US auto sales fall for sixth straight month

By Shannon Jones
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US auto sales fell again in June marking four months when year over year figures have declined. US-based automakers led the way, with General Motors and Ford both recording sharp drops.

Ford reported a 5.1 percent sales decline for the month while GM said it sales were down 4.7 percent. Hyundai recorded the sharpest decline at 19.2 percent and Fiat Chrysler sales were down 7 percent year over year. Hyundai relies on passenger car sales, which have been hardest hit by the sales slump.

The fall in car sales takes place under conditions of general economic stagnation and signs of mounting crisis. GDP growth for the first quarter of 2017 came in at a revised 1.4 percent, an anemic growth rate for a supposed recovery. Wages gains are all but nil, state and local governments are cutting spending and consumers are burdened with high levels of debt.

Sagging Jeep sales pulled down Fiat Chrysler numbers, with the Jeep brand recording an 11 percent drop. The Jeep Wrangler showed a 55 percent drop and Cherokee sales fell 27 percent. Grand Cherokee sales rose 21 percent and Renegade sales were up 2 percent.

While Japanese-based automakers Toyota, Nissan and Honda recorded small gains, the poor numbers from US car manufacturers led to an overall decline for the month of about two percent. Year over year sales by the six largest automakers are down about 2.6 percent for 2016.

Analysts tried to put a good face on the numbers, noting that auto sales were still expected to hit close to the 17 million mark in 2017, after posting a record 17.55 million units in 2016.

However, June’s sales meant that the industry has experienced declines for the first six months of the year, the first time this has happened since 2009, the year after the financial crash and the same year as the GM and Chrysler bankruptcies. The sales pace was at its lowest since 2014 and the number of customers visiting dealerships was at its lowest level in five years. The lower sales number came despite significant consumer discounts and easier credit terms.

Consumers are hard pressed to afford new vehicles that are becoming more expensive year by year. The larger vehicles that are now in demand carry price tags in the $30,000-$60,000 range, out of the reach for ever greater numbers of low wage workers. The average monthly payment on a car or truck is now over $500. At the same time banks are tightening loan requirements as the default rate surges. For example, JP Morgan Chase reduced its auto lending by 17 percent in the first three months of 2017 compared to last year. As of March 31, auto loan debt made up about 9 percent of total household debt of $12.72 trillion.

Declining sales have already led to layoffs in the auto industry as auto companies cut production to reduce unsold inventories. The cuts threaten to have a ripple effect as auto production is a significant part of overall manufacturing production in the US, with auto part suppliers dependent on orders from assembly plants. Overall US manufacturing fell 0.4 percent in May, fueled by a 2 percent drop in auto manufacturing. Initial reports indicate that US manufacturing output also fell in June. Auto analysts warn that a flood of previously leased vehicles hitting the market could further hurt sales.

In May, Ford announced that it was planning mass layoffs of its salaried workforce in a cost cutting move. Ford said it needed to free up some $3 billion to assist in development of new technologies such as driverless cars.

While Ford has not made permanent cuts to its hourly workforce in the US, it has ordered temporary shutdowns at several plants, including those that build its popular F series pickup trucks. It has meanwhile made cuts to its hourly workforce in Europe. In Germany, it has offered buyouts to staff over the last several months.

GM has announced a series of permanent layoffs over the last six months, eliminating shifts at its Lordstown, Ohio plant, and Lansing Grand River and Detroit-Hamtramck factories in Michigan. It recently announced the elimination of a shift at its Fairfax Assembly Plant in Kansas City, Kansas that builds the Malibu passenger car.

Fiat Chrysler has ended passenger car production in the US in favor of larger size vehicles, which are more profitable and more in demand. Still its overall sales have slumped. Thousands of workers are currently on layoff as it retools its Toledo Jeep and Sterling Heights, Michigan assembly plants to build its new models.

Pressure from financial markets for higher profits has led auto companies to abandon the practice of using fleet sales to car rental companies to offset slack retail sales. Fleet sales usually come with a big discount and therefore eat into profit margins. For example, GM sold 31,000 rental cars in the first half of 2017, a decline of 21 percent from one year ago. Rental sales now account for about 8 percent of total GM sales. That is about one half what it was in years past.

The downward pressure on auto stocks is so great that auto startup Tesla, which has yet to mass produce a vehicle, has a market capitalization on a par with GM, the largest US automaker.

The United Auto Workers (UAW) facilitated the current round of layoffs by agreeing in the 2015 contract to permit the hiring of more temporary and part time workers, who enjoy few job protections and limited recall rights. These workers are being treated by the auto companies as a disposable workforce. Many of those laid off are facing the end of their state unemployment benefits and are not eligible for supplementary unemployment benefits due to being part time or temporary.

Despite the sales slowdown automakers are expected to announce steady second quarter profits later this month due to the wage and benefit cuts and speedup the UAW has enforced in the plants.
