Hurricane Closes Tough Summer For Automakers

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DETROIT (AP) — Car sales likely slowed in August because of fewer discounts, worries about the economy and Hurricane Irene, which shut East Coast dealerships during the final weekend of the month.

Irene closed out a disappointing summer for automakers, which report U.S. sales on Thursday. The storm followed bad economic news that discouraged some buying and shortages of cars caused by Japan's earthquake.

Before the storm, J.D. Power was forecasting total sales of 1.07 million for the month. While that's 4 percent higher than August last year, it's still at a much slower pace than at the start of 2011.

The hurricane shut down dealers and damaged stores and inventory up and down the East Coast. Auto information site Edmunds.com estimated that at least 10,000 sales were lost because of the storm.

Paul Larson, the owner of Larson Ford Suzuki in Lakewood, N.J., sold just one car last Saturday, a day he might normally sell ten or more.

Judy Schumacher Tilton, the owner of Gearhart Chevrolet in Denville, N.J., moved 350 cars to higher ground before the storm hit, so she lost no inventory. Tilton hopes to reopen Friday and make up the lost sales as hurricane victims replace cars damaged in the storm.

"I can't even imagine the number of cars that have been lost here," she said. "Everyone's going to need an automobile."

That could spark auto sales this fall. Another factor is deals. Cash-back offers, low-interest loans and other deals have been scarce this summer because of car shortages. But they're expected to return as Japanese carmakers replenish their supplies in September and October.

Buyers will welcome those discounts. Total incentive spending per vehicle in August was down 4 percent to an estimated $2,663 per vehicle, according to car pricing site TrueCar.com. But Toyota was more aggressive with its spending, indicating that the company plans to win back share it lost because of the earthquake. The new Toyota Camry sedan coming to dealerships in October could also lift sales.

For now, the industry hopes that a return to more normal markets this fall will mean more buyers.

"September will be the acid test of underlying demand for the rest of the year," Jeffries auto analyst Peter Nesvold said Tuesday in a note to investors.

But the industry remains cautious. The unemployment rate is stuck at 9 percent, food and clothing costs are going up and consumer confidence dropped to its lowest level in more than two years in August.

"If there's one thing you need confidence to buy, it's a car," said Efraim Levy, an equity analyst with Standard and Poor's. Levy recently dropped his full-year U.S. sales forecast from 13 million cars and trucks to 12.9 million, citing low confidence and the fluctuations in the stock market.

Many dealers are uncertain, too. Brattleboro Subaru in Vermont was undamaged by the storm and open for business this week. But sales manager Luke Higley expects sales will be slow for a while because of severe flooding.

"We're going to have to wait and see," he said.

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