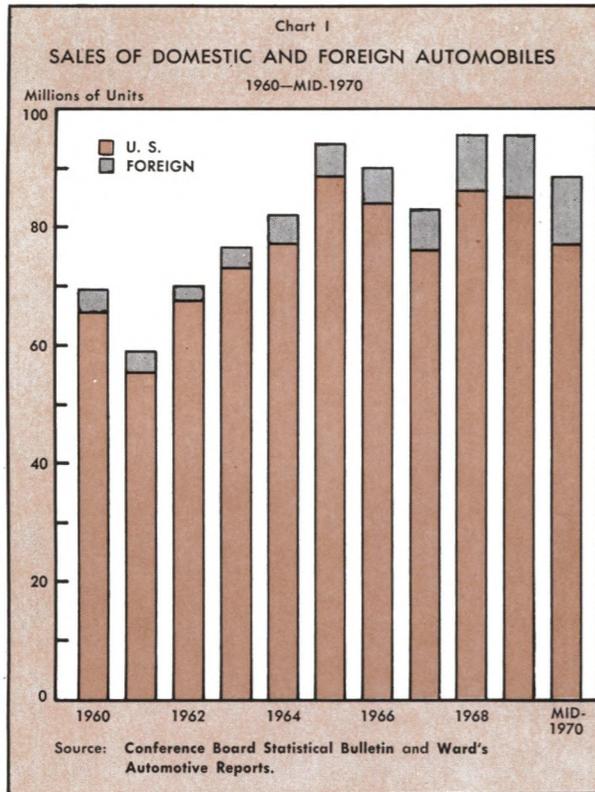


# FOREIGN AUTOMOBILE SALES IN THE UNITED STATES



Though total sales of domestic automobiles increased dramatically over the past decade, the domestic automobile industry has relinquished a steadily growing fraction of the large U. S. market for new cars to foreign producers. Indeed, the market share of foreign automobile sales rose from 6.4% in 1960 to 13.1% in mid-1970 as shown in Chart I.

**Imports vs. Exports** While giving up a substantial share of the domestic market to foreign producers, U. S. manufacturers have succeeded in expanding their sales abroad. Exports grew rapidly after 1965 rising from an average annual rate of 9.6% in the years 1960-65 to an average annual rate of 20.4% between 1966-69. However, for the past decade, exports lagged far behind imports in terms of both units and value. Despite the rapid growth of exports in the last half of the sixties, import sales began to outpace exports greatly in 1966. Chart III shows that net imports (imports minus exports) increased from \$247.0 million in 1965 to \$672.5 million in 1966. From 1966 to 1969, net imports increased at an average annual rate of 84%, compared to an

average annual rate of 16.3% from 1960 to 1965.

**Percentage Sales by Price Groups** Sales of both domestic and foreign automobiles were classified by price groups: (1) \$2,500 or less, (2) \$2,501-\$3,500, (3) \$3,501-\$4,400, and (4) over \$4,400. Sales in each category, presented in Charts IV and V, are in terms of percentages of total U. S. sales.

The percentage of total sales of the two high-priced groups remained relatively constant for domestic models. The large increase in percentage sales occurred in the two lower priced groups of domestic models and in the lowest priced group of foreign cars. The percentage of domestic cars included in the first two classifications reversed over the period. From 1960 to 1963 the percentage held by the \$2,500 or less group was between 59% and 64% and that held by the \$2,501-\$3,500 group was between 23% and 27% (see Chart IV). By 1969, sales of the lowest priced automobiles had dropped to 13%, while sales in the \$2,501-\$3,500 group climbed to 62.4% of the market. Concurrently, foreign car sales in the \$2,500 or less group grew steadily from 6.3% in 1960 to 9.7% in 1969 as shown in Chart V. It is in this price

range that foreign cars have made the largest gains in market share.

The most striking feature of the comparison of domestic and foreign automobile sales is the change in sales of lower priced domestic cars and the rapid encroachment of low priced imports on the U. S. market. U. S. industry surrendered a large portion of the market for very low priced cars to foreign producers. However, the share lost was partially recouped in the \$2,501-\$3,500 range. This trend may be a reflection of inflation in the U. S. which has raised prices of domestic relative to foreign automobiles. It may also reflect a change in consumer tastes to smaller, cheaper models which until this year meant imported makes. Account should also be taken of the removal of some compacts from the domestic-model market and the enlarging of original compacts, which with options have been priced over \$2,500 in more recent years. But, the trend certainly means that U. S. car manufacturers are facing a greater challenge in the 1970's as foreign car producers get an even larger toe-hold in the U. S. market and develop their service and dealer organizations.

*Sumiye Okubo*

