

# READING THE METER

April 29, 2020

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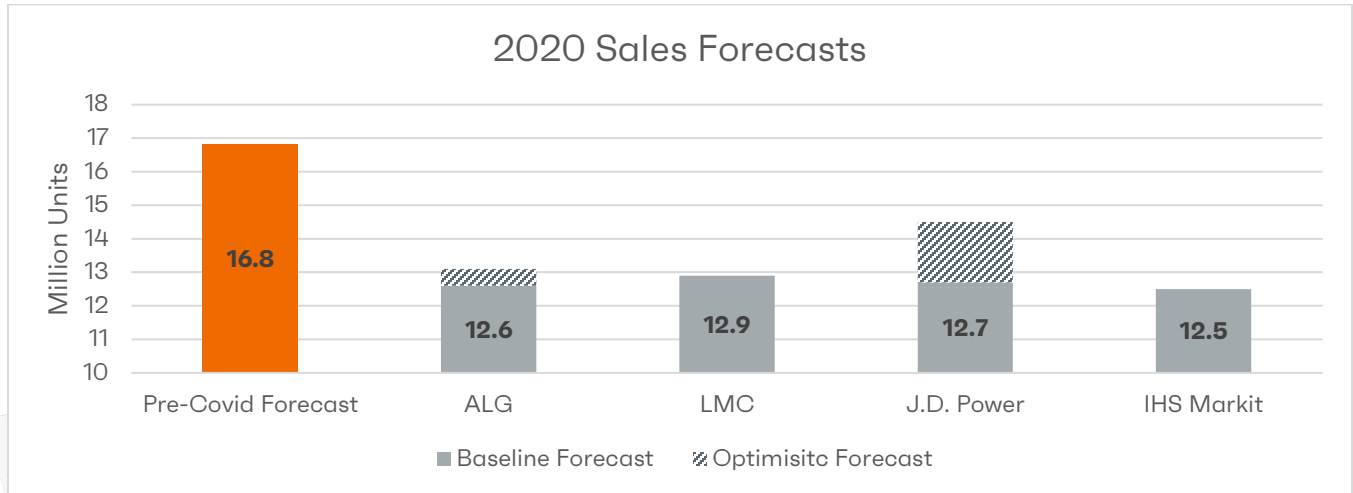
## Forecast Meter

### Forecast Summary (Updated 4/29)

#### 2020 March Sales,<sup>i</sup> Extended Sales Forecast<sup>ii</sup> and Production Forecasts<sup>iii</sup>

|                               | U.S. Sales & Forecasts | North American Production Forecast   |
|-------------------------------|------------------------|--------------------------------------|
| <b>March</b>                  | 992,392 (-33% YoY)     | 1.01 million units (-34% YoY 2019)   |
| <b>April Forecast</b>         | 620,000 (-53%YoY)      | 138,500 (-90% YoY)                   |
| <b>1<sup>st</sup> Quarter</b> | 3,476,512 (-12.7% YoY) | 3.86 million units (-11.7% YoY 2019) |
| <b>Mid-year Estimate</b>      | 10.0 Million SAAR      | 6.86 million units (-22% YoY 2019)   |

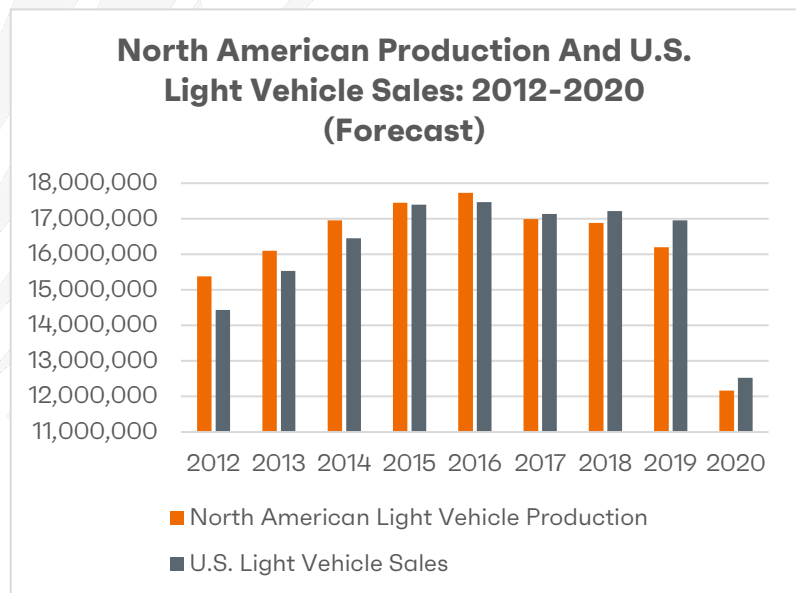
## U.S. Light Vehicle Sales Outlook (Updated 4/29)



## North American Production Outlook<sup>iv</sup> (Updated 4/29)

**North America Production:** The outlook for North American light vehicle production was reduced by 1,922,000 units and 1,057,000 units for 2020 and 2021, respectively (and reduced by 231,000 units for 2022). The forecast reductions stem primarily from further deterioration in economic fundamentals relating to the COVID-19 crisis and its impacts on US auto sales. The 2020 forecast now reflects a nine-week shutdown across North America with production for most plants expected to resume beginning the week of May 18. The estimated loss of production due to COVID-19 related

shutdowns spanning the forecasted nine weeks totals 2.75 million units. Production in April 2020 is projected at roughly 4,300 units, marking the lowest monthly production level since 1945 following the end of World War II. Production is expected to return at a gradual pace with reduced shifts and continue to ramp-up through 2Q-2020. Concern surrounds several Midwest and US South states that lagged in implementing “stay-at-home” orders which may result in production restarting at later dates. Further, despite restarting production, the forecast reflects manufacturers utilizing summer shutdowns to assess inventory and demand. The downtime will also allow manufacturers to make additional



adjustments at plants to ensure worker safety while also resuming maintenance and retooling efforts where needed.

## Work Stoppage Meter

### North American Assembly Facility Operating Status (Updated 4/29)

The only plant currently operating is the Mercedes-Benz assembly facility in Alabama.

Many OEM's have announced a restart date at the end of April or early or mid-May for the U.S., though dates continue to change as situations warrant.

To view the most updated information on plant operating status, please click [here](#).

| <b>North American Assembly Facilities (4/29/2020)</b> |                                   |               |                          |
|---|-----------------------------------|---------------|--------------------------|
| <b>Country</b>  | <b>Metric</b>                     | <b>Number</b> | <b>Percent of totals</b> |
| <b>U.S.</b>   | U.S. Employment                   | 176,070       |                          |
|   | Closed 4/29/2020                  | 172,270*      | 98%                      |
|   | Number of plants total            | 44            |                          |
|   | Number of plants Closed 4/29/2020 | 43            | 98%                      |
| <b>Mexico</b>   | Mexico Employment                 | 70,665        |                          |
|   | Closed 4/29/2020                  | 70,665        | 100%                     |
|   | Number of plants total            | 18            |                          |
|   | Number of plants Closed 4/29/2020 | 18            | 100%                     |
| <b>Canada</b>   | Canada Employment                 | 31,626        |                          |
|   | Closed 4/29/2020                  | 31,626        | 100%                     |
|   | Number of plants total            | 7             |                          |
|   | Number of plants Closed 4/29/2020 | 7             | 100%                     |
| <b>North America</b>                                  | Total Employment                  | 278,361       |                          |
|   | Closed 4/29/2020                  | 274,561       | 99%                      |
|   | Number of plants total            | 69            |                          |
|   | Number of plants Closed 4/29/2020 | 68            | 99%                      |

\*Assumes full employment at open plants

## Market Meter

### U.S. Light Vehicle Sales (Updated 4/29)

#### **Weekly Sales<sup>v</sup>**

“The pre-virus forecast for April 2020 was 1.36 million total sales and 1.09 million retail sales, declines of 0.8% and 1.1% respectively from April 2019.”

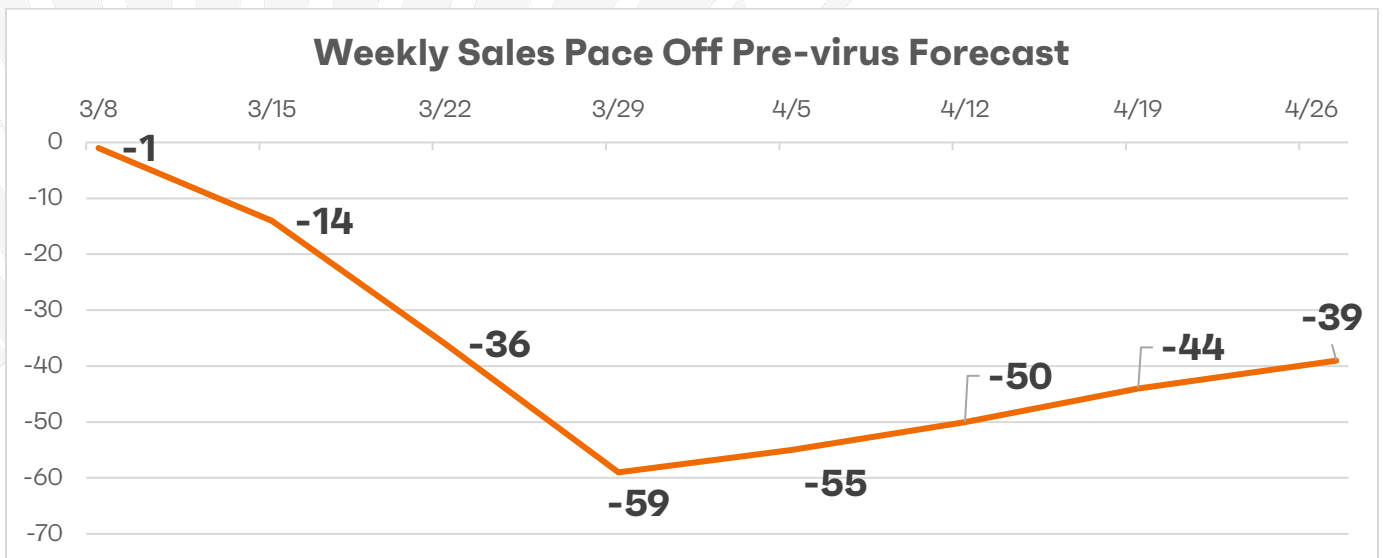
“Retail sales through April 26 are 465,000 units, a decline vs. pre-virus forecast of 46% or 392,000 units.”

“The week ending April 26 marks four straight weeks of improving conditions. U.S. retail sales are now in recovery.”

“While several markets remain depressed, all major markets are showing recovery.”

“Volume grew in all top 25 markets last week, except Raleigh.”

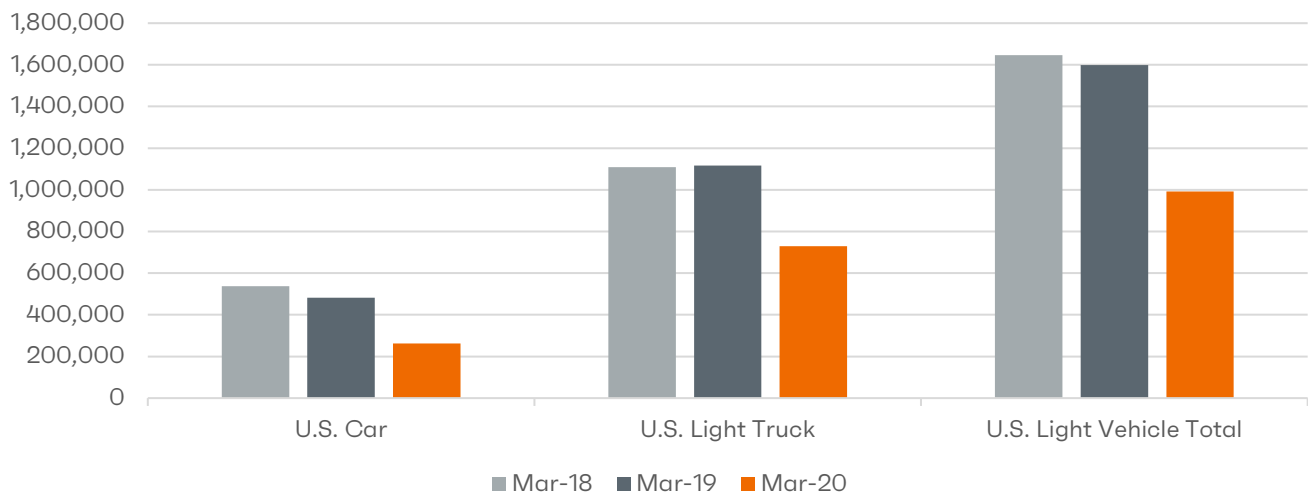
“While declines are severe, the majority of markets are outperforming the expected 80% decline in sales based on stay-home guidance with 12 out of 25 top markets down less than 40%.”



#### **Monthly Sales<sup>vi</sup>**

Year over year, March light vehicle sales are down 38% from 2019, and 40% from 2018. The trend continues to favor light trucks over cars, with trucks capturing nearly three-quarters of the market (73.5%), and gaining nearly 4% market share over 2019, however the overall volume was down 387,000.

## U.S. Light Vehicle Sales: March Year-Over-Year Changes

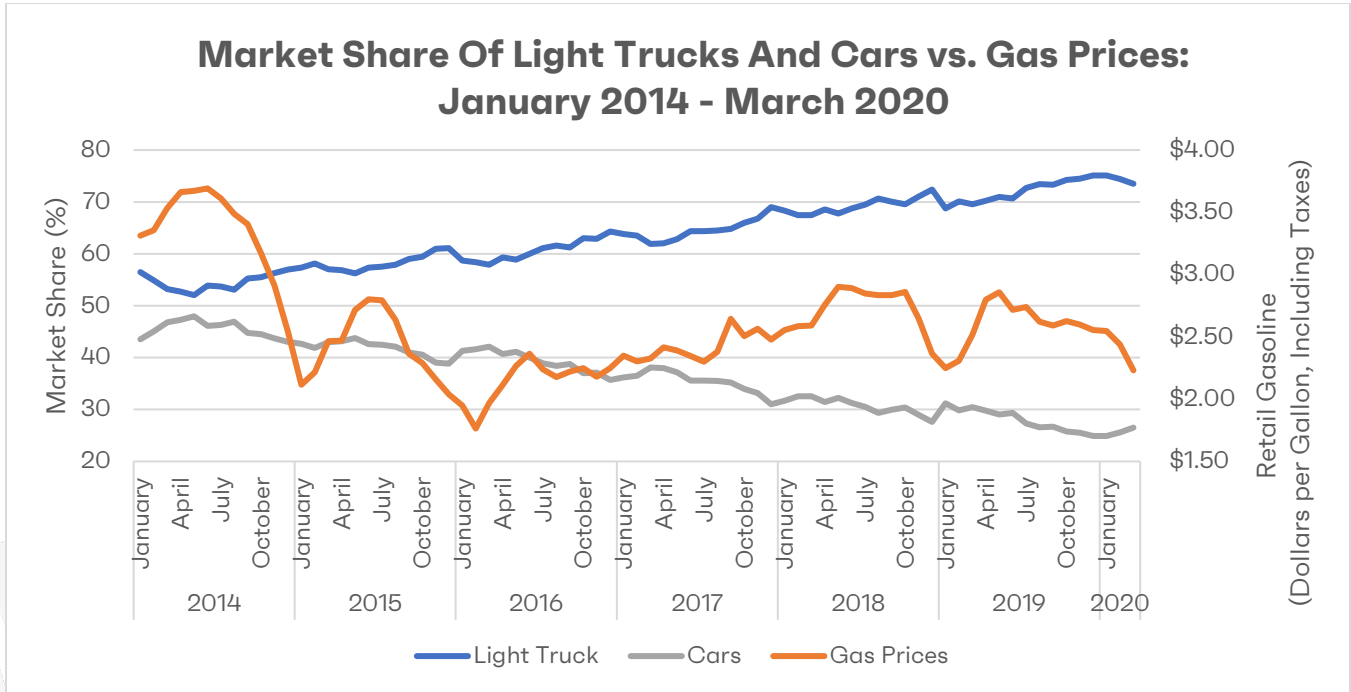


## Segments vs. Gas Prices (Updated 4/22)

The upward trend in the popularity of light trucks over cars has been steady since 2013, when only 2% of annual market share separated the two segments<sup>vii</sup> and gas was over \$3.00<sup>viii</sup> a gallon. As fuel prices dropped below the \$3.00 mark in mid-September 2014, light truck sales began to take off – and never looked back. Gas prices since have averaged only \$2.47 a gallon (through March 2020) and when combined with increased fuel economy for light trucks, an increase of 4 mpg since 2013<sup>ix</sup>, the perfect conditions existed to continue fueling light truck market growth.

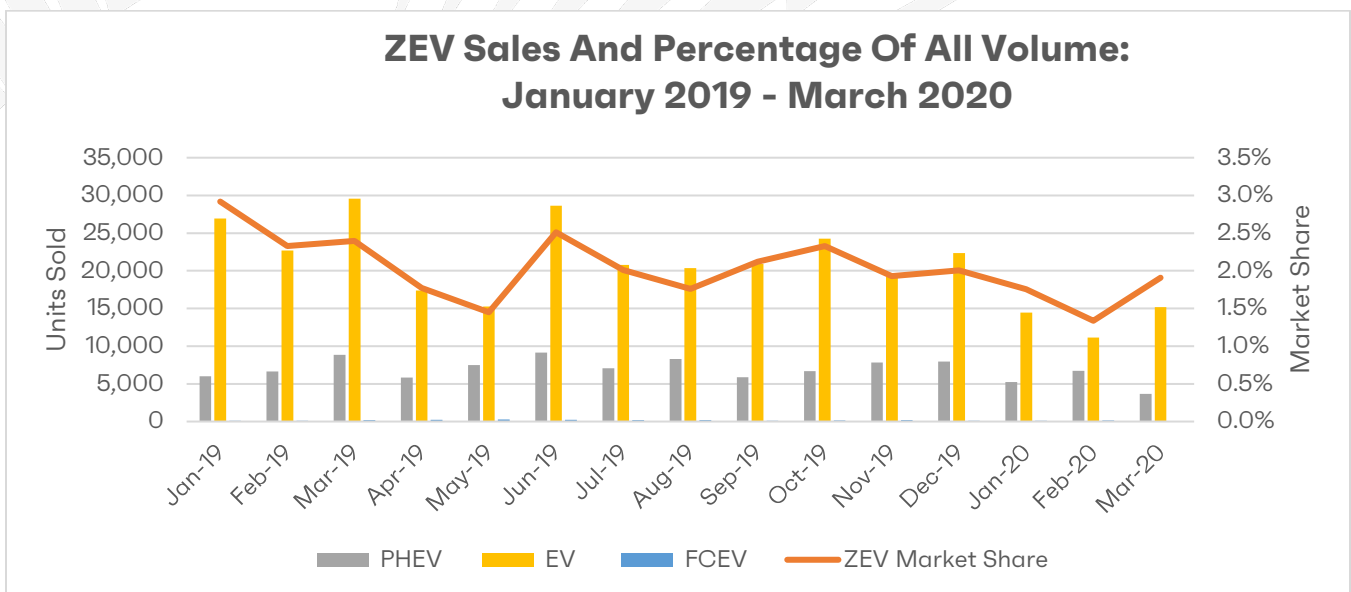
As gas prices are predicted to average only \$1.58 through the summer season<sup>x</sup>, a further hit to the car segment is entirely possible.

**Additional Insight<sup>xi</sup>:** The top 5 segments, which accounted for 60% of 2019's retail sales, are down 46% for the week ending April 19<sup>th</sup> and large Pickups remains the best performing segment, though sales have declined slightly for two straight weeks. All three major SUV segments have improved for three straight weeks, with this past week showing 5-8 percentage point increases. Compact Cars Remain among the hardest hit



## ZEV Powertrain Sales (Updated 4/8)

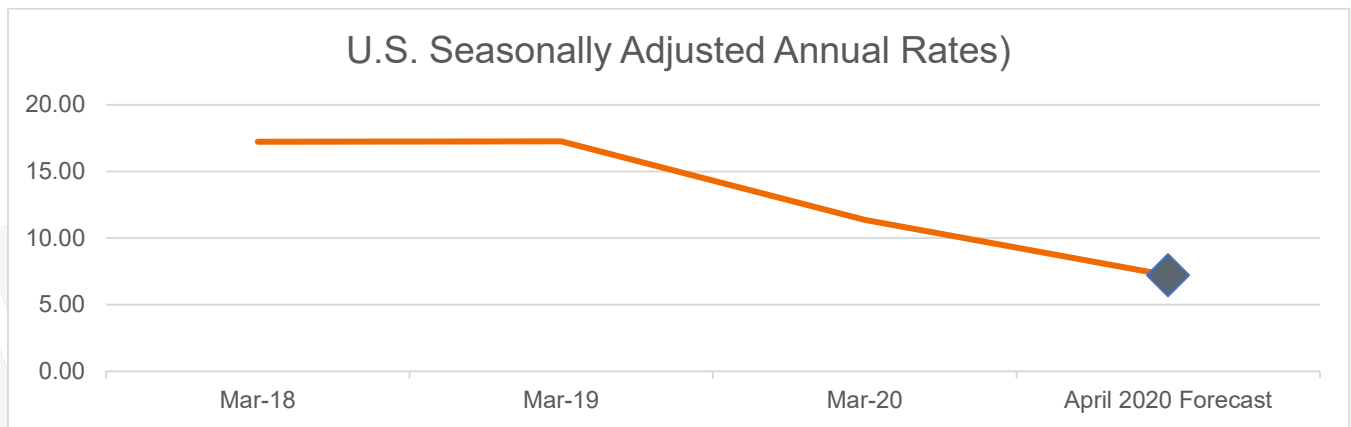
Sales of zero emission vehicles accounted for only 1.9% of total vehicle sales in March 2020, down .5% from a year ago, with electric vehicles leading the way at 1.53%, down from 1.83% in March 2019.



## Seasonally Adjusted Annual Rates (Updated 4/29)

Wards Intelligence forecasts a 7.2 million SAAR for April 2020.

The seasonally adjusted annual rates for new vehicle sales in March dropped to 11.37 million units from 17.29 million units the month before, prior to the effects of the Coronavirus shutdowns.<sup>xii</sup> Significant revisions are expected in the coming months. Year over year, March 2020's SAAR dropped 5.9 million units from 2019.

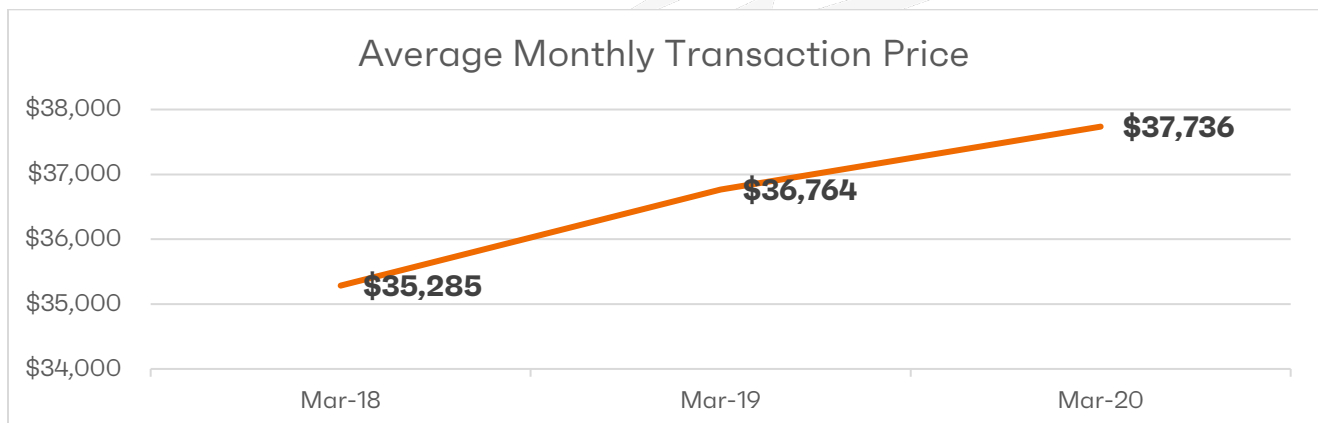


## Average Transaction Price (Updated 4/29)

The average vehicle transaction price in March 2020, per Kelley Blue Book, was up 2.6% over March 2019, and nearly 7% over March 2018.<sup>xiii</sup>

**Additional Insight From J.D. Power:** “Transaction prices reached their highest-level on record at \$35,800 during the week ending April 5. While average transaction prices declined week-over-week in week ending April 19, the variance was driven largely by changes in vehicle mix rather than lower prices. Prices were roughly flat week-over-week in week ending April 26.

“Incentives remained near record levels at \$4,800 per unit during the week ending April 26. Week-over-week increases were driven by higher incentive offers on Compact SUVs.”<sup>xiv</sup>



## Auto Loan Financing (Updated 4/29)

**Financing Down Nearly A Quarter Percent Year-Over-Year.** Financing for the week of April 22, 2020 was unchanged from the week prior on the 60-month new car financing interest rate, and down .23% since the beginning of the year. Similar rate drops were also seen in the 48-month new car interest rates and 36-month used car rates.<sup>xv</sup>

**Additional Insight From J.D. Power:** “19% of buyers during the week ending April 19 took an 84-month loan, remaining near record-level and over 2x pre-virus levels of 7-8%.”<sup>xvi</sup>

| Auto Loan Financing |                  |                  |                   |
|---------------------|------------------|------------------|-------------------|
| Dates               | 60-month new car | 48-month new car | 36-month used car |
| 4/22/2020           | 4.37%            | 4.35%            | 4.75%             |
| 4/15/2020           | 4.37%            | 4.35%            | 4.75%             |
| 4/8/2020            | 4.37%            | 4.35%            | 4.75%             |
| 4/1/2020            | 4.42%            | 4.39%            | 4.89%             |
| 3/25/2020           | 4.42%            | 4.38%            | 4.90%             |
| 3/18/2020           | 4.43%            | 4.39%            | 4.91%             |
| 3/11/2020           | 4.46%            | 4.42%            | 4.95%             |
| 3/4/2020            | 4.49%            | 4.45%            | 4.98%             |
| 2/26/2020           | 4.56%            | 4.51%            | 5.02%             |
| 1/2/2020            | 4.60%            | 4.55%            | 5.10%             |
| 4/10/2019           | 4.75%            | 4.70%            | 5.33%             |
| One Week Change     | 0.00%            | 0.00%            | 0.00%             |
| Two Week Change     | 0.00%            | 0.00%            | 0.00%             |
| Change since 1/3/20 | -0.23%           | -0.20%           | -0.35%            |
| One Year Change     | -0.38%           | -0.35%           | -0.58%            |

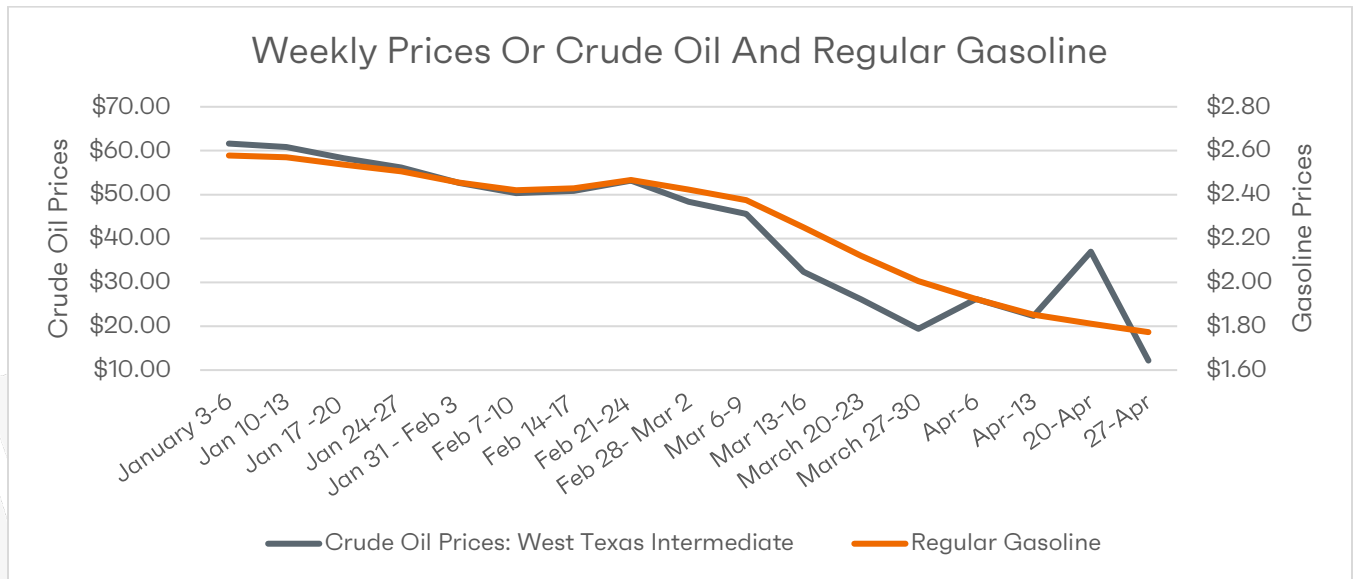
## Crude Oil and Gas Prices (Updated 4/29)

**Oil Forecasts For The Year Down More Than A Million Barrels A Day.** “The U.S. cut its 2020 oil production forecast by more than 1 million barrels a day, as collapsing crude prices and plummeting demand threaten to shutter production in the country’s biggest fields. Production is expected to average 11.76 million barrels a day through December, down from a previous forecast of 12.99 million barrels, the Energy Information Administration said on Tuesday.”<sup>xvii</sup>

**Retail Gas Forecast To Average \$1.58 For The Summer Driving Season.** “For the April–September 2020 summer driving season, EIA forecasts U.S. regular gasoline retail prices will average \$1.58 per gallon (gal), down from an average of \$2.72/gal last summer”<sup>xviii</sup>



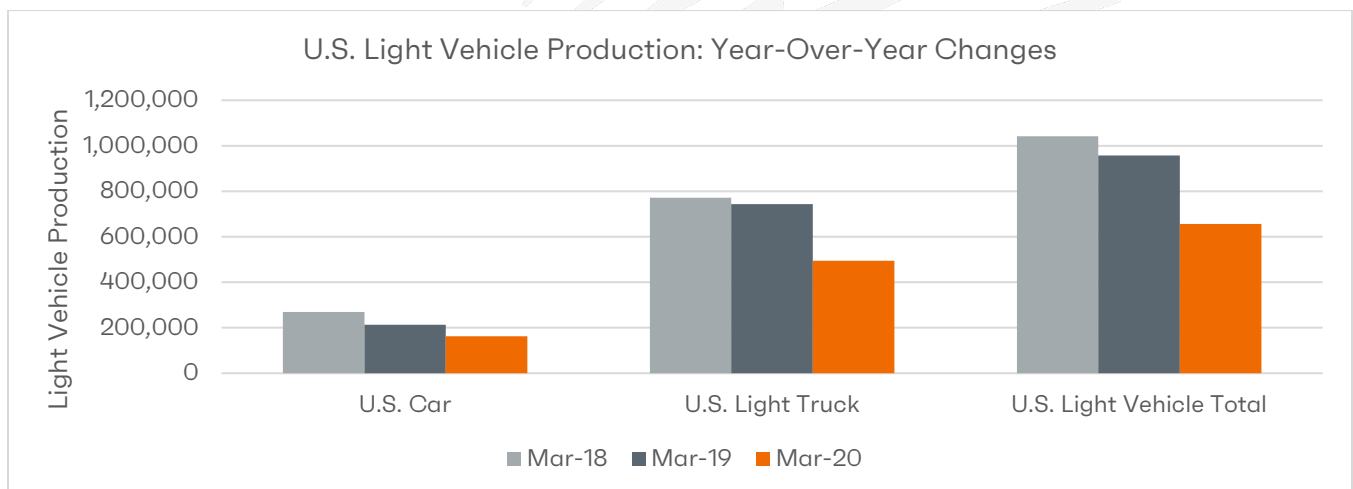
**Oil And Gas Remain Low:** After a brief rise, oil prices, as benchmarked at West Texas Intermediate, continued their descent hitting \$12.17 on April 27. The fall in gasoline prices mostly mirrors that of crude oil, though gas prices have steadily declined while oil prices have recently fluctuated. Since the start of the year, crude oil has fallen 80%, while gas prices, regular conventional blend, has fallen 31%.<sup>xix</sup>



## Production Meter

### U.S. Light Vehicle Production (Updated 4/22)

As light vehicle production shutdown across the country through the month of March, car production dropped nearly a quarter, truck production fell a third, and overall light vehicles were down 31% over March 2019.<sup>xx</sup>



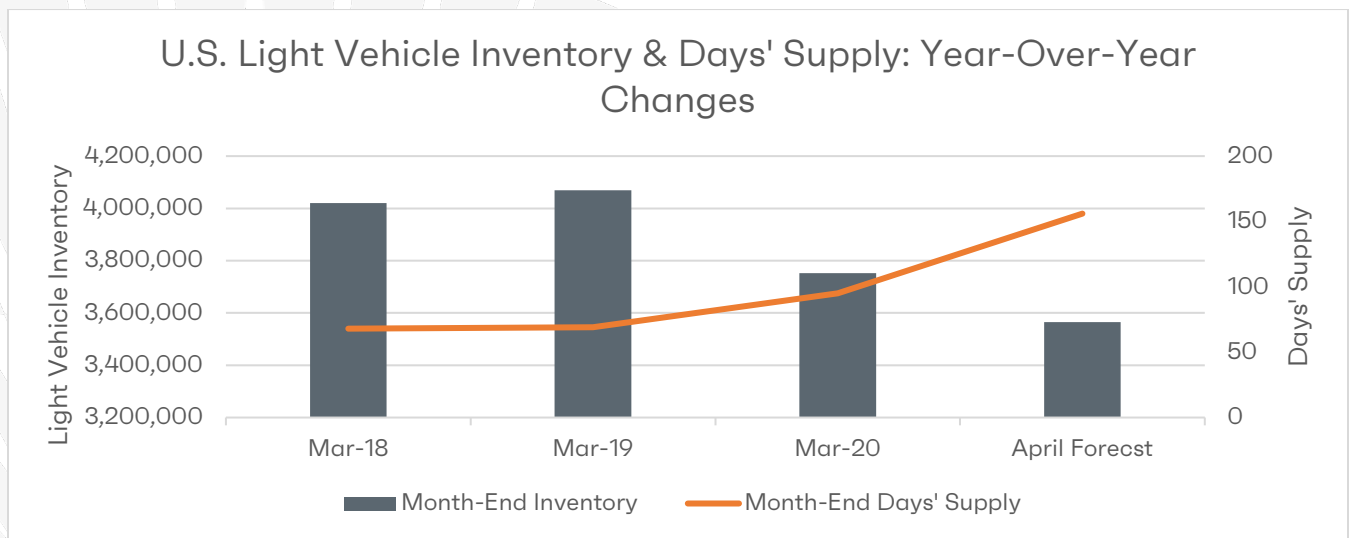
## U.S. Light Vehicle Inventory and Days' Supply<sup>xxi</sup> (Updated 4/29)

Wards Intelligence is forecasting an inventory drop to 3.5 million units and an increase in the days supply to 156.<sup>xxii</sup>

**March Inventory Status:** “Despite major production slowdowns in the later part of March, inventory of vehicles in transit and on dealer lots at the end of the month increased 4.3% from February to 3.75 million units.

“[A]lthough inventory will begin falling to long-time lows in April, dealer stocks are expected to remain at a level needed to meet demand, whatever it is, throughout Q2.

“March 31 days’ supply shot to 95 from 69 in both the prior month and year-ago total. A days’ supply in the 65-69 range is typical for March.”



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- <sup>i</sup> WardsIntelligence, “U.S. Light Vehicle Sales, March,” 4/1/2020
- <sup>ii</sup> Haig Stoddard, “COVID-19 Impact Will Tank March, Second-Quarter U.S. Light-Vehicle Sales,” *WardsIntelligence*, 3/25/20; Haig Stoddard, “March 25 COVID-19 Update: 2020 North America Production, U.S. Sales Forecasts,” *WardsIntelligence*, 3/30/20
- <sup>iii</sup> Haig Stoddard, “COVID-19’s Toll on North America Vehicle Production in March, Q2,” *WardsIntelligence*, 3/30/20
- <sup>iv</sup> IHS Markit, “Monthly Automotive Update - April 2020 \*2nd Update\*,” 4/27/2020
- <sup>v</sup> J.D. Power, Presentation, “COVID-19: J.D. Power Auto Industry Impact Report,” 4/29/20
- <sup>vi</sup> WardsIntelligence, “U.S. Light Vehicle Sales, March 2020,” 4/1/20; WardsIntelligence, “U.S. Light Vehicle Sales, March 2018,” 4/3/18
- <sup>vii</sup> WardsIntelligence, U.S. Light Vehicle Sales, January 2013 – December 2019
- <sup>viii</sup> U.S. Energy Information Administration, Weekly Retail Gasoline and Diesel Prices, Regular price per gallon, including taxes
- <sup>ix</sup> WardsIntelligence, Fuel Economy Index, December 2013 & 2019
- <sup>x</sup> U.S. Energy Information Administration, Press Release, “Short-Term Energy Outlook,” 4/7/20
- <sup>xi</sup> J.D. Power, Presentation, “COVID-19: J.D. Power Auto Industry Impact Report,” 4/29/20
- <sup>xii</sup> WardsIntelligence, “U.S. SAAR History by Month, 1980-current,” 4/1/20
- <sup>xiii</sup> Kelley Blue Book, Press Release, “Average New-Vehicle Prices Up Nearly 3% Year-Over-Year in March 2020, Despite COVID-19 Impact on the Economy, According to Kelley Blue Book,” 4/1/20; Kelley Blue Book, Press Release, “Average New-Car Prices Jump 2 Percent for March 2018 on SUV Sales Strength, According to Kelley Blue Book,” 4/3/18
- <sup>xiv</sup> J.D. Power, Presentation, “COVID-19: J.D. Power Auto Industry Impact Report,” 4/29/20
- <sup>xv</sup> Bankrate, “[Current Car Loan Interest Rates](#),” Accessed 4/22/20; Internet Archive, Bankrate, “Current Car Loan Interest Rates, cached image from July 24, 2019
- <sup>xvi</sup> J.D. Power, Presentation, “COVID-19: J.D. Power Auto Industry Impact Report,” 4/29/20
- <sup>xvii</sup> Stephen Cunningham, “U.S. Slashes 2020 Oil-Output Forecast Ahead of OPEC+ Meeting,” *Bloomberg*, 4/7/20
- <sup>xviii</sup> U.S. Energy Information Administration, Press Release, “Short-Term Energy Outlook,” 4/7/20
- <sup>xix</sup> U.S. Energy Information Administration, Regular Conventional Gasoline, [https://www.eia.gov/dnav/pet/pet\\_pri\\_gnd\\_dcus\\_nus\\_m.htm](https://www.eia.gov/dnav/pet/pet_pri_gnd_dcus_nus_m.htm), Accessed 4/29/20; U.S. Energy Information Administration, Weekly Cushing, OK WTI Spot Price, <https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=RWTG&f=W>, Accessed 4/6/20; YCharts, [https://ycharts.com/indicators/wti\\_crude\\_oil\\_spot\\_price](https://ycharts.com/indicators/wti_crude_oil_spot_price), Accessed 4/29/20
- <sup>xx</sup> WardsIntelligence, “North America Production,” 4/21/20; WardsIntelligence, “North America Production, March 2018,” 4/19/18
- <sup>xxi</sup> Haig Stoddard, “March U.S. Light-Vehicle Inventory Rises 3%; Production Shutdowns Won’t Lead to Widespread Empty Dealer Lots in Q2,” *WardsIntelligence*, 4/3/20
- <sup>xxii</sup> WardsIntelligence, “U.S. Light Vehicle Sales & Inventory Forecast, April 2020,” 4/23/2020
- <sup>xxiii</sup> WardsIntelligence, “U.S. Light Vehicle Inventory, March 2020,” 4/2/2020; WardsIntelligence, “U.S. Light Vehicle Inventory, March 2018,” 4/4/18