

Americans Buy More, Smaller Cars In March

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DETROIT (AP) — Americans bought smaller cars and sport utility vehicles in March, as higher gas prices made fuel efficiency a top priority and rising employment meant more first-time buyers bought a vehicle.

The trends lifted U.S. sales of new vehicles by 17 percent from a year earlier to 1.25 million, a healthy rate that shows the auto industry's slow and steady recovery remains on track. The monthly sales pace, adjusted for seasonal differences and projected out for the year, came in at 13.1 million. That's higher than last year, but still far below recent boom years when car sales hit 16 million a year.

The March 11 earthquake in Japan had little impact on sales, although automakers said supplies of some cars could be tighter as spring progresses.

General Motors, Ford, Honda and Nissan all saw double-digit increases in sales. Of major automakers, only Toyota reported a decline of 6 percent, but that was expected since Toyota's sales last March were boosted by big incentives.

As gas prices rose, sales of more efficient cars and crossovers took off. The national average for a gallon of gas hit \$3.58 this week, the highest price ever for this time of year. Gas prices have jumped 25.1 cents per gallon in the past month.

"This is a new normal we're going to experience going into spring this year unless gas prices ease off dramatically," said Jesse Toprak, vice president for industry trends at auto pricing site TrueCar.com.

Sales of the Nissan Sentra compact car doubled over last year, while sales of the Hyundai Sonata and Elantra small cars rose a combined 55 percent. Fuel-efficient crossovers like the Ford Escape did well, too. Crossovers are sport utility vehicles built on car underpinnings so they're more efficient and maneuverable than truck-based SUVs.

But Toprak said gas prices weren't the whole story. Buyers always respond to new products, and it just happens that many of those products — like the Ford Fiesta subcompact and Chevrolet Cruze small car — are also the most fuel-efficient.

A healthier economy also gave buyers more confidence to walk into showrooms and walk out with a new ride. The economy added 216,000 new jobs in March, bringing the unemployment rate to a two-year low of 8.8 percent. Many of those workers are young people who were looking for work during the recession but now have jobs. The cars they want are under \$20,000 and fuel-efficient, Toprak said.

Larger cars, crossovers and SUVs are most hurt by the trend. Buyers seem to be moving down one vehicle size when they make a new purchase. Sales of the

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Chevrolet Traverse, a large crossover, fell 4.7 percent in March, while sales of the mid-size Chevrolet Equinox crossover rose 17 percent. Sales of the Ford Taurus large sedan slipped 15 percent, but the Ford Fusion midsize sedan saw its best sales month ever.

Pickup sales were down slightly, and buyers seemed to be looking for better mileage. Ford said 37 percent of F-150 customers opted for a new V-6 engine in March instead of the traditional V-8, which uses more gas.

In the past, this might have been a concern for automakers, who get heftier profit margins on larger vehicles. But Alan Batey, vice president of GM's Chevrolet division, said customers are equipping small cars with more expensive options like leather seats, which drives up prices. Just 20 percent of buyers are opting for a base model Cruze, he said.

General Motor Co.'s overall sales increase of 11 percent was propelled by the new Cruze, its first high-quality small car in years. The vehicle posted an 80 percent sales gain over its lackluster predecessor, the Cobalt. The increase was by far the largest for any GM vehicle last month.

But GM ended two months of sweet deals and its overall sales growth lagged rivals. Ford Motor Co. outsold GM for only the second month since 1998.

Ford's sales gained 16 percent on the strength of new vehicles including the new Explorer crossover, which saw sales double from last March.

Chrysler Group LLC said its 31 percent sales increase was led by midsize sedans such as the Chrysler 200, which was featured in a popular Super Bowl ad, and the Dodge Avenger. Sales growth for cars outpaced trucks, but truck sales still were strong at Chrysler.

Toyota Motor Co. attributed its sales drop to reduced rebates, rather than the earthquake. TrueCar.com said Toyota's incentives fell 23 percent from last March and 11 percent from February.

Toyota said supplies of some Japan-made cars are tight but adequate for now. The company is starting April with an 18-day supply of Prius hybrids, down from a 30-day supply at the beginning of March. But Prius production has resumed in Japan and shipments will be arriving soon, said Bob Carter, head of the Toyota division in the U.S.

Other automakers reporting sales Friday included:

— Kia Motors America, with a 44 percent increase from March of last year. Sales of the new Optima midsize car rose 90 percent.

— Honda Motor Co.'s sales jumped 23 percent. The subcompact Fit, which is made in Japan, led the way with a 49 percent increase, while Civic compact sales rose more than 40 percent.

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— Nissan Motor Co. said sales jumped 27 percent for the month. Sales of the Pathfinder SUV were strong, bucking the small-car trend.

— Hyundai Motor America reported a 32 percent sales jump.

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