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## **JATO REVEALS HIDDEN EFFECT OF RECESSION AT MOSCOW CONFERENCE**

The world's premier provider of automotive data and intelligence, JATO Dynamics, spoke at the Vedomosti Automotive Conference last week, in Moscow, and revealed research into the hidden effect of European car market incentives on pricing and sales.

Against a backdrop of double digit declines and many European new car markets growing only on the 'life-support' of national scrappage schemes, JATO revealed how demand for large cars has been driven away over the last years.

"The sales mix in Europe has changed fundamentally," JATO's Emerging Markets & CEE Regional General Manager, Evangelos Hadjistavrou told delegates. "The swing to smaller cars has driven the average price down by almost €1,300, a 5% drop – retail volumes and markets are no longer in line with sustainable profitability."

In the five years to 2007, the volume weighted average price of new cars in the 'Big 5' European markets rose to €23,619. In Q1 2009, it fell to €22,328.

"This is a shift in the type of cars being sold. Customers are buying fewer cars – and decisions on those they are buying are driven by economic circumstances, government-backed scrappage and 'green' incentive schemes, which all favour smaller cars," explained Hadjistavrou.

JATO presented supporting data which showed the resulting fundamental shift in market demand – and the pricing actions taken by manufacturers faced with this sudden change.

Hadjistavrou commented: "While small car prices largely followed inflation over the past five years, those of larger – and previously more profitable – cars rose much higher. This has made large cars even less affordable, exacerbating the situation for manufacturers when the recession hit."

JATO's analysis of Germany, the largest EU market, showed small car prices increasing only 7%, against inflation of 8.8%, while large car prices increased 14%.

"In reality, small cars became more affordable through the years, without taking into account their increased 'content' and subsequent incentives, so pricing actions therefore have been far less severe than for larger cars."

Hadjistavrou showed the audience data from Russia, where the effects of the crisis have hit the market. Volume-weighted prices for large cars in Russia have increased by 18% over the last five years, against inflation of 58%, a sign that the significant profit margin of manufacturers has dropped to highly competitive levels.

"This is clearly a period of significant and fundamental change for the European new car market," concluded Hadjistavrou. "The evidence points towards a brutal time for car manufacturers in finding the new balance of volume and profitability."

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**Editorial note: JATO Dynamics background**

JATO was founded in 1984 and provides the world's most timely, accurate and up-to-date information on vehicle specifications and pricing, sales and registrations, news and incentives. The company has representation in over 40 countries, providing unique local market expertise. The JATO client base includes all of the world's volume vehicle manufacturers, giving them the ability to react to short-term market movements, plan for long-term developments and ultimately to meet consumers' needs. JATO's data has also been adapted for consumer use in motoring web portals where customers can see the advantages and disadvantages of a specified model against any other while major leasing companies use JATO data to drive the vehicle quotation process. Visit JATO at [www.jato.com](http://www.jato.com)

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