



# **Q1 U.S. Auto Sales Forecast and Industry Insights Webcast**

March 28, 2022

COX AUTOMOTIVE



# Agenda

Time Check: 75 Minutes

**Intro & Cox Automotive**

Mark Schirmer, Director, Public Relations

**The Economy**

Jonathan Smoke, Chief Economist

**Market Performance: New Vehicles**

Blessin Cho, Director, Sales Analytics

Charlie Chesbrough, Senior Economist

**Market Performance: Used Vehicles**

Chris Frey, Senior Manager, Economic and Industry Insights

**2022 Outlook & Playlist**

Jonathan Smoke, Chief Economist and Resident DJ

**Q&A**

w/ Michelle Krebs, Executive Analyst



# The Power of Cox Automotive

Harnessing the power of connected data for game-changing results



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# The Economy

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# Jonathan Smoke

Chief Economist

 @smokeoncars

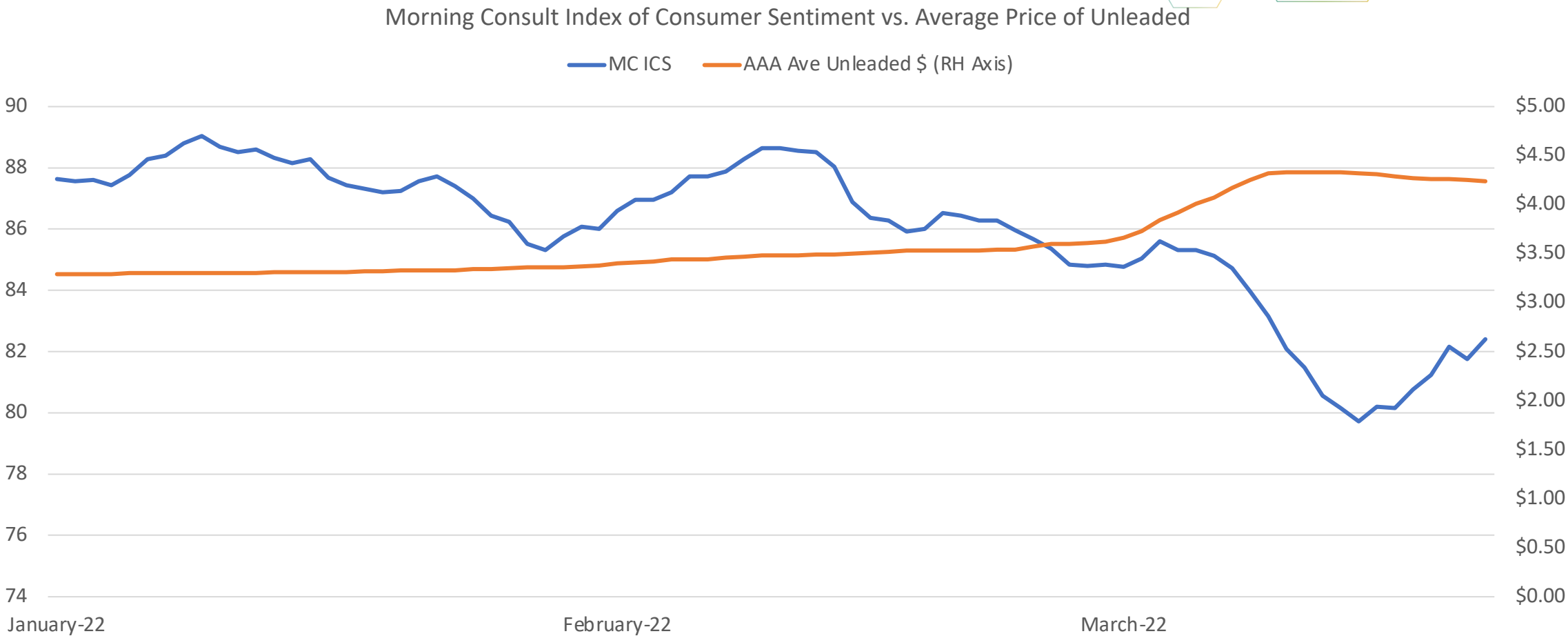
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# State of the Industry






Rough year for Consumer Sentiment: Omicron, war, and inflation





# The Economy





Changing macro conditions see more negative trends in near term

Overall Economy	Real GDP Growth	+6.7% (Q3 '21)	+7.0% (Q4 '21)	+0.5% (Q1 '22 F)	
Employment Conditions	U3 Unemployment Rate	6.2% (Feb '21)	4.0% (Jan '22)	3.8% (Feb '22)	
Buyer Confidence	UofM Consumer Sentiment	84.9 (Mar '21)	62.8 (Feb '22)	59.7 (Mar '22 P)	
Wages	Earnings Growth	5.2% (Feb '21)	5.1% (Feb '22)		
Buyer Ability	Disposable Income Y/Y	10.7% (Jan '21)	0.1% (Jan '22)		



# The Economy

Some consumer demand tailwinds become headwinds

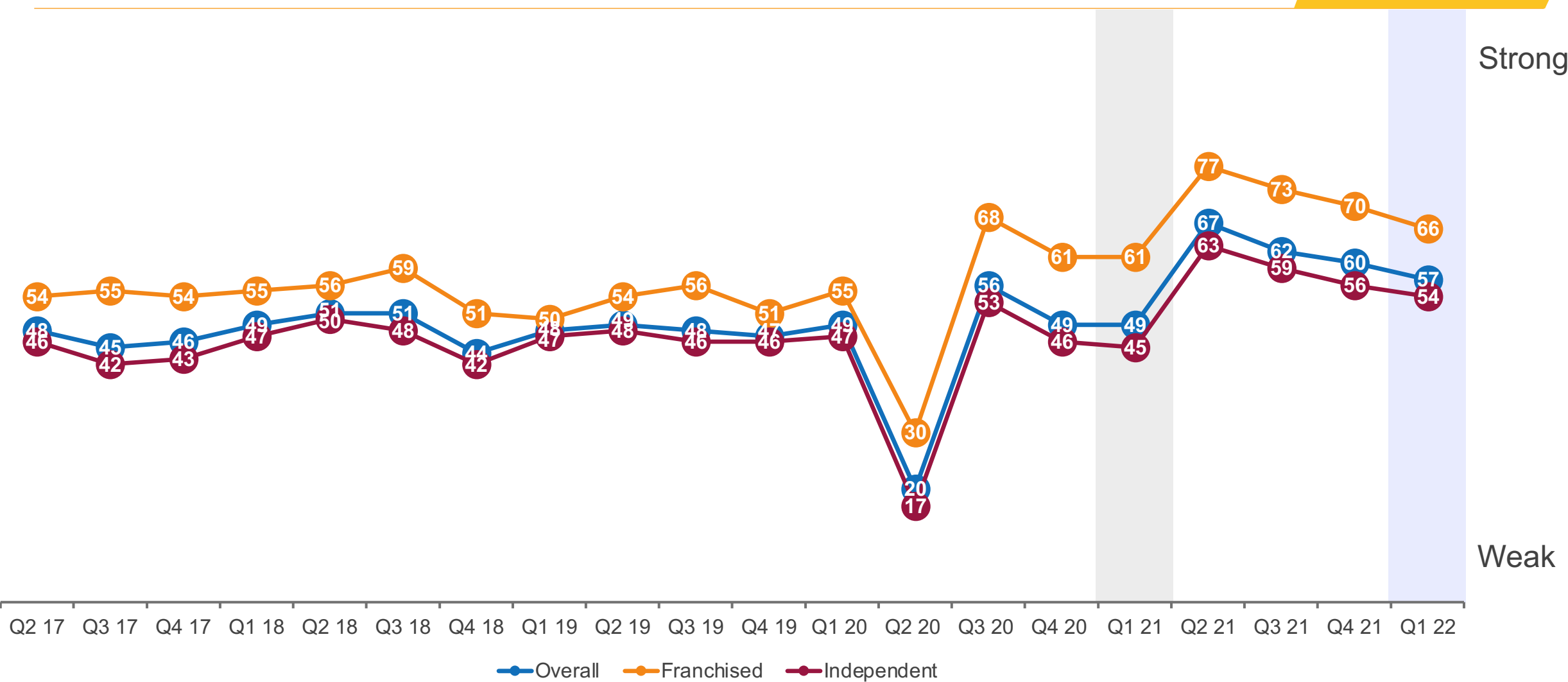
Auto Finance	FRBNY	\$162 billion (Q4 '20)	\$181 billion (Q4 '21)	
Interest Rates	Effective Fed Funds Rate	0.08% (Mar '21)	0.33% (Mar '22)	
Borrowing Costs	Average New Auto Loan Rate	4.34% (Feb '21)	4.39% (Feb '22)	
Mobility Costs	AAA Average Retail Unleaded Gasoline Price	\$2.86 (Mar '21)	\$4.24 (Mar '22)	



How would you describe the current market for vehicles in the areas where you operate?

# Dealer Sentiment Index

FIRST QUARTER 2022



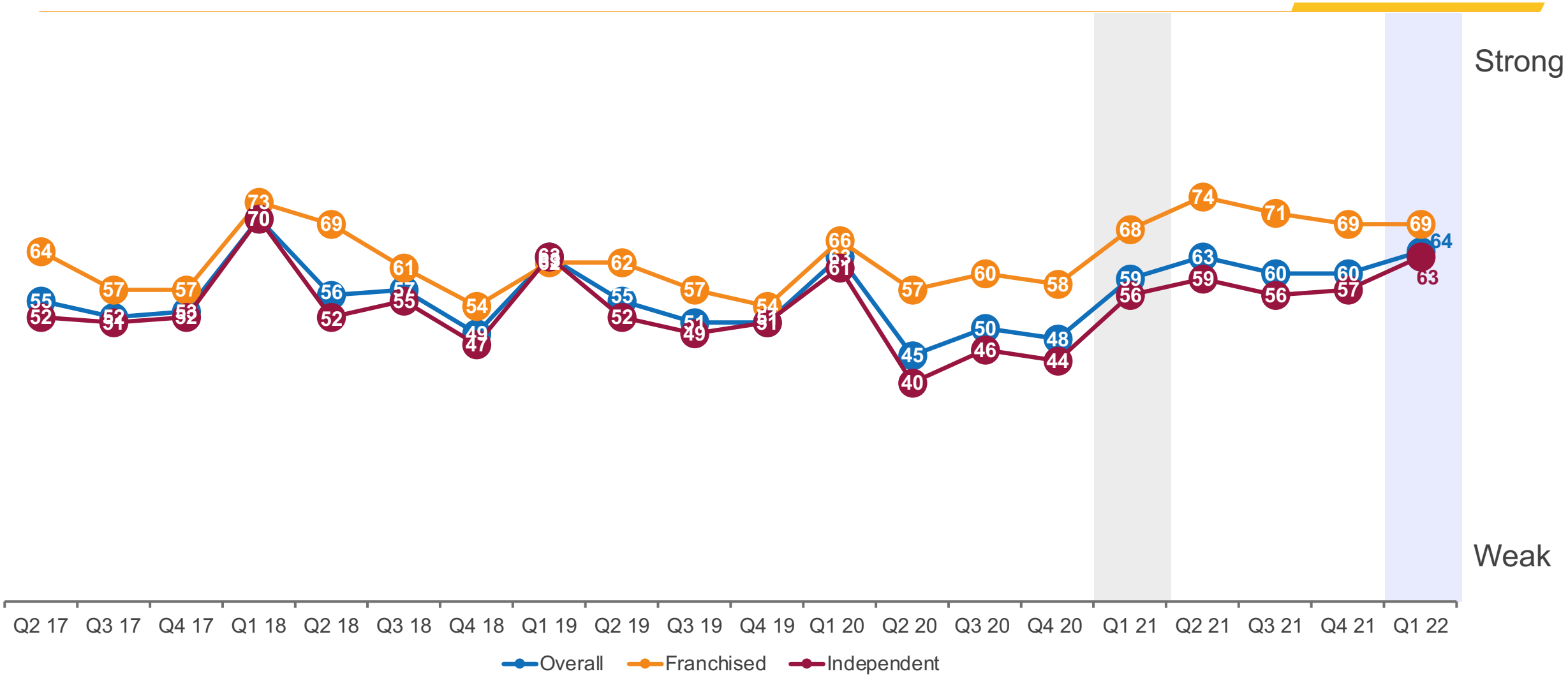
Note: Scale 1 - 100



What do you expect the market for vehicles in your area to look like 3 months from now?

# Dealer Sentiment Index

FIRST QUARTER 2022



Note: Scale 1 - 100

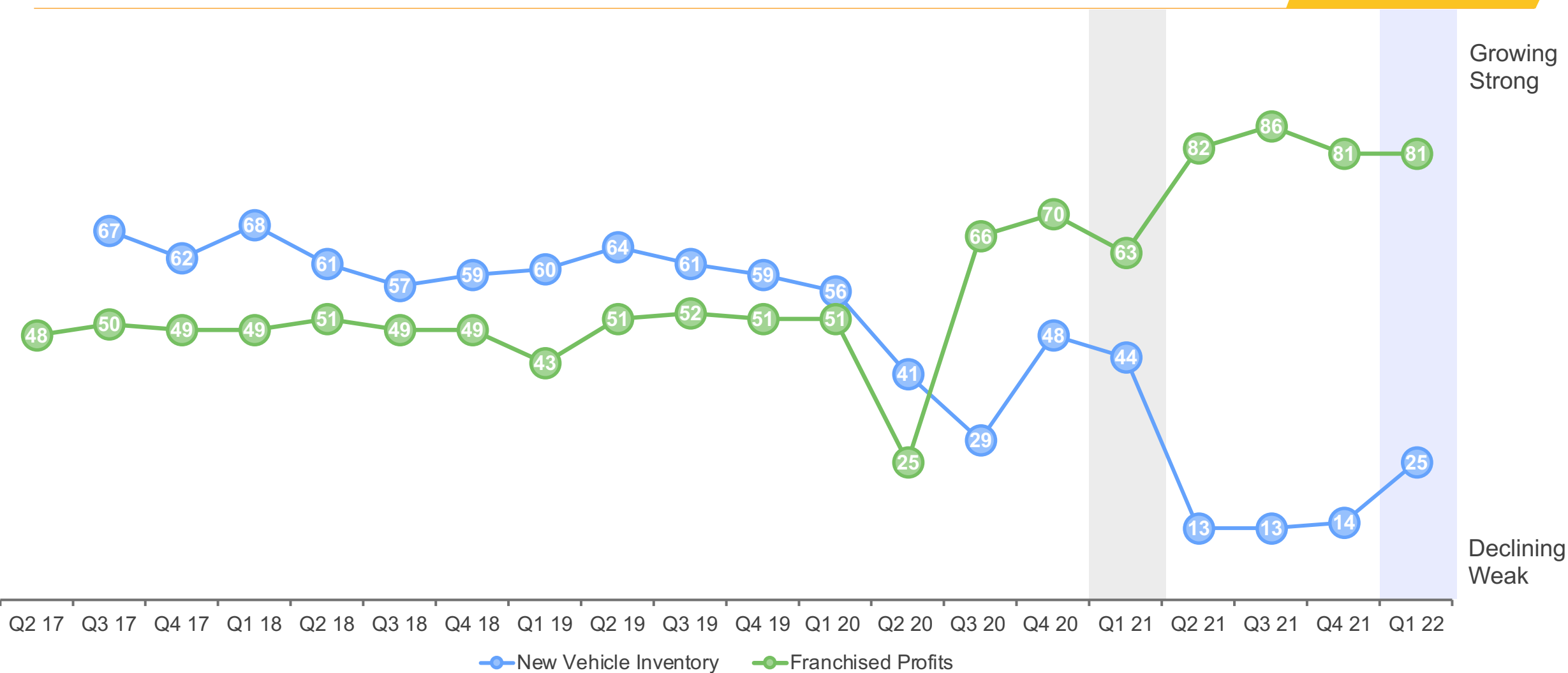


# Inventory/Profits

How would you describe your profits over the past 3 months?  
How would you describe the current new-vehicle inventory levels?

## Dealer Sentiment Index

FIRST QUARTER 2022



Note: Scale 1 - 100





# Market Performance: New Vehicles

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# Blessin Cho

Director, Sales Analytics

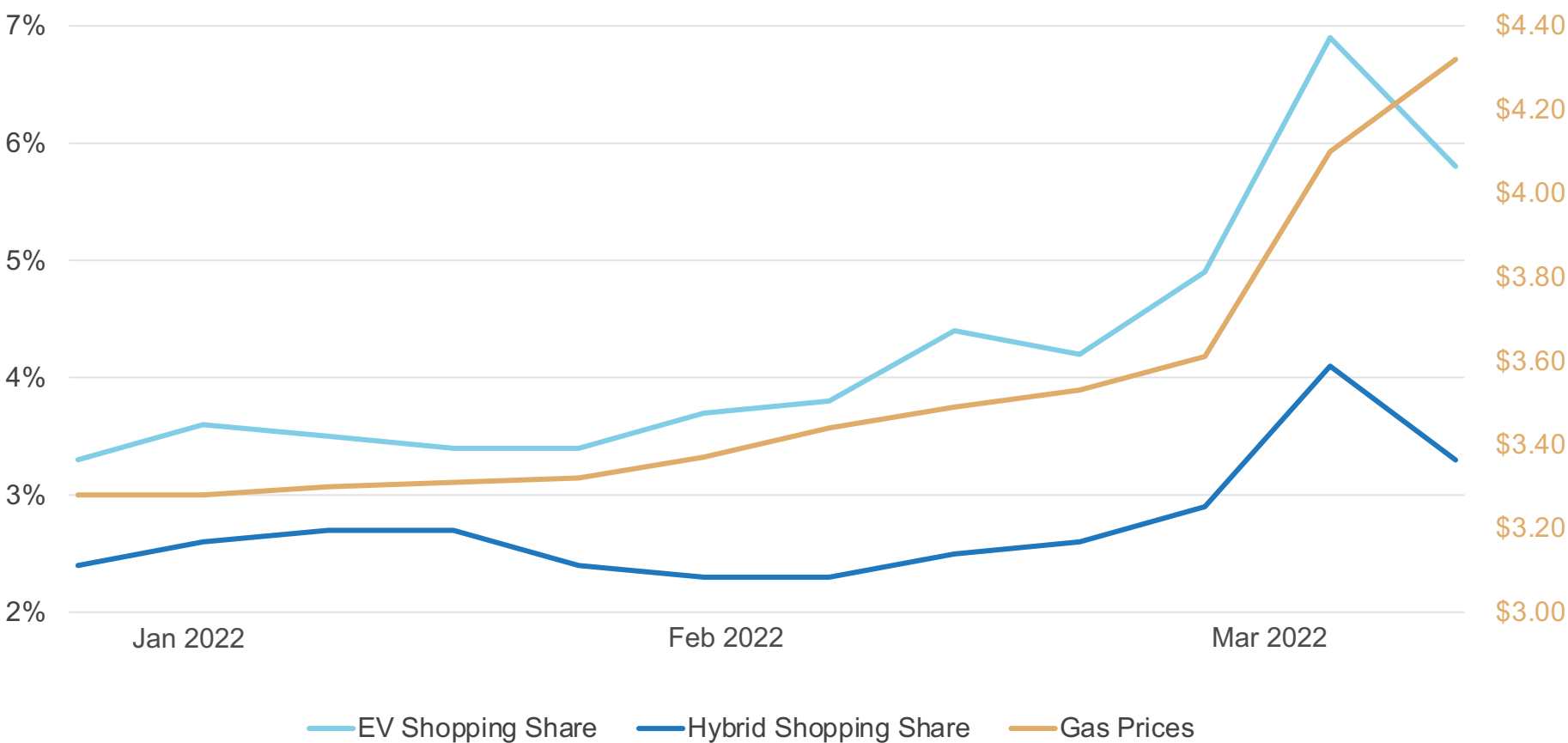
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# High Gas Prices Drive Shopping Behavior

Autotrader, Kelley Blue Book New-Vehicle Traffic



**+69%**  
EV SHARE % CHANGE

**+32%**  
Hybrid Share % Change





# Charlie Chesbrough

Senior Economist

 @Charlie\_Ches

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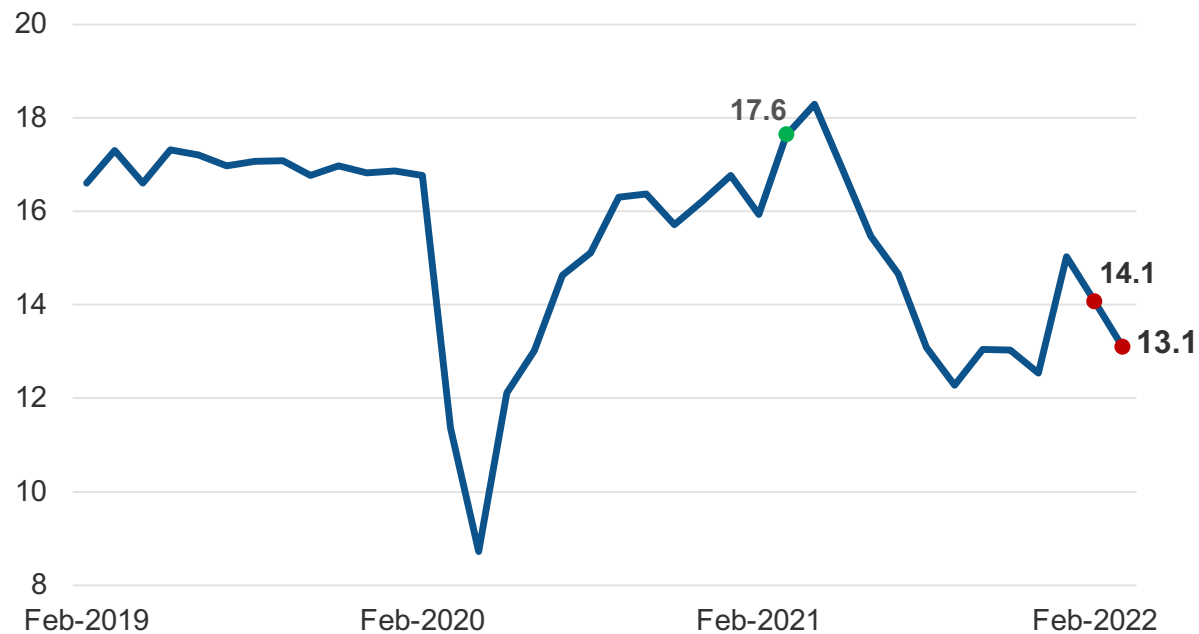




# New-Vehicle SAAR | Downtick expected in March – 2022 downgraded

Averaging 1.06 million sales since August – H2 supply expected to be better, need gains soon

Monthly Light Vehicle Sales SAAR (millions)



Sales (millions)	Passenger Car	Light Trucks	Total	Car Share
CY2020	3.4	11.1	14.5	23.5%
CY2021	3.4	11.6	14.9	22.4%
Change	-1.5%	4.8%	3.3%	-1.1%
Q1 2021	0.9	3.0	3.9	22.4%
Q4 2021	0.7	2.6	3.3	19.9%
<b>Q1 2022</b>	<b>0.7</b>	<b>2.6</b>	<b>3.3</b>	<b>20.6%</b>
vs Q1 2021	-22.7%	-14.4%	-16.3%	-1.7%
vs Q4 2021	3.3%	-1.1%	-0.2%	0.7%
March 2021	0.4	1.2	1.6	22.7%
<b>March 2022</b>	<b>0.3</b>	<b>1.0</b>	<b>1.2</b>	<b>20.8%</b>
Change	-30.1%	-21.7%	-23.6%	-1.9%

## 2022 Sales Forecast: Q2 Update

~~16.0 million~~  
15.3 million

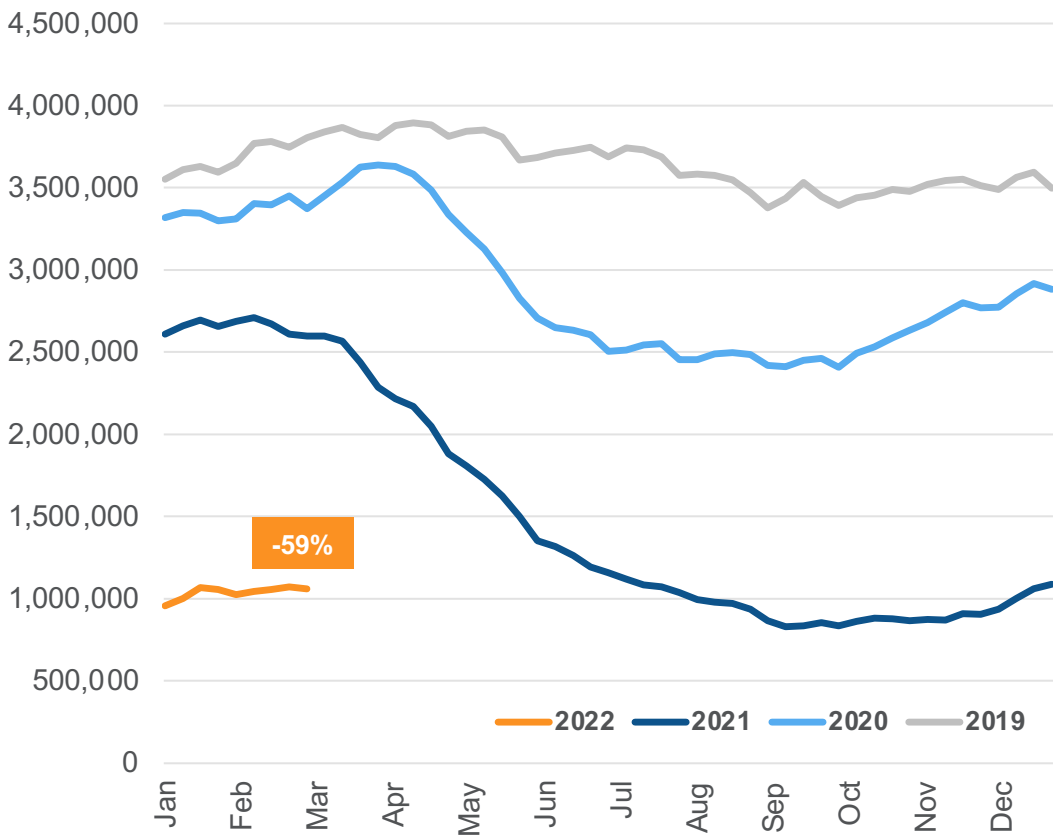


# New-Vehicle Supply | Only minor improvement in 2022

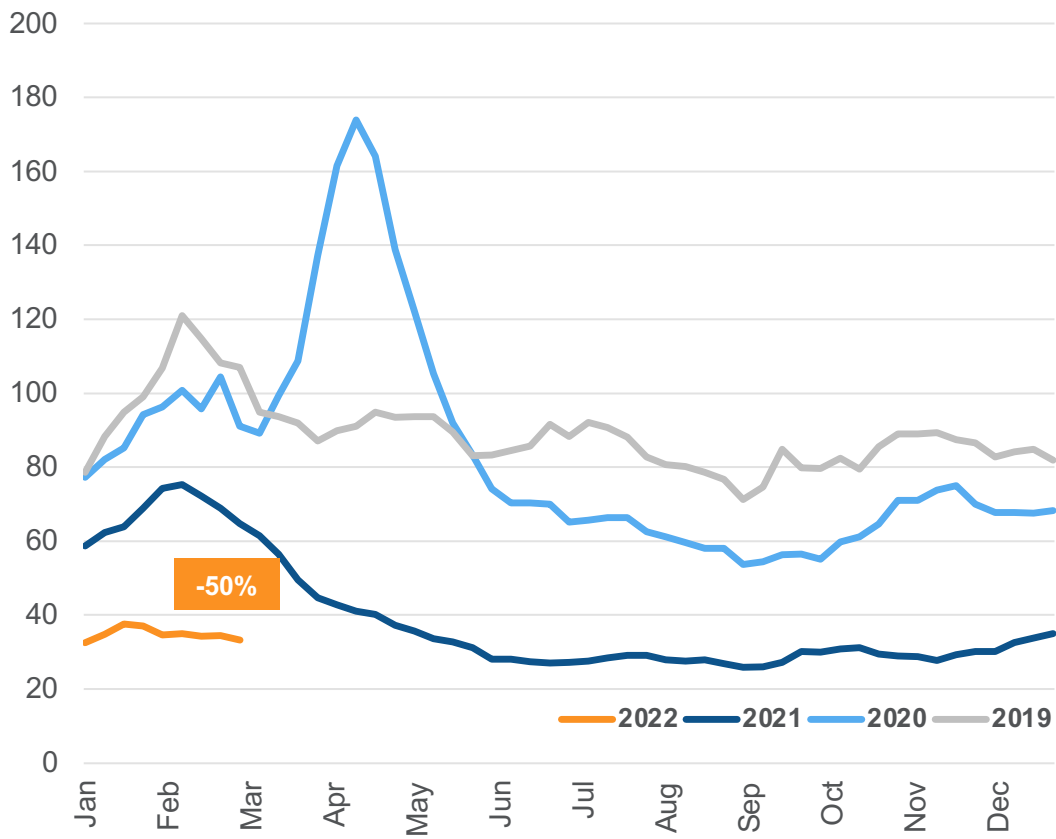
Situation remains bad – 1.5 million fewer vehicles than 2021, and over 2.3 million lower than 2020



Available Supply weekly



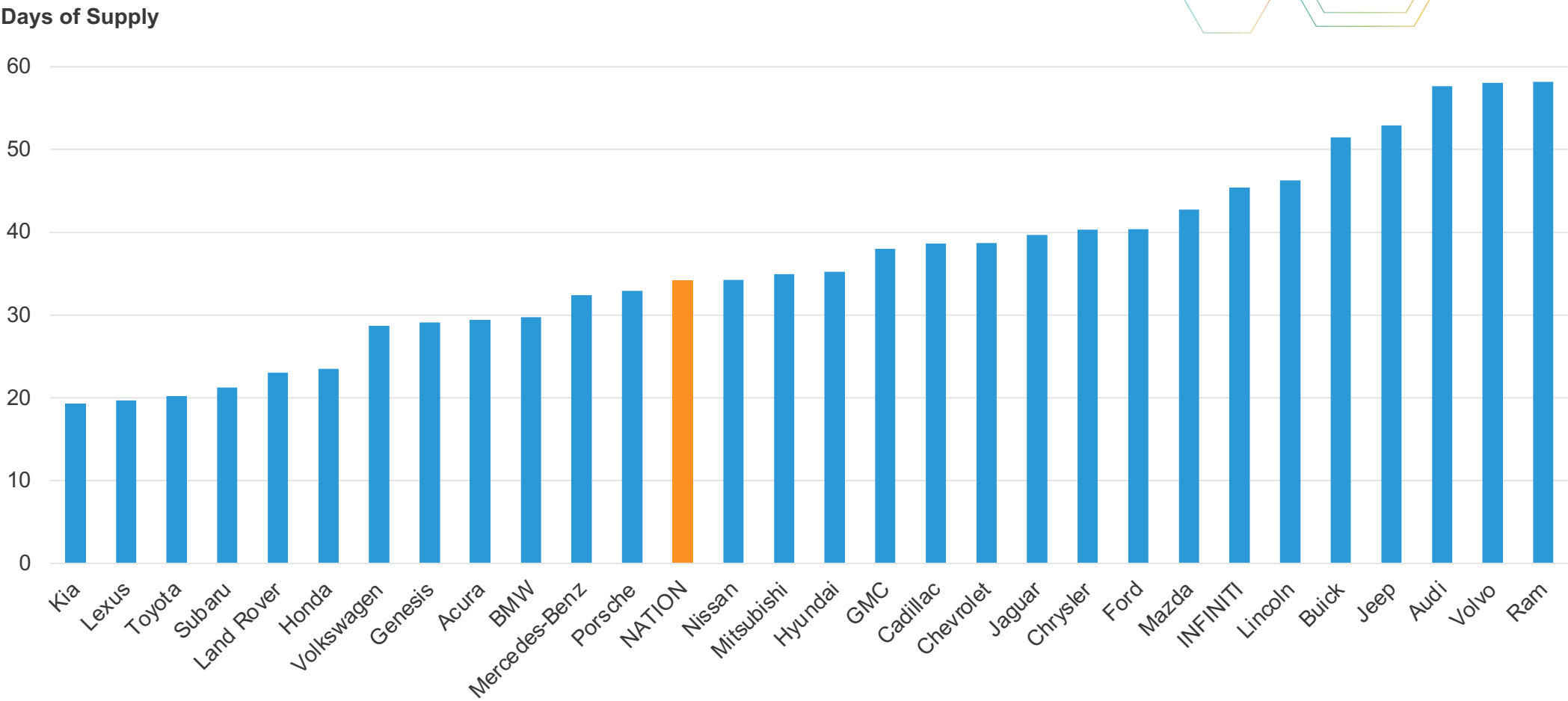
Days of Supply weekly





# Brand Inventory | Toyota has tight supplies – still wins Q1 sales

American brands' product complexity and large dealer networks may be harder to manage

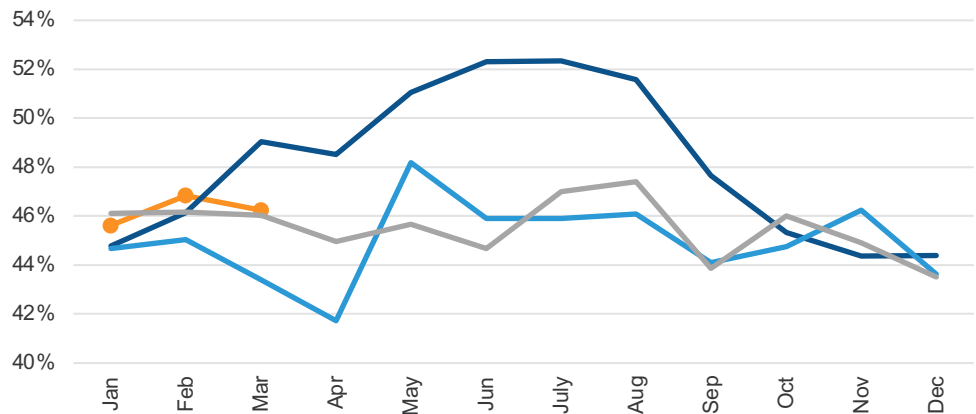




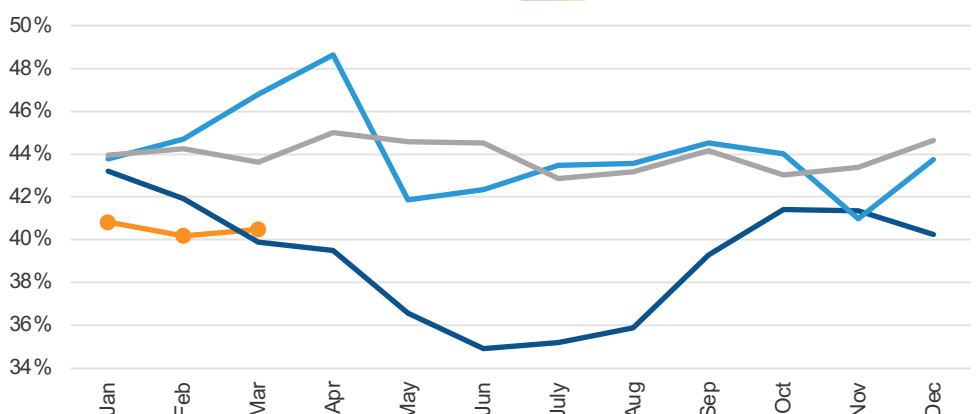
# OEM Market Share | Asian brands gain as Americans struggle

Europeans down in 2022 with EV OEMs (Tesla) gaining significant share; Rivian/Lucid launch

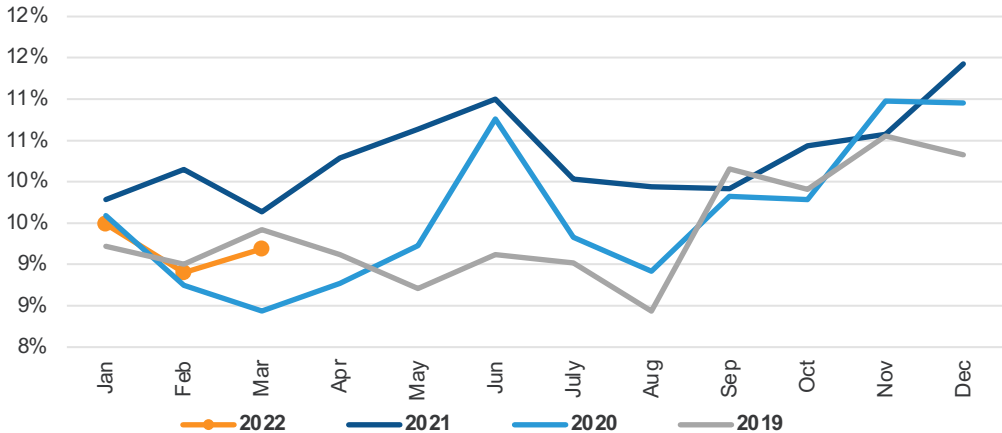
Asian Brands



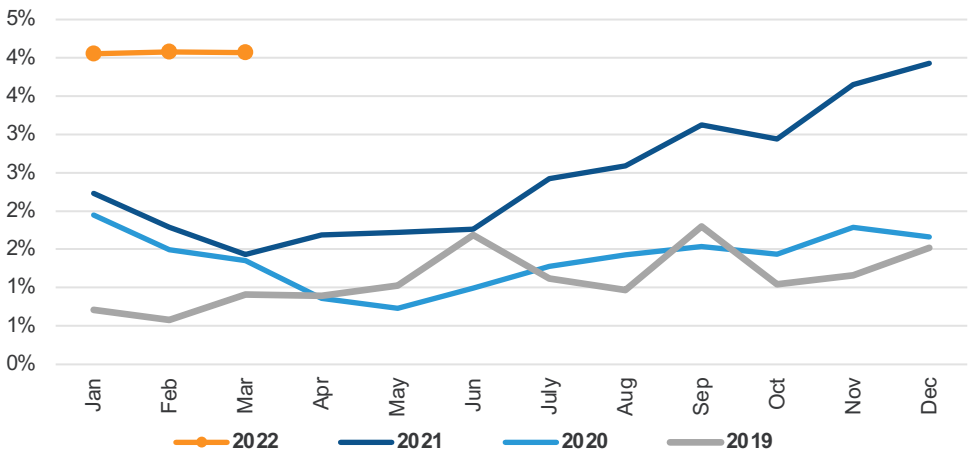
American 3 Brands



European Brands



EV OEMs





# OEM Q1 Performance | Toyota is the champ; Tesla gains most share

GM down nearly 3% from 2020 – Hyundai gaining as Nissan and Honda slide



Make	CY2020	CY2021	Change	Q1 2020	Q1 2021	Q1 2022	2022 vs 2020	2022 vs 2021	Share Q1 2020	Share Q1 2021	Share Q1 2022
Toyota	2,112,940	2,332,263	10.4%	495,747	603,066	510,348	2.9%	-15.4%	14.1%	15.4%	15.6%
General Motors	2,535,283	2,202,577	-13.1%	616,432	639,406	485,330	-21.3%	-24.1%	17.6%	16.3%	14.8%
Ford	2,034,708	1,891,753	-7.0%	514,614	517,711	431,123	-16.2%	-16.7%	14.7%	13.2%	13.2%
Stellantis	1,820,636	1,777,393	-2.4%	446,768	469,651	411,174	-8.0%	-12.5%	12.7%	12.0%	12.5%
Hyundai	1,224,758	1,489,118	21.6%	272,775	334,902	317,100	16.2%	-5.3%	7.8%	8.5%	9.7%
Honda	1,346,787	1,466,630	8.9%	298,784	347,091	252,205	-15.6%	-27.3%	8.5%	8.8%	7.7%
Nissan-Mitsubishi	986,604	1,079,676	9.4%	293,169	313,784	216,199	-26.3%	-31.1%	8.4%	8.0%	6.6%
Subaru	611,942	583,810	-4.6%	130,591	160,426	141,795	8.6%	-11.6%	3.7%	4.1%	4.3%
Tesla	205,600	352,471	71.4%	56,200	69,300	132,052	135.0%	90.6%	1.6%	1.8%	4.0%
Volkswagen	569,698	641,104	12.5%	128,436	163,069	116,319	-9.4%	-28.7%	3.7%	4.2%	3.5%
BMW	306,870	366,574	19.5%	64,692	77,718	79,685	23.2%	2.5%	1.8%	2.0%	2.4%
Mazda	279,076	332,756	19.2%	67,670	83,258	78,436	15.9%	-5.8%	1.9%	2.1%	2.4%
Daimler	325,915	329,574	1.1%	75,266	89,915	63,133	-16.1%	-29.8%	2.1%	2.3%	1.9%
Geely	110,129	124,591	13.1%	19,485	27,357	23,298	19.6%	-14.8%	0.6%	0.7%	0.7%
Tata	97,418	92,380	-5.2%	25,429	27,950	18,699	-26.5%	-33.1%	0.7%	0.7%	0.6%
<b>NATION</b>	<b>14,568,364</b>	<b>15,063,831</b>	<b>3.4%</b>	<b>3,506,058</b>	<b>3,924,604</b>	<b>3,278,110</b>	<b>-6.5%</b>	<b>-16.5%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

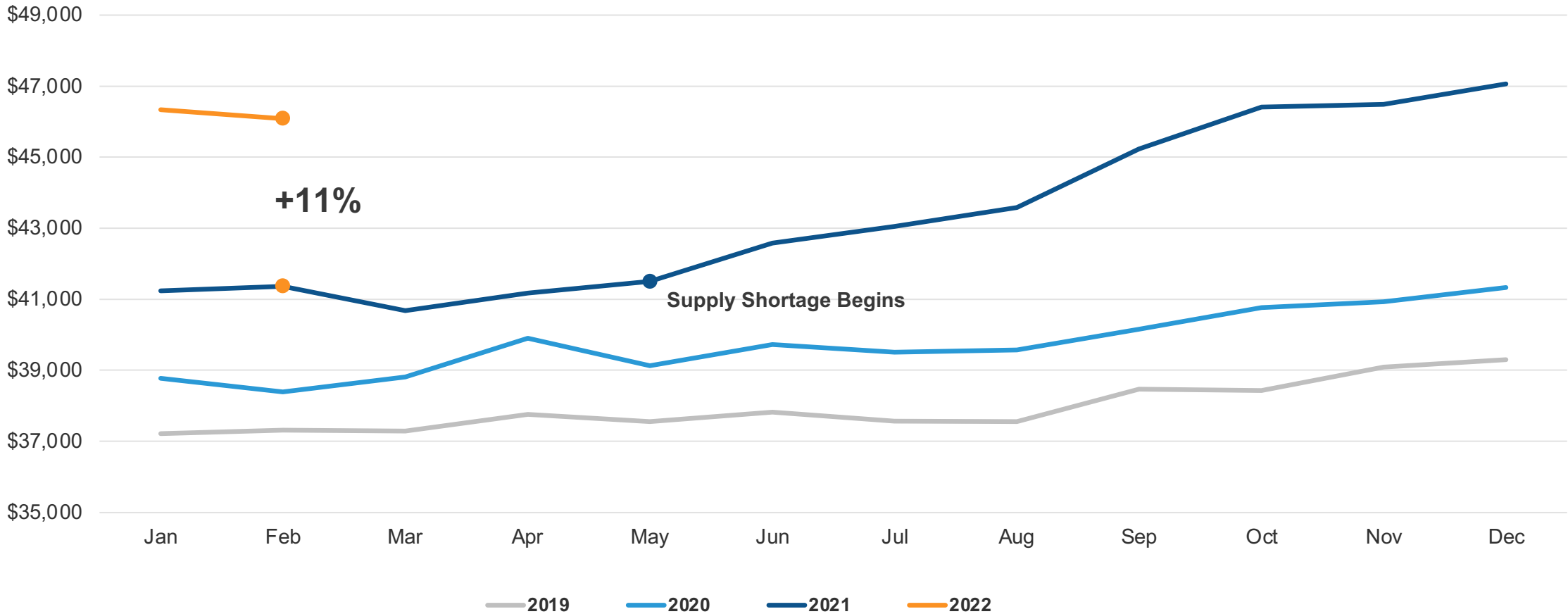


# Transaction Prices | High growth rate likely to change soon

Price growth to slow as anniversary approaches, but more expensive mix of products will continue



Monthly Transaction Prices





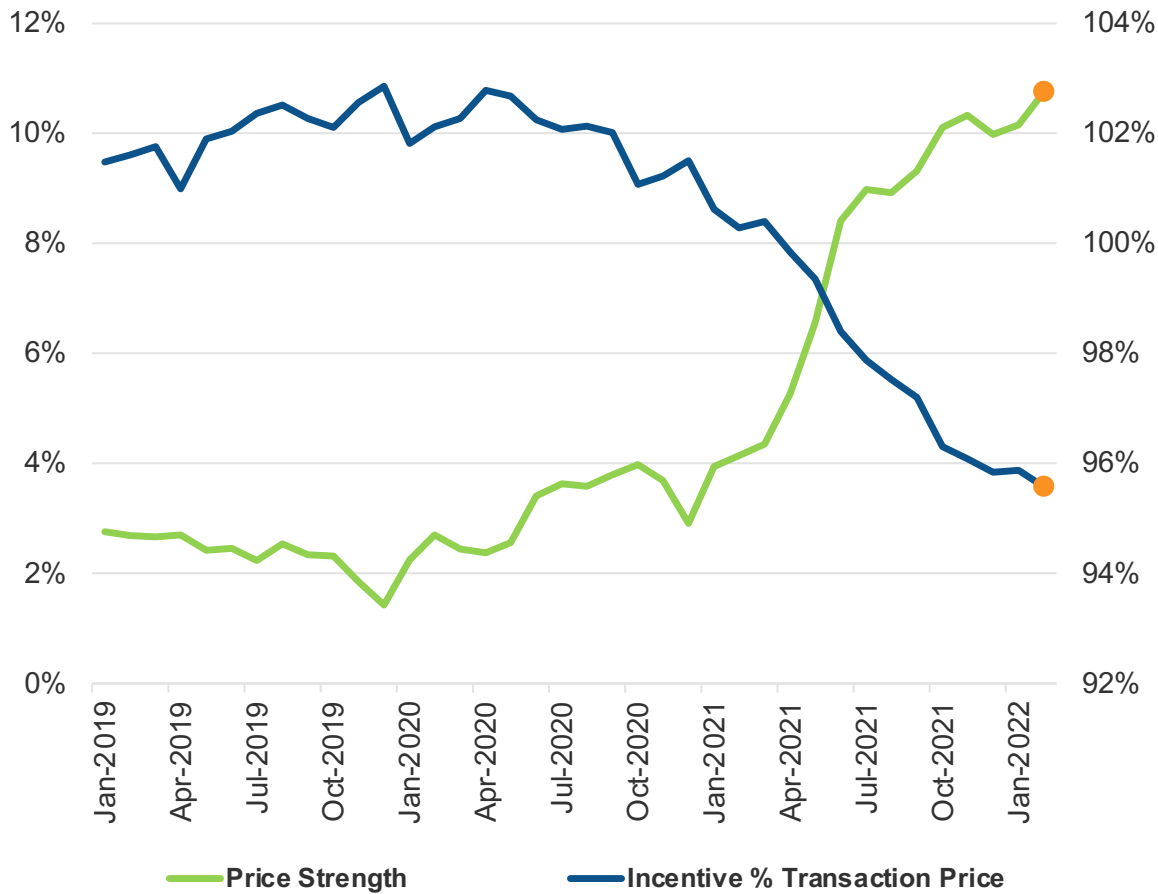
# Seller's Market | Strong margins continue into 2022

No hurry to return to “normal” – Revenue higher than 2019 with 2 million fewer vehicles sold

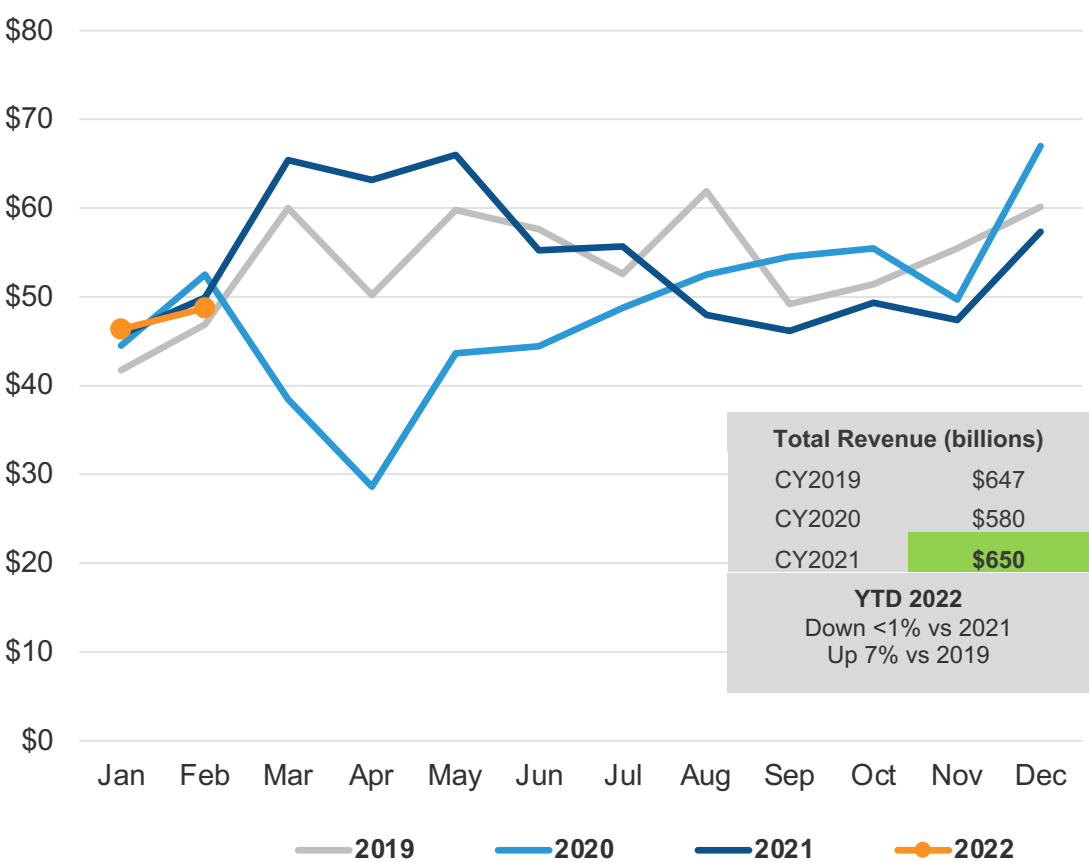


Incentive % of Transaction Price

Price Share of MSRP



Monthly Transaction Revenue (\$ billions)



**Total Revenue (billions)**

CY2019 \$647

CY2020 \$580

CY2021 \$650

**YTD 2022**

Down <1% vs 2021

Up 7% vs 2019

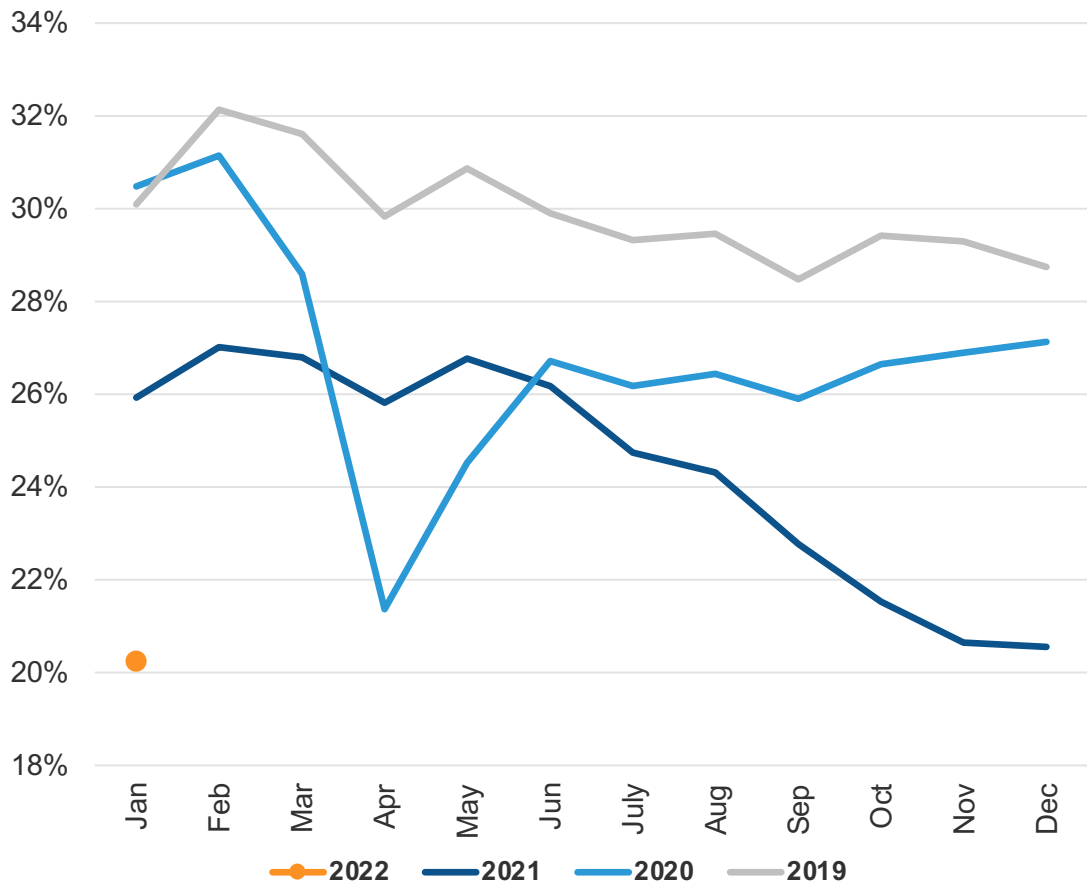


# Sales Channels | Massive change since COVID

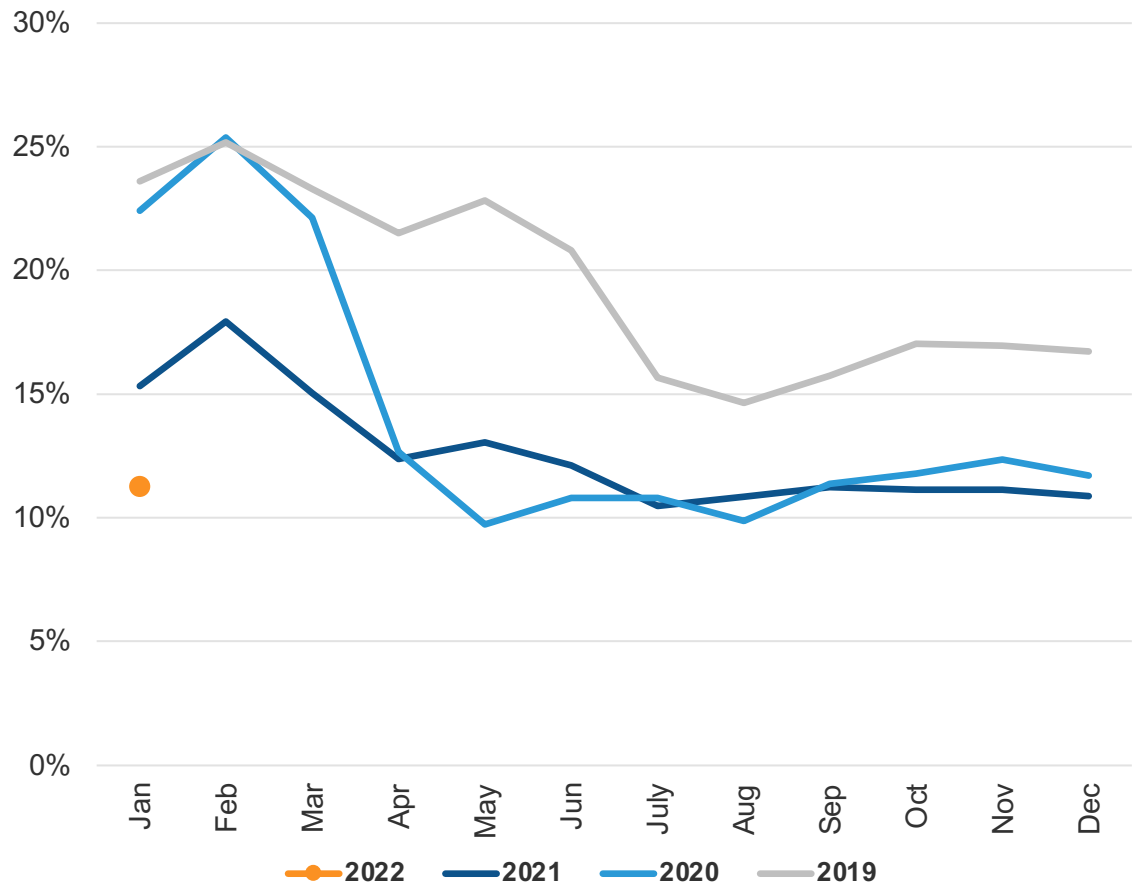
Lease and fleet share has fallen sharply - presenting opportunities for OEMs



Retail Lease Share of All Retail Sales



Fleet Share of All Sales



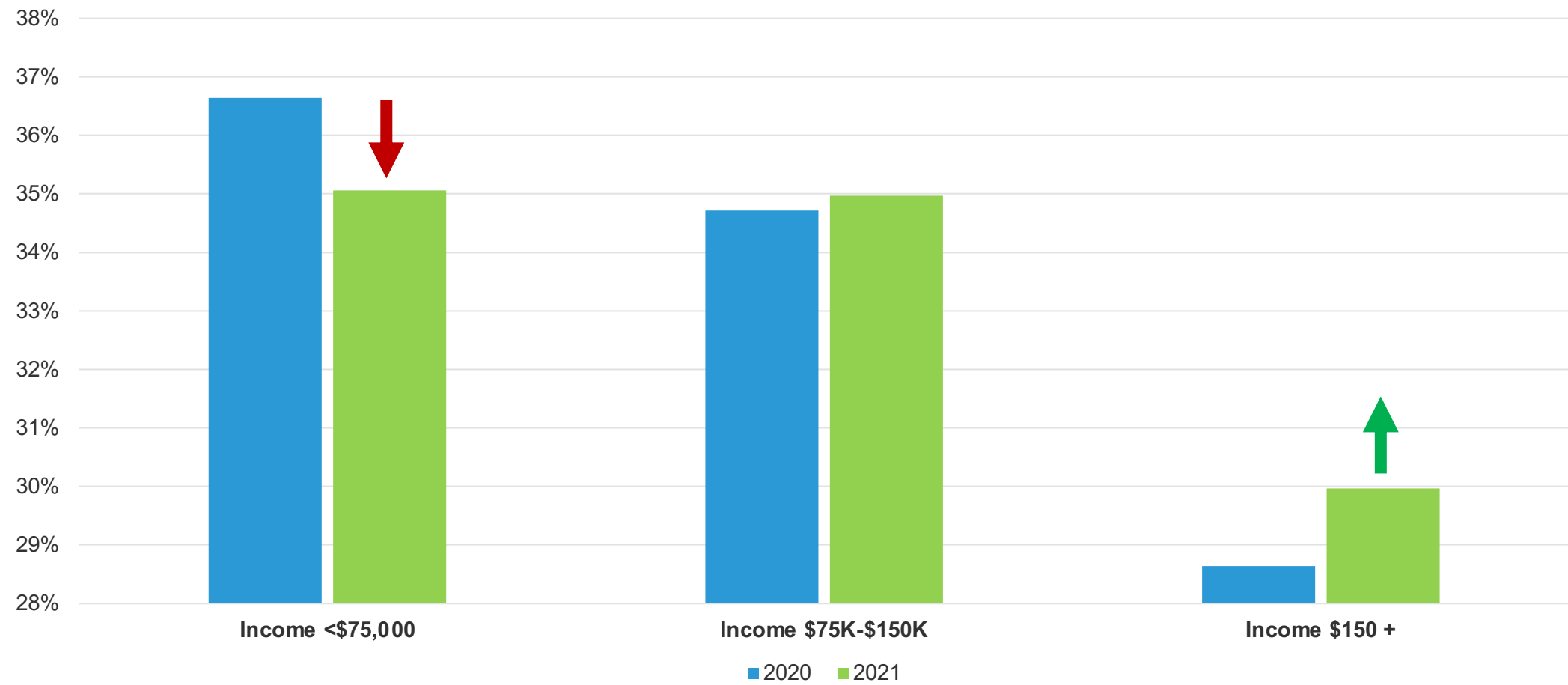


# New-Vehicle Buyer Income | Highest incomes gained share in 2021

Lowest incomes lost nearly 2% of the market; Average income of vehicle buyer near \$124,000



Market Share By Income Range



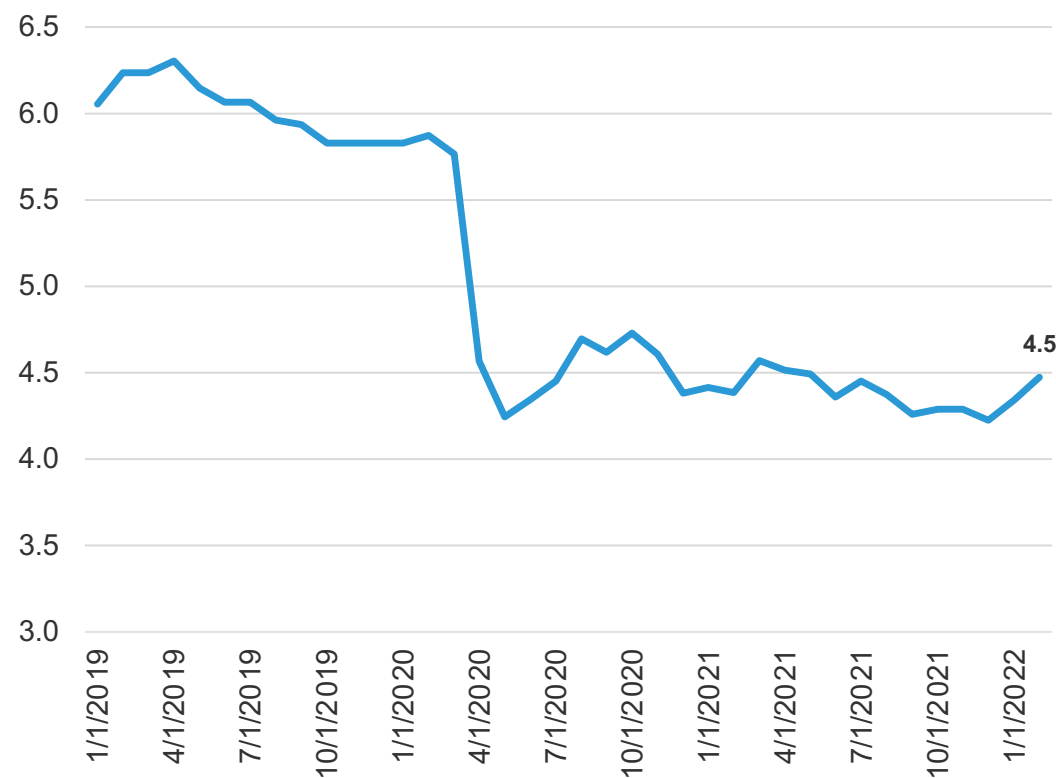


# Contract Rates | Lower APRs post COVID from subvention and quality

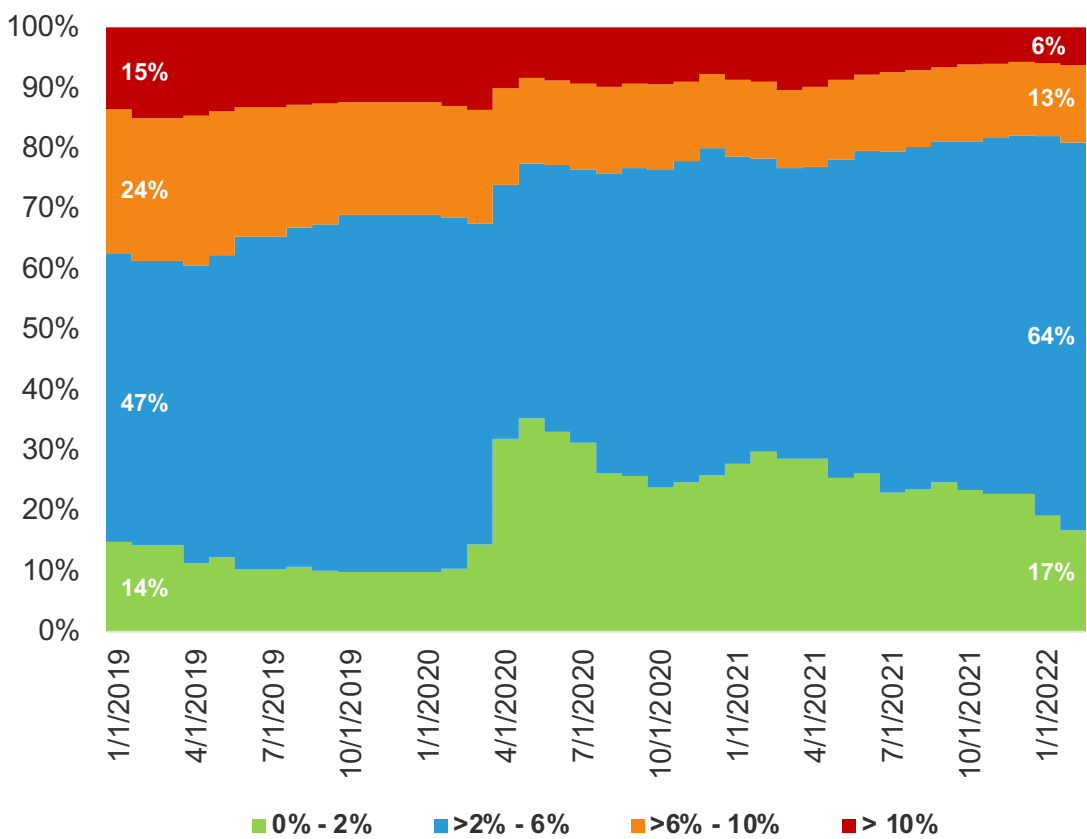
Higher vehicle prices leaving lower credit buyers behind – interest rate subvention declining



Purchase Average APR %



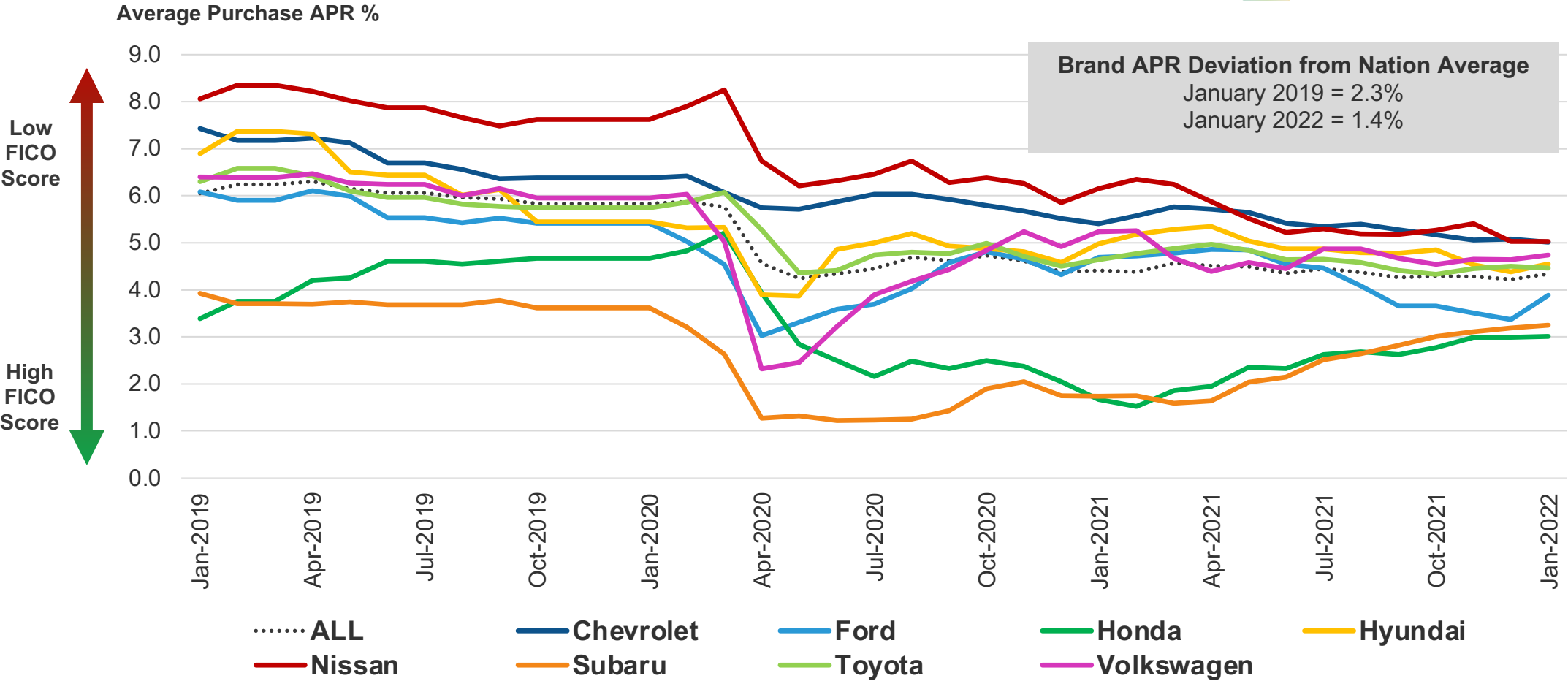
APR Groups Share of Purchases





# Brand Purchase APRs | Converging towards “one” type of buyer

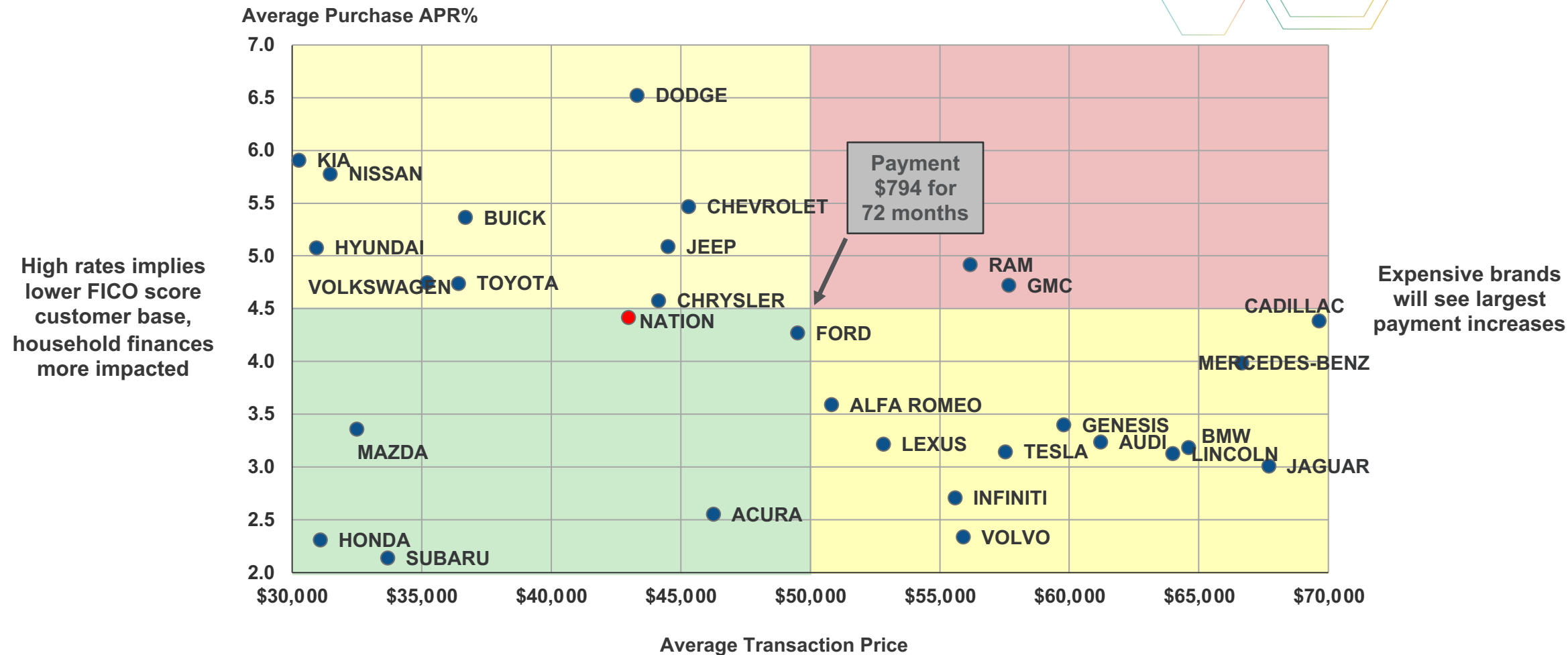
Deviation in decline as market becomes “same” customer – competition will be even more fierce





# Brand Vulnerability Grid | Rising interest rates are a varied threat

Lower priced, better customer credit brands will be more insulated from rising rates





# New-Vehicle Market Summary | Q1 2022

Seller's market continues throughout 2022 though economic and inventory challenges remain

**Demand for vehicles** to remain above available supply – keeping the seller's market going in 2022

## Biggest threats to 2022 sales recovery:

- **Chip shortage** – H2 production must be much better to meet our 15.3 million forecast
- **COVID** – new variants could disrupt the economy and supply chain
- **Higher interest rates** – impacting affordability
- **Ukraine War** – gas prices, raw materials, supply chain vulnerable

## The path ahead:

- Re-stocking dealer lots will be slow throughout 2022 and into 2023 – ability and enthusiasm will vary
- Vehicle mix coming likely to continue to be high margin and higher contented
- Fleet and Lease sales likely to remain muted – provides OEMs opportunities to stay “lean and mean”
- Higher interest rates will have a varied impact on buyers – some brands more vulnerable than others





# Chris Frey

Senior Manager, Economic and Industry Insights

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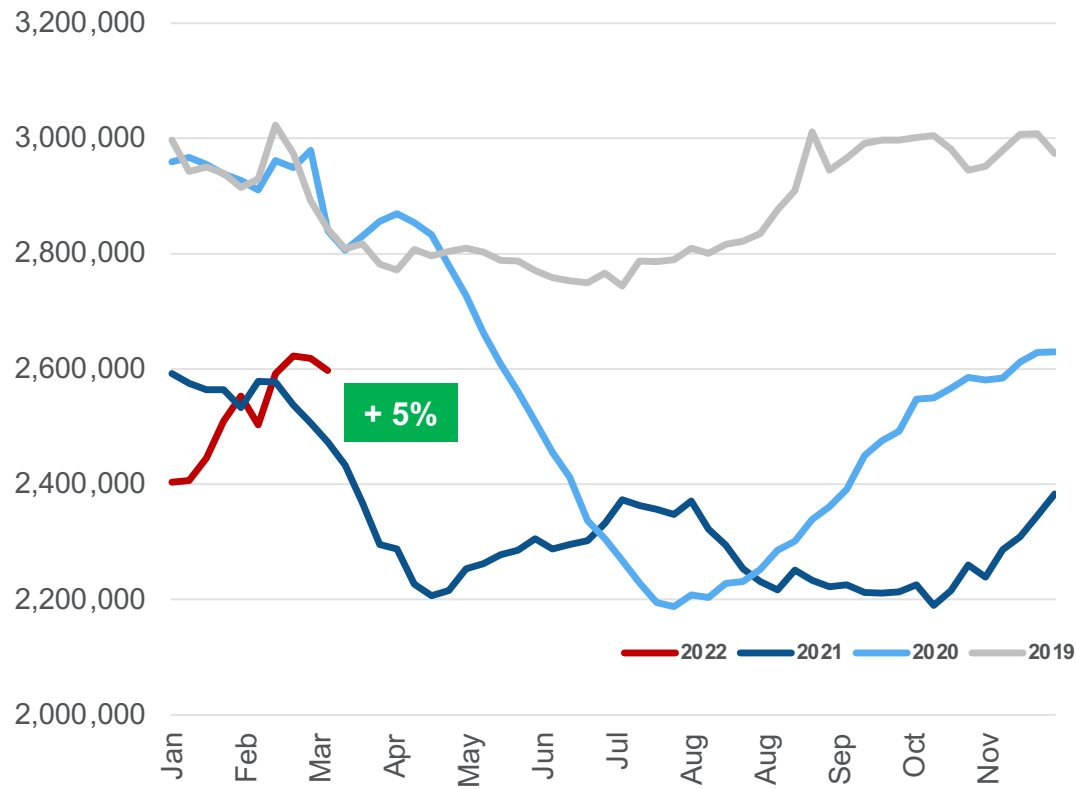


# Used-Vehicle Supply | Supply rising into spring

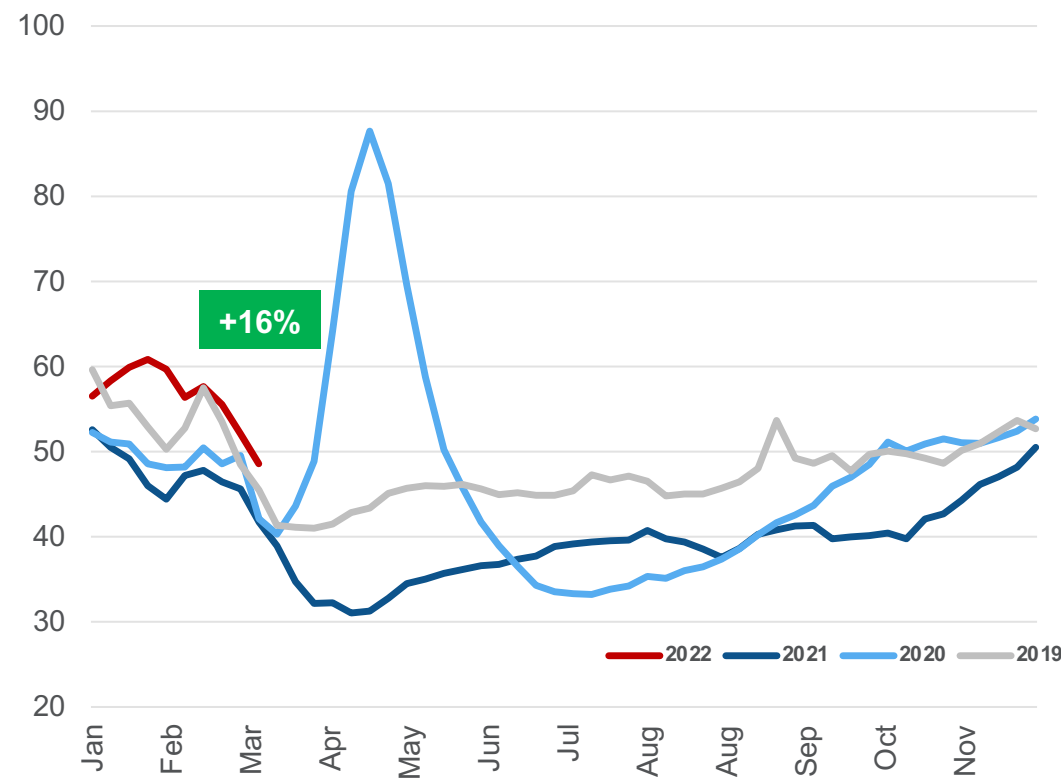
Slow sales lifting days of supply above 2021, similar to 2019 levels



Available Supply weekly



Days of Supply weekly

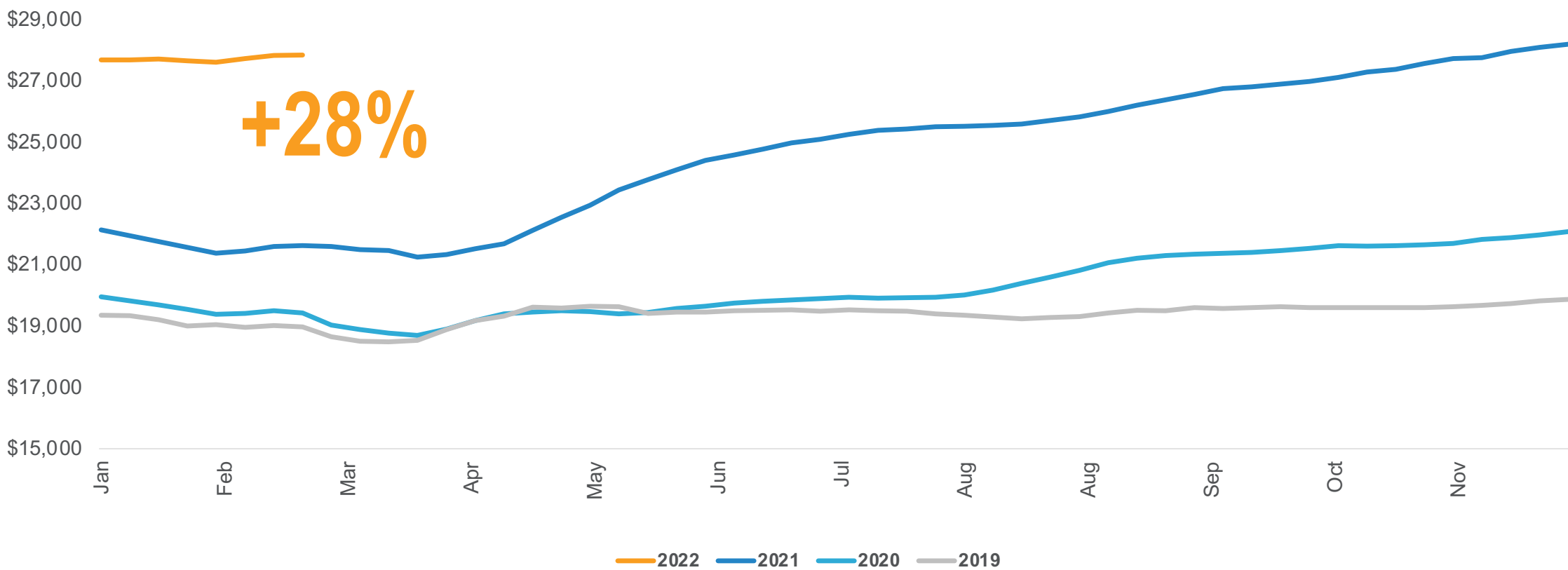




# Used-Vehicle Prices | Up 28% year over year

No price collapse expected due to on-going constrained supply, but growth rate will fall

Average List Price weekly





# Price Movement | Prices finding footing in spring market

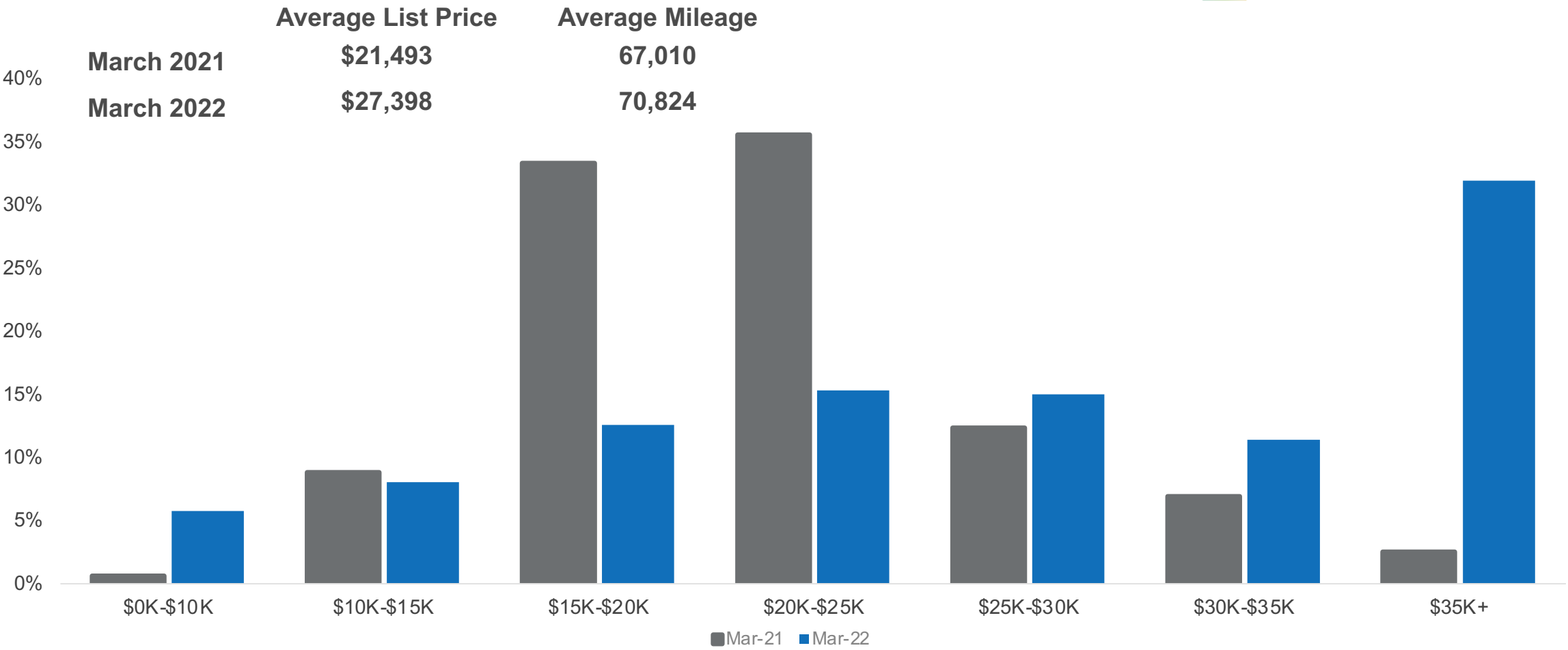
Tax return delays suppressing price action compared to 2021





# Retail Inventory | Highest price range has highest share in Q1 2022

Affordability likely to be a theme in 2022 as supply pushes prices higher



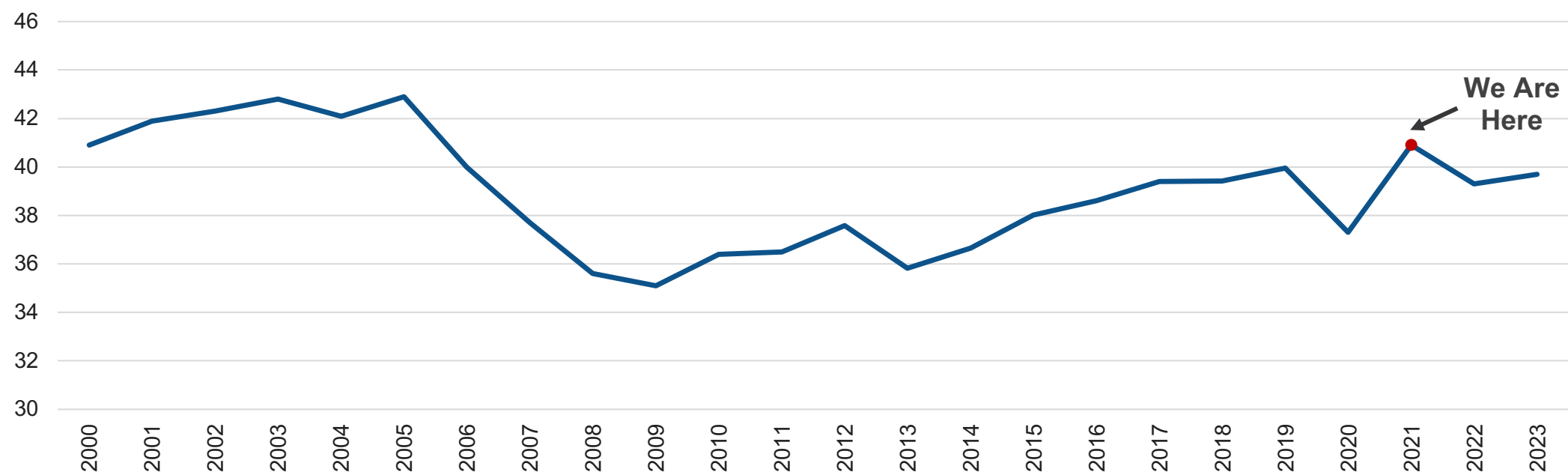


# Used-Vehicle Sales and Forecast

Many factors contributing to a reduced 2022 SAAR



USED-VEHICLE SALES OUTLOOK (MILLIONS)



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FULL-YEAR FORECASTS

2019	2020	2021	2022	2023
40.0	37.3	40.6	39.3	39.7

COX AUTOMOTIVE  
RETAIL FORECASTS

2019	2020	2021	2022	2023
21.0	19.8	21.2	20.7	21.1





# 2022 Outlook and Playlist

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# Jonathan Smoke

Chief Economist

 @smokeoncars

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# Ten Predictions for 2022

B+

-2



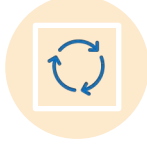
#1: Vehicle Demand Will Remain Robust

-5



#6: Lease Demand Will Improve in 2022

+1



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

✓



#7: Robust Service Revenue Opportunity Will Continue

-5



#3: Tight Vehicle Supply Will Gradually Improve

✓



#8: Dealership Consolidation Will Continue

✓



#4: EV Growth Will Outpace Industry

✓



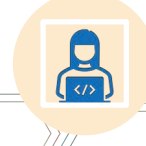
#9: Consumer Shift To Online Becomes Dominant

✓



#5: Auto Loan Rates Will Rise

✓



#10: Direct Sales Model Will Force Dealers To Adapt



## 2022 FORECASTS Q2 UPDATE

**15.3M** ↓  
NEW SALES

New

**13.3M** ↓  
NEW RETAIL SALES

New

**2.0M** ↓  
FLEET SALES

New

**2.9M** ↓  
NEW LEASE  
VOLUME

New

**22%** ↓  
LEASE  
PENETRATION

New

**2.8M** ↓  
CPO SALES

New

**39.3M**  
USED SALES

**20.7M**  
USED RETAIL SALES

**-3%**  
DEC 2022 Y/Y MANHEIM  
USED VEHICLE  
VALUE INDEX

↓ Indicates decrease from Q1 forecast



# Playlist



**Hot Stuff  
By Kygo and  
Donna Summer**

**Inflation**



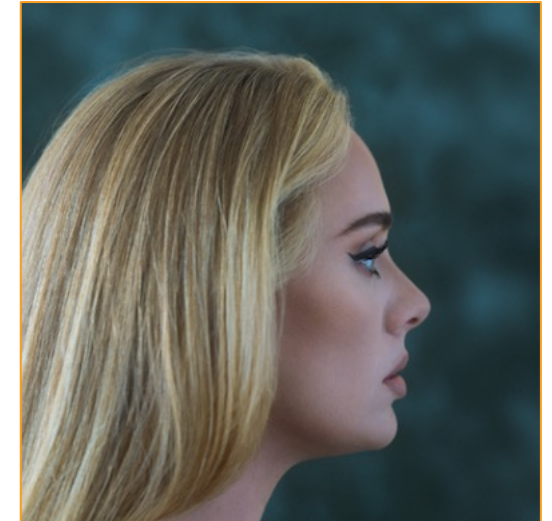
**Whatever It Takes  
By Imagine Dragons**

**The Fed and Interest  
Rates**



**Never Going  
Back Again  
By Johnnning**

**Vehicle Supply**



**Can I Get It  
By Adele**

**Rental Cars**



The background of the slide is a blurred photograph of a car driving through a tunnel. The car is on the right side of the frame, moving towards the left. The tunnel's interior is characterized by a series of repeating structural elements, creating a sense of depth and perspective. Light trails from the tunnel's lights and the car's headlights are visible, adding a dynamic feel. In the top-left corner, there is a cluster of overlapping hexagons in various colors (yellow, green, blue, orange). In the bottom-right corner, there is another cluster of overlapping hexagons, primarily in shades of blue and green.

**Q&A**

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# More Auto Industry Data and Insights from Cox Automotive

The go-to source for insights based on the largest breadth of first-party data in the automotive ecosystem

**Cox Automotive Newsroom:** [www.coxautoinc.com/newsroom/](http://www.coxautoinc.com/newsroom/)

Fresh content from Chief Economist Jonathan Smoke and the Industry Insights team is published regularly.

**Auto Market Snapshot:** [www.coxautoinc.com/marketsnapshot](http://www.coxautoinc.com/marketsnapshot)

This dashboard is a one-stop dashboard for the most recent data points our team is tracking.

**From the Newsroom:** [www.coxautoinc.com/signup](http://www.coxautoinc.com/signup)

The Cox Automotive biweekly newsletter, published every other Tuesday, is a round-up of news from Cox Automotive and perspectives from its analysts and experts on topics dominating the automotive industry.







# Thank you for attending!

Contact us with questions or to speak  
with an expert:

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