

Overseas Market Information



Flash Market Note on the Motor Vehicle Sector in Germany

During the first seven months of the year, new car registrations in Germany remained sluggish, despite an enormous demand for replacements, and were down 2.3 per cent year on year. This was due to the unemployment problem and fears of further job losses, and high petrol prices. Demand from abroad proved far more buoyant, and exports rose by 4.5 per cent during the same period. The main growth in exports came from the new EU members, Turkey, China and Japan, and production increased by 2.2 per cent. If demand from abroad remains strong, both 2004 and 2005 should see a year-on-year increase in car manufacture. By next year at the latest, as consumers grow less uncertain about the future, the domestic market should also start to expand once more.

Truck manufacturers are not experiencing any difficulties at present with demand. Capacity utilisation is at a high level and the order books are full. During the first seven months of the year, 2.1 per cent more trucks were produced than a year ago. This figure would have been even higher if some production of commercial vehicles (up to 6 tonnes) had not been moved abroad. The German Car Manufacturers' Association has calculated that if the latter were also taken into consideration, the increase would amount to 7 per cent. Demand for heavy-duty trucks over 6 tonnes is particularly strong, and first-half output rose by 21.4 per cent. Production of trucks over 16 tonnes rose up slightly above the average, and these account for over four fifths of total heavy-duty truck production. With global demand rising, business is booming at home and abroad. From January to July, 3.5 per cent more trucks (and including vehicles manufacture abroad 9 per cent) were exported, and in the case of heavy-duty trucks the figure was no less than 17 per cent. Domestic business was highly encouraging, with a 7 per cent rise in new registrations. This success is due to new models and expanding business in Eastern Europe. More east-west traffic can be expected in the wake of the EU expansion. German truck manufacturers will benefit from this : During the first six months of the year, their share of the domestic market rose from 72.6 per cent to 73.2 per cent, and of the West European market from 37.8 per cent to 38.8 per cent. Moreover, after four years for declining new registrations in Germany, there must be a considerable demand for new purchases. In addition, low interest rates and a flourishing second-hand market on account of strong demand from Eastern Europe are incentives to buy new vehicles.

A focal point here will be ways of reducing harmful emissions and petrol consumption. Thanks to technological developments, vehicles will be available as of 2005 which will comply with the Euro-4 standard valid as of October 2006 and in some instances also the Euro-5 standard applicable as of October 2009. The latter will reduce the levels of 60 per cent for nitric oxide emissions and 80 per cent for harmful particles now applicable

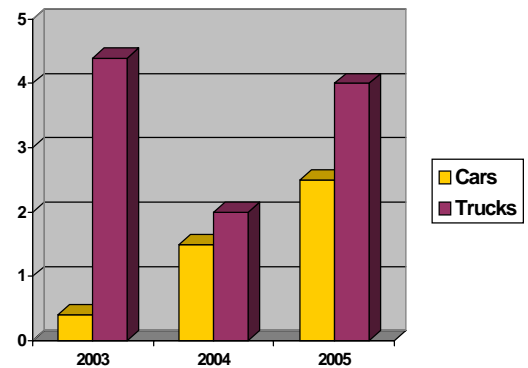
under Euro-3. New truck models will be emitting far less exhaust gas, and this will improve the image of goods transports and should boost demand for trucks.

Overall, the sector has a good potential for further expansion in the near future.

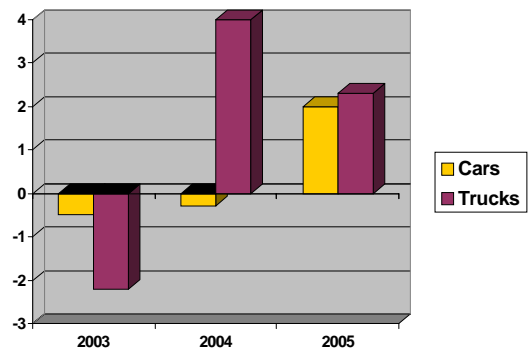
**Table 1
Car Market Statistics**

| | | 2003 | 2004 | 2005 |
|-------------------|------|---|------|------|
| | | <i>Percentage increase over previous year</i> | | |
| Cars | | | | |
| Output | % py | 0.4 | 1.5 | 2.5 |
| New Registrations | % py | -0.5 | -0.3 | 2.0 |
| Trucks | | | | |
| Output | % py | 4.4 | 2.0 | 4.0 |
| New Registrations | % py | -2.2 | 4.0 | 2.3 |

**Chart 1
Cars & Trucks - Output
Increase/decrease over previous year**



**Chart 1
Cars & Trucks - Registration
Increase/Decrease over previous year**



(Source : EEPC Duesseldorf Office)