Auto Market Update

JONATHAN SMOKE
CHIEF ECONOMIST

COX AUTOMOTIVE
Consumer Spending Growth Slowing But Still Strong in Travel

Total spending in late June was up 6% y/y with strength in travel, health care, and services

Y/Y Spending % Change for Week Ending June 24, 2023

Source: Venski/Equifax
Consumer Sentiment Improved Strongly in June

The Index of Consumer Sentiment declined 1.8% in May but increased 4.4% in June

Morning Consult Index of Consumer Sentiment vs. Average Price of Unleaded

Source: Morning Consult; AAA
Inflation Is Declining But Impact Varies

Lower income quintiles now seeing fastest declines in inflation

Source: BLS Consumer Expenditure Surveys, Consumer Price Index, and Cox Automotive Analysis
Pandemic Savings Were Partially Spent in 2022

An excess savings buffer still exists and is substantial for upper income households

Source: Moody’s, Federal Reserve, Cox Auto estimates.
Real Earnings Growth Back to Positive

With strong nominal wage growth, lower inflation is leading to positive real earnings growth

Source: BLS
Auto Loan Rates Up Slightly in June

Auto loan rates are up slightly in June with average new up to 8.99% and used up to 13.61%.

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

Source: Federal Reserve, Bloomberg, Dealertrack
Affordability Severely Challenged by Rates and Prices

Average payments up 18-41% since 2019 and now out of reach for many households

Source: Dealertrack; Cox Automotive

Average Monthly Payments

- New Loan
- New Lease
- Used Loan

Source: Dealertrack; Cox Automotive
Higher Price Trend Movement in 2023

YTD, 12% of nameplates were priced below $30,000, down from 54% in 2012 and down from 14% last year.

Source: Kelley Blue Book, Autodata
New Car Buyers Are Increasingly Higher Income

Share of sales to <$75k incomes have dropped by 16 ppts since 2017; >$150k has gained 16 ppts

Source: iHS Markit vehicle registration data
Rates + Pricing Reduce Almost 10% of Buying Pool

Deep subprime has all but disappeared from new loans and subprime below 6%

Subprime and Deep Subprime Share in New

Source: Dealertrack; Cox Automotive
Affordability Also Creating Challenges in Used

Subprime now underrepresented in used loans

Subprime and Deep Subprime Share of Used

Source: Dealertrack, Cox Automotive
Retail Vehicle Sales Estimates

Compared to 2022, new sales last week were up 25% & up 0.7% w/w: used were up 3.7% but down 1.5% w/w

New Retail Sales

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Source: vAuto, Cox Automotive
Supply Better Than Last Year for New But Tighter for Used

New supply is up 15 days y/y and down 5% w/w; used supply is down 6 days y/y and up ½ point w/w

Source: vAuto, Cox Automotive
Used Prices Declining Again

The average MY 2020 wholesale price declined 0.9% last week while the average retail price declined 0.5%
Prices Edging Lower, Past Peak in Pricing Power

Incentives up 85% y/y; ATP losing ground on MSRP, and spread at lowest level in 22 months

Source: Kelley Blue Book and Autodata

Chart showing incentives as a % of Average Transaction Price vs. ATP Invoice Spread %
New Vehicle Sales Seeing Gains from Production Recovery

YTD SAAR of 15.4 million well ahead of last year’s 13.8 million

Source: BEA
Retail Lease Penetration Slowly Recovering
Credit Has Lost Share to Cash

Financing down more than sales as cash usage has accelerated with high levels of rates

Cash/Unknown as Share of Sales

Source: Experian Velocity, Cox Automotive
Delinquency Rates Up Again in June

After 2-month decline, severe delinquency rates increased in May and June and were higher y/y

Source: Equifax
High Delinquency Rates Not Converting to Equivalent Defaults

Default rate not matching rise in delinquencies; the delinquency rate increased in June, but the default rate declined

Auto Loan Delinquency vs. Defaults

Severe Account Delinquency (60+) Rate
 Account Default Rate (RH Axis)

Source: Equifax
Auto Credit Availability Improved in June

Credit access loosened across all auto loan channels in June

Auto Credit Availability By Lending Type (Jan2019=100)

Source: Dealertrack, Cox Automotive
Sales Scenarios | Range Needed With Recession Possible

Slower 2023 second half likelihood growing – how severe is unknown

**NEW VEHICLE SALES OUTLOOK (MILLIONS)**

**USED VEHICLE SALES OUTLOOK (MILLIONS)**

- **Pessimistic:** Persistent inflation forces higher rates, deeper recession results, Urate rises, market slows H2 2023 and H1 2024
- **Optimistic:** Soft landing achieved, recession avoided, supply rebuilds, rate policy reversals lifts sales

Source: Cox Automotive, Q2 2023
Wholesale Flows Bottomed in 2022

After 13% decline in 2022, the wholesale market should see a slow and gradual recovery to 2018 levels by 2028

Estimated Wholesale Volumes by Inflow Channel (Annual Volume)
Used Vehicle Value Outlook Sees Slightly Higher Depreciation

Strong start followed by weaker spring and summer leads to a slightly below average year on Manheim Index

Y/Y % Change Manheim Index, As Of December

Dec-19: 2.5%
Dec-20: 14.2%
Dec-21: 46.6%
Dec-22: -14.9%
Dec-23: -1.1%
Dec-24: 2.4%

Source: Manheim, Cox Automotive
2023 FORECASTS
Change from 2022

- NEW SALES: 15.0M (+9.2%)
- NEW RETAIL SALES: 12.4M (+5.6%)
- FLEET SALES: 2.6M (+30.3%)
- NEW LEASE VOLUME: 2.3M (+9.7%)
- LEASE PENETRATION: 19% (+1%)
- CPO SALES: 2.6M (+3.4%)
- USED SALES: 35.7M (-1.6%)
- USED RETAIL SALES: 18.9M (-1.1%)
- DEC 2023 Y/Y MANHEIM USED VEHICLE VALUE INDEX: -1.1%

Source: Cox Automotive, Q2 2023