



ECONOMIC INDICATORS

- **Unemployment declined to 3.9% in April, the lowest level since December 2000.** The job market continues to be solid as robust job creation pushes unemployment lower. Wages are growing better than last year but not enough to cause substantial inflation concerns. Nevertheless, expectations continue to grow for higher interest rates in the months ahead, and auto loan rates are starting to reflect those expectations. Inflation data does not show a rapidly accelerating threat, but higher prices are starting to diminish real wage growth. **Consumer buying power is being eroded by higher housing, fuel and interest costs.**
- Spring demand was strong and favored larger price gains in non-luxury vehicles and compact cars. Even with gas prices up 22% YOY, consumer sentiment remains close to a 14-year high. **Demand should continue to be strong, but eventually higher rates and declining purchase power may slow down the pace of sales.**

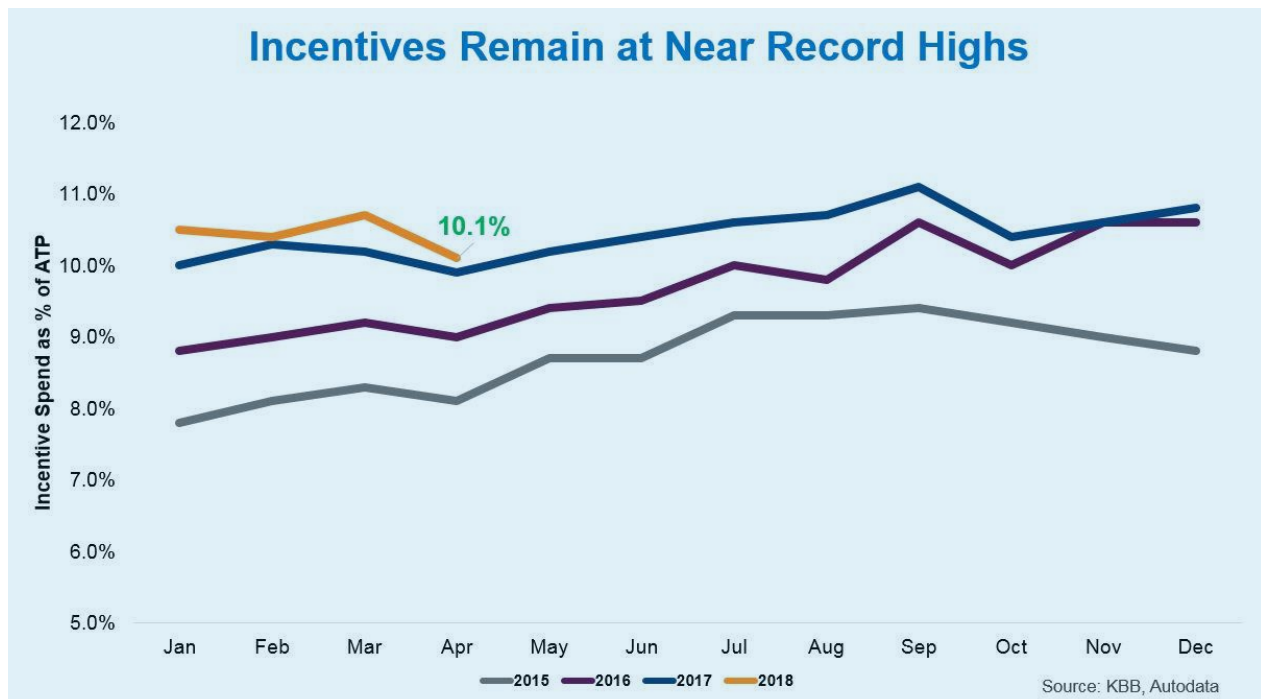
DEMAND

- **April New vehicle retail sales volume decreased 7% YOY.** Commercial fleet sales increased 9%, Rental fleet increased 7% and Government fleet increased 1%.
- **Cox Automotive estimates that Used vehicle sales decreased by 2% YOY in April,** primarily as a result of having two fewer selling days. The annualized pace of Used sales is up 1% over last year. An estimated April Used SAAR of 39.7 million was the highest in four months. CPO sales fell 5.7% in April versus last year but are up 2% YTD.
- **The top OEM in April was FCA,** with sales up 5% MOM, bolstered by a 20% increase in Jeep sales, largely thanks to the best monthly Wrangler sales to date.

LIGHT VEHICLE SALES	
↓	7% New Retail
↑	7% Rental
↑	9% Commercial
↑	1% Government

SUPPLY

- **The days' supply for April was 71, down 4 days YOY and up 3 days from March.** The Manheim Used Vehicle Value Index increased 1.3% MOM in April. This brought the index to 132.5, a 6.3% increase YOY and the highest level since November. April incentive spend was 10.1% of average transaction price, one of the highest levels in recent years. If the trend continues, incentives could near 11% by September.



CREDIT

- Banks have reported 6 straight quarters of higher minimum down payments, 9 straight quarters of higher minimum required credit scores and 10 straight quarters of tightening policies for auto loan customers who do not meet credit score thresholds. Especially relative to 2015 and 2016, **riskier borrowers are seeing loans with higher rates, requiring higher down payments and offering less lengthy loan terms.**