Europe's new vehicle market: prospects to 2023

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Executive summary

Recent demand

- In 2018, the 30 EU & EFTA light vehicle (LV, <3.5t GVW) markets covered in this report rose by 0.3% to 17.75 million units.

- Heavy commercial vehicle (HV, >3.5t GVW) demand rose 3.3% in 2018, to 439,700 units.

Market characteristics

- The latest available data indicates about 264 million cars in circulation across the 30 markets. The average ownership level is 482 cars per 1,000 people ranging from 279 cars per 1,000 in Romania to 662 in Luxembourg.

- Across the region, the lower-medium segment remains the largest, accounting for 25% of demand in 2018, closely followed by the SUV/crossover segment which overtook the small car segment for the first time in 2016, having risen more than threefold since 2009.

- Heavy trucks (>16t) accounted for nearly 71% of HV demand in 2018, light/medium trucks (3.51-15.9t) accounted for 19% and buses/coaches for the remaining 10%.

Market shares

- There were 39 significant brands represented across Europe's LV markets in 2018, where ‘significant’ is taken to be those selling in excess of 5,000 units in the year. There were 25 brands which sold in excess of 100,000 units and six which sold over 1 million.

- The market-leading VW brand lost share in each of the five years to 2017, but in 2018 gained 0.3pts to 11.2%.

- The HV market is dominated by the seven major domestic brands, which together accounted for more than 90% of the market in 2018–and this is not expected to change.

Economic outlook

- Growth in the Eurozone economy slowed to 1.8% in 2018 and is expected to slow further to 1.6% in 2019, with additional risks around Brexit and global trade friction. However, unemployment in the EU is at a record low, vehicle finance remains cheap and readily available and a quarterly survey of car buying intentions within the EU remains at a near-peak level.

Outlook for demand

- We expect sub-1% growth in LV demand in 2019 to around 17.9 million units. A two-year downturn is forecast thereafter.

- The HV market is expected to decline by nearly 5% in 2019, reflecting the weaker economic outlook and manufacturer expectations. The downturn is expected to continue into 2020, followed by a return to growth in the final three years of the forecast.

Chapter 1: Recent light vehicle (LV) demand

Regional

This report covers 30 EU and EFTA markets: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland and UK.

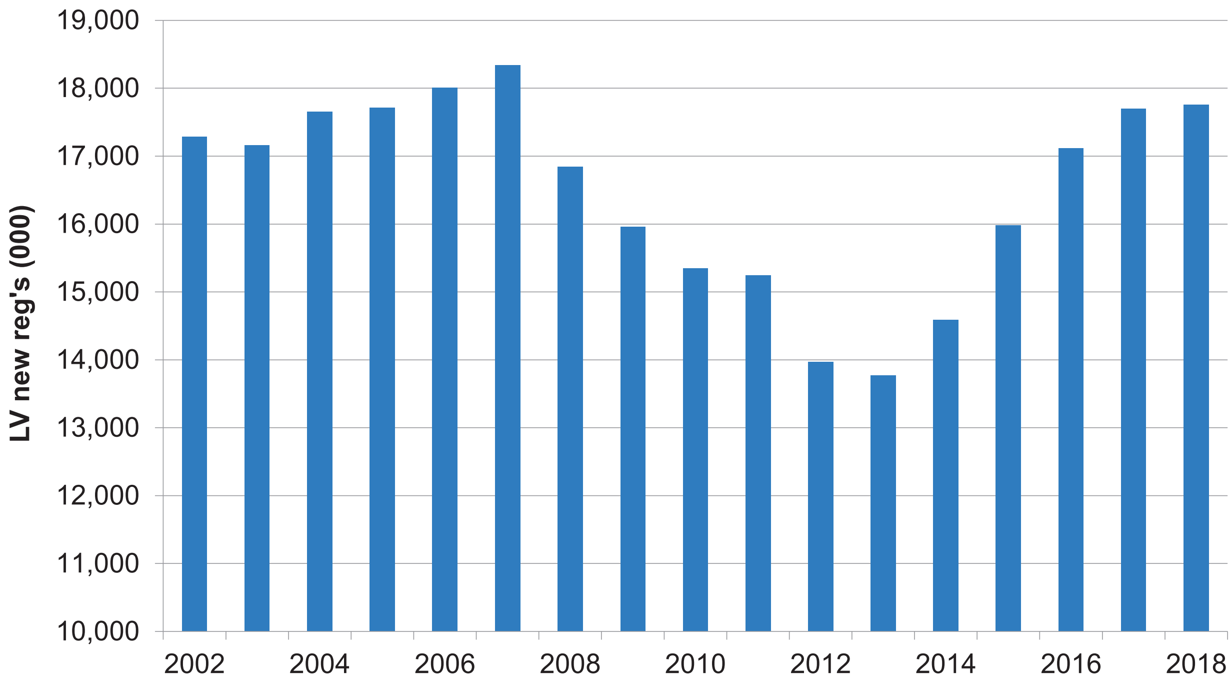
Light vehicle (LV)* demand across the region rose for the fifth successive year in 2018, edging just 0.3% higher to 17.75 million units as 18 markets registered increases and 12 decreases. The rise in 2018 followed increases of 3.4% in 2017, 7.1% in 2016, 9.5% in 2015 and 6% in 2014. The full year figure for 2018 was 1.8% below our year-ago forecast for the region, for two main reasons:

1. At a macro-level, economic growth in 2018 significantly under-performed the start-of-year forecasts in most key markets and across the region as a whole.
2. At a sector-level, there was significant disruption due to the introduction of the new WLTP (Worldwide harmonised Light vehicles Test Procedure) standards, as certification delays led to supply shortages of some models. The implementation of WLTP across the EU in September 2018 caused a pre-buy spike in registrations in August as non-homologated cars were either sold at a discount or pre-registered. Demand then slumped in the final four months of the year in many markets because of supply constraints.

Prior to 2014, the market had fallen for an unprecedented six successive years which brought demand down by 25% from the 2007 peak of 18.3 million units. The result in 2018 leaves the overall market just 3% below that all-time peak.

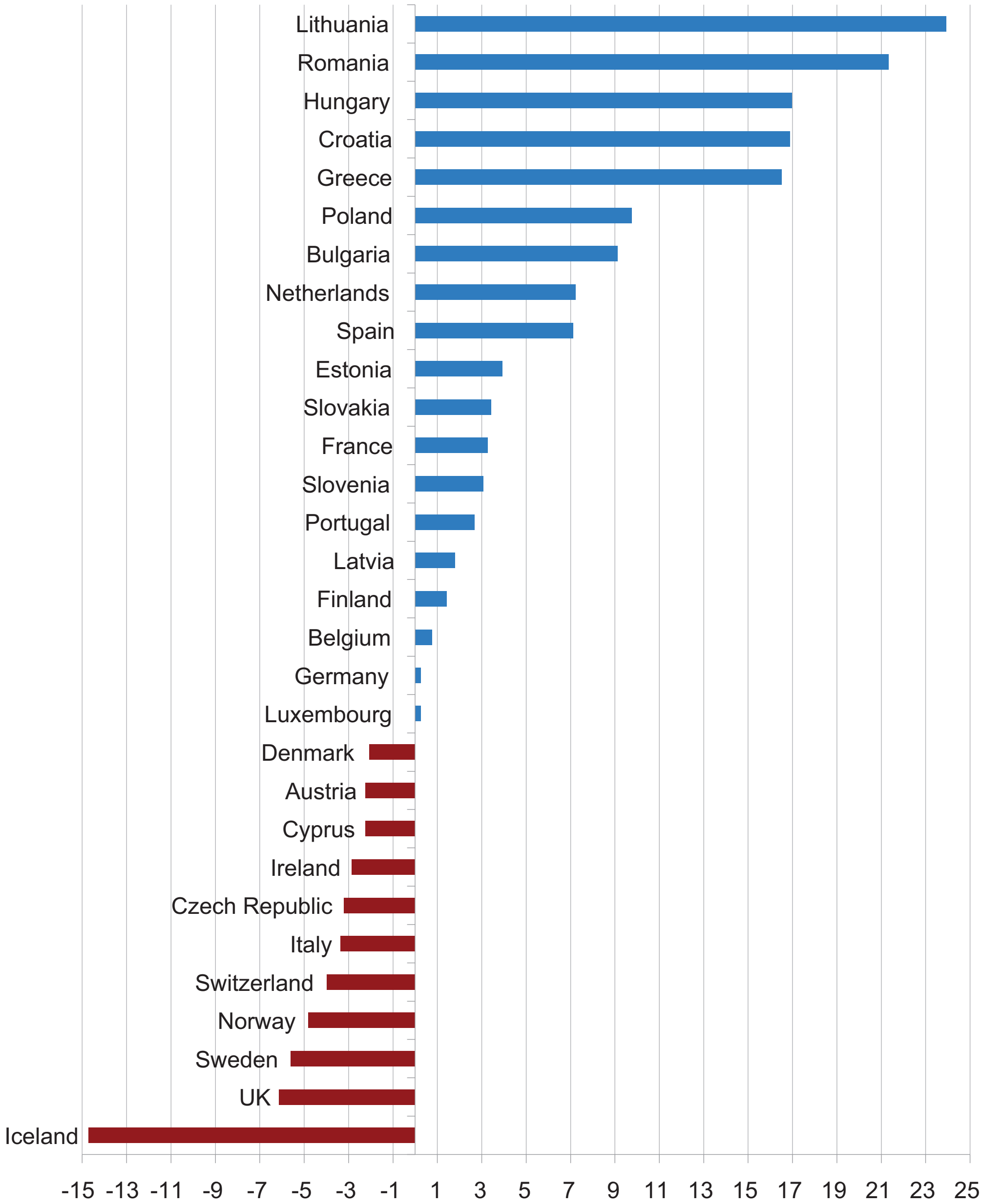
During 2017, five markets saw increases in double-digits but the pattern of growth in the largest markets was more mixed. Demand rose by 0.2% in Germany, 3.2% in France and 7.1%

Figure 1: European LV demand 2002-2018



**Light Vehicle - passenger cars and light commercial vehicles to 3.5t GVW (gross vehicle weight)*

Figure 2: Change in LV demand, 2018-v-2017 (%)



in Spain. There were falls of 6.1% in the UK and 6.1% in Italy.

The Italian market remains some 24% below its 2007 peak of 2.74 million units. Among the other major markets, only Spanish demand remains similarly below its peak, with 2018 demand of 1.53 million units some 20% below the 2005 peak. Germany's 2017 sales were 6.5% below the 2009 peak and French demand of 2.63 million units was just 0.3% below its 2009 peak.

In both Germany and France, those 2009 peaks were the consequence of scrappage schemes, so both markets are closer to their 'natural' peaks of a few years earlier. UK demand reached a new peak of 3.07 million units in 2016, a reflection of its LV market (and the wider economy) having entered the upturn earlier than those of its major EU partners.

Chapter 2: Market characteristics

Ownership levels

There were about 264 million cars in circulation across the EU and EFTA markets in 2016 (latest available data). The average ownership level was 482 cars per 1,000 people ranging from 279 cars per 1,000 in Romania to 662 in Luxembourg.

As to be expected, there is a broad split between the more advanced economies of western Europe where car markets are mature and the emerging economies of eastern Europe, most of which have ownership levels below the average figure.

In most of the mature economies, car ownership levels have plateaued in recent years and are not expected to grow significantly further in future, meaning the bulk of new car purchases represent replacement demand. In the less developed markets, there is more potential for incremental demand growth as vehicle ownership spreads to a greater proportion of the population.

Segments

Across the region the lower-medium segment (Top-3 in 2018: VW Golf, Skoda Octavia, Ford Focus) remains the largest segment, accounting for 25% of demand in 2018 when it was closely followed by the SUV/crossover segment (VW Tiguan, Nissan Qashqai, Renault Captur) which overtook the small car segment (Renault Clio, VW Polo, Ford Fiesta) for the first time in 2016, having risen more than threefold since 2009.

Figure 3: Passenger car ownership per 1,000 people, EU+EFTA markets, 2016

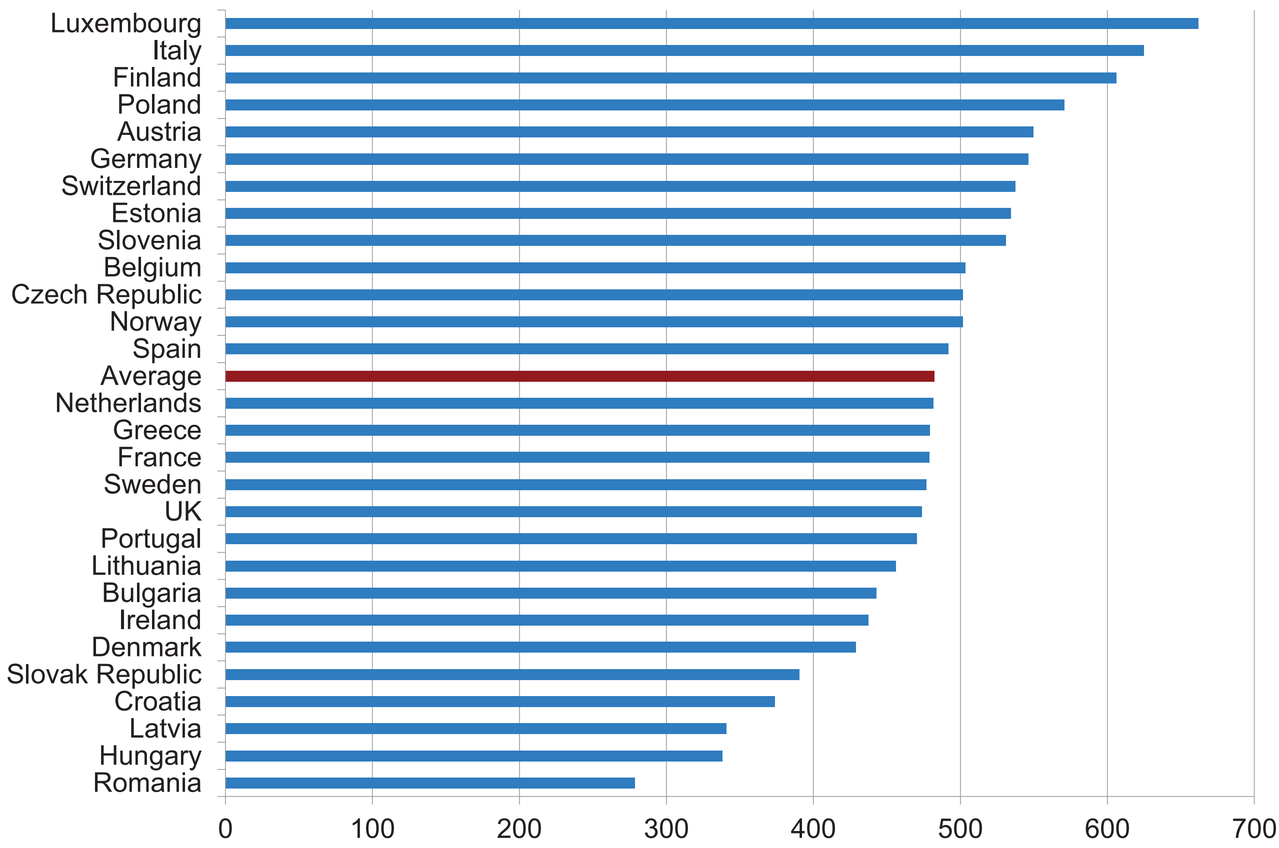


Figure 4: LV shares by segment

	Shares (%)					
Segment	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
03 - Lower med.	27.3	27.5	26.6	25.3	25.0	24.9
09 - SUV	15.8	18.0	20.0	22.2	23.6	24.3
02 - Small	23.1	21.9	20.9	19.7	19.3	19.1
10 - Van	11.0	11.4	11.7	12.6	12.5	12.4
04 - Medium	8.3	7.5	7.6	7.5	7.1	7.0
01 - Mini	8.5	7.9	7.6	7.1	7.0	7.0
05 - Upper med.	2.8	2.6	2.3	2.1	2.3	2.2
07 - Sports/coupe	1.1	1.2	1.3	1.2	1.2	1.1
08 - MPV	1.0	1.0	0.9	1.1	1.1	1.0
06 - Luxury	0.2	0.3	0.2	0.2	0.2	0.2
11 - Other	0.9	0.7	0.7	0.8	0.8	0.8
Total LVs	**100**	**100**	**100**	**100**	**100**	**100**

It is of course something of a stretch and an inconsistent approach to include all SUV/crossover models within the same segment. Applying the same logic, one should perhaps also allocate just one segment for sedans, one for hatchbacks, one for estates, etc. As it is, the SUV/crossover segment includes models spanning the spectrum from Suzuki's Vitara to the luxury Bentley Bentayga, Lamborghini Urus and Rolls-Royce Cullinan.

However, while acknowledging such inconsistencies, there is no denying that as the crossover market is such a recent phenomenon it is helpful to have a quick means of charting its rapid growth. More detailed analyses can of course be carried out if requested.

The crossover segment has pulled share from most of the other passenger car segments over the past few years, with only the sports/coupe segment relatively unaffected. The only other segment to show strong growth in recent years is vans, which accounted for 12.4% of the LV market in 2018.

Chapter 3: Market and model shares

There were 39 significant brands represented across Europe's LV markets in 2018, 'significant' taken to be those selling in excess of 5,000 units in the year. There were 25 brands which sold in excess of 100,000 units and six (Ford, Mercedes, Opel/Vauxhall, Peugeot, Renault and VW) which sold over 1 million.

VW brand was the clear regional leader, selling 1.99 million LVs in 2018 for an 11.2% share followed by Renault at 7.9% and Ford at 7.6%.

VW not only benefits from its leading position in the region's largest market (sales in Germany accounted for over 35% of its regional sales in 2018) but it was also market leader in ten other markets; sister brand Skoda was leader in a further three markets.

The markets of southern Europe were particularly badly affected by the credit crunch and associated downturn and have been slower to recover. From the 2007 peak to the market trough of 2013, overall demand in the EU & EFTA region fell by 4.6 million units. The markets of southern Europe: Italy, Spain, France, Greece and Portugal; accounted for 3.2 million units or 71% of that decline.

The decline in southern Europe helped VW to increase its dominance as it outperformed those of its rivals (particularly Fiat, PSA and Renault) with greater dependence on these markets. Thus, VW brand's share rose by 2.8pts from 2007 to a peak of 13% in 2012 while the Fiat brand dropped by 1.7pts and the three French brands fell by 0.8-1.0pts. The VW brand subsequently lost share for five successive years, ending 2017 at 10.9%, but recovering to 11.2% in 2018.

The brands showing the biggest share gains since the market trough of 2013 through to 2018, are:

- Dacia +0.87pts;
- Jeep +0.76pts;
- Renault +0.62pts.

These gains reflect a varying mix of factors including:

- market weighting factors as described above;
- the launch of all-new models such as Renault's Captur;
- brands launching into new geographic markets such as Dacia's launch in the UK in 2012;
- the usual dynamics of market share changes in response to model lifecycles, marketing spend etc.

Figure 5: LV markets in which brand is leader, 2018

VW	Renault	Skoda	Toyota	Ford	Dacia	Fiat	Suzuki	Volvo
Austria	Belgium	Czech Rep.	Estonia	Ireland	Bulgaria	Italy	Hungary	Sweden
Croatia	France	Poland	Greece	UK	Romania	Lithuania		
Denmark	Portugal	Slovakia	Iceland					
Finland	Spain							
Germany								
Latvia								
Luxembourg								
Netherlands								
Norway								
Slovenia								
Switzerland								

Figure 6: LV market shares (%) by brand, Europe 2018 (1)

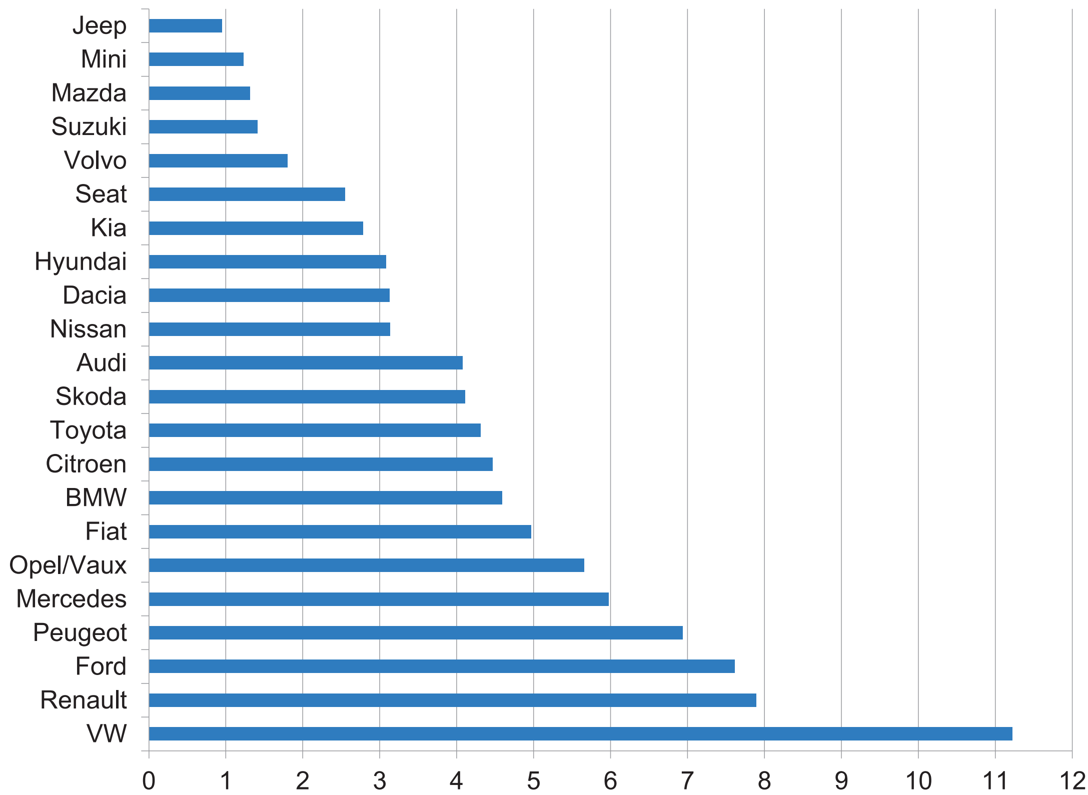


Figure 7: LV market shares (%) by brand, Europe 2018 (2)

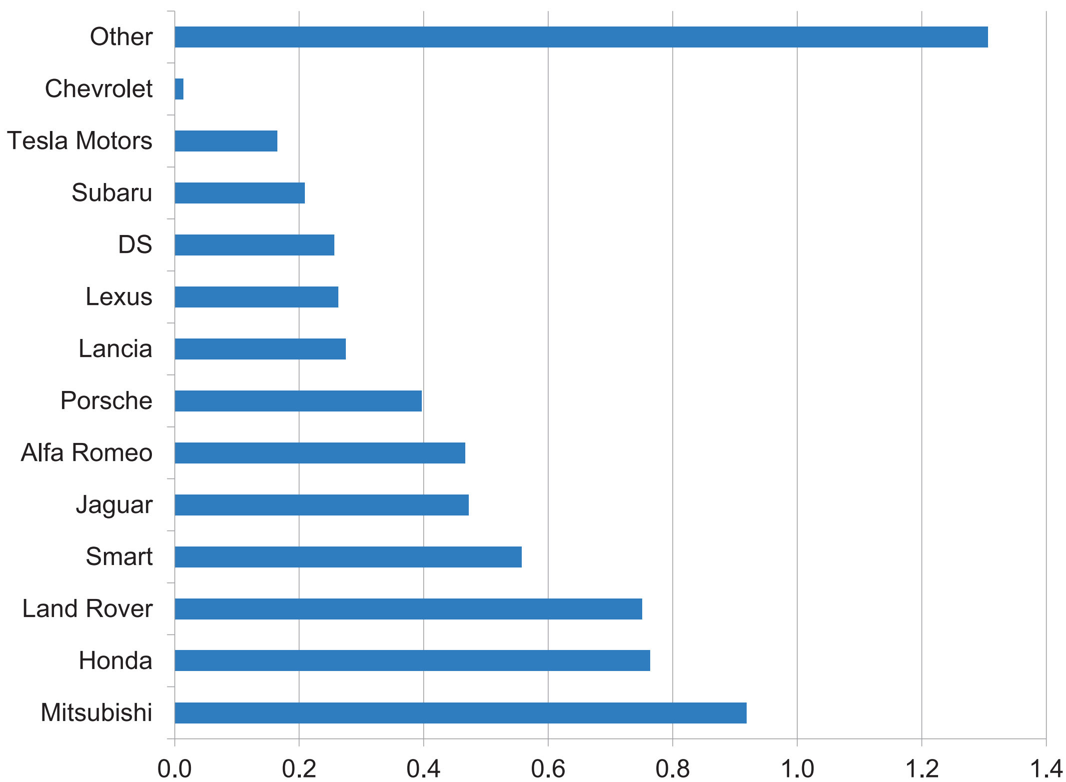
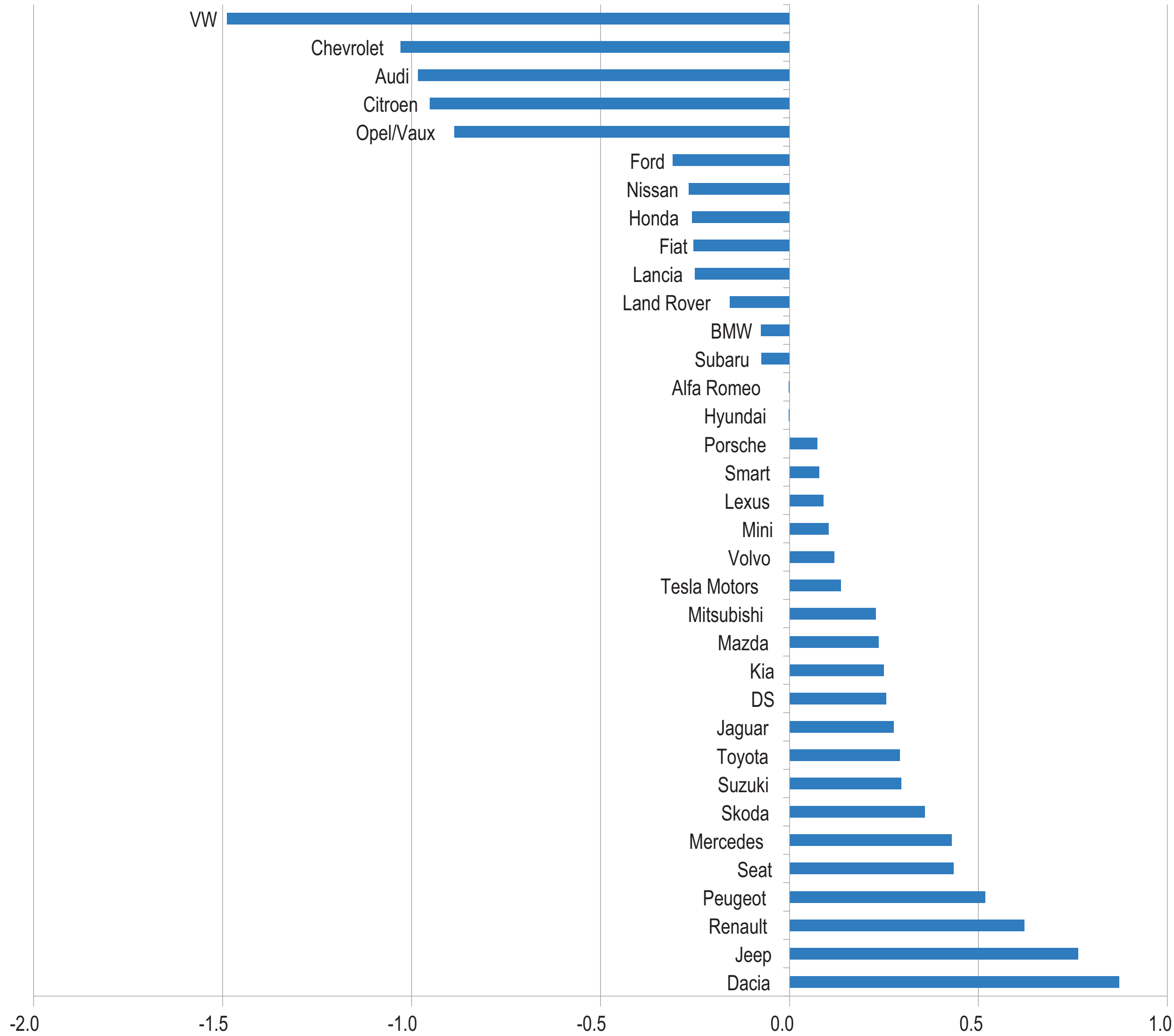


Figure 8: Change in LV market shares by brand, Europe 2018 -v- 2013 cyclical trough (pts.)



Chapter 4: Economic outlook

In January 2019, the IMF published an update to the projections contained in the October 2018 edition of its twice-yearly World Economic Outlook report. The key messages of the January update were:

- "The global expansion has weakened. Global growth for 2018 is estimated at 3.7 percent, as in the October 2018 World Economic Outlook (WEO) forecast, despite weaker performance in some economies, notably Europe and Asia. The global economy is projected to grow at 3.5 percent in 2019 and 3.6 percent in 2020, 0.2 and 0.1 percentage point below last October's projections.
- Growth in the euro area is set to moderate from 1.8 percent in 2018 to 1.6 percent in 2019 (0.3 lower than projected last fall) and 1.7 percent in 2020. Growth rates have been marked down for many economies, notably Germany (due to soft private consumption, weak industrial production following the introduction of revised auto emission standards, and subdued foreign demand); Italy (due to weak domestic demand and higher borrowing costs as sovereign yields remain elevated); and France (due to the negative impact of street protests and industrial action).
- There is substantial uncertainty around the baseline projection of about 1.5 percent growth in the United Kingdom in 2019-20. The unchanged projection relative to the October 2018 WEO reflects the offsetting negative effect of prolonged uncertainty about the Brexit outcome and the positive impact from fiscal stimulus announced in the 2019 budget. This baseline projection assumes that a Brexit deal is reached in 2019 and that the UK transitions gradually to the new regime. However, as of mid-January, the shape that Brexit will ultimately take remains highly uncertain."

There were similar views expressed by the European Commission in its Winter 2018 economic forecast, issued in February 2019. The Commission commented:

> *"Economic activity in the EU and the euro area moderated last year on the back of a combination of internal and external factors. While a moderation of growth was already in the cards, the slowdown in the second half of 2018 turned out to be more pronounced than expected. Growth in the euro area slipped to 0.2% in the last two quarters of 2018 and the latest high frequency data suggest that this weak momentum continued in January 2019. Over the next two years, the economy is expected to continue growing but at a slower pace.*

Figure 9: GDP forecasts

IMF GDP forecasts (%)	2014	2015	2016	2017	2018	2019	2020	2019 - forecast change, Jan-19 -v- Oct-18	2020 - forecast change, Jan-19 -v- Oct-18
World	**3.4**	**3.2**	**3.2**	**3.8**	**3.7**	**3.5**	**3.6**	**(0.2)**	**(0.1)**
Advanced economies	**1.9**	**2.1**	**1.7**	**2.4**	**2.3**	**2.0**	**1.7**	**(0.1)**	**0.0**
Eurozone	1.1	2.0	1.8	2.4	1.8	1.6	1.7	(0.3)	0.0
Germany	1.6	1.5	1.9	2.5	1.5	1.3	1.6	(0.6)	0.0
France	0.6	1.3	1.2	2.3	1.5	1.5	1.6	(0.1)	0.0
Italy	(0.3)	0.7	0.9	1.6	1.0	0.6	0.9	(0.4)	0.2
Spain	1.4	3.2	3.3	3.0	2.5	2.2	1.9	0.0	0.0
UK	3.1	2.2	1.9	1.8	1.4	1.5	1.6	0.0	0.1

IMF: World Economic Outlook Update, January 2019

> *Overall, the GDP growth forecast for the euro area in 2019 has been revised down by 0.6 pps. since the autumn forecast to 1.3%. This revision mirrors a weaker carry-over from the last quarters of 2018 and a slightly weaker momentum in 2019.*
>
> *The outlook for the EU's economic growth is, however, predicated on receding uncertainties and a gradual unwinding of temporary domestic factors currently holding back domestic growth. Risks remain substantial and mainly stem from potential policy mistakes across the globe."*

While a focus on the major headwinds of Brexit and international trade tensions is understandable, it is worth noting that across Europe, the fiscal stimuli being implemented in various countries are expected to prop up private consumption, helping the region's economy to withstand most of the headwinds currently visible.

This is reflected in consumer confidence indicators for the EU, which in March 2019 remained well above their long-term averages. In the LV sector, the EU's regular survey of intentions to buy a car over the next 12 months (see below) remained close to its multi-year peak in Q1-2019.

Chapter 5: LV Outlook

The weaker outlook for GDP growth across most of the region's economies in 2019 and beyond is negative for LV demand, but there are a number of positive factors which we expect to offset the negative economic background:

- year-on-year comparisons during 2019 will be affected by the WLTP disruption in late 2018, meaning the late 2019 data should show a significant increase;
- further drops in unemployment in the EU-28 from the 2013 peak of just over 12%, to a record low of 6.5% in January 2019, at which level it remained in February, down from 7.1% a year earlier;
- continuing low interest rates and good availability of credit.

The results of the EU's quarterly survey of car buying intentions within the EU is shown below. The balance of positive responses (i.e. respondents intending to buy a car within the next 12 months) has been on a rising trend since Q2-2014 and in Q2-2018 reached its highest level in the 16-year data series. The indicator has settled back from this peak, but the Q1-2019 reading of 18.15 was still the third-highest figure over this period.

As can be seen from the chart below, there is a reasonably good fit between this measure and new LV sales.

Among the Top-5 markets the UK continues to show the highest proportion of respondents answering this survey positively. This is a little surprising in view of the relatively weak economic growth exhibited in 2018 and expected over the next two years. The explanation probably lies partly in the significant rise of personal lease contracts in the UK, with a significant number of consumers expecting to replace their vehicle with a new one when the contract ends.

Against this mixed background we are expecting LV demand in the region to grow by under 1% in 2019 to nearly 17.9 million units.

Figure 10: EU-28 intention to buy a car within the next 12 months (% of positive responses)

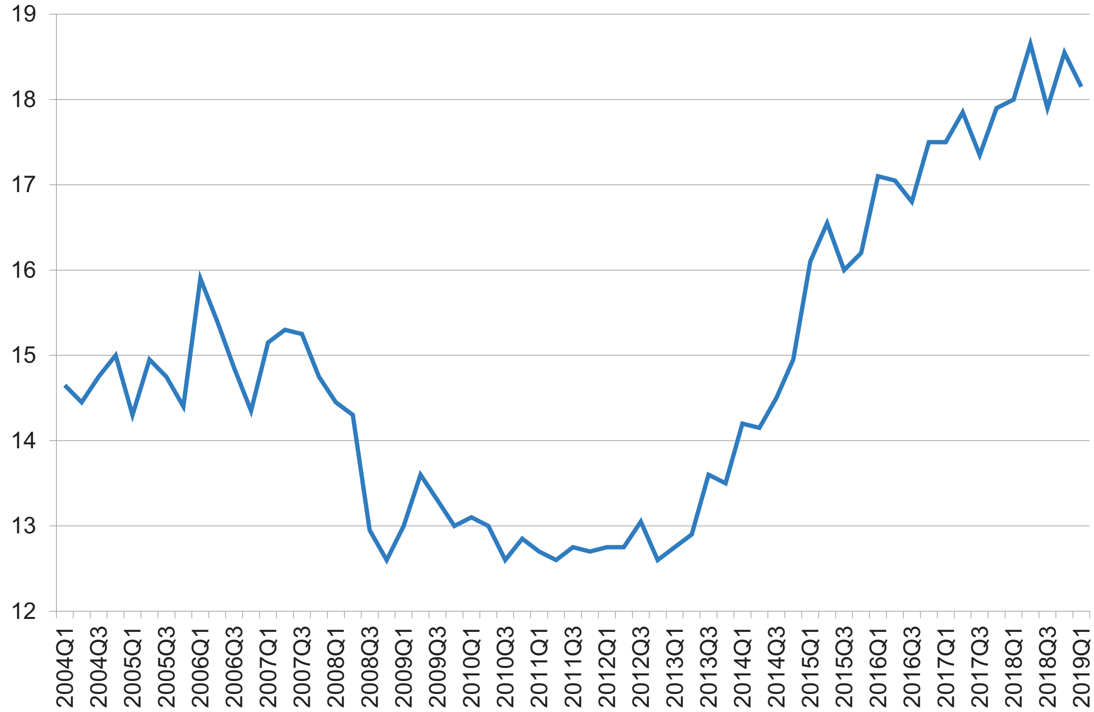


Figure 11: LV sales and car buying intentions, 2003 to Q1-2019, EU-28

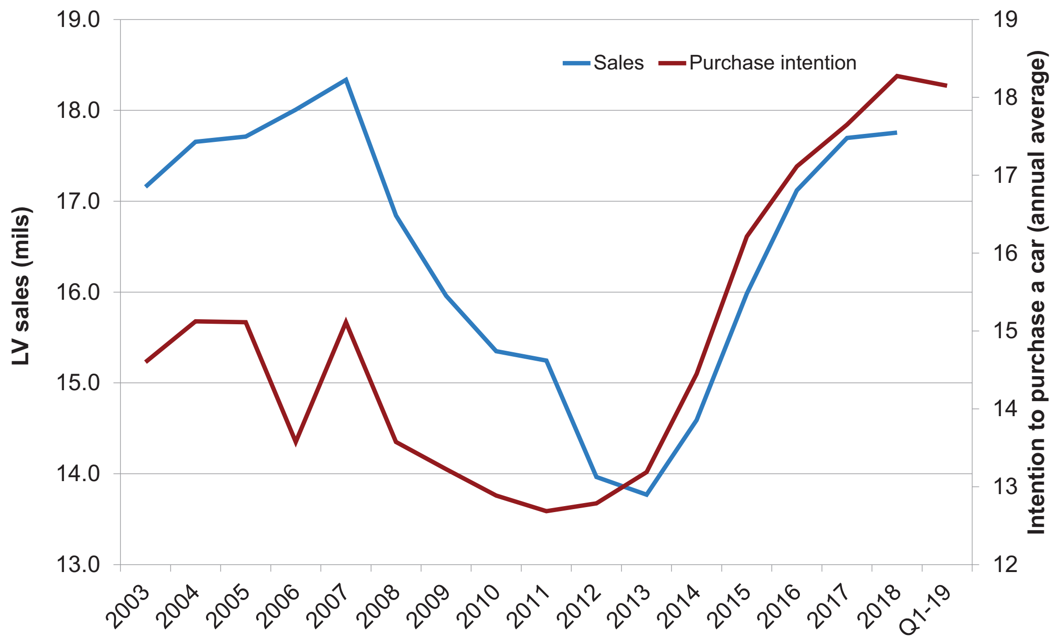


Figure 12: Intention to buy a car within the next 12 months (% of positive responses), Top-5 EU markets

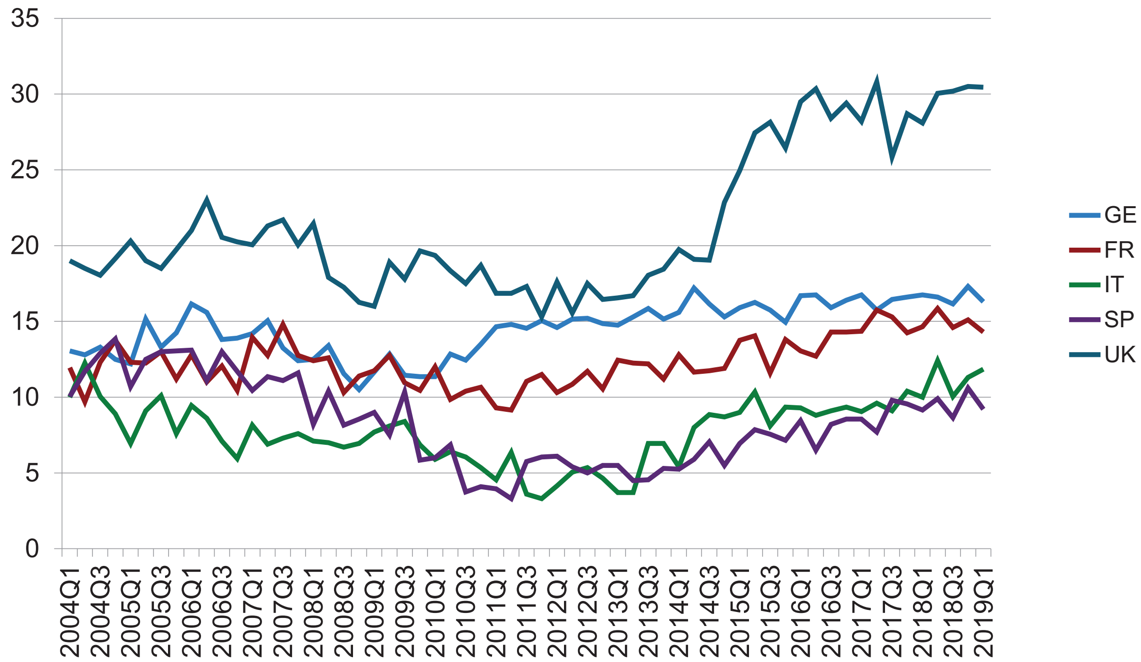
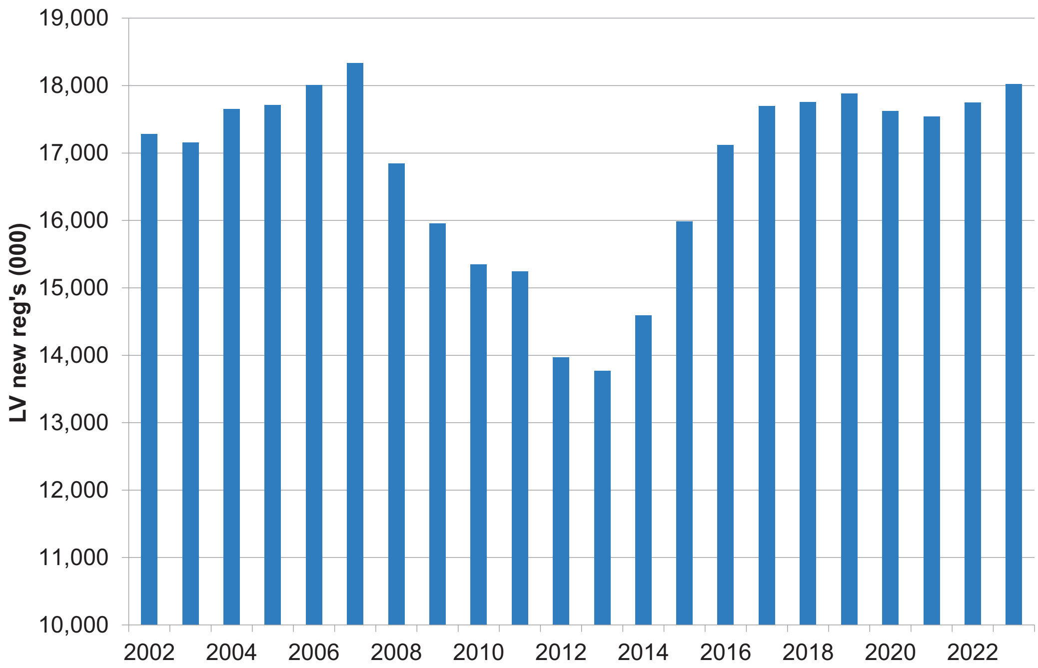


Figure 13: European LV demand, 2002-2023



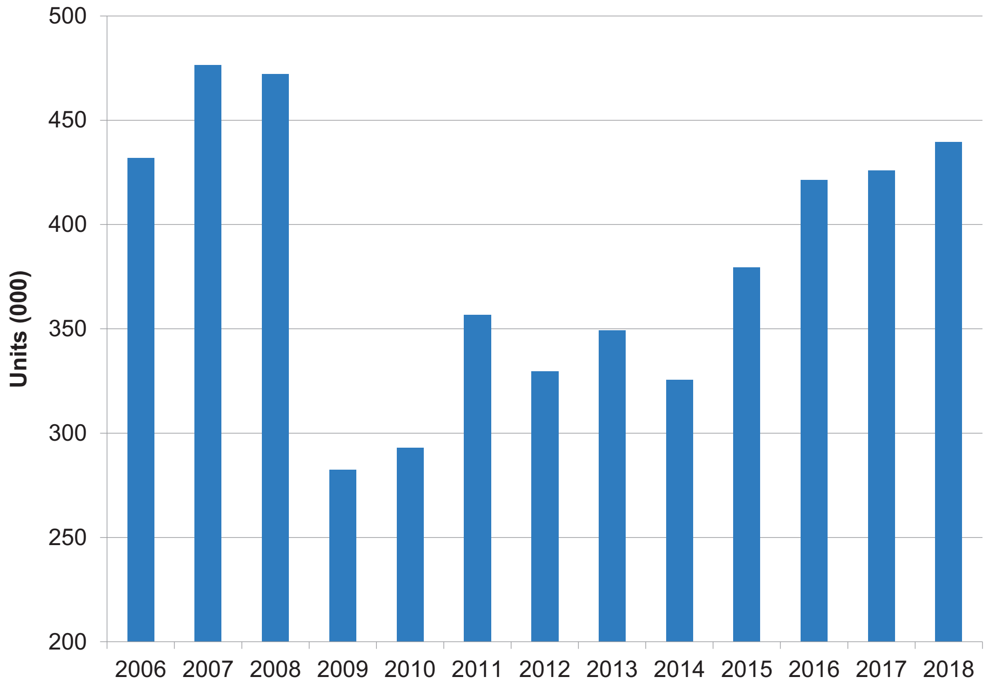
Beyond 2019, we continue to expect a mild cyclical downturn following six successive years of increase. A drop of around 1.5% is forecast for 2020, followed by a smaller decline in 2021 then a return to growth in the final two years of the forecast.

Chapter 6: Recent heavy vehicle demand & characteristics of key markets

Heavy vehicle (HV)* demand across the EU-30 markets rose 3.3% in 2018 to 439,700 units. The rise was within 7,000 units of our year-ago forecast of 433,000 units.

There was an even split of rising and falling markets, with 16 of the markets seeing increases and 14 decreases. Developments in the region's Top-6 markets are discussed in more detail below.

Figure 14: European HV demand 2006-18



Germany

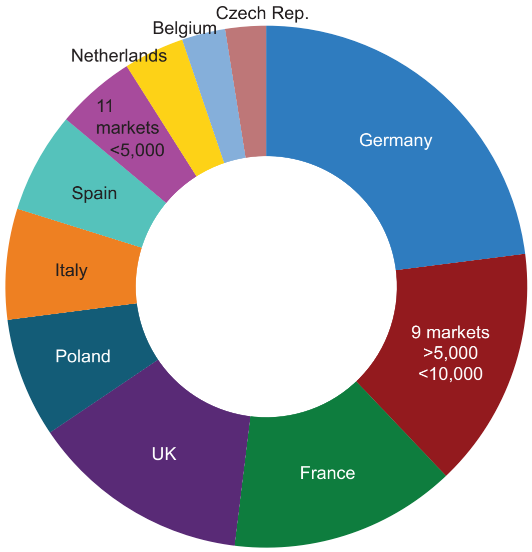
The German HV market rose by 2.7% in 2018, to 101,100 units, as the economy grew by 1.5%, slightly below the several-times downgraded forecast. The German economy narrowly avoided a technical recession in Q4-2018, with economic growth coming in flat.

The artic' sector overtook heavy rigids in the early 2000s and the gap has widened since as more operators have switched away from their traditional preference for drawbar combinations. However, the heavy-rigid sector outperformed in 2018 as demand grew 13% to 31,500 units while artic' demand fell by 1.2%.

According to EU statistics, road freight activity in Germany grew by just 0.3% in 2016 but dipped by 0.8% in 2017. In H1-2018, there was a 1% rise.

Like several other mature markets, the German road haulage sector is suffering from a lack of drivers. In 2018, the Bundesamt für Güterverkehr (Federal Office for Goods Transport) published a survey on the issue, which included the statistic that every second respondent had to turn away orders due to a lack of drivers. Although in 2017, the number of truck drivers increased in Germany by 1.7%, reaching a total of 565,086, the lack of qualified employees in the local transport and logistics industry is growing year by year with around 30,000 leaving the profession every year. This compares with only 2,000 people receiving truck-driving qualifications each year. According to Sebastian Lechner, board member of the Federal Shipper's Union, as

Figure 15: National shares of European HV market, 2018



** HV - heavy vehicles, trucks and buses above 3.5t GVW (gross vehicle weight)*

many as 20% of trucks are unused due to the driver shortage.

Truck demand in Germany is expected to fall by nearly 3% in 2019 and to decline further in 2020 before recovering to a fresh cyclical peak in the mid-2020s. While the overall market is not expected to exceed its all-time peak during the forecast period, the artic' sector is expected to do so, helped not only by general economic growth but also by more switching to artic's from heavy rigids.

France

A better-than-forecast performance in H2-2018 saw the French HV market rise by 7% in 2018 to 61,700 units, a ten-year peak and the fourth highest total since 2000.

The increase occurred against a relatively weak economic backdrop as GDP growth fell by 0.8pts to 1.5%. Strong freight demand coupled with the ability and willingness of French hauliers to take on debt, were the main drivers of the increase.

Artic's accounted for a fairly typical 55% of 2018 demand and heavy rigids for 35%. Demand for medium trucks was 4.6% lower in 2018, at 5,387 units. As in most markets the 6-15t sector remains well below the peak levels seen in the early 2000s, with much demand having switched to heavy vans in the <6t sector. The forecast assumes that this effect has largely played out now, so the sector has probably seen its nadir in absolute terms.

Road transport activity was 1.5% higher in 2016 and grew a further 7.6% in 2017, including a 10.5% rise in the fourth quarter. Over the first half of 2018 there was a further 8% increase–by far the strongest increase within any of the major EU economies. International haulage by French trucks fell by 70% from 2000 to 2017, by when it comprised just 7.0% of the total.

The French road haulage sector is, like many others in the EU and other mature markets, facing a driver shortage. Data published in mid-2018 indicated there were 345,000 truck drivers in France and 16,000 positions available. Towards the end of the year, other sources suggested a shortage of 20,000 drivers.

From October 2018, it became illegal to carry out cabotage operations in France with trucks >40t that meet Euro IV emission standards. A similar rule has prohibited Euro III trucks for the past three years. We do not expect the rule to affect truck demand in France, nor the level of cabotage activity.

Perhaps of greater significance is a proposed plan by the French government to introduce a new vignette scheme which will see 3-axle trucks charged €430 per year and 4-axle trucks charged €1,200 per year. The scheme will, in effect, only apply to foreign trucks as French carriers will be able to get refunds through the tax system. However, the timing of this new scheme is uncertain, with French Minister of Transport Elisabeth Borne recently suggesting it will be introduced maybe in 2020.

A planned increase in fuel taxes has been put on hold following the protests by the 'gilets jaunes' movement from late November through to the early months of 2019.

The 2019 GDP growth forecast for France has been lowered by 0.2pts from prior status to 1.1% and over the following three years the cumulative forecast is 0.5pts lower at 3.2%.

Truck demand is expected to turn down in 2019, partly in response to the weaker economic outlook, but also due to cyclical factors, with 2018 expected to represent a cyclical peak for the foreseeable future.

UK

The UK HV market dropped by 5% to 59,900 units in 2018, in line with our year-ago forecast.

Following the Brexit vote in June 2016, fears of immediate adverse effects on the UK's economy eased, but as negotiations over Brexit got under way, the questions over the UK's future relationship with the EU (and the rest of the world) multiplied but answers have been few. At the time of writing, the departure date, whether or not there will be a withdrawal agreement and the detail of any such agreement, remain unknown.

One factor that has helped to sustain UK sales at a slightly higher level is the rise in used truck exports to Ireland. Data indicates that 2,600 used trucks were exported in 2018. As this trade continues, it will ultimately feed through to additional demand in the UK as the exported vehicles will need to be replaced.

In the longer term, we consider it unlikely that Brexit will have a major direct impact on truck demand. International transport operations by UK hauliers typically comprise only 5-6% of UK freight activity, so any reduction in the UK's exports to Europe will have only a marginal effect on truck demand and would likely be offset or more than offset by a corresponding drop in freight activity carried out in the UK by overseas-based operators. Cabotage is not a major issue for the UK road freight market–data for 2015 indicates less than 1% of activity in the UK was attributable to cabotage operations.

However, the potential for Brexit to have a significant indirect impact–i.e. through lowering the UK's rate of economic growth and so lowering freight demand–remains.

Poland

HV demand rose by 8.7% in 2018 to an all-time peak of 32,550 units.

Poland is one of several central European markets where changes in GDP and truck demand are not always positively correlated due to the substantial amount of international work performed by its carriers. In Poland's case, such international work typically comprises 60-65% of the total tonne-km performed by its national truck fleet. However, in 2018 truck demand and GDP did move in the same direction as GDP rose by a substantial 0.5pts to 5.1%.

We expect demand to remain at a high level, but opportunities for further growth could begin to be constrained by actions in other EU member states to limit what is seen as unfair wage competition from Poland. In addition to such regulatory intervention, wage differentials between Poland and the more mature member states can be expected to narrow over time as the Polish economy matures.

Spain

HV demand fell by 2.5% in 2018 to 27,500 units, ending five successive years of growth–an eight-year peak but still some 43% below the all-time peak in 2007. The increase reflected a slowing of GDP growth to 2.5% from 3.0% in 2017.

The drop was entirely attributable to the artic' sector, which dropped by 9.7% to 15,608 units, still accounting for 66% of overall demand. The heavy rigid sector was 26% higher at 4,667 units, helped by a strong performance from Spain's construction sector.

Italy

The Italian HV market rose by 8.9% in 2018 to 30,200 units despite the economy slowing to 1% growth from 1.6% in 2017.

The growth in truck demand was mainly concentrated in the artic' sector which grew by 14.1%, with heavy rigids and medium trucks both growing in single digits.

The increase in demand was substantially attributable to support provided by the Italian state to encourage rejuvenation of the aged truck parc. In particular, the:

- 'Superammortamento' or Super Depreciation–which enabled qualifying vehicles to be depreciated at 140%;
- Sabatini law–which helps the purchase (or lease) of capital goods by small and medium-sized entities (SMEs) by covering part of the interest on bank loans (or leases).

Concern that these subsidies were to be withdrawn or significantly reduced, gave an additional boost to orders towards the end of 2016 and the new registration figures for early 2017 benefited as these orders were fulfilled. However, it was subsequently confirmed that the support measures would continue for 2017 so the post-incentive dip was not expected to occur until 2018.

The dip was then deferred again by the government's decision to extend the Superammortamento programme into 2018–though trucks only qualify for a reduced depreciation rate of 130%.

The near-term forecast is significantly affected by the incentive programme. Demand in 2018 was boosted by the incentives, but as truck orders placed in 2018 but delivered up to mid-2019 will still qualify under the Superammortamento scheme, the full impact of the scheme's ending is not expected to be reflected in the new registration data until H2-2019 and into 2020.

If the Superammortamento or a similar programme were re-introduced the forecast would be significantly altered.

Despite the incentive programmes Italy has an aged truck parc, with the average age of >16t trucks put at 11.3 years.

The weak economic outlook combined with the ending of incentives is the basis for our forecast of a cumulative 16% drop in truck demand over the next two years, keeping the market well below its long-term average. The forecast decreases in 2019 and 2020 are expected to be concentrated in the heavy sector, with demand for artic's being hit the hardest.

Chapter 7: HV market shares

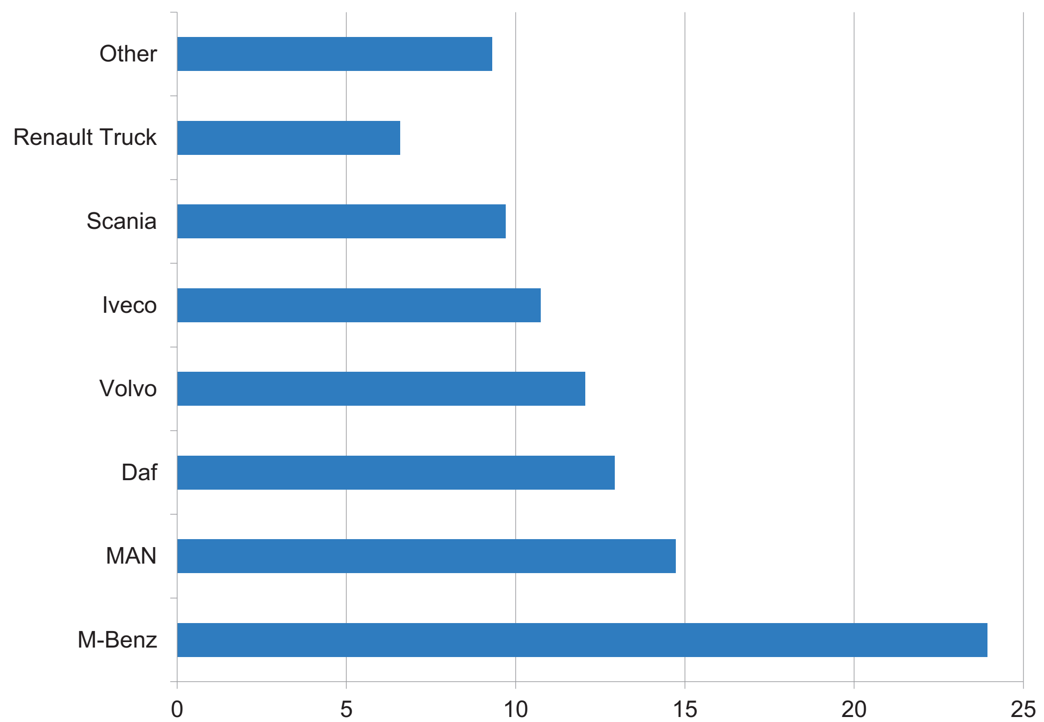
Volvo, DAF, Scania, Iveco and Renault Trucks. Together, the seven brands accounted for over 90% of the market in 2018 and if we focus solely on >6t truck market or the >16t market, the dominance of these brands is greater.

Similarly, it should be recognised that not all of the major brands compete in the lower weight ranges, so an analysis of their share of the >3.5t market underplays these brands' performance. This particularly applies to Scania which only competes in the >16t truck and bus sectors; but also to DAF, MAN and Volvo which only compete in the >6t sector.

The minor brands can be broadly divided between:

- those with a presence in the 3.5-6t segment such as Fiat, Ford and VW through their heavy vans, mainly Ducato, Transit and Crafter (also now sold as the MAN TGE) respectively;
- the Japanese brands, Fuso, Hino and Isuzu which typically sell in the low thousands.

Figure 16: Europe, HV share by brand, 2018 (%)

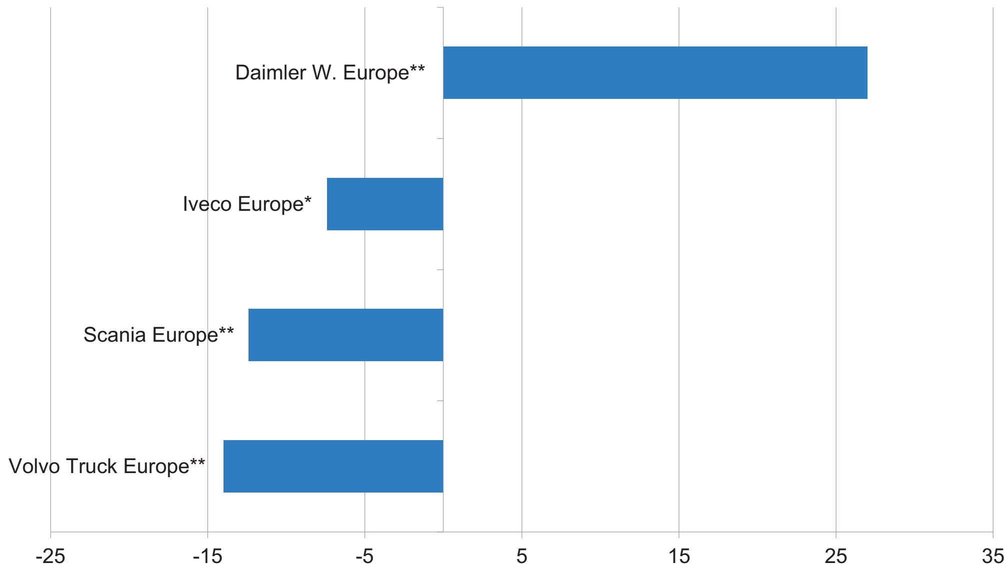


Chapter 8: Outlook for HV demand

HV demand in 2019 is expected to fall by nearly 5% to 418,200 units. This negative outlook reflects:

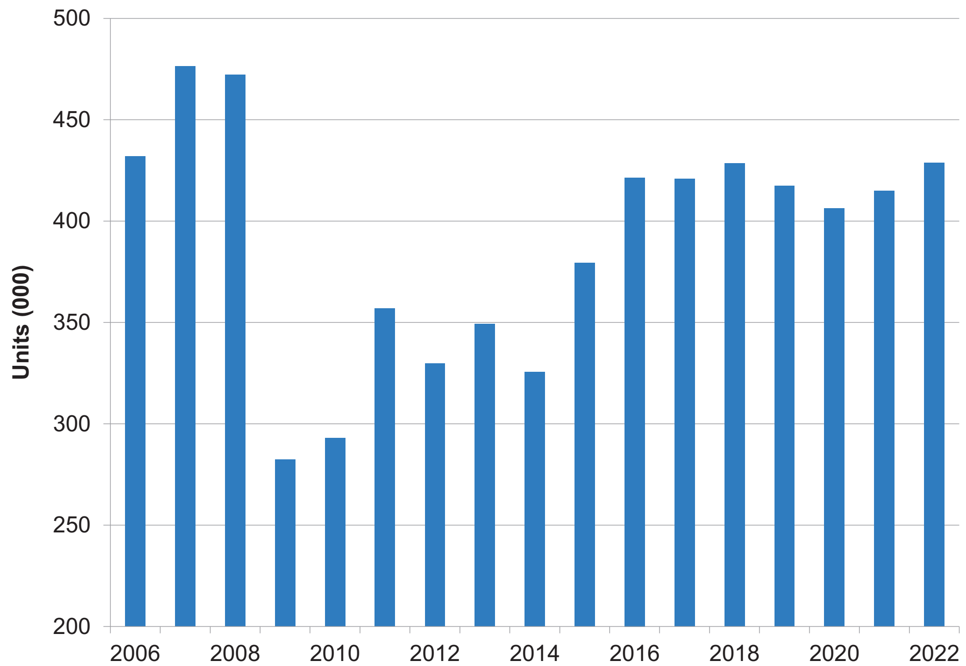
- the weaker economic outlook;
- manufacturer expectations and order bookings at the turn of the year (see below). Daimler Trucks is slightly bucking the trend, with a strong order book over 2018, but the company expects the market to "remain at a high level", rather than increase.

Figure 17: Order intakes (% change from year earlier)



** 2018 -v-2017; ** Q4-2018 -v- Q4-2017*

Figure 18: Europe HV demand, 2006-22



It should be acknowledged that demand in the first two months of 2019 has gone in the opposite direction to the forecast, with a rise of over 7%. However, a significant proportion of that increase can be attributed to the UK, where demand over the first two months of the year rose by 17% as some purchases were pulled forward, to avoid a possible increase in prices if import tariffs are imposed post-Brexit. Sales in Germany were also strong, following low year-ago figures.

The downturn is expected to continue into 2020, followed by a return to growth in the final three years of the forecast.