# Structure of District Automobile Market

During the first quarter of 1953, the District automobile market continued to improve—although at a slower pace than in the latter half of 1952. New passenger car registrations in the first quarter of this year were up 12 percent from the final quarter of 1952, an increase almost double that of the average for comparable quarters in the period 1946-53. One of the strongest buttresses of our high level business activity today is the busy automobile assembly lines dotting the country. Any falling-off in automobile sales would have unfavorable repercussions throughout the economy. For this reason, the trend of registrations is being eyed closely by observers throughout the country.

As supplies of critical raw materials became more plentiful this year, passenger car production was thrust into high gear so that physical output in the first third of 1953 rolled along at a clip 50 percent higher than in the corresponding period last year. Estimates are that the industry will turn out at least 5.5 million passenger cars in 1953. If this goal materializes, it will be second only to the all-time record of 6.7 million set in 1950.

To date, as is apparent from registration figures, vigor and strength have characterized the new car market. New car prices in 1953, on the whole, have not changed appreciably from the levels set in 1952. A 100-dollar average price cut by Chrysler early this year has been the only major reduction since the new models came out. Trade reports indicate that other leading producers intend to hold the line, at least for the time being.

Used car prices, on the other hand, have been declining more or less steadily since last summer, reflecting weakness in the market. A survey by the National Used Car Dealers Association shows that sales were down in the first quarter from the year-ago mark, with the South experiencing a greater-than-national decline. Used car inventories this year are higher in relation to sales than they were a year earlier. Since more than half of the new car sales involve trade-ins, sales of the current output can only accentuate problems for used car dealers. New car inventories, on the other hand, have been short for many years. This year for the first time in over a decade, manufacturers are in a position to satisfy dealer demands.

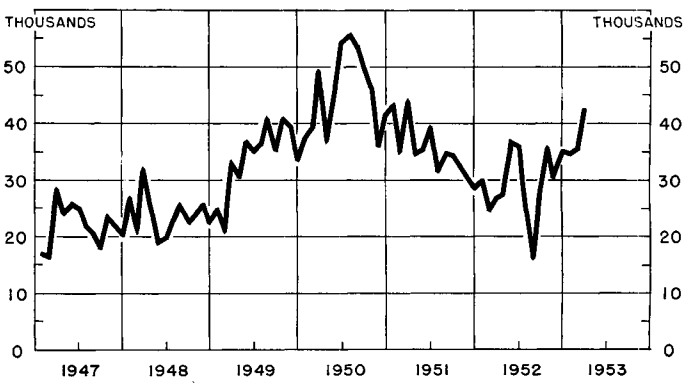
An increasingly larger proportion of both new and used car purchases are being made on credit. In 1949, for example, 49 percent of all sales were on the cuff; in 1951, the percentage rose to 55; and probably to over 60 percent last year. From September 1950 to May 1952, controls restrained consumer credit expansion. With the termination of Regulation W last May, however, automobile credit outstanding in the nation shot up almost two billion dollars in the remainder of 1952, the largest comparable gain on record. The rise continued into the first quarter of 1953. Easier down payment and maturity requirements, coupled with an increasing supply of cars, were instrumental in the rise in consumer credit.

Credit today, however, is not quite as easy to get as it was a few months ago. Finance companies have raised interest rates and have become more selective in the paper they accept.

Developments in the District automobile market today in large measure are an outgrowth of the work of secular forces. These forces, in effect, constitute the foundation upon which the current shorter-term movements are based. Since the Sixth Federal Reserve District is one of the fastest growing passenger car markets in the nation, a study of the structure of that market and of the factors contributing to its growth may cast a ray of light on the underlying strength of the current market.

A little over four million cars were on the highways and country roads in the District states in 1952, about double the number in use in 1940. Although gains were recorded in all states during this period, the rates varied from 132 percent in Florida to 80 percent in Mississippi. In all instances, the advances experienced were considerably greater than the national increase. The District rate of growth, however, was not smoothly upward; during the war years, 1942-45, car ownership actually declined a little because production of new passenger cars for civilian use was discontinued and old, worn-out cars were junked.

**New Passenger Car Registrations**
**Sixth District**



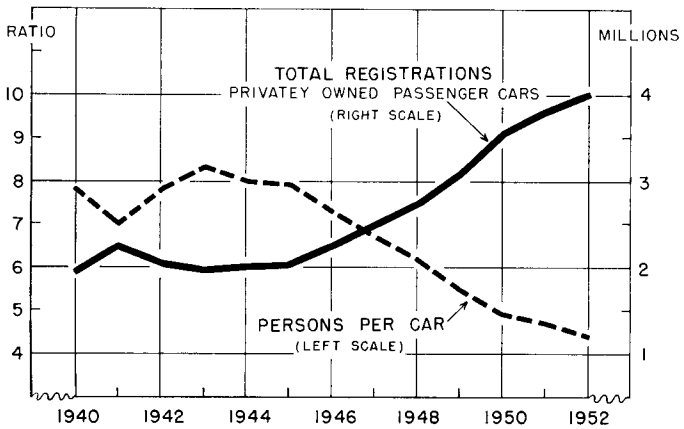

During this 13-year span, the District's share of the national market inched upward. Thus, in 1952, about 8.4 percent of the new cars sold in the United States were registered in District states, compared with 7.6 percent in 1940. The proportion for both new and used cars combined, that is total registrations, was somewhat larger in 1952, indicating that District consumers drive relatively more used cars than do their national counterparts.

This conclusion is also borne out in dollar terms by the 1948 census on retail trade. District used car dealers in that year did 9.2 percent of the nation's used car business. On the other hand, dealers selling both new and used cars accounted for 7.5 percent of the sales. One reason for the increased sales of used cars is, of course, that the demand for automobiles has been so great that it could not be satisfied out of new car production.

A commonly used measure of market saturation is the ratio of population to privately owned passenger cars. In 1940, if every man, woman, and child in the District simultaneously went on a Sunday jaunt, 7.8 persons would have crowded into each vehicle. The trip in 1952 would have been much more comfortable with only 4.5 passengers per car. The "national" traveler had more elbow-room in both years as the number of persons per car declined from 4.8 in 1940 to 3.6.

With the exception of World War II years, the number of persons per car has declined continuously in the South

**Total Automobile Registrations and Persons Per Car**
**Sixth District**




as well as in the nation. Within the District, the ratios in 1952 ranged from 6.1 in Mississippi to 3.2 in Florida. There was no shift in the relative standing of the six states from their respective 1940 positions. It is apparent that the South has a long way to go before it is as well supplied with cars as other parts of the nation.

The increase in the number of people, and therefore in the number of potential drivers, is directly related to the increase in private passenger car ownership. Thus, states recording the largest gains in population tend to lead in increases in car registrations. Since the relationship of cars to income is not quite as close, it appears that the changes in car ownership in the District states between 1940 and 1950 were tied somewhat more closely to population than to income changes.

Population in the District states climbed 14 percent between 1940 and 1950 to a total of 17.4 million, a gain just about equal to that for the nation as a whole. Estimates indicate a continuation of this trend into 1952. All the District states had more people in 1950 than a decade earlier, except Mississippi where population remained static.

Where people live also influences car ownership. Almost three-fourths of the increase of 2.1 million people in the District states from 1940 to 1950 occurred in the 19 standard metropolitan areas, that is, cities with populations of 50,000 and over. Of itself, this might have reduced the demand for cars because of the highly developed and widespread public transportation systems in the larger cities. Many of these people, however, moved to the shady suburban areas, which grew at a relatively faster pace than the central city sections. This trend, consequently, has been accompanied by a greater dependence on automobiles for transportation to and from work, for shopping, and the like. The movement to the suburbs in the District proceeded at a faster pace than that for the nation and undoubtedly contributed to the greater growth in car registrations in the District.

Despite the striking flow to the metropolis, population in the District is still predominantly rural. Here the automobile is more essential to daily life than it is for suburbanites. The Federal Reserve surveys of consumer finances show that within any given income level, a larger proportion of rural families tend to own automobiles than is the case with urban families.

Not only were there more prospective car owners in the District after the war, but there was also more money to spend. Between 1940 and 1951, per capita income payments to individuals jumped 234 percent in the District states, compared with a gain of 175 percent for the United States. All District states shared in this increase. In addition, studies show that the lower income groups benefited most from the gain; consequently, the purchasing power was spread around more evenly than previously. There is no doubt that both increases in income and broadening of the income base sparkplugged the rise in car ownership.

Despite the greater-than-national gain, District per capita incomes are still considerably below the national average. This may explain why, in 1951, an estimated 53 percent of the spending units in the South owned automobiles, compared with 60 percent throughout the nation. It may also explain why relatively more low-priced new cars are sold in this region than in the nation at large.

The dynamic industrial development in the District has been partly responsible for the increase in automobile ownership, not only because of the additional income it has brought into the area, but also because the new plants have been located so as to bring about a greater need for automobiles.

A survey made in 1948 by the National Industrial Conference Board concluded that the South and West experienced the greatest gains in the proportion of new plants built or acquired since 1940. Moreover, the study revealed that the trend in plant sites is toward cities with populations under 10,000. At least part of the labor force for these factories comes from nearby metropolises or the surrounding countrysides. Since public transportation may be inadequate or nonexistent, commuters rely heavily upon the automobiles for getting to and from work. For example, around a third of the employees at the Lockheed plant in Marietta, Georgia, commute daily from Atlanta.

It is apparent that the growing importance of the District as a market for automobiles is attributable to long-run gains in population, income, and industrialization. In spite of some signs of a slowing-down recently in this car market, there is no evidence of any weakening in the underlying forces that are tending to narrow the gap in car ownership between the District and the nation.

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