

Prospects for car makers improving

PARIS, FRANCE: Car industries in the United States and Europe are showing clear signs of getting back on track after severe setbacks after the global financial crisis rocked markets.



The US car market returned to pre-crisis levels in July and the slump in European sales seemed to ease.

US car sales reached the best levels for seven years as American consumers are being encouraged to buy new cars on the back of low interest rates and a boom in the shale oil and gas industry.

A closely watched indicator, the sales adjusted annualised rate (SAAR), gave a reading of 15.67m units, allowing the sector to return to the volumes it knew before the 2008 global financial crisis that crippled the sector.

It's a recovery from a deep and painful downturn which pushed General Motors and Chrysler into bankruptcy in the wake of the 2008 crisis and which forced the American car manufacturing sector to undergo radical restructuring.

Both GM and Ford last month reported better-than-expected results for the quarter while Chrysler inflated the earnings of its parent company Fiat.

The Japanese - key producers for the US car market - are also faring well.

Global financial crisis

Boosted by a fall of the yen, the leading world car company Toyota raised its annual forecast despite a fall in global sales. Nissan, on the other hand, confirmed its targets even though its number of registrations fell.

Europe has also experienced an improving environment even though the debt-burdened continent has been much slower to restructure its car manufacturing sector as governments put the breaks on cutbacks in fear of higher unemployment or plant closures.

Earlier this month, BMW said weak European markets and higher competition would continue to provide challenges in the second half of the year.

In July, registrations in Germany rose by 2.1%, while Spain experienced a 14.8% rise, although this was with the help of government subsidies for the replacement of an old car with a new one.

Such temporary schemes in other European countries to support the car manufacturing sector after the financial crisis were followed by a slump in sales.

But overall, the latest numbers may mean that the drop in EU registrations is slowing down. In the first quarter the figure fell by 6.6% compared with a year earlier - but numbers to confirm a trend will not be available until September.

An improvement would do wonders for car companies such as France's PSA Peugeot Citroen, which is still highly dependent on Europe and which has managed to cut its quarterly debt by almost half.

The group, which has in effect been rescued via government help for its credit arm, said it was pulling out of the worst part of its crisis and had no plans now to raise new capital.

But other European companies which focused more on the international market are doing better, such as French firm Renault and in particular German manufacturers like Daimler, BMW and Volkswagen -- all reporting solid second-quarter results.

Still, analysts and car manufacturers alike are preparing for a near 5.0% drop on the European market this year from the already depressed level last year.

Industry forecaster IHS Automotive said it does not expect the French market to return to pre-crisis levels until 2017, and forecasts sales in Spain and Italy to remain at very low levels.

Slowing sales, big prospects in Russia

Aside from the US market, hope is mainly pinned on emerging markets and in particular China - the world's biggest car market that is now dominated by American, German and Japanese brands.

In the first half of the year, sales there rose 12.3% to 10.78m units.

Russia, which in a few years could overtake Germany to become Europe's biggest market accounted for a record 2.93m car sales last year. It has experienced a drop in sales for several months this year as economic growth in the country slows.

Last week the Association of European Businesses (AEB) said Russian car sales fell by 8% in July compared with a year earlier, but said it expected the market to "stabilise" in the coming months.

Nissan is one of the companies that has expanded considerably in Russia and the group's chief executive Carlos Ghosn recently said he was certain the Russian car market would take off in the long-term.

India has similarly experienced both highs and lows. At the end of June it had experienced eight months of declining registrations.

Business advisory firm AlixPartners forecasts that 2.6m cars will be sold in India in by 2018, compared with 1.9m sold during the 2012/13 financial year.

Source: AFP via I-Net Bridge

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