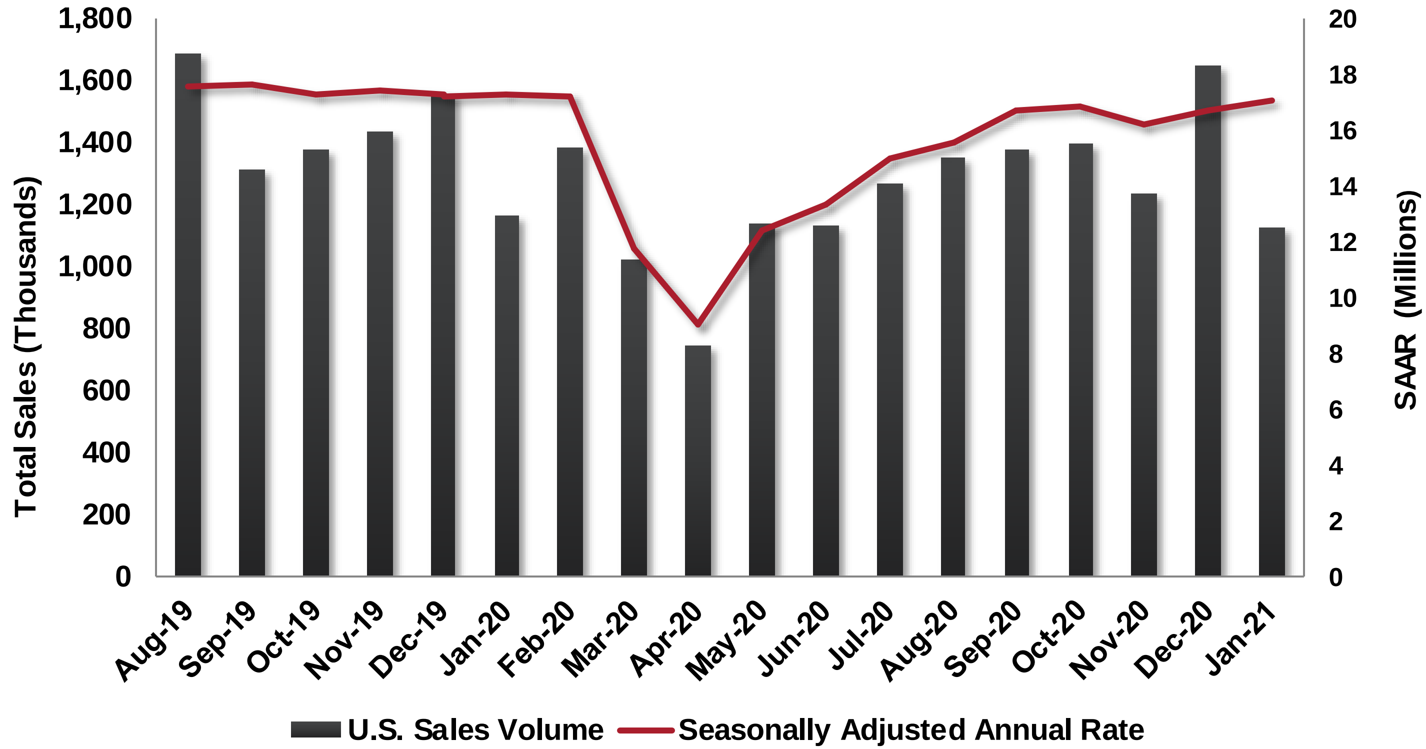
Industry Trends

January - February 2021

Merchants FLEET

ACQUISITION

U.S. Sales Volume by Month & SAAR
All Manufacturers



U.S. seasonally averaged sales (SAAR) fell 47.2% Y/Y early in the COVID-19 pandemic. SAAR in 2020 averaged a 14% loss compared to 2019. However, even in trying economic conditions, January 2021 SAAR reflected only a 1.2% loss Y/Y.

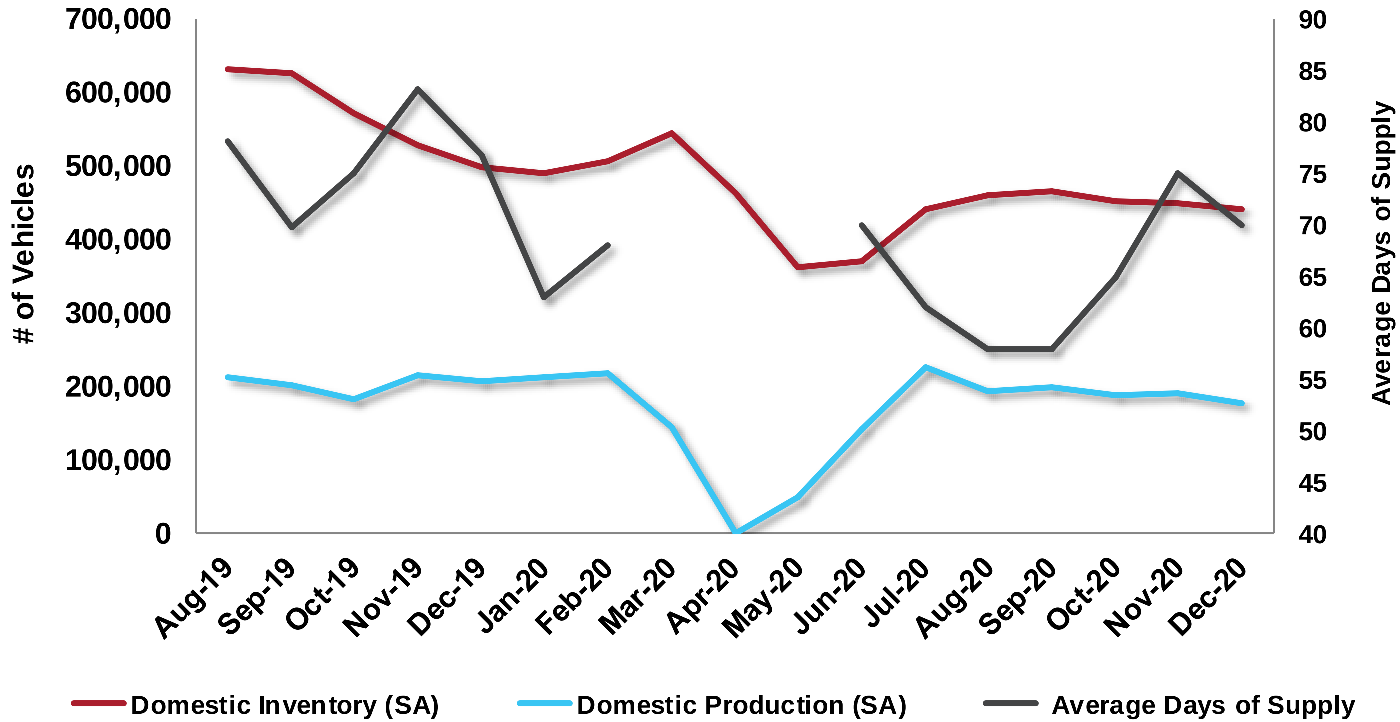
January, historically, is the slowest sales month of the year. Demand remains strong in fleet but declines in retail demand due to relatively low consumer confidence and **semiconductor shortages** which continue to prolong the stagnated auto market. With tens of millions of vaccines already administered, the economic forecast is positive. However, we likely won't see any significant recovery in new vehicle sales until cumulative backlog of demand is rectified.

Merchants FLEET

Source: FRED; TD Economics

ACQUISITION

Dealer Inventory & Days of Supply



December saw the first downward trend in days' supply since the inventory freefall stopped in late summer, currently sitting at a safe, but lower-than-average 70 days. Midsize and full-size trucks, usually among the highest inventory due to their many available configurations, are sitting on either side of 50 days on their way down from November's peak. Production is not expected to keep pace with demand in the near term.

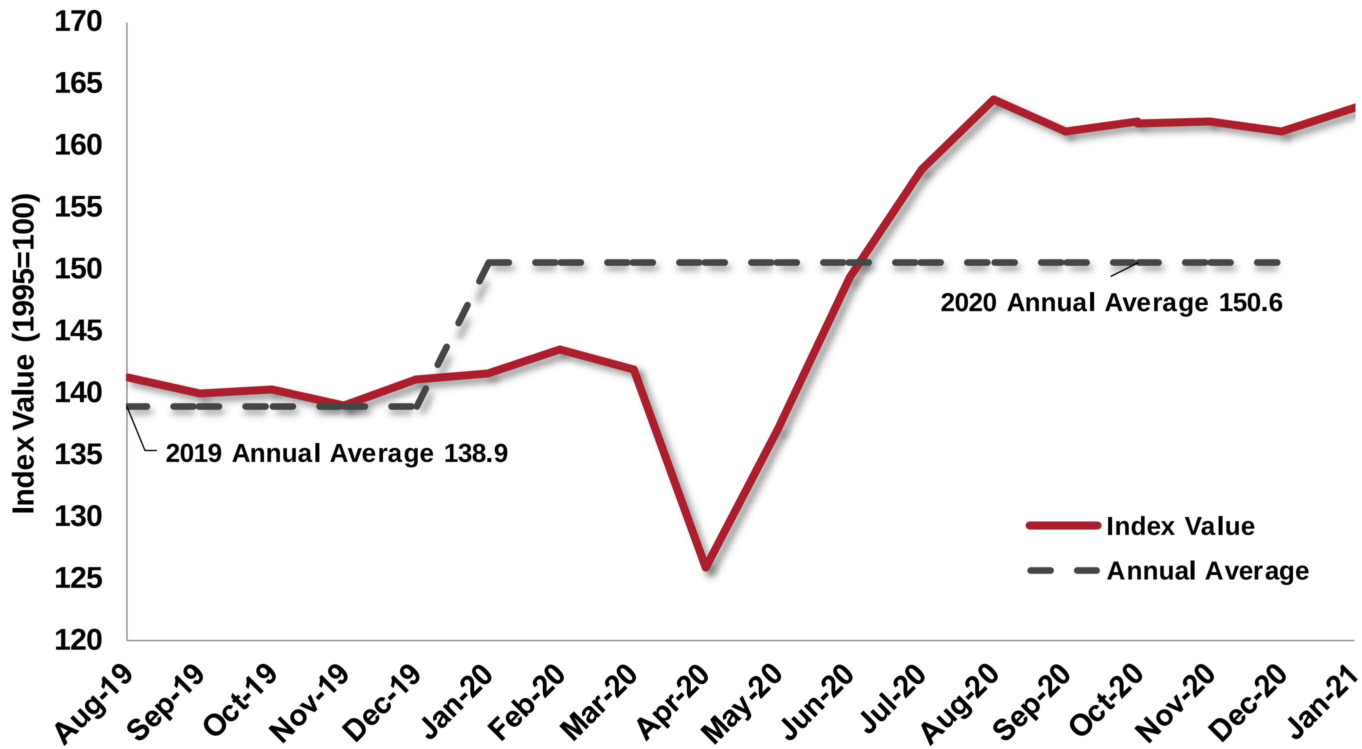
Strong demand continues to weigh heavily on the **short supply of trucks and large SUVs**. Worldwide vehicle production is currently seeing a **semiconductor supply scarcity** due to an earlier supply chain shift attributed to unusually high demand on consumer electronics when many people shifted to working from home. Most OEMs have begun to focus limited supplies on highly demanded vehicle segments.

Source: FRED; COX Automotive; Motor Intelligence

Merchants FLEET

WHOLESALE RESALE MARKET

Manheim Used Vehicle Value Index



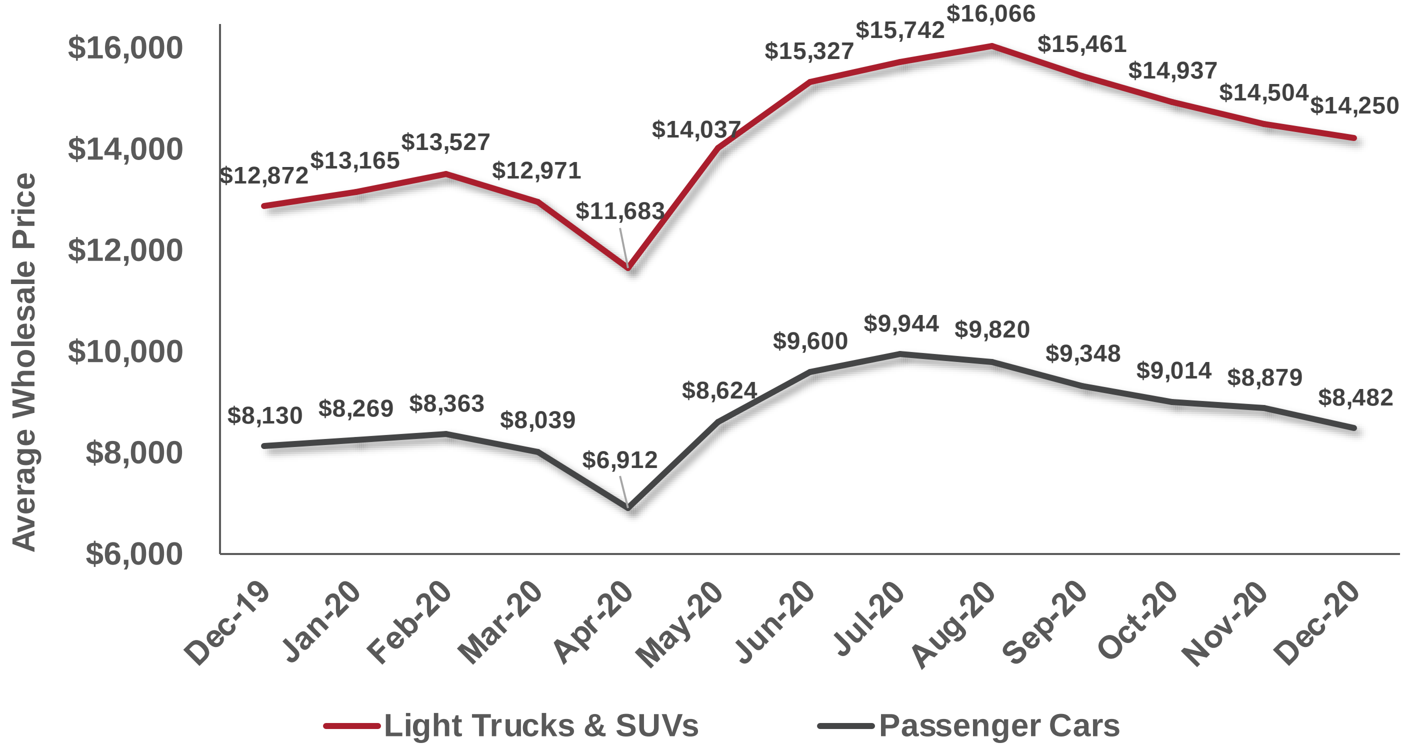
The effects of COVID-19 reduced used and new vehicle demand to a near halt in the early weeks of its grip on the U.S. economy. The associated idling of new-vehicle manufacturing caused a reactive spike in used vehicle resale values that is now ratcheting back up due to component shortages. January is now back in the territory of August's peak; values are currently **15.1% higher than January 2020.**

A new shortage of vehicle production this year is expected to **sustain or increase used vehicle values**, especially in the SUV and truck segment. This remains an opportune time to remarket aging and unneeded units in your fleet.

Source: Manheim Consulting

WHOLESALE RESALE MARKET

Average Wholesale Price by Segment



Auction values remain at record highs. The two top-level segments of trucks and cars are still +10.7% and +4.3% Y/Y. As these auction results show, valuations have remained above average and are expected to hold or increase in 2021 due to critical component shortages in new vehicle manufacturing.

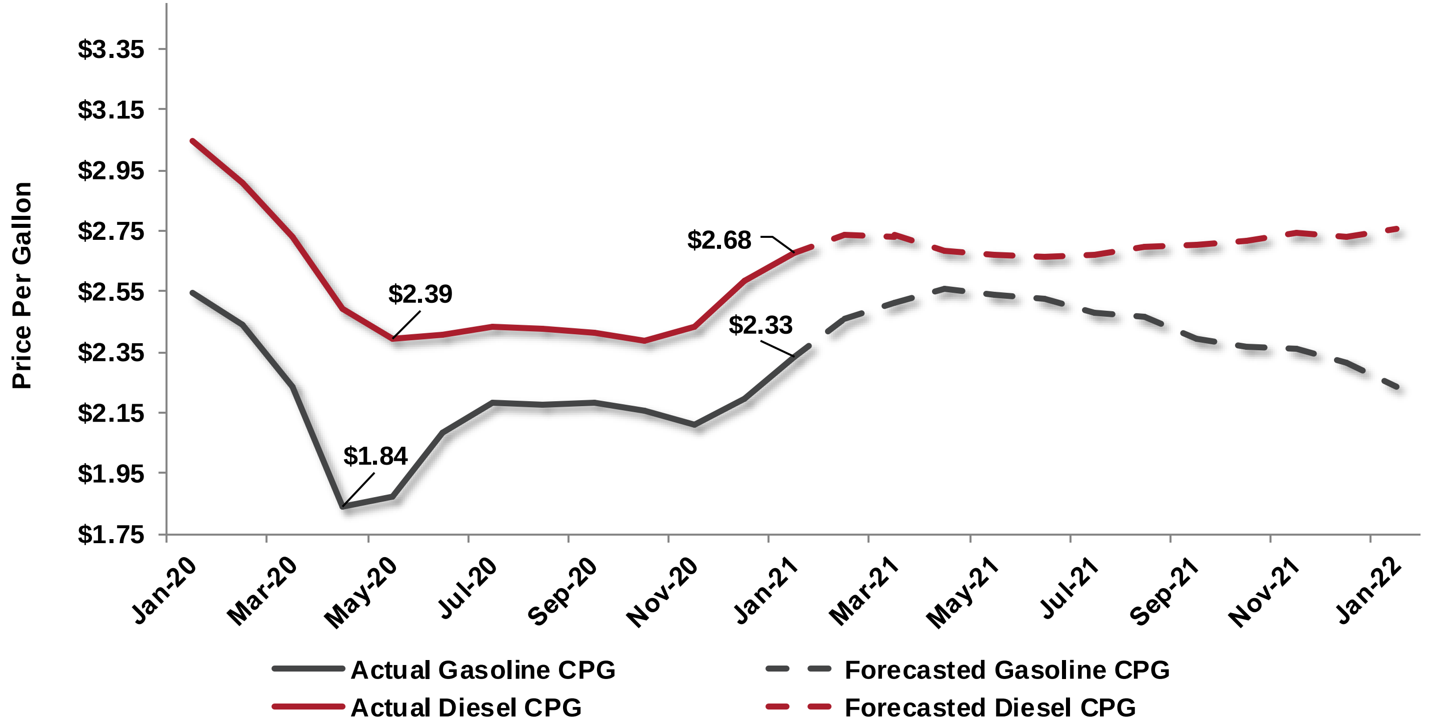
The month of December saw a further slide in values, -1.8% for trucks and -4.5% M/M for cars. Specific segments targeted typically by end consumers, such as compact sedans and small SUVs, have **lost** value Y/Y while **full size and compact pickups, often targeted by the constant demand of professional fleets, are yielding values +20% and +29.5% Y/Y, respectively**.

Source: ADESA; KAR Global

Merchants FLEET

FUEL

National Average Cost per Gallon
Regular Grade & Diesel



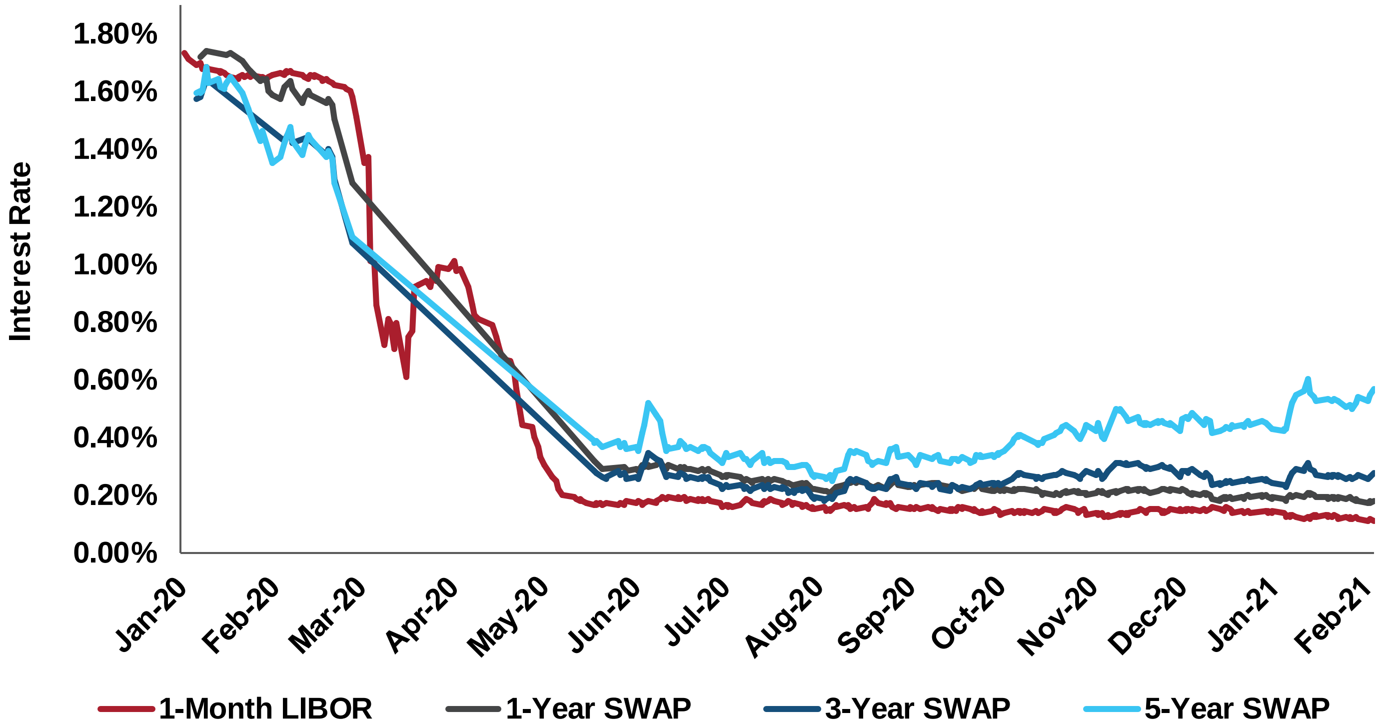
U.S. fuel prices fell sharply after a drop in demand and abundance of supply in the spring of 2020. Prior to effects from COVID-19, 2020 was generally projected to mimic 2019's fuel pricing.

Fuel is forecasted to follow a **typical seasonal rise in the spring of 2021.** The EIA's forecast has already seen multiple forecast bumps for winter 2020-2021 from earlier predictions. Prices in Feb are predicted to be the same for gas and slightly lower for diesel compared to 2020.

Source: U.S. Energy Information Administration

INTEREST

Interest Rates



The **1-Month LIBOR rate is currently at 0.11%** and has held below 0.20% since June. The **5-Year SWAP rate is trending upward, currently at 0.57%**. It was as low as 0.25% in August 2020.

Interest rates fell through the initial months of the pandemic. Due to sustained economic challenges, **interest rates have remained at historic lows**. However, a recent upward trend in long-term indices signals a favorable time to lock in low rates.

Merchants FLEET

Source: FRED; ICE Benchmark Administration Limited