

SHOWROOM

JOURNAL

US auto sales declines show signs of stability

by TOM KRISHER
AP Writer



2010 Mustangs and Mustang GT's sit at a Ford dealership in the Colorado city of Centennial. Executives at Ford Motor Co. were starting to party Wednesday, July 1, as the company reported its smallest sales decline since July of last year, a big sign that US auto sales may be recovering from the worst slump in 27 years.

DETROIT – US car and truck sales showed signs of stabilizing in June after a year of sharp declines, but every major automaker except Honda Motor Co. reported lower sales than in May.

Still, year-over-year declines last month slowed for four of the six major carmakers, with Ford Motor Co. reporting the smallest drop in a year at 10.7 percent when compared with June of 2008.

Even Chrysler, which emerged from bankruptcy protection early in June, saw its year-over-year sales decline shrink, and analysts say that's among the signs that an auto industry slump that began with \$4 per gallon gasoline last summer could be leveling off.

"It is unlikely things will get any worse," said Jesse Toprak, executive director of industry analysis for the auto Web site Edmunds.com.

Factors such as a slowly improving economy and government incentives of up to \$4,500 to trade in inefficient clunkers for new vehicles could lead to modest improvements in the second half of the year, he said.

And while Chrysler's sales results were dismal, the figures were roughly in line with analyst estimates and reflect a company that is in a major transition following bankruptcy protection and new focus on more fuel efficient vehicles.

"At a time when they are emerging from bankruptcy and trying to reinvent themselves, it is not a huge surprise," Toprak said.

Toprak said affordability and gas prices that rose from \$2.28 per gallon in May to \$2.64 in June boosted sales of compact cars, hybrids and compact sport utility vehicles.

Families and consumers looking for larger vehicles are also leaning more toward minivans because of the practicality when compared to alternatives like low gas mileage SUVs, he said.

Economists say there are signs that the economy is recovering, with housing starts rising more than expected in May and wholesale prices remaining in check. But the Conference Board reported Wednesday that consumer confidence fell unexpectedly in June.

"We're making steady progress," Jim Farley, Ford's group vice president of marketing, said in a statement. "We remain grounded, however, given challenging industry and economic conditions."

Ford's year-over-year sales drop was the smallest of the six largest automakers. General Motors Corp. sales slid 33.4 percent despite incentives and discounts on its Pontiac brand, while Toyota Motor Corp. sales were off 32 percent. Honda Motor Co. saw a 30 percent decline because of extremely strong small-car sales last June when gasoline was above \$4 per gallon. Nissan Motor Co. reported a narrower decline than in previous months, down only 23 percent.

GM's decline improved when compared with previous months even though it entered Chapter 11 bankruptcy protection on June 1. GM plans to sell or close Pontiac, Saturn, Hummer and Saab to focus on four core brands — Chevrolet, Cadillac, GMC and Buick.

At Chrysler, though, the company sold only 68,297 cars and trucks last month as it emerged from bankruptcy protection, and many of those were due to strong incentives of more than \$4,800 per car, according to Edmunds.

Analysts predict that June sales, adjusted for seasonal variances and multiplied to determine an annual rate, could top the 10 million mark for the first time this year. During several months earlier in 2009, US car and truck sales dropped to a rate of about 9 million vehicles, a huge reduction from more than 16 million as recently as 2007.

But any jump in the annual rate could be fueled by fire-sale prices at 789 Chrysler dealers that were fired by the company during the bankruptcy process and told to get rid of their inventory by June 9. Also, with GM dropping its Pontiac brand, incentives will rise on those models.

Toyota's top-selling Camry midsize sedan saw sales fall 37 percent while Corolla compact sales plunged 53 percent.

One bright spot for Toyota was its recently released third-generation Prius, which saw sales rise 10 percent. Prius sales had suffered in recent months as gas prices plunged from more than \$4 per gallon last summer to below \$2 a gallon in the winter.

Nissan's decline narrowed despite weaker sales of its top-selling Altima midsize sedan. The automaker sold 2,137 units of its boxy

Nissan Cube in its first month of sales.

Dearborn, Mich.-based Ford 154,873 cars and light trucks last month, with strength in its midsize Fusion and the Flex crossover vehicle. That was still less than the 161,197 sold in May, traditionally a stronger sales month than June.

Chrysler said it sold only 68,297 vehicles last month, despite fire-sale prices at 789 dealerships that the company terminated.

Ford's surprisingly low decline came after a string of months in which it and other automakers reported year-over-year drops of more than 40 percent. Ford's sales were down 24 percent in May and off 37 percent for the first five months of the year.

Ford is the sole US automaker to avoid bankruptcy protection and it's the only one not receiving government loans to keep from running out of money. GM and Chrysler are receiving billions in loans, and GM inching its way closer to escaping Chapter 11.

In anticipation of increased traffic at dealers and higher sales later in the year, Ford announced Monday that it would boost its third-quarter production by 25,000 vehicles. ■

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Retail gas dropped every day last week

NEW YORK – Pump prices fell every day last week, easing off a summer peak near \$2.70 a gallon as US storage facilities swelled with unused gasoline.

The national average for gasoline dropped less than a penny Friday to \$2.658 a gallon, according to auto club AAA, Wright Express and Oil Price Information Service. Benchmark crude for August delivery fell \$1.07 cents to settle at \$69.16 a barrel on the New York Mercantile Exchange.

Oil prices followed stock markets lower as a wave of speculative buyers looked for direction after the Federal Reserve said the struggling economy would hold back inflation this year.

The Dow Jones industrial average fell 34.01, or 0.4 percent, to 8,438.39.

The Standard & Poor's 500 index fell 1.36, or 0.2 percent, to 918.90. The Nasdaq composite index rose 8.68, or 0.5 percent, to 1,838.22.

In other Nymex trading, gasoline for July delivery fell 2.42 cents to settle at \$1.8742 a gallon and heating oil lost 4.6 cents to settle at \$1.7303 a gallon. Natural gas for July delivery rose 11.6 cents to settle at \$4.105 per 1,000 cubic feet. (AP)

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