European truckmakers face 'sharpest downturn'

Robert Anderson

Two of Europe's largest truckmakers yesterday warned that the market was facing its worst downturn as customers delayed or cancelled orders because of the global financial crisis.

Orders at Volvo, the world's second-largest truck-maker, crashed 55 per cent in the third quarter year-on-year, and in Europe it had almost as many cancellations as new orders. Volvo received just 115 net order bookings for new trucks in Europe, down from 41,970 a year earlier.

"We're heading towards the sharpest downturn I've ever seen in Europe," Leif Johansson, Volvo chief executive, told analysts.

The company said that the slowdown appeared to be spreading to emerging markets and its orders in North America had failed to recover.

"We thought North America would come back up but right now it's not the case and its continuing to go down," Mr Johansson said.

Volvo's shares plunged 14.25 per cent to Skr37.30 on the news, while Scania, which is majority-owned by Volkswagen, closed down 8.88 per cent at SKr54.00.

European truckmakers had until last year enjoyed a long boom, driven by demand from construction and hauliers in Western Europe and fast-growing east European markets led by Russia.

Volvo said yesterday that many of its customers were holding back on replacing vehicles because of the economic uncertainty, and some were not receiving loans to finance new trucks because of tighter credit markets.

Scania, which is not present in the depressed US market, received 41 per cent fewer orders than in the same period last year, with a 69 per cent decline in western Europe.

Volvo announced that it expected industry sales in Europe this year to end flat or fall as much as 5 per cent, while the US market could contract by up to 10 per cent. Previously it expected the European market to grow 10 per cent and the US to end flat.

Both Volvo and Scania declined to give an outlook for next year given the financial uncertainty. Truckmakers have also been hit by higher material costs, which have squeezed margins. Volvo, which has a large construction equipment division, has been particularly affected by the rise in steel prices this year.

Net profit at Volvo fell 36 per cent to Skr2bn ($254m) in the third quarter on sales up 2 per cent to Skr69.60bn. Scania increased net profit by 3.6 per cent to Skr1.82bn on revenue up 2.6 per cent to Skr20.43bn.

Both truckmakers have been cutting production by cancelling shifts and laying off temporary workers.

However, Volvo also announced last month that it was cutting 1,400 truck production jobs in Belgium and Sweden. It then made 850 workers redundant this week in its construction equipment division in Sweden, adding to 500 already announced job cuts there.

Volvo said yesterday that it was considering further redundancies.

Fonte: Financial Times, London, October 25 e 26 2008, Primeiro Caderno, p. 9