



## ECONOMIC INDICATORS

- While the economy grew a robust 4.1% in the second quarter, the best growth in almost 4 years, consumer sentiment fell in July to the lowest level since January. According to the University of Michigan, the decline in sentiment is being driven by consumer concern about tariffs. However, consumer spending on durable goods, including autos, increased likely due to a sense of urgency to buy ahead of potential import taxes. **The second half of the year should deliver a solid but slower 3% growth.**
- The Manheim Used Vehicle Value Index in July was 136.9, a 5.1% increase YOY and a new record. More affordable vehicles are seeing the greatest increases in values, with compact and midsize cars outperforming the overall market. This atypical summer Used price appreciation is partly a function of a strong economy, mounting affordability challenges for consumers that favor growth in Used at the expense of New, and fear of a new import tariff pushing vehicle prices even higher. **Higher prices and declining supply are encouraging consumers to buy now rather than later.**

## DEMAND

- July New vehicle sales decreased 3% YOY, with one less selling day compared to July 2017. July SAAR came in at 16.7 million, flat versus last year's 16.7 million. July is just the second month this year to have New vehicle SAAR come in under 17 million. Retail sales decreased 6% YOY in July, but retail SAAR came in at the highest level this year at 14.7 million. Cars continue to see sharp declines as sales in July fell 17% YOY. Light trucks outperformed cars in July and were up 4% YOY. New vehicle sales year-to-date are up 1% versus last year.
- Cox Automotive estimates that Used vehicle sales increased by 3% YOY in July, even with one fewer selling day. **The annualized pace of Used vehicle sales is up 1% YOY at 39.5M – a new peak for this expansion period.**
- FCA and Subaru saw the biggest gains in July, with FCA earning a market share of 12.5% (increasing 1.1% YOY) and Subaru increasing 0.4% YOY to earn a market share of 3.9%.

### LIGHT VEHICLE SALES

|   |     |            |
|---|-----|------------|
| ↓ | 5%  | New Retail |
| ↑ | 45% | Rental     |
| ↑ | 6%  | Commercial |
| ↑ | 13% | Government |

## SUPPLY

- The days' supply for July was 65, down 3 days YOY and down 3 days from June. **New vehicle inventories came in under 4M units for the third consecutive month and are at the lowest level in 23 months.**
- The July average incentive spend was \$3,776, up 4% YOY and down 0.2% MOM. **July average incentive monthly YOY growth was the lowest since March.** Total industry incentive spend (at \$30B) is up 5% versus last year. The sales-weighted average incentive for the year is roughly \$3,740, which is up 5% YOY.

## CREDIT

- The Fed's quarterly Senior Loan Officer Survey indicated that **banks loosened standards for auto loans this quarter, breaking the streak of tightening in auto loan standards over 8 straight quarters.** Correspondingly, banks saw an increase in demand. **"Best Available" auto loan rates are edging up and have increased ~80 basis points YOY.**

