

/// AUTOMOTIVE UPDATE

July 2022 www.mediagrouponlineinc.com

The Sea of Red Turns a Slight Pink

A broad view of the sea of red on which the automotive market is sailing reveals no change in color. Total Q2 2022 sales decreased approximately 21% YOY, which will equate to a market contraction of 7.5% to 12% during June.

Supply-chain issues continue to be the primary barrier to building enough vehicles to satisfy consumer demand. For example, General Motors said its second-quarter production was “strong,” however it also reported having 95,000 mostly-manufactured vehicles waiting for various parts and components. It expects to finish and ship them to dealers during the second half of 2022.

As the industry sailed into the second quarter, however, there were a few patches of almost pink on the blood-colored sea. The June SAAR (seasonally adjusted, annualized rate) was estimated at 13.0 million to 13.8 million units, a marked improvement from 12.81 million for May.



Albeit a small victory, the Ford brand and the Ford Motor Co. both increased Q2 2022 sales by 1.8%, and Lincoln's sales increased 1.0%. Chrysler had a huge turnaround with a 95.4% YOY increase and became the only major brand with increased sales during the first of 2022.

The industry can only continue to sail until it reaches a clear ocean, waiting for parts to assemble enough vehicles for the market and waiting until economic conditions improve so consumers feel confident about spending.

image source: www.kbb.com



Inventory Frustrations Mount

June 2022 was the eighth consecutive month of total inventories of light vehicles at less than 900,000. Almost all vehicles delivered to dealers are already sold. Hyundai, for example, reported it only had 17,922 total light vehicles in its US inventory at the end of June, compared to 67,992 at the end of June 2021.

Through the first five months of 2022, production at Hyundai, GM, Ford and Stellantis increased by more than 10%. Production decreased at Honda, Nissan, Toyota and Volvo because these Asian manufacturers are more dependent on parts made in China. The pandemic lockdowns throughout China have limited the manufacturing of these parts.

THE FIVE VEHICLE MODELS WITH THE MOST AND LEAST DAYS OF SUPPLY, MAY 2022

Brands: Most Supply	Days	Brands: Least Supply	Supply
Ram 1500	75	Honda HR-V	13
Jeep Compass	65	Toyota Corolla	14
Ford F-150	55	Kia Forte	15
Ford Escape	53	Toyota 4Runner	16
Chevrolet Silverado 2500 HD	50	Honda Civic hatchback	17

Automotive News (Cox Automotive), July 2022



Online Financing Saves Consumers' Time

As more consumers prefer and like to buy a car online, 76% told Cox Automotive in the survey for its 2021 Car Buyer Financing Journey Report they would likely do so. The financing portion of the car-buying process at a dealership can often be time-consuming and stressful. The consumers Cox Automotive surveyed said the average time they saved at a dealership by completing financial online was 68 minutes.

Consumers refuse to spend a half-day at a dealership to buy a vehicle. They still dedicate considerable time to shopping online, 12 hours, 19 minutes, on average, according to the survey, and 36% of that time is required for financing. Consumers can use that time when it's convenient for them and not a dealership.

One of the benefits of online financing for car buyers is they can research monthly payments and interest rates without having to make that decision at a table in a dealership. 86% of those surveyed said researching monthly payments online was very helpful.

More than three times as many surveyed buyers who applied for financing online (29%) said they would be willing to apply for financing online (96%). The difference is greater for signing the contract online, or 11% who had signed online and 71% who would be willing.



New FTC Rules Target Auto Ad Messages

The old saying, "A few bad apples spoil the barrel," applies to any industry. A few members, car dealerships, in this case, use questionable business practices, including advertising techniques, that taint the majority of dealerships who advertise honestly and fairly.

Typically, the outcome is scrutiny from some regulatory body, such as the Federal Trade Commission (FTC). It is now actively investigating the bait-and-switch tactics, which many consumers have brought to its attention. The FTC describes these as "misrepresentations" of price, discounts, rebates, monthly payment and down payment.

Just as typical, "the good apples in the barrel" declare vociferously they aren't to blame and aren't happy they have to adhere to new rules. The FTC wants dealership Website ads to include complete disclosure of the costs of optional features. If the new rules are instituted, then dealerships would also have to create 24 months of records of their advertising to prove they are complying.

ROAD SIGNS



The Flood of EVs/Hybrid Models Is About to Rise

The new electric vehicle (EV)/hybrid models may appear to be a trickle today, but a flood of models is building just over the horizon. According to the latest Bank of America Merrill Lynch Car Wars study, approximately 245 new EV/hybrid models will inundate the market by 2026, with 49% EVs and 20% hybrids.

To convince more consumers to buy all these EV/hybrid models, their average prices must be lower, so there are models for the low-end of the consumer market. Analysis from Kelly Blue Book indicates the price of many new EVs is approximately equal to the average price of \$47,000 for all light vehicles at the beginning of 2022. As more of these models enter the market, more of them will be in the \$20,000 to \$30,000 price range, which historically is the largest share of purchased vehicles.

The cost of battery production and their weight continue to decrease and many manufacturers can assemble almost all EV/hybrid models from the same basic chassis. The federal government is also investing in these technologies and a national charging network, specifically.



Nuts and Bolts

- Companies that are not in the automotive industry are contributing to the new era of EVs/hybrids, too. During June 2022, Kroger announced it is adding more than 350 charging stations at its stores in Arizona, California, Colorado, Georgia, Indiana, Nevada, Oregon, Texas, Utah and Wyoming. More stations will be installed at stores in six additional states, including Ohio, Illinois, Kentucky, Michigan, Tennessee and Virginia.
- During Q1 2022, 389 dealership buyer-selling transactions occurred, a record, which is creating larger dealership groups. The primary impetus is to be prepared for when the market returns to an appropriate balance of supply and demand. Dealerships want to offer a broader range of models and have the means to invest in necessary technologies.
- A more comprehensive and seamless digital platform is another innovation that is expected to increase the delivery of parts to manufacturers and vehicles to dealerships. RunBuggy has developed one of those platforms to improve communications between all parties of the supply, manufacturing and retailing process. The platform also offers digital payment options instead of moving money by check or other analog methods.



MONTHLY AUTOMOBILE SALES CHART

NOTE: General Motors, Stellantis and Tesla announce their light-vehicle sales quarterly instead of monthly; however, Ford is now reporting monthly again. The brands and manufacturers in the table are ranked by their total Q2 2022 sales. Q3 2022 sales will be reported in the October Automotive Update Report.

Rank	Auto Brand	Q2 2022	% Change from Q2 2021	2022 Year to Date	% Change from 2022 Year to Date
#1	Toyota	464,382	-23.3%	914,609	-19.4%
#2	Ford	456,813	+1.8%	866,839	-7.9%
#3	Chevrolet	383,820	-10.5%	724,129	-15.2%
#4	Honda	215,165	-50.6%	453,347	-39.2%
#5	Hyundai	198,136	-21.1%	369,535	-13.3%
#6	Jeep	186,663	-11.3%	379,944	-6.9%
#7	Nissan	183,171	-38.6%	384,252	-34.2%
#8	Kia	182,146	-16.8%	333,340	-11.9%
#9	Ram	137,872	-26.6%	276,025	-21.3%
#10	GMC	132,055	-13.7%	253,492	-10.8%
#11	Subaru	131,449	-18.3%	263,795	-17.9%
#12	Tesla	118,700	+53.0%	228,700	+47.4%
#13	BMW	78,905	-18.3%	152,619	-9.2%
#14	Volkswagen	78,281	-34.4%	143,272	-31.3%
#15	Lexus	66,723	-20.1%	131,088	-16.9%
#16	Mazda	60,535	-42.8%	142,803	-24.5%
#17	Audi	48,049	-28.3%	83,554	-31.4%
#18	Dodge	43,717	-29.8%	84,759	-32.9%
#19	Chrysler	36,934	+95.4%	66,047	+12.6%
#20	Cadillac	33,703	-6.7%	61,919	-15.6%
#21	Buick	28,929	-56.1%	48,075	-57.0%
#22	Volvo	27,828	-23.8%	50,585	-20.7%
#23	Acura	24,624	-51.2%	52,860	-40.2%
#24	Lincoln	23,745	+1.0%	42,893	-12.3%
#25	Mitsubishi	21,872	-13.0%	48,272	-9.6%
#26	Porsche	19,487	+2.8%	32,529	-10.5%
#27	Genesis	13,945	+25.9%	25,668	+33.0%
#28	Infiniti	10,559	-40.9%	21,805	-41.0%
#29	Mini	5,131	-45.1%	12,007	-23.2%
#30	Alfa Romeo	3,083	-38.6%	6,374	-34.0%
#31	Polestar USA	2,300	+858.3%	4,315	+818.1%
#32	Maserati	1,630	-4.1%	3,830	+12.6%
#33	Bentley	900	-8.2%	1,855	-5.4%
#34	Lamborghini	720	-6.5%	1,480	-3.9%
#35	Rivian Automotive	700	---	1,400	---
#36	Lucid Motors	500	---	700	---



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Rank	Auto Brand	Q2 2022	% Change from Q2 2021	2022 Year to Date	% Change from 2022 Year to Date
#37	McLaren	370	+23.3%	590	-4.8%
#38	Rolls-Royce	365	-3.9%	785	+3.3%
#39	Fiat	249	-72.1%	589	-65.5%
#40	Karma Automotive	30	-25.0%	55	-31.3%
Other		1,150	-16.7%	2,260	-18.3%
Mercedes-Benz*					
Jaguar*					
Land Rover*					
General Motors Corporation		578,507	-15.4%	1,087,615	-17.8%
Toyota Motor North America		531,105	-22.9%	1,045,697	-19.1%
Ford Motor Company		480,558	+1.8%	909,732	-8.1%
Stellantis		410,148	-15.8%	817,568	-14.7%
Hyundai-Kia Automotive Group		380,282	-19.1%	702,875	-12.7%
American Honda Motor Company		239,789	-50.7%	506,207	-39.3%
Nissan Motor Company/Infiniti / Mitsubishi		205,043	-36.6%	432,524	-36.6%
Volkswagen Group of America		147,437	-28.8%	262,690	-28.8%
BMW of North America		84,401	-20.6%	165,411	-20.6%
Jaguar/Land Rover North America*					
Mercedes-Benz USA*					
TOTALS		3,400,832	-21.1%	6,625,522	-21.1%

*Mercedes Benz and Jaguar Land Rover report their sales numbers during the late month.

Source: Automotive News, July 2022

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Sources: Automotive News Website 7/22; Cox Automotive Website 7/22; Inside Radio Website 7/22; The Hill Website 7/22; PYMNTS.com Website 7/22;

