

Motor Vehicles, 2000

By Ralph W. Morris

SALES of new motor vehicles increased in 2000, but at a much slower pace than in 1999. Unit sales increased 2.4 percent, to a record 17.8 million, in 2000 after increasing 9.0 percent in 1999 (chart 1 and table 1).¹ Sales peaked at 19.1 million

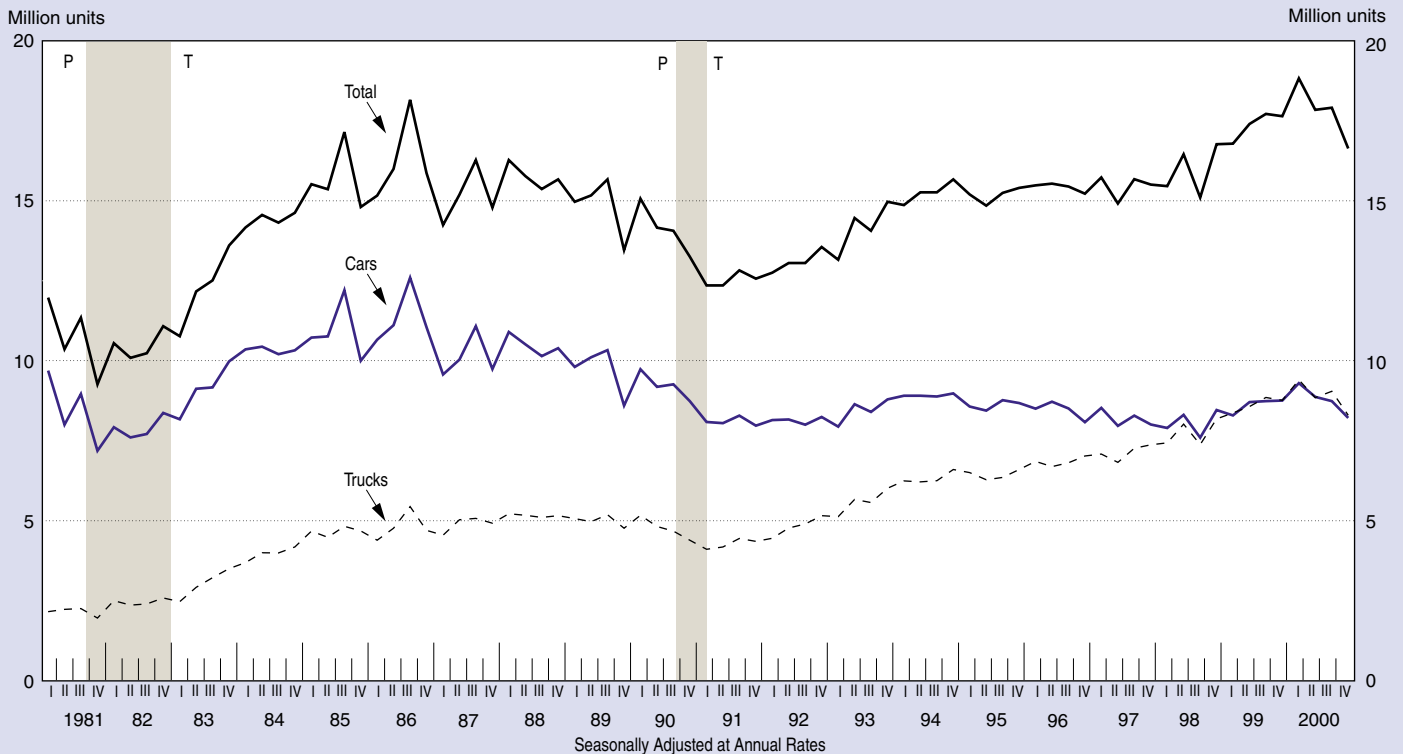
units (seasonally adjusted at annual rate) in the first quarter of 2000, but they weakened thereafter and fell to 16.6 million units by the fourth quarter.

The growth in sales in 2000 was tempered by general economic conditions that were favorable in the first half of the year but less so in the second half. Several factors specific to the motor vehicle industry helped to bolster sales in 2000. Manufacturers offered sales incentives, including rebates and below-market financing, to consumers throughout the year. Many of these incentives, particularly those offered in the second half of the

1. Sales of motor vehicles are sales of new cars and trucks. The data on unit sales, inventories, and production in this article are mainly from *Ward's Automotive Reports* and the American Automobile Manufacturers Association, Inc., and the data on prices are mainly from the Bureau of Economic Analysis (BEA). These data underlie the estimates of motor vehicle output in the national income and product accounts. The quarterly data for domestic and imported cars and light trucks are seasonally adjusted by BEA, using seasonal factors from the Federal Reserve Board; the quarterly data for "other" truck sales and for production are seasonally adjusted by BEA using seasonal factors from BEA.

CHART 1

New Motor Vehicle Sales



Note.—Peak (P) indicates the end of business cycle expansion and the beginning of recession (shaded area). Trough (T) indicates the end of business cycle recession and the beginning of expansion. Business cycle peaks and troughs designated by the National Bureau of Economic Research, Inc.
Data: American Automobile Manufacturers Association, Inc. and *Ward's Automotive Reports*, seasonally adjusted by BEA.

year, were more attractive than those offered in 1999, and they covered a broader selection of car and truck models.

Partly reflecting the effects of the sales incentives, motor vehicle prices declined in 2000. The consumer price index (CPI) for new cars changed little after decreasing 1.2 percent, and the CPI for new trucks decreased 3.9 percent after increasing 1.0 percent.

Financing for new cars remained attractive: The rates on new-car loans made by motor vehicle finance companies averaged 6.5 percent, down from 6.7 percent (chart 2). These low rates partly reflected the effect of the below-market rates offered by manufacturers through their financial subsidiaries. In addition, the average length to maturity of the new-car loans from the finance companies increased to 55.1 months from 52.7 months (longer term loans may facilitate sales to marginal buyers because monthly payments are reduced). In contrast, interest rates on new-car loans from commercial banks averaged 9.3 percent, up from 8.5 percent.

The combined sales of cars and light trucks increased to 17.2 million units in 2000; sales were above 15 million units for an unprecedented fifth consecutive year (chart 3).² Sales increased 2.9 percent in 2000 after increasing 8.5 percent in 1999. Sales jumped in the first quarter but weakened no-

ticeably in each of the following three quarters. More than two-thirds of the increase in 2000 was accounted for by sales of light trucks.

Sales of domestic cars and light trucks increased 0.7 percent after increasing 6.4 percent.³ Sales of imported cars and light trucks increased 15.6 percent after increasing 22.6 percent; their share of total car and light-truck sales increased to 16.6 percent from 14.8 percent.

New Cars

Sales of new cars increased 1.8 percent to 8.9 million units in 2000 after increasing 6.8 percent in 1999. By quarter, new-car sales increased sharply in the first quarter and then decreased in the second, third, and fourth quarters of 2000; in the fourth quarter, they were at their lowest level since the third quarter of 1998 (chart 4).

Sales of imported cars increased 18.0 percent after increasing 24.5 percent. Sales of cars from the Republic of Korea increased strongly; sales of cars from Japan and from Germany also increased. In

2. Light trucks have a gross vehicle weight of up to 10,000 pounds; these trucks include light conventional pickups, compact pickups, sport-utility vehicles, and passenger vans.

3. Sales of domestic vehicles consist of the sales in the United States of vehicles manufactured in North America—that is, in Canada, the United States, and Mexico. Sales of imported vehicles consist of vehicles manufactured outside North America and sold in the United States.

Table 1.—Selected Motor Vehicle Indicators

	1993	1994	1995	1996	1997	1998	1999	2000	Seasonally adjusted at annual rates				
									1999		2000		
									IV	I	II	III	IV
Thousands of units													
New motor vehicle sales	14,204	15,402	15,204	15,459	15,484	15,973	17,408	17,822	17,662	19,109	17,862	17,928	16,629
New-car sales	8,518	8,991	8,687	8,527	8,273	8,142	8,697	8,852	8,828	9,369	8,944	8,808	8,287
Domestic	6,734	7,255	7,178	7,254	6,906	6,764	6,982	6,829	6,972	7,333	6,926	6,798	6,259
Import	1,784	1,735	1,510	1,273	1,366	1,378	1,715	2,023	1,856	2,035	2,018	2,010	2,027
New-truck sales	5,686	6,411	6,517	6,932	7,211	7,831	8,711	8,970	8,834	9,741	8,918	9,120	8,372
Light	5,351	6,024	6,089	6,521	6,781	7,306	8,066	8,393	8,172	8,827	8,296	8,569	7,882
Domestic	4,985	5,628	5,694	6,089	6,214	6,662	7,303	7,551	7,336	7,986	7,433	7,743	7,044
Import	366	396	395	432	567	644	763	842	836	841	863	826	838
Other	336	388	429	411	430	525	645	577	662	643	623	552	489
United States car production	5,979	6,614	6,351	6,081	5,927	5,547	5,637	5,548	5,641	5,788	5,594	5,787	5,023
Domestic-car inventories ¹									1,331	1,275	1,299	1,423	1,504
Domestic-car inventory-sales ratio ²									2.29	2.09	2.25	2.51	2.88
Dollars													
Average expenditure per new car ³	16,871	17,903	17,959	18,777	19,531	20,364	20,658	20,356	20,759	20,343	20,305	20,244	20,532
Domestic	15,976	16,930	16,864	17,468	17,907	18,479	18,630	18,685	18,635	18,846	18,698	18,588	18,606
Import	20,261	21,989	23,202	26,205	27,722	29,614	28,931	25,971	28,737	25,739	25,818	25,844	26,481

1. End of quarter, not at annual rate.

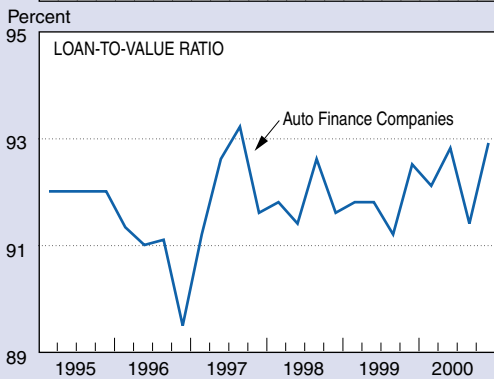
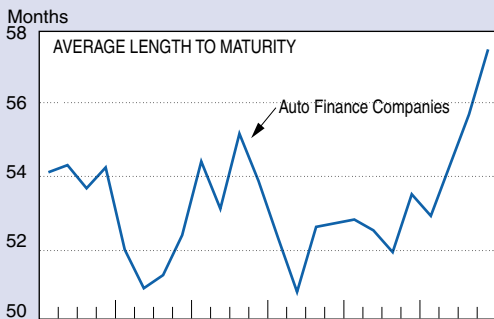
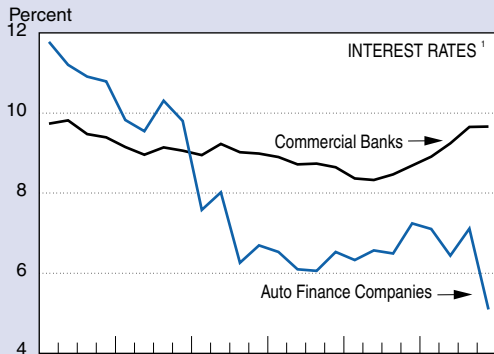
2. Ratio of end-of-quarter inventories to average monthly sales for the quarter.

3. BEA estimate, using average base price and adjustments for options, transportation charges, taxes, discounts, and rebates for each model, weighted by that model's share of sales; not at annual rate.

Source: American Automobile Manufacturers Association, Inc., and *Ward's Automotive Reports*; data are seasonally adjusted by BEA.

CHART 2

Finance Terms on 48-Month New Car Installment Loans

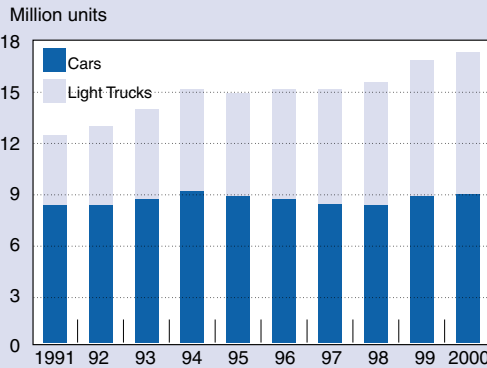


1. Most common interest rates (annual percentage rate) at reporting institutions. Data: Federal Reserve Board.

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CHART 3

Car and Light Truck Sales

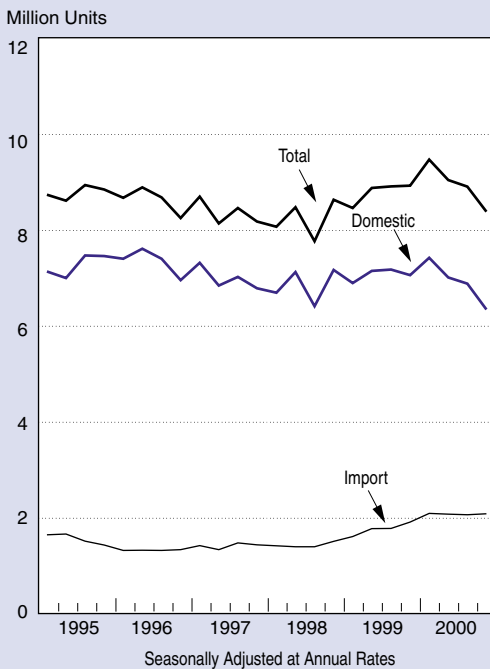


Note—Light trucks have a gross vehicle weight up to 10,000 pounds; these trucks include conventional pickups, compact pickups, and passenger vans. Data: American Automobile Manufacturers Association, Inc. and *Ward's Automotive Reports*, seasonally adjusted by BEA.

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CHART 4

Retail Sales of New Cars



Data: American Automobile Manufacturers Association, Inc. and *Ward's Automotive Reports*, seasonally adjusted by BEA.

U.S. Bureau of Economic Analysis

contrast, sales of domestic cars decreased 2.2 percent.

Sales of small cars increased 18.1 percent to 2.5 million units, and their share of total car sales increased to 28.1 percent from 23.2 percent (chart 5). Sales of both small domestic cars and small imported cars increased considerably. The increase in sales of small cars contrasts with the generally weak sales of larger cars and may partly reflect the effect of rising fuel costs; gasoline prices increased 26.6 percent in 2000 and 8.5 percent in 1999 after decreasing in the 2 preceding years.

Sales of middle-sized cars decreased to 4.2 million, and their market share decreased to 47.8 percent from 52.7 percent. Sales of large cars decreased to 0.6 million, and their market share decreased to 7.1 percent from 7.6 percent. Sales of luxury cars increased to 1.5 million, and their mar-

ket share increased to 17.1 percent from 16.5 percent.

The average expenditure per new car decreased 1.5 percent to \$20,356 in 2000 (table 1).⁴ The decrease was more than accounted for by a 10.2-percent drop in the average expenditure for imported cars; the drop was partly attributable to a shift in the composition of imported-car sales from luxury cars to small cars and to middle-sized cars. For domestic cars, the average expenditure per new car increased 0.3 percent; the modest increase partly reflected increases in sales of models equipped with extra features, such as keyless remote entry, compact disk players, and side air bags.

Car production in the United States decreased to 5.5 million units in 2000. Production had increased in 1999 after declining for 4 consecutive years.

Inventories of new domestic cars were 1.5 million units at the end of 2000, up from 1.3 million

4. BEA derives the average expenditure per new car by using data mainly from the Automobile Invoice Service and from the Bureau of Labor Statistics; the measure consists of the average base price and adjustments for options, transportation charges, taxes, discounts, and rebates for each model, weighted by that model's share of sales. Movements in the average expenditure differ from movements in the new-car component of the CPI for at least two reasons: First, the average expenditure, unlike the CPI, reflects changes in the mix of models and options sold and includes cars sold to businesses and to governments as well as cars sold to consumers; and second, because the CPI, unlike the average expenditure, is adjusted to remove the influence of quality change on prices.

Data Availability

BEA prepares seasonally adjusted monthly estimates of auto and truck unit sales, of auto unit production, and unit inventories. These estimates are available on BEA's Web site at <www.bea.doc.gov>; click on "GDP and related data," and then look under "Supplementary estimates," and then click on "Unit motor vehicle estimates."

These estimates are available monthly in printout or on diskette by monthly subscription from BEA as follows:

"Motor Vehicle Output Printout Subscription" product number NLS-0251, price \$108.00; or

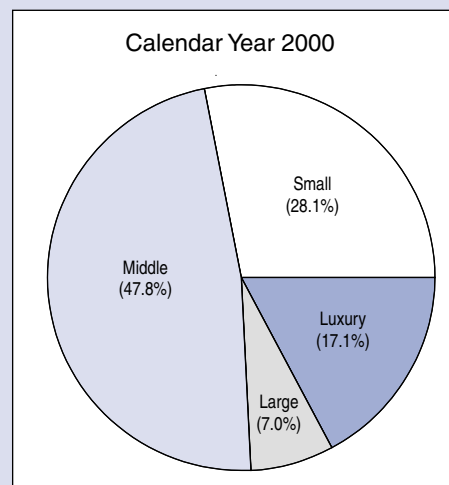
As part of the "NIPA Monthly Update Diskette Subscription"—product number NDS-0171, price \$204.00.

To order, call the BEA Order Desk at 1-800-704-0415 (from outside the United States, call 202-606-9666).

In addition, the monthly motor vehicle estimates are available to subscribers to STAT-USA/Internet, a service of the U.S. Department of Commerce; for more information, visit STAT-USA's Web site at <www.stat-usa.gov> or call 1-800-STAT-USA or 202-482-1986.

CHART 5

Share of New Car Sales by Size Class



Data: Ward's Automotive Reports
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at the end of 1999. The inventory-sales ratio was 2.9 at the end of 2000; the traditional industry target is 2.4. Inventories of new domestic cars were drawn down during the first quarter of 2000 as sales jumped, but they increased in each quarter thereafter.

New Trucks

Sales of new trucks increased 3.0 percent to a record 9.0 million units in 2000 after increasing 11.2 percent in 1999. By quarter, new-truck sales jumped in the first quarter, decreased sharply in the second, and increased in the third; in the fourth quarter, sales dropped to their lowest level since the fourth quarter of 1998 (chart 6).

Sales of both light domestic trucks and light imported trucks increased, and sales of "other" trucks decreased.⁵

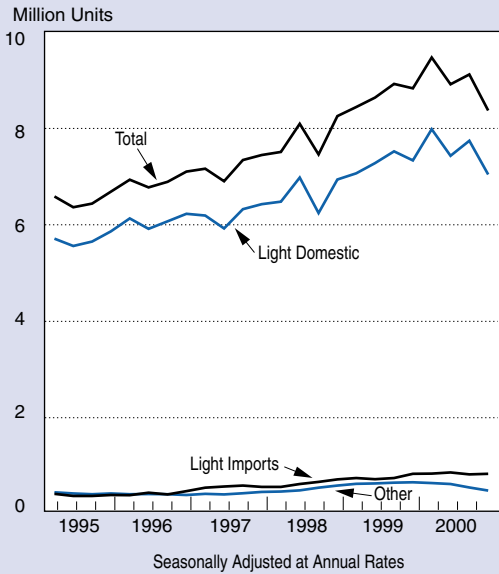
Sales of light trucks increased 4.1 percent in 2000 after increasing 10.4 percent in 1999. The increase in 2000 was mostly accounted for by sales of sport-utility vehicles.

Several recent trends in the composition of light-truck sales continued in 2000. The market share of "upscale" models—which offer more power, luxury, and options than basic models—continued to increase; the sales of new models of small sport-utility vehicles—which blend the com-

5. "Other" trucks have a gross vehicle weight of over 10,000 pounds; these trucks range from medium-duty general delivery trucks to heavy-duty diesel tractor-trailers. Nearly all of these trucks are purchased by businesses.

CHART 6

Retail Sales of New Trucks



Note—Retail sales of domestic trucks are classified by gross vehicle weight as light (up to 10,000 pounds) and "other" (over 10,000 pounds). Imported trucks include imports by U.S. manufacturers. Data: American Automobile Manufacturers Association, Inc. and *Ward's Automotive Reports*, seasonally adjusted by BEA.

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fort attributes of passenger cars and the carrying-capacities of sport-utility vehicles—have grown rapidly.

Sales of light domestic trucks increased 3.4 percent to 7.6 million units in 2000 after increasing 9.6 percent to 7.3 million units. The increase in 2000 was accounted for by sales of sport-utility vehicles; sales of vans and conventional pickup trucks were flat.

Sales of imported light trucks increased 10.4 percent to 0.8 million units, and their share of total light-truck sales increased to 10.0 percent. The increase was accounted for by sales of sport-utility vehicles and vans, almost all of which are imported from Japan and the Republic of Korea.

Sales of "other" trucks decreased 10.5 percent to 0.6 million units in 2000 after increasing strongly in 1998 and 1999. Sales were strong in the first half of the year but weakened in the second half. 