

Luxury Car Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 100 pages | Mordor Intelligence

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Report description:

The luxury car market was valued at around USD 440 billion. The market is projected to reach USD 600 billion, with a CAGR of approximately 5% during the forecast period.

The COVID-19 pandemic had a significantly negative impact on the luxury car market in the short term as sales and production witnessed a decline in 2020. Furthermore, the pandemic affected the spending power of every individual. However, after the restrictions were lifted, the market regained its lost momentum.

Over the medium term, luxury cars provide a high level of comfort and safety features, creating opportunities for the market. Moreover, the growing trend of electric luxury vehicles is fueling the demand for luxury cars across the globe.

Significant growth of tangible luxury offerings in vehicles, shifting consumer preferences from sedans to SUVs, and increasing disposable incomes of consumers have been propelling the demand for luxury cars worldwide. However, an increase in import tariffs is expected to hinder the growth of the luxury car market. For instance, the US President-elect is expected to increase import tariffs on German luxury cars. BMW and other German luxury car manufacturers may face a 35% import duty on cars not built in the United States.

Luxury cars provide a high level of comfort and safety features, creating opportunities for the market. Moreover, the growing trend of electric luxury vehicles worldwide fuels the demand for luxury cars. Major luxury car manufacturers are launching electric variants of their vehicles due to growing environmental concerns and increasing fuel prices, which may accelerate the growth of the luxury car market during the forecast period.

Luxury Car Market Trends

IC Engines are Expected to Witness a Slow Growth Rate

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The IC engine segment currently leads the market. However, the demand for IC engine vehicles is anticipated to slow down during the forecast period. At present, major players, such as Mercedes-Benz, BMW, and Audi, cover a significant percentage of the share in the drive-type segment of the luxury car market.

With growing environmental concerns due to rising exhaust emissions, governments and environmental associations worldwide are tightening emission norms. As a result, the demand for sustainable and eco-friendly transportation, such as EVs, is increasing, with governments offering more incentives and subsidies to these vehicle owners. For instance, China registered the highest number of new EV registrations in 2020. However, North America is expected to lead luxury EV sales due to higher disposable incomes and the availability of EV infrastructure in the region.

Automakers are launching EVs even in developing markets. For instance, in August 2020, Mercedes-Benz announced the start of sales of its first electric vehicle, the EQC 400, through its dealer network in Brazil. The growing demand for and focus on style, power, and advanced telematics may continue to propel the demand for luxury EVs.

Additionally, luxury car component manufacturers are focusing on developing next-generation smart mobility technologies, such as autonomous driving, personal voice assistance, and retinal recognition, which are expected to boost the sales of luxury EVs over the forecast period.

Asia-Pacific is Expected to Lead the Market

Currently, China has the highest growth potential among all the developing countries in the luxury car market. Premium carmakers, such as Audi, Mercedes-Benz, BMW, Lexus, and Volvo, have always maintained positive growth in the Chinese luxury car market. According to the China Automobile Dealers Association, the country's luxury car dealers sold 277,000 vehicles in April 2020, an 11.1% increase over April 2019. Luxury car sales accounted for 18.7% of the market in April 2020, representing a 3.6% rise over April 2019 and a 0.4% increase over the market share in March.

Moreover, the demand for luxury SUVs has been growing rapidly in the country and is expected to continue during the forecast period, as they offer extra space and comfort. Audi, BMW, and Mercedes plan to launch new luxury models at competitive prices in the country.

As a result of the pandemic, when the supply chain of major European carmakers was disrupted, it created an opportunity for local companies to introduce their luxury models. For instance, the 2020 Hongqi H9 was designed by Rolls-Royce's ex-designer Giles Taylor and another stylist Dinh Yanfeng. In China, Hongqi cars are only available for high-ranking government officials. China is also one of the biggest markets for Mercedes-Maybach. In 2019, Mercedes-Benz sold around 12,000 luxury Maybachs in the country.

India is also one of the fastest-growing markets in Asia-Pacific. However, owing to COVID-19, the market witnessed its lowest figure. For instance, according to the Federation of Automobile Dealers Associations (FADA), the data for new vehicle registrations in July 2020 revealed that the overall share of luxury car players in the total passenger vehicle market contracted to 0.50% in the month, compared to 1.11% for the same month last year.

In India, Mercedes-Benz, BMW, and Audi are the top luxury car manufacturers. These car manufacturers collectively reported sales of around 22,500 units in 2021.

As luxury car manufacturers are launching multiple models with various price ranges and user-friendly financing schemes, the demand for luxury cars is expected to rise in the country.

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Mercedes and BMW dominate the luxury sedan segment of the Indian market. In the first three months of 2020, Mercedes sold 2,386 units, followed by BMW India, which delivered 2,365 units. After a decline in the second quarter due to the pandemic, the market gradually started gaining momentum in the last quarter. Moreover, in 2020, Mercedes-Benz India sold over 7,893 new cars from January to December.

Luxury Car Market Competitor Analysis

Some of the key players in the luxury car market are Mercedes-Benz, BMW, Volkswagen Group, and Tesla. The market is highly driven by factors like advanced technology, more comfort, growing investment in EV technology, and improved living standards worldwide. For instance,

In October 2022, Mercedes Benz, Stellantis, Siemens, and TotalEnergies agreed to a joint venture for the construction of three gigafactories in Europe to aid electric vehicle manufacturing.

In June 2022, Ferrari planned to expand vehicle manufacturing facilities across Italy. Through this expansion, the company expanded its premium vehicle portfolio across the country.

In June 2021, Mercedes-Benz launched the Mercedes-Maybach GLS 600, the first SUV ever to carry the Maybach brand name.

In January 2021, Mercedes-Benz India announced its plans to introduce 15 products to the Indian market. A-Class Limousine, the new GLA, and AMG GT Black Series were some of the vehicle models lined up for a 2021 debut.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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