

North American International Auto Show

Auto industry exuberant about 2013

Climbing car sales have companies feeling optimistic.

By DEE-ANN DURBIN
AP Auto Writers

DETROIT — Maybe it was the brand new, bright red Chevrolet Corvette gleaming in one corner, or the elegant BMW coupe in the other. Maybe it was just the free-flowing espresso at nearly every stand. But car companies were positively giddy this week as the North American International Auto Show opened in Detroit.

They have reason to be. U.S. new car and truck sales reached a five-year high of 14.5 million in 2012, and many executives and analysts think they'll climb to 15.5 million this year. Credit is easier to obtain, interest rates are low and many people who held on to old cars during the recession are ready to buy.

To catch those customers' eyes at the Detroit show, car companies are unveiling 59 new cars and concepts. That's up from just 41 in 2012, a sign that auto makers have more profits at their disposal and expect higher sales. Toyota, Nissan and Mercedes have larger, more elaborate displays. Ford is luring visitors with the oldest surviving Ford in the world, a 1903 Model A, and the newest, a chiseled pickup truck concept called Atlas that could become the next F-150. General Motors can just sit back and watch the crowds gather around the Corvette.

The Detroit show, one of the country's biggest, opens to the public Saturday. Here are five trends visitors will see:

Getting more efficient:

One lesson from this year's show: There are plenty of ways to squeeze more efficiency from cars and trucks.



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The completely restyled 2014 Chevrolet Corvette Stingray was debuted for the North American International Auto Show in Detroit. Maybe it was the brand new, bright red Chevrolet Corvette gleaming in one corner, or the elegant BMW coupe in the other, but car companies were positively giddy this week as the show opened. U.S. new car and truck sales reached a five-year high of 14.5 million in 2012, and many executives and analysts think they'll climb to 15.5 million this year.

Volkswagen is showing a plug-in hybrid SUV prototype called the CrossBlue that mates a diesel engine with two electric motors. It can travel 14 miles in all-electric mode and gets an estimated 35 miles per gallon while running on both gas and electricity. The Jeep Grand Cherokee is also making a jump to diesel power with a new, optional 3-liter V-6 diesel that gets 30 miles per gallon on the highway, five better than the gas-powered V-6.

Automakers are trying other tricks to save fuel as they face higher fuel economy requirements, even in muscle cars. The eight-cylinder engine on the 2014 Corvette kicks down to four at highway speeds. The grille and wheels of Ford's Atlas concept pickup have shutters that automatically close at high speeds to cut wind drag. Many carmakers are replacing steel with aluminum, carbon fiber and other

materials to save weight.

Jeremy Anwyl, vice chairman of the Edmunds.com auto website, said many people have been surprised by the resurgence of internal combustion engines as new technology makes them more efficient.

"It is one reason why we're not all driving hybrids now, or EVs," Anwyl said.

Even so, there are plenty of gas-electric hybrids and some new electric cars for customers to look at. Nissan, a late convert to the hybrid market, is showing the Resonance concept, a dramatically styled hybrid crossover. Acura has the NSX hybrid supercar. And Cadillac debuted the ELR, its version of the Chevrolet Volt plug-in, which will go around 35 miles in all-electric mode before a small gas engine kicks in. And Tesla is showing its all-electric Model X crossover, whose futuristic wing-like doors are among

the handful of stop-and-stare features this year.

Pickups take off:

With new home construction back on the rise, pickup truck sales are poised to grow in the coming year. And Detroit is ready.

General Motors is showing its new trucks for the first time at the Detroit show. The Chevy Silverado and GMC Sierra, which will go on sale this Spring, have mean-looking grilles, restyled interiors and new engines and transmissions that GM promises will be very efficient. The trucks even have steps inset into the rear bumper so people can jump into the bed to get tools or tie down cargo.

Chrysler's just-refurbished Ram pickup — named the truck of the year by automotive journalists at the show — is also no

slouch, boasting a segment-best 25 mpg on the highway.

But Ford, whose F-Series has been the top-selling truck for more than three decades, won't cede that title without a fight. The company pulled off one of the show's few surprises, lowering its Atlas pickup concept from the ceiling amid a shower of sparks during media previews. Ford gave few details about the beefy, chiseled Atlas, other than to say that it hints at the look of the next F-Series, due to come out in 2014 or 2015.

"It sends a message that we hope to continue to strengthen our leadership in commercial vans and trucks," Ford's Chief Operating Officer Mark Fields said. "We know there's a lot of people who want to take that away from us."

The competition could mean good deals for buyers in a segment already known for big discounts. Chrysler sales chief Reid Bigland said Ram will stay competitive, but Chrysler also wants to make money.

Luxury boom:

Supple leather seats, finely stitched dashboards and sparkling chrome grilles are everywhere at this year's auto show, a sign that car companies are clawing at each other for a piece of the growing and lucrative U.S. luxury market.

From a well-crafted new E-Class lineup from Mercedes to the plush, decked out luxury Cadenza sedan from once-lowly Kia, automakers are vying for customers who are ready to be pampered a little more.

Luxury sales grew almost 12 percent last year to over 1 million sales, and automakers are expecting further increases as people feel better about the economy and the Great Recession recedes into the rear-view mirror.

Home construction surges

Jump in activity in December likely to continue.

By MARTIN CRUTSINGER
AP Economics Writer

WASHINGTON — The aftermath of the housing bust forced many homebuilders to dramatically scale back construction on new homes to avoid the risk of ending up saddled with a trove of newly built, yet unsold properties.

But an improving housing market has homebuilders feeling more confident about sales, and that's likely to kick the pace of new construction into a higher gear this year.

The Commerce Department said Thursday that builders broke ground on houses and apartments last month at a seasonally adjusted annual rate of 954,000. That's 12.1 percent higher than November's annual rate. And it is nearly double the recession low reached in April 2009.

Construction increased last month for both single-family homes and apartments. And the pace in which builders requested permits to start more homes ticked up to a 4- Ω year high.

For the year, builders started work on 780,000 homes. That's still roughly half of the annual number of starts consistent with healthier markets. But it is an increase of 28.1 percent from 2011. And it is the most since 2008 — shortly after the housing market began to collapse in late 2006 and 2007.

Steady hiring, record-low mortgage rates and a tight supply of new and previously occupied homes available for sale have helped boost sales and prices in most markets. That has persuaded builders to start



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Workers set roof trusses for new home in Pepper Pike, Ohio. U.S. home construction surges 12.1 percent in December to end best year since 2008.

more homes, which adds to economic growth and hiring.

David Williams, a homebuilding analyst with Williams Financial Group, says builders are very closely tied to what's happening in the housing market and they're going to build homes to meet demand, but not go overboard.

"I don't think, at this point, that they're going to overbuild," Williams said, noting that homebuilders are still holding back on building too many spec homes, or properties built before they're sold.

Having some spec homes can help sales, especially when a buyer isn't willing to wait several months for their home to be built. Builders tend to put up more of those homes heading into the spring home-selling season that traditionally begins next month.

Larry Webb, CEO of homebuilder The New Home Co., in Aliso Viejo, Calif., says he is building homes at a faster pace than a year ago, but he sticks to a sell-first, build-second

approach.

Overall, Webb is selling and building a minimum of four homes a month, at least double the pace of sales and construction two years ago.

Webb believes the stepped-up pace of home construction will continue this year. But he's holding on to the sell-first approach.

"Based on what we've gone through in the last recession and the way we do business, we think we should primarily build after we sell homes," he said. "We only build after we sell."

The company, which builds homes in California, has 10 open communities and plans to open another 14 this year.

"Normally there's a big drop off between Thanksgiving and Christmas," Webb said. "We saw very solid traffic and we're anticipating a very good first quarter."

Thursday's positive housing report, along with a steep decline in unemployment benefit applications, contributed to a

strong day on Wall Street. The Standard & Poor's 500 closed at a five-year high.

"There is no denying that the housing market recovery is solidifying, and we expect construction activity to ramp up to the 1 million annualized threshold by the end of this year," said Michael Dolega, an economist with TD Economics, in a note to clients.

Dolega said the gains in home building helped boost construction hiring in December by 30,000 jobs — the most in 15 months. He predicts the construction industry could add half a million jobs in 2013.

In December, the pace of single-family home construction, which makes up two-thirds of the market, increased 8 percent. While that's well below healthy levels, single-family housing starts are now 75 percent higher than the recession low reached in March 2009.

Apartment construction, which is more volatile, surged 23 percent last month. It is now back to pre-recession levels.

US retail sales up 0.5 percent in December

By MARTIN CRUTSINGER
AP Economics Writer

WASHINGTON — U.S. consumers increased their spending at retail businesses in December, buying more autos, furniture and clothing. Steady job growth and lower gas prices kept consumers shopping for the holidays, despite worries about potentially tax increases.

Retail sales rose 0.5 percent in December from November, the Commerce Department said Tuesday. That's slightly better than November's 0.4 percent increase and the best showing since September.

Sales of autos and auto parts rose 1.6 percent to lead all categories. Car companies closed out their best sales year since 2007.

Total retail spending was even stronger when factoring out a steep drop in gas prices.

And so-called core retail sales, which exclude gas, building materials and autos, rose 0.6 percent after a 0.5 percent increase in November. Economists pay closer attention to core sales because they strip out the most volatile categories and are a better gauge of consumer spending.

Two straight months of solid increases in core sales suggest consumers were not too worried about tense negotiations to resolve the fiscal cliff. Congress and the White House ultimately reached a deal on Jan. 1 that prevented income taxes from rising for most households.

Still, retail sales are likely to weaken in the first half of 2013 because

lawmakers and President Barack Obama allowed a two-year reduction in Social Security payroll taxes to lapse. Most Americans will start seeing less money in their paychecks this month.

A person earning \$50,000 a year will see take-home pay shrink by roughly \$1,000 in 2013. That's likely to slow consumer spending and weigh on overall economic growth.

"Nothing in today's data does anything to dispel the notion that consumer spending the first half of 2013 should be quite weak," said Dan Greenhaus, chief global strategist at BTIG. "The smaller paychecks will be anything but a welcome development."

Consumer spending drives roughly 70 percent of economic activity.

Even though consumers kept spending at the end of the year, most analysts predict overall economic growth weakened in the October-December quarter to an annual rate below 2 percent. That's largely because companies built up their stockpiles at a slower pace than over the summer. Faster restocking was a key reason the economy grew at an annual rate of 3.1 percent in the July-September quarter.

And growth in retail spending for all of 2012 ended up being less robust than the previous two years. Retail sales rose just 5.2 percent last year — slower than the 7.9 percent growth in 2011 and the 5.6 percent growth in 2010.