

INDUSTRY UPDATE

April 2017



ECONOMIC INDICATORS

- While 185,000 new jobs were projected for March, the Bureau of Labor Statistics reported growth of only 98,000. However, **the unemployment rate nonetheless fell to a post-recession low of 4.5%** and March job creation numbers are historically weak relative to overall trends.
- The prime-age (25-54 yrs.) **employment participation rate reached a post-recession high of 78.5%** and wage growth is increasing, with **average hourly earnings up 2.7% YOY**.
- The latest Q1 GDP growth forecast is 0.5% (down from last month's 1.2%) and major stock indices are trending slightly downward. However, consumer sentiment has continued to trend upward over the last 4 months. Wage growth and low unemployment are likely to translate to **stronger consumer confidence and more big-purchase decisions**.

DEMAND

- **New vehicle retail sales experienced a slight increase of 0.2%** in March and are expected to continue to plateau despite strong incentives. All 3 categories of Fleet -- Rental, Commercial and Government -- reported YOY declines of 14%, 11% and 10% respectively.
- The Used market continues to make strong gains in 2017. **March Franchise sales are up 4.9% YTD and Independent sales are up 4.2% YTD**. With New vehicle prices at an all-time high, more buyers are turning to Used. **CPO sales remain at an all-time high**.
- **The top OEM in March was GM** thanks to record sales of crossovers, large SUVs and pickups. Nissan was the second-best performer. FCA, the month's biggest decliner, struggled across all its brands with the exception of RAM and Maserati. The top non-luxury brand, Subaru, had its best March in the history of the company.

LIGHT VEHICLE SAAR

↑ **0.2% New Retail**

VS.

↓ **14% Rental**

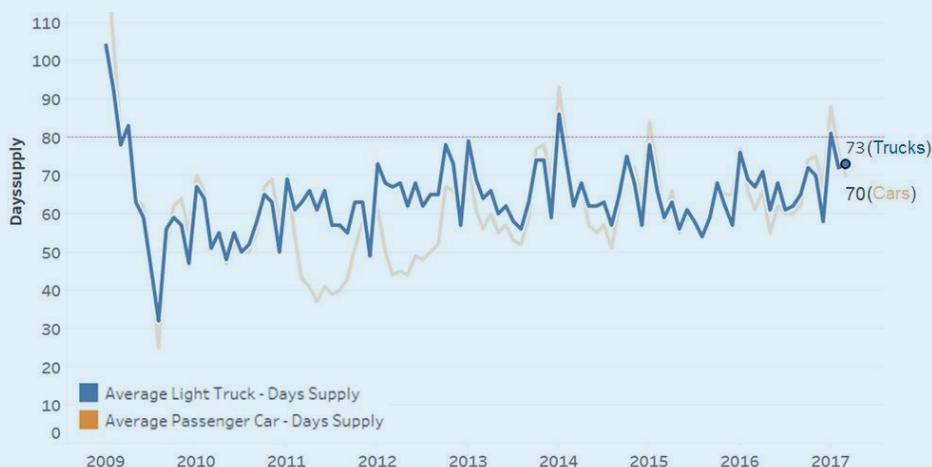
↓ **11% Commercial**

↓ **10% Government**

SUPPLY

- **Incentives are at 10.3% of average transaction price** and continue to be well above what they were at the beginning of last year. **Trucks and SUVs are playing a significant role in incentive spend growth** as competition for market share intensifies.
- **Days supply in inventory remains up YOY**, but incentives have helped reduce excess car supply built up from year-end 2016. As of March, truck/SUV days supply is greater than days supply of New cars.

Days Supply of Trucks/SUVs is Greater Than Days Supply of New Cars



CREDIT

- **Lease penetration rates have remained near 30%**, with some OEMs, notably Ford, beginning to moderate the number leases due to uncertainty of future residual values.
- Auto debt is 9% of total consumer debt, situated in between student loan debt (10.4%) and credit card debt (6.2%).

↓ **Loan Growth Rates Are Declining**

VS.

↑ **Longer Loan Terms Have Increased YOY**

Source: Cox Automotive Industry Update Report, April 17, 2017