

INDUSTRY UPDATE

June 2019

ECONOMIC INDICATORS

- **Job creation in May was much weaker than expected as job creation declined to 75,000 when analysts had expected 175,000.** The prior two monthly numbers were also revised down for a net decrease of 75,000 fewer jobs than originally estimated. Average monthly job creation this year has slowed to 164k from last year's 223k and is now even lower than 2017's 182k. Sectors with job losses included Retail, Transportation and Warehousing, and Government. Manufacturing growth slowed to only 3,000 jobs created.
- **Job gains were enough to keep the unemployment rate stable at a 49-year low of 3.6%.** The underemployment rate declined to 7.1%, the lowest level since December 2000. Even with a 49-year low in unemployment rate, we still have a bit of slack in the labor market as the underemployment rate was at a low of 6.1% the last time headline unemployment was at the current level of 3.6%.

DEMAND

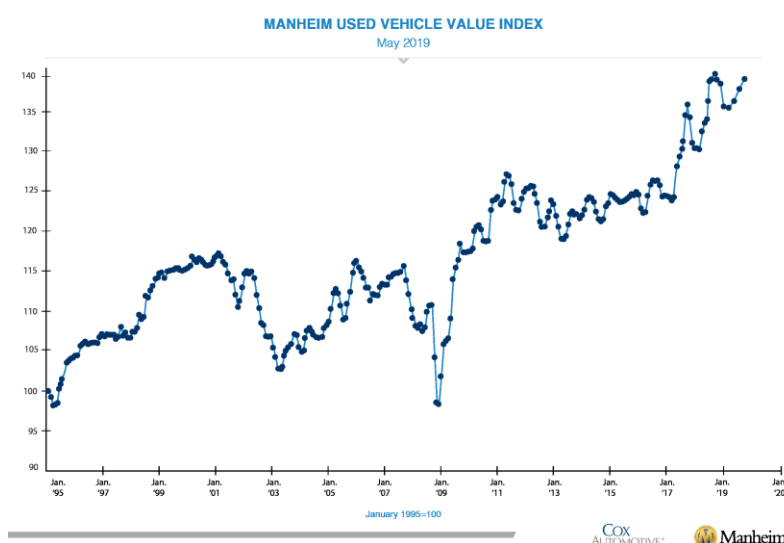
- **May new vehicle sales were down 0.5% YOY, with the same number of selling days as May 2018.** The May SAAR came in at 17.3 million, improving versus last year's 17.2 million and April's 16.3 million rate.
- Cox Automotive estimates that used vehicle sales saw **weakness in May** as sales decreased by 4.0% YOY, which led to the May used SAAR coming in at 39.2 million units, down from last May's 39.7 million.
- Combined rental, commercial, and government purchases of new vehicles were up 11% y/y in May, and up 29% m/m. **Commercial (+12%) and rental (+14%) fleet channels were up y/y in May.** New vehicle retail sales were down 3% in May, leading to a retail SAAR of 13.9 million, down from 14.2 million last May.

LIGHT VEHICLE SALES

↑	14% Rental
↑	12% Commercial
↓	6% Government

SUPPLY

- **Days' supply for May was 64, flat YOY and down 12 days from April.** Average car days supply came in at 54 which was down 5 days YOY and down 10 days from April. Light truck days supply was 68 last month, up 2 days from last year and down 13 days from April. The Manheim increased 0.85% MOM in May. This brought the Manheim Used Vehicle Value Index to 139.6, a 4.0% increase from a year ago.



CREDIT

- Data released by the Federal Reserve of New York covering lending in the first quarter show that auto lending remains robust despite higher rates. **Auto loan origination dollars decreased 4% in Q1 compared to Q4 of last year, but originations were up 6% over last year.** Originations to borrowers with credit scores of 660 or less had the biggest YOY gains. Subprime originations grew 13% YOY but were flat with Q4.

Source: Cox Automotive Industry Update Report, June 17, 2019