



Best Time in Decades to Buy a New Car

A confluence of favorable conditions makes this the **best time** in two decades to buy a new car

- **Auto Loan Rates**
Lowest average rates recorded in 26 years
- **Car Sales**
Sluggish sales drive competitive pricing
- **Incentives**
Rebates remain high
- **Insurance**
Rates drop for the first time in 24 years
- **Fuel Prices**
Gasoline prices fall to an historic low
- **Vehicle Quality**
Fewer reported problems
- **Highway Safety**
The nation's roads are safer than ever



Reported by [Mary S. Butler](#), **cars.com**



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Why Buy Now?

Falling interest rates, generous rebates and incentives, and other favorable economic conditions have coalesced to make the end of 1998 an ideal time to buy a new vehicle. The advantages don't



end when you drive that '99 model off the dealer's lot: Insurance rates have dropped this year, gasoline prices are low, new-vehicle reliability is higher than ever and highway travel is safer. What more could you want?

How about good VFM (value for money)? Vehicle pricing is probably the single most favorable factor for car buyers now, says Jeremy Anwyl, an auto industry retail consultant. He points out that yesterday's options, such as air conditioning, power brakes and windows, have become today's standard equipment, which helps keep the total vehicle cost lower.

Auto affordability is at an 18-year high, according to an index compiled by economists at Detroit-based Comerica Bank. The Auto Affordability Index, which is updated each quarter, tracks the average amount financed, finance rates, length of loan, and median family income, among other factors, to derive the number of weeks of income necessary to purchase the average car. For the third quarter of 1998 that amount was 24.5 weeks, Comerica announced last week. The last time the index figure has been that low was in the last quarter of 1980, when it stood at 24.3, reports Comerica chief economist David Littman. During an earlier interview, he had predicted that third-quarter 1998 figures would be strong because finance rates are lower, income growth has been stronger than expected for the quarter and price pressures have remained about the same. "Right now may be the best time to buy in two decades," says Littman.

Reported by [Mary S. Butler](#), cars.com

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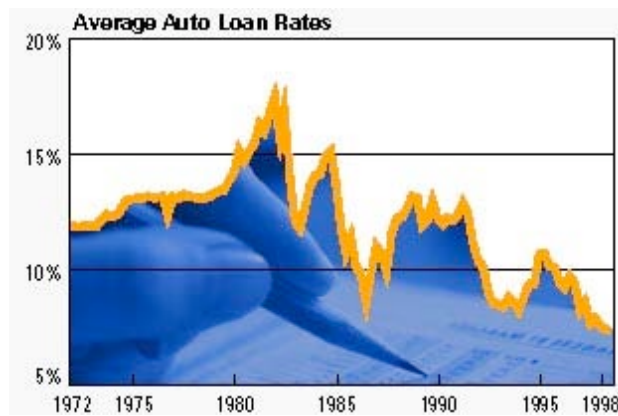
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Average Auto Loan Rates Lowest Recorded in 26 Years



Sources: Federal Reserve Board; American Automobile Manufacturers Association; Comerica Inc.

While fears of an economic slowdown may have motivated the Federal Reserve Board to make three quarter-point reductions in the federal fund rates since late September, it hasn't stopped consumers from buying cars. September and October 1998 automobile sales were 6 and 10 percent higher, respectively, than the same period last year.

How will this affect you? If it's been several years since you bought a new car, you may be surprised by how much auto loan rates have dropped recently. The average combined rate charged by finance companies and commercial banks, which was 7.35 percent for third-quarter 1998, has dropped 1.25 percentage points since the second quarter of 1997, according to Federal Reserve Board and American Automobile Manufacturers Association data, and is 5.83 percentage points lower than the fourth-quarter 1988 combined rate. Comerica Bank chief economist David Littman thinks interest rates should remain stable in the near future.

Auto loans aren't the only ones affected by falling interest rates, of course. As homeowners refinance their mortgages and lock in lower monthly payments, more money is freed up for other expenditures.

Want to find the lowest interest rates across the nation or in your state? Check out [Today's Loan Rates](#) on **cars.com**, as compiled by Bank Rate Monitor.

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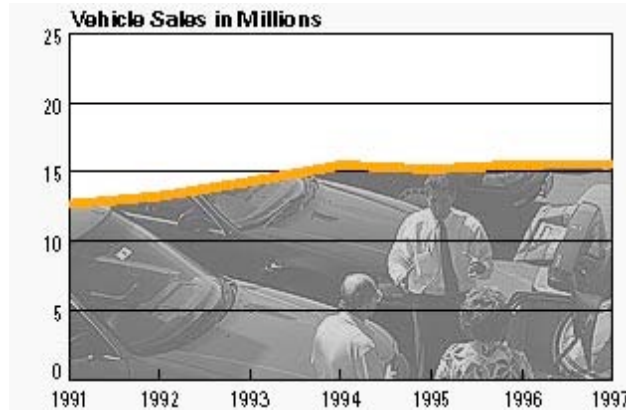
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Relatively Flat Sales
Keep Pricing Competitive



Source: U.S. Retail Sales of Cars and Trucks, "Motor Vehicle Facts & Figures 1998," American Automobile Manufacturers Association

Despite — or because of — the favorable economic conditions we've enjoyed for the past several years, vehicle sales have remained fairly constant. Combined annual U.S. sales of cars and trucks hit their peak in 1986 when 16.3 million units were sold. By comparison, combined vehicle-class sales for 1996 and 1997 were 15.4 million units each year. Industry analysts are projecting that 1998 sales will be between 15.4 to 15.5 million vehicles.

Sales have been flat in recent years for several reasons, says Rob Birch, manager of statistics for the American Automobile Manufacturers Association. Pent-up consumer demand is no longer there, due to sustained economic growth. Longer vehicle life, another factor, means consumers can wait longer before buying replacement vehicles.

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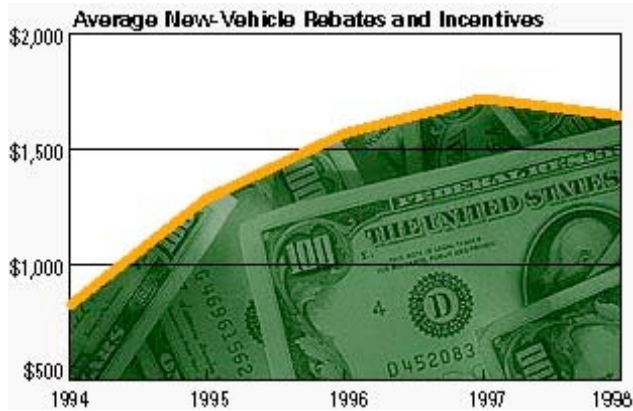
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Customer Incentives

Incentives Remain High



Source: Marketec Systems, Inc.

The chart plots average total incentives from 1994 through 1998. This reflects both manufacturer-to-dealer and direct-to-consumer rebates. To get a comprehensive listing of national incentives, check out our [Customer Incentives](#) section.

This has been a great year for consumers in terms of dealer and customer rebates and incentives. This summer's United Auto Workers strike against General Motors may have brought about some of the generous enticements now being offered by the No. 1 automaker. You can get up to \$5,000 off a 1998 Cadillac DeVille Concours and \$3,500 off a two-door 1998 2WD Chevy Blazer or GMC Jimmy, among other generous incentives. Although 1998's projected average incentive figure of \$1,650 is \$75 lower than last year's \$1,725 peak, bear in mind that some manufacturers have actually lowered the MSRP on several 1998 and 1999 model year vehicles.

Another reason that incentives are strong while prices remain flat or decline is that "manufacturers are lessening their reliance on leasing," says Jeremy Anwyl, president of Marketec Systems and an auto industry retail consultant. Leases proved to be expensive for auto retailers, and some of that money is now going toward incentives.

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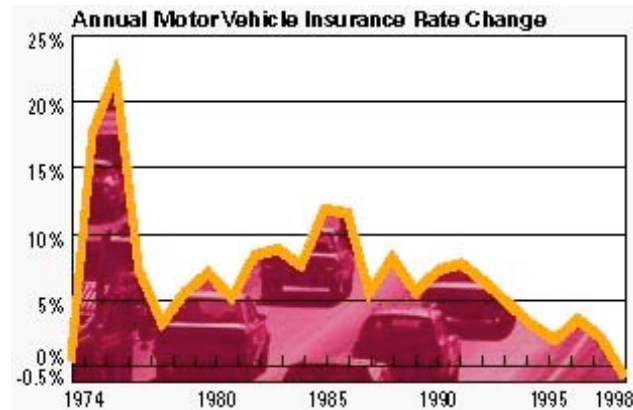
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Auto Insurance Premiums Drop



Source: Consumer Price Index — All Urban Consumers, U.S. city average, motor vehicle insurance, Bureau of Labor Statistics (BLS); research assistance provided by economist Todd Wilson, Office of Prices and Living Conditions, BLS.

After 24 years of steadily climbing rates, auto insurance premiums dropped in 1998, and have continued to drop into 1999. State Farm, the nation's largest auto insurer since 1942, has been lowering premium rates for the past two years, says Dave Hurst, a company spokesman.

Some of the reasons for this unprecedented drop include [fewer highway fatalities](#), lower car-theft rates and a holding pattern in claim costs as vehicles are made safer and more resistant to damage. "State Farm's use of non-original equipment manufacturer (OEM) parts and increased marketplace competition are other contributing factors," Hurst explains. Some companies aggressively pursue hard-to-insure drivers, and offer lower rates to better drivers. The residual market, which is made up of the hardest to insure, has been declining in recent years. Internet rate-quote services, although they haven't been realized to their full potential, also have increased the competition.

The annual percentage rate changes were calculated by the [Bureau of Labor Statistics](#) using the Consumer Price Index — All Urban Consumers for motor vehicle insurance. The rate change between January 1998 and January 1999 was -0.6 percent.

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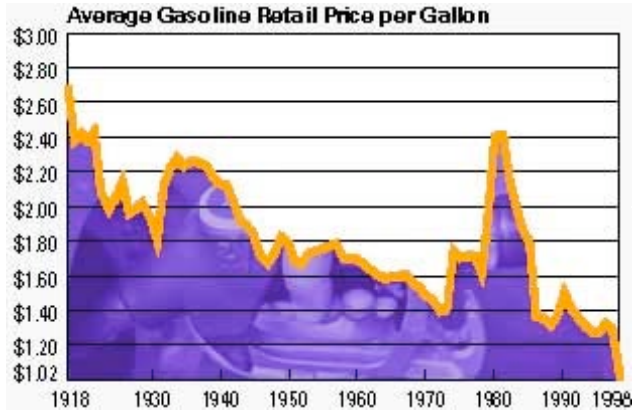
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Fuel Prices Hit Historic Low



Sources: Historic Prices — American Petroleum Institute (API), "Basic Petroleum Data Book," January 1998; U.S. Department of Labor, Bureau of Labor Statistics, "Gasoline Average Prices per Gallon, U.S. City Average and Selected Areas"; 1998 Prices — API.

Gasoline is now at its lowest price since . . . ever, adjusted for inflation. For the 80 years that fuel prices have been recorded, gasoline hit an all-time low on March 25, 1998, when the average price dropped to a dollar per gallon. Prices have remained low; on November 2 Americans paid only \$1.01 per gallon, on average.

"Consumers are now reaping the benefits of a global oil glut that's resulted in lower gasoline, heating oil and other fuel prices," says Rae Dougher, a senior policy analyst with the American Petroleum Institute (API). Reduced Asian demand has also contributed to the low prices.

All of the dollar amounts plotted in the graph above are retail prices that include federal and state taxes. "The state tax portion is a nationwide representative average weighted by consumption," says API's Dougher. Prices are annual averages for all types of gasoline. All amounts have been converted to October 1998 dollars by **cars.com**.

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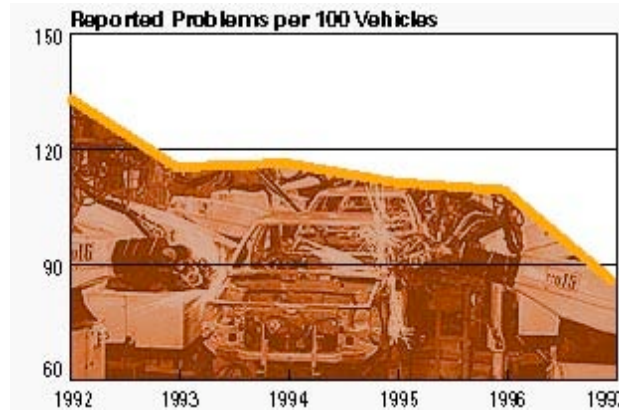
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Vehicle Quality Continues to Increase



Source: Initial Quality Study, J.D. Power and Associates

Manufacturers, particularly domestic automakers, have been heralding vehicle quality improvements for years. A look at the results of J.D. Power and Associates' Initial Quality Study (IQS) confirms that there is some truth to these claims. Between 1992 and 1997, the number of reported problems per 100 vehicles dropped from 134 to 86.

Each quality study monitors what problems customers experience within the first three months after purchasing a new car or light truck. In 1998, for example, 58,117 new-vehicle purchasers responded to the J.D. Power survey, says project director George Owens.

Results from the 1998 IQS haven't been plotted on the above graph as the methodology employed varied greatly from the 1992-7 studies. The new study was enhanced to include more problems that could be noted, which resulted in 176 problems per 100 vehicles being reported. "This doesn't mean that vehicle quality declined between 1997 and 1998," says Owens. "Additional information gathered using the original IQS survey reveals that overall quality in 1998 is nearly identical to 1997's."

Initial quality is not the only measure of improvement. Consider that late-model vehicles now require less maintenance. The latest vehicles can now go 15,000 miles without an oil change instead of the 3,000-mile interval recommended for older cars, says Jeremy Anwyl, an auto industry retail consultant. Some models can go 100,000 miles between tune-ups and lifetime-sealed transmissions never need servicing. We could one day have lifetime-sealed engines, he predicts.

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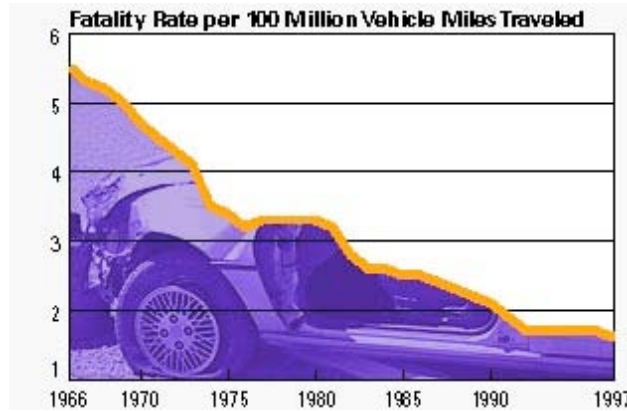
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The Nation's Highways Are Safer Than Ever



Sources: 1966-1996 figures from the 1996 Fatality Analysis Reporting System (FARS) report published in December 1997 by the National Center for Statistics and Analysis, NHTSA; 1997 figure from the preliminary 1997 FARS report.

Despite heightened awareness of "road rage" and other driving-related disorders, national road safety has actually increased steadily. The U.S. traffic fatality rate in 1997 dropped to its lowest levels since record-keeping began in 1966. The 1997 rate, which was 1.6 fatalities per 100-million vehicle miles traveled, was down from 1.7, the rate since 1992. The 1966 rate was 5.5, according to the National Highway Traffic Safety Administration (NHTSA).

In August U.S. Transportation Secretary Rodney E. Slater announced that alcohol-related traffic fatalities also dropped to a record low. This, combined with an all-time high rate of seat belt use in 1997, helped make last year one of the safest years on U.S. roads in history.

While these figures tally highway deaths, it's no stretch to recognize that the improvement reflects increases in vehicle safety. Both the roads and the vehicles sold today are safer.

The National Highway Traffic Safety Administration annually collects crash statistics from 50 states and the District of Columbia to produce an annual Fatality Analysis Reporting System (FARS) report. The final report, pending data collection completion and quality-control verification, will be available later this year.

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