



## **Automotive Market Outlook**

June 2023

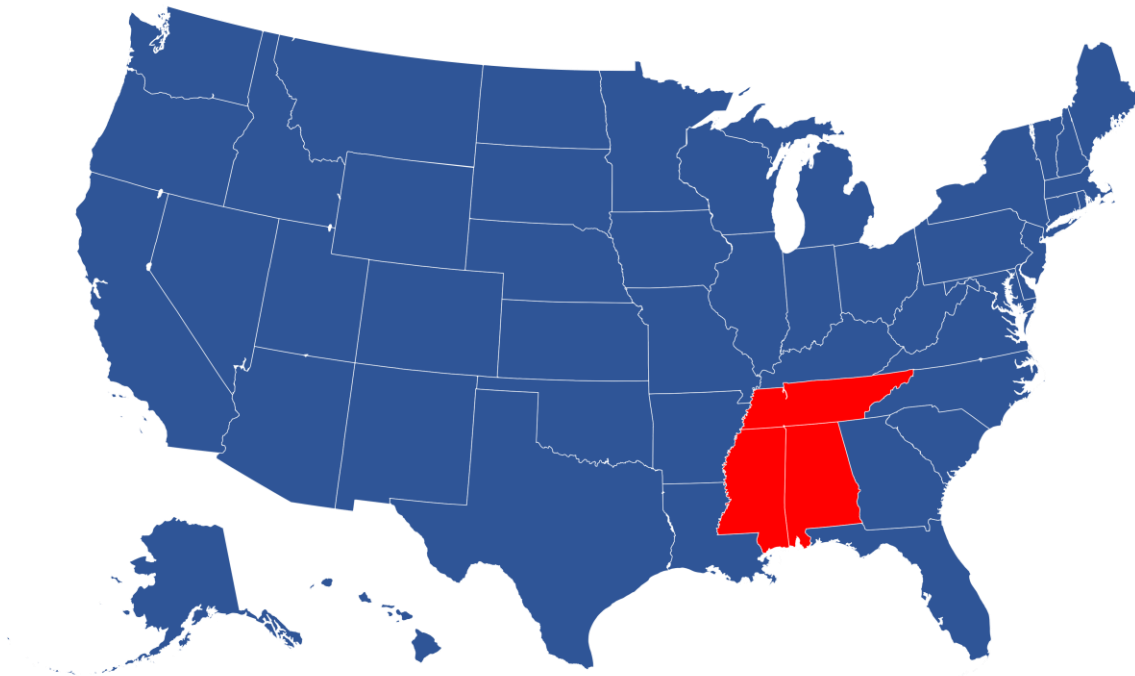
# **Curves On The Road Ahead**

[Charlie.Chesbrough@coxautoinc.com](mailto:Charlie.Chesbrough@coxautoinc.com)

COX AUTOMOTIVE



# Agenda



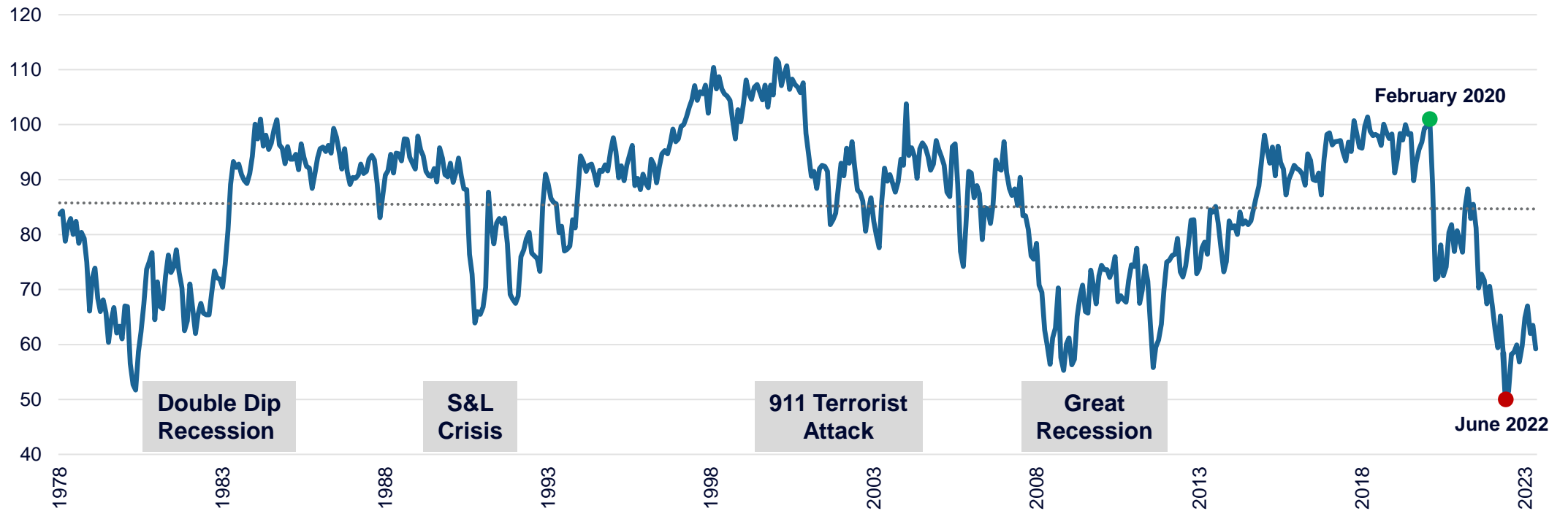
- **Possible Recession:  
Who's At Risk**
- New and Used Markets:  
Inventory and Prices Changing
- A-M-T's Outlook:  
Still Recovering
- EV Revolution:  
Has Finally Begun

# Consumer Sentiment | National Mood Sour

Country recovering from perceived “dark” period – beating back inflation will take time



Consumer Sentiment



# Inflation | Public Enemy #1 - Elevated But Falling

Some cyclical retreat was expected – will job losses follow?



Consumer Price Index (annual change)

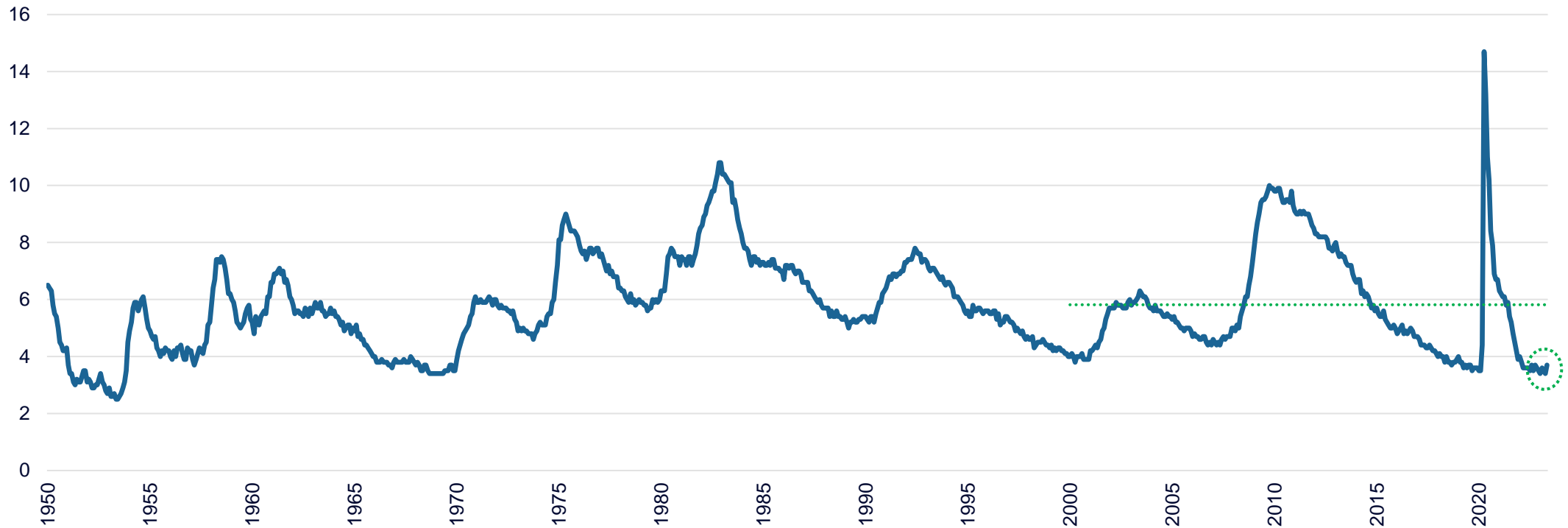


# Unemployment Rate | Remains Near Historic Lows

Increase expected as monetary tightening slows economic activity



Unemployment Rate (percent)

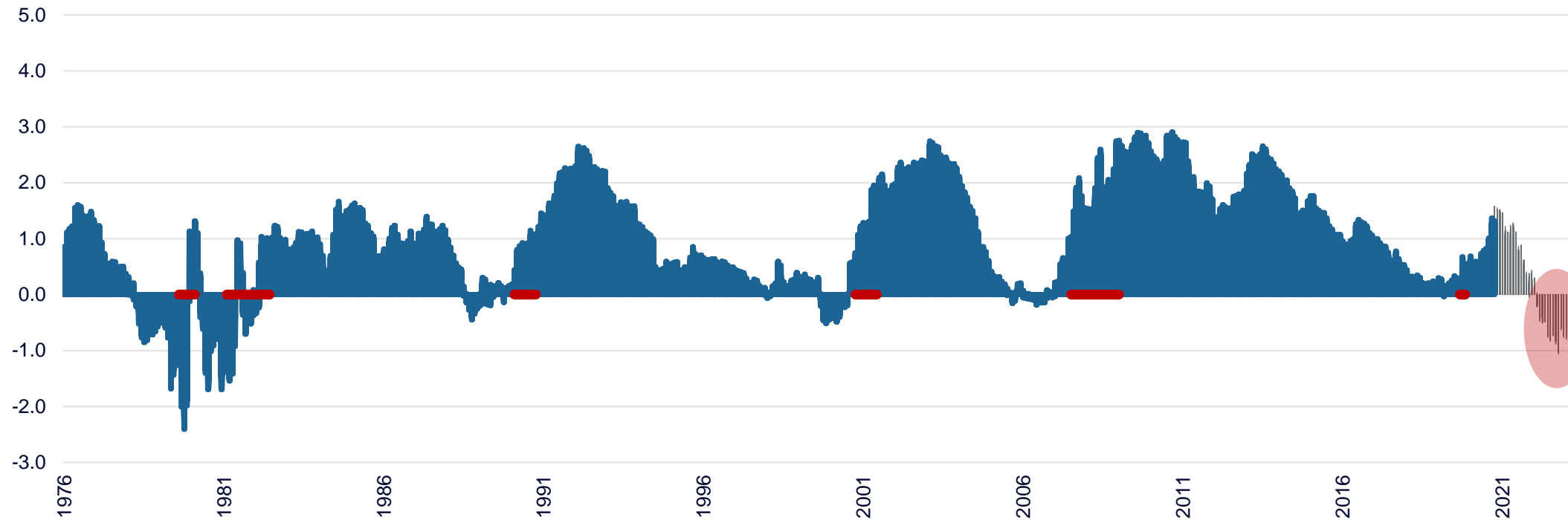


# Interest Rate Spread | A Predictor Of Recession

Near rates higher than Far – suggests economic slowdown is coming

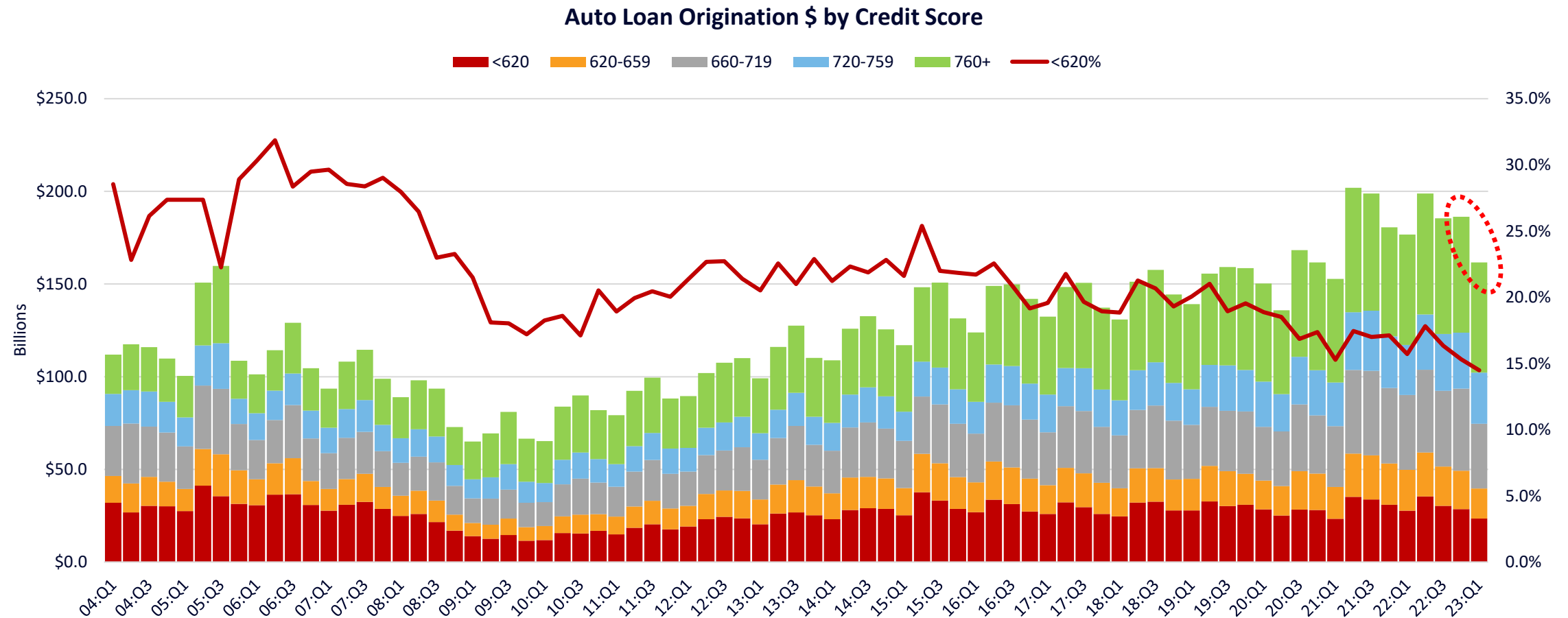


10 Year – 2 Year Treasuries



# Auto Lending | Declined 13.2 % In Q1

Originations down 8.5% y/y, but quality strong as subprime share now just 14.5%

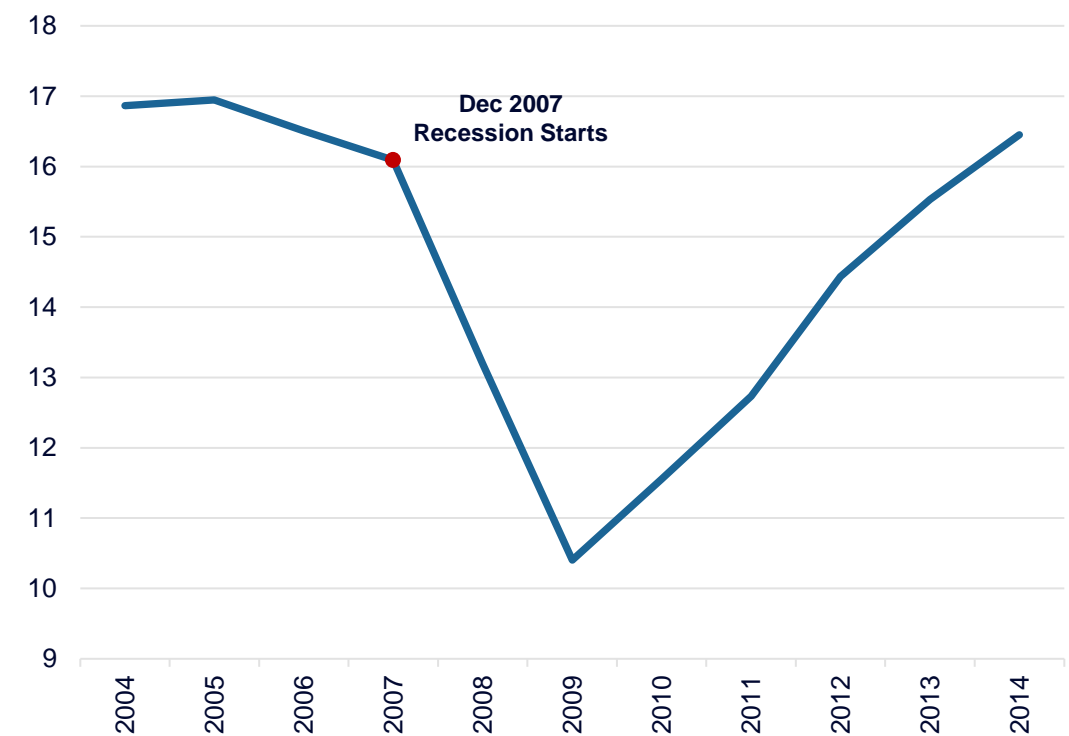


# Recession Risk | Vehicle Market In Different Situation Today

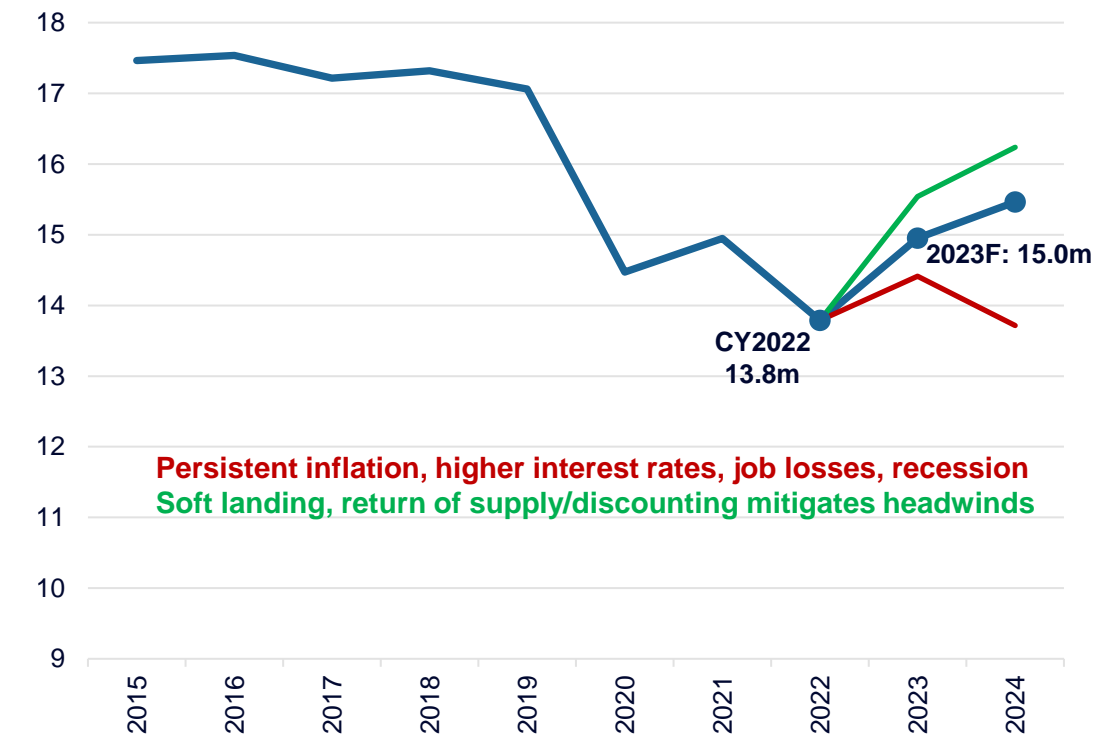
Sales fell off a cliff in 2008, but will only fall off a curb if recession does occur



New Vehicle Sales: The Great Recession Period (millions)



New Vehicle Sales: The Global Pandemic Period (millions)

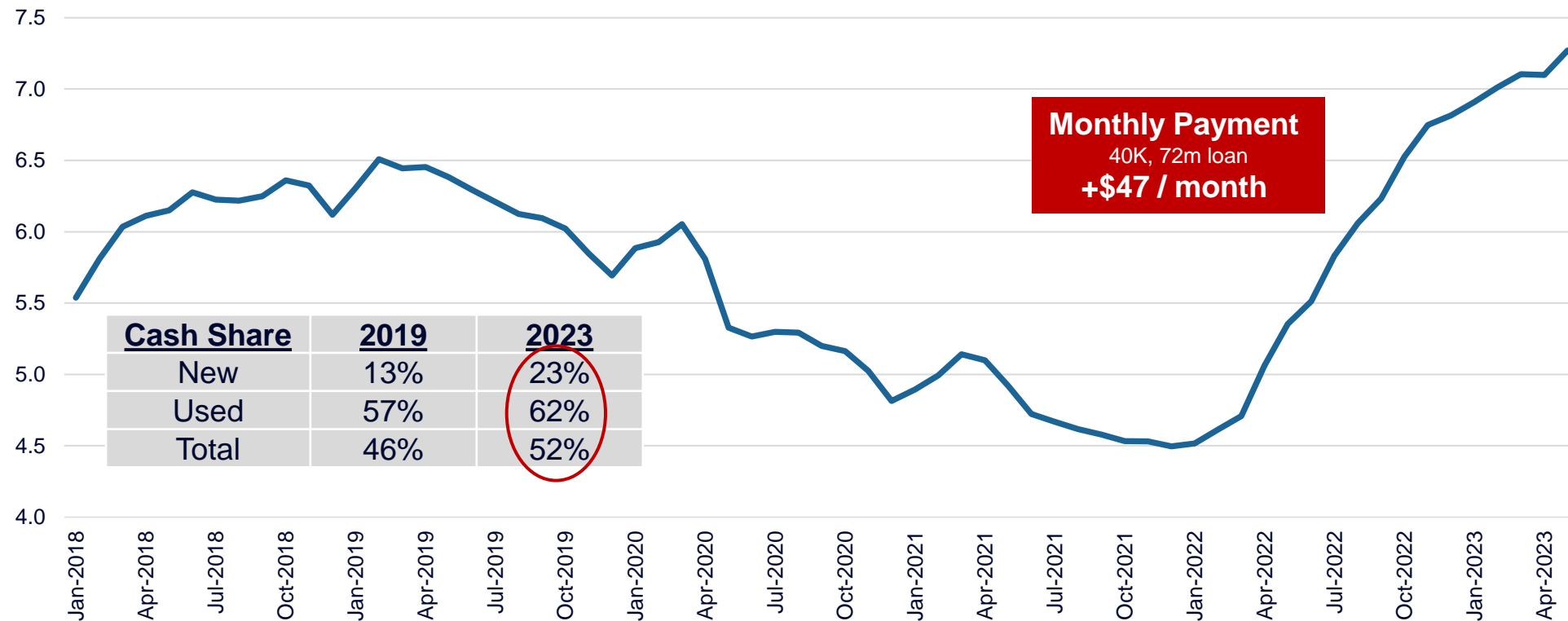




# Vehicle Loan APR | Higher Rates Impacting Affordability

Post covid, more affluent buyers remained in market but now their payments are rising

Average New Vehicle Purchase Contract APR%

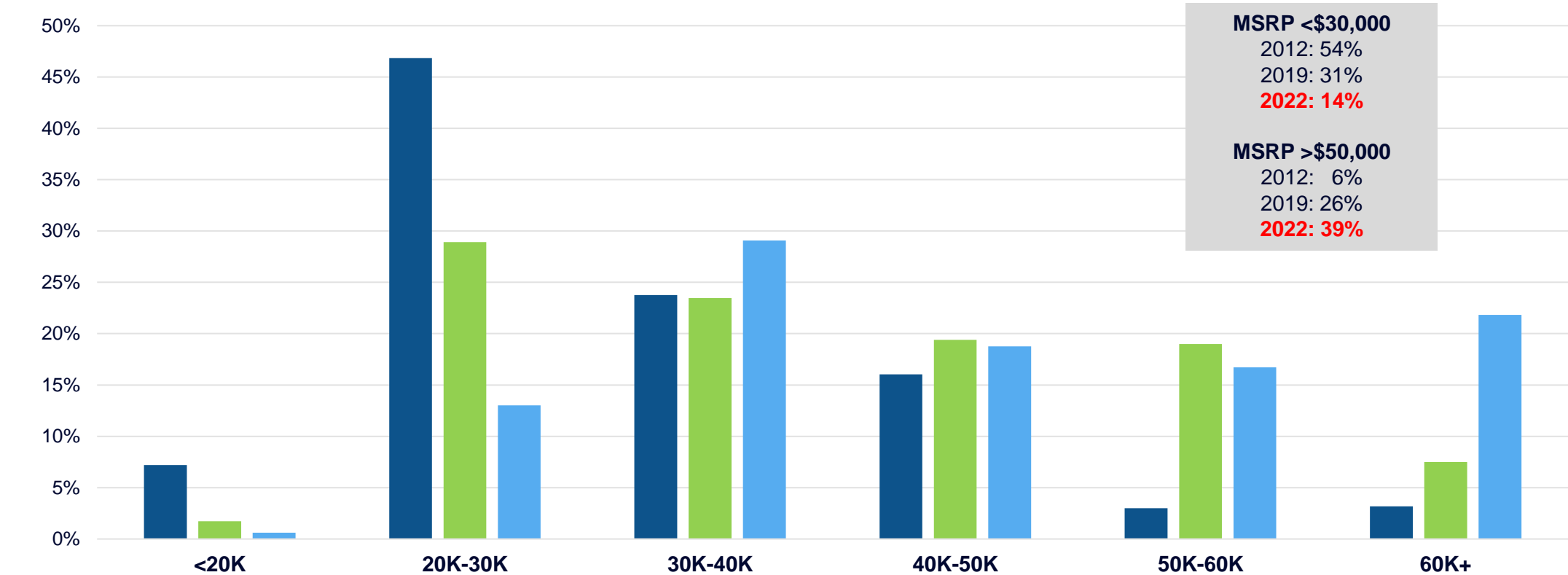


# Affordability | Shift To More Expensive Products

Just 14% of sales in 2022 were priced below \$30,000 - it was 31% in 2019



Share of New Vehicle Market by MSRP Price Range 2012, 2019, 2022

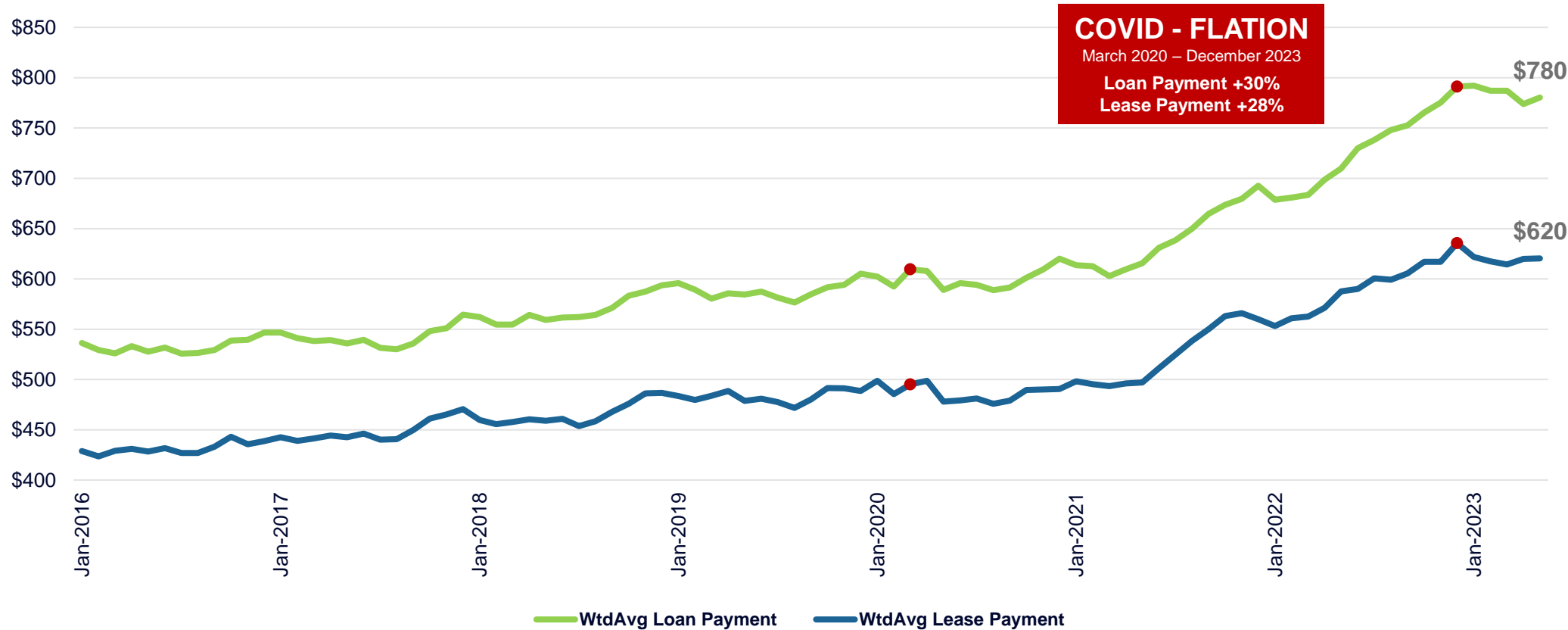


# Monthly Payments | Now Softening After Massive Increase

Industry vulnerable after huge price increases – better offers needed to boost sales



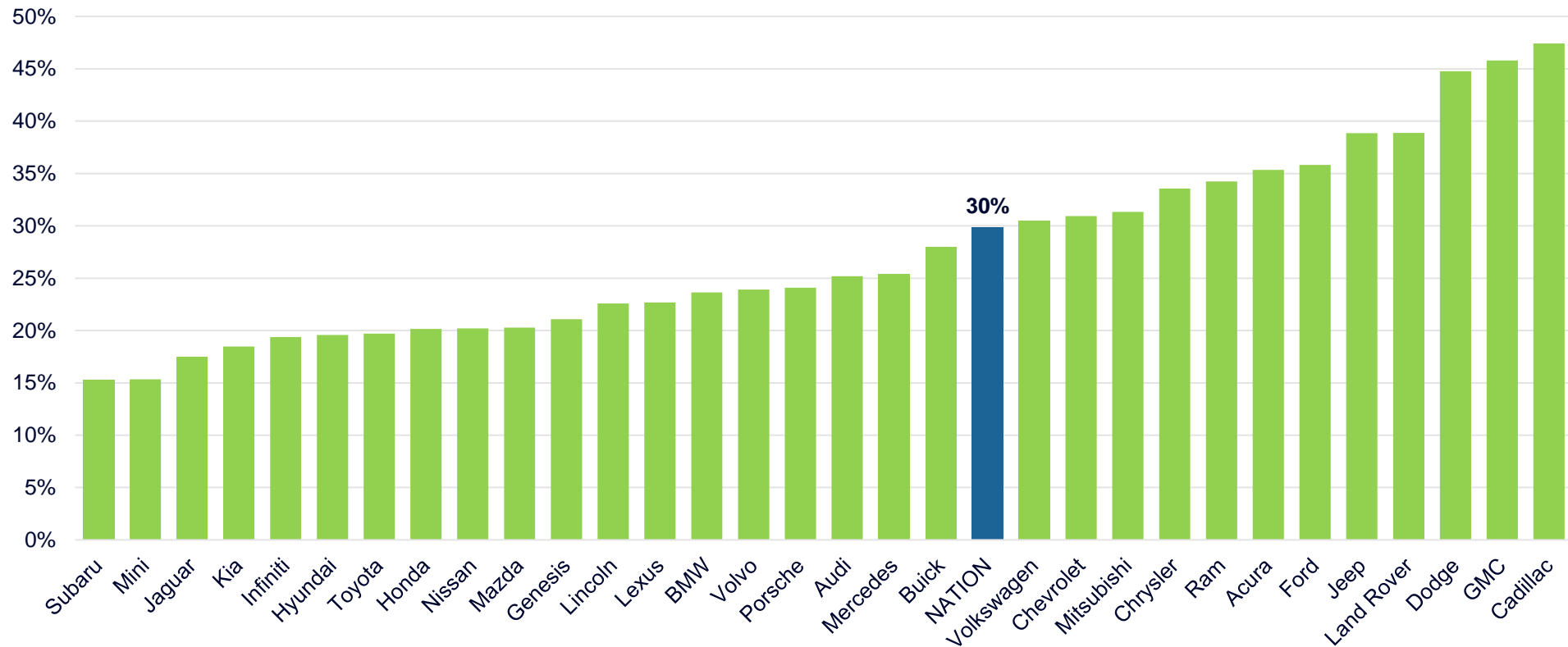
Average Monthly Loan and Lease Payment



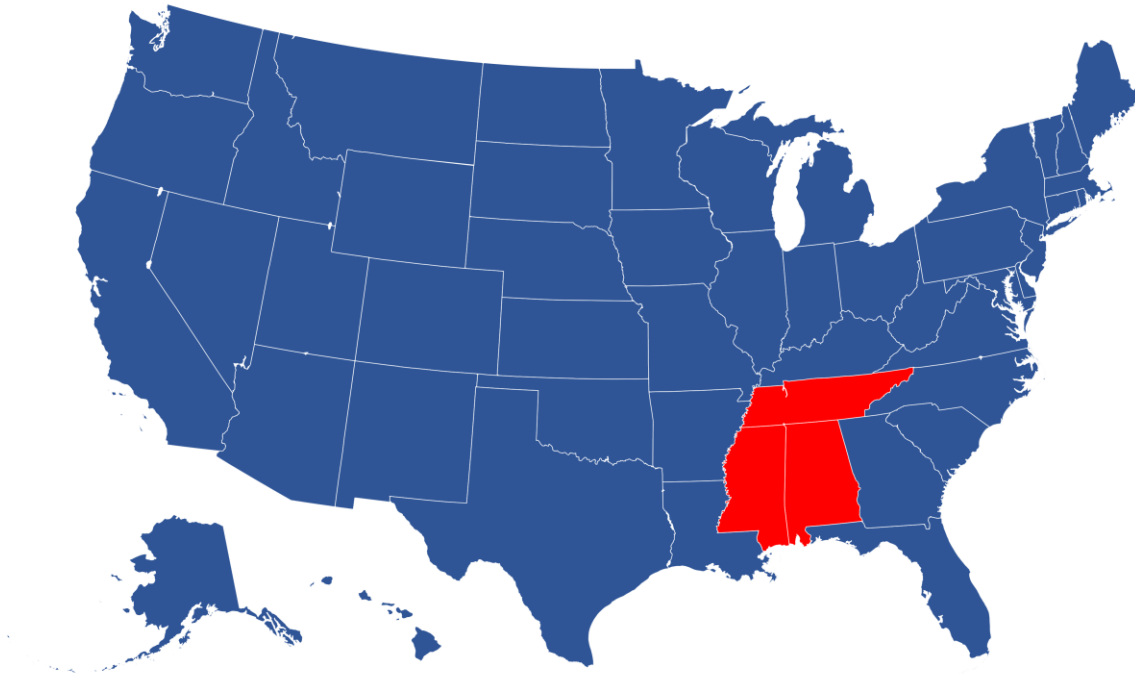
# Change In Payments | Detroit Brands Have Largest Increases

Many brands show more mild inflation – may be less vulnerable to worsening conditions

Change In Average Monthly Loan Payment (March 2020 – December 2022)



# Agenda



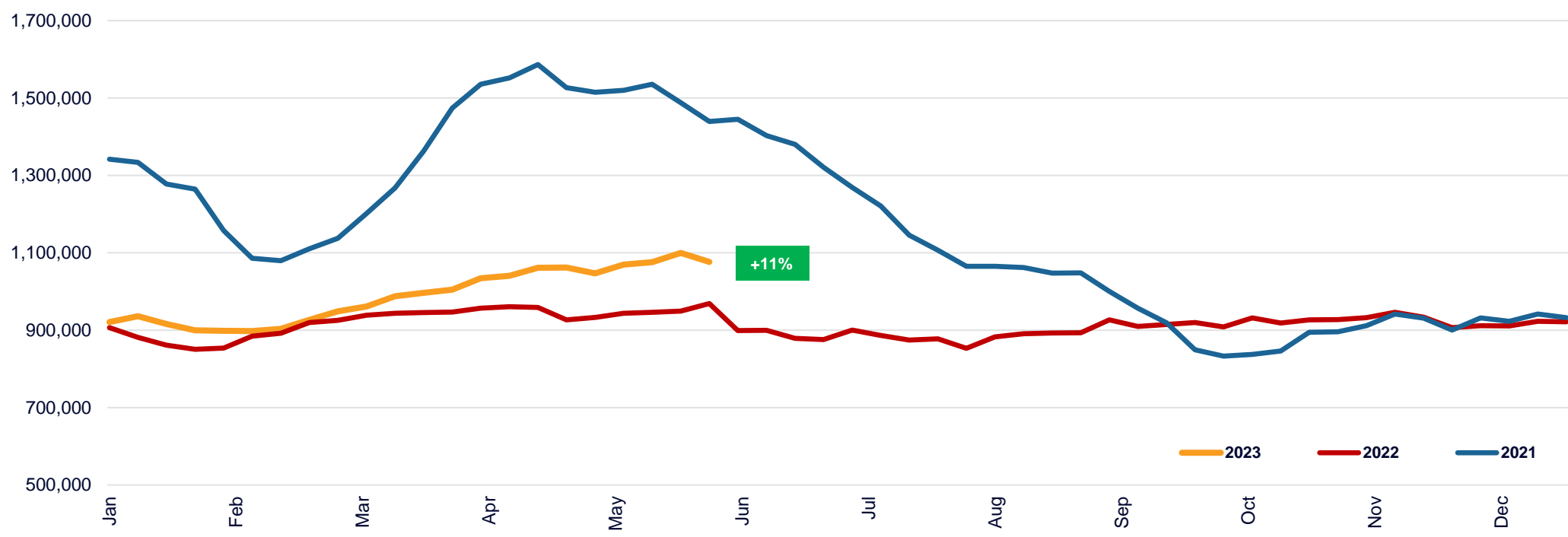
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Changing**
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# New Vehicle Sales | Sales Pace Remains Relatively Strong

Gains slowing slightly entering mid spring season



Rolling 30 Day Retail Sales weekly

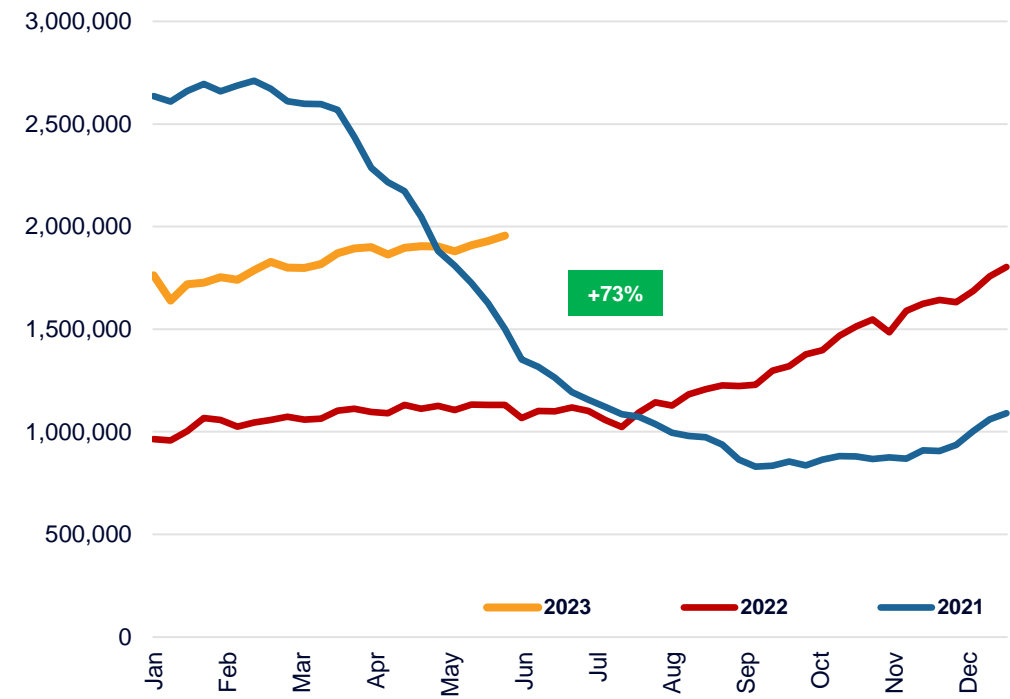


# New Vehicle Inventory | Now Up 73% From Last Year

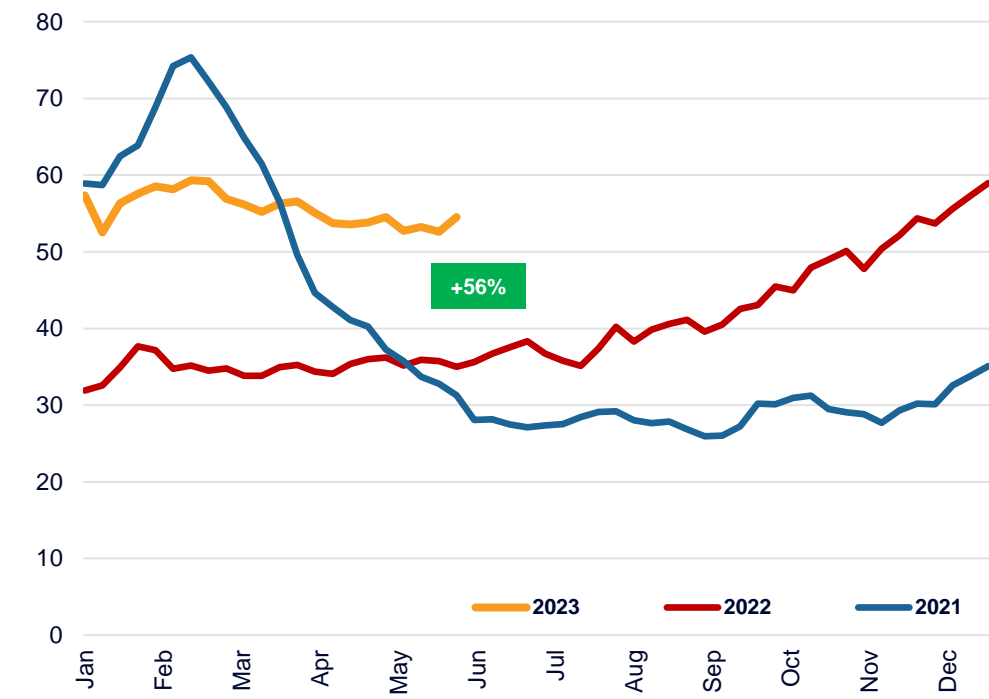
Nearly 825K more vehicles than year ago – Days of Supply at 55



Available Supply weekly



Days of Supply weekly

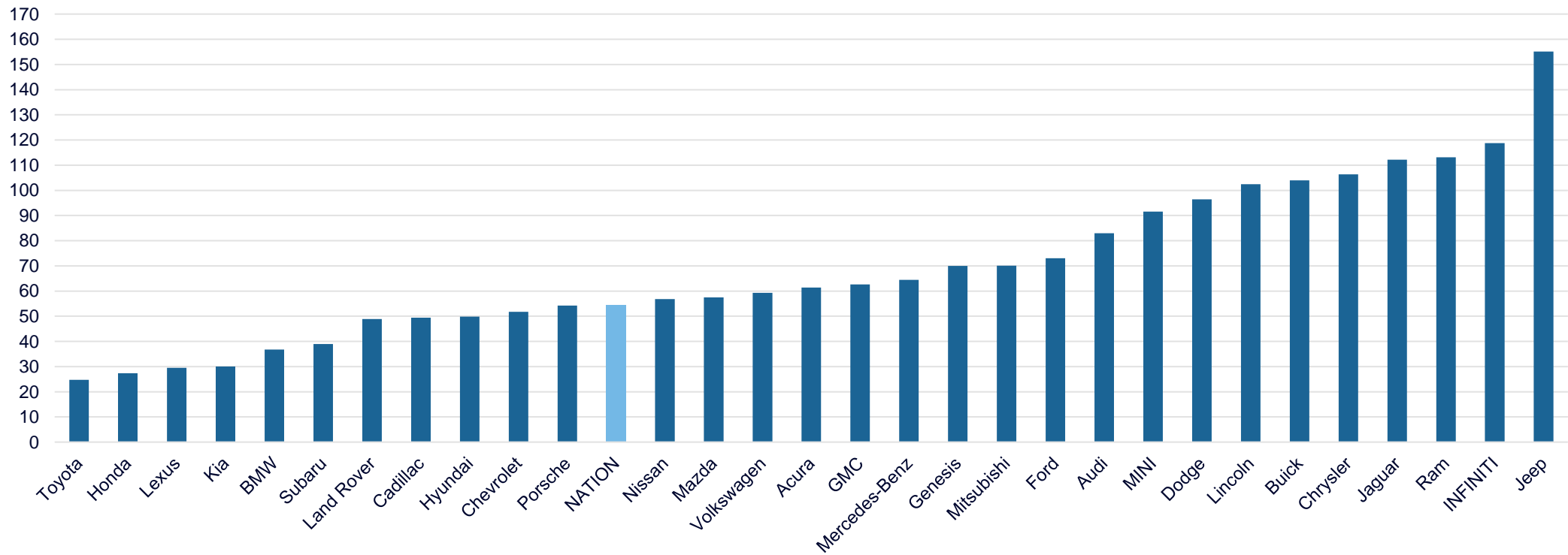


# Brand Inventory | Supply Situation Remains Varied

Many brands have returned to pre-covid levels while others remain constrained



Days Of Supply



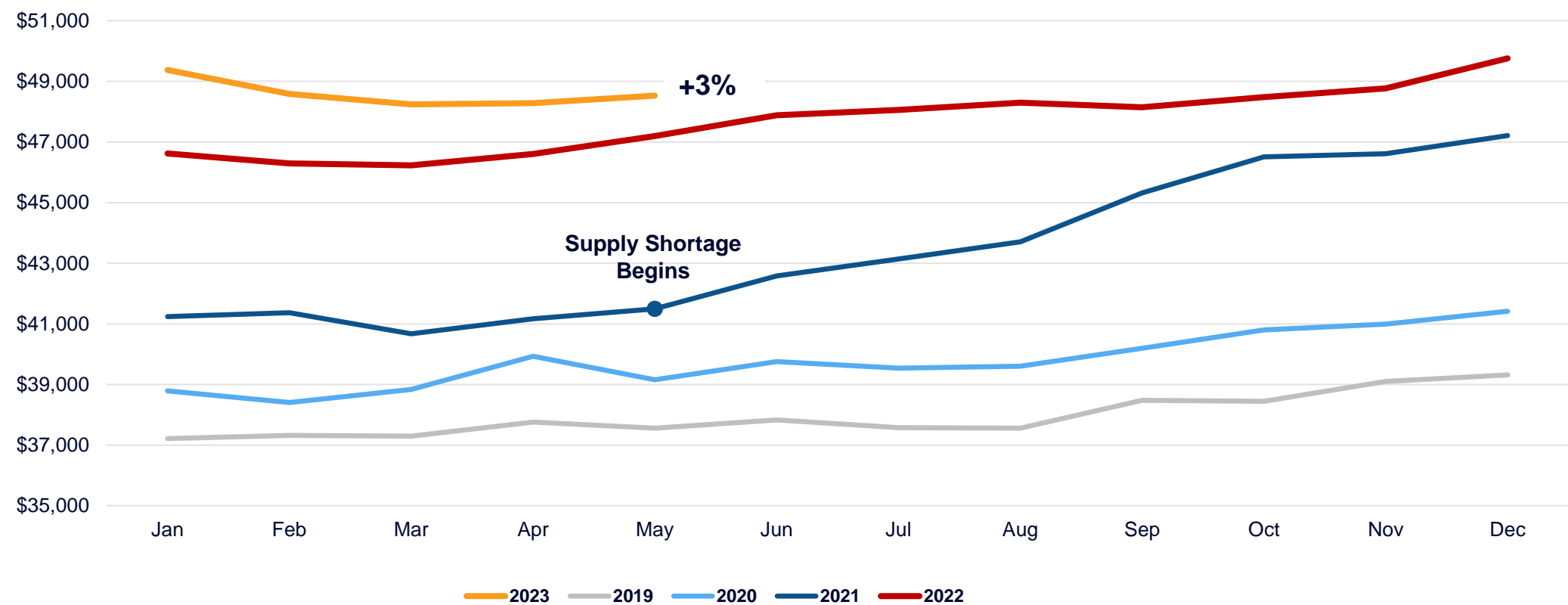


# Transaction Prices | Average Up 3%, Near \$48,500

Inflation slowing since 2021 but no retreat - more expensive mix likely to continue

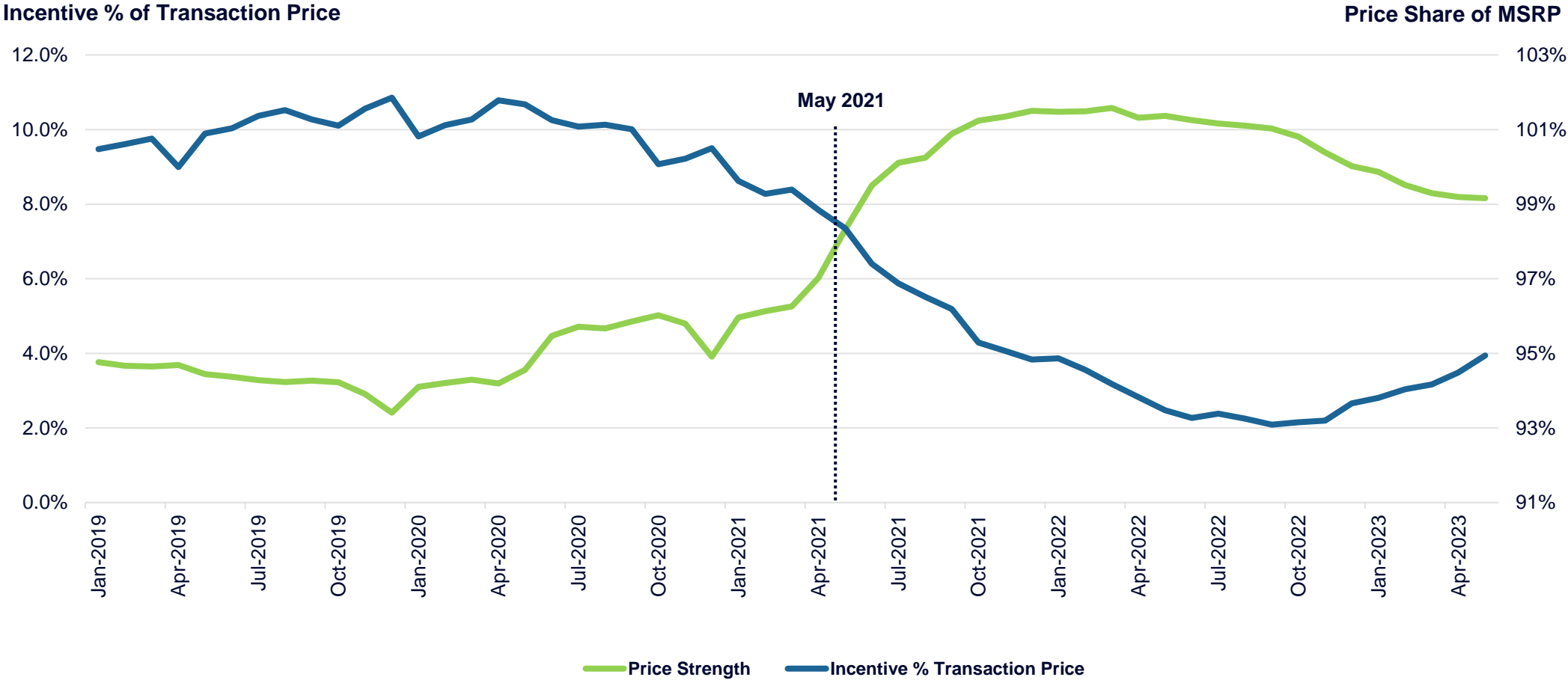


Estimated Monthly Transaction Prices



# Seller's Market | Strong Margins Now Weakening

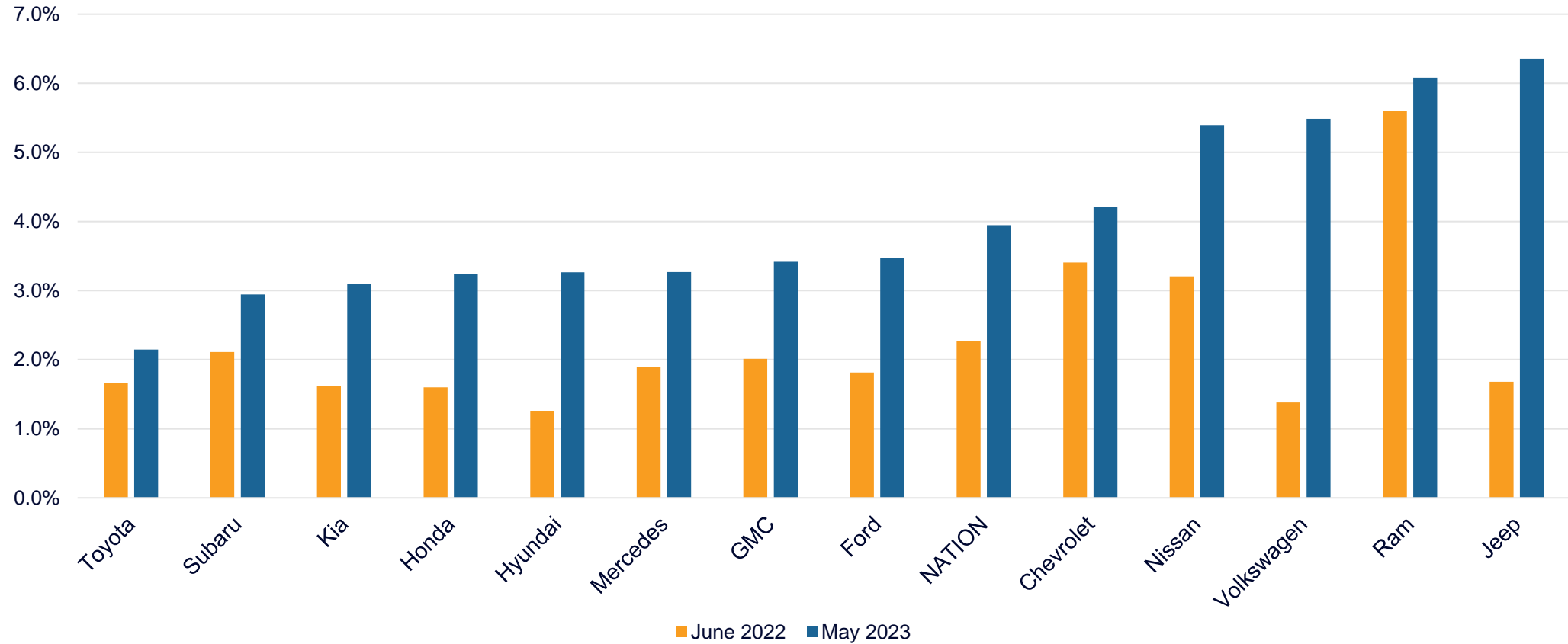
Discounting and negotiating still down – but changing



# Big Brand Discounting | As Supply Changes So Does Pricing

All increasing incentives but some much more than others

Incentive % of Transaction Price

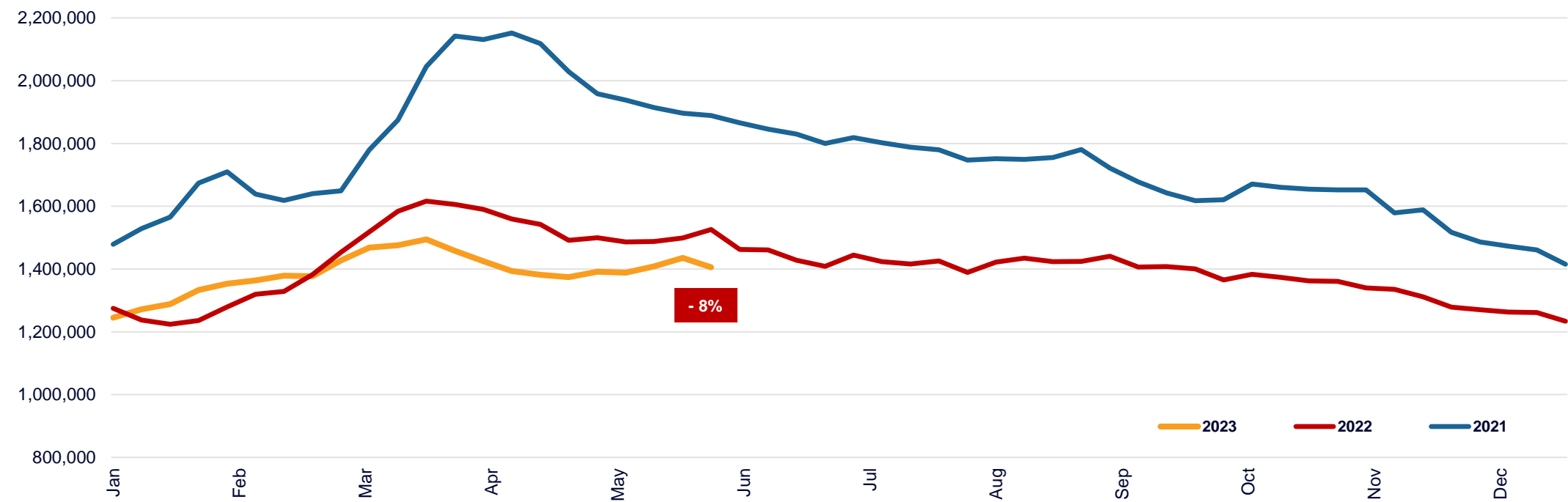


# Used Vehicle Sales | Pace Dips This Week

Tight supply and high prices limiting sales



Rolling 30 Day Retail Sales weekly

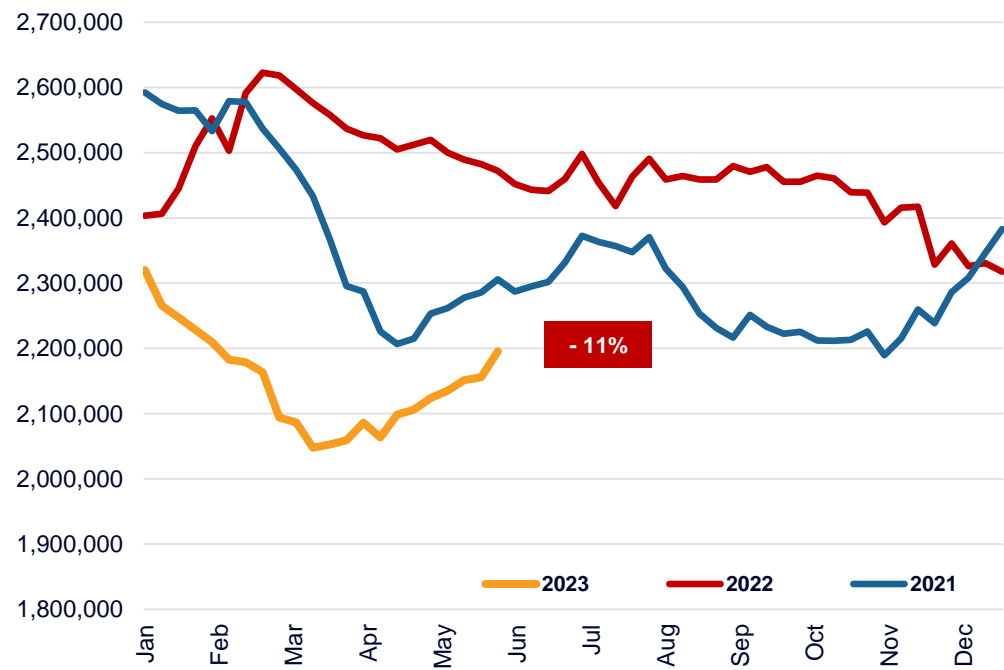


# Used Vehicle Inventory | Down 11% or 277K From Last Year

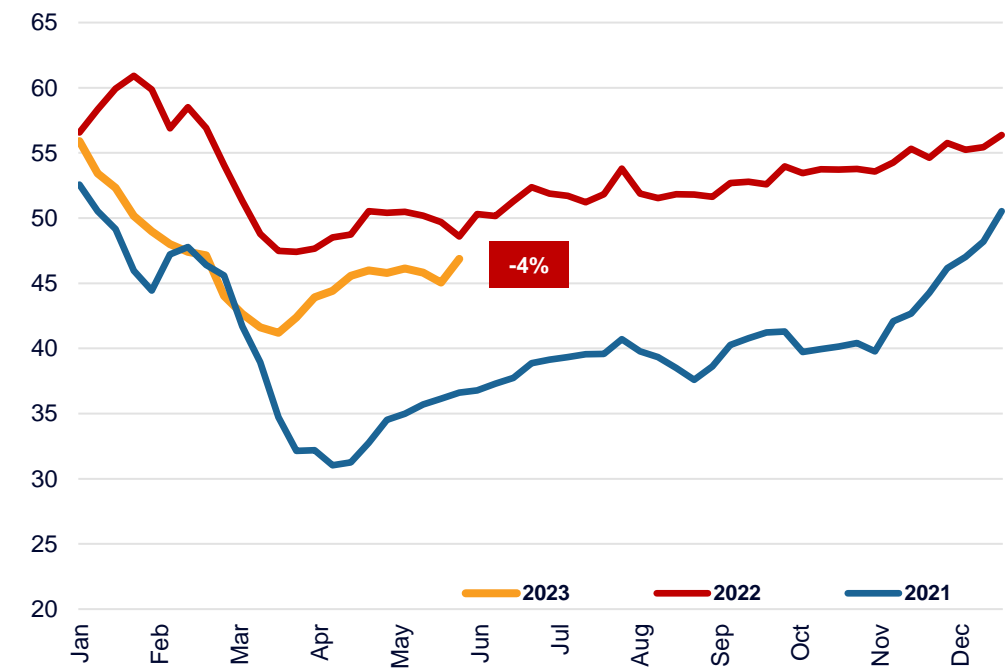
Days of supply now 47, down 4% from last year



Available Supply weekly



Days of Supply weekly

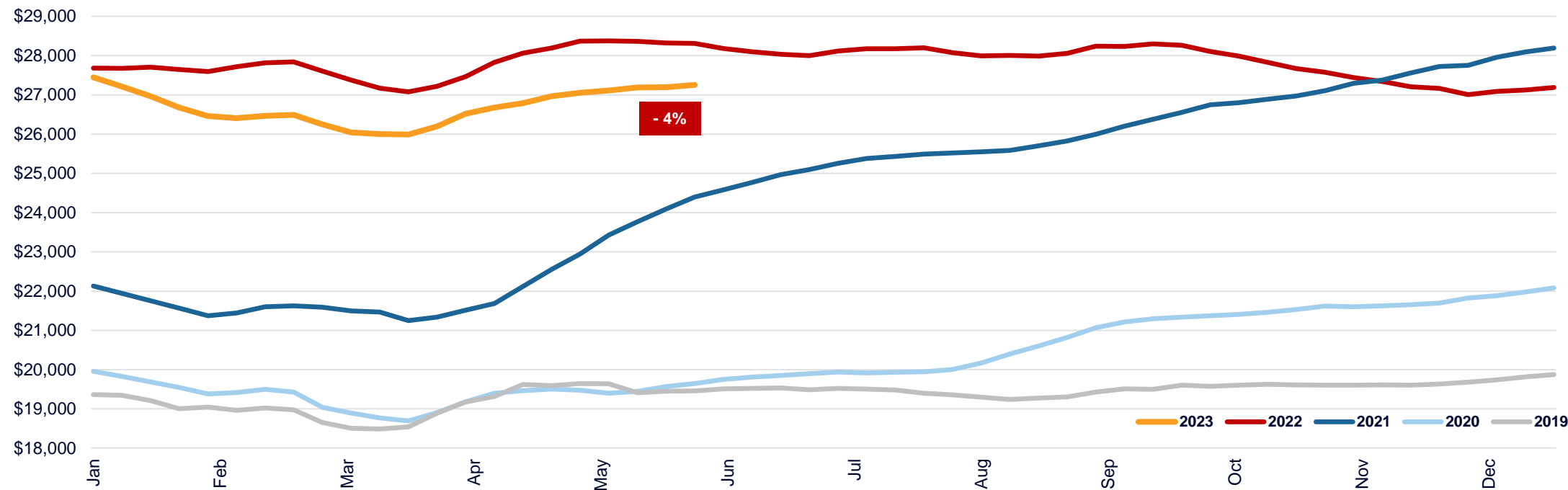


# Used Vehicle List Price | Holding At Down 4% From Last Year



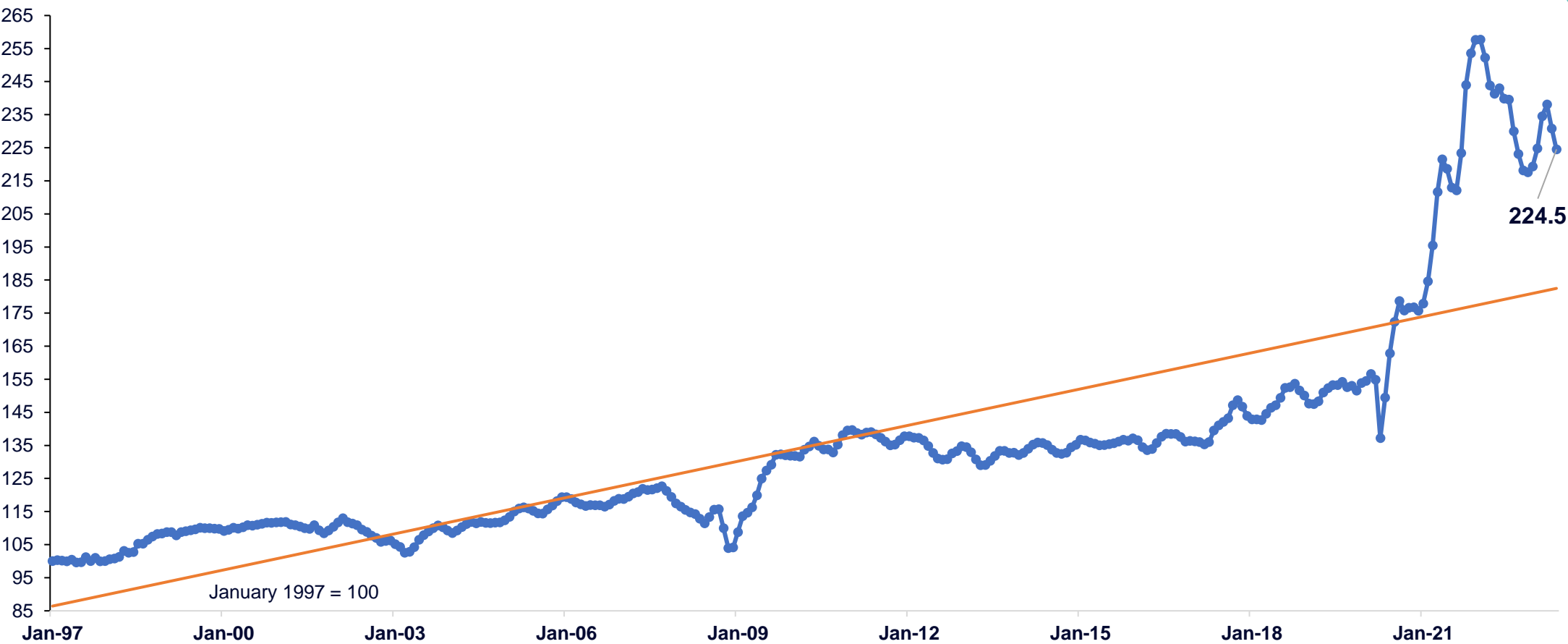
Pattern appears to normalize but below last year's level

Average List Price weekly



# Manheim Index | Used Values Fall In May

Prices decrease 2.7% from April and 7.6% from last May

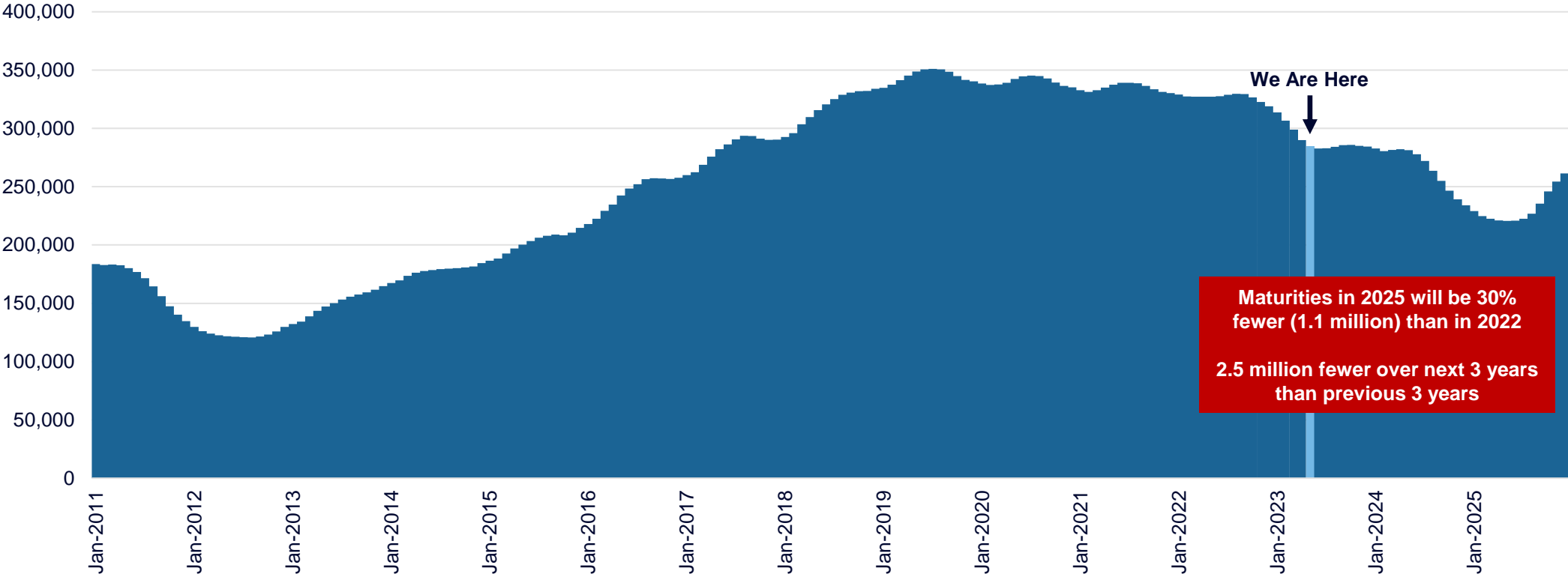


# Lease Maturities | Far Fewer In Coming Years

Impact of Covid not fully felt yet – less off-lease in 2023, 2024 and 2025

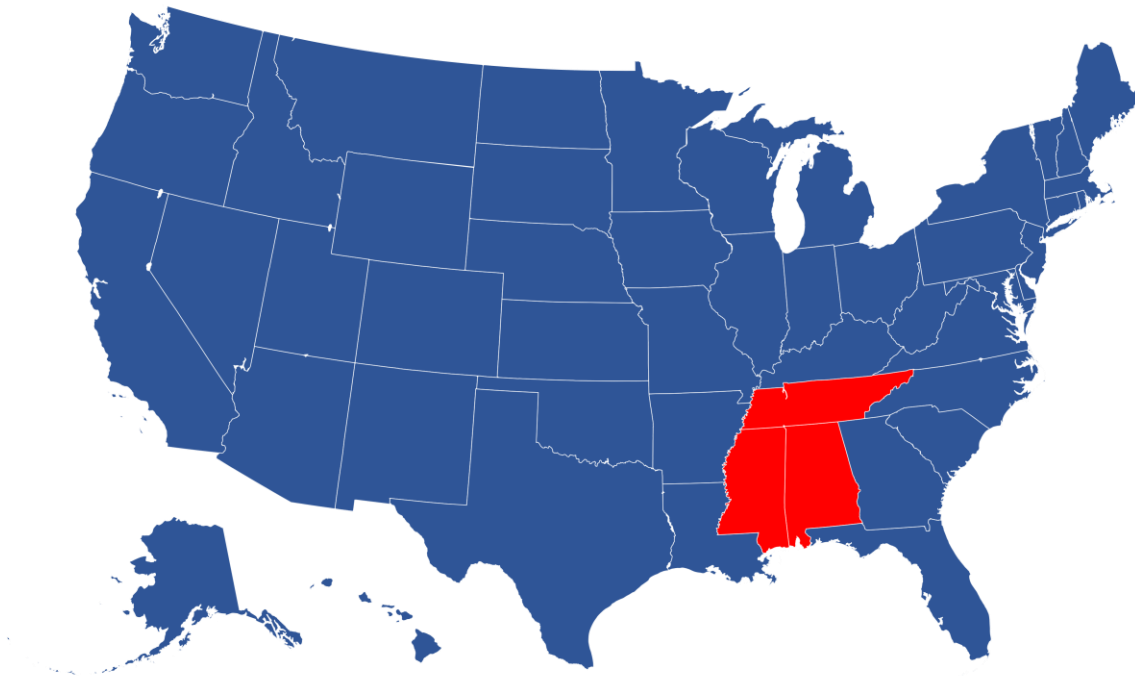


Monthly Lease Maturities





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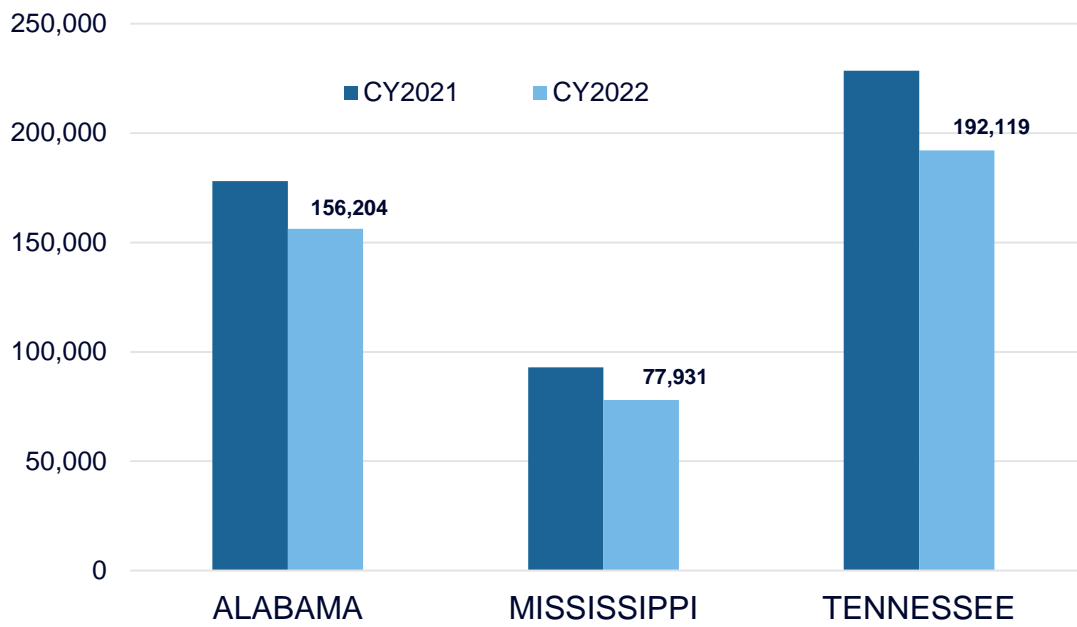
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# AMT Sales | New Improving While Used Falling

Out-performing the Nation except for Used sales in Tennessee



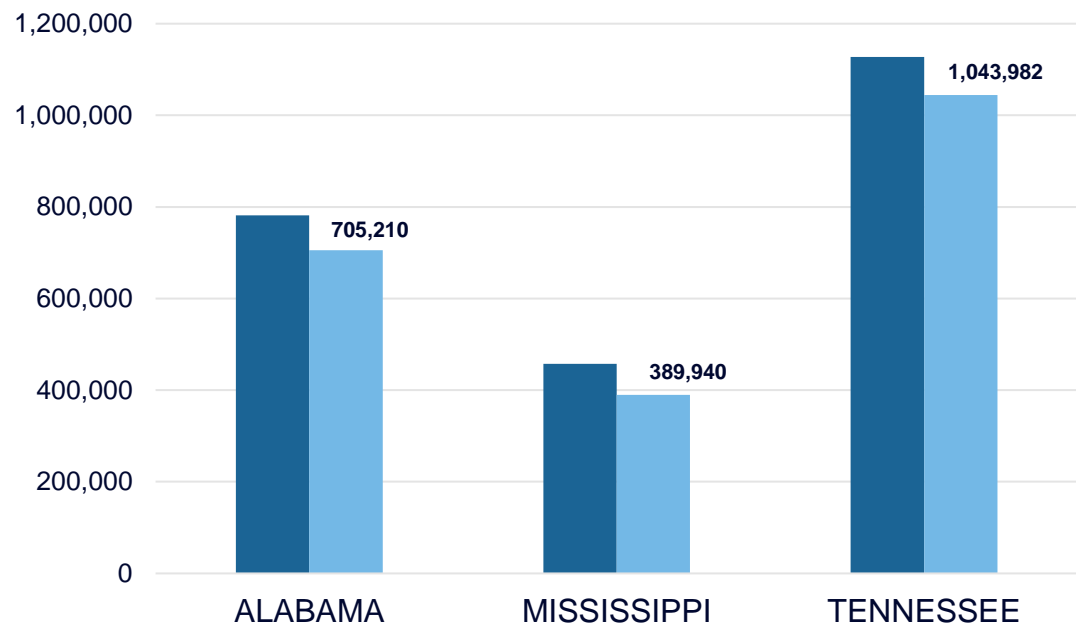
New Retail Registrations



YTD2023	+2.5%	+6.8%	+10.0%
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Nation +2.1%

Used Registrations



YTD2023	+1.7%	-1.3%	-4.1%
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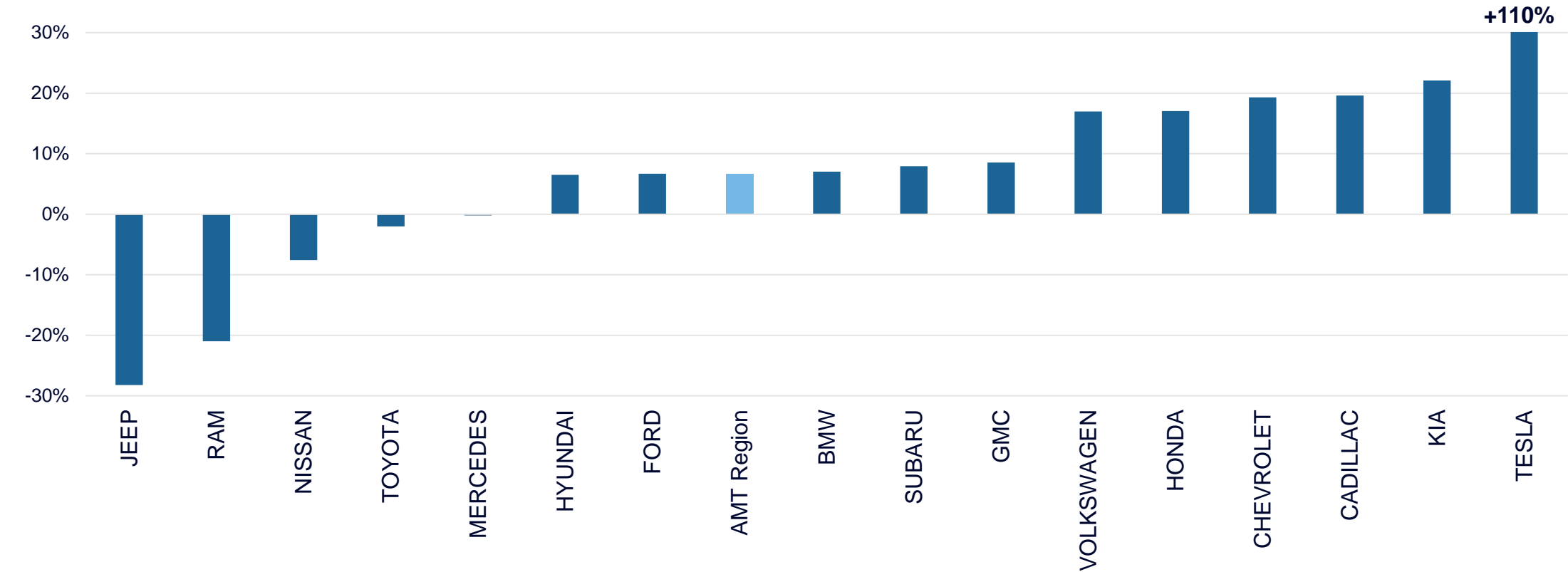
Nation -1.5%

# AMT Brand Sales | Tesla Seeing Massive Gains

Stellantis brands seeing declines – customers may be more vulnerable



Change YTD New Sales

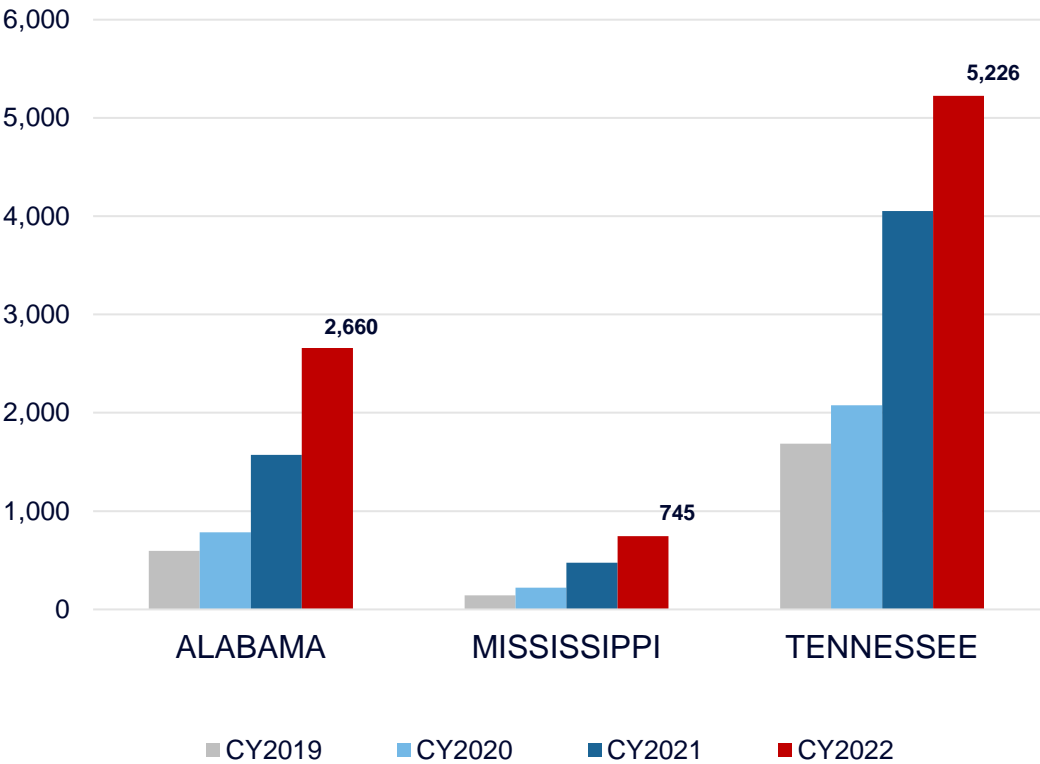


# AMT EV Sales | Showing Large Gains In Past – And Future

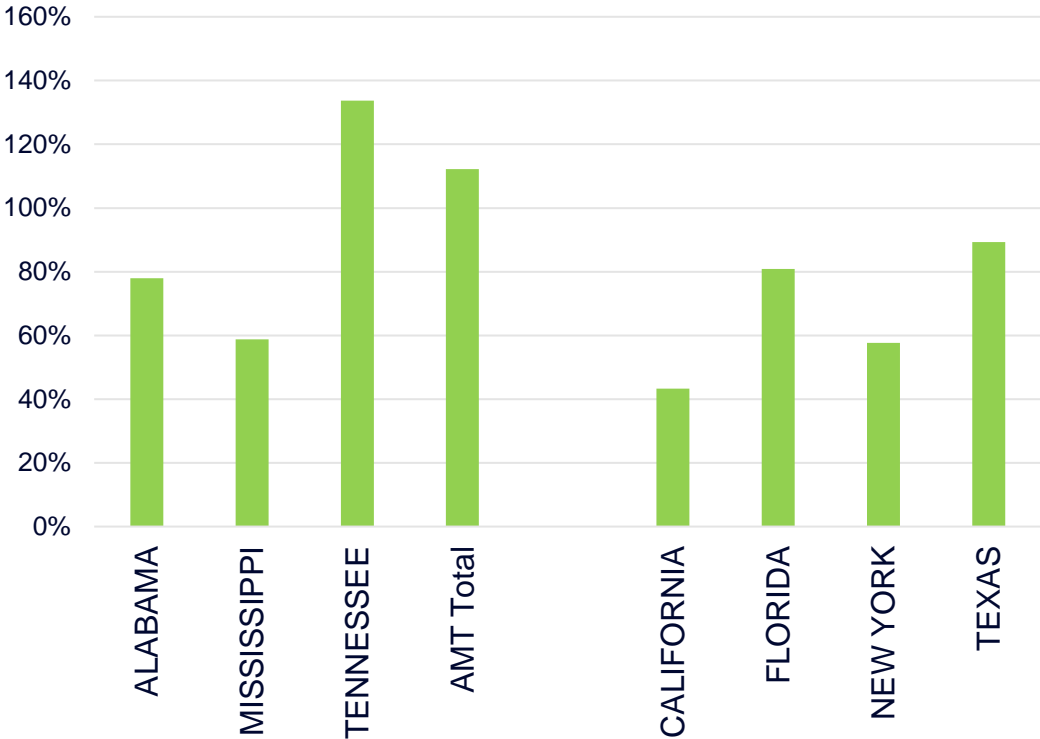
Gains in sales on par with other big states and Nation



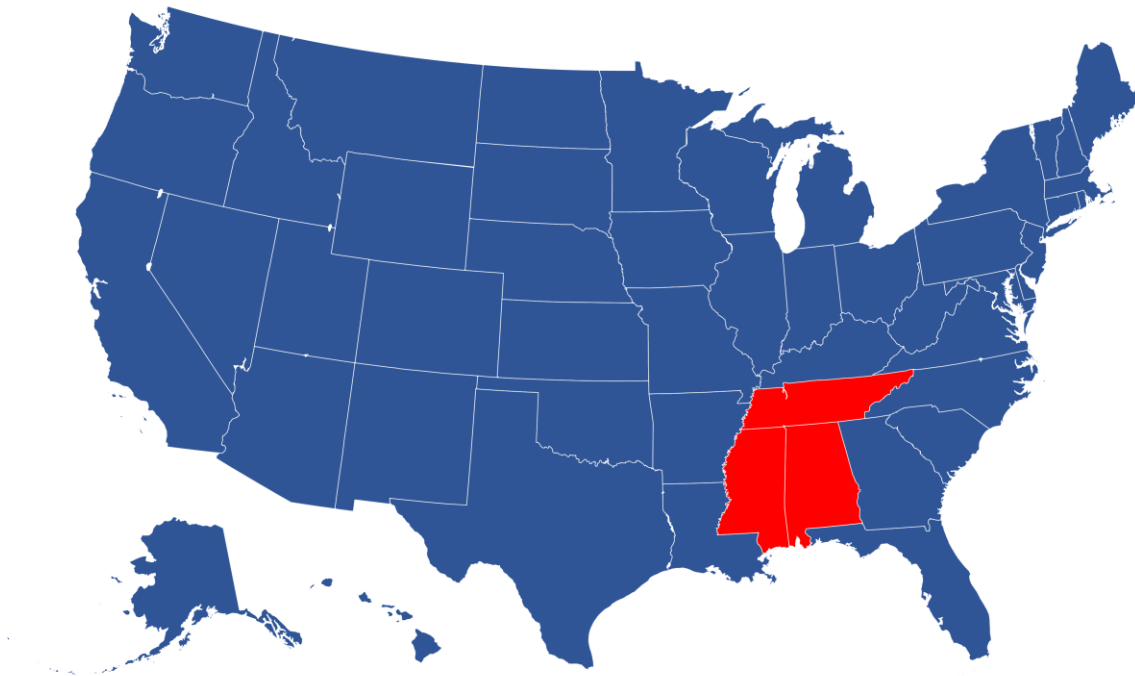
New Retail Registrations



Change YTD Sales 2023



# Agenda



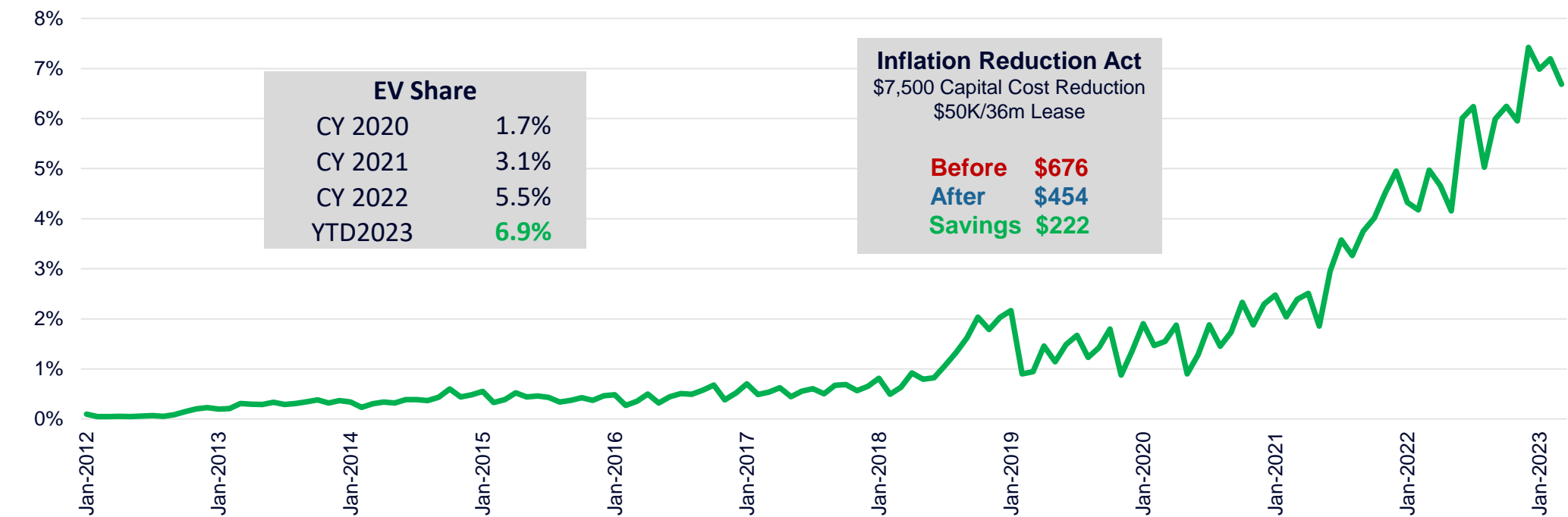
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# Electric Vehicles | Gaining Share Quickly

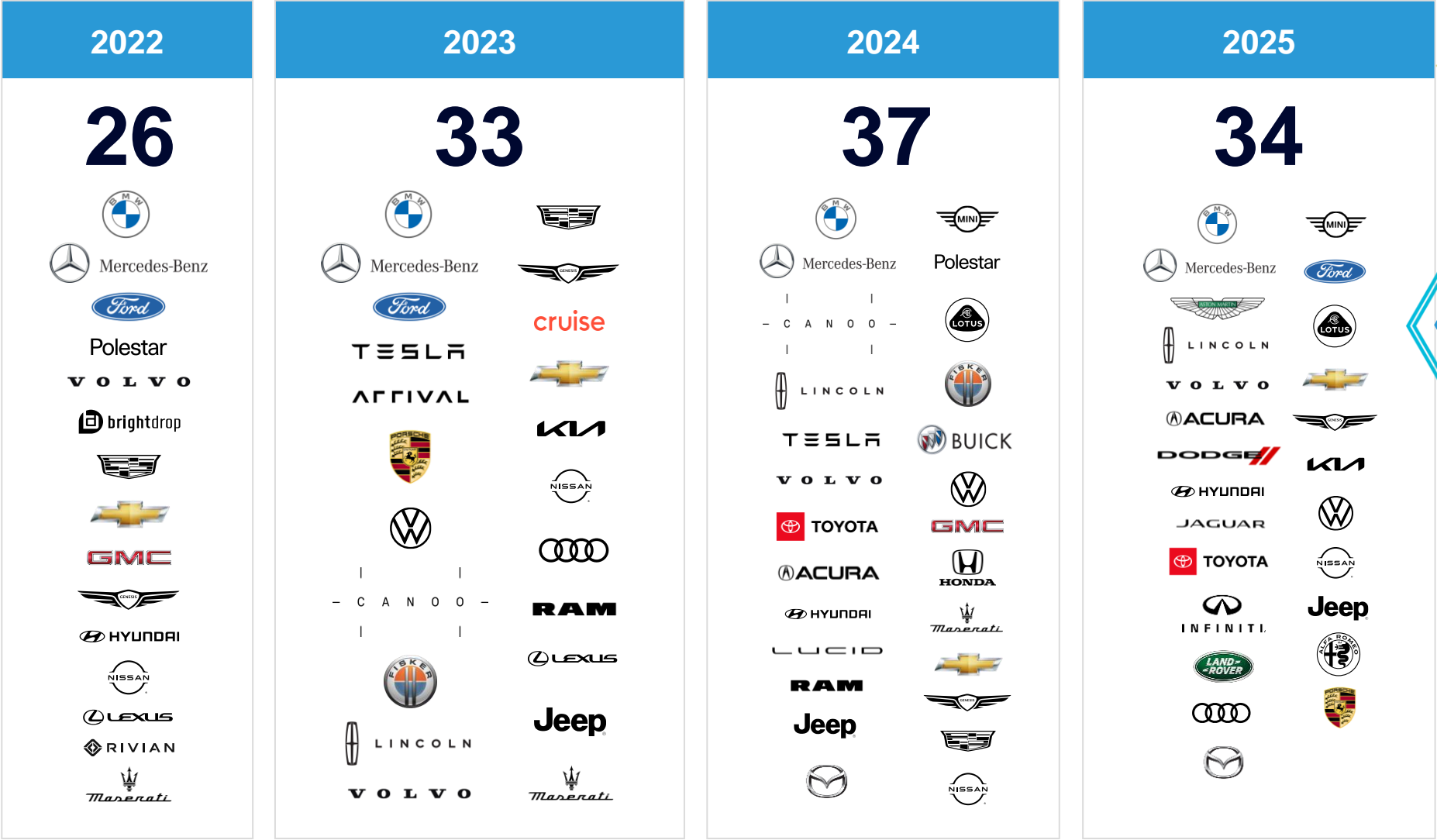
Inflation reduction act will help keep sales growing – EV leasing to increase



Pure Electric Vehicle Share of Light Vehicle Sales



# Wave Of Electric Vehicles On The Way



100+

NEW VEHICLES  
COMING IN  
3 YEARS

# Used EV Sales | Segment That Will Grow Quickly

Retail EV sales increasing rapidly with consumer adoption, +32% Y/Y



Used Retail EV Sales

Used EV Share of Total

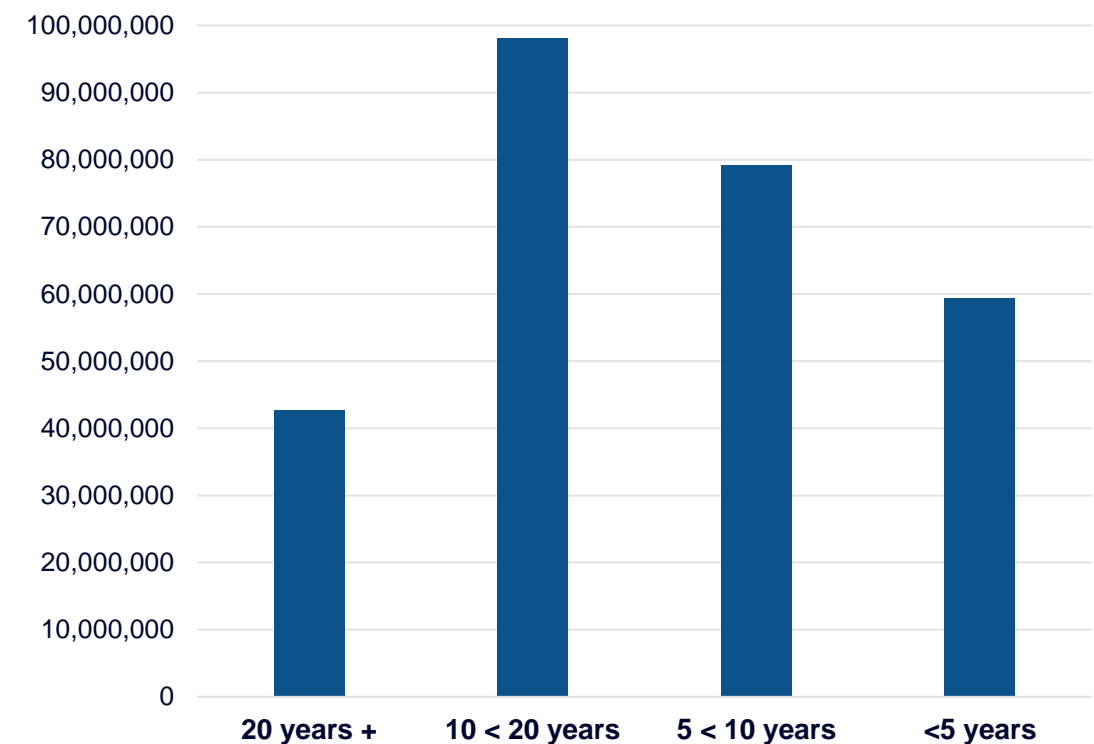




# Light Vehicle Parc | Transition To Electrified Fleet Far, Far Away

280 million vehicles on the road – 99% use gasoline or diesel; 130 million Over 10 years old

Vehicles In Operation By Model Year Age

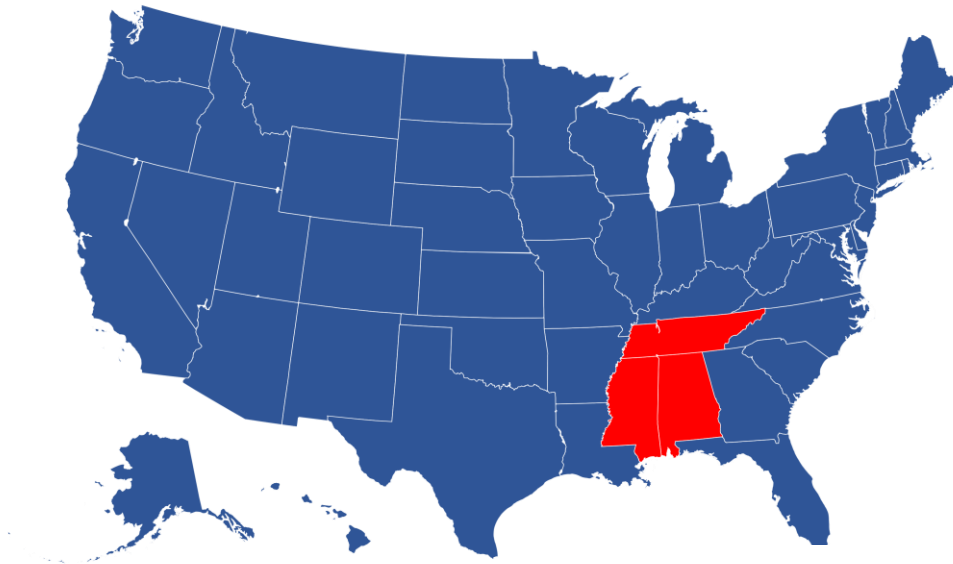


- Average vehicle age is 12+ years – and value has increased – likely extending expected usage life

Year	12 Year Old Vehicle Wholesale Value
2019	\$3,900
2022	\$5,500
change	41%

- EVs will remain small fraction of the vehicle population over the next 20 years as transitioning to an electrified fleet will be a long process – to accelerate, government intervention may be required, and would be disruptive.
- Dealer repair & maintenance capabilities for new EV technology AND old ICE powertrains will be growing necessity.
- Future Chip Shortage? Will replacement microchips/tech components be available in the future to support today's technology?

# Summary



- Recession likelihood high – some brands more vulnerable than others
- Credit availability may become more challenging as banks pull-back from lending
- Lean inventories and limited future used supply will support prices – but risks remain
- Maintaining “Lean and Mean” strategy may be best going into H2
- EVs are coming – like it or not – and more leasing will be critical to consumer adoption



# Industry Data and Insights from Cox Automotive

The go-to source for insights based on the largest breadth of first-party data in the automotive ecosystem

**Cox Automotive Newsroom:** [www.coxautoinc.com/newsroom/](http://www.coxautoinc.com/newsroom/)

Fresh content from Chief Economist Jonathan Smoke and the Industry Insights team is published regularly.

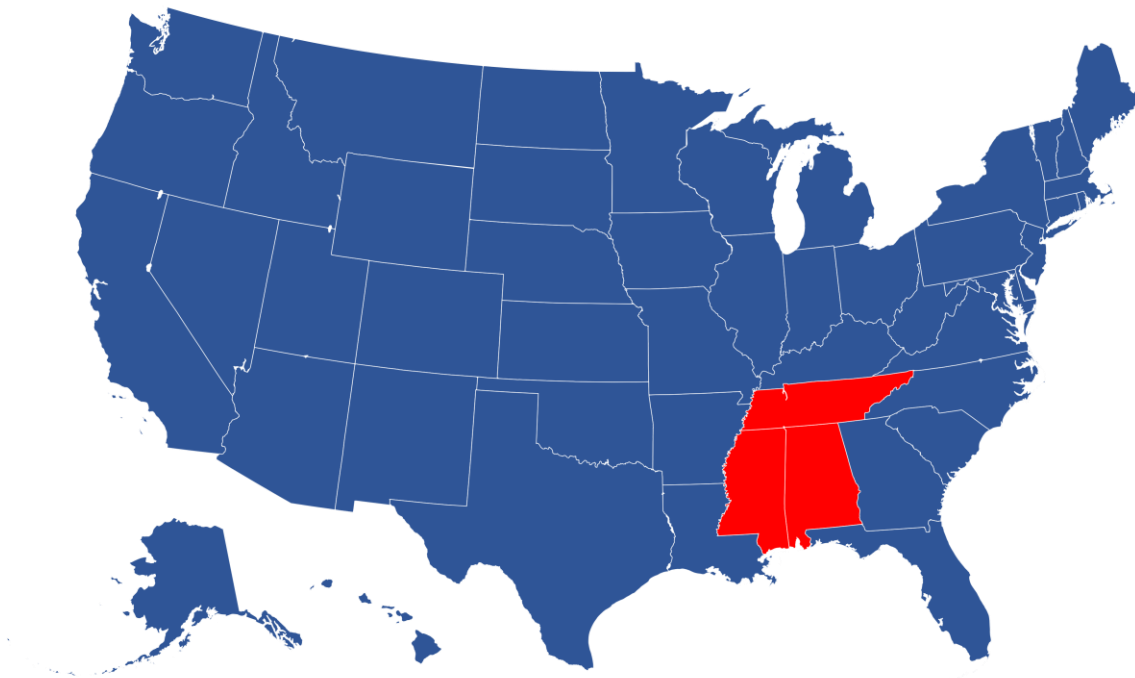
**Auto Market Snapshot:** [www.coxautoinc.com/marketsnapshot](http://www.coxautoinc.com/marketsnapshot)

This dashboard is a one-stop dashboard for the most recent data points our team is tracking.

**From the Newsroom:** [www.coxautoinc.com/signup](http://www.coxautoinc.com/signup)

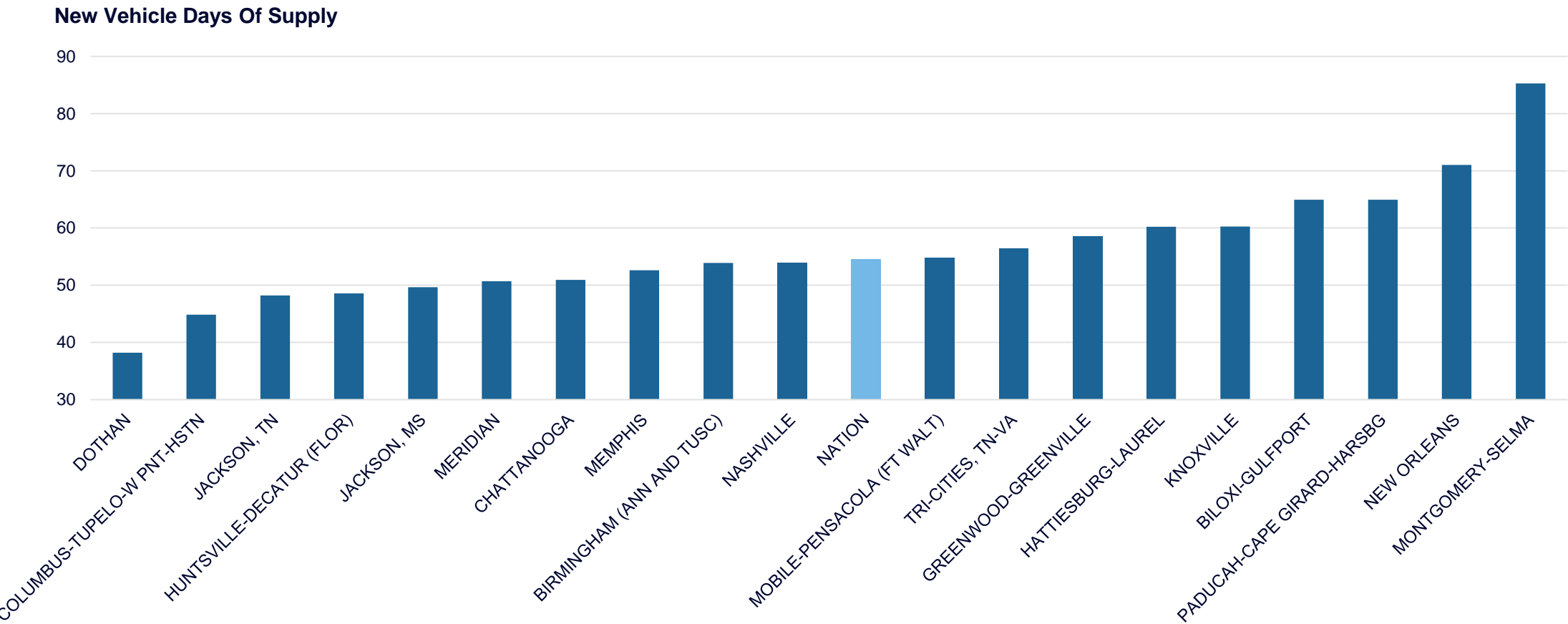
The Cox Automotive biweekly newsletter, published every other Tuesday, is a round-up of news from Cox Automotive and perspectives from its analysts and experts on topics dominating the automotive industry.

# Extras



# AMT Supply | Montgomery Sees Inventory Building

Most cities relatively close to the national average



# AMT Big Brand Market Share | Toyota Leads Region

But share declining as supply issues linger; Honda supply improving, lifting share

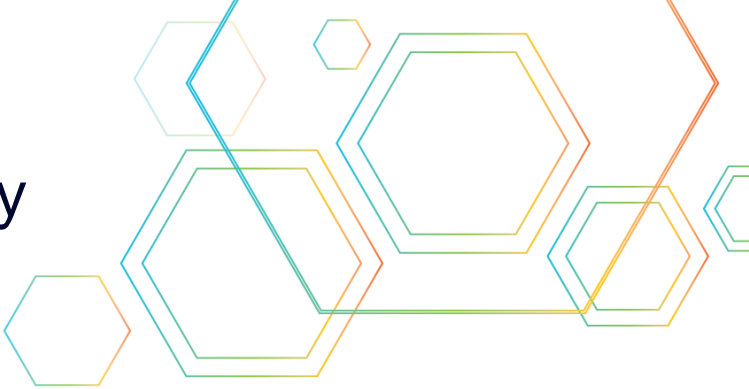


Brand Share of Sales



# AMT Luxury Brand Market Share | Tesla Gaining Quickly

And likely to continue to see big gains this year; Mercedes down



Brand Share of Sales

