

## **Car sales declines thwart European upturn hopes**

\* French car market falls 15 pct in January

\* Spanish market down 9.6 pct despite subsidies

\* Italy sales due later Friday, German data Monday

By Laurence Frost

PARIS, Feb 1 (Reuters) – Car sales extended their declines in France and Spain last month, data showed on Friday, leaving little hope of a European auto market rebound anytime soon.

Volkswagen and U.S. carmakers led a 15 percent drop in French registrations to their lowest January level in 15 years, while renewed subsidies only just slowed Spain's market contraction to single digits.

"The French passenger car market started 2013 on as weak a note as it exited 2012," London-based Credit Suisse analyst David Arnold said in a note.

Ongoing declines across Europe suggest manufacturers will have to cut vehicle output by a further 7 percent this year, he predicted – adding to excess capacity that is already inflicting deep losses on volume brands.

European auto sales last year fell the most in two decades to a 17-year low, as austerity-squeezed household budgets and unemployment fears discourage big purchases.

Cautious hopes for a broader euro zone economic recovery have yet to filter through to the car market.

Renault and Japanese affiliate Nissan are not counting on a European recovery in the next three to four years, Carlos Ghosn, chief executive of both, said this week.

In Germany, where growth turned negative last May, car sales are expected to show a further monthly decline on Monday.

Renault's domestic registrations fell 7.4 percent, holding up better than the market thanks to a 9.9 percent gain for its low-cost Dacia brand, as scarce buyers gravitated to "crisis cars" such as the no-frills Sandero compact and Duster SUV.

Struggling French rival PSA Peugeot Citroen, which is cutting 8,000 French jobs to restore profitability in 2015, saw sales plunge a further 16.7 percent at home.

Without the benefit of recent updates to the Renault Clio and Peugeot 208 small car – Europe's December bestseller in the category – the numbers would have been even grimmer.

“Demand is still very weak for small and medium-sized cars and minivans,” said Francois Roudier of the CCFA industry association.

The Americans fared worse. Combined French registrations by General Motors’ Chevrolet and Opel/Vauxhall brands dropped 21.2 percent, and Ford sales plunged 35.3 percent.

The Volkswagen group also recorded a 23.9 percent drop in French car sales, a decline accentuated by a strong sales performance at the start of 2012.

In recession-hit Spain, where unemployment stands at 26 percent, monthly registrations fell 9.6 percent despite support from sales subsidies of 2,000 euros (\$2,700) per car reintroduced in October by the government and industry.

Peugeot’s Spanish tally shrank by more than one-third in January, while the core VW brand fell one-fifth.

But a sales surge by Fiat’s retro-styled 500 model delivered a 14.7 percent gain for the Italian brand in Spain. Renault Clio sales also doubled with the model update, helping the French nameplate to a 5 percent increase overall.