



## Germany's once-mighty car industry is in crisis. What will it take to fix it?



For decades, car-making has been the jewel in Germany's industrial crown, a powerful symbol of the country's famous post-war economic miracle. Its "Big Three" brands, Volkswagen, Mercedes-Benz, and BMW, have long been praised for their performance, innovation and precision engineering. But today, the German motor industry is struggling

When you arrive by train in Wolfsburg, Lower Saxony, the first thing you see is the Volkswagen factory. Its huge facade, emblazoned with a giant VW logo and flanked by four tall chimneys, dominates one bank of the canal that runs through the city. The 6.5 sq km (2.5 sq mile) complex sits adjacent to the Autostadt, a kind of theme park devoted to the automobile and to VW, Europe's biggest carmaker. The Volkswagen Arena, a sports stadium, is a short distance away. Wolfsburg is Germany's answer to mid-20th Century Detroit -



not so much a city with a car factory as a factory with a city that has grown up around it. Some 60,000 people from across the region work in the plant, while the town itself has a population of around 125,000. Locals say that even if you don't work in the factory yourself, it's certain many of your friends will, along with half of your class from school. Wolfsburg and Volkswagen - it's kind of a synonym," explains Dieter Landenberger, the VW Group's in-house historian, as he looks lovingly at an early model Beetle. It is one of an array of beautifully restored classic cars in the Zeithaus – a huge, glass-fronted museum in the Autostadt dedicated to icons of the motor industry. We're proud of the plant," he says. "It is a symbol of that period in the 1950s when Germany had to reinvent itself and rebuild after the war. It was a kind of motor for the German economic miracle."

Today, however, the plant has also come to symbolise some of the main problems affecting the German car industry as a whole. The Wolfsburg factory is capable of building 870,000 cars a year. But by 2023 it was making just 490,000, according to the Cologne-based German Economic Institute. And in Germany it is far from alone. Car factories across the country have been operating well below their maximum capacity. The number of cars produced in Germany declined from 5.65m in 2017 to 4.1m in 2023, according to the International Organisation of Motor Vehicle Car-making makes up about a fifth of the country's manufacturing output, and if the supply chain is taken into account, it generates around 6% of GDP, according to Capital Economics. The industry employs some 780,000 people directly – and supports millions of other jobs.

It's not just production that is down. Sales of cars made by German brands are far lower than they were just a few years ago. Between 2017 and 2023, those of VW fell from 10.7m to 9.2m, while over the same period BMW's went from 2.46m to 2.25m and Mercedes-Benz's went from 2.3m to 2.04m, company reports show.

All of the Big Three saw their pre-tax profits fall by about a third in the first nine months of 2024, and each warned that their earnings for the year as a whole would be lower than previously forecast.