Car makers warn of weak European market for years

Reuters – Car sales in Europe are at the low end of expectations and the market is likely to remain shaky for at least five years as the region implements austerity measures to cut its debts, industry executives warned on Tuesday.

Speaking at the Geneva car show, the head of Ford's (F.N) European business, Stephen Odell, said he expected sales on the continent to continue "running along the bottom" of the U.S. car maker's forecasts during the first half of this year, following a dismal January and February.

German premium car maker BMW (BMWG.DE), meanwhile, predicted the market was likely to stay tough for years to come.

"We believe that the underlying problem in Europe, which is mainly about debt, will persist for at least five more years," Chief Executive Norbert Reithofer said.

Demand for cars in Europe has been hit hard as disposable incomes have been squeezed by rising prices, subdued wages and government austerity measures.

New car sales in the 27-member European Union dropped 8.2 percent to a 17-year low in 2012, and figures so far this year suggest the market is getting weaker.

New car registrations in Germany, previously a bastion of stability, slumped over 10 percent in February, while they were down around 12 percent and 17 percent in France and Italy respectively.

TIME TO CUT FORECASTS?

Morgan Stanley analysts on Tuesday cut their forecast for EU car demand this year to a decline of 6 percent from a drop of 4 percent previously, warning that weakness in southern European markets like Spain and Italywas spreading northwards.

Duncan Aldred, the sales chief of General Motors' (GM.N) Opel brand, predicted on Monday that European car sales could slide as much as 10 percent this year.

However, other executives remained reluctant to cut their forecasts so early in the year.

French car maker PSA Peugeot Citroen (PEUP.PA), for example, said on Tuesday it was sticking to its view the European market would contract between 3 percent and 5 percent this year.

"The pressure is not letting up," Peugeot brands chief Frederic Saint-Geours said.

Ford's Odell also reiterated the No. 2 U.S. car maker's prediction of between 13 and 14 million vehicle sales in Europe this year, although he signaled a high degree of uncertainty.

"Frankly, who knows what happens in the second half," he said.

Odell also warned it was likely to be four to five years before European demand recovers to the 17 million to 18 million vehicle range seen in 2007, before the global financial crisis.

Europe would see "a very slow recovery curve and probably some blips," he forecast.

Ford, like many rivals, is pinning its hopes on sales of higher margin sports-utility vehicles (SUVs) and crossovers, which have features of SUVs, such as the EcoSport, which it is showcasing in Geneva and will bring to Europe later this year.

BMW, meanwhile, was optimistic demand from the United States and particularly China would continue to outweigh weakness in Europe after it reported record group sales for the first two months of the year.

"We're cautiously optimistic for this year," CEO Reithofer said, forecasting a 2 percent rise in the U.S. market and 8.5 percent growth in China, as well as a 2 percent drop in Europe.

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