

Auto Sales: Bright Spot In Darkening Economy

Dee-Ann Durbin, Tom Krisher, AP Auto Writers

DETROIT (AP) — U.S. auto sales remained a bright spot in May even as the economy darkened.

Many of the biggest carmakers reported double-digit sales gains last month compared with a year earlier. Americans continued to replace their aging vehicles even though economic news was mostly downbeat.

Toyota, as expected, led sales increases with an 87 percent rise from a year earlier. In May of 2011, the company ran short of cars and trucks after an earthquake in Japan crippled its factories. But its showrooms were stocked with vehicles again.

Chrysler reported a 30 percent increase, followed by VW at 28 percent and Nissan at 21 percent. Ford sales rose 13 percent and GM was up 11 percent.

The results show that pent-up demand is overpowering any fears about the economy, analysts say. Unemployment in May rose for the first time in 11 months, increasing slightly to 8.2 percent. The stock market had its worst month in two years, and consumer confidence was shaky.

But people are buying because they have to replace aging cars and trucks that they kept through the Great Recession. The average age of a vehicle on U.S. roads is now pushing 11 years, and they are simply wearing out.

"You have so many old vehicles on the road," said Tom Libby, lead analyst for the Polk automotive research firm. He sees auto sales continuing to grow through the next two or three years.

People also feel they have a bit more money because gasoline prices have tumbled. They now average \$3.61 a gallon — 33 cents below the peak of \$3.94 on April 6. Some experts say gas could fall as low as \$3.40 between now and Labor Day.

Toyota will release sales figures later in the day, but analysts expect good sales from the Camry sedan, the new Prius V gas-electric hybrid wagon and Prius C subcompact. Analysts say Toyota is rapidly regaining market share it lost to Hyundai, General Motors and Ford in the months following the earthquake.

Pickup truck sales also appear to be rebounding. GM, Ford and Chrysler all reported that truck sales rose more than 20 percent last month.

Ford's F-Series pickups, the top-selling vehicle in the U.S., saw sales rise 29 percent over last May. Ford says demand for trucks has followed an increase in new home construction since the start of this year.

Auto Sales: Bright Spot In Darkening Economy

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

The strong sales of cars and trucks are a good sign for the economy, which has given off mixed signals of late. A survey released this week by the Conference Board suggested consumer confidence fell sharply in May, although a separate survey by Thompson Reuters and the University of Michigan showed consumer sentiment at its highest level in four-and-a-half years, partly because gasoline prices have dropped.

Consumer confidence is closely watched by car companies, since consumers need to have faith in the economy before they're willing to spend on big-ticket items.

May's sales pace is so strong that forecasting firm LMC Automotive raised its 2012 forecast to 14.5 million, up from 14.3 million.

That pace, while above the dismal sales of 10.4 million in 2009, remains below what would be normal in a healthy economy, said Jeff Schuster, LMC's senior vice president of forecasting. The monthly pace should be between 15.5 million and 16 million based on the number of households and the country's population, Schuster said.

But LMC is predicting sales of 15.2 million next year, which is closer to the healthy economy number. Schuster said sales haven't recovered as quickly as they have historically after recessions. The Great Recession ended nearly three years ago in June of 2009.

Still, U.S. automakers can now break even when sales are in the 10 million-range because they downsized dramatically during the recession. And with the pace of sales running at 14 million since the beginning of the year, profits have been strong.

Schuster cautioned that bad economic news can take a while to affect people's spending. But he also sees pent-up demand keeping auto sales strong through a sluggish economy.

"As long as there isn't a shock or a further deterioration of the economy on a broader scale, I think auto sales can power through right now," he said.

Source URL (retrieved on 10/01/2014 - 10:08am):

<http://www.impomag.com/news/2012/06/auto-sales-bright-spot-darkening-economy>