BUSINESS

BETTING ON A PICKUP SURGE

Automakers expect to see a jump in sales because of renewed home construction

By Tom Krisher
Associated Press

DETROIT — Auto companies are betting on a surge in pickup sales now that home building is on the rise.

Chrysler said Thursday that it is adding 1,000 workers to its Ram pickup factory because it sees higher demand for the redesigned truck. Ford and General Motors also say truck sales are climbing fast after several years of small but steady growth.

Truck sales rise or fall with home construction because they're the vehicle of choice for contractors and construction crews. And there are growing signs that home construction and prices are in the midst of a steady recovery, said Tom Libby, lead North American forecasting analyst for the Polk research firm.

For example, government data shows builders started construction on homes and apartments at the fastest pace in more than four years in September. They also requested the most building permits in four years, a sign that many are confident that home sales will continue growing. Another encouraging sign: Home prices are rising in many markets.

"Almost every day there's another report of a positive measure," Libby said.

Another reason sales could surge is the record age of trucks currently on the road. Ford Americas President Mark Fields said this week that 53 percent of full-size pickups are now older than 10 years, and 27 percent are more than 15 years. Many of those trucks will have to be replaced soon.

"You can see there's a lot of pent-up demand out there," Fields said at an industry conference. "There could be a lot of opportunity."

Fields said full-size trucks have accounted for 11 percent of U.S. sales since 2009. That market share shot up rapidly in October to 13 percent, according to Citi analyst Itay Michaeli. He said he expects demand at that level for the next few months, especially since gas prices have eased.

Ford's top U.S. sales analyst, Erich Merkle, wouldn't say how much Ford has increased truck production to meet demand. But Ford's overall car and truck production is up 7 percent in the fourth quarter to 725,000. As of Nov. 1, it had 238,000 pickups in its inventory, up from 192,000 at

See PICKUPS, Page 5E

PICKUPS

Continued from Page 3B

So even if there's no recovery in pickup sales, demand will increase simply because the overall market is growing, Libby said.

Chrysler said Thursday it will add 1,250 workers and invest $240 million in three Detroit-area plants to boost truck and engine production. The new hires would boost Chrysler's global workforce to 63,450.

The hiring is another step in Chrysler's comeback from its 2009 government-funded bankruptcy. The company, majority-owned by Italian carmaker Fiat SpA, is profitable again and has hired 12,000 workers since leaving bankruptcy protection in 2009.

"Days like this show that there's a payoff for our efforts," Marchionne told workers Thursday.

Chrysler will add the workers at the Warren, Mich., Ram plant in March.

Another 250 jobs could come to the Mack 1 plant, which will be retooled to make V-6 engines instead of a large V-8 made there currently. Production of the new engine will begin in 2014.

Chrysler said it has invested $4.75 billion in the U.S. since June of 2009.

the same time last year, indicating it's expecting a jump in sales. The F-Series pickup is the country's best-selling vehicle.

Chrysler CEO Sergio Marchionne is predicting higher Ram sales because of the truck itself. The new Ram, which just hit the market, can get up to 25 miles per gallon on the highway and has a host of new technology, including a system that automatically shuts down the truck at stop lights to save fuel. Ram sales were up 20 percent in October from the same month last year.

"I expect it to do really well," Marchionne said after a speech at Chrysler's Mack 1 Engine Plant in Detroit on Thursday.

New pickups from GM, due out early next year, will also pique buyers' interest. GM plans to release more details about the Chevrolet Silverado and GMC Sierra next month.

Polk expects U.S. sales of new cars and trucks to reach 14.4 million this year, up from 12.8 million last year. And the company forecasts 15.4 million in 2013.



Chrysler is adding workers to the plant that builds the Dodge Ram 1500 pickup because of higher demand. AP