Idaho Automobile Dealers Association Inc.

2016 Idaho Economic Outlook Analysis of the Automotive Industry

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Data Sources: www.DealerIntell.com & www.NADA.com/economics

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U.S. Auto Sales

INDUSTRY RECORD / BEST YEAR EVER

2015 Actual Sales = 17.5 Million New Car & Light Trucks were Sold

- **Prior Best Year—15 Years Ago in 2000 = 17.4 Million Sold**
- **Since 2013, sales increased 14% increase (sales = 15.4 Million)**
- **Compared to 2009, almost 70% more vehicles were sold (sales = 10.3 Million)**

Why the change?

A combination of factors: low gasoline prices, available credit, rising discounts & incentives, and a strengthening job market all contributed to the favorable auto sales figures seen in the US for 2015.

Is it sustainable?

With automaker incentives expected to continue to rise and be strong, it is expected that US sales will hit close to 17.8 Million in calendar year 2016.

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U.S. Auto Sales

<u>What are the upcoming predictions?</u>

NADA estimates 17.8 million new vehicles will be sold in 2016.

This is heavily dependent upon rising incentive spending by the manufacturers. Without these “rebates” from the manufacturers, 2016 would most likely be the peak.

NADA lowers their estimates to 17.2 million units in 2017.

A sustained sales rate over 17 million is difficult due to rising interest rates, increased regulatory compliance costs, and wage and income pressure. Wages are expected to grow at only 2% over the next 12 months while interest rates are expected to increase by 50 to 75 basis points by the end of 2016.

<u>Bad News or Good News?</u>

“The auto industry nationally remains strong, and will continue to grow based upon improving conditions for households. The formation of new households is rising, and the result is increasing auto sales and strengthening the overall economic recovery. There is nothing better for the housing market and car sales than people forming households and having children.”

Steven Szakaly, NADA Chief Economist

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U.S. Market Share

By Share of Car vs. Light Truck:

Light Trucks -- 56.5% * Cars -- 43.5%

By Vehicles Sold by World Manufacturers:

Asian/Pacific -- 45.7% * North American -- 45.3% * European -- 9.0%

(Toyota, Honda, Hyundai, etc.) *(GM, Ford, Fiat-Chrysler)* *(VW, BMW, Mercedes)*

By Market Segments:

Crossovers -- 29.8% * Small Car -- 17.5% * Midsized Car -- 17.3% *
Pickup -- 14.1% * SUV -- 7.1% * Luxury Car -- 7.1% *
SUV -- 5.3% * Large Car -- 1.8%

By Powertrain:

Gasoline -- 94.7% * Diesel -- 2.5% * Hybrid -- 2.2% *
Electric -- 0.4% * Plug-in Hybrid -- 0.2%

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Idaho's Auto Industry

Idaho's Auto Retailers' Contributions	2013	2014	% Change
Total Dealership Sales	$2.8 B	$3.8 B	+ 36%
Total # of New Car & Light Truck Dealers	108	109	+ 10%
Total # of New Vehicles Sold in Idaho	43,953	45,062	+ 3%
Total Annual Payroll of Idaho Dealerships	$224 M	$260 M	+ 16%
Total # of Employed in Idaho Dealerships	4,766	5,427	+ 14%
Average Wages per Dealership Employee	$47,043	$47,908	+ 2%
Average Annual Payroll per Dealership	$2.0 M	$2.4 M	+ 20%
Average # of Employees per Dealership	43	50	+ 16.3%

We expect 2015 numbers to rise as well based upon the NADA result estimates.

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Idaho's Auto Sales

New & Used Vehicles

Retailed by ALL Licensed Dealerships

Calendar Year	# Dealership Sold Titles	% Increase
2012	140,195	n/a
2013	163,374	+ 17%
2014	168,353	+ 3%
2015	185,112 *	+ 10%

** Estimate based upon Nov. 2015 YTD annualized*

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Idaho's Auto Sales

Estimated 2015 Idaho Sales Tax Collections by Franchised Auto Dealers on New & Used Vehicles

2015 $181,539,338 *

The State of Idaho will continue to see additional revenue growth for 2016 and 2017 in the following areas:

Sales Taxes * Dealer Income Taxes * Payroll Taxes

** Estimate based upon Nov. 2015 YTD annualized*

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Automotive Sales Will Increase in 2016

Just six years past the depths of the 'Great Recession', the national economy has strengthened to the point that automotive sales of new cars and light trucks have broken all records. 2016 Growth will be fueled by the following items that help sell more vehicles:

- *Lower & stable fuel prices*
- *Aggressive and growing incentive spending by manufacturers*
- *Affordable used vehicles in greater availability due to increased lease returns*
- *More lending options*
- *Affordable rates for credit borrowers*

Rural and smaller metropolitan areas (like all of Idaho) will continue to see automotive sales growth. *Larger urban areas may see the future changes auto ownership levels with shared ownership and ride sharing programs increasing.*

In 2017, growth in auto sales nationally is expected to slow because of unknown incentive spending. But manufacturers get used to fat profit margins and they may keep them stable or larger; either way, 2017 may look as good as 2016.

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Driving Idaho!

Tidbits / FACTS / & Projections about Idaho's Automotive Industry:

1. $3.8 Billion in Dealership Sales = 6% of the Idaho's GSP
2. Dealerships employ almost 5,500 people (a mere 1% of the total workforce in Idaho), yet their sales contribute almost 17% of Idaho's total retail sales.
3. Consolidations in ownerships of dealerships is expected to continue---fewer family owned stores, adding to corporate, chain, & trust owned dealerships.

Often additional sales occur because the new buyer's new business model and consumers' desires to do business with a "new sheriff".

- **CarMax** (a large, used car chain) is setting up a new site here in 2016.
- **Dave Smith Motors sold to RFJ Auto** from Texas; Idaho owners retained stock; plans to take their Dave Smith business "model" nationwide.
- **Quad Cities Nissan** opened in Moscow.

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Idaho's Top Financing Sources

Comparing Nov. 2015 YTD to same 2014—Total # of Liens/Loans

Current Rank	Lender Name	2015 YTD	2014 YTD	% Change	Market Share
1	IDAHO CENTRAL CREDIT UNION	18,652	15,721	17%	8%
2	WELLS FARGO DEALER SERVICES	9,488	9,422	0%	4%
3	POTLATCH #1 FED CREDIT UNION	5,915	6,696	-12%	3%
4	CAPITAL EDUCATORS FED CREDIT UNION	5,869	3,294	75%	2%
5	TOYOTA MOTOR CREDIT	4,742	5,014	-7%	2%
6	FORD MOTOR CREDIT	4,319	4,057	5%	2%
7	WESTMARK CREDIT UNION	4,295	5,295	-19%	2%
8	JP MORGAN CHASE	3,525	3,744	-7%	1%
9	PIONEER FEDERAL CREDIT UNION	3,339	5,632	-41%	1%
10	MOUNTAIN AMERICA CREDIT UNION	2,684	1,971	35%	1%
11	ICON CREDIT UNION	2,619	2,175	19%	1%
12	CAPITAL ONE AUTO FINANCE	2,555	2,608	-4%	1%
13	SPOKANE TEACHERS CREDIT UNION	2,162	1,762	22%	1%
14	ALLY BANK	2,125	2,265	-7%	1%
15	NUMERICA CREDIT UNION	2,115	1,630	30%	1%
16	EAST IDAHO CREDIT UNION	1,730	1,304	31%	1%
17	AMERICAN HONDA FINANCIAL	1,589	1,916	-18%	1%
18	CHRYSLER CAPITAL	1,500	1,485	0%	1%
19	RELIABLE CREDIT ASSOCIATION	1,414	1,704	-18%	1%
20	BANK OF AMERICA	1,243	914	33%	1%

Overall, total liens placed have increased by 6% year-over-year.

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Brands Sold in Idaho

Domestic / Import Breakout

Domestic Makes in Market Area

Makes	2013 YE	2014 YE	Mkt Shr
FORD	8,509	8,403	35.21%
DODGE	4,414	5,136	21.52%
CHEVROLET	4,251	4,326	18.13%
GMC	2,085	2,522	10.57%
JEEP	1,427	2,051	8.59%
CHRYSLER	436	422	1.77%
BUICK	388	408	1.71%
CADILLAC	299	328	1.37%
LINCOLN-CONTINENTAL	168	153	0.64%
UNLISTED CAR MANUFACTURER	48	40	0.17%
TOTALS	**22,025**	**23,789**	

Import Makes in Market Area

Makes	2013 YE	2014 YE	Mkt Shr
TOYOTA	6,083	6,082	28.55%
SUBARU	2,986	3,446	16.18%
HONDA	3,145	3,078	14.45%
NISSAN	1,858	2,138	10.04%
KIA	1,349	1,562	7.33%
VOLKSWAGEN	1,199	1,430	6.71%
HYUNDAI	1,234	1,248	5.86%
MAZDA	614	555	2.61%
BMW	235	303	1.42%
LEXUS	196	251	1.18%
TOTALS	**18,899**	**20,093**	

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Idaho vs. Other States

Automotive Dealerships: USA, Idaho & Surrounding States

States Ranked by Total Sales $

State/US	$ Retail Sales	% of State's Retail Sales	# Dealerships (Rooftops)	# Jobs Created by Dealerships	Direct Dealership Jobs	Avg. # Jobs per Dealership	Annual Payroll	Average Annual Earnings	Income Taxes Paid
USA	$806.1 B	17.1%	16,396	2,253,208	1,072,773	64	$58.1 B	$54,170	$19.3 B
Washington	$15.0 B	14.2%	305	41,271	21,064	69	$1.14 B	$54,130	$323 M
Oregon	$8.6 B	15.1%	217	25,473	12,232	56	$610 M	$50,142	$208 M
Utah	$7.1 B	16.4%	137	20,895	8,749	64	$440 M	$50,327	$124 M
Nevada	$6.1 B	18.1%	94	11,223	8,593	91	$520 M	$60,532	$199 M
Idaho	**$3.8 B**	**16.8%**	**109**	**10,657**	**5,427**	**58**	**$260 M**	**$47,922**	**$18 M**
Montana	$3.2 B	15.0%	103	8,924	4,000	39	$190 M	$47,413	$17 M
Wyoming	$1.5 B	15.1%	52	5,613	2,226	43	$120 M	$51,841	$5 M

Data provided by NADA
Supplemented by IADA/Dealer Intelligence as needed.