



Light Vehicle Market Outlook: Affordability an Issue and an Opportunity

October 2018

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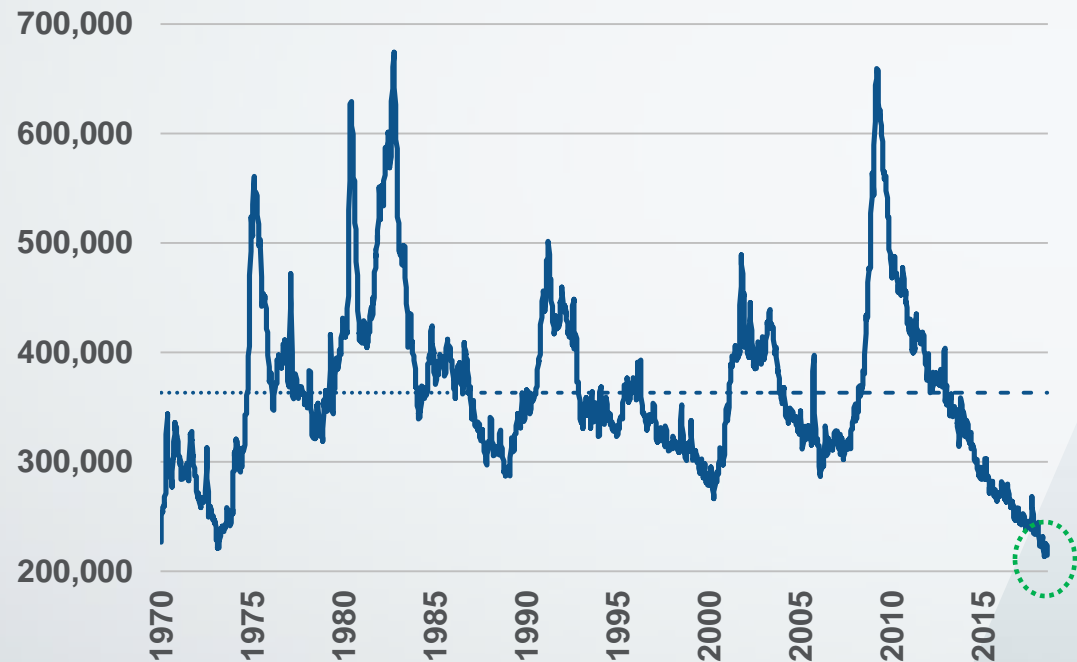
COX
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Outlook Optimistic But Threats Rising

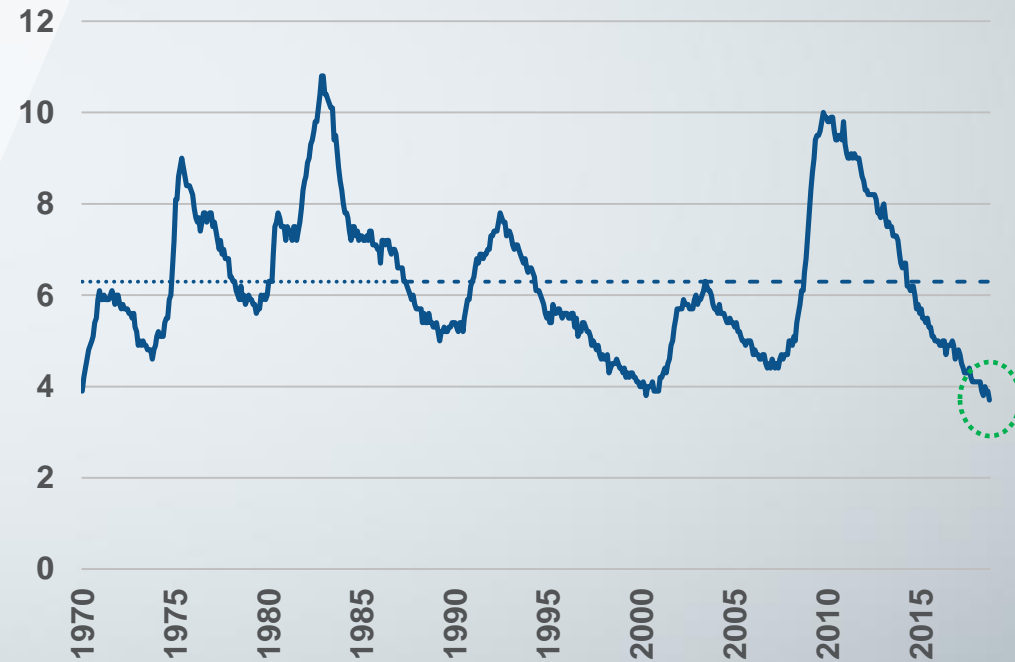
- Economy is strong and so is vehicle demand:
 - High confidence + low unemployment + credit availability = the perfect storm for robust auto sales.
- Vehicle affordability a growing concern:
 - Rising interest rates, gas prices, vehicle prices coupled with low wage growth, inflation = strong headwind.
- Trump Tariffs are major threat to vehicle sales:
 - Prices will rise for new and used products, and parts. Weaker economy will lower demand further.
- Vehicle demand to shift toward used as off-lease vehicles flood the market:
 - Affordability and product mix will capture new buyers. New car/entry segments under greatest threat.

Labor Markets Are Historically Strong

Initial Unemployment Claims



Unemployment Rate



Source: Department of Labor

Wage Growth Weak Without Upward Pressure

Jobs: Openings Per 100 Employed



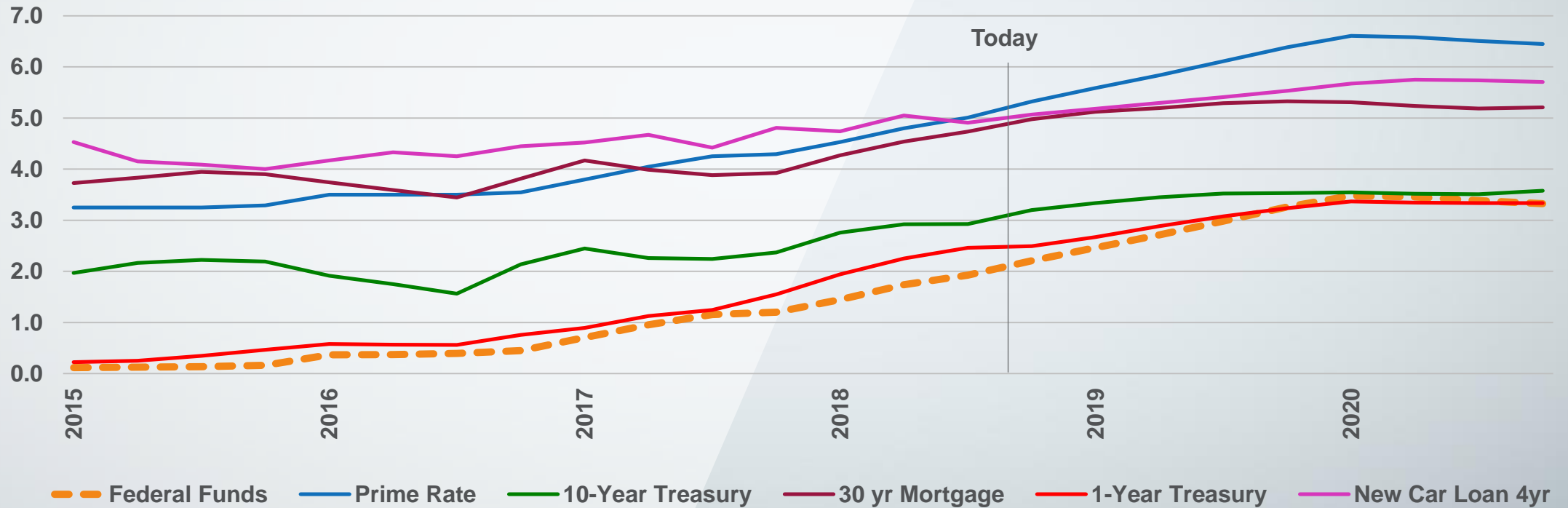
Jobs: Quits Per 100 Employed



Source: Department of Labor, Bureau of Labor Statistics, 3m averages

Tighter Monetary Policy Expected

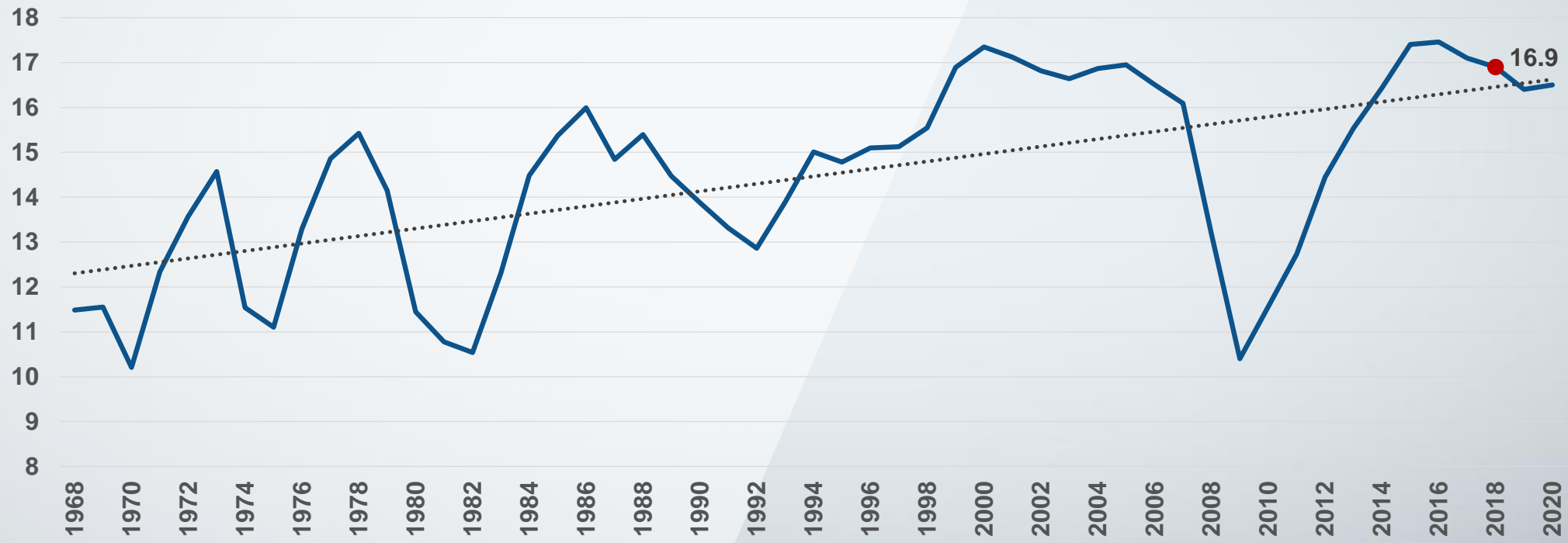
Interest Rate Forecasts (%)



Sources: Federal Reserve, Moody's Forecast

Rising Headwinds To Slow New Market

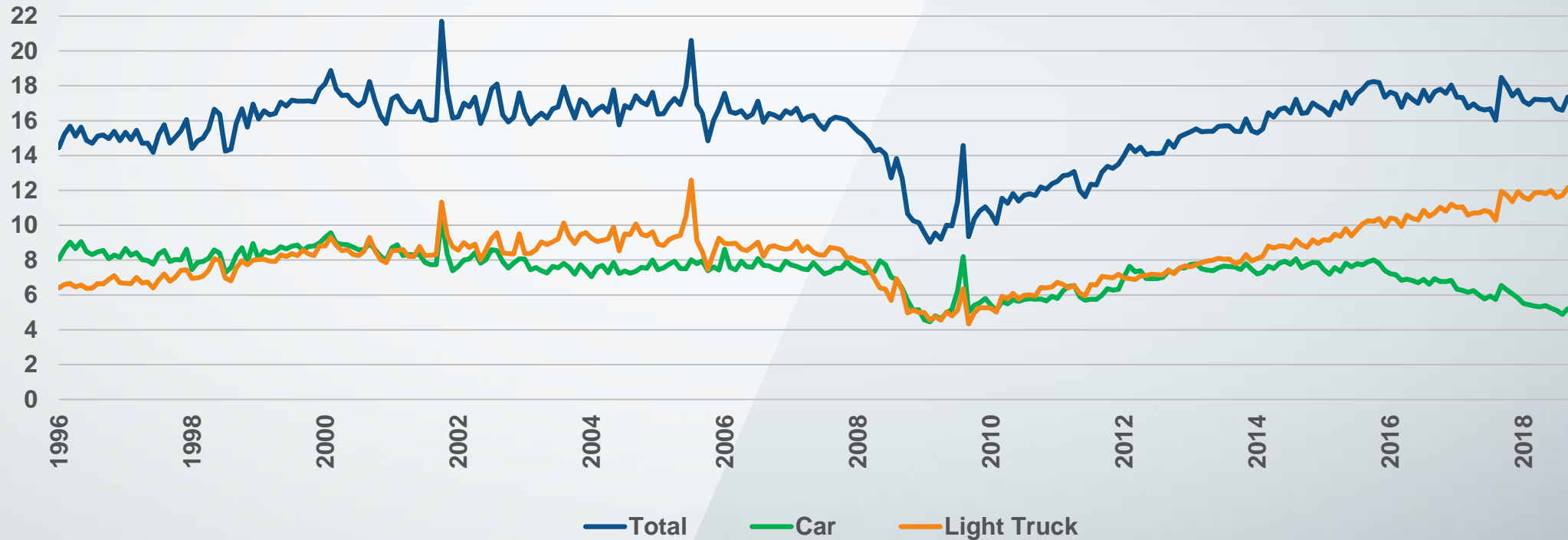
Light Vehicle Sales Outlook (millions)



Source: Cox Automotive Forecast, October 2018

Sales Pace Strong But Dichotomy Increasing

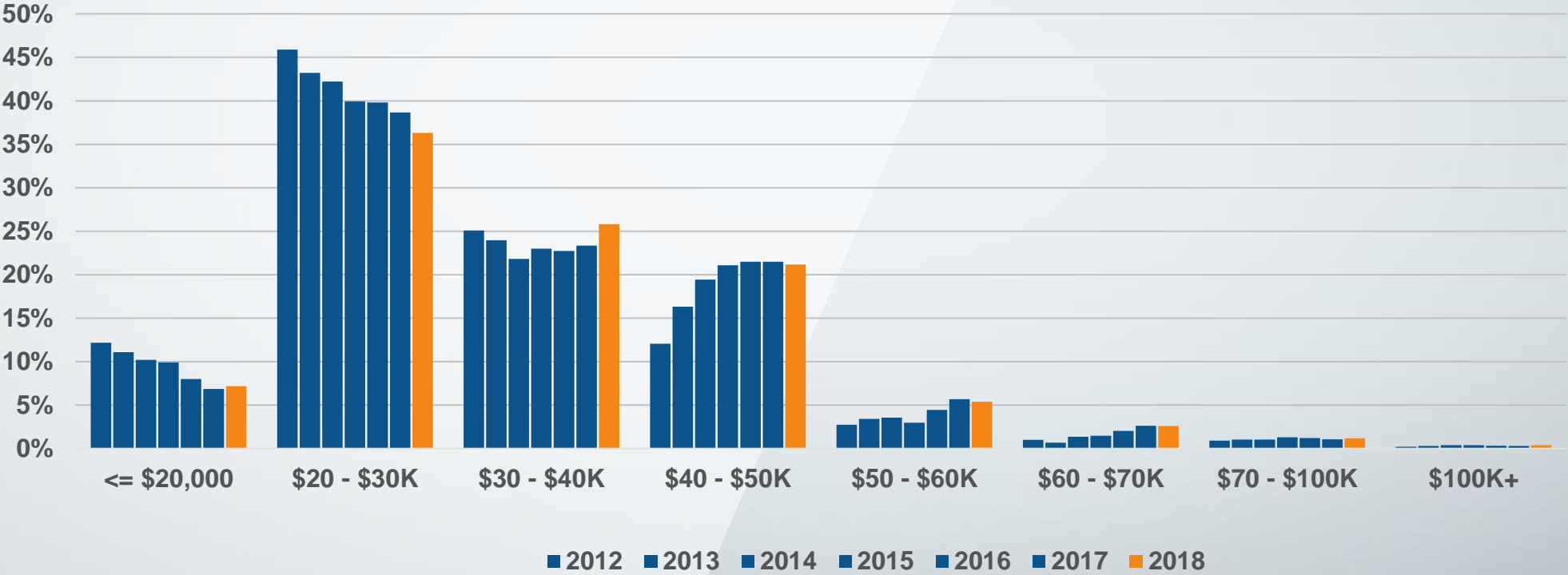
Monthly Sales SAAR (millions)



Source: US Bureau of Economic Analysis

Share Of Market Less Than \$30,000 Declining

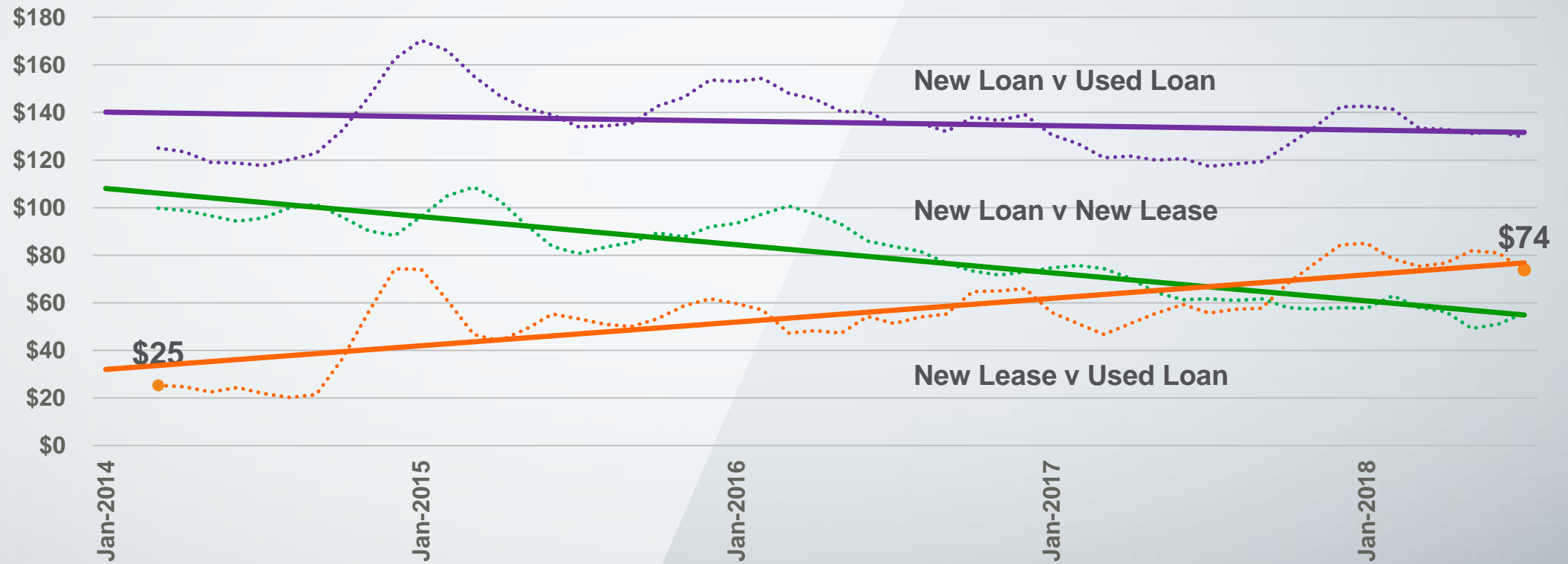
New Vehicles - Transaction Price Market Share (2012-2018)



Source: Cox Automotive/KBB

Rising Lease Payments Impacting Choices

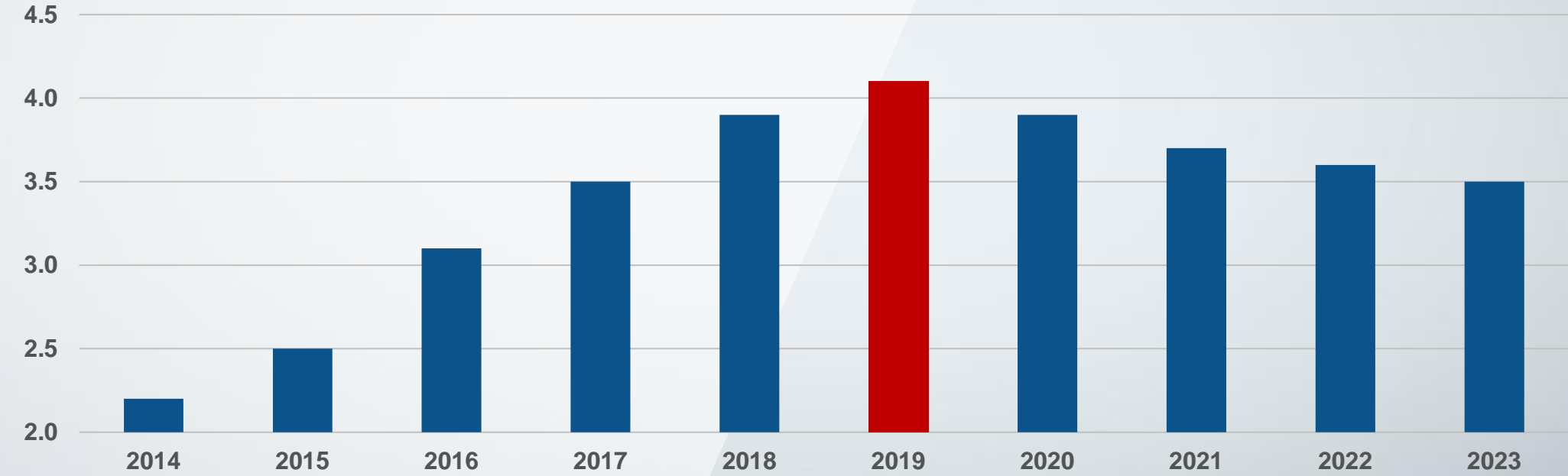
Monthly Payment Differences (3m avg and Trend)



Source: Cox Automotive Estimates

Previous Leasing Creating Major Headwind

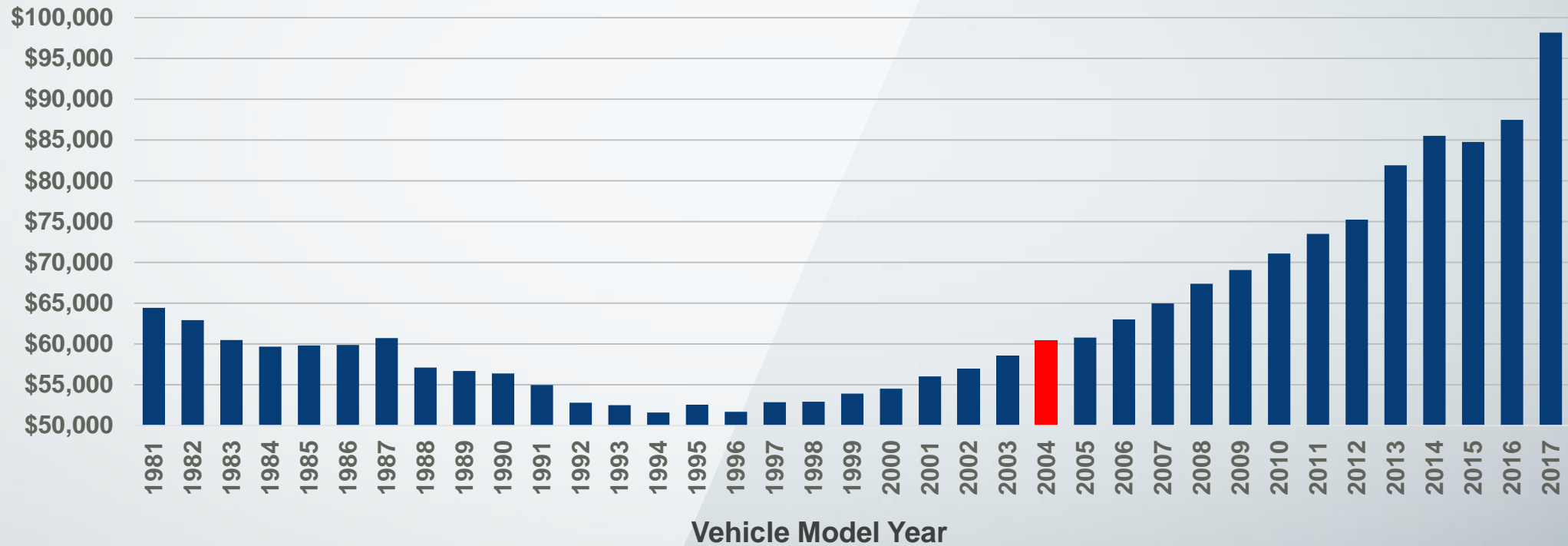
Off-Lease Maturities (annual volume, millions)



Source: Cox Automotive Estimates

Affordability Critical To Buyers Decision

Used Vehicle Buyer Average Household Income



Source: Cox Automotive Estimates, IHS registrations

Buying Conditions Changing Since Record Year

	<u>2016</u>	<u>2018</u>	<u>Change</u>
New Vehicle Sales	17.5m	17.0m	-500K
Avg Transaction Price	\$34,353	\$35,762	\$1,409
Avg 5 year Loan Rate%	4.1	4.9	0.8
Federal Funds Rate%	0.4	1.7	1.3
Income Growth	1.7%	2.8%	1.1%
Inflation	1.3%	2.5%	1.2%
Gasoline Price	\$2.15	\$2.76	\$0.61

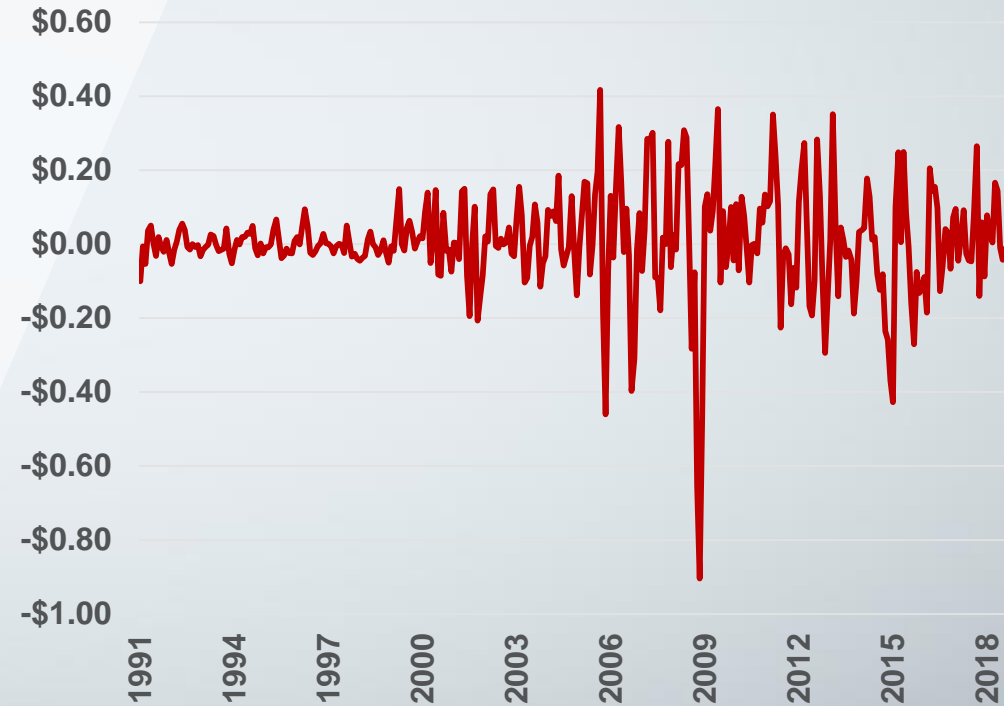
Source: Cox Automotive

Gasoline Prices Impact Consumer Finances

Regular Gasoline (\$/gallon)



Regular Gasoline Monthly Change (\$/gallon)



Source: Department of Energy

Still Significant Savings From Better MPG

Driving 15K Miles Annually - Monthly Savings From 1 MPG Improvement



Source: Cox Automotive

MPG Importance Falling - Until The Next Oil Spike

Percent Respondents Stating Fuel Economy Very Important For Their Buying Decision



Source: Cox Automotive – KBB Research