

Toyota Exec: Pent-Up Demand For New Cars Will End

Tom Krisher, AP Auto Writer

NEW YORK (AP) — The boom in sales of new cars in the U.S. has been fueled by consumers replacing vehicles they kept through the recession.

But a top auto industry executive says that the pent-up demand likely will be satisfied by late next year.

Jim Lentz, Toyota's North American CEO, told The Associated Press in an interview Thursday that demand for new cars from owners of older models could dry up sometime late in 2014. If the economy isn't creating jobs at a faster pace when that happens, the boom could screech to a halt.

"The market then has to work off a much better economy, an improving economy," Lentz said. "If we don't have that, I think the market may flatten out."

New car and truck sales hit a three-decade low of 10.4 million in 2009 as the financial crisis dried up money for car loans and U.S.-based auto companies nearly went out of business. Consumers, many who feared they could lose their jobs, refused to buy new cars and instead kept their old ones on the road.

Sales, though, gradually rebounded and now are running at an annual rate of around 15.6 million, just below pre-recession levels.

Lentz, speaking at the AP's New York headquarters, said the average car and truck in the U.S. is now more than 11 years old. At the same time, the supply of coveted used cars that are one-to-five years old is down to levels not seen since the 1980s. Used car prices have jumped, making their monthly payments as high as those for new cars, Lentz said. That's brought more buyers into new-car showrooms, he said.

But as people replace their cars at a faster rate, the used-car supply increases. Eventually, prices will drop and lure buyers out of the new-car market, he said.

"So in time, as that one- to five-year base builds its way back up, I think we're going to reach that equilibrium, probably sometime near the end of 2014," he said.

Jesse Toprak, senior analyst for the TrueCar.com auto pricing site, disagrees, saying pent-up demand isn't close to tapering off.

Consumers have not yet made up for four years of lower-than-normal auto sales, and won't for another three or four years, Toprak said. He also believes that consumers and businesses have just started to replace old pickup trucks that were held through the recession.

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If auto sales do slow, that could be bad news for the U.S. economic recovery. The auto industry has created thousands of jobs as sales have recovered, helping to keep the economy afloat for the past two years.

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