



2018 Automotive Industry Trends

December, 2017

2018 Auto Sales Forecast and Influencing Factors

Edmunds Forecasts New Car Sales of **16.8M**

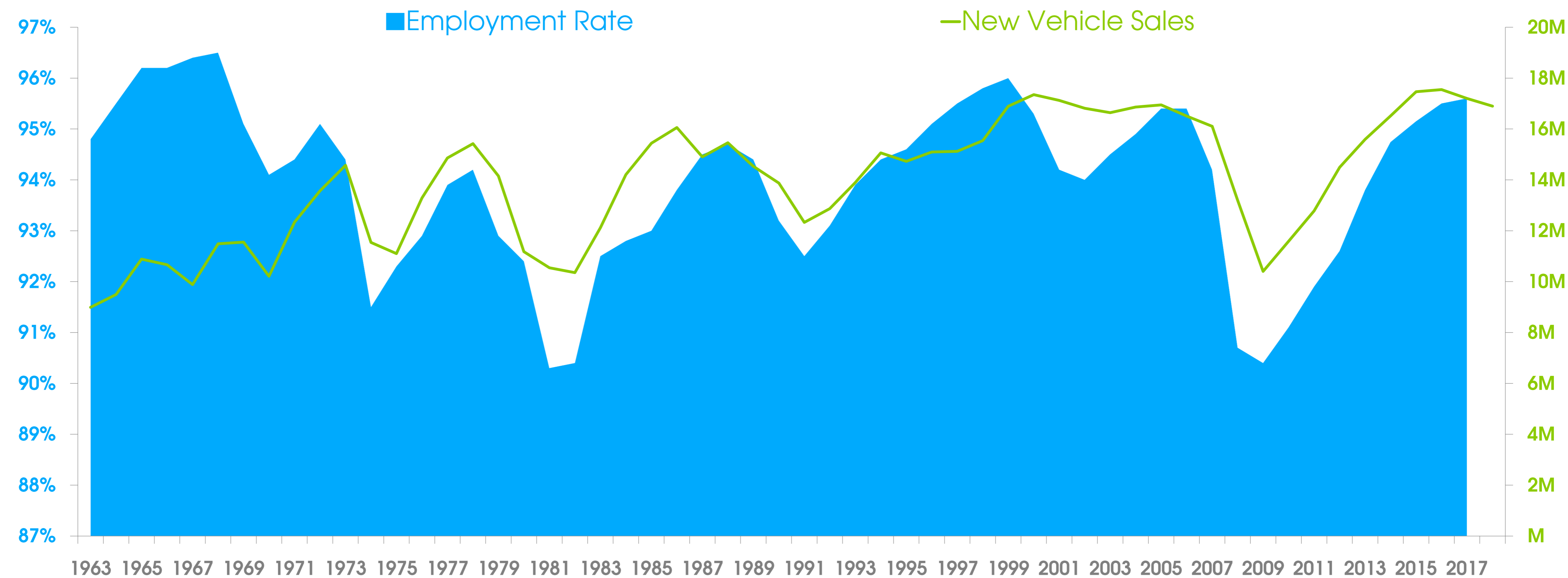
The Industry Will “Right-Size” in 2018



Source: Edmunds

2018 will mark the **second straight year of declining sales** following seven years of growth, however, economic factors keep sales at historically strong levels

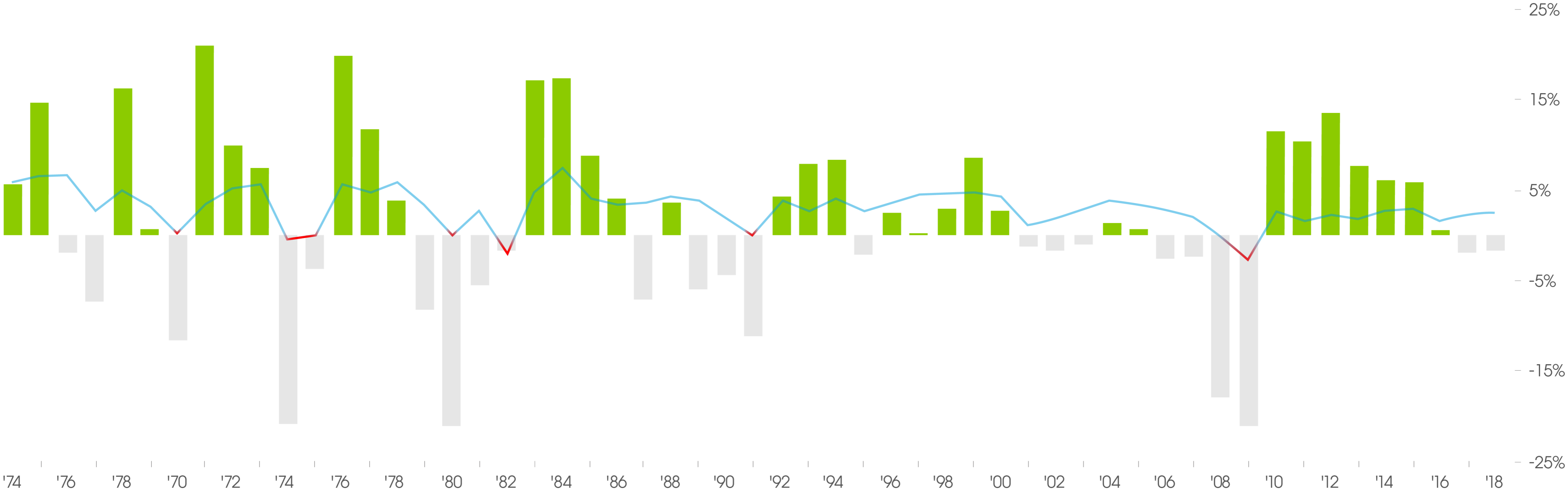
Economic Strength Points to Growth...



Source: <https://www.cbo.gov/publication/52393>

Unemployment projected to hit 4.4%
lowest rate since 2000

Economic Strength Points to Growth...



Source: BEA

<https://www.thebalance.com/us-gdp-by-year-3305543>

<https://www.conference-board.org/data/usforecast.cfm>

https://www.washingtonpost.com/news/wonk/wp/2017/10/10/imf-cuts-forecast-for-u-s-economy-amid-doubts-trump-can-enact-his-agenda/?utm_term=.cdb8b8b81581

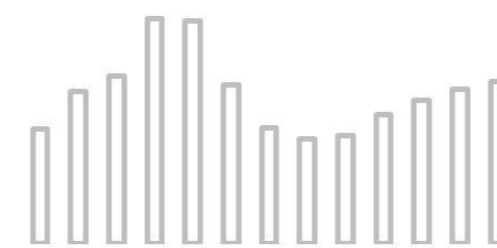
• Year Over Year Auto Sales Change • Year Over Year GDP Change

GDP projected to grow between 2.0
– 2.5%

Economic Strength Points to Growth...



New housing starts rise



90-day delinquency on auto loans nears pre-recession levels

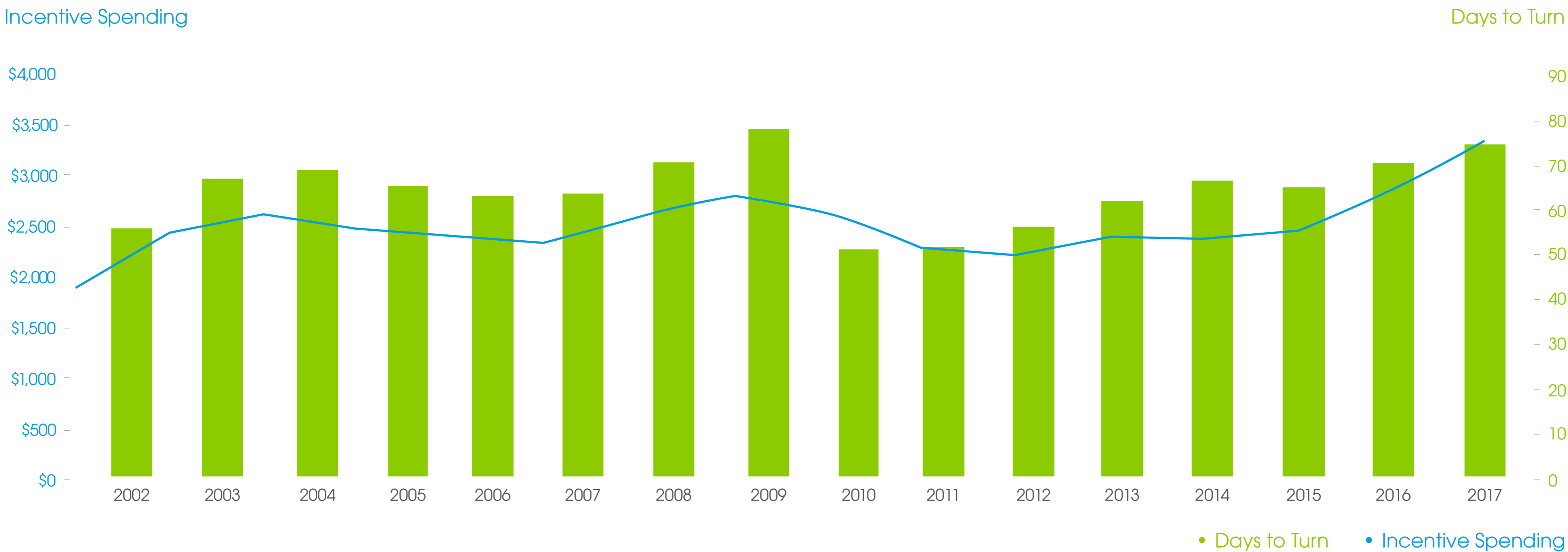


Modest interest rate growth unlikely to deter lending



Popularity of leasing brings more shoppers back in the market more quickly

...But Market Factors Bring a Decline



Source: Edmunds

Days-to-Turn in 2017 highest since recession

...But Market Factors Bring a Decline



More cars per registered driver than ever before



Trade-in age continues to rise as vehicle quality improves



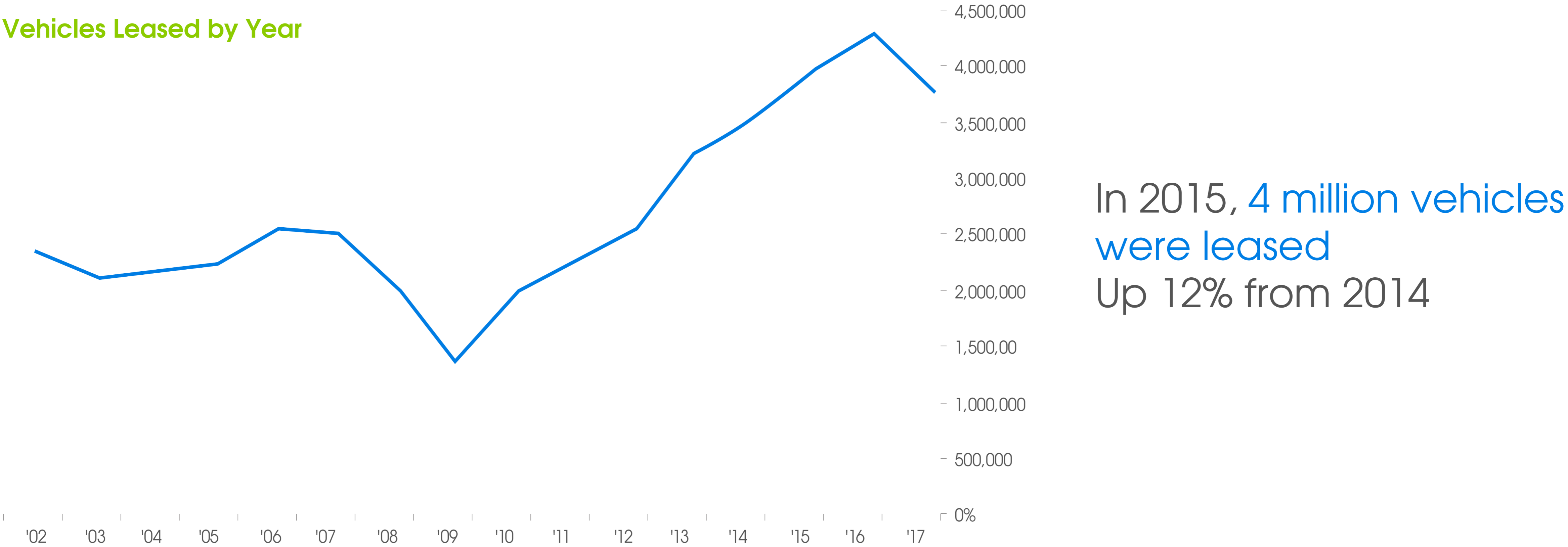
Negative equity continues to grow



Incentives decline as automakers better match production with lower levels of demand

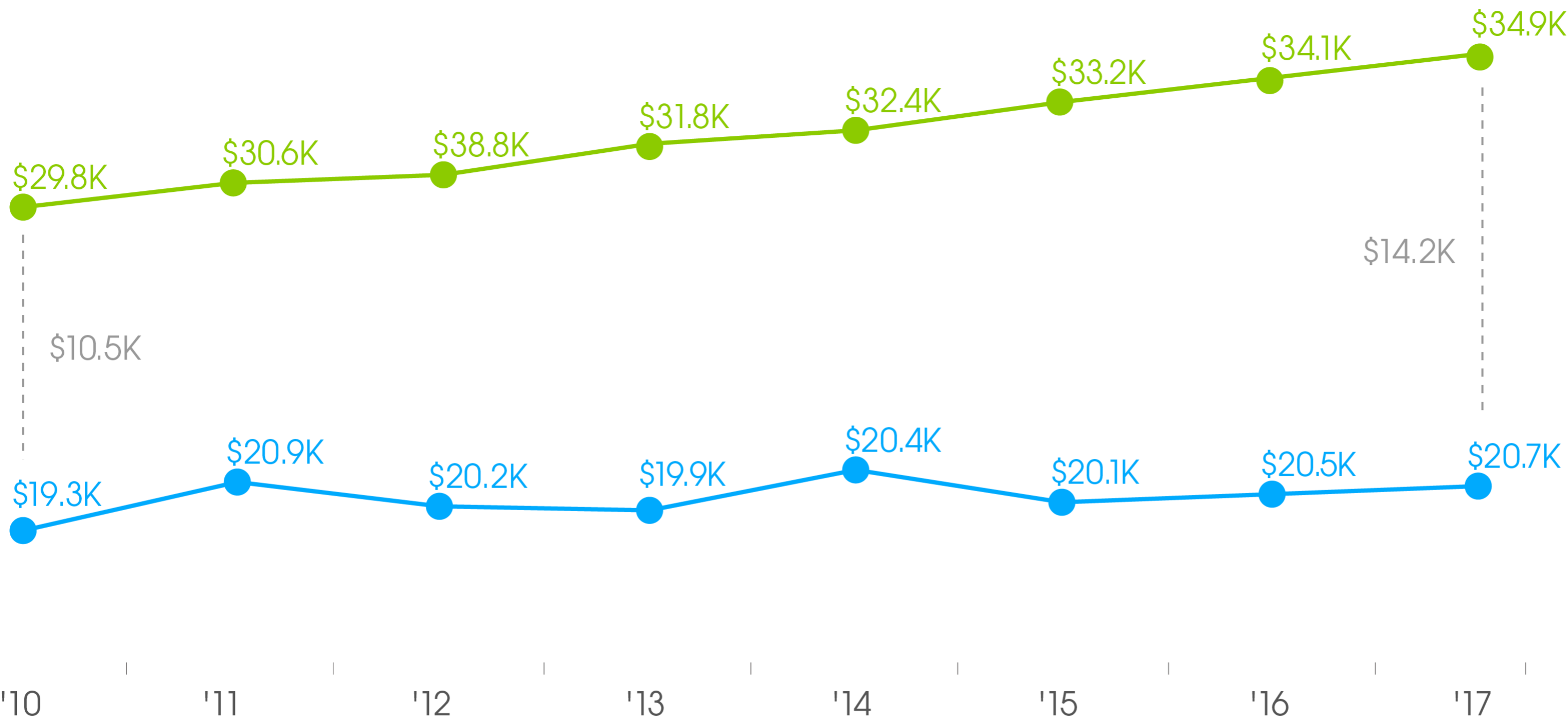
the lease effect

Record Lease Returns Expected in 2018



Source: Edmunds

CPO Lease Returns Poach New Car Shoppers

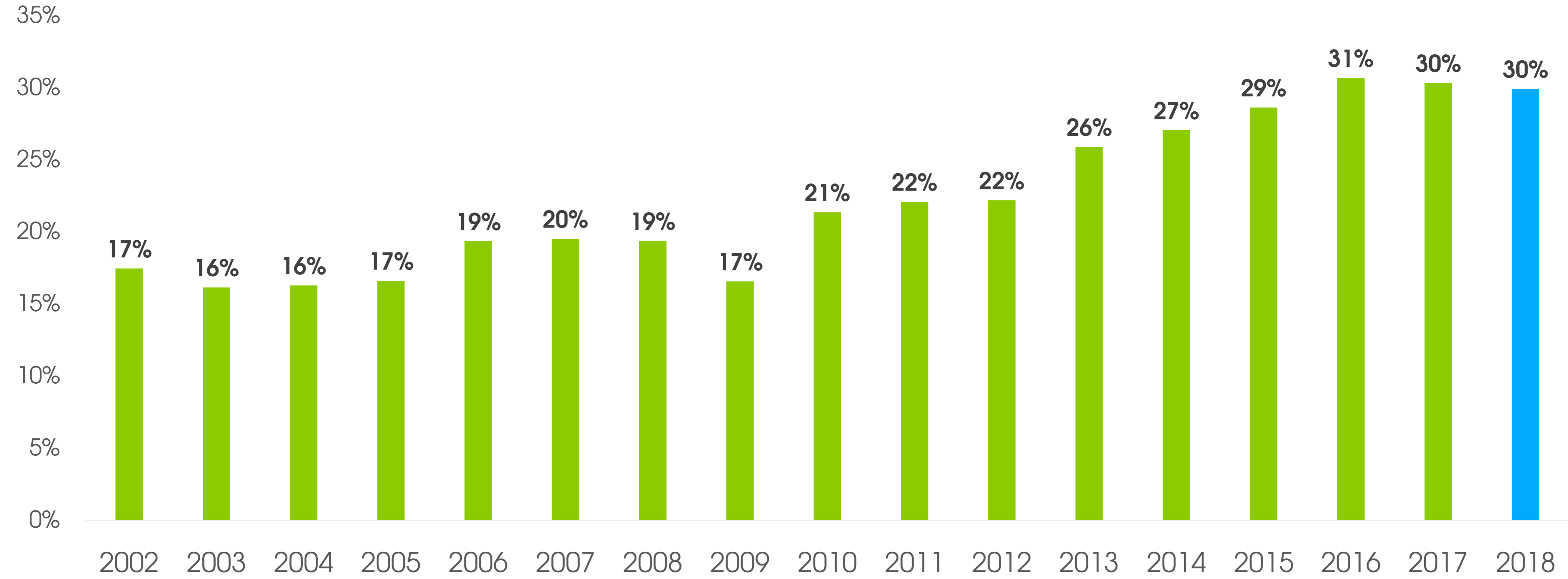


In 2017, car shoppers who bought a 3-year-old vehicle instead of a new vehicle could save **34.7% more** than they could in 2010

Source: Edmunds

• New Average Transaction Price • 3 Year Old Transaction Price

Leasing Remain Flat in 2018

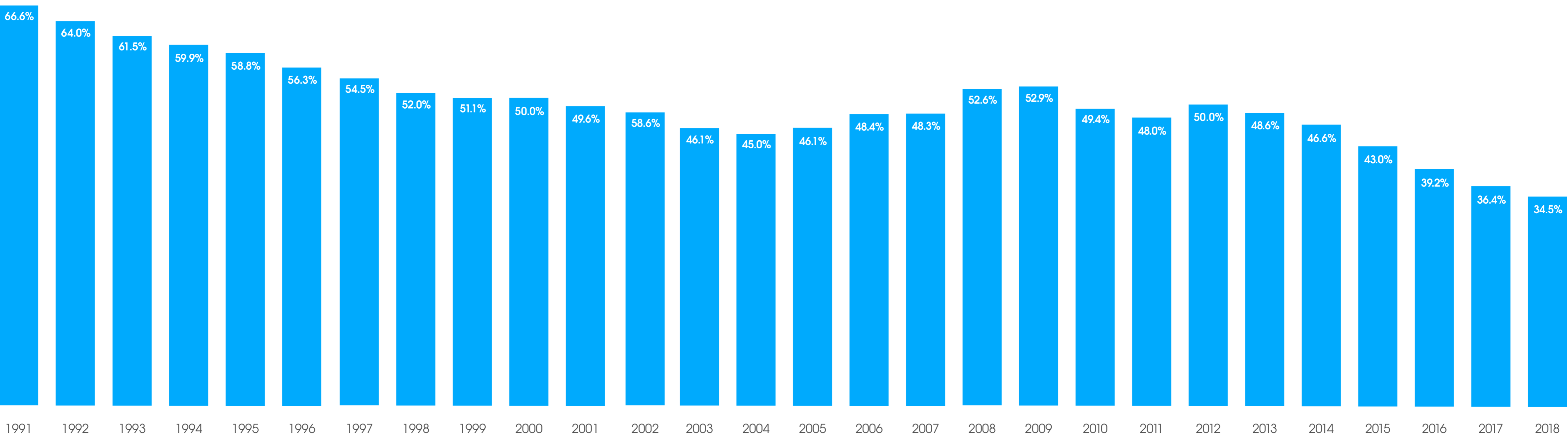


Source: Edmunds

Lease penetration to remain at 30% - same as 2017

**sorry cars, SUVs are still
the stars**

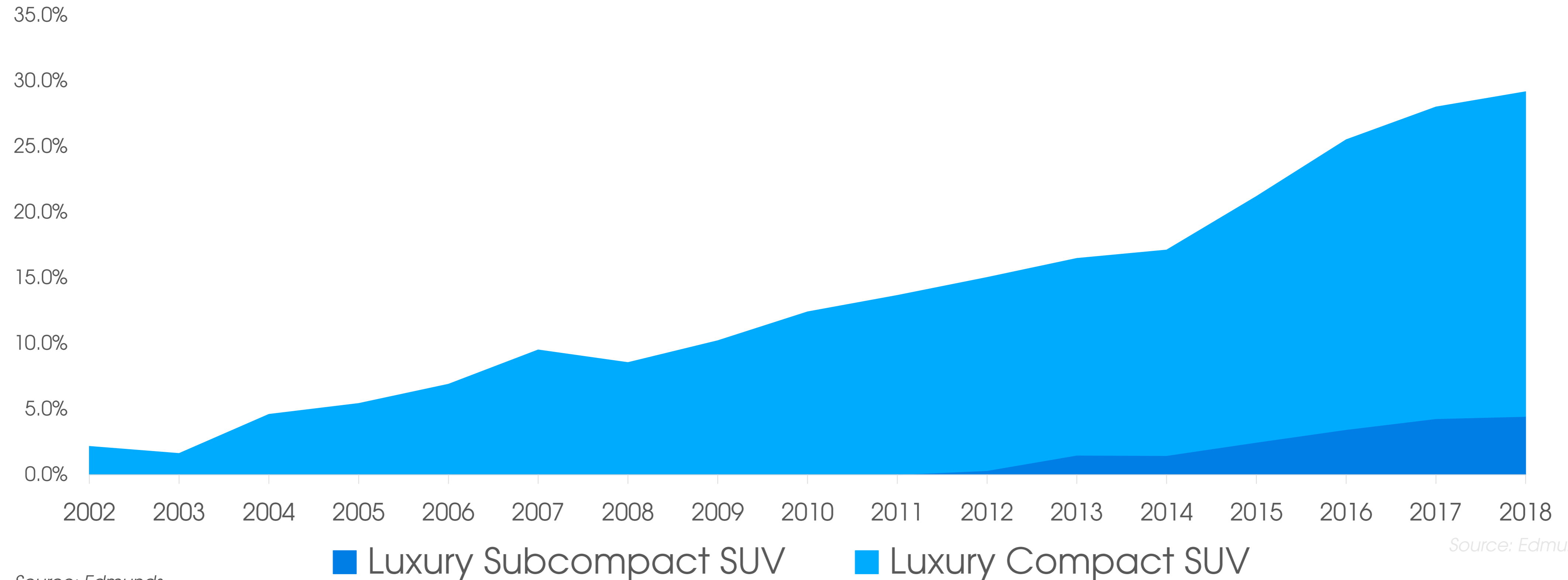
2018 Trends: Cars Expected to Hit a Record Low



Source: Edmunds

Passenger car sales will represent a record low **34.5%** of the market in 2018:
down 15.5% in just six years

SUVs Drive Luxury Market



Source: Edmunds

Small SUVs will account for **29% of the luxury market** in 2018 – up from 16.5% in 2013 and 8.5% in 2008

SUVs Drive Luxury Market

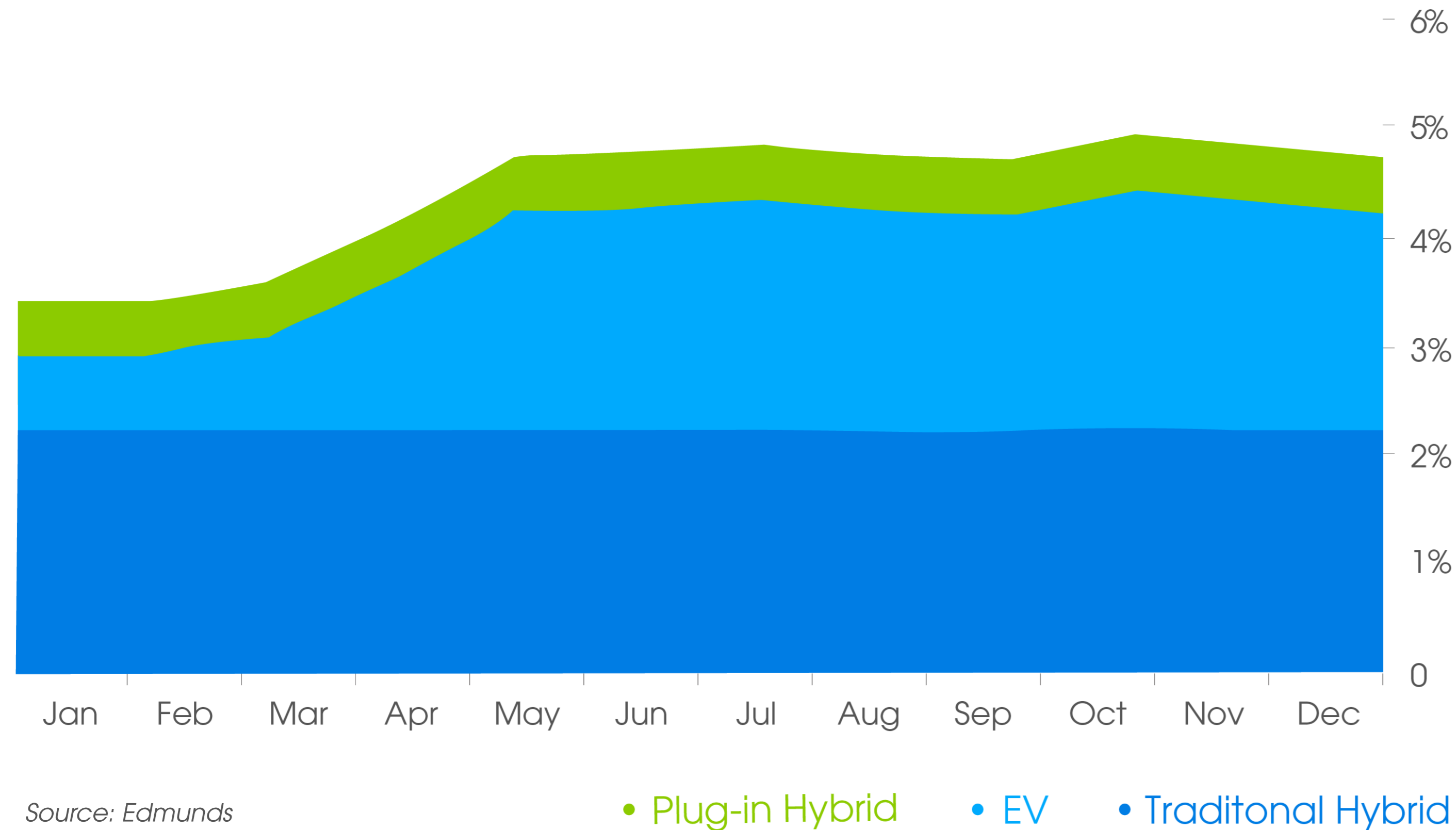
Luxury brands phase out slow selling cars for hot SUVs



2018: auto's greenest year yet...
(if elon keeps his promises)

Green Cars Sales Expected to Hit New Record

Green Car Market Share Projection



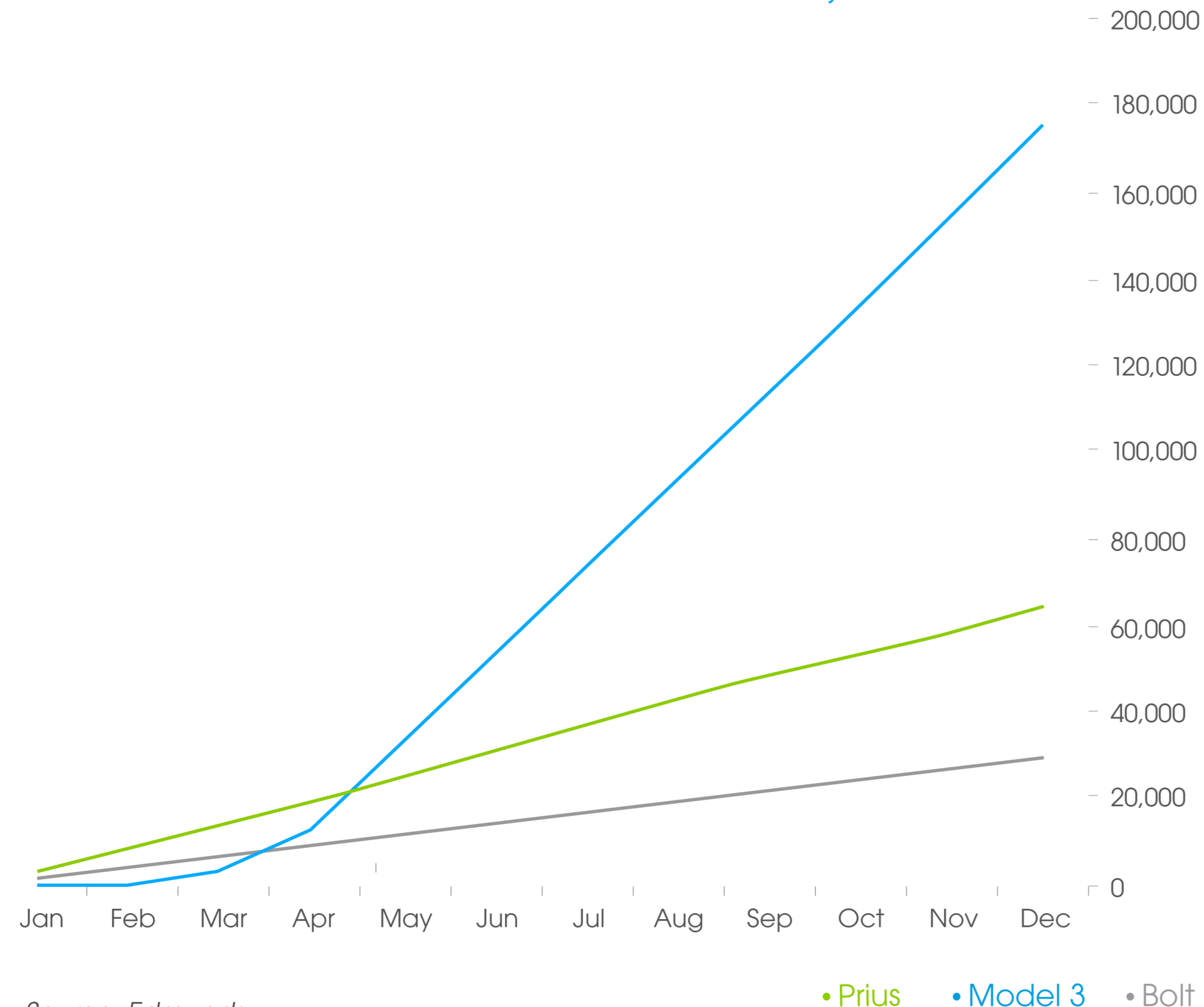
Green car market share to reach record **4.4%**

- Hybrids: 2.2%
- EVs: 1.7%
- Plug-ins: 0.5%

Sales of **plug-ins** expected to double

Tesla Remains Green Car Market Wild Card

2018 Year to Date Green Car Sales Projections



If production of Model 3 is at full strength by May:

- The Model 3 will unseat the Prius as the best selling green car for the first time ever
- By the end of the year, cars with plugs will outsell traditional hybrids

EV Tax Credits on The Way Out...



Anticipated Tax Credit Phase Out Start: **Q2 2018**



Anticipated Tax Credit Phase Out Start: **Q3 2018**



Anticipated Tax Credit Phase Out Start: **After 2020**

EVs: Critical Brick on Road to Autonomy

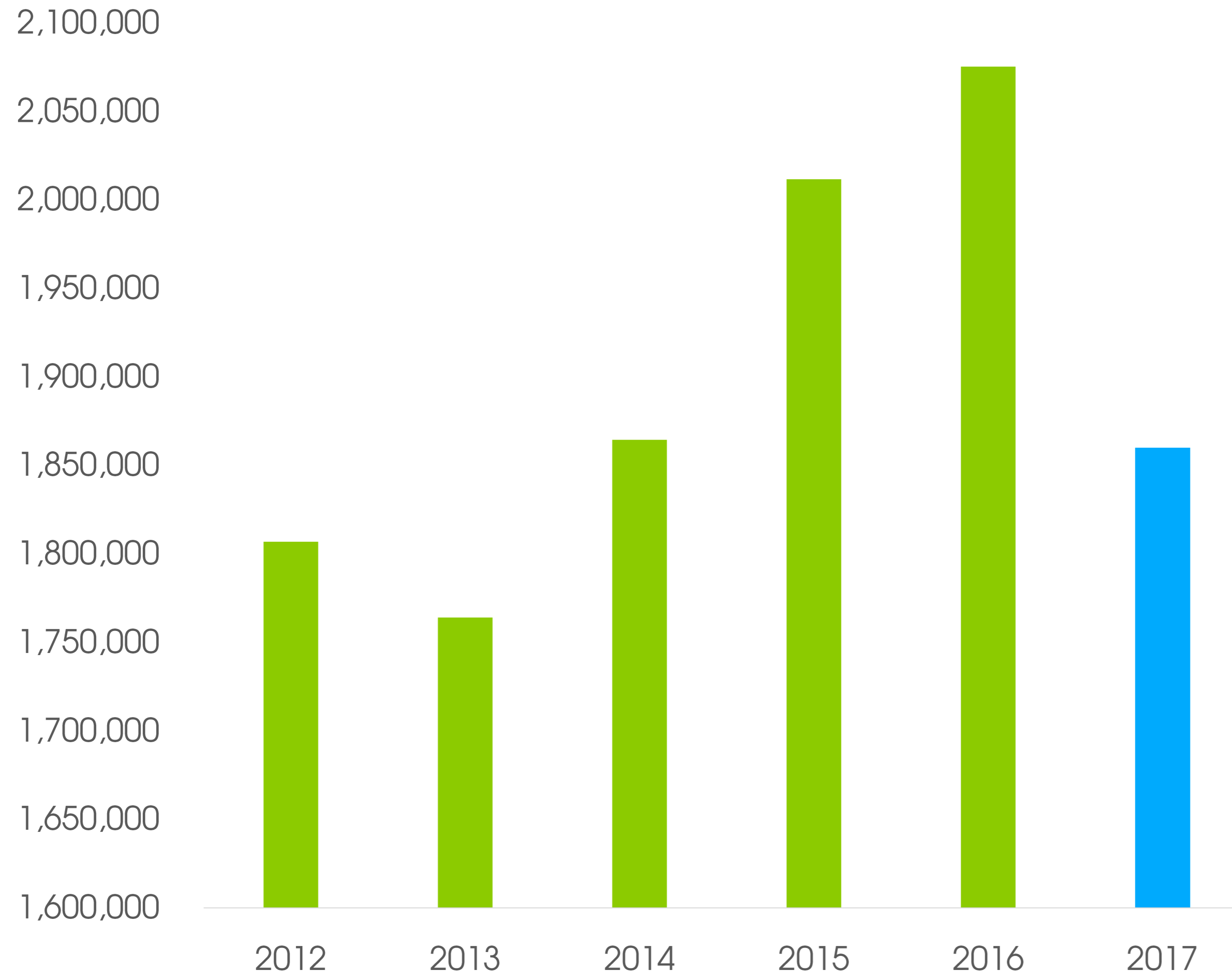
2018 will be the year autonomy gets real:
pivotal “test and learn” year to prepare for
2020 commitments

Viable EV platform critical to meet near-term
autonomous vehicle timelines

First market applications likely in fleet and ride-
sharing sectors



The Uber Effect



Source: IHS Markit

After robust growth, daily rental volume is dropping in volume and share – less than 11% of new car sales were fleet sales in 2017

As ride sharing/car subscriptions/ car sharing grows, this market could further retract



Thank you.

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