DON'T HOLD YOUR BREATH, WAITING FOR A QUICK TURNABOUT

As expected, US motor vehicle sales fell to their lowest pace in the month of July, at about 16.30 million units.

It was the lowest level since December 2000 sales.

The dye is cast; the world has reason to tremble.

As TARGET mentioned on June 1, in TARGET Intelligence Report, Volume III, Number 101, the importance of US motor vehicle sales cannot be underscored because it represents about 5 percent of the **G**ross **D**omestic **P**roduct (**GDP**: The total value of goods and services produced in a country) in any one year.

The latest report, in respect of motor vehicle sales in the US, must be regarded with trepidation, all things considered, because of the rapid deceleration of sales.

The very weak US economy is taking its toll; Asia, with emphasis on Japan, the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), the Greater China Area (the PRC and Taiwan), and Singapore, in particular, will get it in the neck as the US economy goes through its death (or near death) throws.

And, now, it seems almost a forgone conclusion that the US Federal Reserve Board will have to take very definitive action at is end-of-the-month meeting.

It would appear to TARGET's analyst that a 25-basis point reduction would not be enough to turn the tables.

The reduction in motor vehicle sales is not just in passenger motor cars, not just in US-manufactured motor vehicles, but right across the board.

The following tells it all:

	In Millions of Units – Seasonally Adjusted Annualised Rate							
	2001							2000
	July	June	March	April	March	February	January	December
Total Motor Vehicle Sales	16.30	17.10	16.70	16.70	17.10	17.50	17.20	15.50
Motor Cars	8.00	8.40	8.40	8.60	8.40	9.00	8.80	7.90
Light Lorries	8.30	8.70	8.30	8.10	8.80	8.50	8.40	7.60
General Motors Vehicle Sales	4.40	4.70	4.70	4.40	4.70	5.20	5.00	4.20
Ford Motor Vehicle Sales	3.60	4.00	3.80	3.90	4.10	3.90	3.80	3.40
Daimler Chrysler Motor Vehicle Sales	2.30	2.30	2.10	2.30	2.50	2.60	2.30	2.10
Honda Motor Vehicle Sales in the US, only	1.20	1.20	1.20	1.20	1.10	1.20	1.30	1.10
Toyota Motor Vehicle Sales in the US, only	1.70	1.70	1.80	1.80	1.70	1.60	1.70	1.70
Nissan Motor Vehicle Sales in the US, only	0.70	0.70	0.70	0.60	0.70	0.70	0.70	0.70

As is painfully obvious from the above table, the big 3, US manufactures are feeling the brunt of the cutback in spending by consumers, as money in the world's largest single economy continue to dry up.

While it is true that motor vehicle sales in the US are still high, being the third strongest year on record, it is equally true to state that combined sales of Ford, General Motors and Daimler Chrysler are down about 9 percent, compared with one year ago.

The aggregate sales of foreign-manufactured vehicles in the US suffered, too, year-on-year, but only to the extent of about 6 percent, statistics indicate.

What was, also, telling about the July statistics was that it was in the sales of passenger motor cars that the most weakness was spotted.

It has taken 7 months for the penny to drop. But drop it did.

It is, really, quite remarkably, all things considered, that sales of motor vehicles in the US did not fall off earlier.

Declining interest rates in the US, no doubt assisted, greatly, in the sales of motor vehicles in the US for the first 6 months of the year, but, when more and more people were thrown out of work, when stock markets continued to retreat, further and further, and, lastly, when a decided lack of fresh incentives from motor-car manufacturers in the US failed to materialise, consumers tightened their purse strings, further.

Foreign-made motor vehicle sales are making their presence felt in the US, even further of late, improving sales in July by about 15.54-percentile points over their position of about 5 years ago.

Put another way, for every 100 motor cars, sold in the US, today, 37.50 units were made outside the US.

Five years ago, for every 100 motor cars, sold in the US, only 26 units were made outside the Continental US.

The slide away from purchases of US-built vehicles has been steady.

The weakness in sales of motor cars in the US is likely to accelerate in the coming months, for obvious reasons.

The *'Big Three'*, no doubt, will be forced to cut back production plans in order to accommodate the expected decline in the third quarter and the fourth quarter of this year.

Falling interest rates will help, somewhat, and US manufacturers are likely to pass on these lower interest rates to consumers if, for no other reason, than to try to recapture that part of the market that they have lost to foreign competition.

Further, in view of the present, precarious situation, it is highly unlikely that new motor cars, entering the US market, will be at higher prices. If anything, they could become cheaper.

Job losses, deteriorating credit conditions, and exceptionally weak corporate profits are ganging up against US motor car manufacturers, making it highly improbable that they will be able to turn the corner in a smart fashion.

The tax rebates will do little to assist the situation in spite of pundits, who think thoughts of a return of the big spender ...

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