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RESEARCH

Auto Finance Summit 2021:

Economic Outlook for the Automotive & Auto Finance Industries

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28 October, 2021



The Current Situation:

What is “*Normal*” anymore??

Current Situation

What is “*Normal*” anymore??

- Lingering affects of global COVID-19 pandemic... light vehicle market recovery stalled by microchip shortage (the headlines)
- Supply chain and logistics issues impacting light vehicle deliveries – it’s NOT all about the chips shortage or COVID-19 anymore
- Vehicle demand outpaces supply, for now...

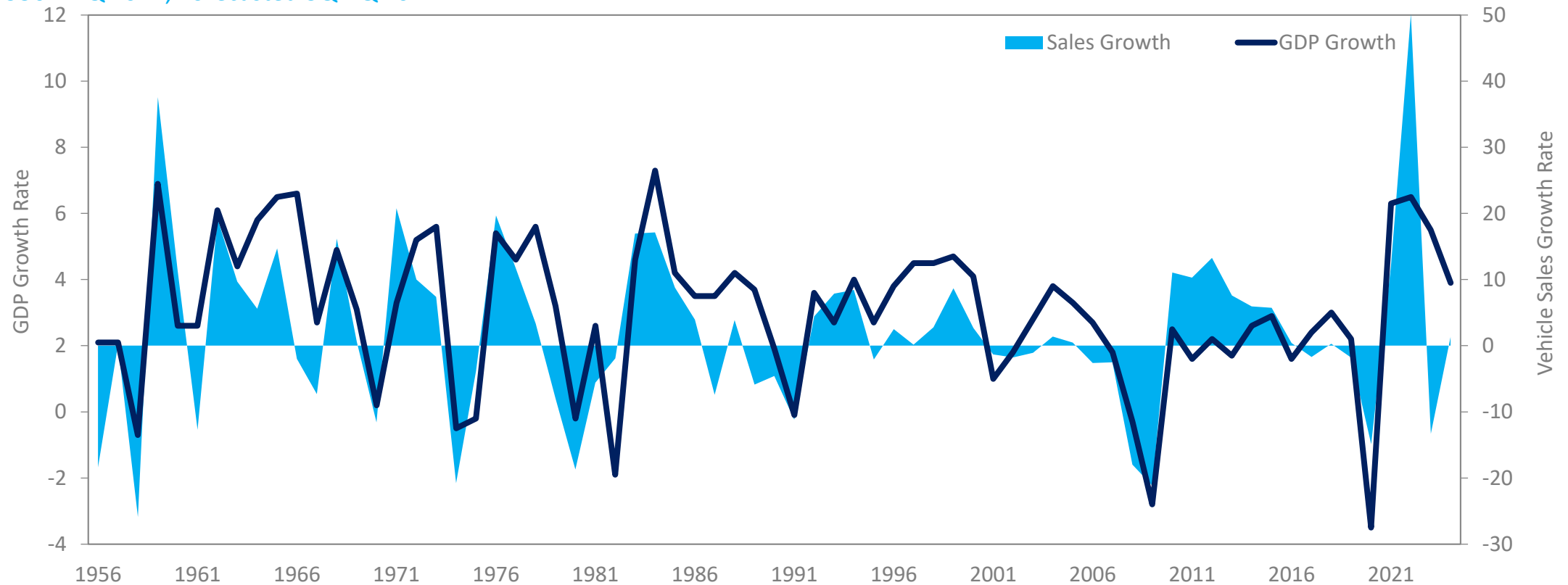


GDP and Vehicle Sales

Historic sales rebound following last year's COVID-19 pandemic lockdowns... stalled

U.S. GDP Growth Rate and Vehicle Sales Correlation

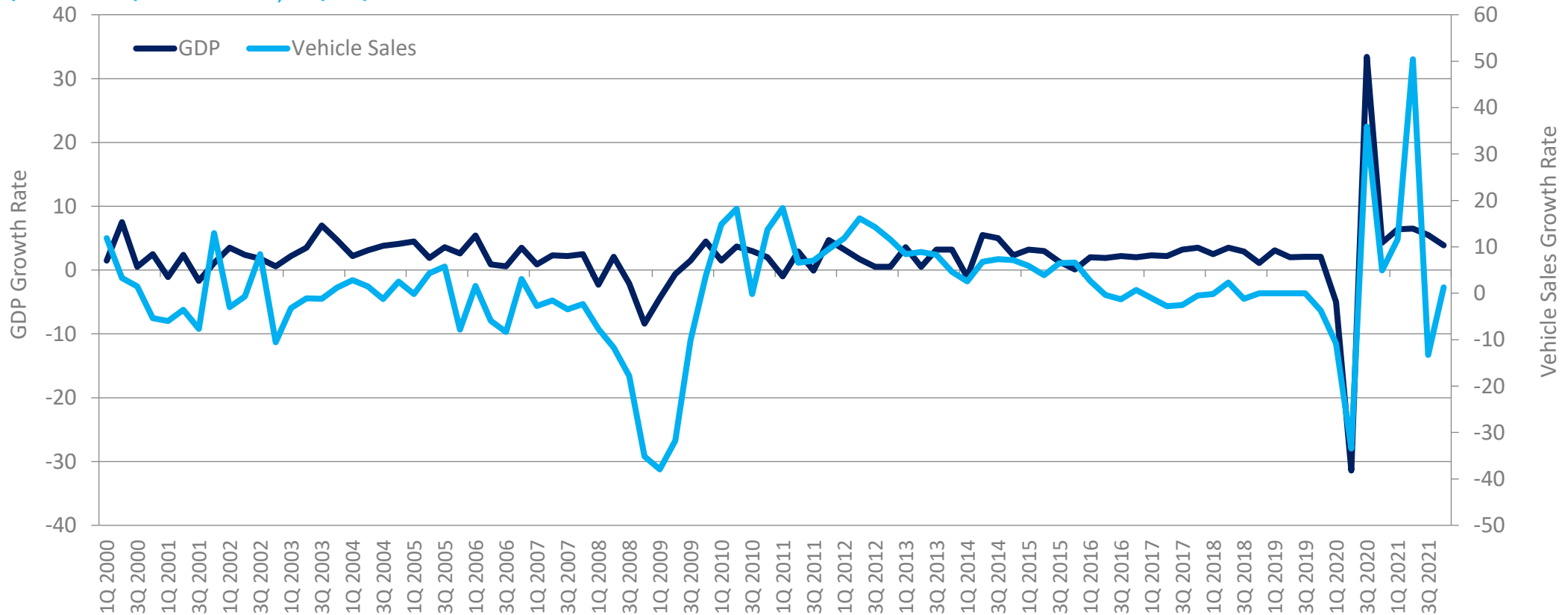
1956 – 2Q 2021; Forecasted 3Q-4Q 2021



Sales growth from last year sees dramatic increase – until the global chip shortage

GDP and U.S. Vehicle Sales Growth Quarterly

1Q 2000 – 2Q 2021 Actual; 3Q-4Q 2021 Forecast

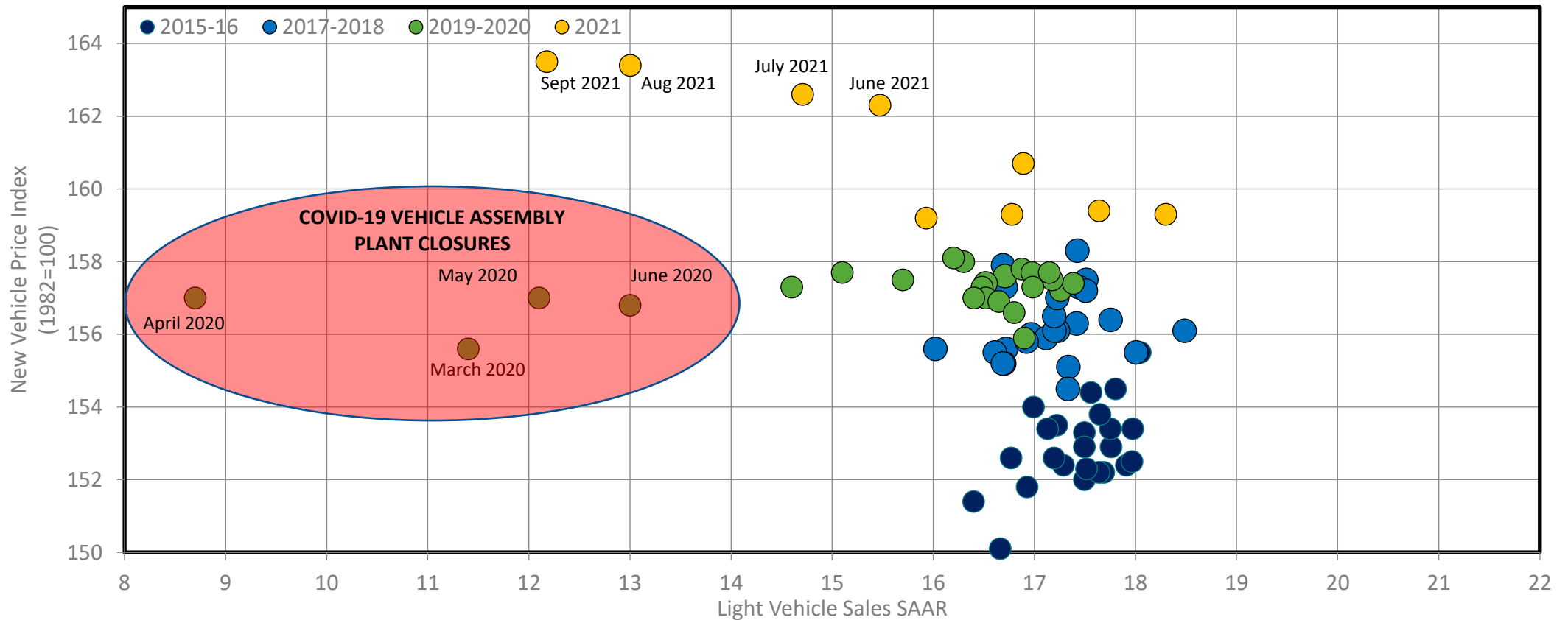


Vehicle Price and Sales

Light vehicle sales fall as prices are on the rise

Light Vehicle Sales SAAR & New Vehicle Price Index

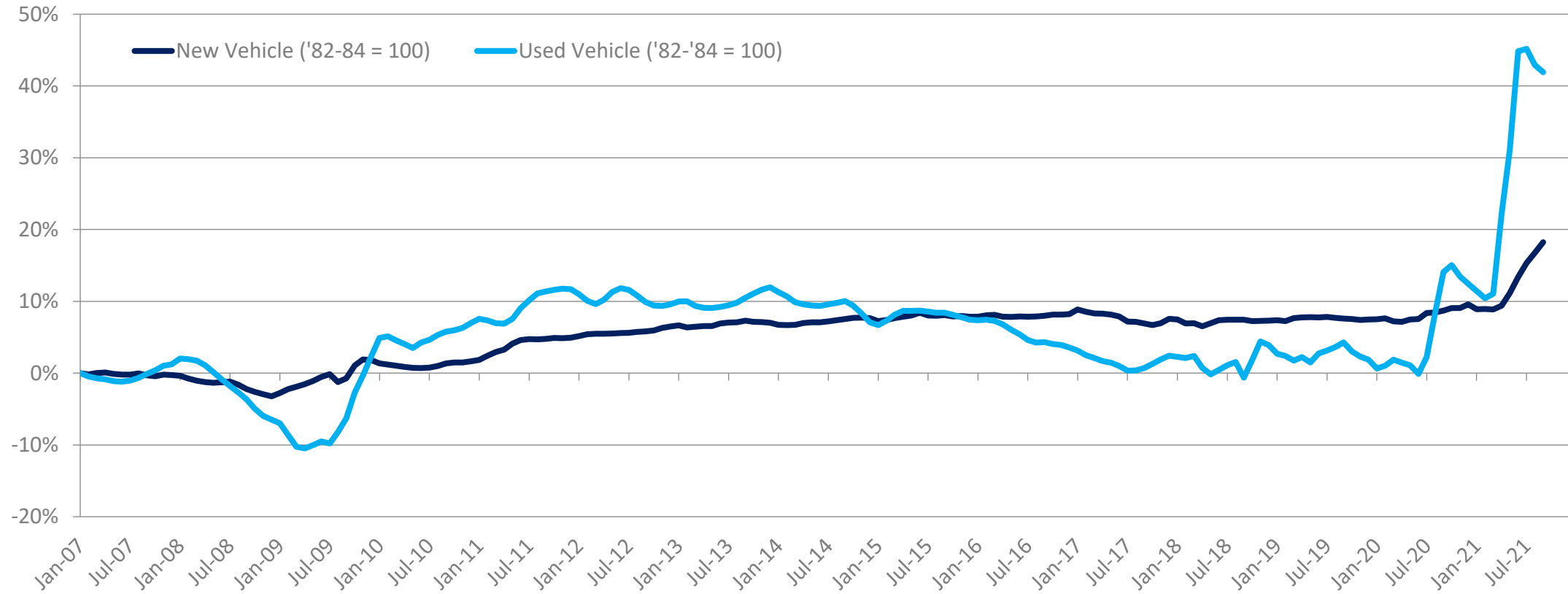
January 2015 – September 2021



Changes from Jan '07: CPI – New Vehicle and CPI-Used Vehicle

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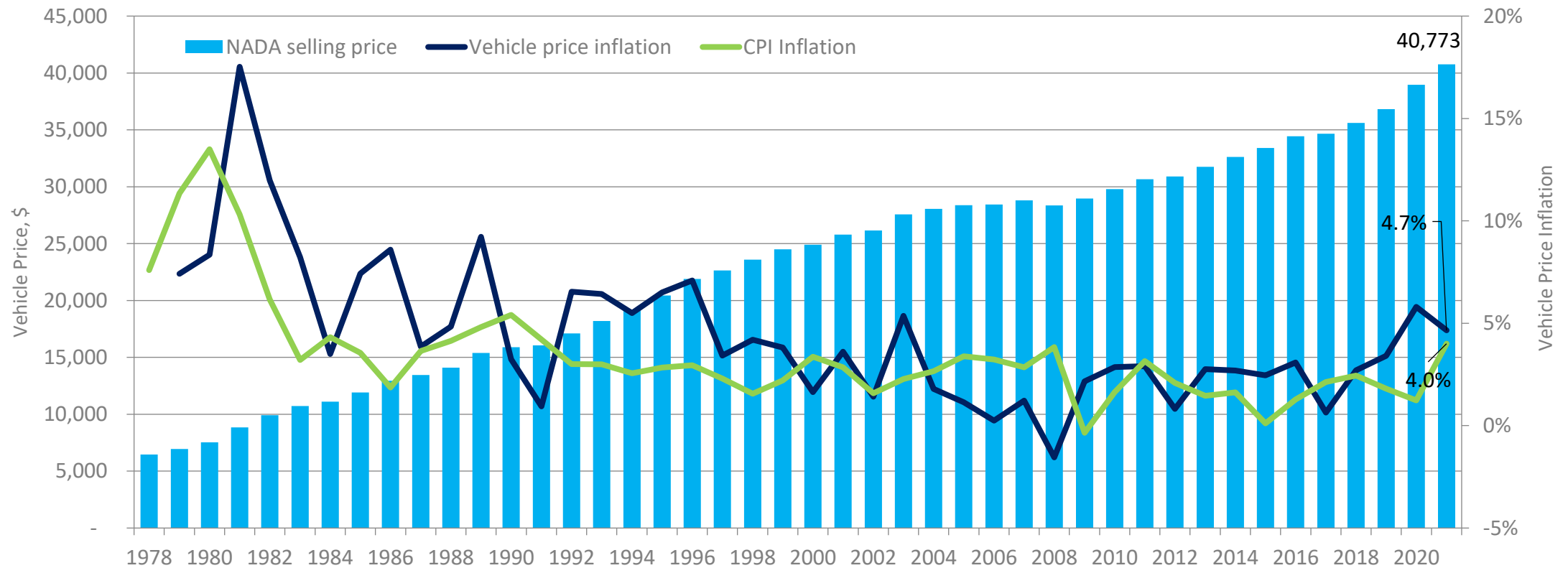
January 2007 – September 2021



NADA New Vehicle Selling Price

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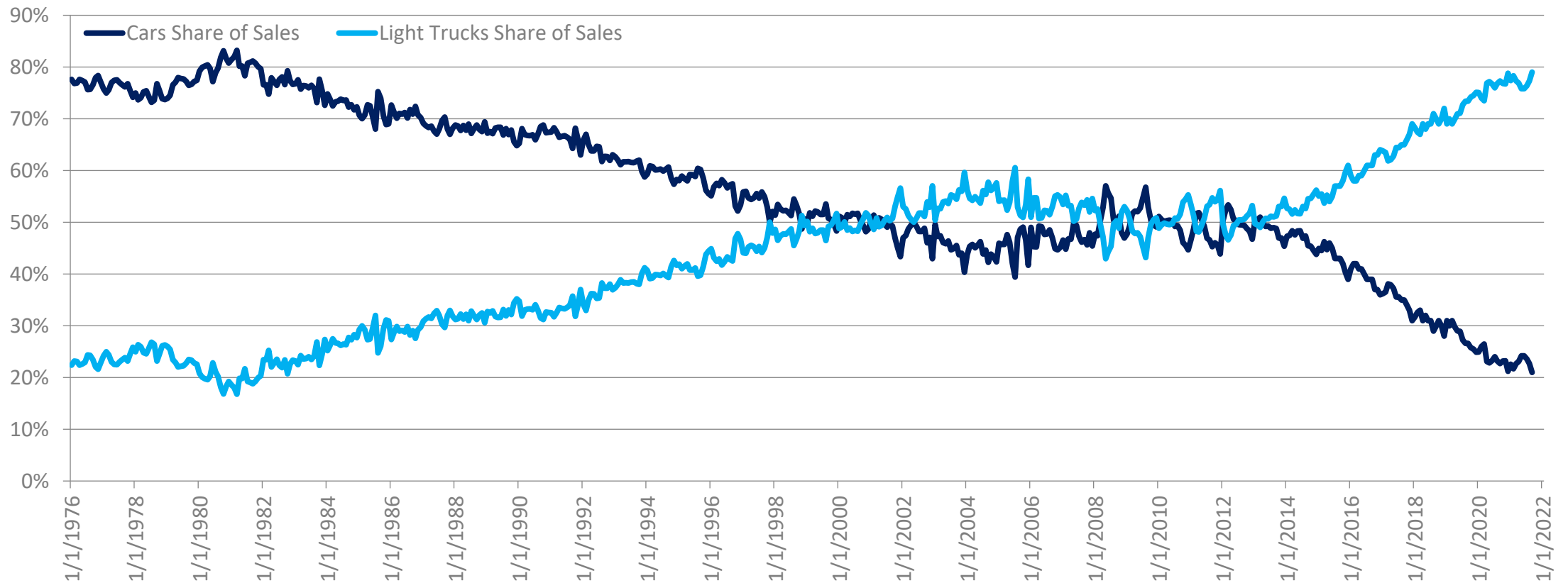
1978 – 2021 (August)



U.S. Light Vehicle Sales by Cars and Trucks

U.S. Light Vehicle Sales by Cars and Trucks

1976 – September 2021

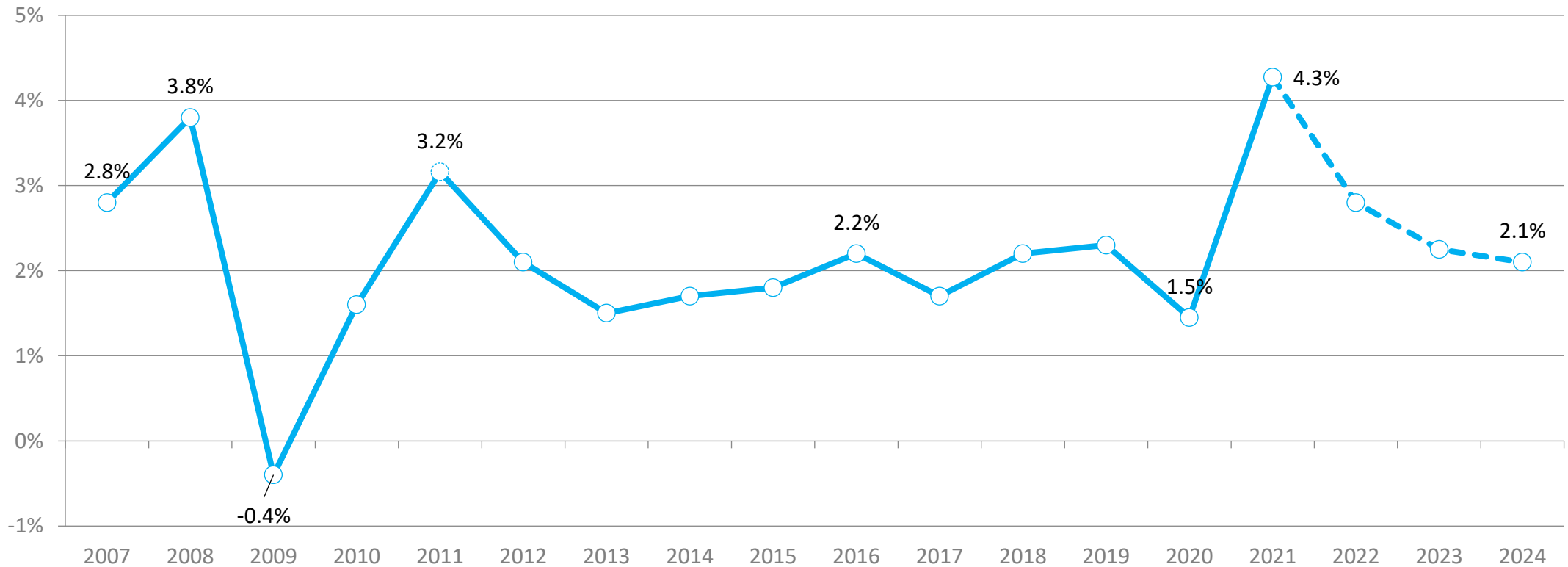


Commodity Prices, Interest Rates, and Inflation

Inflation is projected to increase

Inflation by Percentage

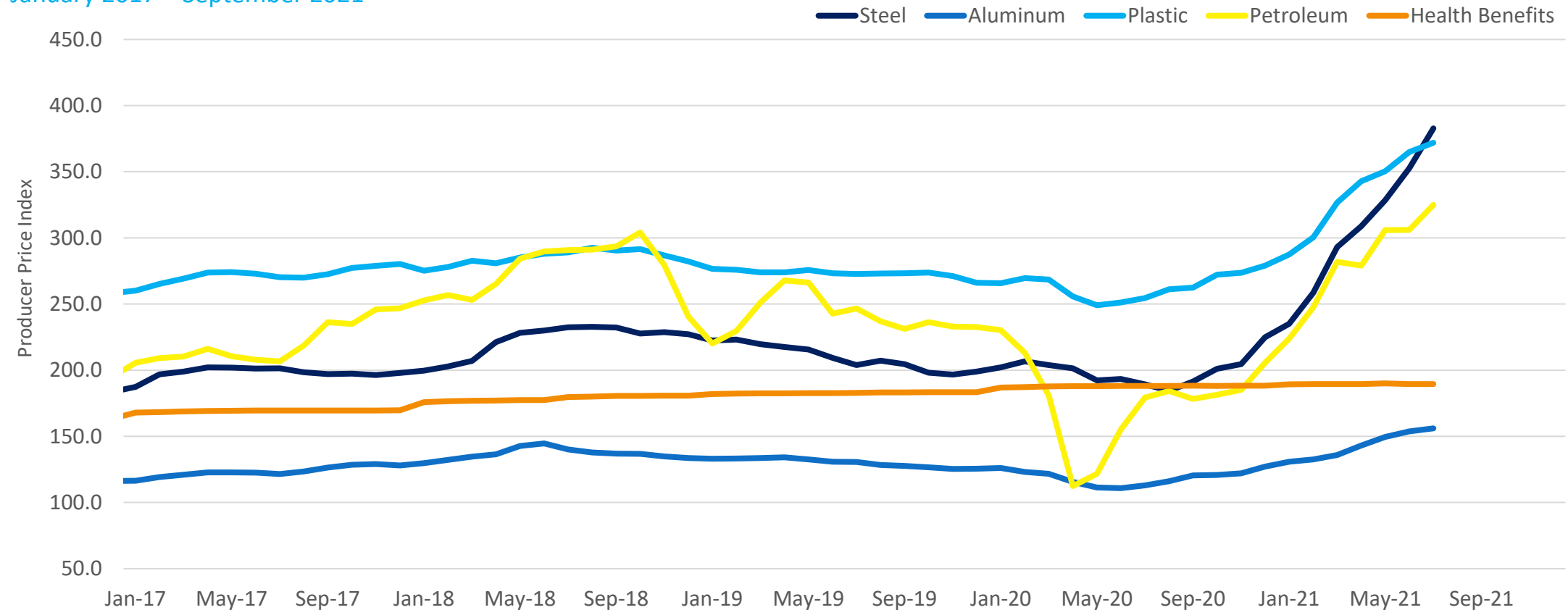
2007-2020, projections for 2021-2024



Producer Price Index – Commodities

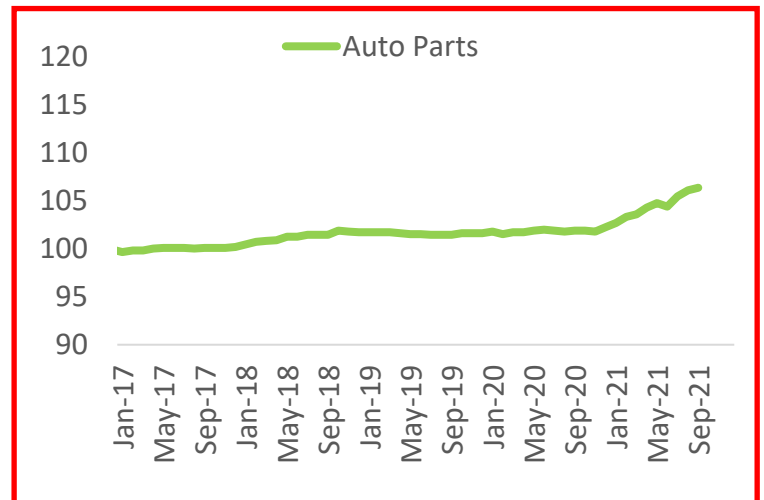
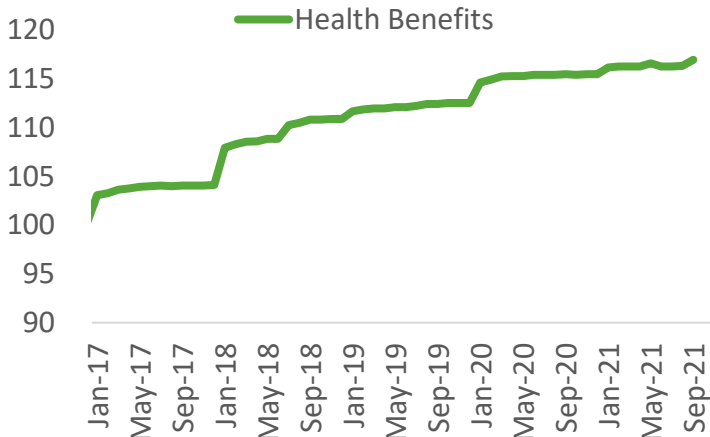
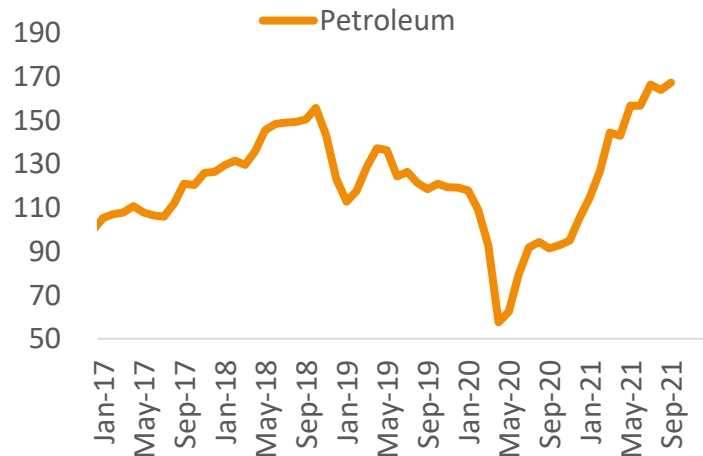
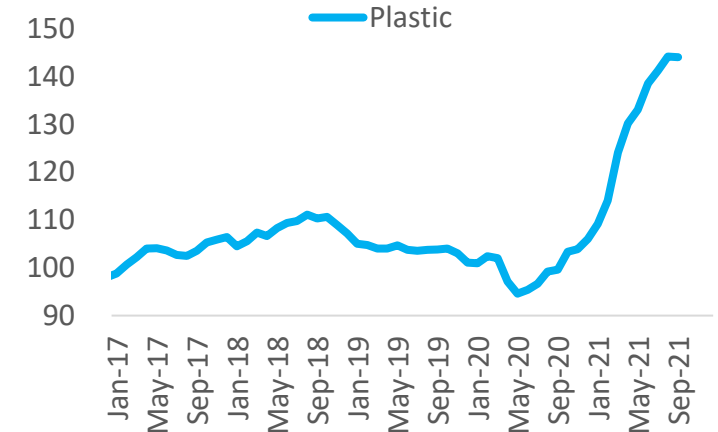
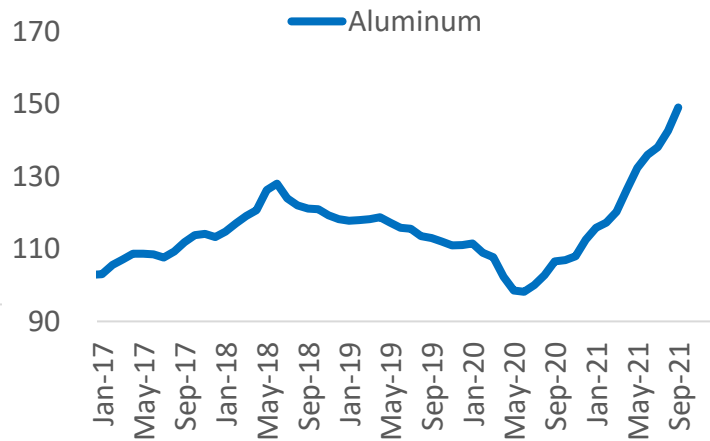
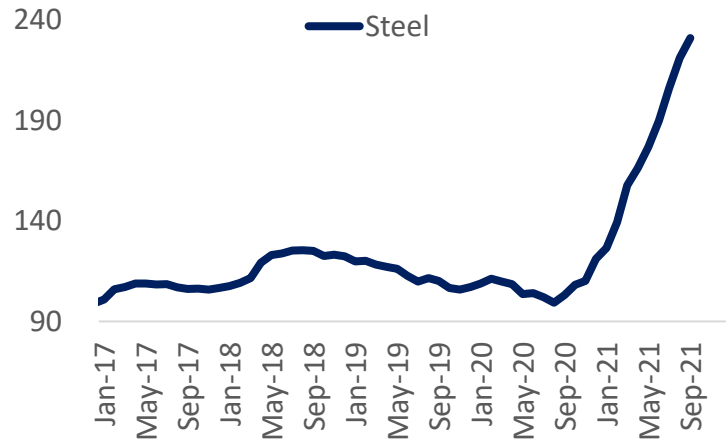
Producer Price Index – Commodities

January 2017 – September 2021



Changes in PPI – Commodities

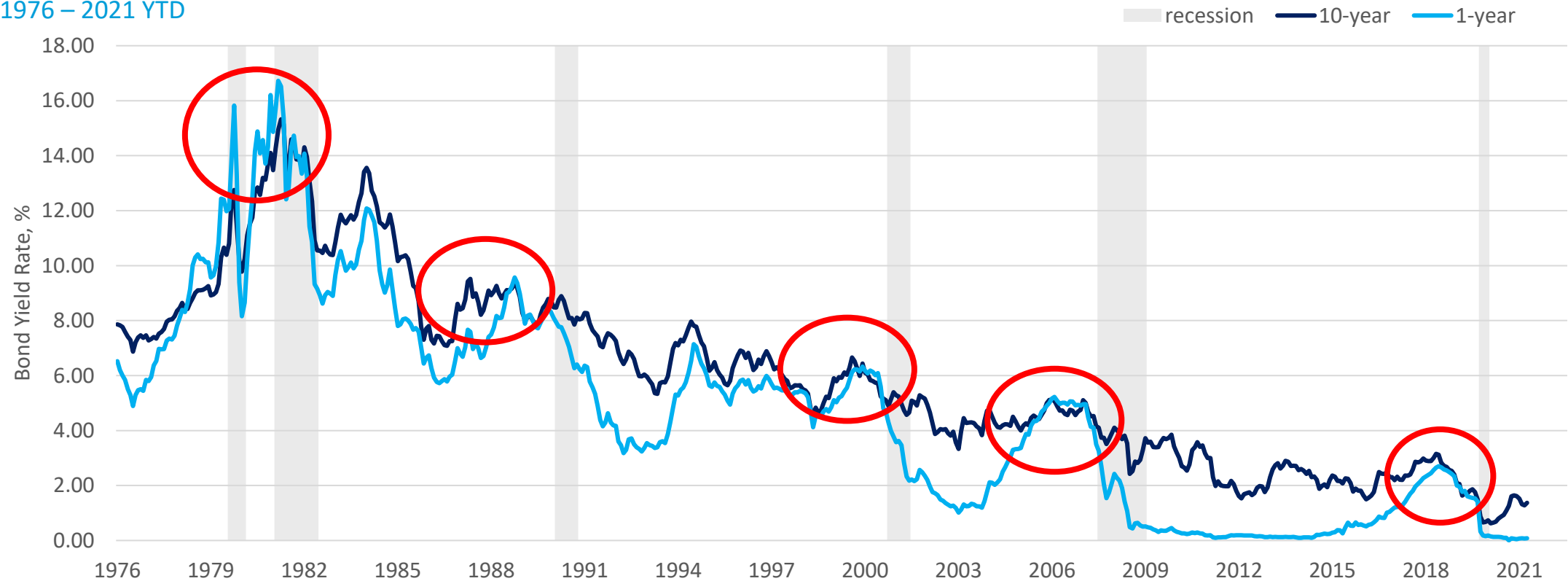
January 2017 – September 2021



1-year and 10-year treasury yields and recessions

1-year and 10-year Treasury Yields and Recessions

1976 – 2021 YTD

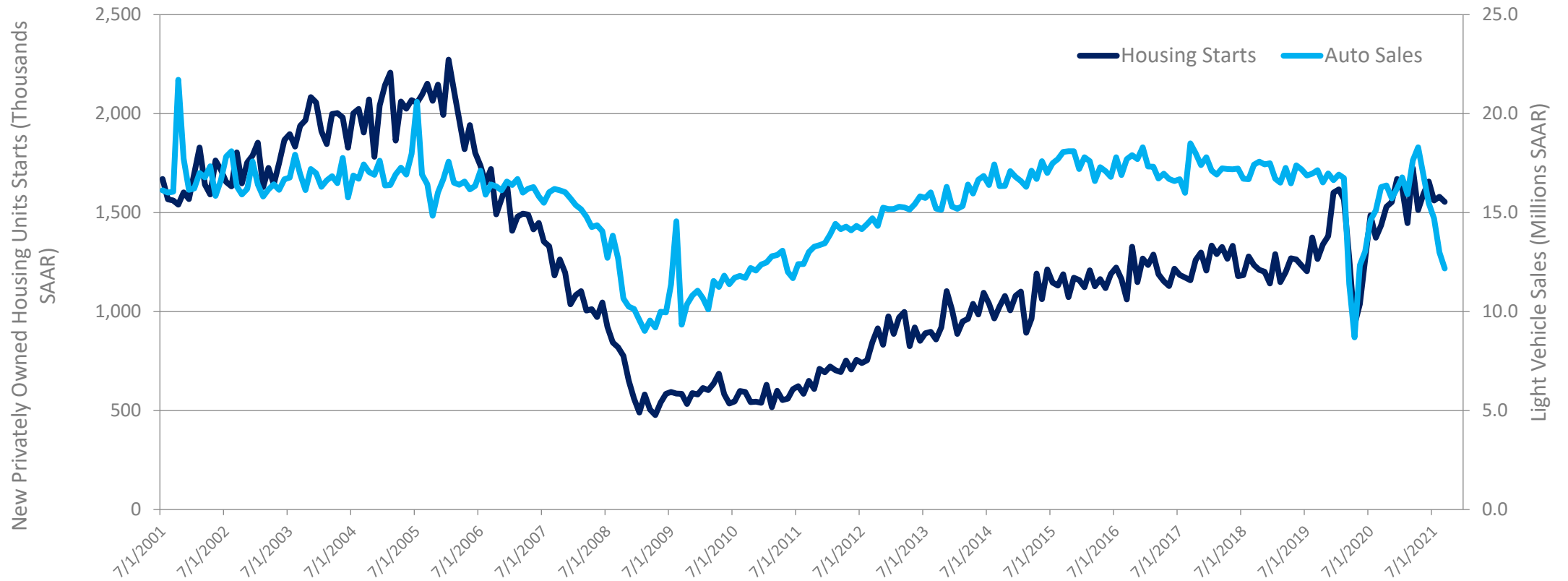


Housing and Credit

U.S. Housing Starts and Auto Sales

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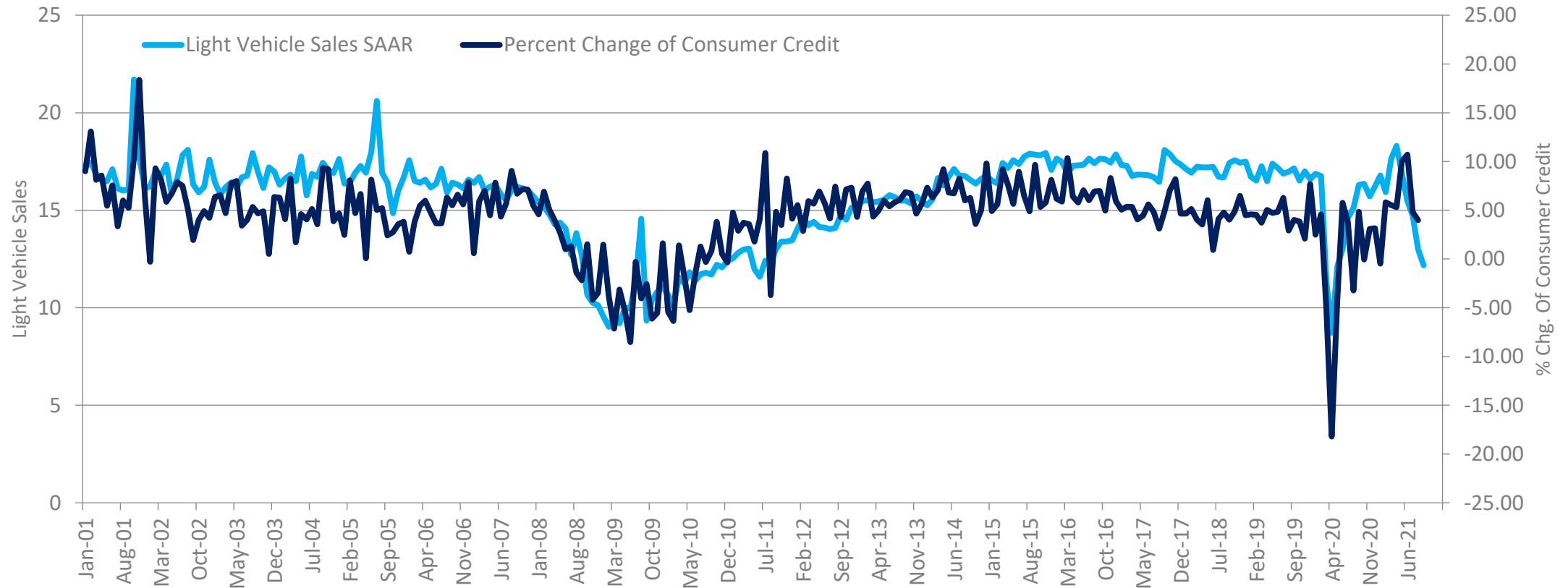
July 2001 – September 2021



Consumer Credit and Light Vehicle SAAR

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January 2001 – September 2021

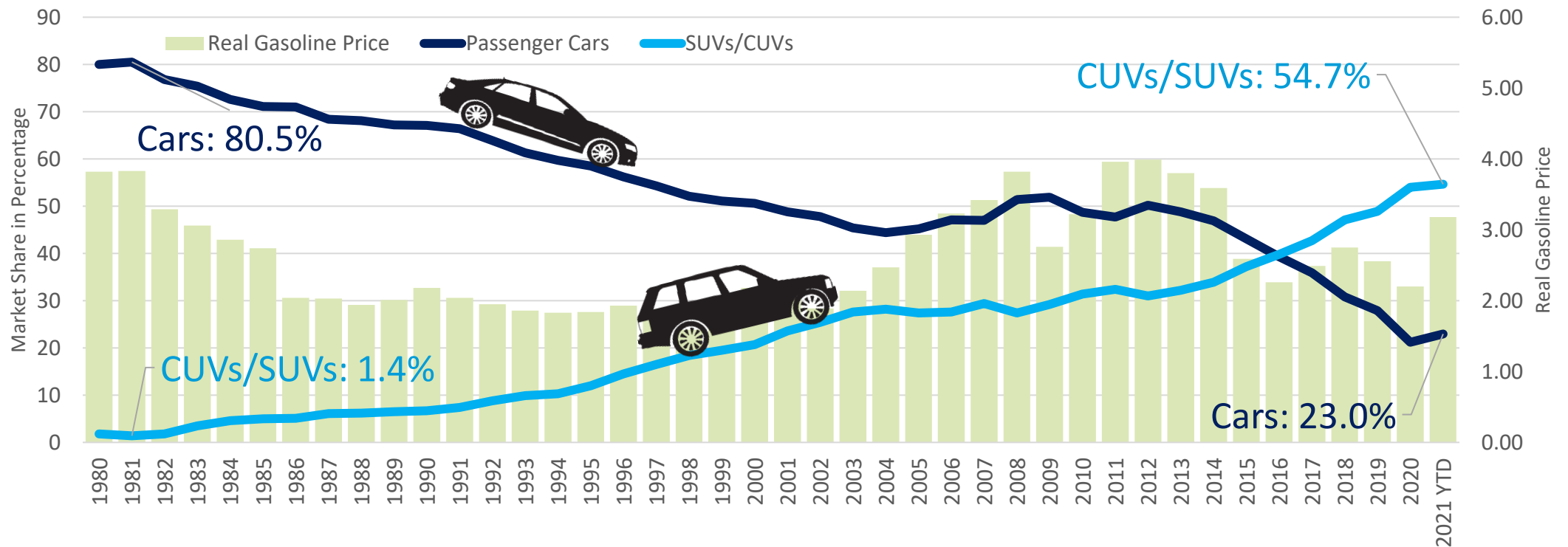


Gasoline Price and Market Share

U.S. Market Shares of Passenger Cars and CUVs/SUVs and Real Gasoline Price

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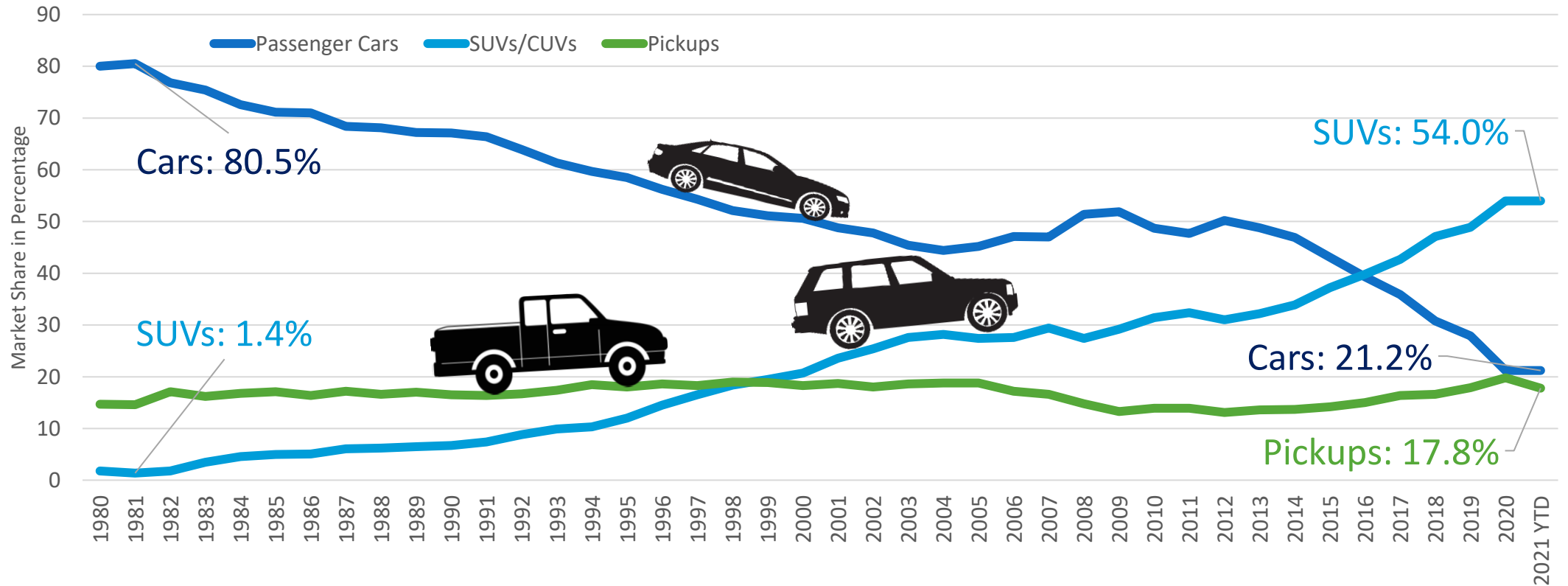
1980 – 2021 YTD



U.S. Market Shares of Passenger Cars, CUVs/SUVs, and Pickups

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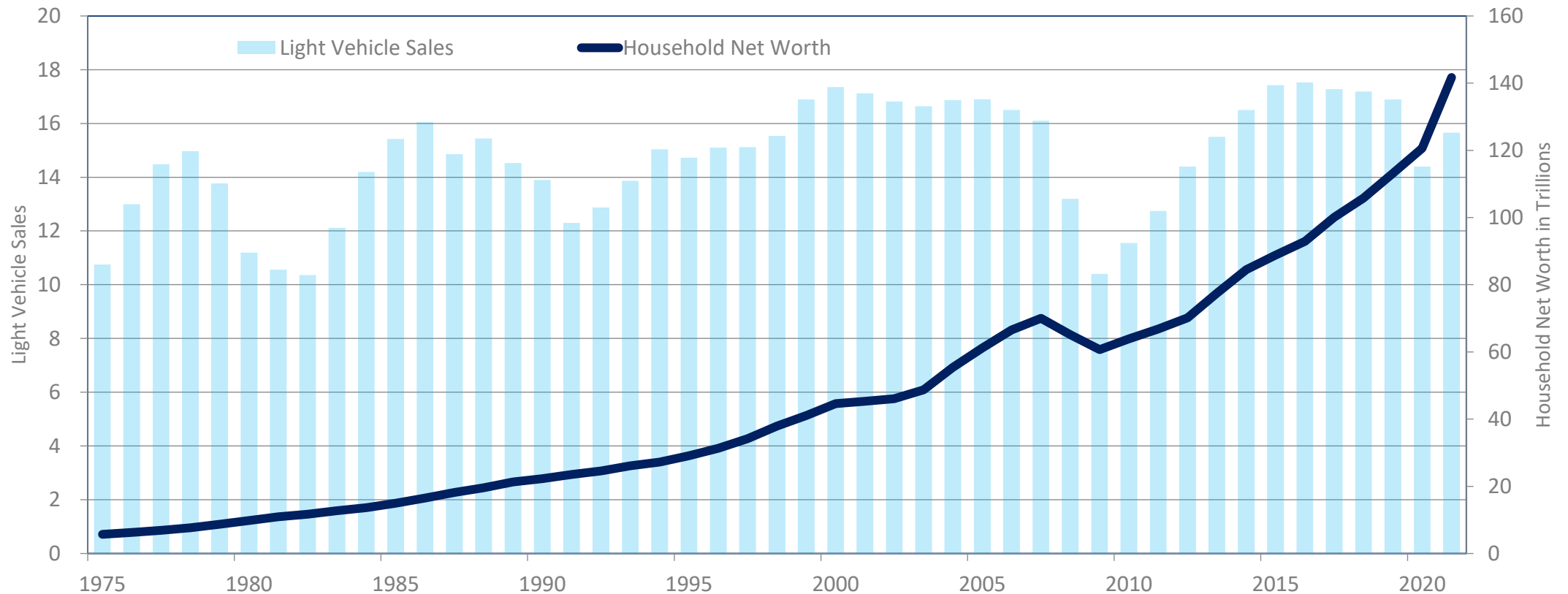


Consumer Confidence

Household Net Worth and Vehicle Sales

Household Net Worth and Vehicle Sales

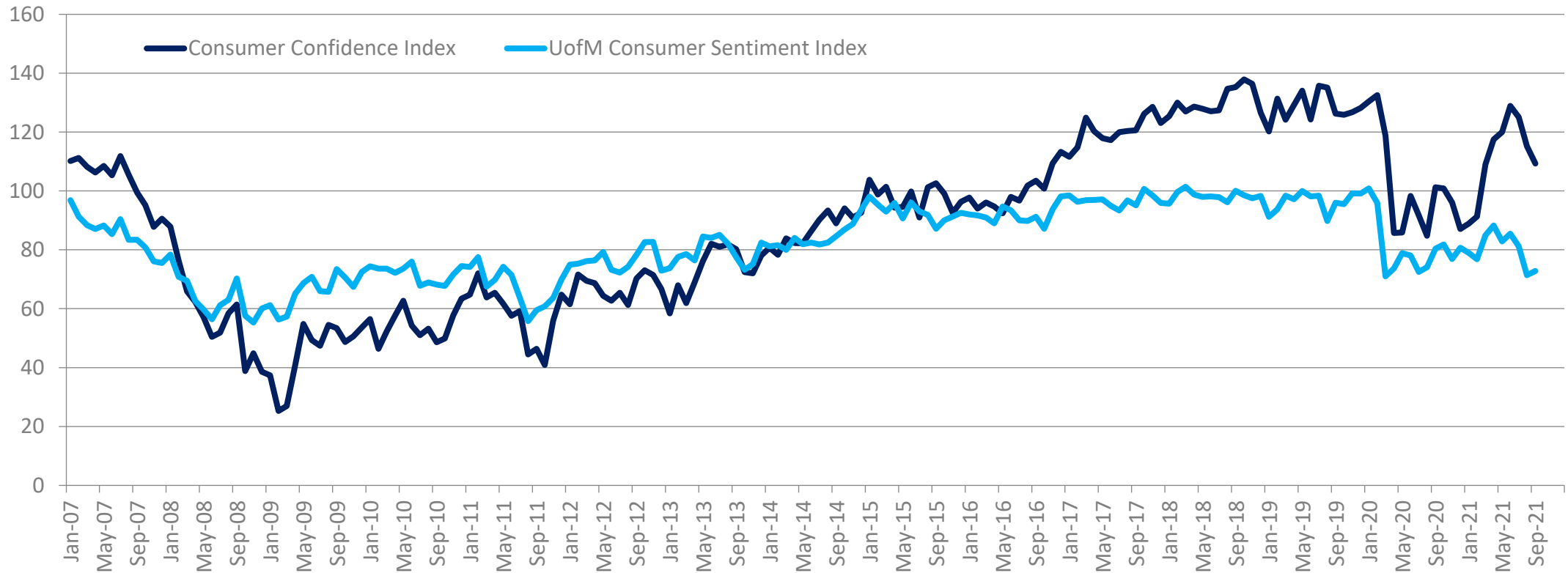
1978 – Q2 2021



Consumer Confidence & Sentiment

Consumer Confidence & Sentiment

January 2007 – September 2021

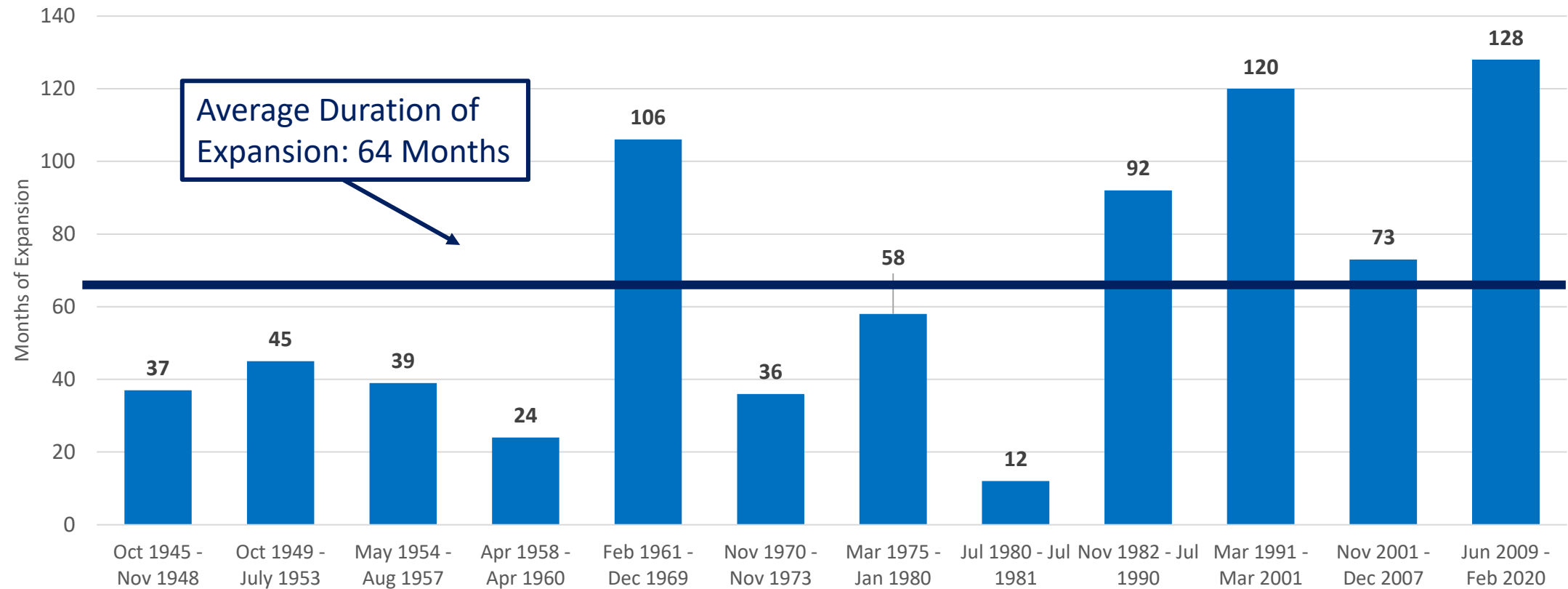


Business Cycles and Industry Trend

US Business Cycles Months of Expansion Since 1945

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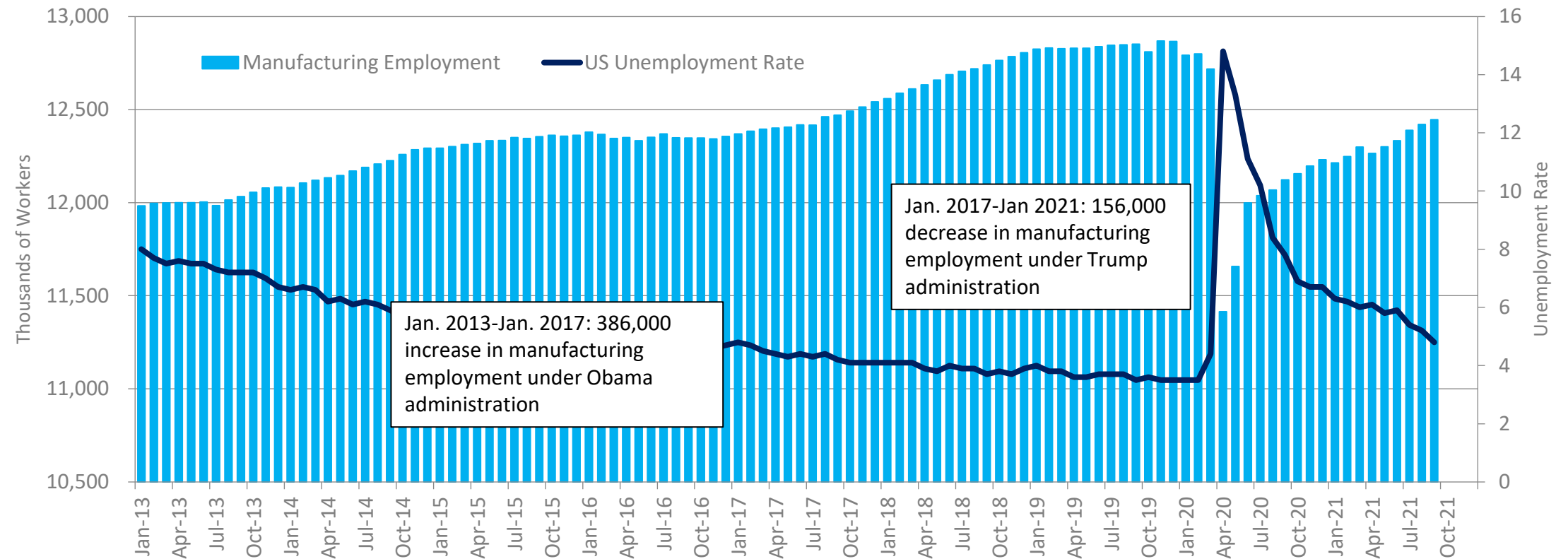
Quarterly, 1945-2021



U.S. Manufacturing Employment & Unemployment Rate

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January 2013 – September 2021



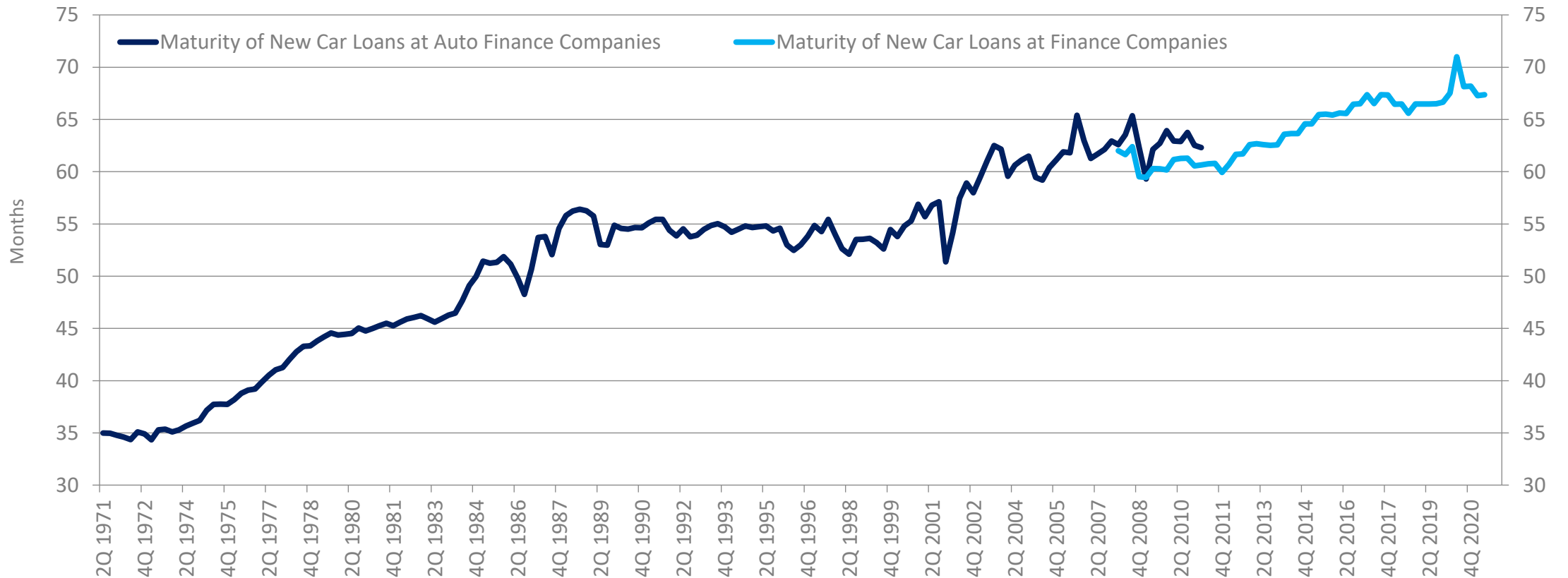


Auto Finance and Debt

Weighted Average New Car Loans Maturity

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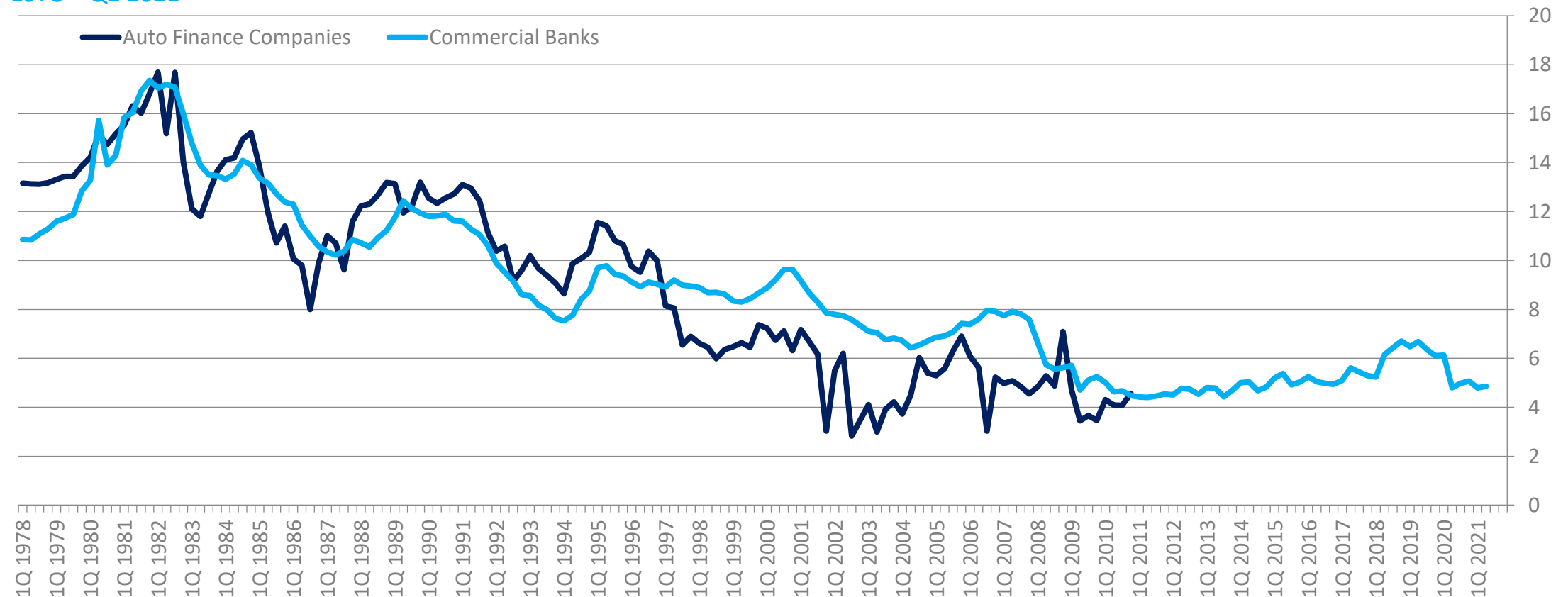
1971 – Q2 2021



Finance Rate at Auto Finance Companies and Commercial Banks

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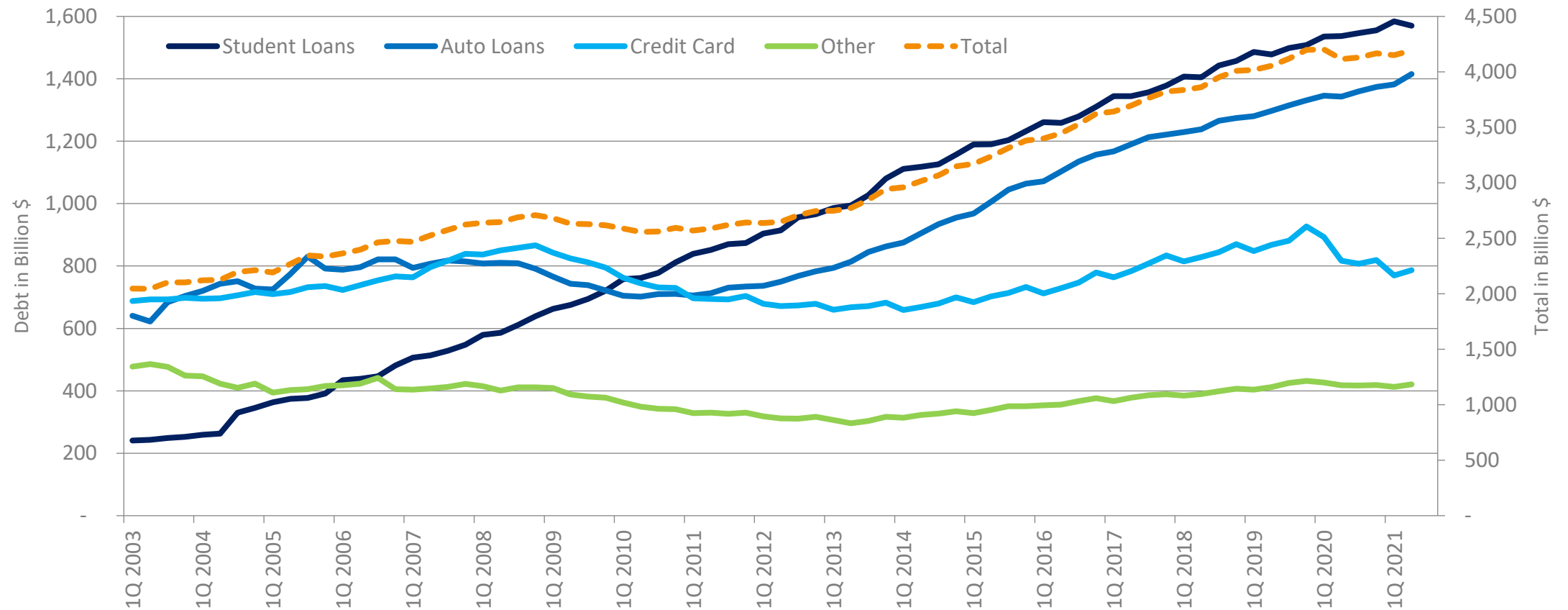
1978 – Q2 2021



Households are Carrying More Debt

Household Non-Housing Debt

Q1 2003 – Q2 2021

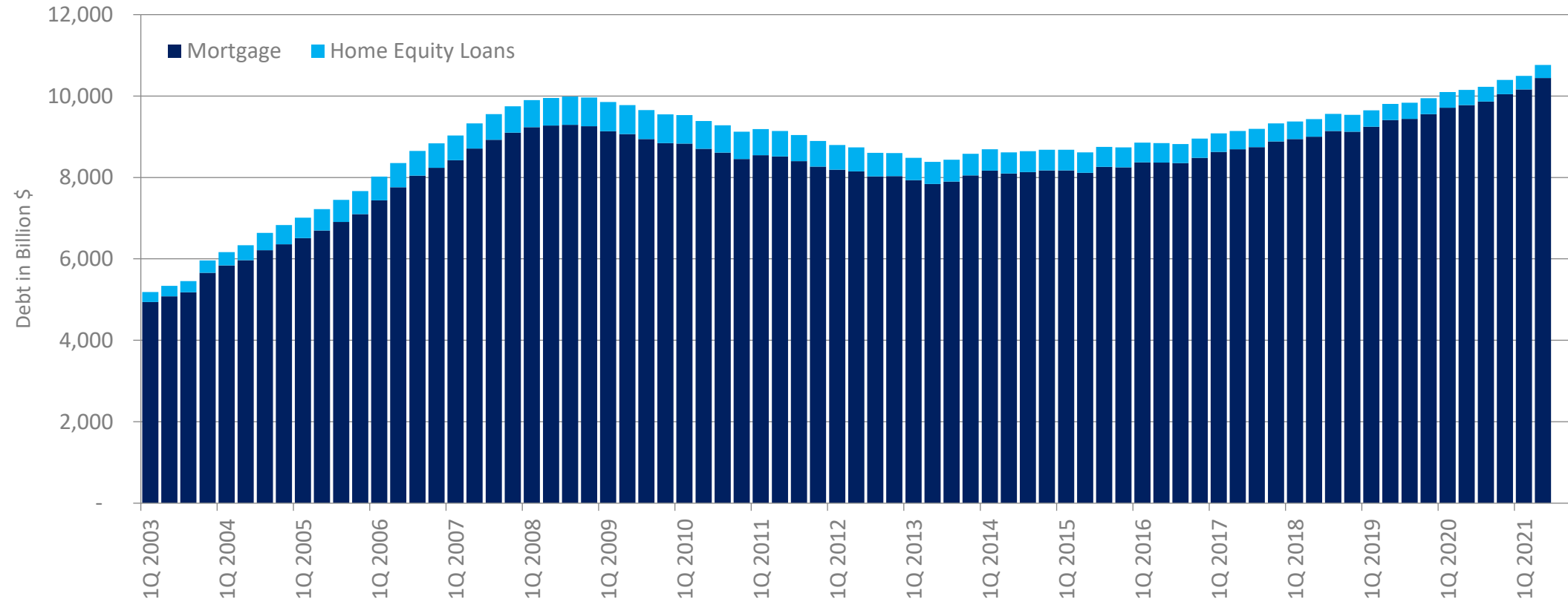


*Excludes mortgage and home equity line of credit

Household Mortgage and Home Equity Debt

Household Mortgage and Home Equity Debt

Q1 2003 – Q2 2021





Vehicle Sales Outlook

2021 U.S. Sales Forecasts:

Units in Millions

 CAR CENTER FOR AUTOMOTIVE RESEARCH	15.8 (9/21)	 NADA NATIONAL AUTOMOBILE DEALERS ASSOCIATION	15.2 (10/21)
 WELLS FARGO	15.5 (10/21)	 WARDS	15.7 (9/21)
 COX AUTOMOTIVE™	15.5 (10/21)	 IHS Markit™	15.6 (9/21)
 LMC AUTOMOTIVE	15.0 (9/21)		

Concluding Remarks:

What is “Normal” anymore??

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- CY21 SAAR outlook = 15.47m consensus (subject to downward revision)
- Supply chain and logistics issues to remain into 2022
- U.S. consumer outlook improves, although vehicle sales recovery skewed