

Auto boom forecast disputed

Supplier's top official sees decline

By MICHAEL MATUSZEWSKI

Not many people care to tangle with General Motors' Chairman Thomas A. Murphy or his economic forecasts.

But earlier this week, Thomas F. Russell, chairman of the board of Federal-Mogul Corp., disagreed with Murphy's rosy 1979 predictions and forecast declining auto sales.

Whereas sales for 1978 are projected at 11.2 million cars, Russell, whose corporation services the auto industry, told a Detroit Economic Club audience that only 10.9 million cars—both domestic and foreign—would be sold in the coming year.

GM Chief Murphy, who has a proven record of accurate forecasting, several weeks ago went out on a limb saying 11.5 million cars would be sold in 1979. Chrysler expects sales of 11.4 million. Ford is the most conservative of the Big Three automakers predicting sales of 11.3 million cars.

"TOM MURPHY last year made a prediction that made everyone laugh," Russell told an audience of more than 1,000 gathered at the Detroit Plaza Hotel. "This year he's the one laughing all the way to the bank."



THOMAS F. RUSSELL

"This year he made a prediction more than 600,000 more than mine. I seriously hope he's right," he said.

DESPITE HIS predictions of a downturn in the auto industry, Russell calls his expectations "moderately bullish."

The 2.5 per cent decline in auto sales that Russell predicts is nowhere near the recession low of 1974 when auto demand dropped another six per cent.

Russell said he is counting on the income tax cut, which President Jimmy Carter approved several months ago, to ease the pressure on consumers to put off buying a car.

"The tax cut," he said, "will tend to preserve disposable income, making it available for potential car purchases."

He also gave American car producers and the tumbling value of the dollar abroad credit for "erasing" the inducements for buying foreign rather than Ford.

Russell predicted import car sales would drop a full 15 per cent in 1979.

"The decline of the dollar on the international money markets has erased the price advantages once enjoyed by our overseas competitors."

"And American producers now have accepted models which compete with the foreign ones on a head-to-head basis," he said.

WHILE AUTO SALES may be down next year, Russell expressed hope for the 1980s. No longer, he said, will American producers be solely dependent on the domestic market.

"The world car" is a concept whose time has come for U.S. manufacturers. It now seems apparent that Detroit products will once again

appear in substantial numbers around the globe," he said.

Russell, however, could not ignore the other voices making more dire predictions for 1979.

Calling Carter's economic policies a "major area of uncertainty," he said, "the results of the president's program could produce a slowdown in economic growth and increased unemployment, which could possibly have an effect on automotive sales."

He quickly added the probable results of Carter's policies are "anything but clear."

"It's still too early to know whether the voluntary cost-price control program will work or, for that matter, whether Congress will resist mounting pressure from some quarters for mandatory controls."

"It's also premature for an assessment of Carter's strategy to support the dollar on international money markets. And this could have important bearing on the domestic inflation rates and, ultimately, on discretionary incomes."

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