

INDUSTRY UPDATE

August 2017

ECONOMIC INDICATORS

- The economic environment remains mixed, with a strong labor market and consumer sentiment at high levels while **retail sales and GDP growth remain moderate but steady.**
- Inflation continues to fall short of the Fed's 2% target and July's overall Consumer Price Index (CPI) is up only 1.7% YOY. While low inflation relates to weak pricing power, which is not optimal for most businesses, **wage growth that outpaces inflation means consumer spending should remain relatively consistent.**
- **While new vehicle prices are no longer outpacing inflation, used vehicle prices are.** The used market continues to favor trucks and SUVs, but even some used car segments saw YOY price gains in July.

DEMAND

- **New vehicle retail sales were down 6% in July.** Commercial fleet sales decreased 1% while Rental and Government fleet sales fell 39% and 17% respectively.
- Cox Automotive estimates through June 2017 suggest retail used sales are up approximately 4% YTD, with Franchise used sales up 3% and Independent used sales up 5.2% YTD. CPO sales decreased 3.1% YOY in July.
- **Toyota was the top OEM in July** with an overall sales increase of 3.6% boosted by RAV4 and Highlander sales that helped drive its SUV division sales up 30% YOY.
- **GM's sales were down 14% YOY**, relative to a strong July 2016, due largely to a decline in fleet sales. **Hyundai saw sales drop 27% YOY** primarily due to a 44% drop in Hyundai car division sales.

LIGHT VEHICLE SALES

↓ **6%** New Retail

vs.

↓ **39%** Rental

↓ **1%** Commercial

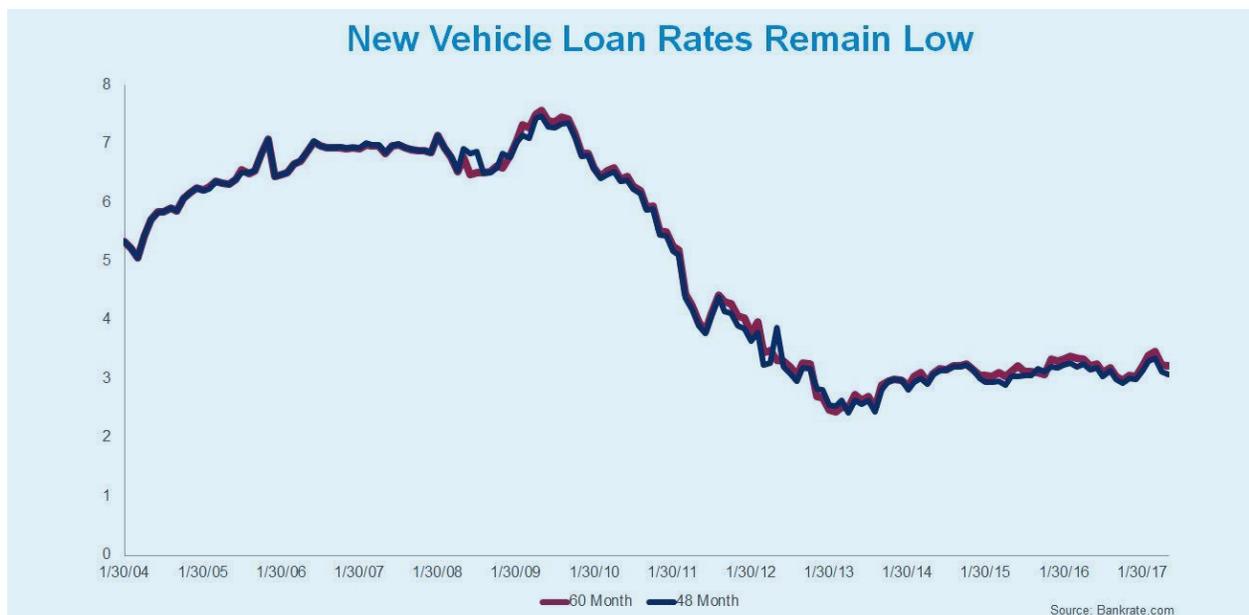
↓ **17%** Government

SUPPLY

- July new vehicle days supply was 68, up 8 days YOY but down 5 days from June. **On-lot new vehicle inventory fell below 4 million units and is at the lowest level of the year.**
- Because consumer preference has shifted heavily in favor of SUVs and Trucks, OEMs have seen an increase in car inventory. As a result, **incentives remain at the highest levels seen since the Great Recession but have slowly decreased this year.**

CREDIT

- **Decreasing likelihood that the Fed will raise short-term interest rates should mean continued low rates for consumers.** As of August 10, the average 60-month new auto loan rate was 3.12% on Bankrate.com®, the lowest rate in 5 months.



Source: Cox Automotive Industry Update Report, August 14, 2017