U.S. Market Outlook - 2020
U.S. Light-Vehicle Sales

- Still historically strong but U.S. light-vehicle sales will decline in 2020
- Main reasons:
  - Excess, or pent-up, demand still largely satiated
  - Economic growth expected to slow
  - The mix continues moving toward higher priced vehicles

Source: Wards Intelligence/LMC Automotive (forecast).
Utilities – crossovers and sports utilities – will top 50% of the market in 2020.

Cars decline to 25%.

Spurred by continued strong commercial fleet volume, and relatively fresh product, penetration of pickups will grow.

Vans will be nearly flat, limited by slowdown in fullsize versions more than offsetting a rise in demand for minivans, which will be reversing several years of decline.
Both Fleet and Retail Likely Decline in 2020

- Fleet demand largely was responsible for sales staying above 17 million units the past four years.
- If not a record, fleet deliveries in 2019 were a long-time high, and likely was a peak year.

Splits estimated based on Wards Intelligence monthly totals and data from LMC Automotive.
Not as Much Excess Inventory in 2020

- Inventory ended December at a 6-year low for the period
- There does seem to be a serious effort among automakers to keep inventory in line (or relatively in line) with declining demand
- Inventory levels influence incentive spending
Incentive Spending Rising

- Incentive spending turned back up in the second half of the year as inventory of ’19 models began piling up
- Average transaction prices are rising as truck volume increases, but also because price-conscious buyers are choosing to stay out of the new-vehicle market

Source: Calculated by Wards Intelligence from data sourced to ALG.
Rising Fresh Product Mix Should Lessen Pressure for Incentives

- The share of new and recently redesigned products totaled 30.6% in 2019, highest in five years
- With a high count of more new/redesigned products scheduled in 2020, the mix will increase from 2019
- Higher fresh-product mix typically improves pricing power, with downward pressure on incentives
Fuel Prices Remain a Positive for New-Vehicle Demand

- Rising light-truck share, and more specifically, fullsize trucks, are a good indicator that fuel prices are not much of a hindrance to overall demand.
- However, market share for fullsize trucks is forecast to decline in the latter half of 2020, mainly due to a currently fresh products starting to age and commercial fleet deliveries start falling year/year.
Sales Follow 2019 Cadence and Weaken in Second Half

- With demand seeming to be firmly entrenched on the downward side of the current cycle, 2020 sales on a seasonally adjusted basis are expected to follow 2019’s cadence, as opposed to the 3-year average ending in 2018.
Toyota, Hyundai/Kia Record Share Gains Among Top 7 Automakers

• Among the Top 7, accounting for over 80% of the market, only Toyota and Hyundai Group are expected to increase market share in 2020 over 2019
• Toyota’s relatively strong presence in cars helping prop market share
• GM and Ford have cut their car portfolios
• Fiat-Chrysler, Honda and Nissan product lines getting a little old
• Ford and Nissan start upturns in second-half 2020

Source: Wards Intelligence/LMC Automotive (forecast).
Several Companies Pull Share from Top Automakers

• Share is rising for all the automakers that make up the rest of the industry – including Volvo and Mitsubishi (not shown in graph)

Source: Wards Intelligence/LMC Automotive (forecast).
North America and U.S. Production Outlook - 2020
Production Rising Despite Lower Sales

- Rising demand for trucks (including utilities), recent/upcoming production starts of all-new vehicles and increased local sourcing of previously imported vehicles, will spark a 1% increase in North America production.

- U.S. production has a major reversal - up 4.7% - from 2019 due to capacity expansions and ramp-up of new and redesigned products.

Source: Wards Intelligence/LMC Automotive (forecast).
Five of Top 7 Manufacturers Forecast for Gains in North America Production

• Accelerated production at plants building new or redesigned products are pushing up output at five manufacturers

• GM also increased capacity for its fullsize pickups and is recouping some of its strike-related lost output from 2019

• Fiat Chrysler and Honda downturns are demand-related

Note: Toyota includes production for it by Mazda; Nissan includes production of Nissan products from its COMPAS joint-venture with Daimler.

Source: Wards Intelligence/LMC Automotive (forecast).
Most Other Manufacturers Also Pegged for Gains

- New products, including import replacement, are main drivers for increases from the smaller manufacturers
- Increased demand for manufacturers’ product also a primary reason

Note: Daimler includes production of Mercedes products from its COMPAS joint-venture with Nissan; Mazda excludes production for Toyota.

Source: Wards Intelligence/LMC Automotive (forecast).
Summary: U.S. 2020 Market Outlook

• Light trucks, especially utilities and pickups, will continue to increase penetration
• Retail will decline (a fifth straight year) and fleet expected to fall from what we believe was a peak in 2019
• Inventory will continue throughout 2020 at long-time lows
• Incentives will continue to rise – how much will depend on each manufacturer’s reaction to falling volume (and whether inventory remains at long-time lows)
• Dealers will have a higher mix of newer product

Other:
• Interest rates/financing costs remain low, possibly declining further
• Another roughly 4-million leased vehicles enter the used-vehicle inventory, keeping the pool of high-quality, lower-priced alternatives strong