



Major Automotive Global Trends of July 2024

**On the background of
“Iron Swords” war
in Israel**

August 2024 Edition



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1. Europe

The EU decided to impose custom taxes on EVs imported from China – an issue that causes disputes between the member states

In the beginning of July, the temporary custom taxes that the EU decided to impose on Chinese-made EVs came into effect. However, despite the internal efforts that preceded the move, the EU Commission was unable to reach a unanimous agreement on it.

The vote on the customs issue was secret, but from information leaked to the news agencies, it appears that a series of countries expressed reservations and abstained from voting. Sweden tried to use its influence in the EU to achieve an agreed compromise with China and strongly called to maintain free trade and open markets and said that the dialogue between the EU and China is very important. This position is due, in part, to the close ties between the Swedish auto industry and the Chinese auto industry.

Germany also expressed a position against the imposition of tariffs, although it abstained in the current vote so as not to weaken the EU's position. Analysts point out that about a third of the German car industry's sales are in China, and therefore, there is a heavy fear in Germany of retaliation by the Chinese government against European car manufacturers.



Italy and Spain have announced that they support the imposition of custom taxes even though politicians and public opinion shapers in these two countries opposed the move. Several other countries, including Poland and Greece, debated the issue, while Hungary strongly condemned it.

The current vote is preliminary and non-binding, while the decisive vote on the issue will be towards the end of the year, during which it will be decided whether to make the tariffs permanent for at least 5 years. According to EU regulations, the decision can be blocked in case there is opposition among 15 countries (out of 27), whose population constitutes about 65% of the total population of the Union, but such a majority is very rare.

EU elected president: we will continue to promote the ban on selling ICE vehicles in 2035 as planned

The EU is determined to reach the goal it had set in 2023, to ban the selling of ICE vehicles starting from 2035, and intends to promote it as planned, so said during July the EU president Ursula Gertrud Von Der Leyen after being re-elected. However, she added that "The EU must change its car regulations to allow the use of synthetic fuels".

Von Der Leyen, who was the EU president in the previous term and previously also the defence minister of Germany, was re-elected to the position of president this summer with the support of legislators belonging to the "Green" parties in Europe, including those who opposed her election in the first term. Therefore, many expect that



she will continue to promote the activist environmental line of the EU.

Before the vote, she promised to continue working to achieve the EU's environmental goals and to improve the competitiveness and protection of European industry, including the auto industry. Many see this as a continuation of the "Activist" line of the Union Commission against the import of EVs from China. She even promised that within 100 days of the beginning of her term, she intends to launch a "Clean industry agreement" in the Union to accelerate production in Europe and advance the achievement of the goal of reducing total emissions by 90% by 2040.

Von Der Leyen continues to promote the ban on ICE vehicles, although in recent months, there has been a downward trend in the delivery of EVs in Europe, and even though in the European auto industry, there is currently a tendency to "Take a step back" when it comes to the rate of EV development.

Thus, for example, in July, Luca De Meo, CEO of Renault and Chairman of the European Automobile Manufacturers Association (ACEA), was interviewed by the French newspaper Les Echos and said: "We must make adjustments to the timetable for the transition to EVs in Europe but without abandoning the goal of switching EVs". When asked about the declared intention of Renault, which he heads, to convert the production of all its cars in Europe to electric vehicles, de Meo said: "The fact is, Renault is not on the right track



to achieve 100% electric production by 2035. The industry needs to cut costs".

At the beginning of July, the mandatory regulations to upgrade the safety systems in new vehicles sold in the EU and to install cyber security came into force

On July 7, the new vehicle safety regulation, also known as GSR2, entered into force in the EU. As part of the regulation, all new vehicle models, sold in Europe, are required to be equipped with a series of active safety systems, including an intelligent speed adaptation (ISA), autonomous emergency braking (AEB), driver drowsiness and attention warning (DDAW) and an emergency lane-keeping system (ELKS). Some of these systems have already been included in many models in recent years; however, they are still a new requirement for many other models, especially the cheapest ones.

It should be noted that the new regulations apply to completely new vehicle models already from July 2022; however, they will now also be required for "Continuing models", that is, existing models, which are in an advanced stage of their life cycle.

The current phase of the GSR regulation is part of a multi-phase EU plan, with phase 3 coming into effect in July 2026, which will require all vehicle models to install "Advanced driver distraction diagnostic systems" (ADDW) in addition to more advanced autonomous braking, which is activated in the case of cyclists or pedestrians, crossing the road lane.



According to GSR regulations, these safety systems can be disconnected while driving, however, they must automatically return to operation every time the vehicle is started. In addition to these safety systems, the new regulations also require manufacturers to install several additional secondary systems in the vehicles, including a "Black box" (EDR) that collects data from the vehicle before, during, and after a car accident; advanced electronic stability program (ESP); a system for warning signals using the rear lights if the driver activates emergency braking (ESS); tire pressure monitoring system; reverse warning sensors; and installing cyber protection on all the data that reaches the vehicle and is transmitted from it, up to the level of the manufacturer's computer systems.

The requirement for cyber security is considered a major obstacle for many car manufacturers, especially from China, due to the extensive adjustments it requires in the car's software and hardware and the manufacturers' computer systems.

EU semi-annual delivery figures: market is up, but high prices and the cancelation of subsidizing in Germany “Pushed down” EV sales

In the first half of 2024, a decrease of 0.3% was recorded in the market share of EVs out of all vehicle sales in the EU, which amounted to approximately 13.9%, so reveals the semi-annual delivery data, published by the European Automobile Manufacturers Association (ACEA) during July.



Deliveries in the EV segment amounted to approximately 950 thousand vehicles, a slight increase of 1.6% compared to the first half of last year, however, the entire market grew at a faster rate. The decrease in market share is due, in part, to the cancelation of subsidies for EVs in Germany, which is the largest EV market in Europe. As a result, EV sales in Germany fell by about 16.4% in the first half and dragged down all European sales in the EV segment with them.

All new car deliveries in the EU have not yet returned to their 2019, pre-COVID levels, and in the first half, they were about 18% lower than the first half of 2019. This is partly due to the high interest rate on car financing and the slow growth in the European economy. However, commentators point out that the level of sales in June alone was the highest since July 2019. This is evidence that the car market is recovering from the supply chain problems and is expected to continue growing.

Several analysts estimate that the volume of vehicle deliveries in the entire year of 2024 will amount to approximately 10.7 million vehicles, an increase of 2.5%. On the other hand, others claim that the level of economic uncertainty is still very high due to the high inflation, the high prices of EVs and the uncertainty regarding the consequences of the EU's decision to impose high tariffs on EVs imported from China.

According to JATO data, the average price of a new EV sale in Europe today is about 65,000 euros, close to twice the average



price for a similar ICE vehicle. In addition, the demand in the EV segment seems to be closely related to government decisions to subsidize EVs. The Italian government, for example, launched a new EV subsidy policy at the beginning of June and the result was a doubling of EV deliveries in the country that month.

Citibank analysts estimate that despite the high prices, most EV manufacturers are currently losing money on them and need to cut back on investments in the field. In the current circumstances, manufacturers of vehicles and batteries are forced to postpone and adjust their EV model development plans and even close production lines. In addition, the analysts estimate that the EU's "Preventive" measures against China will also affect the market.

2. UK

British government mulling responsive measures to the EU's imposition of custom taxes on EVs imported from China

The British government is "Closely examining" the consequences of the imposition of tariffs on EVs made in China, on the auto industry, and the UK car market, and is considering taking "Balancing measures". In July, the minister in charge of the business sector in the UK said that the government is conducting discussions on the issue with the EU trade commissioner.

The statement also stated that "Any solution adopted in Europe should take into account the British auto industry and should be adapted to the British economy...". The question facing the British



government is whether to adopt the model of the EU and the US and increase the tariffs on EVs, which are imported from China, or leave the situation as it is.

Commentators point out that the Labor government has pledged to stop the sale of ICE vehicles at the end of the decade. Therefore, it has to decide whether to protect the British auto industry, which produces about a million vehicles every year, from Chinese imports or to ensure an available supply of cheap EVs for customers, which at the moment only the Chinese can supply. Currently, the UK is one of the largest markets for EVs imported from China, mainly MG's. In addition, the British car industry, especially Landrover, has significant investments in car manufacturing in China.

3. USA

The political uncertainty in the US projects on the American auto industry that face significant decisions

The political occurrences in the US, on the background of the stormy election campaign, once again introduce the American auto industry into a period of extreme uncertainty. As recalled, the Biden administration adopted a strict "Green" policy concerning the American auto industry from the beginning and canceled all the reductions in emissions and fuel consumption, which were approved during the Trump era.



Among other things, the Biden administration expanded subsidies and aid for EV production and the establishment of battery factories and charging complexes in the US, set strict targets for the car industry to reduce emissions/consumption in the coming years, and conditioned aid to auto manufacturers on accelerating EV sales by the end of the decade.

However, now that the manufacturers have invested billions of dollars in the development of vehicles with reduced emissions and infrastructure for their production, the wheel may turn again if Trump is elected for a new term. A thick hint of what's to come was provided by Trump himself in July when he announced that he would completely cancel the EV policy of the Biden administration on the very first day that he was elected to office. According to him, the steps he will take will save the auto industry, which is on the brink of destruction and will save the American consumer hundreds and thousands of dollars per car.

Trump also condemned "The pouring of trillions of dollars to waste on the new green scam." However, on the subject of car imports from China, Trump made a verbal "Zigzag", which makes it difficult to guess his position. On the one hand, he said that "Chinese car manufacturers are building factories in Mexico and believe that they can sell vehicles to Americans without hiring American workers... This will not happen. We will impose a 100% tariff on every vehicle". However, at another election event, Trump said that he "Encourages Chinese car manufacturers to build factories in the US



and produce vehicles there to stimulate the US economy". According to him, "As we speak, China is building huge car factories on the Mexican border to make cars for the United States. But we are going to build these factories here in America, and our workers will work in these factories". He added that he would impose tariffs of up to 200% on any Chinese car not built in the US. Trump also criticized Shawn Fain, president of the United Auto Workers (UAW), and promised to revive US auto manufacturing. According to estimates, many US automakers are currently delaying their decisions on EV investment until the election results are known.

With or without relation to the election system, the US government is expected to allocate funding of approximately 1.7 billion dollars for the conversion of 11 manufacturing plants (which have been closed or are at risk of being closed), for the production of EVs and their components. The plants are located in Michigan, Ohio, Pennsylvania, Georgia, Illinois, Indiana, Maryland and Virginia.

According to an announcement by the US Department of Energy, those eligible for the budget include GM, Stellantis, Volvo, Blue Bird, Harley Davidson, Cummins, and ZF. The last two are component suppliers, which have factories in the US and are part of the supply chain of the American EV industry. ZF has already committed to converting a plant in Michigan to produce components for EVs and Cummins will also receive tens of millions of dollars to accelerate the transition to zero emissions at the plant in Columbus, Ohio.



The largest sums will be poured into the major car manufacturers, GM and Stellantis. G.M. will convert its plant in Lansing, Michigan, to produce EVs for Cadillac and Chevrolet. The total funding for Stellantis is 584 million dollars, which will be divided between two plants: a plant in Indiana, which is supposed to be converted for the production of electric motors, and a factory in Illinois, which should produce complete EVs.

The budget also includes the electrification of commercial vehicles, with budgets going to the bus manufacturer BLUE BIRD BUS, which is the largest US manufacturer of school buses, as well as to bus manufacturers VOLVO and MACK.

According to the US Secretary of Energy, the purpose of the support is to preserve existing jobs. According to her, "There is nothing worse for a manufacturing community than losing jobs to foreign competition and a changing industry... While competitors are investing heavily in EVs, these grants ensure that our auto industry remains competitive with the workforce that has supported the auto industry for generations".

The American administration is preparing to publish the findings of the investigation into the national security risks of "Smart" vehicles made in China

During August, the American government is expected to publish the findings of the investigation into national security risks, which lie in smart and network-connected vehicles made in China (and other countries), said the US Department of Commerce during July.



According to the deputy minister in charge, following the investigation, the US government is expected to impose restrictions on the use of certain car software developed in China. According to him, "We are examining components and several software, not the entire vehicle... mainly processing components and operating systems, which manage the software, the communication and the data in the car... our ambition is that they will be produced in the US".

According to him, "Connected cars know a lot about you. Whether your car is an electric car or with an ICE one... the vehicle may receive software updates from the outside and the new generation cars are also loaded with sensors, cameras and driving components, which can connect to the owner's phone and track him".

The investigation announced by the Biden administration began in February of this year and in May, Commerce Secretary Gina Marie Raimondo informed that the administration "May take decisive action to ban or impose restrictions on the importation of Chinese smart cars into the United States".

According to the definition, "Connected cars" are those that are equipped with network hardware and software, which have access to the Internet and can share information and data from the vehicle with external servers and vice versa. It should be noted that the presence of "Connected" vehicles made in China in the US is minimal.



New research: EV penetration rate in the US to double within two years and reach 50% by the end of the decade

By 2030, the penetration rate of EVs in the US is expected to reach 50%, according to a study by the consulting company Recurrent Auto. The study predicts that by the end of 2025, the US will enter the phase of mass adoption of EVs, and their penetration rate will reach about 15% compared to about 8% today. The study estimates that many electric models that should be launched in the next two years in strategic market segments will contribute to this. The study predicts a drop in EV prices thanks to the continued decline in lithium battery prices, which are expected to continue to complete a decrease of about 40% by 2025, compared to 2022.

In addition, the incentive programs of the current administration in the US are accelerating the penetration of the EVs and no less than 17 states in the US have already set aggressive goals for "Zero emissions."

The price of used EVs is also dropping rapidly and almost 60% of the models sold in recent years are below the \$30,000 mark. It should be noted that the study was published before presidential candidate Trump declared his intention to "Turn the wheel" concerning the administration's policy regarding EVs (see separate item on this issue).



New Greenpeace report: US car manufacturers will have difficulty meeting the government's goals for reducing greenhouse gas emissions by 2032

A new report by the environmental organization Greenpeace published in July indicates that major car manufacturers in the US will exceed the EPA's new emission targets by rates of approximately 8% to 154% depending on the manufacturer, even if they manage to meet their current forecasts for EV sales.

The organization called on automakers to strive for a gradual cessation of production of ICE vehicles worldwide by 2030 but noted that the goal will be difficult to implement if the current slowdown in EV demand continues. In addition, the organization estimates that Japanese automakers will have a particularly difficult time achieving the target because their timetable for switching to EVs lags behind most of the industry.

In response to the report, GM stated that it "Supports the general goal of the EPA and its intention to significantly reduce emissions... Despite the challenges, we believe that our commitment and investment in the electric future puts GM in a good position to achieve the final goals".

It should be noted that in March 2024 the US government announced new emission standards, which require car manufacturers to reduce the average CO₂ emissions of their fleet of models to below 85 grams per mile by 2032, compared to an average of about 320 grams per mile in 2023. According to an EPA



model, automakers will only be able to meet the requirements if EV sales account for 56% of total US vehicle sales and plug-in and ICE vehicles account for 13% and 29% respectively.

4. Japan

The Japanese auto industry overtook the electronics industry in the capital investment ranking

The Japanese automobile industry is expected to overtake the electronics industry this year in the scope of capital investments, according to survey data published in July in Japan by the research arm of the Japanese Nikkei. According to the survey, in 2024, all the leading Japanese corporations plan to increase their capital investments by 15.6% to about 33 trillion yen (\$217 billion) with the investments being led by the TOYOTA MOTORS group, whose stated goal is to become a "Total mobility company". The company announced that it plans to increase its capital investments by about 7% from last year to a record 2.15 trillion yen - the highest figure ever for a single company.

In the division of capital investments by industry, the auto industry took first place in Japan, for the first time since fiscal year 2019, with plans to increase capital investments by 9.8% to 5.15 trillion yen, which is about 15% of the total planned capital investments.



The investments are currently directed mainly to the accelerated development of EVs and "Smart" or "Software-defined" vehicles, as the Japanese call it. This, facing the growing competition in the field from the Chinese automobile industry. TOYOTA, for example, intends to allocate about half of its capital investments to the fields of AI, software development for smart driving, and other growth areas.

5. South-Korea

Hybrid vehicles export from South Korea set a new record, and with it, the average price of exported vehicles from South Korea also rose to a new record

In the first half of 2024, the average price of a car exported from South Korea climbed to an all-time high, according to data published by the Korea Automobile Industry Association (KAMA). According to the data, between January and June this year, the average price for a car was \$25,224, which is the highest half-yearly price ever.

The "Average price of an exported vehicle" is an indicator of the amount of locally produced cars that are sold abroad and their competitiveness. The more vehicles with high added value are sold, such as environmentally friendly cars, sports cars, and commercial vehicles, the higher the price of the export unit. The average price



rose steadily from \$22,354 in the first half of 2021 to \$25,079 last year and now the record has been broken again.

The volume of South Korean auto exports has registered continuous growth in the past four years and the total value of exports has increased from approximately 19.5 billion dollars in 2021 to approximately 37 billion this year. Hybrid and commercial vehicles are responsible for most of the jump. However, the export volume of EVs made in South Korea has decreased recently, mainly due to high costs. According to data from the Korea International Trade Association, the total export value of Korean-made EVs decreased in the first half of the year by 17.5% compared to the same period last year.

6. China

EV exporters from China enter "Absorption standby" in the face of trade barriers and are reducing exports

EV exports from China decreased in June by 13% compared with last June and amounted to 86,000 units, so revealed Chinese Association of Automobile Manufacturers (CAAM) data.

According to estimates, the decrease is due to the "Absorption standby" of the Chinese car manufacturers in the face of the growing trade barriers in Europe. This is the third consecutive monthly decline since March. Total vehicle exports, including ICE



vehicles, climbed in June at a very moderate rate of about 0.7% compared to May.

The threat of tariffs reduced exports even before they came into effect in July, partly because the EU initiated a preliminary customs registration procedure in March, which will allow the tariffs to be applied retroactively. However, in the first half of the year as a whole, there was still a 27% increase in the overall export of vehicles made in China, thanks to strong demand in Russia, Mexico, Brazil, and more.

In the Chinese market itself, EV deliveries registered lively growth in the first half and amounted to about 4 million vehicles, an increase of about 36% compared to the corresponding period. One of the growth engines was the new government regulation, which was designed to accelerate the replacement of ICE vehicles with EVs. Total vehicle sales climbed by 1.4% to approximately 11 million vehicles.

China faces an uncertain economic horizon amid an ongoing crisis in the real estate market, slowing growth, and demographic retreat. Exports, and especially auto exports, remain vital to driving the economy and absorbing industrial output, which puts Beijing in conflict with Western and other economies, which fear a flood of cheap Chinese products.

Today, the Chinese government continues to negotiate with the European Commission towards the final decision on making the tariffs permanent, which is expected to be made in October. China



is threatening to respond or file a lawsuit and has even hinted at an intention to open an investigation into suspected non-competitive policies in the export of pork and brandy from Europe to China.

Consulting firm Fitch analysts say that the high tariffs in Europe could undermine the growth prospects of the Chinese car manufacturers in the EU and reduce their competitiveness. According to the company, Chinese car manufacturers can and should increase investments in alternative export markets to Europe. An example is BYD, whose top export markets now include Brazil, Thailand, Israel, Australia and Malaysia.

In addition, the analysts believe that the rapid and dramatic transition of the Chinese market to EVs creates excess capacity in ICE vehicles and this may have additional political and economic consequences. The ICE sector accounted for 78% of total China-made vehicle exports in the first half of 2024. Analysts note that while cheap Chinese ICE vehicles are welcomed in emerging markets, they also compete directly with established Western manufacturers and that may also have additional political implications.

The Chinese government submitted the WTO with an official complaint against the US regarding the imposition of tariffs on Chinese vehicles in the US

The Chinese government is currently fighting on two fronts to avoid imposing tariffs on Chinese vehicles. While in Europe the fight is only at its beginning, the government is moving to the "Next stage"



in the struggle against the 100% tariffs, which the Biden administration decided to impose on car imports from China to the US.

During July, China submitted an official complaint to the World Trade Organization (WTO), claiming that the American move is a "Blatant protectionist discrimination, which violates the rules of the organization". China submitted a preliminary application to the organization already in March of this year, however, following the decision to impose tariffs in May in the US, it is now asking the WTO to establish an "Expert committee" to investigate the matter.

The Chinese claim that they are not the only victims of discrimination and that the new American legislation blocks products from China and other countries that are members of the WTO, imposes artificial trade barriers, and raises the costs of the transition to green energy.

This is not the first time that the two powers have argued in the arena of the WTO and in the not-so-distant past there have already been conflicts between them on the background of the energy market. Commentators see the move as a strong hint to the EU that China does not see the decision to impose tariffs as final. However, the decision-making process in the WTO is very slow, sometimes up to a year, and in many cases it does not have the power or the possibility to impose sanctions on various countries, especially superpowers.



7. Israel

Financial press: discussions on EV purchasing tax benefits have reached a dead-end and they may be canceled this coming January

The Ministry of Finance has reached a dead-end in the discussions to formulate a continuation plan for the "Green tax" on vehicles and the continuity of the tax benefit on EVs, the economic press in Israel published. It should be noted that at the end of 2024 the existing tax benefits plan, formulated in 2019, will expire and the default is the equalizing of the purchase tax between EVs and ICE vehicles, which is 83% minus the green tax benefits.

According to the publications, during July several discussions were held in the Ministry of Finance on the subject with the participation of other ministries related to the subject, including the Ministry of Energy and the Ministry of the Environment. Various alternatives were discussed, which were also previously published in the press, with the main alternative being a gradual and moderate increase in the purchase tax on EVs between 2025 and 2028, which would be financed by imposing a "Travel tax" on EVs starting in 2026. According to the outline, which was already published in the draft of the latest settlement law, at the beginning of 2025 the purchase tax will be raised to only about 45% to 50% - while gradually reducing the NISI ceiling of the tax benefit. The purchase tax will gradually increase until the tax benefit is completely canceled in 2028.



However, as mentioned, no breakthrough was achieved in the discussions during July due to the Ministry of Finance's demand for the promotion and approval of the legislation on the travel tax at the beginning of 2026. It should be noted that in the past, opposition in principle to the imposition of the travel tax has already been expressed in the political system in Israel, and as far as is known, such opposition still exists today. Therefore, the Ministry of Finance decided not to advance the continuation plan for the time being due to the deepening deficit and the lack of sources to finance the reduction of the purchase tax. According to estimates in the press, if a last-minute solution is not found, this may mean significant and long-term damage to the demand for EVs once the stocks that will be released under the existing taxation end.

In response to the publications, the Ministry of Finance stated: "According to the government's decision, the purchase tax on EVs is expected to be 45% in 2025 if the travel tax law is approved by the end of the year. If the law is not approved, the tax benefit is expected to be canceled and depends on finding alternative budgetary sources".