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Auto sales running strong close to 18 million units.

Car sales, consumer sentiment and business cycles move in similar direction. There were close to 18 million cars and light trucks sold in the US, over the last 12 months, 40% of them, passenger cars, and a quarter of all the passenger cars were imports. Auto sales in the US has now surpassed its pre-recessionary level.

Auto sales ran at close to 17 million units annually before the great recession. The recession pulled the bottom off the car sales. As the recession progressed, consumer sentiment and then car sales dropped, bottoming at 10 million units (annual sales) by end of 2008, a huge drop. Car sales generally followed the consumer sentiment index with a lag of 2 to 3 months.

Consumer sentiment index started to slowly climb at the end of 2008, some 6 months before the end of the recession. Car sales, on the other hand, continued its decline all the way through the spring of 2009.

And then the “cash-for-clunker program” was introduced to the market. The sheer size of the buy back, not only stopped the decline in car sales, but also spiked the sale volume up by around 40%. And that clearly rekindled the car market so that after the end of the program, the car sales continued to grow and at a significantly stronger pace than before. In a year's time, and way after the end of the program, car sales were 30% higher than before the program started. The cash-for-clunker program worked and kick started the car market, which is what the program was designed to do.

By summer of 2013 the consumer sentiment index was back to its pre-recessionary levels. And this was followed by auto sales reaching 16 million units also for the first time since 2007.

The consumer sentiment index has been hovering between 90 and 95 since 2014, the same range that it was in during the prosperous economics times before the recession. Auto sales, also rose to its pre-recessionary level by 2014 and has now surpassed its pre-recessionary level.

We are in the 7th year of this recovery, and as with all recoveries, we expect the pace of growth to slowdown as unemployment rate dropping closer to the so-called full-employment level, and despite of that data indicate that car sales will remain strong, at least, for the balance of the year.

