

Why car sales are strong in the US (Update)

January 3 2013, by Dee-Ann Durbin



In this March 3, 2012 photo, a lift brings a Volkswagen Beetle from a tower at the Autostadt in Wolfsburg, Germany. A steadily improving economy and strong December sales lifted the American auto industry to its best performance in five years in 2012, especially for Volkswagen and Japanese-brand vehicles, and experts say the next year should be even better. (AP Photo/dapd, David Hecker, File)

It's not quite boom times for the U.S. auto industry. But it's getting there.

Sales of new cars and trucks are likely to reach 14.5 million for 2012.

And if they climb much beyond that, they'll be closing in on a high set in 2005.

Cheap loans, a host of new cars and greater confidence in the economy are drawing buyers into showrooms. Plus, Americans who hung on to aging cars during the recession are ready to trade them in.

Here are the highlights and lowlights of 2012, and what's coming from the industry in 2013:

WINNERS

Volkswagen saw a 35-percent jump in sales in 2012, one of the biggest increases in the industry. The new Passat midsize car was the driver, with sales up 413 percent over 2011. Chrysler's sales jumped 21 percent thanks to strong sales of the Dodge Caravan minivan and the Jeep Grand Cherokee SUV.

LOSERS

Both General Motors and Ford gained sales in 2011 when the earthquake hurt their Japanese competitors. But the Japanese snatched those sales back in 2012, and GM and Ford lagged behind the industry. GM saw a 4 percent sales increase for the year, hurt by weak truck and Cadillac sales. Ford's sales were up 5 percent after new versions of some of its biggest sellers—the Ford Escape SUV and Fusion sedan—had to be recalled for safety problems. But they still had plenty of bright spots. Car and SUV sales were solid. New models like the Ford C-Max hybrid and the Buick Verano small car were well received.

WELCOME BACK, JAPAN

Those who wrote off Japanese carmakers after Toyota's recalls in 2010

and earthquake-related car shortages in 2011 were wrong. Japanese companies, who struggled after the earthquake, got their U.S. supplies back to normal in the first few months of 2012 and never looked back. Toyota's U.S. sales rose 28 percent and the Camry sedan had its best year since 2008. Honda's sales rose 24 percent.

HOT CARS

The Chevrolet Sonic, GM's first really competitive small car, quickly became the best-selling subcompact in the U.S. last year. Sales hit 81,247. Sales of the Volkswagen Beetle surged 400 percent to 28,654 after a more aggressive, masculine design hit showrooms. The latest version of the Honda CR-V, a favorite family hauler, set an annual sales record of 281,652. The Toyota Prius jumped 73 percent to 236,659 thanks to new wagon, subcompact and plug-in versions.

SLOW STARTERS

The new Dodge Dart, a compact that was rolled out with much fanfare last summer, didn't start gaining momentum until the end of the year. December sales were 6,105, or more than double those in August, but still just a fraction of competitors like the Chevrolet Cruze. Sales of the new Chevrolet Malibu were up just 3 percent in 2012. The new Nissan Altima, which has a more dramatic design and a host of advanced features like a lane departure warning system, has struggled in a crowded market. Altima sales were flat or down for three of the last four months of 2012.

THINKING SMALL

Small cars were big sellers as gas reached \$3.60 per gallon, which AAA said was the most expensive annual average on record. The Ford Focus compact jumped more than 40 percent and outsold Ford's midsize

Fusion. Honda Civic sales jumped 44 percent and nearly outsold the Accord. Sales of the Fiat 500 mini car more than doubled.

PICKUPS PICK UP

After four years of lackluster sales, big pickups started to gain traction late in the year. Home construction began to recover. That directly affects pickup sales because builders feel more confident and replace old trucks. Those trucks needed replacing; the average U.S. pickup is more than 11 years old. Sales of Ford's F-Series rose 10 percent for the year. Chrysler Ram sales rose 20 percent, and the Toyota Tundra was up 23 percent. Jesse Toprak, vice president of industry trends for the TrueCar.com auto pricing site, said businesses buy trucks when they see new ones on the road.

"When a couple of businesses buy, other businesses see this as a 'go' sign," he said.

POWER OUTAGE

Electric cars continued to struggle because of high price tags and worries about a lack of places to charge up batteries. GM cut production of the Chevrolet Volt in the spring and later began offering big discounts to juice sales. The Volt ended 2012 with total sales of 23,461, which was triple its sales in 2011. But the electric Nissan Leaf was up just 1.5 percent to 9,819, far short of Nissan's goal of selling 20,000 Leafs in the U.S. in 2012.

FISCAL CLIFF

Carmakers don't expect the tax increase on people making more than \$400,000 a year to impact sales. Ford's chief economist says only 2 percent of new-vehicle buyers are in the top tax bracket. Audi of

American President Scott Keogh says the increase won't cut disposable income enough to hurt luxury sales. He says the average income of an Audi buyer is about \$191,000, not in the status-conscious top tax bracket. "We are not what I would call a frivolous, over-the-top vanity purchase," he said.

RISING STOCKS

GM and Ford investors had a happy finish to 2012. Ford's stock price is trading at more than \$13, up 22 percent over the past year. It has climbed steadily since October, when the company announced an overhaul of its struggling European operations. GM's stock price has jumped 42 percent in the past year and is now nearly \$30. The carmaker turned a strong profit over the summer. It also restructured in Europe and has started buying back the government's stake in the company.

LOOKING AHEAD

There's cause for optimism this year because of employment, housing and consumer confidence gains, said Jesse Toprak, vice president of industry trends for the TrueCar.com auto pricing site. Interest rates remain low. Fierce competition is holding car prices in check. And many people simply need to replace their cars, whether they were destroyed by Superstorm Sandy or because they're just getting too old. Toprak predicts that Americans will buy a million more cars this year than they did in 2012. Ford thinks sales could reach 16 million. The most recent high set in 2005 was nearly 17 million.

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