

## Car Sales Crater in Europe

Car and light truck sales represent a large enough part of the consumer economy to be a reasonable proxy for optimism, pessimism, the desire of people to hold what money they have, or to part with it even if through the use of credit. European car sales numbers for August marked another abysmal low point, another nail in the coffin of the region's finances.

The European Automobile Manufacturers Association (ACEA) reported that new car sales dropped 8.2% in August. The figure is reminiscent of those in the United States over the course of the Great Recession. The data also signals what most analysts already have said: overcapacity and overemployment in the auto industry will not go away. And efforts to close car factories and lay off workers are being blocked now by powerful unions and national governments.

Unfortunately, the figures confirm the extent to which the Germany economy is slowing down. Registrations in the European Union's largest economy dropped 4.7%. German car sales were 226,455, against 688,168 in August. As goes the German car market, so does much of the success of the area's car manufacturers.

Some drops should be expected. Sales in Portugal fell 33.1%, but only 5,443 were bought there during August. Sales in Greece dropped 47.6% but the total was only 3,886 — probably equivalent to the number of cars sold in Vermont in the same time frame.

Germany has company in hurting the prospects of auto sales in the European Union. Sales in France dropped 11.4% to 96,067, and sales in Italy by 20.2% to 56,477. As these three markets go, because of their sizes, so goes the industry.

The August figures reveal the extent to which many car companies in the region remain years from turnarounds, if they can be turned around at all. Part of this is due to the success of Volkswagen, the largest company in sales in the region by far. Sales of the brand rose 1.3% to 194,063. General Motors Co. (NYSE: GM), which continues to beg unions and local governments for mercy, posted a decline in sales of 17.1% to 52,135. No matter who GM puts in place to run its units in the region, the world's largest car company has only two choices remaining. One is to force the hand of governments and unions with the threat to abandon the market. The other is to actually leave.

Finally, VW's strength came as the EU's next two largest car companies continued to suffer. Sales of the PSA Group were off by 13% to 78,512, and sales posted by Renault dropped 12.9% to 60,438. They too must radically downsize to survive.

The situation has become so bad that the industry will shrink soon, regardless of whether the unions and governments like it. Otherwise, some of the region's largest car companies will look like GM and Chrysler did in 2008, and they will have to be treated in much the same way as those two American manufacturers were.

