

Want to buy a new car?

Houston, we have a problem! Sales of new cars worldwide has plummeted. Millions of brand new, unsold cars are just sitting redundant on runways and car parks around the world.

Car manufacturers have to buy more and more land just to park their cars as they perpetually roll off the production line.

All around the world there are huge stockpiles of unsold cars and they are being added to every day. It would be fair to say that it is becoming a mechanical pandemic. The car industry would never sell these cars at massive price reductions to get rid of them, because that would ruin used car prices.

The global corona-recession has seen new car sales plummet. Actually, in the USA it's depression - the world's biggest economy has just announced 'growth' of -9.5%, taking them past the magic figure of -10%. No wonder new car sales are down.

What we desperately need is growth, but another figure released in Australia last week cast an equally dark scenario: for the June quarter, Australia experienced price changes of -1.9%. That's deflation, folks.

So what? If prices are dropping, people tend to delay a major purchase (eg new car/fridge/etc in the hope of picking it up cheaper in 6 to 12 months. Less spending = less growth = higher unemployment = lower prices = less spending = less growth... You get the picture. We might not like inflation but deflation is way worse for an economy.

What can we do? Firstly, don't go to Victoria, what a mess! Secondly, hope the Federal Government doesn't decrease their spending on JobKeeper (4 million on it now) after September as much as they said they would. Thirdly, do as my good lady does: spend - she says "It's not what you spend, it's what you save!"

From your Economics correspondent

