

## **April 2013 US Auto Sales Forecast: Down About 10% From March, But Up About 11% From April 2012**

The world's top automakers will release their U.S. April sales numbers on Wednesday, and analysts expect them to show a decline compared with March's sales level. However, at the same, analysts expect an increase compared with the year-earlier figures as the industry heads toward its best six-month stretch since the Great Recession. Analysts expect that total light vehicle sales declined by approximately 10 percent from the March level but increased approximately 11 percent from the number of vehicles sold in April 2012. If April sales meet or exceed these expectations and if even more vehicles are sold in May, the U.S. auto market will be in line to meet economists' forecast of a 2013 sales increase of at least 15.2 million cars, up from 14.5 million cars in 2012. This would give the industry its best year since 2007, far above the dismal 10.4 million units sold amid the peak of the last economic crisis in 2009. Further, since April car sales tend to be weaker than the preceding and succeeding months, carmakers are on track in the first half of the year to meet the annual estimate. The April numbers could bring some welcome economic news that would contrast with recent discouraging U.S. jobless figures and two consecutive weak U.S. gross domestic product reports. "What we're seeing out there in the economy; it doesn't look as though there are any significant hurdles that will pose a problem for the auto industry," said Alec Gutierrez, senior market analyst for Kelley Blue Book. Analyst estimates about what April's report will look like are relatively similar. J.D. Power and Associates expect retail auto sales — which excludes government procurements and company fleet purchases — to be down 10.3 percent in April, to approximately 1 million vehicles from 1.2 million in March, but up 9 percent from April of last year. According to Edmunds.com, total April sales, including fleet and government purchases, will rise 10.4 percent compared with last year, while Kelley Blue Book predicts a more bullish year-over-year jump in April, to 11.4 percent. TrueCar.com, meanwhile, anticipates a 10.7 percent rise. Averaging two estimates, one from Kelley Blue Book and the other from TrueCar.com, the following numbers are expected from the top five auto sellers: - General Motors Co. (NYSE:GM) is forecast to report a year-over-year sales increase of 11.1 percent, with sales of about 237,000 units - Ford Motor Co. (NYSE:F) should see an increase of about 16 percent compared with last April, with nearly 208,000 units sold - Toyota Motor Sales, U.S.A., Inc., the wholly owned subsidiary of Toyota Motor Corp. (TYO:7203), is expected to rise about 7 percent to about 190,000 units - Chrysler LLC, a subsidiary of Italy's Fiat SpA (BIT:F), should sell about 157,500 units for an 11.8 percent gain compared with last April - Honda North America, Inc., the wholly owned unit of Honda Motor Co. Ltd (TYO:7267), is forecast to sell about 129,500 units this month, or about a 6.2 percent increase. The Traditional April Sales Slump April sales tend to be weak compared with the months that bookend it, largely because it contains the U.S. income tax deadline. "People tend to hold back on buying during tax time, so from March to April it's not uncommon to see a double-digit decline," says Jesse Toprak, senior analyst for auto intelligence provider

TrueCar.com. "Sales then usually level off after May."The industry's benchmark metric, known as the seasonally adjusted annualized rate (SAAR), for April is expected to be between 15.1 million and 15.2 million vehicles. For the past six months the SAAR has held steady between 15.3 million and 15.5 million, and the SAAR has declined from a boom in purchases before the end of last year. But its decline still puts it on course to end this year ahead of last year."The market is stable, one of those things that doesn't make great headlines but indicates a healthy industry: stable and sustainable growth fuelled by improving consumer demand," says Toprak.Easy Credit Fueling Car SalesSo why is the auto industry doing so well if the overall economic growth is tepid?Mainly it's because of credit. Only 15 percent of cars bought in the U.S. are bought with cash, and lenders are more eager than they have been in years to finance cars."Financial institutions are anxious to lend for new and used light vehicles," said Paul Taylor, chief economist for the National Automobile Dealers Association. "Car lending is the part of the monetary transmission mechanism that is working, even as some lenders are reluctant to finance and refinance home loans."Rising Used Car InventoriesRecent new vehicle purchases have also been fueled by rising trade-in values. The more one gets for a used vehicle, the more likely that person is to trade it in for a new one. The used car market has been suffering from a lower supply of used vehicles as Americans have held on to their aging machines. But the effects of trade-ins on vehicle sales will not last throughout the year: As the supply of used vehicles goes up, the incentive to buy new cars goes down as more options are available in the used car market."We tend to see used car values increase through the first quarter in anticipation of a strong spring market," said Gutierrez. "Dealers get out there they want a lot of vehicles in their inventory, which drives up auction values, which drives up trade-in values. We've already seen this spring seasonal peak at auctions; that occurred in early April."Adding to the replenishment of used vehicles in the market is that lease returns are expected to be up by somewhere between 300,000 and 500,000 vehicles, a pace that will accelerate toward the end of the year. This means that as 2013 progresses, more used cars will be available in the marketplace.Still, virtually all analysts unanimously say that this year will be better than last, and performance in the first half of the year suggests they're right. And if that continues, then 2014 will be the year U.S. auto sales numbers could match or exceed the rate seen prior to the last economic meltdown. Some 16.1 million units were sold in 2007."Sixteen million unit sales next year is not a far-reaching target," said Toprak. "It's certainly attainable if we maintain momentum. It might not happen in early 2014, but at some point in 2014 it's very reasonable to think we would begin seeing 16 million SAAR."Gutierrez agrees."Our estimate is the high-fifteens [sales of nearly 16 million next year]," he said. "But if you're talking about another 100,000 units to get to 16.1, it's definitely possible if things continue as they're going today."ibtimes.com