



Electric vehicle subsidies in Germany: Residual values put to the test

Analysis of potential impacts on the used-car market in Germany and across Europe

After abruptly ending its incentive scheme for electric mobility, Germany has recently reintroduced an **incentive scheme for the purchase of electric vehicles**, amounting to up to €6,000 and now open to all manufacturers, including Chinese brands. The objective is clear: to revive slowing demand and maintain the country's climate targets.

However, this measure comes at a sensitive time for the market. The German used electric vehicle market is already showing signs of structural fragility, raising questions about its ability to absorb additional volumes without increased pressure on residual values.

“The issue is not only to stimulate new car sales, but to assess the impact of such policies on the balance of the used-car market, which directly determines the residual value of electric vehicles.”

explains Yoann Taitz, Regional Head of Forecast & Market Expert at Indicata



A used electric vehicle market already under pressure

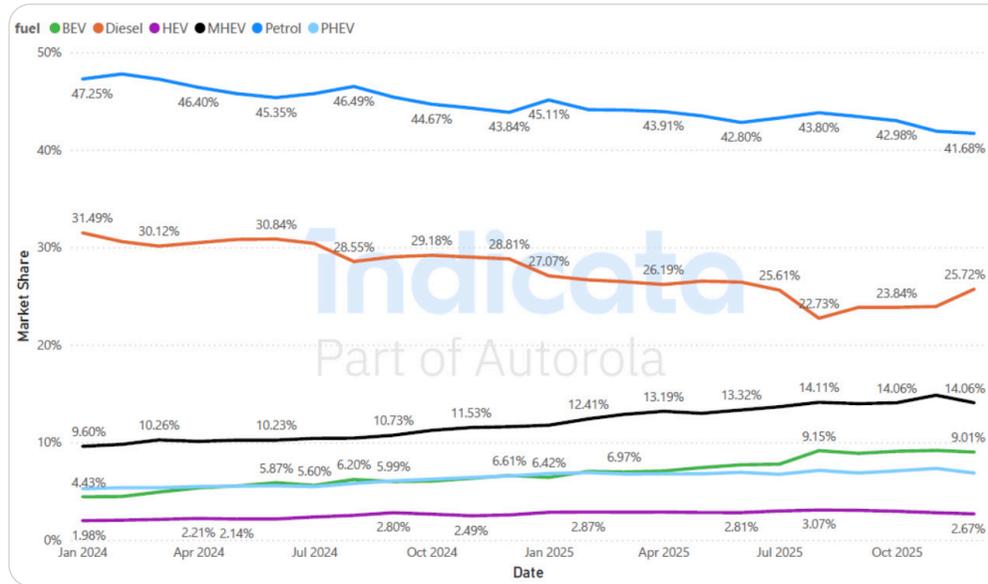
Recent market trends in Germany show a steady increase in the share of electric vehicles in used-car sales and inventories. This growth is particularly pronounced among younger vehicles, largely coming from fleets and leasing contracts.

At the same time, stock levels measured in Market Days Supply remain structurally higher for electric vehicles than for internal combustion models, reflecting slower turnover. Used EV price indices are also more volatile, with sharper correction phases than those observed in thermal segments.

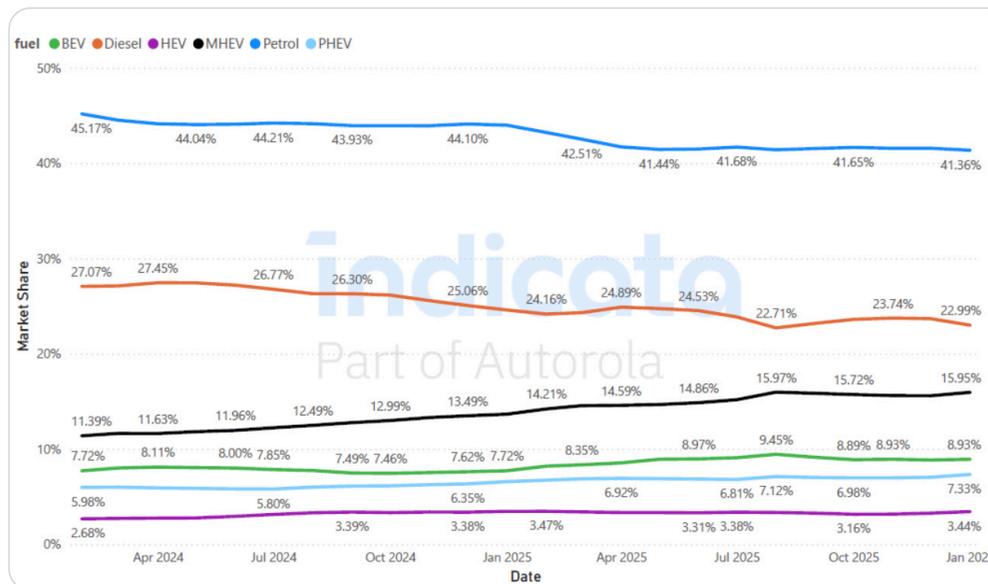
In other words, the subsidy is being introduced into a market that has not yet stabilised. The used electric vehicle market is growing in volume but remains more sensitive to supply-demand imbalances and price adjustments.

“The subsidy does not create an imbalance from scratch. It is applied to a used electric vehicle market that is still undergoing structural adjustment.”

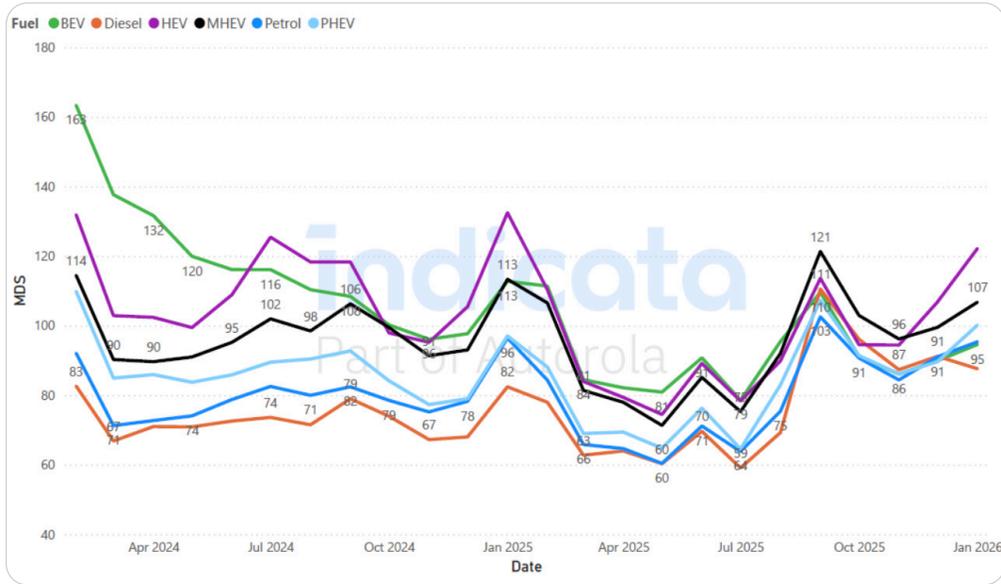
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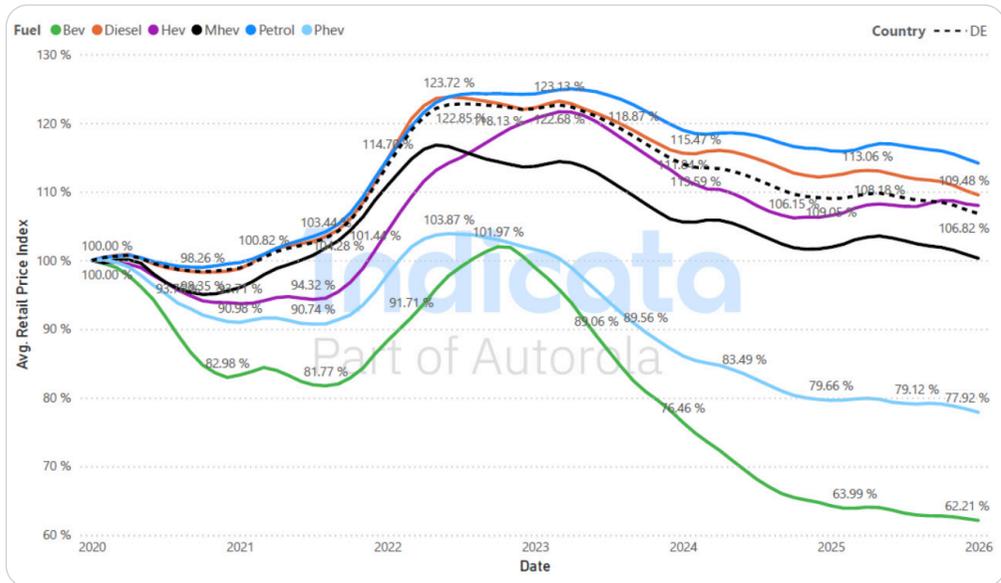
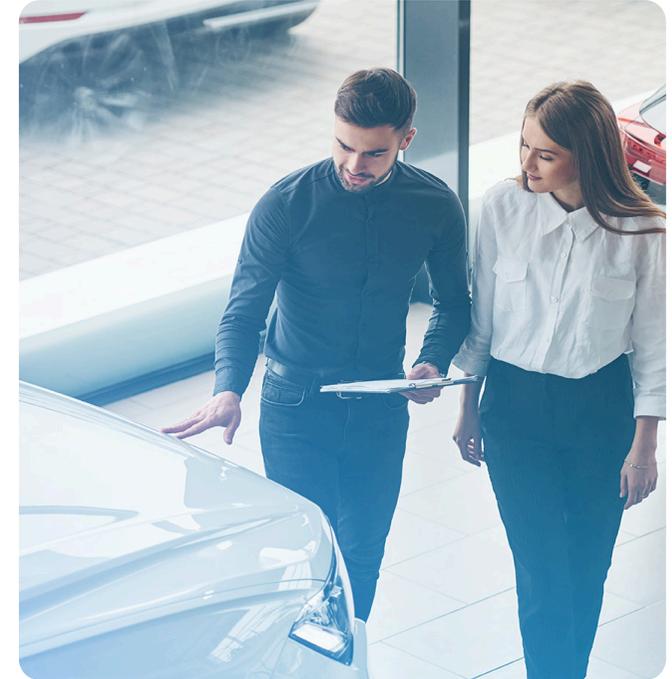
Sales market share by month and fuel type - Germany



Stock market share by month and fuel type - Germany



MDS by fuel type
- Germany



NEW Retail price
(weighted avg.) index
- Germany

A revised subsidy with a different logic

The newly introduced scheme provides support of up to €6,000 for the purchase of a new electric vehicle. It follows the abolition of the former Umweltbonus, which had caused a sharp drop in registrations.

The main novelty of this new scheme lies in its openness to Chinese manufacturers. While France has introduced an eco-score to restrict eligibility based on industrial and environmental criteria, Germany has opted for a technologically and industrially neutral approach.

This divergence in strategy could lead to different price and residual value trajectories across European markets.

Chinese manufacturers: an additional source of price pressure

The inclusion of Chinese manufacturers in the subsidy scheme significantly alters the competitive structure of the German EV market. These players are mainly positioned in the entry and mid-range segments, with pricing strategies that are already aggressive compared to traditional manufacturers.

Applying a public subsidy to these vehicles further widens the gap between list prices and actual transaction prices. This may contribute to lowering reference price levels in certain EV categories, particularly in the most price-sensitive segments.

“Opening the subsidy to Chinese manufacturers introduces an additional source of competitive pressure that may weigh on price formation and, by extension, on residual values.”

analyses Yoann Taitz

By contrast, France’s decision to exclude certain models via the eco-score tends to limit this effect on its domestic market by maintaining higher price levels for eligible vehicles. This difference in design could eventually translate into diverging residual value performance between markets.

Exports as a channel for European diffusion

Germany is not a closed market. It has long been a major hub for used-car exports in Europe, with significant flows to Denmark, Austria, Poland and France, while also importing vehicles from Belgium and the Netherlands.

In this context, any price correction on the German market is likely to spread through export flows. Lower residual values in Germany can make certain vehicles more competitive abroad, temporarily easing domestic stock pressure while simultaneously exerting downward pressure on importing markets.

“In a highly interconnected European market, price adjustments in Germany are likely to spread beyond national borders, particularly through export flows.”

notes Yoann Taitz



Why residual values are directly exposed

Several economic mechanisms explain why subsidies on new vehicles affect the used-car market.

The first is a **price anchoring effect**. The subsidised price becomes the new psychological reference for buyers. Future vehicle value is no longer assessed relative to the original list price, but to the actual post-subsidy price.

The second mechanism concerns **leasing**, which is the dominant financing method for new electric vehicles. Lease rates are based on residual value assumptions. When market prices fall, these assumptions must be revised downward, increasing future lease payments or generating losses at remarketing.

The third mechanism is a **diffusion effect** across all age brackets. Pressure on residual values of recent vehicles spreads mechanically to older vehicles. A 36-month-old vehicle cannot sustainably be priced close to a 12-month-old vehicle without creating a market inconsistency. The adjustment therefore affects the entire depreciation curve.

Finally, when subsidies are extended to young used vehicles, these approach the price levels of older vehicles, accelerating depreciation across the whole electric vehicle parc.

Short, medium and long term: a risk-based reading

In the **short term**, subsidies support new EV registrations and feed future flows into the used-car market. However, they also trigger rapid adjustments in residual values for young vehicles, with a gradual spillover to older age classes.

In the **medium term**, the inflow of vehicles from leasing contracts, combined with lower reference price levels, may

lead to increased price volatility and heightened sensitivity to manufacturers' commercial policies. Export flows may temporarily absorb part of this pressure while spreading it to other European markets.

In the **long term**, the issue becomes structural. Perceived residual risk influences total cost of ownership (TCO), lease pricing and the market's ability to absorb growing EV volumes sustainably. Unstable residual values weaken the entire economic chain, from manufacturers to dealers, rental companies and financial captives.

A question of calibration, not principle

The debate therefore does not concern the existence of subsidies per se, but their design. Their level, duration, predictability and interaction with financing mechanisms largely determine their impact on the used-car market.

“A support scheme that fails to take residual values into account risks shifting economic fragility from the new-car market to the used-car market.”

says Yoann Taitz

“Residual values must be integrated as a key indicator in the design of public policies.”

Residual values as a test of the electric transition

The return of EV subsidies in Germany marks the start of a new phase of public support for electric mobility. It responds to industrial and climate imperatives but comes at a time when the used-car market is already marked by imbalances.

In a highly interconnected European environment, the effects of such policies do not stop at national borders. Residual values thus become not only a domestic indicator, but a regional one, of the coherence of public policies.

“The success of the electric transition will not be judged solely by registration volumes, but by the market's ability to preserve vehicle values over time.”

concludes Yoann Taitz

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