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## **Ten Predictions for 2022: Cox Automotive Looks Forward Into the Year Ahead**

**ATLANTA, Jan. 13, 2022** – In the early days of 2022, the Cox Automotive Industry Insights team lays out 10 trends that will shape the auto industry in the year ahead. Overall, the Cox Automotive team is optimistic for the industry. New-vehicle sales are expected to reach 16.0 million, an increase of more than 7% from 2021, while used-vehicle sales will remain strong and above 39 million. Inventory will continue to be challenged in the first half of 2022 but should improve in the second half. Unlike 2021, the second half of 2022 will likely be stronger than the first half.

When it comes to crystal balls and predictions, however, even the Cox Automotive Industry Insights team knows that looking forward and into the future is never easy.

“As we move into 2022, our team has a number of expectations for the industry,” notes Cox Automotive Chief Economist Jonathan Smoke. “We believe the auto business is in for a healthy year. Yes, there will be unexpected pitfalls, but those who remain flexible and agile will manage just fine in the year ahead.”

The Cox Automotive Industry Insights team will be particularly focused on these 10 trends that will shape the auto business in 2022.

### **#1: Vehicle Demand Will Remain Robust, Especially Through the First Half**

While the pandemic has been rough on many U.S. consumers, there is sufficient demand in the market to support healthy new- and used-vehicle sales in the year ahead. Recent surveys indicate consumers are expecting higher vehicle prices in 2022, but enough buyers will be in market to support 16 million new-vehicle sales, according to the Cox Automotive 2022 forecast. Total used-vehicle sales are forecast to be 39.3 million, down slightly from 2021 but still a healthy volume.

### **#2: Used-Vehicle Values Will Depreciate Again, After the Spring**

Last year, with new-vehicle inventory historically low, used-vehicle demand increased notably, driving prices higher. At auction, used-vehicle values set new records in each of the final four months of 2021, according to the [Manheim Used Vehicle Value Index](#). Retail prices followed, with the average used-vehicle listing price above \$28,000 in December 2021, a record. Used-vehicle prices normally increase in the spring, so the market will see further gains. In the second half of 2022, however, the team is forecasting price increases to end, and a more normal pattern of depreciation to resume.

### **#3: Tight Vehicle Supply Will Gradually Improve**

The central story for the auto industry in 2021 was tight inventory. Supply chain disruptions and production slowdowns due to COVID outbreaks wreaked havoc on product availability, and never in memory was new-vehicle inventory lower. In the second half of 2021, inventory was roughly one-third of the pre-pandemic level, [dropping below 1 million units](#). The process will be slow, but the Cox

Automotive team believes new vehicle inventory issues will gradually improve in the year ahead: The worst of the 'empty-lot syndrome' is likely in the rearview mirror.

#### **#4: EV Growth Will Outpace Industry Growth**

While the overall new-vehicle market struggled in 2021 and was up only 3.5% from a rough 2020, the market for electrified vehicles boomed. Hybrids, plug-in hybrids and pure battery electric vehicles sales surged, with new entries and plenty of newly interested buyers. Tesla is still the dominant brand in the pure EV market, but new product from Ford, Hyundai, Kia, Volkswagen and Volvo are driving solid growth. Gas prices are elevated going into 2022, and 38% of new-vehicle shoppers are now considering an EV. In 2022, further strong growth is expected, especially as high-profile EV pickups begin to enter the market. Production of the new Rivian RT1 pickup is underway; the Ford F-150 Lightning is scheduled to be on the road by spring.

#### **#5: Auto Loan Rates Will Rise**

Low auto loan interest rates have helped take the sting out of rapidly rising vehicle prices. Unfortunately, the end is near. Inflation is at the highest level since 1982, and the Federal Reserve Bank is ready to address that with expectations for three, quarter-point rate increases in 2022, followed by three in 2023 and two more in 2024. Generally speaking, the Cox Automotive team expects auto loan [rates to be higher by the end of 2022](#). From a historical perspective, rates would still be low and attractive. However, the increase would mean an end to the 2021 financing trend that helped mitigate some of the vehicle price inflation.

#### **#6: Lease Demand Will Improve in 2022**

Lease penetration of the retail market had moved above 30% in 2019 but has been notably lower through the pandemic and below 25% in the second half of 2021, the lowest point since 2013. The Cox Automotive team is forecasting the share of leases will increase as inventory rebuilds and consumers hunt for ways to lower monthly payments. In a recent Cox Automotive survey, 69% of consumers agree that the average price will increase to where new vehicle ownership is out of reach for the average consumer, up from 51% in 2021. Leasing may offer a solution for some, with lower monthly payments. An increase in leasing in 2022 will help the used-vehicle market mid-decade as well.

#### **#7: The Service Revenue Opportunity Will Continue To Be Robust For Dealers**

The average vehicle on the road today is more than 12 years old, according to research firm IHS, and the vehicle parc is at a record level, in excess of 280 million. With new-vehicle prices higher than ever, research from Cox Automotive indicates more consumers will be focused on fixing, rather than replacing. Further, while the traditional commute may be a thing of the past, our research shows that 50% of Americans expect to drive more in 2022 than they did last year— avoiding public transportation; driving instead of flying; returning to a hybrid work situation. With the added miles, [service visits are expected to increase as well](#). All-in-all, the service lanes should continue to be an important part of the franchised dealer business equation.

#### **#8: Robust Dealership Consolidation Will Continue**

While dealership profitability soared in 2021, so did consolidation activity. Tight inventory and rising costs are leading auto dealers to reassess their competitive position and consider the benefits of



becoming part of a larger operation. Larger dealer groups have better access to capital, technology and human resource, many experts suggest. According to Cox Automotive research, 59% of dealers expect the consolidation or acquisition trend to continue in the year ahead. This story is far from over and will be one to watch carefully in 2022.

#### **#9: Consumer Shift To Online Becomes Dominant**

While the global COVID pandemic has turned life upside down, it has in fact made the vehicle-buying process more satisfactory. In recent Car Buyer Journey studies from Cox Automotive, two trends are clear. First, consumers are completing more car-buying steps online. Second, overall satisfaction with car buying, and specifically, satisfaction with the dealership experience, has improved. Importantly, consumer preference for online shopping is not expected to wane this year, with 70% of consumers preferring to shop online versus physically going into a dealership, essentially unchanged from 2021.

#### **#10: Direct-To-Consumer Model Will Force Dealers To Adapt**

It began in earnest with Tesla's direct-to-consumer sales model, with no franchised dealerships. In 2021, Tesla delivered more than 300,000 vehicles in the U.S. And now comes Lucid, Rivian and others, additional start-up EV companies following Tesla's lead. The traditional dealership model in the United States is strong and, [according to recent surveys](#), is providing a high level of satisfaction among buyers as the sales process becomes increasingly digital. A majority of consumers value access to a franchise network. Still, the Cox Automotive team believes the industry—and national franchise laws—will continue to evolve in ways that ultimately improve efficiency and consumer satisfaction. That evolution will include an increase in direct-to-consumer vehicle sales.

#### **About Cox Automotive**

Cox Automotive Inc. makes buying, selling, owning and using vehicles easier for everyone. The global company's more than 27,000 team members and family of brands, including Autotrader®, Dealer.com®, Dealertrack®, Dickinson Fleet Services, Kelley Blue Book®, Manheim®, NextGear Capital®, VinSolutions®, vAuto® and Xtime®, are passionate about helping millions of car shoppers, 40,000 auto dealer clients across five continents and many others throughout the automotive industry thrive for generations to come. Cox Automotive is a subsidiary of Cox Enterprises Inc., a privately-owned, Atlanta-based company with annual revenues of nearly \$20 billion. [www.coxautoinc.com](http://www.coxautoinc.com)

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