

Strike means strong US car sales may be on borrowed time

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UAW President Shawn Fain joining workers on the picket line late last month in Lansing, Michigan.

Ford reported increased US quarterly sales Wednesday, rounding out a series of upbeat performance updates in a still-robust market that has yet

to feel significant pain from the auto workers' strike.

Ford, one of three US car giants contending with the United Auto Workers stoppage, reported an eight percent jump in third-quarter US sales, pointing to substantial increases in truck sales—including for the best-selling F-150 pickup line.

The impressive sales reflect the benefit of much-improved vehicle availability after carmakers were stymied in the year-ago period by shortages of semiconductors and other supply chain issues.

But auto industry watchers are girding for a more difficult fourth quarter in light of a strike that shows no sign of resolution any time soon. On Wednesday, the UAW released a hard-hitting new ad blasting Detroit's "Big Three" automakers: General Motors, Ford and Stellantis.

Increased borrowing costs are also expected to drag down consumer interest.

While tighter inventories in light of the UAW strike could weigh on sales, "faltering demand" will be a bigger reason for a drop in the sales rate, said a note from Oxford Economics.

"Interest rates to finance new vehicles are still increasing and banks are still tightening lending conditions on auto loans," Oxford Economics said. "We also expect the unemployment rate to rise modestly over the coming quarters, which will contribute to softening demand."

Ford's sales increase was roughly in line with analyst expectations, better than the one percent drop seen by Stellantis, but lagging General Motors' 21 percent surge during the period.

Besides those three companies, a series of foreign producers also scored

big sales increases, including Toyota (+12 percent), Honda (+52.7 percent) and Nissan (+40.8 percent).

Ford's overall truck sales surged more than 15 percent, with the F-series up more than 13 percent.

Ford also saw sales gains in its electric vehicles and hybrids, which together comprised about 12 percent of total volume.

"The pace of this year's sales recovery continues to exceed expectations," said a note from JPMorgan Chase, which pointed to "continued improvements in inventory availability" as a driver.



Strong demand for the F-150 and other trucks lifted Ford's sales, despite the effect of increased borrowing rates.

Expanding strike

As with GM and Stellantis, Ford's press release made no mention of the UAW strike.

The UAW launched a targeted strike on September 15 on the Detroit Three, calling for stoppages at a handful of plants, while leaving most of the union's 146,000 US hourly auto workers on the job.

On Friday, the UAW expanded the strike for the second time, ordering additional stoppages at GM and Ford plants but sparing Stellantis due to progress in the talks.

The new union ad features footage of President Joe Biden's visit to a Michigan picket line last week and GM Chief Executive Mary Barra fielding a question in a broadcast interview about her nearly \$30 million salary.

The ad, titled "broken promises," also shows workers recounting the effects of significant pay and benefit concessions connected to the 2008 federal bailouts and slamming the "billionaire's economy."

While the strike has yet to significantly affect the car market, analysts say a prolonged stoppage could cause vehicle inventories to plummet, damaging the Detroit companies' profitability and likely boosting auto prices.

The strike has already cost GM \$200 million in the third quarter, and the company has secured a \$6 billion line of credit to boost its balance sheet as the strike continues, its CFO Paul Jacobson told CNBC.

Jacobson called this step "prudent in light of some of the messages that we've seen from some of the UAW leadership that they intend to drag this on for months."

Ford said its inventories at the end of September stood at 424,400, above the level at the end of 2022 but well below the pre-pandemic scale of 657,651 in December 2018.

The 120-year-old company, which is credited with starting the moving assembly line that enabled automobile mass production, announced late Tuesday that it had made another "comprehensive offer" to resolve the UAW impasse.

"Ford appears to be at its wits' end," said a note from CFRA Research analyst Garrett Nelson.

"It is unclear if it will appease the UAW, but if not, we think if the union could potentially opt to expand its strike to high-margin pickup truck plants, such as Ford's F-150 plants... which would represent a major escalation."

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