

Automotive Industry Shows Potential For Growth and Potential For Contraction

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As a trial lawyer, I have spent my career marshaling factual evidence to support the legal conclusions or argument that I intend to make. I rely on good facts and marginalize bad facts, hoping to create a clear path to a clear conclusion in my argument. Good luck trying to do that right now with the Automotive industry. My wife would say that I happily argue both sides of everything just for the fun of arguing. So, in that spirit, let's do it for the Automotive industry.

2023 Will Be A Positive Year of Growth!

More Sales! [LMC Automotive](#) estimates U.S. new light-vehicle sales reached a SAAR of 15.1 million units in October, representing an increase of 11% from October 2021, but a decrease of 14% from October 2020. LMC notes the October sales rate has only been surpassed twice since the first half of 2021. LMC is projecting full-year 2022 new light-vehicle sales of 13.7 million units.

High Margins! Prices continue to be high (good for manufacturers, not so much for consumers, of course). New vehicle prices in October averaged 33% above pre-pandemic levels, and up to five million U.S. consumers are still waiting to buy new vehicles, according to data from J.D. Power excerpted in [The Wall Street Journal](#) and the [Associated Press](#). With that much pent up demand, it is not a surprise at all that the analysis also indicates consumers can expect "a continued, slight mitigation on new-vehicle prices." Put another way, such demand is going to prevent rapid price drops in the near-term.

OEM Revenue Is Up! Ford [reported](#) revenue was up 10% year over year to \$39 billion.

2023 Will Continue To Challenge Industry Growth!

Supply Chains! Yes, Ford [reported](#) strong revenue growth, but if only the quarter was not impacted by approximately 40,000 vehicles awaiting parts. Sales of 40,000 additional vehicles, at elevated prices, would have materially improved Ford's quarter.

Interest Rates! Higher interest rates impact more than home sales. Edmunds estimates the average annual percentage rate on new-car loans reached 6.3% in October. There are no signs those numbers are going to come down. In fact, in the coming months average annual percentage rates

could reach their highest levels in over a decade, according to data excerpted in [Bloomberg](#).

Semiconductors! The supply chain story that may never end. Try just [searching that word here on the Dashboard](#) and it might most certainly returns more stories from the last few years than any other topic. And, just earlier this month, Toyota [lowered](#) its full-year production guidance by 500,000 vehicles to 9.2 million vehicles, citing market headwinds including semiconductor supply shortages.

So what will happen in 2023? Stay tuned!

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