

November auto sales up on storm recovery, pent-up demand

Reuters – Auto sales are expected to rebound robustly in November, potentially hitting their strongest pace in more than four years, as consumers in the Northeast returned to dealerships after superstorm Sandy hurt demand in late October.

November sales were also boosted by pent-up demand for vehicles as consumers replaced their aging cars and trucks, analysts and executives said.

“People need a car and we’ve seen that pick up really quickly, especially in the last 10 days,” Brian Carolin, senior vice president of sales and marketing at Nissan North America, said at the Los Angeles Auto Show on Wednesday.

“I was chatting with someone from one of the rental companies earlier,” he said. “They had to ship more cars into the Northeast because of the demand. Obviously, people are in rental vehicles, they are waiting for their insurance claims to be processed and then they are going to come back into the market quite strongly.”

Automakers are scheduled to report U.S. sales results for November on Monday and analysts expect an increase of 11 percent to 13 percent as the sector nears completion of its strongest year since 2007. Auto sales are an early indicator each month of U.S. consumer demand.

One concern for the industry is the “fiscal cliff” the United States faces – a combination of government spending cuts and tax increases due to be implemented under existing law in early 2013 that may cut the federal budget deficit, but also tip the economy back into recession. Auto executives expect Democrats and Republicans to reach a deal to avoid that issue.

“You may have to grab your wallet, but I think they will have a deal,” said Jim Lentz, CEO of Toyota Motor Corp’s USA sales division. “The thought of (no deal) is not a reality.”

General Motors Co’s head of North American operations, Mark Reuss, said the aging vehicles remain a powerful driver for sales and the specter of the fiscal cliff is not driving decision-making at the U.S. automaker. “There’s still a lot of pent-up demand,” he said. “I’m not making production decisions on it.”

Analysts and executives predict an annual sales rate in November of 14.8 million to 15.3 million vehicles, rebounding from October’s disappointing results when superstorm Sandy affected buying in the last few days of the month.

Morgan Stanley analyst Adam Jonas, who expects a November annual rate of 15 million vehicles, pointed to the advanced age of many vehicles on the road, a factor industry officials have been touting for at least a year. The average age of a car has hit a record high of almost 11 years.

“It’s pent-up demand and not just a Sandy rebound,” Jonas said in a research note. “Most of this demand reflects the buoyancy in consumer expectations.”

Mark Fields, who will become Ford Motor Co’s chief operating officer on Saturday, shared that optimism at the auto show on Wednesday.

“I wouldn’t be surprised to see the industry start with a 15 (million),” he said of the sales rate. “And it’s particularly strong in the Northeast as the area recovers from Sandy.”

The improving U.S. housing market also offers hope for car sales as rising home values boost consumer confidence.

“House prices have quit their free fall and are stabilizing and moving upward in most states,” Paul Taylor, chief economist for the National Automobile Dealers Association, told Reuters on Tuesday at a conference in Los Angeles hosted by J.D. Power and the dealer trade group.

He expects U.S. auto sales next year to rise by about 1 million vehicles from 2012. Sales this year are expected to finish as high as 14.4 million vehicles, which would mark the strongest numbers since 16.1 million in 2007 – before the recession drove GM and Chrysler into bankruptcy.

Nissan’s Carolin said the automaker is optimistic the market will pick up in 2013, hitting about 15 million sales. “Kind of the nice progressive growth we’ve seen over the last couple of years since the big recession,” he said.

Toyota’s Lentz said November auto sales are typically weaker than the months around it, so the strength this year is notable.

Lentz expects the annual sales rate in November to fall between 14.8 million and 15.2 million vehicles. He said the Japanese automaker believes 400,000 cars and trucks were destroyed by Sandy and 100,000 of those were new vehicles.

John Mendel, executive vice president of Honda’s American operations, expects a rate of about 15 million.

Industry researcher TrueCar.com expects November sales to rise almost 13 percent, and the annual sales rate to finish at 15.2 million vehicles, which would mark the highest monthly level since hitting 15.5 million in February 2008.

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