

The us automotive industry economics essay

[Economics](#)



The automotive industry of the U. S. provides a unique and significant contribution to the U. S. economy. From the employment rate to domestic production and research and development, the automobile industry of the U. S is a leader in multiple arenas, not only here in the domestic, but also across the globe. We may discuss more about the description of the U. S. automotive industry and the stability of government policy, inflation rate, economic growth, and employment rate in the U. S. and the effects on General Motors Corporation.

3. 1The U. S. Automotive Industry

After the global finance crisis in 2008, the economic shows a downturn trend in North America; the North American automotive market is also showing a downward trend. Thus, the U. S. sales of auto market reached a new low in recent years, which has a decline of more than 20%. However, with the slow economic recovery in North America and a variety of stimulus role making the downward trend slowdown and show an increase trend. In 2010, the total sales volume of American Automobile was reached 11, 590, 274, an increase of 11% from January to July 2011. In addition, U. S. auto sales remained level year-on-year increase of 11%. In 2011, the United States exported approximately 2. 5 million vehicles to more than 200 countries around the world valued at \$60. 9 billion, with additional exports of automotive parts valued at approximately \$67 billion.

3. 2 Industry Policy

From a policy perspective, the United States government economy role extends far beyond its activities as a regulator of specific industries. The United States government also manages the overall pace of the US economic

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activity, seeking ways to maintain lower levels of unemployment and keep stable prices levels. There are two main tools for the U. S. government to achieving these objectives: Fiscal policy: through which it determines the appropriate level of taxes and spending; Monetary policy: through which it manages the supply of money.

3. 2. 1 Fiscal Policy

Fiscal policy often used for government managing the spending and taxes to guide the economy. The economic recession after 2008 caused fiscal pressure for the U. S. government which has a declined of tax revenues at the state level. Under using the expansionary fiscal policy, the revenues were going to have a recovery trend in 2011. However, the state level is still below the levels before recession. Revenues at the local level proved to be more stable due to their great reliance on property taxes. The decline in revenues and counter-cyclical spending forced states to close nearly USD 430 billion dollars in shortfalls between 2009 and 2011. For the 2012, that began on July 1, 2011, 42 states of US projected that they would face another USD 103 billion in shortfalls. With the slowly recovering of tax revenues and federal funding provided under the American Recovery. The Federal funding gave up the reinvestment method; the United States will continue to face fiscal challenges in the future. The potential problem for General Motor Corporation is the time lag of fiscal policy. Although the US government has already take the action to improve the

3. 2. 3 Monetary policy

Monetary policy was used to control the value of currency by lowering the supply of money to control inflation and raising it to stimulate economic growth. Due to the financial crisis, the Federal Reserve responded aggressively and creatively to the rapidly changing outlook for economic growth and inflation. From 2008, the Federal Reserve tried to lower its short run interest rate to essentially

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zero to increase the money supply of the United States economy. With increase of high oil prices, environmental awareness strengthen consumer demand tends to be more fuel-efficient economy car. With an open investment policy, a large consumer market, a highly skilled workforce, available infrastructure, and government incentives, the United States is the premier place for the future of the auto industry.

3.3 Economic Growth

Economic Growth refers to the Gross Domestic Product per person in a country. The United States is the world's largest economy before the global finance crisis. The economic growth rates have been decreasing since the last two decades. In the last ten years, the average rate has been below 2 percent and since the second quarter of 2000 has never reached the 5 percent level. With the decreasing GDP growth rates, the growth of personal disposable income has been also declining. And since the recession in 2009, when the GDP was actually declined rapidly, has been reaching an average rate of 3.6 percent. The Gross Domestic Product (GDP) in the United States expanded 1.70% in the fourth quarter of 2012 over the same quarter of the previous year-2011.

The automotive manufacturing industry is an important component of the United States economy, especially in several Midwestern and Southern states are the most. In addition, General Motors is the largest carmaker of the United States, which has a strongly effects on the on state automotive manufacturing GDP growth and financial market performance indicating that the company maintains strong ties within the U.S. economy.

3.4 Inflation rate

Inflation rate can be defined as the overall general upward price level movement of goods and services in an economy. The inflation rate in the United States has a slowly increasing during 2011 and 2012. Due to the world finance crisis, the United States was immersed in

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recession and tries their best to recovery this situation. According to this situation, the inflation rate increased during this period and the unemployment rate was also decrease. The cost of General Motor Corporation production was low, which is an opportunity for the company to develop in the short run car industry. In the long run car industry is facing many challenges with the recovery recession, which means the increased costs of the productions. The consumer will bear the brunt of higher prices of products caused by the higher costs of production.

3. 5 Unemployment rate

Recent years, the labor force market remains in the doldrums lead the U. S. leaders feel quite tricky. Since 2012, the U. S. unemployment rate continued to run in high level at more than 8. 3%, but after June was declined mildly, especially in October, the unemployment rate decreased to 7. 8%, with the sharply down 0. 5 percentage points, showing that the job market signs of improvement. For the United States, if you want to significantly reduce the unemployment rate, to reach at least 250, 000 new jobs per month. However, during the boom period, the average monthly increase in jobs is difficult to reach 250, 000. Therefore, the employment problem in the United States is difficult to fundamentally resolved, will continue to plague the U. S. economy in 2013.

The unemployment rate directly related with performance of U. S. automakers—especially General Motors and Ford. With the result in reducing levels of unemployment rate in the U. S. General Motors has the most important effect.