NEWS RELEASE

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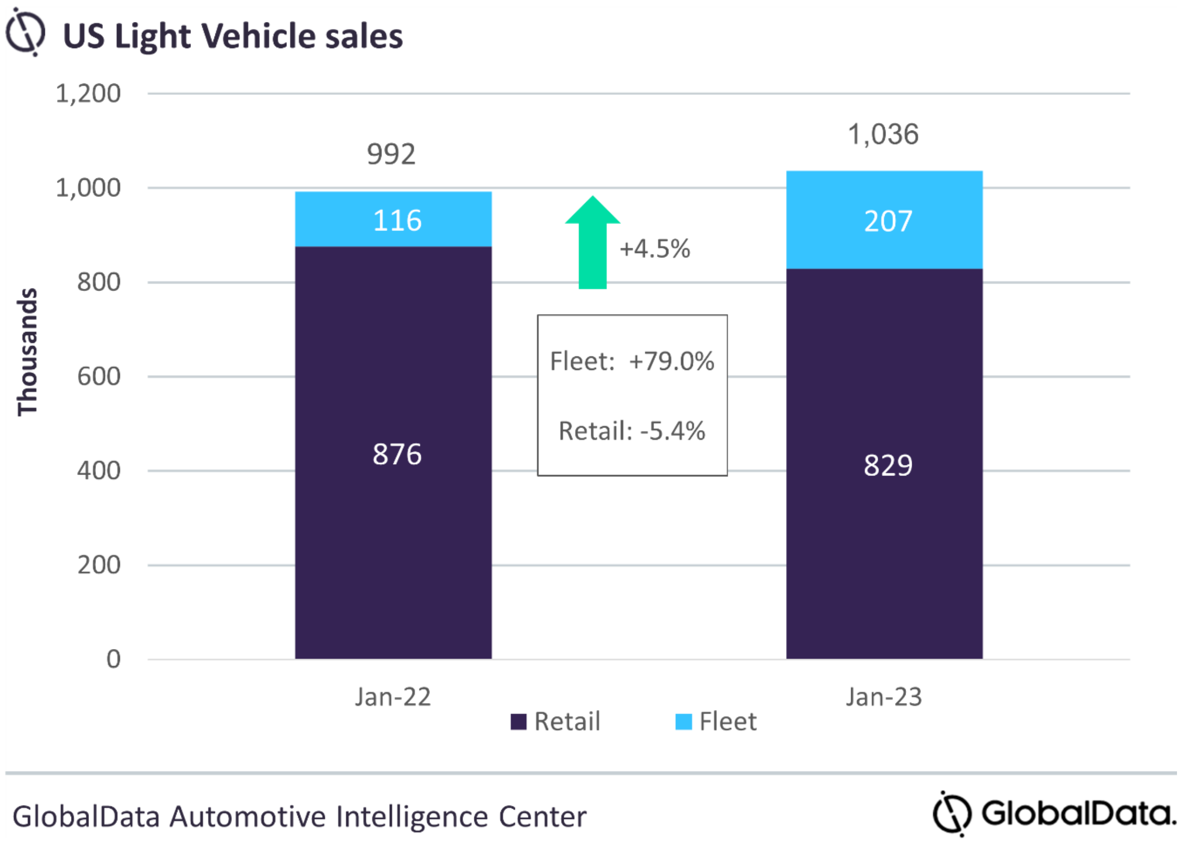
US Light Vehicle Sales Grow in January; Market Still Below Pre-Pandemic Levels

- LV sales grew by 4.5% YoY in January according to preliminary estimates, to 1.04 mn units. A positive YoY result was not surprising given the weakness in the market a year ago, when the chip shortage wreaked havoc on sales. Still, January's performance indicated that the market remains somewhat resilient in the face of economic uncertainty and lingering supply chain disruption.
- General Motors was once again the leading OEM, stretching its lead over Toyota Group to over 50k units, compared to 41k units in December. Toyota Group continues to grapple with inventory shortages, and slipped behind Ford Group into third place. By contrast, GM appears to now be operating at close to normal, having been one of the first manufacturers to suffer from supply chain disruption. Underlining this trend was the fact that not only did the Toyota brand fail to be the bestselling brand last month – as had been the case frequently in 2022 – it also fell behind Chevrolet into third place. Ford claimed the number one spot in the rankings, as it did in December. The Ford F-150 retained its title as the bestselling Light Vehicle in January, ahead of the Chevrolet Silverado by 8k units.
- Global outlook – December ended 2022 on an upbeat note with global Light-Vehicle sales posting an increase of 1% to 7.5 million units, a slightly better performance than expected. The selling rate was 83.4 million units which was consistent with November and 1.2 million units stronger than a year ago. Sales in 2022 were 81.1 million units, a decline of 0.5% as the industry struggled with supply disruption and the ongoing issue with affordability. Despite the risk, 2023 is expected to restart the recovery, with global Light Vehicle sales increasing 6% from 2022 to 85.8 million units. There remains a robust level of unfulfilled demand that should be supportive of recovery over the next few years.

(DETROIT, MI): US Light Vehicle sales totaled 1.04 million units in January, according to LMC Automotive, a GlobalData Company. This represents a YoY gain of 4.5%, with the same number of selling days as in January 2022. Put in historical perspective, the results were not particularly impressive, however. January 2022 was the first January to fail to reach 1 mn units since 2012, and if we excluded last year, January 2023 would be the worst opening month of the year since 2014. With record high transaction prices, economic uncertainty and lingering inventory problems for some OEMs, it is not difficult to see what is holding back the market.

The January selling rate was 15.8 mn units/year, up from 13.5 mn units/year in December. While on paper this appears to represent a rapid acceleration in the market, in reality we need to be cautious before jumping to that conclusion. While in December the rate was kept in check by the fact that December has historically been a strong month for sales, January's traditional weakness seems to have inflated the selling rate last month. In other words, the fundamental conditions in the market have not changed significantly from December to January, and supply disruptions are distorting normal seasonality to some extent. The daily selling rate is estimated at 43,200 units/selling day in January, compared to 47,500 units/selling day in December. According to preliminary estimates, retail sales totaled around 829,000 units, while fleet accounted for approximately 207,000 units, representing 20.0% of the total market, the highest share since March 2020.



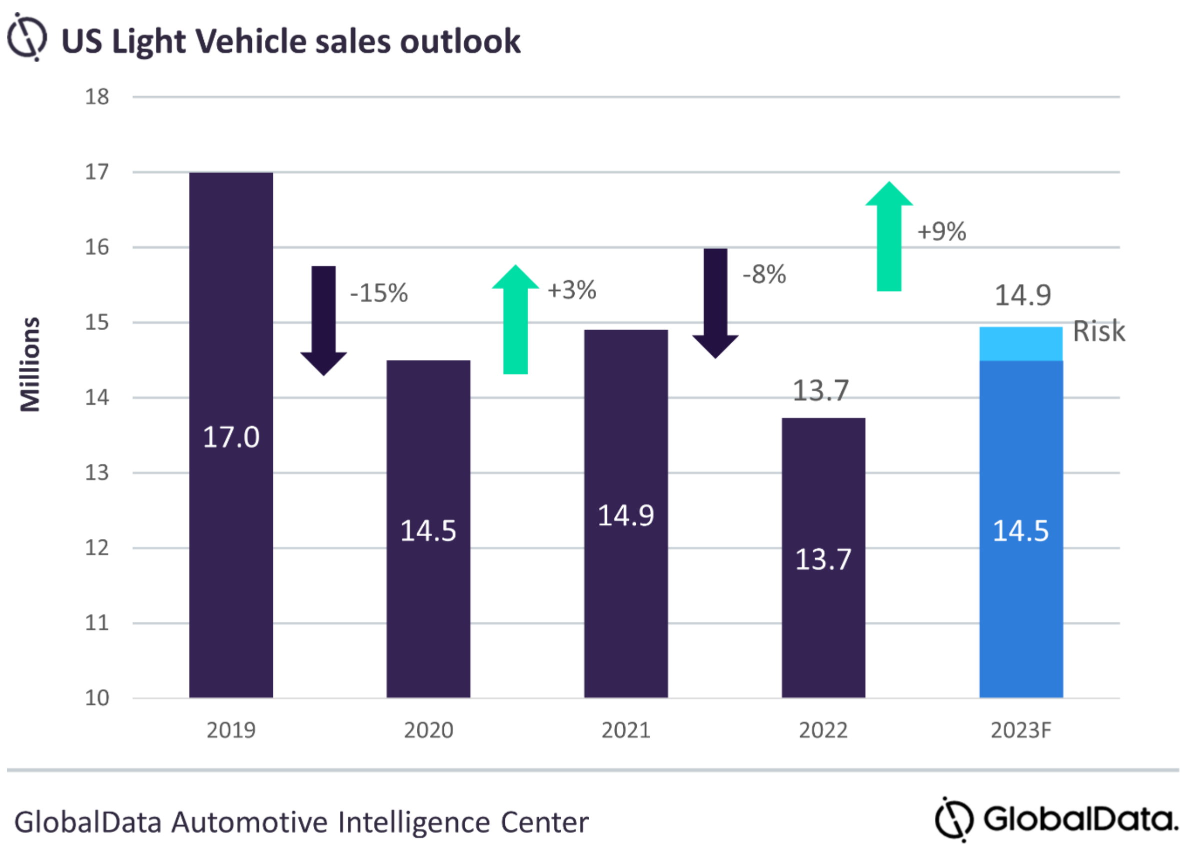
David Oakley, Manager, Americas Sales Forecasts, LMC Automotive, A GlobalData Company, said: "*The market performed largely as expected in January. In year-on-year terms, volumes were up, but sales are still subdued compared to their pre-pandemic levels. Retail sales appeared to fall YoY, with the highest share for fleet sales since the onset of the pandemic helping to keep the total market afloat.*

Fleet traditionally sees a bump in share in January, and we expect this side of the market to play an increasingly important role in 2023 as the retail environment becomes more challenging. Overall, these results suggest that the market can grow this year, despite the challenges, barring any further major shocks".

Although inflation continues to fall from its peak last year, anyone looking to buy a new vehicle may not have noticed, as transaction prices continue to run at elevated levels. January data is expected to show a record high average transaction price, while increasing interest rates are making financing more expensive. There are now concerns over increasing rates of vehicle repossessions as consumers fall behind on payments.

Of the major OEMs, General Motors once again saw the strongest YoY growth, with sales up by 30.2% YoY in January, albeit this was facilitated by a low base. Hyundai Group enjoyed a healthy YoY gain of 14.8%, while Honda Group may finally be turning the corner with its sales growing by 14.3% YoY. GM's market share jumped by 3.5 percentage points (pp) YoY, to 17.8%, while Toyota Group lost 2.9 pp, to 13.0%.

Compact Non-Premium SUV was again the number one segment in January, with an 18.1% market share, up by 1.4 pp, YoY. Midsize Non-Premium SUV was ranked second, on 16.7%, a YoY decline of 1.7 pp. Large Pickups saw a share of 14.6%, up by 0.3 pp YoY, although down by 1.3 pp compared with December, as is normal at this point in the calendar. Pickups were still able to outsell Cars in January, by around 20k units.



US Light Vehicle sales in 2022 were in line with expectation, with volume at 13.7 million units, a decline of 8% from 2021. Given the stable performance in January and ongoing risk to the topline volume, as prices remain elevated, we are holding our forecast at 14.9 million units for the year, an increase of 9% from 2022. In the background, the actions of the Fed are expected to lead to flat GDP growth in Q1 and a mild recession starting in Q2. However, as demand remains below supply, a recession is not expected to keep sales from returning to growth.

Vehicle inventory started 2023 with stock levels continuing to increase through the second half of 2022. Days' supply is January is expected to remain below 40 days but that is a significant improvement from the 26 days' supply in January 2022. Supporting the rebuilding of inventory is the expectation of less disruption. Disruption in North America production for 2023 is forecast to be 950,000 units, down from the 1.9 million units in 2022.

Jeff Schuster, Automotive Group Head and Executive Vice President, GlobalData, said: "*The outlook for autos is at a crossroads, as the rebalancing of supply and demand continues to play out. 2023 will be a pivotal year in shaping the recovery going forward and setting the tone where the natural level of demand will settle. There is reason to be cautiously optimistic as we move through 2023.*"

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Quotes provided by: David Oakley, Manager, Americas Sales Forecasts, LMC Automotive, A GlobalData Company; Jeff Schuster, Automotive Group Head and Executive Vice President, GlobalData

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