

Informa Tech Automotive Group



# U.S. Automotive Market Outlook

## Dallas-Fort Worth Association for Business Economists

April 16, 2021

**HAIG STODDARD**

Senior Industry Analyst, Markets • Wards Intelligence

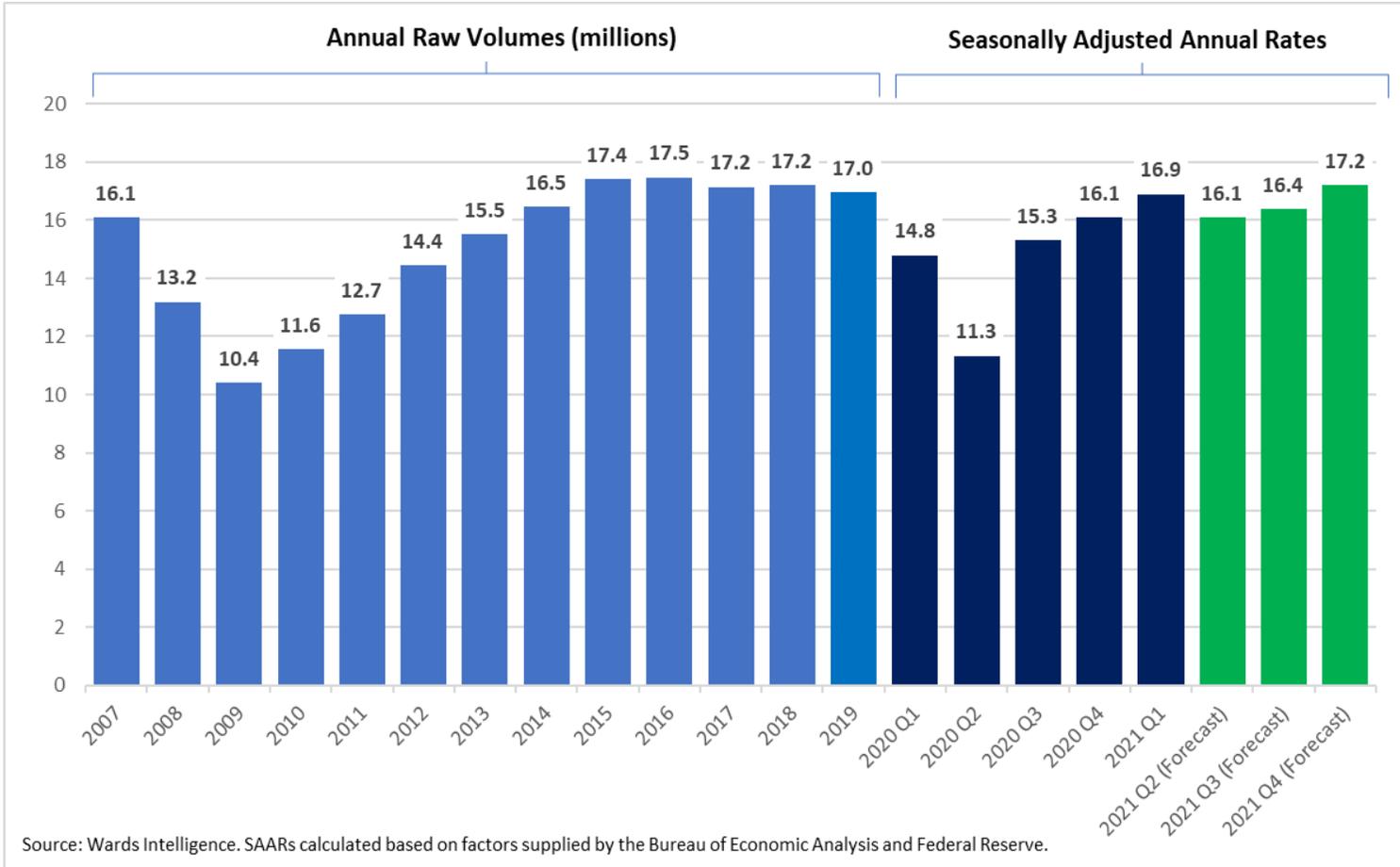


## **Supply Disruption Impact on North America: Microchips, February's severe winter storms, petrochemicals (used in parts), Suez Canal blockage**

- Compared to its outlook for the period in December, Wards Intelligence partner LMC Automotive estimates first-half North America's production volume loss at 700,000 units – *roughly two-thirds of that in the U.S.*
- The chip shortage accounts for most of the losses
- If the supply issues are mostly remedied by Q3, about 400,000 units of the production losses can be made up this year (more in Q1-2022)
- Despite the lean pickings, sales continue to defy the inventory drain and we've (ironically) raised our expectations for the market since end of 2020

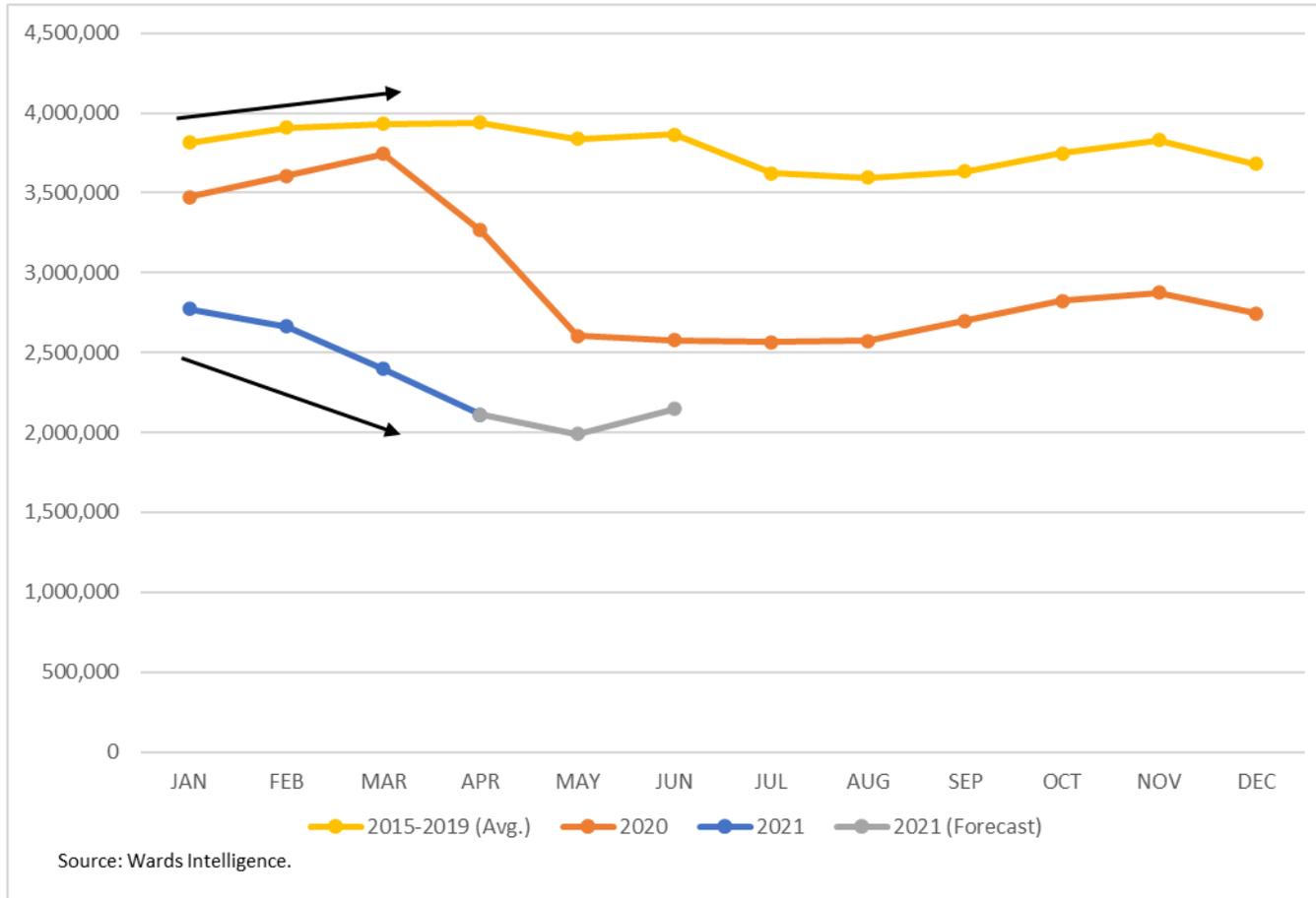
# Short-Term U.S. Light-Vehicle Sales Rebound Again

**2020 sales: 14.5 million units    2021 forecast: 16.6 million units**



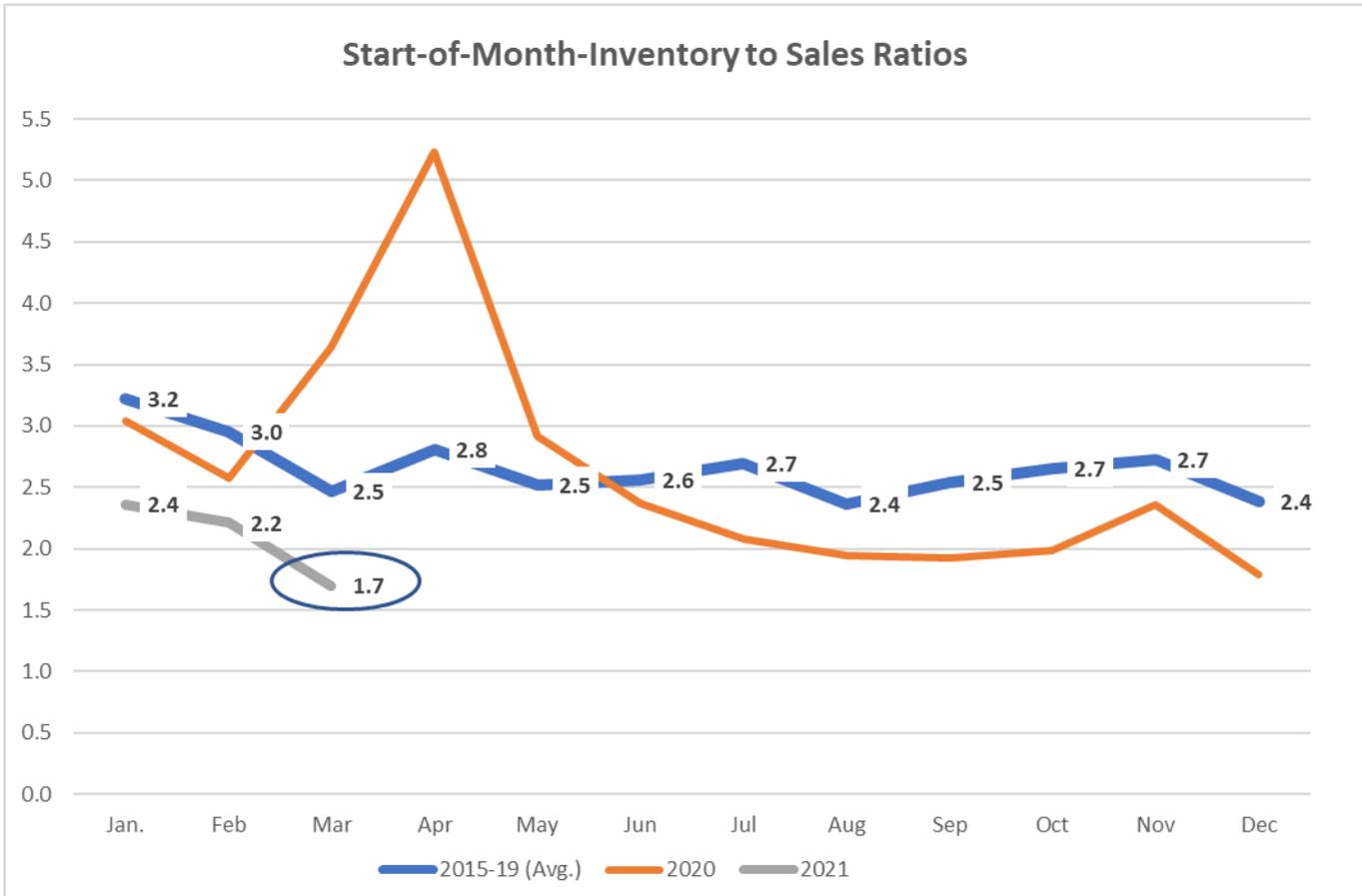
- Fallout from mostly-pandemic-related supply disruptions expected to more deeply impact sales in Q2 and Q3
- As long as economic growth – especially jobs – remains on track, pent-up demand builds up through the end of the year
- Likely spillover into 2022

# U.S Light-Vehicle Inventory – Raw Volume (units)



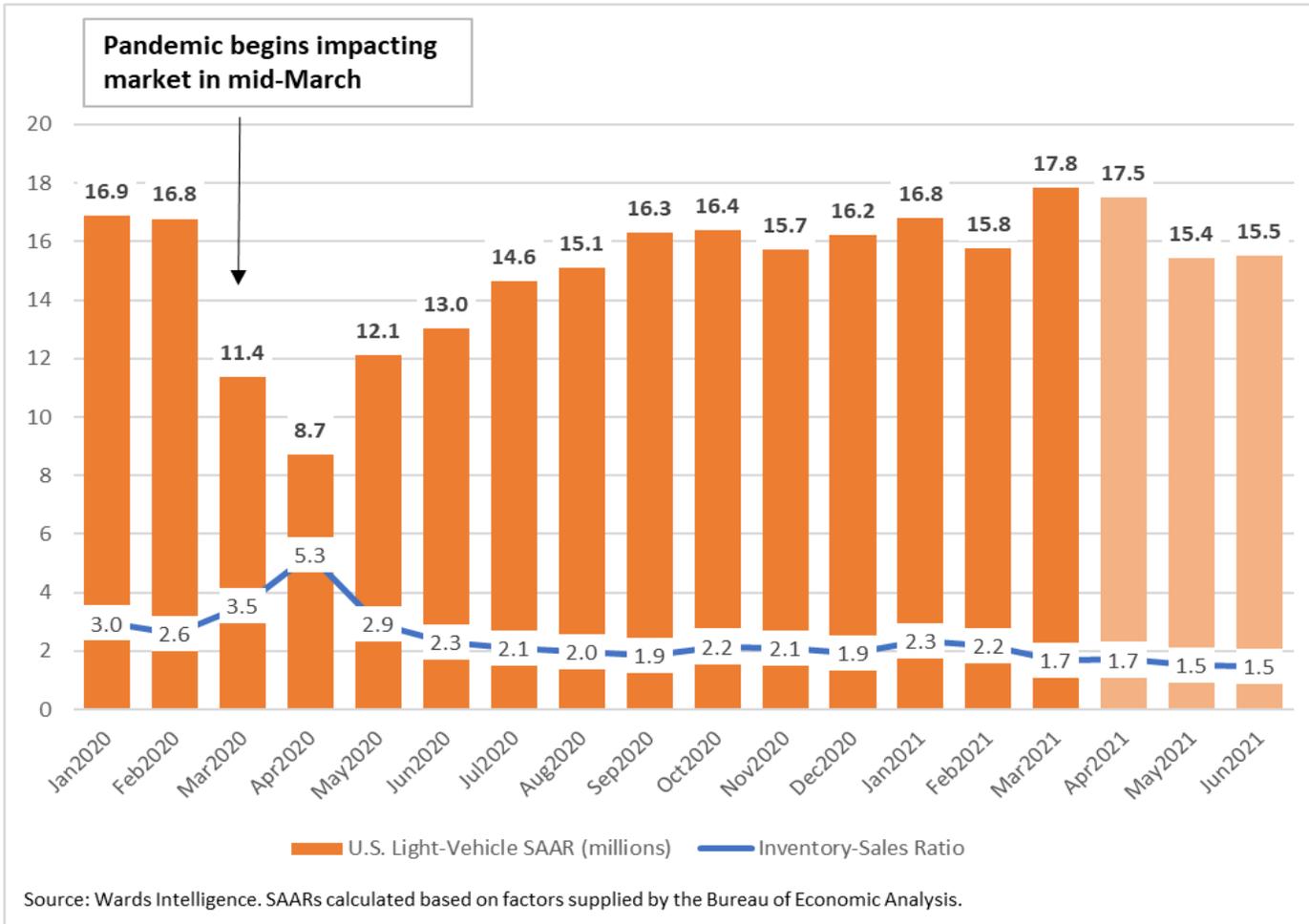
- Inventory is at an 11-year low and not expected to improve until closer to Q3
- Inventory at the end of March was 13% below December – it usually rises 6-7% during that timeframe

# Inventory Relative to Demand



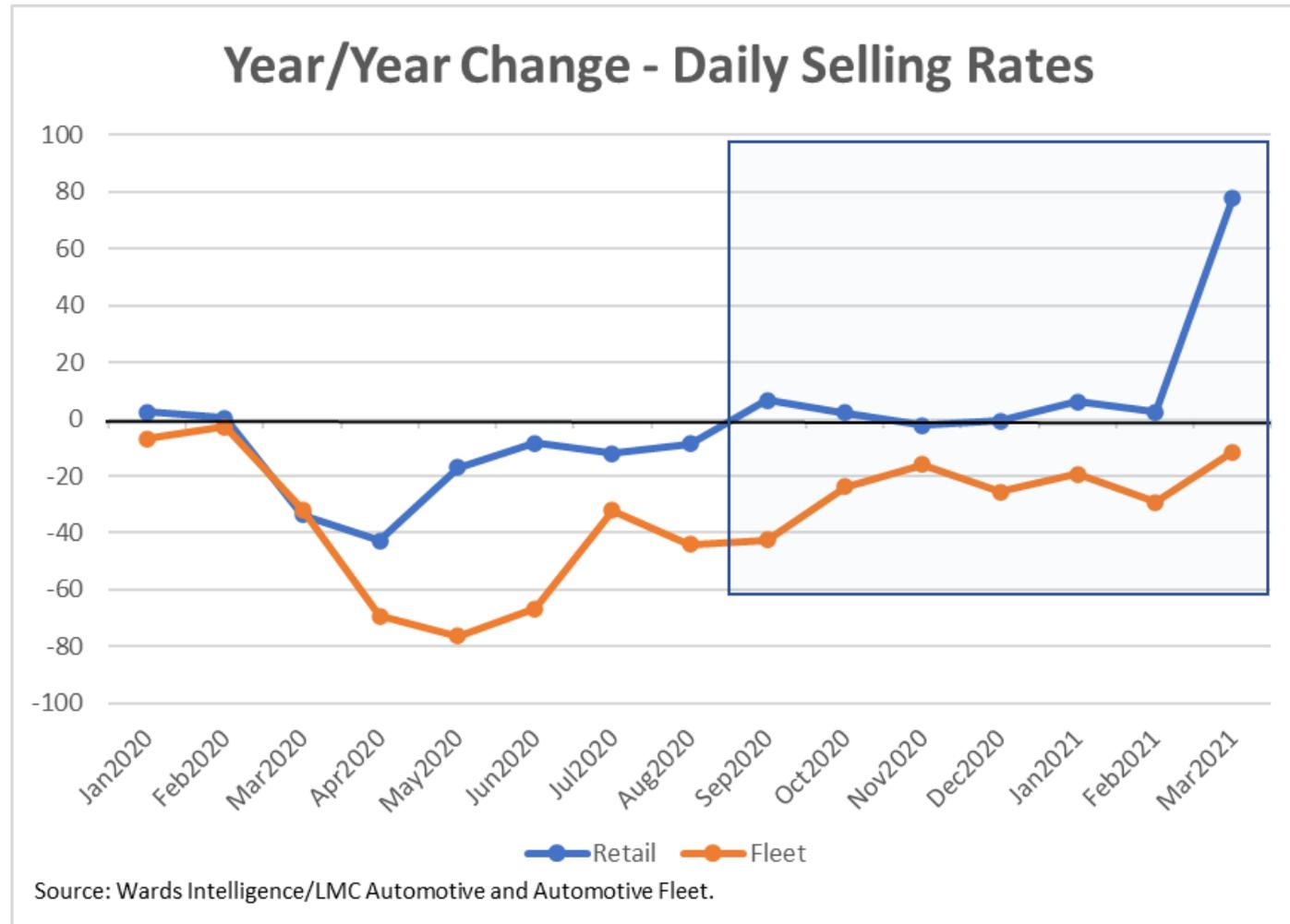
- Except for August 2009, when a government-subsidized one-time surge in sales pushed it down to 1.4, inventory over the past two decades has never been as tight relative to demand as in March when the inventory-to-sales ratio fell to 1.7

# Depleted Inventory Finally Draws Down Sales(?)



- If the industry can maintain the same 1.7 ratio - or lower - sales in April will continue March's strength
- May will show the first significant drawdown due to falling inventory levels – *though we've said that before*

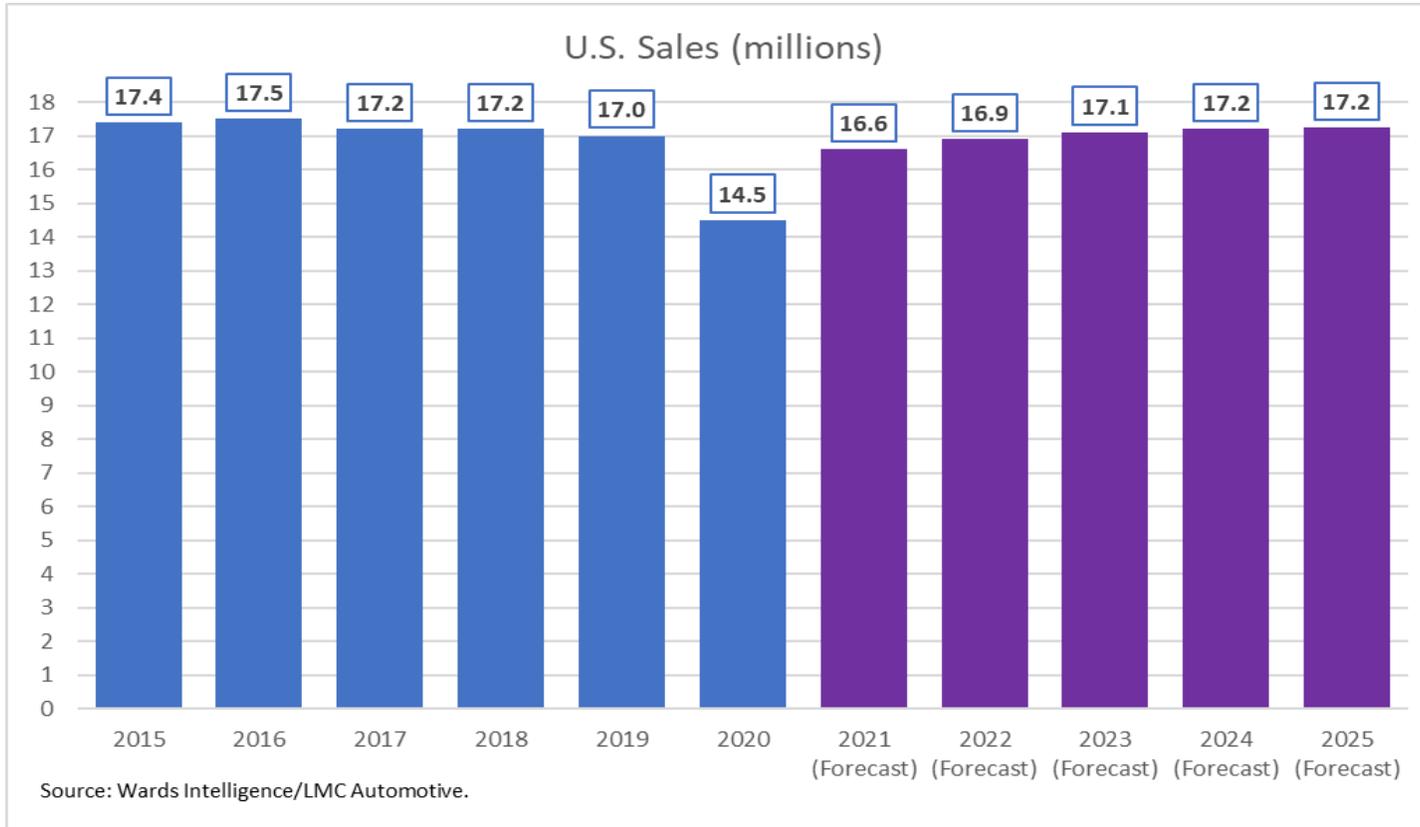
# Retail vs. Fleet Deliveries



- Pent-up demand building in fleet, which won't be alleviated anytime soon
- Where a choice needs to be made, manufacturers often target more profitable retail demand over fleet
- Fleet returns to pre-pandemic totals when rental volume comes back – *which is heavily reliant on travel*

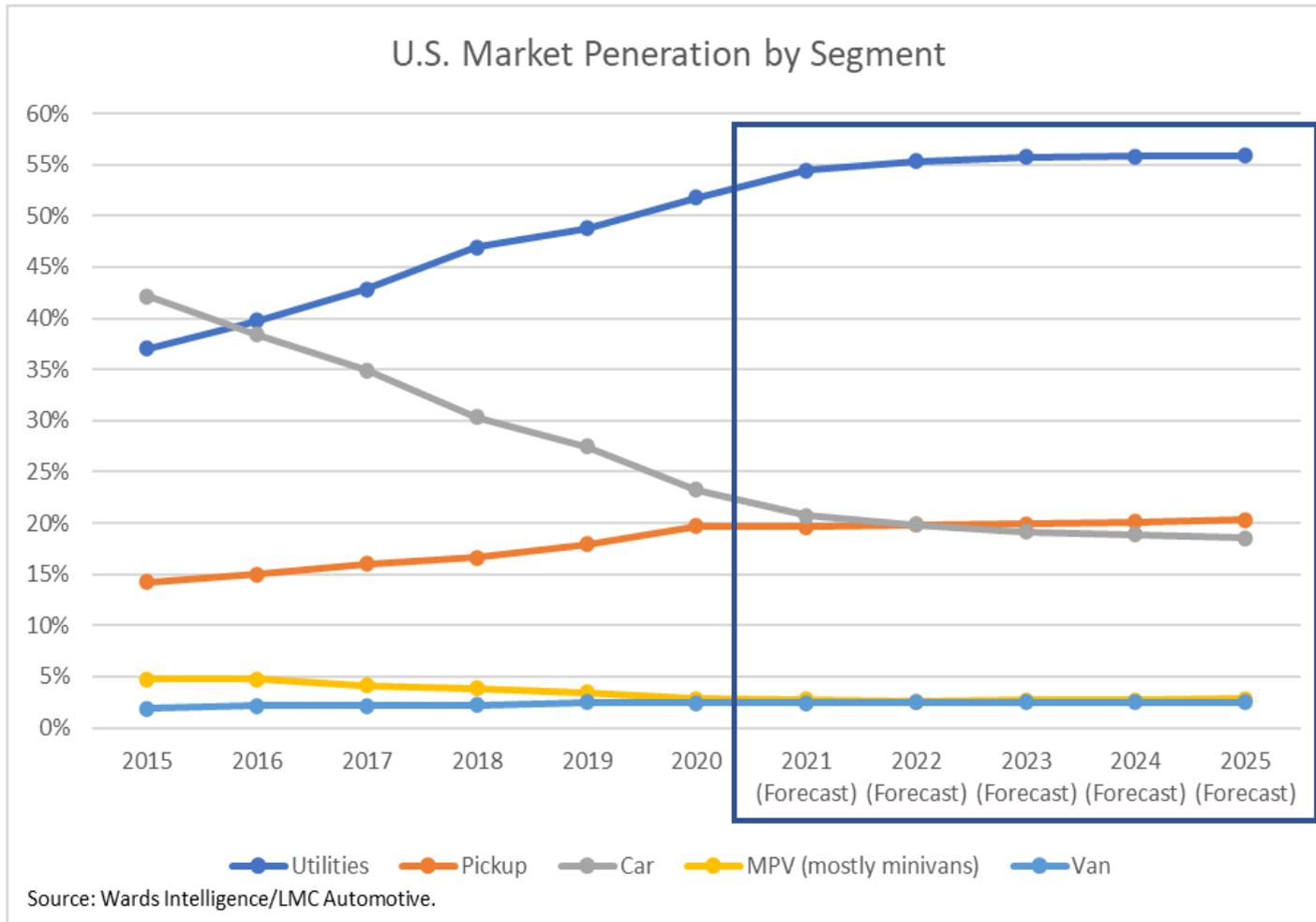
# Long-Term U.S. Sales Outlook

	2020	2021	2022	2023	2024	2025
U.S. GDP Growth (Oxford Economics)	-3.5	7.0	3.0	0.8	1.4	1.7



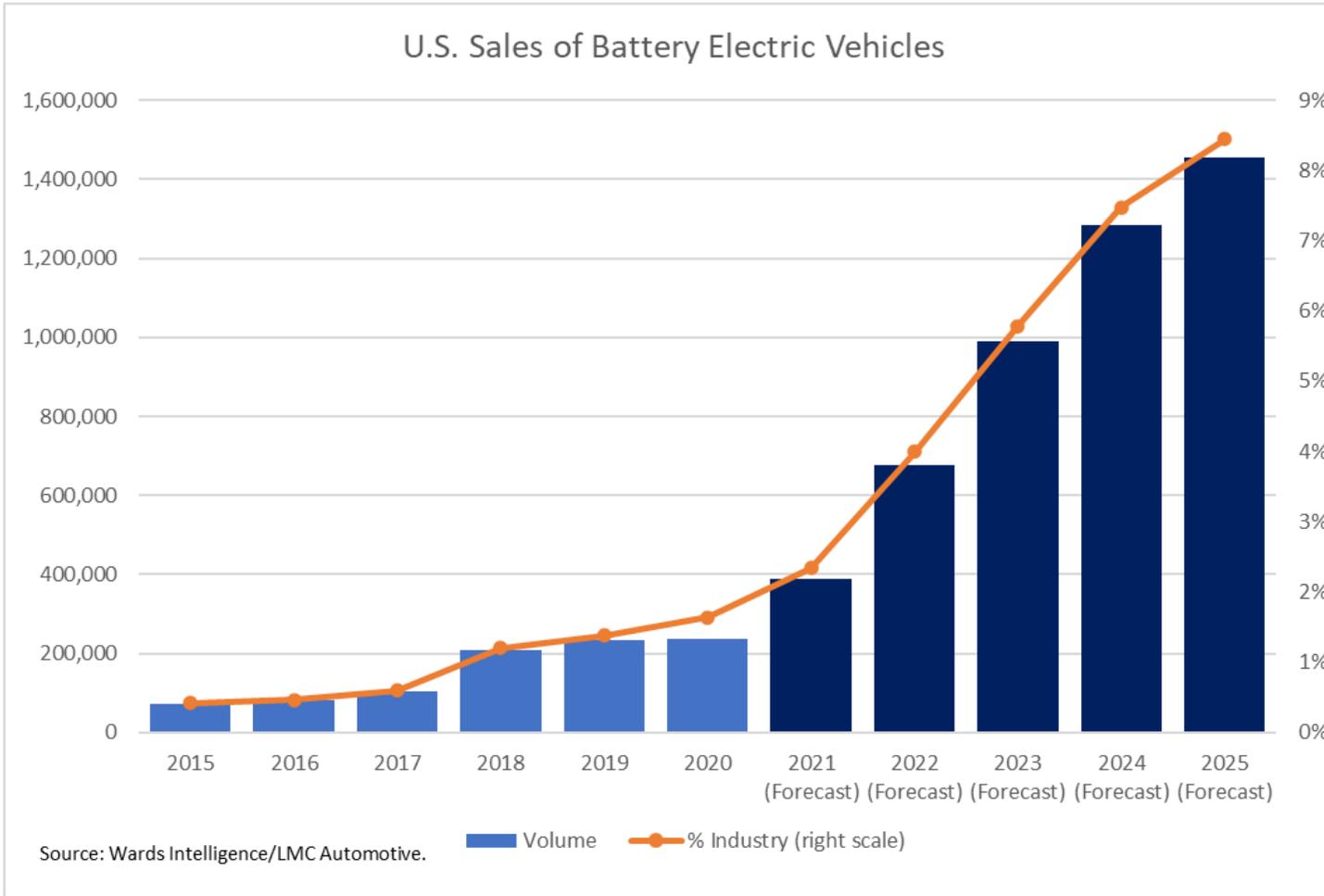
- Sales resume pre-pandemic levels in 2022
- More upside than downside to 2022

# U.S. Sales: Segment Outlook



- The surge in utility vehicles – a trend that started in the 1990s – starts to even out
- The falloff in cars – once 80% of the market – also levels off
- Pickups eventually outsell cars

# U.S. Battery Electric Sales Outlook

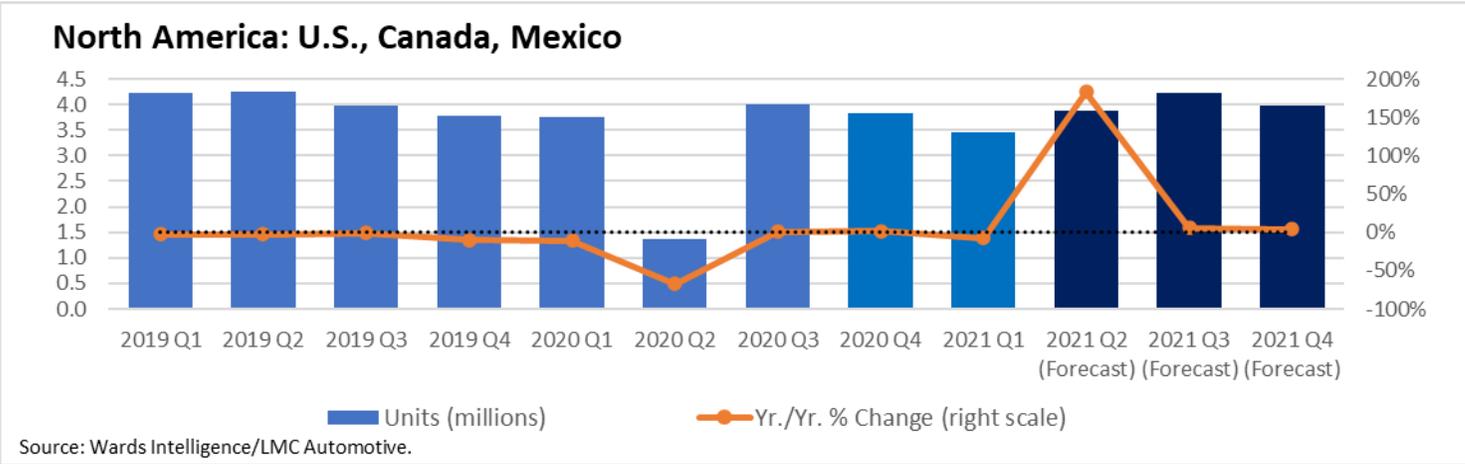


- Sales start to accelerate in 2021
- The number of electric vehicles available in the U.S. will rise from 21 in 2020 to 138 in 2025

## Why Strong Sales Volumes:

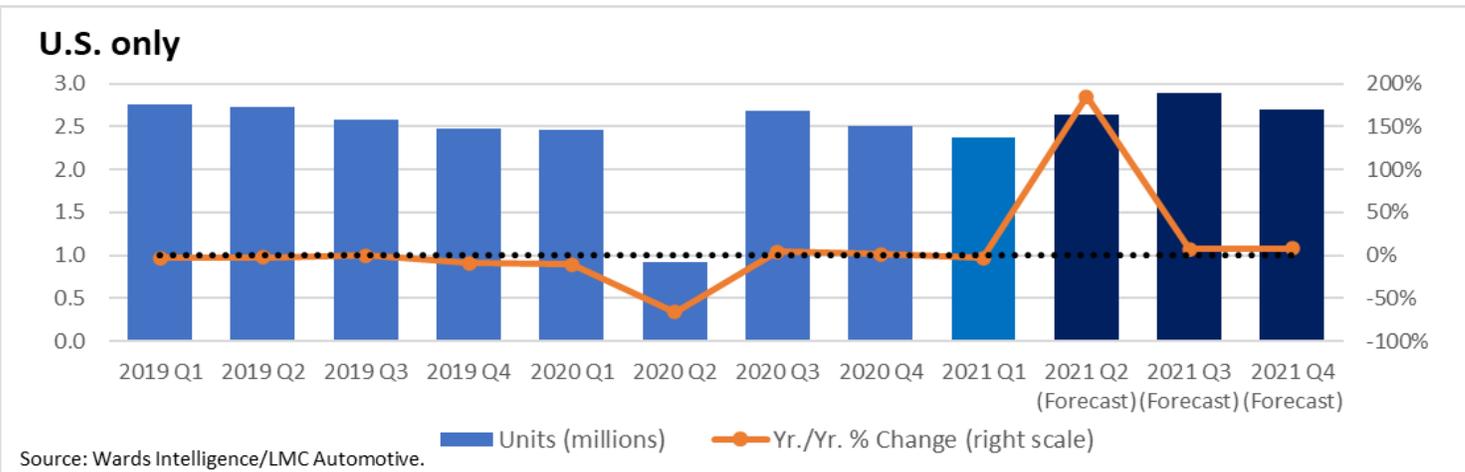
- Pent-up demand created in 2020 when sales fell 15% yr./yr. to an 8-year low
- Low interest rates and extending the length of finance contracts for some borrowers, which lowers monthly payments
- The cohort of the population likely to buy a new vehicle is the same group in general that did not lose their jobs
- Dealers adjusted to selling off a low-stock base and got better at online marketing/sales
- Strong used-vehicle prices raising cash amount available for trade ins
- Spending diverted to the home front, goosing demand for commercial (non-fleet) vehicles - construction, landscaping, other home improvement
- Lifestyle changes – working from home
- Savings built up as spending (vacations, travel) declined

# North America/U.S. Short-Term Light-Vehicle Production



North America:

- Q1: 3.46 million units; down 7.9% y/y
- Q2: 3.88 million; up 183% y/y
- Q3: 4.22 million; up 5.5%
- Q4: 4.10 million; up 4.2%

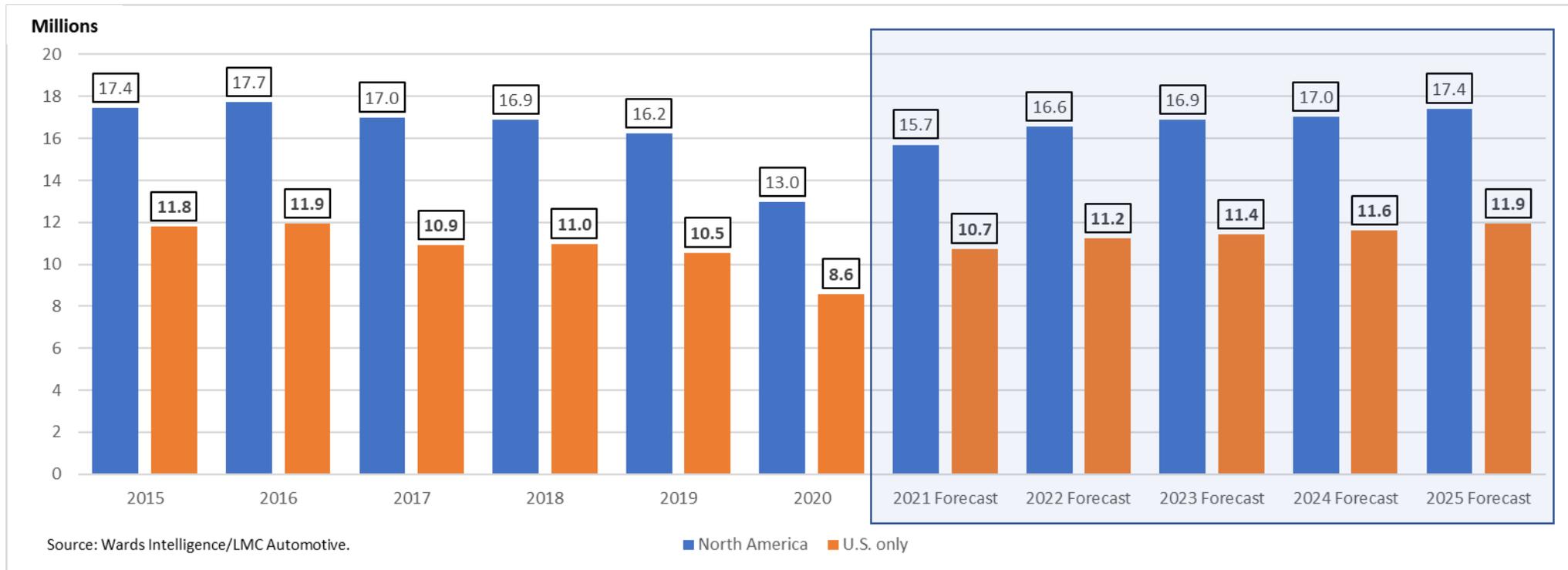


U.S.:

- Q1: 2.38 million; down 3.3% y/y
- Q2: 2.64 million; up 185% y/y
- Q3: 2.89 million; up 7.4%
- Q4: 2.70 million; up 7.7%

# North America/U.S. Light-Vehicle Production Forecast

The long-term outlook for automotive manufacturing is one of constant growth



# Summary

- Manufacturers have the capacity to recoup most production losses in second-half 2021 – but no ironclad guarantee the chip shortage resolved enough by Q3 that capacity does not become a bigger hindrance to second-half sales
- In several cases, parts/chips are being diverted for the strongest selling vehicles – particularly highly profitable pickups and sport/utility vehicles - which means not as much lost production for those vehicles
- Sales rebound in second half, but inventory will remain lean into 2022 - production always trying to catch up with demand
- The vehicle production outlook long-term is several years of growth but with a lot of churn in the supplier community: straining to keep up with demand while shifting to a battery-electric future



# Thank you

**HAIG STODDARD**

Principal Analyst, Forecasts • Wards Intelligence

[haig.stoddard@informa.com](mailto:haig.stoddard@informa.com)

[www.linkedin.com/in/haigstoddard](http://www.linkedin.com/in/haigstoddard)

Website: [wardsintelligence.com](http://wardsintelligence.com)