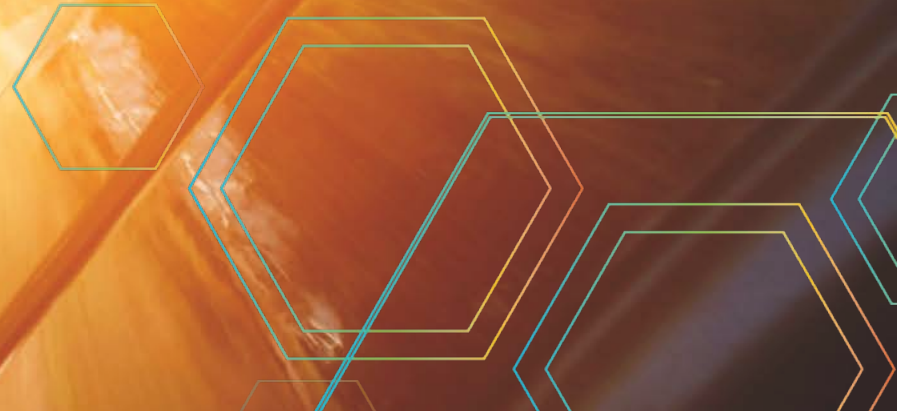




# 2022 Mid-Year Review

June 28, 2022



# Agenda

Time Check: 75 Minutes

## **Intro & Cox Automotive**

Mark Schirmer, Director, Corporate Communications

## **The Economy**

Jonathan Smoke, Chief Economist

## **Market Performance: New Vehicles**

Charlie Chesbrough, Senior Economist

## **Market Performance: Used Vehicles**

Chris Frey, Senior Manager, Economic and Industry Insights

## **Inflation, Affordability, Declining Sentiment and Possibility of Recession**

Jonathan Smoke, Chief Economist, and Charlie Chesbrough,  
Senior Economist

## **2022 Outlook & Playlist**

Jonathan Smoke, Chief Economist and Resident DJ

## **Q&A**

w/ Michelle Krebs, Executive Analyst

Rebecca Rydzewski, Research Manager

# The Power of Cox Automotive

Harnessing the power of connected data for game-changing results



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## COX AUTOMOTIVE

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Autotrader 

COX AUTOMOTIVE  
MOBILITY

DEALER.COM

Dealertrack 

 F&I Express

**FYUSION**

 Kelley Blue Book

 Manheim

**NEXTGEAR**  
CAPITAL

 SPIERS  
NEW  
TECHNOLOGIES

vAuto  
LIVE MARKET VIEW

VinSolutions

∞xtime

**DRIVEQ**  
COX AUTOMOTIVE





# The Economy



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# Jonathan Smoke

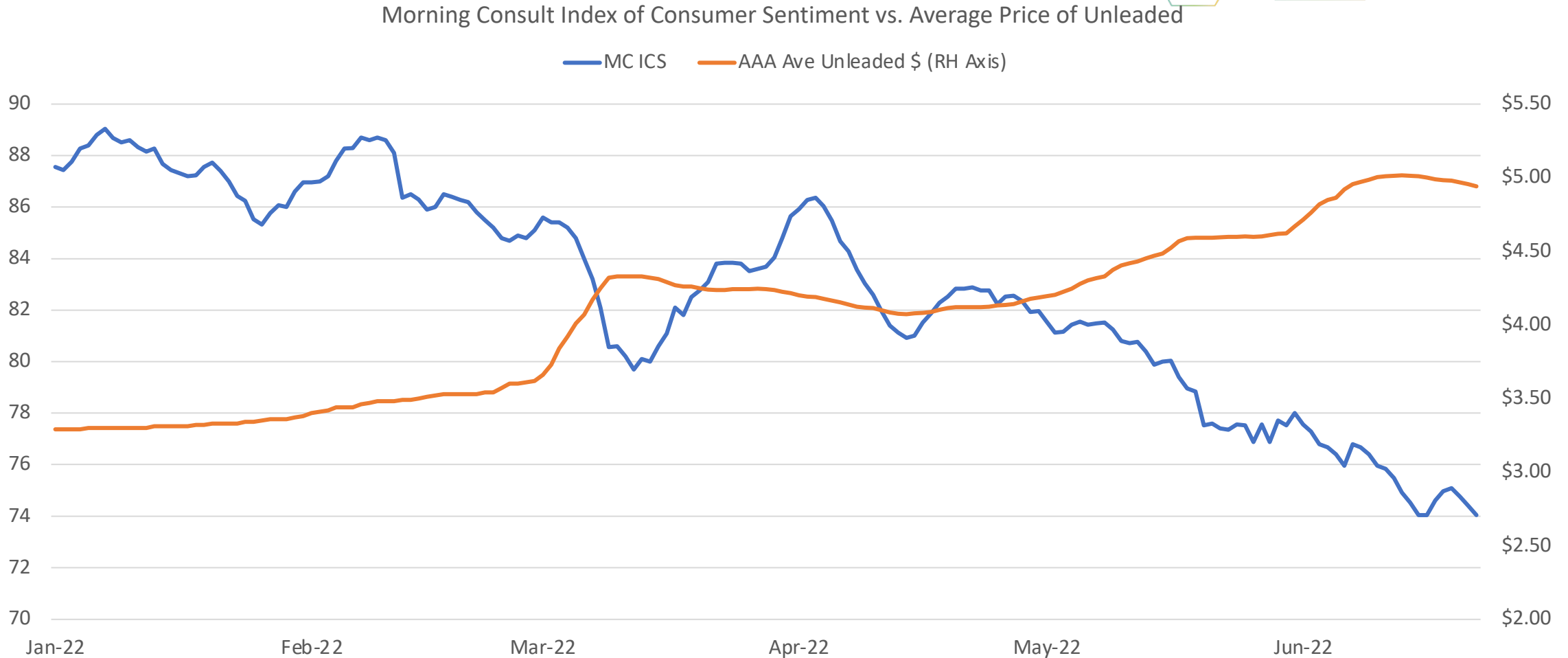
Chief Economist

 @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	+6.9% (Q4 '21)	-1.5% (Q1 '22)	+2.6% (Q2 '22 F)	
Employment Conditions	U3 Unemployment Rate	5.8% (May '21)	3.6% (Apr '22)	3.6% (May '22)	
Buyer Confidence	UofM Consumer Sentiment	85.5 (Jun '21)	58.4 (May '22)	50.0 (Jun '22)	
Wages	Earnings Growth	2.2% (May '21)	5.2% (May '22)		
Buyer Ability	Disposable Income Y/Y	-2.6% (Apr '21)	-0.3% (Apr '22)		

# The Economy

Consumer demand tailwinds in 2021 become bigger headwinds in 2022

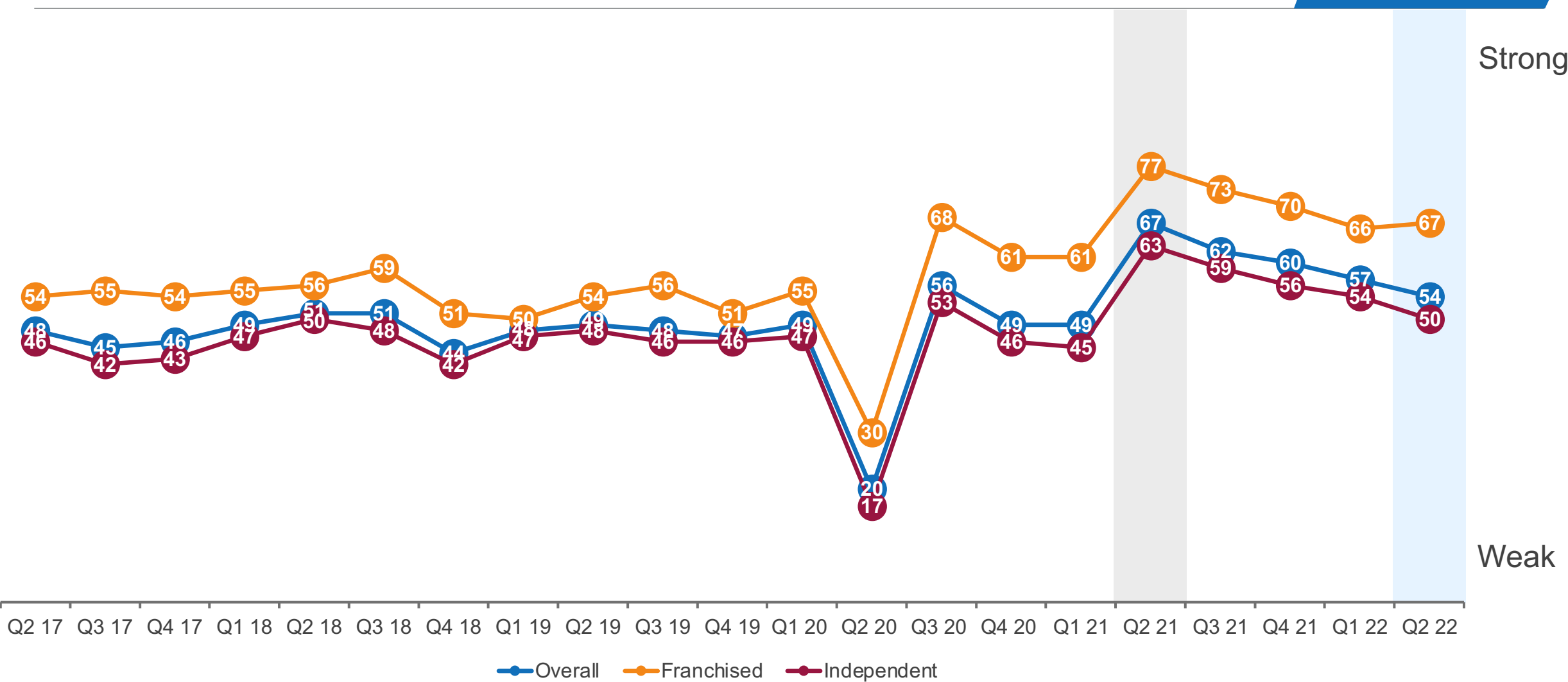
Auto Finance	FRBNY	\$153 billion (Q1 '21)	\$177 billion (Q1 '22)	
Interest Rates	Effective Fed Funds Rate	0.06% (May '21)	0.76% (May '22)	
Borrowing Costs	Average New Auto Loan Rate	4.45% (May '21)	5.08% (May '22)	
Mobility Costs	AAA Average Retail Unleaded Gasoline Price	\$3.05 (May '21)	\$4.67 (May '22)	\$5.00+ (Jun '22) 



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

# Dealer Sentiment Index

SECOND QUARTER 2022

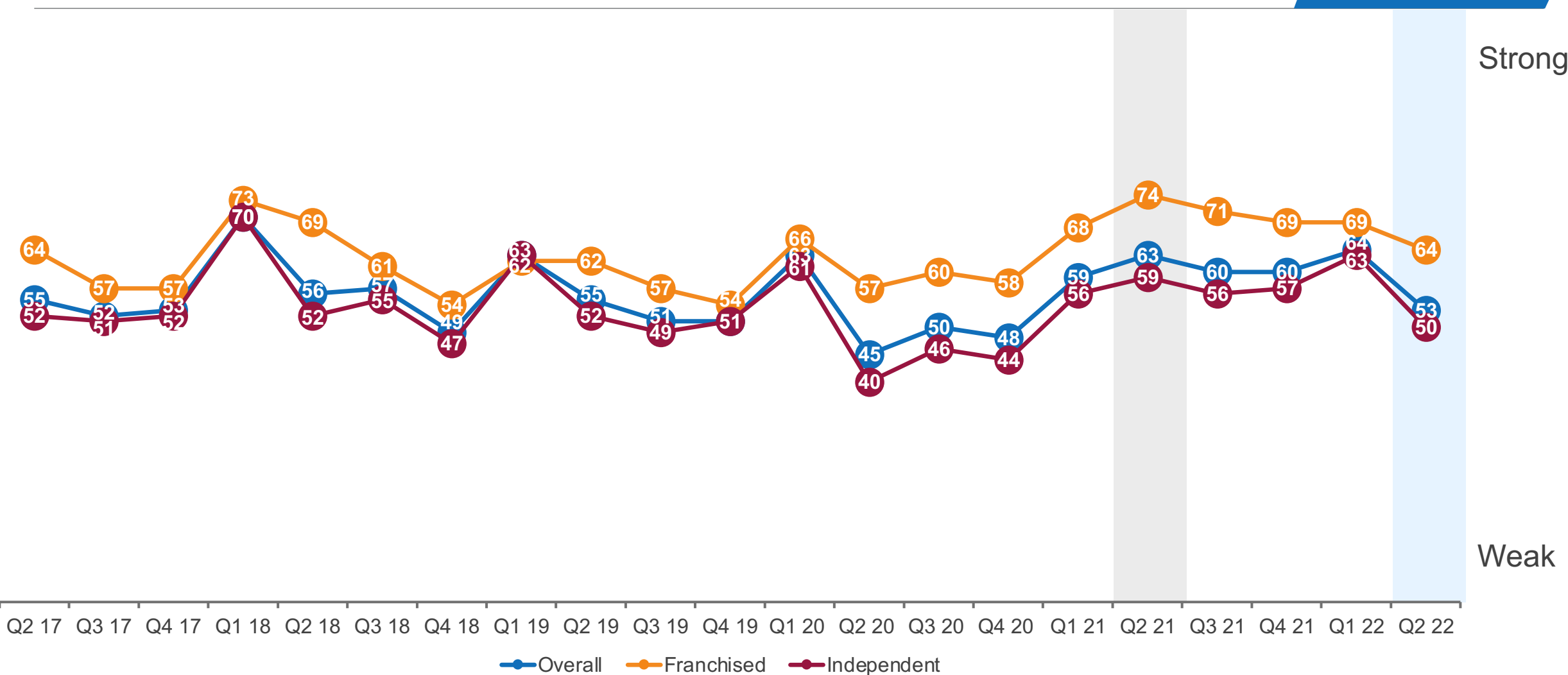


Note: Scale 1 - 100

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

# Dealer Sentiment Index

SECOND QUARTER 2022



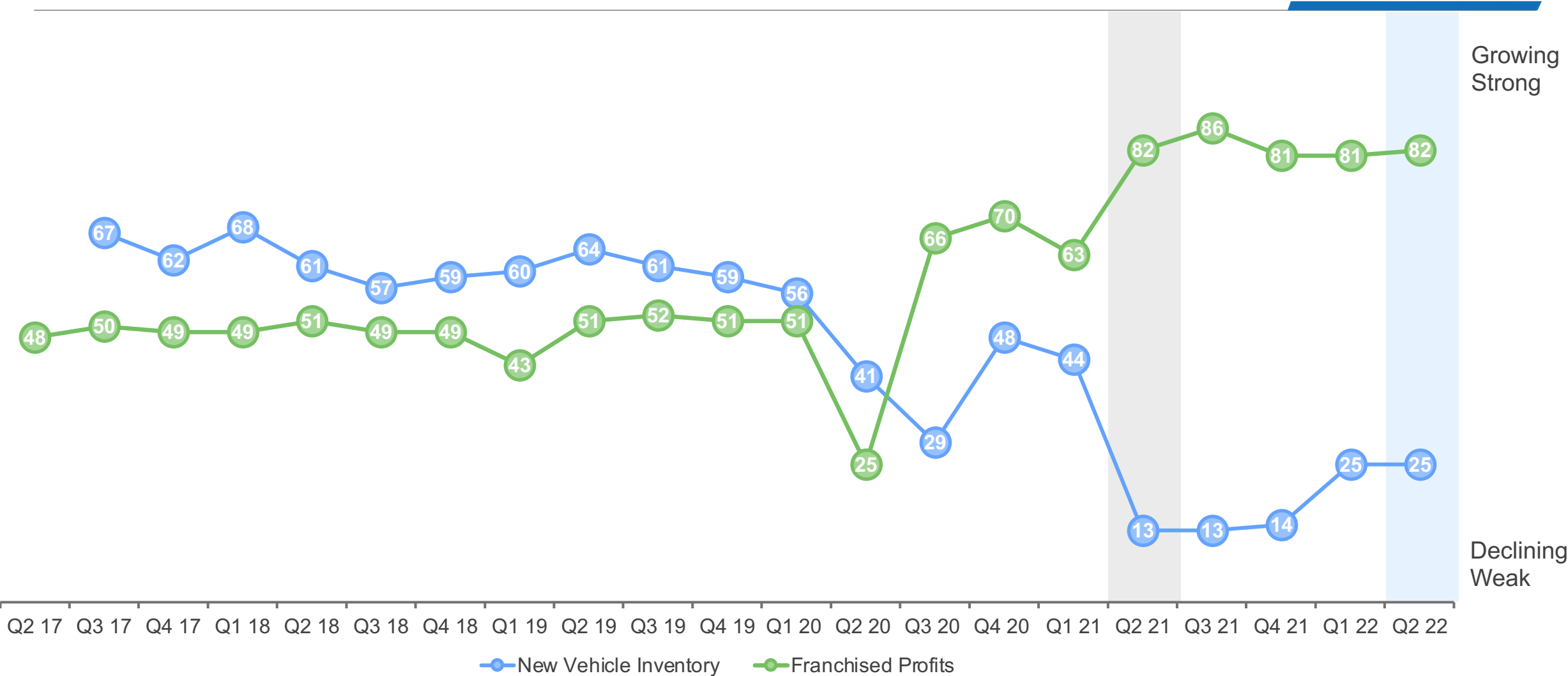
Note: Scale 1 - 100

# 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

SECOND QUARTER 2022



Note: Scale 1 - 100



# Market Performance: New Vehicles

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# Charlie Chesbrough

Senior Economist

 @Charlie\_Ches

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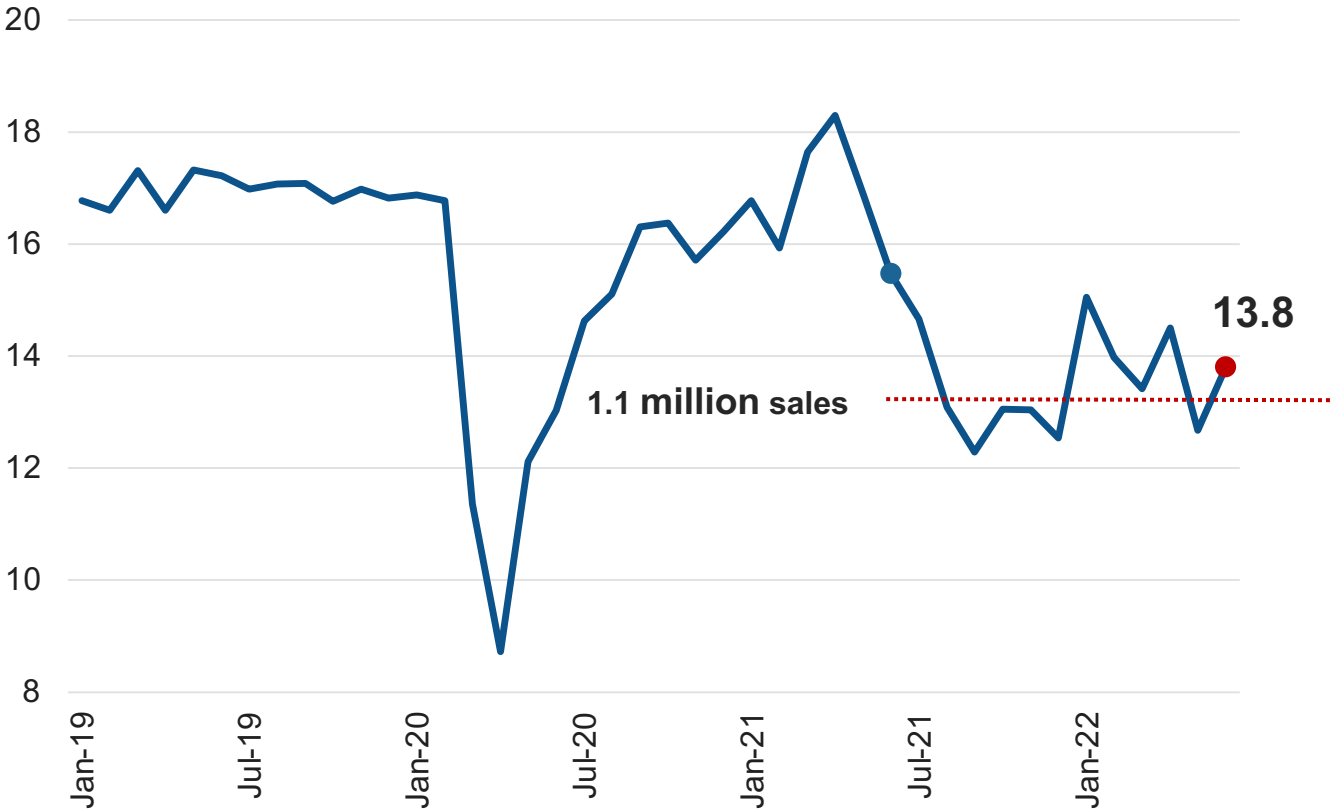


# New-Vehicle SAAR | Uptick in pace expected this month, but sales remain constrained



Monthly volume averaging 1.1 million sales since August – **2022 downgraded, again**

Monthly Light Vehicle Sales SAAR (millions)



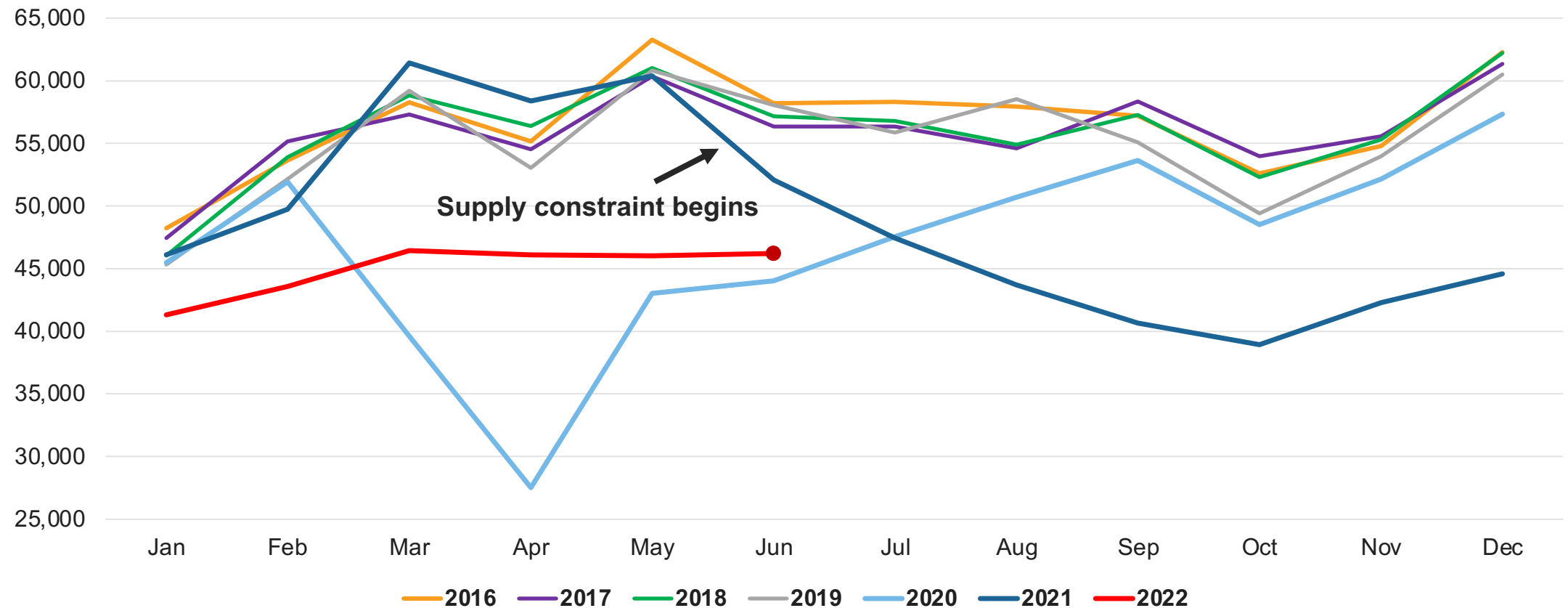
	Sales (millions)	SAAR (millions)
June 2021	1.3	15.5
June 2022	1.2	13.8
change	-7.8%	-11.0%
Q2 2021	4.4	16.9
Q1 2022	3.3	14.1
Q2 2022	3.5	13.7
change Y/Y	-19.2%	-19.1%
change Q/Q	7.8%	-3.5%
YTD 2021	8.3	16.8
YTD 2022	6.8	13.9
change	-17.5%	-17.4%
2022 Forecast		
<del>16.0 million</del>		
<del>15.3 million</del>		
14.4 million		

# Daily Selling Rate | Averaging just 46,200 this spring

March and May, historically, see sale surges – not in 2022: Supply can't meet demand



Average Vehicle Sales Per Selling Day



# OEM Performance | GM likely to win Q2 sales but Tesla gains most share in first half of 2022

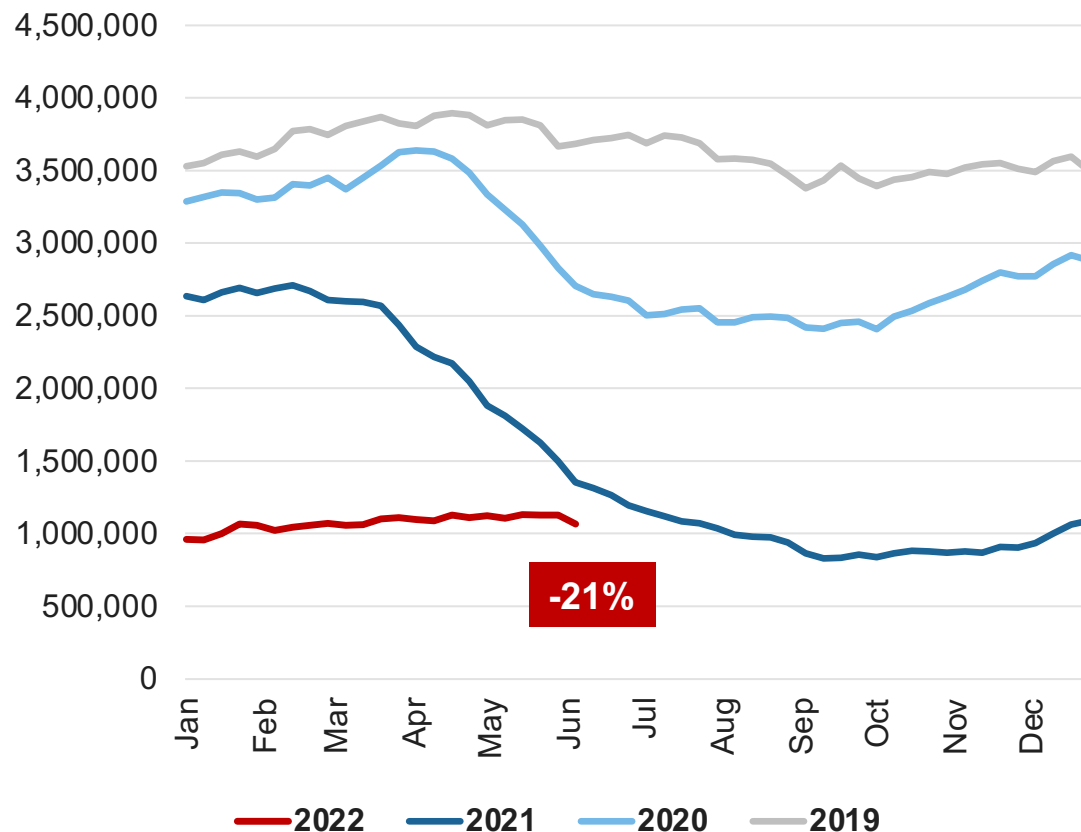
Ford, Hyundai had a relatively strong quarter, Honda declines

OEM	Q2 2021	Q1 2022	Q2 2022	Y/Y	Q/Q	H1 2021	H1 2022	change	H1 2021 Share	H1 2022 Share	difference
GM	683,696	509,122	575,911	-15.8%	13.1%	1,323,102	1,085,033	-18.0%	15.9%	15.7%	-0.1%
Toyota	688,813	514,592	543,819	-21.0%	5.7%	1,291,879	1,058,411	-18.1%	15.5%	15.3%	-0.1%
Ford	472,260	429,174	496,248	5.1%	15.6%	989,971	925,422	-6.5%	11.9%	13.4%	1.5%
Stellantis	485,312	405,221	412,005	-15.1%	1.7%	954,963	817,226	-14.4%	11.4%	11.8%	0.4%
Hyundai	470,042	322,593	372,956	-20.7%	15.6%	804,944	695,549	-13.6%	9.6%	10.1%	0.4%
Honda	486,419	266,418	254,230	-47.7%	-4.6%	833,510	520,648	-37.5%	10.0%	7.5%	-2.4%
Nissan	323,294	227,481	217,434	-32.7%	-4.4%	637,078	444,915	-30.2%	7.6%	6.4%	-1.2%
Tesla	76,230	129,743	144,845	90.0%	11.6%	145,530	274,588	88.7%	1.7%	4.0%	2.2%
Volkswagen	206,473	113,540	138,661	-32.8%	22.1%	369,534	252,201	-31.8%	4.4%	3.7%	-0.8%
Subaru	160,824	132,346	132,996	-17.3%	0.5%	321,250	265,342	-17.4%	3.8%	3.8%	0.0%
Daimler	92,443	75,939	84,245	-8.9%	10.9%	182,358	160,184	-12.2%	2.2%	2.3%	0.1%
BMW	105,901	80,590	83,499	-21.2%	3.6%	183,619	164,089	-10.6%	2.2%	2.4%	0.2%
Mazda	105,909	82,268	68,409	-35.4%	-16.8%	189,167	150,677	-20.3%	2.3%	2.2%	-0.1%
Geely	36,663	24,267	28,662	-21.8%	18.1%	64,020	52,929	-17.3%	0.8%	0.8%	0.0%
Tata	28,265	18,193	12,910	-54.3%	-29.0%	56,215	31,103	-44.7%	0.7%	0.5%	-0.2%
<b>NATION</b>	<b>4,422,544</b>	<b>3,333,174</b>	<b>3,568,586</b>	<b>-19.3%</b>	<b>7.1%</b>	<b>8,347,140</b>	<b>6,901,760</b>	<b>-17.3%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

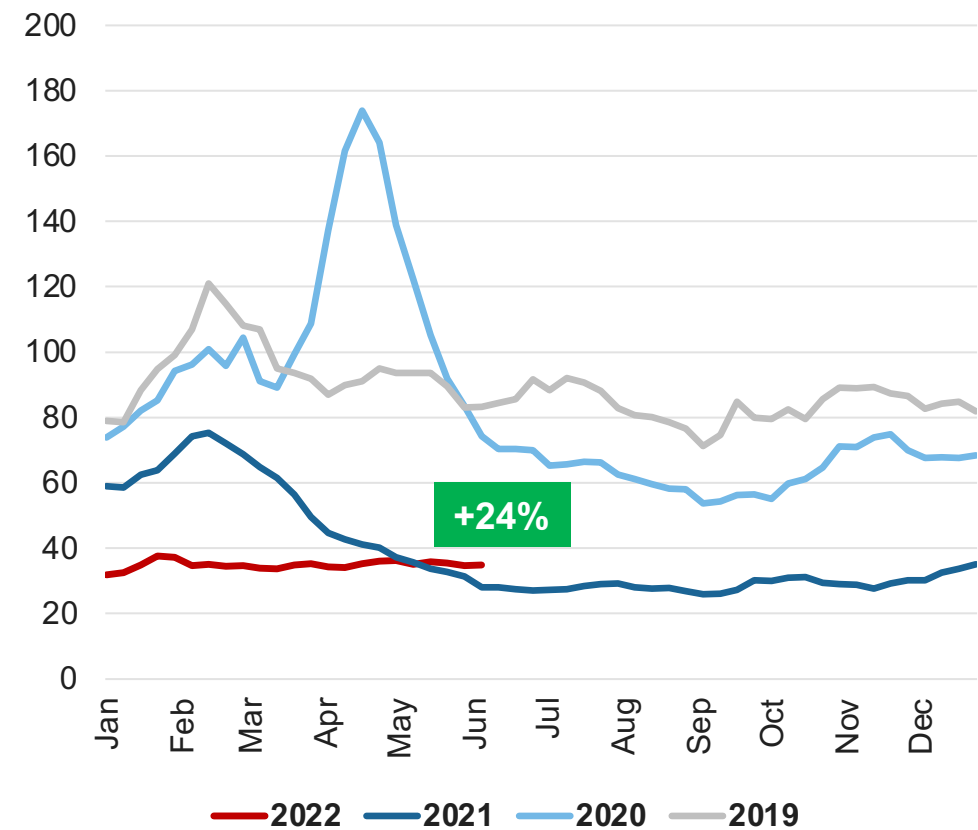
# New-Vehicle Supply | Only minor improvement since hitting bottom last September

Situation remains – 280 thousand fewer vehicles than 2021, 1.6 million lower than 2020

Available Supply weekly



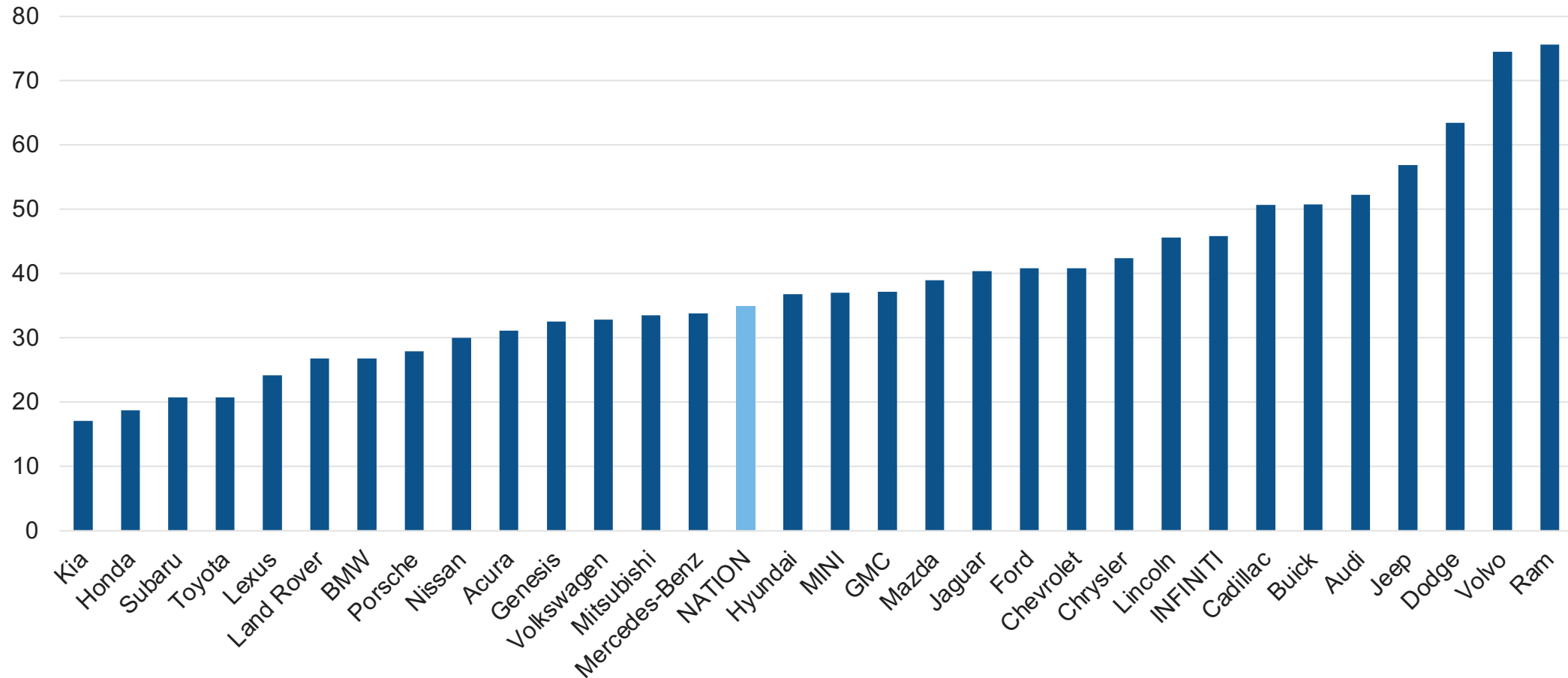
Days of Supply weekly



# Brand Inventory | Tight supply isn't a problem for everyone

Asian brand extremely tight while American brands have more availability

## Days Of Supply



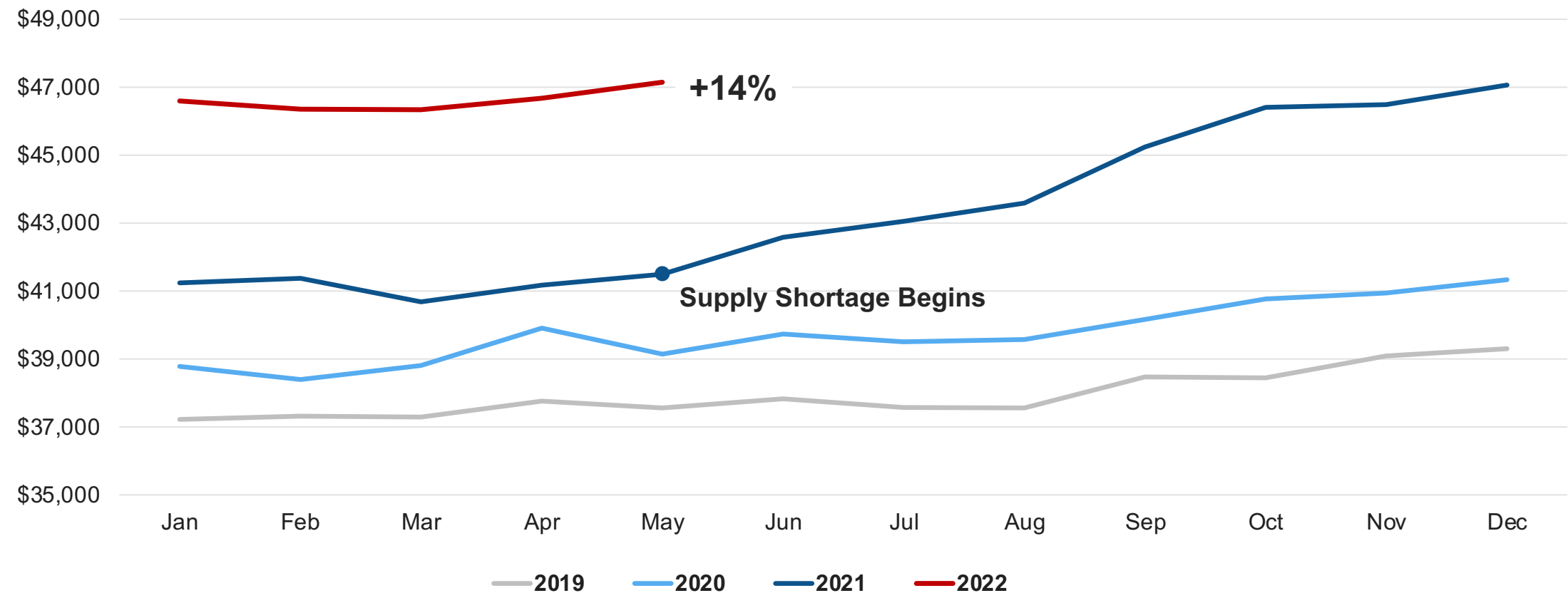


# Transaction Prices | High growth rate likely to change soon



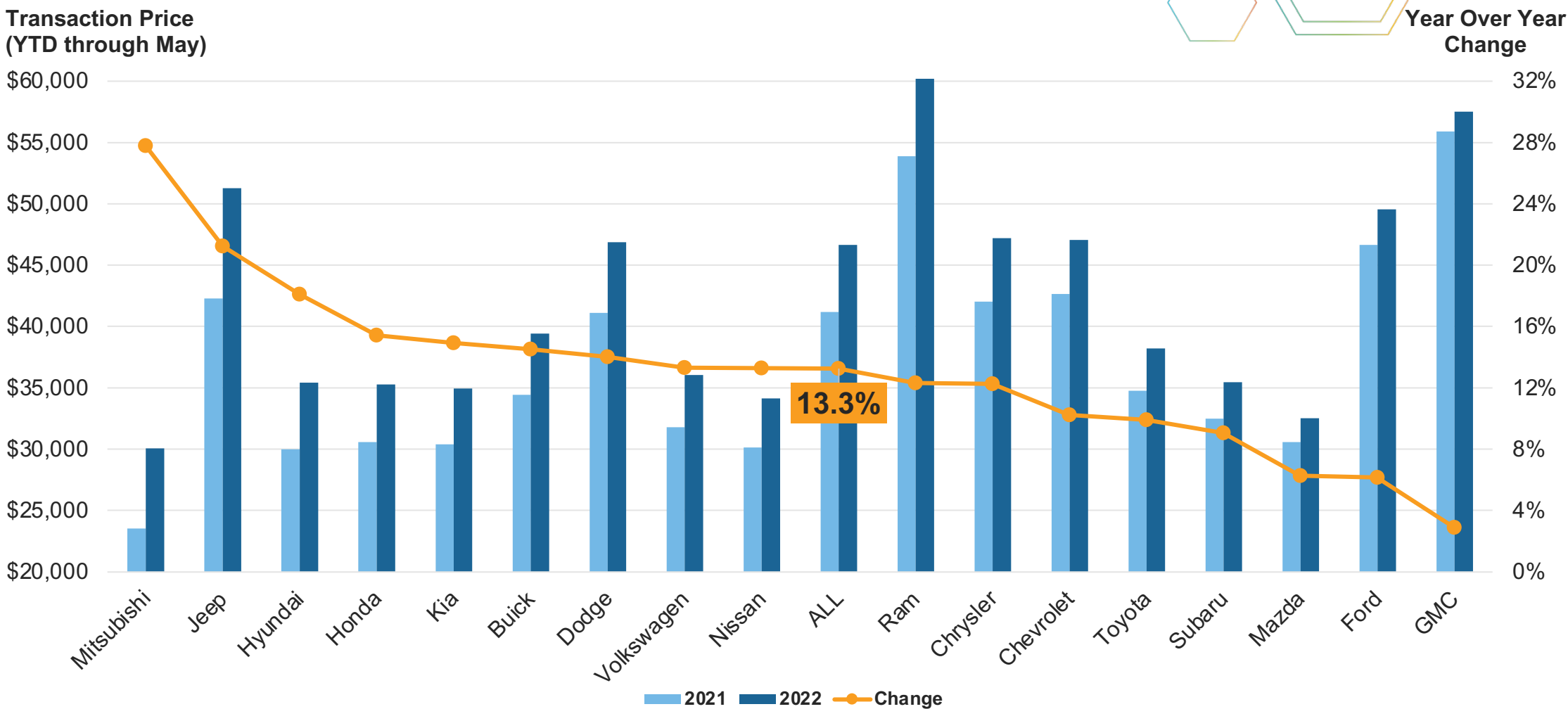
Vehicle inflation to slow, but more expensive mix will continue

Estimated Monthly Transaction Prices



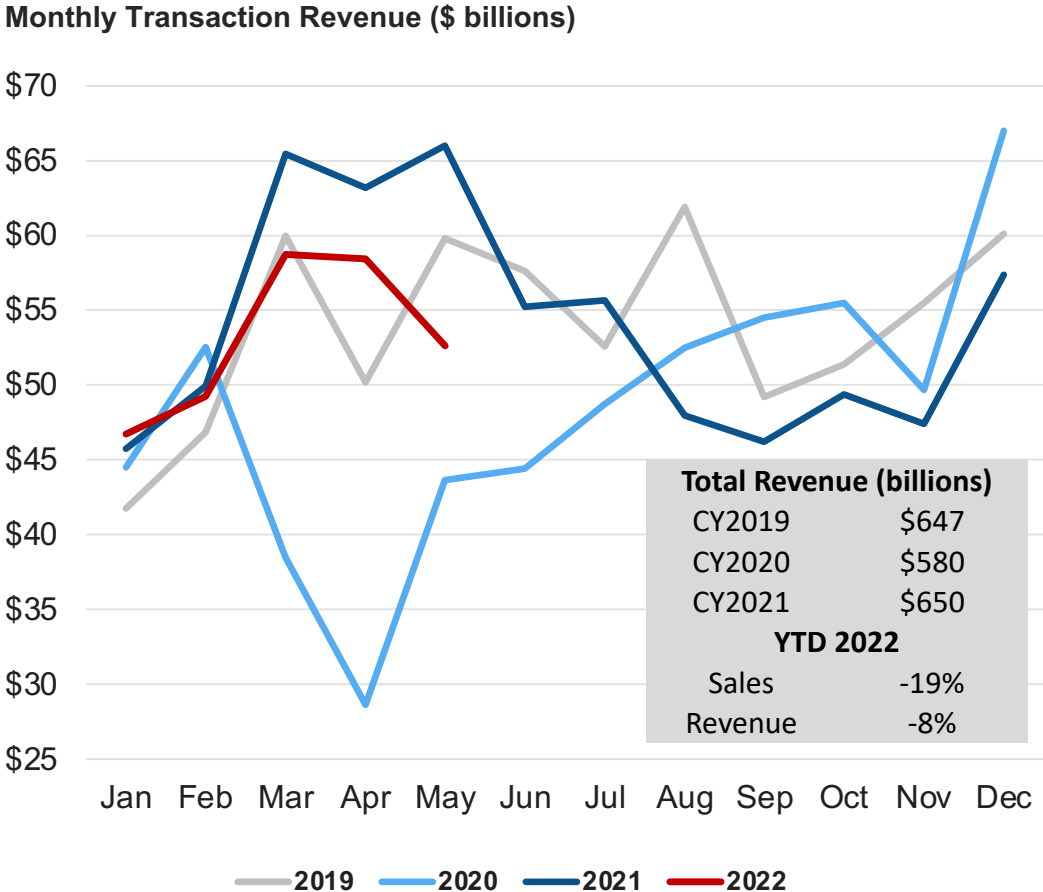
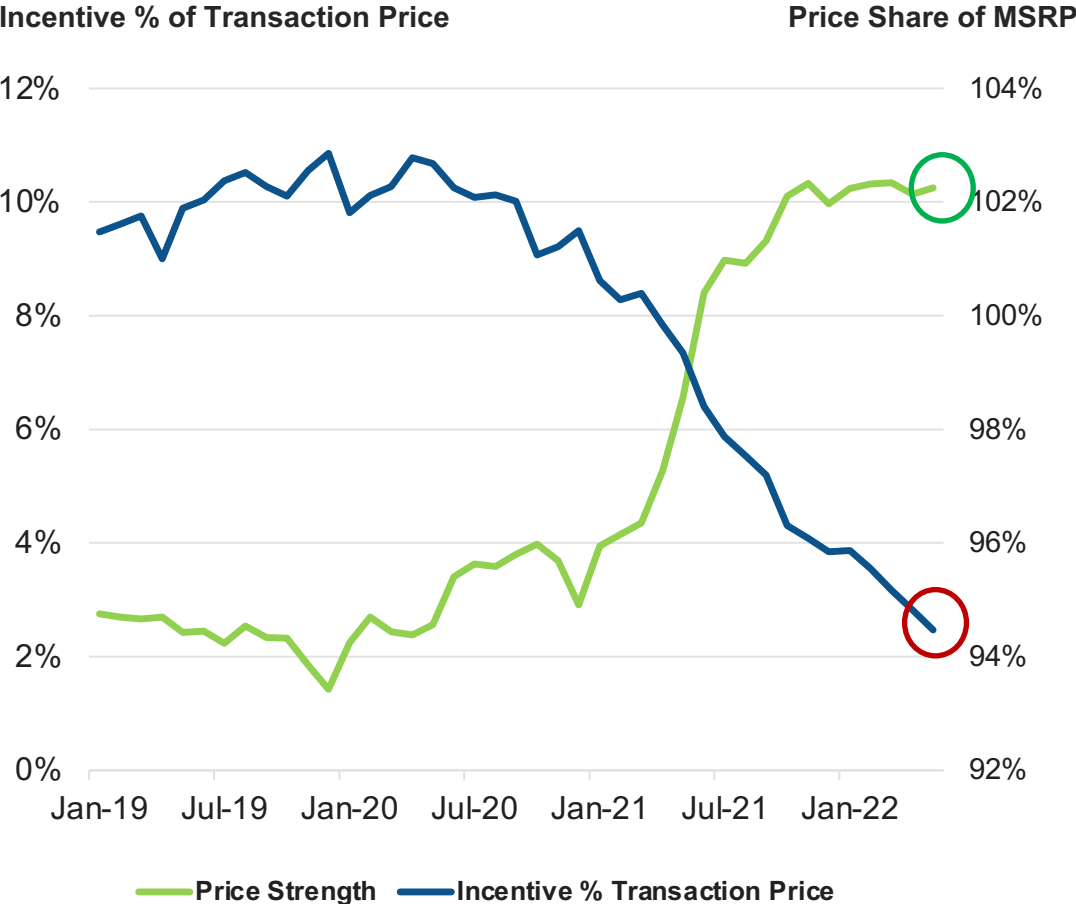
# Brand Prices | Some of the lowest-priced brands have the highest inflation

Mitsubishi, Hyundai, Honda, Kia see price growth above national average



# Seller's Market | Strong margins continue in 2022

Revenues relatively good – but sales declines too big to remain positive

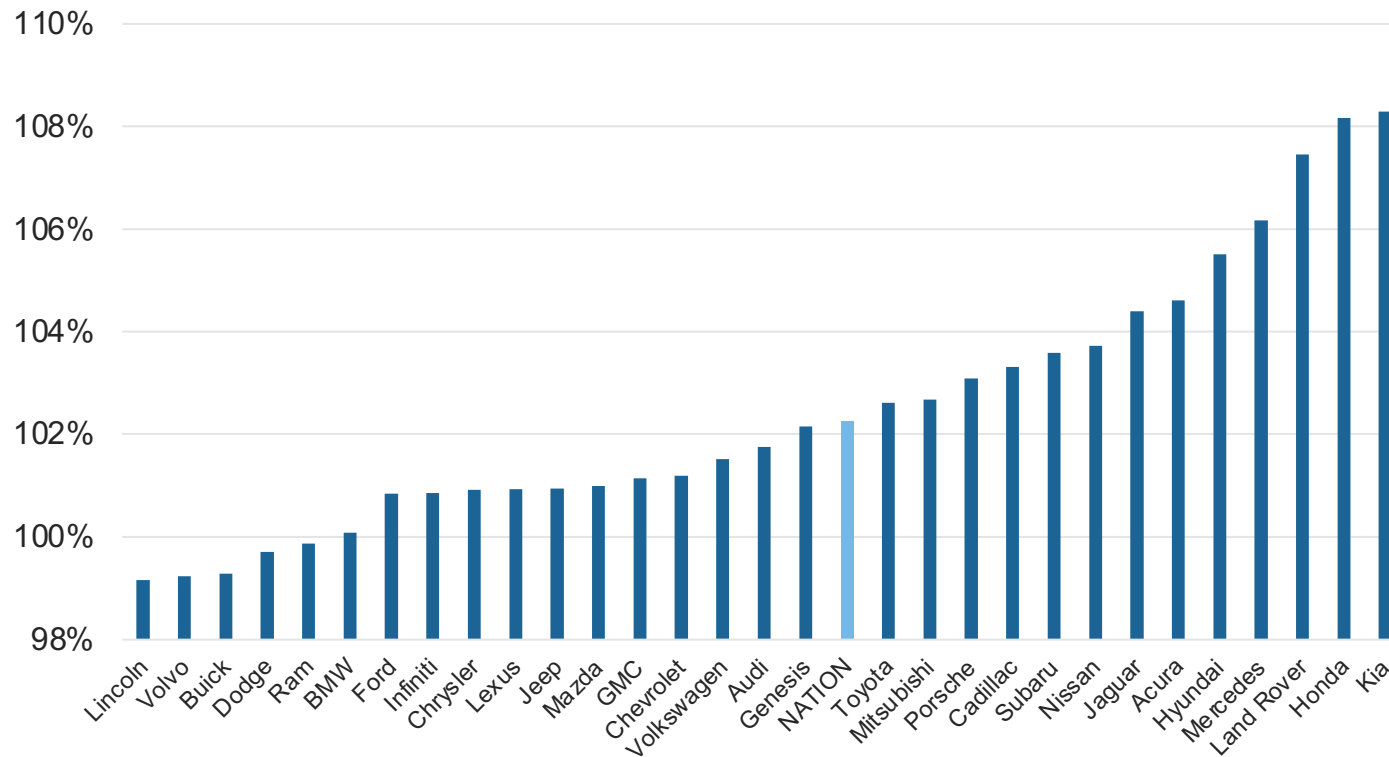


# Brand Pricing Power | Strength varies greatly – depends on supply

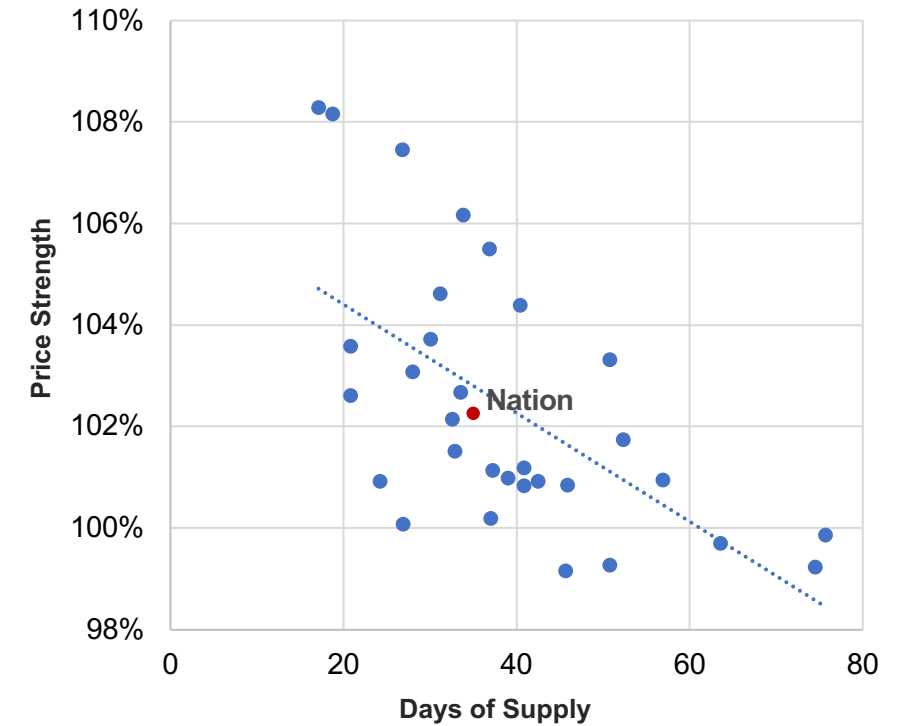
Simple model suggests a 10-day increase of supply reduces price strength 1%



**Price Strength:** Transaction Price/MSRP, YTD



**Days' Supply – Price Strength Scatterplot**

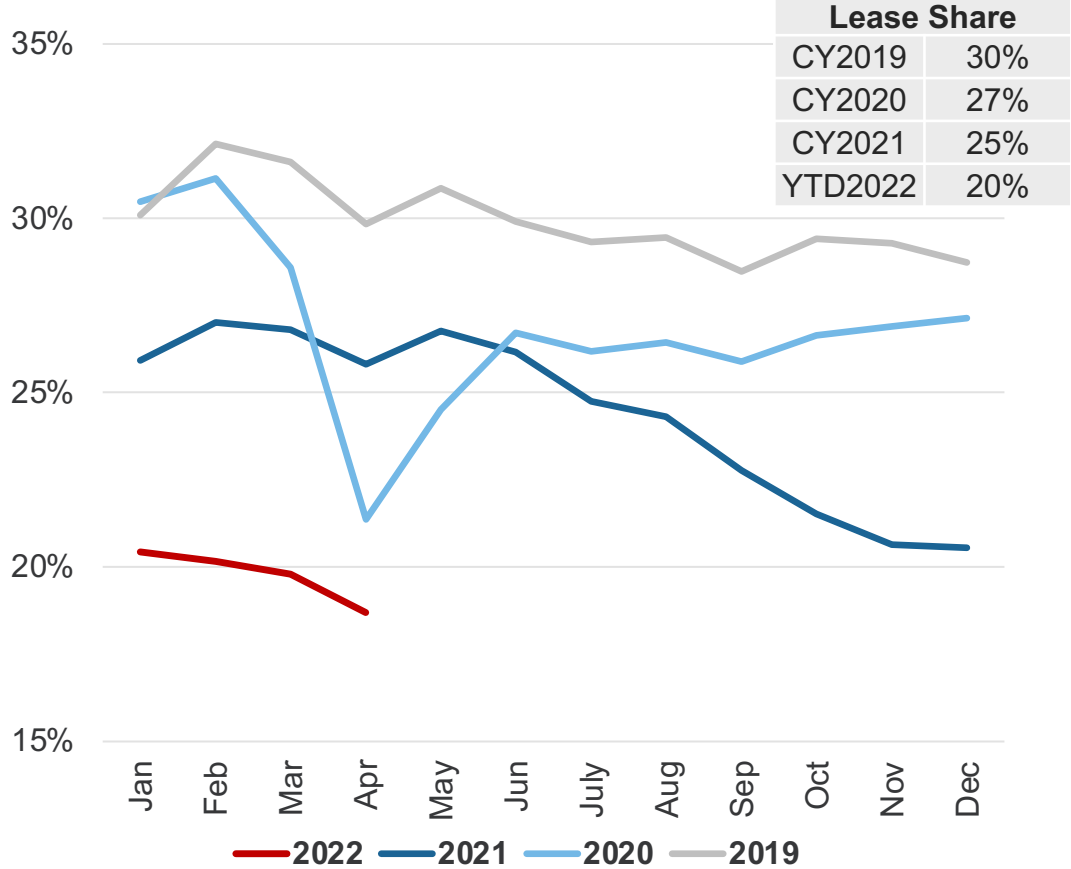


# Sales Channels | More purchasing, fewer lease and fleet post-Covid

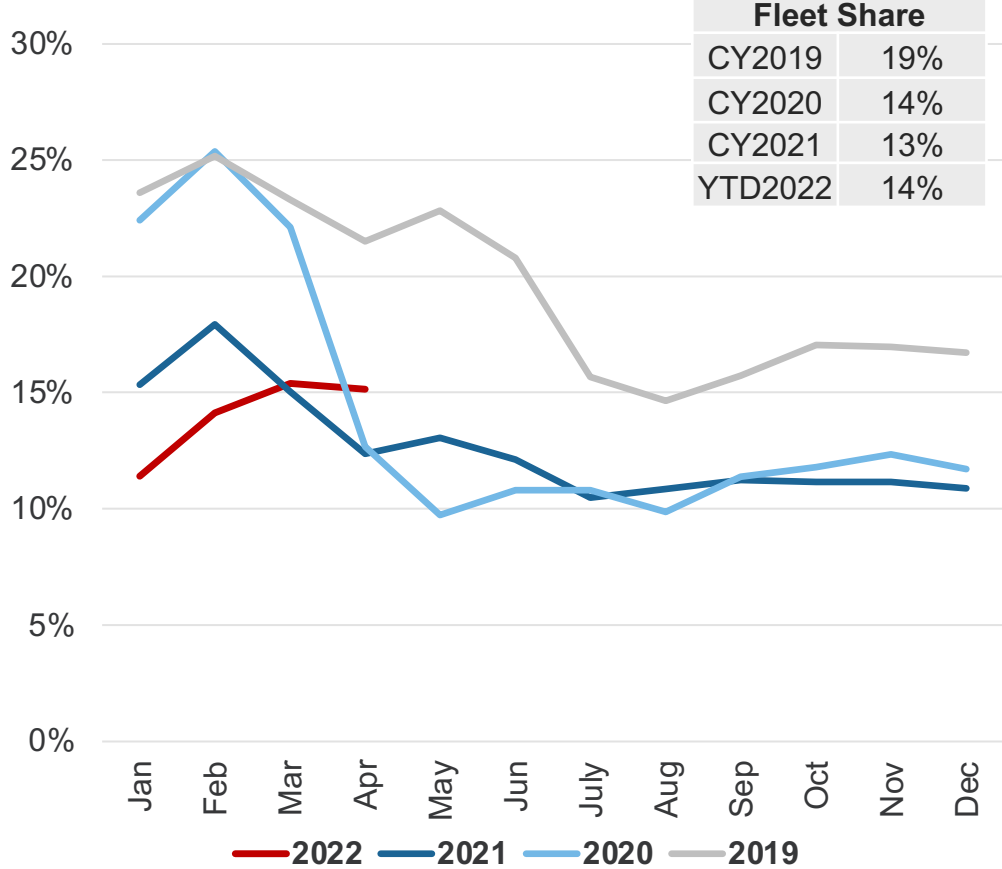
Constrained supply keeping these sales low - offers future opportunities for OEMs



Retail Lease Share of Retail



Fleet Share of Total Vehicle Sales





# Summary

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 alive in 2022

## Biggest threats to 2022 sales recovery:

- **Chip shortage** – H2 production must be much better to meet our 14.4 million forecast
- **COVID** – new variants could disrupt the economy and supply chain
- **Higher interest rates** – impacting affordability, threaten economy/employment.
- **Ukraine War** – gas prices, raw materials, supply chain vulnerable

## The path ahead:

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



# Market Performance: Used Vehicles

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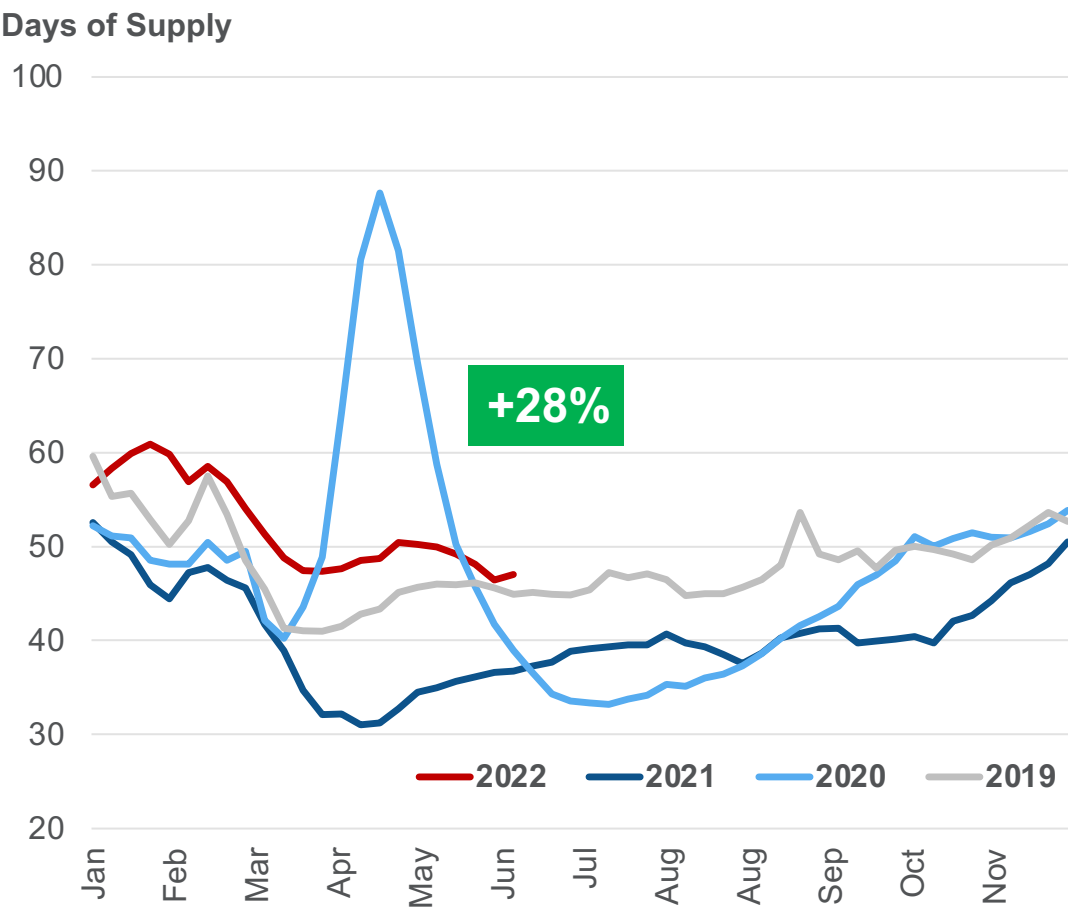
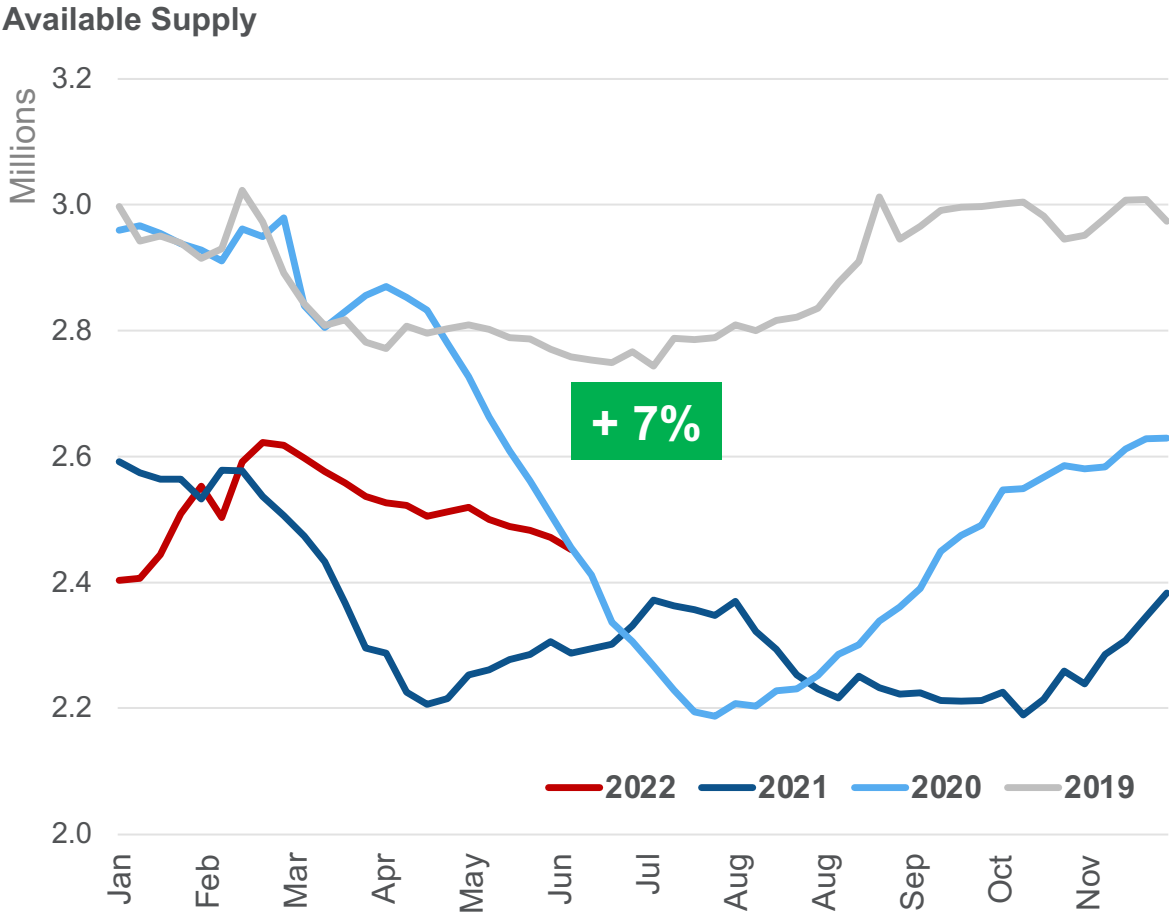
**Chris Frey**

**Senior Manager, Economic and Industry Insights**

COX AUTOMOTIVE

# Used-Vehicle Supply | Supply Above Last Year by 7%

Lower sales keeping days of supply above last year – close to 2019 levels

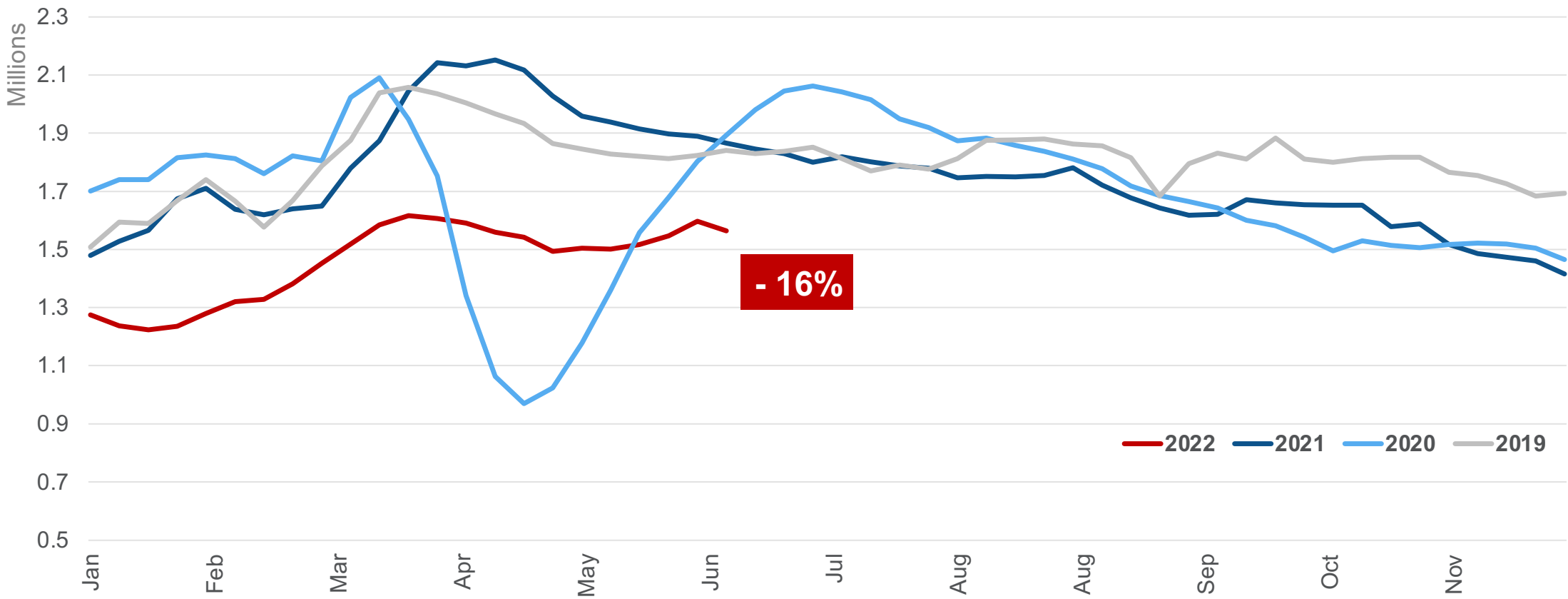


# Used-Vehicle Rolling Sales | Down 16% from 2021

High prices, no stimulus suppressing sales; late tax refunds may be extending spring sales



Rolling 30 Day Retail Sales weekly



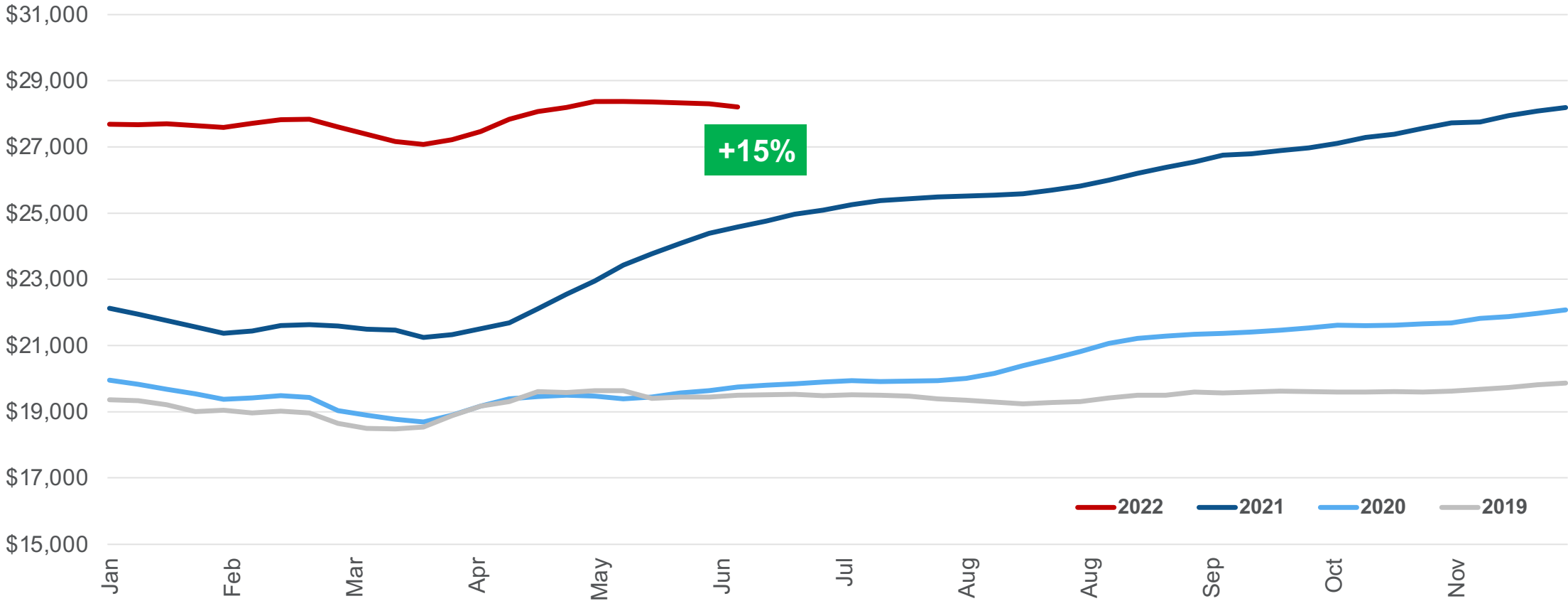


# Used-Vehicle Prices | Up 15% year over year, down 1% from last week

Prices shifted in wake of COVID last spring; remain elevated but growth rate weakening

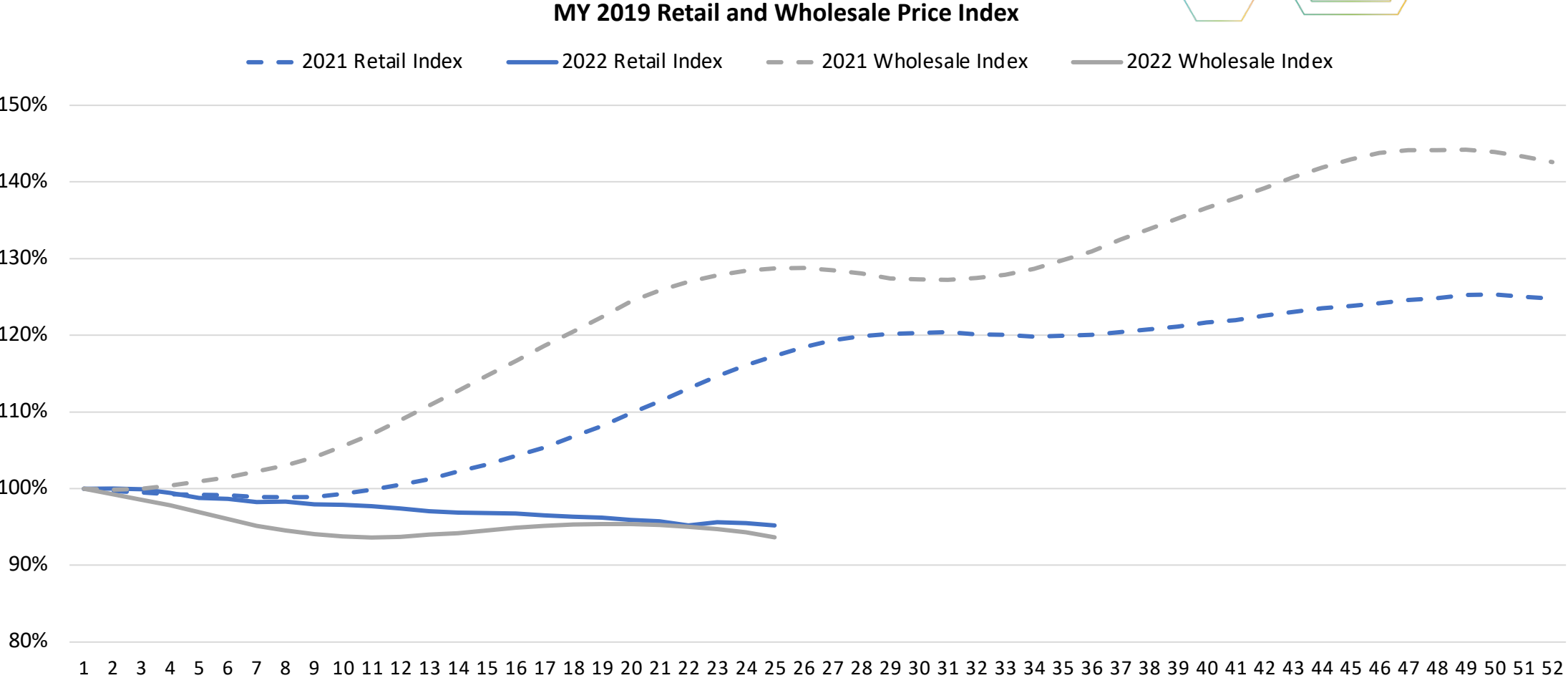
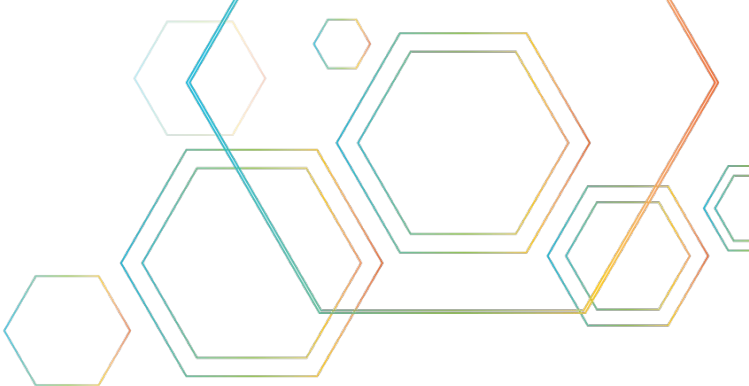


Average List Price weekly



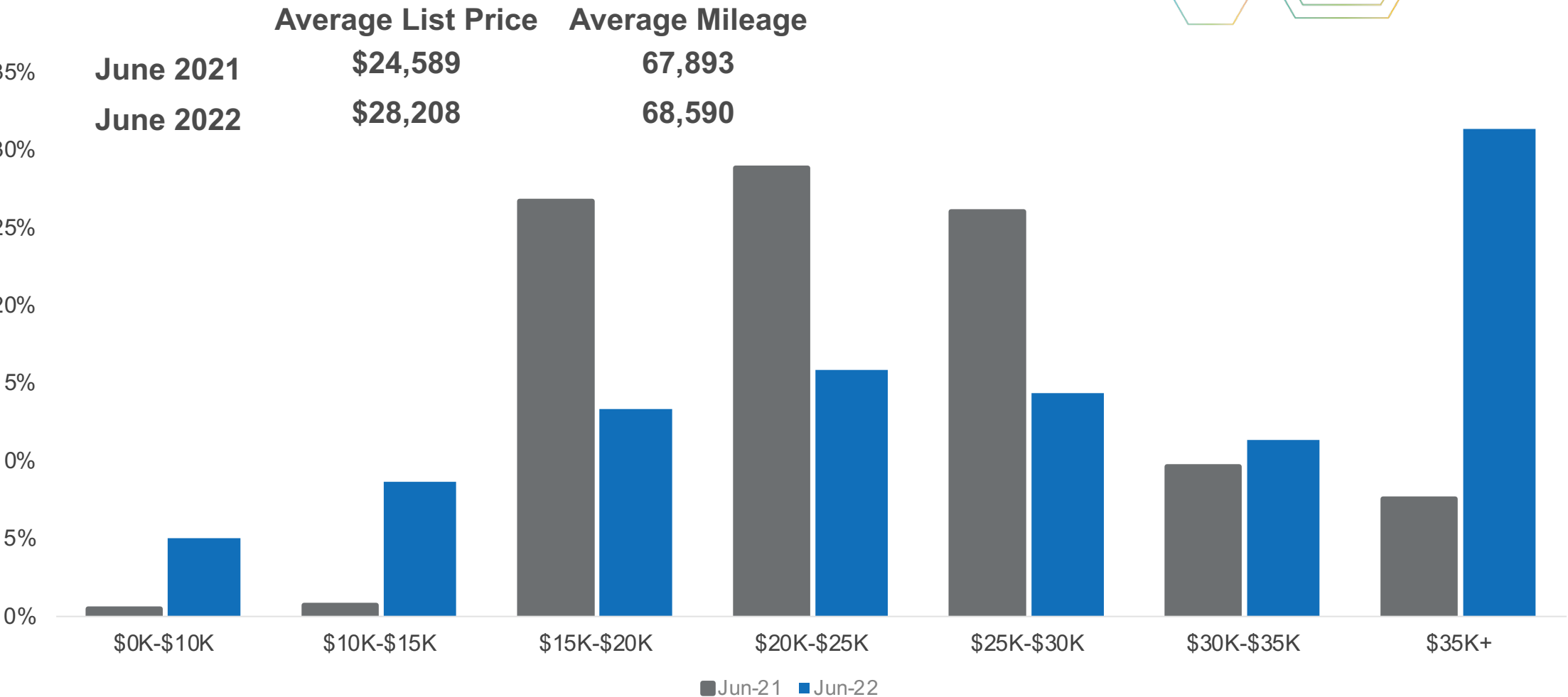
# Price Movement | Declining at a normal, seasonal pace

Tax return delays kept spring market slower and longer than usual



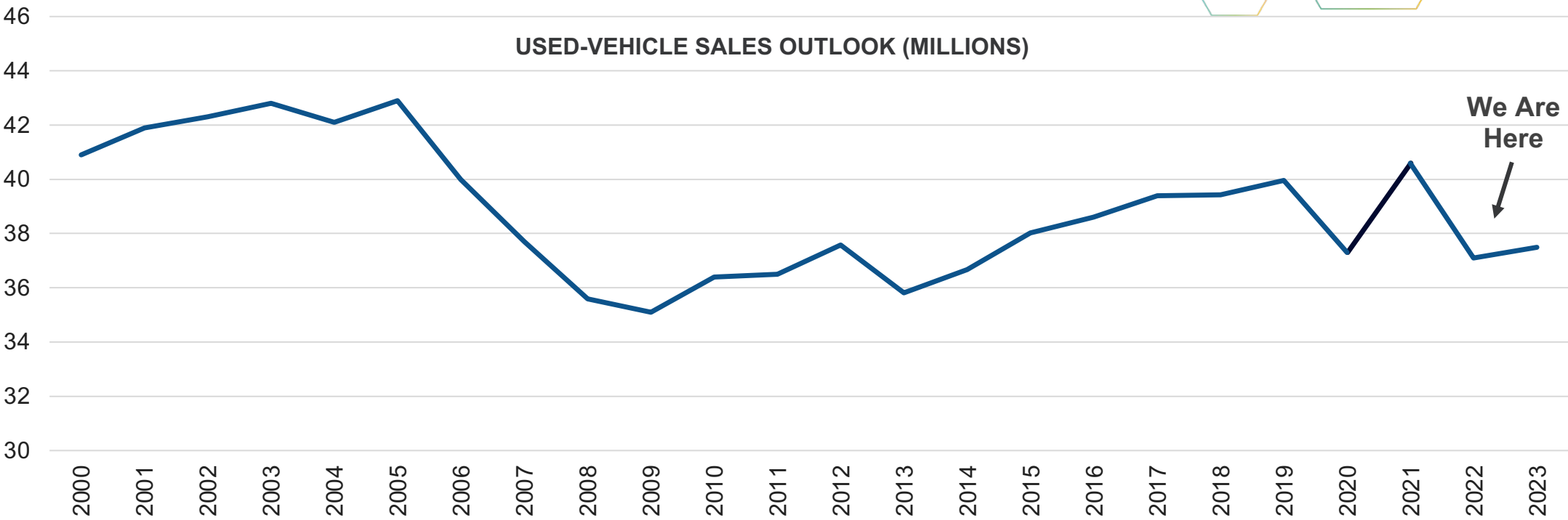
# Retail Inventory | Highest price range continues showing share strength in Q2 2022 vs. 2021

Affordability shifted after chip shortages last year impacted supply in lower price ranges



# Used-Vehicle Sales and Forecast

Many factors contributing to a reduced 2022 SAAR



## COX AUTOMOTIVE FULL-YEAR FORECASTS

2019	2020	2021	2022	2023
40.0	37.3	40.6	37.1	37.5

## COX AUTOMOTIVE RETAIL FORECASTS

2019	2020	2021	2022	2023
21.0	19.8	21.2	19.6	20.0



# **Inflation, Affordability, Declining Sentiment and Possibility of Recession**

COX AUTOMOTIVE



**Jonathan Smoke**

Chief Economist

**Charlie Chesbrough**

Senior Economist

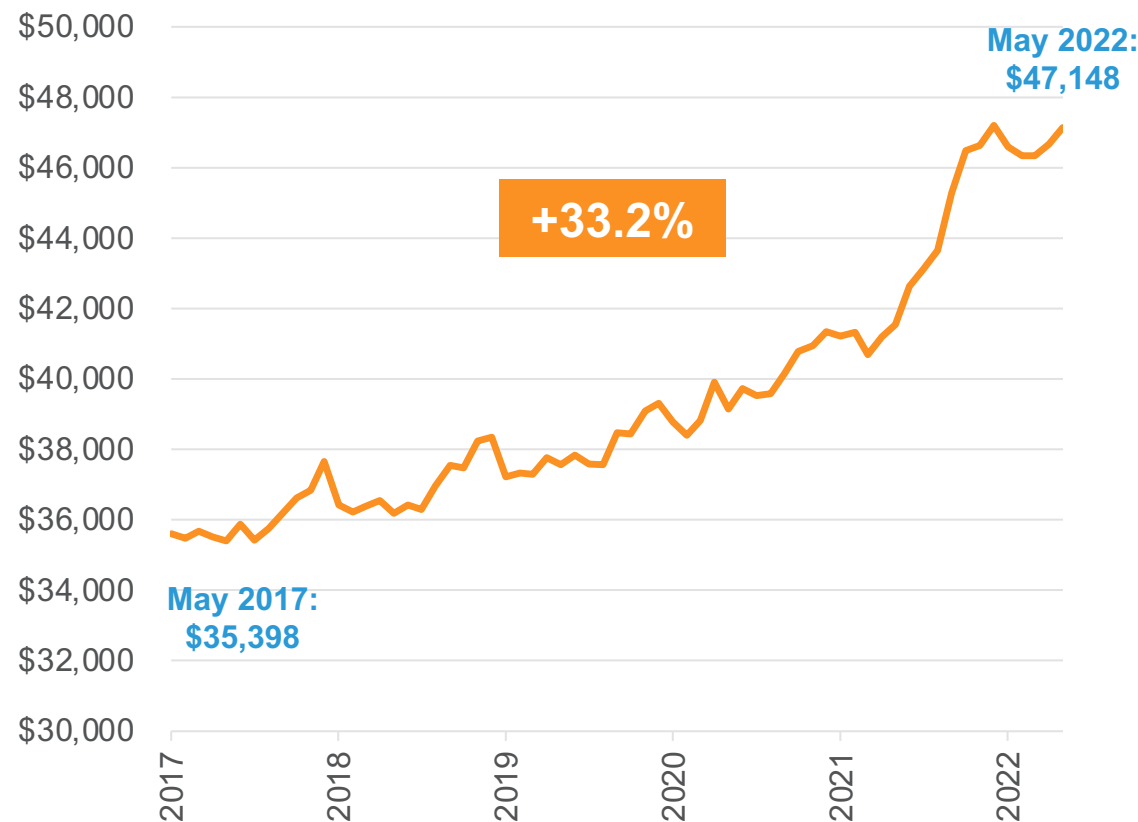
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# Price and Affordability Movement 2017 to 2022

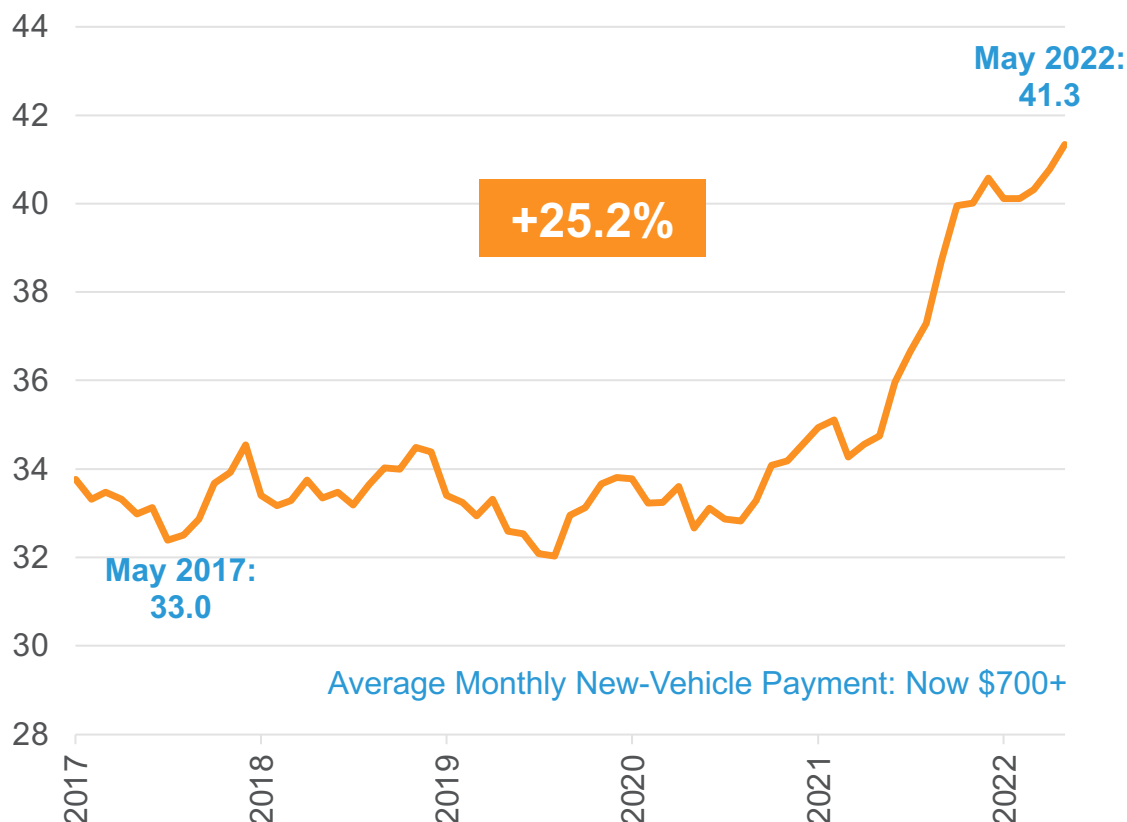
Headline numbers hard to ignore



**Kelley Blue Book  
Average Transaction Price**



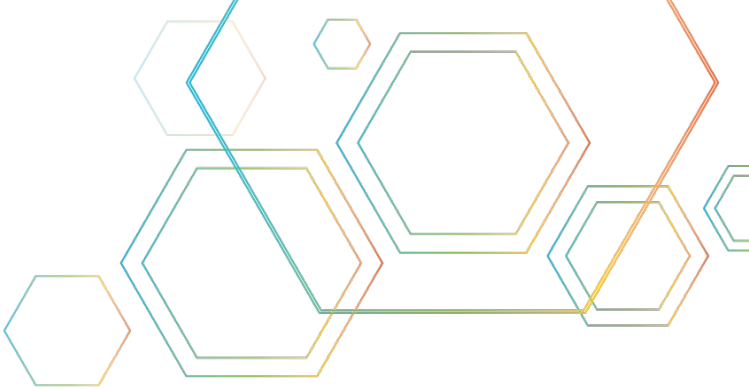
**Cox Automotive/Moody's Analytics  
Vehicle Affordability Index**



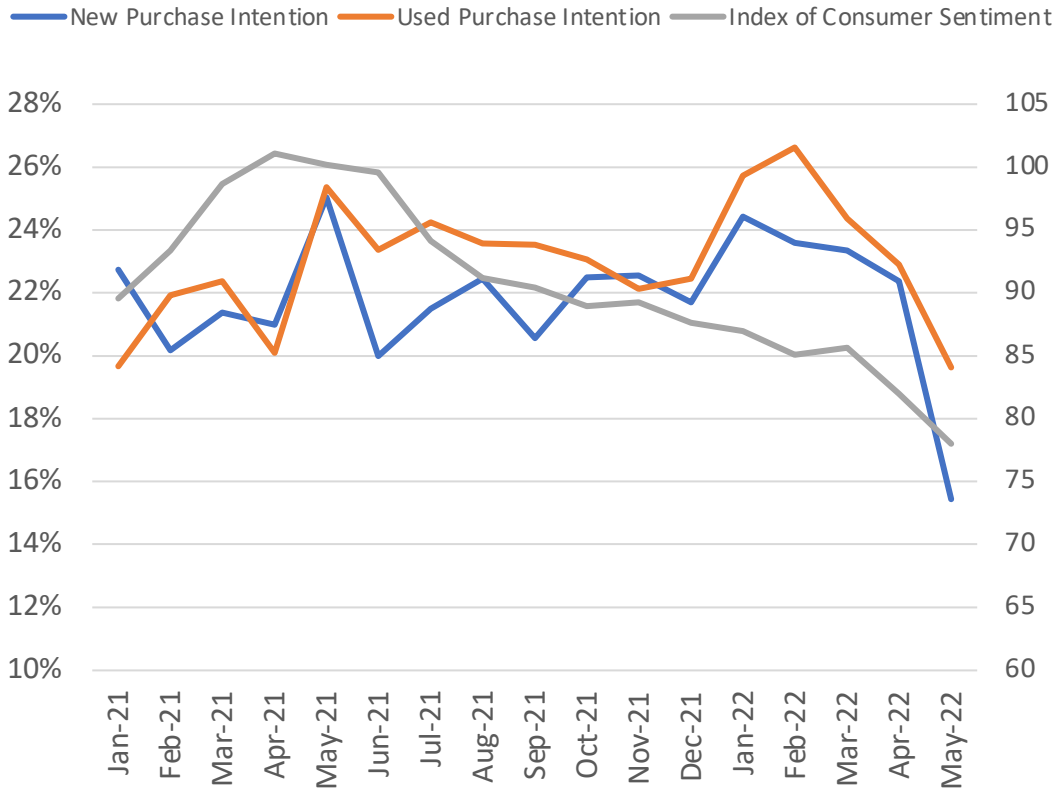


# Inflation, Lower Affordability Impacting Shoppers

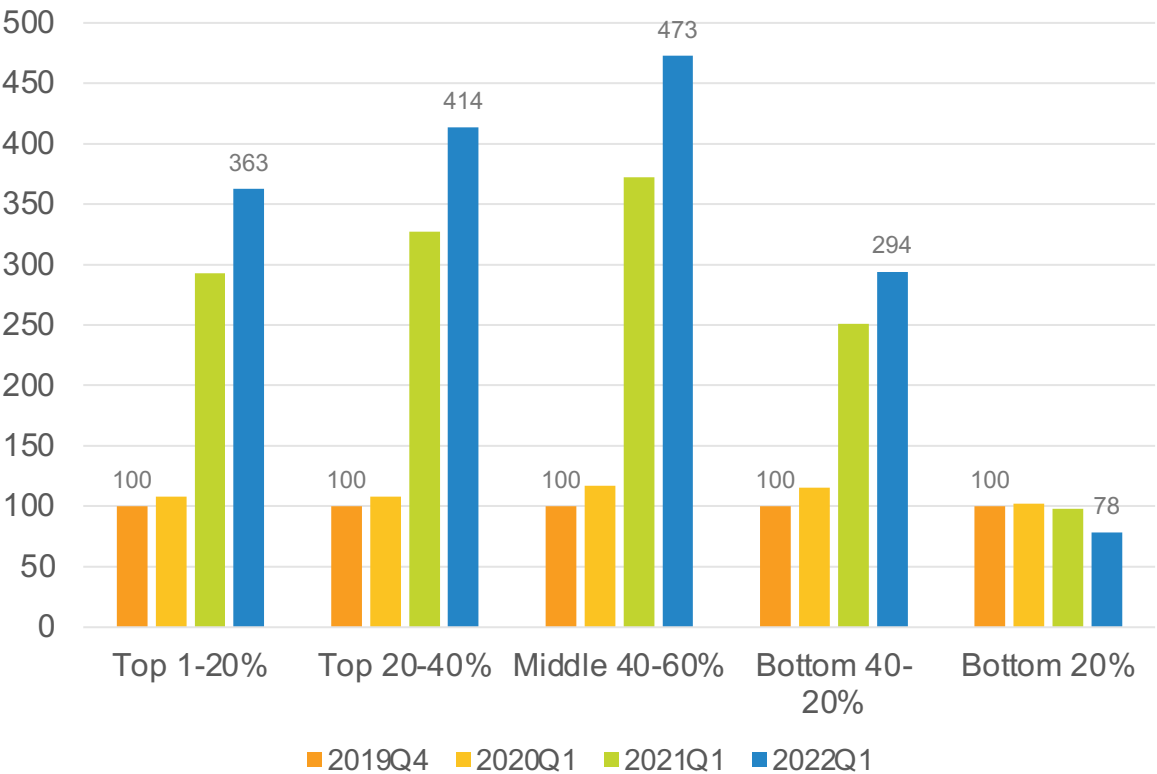
However, 80% of households are in great financial shape with savings **GROWING**



Purchase Intention vs. Consumer Sentiment

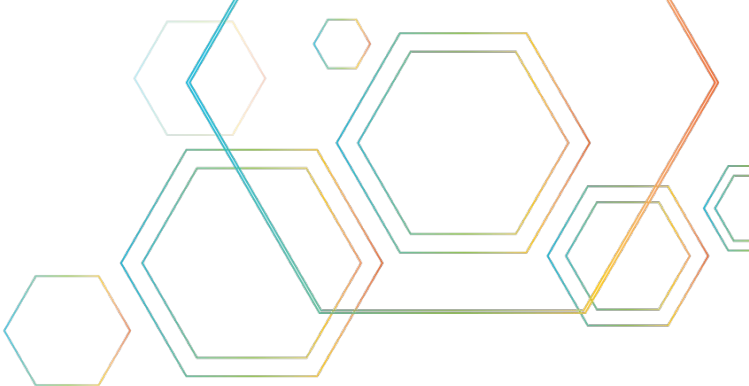


Checkable Deposits by Income Quintile Indexed to Q4 2019

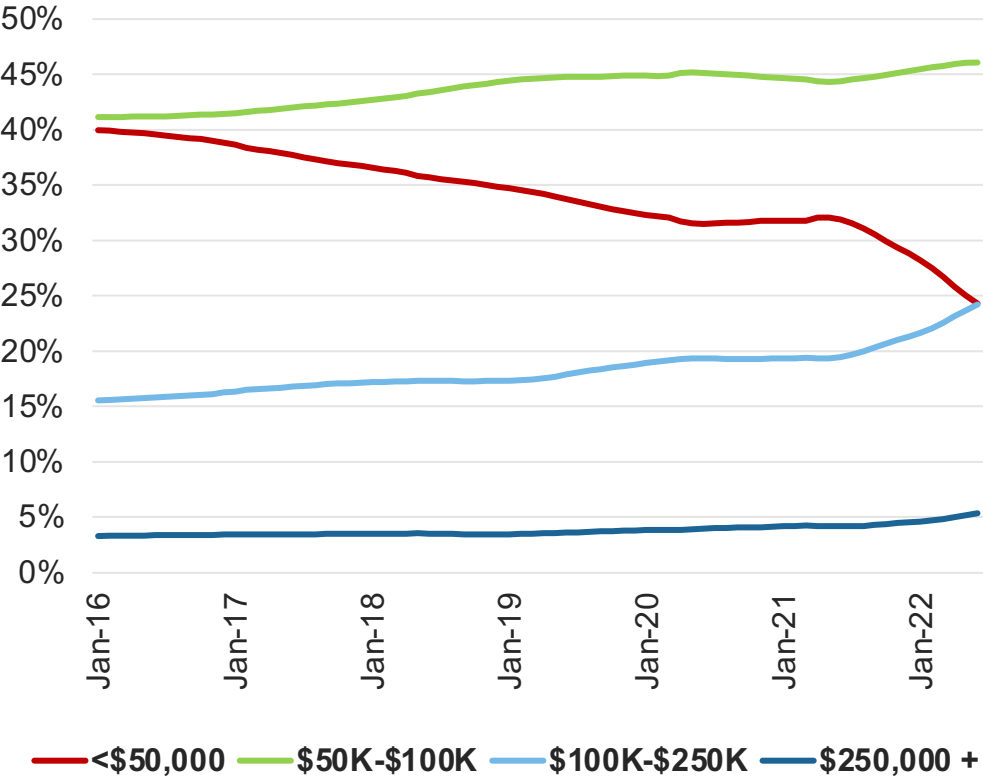


# Vehicle Buyer Income | Highest incomes gaining share quickly post-COVID

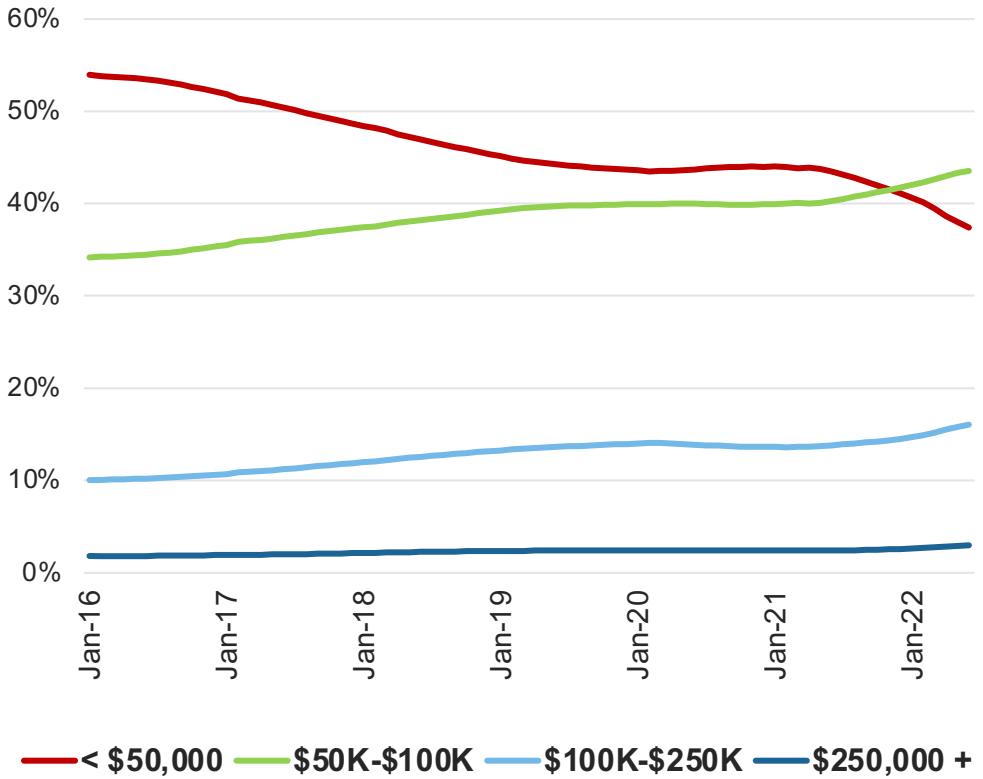
Lowest incomes leaving new-vehicle market for years – now accelerating



New Vehicle: Income Group Share of Sales



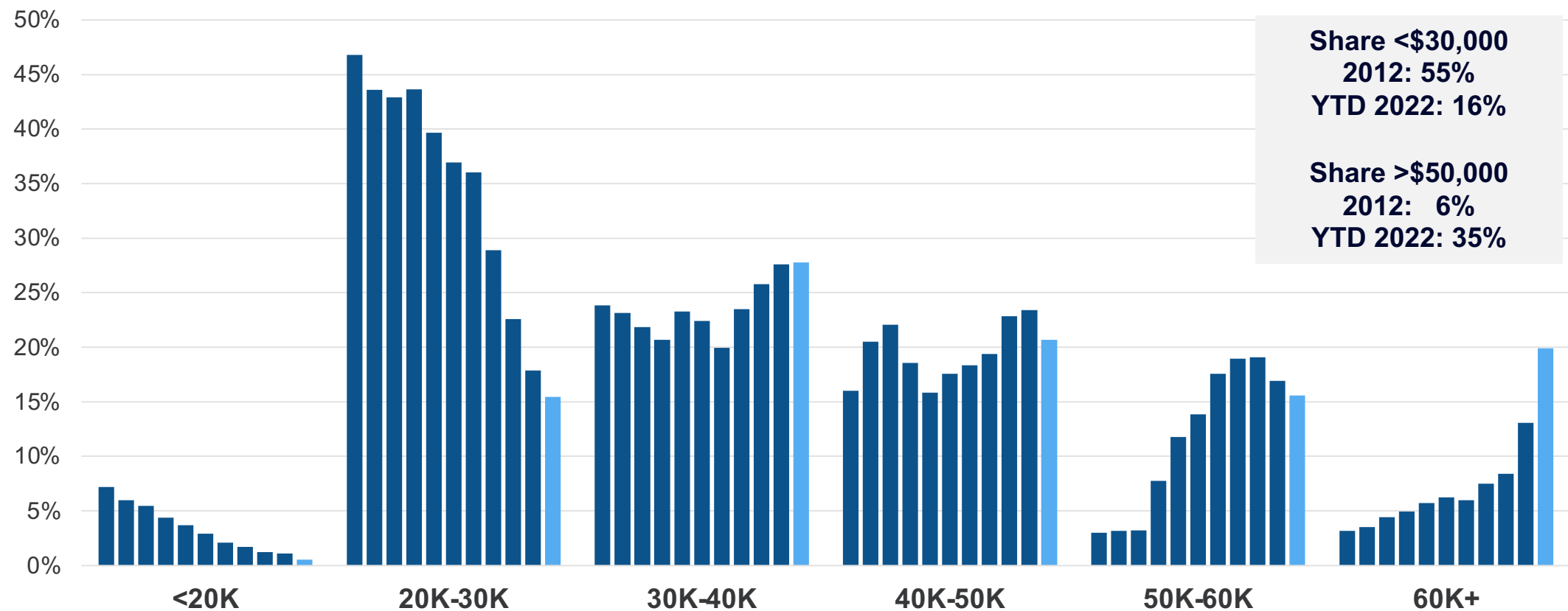
Used Vehicle: Income Group Share of Sales



# Affordability | COVID accelerated shift to more expensive products

Just 16% of sales in 2022 are priced below \$30,000

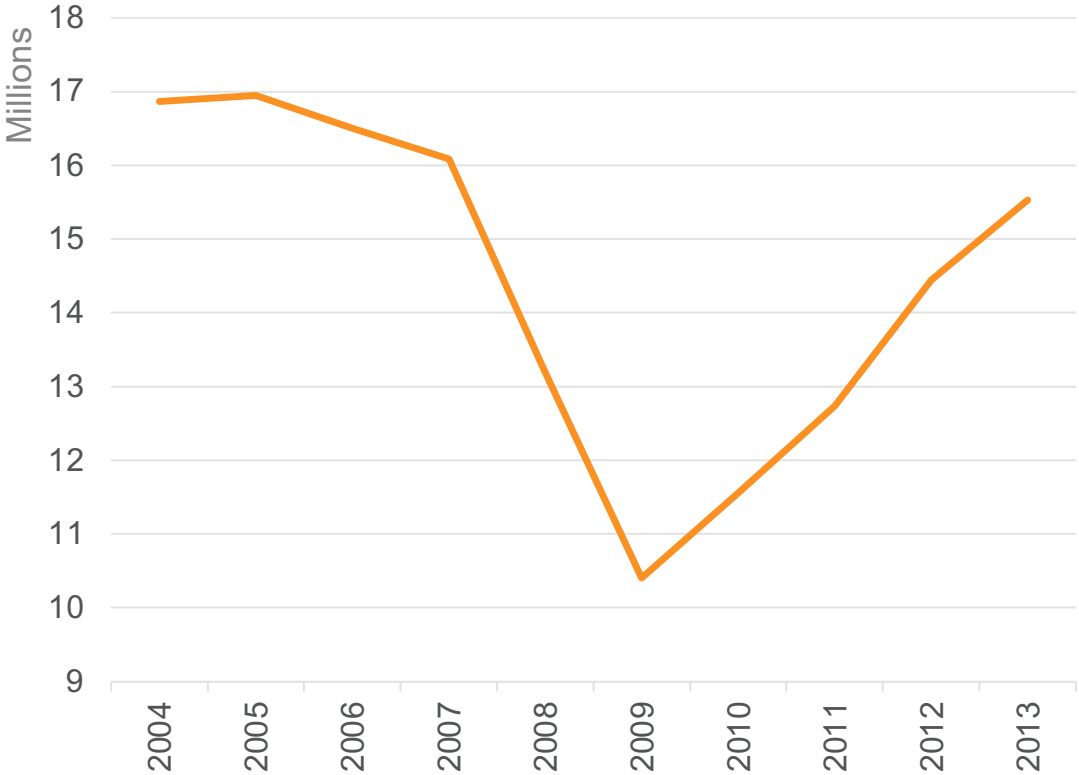
Share of New-Vehicle Market by MSRP Price Range 2012 – 2021



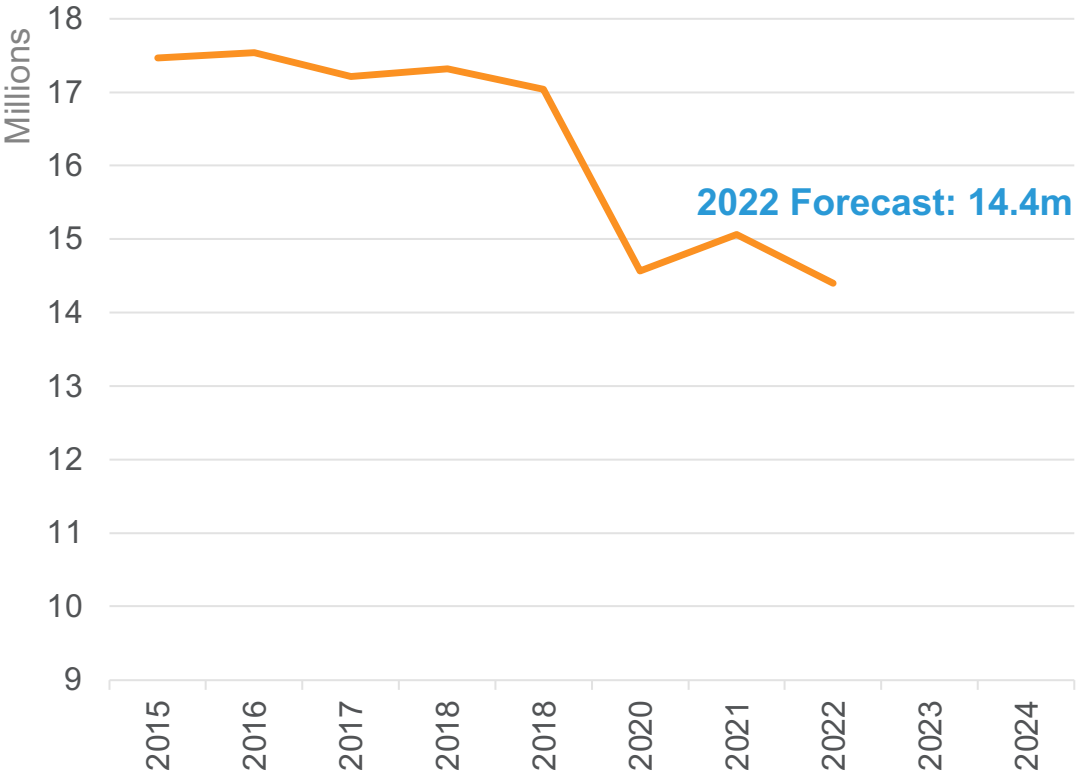
# New-Vehicle Market – Then and Now

Industry’s new-vehicle sales “recession” began in 2022

The Great Recession /  
New-Vehicle Sales 2004 - 2013



Global Pandemic/  
New-Vehicle Sales 2015 to 2022 and Beyond (?)





# **2022 Outlook and Playlist**

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# Jonathan Smoke

Chief Economist

 @smokeoncars

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# Ten Predictions for 2022

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-5



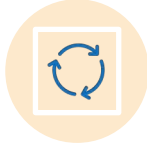
#1: Vehicle Demand Will Remain Robust

-6



#6: Lease Demand Will Improve in 2022

✓



#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

✓



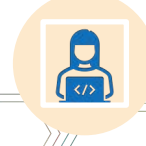
#9: Consumer Shift to Online Becomes Dominant

✓



#5: Auto Loan Rates Will Rise

✓



#10: Direct Sales Model Will Force Dealers to Adapt



## 2022 FORECASTS Q2 UPDATE

New  
**14.4M** ↓  
NEW SALES

New  
**12.6M** ↓  
NEW RETAIL SALES

New  
**1.8M** ↓  
FLEET SALES

New  
**2.7M** ↓  
NEW LEASE  
VOLUME

New  
**21%** ↓  
LEASE  
PENETRATION

New  
**2.3M** ↓  
CPO SALES

New  
**37.1M** ↓  
USED SALES

New  
**19.6M** ↓  
USED RETAIL SALES

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

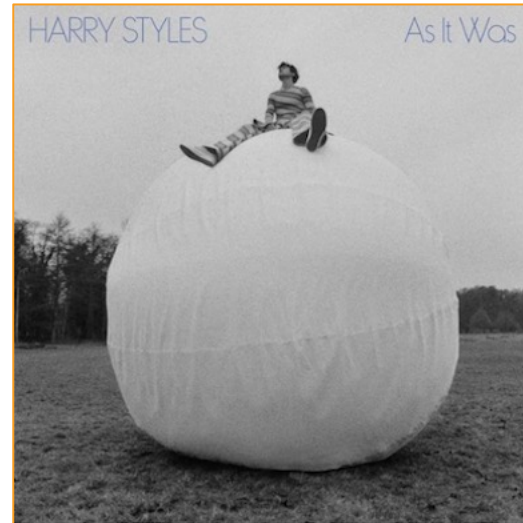
↓ Indicates decrease from Q1 forecast

# Summer 2022 Playlist



**Running Up That Hill  
(A Deal With God)  
By Kate Bush**

**The Fed Focusing  
on Inflation**



**As It Was  
By Harry Styles**

**Changing Vehicle  
Market Dynamics**



**New Truck  
By Dylan Scott**

**Demand and Supply**



**I Ain't Worried  
By OneRepublic**

**Recession Risk**



**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  
one of our experts:

**Dara Hailes**

Senior Manager

Cox Automotive Corporate Communications

[dara.hailes@coxautoinc.com](mailto:dara.hailes@coxautoinc.com)

**Mark Schirmer**

Director

Cox Automotive Corporate Communications

[mark.schirmer@coxautoinc.com](mailto:mark.schirmer@coxautoinc.com)

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