

Auto Sales Down 10.4 Percent Post-Clunkers

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WASHINGTON (AP) — Retail sales declined in September by the largest amount this year as car sales plummeted following the end of the government's popular Cash for Clunkers program. But outside of autos, sales were better than expected.

The Commerce Department said Wednesday that retail sales dropped 1.5 percent last month. That's smaller than the 2.1 percent fall economists had expected, but still the biggest setback since sales dropped 3.2 percent in December.

Car sales plunged 10.4 percent, but excluding autos, retail sales rose 0.5 percent. That's better than the 0.2 percent increase analysts expected.

Consumer demand, which accounts for 70 percent of total economic activity, is being watched closely by economists who worry that any recovery from the recession could stall due to rising unemployment and tight credit conditions.

Analysts believe the overall economy, as measured by the gross domestic product, is growing in the second half of this year at an annual rate of 3 percent or more. But the concern is that growth rate could slip sharply next year if consumer spending falters.

The 1.5 percent drop in retail sales in September followed a 2.2 percent surge in August, which was revised down from an initial estimate of 2.7 percent.

Demand for new cars surged in August as buyers rushed to take advantage of the government's incentives of up to \$4,500 to trade in old models for more fuel-efficient cars under the clunkers program that wrapped up at month's end.

Outside of autos, demand at gasoline stations rose 1.1 percent September, partially reflecting higher prices. Excluding gas and auto sales, retail sales rose 0.4 percent in September.

Other areas of strength included demand at furniture stores, which jumped 1.4 percent, reflecting the rebound in the housing industry. Sales at general merchandise stores, a category that includes big retailers such as Wal-Mart and Target, rose 0.9 percent. Sales at department stores edged up 0.4 percent.

Analysts had expected increases at general merchandise stores following reports last week from the nationwide retailers that sales grew in September at stores open at least a year compared with activity in September 2008. It marked the first year-over-year rise in sales after a year of declines, according to data from the International Council of Shopping Centers and Goldman Sachs.

A late Labor Day and delayed school openings helped retailers last month because

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consumers purchased some items in September that they would normally have bought in August.

J.C. Penney Co., Macy's Inc. and Target Corp. reported that sales at their stores open at least a year fell, but not as much as analysts expected.

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