

INDUSTRY UPDATE

June 2017



ECONOMIC INDICATORS

- Consumer confidence is down slightly compared to last month but remains at a near 16-year high. Unemployment fell to a 10-year low of 8.4% in May, but job creation has slowed. **The percentage of consumers planning to purchase a vehicle has dropped.**
- **Ford CEO Mark Fields has been replaced by Jim Hackett** who joined the company last year to oversee the company's development of a self-driving car. Ford seeks to compete with robust competitors such as Google and Apple in the self-driving car market. Ford also seeks to catch up to Tesla and GM, which has started selling the electric Chevy Bolt.
- The Trump administration continues to raise speculation about the imposition of **a border tax on vehicles or parts imported from Mexico**, which could drive higher prices for new vehicles sold in the U.S.

DEMAND

- **New vehicle retail sales experienced an increase of 0.3% in May** compared to 2016. Commercial & Government fleet sales reported slight increases of 3% and 1% respectively. Rental fleet sales fell by 24%.
- Total Used sales in May decreased slightly by 3.3% YOY, with sales at Franchise and Independent dealers down 3.6% and 1.9% respectively. **Total used vehicle sales year-to-date are up 0.8% compared to last year.**
- **Ford was the top-performing OEM in May**, with a 2.2% increase in overall sales due to a large fleet push and strong SUV and Truck sales: F-Series saw its best May sales performance since 2004 and Ford SUVs set a May record. Hyundai and Kia saw sharp declines in May, as sales were down 16% and 7% respectively.

LIGHT VEHICLE SALES

↑ **3%** New Retail

vs.

↓ **24%** Rental

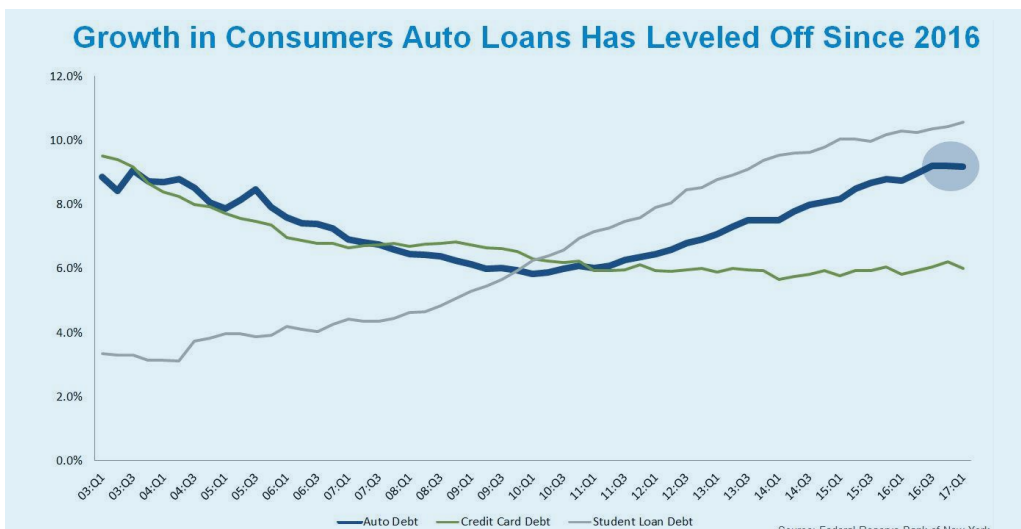
↑ **3%** Commercial

↑ **1%** Government

SUPPLY

- Days supply for trucks came in at 69 days on average – an increase of eight selling days compared to May 2016. May was the fourth consecutive month that New vehicle inventory was more than 4 million units. New vehicle inventory did decline 1% from April but was up 9% YOY.
- Incentive spending remains elevated but modest production cuts, but modest production cuts should effectively manage further increases in incentive and inventory levels.

CREDIT



- While data indicates good consumer financial health, growth in consumer auto loans is slowing. This decline is partially related to banks tightening loan standards.
- The Federal Reserve is meeting mid-June and is expected to increase interest rates by 0.25%. This is not expected to have a significant impact on auto financing.

↓ **Growth in Consumers Auto Loans Is Slowing**

vs.

↑ **Fed Expected to Raise Interest Rates by 0.25%**

Source: Cox Automotive Industry Update Report, June 12, 2017