Signs of slowdown in US auto industry

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A spate of recent reports points to a slowdown in US auto sales, which had been steadily increasing in recent years boosted by relatively low gas prices, pent-up demand and low interest rates.

Shares of Ford fell sharply after reports that its year over year sales fell 3 percent in the second quarter of 2016. The fall included a 1 percent decline in pickup trucks, one of Ford's best selling and most profitable product sectors.

General Motors, the largest US automaker, recorded a 2 percent sales decline in July, with overall sales down 4 percent for the first seven months of the year. While Fiat Chrysler (FCA) posted a 0.3 percent gain in July, that was fueled by a 22 percent increase in fleet sales, an indication that the company is struggling to move its product. Fleet sales usually carry a large discount and are less profitable than sales to individual consumers.

FCA sales fell 14 percent in Canada for the month of July.

Japanese-based Toyota saw its sales fall 1.4 percent, while German-based Volkswagen saw an 8 percent drop and BMW posted a 5 percent decline. Smaller rivals Honda and Nissan saw a 4.4 percent and 1.2 percent gain, respectively. However, these increases were not enough to offset the overall downward drift.

In the wake of its disappointing Second Quarter profit figures, $2 billion, Ford issued a warning of increasing economic pressures on the auto industry. It pointed in particular to the June vote by Britain to leave the European Union (Brexit).

Ford Chief Financial Officer Bo Shanks declared, "We're seeing elevated economic risk for the most part globally, and particularly what is happening with Brexit." He continued, "We see next year's industry [sales] will be weaker than this year. We don't see growth at least in the near term."

GM for its part said it expected that the impact of Brexit could reach $400 million due to currency issues and slowing sales.

Ford is spending more on sales incentives than last year. It said it was prepared to cut factory output and accelerate a "cost-attack" to maintain its profit levels. Despite this, shares of Ford's stock slumped sharply in the wake of its second quarter profit results, which were down 9 percent from the same period last year.

Talk of production cuts by Ford is a warning that job cuts may be in the offing. It comes as auto parts supplier Martinrea Hot Stamping said it plans to close its Detroit plant permanently and lay off up to 122 workers. The facility does hot stamping and assembly work for Fiat Chrysler, including the Dodge Dart and Chrysler 200, which FCA is in the process of phasing out. The United Auto Workers called the closure "not unexpected," signaling its support for the cuts.

The closure follows the announcement by Fiat Chrysler that it is ending passenger car production in the United States. It is looking for a third party supplier, possibly in Mexico, to continue production of the Chrysler 200 and the Dart. Last month FCA laid off a full shift at its Sterling Heights Assembly Plant (SHAP), cutting some 1,420 jobs. They were the first permanent layoffs since FCA's 2009 emergence from bankruptcy.

Sterling Heights Assembly builds the Chrysler 200, which has suffered sharp sales declines. FCA said that all US production of the 200 will end by December. Meanwhile, it is halting production of the Dodge Dart at its Belvidere, Illinois facility in September.

Fiat Chrysler recently restated its sales results after the exposure of a scheme to artificially boost its sales figures. A lawsuit by dealers alleges FCA offered them money to report vehicles as sold in a particular month and then later revise those reports.

Due to sagging sales of the 200, SHAP is currently on shutdown and is expected to only be in operation intermittently until the facility is closed for retooling in

December. SHAP is slated to build the new version of the Dodge Ram, currently built at the nearby Warren Truck Plant.

Kate, a veteran worker at SHAP, told the WSWS that workers at the plant would be back at work on August 29 and then be on layoff again for six more weeks. She said, “On our local union web site it said high seniority people could go to another plant to work.

“Some of the newer people from our plant went to Jefferson North Assembly and got fired because the work was too hard for hem. When you get bumped to another plant you don’t know what kind of job you will get. They were used to easier jobs.

“If I go to a new plant, because it is not my home plant, they will have seniority over me. I can’t carry over my seniority.”

The shift of the Dodge Ram to SHAP puts the fate of the giant Warren Truck Assembly plant into question. There were reports that FCA plans to build the Jeep Wagoneer at Warren Truck, but it is not clear how many jobs that will create. The facility currently employs some 4,100 hourly workers.

The United Auto Workers is supporting the FCA restructuring plan. UAW President Dennis Williams said the retooling of SHAP is “great for all of our members and all of the employees at FCA and for the local communities.”

Kate said that according to the UAW contract the workers at Warren Truck could follow the Dodge Ram to SHAP, giving them first preference for the jobs over the current SHAP workers.

“I don’t see how they can send the Chrysler 200 to Mexico, and we can’t go to Mexico,” she said. “I don’t understand why the union would allow them to move production out. Fiat Chrysler looks at the money they are saving, not the people. I feel the union is lying down.”