

Auto sales expected to stay strong into 2013

News regarding car sales may start to garner bigger-than-usual headlines this week — even as Americans redirect their attention from Superstorm Sandy to the upcoming national elections. The toll from Sandy may include hundreds of thousands of cars, many of which have been submerged and will be written off as total losses — and will have to be replaced.

New car sales have already been on an upswing. Industry analysts expect sales to be around 1.1 million units for October — up as much as 12% from last year. That's despite any Sandy-related disruptions at the end of the month.

"We're seeing a healthy trend as consumers are taking advantage of historically low interest rates and much easier access to credit," said Tim Jackson, President of the Colorado Automobile Dealers Association, after a report new vehicle registrations in his state rose nearly 22% in the first nine months of 2012. "Also, they are replacing their older vehicles from a wide variety of new products and fuel-efficient models."

"It is becoming clear that the U.S. automotive market is finally approaching a stage of a more natural level of demand, which has been accelerated by increasing consumer confidence and a need to replace aging vehicles," says Jeff Schuster, analyst for LMC Automotive, as reported by TheStreet.com. "This stability at a higher level is taking the edge off the risk factors for the remainder of 2012 and into 2013, as the U.S. economy wrestles with the European crisis."

And even while the European debt crisis weighs heavily on the markets, U.S. automakers appear optimistic.

General Motors announced better-than-expected third-quarter earnings on Wednesday. The company says its disciplined and pragmatic approach is helping. "GM had a solid quarter because customers around the world love our new vehicles," said Chairman and CEO Dan Akerson. "And we're also seeing green shoots take hold on tough issues like complexity reduction, pensions and Europe."

This appears to be part of a general upward trend for the U.S. auto industry. AutoNation, the country's largest auto retailer, said its retail sales of new vehicles were up 23% in September and up 22% for the third quarter compared to last year.

This data could also become a new chess piece in the U.S. presidential race, which is entering its final days. Democrats and Republicans have been arguing for months over who is best protecting the interests of American automakers. Just this week, President Obama is taking Mitt Romney to task over his TV ads — which claim the Republican candidate will do more to help the auto industry.

Looking beyond the presidential election, new car sales are expected to stay strong next year as well. Kelley Blue Book says 2013 sales will be above 15 million units due to low interest rates, new product redesigns and replacement demand.

"These factors have kept vehicle sales moving forward despite powerful economic headwinds, and Kelley Blue Book analysts believe demand

will remain strong enough to drive sales even further along next year. Although the economy is expected to continue to grow slowly in 2013, there is plenty of evidence to support another strong year of auto sales,” said senior market analyst Alec Gutierrez.