



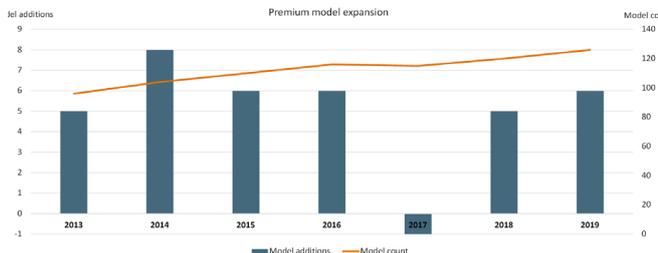
Are we still keeping up with the Joneses?

Has the shine come off Premium Cars?

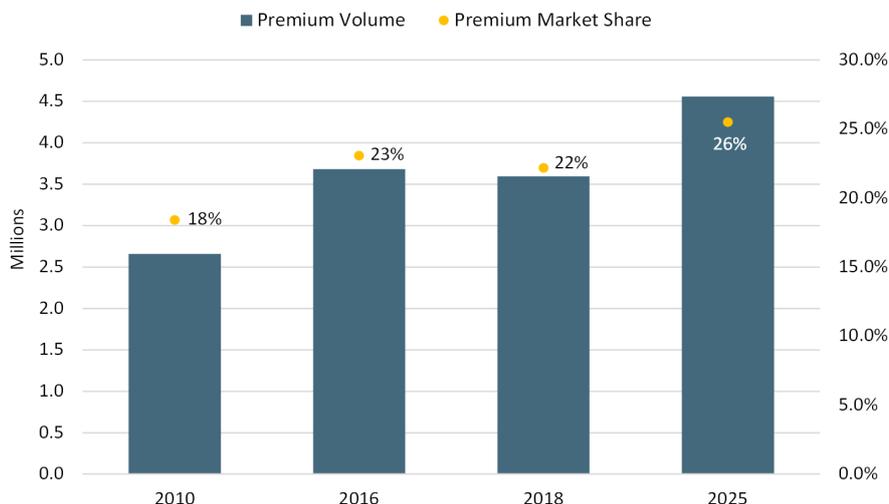
Sammy Chan, Analyst

Premium Car market share in Europe has, generally, been on a steady incline over the last couple of decades. In the 2000-2010 period, Premium market share of European Passenger Cars grew from 15% to 18%. By the end of 2018, this stood at 22%. A closer look, however, reveals that Premium share actually suffered two consecutive years of decline recently. Is this trend set to continue and should Premium segment players be worried?

In the build-up to the high watermark of 2016, when Premium brand market share totalled 23% on volumes of 3.7 million, Premium manufacturers had been releasing an array of new models – the focus of which was, unsurprisingly, the SUV segment. By contrast, in 2017, Conventional, Sporty and MAVs seemed to have reached saturation point, causing overall model addition to grind to a halt (see chart below).



This stagnation in Conventional model activity, and the proliferation in SUV count, saw more SUV model lines available than any other body type for the first time in 2018*. The SUV model count expansion will carry a lot of momentum ahead for the Premium Car market. Growth here shows no sign of slowing down, and we currently expect as many as 30 new SUVs on the Premium market from 2020-



2025. Given the current strength of the SUV segment, this should add wind to the sails of the Premium Car market.

After a marginal market share fall in 2017 (-0.3 percentage points), the decline picked up pace in 2018 (-0.6 percentage points year-on-year). So, what happened last year? The changeover to WLTP from NEDC not only distorted selling rates generally but, in particular, hit key Premium brand Audi, due to lack of model availability – of course, some potential Audi buyers would have gone to other Premium brands to meet their requirements. There was also a geographical element to the Premium market decline last year. Despite UK Premium share proving resilient, as the overall UK market fell back, the relatively large UK Premium volume fell sharply – this fall explaining 37% of the region's 160,000 Premium volume contraction.

However, neither model supply issues nor the contraction of the UK Premium market** is expected to persist, or resurface, over the next few years. With further model activity and stable, if slightly underwhelming, economic expansion, we forecast European Premium market share to resume growth over the forecast period, albeit more slowly than we have seen through this decade. Looking ahead, we expect the overall European Premium share to hover around 25% by the middle of next decade.

*It is particularly noteworthy that there remains a substantial gap between SUV and Conventional model count in the Non-Premium segment in favour of the latter.

** The Brexit path the UK ultimately takes, however, with the large downside forecast risk associated with a no-deal Brexit, could certainly prove to be a major bump along the road to further Premium growth.

Note: Europe excludes CIS countries in the above analysis. Premium includes Near-Premium and Super-Premium.