



# 2023 Industry Insights and Sales Forecast Call

January 12, 2023

COX AUTOMOTIVE



# The Power of Cox Automotive

The World's Largest Provider of Automotive Services and Solutions



---

COX AUTOMOTIVE

---

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

# Agenda

Time Check: 90 Minutes

## **Intro & Cox Automotive**

Mark Schirmer, Director, Corporate Communications

## **The Economy**

Jonathan Smoke, Chief Economist

## **Market Performance: Used Vehicles**

Chris Frey, Senior Manager, Economic and Industry Insights

## **Market Performance: New Vehicles**

Charlie Chesbrough, Senior Economist

## **2023 Outlook & Playlist**

Jonathan Smoke, Chief Economist and Resident DJ

## **Q&A**

w/ Michelle Krebs, Executive Analyst

Jeremy Robb, Senior Director, Economic and Industry Insights

Rebecca Rydzewski, Research Manager, Economic and Industry Insights





# The Economy



COX AUTOMOTIVE



# Jonathan Smoke

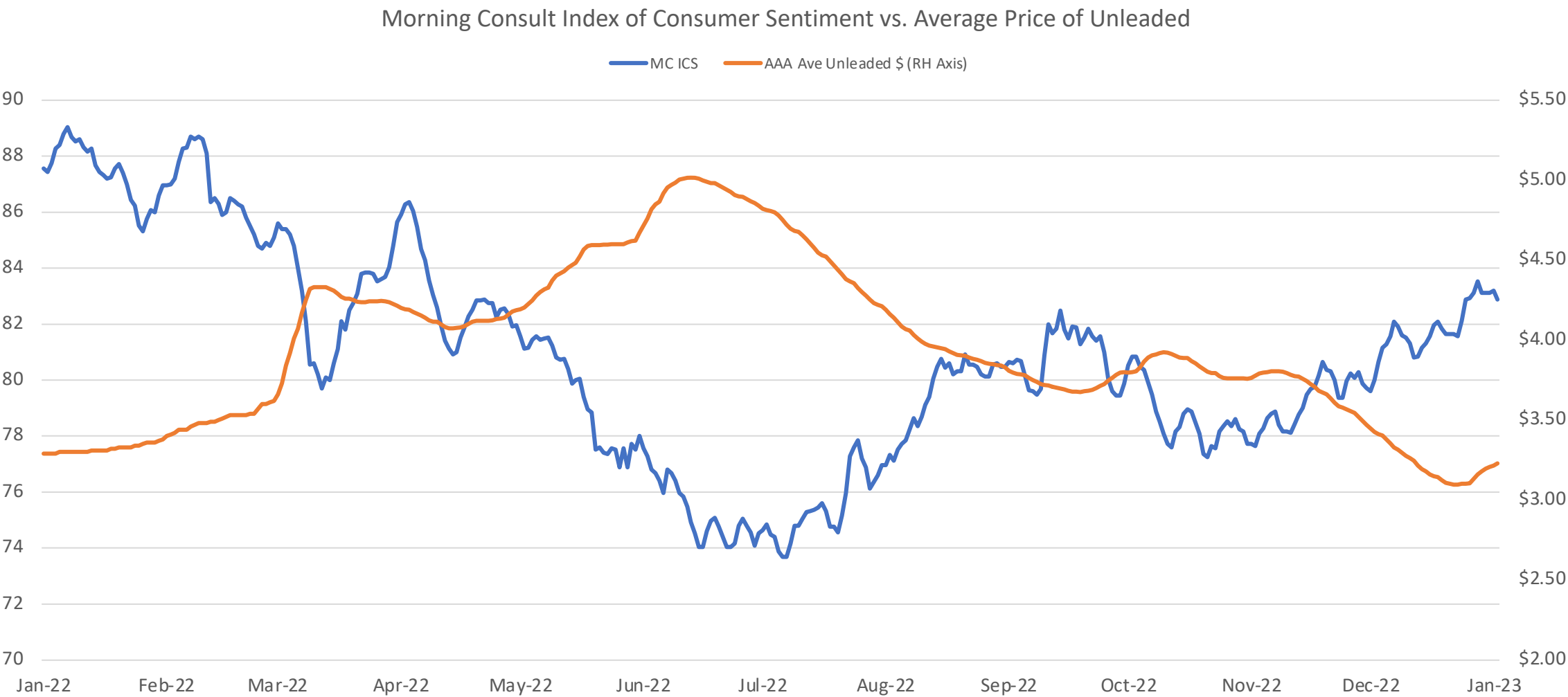
Chief Economist

 @smokeoncars

COX AUTOMOTIVE

# Consumer Sentiment Improving Again

The Index of Consumer Sentiment increased 2.6% in November and 4.3% in December

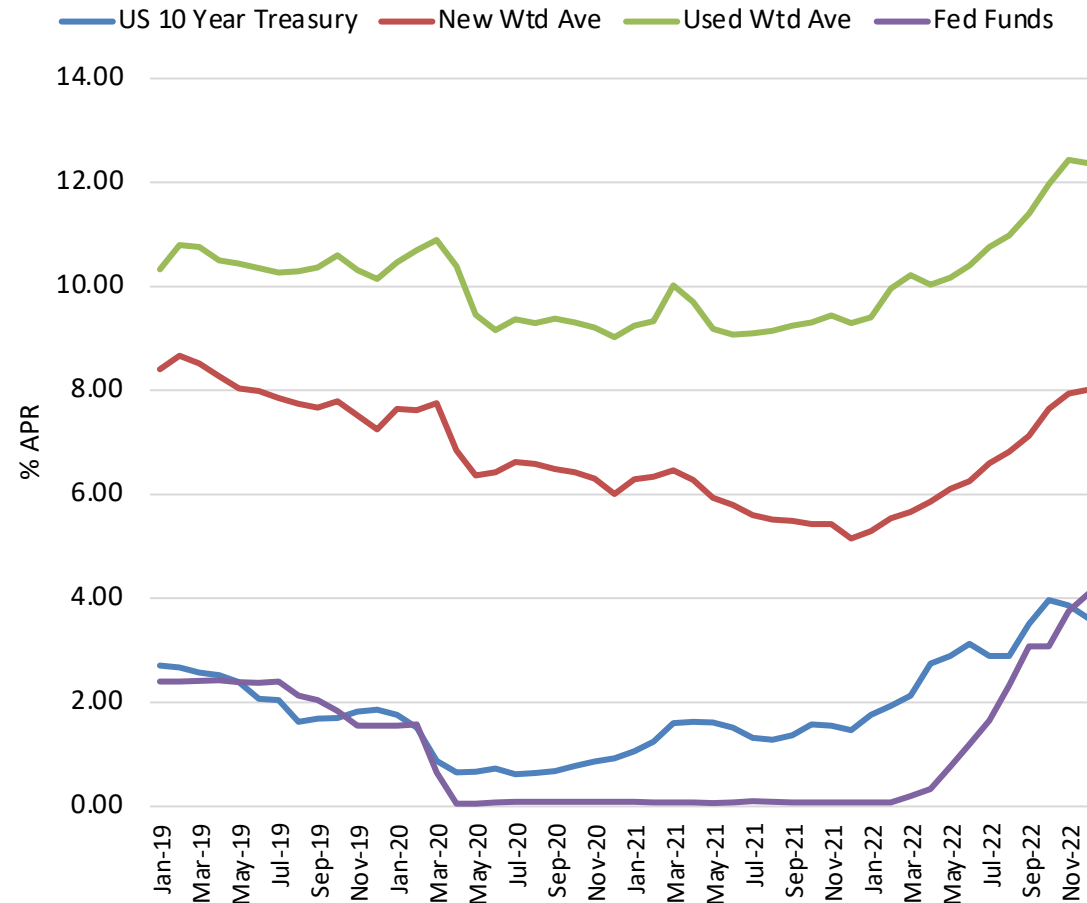


# State of the Industry

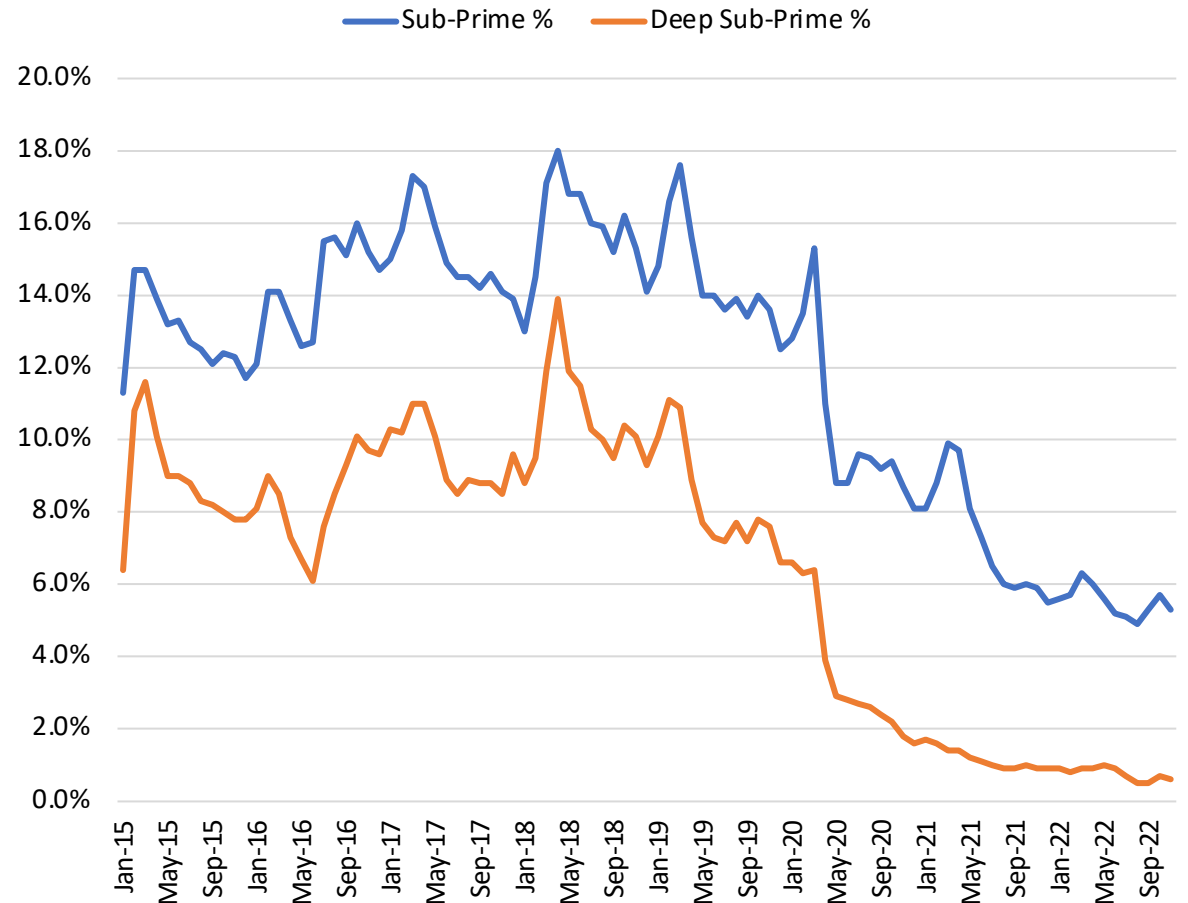
Fastest and largest increases in interest rates resulting in affordability crisis



### Fed Funds Rate, 10 Year, and Average Auto Loan Rates








### Subprime and Deep Subprime Share in New



# The Economy







Overall Economy	Real GDP Growth	+7.0% (Q4 '21)	3.2% (Q3 '22)	+0.8% (Q4 '22 F)	
Employment Conditions	U3 Unemployment Rate	3.9% (Dec '21)	3.6% (Nov '22)	3.5% (Dec '22)	
Buyer Confidence	UofM Consumer Sentiment	70.6 (Dec '21)	56.8 (Nov '22)	59.7 (Dec '22)	
Wages	Earnings Growth	4.9% (Dec '21)	4.8% (Nov '22)	4.6% (Dec '22)	
Buyer Ability	Disposable Income Y/Y	6.0% (Nov '21)	2.9% (Nov '22)		



# The Economy

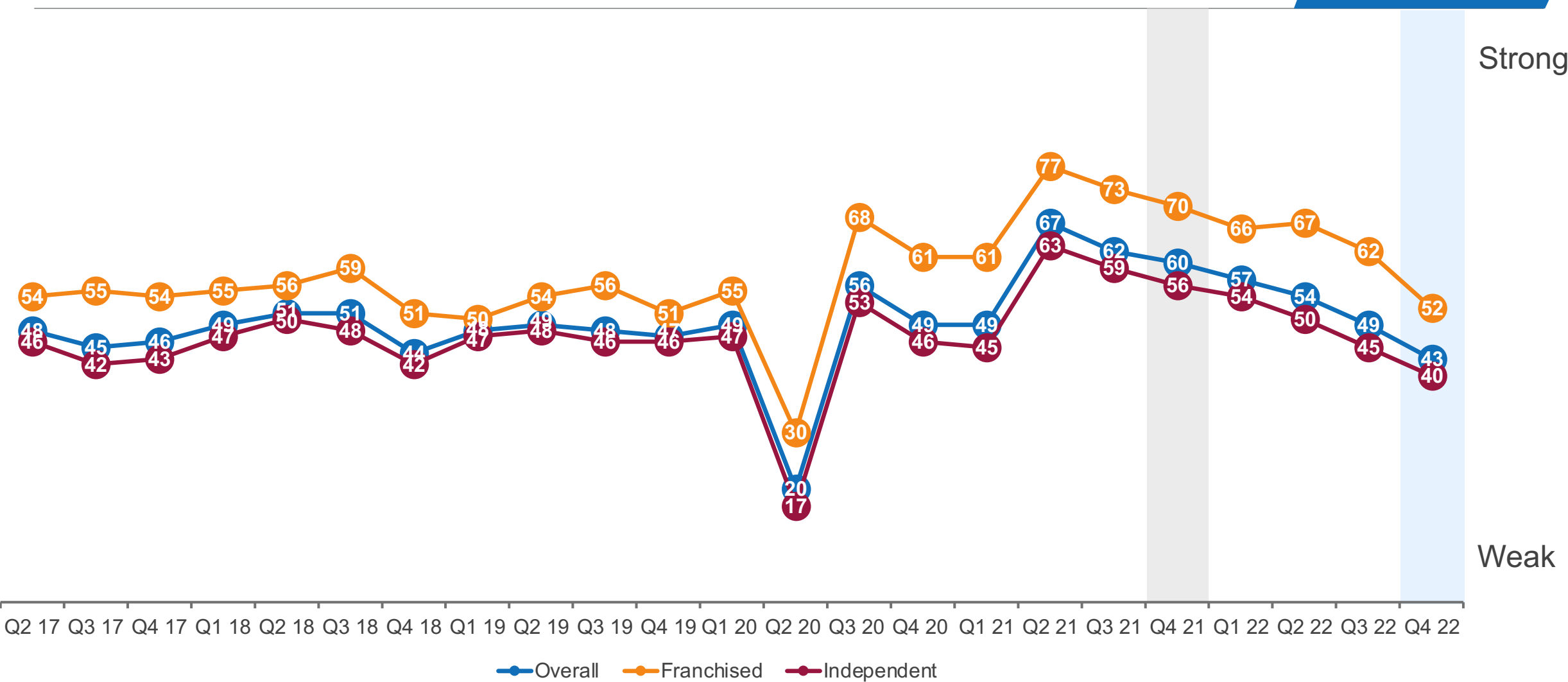


Auto Finance	FRBNY	\$199 billion (Q3 '21)	\$185 billion (Q3 '22)		
Interest Rates	Effective Fed Funds Rate	0.08% (Dec '21)	4.09% (Dec '22)		
Borrowing Costs	Average New Auto Loan Rate	5.15% (Dec '21)	8.02% (Dec '22)		
Mobility Costs	AAA Average Retail Unleaded Gasoline Price	\$3.29 (Dec '21)	\$3.47 (Nov '22)	\$3.21 (Dec '22)	

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

# Dealer Sentiment Index

FOURTH QUARTER 2022

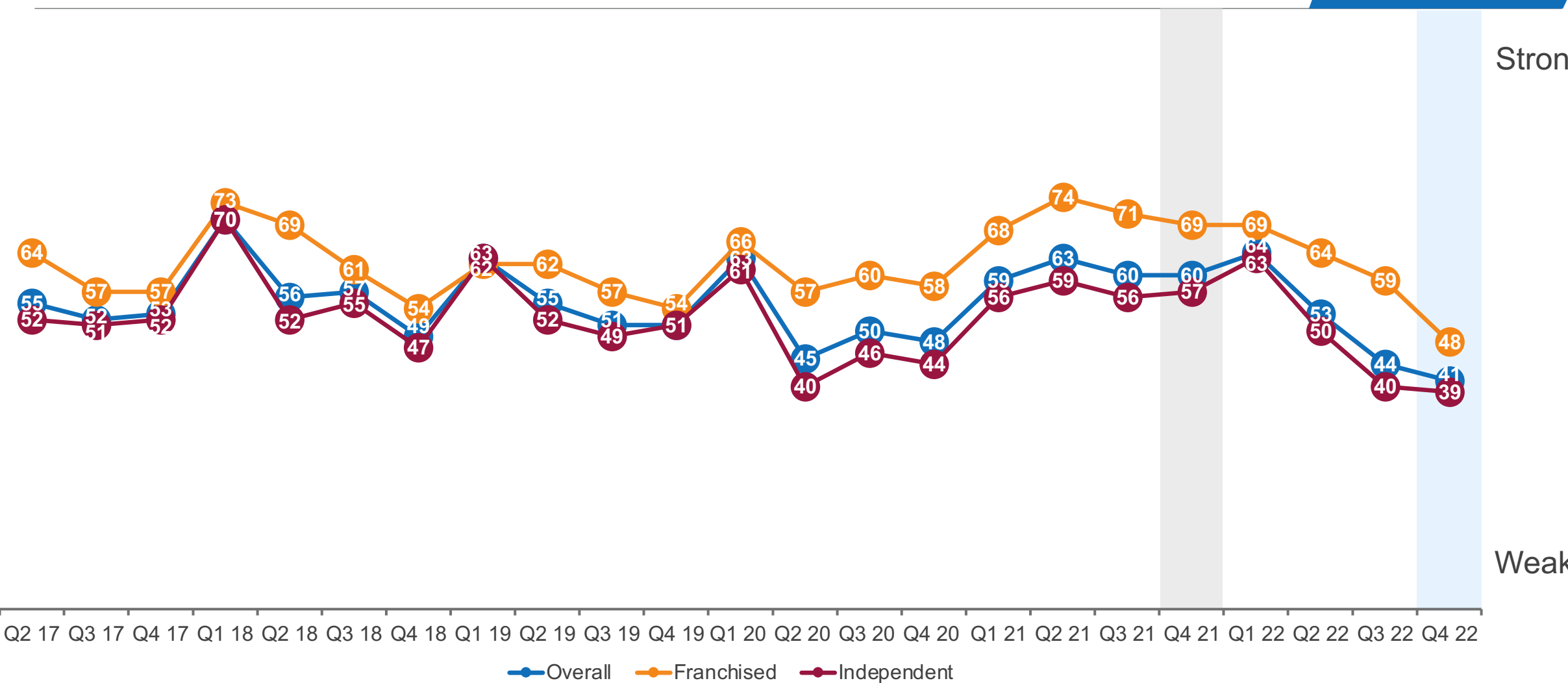


Note: Scale 1 - 100

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

# Dealer Sentiment Index

FOURTH QUARTER 2022

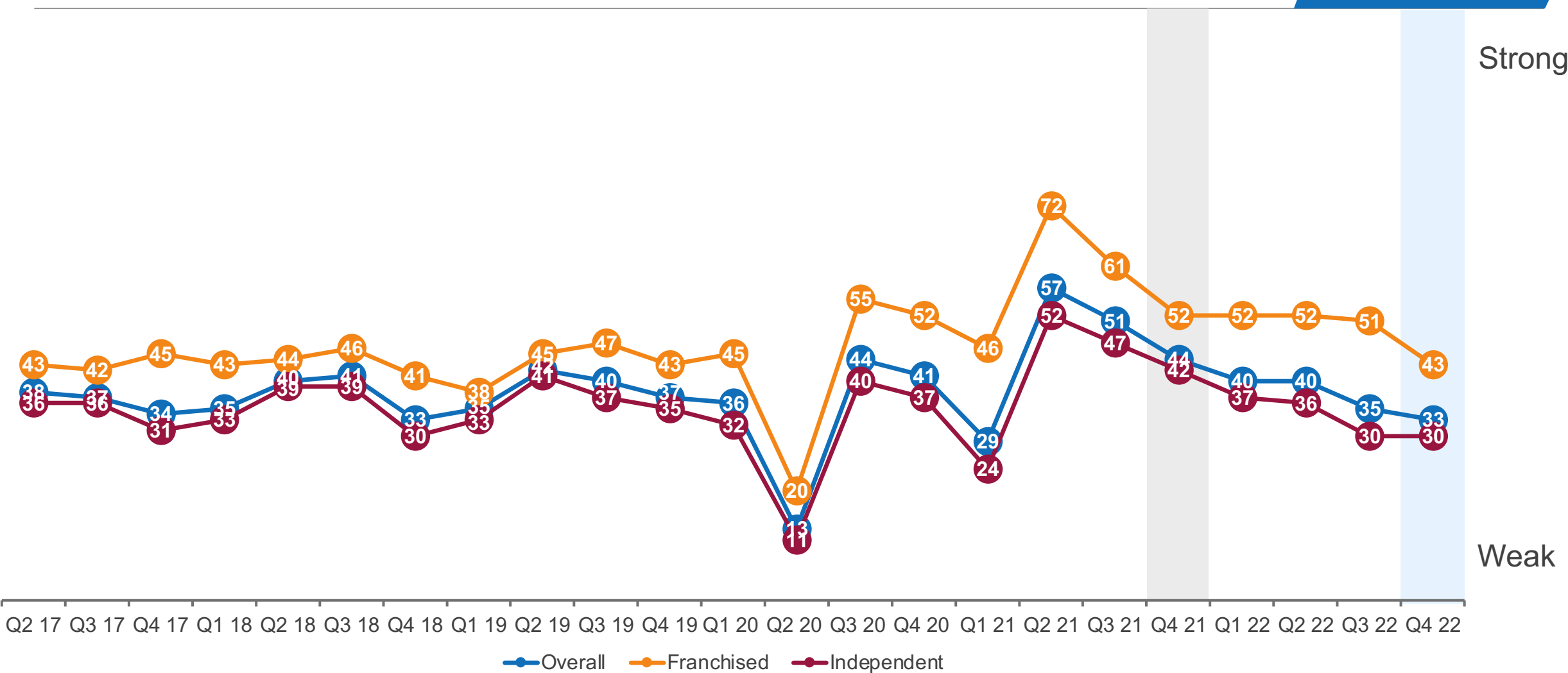


Note: Scale 1 - 100

How do you rate the customer traffic to your dealership over the past 3 months?

# Dealer Sentiment Index

FOURTH QUARTER 2022

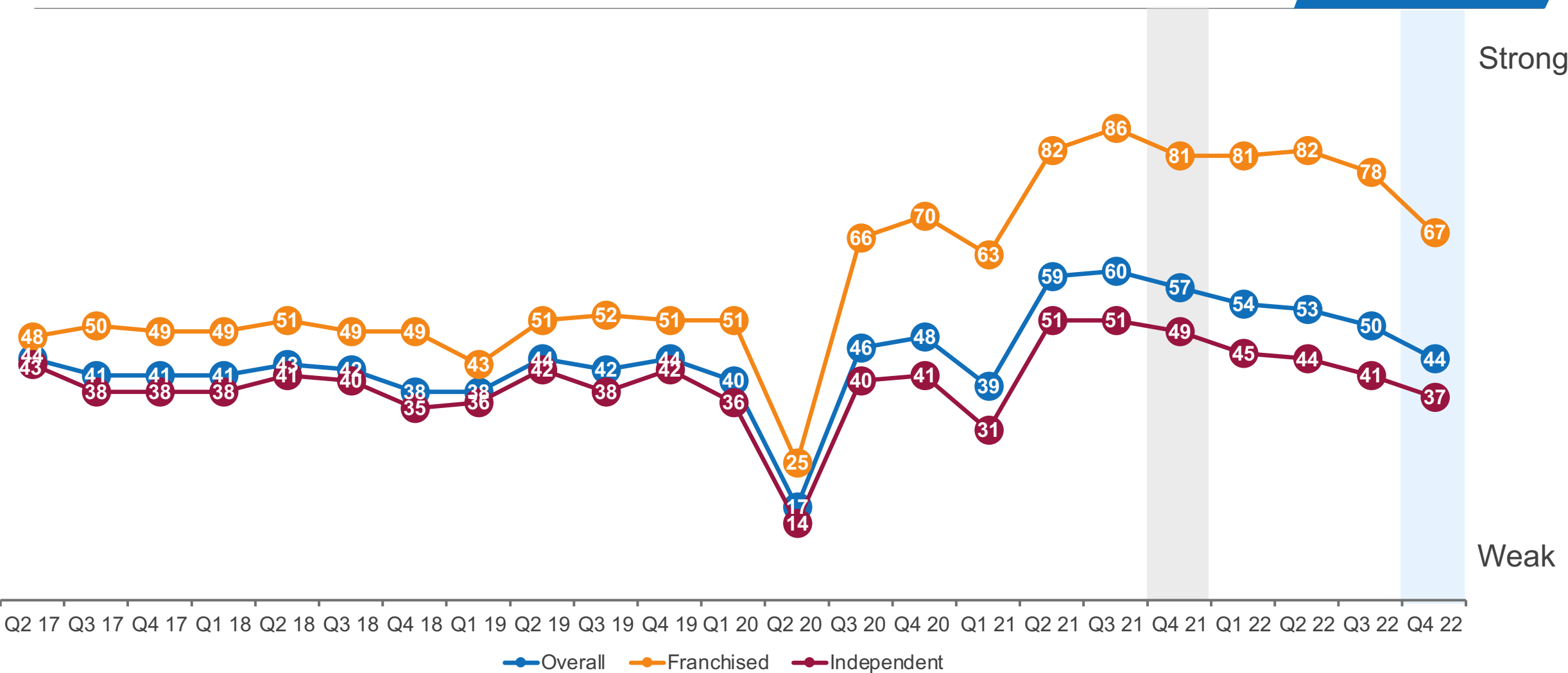


Note: Scale 1 - 100

# Dealer Sentiment Index

FOURTH QUARTER 2022

How would you describe your profits over the past 3 months?



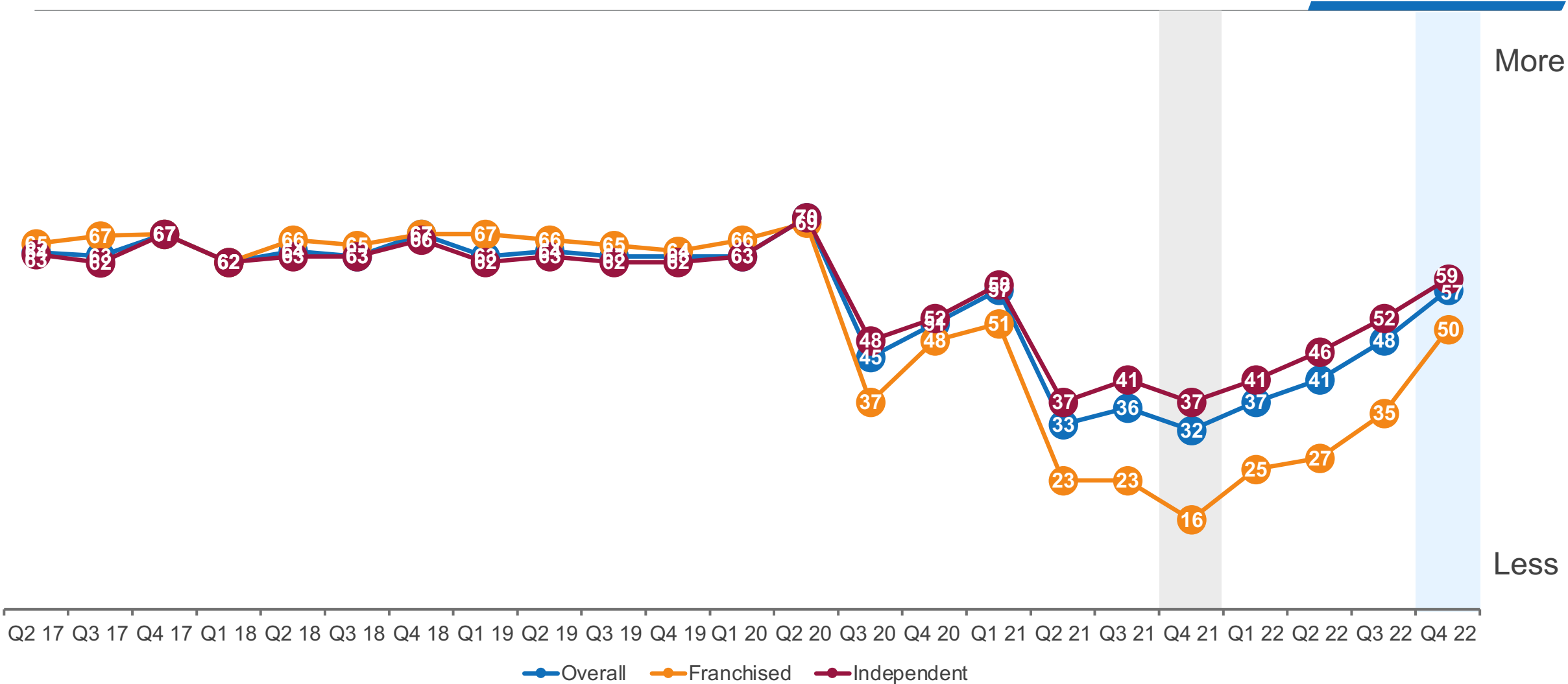
Note: Scale 1 - 100



# Dealer Sentiment Index

FOURTH QUARTER 2022

How much pressure do you feel to lower your prices?



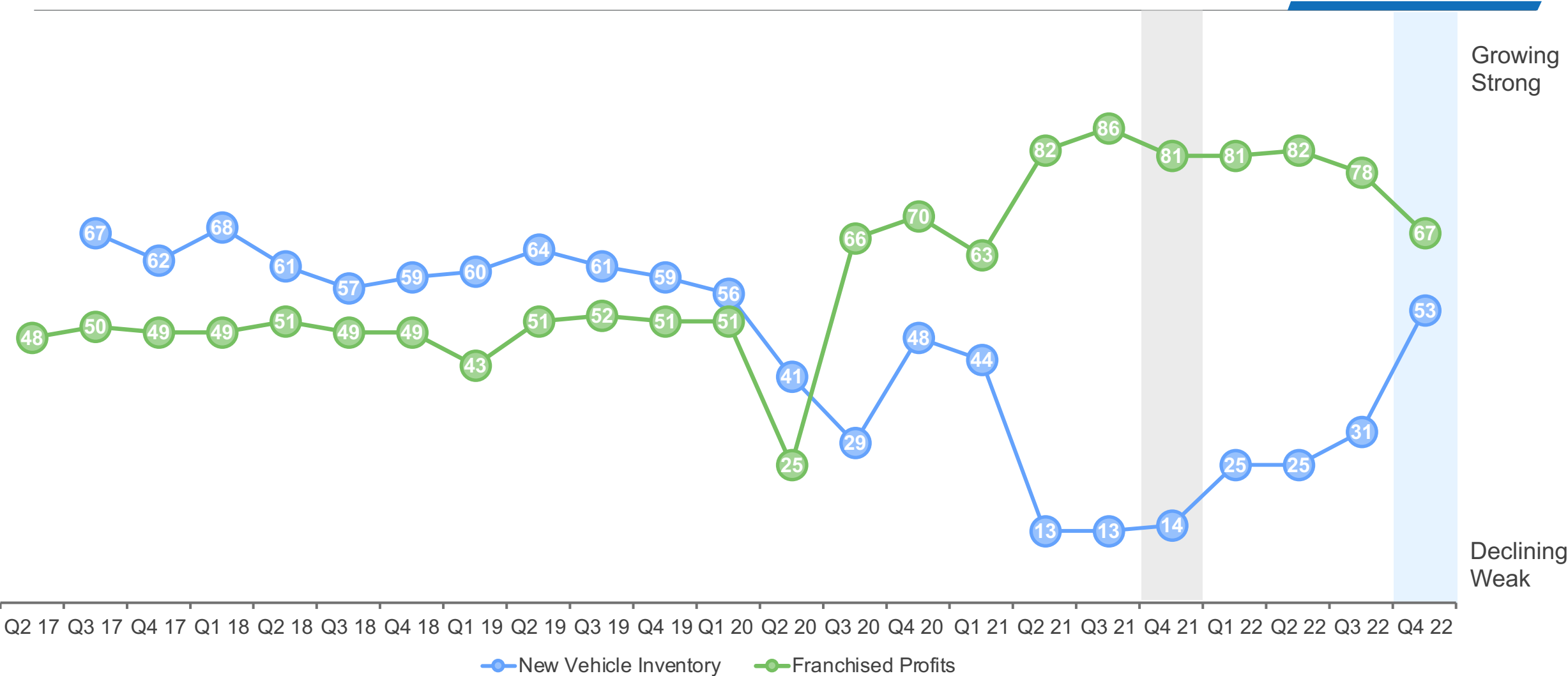
Note: Scale 1 - 100

# 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

FOURTH QUARTER 2022



Note: Scale 1 - 100



# **Market Performance: Used Vehicles**

COX AUTOMOTIVE



# Chris Frey

Senior Manager, Economic and Industry  
Insights

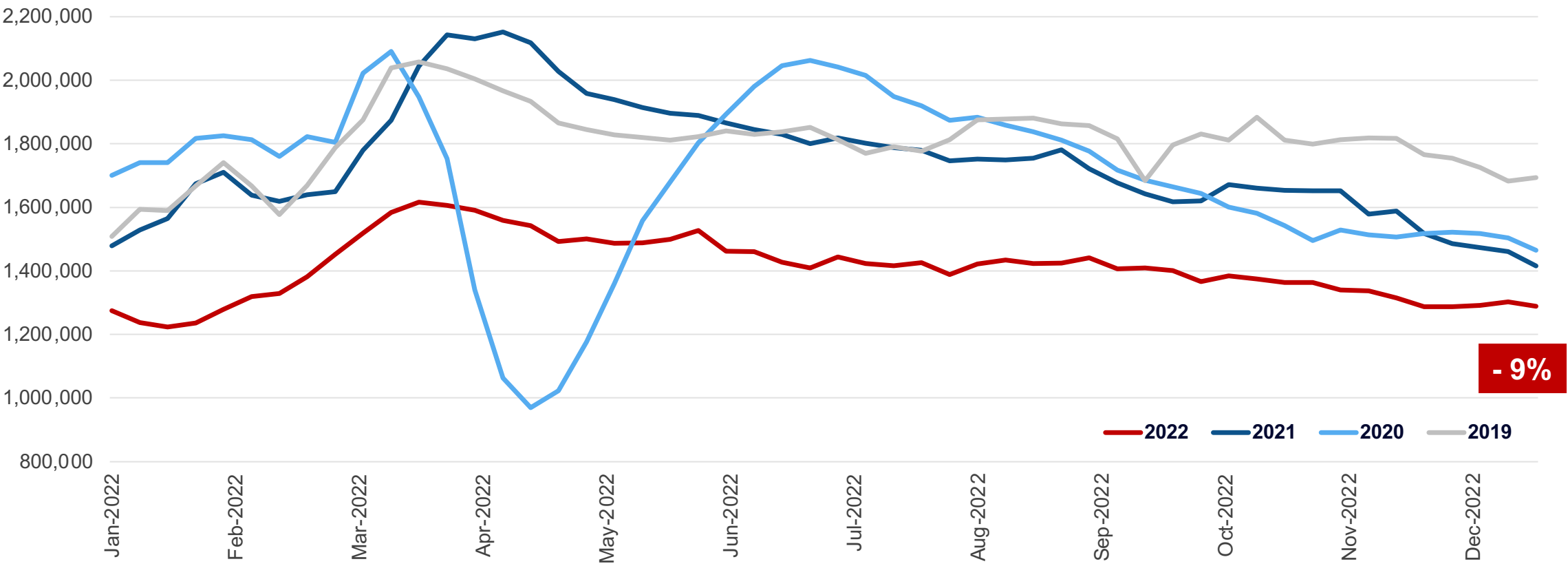
COX AUTOMOTIVE

# Used-Vehicle Sales | Current Pace Down 9% From Last Year



Downward trend to finish the year

Rolling 30 Day Retail Sales weekly



- 9%

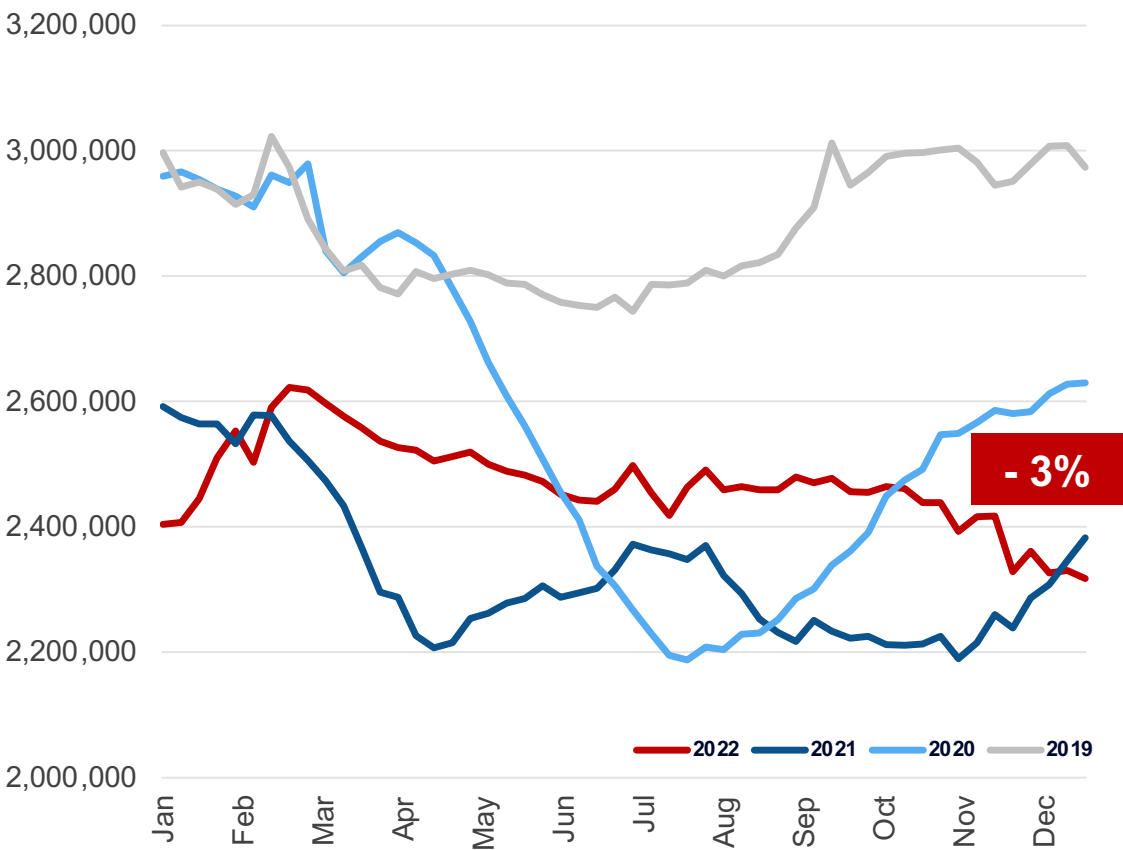


# Used-Vehicle Inventory | Finishing Down By 3% From 2021

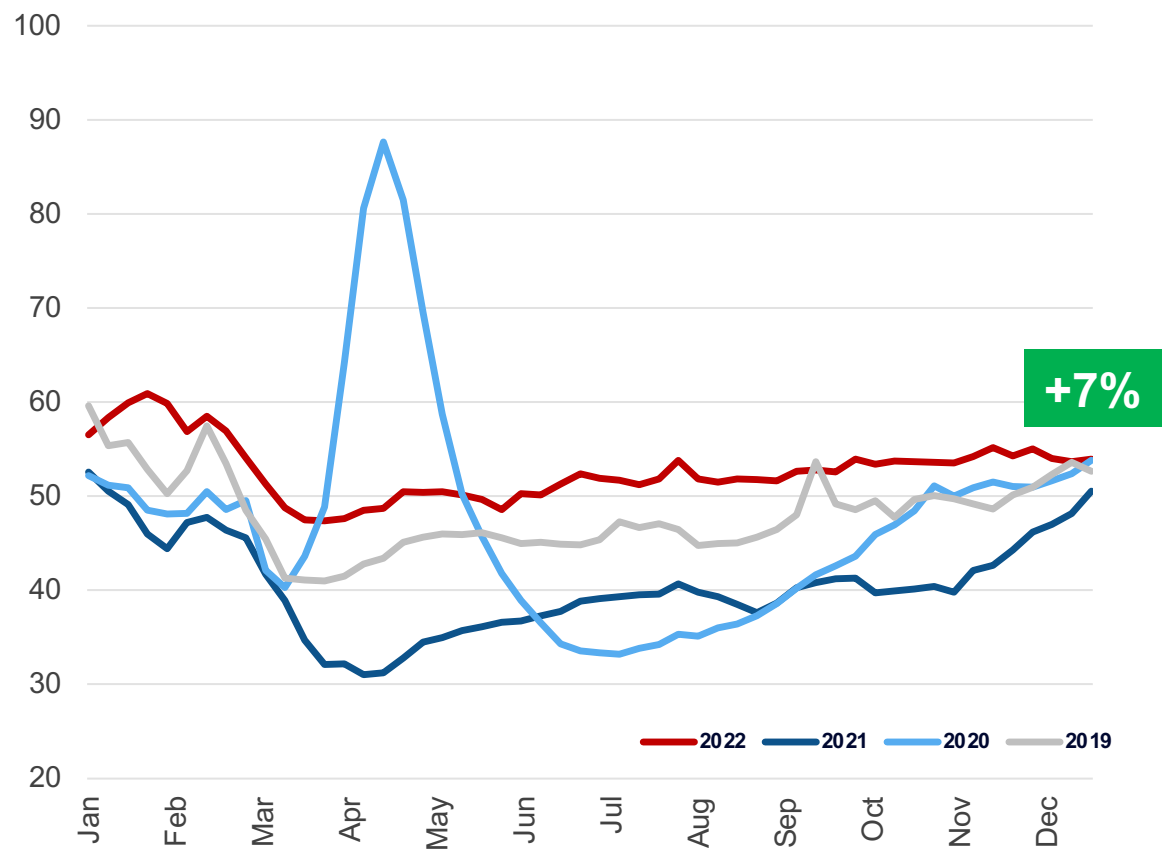


Days of supply stabilizing near 50 days – close to 2019 levels

Available Supply weekly



Days of Supply weekly

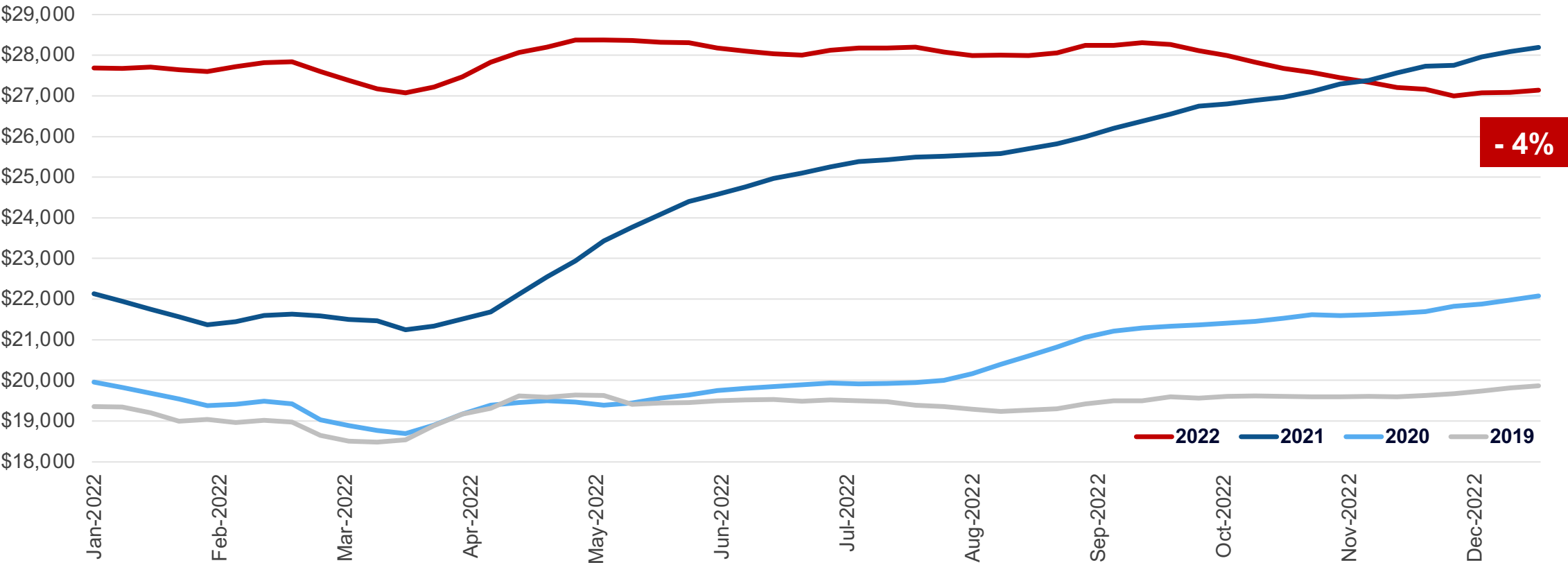


# Used-Vehicle Listing Price | Finishing Year Down 4%



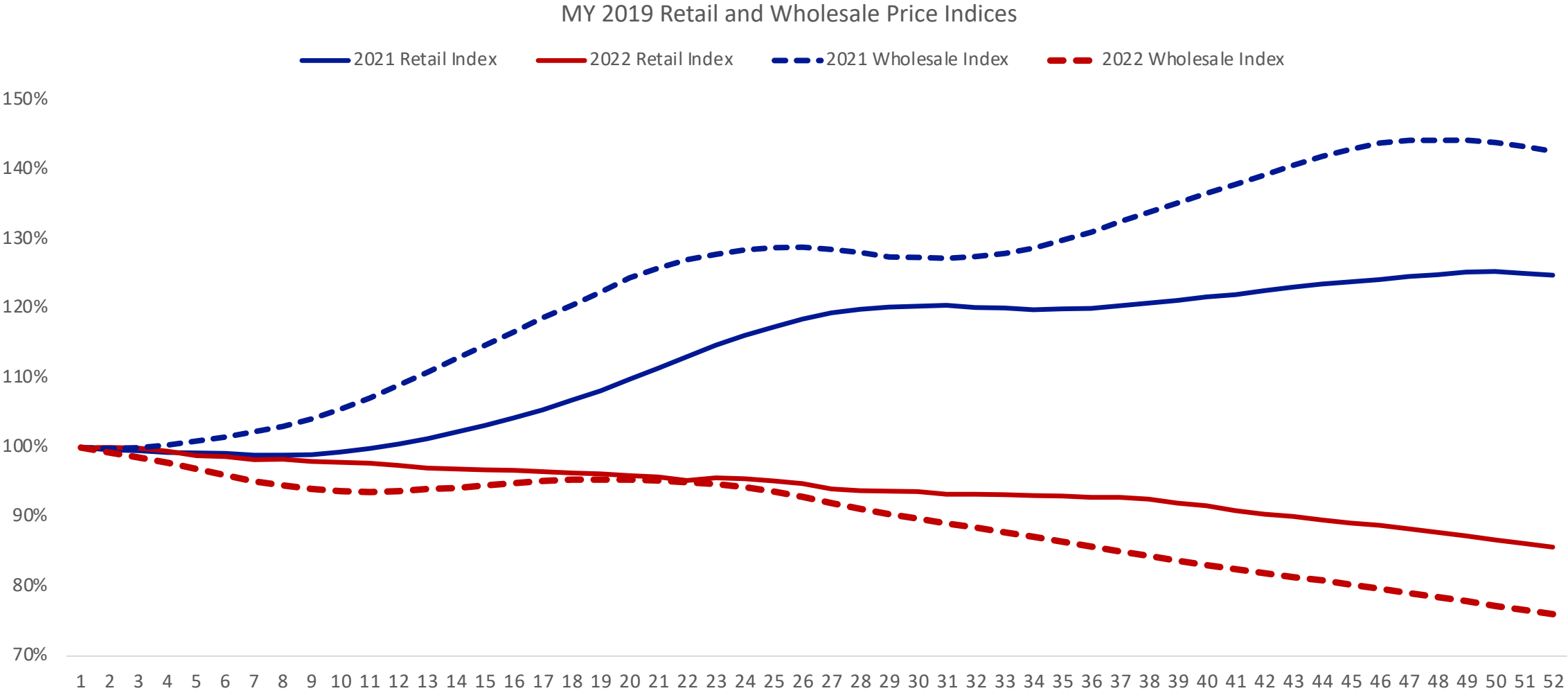
Used prices showing some stability in December as decline slows

Average Listing Price weekly



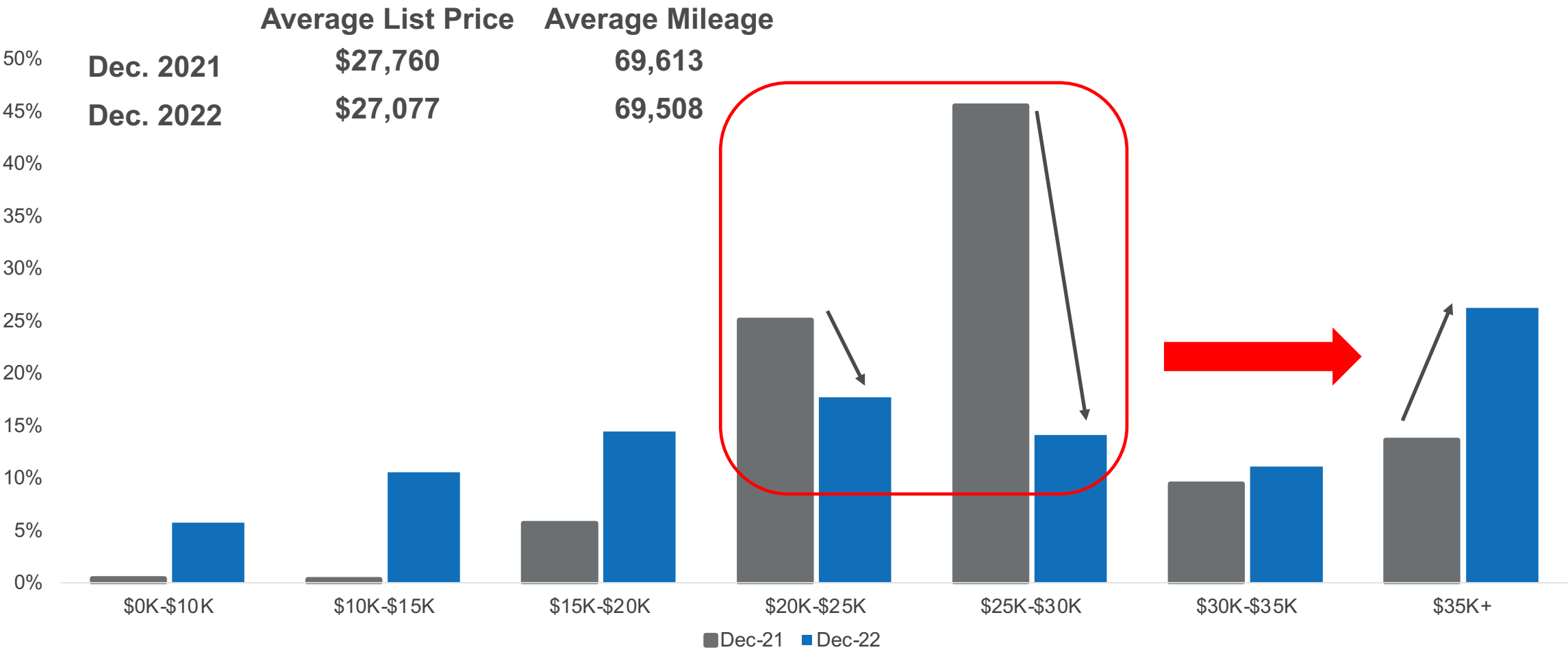
# Price Movement | Ended Down Year with Larger Declines

The average MY 2019 wholesale price declined 0.8% in last week of December, and retail declined 0.6%



# Retail Inventory | Higher-Price Skew Not as Pronounced as Q3

Nearly identical vehicles, on average, year-over-year, though fewer highest-priced units compared to Q3.

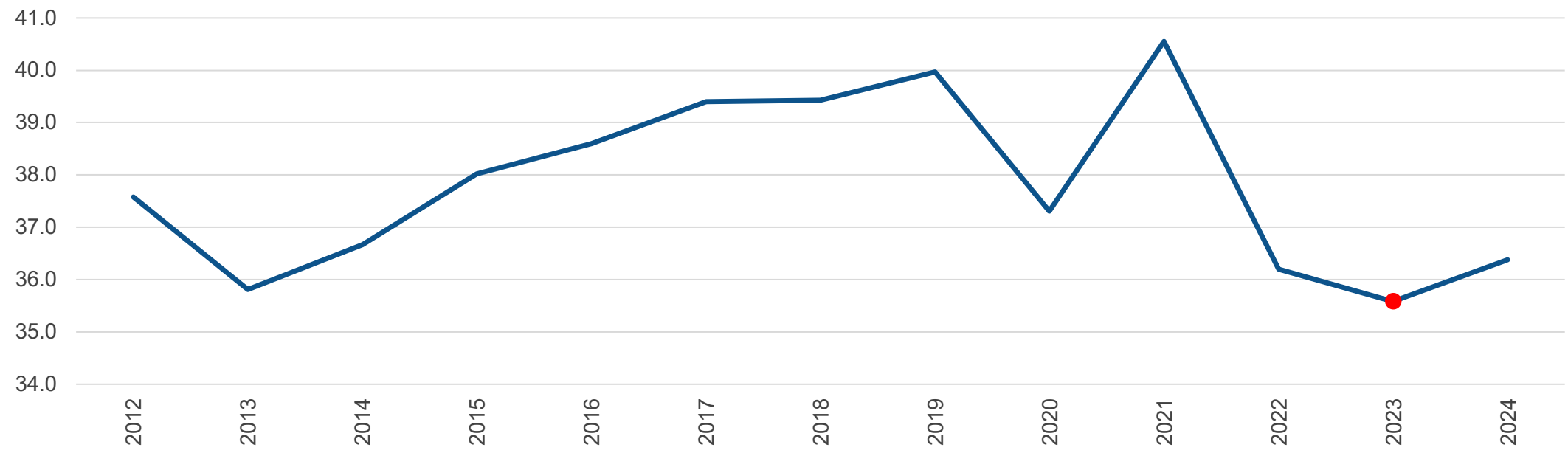




# Used-Vehicle Outlook | More Decline In 2023 Expected

High prices, higher rates, less trades, no stimulus checks all lead to fewer sales

USED-VEHICLE SALES OUTLOOK (MILLIONS)



COX AUTOMOTIVE  
FULL-YEAR  
FORECASTS

2020	2021	2022	2023	2024
37.3	40.6	36.2	35.6	36.4

COX AUTOMOTIVE  
RETAIL FORECASTS

2020	2021	2022	2023	2024
19.8	21.2	19.1	18.9	19.5





# Market Performance: New Vehicles

COX AUTOMOTIVE



# Charlie Chesbrough

Senior Economist

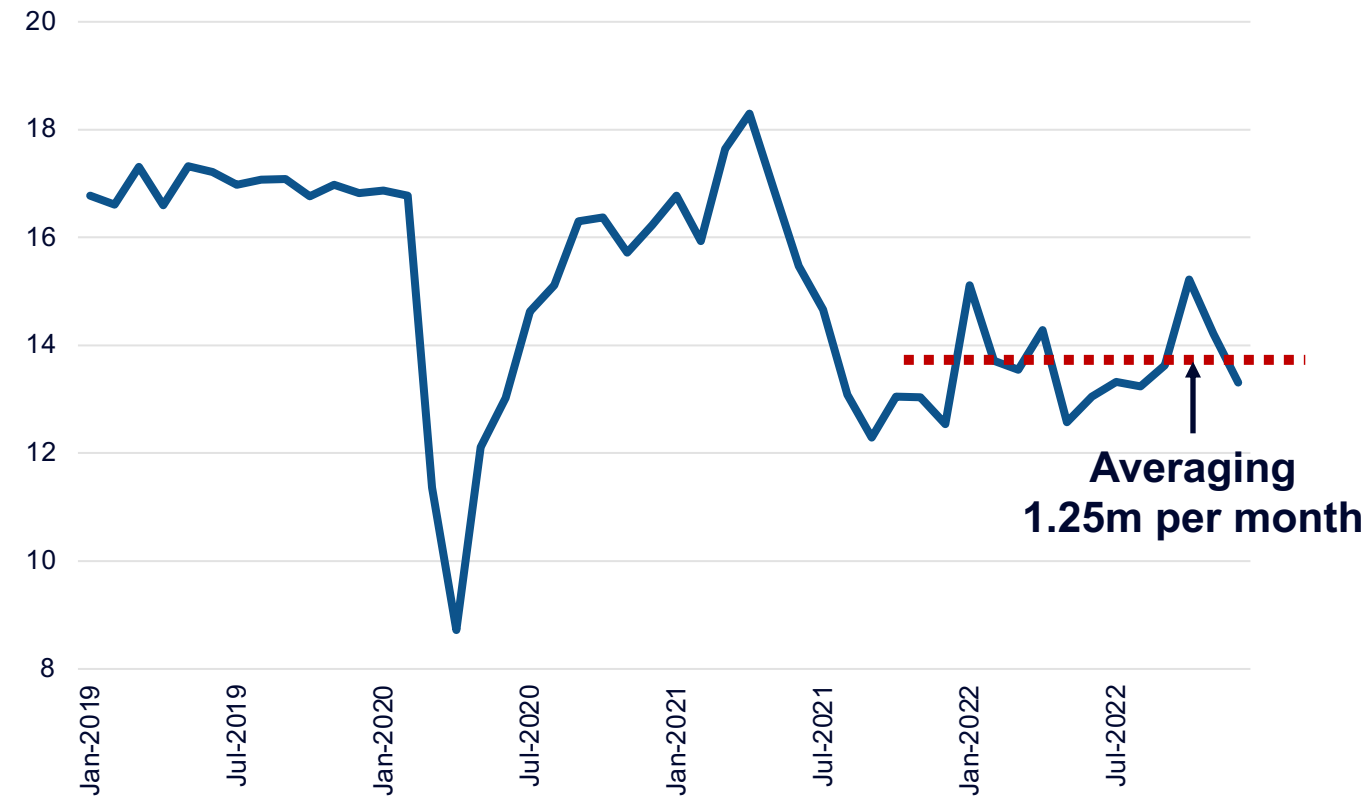
COX AUTOMOTIVE

# New-Vehicle SAAR | CY2022 Sales Finished Near 13.7 Million

Sales volume up in Q4 suggesting some optimism for this year



Monthly Light Vehicle Sales SAAR (millions)



Time Period	<u>Sales</u> Millions	<u>SAAR</u> Millions
December 2021	1.20	12.7
December 2022	1.26	13.3
Change	4.9%	4.7%
Q4 2021	3.27	3.4
Q3 2022	3.38	3.5
Q4 2022	3.57	3.7
Change Y/Y	9.1%	9.0%
Change Q/Q	5.3%	5.3%
CY 2021	14.95	14.9
CY 2022	<b>13.73</b>	13.8
Change	<b>-8.1%</b>	-7.9%
2023 Forecast		
14.1 million (+ 2.7%)		

# OEM Performance | GM Back On Top

Supply limitations impacted sales last year but that is changing quickly



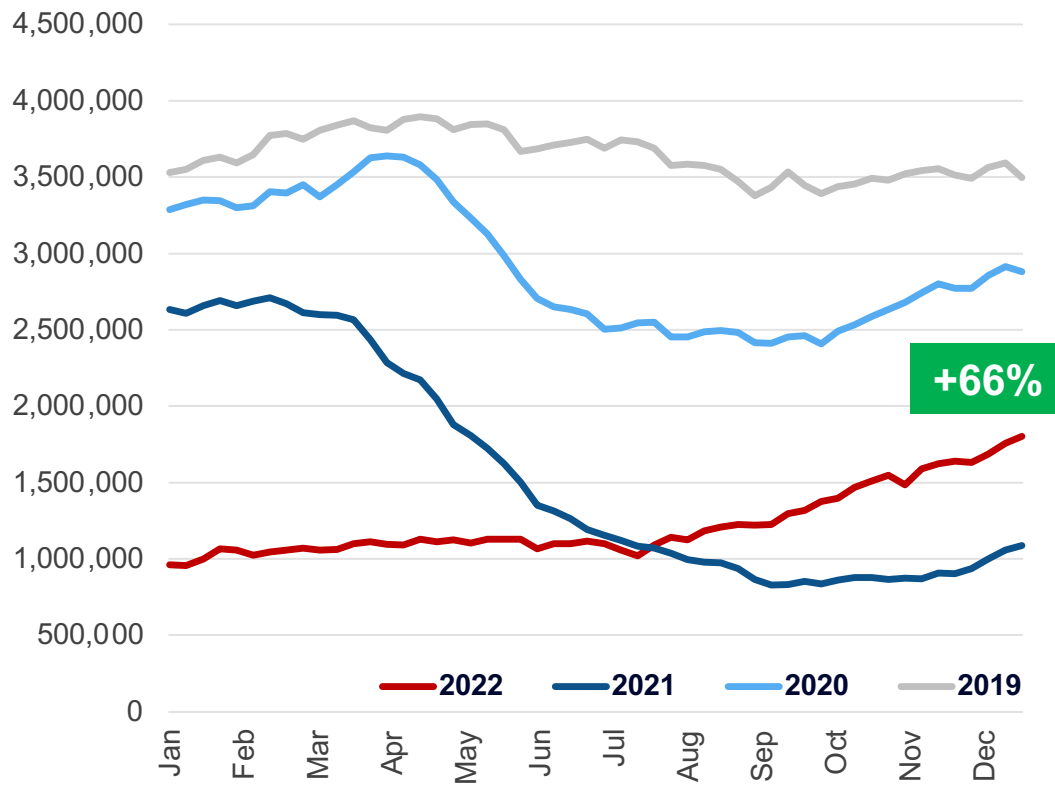
OEM	Q4 2021	Q3 2022	Q4 2022	Q/Q Change	Y/Y Change	CY2021	CY2022	Change	Share '21	Share '22	Diff.
General Motors	436,363	551,976	618,692	12.1%	41.8%	2,202,582	2,258,429	2.5%	14.6%	16.3%	1.6%
Toyota	474,378	526,020	536,740	2.0%	13.1%	2,332,262	2,108,457	-9.6%	15.5%	15.2%	-0.3%
Ford	504,138	461,424	479,769	4.0%	-4.8%	1,891,753	1,850,925	-2.2%	12.6%	13.3%	0.8%
Stellantis	411,513	385,665	347,669	-9.9%	-15.5%	1,777,393	1,547,076	-13.0%	11.8%	11.1%	-0.7%
Hyundai	313,638	384,451	386,898	0.6%	23.4%	1,489,118	1,474,224	-1.0%	9.9%	10.6%	0.7%
Honda	287,206	222,050	255,250	15.0%	-11.1%	1,466,630	983,507	-32.9%	9.7%	7.1%	-2.7%
Nissan/Mitsu	219,844	170,868	211,768	23.9%	-3.7%	1,079,676	815,160	-24.5%	7.2%	5.9%	-1.3%
Subaru	121,008	137,320	155,466	13.2%	28.5%	583,810	556,581	-4.7%	3.9%	4.0%	0.1%
VW	135,931	154,668	140,115	-9.4%	3.1%	641,094	554,145	-13.6%	4.3%	4.0%	-0.3%
Tesla	115,248	131,080	131,574	0.4%	14.2%	352,471	522,444	48.2%	2.3%	3.8%	1.4%
BMW	100,891	85,209	112,057	31.5%	11.1%	366,574	361,892	-1.3%	2.4%	2.6%	0.2%
Daimler	76,031	87,682	88,799	1.3%	16.8%	329,574	351,255	6.6%	2.2%	2.5%	0.3%
Mazda	59,543	72,589	79,517	9.5%	33.5%	332,756	294,909	-11.4%	2.2%	2.1%	-0.1%
Geely (Volvo)	28,135	24,532	31,342	27.8%	11.4%	124,591	110,196	-11.6%	0.8%	0.8%	0.0%
Tata (JLR)	17,101	16,002	21,806	36.3%	27.5%	92,380	68,546	-25.8%	0.6%	0.5%	-0.1%
Rivian	583	6,584	8,054	22.3%	1281.5%	584	20,332	3381.5%	0.0%	0.1%	0.1%
Lucid	577	654	1,060	62.1%	83.7%	577	2,656	360.3%	0.0%	0.0%	0.0%
<b>NATION</b>	<b>3,302,128</b>	<b>3,418,774</b>	<b>3,606,576</b>	<b>5.5%</b>	<b>9.2%</b>	<b>15,063,825</b>	<b>13,880,734</b>	<b>-7.9%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

# New-Vehicle Inventory | Finishing 66% Up From Last Year

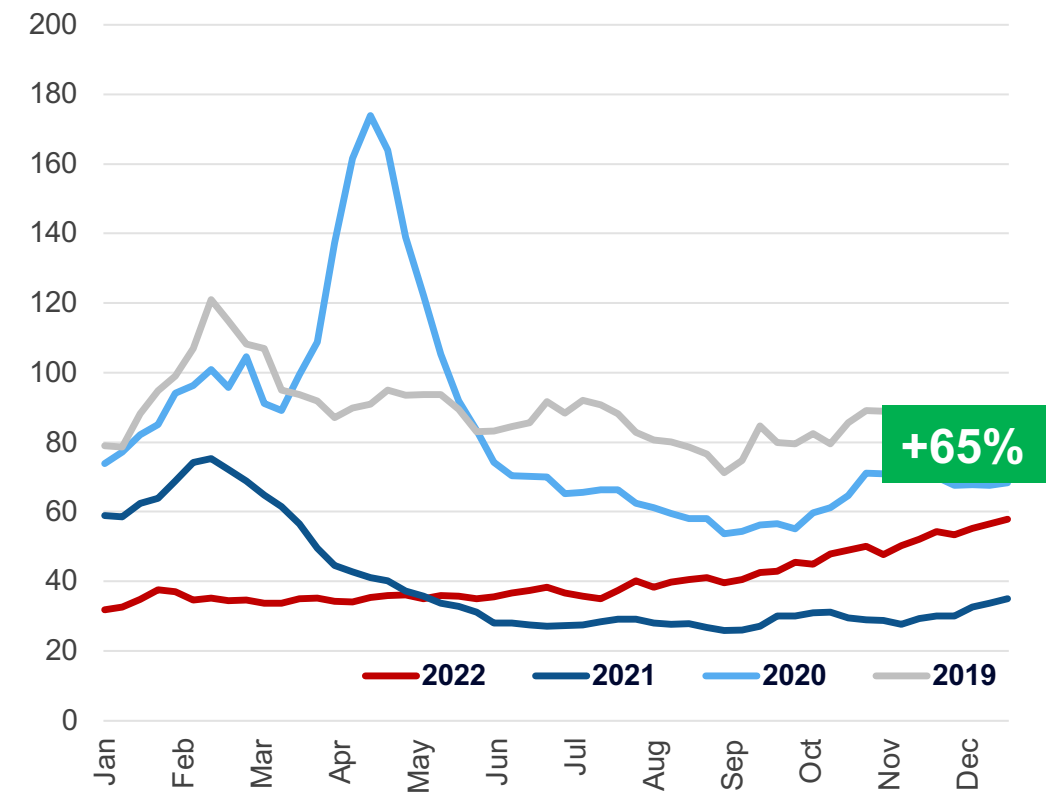
Supply noticeably improving – now 715K more vehicles than in 2021



Available Supply weekly



Days of Supply weekly



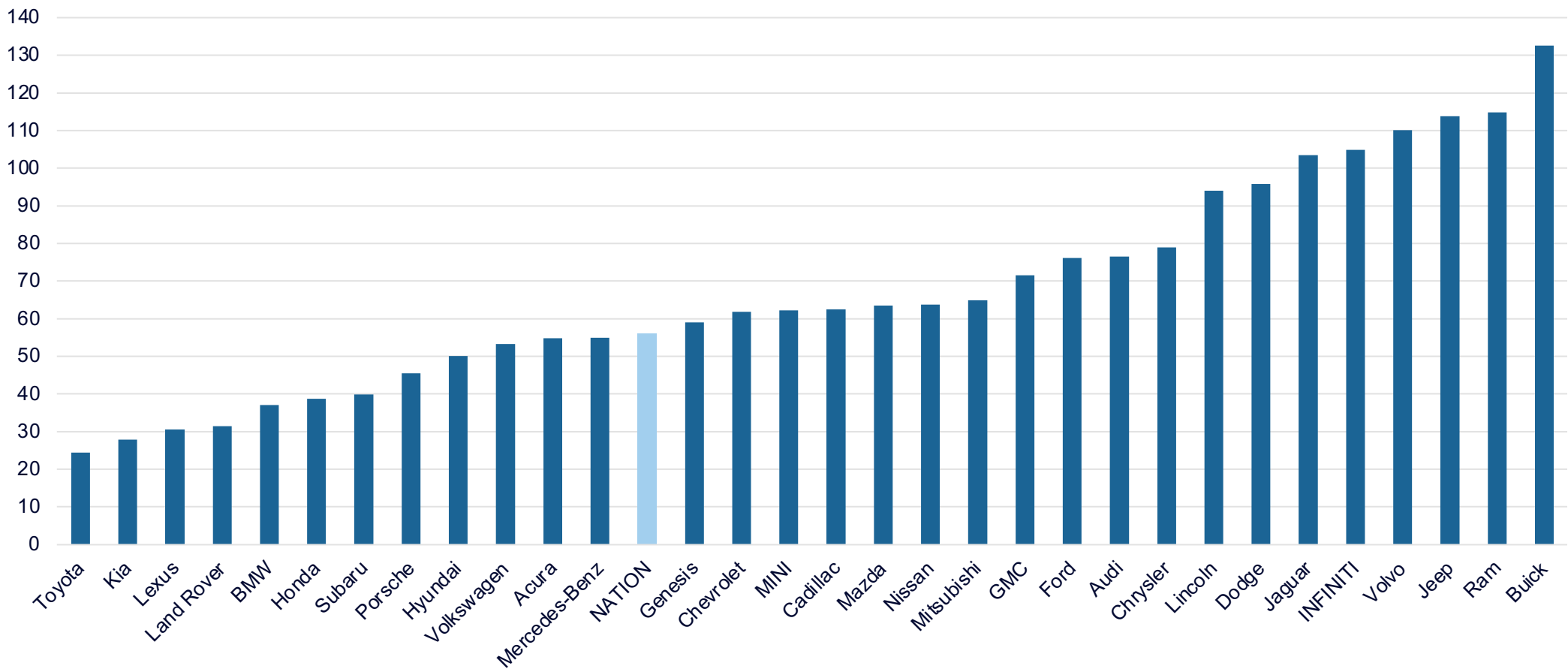


# Brand Inventory | Supply Situation Varies

Detroit 3 brands seem to be returning to pre-covid levels



Days Of Supply

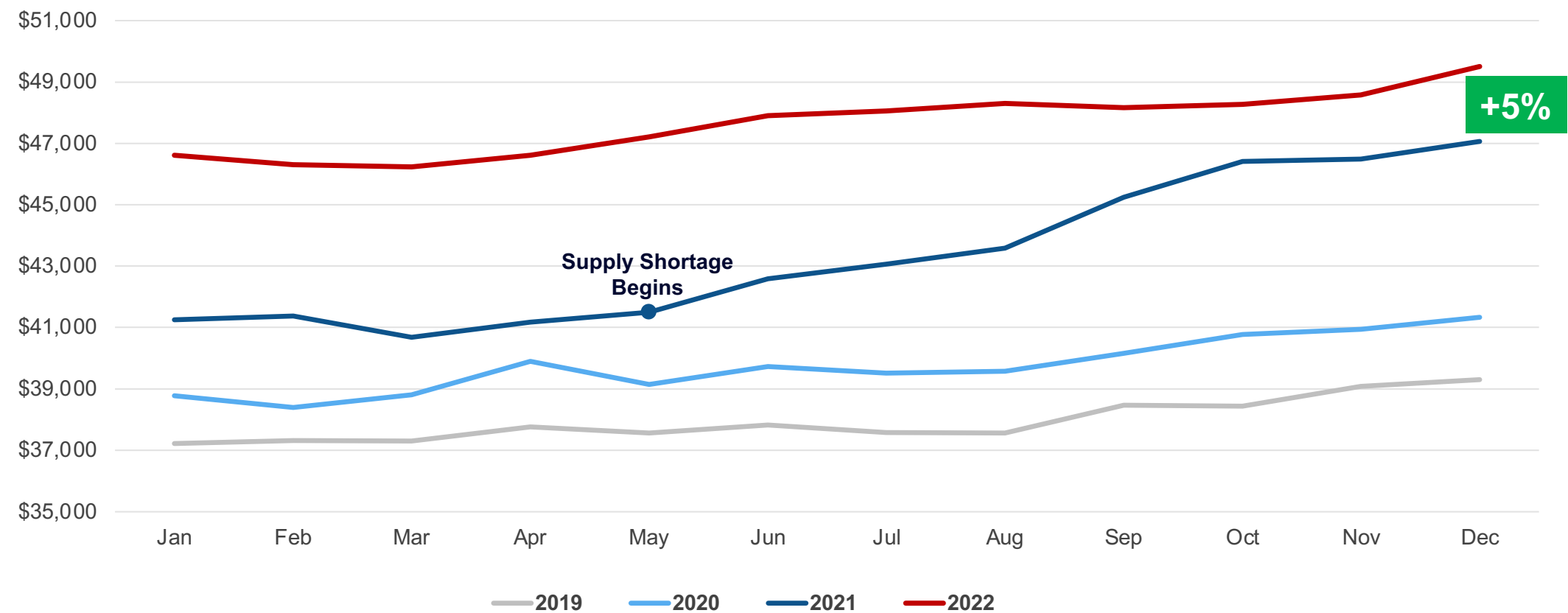


# Transaction Prices | Finished 2022 Near \$49,507

Inflation slowing but no retreat - more expensive mix likely to continue



Estimated Monthly Transaction Prices

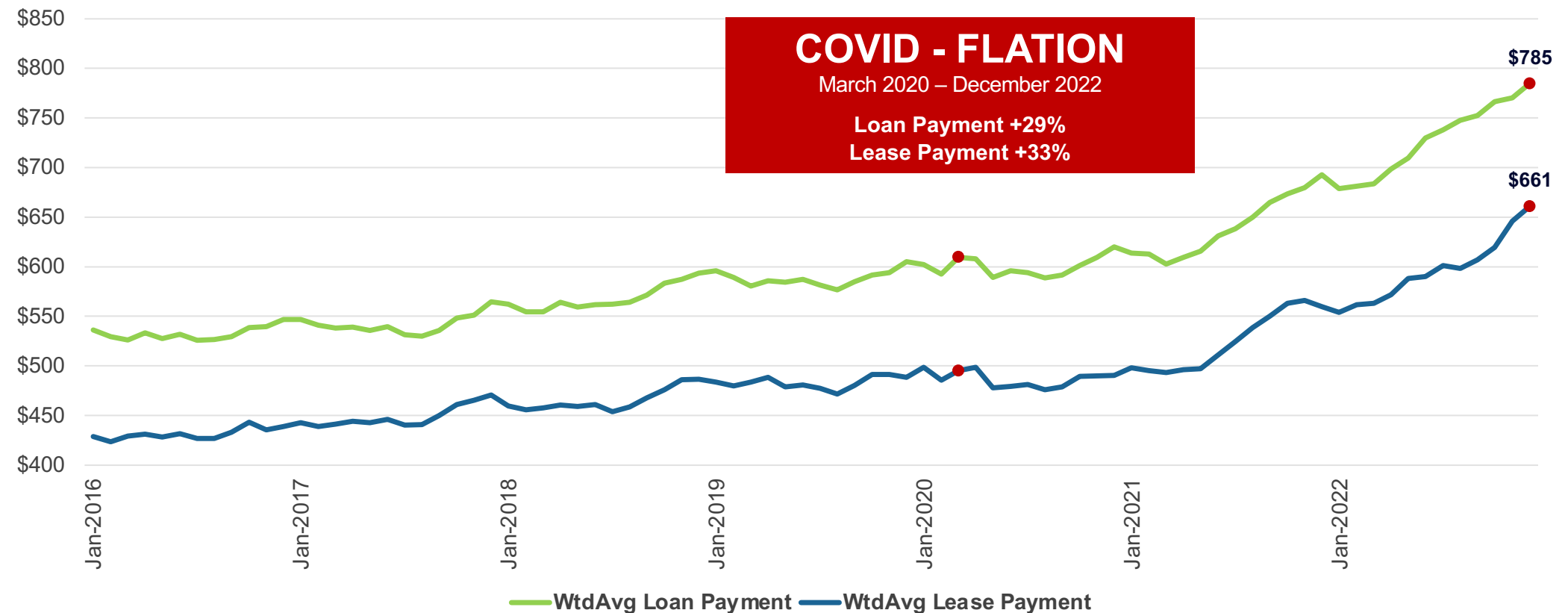


# Monthly Payments | Average Loan = \$785, Lease=\$661

Lease payment rising more post Covid - rising interest rates will push both even higher



Average Monthly Loan and Lease Payment

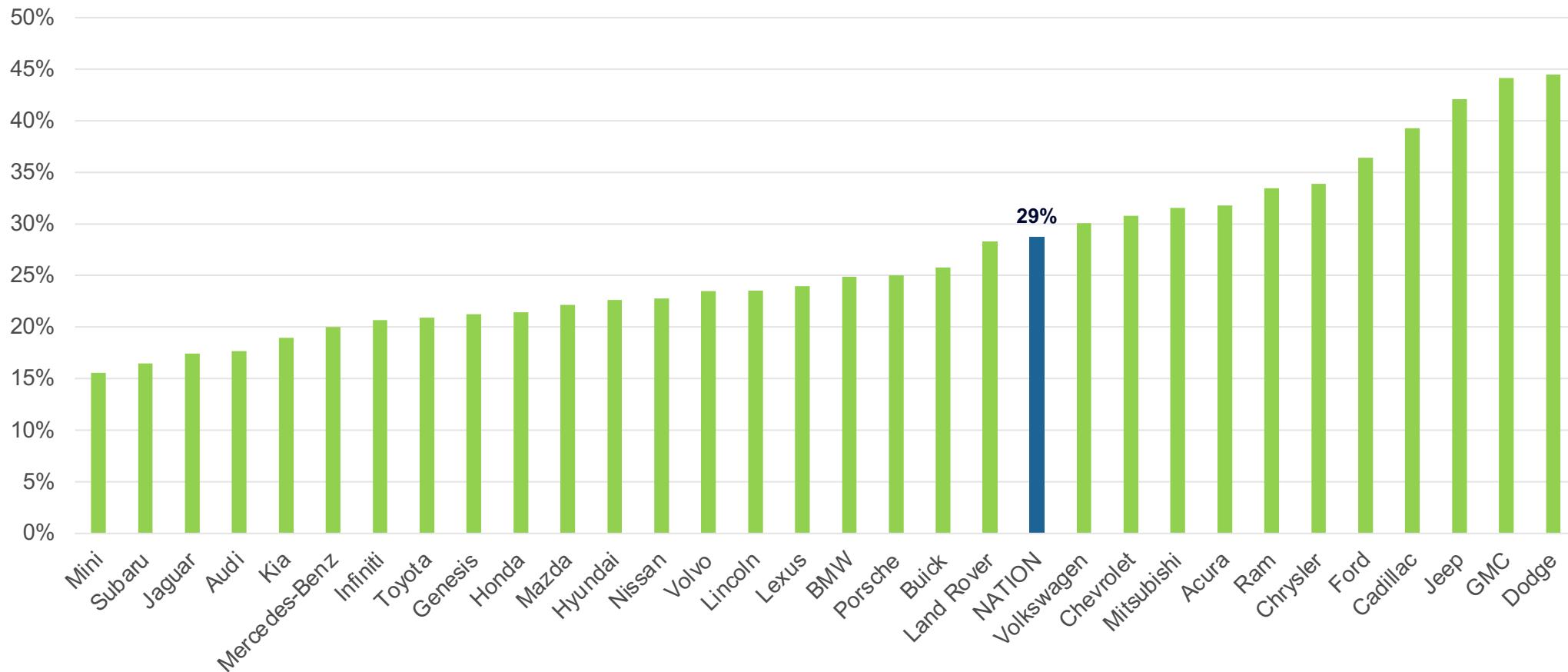


# Change In Payments | Detroit Brands Have Largest Increases

Many brands show only mild inflation – may be less vulnerable to worsening conditions

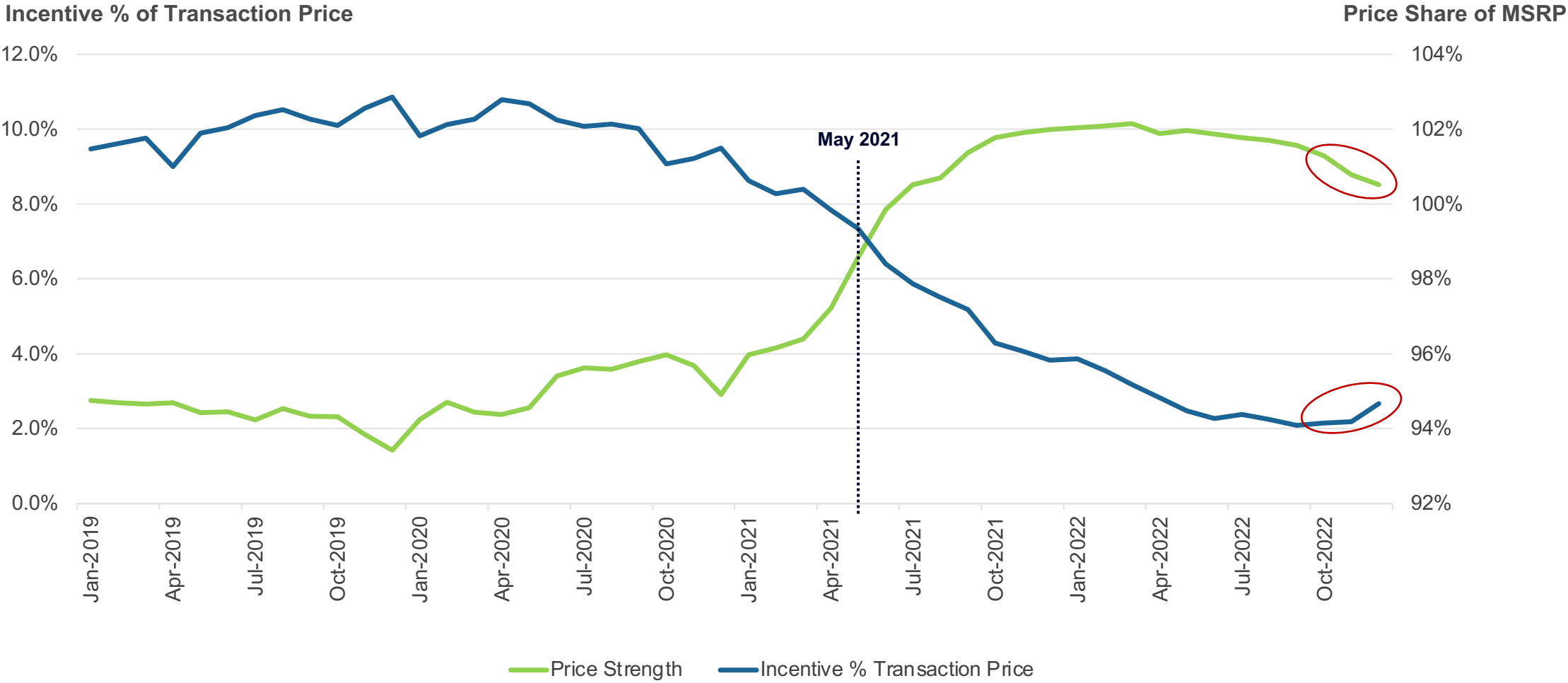


Change In Average Monthly Loan Payment (March 2020 - December 2022)



# Seller's Market | Strong Margins Now Weakening

Discounting and negotiating still way down, MSRP=Price now changing

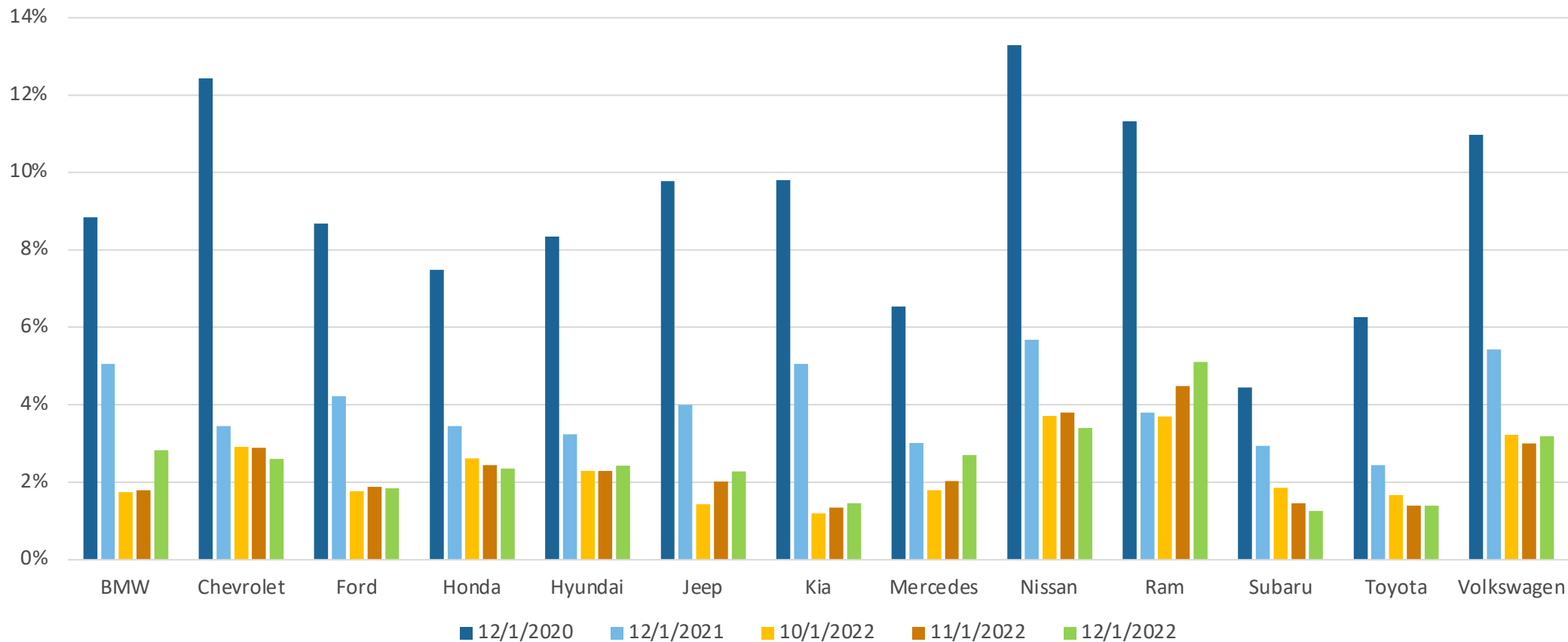




# Big Brand Discounting | Strategies May Be Changing, Slowly

All brands well below two year ago levels, but some show up-tick in recent months

Incentive % of Transaction Price: (Dec 2020, Dec 2021, Oct-Dec 2022)

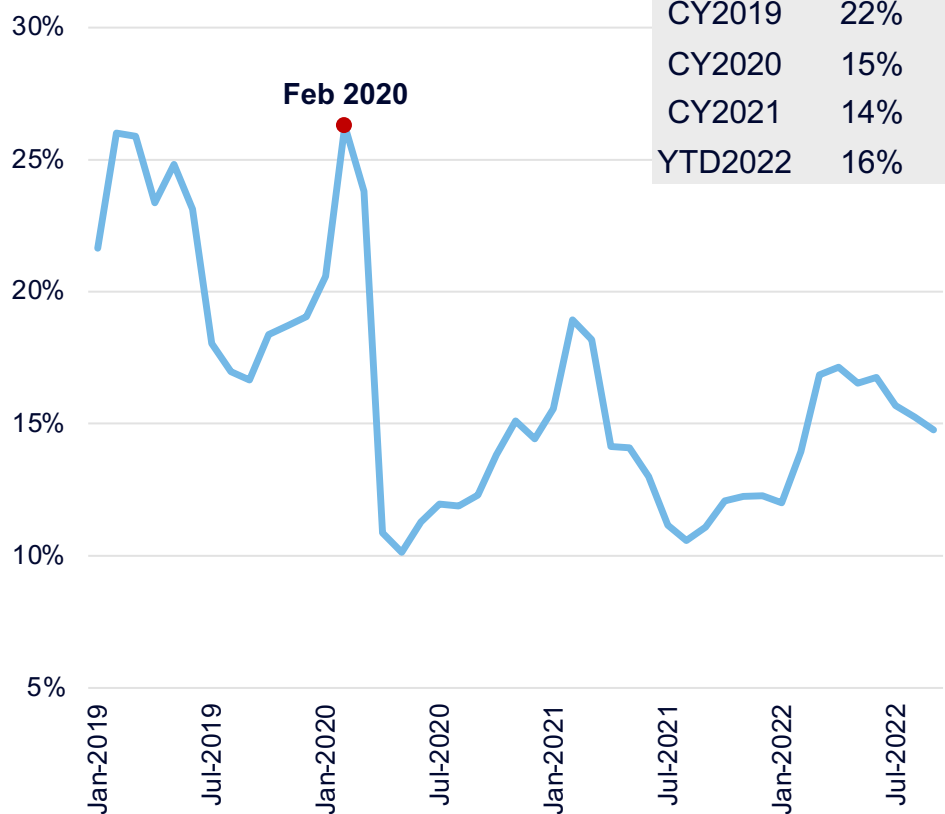


# Sales Channels | Less Fleet and Lease Continues

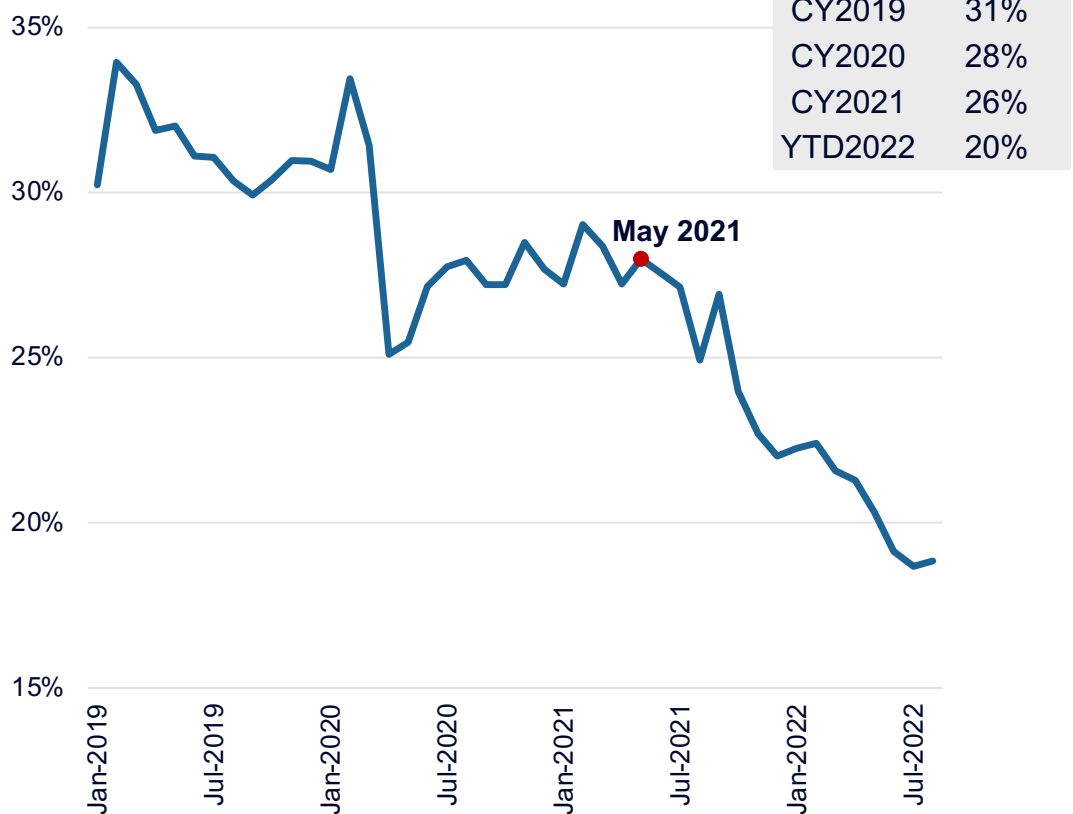
Constrained supply keeping these sales low - offers future opportunities for OEMs



Fleet Share of Total Sales

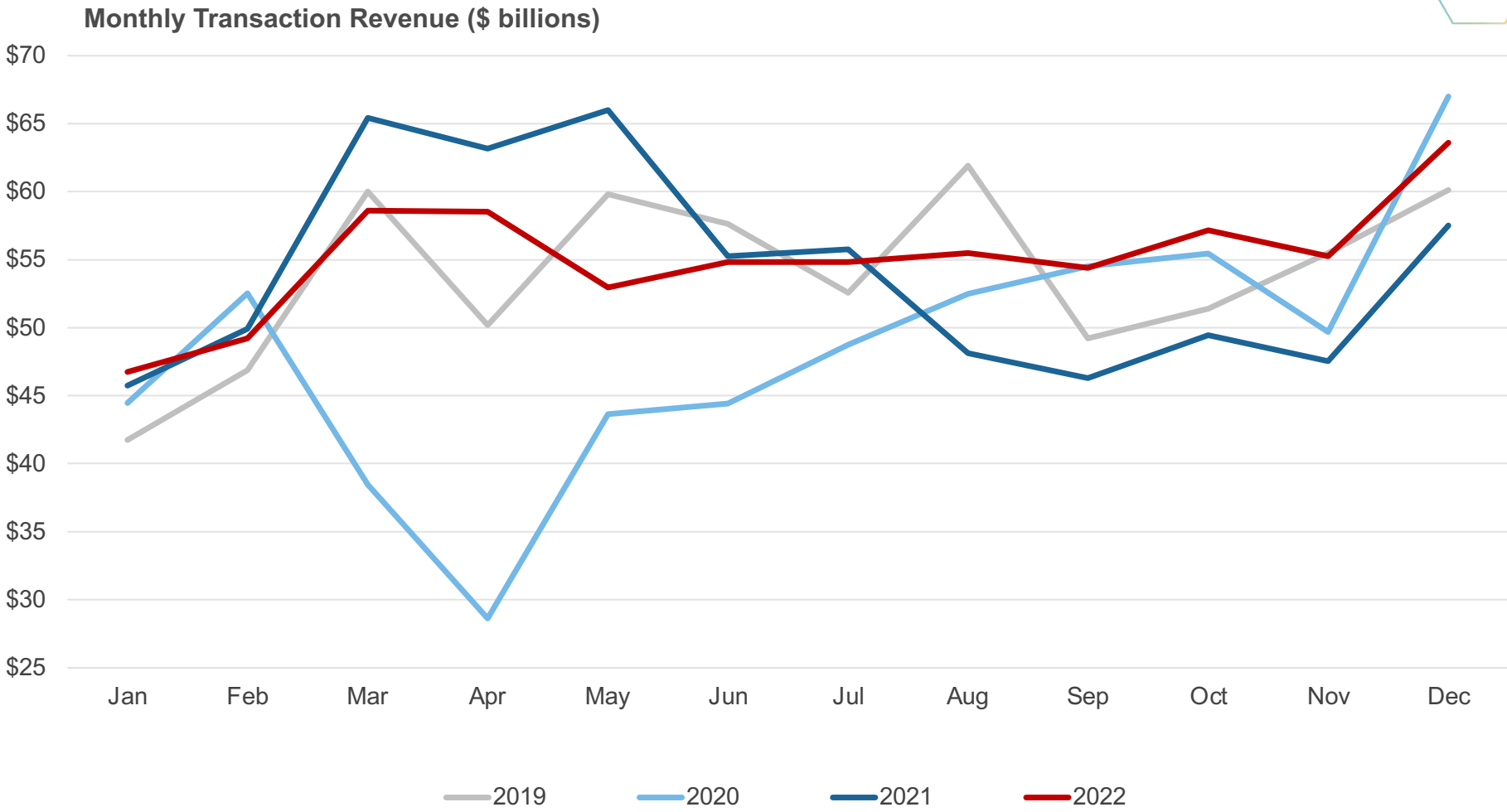


Retail Lease Share of Retail Sales



# Total Revenue | High Prices Offsetting Lower Volumes

Lower supplies and incentives is transforming business models – why get back to “normal”



Total Revenue (billions)	
CY2019	\$647
CY2020	\$580
CY2021	\$650
CY2022	\$662
CY 2022	
Sales	-8%
Revenue	+2%





# 2023 Outlook and Playlist

COX AUTOMOTIVE



# Jonathan Smoke

Chief Economist

 @smokeoncars

COX AUTOMOTIVE

2023  
FORECASTS

**14.1M**  
NEW SALES

**11.9M**  
NEW RETAIL SALES

**2.2M**  
FLEET SALES

**2.5M**  
NEW LEASE  
VOLUME

**21%**  
LEASE  
PENETRATION

**2.2M**  
CPO SALES

**35.6M**  
USED SALES

**18.9M**  
USED RETAIL SALES

**-4.3%**  
DEC 2023 Y/Y MANHEIM  
USED VEHICLE  
VALUE INDEX

# 10 PREDICTIONS FOR 2023



1

A Slow-Growing Economy Will Place Pressure on the Automotive Market.



2

New-Vehicle Inventory Levels Will Continue to Increase.



3

Total Retail Vehicle Sales Will Fall in 2023, as New-Vehicle Sales Grow, Used Sales Decline.



4

Sales of Electric Vehicles in the U.S. Will Surpass 1 Million Units for the First Time.



5

Used-Vehicle Values Will See Above-Normal Depreciation for a Second-Straight Year.



6

Vehicle Affordability Will Be the Greatest Challenge Facing Vehicle Buyers.



7

All-Cash Deals Will Increase to Levels Not Seen in Decades.



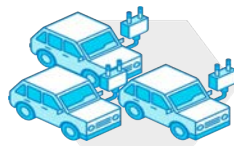
8

Dealership Service Operations Volume and Revenue Climb.



9

Half of Vehicle Buyers Will Engage With Digital Retailing Tools.



10

Federal Incentives Will Encourage More Fleet Buyers to Consider Electrified Solutions.



## 2023 Playlist



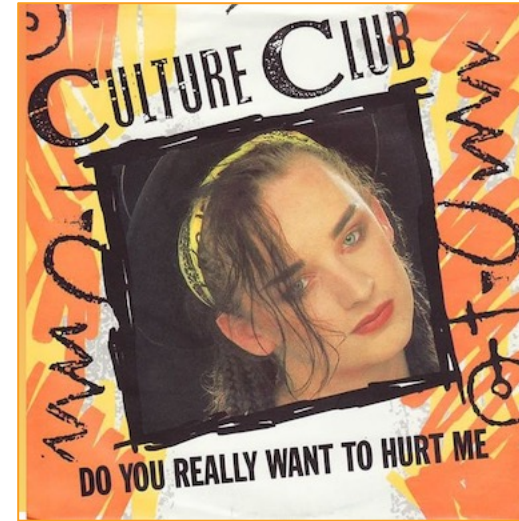
**Hurts So Good  
By John Cougar  
Mellencamp**

Industry benefited  
from a supply  
problem, but that's  
changing rapidly...



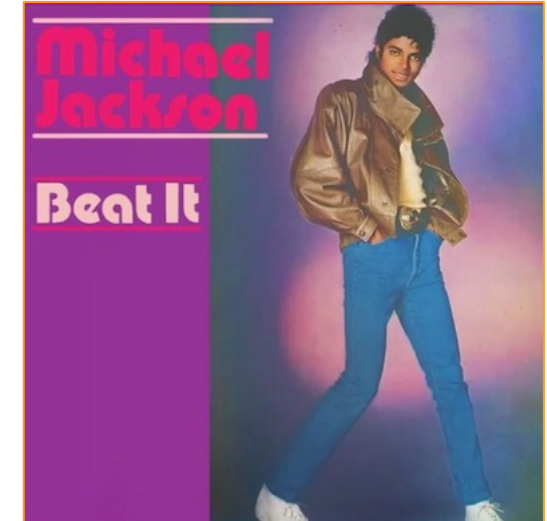
**Eye of the Tiger  
By Survivor**

More challenging  
market



**Do You Really Want  
to Hurt Me  
By Culture Club**

The Fed would take  
recession over  
inflation



**Beat It  
By Michael Jackson**

Just beat it

The background image shows a blue car driving on a winding road, with significant motion blur on the road surface and surrounding greenery to convey speed. The car is positioned on the right side of the frame. In the top-left corner, there is a cluster of overlapping hexagonal outlines in various colors (teal, orange, green). In the bottom-right corner, there is another cluster of similar hexagonal outlines, some of which are partially cut off by the edge of the image.

**Q&A**

COX AUTOMOTIVE

# 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)

COX AUTOMOTIVE

