NEWS RELEASE

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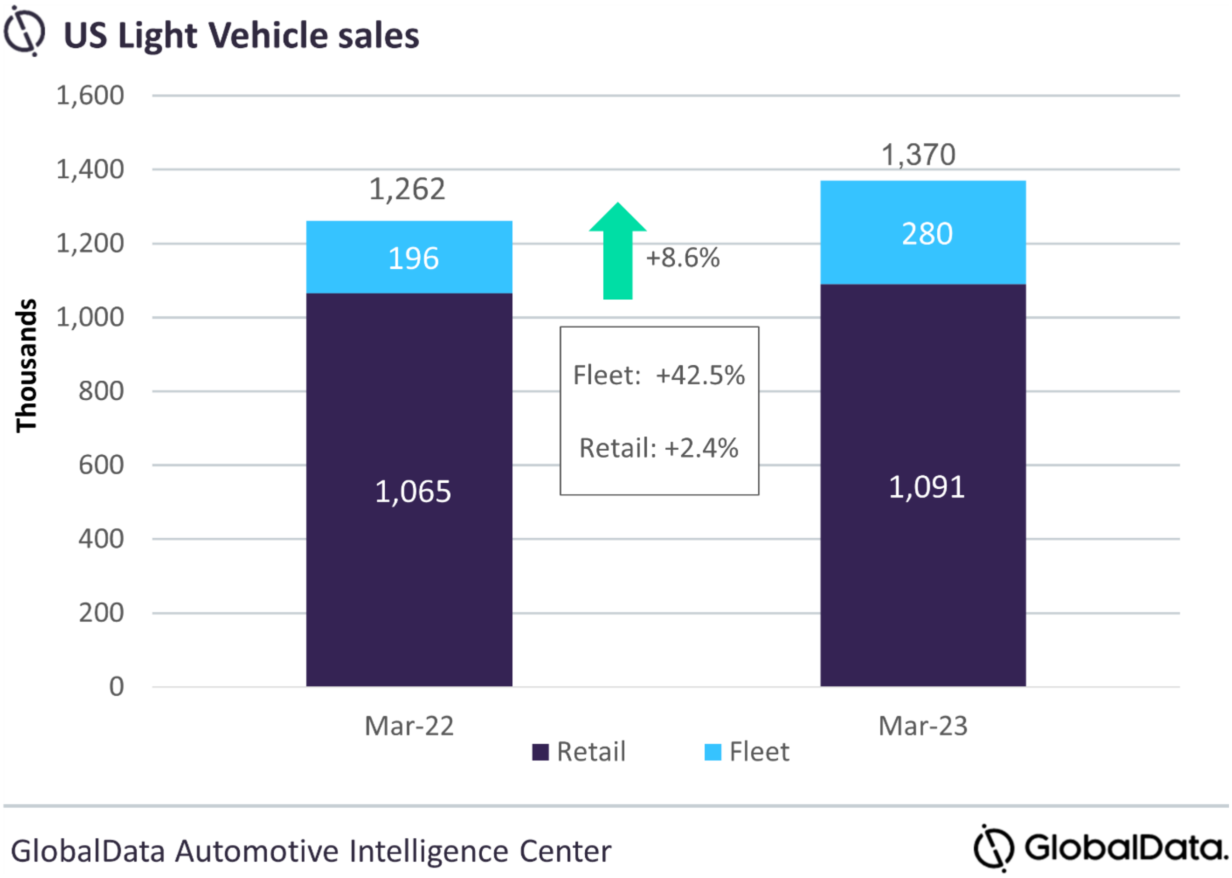
US Light Vehicle Sales Grow Robustly in March as Market Shows Signs of Life

- LV sales grew by 8.6% YoY in March according to preliminary estimates, to 1.37 mn units. The YoY expansion was the more impressive for the fact that March 2022 was the second-strongest month of last year in absolute volume terms. Still, there is room for the market to grow further, given that March is traditionally one of the strongest months of the year, and in the pre-pandemic years, sales would regularly top 1.5 mn units.
- General Motors continued its reign as the bestselling OEM in a streak that now measures eight months. GM's closest rival remains Toyota Group, although the gap between the two OEMs was 52k units, significantly larger than the 27k unit difference in February. Toyota once again saw a YoY loss as the manufacturer faces tighter inventories than most competitors. While Ford retained the title of number one-selling brand in March, its margin to the nearest challenger – Chevrolet – was under 9k units. Chevrolet had fallen behind Toyota in February, but overtook the Japanese make in March, albeit only by around 2k units. The Ford F-150 was once again the bestselling Light Vehicle in March, around 7k ahead of the Chevrolet Silverado, which pushed the Toyota RAV4 into third place.
- Global outlook – The global light-vehicle selling rate fell in February to 80.9 million units from 82.8 million units in January. On a year-over-year basis, volume was up 10% to 6.5 million units, as the drag from global supply constraints lessens but remains a factor. Individual markets continue to vary in the recovery path. Japan and Korea led mature markets, with volume up 21% and 20%, respectively. North America, Western Europe, China and India were all up approximately 10% from February 2022. The outlook for 2023 has improved slightly to 86 million units, an increase of 6.1% from 2022. Supply levels continue to improve but vehicle pricing remains elevated, shifting the level of recovery over to the consumer to decide.

(DETROIT, MI): US Light Vehicle sales totaled 1.37 million units in March, according to LMC Automotive, a GlobalData Company. This translates to a YoY gain of 8.6%, with the same number of selling days as in March 2022. In absolute terms, March saw the highest sales volumes of any month since May 2021. The result was still down by 14.8% when compared to March 2021, although that period was boosted by post-lockdown reopening combined with more plentiful inventory. Overall, last month was one of the more upbeat results in recent memory, and comes as something of pleasant surprise, especially given the headwinds of high transaction prices and still relatively miserly incentives, coupled with economic uncertainty.

The March selling rate was estimated to be 14.8 mn units/year, down from 15.0 mn units/year in February. Technically, this is the weakest selling rate of the year to date – January's rate was 16.0 mn units/year. However, whereas January and February are historically weaker months in which relatively modest volumes can produce strong selling rates, March is usually a bumper month for the US market, and for the selling rate to hold close to its February levels under the circumstances was a robust result. The daily selling rate is estimated at 50,800 units/day, up from 47,700 units/day in February, another indicator of a healthy market, at least for the time being. According to preliminary estimates, retail sales totaled around 1,091,000 units, while fleet accounted for approximately 280,000 units, representing around 20.4% of the total market, which if confirmed would be the highest fleet share since the pandemic.

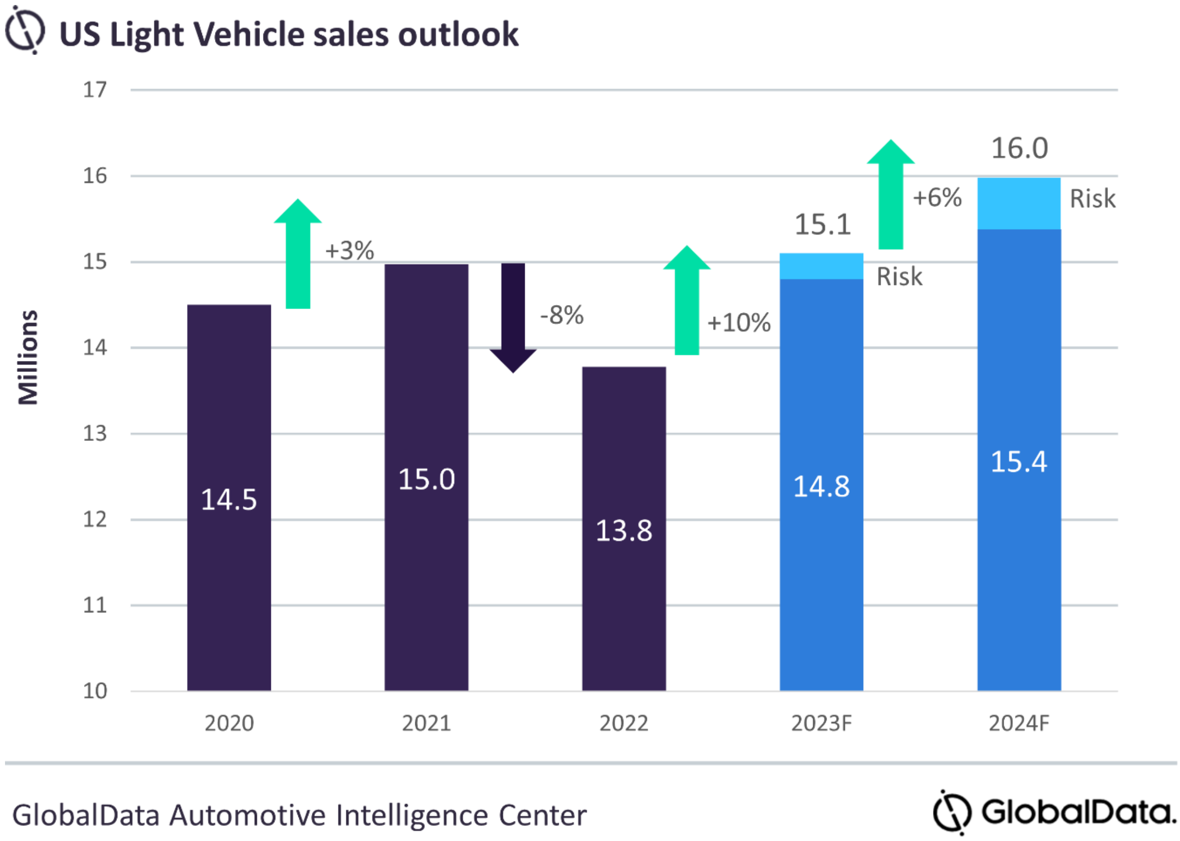


David Oakley, Manager, Americas Sales Forecasts, LMC Automotive, A GlobalData Company, said: "March sales surpassed our expectations as the market shrugged off concerns over a slowing economy, sticky inflation and elevated average transaction prices. The industry has a few factors going in its favor. Firstly, inventory continues to creep up, as more OEMs finally get on top of supply chain issues across a wider range of models. In addition, incentives are increasing slightly, with this sometimes being reflected in interest rates being kept lower for those financing vehicle purchases than would be the case in the current context of Fed rate hikes. A strong labor market is also continuing to keep recessionary fears somewhat on the backburner for now. Still, while retail sales did likely rise YoY in March, the growth was far more apparent in the fleet side of the market, which is seeing a resurgence to levels not seen since before the pandemic. In March, OEMs such as Nissan may have been more willing to exploit fleet channels than usual to provide an upbeat end to the Japanese financial year. Overall, there is plenty of evidence in March's data to suggest that the risks to our 2023 forecast remain on the upside".

Although still comfortably up YoY, average transaction prices have been easing down slightly over recent months, and this trend is expected to have continued in March. While overall inflation has also been falling, gasoline prices have tended to remain relatively flat, while recent output cuts from oil-producing nations have pushed up global oil prices once again.

A number of OEMs' sales grew by double-digit percentages, led by an estimated 25.6% YoY gain for Tesla. However, VW Group was close behind with a YoY sales increase of 25.4%, followed by Hyundai Group (+23.4%), RNM (+23.2%), Subaru (+22.8%) and GM (+11.9%). This serves to illustrate the range of manufacturers now seeing improved inventory. In market share terms, GM accounted for 16.7% of March's sales, up by 0.5 pp YoY, and an increase of the same amount over February's result. Toyota Group saw a 9.1% YoY fall in volumes, as its market share slipped to 12.9%, down by 2.5 pp YoY.

Compact Non-Premium SUV was once again the bestselling segment in March, with a 19.2% market share, up by 0.2 pp, YoY. Midsize Non-Premium SUV was the second-largest segment on 16.6%, a YoY decline of 0.2 pp. In market share terms, Large Pickups saw their weakest month since September, on 13.3%, but this was up by 0.1 pp YoY. Cars were able to outsell Pickups for the first time since September, by a margin of 11k units, as Cars appeared to benefit from the recovery in fleet sales.



Recovery in the fleet market is outpacing that of the retail market but both sectors are holding up well. Through the first quarter, Light Vehicle sales are 3% higher than expected at the start of the year, with 80% of the 100,000-unit increase concentrated in the fleet market. As a result, the outlook for 2023 has been increased for the second month in a row, and now rounds up to 15.1 million units, an increase of 9.4% from 2022. In addition to the stronger replenishment of fleet volume, the expected mild recession has been pushed into the second half of 2023, based on the current momentum of the economy and solid labor market performance. This change is expected to benefit the market in 2023 but has pulled about 40,000 units out of our 2024 outlook, which still rounds to 16.0 million units.

Light Vehicle inventory was up nearly 2% in February from January, but days' supply slipped to 37 days from 39. March inventory growth is expected to be strong with raw volume forecast to be up more than 6% from February to a days' supply of 38. While moving in the right direction, inventory is still well below normal levels, which is likely to be the case going forward as inventory is managed to the 40-50 days' supply range. Disruption in the region is holding just shy of 1-million units for 2023, 50% of the 2022 level.

Jeff Schuster, Automotive Group Head and Executive Vice President, GlobalData, said: "While the outlook has improved slightly, any true strength in recovery once fleet sales are replenished will hinge on vehicle pricing. There is pent-up demand and there are consumers that could re-enter the new vehicle market if pricing were to fall more than 10% from current levels and if a more severe recession is avoided. We continue to expect some moderating of pricing, but not enough to have a stronger boost to demand."

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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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Email: pr@globaldata.com

EMEA & Americas: +44 (0)207 936 6400
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