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Decade lows seen for May auto sales

Fuel costs hit profitable vehicles. Truck-heavy lineups at Detroit's Big Three hit particularly hard as Japanese rivals gain

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Reuters

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Major automakers are expected to post steep declines in U.S. sales for May, as the spike in gasoline prices battered an industry already reeling from weak consumer confidence and tighter credit.

Weak U.S. sales in May would add to growing concerns that the world's largest market for vehicles is headed for a deeper downturn this year, with only limited gains to come in 2009.

Ford Motor Co. warned last week that it no longer expected to turn a profit in 2009 as runaway fuel prices undercut sales of its most profitable pickups and SUVs.

The announcement marked the first major setback for Ford's turnaround plan under CEO Alan Mulally and came as sales of trucks contracted sharply as a share of an already-slumping market.

"The market's going to be weak this year and we don't see much improvement next year. The economy is going to remain weak and oil prices will continue to rise," said George Magliano, an analyst at Global Insight. "With oil prices at this level, we're looking at even lower sales for the next few months."

Analysts expect May auto sales to drop more than 10 per cent in May from a year earlier after adjusting for one more selling day compared with a year earlier.

Forecasts for the annualized sales rate in May range from 14.2 million to 14.9 million units. That compares with about 14.4 million in April, which marked the worst result for the industry since August 1998.

U.S. light-vehicle sales dropped nine per cent to 4.82 million units in the first four months of 2008, led by an 18-per-cent drop in truck sales and a 26-per-cent plunge in SUV sales.

Rising gas prices and a corresponding shift toward more fuel-efficient cars and crossovers have hit Detroit-based automakers, with their truck-heavy lineups, particularly hard.

General Motors Corp., the No. 1 U.S. automaker, is still holding out hopes for a second-half recovery, although executives have acknowledged any recovery would be less robust than they had expected.

Citigroup lowered its outlook for U.S. industry-wide sales this week for both this year and next, forecasting 2008 vehicle sales of 14.95 million units and 2009 sales of 15.4 million.

U.S. light-vehicle sales for 2007 were near 16.15-million units, and many industry analysts

had expected sales to decline only slightly this year just a few months earlier.

GM is expected to post a 22-percent to 25-per-cent drop in May sales, with Ford sales seen down as much as 22 per cent. Sales at Chrysler LLC are also expected to be down by more than a fifth, according to analyst forecasts.

Japanese rivals, with more established small car offerings, are expected to have picked up most of the market share lost by Detroit's Big Three.

Sales at Toyota Motor Co. are seen down seven per cent. But Honda Motor Co. is expected to report a three-per-cent gain, while sales at Nissan Motor Co. are seen flat from a year ago. The forecasts are on an adjusted basis.

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