

December 10, 1986

RECENT DEVELOPMENTS

Prepared for the Federal Open Market Committee

By the staff of the Board of Governors of the Federal Reserve System

U.S. CAPACITY TO PRODUCE AUTOMOBILES¹
(Millions of units per year)

| | 1979 | 1982 | 1986 | 1988 ² |
|-----------------------------------|--------|--------|-------------------|-------------------|
| <u>TOTAL</u> | 11.095 | 10.241 | 10.844 | 10.986 |
| <u>Domestic</u> ³ | 10.881 | 9.903 | 10.255 | 9.557 |
| General Motors | 6.267 | 6.044 | 6.398 | 5.700 |
| Ford | 2.815 | 2.195 | 1.837 | 1.837 |
| Chrysler | 1.345 | 1.160 | 1.516 | 1.516 |
| AMC/Renault | .454 | .504 | .504 ⁴ | .504 |
| <u>Foreign-owned</u> ³ | .214 | .337 | .589 | 1.429 |
| Volkswagen | .214 | .239 | .239 | .239 |
| Honda | — | .098 | .230 | .360 |
| Nissan | — | — | .120 | .150 |
| Toyota | — | — | — | .200 |
| Mitsubishi | — | — | — | .240 |
| Mazda | — | — | — | .240 |
| Fuji-Isuzu ⁵ | — | — | — | — |

1. The capacity estimates represent capability to assemble automobiles; they do not take account of shortages of key components, but do assume reasonable work patterns. The annual rate of assembly capacity is based on the historic maximum hourly rate of output for each assembly plant as reported in Ward's Automotive Yearbooks. The hourly rate for each plant is multiplied by a fixed number of 3,910 hours worked per year to obtain the annual capacity rate of output. Although this method is plausible, it leads to estimates that may never be reached in the aggregate because of shortages of parts or labor or because demand for some model cars remains low even in periods of booming automobile sales.

2. Planned.

3. Some of the capacity in both the domestic and foreign-owned categories represents joint ventures. The classification of capacity to domestic or foreign-owned depends upon the trademark displayed on the finished car.

4. AMC also is producing cars for Chrysler.

5. A plant is planned to be built in Lafayette, Indiana. It will probably open in 1989. The plant will initially produce about 120,000 vehicles—autos and light trucks.