



**Fuel Costs Move the Market: A Look at U.S. Automotive Sales Trends, 1<sup>st</sup> Quarter 2011**  
**By Alan Baum**

Sales in the first quarter of 2011 are running at an annual rate of 13.03 million, as compared to 11.04 million a year ago. The annual rate of 13.03 million is an increase of 13% from the final sales result of 11.55 million for last year. Some of the reasons for this strong result (albeit well short of sales in the period prior to the last recession) include:

1. The improving economy, including a decline in the unemployment rate, the growth of jobs, and a 2.8 percent growth rate in GDP in the most recent available quarter (4<sup>th</sup> quarter of 2010)
2. An increase in consumer spending, based in part on the improving jobs picture
3. An easing of credit for potential buyers
4. A slight increase in the average level of incentives in the first quarter (which are now likely to be cut back)
5. An increase in used car prices (which makes it easier for consumers to buy a new vehicle since their trade in now has more value).

While the earthquake and tsunami in Japan have not yet affected sales in the U.S. market, it is likely that sales in the short-term will be reduced as imports are reduced and the production of domestic vehicles is affected due to part shortages. Although the situation is fluid, we do not expect the overall sales volume for the year to be significantly reduced.

Beyond the overall level of sales, there are stark trends regarding which vehicle segments are selling well. The increase in fuel prices in recent months has had a clear impact on the types of vehicles sold.

**Strong Growth in Demand for Very Fuel-Efficient Vehicles**

Hybrid and “very small cars” (vehicles smaller than the Honda Civic or Ford Focus) are growing quickly.

Type	% Increase from Year Ago		Market Share			
	March 2011	1st Quarter 2011	March 2011	1st Quarter 2011	March 2010	1st Quarter 2010
<b>Hybrids</b>	46.4%	33.9%	2.7%	2.5%	2.2%	2.3%
<b>Clean Diesels</b>	46.1%	42.9%	0.7%	0.7%	0.6%	0.6%
<b>Very Small Cars*</b>	30.0%	23.3%	3.6%	3.5%	3.2%	3.4%
<b>All Vehicles</b>	<b>17.2%</b>	<b>20.2%</b>	100.0%	100.0%	100.0%	100.0%

\* These cars include vehicles such as the Ford Fiesta and Honda Fit.

Other high mileage vehicles, such as electric vehicles are just beginning with sales limited due to availability of the first two major models, namely the Nissan LEAF and Chevrolet Volt.

### Overall Market Shift toward More Fuel-Efficient Cars and “Car-Like” Trucks

A look at the entire market is shown below. “Car-like” trucks are composed of unibody vehicles, often front wheel drive, which includes crossover utility vehicles and minivans, and “true trucks” which are generally framed vehicles, often rear wheel drive, and include sport utility vehicles, pickups and large vans.

Type	% Increase from Year Ago		Market Share			
	March 2011	1st Quarter 2011	March 2011	1st Quarter 2011	March 2010	1st Quarter 2010
Cars	20.2%	16.8%	50.3%	48.2%	49.1%	49.6%
“Car-Like” Trucks	15.5%	26.7%	28.6%	29.9%	29.0%	28.4%
“True” Trucks	13.0%	19.4%	21.1%	21.9%	21.9%	22.1%
All Vehicles	<b>17.2%</b>	<b>20.2%</b>	100.0%	100.0%	100.0%	100.0%

The growth of cars is most obvious in March as the impact of gas prices had a significant impact. In the first quarter, incentives by GM in January and February boosted truck volume. However, the decline in incentives going forward and high fuel prices suggests that cars will continue to experience strong growth at the expense of trucks. Note the decline in market share of true trucks, which is still growing in volume due in large part to fleet sales.

A focus on the following key segments shows some important trends:

Type	% Increase from Year Ago		Market Share			
	March 2011	1st Quarter 2011	March 2011	1st Quarter 2011	March 2010	1st Quarter 2010
Small Cars	33.2%	24.7%	19.1%	18.2%	16.8%	17.5%
Small Crossovers	28.7%	43.7%	9.3%	9.3%	8.5%	7.8%
SUVs	7.2%	11.6%	6.7%	7.2%	7.4%	7.8%
Pickups	15.4%	23.6%	12.6%	13.0%	12.8%	12.6%
All Vehicles	<b>17.2%</b>	<b>20.2%</b>	100.0%	100.0%	100.0%	100.0%
Small Cars/ Crossovers	31.7%	30.5%	28.4%	27.5%	25.3%	25.3%

Note that some vehicle segments are not included above, thus the market share numbers do not add to 100%.

The growth rate of small cars and crossovers relative to the overall market growth is very positive, with the small car growth rate almost doubling overall vehicle growth in March. Conversely, SUVs and pickups trail the overall market significantly. For the first quarter, small crossovers **double** the overall market growth rate. Given these growth rates, market share for small vehicles is impressive, with share declining in SUVs and pickups.

### Higher Gas Prices are Driving Demand for Fuel-Efficient Vehicles

So what is occurring in the area of fuel prices? The following table documents the experience of most consumers:

Date	Gasoline Price	Change from Year Ago	4 Week Average	Change from 4 Week Average Year Ago	% Change This Week vs. Last	% Change This Week vs. Year Ago	% Change 4 Week Average vs. Year Ago
March 21	\$ 3.507	\$ 0.715	\$ 3.460	\$ 0.724	-0.3%	25.6%	26.4%
March 28	\$ 3.596	\$ 0.798	\$ 3.523	\$ 0.764	2.5%	28.5%	27.7%
April 4	\$ 3.684	\$ 0.858	\$ 3.576	\$ 0.798	2.4%	30.4%	28.7%
April 11	\$ 3.791	\$ 0.933	\$ 3.645	\$ 0.849	2.9%	32.6%	30.4%

Source: Energy Information Administration

A thirty percent increase in fuel prices compared to a year ago makes it quite clear why consumers are moving to smaller vehicles.

### Used Vehicle Market Prices Show Fuel-Efficient Vehicles in Demand

The used vehicle market represents a real time snapshot of market preference as these vehicles are bought and sold in a very dynamic environment. The table includes the highest selling vehicles for each of the major vehicle segments and uses mid-level vehicles of each model that are three years old (Model Year 2008) sold in the current year. The increase in the value of the Toyota Prius exceeds all other vehicles, making clear the demand for this model in both the new and used vehicle market.

Small vehicles such as the Toyota Corolla, Chevy Cobalt, Ford Focus, Honda Civic, and Nissan Versa exhibit strong gains in value. The Ford Explorer brings up the rear, and this of course refers to the previous version of the Ford Explorer which is a traditional SUV. The new smaller CUV is selling extremely well in its launch phase. Pricing on SUVs and pickups in the used market is down over the last several months.

Segment	Make	Model	% Change from Jan to Apr 11	% Change from Mar to Apr 11
Hybrid	Toyota	Prius	10.6%	5.6%
Midsized	Toyota	Camry	6.8%	3.8%
Compact	Toyota	Corolla	6.0%	2.8%
Compact	Chevrolet	Cobalt	5.1%	4.3%
Compact	Ford	Focus	4.9%	2.9%
Compact	Honda	Civic	4.4%	2.5%
Very Small	Nissan	Versa	3.8%	3.8%
Midsized	Ford	Fusion	3.5%	3.1%
Luxury CUV	GMC	Acadia	2.8%	4.0%
Midsized	Chevrolet	Malibu	2.2%	3.5%
Midsized	Honda	Accord	1.6%	1.1%
Luxury	BMW	3-Series	1.5%	0.0%
Luxury	Mercedes	C Class	1.3%	0.0%
Midsized SUV	Jeep	Grand Cherokee	0.9%	0.0%
Large Van	Ford	Econoline	0.8%	-1.4%
Large Van	Chevrolet	Express	0.6%	0.6%
Luxury CUV	Lexus	RX350	0.6%	0.0%

<b>Segment</b>	<b>Make</b>	<b>Model</b>	<b>% Change from Jan to Apr 11</b>	<b>% Change from Mar to Apr 11</b>
Small CUV	Ford	Escape	0.1%	0.6%
Midsize CUV	Ford	Edge	-0.2%	0.0%
Very Small	Honda	Fit	-0.4%	0.6%
Minivan	Dodge	Caravan	-0.7%	0.0%
Luxury	Cadillac	CTS	-0.8%	0.0%
Small CUV	Honda	CR-V	-1.5%	0.0%
Midsize CUV	Chevrolet	Equinox	-2.4%	0.0%
Minivan	Honda	Odyssey	-2.6%	-0.6%
Pickup	Ford	F150	-2.8%	-0.7%
Large SUV	Chevrolet	Tahoe	-3.6%	-1.9%
Hybrid	Honda	Insight	-3.7%	0.0%
Large SUV	Ford	Expedition	-3.7%	-2.5%
Pickup	Chevrolet	Silverado	-4.4%	-0.6%
Midsize SUV	Ford	Explorer	-5.3%	-3.1%

Source: National Automobile Dealers Association Used Car Guide

The trends are clear: vehicle sales are strong, and consumers want hybrids, small cars and crossovers, and are shying away from pickups and SUVs even as business fleets continue to support these products in line with an overall economic recovery.

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