NADA: 2013 Dealers’ Outlook

20th Annual Automotive Outlook Symposium
Federal Reserve Bank of Chicago-Detroit Branch
May 31, 2013

Angela Lisulo
Economist
NADA Industry Analysis Division

Jonathan Banks
Executive Automotive Analyst
NADA Used Car Guide
## U.S. Economic Indicators, December 2012-April 2013

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP (% change)</td>
<td>0.09 (Q42012)</td>
<td></td>
<td></td>
<td>0.62 (Q12013)</td>
<td></td>
</tr>
<tr>
<td>Industrial Production Index (Index 2007=100)</td>
<td>98</td>
<td>98</td>
<td>99</td>
<td>99</td>
<td>99</td>
</tr>
<tr>
<td>NFIB Small Business Optimism Index (Index 1986=100)</td>
<td>88</td>
<td>89</td>
<td>91</td>
<td>89</td>
<td>92</td>
</tr>
<tr>
<td>Housing Starts (000s)</td>
<td>983</td>
<td>898</td>
<td>969</td>
<td>1,021</td>
<td>853</td>
</tr>
<tr>
<td>Housing Prices (S&amp;P/Case-Shiller Index (Index Jan 2000=100))</td>
<td>147</td>
<td>148</td>
<td>150</td>
<td>152</td>
<td></td>
</tr>
<tr>
<td>Unemployment rate (%)</td>
<td>7.8</td>
<td>7.9</td>
<td>7.7</td>
<td>7.6</td>
<td>7.5</td>
</tr>
<tr>
<td>Personal Consumption Expenditures (% change)</td>
<td>0.5 (Q42012)</td>
<td></td>
<td></td>
<td>0.8 (Q12013)</td>
<td></td>
</tr>
<tr>
<td>Consumer Confidence Index (Index 1985=100)</td>
<td>67</td>
<td>58</td>
<td>68</td>
<td>62</td>
<td>69</td>
</tr>
<tr>
<td>U.S. Regular Conventional Retail Gasoline Prices (U.S.$/gallon)</td>
<td>3.26</td>
<td>3.25</td>
<td>3.61</td>
<td>3.65</td>
<td>3.50</td>
</tr>
<tr>
<td>Light Vehicle Sales (m)(YOY% change)</td>
<td>1.4m (9.0%)</td>
<td>1.0m (14.3%)</td>
<td>1.2m (3.7%)</td>
<td>1.4m (3.4%)</td>
<td>1.3m (8.4%)</td>
</tr>
</tbody>
</table>

All data (except U.S. Regular Conventional Retail Gasoline Prices and Light Vehicle Sales): Moody’s Analytics (secondary source) (various primary sources)

U.S. Regular Conventional Retail Gasoline Prices data source: U.S. Energy Information Administration

Light Vehicle Sales data source: WardsAuto
Consumer intent to purchase recovered more quickly for used sales than new, however both metrics are well below pre-recession levels.

The Conference Board: Plans to Buy w/in 6 Months Surveys
New and Used Automobiles (%, SA) - 12 month rolling average

Data source: The Conference Board
Both the new and used markets have experienced price growth driven by stronger fundamentals in the industry.

NADA Vehicle Price Indices: New and Used
Used index covers vehicles up to 8 years in age. SA.

Data source: NADA
U.S.: Number of Franchised Dealerships, 1990-2013

Data source: NADA Membership Department
2012 U.S. Franchised Dealerships, by region (As of January 1, 2013)

Regions include the 50 U.S. states and the District of Columbia (D.C.)

Data source: NADA Membership Department
U.S. regions as classified by U.S. Census Bureau

Data source: NADA Industry Analysis Division; NADA Membership Department
Dealership sales have quickly recovered from the trough in 2009 and have reached record levels from our sample.

Data source: NADA 20 Group
Used vehicle sales supported franchise dealers during the recession and have remained important even in light of dramatic new sales improvements.

Data source: NADA 20 Group
The viability of maintaining a strong used vehicle program is evident in the strong gross profit between the two channels.

Data source: NADA 20 Group
Dealership Employment

Not surprisingly dealership employment has outpaced the overall employment rate. There are headwinds to future growth due to political and economic uncertainty.

Change in Nonfarm Payrolls: New Car Dealers v. Total Nonfarm

Public Dealership Groups

All four of the nation’s top dealer groups reported record earnings from continuing operations for Q1 2013. Many of the public groups emphasized the importance of used vehicle sales as a contributor to their high profitability.

AutoNation:

“We continue to expect industry new vehicle sales to be approximately mid-15 million units in 2013.”

~ Mike Jackson, Chairman/CEO, April 19, 2013

Sonic Automotive:

“Business environment continues to be favorable to retail automotive.”

~ April 23, 2013

Penske Automotive:

“Expect revenue to grow by more than 10% (in 2013) through a combination of same-store growth and acquisitions.”

~ April 29, 2013

Group 1 Automotive:

- Pent-up demand has increased and consumers still intend to buy
- Used vehicle prices remain robust
  - Helps consumers in terms of trade-in values; allows for more aggressive leasing

~ May 2, 2013
U.S.: NADA Optimism Index, NFIB Small Business Optimism Index (2000-2013)

NADA Optimism Index data source: NADA Industry Analysis Division
NFIB Small Business Optimism Index data source: Moody’s Analytics (secondary source), ©NFIB Research Foundation (primary source)
U.S.: Profit Expectations by Dealers (%), 2000-2012

Data source: NADA Industry Analysis Division