

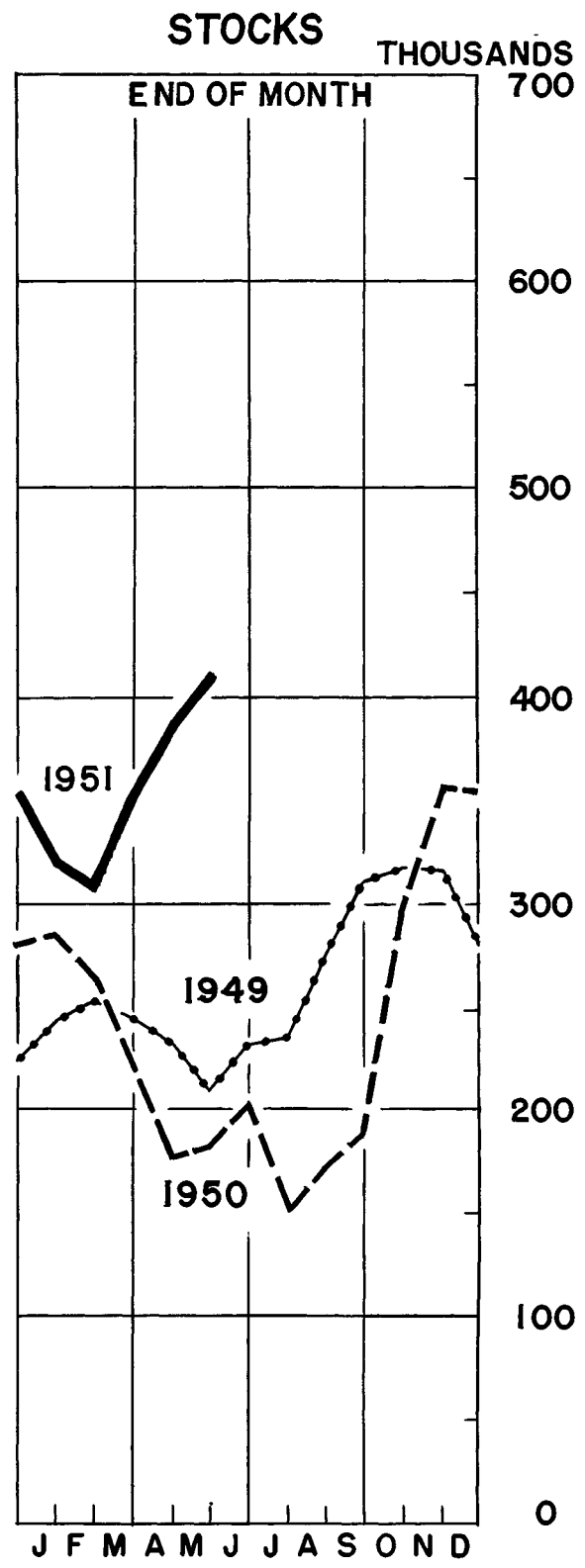
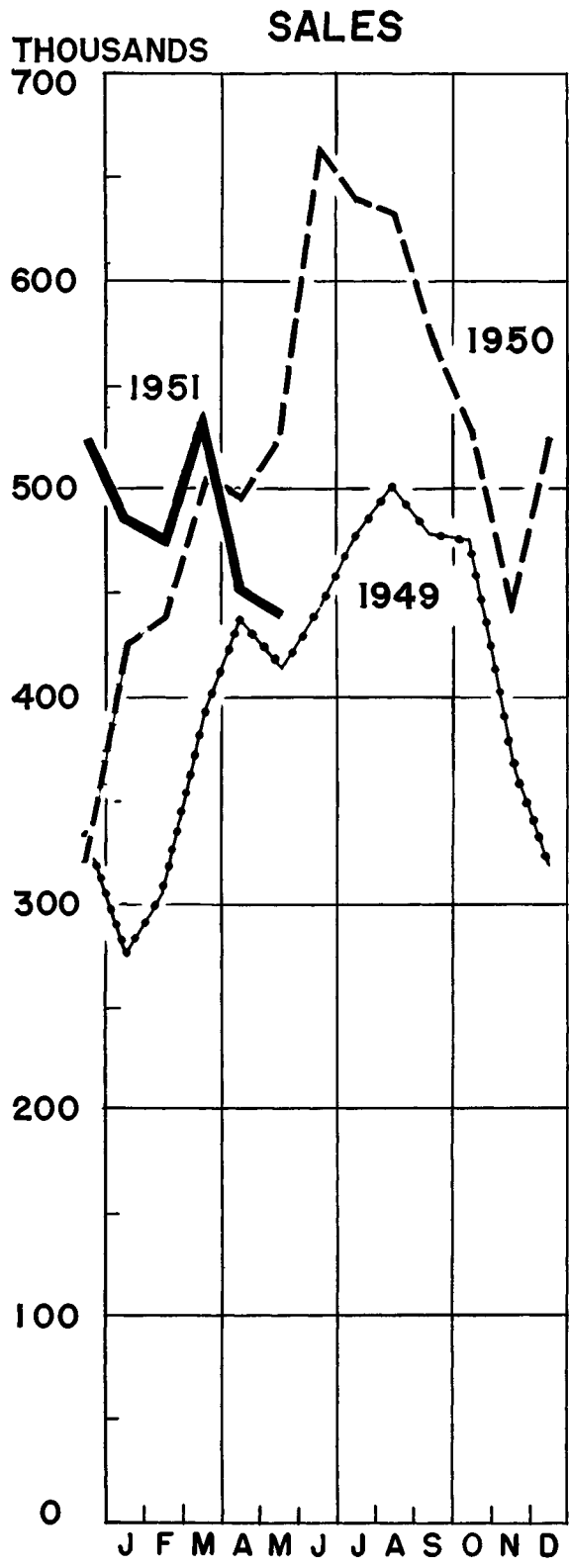
PASSENGER CAR SALES AND STOCKS

Dealers' sales of new passenger cars in April and May declined below the high year-ago levels, according to the secret reports from the automobile companies. These reports, now available through May 20 for major companies, also indicate that their dealers' sales of used cars continued to rise somewhat and in early May were slightly above the year-ago level. Reported stocks of new cars have continued to increase moderately, while stocks of used cars held by these dealers have declined. Stocks of both new and used cars are considerably above last year's low level but do not appear to be high relative to more normal periods.

New cars

Dealers reported sales of about 450,000 new passenger cars in April, as shown in the following chart. This figure, exclusive of 25 to 30 thousand units produced for export and for sale to the Federal Government, was about 15 per cent smaller than in March and 9 per cent smaller than a year ago. For some models, decreases in sales reflected curtailments in output required by Federal order, while for other models output continued above the rate of sales. Although both total sales and total output declined by about the same amount from March to April, since output in March was larger than sales total dealers stocks rose further in April by nearly the same amount as in March. By pre-World War II standards, however, stocks of leading makes were still low in

# NEW CARS-DEALERS' SALES AND STOCKS



relation to sales. Stocks of a few makes, however, were quite large. Also, there was a very marked shift in the situation as compared with a year earlier -- stocks were more than twice as large as at that time, while sales were smaller. Estimates for May, based on partial data for the first 20 days, show some further divergence in sales and stocks. If, however, the presently scheduled reductions in passenger car output are carried out in June and July, the rise in stocks would be arrested if sales are maintained at present levels.

As was mentioned in an earlier statement on this subject, dealers may still be reporting to manufacturers part of their stocks of new cars as having been sold in order to establish a claim to larger allotments of shipments of new cars in future months. Any continuing widespread resort to the practice of understating stocks and overstating sales would indicate that dealers were generally anticipating a more active demand situation in coming months. Even if actual stock figures were 20 per cent larger than the reported level, the volume of stocks would still not be particularly excessive for this season of the year. New car registration data for selected cities provided by the R.L. Polk and Co., supplemented by registration reports supplied by the Reserve Banks, continue to be roughly consistent with the level of sales reported by all dealers to the automobile manufacturers. This can be seen by comparing the left panel of the preceding chart with the right panel of the chart on new passenger cars shown in the main section of this report.

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Used cars

Sales of used cars by new car dealers have continued at the relatively high year-ago levels as shown in the following chart. Stocks of used cars held by new car dealers have shown somewhat more decline in April and May than during the corresponding period last year probably reflecting a reduced number of trade-ins as new car sales declined and fewer direct purchases by dealers of used cars as prices turned down. Stocks at the end of May will probably be about 125,000 units larger than a year earlier. This level is equivalent to less than a month's sales -- about the same as that prevailing in 1939 and 1940, according to the statistics available from two of the major companies. Presumably used car stocks held by new car dealers in other recent years were below prewar relationships to sales.

In addition it may be noted that the current levels of both sales and stocks of used cars reported by new car dealers are apparently considerably lower relative to the rate of new car sales than in the prewar period. According to conversations with an official of one major company, this difference in relationship reflects mainly the large number of used cars still being sold directly by individuals because of the continued postwar opportunities for new car dealers to realize gains rather than losses from their trade-ins.

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# USED CARS - DEALERS' SALES AND STOCKS

