INDUSTRY UPDATE

November 2017

ECONOMIC INDICATORS

- **The first estimate of real GDP growth in the 3rd quarter was 3.0%,** outstripping reduced expectations of only 2.6% growth. Analysts had expected hurricane-related disruptions to have reduced economic growth by at least 0.5%. Instead, the economy grew almost in line with the 2nd quarter's 3.1% **We have not seen two such strong quarters in a row since mid-2014.**
- After declining in September, consumer sentiment rebounded in October, coming in at 100.7 – its highest level since the start of 2004.
- The economy appears to be gaining momentum despite the natural disasters experienced in the 3rd quarter. Consumers are now more upbeat, so **spending on autos should remain robust in the 4th quarter.**

DEMAND

- **October new sales volume fell 1% YOY**. Commercial fleet sales increased 4%, Rental fleet decreased 2% and Government fleet increased by 9%.
- Cox Automotive estimates indicate that **used vehicles sales decreased 78,000 units from September to 3.31 million in October,** an increase of 3% YOY. The corresponding used-vehicle SAAR (Seasonally Adjusted Annual Rate) was 39.7. **CPO sales decreased 3% YOY but remain up 0.6% YTD over 2016.** Sales of vehicles that are less than 4 years old, which continue to be a primary driver of growth, have increased 14% YTD YOY.
- **The top OEM in October was Ford,** with sales up 4% YOY as it experienced the stongest October F-Series sales since 2004. Ford SUV sales gained 5% overall.

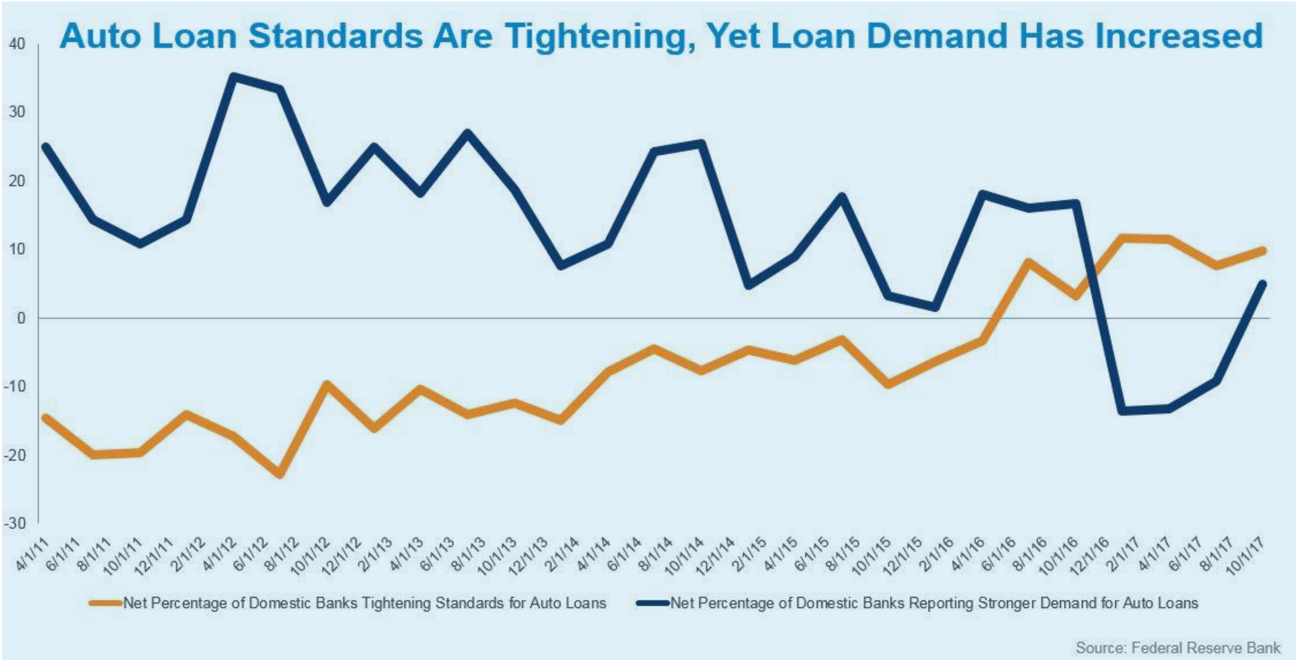
LIGHT VEHICLE SALES		
↓	1%	New Retail
↓	2%	Rental
↑	4%	Commercial
↑	9%	Government

SUPPLY

- The days' supply for October was 70, down 3 days YOY and up 7 days from September.
- The October Manheim Used Vehicle Value Index was 136.3, which was a record high for the 6th month in a row and represented an 8% increase YOY. However, the abnormal increase in September and October used vehicle prices cause by hurricane replacement demand is showing signs of coming back down to normal.

CREDIT

- Auto loan standards have tightened for 6 straight quarters, yet auto loan demand has increased during this quarter. Tightening loan standards and loan demand are typically inversely related, so this is an unusual pattern likely fueled by hurricane replacement demand and OEM incentives. Tighter standards will help ensure that lending remains healthy, but is likely pushing consumers to purchase lower-priced vehicles.



Source: Cox Automotive Industry Update Report, November 10, 2017