Israel Vehicle Importers Association

Major Automotive Global Trends of June 2024

On the background of "Iron Swords" war in Israel

July 2024 Edition

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1. Europe

As expected, The EU announced imposing high tariffs on Chinese EVs

At the beginning of June, the EU Commission announced that the investigation, conducted since the end of 2023, into the anti-competitive policy taken by the Chinese government regarding exporting EVs to Europe showed that Chinese manufacturers benefit from heavy government subsidies. This prolonged policy is hurting competitiveness and European manufacturers.

The Commission said that not all investigated companies cooperated fully or even partially and that the EU's attempts to negotiate on the issue with the Chinese government did not bear fruit during the investigation. Therefore, the Commission announced that if a joint agreement is not reached, as of July 4, "Temporary Protective Tariffs" will be imposed on EVs imported from China to Europe.

The Commission chose to impose a "Differentiated" tariff according to the level of cooperation of each manufacturer with the European investigation and according to the level of subsidy that each manufacturer receives, according to its estimates. The new tariff joins the existing 10% customs tax on Chinese EVs.

The announcement drew harsh verbal responses from Chinese government spokesmen. However, so far, at least no proactive punitive measures have been announced. This, in part, is because the Chinese government still does not see the European decision as final.

Within the EU, there is also strong opposition to the move, with the German government leading the way. It should be noted that about a week after the EU Commission's announcement, the German minister of the economy visited

China, during which he met with senior Chinese government officials and discussed the issue with them. At the end of the visit, it was announced that: "The Chinese government and the EU are interested in starting intensive negotiations to solve the problem."

The German minister also spoke with the head of the "Chinese Planning Authority," who emphasized that: "China will do everything possible to prevent the imposition of tariffs. China is ready to take into account the legitimate concerns of both sides to prevent an escalation of the trade war".

The minister further emphasized that from the point of view of the EU, these tariffs are tariffs whose purpose is to equalize the competitive conditions between the Chinese and Europeans to neutralize trade distortions and not to punish the Chinese manufacturers. This is in contrast to the heavy 100% tax that the American government imposed on vehicles imported from China to keep them away from the country altogether.

Meanwhile, a new study by the Center for Strategic and International Studies (CSIS) published in Europe estimates that the Chinese government has invested at least 230.8 billion US$ in developing the EV industry in the country since 2009. This is in addition to purchase subsidies for customers (which have been canceled since). This sum includes purchasing tax exemption, government funding for charging points, financing of R&D, and government purchasing of EVs.

According to the study, the scope of government subsidies sharply increased between 2018 and 2023, from 17.4 billion US$ to more than 45 billion US$ in 2023. However, the growth is mainly due to the leap in the volume of EV sales. In dollar terms, each EV sold by a Chinese manufacturer received an average

government subsidy of approximately $13,900 in 2018, compared to only approximately $4,600 in 2023.

German research institute: imposing tariffs on Chinese EVs will indirectly cost the EU billions of US$

The imposition of tariffs on Chinese EVs in Europe is expected to affect vehicle imports by almost 4 billion US$, according to estimates from a new study by the German Kiel Institute for the World Economy, published in June. According to the study, if the EU imposes an average import duty of 20% on Chinese EVs, their annual import volume will decrease by a quarter (about 125 thousand vehicles). At the same time, the sales of European-made cars may increase accordingly.

However, according to the study, China may take reciprocal measures, including imposing high tariffs of up to 25% on vehicles imported from the West. This will have significant economic consequences for European production. In addition, since European EVs are significantly more expensive than their Chinese counterparts, the prices of EVs in Europe will increase, which will have an inflationary effect. The study also estimates that the EV price increase may harm the EU's ability to meet its goal to end the sale of ICE vehicles by 2035, which will also have negative economic implications.

EU May deliveries in a downward trend, including EVs

In May 2024, the EU registered a decrease of 3% in new car deliveries, which applied to three of the largest car markets in the EU: Italy (-6.6%), Germany (-4.3%), and France (-2.9%). On the other hand, Spain achieved a modest growth of 3.4%, according to the monthly delivery data published by the European Auto Manufacturers Association ACEA in June.

Despite the slowdown in June, the cumulative data from Jan-May shows an increase of 4.6% in deliveries. Aggregately, all the major markets in Europe showed positive performance, led by Spain (+6.8%), Germany (+5.2%), France (+4.9%) and Italy (+3.4%).

In May, BEV deliveries captured 12.5% of total deliveries in Europe, compared with 13.8% in May 2023, and amounted to 114,000 units. On the other hand, hybrid models kept showing growth, with a share of 30% compared to 25% last year. The combined share of ICE cars decreased from 52.1% to 48.5%. PHEV deliveries also registered a decrease of 14.7% in May and captured 6.5% of the market with 59,333 units.

A significant decrease was registered in Diesel deliveries, continuing a trend that started two years ago. This segment, once the market leader, dropped 11.4% in May, with 118,733 units composing 13% of the market.

Italy's plan for "Social subsidizing for EVs" terminated due to over-demand

Last April, the Italian government announced a new "Social" subsidizing plan to assist the disadvantaged in purchasing new cars and promote the scrapping of polluting petrol cars.

The government allocated 200 million euros for the plan, with a maximum grant of up to 13,750 euros, for customers with an annual income of less than 30,000 euros who are scrapping a EURO 2 or less old car and purchasing a new EV priced at up to 35,000 euros. Customers who don't meet this stringent criterion are eligible for subsidizing of up to 6,000 euros only.

However, on the first day of the implementation of the new plan, it was terminated after a flood of requests consumed the entire annual budget within hours. It should be noted that the EV market share in Italy is only 4.4%, one of the lowest in the EU.

2. USA

New McKinsey customer survey reveals: many of US EV owners considering going back to petrol

More than 46% of US EV owners are considering “Going back” to purchasing ICE vehicles as their next car, according to a global customer survey published by McKinsey in June. Of the respondents who own an EV outside the US, only 29% said they “May go back to ICE cars.”

The reason for the particularly high rate of "Returning to ICE technology" in the US is apparently the long travel distances, which harm the usability of EVs in the country. Most Americans said they were bothered by the lack of public charging stations. Other reasons were the high costs of owning an EV(including the purchasing cost) and the inconvenience of traveling long distances. The survey editors state that the result was surprising and that the premise before their research was that those who have already purchased an EV will only replace it with another EV in the future.

They estimate this trend is closely linked to the US's slow pace of charging infrastructure development. Since the beginning of the US national program for EV charging infrastructure deployment two years ago, only eight active public charging stations have been added.

As of the end of May, only 23 states in the US started allocating budgets from the Federal plan for charging station deployment, with a total budget of 5 billion

US$. Most of the US's private and public charging stations are far apart and difficult to locate. On the other hand, hundreds of thousands of fueling stations network the inter-state roads in the US, enjoying easy accessibility.

The survey revealed that in the rest of the world, there is dissatisfaction with the availability of public charging stations. Only 9% of all respondents believe that the public charging infrastructure currently meets their needs. According to the researchers, this may be a fundamental problem as more customers join the circle of EV owners, especially urban customers, whose possibility of installing private stations in condominiums is limited. "The next generation of users will be much more dependent on public charging," states the study.

The survey also found that 21% of the respondents had no intention of switching to EVs, no matter what, and 33% mentioned the charging problem. The average range of EVs also does not meet the respondent's expectations.

The state of California begins offering "Social" incentives for EV purchasing

The California Air Resources Board (CARB) presented in June incentives of up to $14,000 for low-income customers to purchase or lease EVs or PHEVs.

Customers whose income is lower than the federal poverty threshold are eligible for the plan. In California, this translates to an annual income of up to $96,300 for a four-person household, although this figure is updated occasionally. Another requirement for subsidizing is that the customers haven't used another governmental incentive plan for EVs.

According to the new program, low-income Californians who belong to "Disadvantaged communities" can receive a grant of up to $7,500 to purchase

or lease a new "Clean" vehicle. However, if they also scrap an old, polluting vehicle they own, the grant will increase to $12,000. Consumers without disadvantaged community status can receive a grant of up to ten thousand dollars for scrapping their old car.

In addition to the grant for purchasing or leasing, the plan also gives a 2,000$ worth charging subscription or a similar refund for installing a home charging point. Finally, the plan offers low-interest loans to those eligible.

California is one of the most advanced states when it comes to adopting clean vehicles. According to CARB data, the state is responsible for 34% of low-emission car sales in the US. During the first quarter of 2024, low-emission vehicles captured 24% of all new car deliveries in California, which stood at 429.225 units.

California also has the largest concentration of fast charging points, contributing to EV users' confidence. There are almost two million low-pollution cars in California, including 1.36 million PHEVs and half a million EVs.

American dealers are struggling with software issues – and June delivery figures went wrong

In June, new car deliveries in the American market are expected to come to 1.3-1.336 million units, a decrease of between 2.6-7.6% compared with June 2023, which reveals the monthly forecast of J.D. Power. Total deliveries in the year's first half are expected to be between 7.794-7.857 million units, an increase of 0.4-1.2% compared with the first half of 2023.

The researchers mention that the forecast gaps result from software issues in the American dealer’s computing systems, which distorted data tracking in

June. Therefore, many deliveries “Shifted” to July, and the figures registered by the dealers in June do not reflect the actual sales. Deliveries to private customers are expected to reach around 1.8 million units, an increase of 4.5% compared with last May.

The average transaction price dropped to 44,857% per unit in June, a drop of 3% compared with last June. The dealer’s average profit per unit, including income from financing and insurance, was 2,407$ in May, a decrease of 32.3% compared with last June. Only 16.9% of new cars were sold at a price higher than the MSRP, compared with 34.9% in June last year.

New research reveals the state of US EV charging stations

One of every EV charging point in the US is inactive, damaged, or only partially functional. This reveals new research conducted by the Harvard Business School and published in June.

The study, based on about a million opinions of charging points users in North America, Europe and Asia, revealed that the "Average reliability" index of charging stations in the US is only 78%, which means that one out of every five charging stations is not functioning properly. The research revealed that the most common complaints are about damaged and unrepaired stations, unstable charging rates, and gasoline cars taking up the parking spaces reserved for EVs. These complaints are widespread in the US and the rest of the world.

The study's editors mention that at the current point in time, EV charging stations in the US are less reliable than regular gas stations. Another problem identified in the study is the phenomenon of sparse coverage of the stations or "Charging deserts," as the researchers call it. That is very large areas that do

not have public charging stations. For example, entire counties in Washington and Virginia don't have even one public charging station. The study shows that there are also many damaged charging stations throughout the US "That no one seems to maintain."

The researchers claim this is bad news for EV sales, whose growth has slowed. It should be noted that at the beginning of June, the energy research company Bloomberg cut its previous forecast for the growth of the EV market and warned that this trend pushes back the date of achieving the goals of reducing greenhouse gas emissions. According to studies, the US will have to install 2027 about 1.2 million active charging stations of a quality that allows at least 80% of the battery capacity to charge an EV in less than four hours.

3. Japan

An extensive investigation by the Japanese Ministry of Transportation into suspicion of violations of standard procedures in the auto industry is causing a decrease in demand for aluminum and disrupting car production in Japan

At the beginning of June, the Japanese Ministry of Transportation opened an extensive investigation among large local auto manufacturers, suspecting irregularities in the standardization processes of certain models. Some companies admitted that they reported false data or manipulated data as part of their requests for car standardization certificates.

The move has led to a production halt of several auto production lines across Japan and has side effects on the demand for aluminum in the country. The news agencies reported that the demand for aluminum in Japan's auto

industry, which concentrates a significant part of the total demand worldwide, may drop due to the delays. The auto industry is Japan's largest consumer of aluminum and uses approximately 1.64 million tons per year, which is approximately 43.8% of Japan's total demand for aluminum.

As part of the government investigation, the Japanese Ministry of Transportation ordered 85 companies in the auto industry, including spare parts suppliers, to check whether there were any irregularities in submitting their data to obtain standardization certificates. According to the ministry's data, as of the end of May, 68 companies had completed the internal inspection, and the rest were still in the process.

Some manufacturers claim that there were indeed irregularities in the past; however, they mainly refer to old models whose production was discontinued long ago. Other manufacturers say their companies conducted tests under "Stricter conditions" than those required by the ministry and tried to collect more accurate results under different conditions.

4. South-Korea

South-Korean auto industry is expected to break export records this year, contrary to the local market

According to figures published by the Korean Auto Manufacturers Association (KAMA) in June, the South Korean auto industry is nearing a new car export record.

This year, car exports from South Korea are expected to grow by 5.4% to a total worth of 75 billion US$, an all-time annual record. Along with spare parts

export, the total value of the auto industry's exports is expected to reach 98 billion US$.

The association mentions that Auto exports from Korea are expected to grow consistently in the second half of the year, supported by the strong demand in the American auto market and the growing popularity of Korean SUVs and hybrid models".

The association's chairman said, "In view of the world's geopolitical instability, the momentum of export growth can only be preserved by maintaining normal labor relations in the auto industry, including flexible production hours and the adoption of a policy that will ensure stable deliveries."

According to data from the Korean Ministry of Trade, in the first five months of 2024, the export of cars from Korea amounted to approximately 30.812 billion US$, an increase of 4.7% compared to the corresponding period last year and a historical record. The export of hybrid cars jumped by 48.2%. However, KAMA predicts that due to weak demand in the domestic Korean market and high interest rates, the domestic auto market is expected to decrease this year by 5.9% to 1.65 million units.

5. Turkey

Turkey to impose 40% customs tax on all imported Chinese vehicles, including petrol models

Regardless of the broad move to impose tariffs on Chinese EVs that the EU Commission announced in June, the Turkish government also announced that it would impose additional tariffs on all types of vehicles imported from China (including ICE vehicles, hybrids, and plug-ins).

The new tariffs are being added to the 40% tariff that Turkey already began imposing last year on Chinese EVs. The new tax will be at least 7,000$ per vehicle if the purchase tax of 40%, calculated on the price of the vehicle imported from China, is less than $7,000. This is a presidential decision that will take effect on July 7.

In addition to imposing the customs tax, Turkey issued a decree last year requiring companies that import EVs from China to Turkey to establish and operate at least 140 authorized agencies throughout the country and open a call center for each brand. The requirement is considered unrealistic to apply even to major car brands. This is especially because competing EVs imported from the EU and other countries that have signed free trade agreements with Turkey do not have to bear this burden.

The Turkish Ministry of Trade stated that "The decision to raise the tariffs was made with consideration and examination of the goals of the current account deficit and the efforts to encourage local investments and production." It should be noted that the Turkish government has been taking emergency measures for some time to maintain a tight monetary policy to strengthen its fiscal position

to reduce its account deficit and fight inflation, which reached around 75.5% at the end of May.

However, commentators estimate that there is also a "Hidden agenda" behind the move, which is putting pressure on Chinese car manufacturers to invest billions of dollars in establishing production and assembly plants for EVs in Turkey. This is to improve employment in the country and inject foreign currency into it, similar to the factories of Japanese and Korean manufacturers established in the country in the previous decades. The bonus for the Chinese is an exemption from the EU's special tariffs because Turkey is part of the EU.

6. Canada

Canada is considering joining the US in imposing high tariffs on Chinese EVs

After the US imposed a 100% tariff on EVs imported from China to the USA, Canada is also preparing to impose similar tariffs. The Canadian Press reported in June that the Prime Minister of Canada, Justin Trudeau, had already decided along these lines and that the tariffs would soon take effect, subject to a public hearing.

In recent months, the Trudeau government has been under heavy pressure to "Align" with the move to impose tariffs on Chinese EVs announced by the Biden administration and the EU. In addition, there is internal political pressure in Canada from elements who claim that the American auto industry has large manufacturing plants in Canada, and therefore, it is necessary to protect Canadian jobs that are at risk.

Recently published statistics in Canada reveal that the value of auto imports from China in 2023 amounted to about 2.2 billion Canadian dollars (about 1.6 billion US$), more than double the value in 2022. However, the export of the popular Tesla Y to Canada from the production plant in Shanghai is responsible for a large part of this import growth.

The main concern of the Canadian government is the "Flooding" of the country with cheap Chinese EVs after several large dealers have already signed import franchises with Chinese manufacturers. Those supporting imposing the tariffs also claim that Canada, which has signed a free trade agreement with the US and Mexico, cannot afford to oppose the American position on the issue, especially in light of the re-examination of the agreement, which is expected soon.

They point out that the auto industry's supply chain in Canada is closely integrated with that of the US, and a large number of components flow on both sides of the border. However, the local government treats the issue with caution in view of the fear of reciprocal measures by the Chinese government and the fear of a sharp increase in EV prices in the country that would undermine Canada's stated goal of moving to green transportation in the next decade.

The government plans to establish an independent EV supply chain in Canada by subsidizing foreign manufacturers. However, even then, the country is expected to remain dependent on China for EV batteries.

7. China

Survey: the motivation of Chinese companies to invest in Europe decreases following the imposition of taxes on EVs

On June 19th, a survey commissioned by the EU's Chamber of Commerce in China was published on the consequences of the European investigation into suspected non-competitive subsidies of Chinese vehicles exported to Europe. The survey's findings show that the European decision to impose high tariffs on EVs has significantly damaged Chinese companies' willingness to invest in Europe in the future.

The survey results show that 82% of car manufacturers and component suppliers in China claim that the investigation has significantly reduced their confidence in the stability of the European economy and their willingness to invest directly or indirectly in the EU. 73% of the companies claim that "the very investigation caused a decrease in sales in the EU, and this even before the new tariffs came into effect (at the beginning of July)."

Most of the companies that participated in the survey said they had decided to "Delay or reduce their cooperation with dealers and leasing companies in Europe." In addition, some companies said, "As a result of the damage to their reputation, caused by the investigation, their ability to recruit senior "Talents" from the European auto industry was damaged." However, the survey found that most Chinese car manufacturers still plan to expand their car exports to the EU, although not necessarily of EVs, and most of them are even considering setting up production plants in the EU in the next five years.

At the same time, the Chinese press reported that several Chinese car manufacturers called on the government "To take retaliatory measures,

including the imposition of high tariffs on gasoline models with large engines, which are manufactured in the EU and imported to China, especially luxury models." Such models are very popular in China and are considered particularly profitable. Therefore, damage to them will severely damage the European auto industry and create a significant pressure point for lifting sanctions in Europe.

8. Israel

The Israeli National Cyber Directorate: since the beginning of the war, there has been a surge in attempted cyber-attacks on transportation infrastructure and vehicles. Israel is considering a cyber protection regulation for new vehicles

Israel's transportation infrastructure, including traffic management and control systems and databases that include data on millions of vehicles, such as fleets and even individual vehicles, are a major target for cyber-attacks. This is according to a report recently published by the Israeli national cyber directorate. According to experts' estimates, since the beginning of the war, the number of attempted attacks on Israeli bodies and organizations in all industries has increased 2.5 times, reaching a level of approximately 1,000 attempts daily, approximately 30,000 per month.

According to the report, 99% of the attempts are not at a high technological level, but about ten higher-level cyber threats are also recorded every day, which, without advanced defense mechanisms and the real-time ability to respond, could have caused serious damage.

According to the report, the cumulative economic cost to the Israeli economy from cyber-attack damages amounts to approximately 12 billion NIS annually.

In addition to the transportation cyber center, which has been operating in Israel for the past two years led by ELTA systems, the implementation of a comprehensive cyber protection policy for "Smart" vehicles, which are imported to Israel from various countries and equipped with peripheral sensors capable of collecting information, is currently being examined.

As an intermediate step, the possibility of limiting the ability to collect and transmit information in new vehicles that join the government and public vehicle fleet in new tenders, mainly for the military and security vehicle fleet, is currently being examined. It should be noted that the American government is expected to publish a strict regulation soon that will limit the information collection capabilities of vehicles from certain countries that are sold in the United States. Similar regulations may be adopted in Israel or may be dictated by the US.

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