

# INDUSTRY UPDATE

December 2017



## ECONOMIC INDICATORS

- **Real GDP growth in the 3rd quarter was revised up to 3.3%**, exceeding expectations again and beating the 2nd quarter's growth of 3.1%. The Atlanta Federal Reserve and New York Federal Reserve are now forecasting even higher growth in the 4th quarter. We have not seen 3 consecutive quarters of 3% or greater growth since 2004-2005.
- **The last 3 months have seen the best new vehicle sales of the year.** Hurricane replacement demand was a big part of the upswing, but strong incentives and a strengthening economy have also helped.
- **Unemployment remained at a 17-year low of 4.1% and consumer confidence increased again in November, setting an official 17-year high.** Households are feeling more upbeat about the outlook for the U.S. economy and that should mean strong spending this holiday season.

## DEMAND

- **November new sales volume increased 1% YOY.** Commercial fleet sales increased 6%, Rental fleet decreased 4% and Government fleet decreased by 6%.

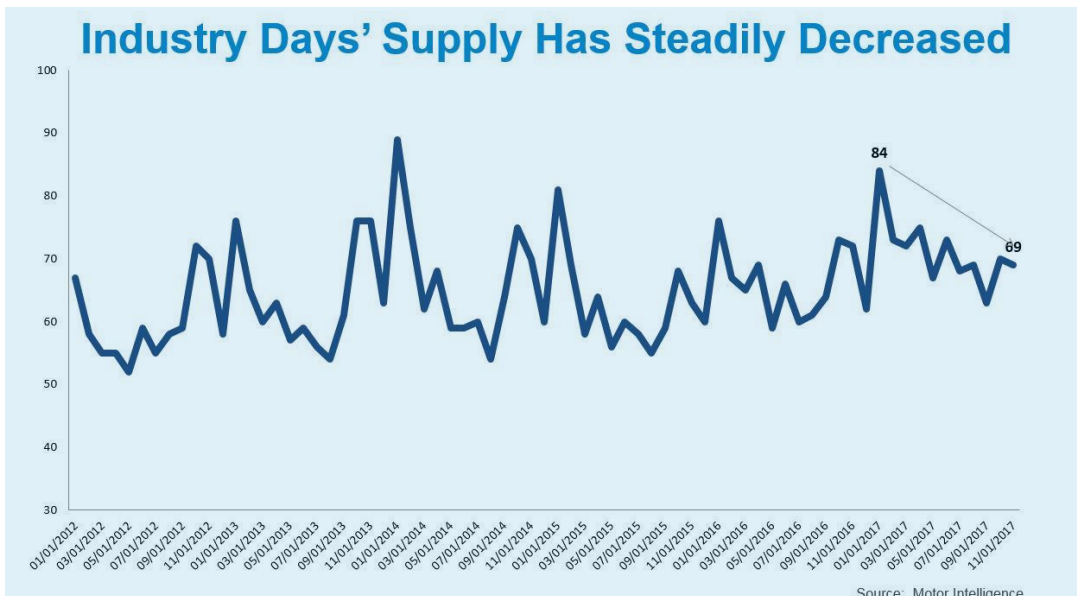
### LIGHT VEHICLE SALES

↑	1%	New Retail
↓	4%	Rental
↑	6%	Commercial
↓	6%	Government

- **Used car sales decreased by 4% YOY in November.** The November used SAAR decreased to 34 million as used car sales took a backseat as momentum favored new vehicle sales. **The used market is still on pace to come in at 39.1 million for 2017**, which would represent growth of nearly 2% over last year. CPO sales were up 2% YOY in November and are up 6% YTD.
- **The top OEM in November was Nissan**, with heavy fleet sales, strong incentives and Sentra sales up 25% YOY contributing to an 18% increase in overall sales last month.

## SUPPLY

- Average incentives came in at \$3,811, up 2% YOY and up 2% MOM, the second highest amount this year. **The days' supply for November was 69, down 3 days YOY and down 1 day from October.** The November Manheim Used Vehicle Value Index was 134.5, a 7.8% increase YOY. Incentives and higher used car prices have recently favored new vehicles over used. The growth in sales has reduced the supply overhang.



## CREDIT

- Market expectations are high (implied probability of more than 95%) for the Federal Reserve to raise short-term rates by mid-December. This is consistent with recent strong domestic and global data showing that the world is experiencing the first synchronized period of growth since the Great Recession. **Loan rates are on the rise. The average 60-month auto loan rate according to Bankrate.com was 3.48% at the end of November**, which is the highest monthly rate we've seen this year. It is in fact the highest monthly rate going back to February 2012.