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Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

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Tom Krisher, AP Auto Writer

DETROIT (AP) — The slowing economy dragged down Ford Motor Co.'s European sales during the first half of the year, with the company predicting that the region's overall sales would drop to the lowest level since 1994.

Ford sales fell 10 percent from January through June in 19 Western European markets, and they worsened in June, falling 16 percent from a year ago, the company said in a statement Friday.

"The economic environment remains very difficult, obviously," Roelant de Waard, Ford's vice president of sales in Europe, said in a statement.

The report confirms predictions from analysts and many major automakers that Europe will continue to be a drain on company profits for the foreseeable future. Ford has warned that its second-quarter profit will be lower than a year ago in part due to growing losses in Europe. The company reports second-quarter earnings on July 25.

Also Friday, Volkswagen AG reported that its global sales rose 8.9 percent for the first half, but fell 5.7 percent in Western Europe, excluding Germany.

Ford, No. 2 to Volkswagen in Europe in the first half, said its June sales dropped because it decided not to match heavy discounts from competitors. The company is balancing the need to be competitive on price with efforts to raise the amount of money it earns per vehicle, de Waard said. Ford sold 617,600 new vehicles in its European region during the first half. The Ford brand was the top seller in England, where sales grew 1 percent.

The automaker said it expects to gain momentum in the second half as it launches the new B-Max small crossover SUV, a new Fiesta compact car and the new Transit Custom van.

Volkswagen said it sold 4.45 million vehicles worldwide from January to June, including an 11 percent sales increase for June. It was the best first half since 1973 for Volkswagen brand sales. But the company warned that the second half would be more challenging. VW sales in Western Europe excluding Germany fell 5.7 percent from January through June.

Automakers in Europe began reporting June and first-half sales this week. Through the first five months of the year, passenger car registrations were down 7.7 percent, according to the European Automobile Manufacturers Association.

Ford's sinking European sales numbers are consistent with the company's warning of a smaller second-quarter net profit. Although Ford's sales and profits are

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expected to be strong in North America, Chief Financial Officer Bob Shanks said in a government filing last month that the company's overseas losses will triple in the second quarter. He said the second-quarter profit will be lower than last year's \$2.4 billion, mainly because operations outside North America, including Europe, will lose \$500 million to \$600 million. That would be three times the \$190 million they lost in the first quarter.

Ford's old models in South America are facing growing competition, and the company is losing money in Asia as it tries to build more plants and expand its offerings there. Ford is also seeing low sales and excess production capacity in Europe.

Ford's report comes after French automaker PSA Peugeot-Citroen, facing diving sales in crisis-hit southern Europe, announced a cost-cutting plan Thursday that would slash 8,000 jobs in France and close a major factory north of Paris.

General Motors Co. also announced on Thursday that it was replacing its top executive in Europe, apparently in an effort to speed up its restructuring there.

Ford shares rose 14 cents to \$9.27 in midday trading. They are down 27 percent since mid-March and have recently flirted with their October low of \$9.05.

Source URL (retrieved on 09/16/2014 - 10:18pm):

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