cars in 2010.

Domestic consumption

Car purchases do not generally shape overall domestic consumption in the three

Chart B Exports of motor vehicles, trailers and semi-trailers (including parts)

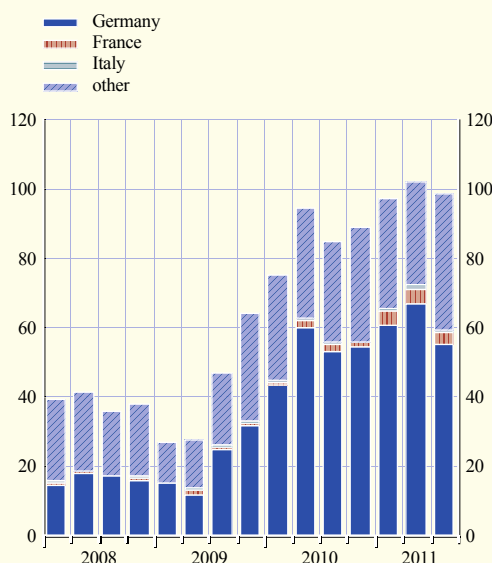
(index: 2005 = 100; monthly data; three-month moving averages; seasonally adjusted)



Source: Eurostat.

Chart C Imports of motor vehicles (including parts) for final assembly into China

(thousand of vehicle units; quarterly data; not seasonally adjusted)



Source: CEIC.

Geographical breakdown of exports of motor vehicles, trailers and semi-trailers (including parts)

(percentage share in the value of total exports, 2010)

	Germany	France	Italy
EU27	52.2	81.2	72.4
United States	13.3	0.2	7.3
China	8.9	0.5	1.7
Switzerland	2.9	2.7	4.5
Turkey	2.0	2.0	2.0
Russia	2.1	1.9	0.3
Japan	2.7	1.0	2.3
Australia	1.8	0.6	1.1
Norway	1.5	0.8	0.3
Canada	1.9	0.1	0.1
South Korea	1.4	0.2	0.2
Other	9.2	8.6	7.8

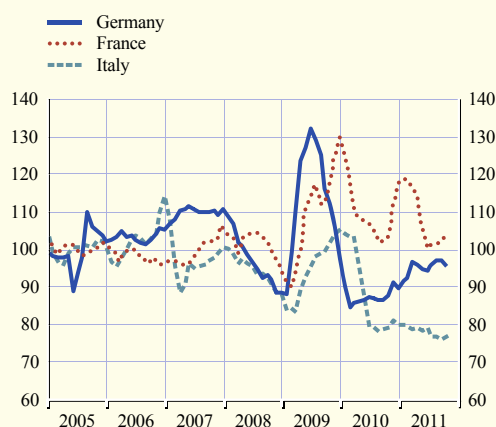
Source: Eurostat.

countries. This is due to the relatively small share of car purchases in overall consumer spending (about 5% in Germany and slightly less in France and Italy). In some specific years, however, car purchases have affected the consumption pattern since the recovery started in 2009. This is illustrated in Chart D, which shows the level of passenger car registrations in Germany, France and Italy. The timing of car purchases has been particularly affected by the introduction and withdrawal of the various car scrappage schemes. For instance, passenger car registrations increased in Germany by more than 20% in 2009. In 2010, however, registrations declined by a similar percentage following the withdrawal of the German scheme. Similarly, registrations in France rose by 13% in 2009, before declining by almost 4% in the following year. More recently, in 2011 (data are available up to October) domestic passenger car sales in Germany have been making a positive contribution to overall consumption growth, while in France and Italy passenger car purchases have declined and have thus contributed negatively to consumption growth in both countries.

To sum up, car production developments have been significantly stronger in Germany than in Italy and France in recent years. This difference mainly reflects stronger extra-EU exports from Germany and, to a lesser extent, more dynamic domestic car sales. Output growth in Germany has benefited not only from the much stronger production expansion in the car industry in Germany than in France and Italy, but also from the much higher share of car production in total manufacturing production.

Chart D New passenger car registrations

(index: 2005 = 100; monthly data; three-month moving averages; seasonally adjusted)



Source: ACEA.