Auto Industry Mini Session

2023: A better year than many had hoped

CHICAGO FED ECONOMIC OUTLOOK SYMPOSIUM
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KRISTIN DZICZEK, POLICY ADVISOR—REGIONAL ANALYSIS & COMMUNITY DEVELOPMENT
FEDERAL RESERVE BANK OF CHICAGO

The views expressed here do not necessarily reflect the views of the Federal Reserve Bank of Chicago or the Federal Reserve System.
1. Production, Sales, Prices, & Inventories
2. The Electric Vehicle Market
3. Economic Impact of the UAW strike
Everything about the auto industry—the good & the bad—is felt more strongly in the Chicago Fed’s 7th District due to industry agglomeration.
Production, Sales, Prices, & Inventories
% Change in Real New Light Vehicle Prices

% Change in New Light Vehicle Inventory

The EV Market

- Market share of plug-in vehicles (BEV, PHEV, & FCEV) has risen to 9% 2023 YTD vs. 5.3% in 2022 (+36% YoY growth)
- Hybrid market share has risen to 7.4% 2023 YTD vs. 5.6% in 2022 (+32% YoY growth)
- But...Ford, Tesla, Honda & GM all have announced slower growth in their BEV plans in Q2 & Q3 financial results
ICE sales growth turned negative in October, but BEVs & other electrified still growing 29% & 49% YoY pace.
EVs are still the fastest growing segments in the U.S. market

Source: Wards Informa
Economic Impact of the UAW Strike & Contracts
### The Main Issues

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<tr>
<td><strong>Wages</strong></td>
<td>36-40%</td>
<td>25% (27% compounded)</td>
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<td><strong>Tiers</strong></td>
<td>No tiers</td>
<td>3-year grow-in</td>
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<td>Temps made permanent after 90-days</td>
<td>Range of responses on tiers &amp; temps</td>
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<td><strong>Inflation Protection</strong></td>
<td>COLA</td>
<td>Restored</td>
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<td><strong>Signing Bonus</strong></td>
<td>None requested</td>
<td>$5,000 for all</td>
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<td><strong>Retirement</strong></td>
<td>Defined benefit pension &amp; retiree health coverage for all</td>
<td>Additional 401(k) contributions, pension multiplier &amp; 401(k) to fund retiree health care</td>
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<td><strong>EV Transition</strong></td>
<td>All battery workers at &quot;master agreement&quot; wages &amp; benefits</td>
<td>All to some degree</td>
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Production patterns after previous strikes do not suggest large effects

Motor Vehicle Output—Contribution to Real GDP Percent Change, Seasonally Adjusted Annual Rate, 1967-2023

Plus notable UAW strikes

Source: Bureau of Economic Analysis/Haver Analytics

* Includes 28K UAW strikers at Ford, GM, & Stellantis plus 2K UAW members at the three companies idled as a result of the strike.
Supplier impact

- Accounting liquidity
- Workforce
- Factoring
- Federal supports
What We Still Don’t Know:

- Strength of the production recovery—sharp “V” or more of an open “L”
- The impact of higher labor costs
  - Outsourcing/offshoring
  - Automation
  - Flow-through to other automakers, suppliers, & sectors
- Success of UAW organizing in the sector
- Longer-term consequences for future footprint, investment, & negotiations