

U.S. Auto Industry Remains Unsure With Weak July Sales

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DETROIT (AP) — Car buyers kept visiting dealerships in July, but not in big enough numbers to shake the auto industry's unease about its recovery.

Analysts predicted only a slight rise in U.S. sales of new cars and trucks for July. A lack of discounts and continuing shortages of Japanese cars kept many buyers away, causing sales to sputter for the third straight month. Americans also worried about the weakening economy.

"We're still not back on the track of recovery yet," said Jeff Schuster, executive director of global forecasting at J.D. Power and Associates. "There's definitely some weakness kind of looming out there."

Sales started strong this year, but have slowed as the economy's growth faltered and Japan's earthquake caused shortages of popular models sold by Honda and Toyota. The unemployment rate rose to 9.2 percent earlier this summer, the highest level this year, and consumer confidence is shaky.

But July wasn't a total loss. Sales of compact cars and newer, more fuel-efficient SUVs rose.

Trucks sales were down, however, hurt by continuing weakness in construction.

Chrysler Group LLC said its sales rose 20 percent over last July. It was helped by new products such as the Jeep Grand Cherokee, which saw sales jump 76 percent.

Sales rose 8 percent at General Motors, led by fuel-efficient vehicles such as the Chevrolet Cruze, which can get 30 mpg in combined city-highway driving. Analysts say even though gas prices have dropped, most people expect them to rise again. Sales rose sharply for the Chevrolet Equinox and GMC Terrain small crossovers, which also get good gas mileage.

GM Vice President of Sales Don Johnson said many customers decided to hold off buying cars last month because wrangling over raising the government's debt ceiling made buyers nervous.

"Uncertainty, in our business, is always bad for consumers," Johnson said.

Ford Motor Co. said sales rose 6 percent. The new Ford Explorer was a strong performer, with sales more than double a year ago. One of the company's small cars did well, too. The Fiesta saw sales rise 58 percent. But in disappointment for the company, the popular Focus couldn't capitalize on strong small-car sales,

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because problems at a factory limited production.

Buyers, who are accustomed to summertime discounts, are also concerned about high prices. Schuster said a standoff could be brewing between people waiting for deals and automakers that are reluctant to give them. Carmakers are keeping prices high because of rising steel costs and lingering shortages of some vehicles and parts.

Automakers spent an average of \$2,418 per vehicle on incentives, down 15 percent from last July, according to car pricing site TrueCar.com.

Johnson predicted that discounts would rise in the second half. Japanese cars are re-entering the market as their factories come back on line. That could boost industry sales because many people are waiting for those cars. Also, sales could get a lift from people who are driving older cars and finally need to replace them.

"The underlying fundamentals are there to get back on track with that slow, steady growth that we saw earlier in the year," Johnson said.

Other automakers reporting Tuesday:

— Kia Motors said its July sales jumped 28.5 percent thanks to strong sales of the new Optima sedan. Sales of the Optima were more than triple last year's numbers.

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