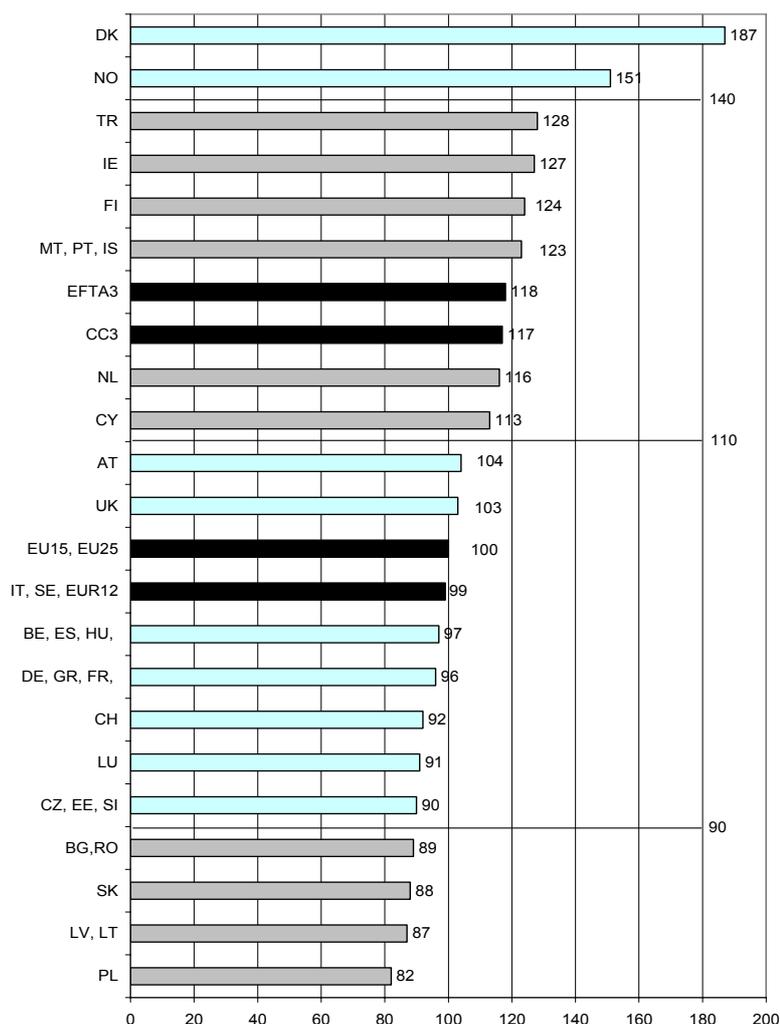




Relative price levels for new passenger cars in Europe for 2004

This article presents price level indices for passenger cars, that are based on Purchasing Power Parities (PPP) produced for the 31 countries¹ participating in the European Comparison Programme (ECP). This publication describes relative prices for a particular product group and is part of a series of studies regularly released by Eurostat. In addition to relative prices of all passenger cars, it includes also price level indices for petrol engine cars with a further division by size of engine. In the PPP passenger car price survey the observed price is the shop advertised list price including all margins, taxes and duties. The previous similar publication on car price levels for 2002 was published in December 2003.

Chart 1: Price level indices for new passenger cars 2004, EU-25=100



(1) The 25 EU Member States, the 3 Candidate Countries Bulgaria, Romania and Turkey, and the 3 EFTA countries Iceland, Norway and Switzerland

New passenger cars: Price level indices for 2004 – comparison between EU, EFTA and Candidate Countries

Price level indices provide an indication of the comparative order of magnitude of the price level in one country in relation to others. It is advisable to use these indices for dividing countries into groups of a comparable price level. The level of uncertainty associated with the basic price data, and the methods used for compiling PPPs, may affect in such a case the minor differences between the PLIs and result in differences in ranking which are statistically or economically not significant, particularly when countries are clustered around a very narrow range of outcomes. Based on the price level indices of passenger cars shown in Chart 1, the following groups of countries can be distinguished:

Group I ($\geq 140\%$ of the EU average) Denmark, and Norway;

Group II ($\geq 110\%$ and $< 140\%$ of the EU average): Turkey, Ireland, Finland, Malta, Portugal, Iceland, Netherlands and Cyprus;

Group III ($\geq 90\%$ and $< 110\%$ of the EU average): Austria, United Kingdom, Italy, Sweden, Belgium, Spain, Hungary, Germany, Greece, France, Switzerland, Luxembourg, Czech Republic, Estonia and Slovenia;

Group IV ($< 90\%$ of the EU average): Bulgaria, Romania, Slovakia, Latvia, Lithuania and Poland.

The boundaries of the groups are indicated with the horizontal lines on the Chart 1.

Table 1: Price level indices of new passenger cars for 2004, EU-25=100

	Passenger cars				Private household consumption expenditure***
	Total	Passenger cars with petrol engine			
		Total	Smaller cars*	Larger cars**	
Belgium (BE)	97	98	98	99	104
Czech Republic (CZ)	90	89	88	93	55
Denmark (DK)	187	183	177	197	137
Germany (DE)	96	95	96	96	107
Estonia (EE)	90	88	88	90	63
Greece (GR)	96	96	92	112	85
Spain (ES)	97	99	99	97	87
France (FR)	96	96	95	95	108
Ireland (IE)	127	125	124	127	123
Italy (IT)	99	98	97	97	103
Cyprus (CY)	113	111	98	143	93
Latvia (LV)	87	87	87	86	56
Lithuania (LT)	87	86	85	87	55
Luxembourg (LU)	91	91	90	93	106
Hungary (HU)	97	95	91	106	62
Malta (MT)	123	120	112	139	75
Netherlands (NL)	116	113	114	114	105
Austria (AT)	104	105	105	107	104
Poland (PL)	82	82	82	83	52
Portugal (PT)	123	119	115	130	86
Slovenia (SI)	90	89	86	95	76
Slovakia (SK)	88	87	86	89	55
Finland (FI)	124	122	119	127	123
Sweden (SE)	99	98	100	96	121
United Kingdom (UK)	103	102	104	101	106
EUR12	99	98	98	99	103
EU15	100	100	101	100	104
EU25	100	100	100	100	100
Bulgaria (BG)	89	89	89	91	43
Romania (RO)	89	90	90	89	43
Turkey (TR)	128	124	112	157	58
CC3	117	114	106	132	53
Iceland (IS)	123	122	124	119	132
Norway (NO)	151	150	149	151	136
Switzerland (CH)	92	90	92	89	135
EFTA3	118	117	125	101	135

Notes:

*Cars with engine capacity less than 1700 cubic centimetres

** Cars with engine capacity of 1700 cubic centimetres and more

***Private household consumption expenditure = Household expenditure on consumer goods and services

Box 1: What are price level indices and how are they produced?

The indicators analysed in this article are Price Level Indices (PLIs), calculated as the ratio between Purchasing Power Parities (PPPs) and exchange rates for each country, in relation to the EU average. These indices provide a comparison of the countries' price levels with respect to the European Union average: if the price level index is higher than 100, the country concerned is relatively expensive compared to the EU average and vice versa. The basic price data entering the calculation of PPP of consumer goods and services are collected with PPP consumer price surveys in 31 countries. For practical and cost reasons, the consumer price surveys are organised in a rolling cycle over three years, and they are carried out in the countries capital cities in a specific survey month (the prices underlying this publication were collected in November 2004). Subsequently, the prices are adjusted to annual average prices, using monthly consumer price indices of the survey year and to national average prices, using spatial adjustment factors. Between survey years, benchmark results are extrapolated using annual average Consumer Price Index (CPI) of particular product groups. The prices observed are the shop advertised list prices including all margins, taxes and duties. Due to measurement issues surrounding the complex nature of discounts associated with the purchase of passenger cars, it is not possible at present to make adjustments for discounts, i.e. the observed prices are not what consumers actually pay. On the other hand, adjustments for differences in specifications and options included in standard version (that could be quite different by countries) are made. The price information is collected on new cars, i.e. no price collection is made for second hand cars. After collection and validation of price data, the PPPs at the different aggregate levels are calculated using the EKS (Elteto Köves-Szulc) procedure.

Table 1 presents the price level indices (EU-25=100) of new passenger cars with the subcategory petrol engine cars that is further split into two groups by cubic capacity of engine. The relative prices of private household consumption expenditure are given for reference. For passenger cars the price levels, compared to the EU average, vary from 82% in Poland to 187% in Denmark. Generally, the prices are lower in the new Member States and candidate countries. The exceptions are the two Member States on islands, i.e. Cyprus and Malta and the candidate country Turkey where the prices are well above the EU average. Among the old Member States, the prices are lowest in Luxembourg. Besides Denmark, with by far the highest taxes applied to purchases of passenger cars in the EU, the impact of high taxes is visible for Finland (price level index 124% of EU average), but also for Ireland (127%), Portugal (123%) and the Netherlands (116%)². However, there is no straightforward correlation between the tax rates and the spatial price level differences. In countries with high tax rates for car purchases, car producers obviously tend to charge lower pre-tax prices, i.e. they pass-on the taxes only partially to consumers. This incomplete pass-on of taxes leads to the situation that the pre-tax prices are amongst the lowest in Finland when compared with other EU countries.

² For information on passenger car taxation in EU, please see Commission document COM (2002) 431 "Communication from the Commission to the Council and the European Parliament: Taxation of passenger cars in the European Union - options for action at national and Community levels"

Whereas the differences in taxes and duties have a significant impact on the purchaser's price, the spatial income level differences and competition should also be mentioned as important factors determining the margin for the car manufacturers and dealers. In addition, in the United Kingdom, car prices include the additional cost of UK specification, i.e. right-hand drive. Although not directly comparable, it is interesting to see the price level differences of cars against the relative prices of total household expenditure (last column in table 1). Among those countries with high price level indices for cars, for Turkey, Malta, Cyprus and Portugal a substantial difference can be observed between these two indices. The opposite example is Switzerland. While having a general price level for consumer goods and services 35% above the EU average, car prices are 8% below the EU average. As the main aim of price collection in the European Comparison Programme is to enable the comparison of real GDP, the car price collection forms only a small part of all goods and services surveyed in the Programme. The limited number of price observations does not allow us to present very detailed information on relative prices and therefore the table 1 presents the lowest level possible that can be published. The data presented on petrol cars shows that, generally, there are no large differences between the two sets of relative prices when the petrol cars are split according to the size of engine. The outstanding exception is Cyprus where the price level of smaller cars is just below the EU average whereas for larger cars Cyprus is among the 4 most expensive countries within the 31 countries of the comparison programme.

ESSENTIAL INFORMATION

Publications in 2006 based on PPP price survey results

- March 2006 – Relative price levels for hotels and restaurants for 2004
- June 2006 - Relative price levels for services for 2005
- October 2006 - Relative price levels for equipment goods for 2005
- October 2006 - Relative price levels for construction for 2005
- November 2006 - Relative price levels for furniture for 2005
- November 2006 - Relative price levels for pharmaceutical products for 2005

Further information:

Related Data :

[Eurostat Website/Economy and finance/Prices/Purchasing power parities/Purchasing power parities \(PPP\) and comparative price level indices for the ESA95 aggregates](#)

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