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Off the Charts

Car Buyers Come Back, but Not in Droves

By **[FLOYD NORRIS](#)**

THE American love affair with cars seemed to come to a sudden end this year, when car sales became less important to the economy than at any time since the government began counting more than 40 years ago. So far, there are only limited indications of a renewal of the relationship.

The cash-for-clunkers program, in which the federal government offered cash to people who got rid of old, inefficient cars and bought new ones, helped cause a small increase in purchases by consumers. But as the accompanying charts show, there are only the slightest indications of a gain in purchases by businesses.

The government figures on car purchases relative to gross domestic product go back to 1967. In no quarter from then until 2006 did auto sales account for less than 3 percent of G.D.P. But earlier this year, that proportion fell to less than half that figure.

In the third quarter of this year, helped by the cash-for-clunkers program, that percentage climbed back to almost 2 percent, but it is still well below the historic range.

In one way, that plunge provides hope for rapid growth, someday, as sales rise to levels appropriate for an economy with 300 million people.

Figures released this week indicated that vehicles sold at an annual rate of fewer than 11 million in October. But, as [Larry Summers](#), the director of [President Obama](#)'s National Economic Council, pointed out in a speech at the Economic Club of New York last week, the country needs more than 14 million new vehicles each year to replace cars that are wearing out and to keep up with population growth.

Therefore, he said, sales would come back. But he offered no forecasts as to timing.

One delaying factor could be that the auto companies in recent years engaged in major discounting, particularly in sales to rental car companies and other corporate fleets, to keep volume up. The extra cars produced then may delay the need for increased production now.

The plunge in auto sales this year was a major factor in the sharp reduction in the American trade deficit. Adjusted for inflation, the deficit in motor vehicle trade fell from an annual rate of more than \$110 billion a year in 2006 to an annual rate of just \$36 billion in the first three months of 2009, in large part because automobile imports plunged. With imports again rising, the deficit has moved back to \$56 billion. The figures are in 2005 dollars.

Floyd Norris comments on finance and economics in his blog at norris.blogs.nytimes.com.

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