

Los Angeles Auto Outlook



Comprehensive information on the LA County new vehicle market

SPECIAL REPORT

COVID-19 Pandemic Puts the Brakes on County New Vehicle Market

The Los Angeles County new vehicle market got off to a good start in the first two months of this year. And then the bottom fell out when the COVID-19 crisis took hold in March. Below is a summary of where the market was before the pandemic hit, the impact it could have on sales, and the key factors that are likely to dictate the speed and strength of the ensuing recovery.

Where was the County new vehicle market before the pandemic hit?

As shown on the graph below, new retail light vehicle registrations in Los Angeles County exceeded 460,000 units between 2014 and 2019. It was an unprecedented streak of consistently high sales. Affordability was becoming a bit of a concern, but the economy was growing, unemployment was low, and incomes were increasing. The market was strong before the crisis hit, and it will eventually regain that strength.

What impact will the pandemic have on the County market?

New vehicle registrations as reported by Experian declined 4.5% in the First Quarter of this year versus a year earlier. But the mea-

surement of registrations typically lags actual vehicle sales at dealerships. New vehicle sales declined significantly in March.

At this point, our projection is that new retail registrations this year will fall to 363,500 units, a 24% decline from 2019. But forecasting the market right now is extremely difficult. This is clearly not a typical cyclical economic downturn. Vehicle sales will be impacted by the spread of the virus and changes in governmental policies regarding business operations. And these considerations are not part of the traditional statistical models used to predict the auto market.

One thing, however, seems certain right now: The low point in sales should occur in 2020 after which, the market can start its upward climb.

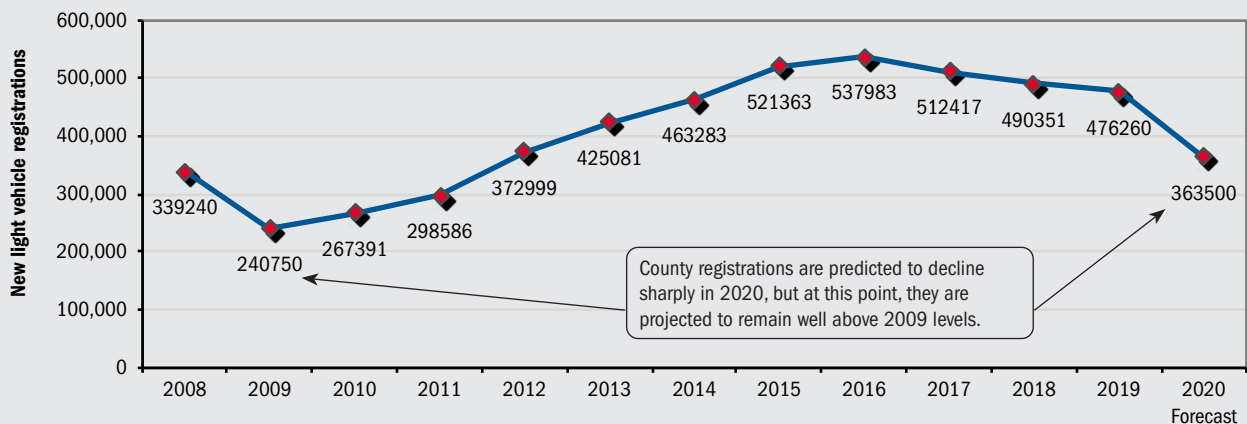
How fast will the market recover when restrictions are eased?

The dramatic sales slump will result in the accumulation of pent-up-demand, fueling an upswing in sales that will likely lead the market to very high levels within a few years.

There are three keys to monitor over the next few months to get a handle on how swiftly the recovery could progress. First, how quickly will business restrictions be lifted so that economic activity can resume in earnest? Second, how many businesses will manage to survive during the shutdown? This will clearly have a direct impact on how quickly people can return to work, which is a primary feeder for the third key: How long will it take for households to repair their balance sheets? Rising unemployment and lost wages will result in growing debt, and a depletion of savings. Stimulus checks and 0% interest rates will help, and the balance sheet correction should be less severe than during the great recession. But many households will be dealing with the financial consequences of a significant interruption in income, which will crimp spending on big ticket items, like new vehicles.

There are simply too many unknowns right now to even guess at the exact timing and speed of the sales recovery. Sales will obviously fall in 2020, and barring a resurgence in the pandemic over the next 12 months, the market will almost certainly improve in 2021.

Annual New Light Vehicle Registrations in Los Angeles County - 2008 thru 2020



Source for historical data: AutoCount data from Experian.

SPECIAL REPORT

Economic “Train” Stopped in its Tracks; How Does It Start Back Up?



The U.S. economy can be compared to a large freight train, with each car on the train representing a company or business operation. Before the corona virus hit, the train was barreling down the tracks, but then it was forced to “stop on a dime.”

Before March of 2020, it wasn’t fully known that the economic freight train had the ability to stop abruptly. But when the brakes were slammed, the train came to a near-halt in short order.

Here are the specifics. GDP growth was humming along at an impressive pace, increasing for the 23rd consecutive quarter in 4Q ‘19, while the unemployment rate fell to just 3.5% in February. Some economists have now predicted that growth could contract by as much as 30% in the Second Quarter of 2020, with the unemployment rate perhaps moving to 15% by late spring. The train is still moving, but barely.

The fact that the train could slow down so quickly may have come as a surprise, but like most big trains, it will almost certainly take a while for it to regain its previous speed. There

are several things that need to happen for the train to get going as quickly as possible:

First, it’s imperative that a significant majority of cars stay on the track (i.e., businesses survive during the shutdown). When a car falls off the tracks, it takes time (and expense) to build new ones, and place them back on the rails.



Second, some cars (businesses) are much more important than others. Some are locomotives and without them the train would be stuck on the track (i.e., banks and financial institutions). In addition, some cars are inexorably connected, and if one leaves the track, others will follow (i.e., automobile manufacturers, airlines, etc.). It’s critical to identify these cars and provide needed support so that they

are on the track when the train starts moving again.

Third, the smaller cars matter too! In fact, more than half of the train is comprised of them (i.e., small businesses). A few of these smaller cars will almost certainly fall off the tracks, but policies will need to be sufficient to assure that the large majority of them stay connected to the train.

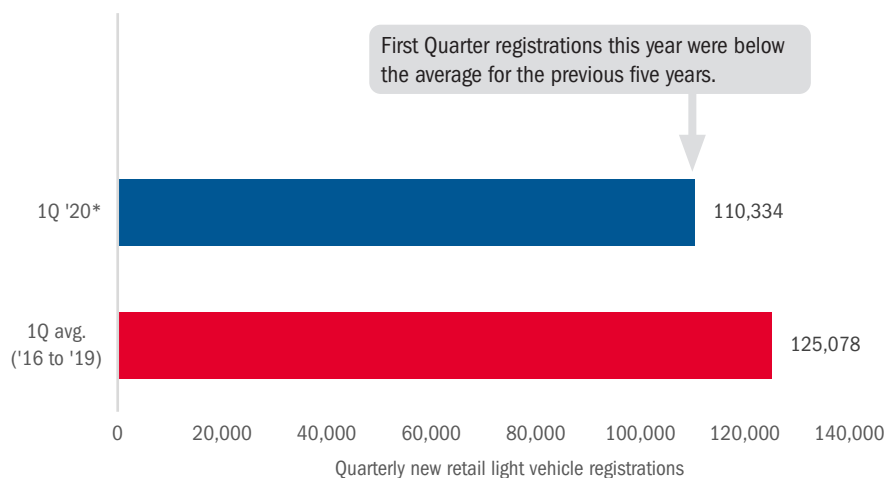
Wrap up: It’s obvious that the economic train has pretty much come to a stop and it will be difficult for it to regain its prior speed in a short period of time. But if sufficient maintenance is performed, once the train starts moving, it should be able to build speed fairly quickly.

MARKET TRACKER: QUARTERLY PERSPECTIVE

1Q 2020 Total Declined vs. 5 Year Average

QUARTERLY PERSPECTIVE

1Q 2020 Registrations Versus Average for Previous Five Years



First Quarter registrations this year were below the average for the previous five years.

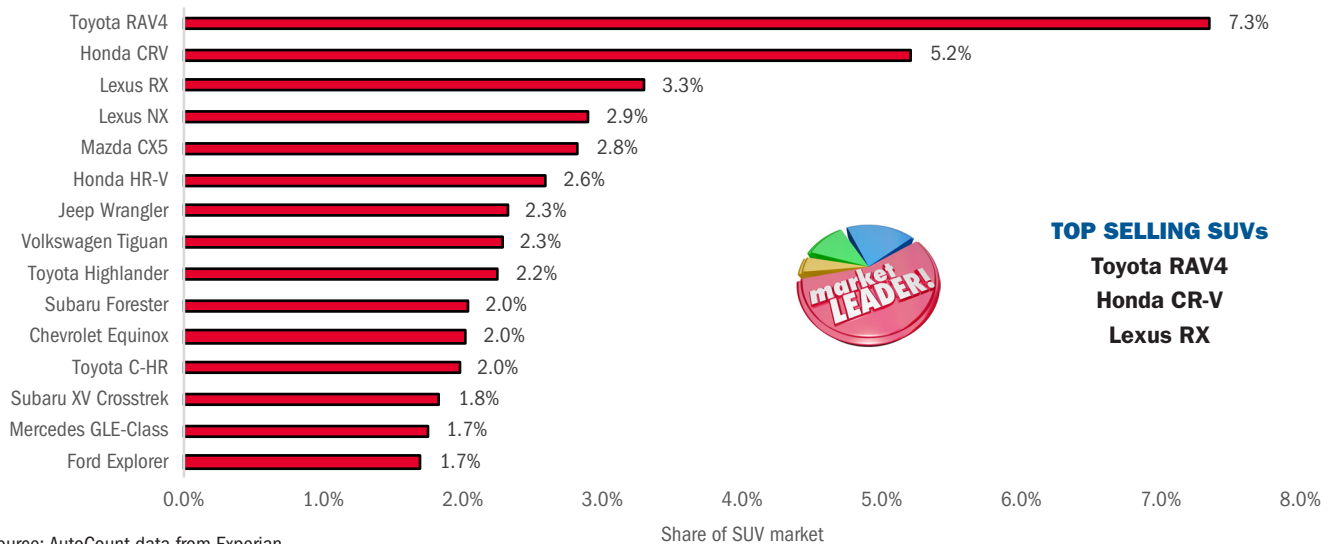
Source: AutoCount data from Experian.

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BEST SELLING SUVs IN AREA MARKET

Toyota RAV4 and Honda CR-V Lead County SUV Market

Share of Los Angeles County SUV Market - Top 15 Selling Models, YTD 2020 thru March



market LEADER!

TOP SELLING SUVs
Toyota RAV4
Honda CR-V
Lexus RX

MARKET TRACKER - SEGMENTS

Compact Cars Accounted for 16.1% of County Market

Los Angeles County Segment Market Share Review				
Segment	Market Share YTD '19 thru March	Market Share YTD '20 thru March	Change in share YTD '19 to '20	Best selling model in segment
Compact Car	16.1	16.1	0.0	Honda Civic
Compact SUV	14.4	14.9	0.5	Toyota RAV4
Mid Size Car	11.7	10.1	-1.6	Toyota Camry
Mid Size SUV	8.9	9.3	0.4	Toyota Highlander
Near Luxury Car	9.1	9.0	-0.1	Tesla Model 3
Luxury Mid Size SUV	6.5	7.0	0.5	Lexus RX
Luxury Compact SUV	6.1	5.5	-0.6	Lexus NX
Subcompact SUV	4.9	5.4	0.5	Honda HR-V
Full Size Pickup	3.9	4.1	0.2	Chevrolet Silverado
Luxury and High-end Sports Cars	4.7	4.1	-0.6	BMW 5-Series
Compact/Mid-Size Pickup	2.9	3.1	0.2	Toyota Tacoma
Luxury Subcompact SUV	1.3	2.2	0.9	Audi Q3
Subcompact Car	2.4	2.2	-0.2	Chevrolet Bolt
Luxury Large SUV	1.1	1.4	0.3	Land Rover Range Rover
Mini Van	1.4	1.3	-0.1	Honda Odyssey
Sports/Pony cars	1.2	1.3	0.1	Dodge Challenger
Entry Luxury Car	1.1	0.9	-0.2	Audi A3
Large Car	0.8	0.9	0.1	Dodge Charger
Large Van	0.7	0.7	0.0	Ford Transit Connect
Large SUV	0.8	0.6	-0.2	Chevrolet Tahoe

The table above shows LA county market share for 20 vehicle segments during the first three months of 2019 and 2020, and the change in market share over the period. The best selling model in each segment is also shown. Segments are ranked from top to bottom based on 2020 share.

Data Source: AutoCount data from Experian..

Brand Registrations Report												
Los Angeles County New Retail Car and Light Truck Registrations												
	First Quarter						Annual Totals					
	Registrations			Market Share (%)			Registrations			Market Share (%)		
	1Q '19	1Q '20	% change	1Q '19	1Q '20	Change	2018	2019	% change	2018	2019	Change
TOTAL	115,517	110,334	-4.5				490,351	476,260	-2.9			
Cars	54,472	49,184	-9.7	47.2	44.6	-2.6	245,116	221,541	-9.6	50.0	46.5	-3.5
Light Trucks	61,045	61,150	0.2	52.8	55.4	2.6	245,235	254,719	3.9	50.0	53.5	3.5
Domestic Brands	25,291	23,419	-7.4	21.9	21.2	-0.7	106,575	98,419	-7.7	21.7	20.7	-1.0
European Brands	23,997	22,488	-6.3	20.8	20.4	-0.4	99,516	100,725	1.2	20.3	21.1	0.8
Japanese Brands	58,482	54,733	-6.4	50.6	49.6	-1.0	249,228	241,400	-3.1	50.8	50.7	-0.1
Korean Brands	7,747	9,694	25.1	6.7	8.8	2.1	35,032	35,716	2.0	7.1	7.5	0.4
Acura	1,370	1,159	-15.4	1.2	1.1	-0.1	5,195	5,047	-2.8	1.1	1.1	0.0
Alfa Romeo	542	653	20.5	0.5	0.6	0.1	2,324	2,015	-13.3	0.5	0.4	-0.1
Audi	3,182	3,521	10.7	2.8	3.2	0.4	14,559	13,334	-8.4	3.0	2.8	-0.2
BMW	5,500	5,224	-5.0	4.8	4.7	-0.1	22,659	23,654	4.4	4.6	5.0	0.4
Buick	364	189	-48.1	0.3	0.2	-0.1	1,604	1,237	-22.9	0.3	0.3	0.0
Cadillac	532	485	-8.8	0.5	0.4	-0.1	2,613	2,178	-16.6	0.5	0.5	0.0
Chevrolet	6,950	5,608	-19.3	6.0	5.1	-0.9	31,444	26,086	-17.0	6.4	5.5	-0.9
Chrysler	330	202	-38.8	0.3	0.2	-0.1	1,868	1,054	-43.6	0.4	0.2	-0.2
Dodge	1,423	1,755	23.3	1.2	1.6	0.4	7,259	6,607	-9.0	1.5	1.4	-0.1
FIAT	160	71	-55.6	0.1	0.1	0.0	979	530	-45.9	0.2	0.1	-0.1
Ford	5,230	4,353	-16.8	4.5	3.9	-0.6	22,653	20,253	-10.6	4.6	4.3	-0.3
Genesis	26	181	596.2	0.0	0.2	0.2	522	573	9.8	0.1	0.1	0.0
GMC	862	777	-9.9	0.7	0.7	0.0	4,348	3,422	-21.3	0.9	0.7	-0.2
Honda	18,028	16,776	-6.9	15.6	15.2	-0.4	72,431	73,282	1.2	14.8	15.4	0.6
Hyundai	3,068	3,717	21.2	2.7	3.4	0.7	14,651	14,369	-1.9	3.0	3.0	0.0
Infiniti	1,682	1,165	-30.7	1.5	1.1	-0.4	7,049	6,118	-13.2	1.4	1.3	-0.1
Jaguar	453	397	-12.4	0.4	0.4	0.0	1,638	1,567	-4.3	0.3	0.3	0.0
Jeep	3,418	2,988	-12.6	3.0	2.7	-0.3	14,619	14,485	-0.9	3.0	3.0	0.0
Kia	4,653	5,796	24.6	4.0	5.3	1.3	19,859	20,774	4.6	4.0	4.4	0.4
Land Rover	1,740	1,636	-6.0	1.5	1.5	0.0	6,152	6,441	4.7	1.3	1.4	0.1
Lexus	6,102	5,523	-9.5	5.3	5.0	-0.3	23,055	23,887	3.6	4.7	5.0	0.3
Lincoln	452	473	4.6	0.4	0.4	0.0	1,844	1,680	-8.9	0.4	0.4	0.0
Maserati	201	138	-31.3	0.2	0.1	-0.1	906	573	-36.8	0.2	0.1	-0.1
Mazda	2,650	2,629	-0.8	2.3	2.4	0.1	10,887	10,502	-3.5	2.2	2.2	0.0
Mercedes	5,934	4,994	-15.8	5.1	4.5	-0.6	25,098	26,377	5.1	5.1	5.5	0.4
MINI	618	485	-21.5	0.5	0.4	-0.1	3,178	2,581	-18.8	0.6	0.5	-0.1
Mitsubishi	308	245	-20.5	0.3	0.2	-0.1	1,540	1,258	-18.3	0.3	0.3	0.0
Nissan	5,840	4,639	-20.6	5.1	4.2	-0.9	26,933	22,227	-17.5	5.5	4.7	-0.8
Other	340	341	0.3	0.3	0.3	0.0	911	1,350	48.2	0.2	0.3	0.1
Porsche	1,167	1,056	-9.5	1.0	1.0	0.0	4,244	4,632	9.1	0.9	1.0	0.1
Ram	1,244	1,244	0.0	1.1	1.1	0.0	4,530	5,135	13.4	0.9	1.1	0.2
Subaru	3,948	3,853	-2.4	3.4	3.5	0.1	16,016	16,228	1.3	3.3	3.4	0.1
Tesla	4,486	5,345	19.1	3.9	4.8	0.9	13,792	16,282	18.1	2.8	3.4	0.6
Toyota	18,554	18,744	1.0	16.1	17.0	0.9	86,122	82,851	-3.8	17.6	17.4	-0.2
Volkswagen	3,298	3,011	-8.7	2.9	2.7	-0.2	13,337	13,818	3.6	2.7	2.9	0.2
Volvo	862	961	11.5	0.7	0.9	0.2	3,532	3,853	9.1	0.7	0.8	0.1

Source: AutoCount data from Experian.

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