



ECONOMIC INDICATORS

➔ New Federal Reserve Chairman Jerome Powell's testimony to Congress this week rattled markets with talk of **four possible interest rate hikes before the year is out**. Additionally, President Trump's announcement regarding **impending tariffs on steel and aluminum imports** caused further stock declines. Such tariffs would have an impact on auto prices.

➔ However, **Consumer Confidence in February was the highest reading in more than 17 years**. Likewise, Consumer Sentiment rose to its highest reading in more than 13 years. Both increases suggest that the consumer is buoyed by lower taxes that are starting to be seen in paychecks. Consumer spending continues to come in as expected. With a robust 313,000 jobs created across diverse sectors in February, **the job market is showing positive momentum that will drive unemployment lower and wages higher**. This is a positive cycle, as these conditions set the stage for even stronger consumer confidence and higher consumer spending.

DEMAND

➔ **February New vehicle sales volume decreased 2% YOY**. Commercial fleet sales increased 4%, Rental fleet increased 5% and Government fleet decreased 5%.

➔ **Cox Automotive estimates that Used vehicle sales increased by 2% YOY in February**, which led to a February Used SAAR of 39.6 million units. As expected, Used sales are now picking up momentum, boosted by tax refunds – a key driver of peak Used sales activity in the spring. March and April should see strong Used vehicle sales.

➔ **The top OEM in February was Toyota North America**, with sales up 5% MOM, bolstered by a 13% increase in light truck sales and the best monthly RAV4 sales to date.



SUPPLY

➔ February average incentive spend was \$3,695, up 3% YOY but down 1% MOM. **The days' supply for February was 73, flat YOY and down 10 days from January**. The Manheim Used Vehicle Value Index, which ended its price correction phase in February, was 131.0 – the same level as January.

CREDIT

➔ Accelerated economic growth combined with the most recent wage and price data has raised the probability of the Fed increasing short-term interest rates in March. **The odds now are above 60% for three or more rate increases between now and the end of the year** that will contribute to the trend of increasing monthly **New vehicle loan payments, which have reached an all-time high**.

Average Monthly New Vehicle Loan Payments Have Reached an All-Time High of \$515

Average new payment by risk tier



Year-over-year change in new payment



Source: Experian™