Industry Trends

March – April 2021

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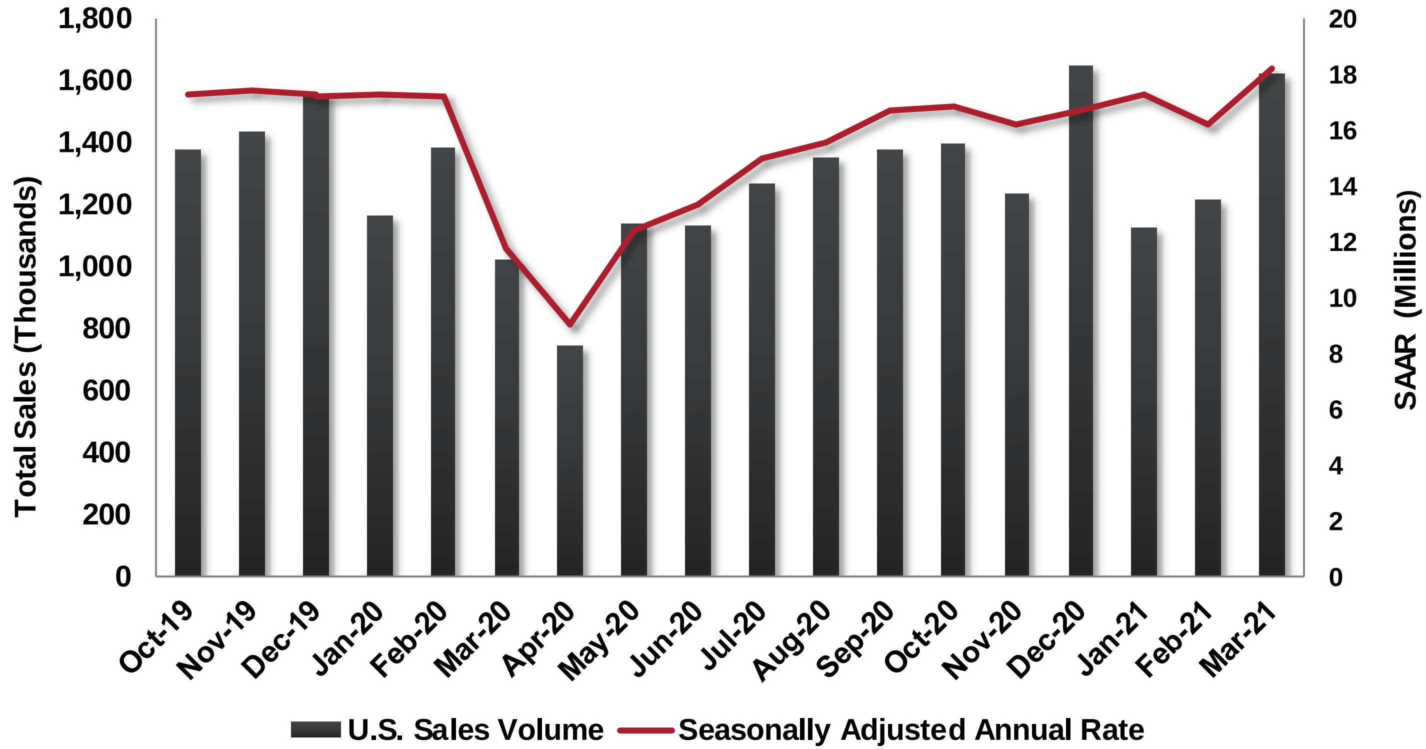
ACQUISITION

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 as economic conditions improve generally, industry-specific hurdles resulted in **March 2021 SAAR reflecting a 54.9% gain Y/Y**.

Increased demand on new vehicles in March worsened the vehicle availability shortage. Global projections specify nearly three million vehicles will be impacted due to plant shutdowns. Thus far, 1.7 million vehicles have been reported, with 700,000 of those in the U.S. alone. This trend is expected to impact fleet sales for the next six months.

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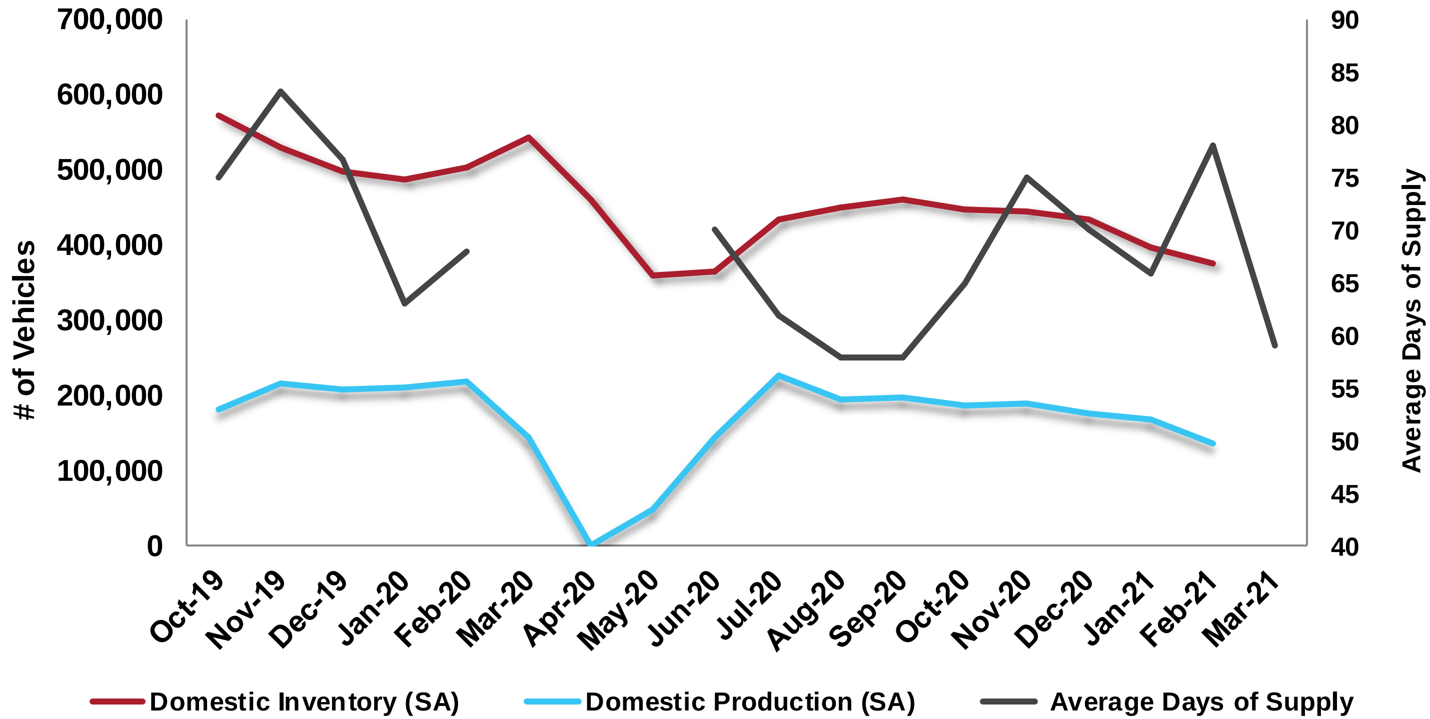
Source: FRED; TD Economics

ACQUISITION

Dealer Inventory & Days of Supply



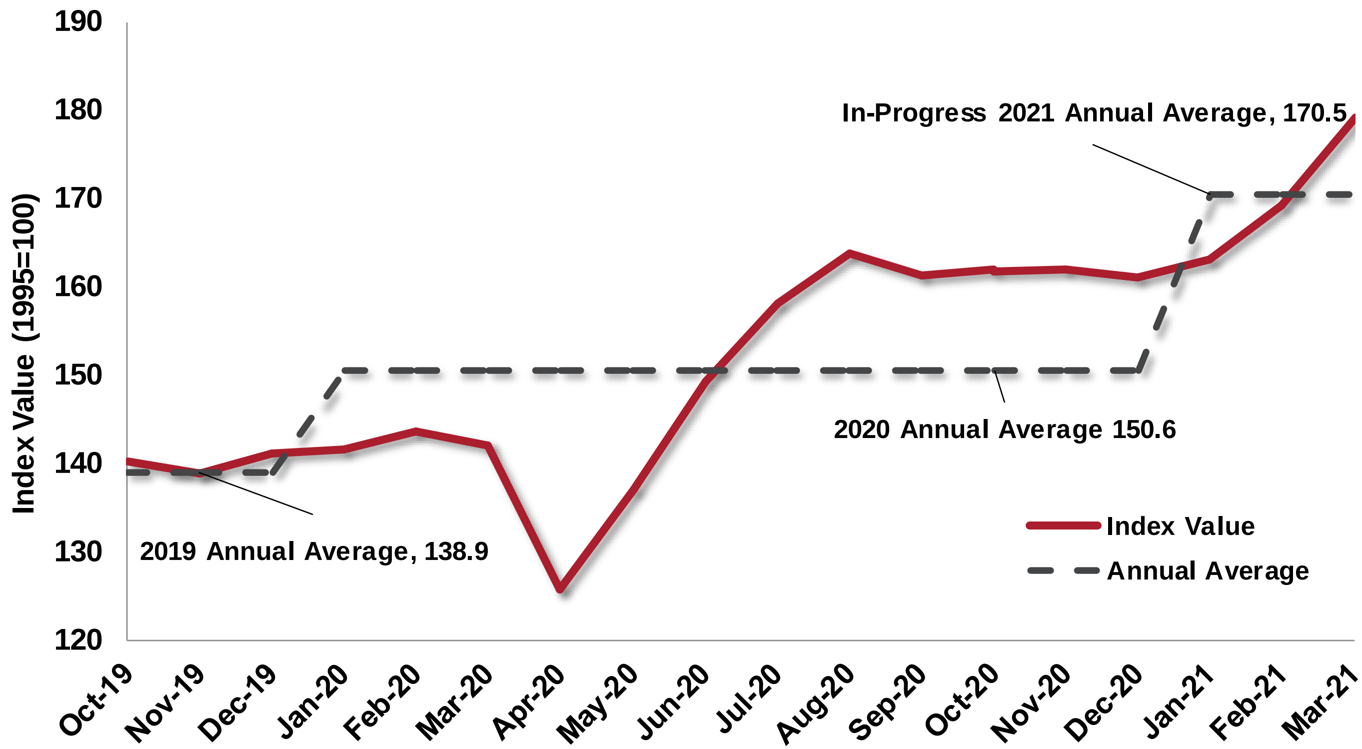
Light trucks, being the most in demand, continue to take the most substantial hit due to the semiconductor shortage. This segment now makes up 17% of new-vehicle production loss – double the percentage compared to projections for March. This loss in production will continue to be felt downstream at dealerships in the coming months with inventories already severely depleted.

Many new-vehicle dealers have begun to prioritize their focus on higher-priced retail sale profits in lieu of more heavily negotiated fleet sales. Some high-demand models have seen their days' supply consistently halved from typical pre-COVID levels and on-hand inventory levels slashed to a fraction of normal levels.

Source: FRED; COX Automotive

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. **Used vehicles have reached a new peak value in March**, a change that is 26% higher Y/Y, 29% higher than 2019's average value, and 9% higher than August 2020's peak.

Intensifying shortages of vehicle production this year are expected to **sustain or increase used vehicle values**, especially in the SUV, van, and truck segments. This is an excellent time to remarket aging and underutilized units in your fleet.

Source: Manheim Consulting

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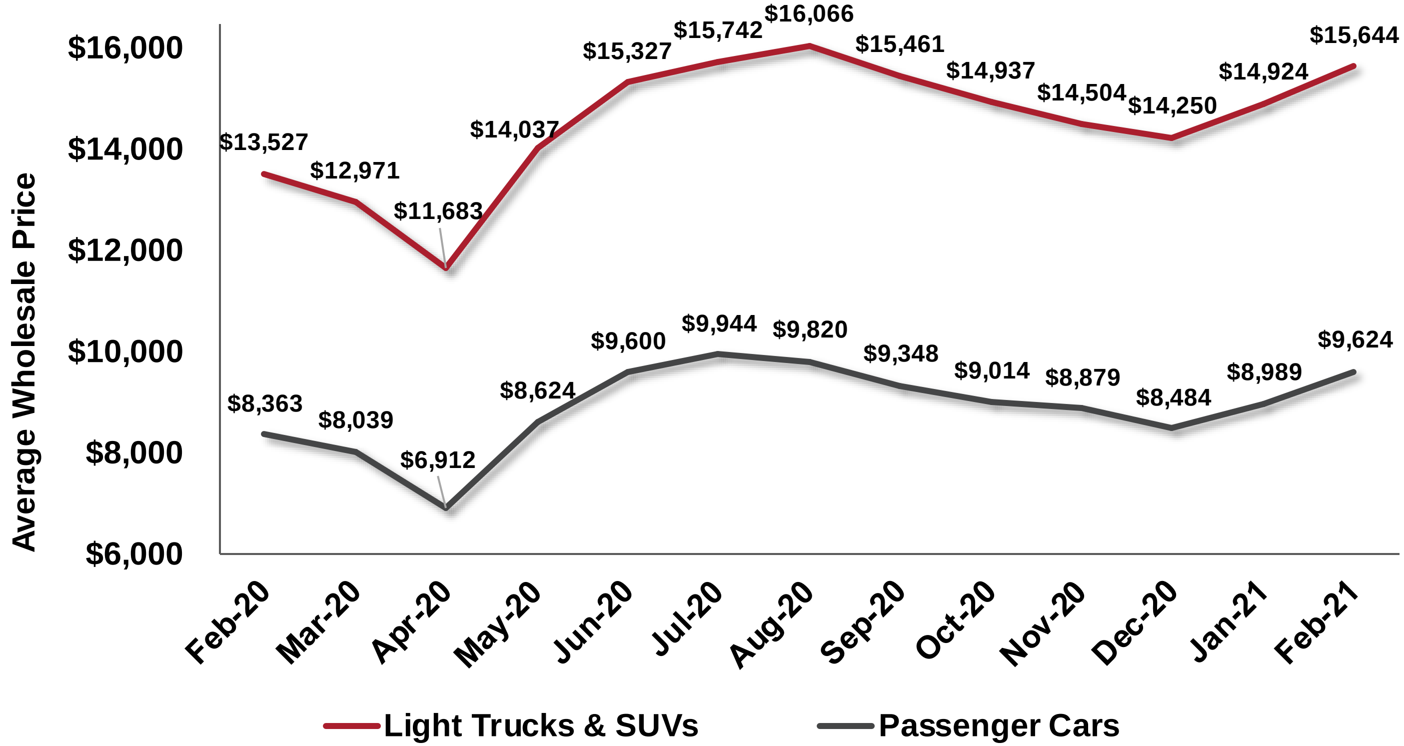
WHOLESALE RESALE MARKET

Average Wholesale Price by Segment



Due to critical component and material shortages, auction values remain at record highs and are trending upward. **The two top-level segments of trucks and cars are +15.6% and +15.1% Y/Y**, respectively. All segments have gained value in the wholesale market Y/Y with pickup trucks and vans leading the pack.

February values continue to climb, breaking the downward trend after the summer 2020 peak. February realized a change of **+4.8% for trucks and +7.1% M/M for cars.** Compact pickups, full-size pickups, and full-size vans have gained the most value compared with pre-COVID market conditions, an **increase of 63.2%, 30.9%, and 34.2%,** respectively.

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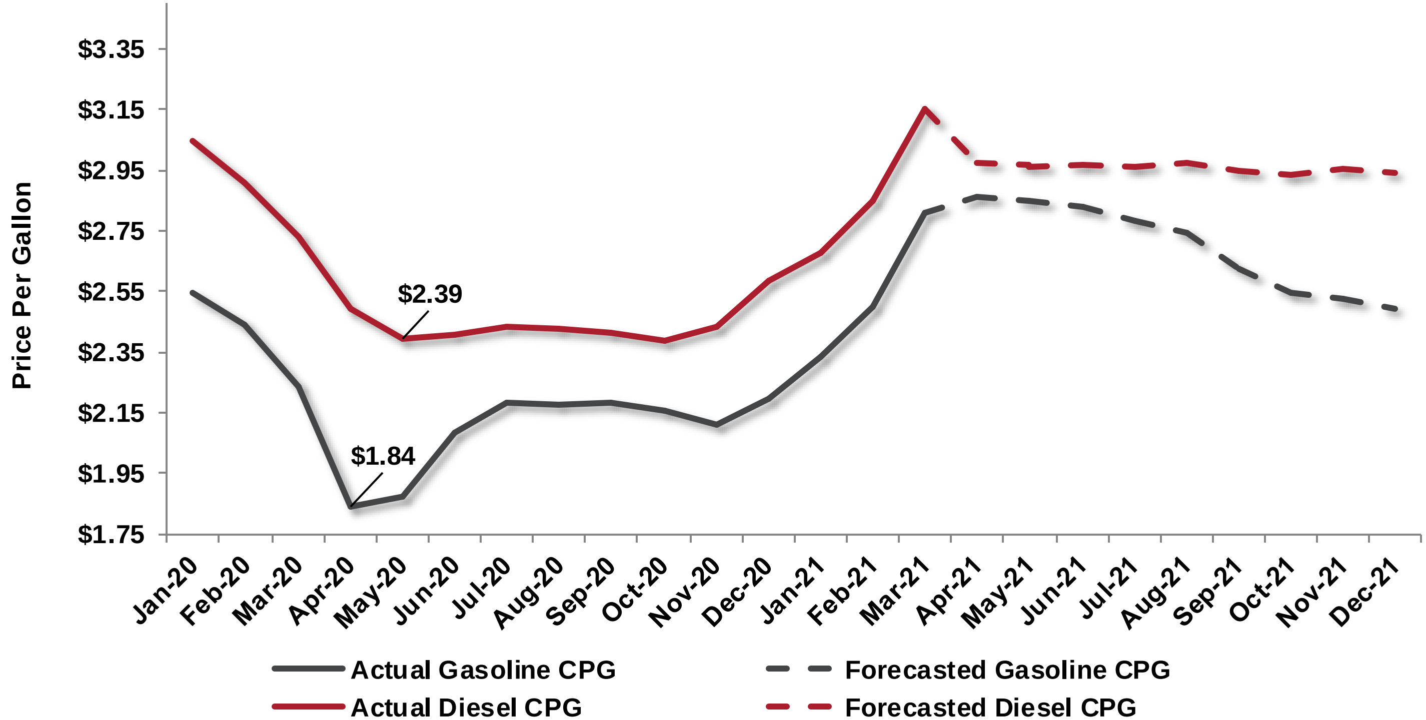
Source: ADESA; KAR Global

FUEL

National Average Cost per Gallon
Regular Grade & Diesel



U.S. fuel prices fell sharply after a drop in demand and an abundance of supply in the spring of 2020. Prior to effects from COVID-19, 2020 was generally projected to mimic 2019's fuel pricing. Prices followed the rising demand curve throughout winter as pandemic optimism increased steadily.

The EIA's forecast has already seen multiple forecast bumps from earlier predictions. Prices in the near term are exceeding prior-year values for both diesel and gasoline but are expected to normalize later in the year. It is estimated that demand for gasoline and diesel peaked in 2019 and will decline steadily in coming years as alternative fueled vehicles see wider adoption.

Source: U.S. Energy Information Administration; WSJ

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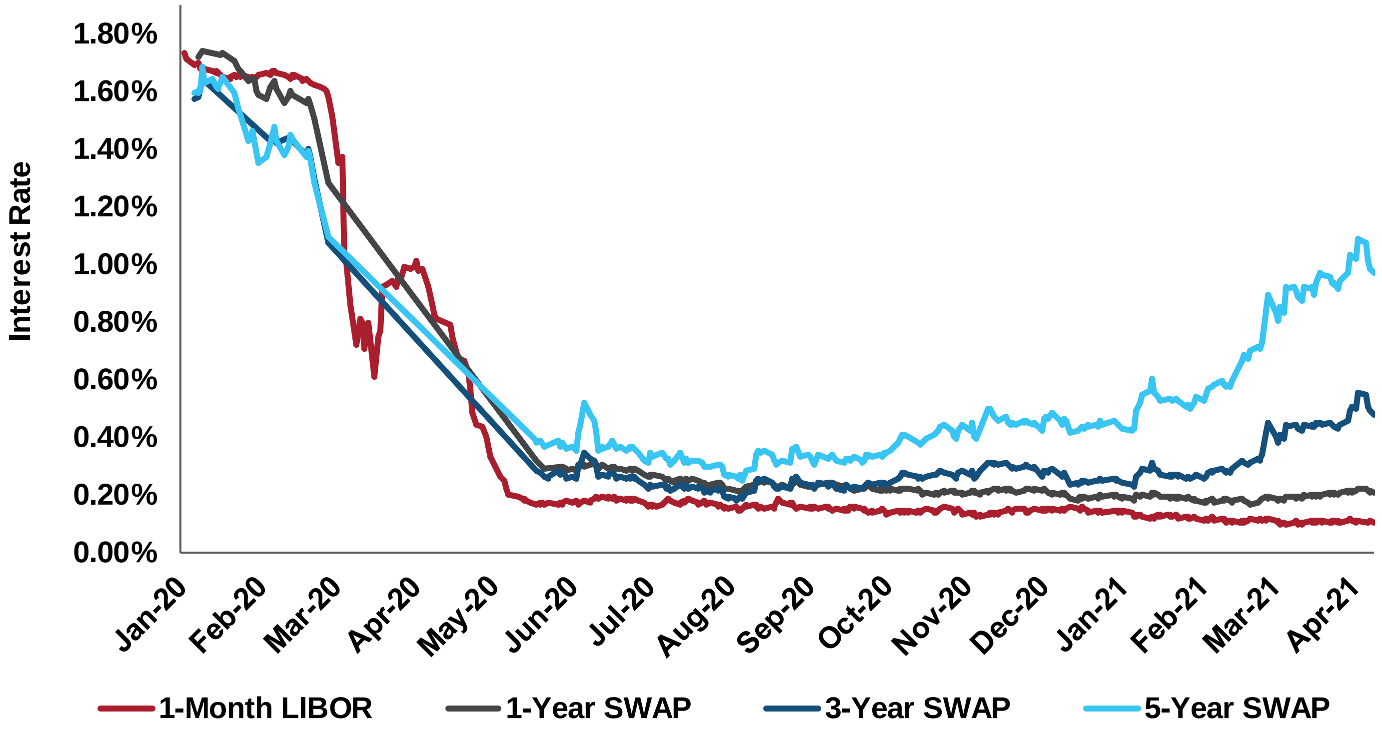
INTEREST

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 0.97%**. 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, some **interest indexes remain at historic lows**. However, an upward trend in long-term indices signals this being a favorable time to take advantage of today’s rates.

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Source: FRED; ICE Benchmark Administration Limited