European February Car Sales Drop 10% as Recession Deepens

Europe's car-market contraction accelerated in February as price cuts by Fiat SpA (F), PSA Peugeot Citroen (UG) and Renault SA (RNO) failed to attract drivers amid a recession in the region and a political stalemate in Italy.Registrations dropped 10 percent to 829,359 vehicles last month from 923,553 a year earlier, the Brussels-based European Automobile Manufacturers' Association, or ACEA, said today in a statement. Two-month sales fell 9.3 percent to 1.75 million cars. The decline in January amounted to 8.5 percent.Rising unemployment as a recession deepens in the 17 countries using the euro has deterred consumers from making large purchases. The decline in demand was exacerbated in Italy by an inconclusive parliamentary election that has frozen economic policymaking in the country. A sales drop in Germany, Europe's biggest car market, accelerated in February, even as Fiat, Renault and the Peugeot and Citroen brands led discounting in the country."Economic and political uncertainties, combined with different carbon dioxide-based vehicle taxation policies across Europe result in a very mixed picture for the car market," Allan Rushforth, senior vice president and chief operating officer of Hyundai Motor Co. (005380)'s European business, said in a statement.The ACEA reports figures for the 27-nation European Union plus Switzerland, Norway andIceland. Deliveries in western Europe, which excludes countries that have joined the EU since mid-2004, plunged 10 percent to 774,415 vehicles in February.Biggest MarketsFour of Europe's five biggest automotive markets shrank last month, with the steepest plunge inItaly at 17 percent. Deliveries in Germany dropped 11 percent, compared with an 8.6 percent decline in January. The U.K. market increased 7.9 percent to 66,749 cars in February.European sales by Paris-based Peugeot, the region's second- biggest carmaker, fell 13 percent in February. Registrations at Renault, based in the Paris suburb of Boulogne-Billancourt, declined 8.6 percent. Turin, Italy-based Fiat posted a 16 percent drop in European sales.Demand for cars in Europe is set to fall for a sixth consecutive year in 2013, according to IHS Automotive research company. Full-year sales declined to a 17-year low in 2012.German DiscountingDealers in Germany reduced car prices by an average 11.7 percent last month, versus 11.5 percent a year earlier, with discounting at Fiat widening to 16.5 percent of the list price from 12.7 percent, according to Autohaus PulsSchlag trade magazine. Peugeot, Citroen and Renault's combined average price cut in Germany was 13.5 percent in February, it said.Renault Chief Executive Officer Carlos Ghosn is among industry leaders saying governments may need to consider reviving incentives to encourage trade-ins of older cars for newer vehicles. Fiat CEO Sergio Marchionne, who holds the ACEA's rotating presidency, has countered that "natural" demand is preferable.Peugeot and Renault are each planning 17 percent cuts in their French workforces, and have reached agreements with unions within the past week on severance packages. Renault pledged in the deal signed March 13 to keep all its plants in

France open until at least 2016 in exchange for increased worker productivity. Peugeot's accord, reached yesterday, governs terms for the shutdown of its plant in the Paris suburb of Aulnay.Plant ShutdownsOther carmakers announcing European job cuts and plant closings since mid-2012 includeGeneral Motors Co. (GM), Ford Motor Co. (F) and Honda Motor Co. (7267)GM's group sales in Europe last month dropped 20 percent, led by a 38 percent decline for the Chevrolet brand. The company's Opel division reached an agreement on March 15 with workers at three of its German plants on a pay freeze through 2015 as part of a profit-restoration strategy.Opel also plans to stop making cars at its plant in Bochum, Germany, in 2016, where the assembly line employs about 3,100 workers. The shutdown would be the first of a German auto plant since World War II.European sales by Dearborn, Michigan-based Ford fell 21 percent in February. The manufacturer, which is forecasting a loss of $2 billion in Europe for 2013, won approval on March 15 from workers at its plant in Genk, Belgium, of severance terms for when the factory closes in 2014.Volkswagen AG (VOW), Europe's biggest carmaker, posted a 7.2 percent decline in sales in the region last month, led by a 12 percent drop at the Skoda brand. VW's Audi division, the world's second-largest maker of luxury vehicles, sold 3.8 percent fewer cars in Europe in February.Bloomberg