

INDUSTRY UPDATE

February 2020



ECONOMIC INDICATORS

- ➔ **Consumer Sentiment from the University of Michigan rose to 100.9 in the initial February reading, above the consensus estimate of 99.5 and January's 99.8.** Improvement in expectations is behind the index increase. Consumer expectations are at a 9-month high. According to the consumer sentiment data, buying conditions for vehicles improved in February are better than a year ago.
- ➔ Through February 8, tax returns filed with the IRS are down modestly (0.4%), but the number of refunds is down 4.8%. However, the average refund is up slightly (0.2%). We are only about 20% through tax refund season. As we approach 50%, we expect that total refunds will be up over last year along with the average refund amount. **At that point we expect the spring used car market to take off and last for 6 to 9 weeks.**

DEMAND

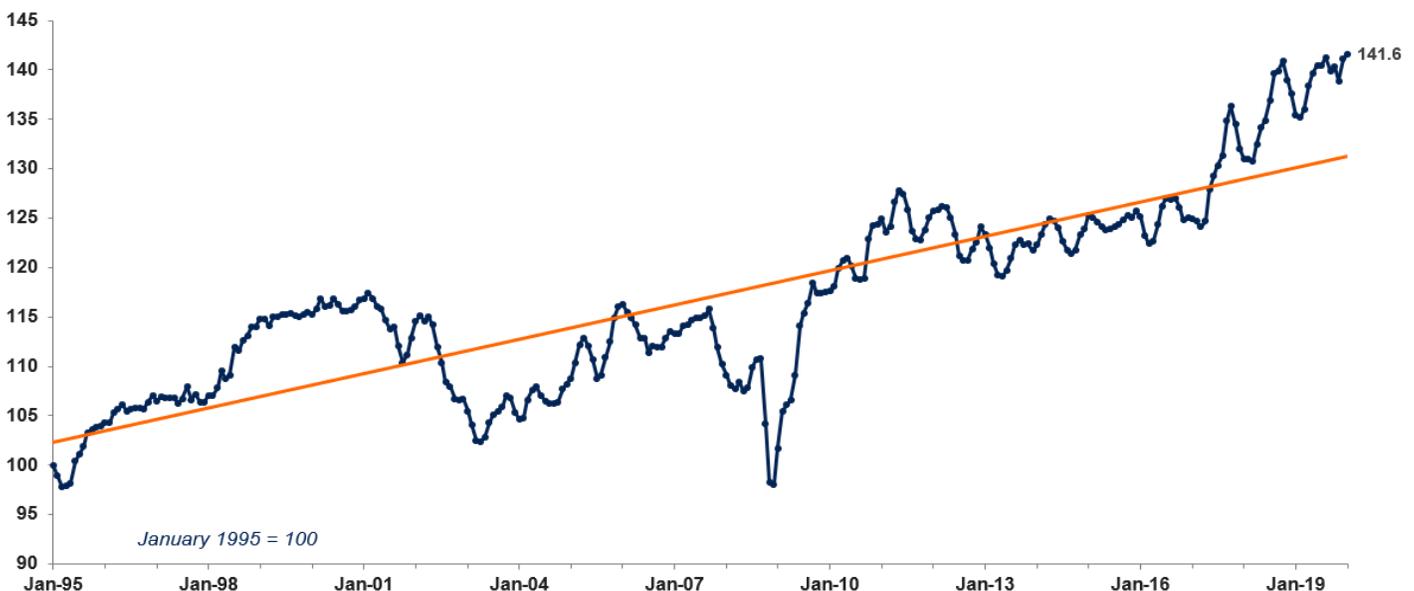
- ➔ **January total new vehicle sales were down 0.2% YOY, with the same number of selling days compared to January 2019.** The January SAAR came in at 16.8 million, an increase from last year's 16.7 million and up from December's 16.7 million rate.
- ➔ Cox Automotive estimates, total used vehicle sales volume was up 2.8% YOY in January, which resulted in a used SAAR of 39.5 million, up from last year but down from December's 40.0 million rate. **CPO sales were up 8% in January versus last year and down 8% from December.**
- ➔ **Combined rental, commercial, and government purchases of new vehicles were down 5.3% YOY in January.** Commercial vehicle sales were up 3.7% YOY in January. Retail sales of new vehicles were up 1.0% in January, leading to a retail SAAR of 13.8 million, up from 13.5 million last January and down from December's 14.2 million rate.

LIGHT VEHICLE SALES

↓	10%	Rental
↑	4%	Commercial
↑	2%	Government

SUPPLY

- ➔ **Days' supply for January was 76, down 11 days YOY and up 20 days from December.** Average car days' supply came in at 66, down 9 days YOY and up 17 days from December. **Light truck days' supply was 79 last month, down 14 days from last year and up 20 days from December.** The Manheim Index increased 0.39% MOM in January. This brought the Manheim Used Vehicle Value Index to 141.6, a 4.6% increase from a year ago.



CREDIT

- ➔ Real wage and income growth remain positive albeit at a slowing growth rate. Consumers have been relying on credit extensively to fuel spending growth, but spending growth is now slowing.
- ➔ Delinquency rates continue to point to more tightening ahead, especially for subprime. Auto loans that are severely delinquent (defined as 60 days or more behind on payment) are up 7.7% YOY according to our latest analysis.

Source: Cox Automotive Industry Update Report, February 18, 2020