ALLIANCE FOR AUTOMOTIVE INNOVATION

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READING THE METER

A Look Inside A Cleaner, Safer, Smarter Auto Industry.

March 10, 2021

Contents

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Forecast Meter

Forecast Summary (Updated 3/3)

2020-2021 Sales,[1] Extended Sales Forecast[2] and Production Forecasts[3]		
	U.S. Sales & Forecasts	**North American Production**
June '20	1,103,791 (-24% YoY)	743,216 (-17% YoY)
July '20	1,227,091 (-12.1% YoY)	1,261,884 (+2.2% YoY)
August '20	1,325,144 (-19.1% YoY)	951,983 (-1.1% YoY)
September '20	1,344,310 (6.4% YoY)	1,395,830 (+2.1% YoY)
October '20	1,345,401 (0.9% YoY)	1.413.207 (+3.7% YoY)
November '20	1,193,180 (-15.4% YoY)	1,260,763 (-6.4% YoY)
December '20	1.608.875 (5.9% YoY)	1,115,542 (+2.8% YoY)
January '21	1,094,689 (-3.6% YoY)	1,175,940 (-14.0% YoY)
February '21	1,180,506 (-5.3% YoY)	
1st Quarter '20	3,476,512 (-12.7% YoY)	3,754,533 (-11.7% YoY)
2nd Quarter '20	2,948,410 (-33.3% YoY)	1,371,420 (-67.6% YoY)
3rd Quarter'20	3,904,539 (-9.2% YoY)	3,989,982 (-.5% YoY)
4th Quarter'20	4,159,622 (-2.1% YoY)	3,789,512 (-2.5% YoY)
2020 Calendar Year	14,463,935 (-14.7% YoY)	12,905,447 (-23.1%)
2021 Full Year Estimate	15.5 million units (7.6% YoY)	15.8 million units (22.7% YoY)

U.S. Light Vehicle Sales Outlook (Updated 3/10)

Wards Intelligence Outlook: "Initial modeling for March indicates sales equal to a 14.8 million-unit seasonally adjusted annual rate, a comedown from January's 15.7 million, which was the lowest SAAR since August's 15.1 million. Sales were averaging a 16.2 million-unit SAAR in the 5-month stretch through January.

Including the initial March outlook, the first-quarter SAAR would total 15.6 million.

If dealers can turnover half their beginning-month inventory in March – a largely unprecedented feat accomplished by dealers throughout the second half of 2020 when inventory also cratered after the onset of the Covid-19 pandemic – March's SAAR could total 15.5 million units. In February, sales equaled 45% of beginning-month inventory, compared with 36% averaged over the past five years.

Although production losses are mounting, chip supplies are being diverted for stronger selling vehicles. Diverting supplies from slow sellers to strong sellers could help lift demand in March.

In fact, although down 14.7% year-over-year, inventory for CUVs, which account for roughly 45% of the market, is in much better shape coming into March than the rest of the industry."[4]

Fitch Ratings Outlook: "Fitch Ratings has an improving outlook for the U.S. auto sector, reflecting Fitch's expectation that conditions in 2021 will be better than the pandemic-induced downturn in 2020. Fitch expects U.S. light vehicle sales in 2021 to total 15.6 million, up nearly 10% from our forecast of 14.2 million for 2020. Fitch's 2021 forecast assumes macroeconomic conditions improve in 2021 and widespread lockdowns do not return. Although the trend will be improving in 2021, sales are expected to be about 8% below 2019. Fitch does not expect sales to return to 2019 levels until 2022 at the earliest even if a coronavirus vaccine becomes widely available by mid-2021.

Despite an improving demand environment, the auto industry remains exposed to various secular pressures. For example, tightening emissions regulations in many global markets, especially China and Europe, are rapidly accelerating the pace of vehicle electrification. Dozens of new electric vehicles will be introduced over the next few years, but vehicle cost and customer acceptance remain challenges. Auto manufacturers, suppliers and others also continue to invest heavily in automated driving technologies, although the pace of development has been slower than expected. Technological, regulatory and social issues continue to impede a faster rollout of autonomous vehicles. [5]

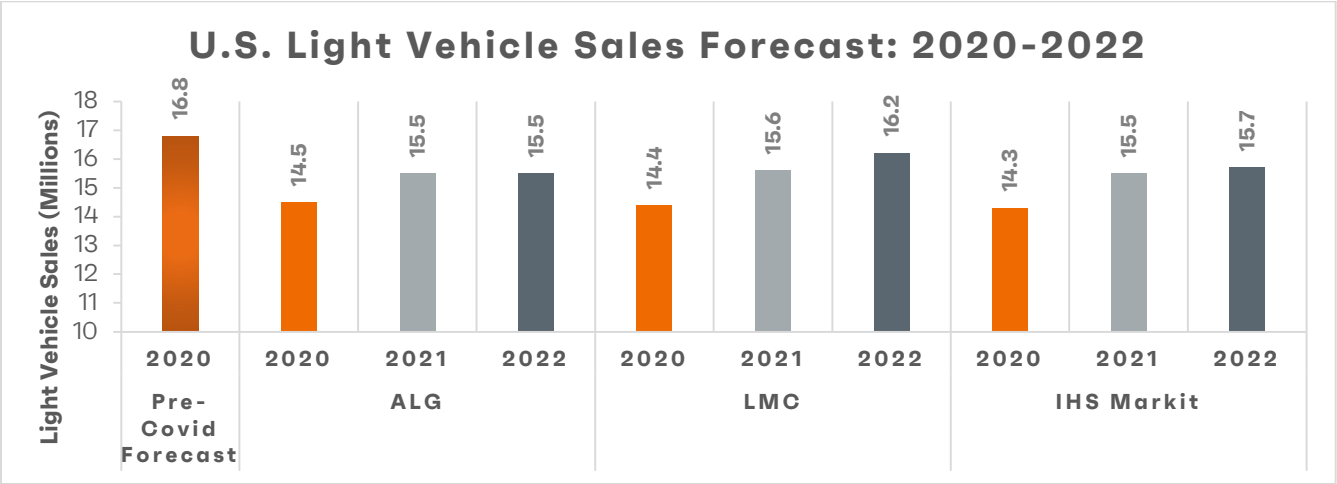
J.D. Power February Forecast: "New-vehicle retail sales for the month of February are expected to show growth from February 2020, according to a joint forecast from J.D. Power and LMC Automotive. Retail sales for new vehicles are projected to reach 975,600 units, a 3.3% increase compared with February 2020 when adjusted for selling days. February 2021 contains two fewer selling days and one fewer selling weekend than February 2020. Comparing the same sales volume without adjusting for the number of selling days translates to a year-over-year decrease of 4.6%. February 2020 was a once-in-a-generation sales calendar month which benefitted from being a leap year and having five weekends.

Total new-vehicle sales for the month of February, including retail and non-retail transactions, are projected to reach 1,206,700 units, a 3.7% decrease from February 2020 when adjusted for selling days. Reporting the same numbers without controlling for the number of selling days translates to a decrease of 11.1% from February 2020. The seasonally adjusted annualized rate (SAAR) for total new-vehicle sales is expected to be 16.0 million units, down 0.9 million units from 2020.

Thomas King, president of the data and analytics division at J.D. Power: "The combination of strong retail sales, higher transaction prices and smaller discounts means that February 2021 likely will be one of the most profitable Februarys ever for both retailers and manufacturers."[6]

IHS Markit Update: "While the pace of growth for auto sales flattened out after September, IHS Markit expects continued growth in auto demand levels in 2021, supported by sustained economic development from better-than-expected news on vaccines and likely economic stimulus.

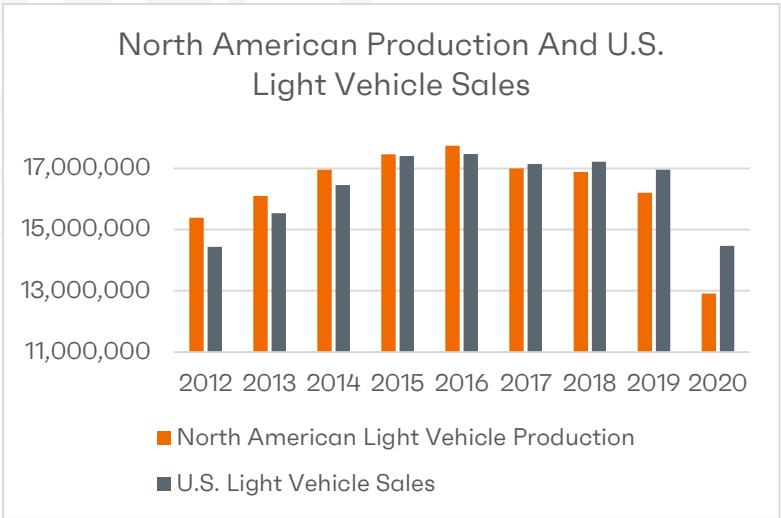
"Looking at 2021, US sales volumes are expected to reach 16 million units, up an estimated 10% from the projected 2020 level of approximately 14.5 million units. The pace of sales is anticipated to be stronger in the second half of the year, following the expected widespread availability of the vaccine by summer," according to Chris Hopson, principal automotive analyst at IHS Markit."[7]



North American Production Outlook (Updated 2/24)

Credit Suisse Outlook: "Inventory remains tight; expect further positive revisions to IHS estimates: While we ultimately expect industry volumes to be dictated by demand trends, supply remains tight, and may remain tight through 1H'21 – especially in lg. pickups. November-end US industry gross stock was 2.8mn units (up ~80k units m/m), an improvement, albeit still quite low vs. the 3.5-4mn level we've seen in recent years. Similarly, with November ending at 53 days supply, inventory is still light of the typical ~70 DSO for the industry. We think this is manageable, but tight. Given tight inventory and return of SAAR to pre-virus levels, we expect upside to IHS NA production estimates for 2021."[8]

WardsIntelligence Update: "The big production losses brought on by the global shortage of microchips to the automotive industry, and severe weather that blanketed much of the country, is not expected to make a huge dent in sales in February.



The production losses related to the chip shortage is causing the closure of several vehicle plants in North America and are expected to total at least 250,000 units in the first quarter, with a chance of going higher. More than half the estimated Q1 losses have already occurred. Plant closures in Europe and Asia also are likely to curtail some import shipments. The production losses are exacerbating already-lean inventory. However, inventory coming into February, though already negatively impacted from plant shutdowns in January, was enough to keep sales going above a 16 million-unit SAAR."[9]

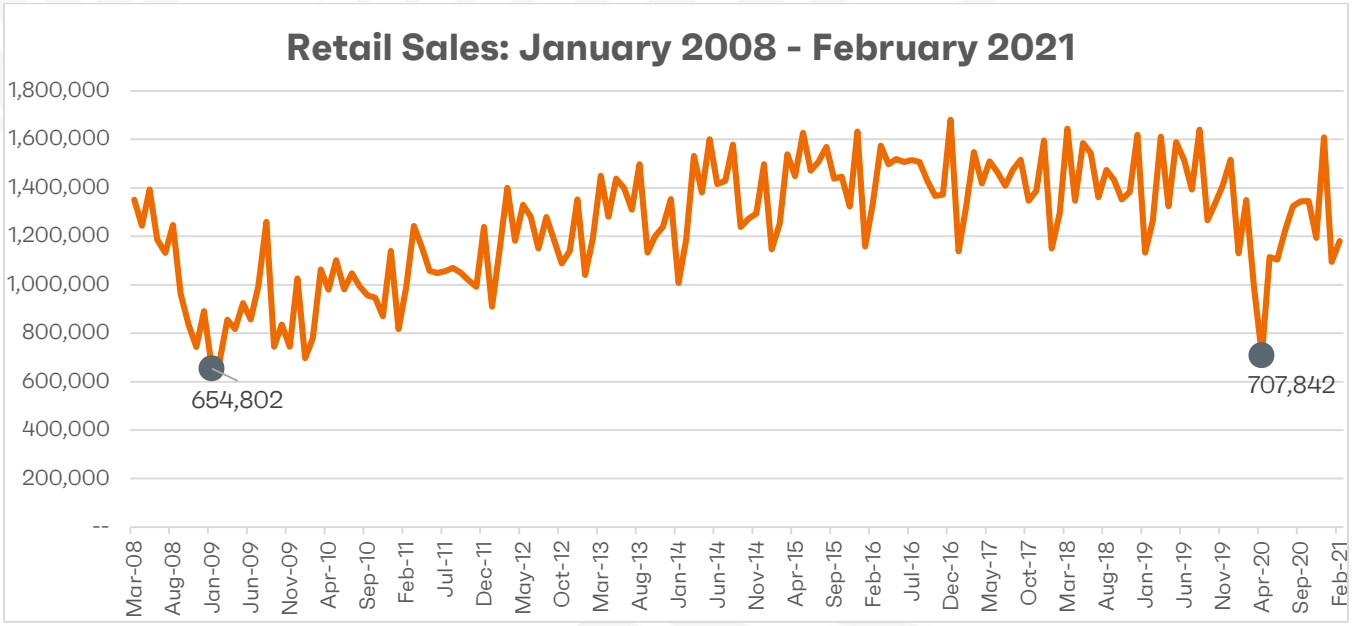
IHS Markit November Update: "The production outlook for North America remains stable for the November 2020 release with 2020 revised up 0.2% or 23,000 units to total 13.0 million units. Production in 2021 was revised up a marginal 9,000 units or less than 0.1% totaling 15.9 million units with 2022 revised down 18,000 unit or 0.1% at 16.3 million units. With the month-over-month trend showing a slow restocking on inventory is underway, the restocking phase for North American production is forecast to continue through second quarter 2021 before moving towards the alignment phase that more closely aligns to demand. During this extended restocking phase, production in the region will outpace demand and is projected to add over 400,000 units to US inventory by the end of second quarter 2021. GM's announcement to add production of T1XX pickups at Oshawa surprised many, coming about through a deal with the Unifor union that represents Canadian auto workers. Production is expected to start at the retooled facility in January 2022. Production of both the light- and heavy-duty pickups will be added for the December forecast round with volume being mostly incremental for the first 12 to 18 months and totaling upwards of 150,000 units. With Oshawa serving as a relief valve, GM is also expected to garner additional cost savings with reduction in overtime at the already stressed Flint Truck, Fort Wayne and Silao plants."[10]

Market Meter

U.S. Light Vehicle Sales (Updated 3/3)

Monthly Sales (Updated 3/3)

This chart helps to put into context the monthly retail sales due to the COVID pandemic and showing the relative drop in sales compared to the 2008 financial crisis.



February Sales (Updated 3/3)

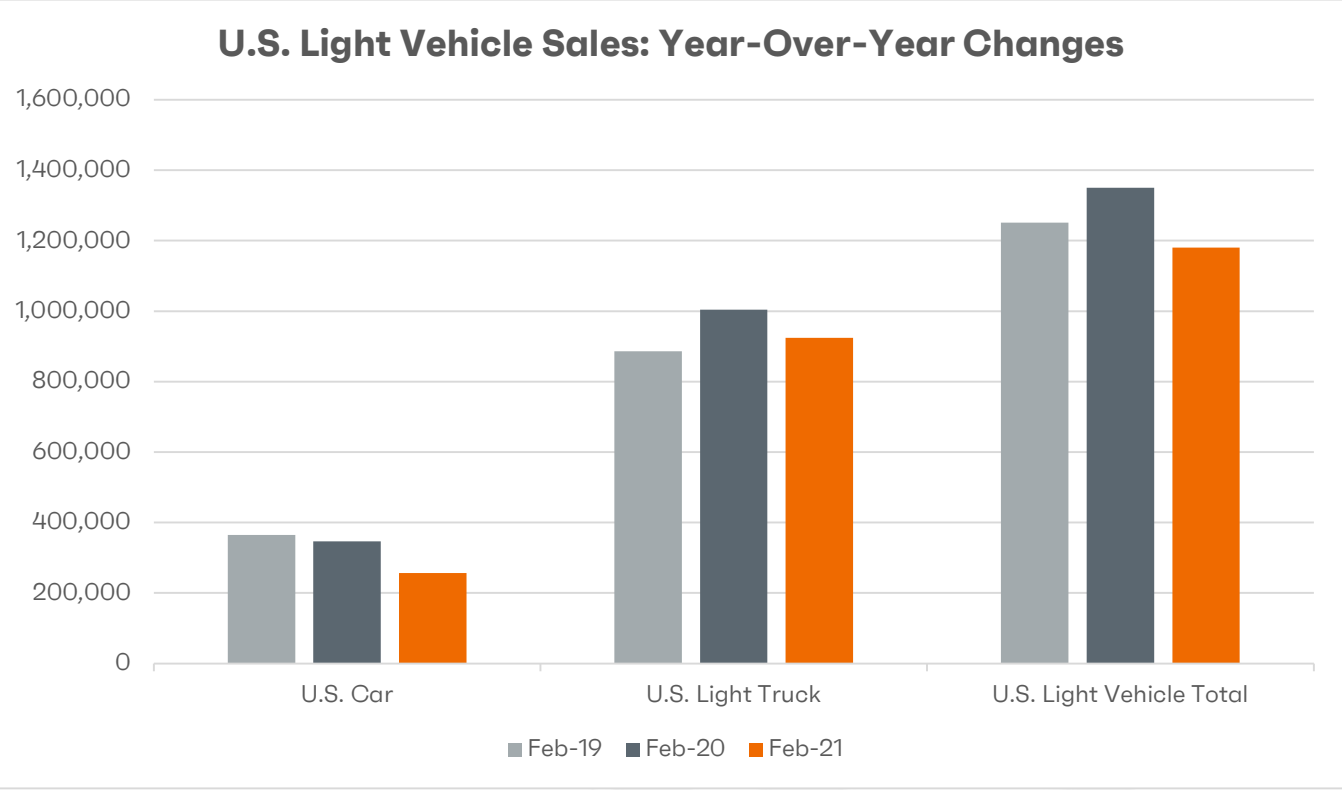
WardsIntelligence: "February's raw volume totaled 1.181 million units and was 12.6% below like-2020. However, the period's daily selling rate over 24 selling days of 49,194 was a down a lesser 5.3% from the year-ago period's 51,945 - 26 selling days.

Based on daily selling rates, an initial estimate for February's retail volume shows a year-over-year increase of 3%, but fleet deliveries were down 29%.

Estimated incentive activity from TrueCar put the average spend per-vehicle-sale at $3,356, down 11.4% from January and 19.7% below February 2020, the biggest year-over-year decline since Wards Intelligence started tracking the metric in 2012. Conversely, average transaction prices increased 1.4% from January and 6.6% from the same year-ago period, the biggest gain since July 2019.

Propped by small-size models and luxury makes, February sales of CUVs, the biggest segment group, were roughly flat with same-month 2020. Market penetration rose to 45.0% from 42.4%. SUVs were up 5.6% year-over-year, and the Large Van segment increased 2.6% while midsize vans declined 20.0%.

Sales of pickups were down 2.4% year-over-year in February, but market penetration increased to 18.7% from 18.1%."[11]



Fleet Sales (Updated 3/3)

Credit Suisse: "Fleet still weak but showing continued recovery, especially in daily rental: Fleet sales saw another challenged month, down ~28% in November – a decline vs. Oct -22%, albeit an improvement from down ~40% in Aug/Sep, and certainly much better than down ~70% in April-June. Fleet remains a tale of three channels, with sharp weakness in daily rental somewhat offset by government and commercial. Indeed, daily rental sales were down ~40% in November, still quite weak, albeit flat vs. Oct, and a sharp improvement from ~-60% in September and vs. the ~80-90% declines we saw in May-Aug (daily rental typically accounts for ~10% of US auto sales). Conversely, commercial and government have mostly held in, with commercial down low double digits % in November and government up low single digit %. We see potential for continued fleet recovery into 2021, even if not at normalized levels."[12]

Wards Intelligence: "Based on daily selling rates, an initial estimate for February's retail volume shows a year-over-year increase of 3%, but fleet deliveries were down 29%."[13]

J.D. Power: "Fleet sales are expected to total 231,100 units, down 25% from February 2020 on a selling day adjusted basis. Fleet volume is expected to account for 19% of total light-vehicle sales, down from 25% a year ago."[14]

J.D. Power Retail and Fleet Sales Forecast

	Pessimistic Forecast	Optimistic Forecast	Pre-COVID Baseline Forecast
Retail Sales Forecast (million)	11.3	12.3	13.4
Fleet/Other Sales Forecast (million)	1.6	1.9	3.4
Total Sales Forecast (million)	12.9	14.2	16.8
Fleet Percent of Total Sales	12%	13%	20%
Retail Percent of Total Sales	88%	87%	80%
Fleet Loss From Baseline of 3.4 (million)	-1.8	-1.5	-
Fleet Loss as % Baseline Fleet Sales	-53%	-44%	-
Fleet Loss as % Total Sales	-14.0%	-10.6%	-

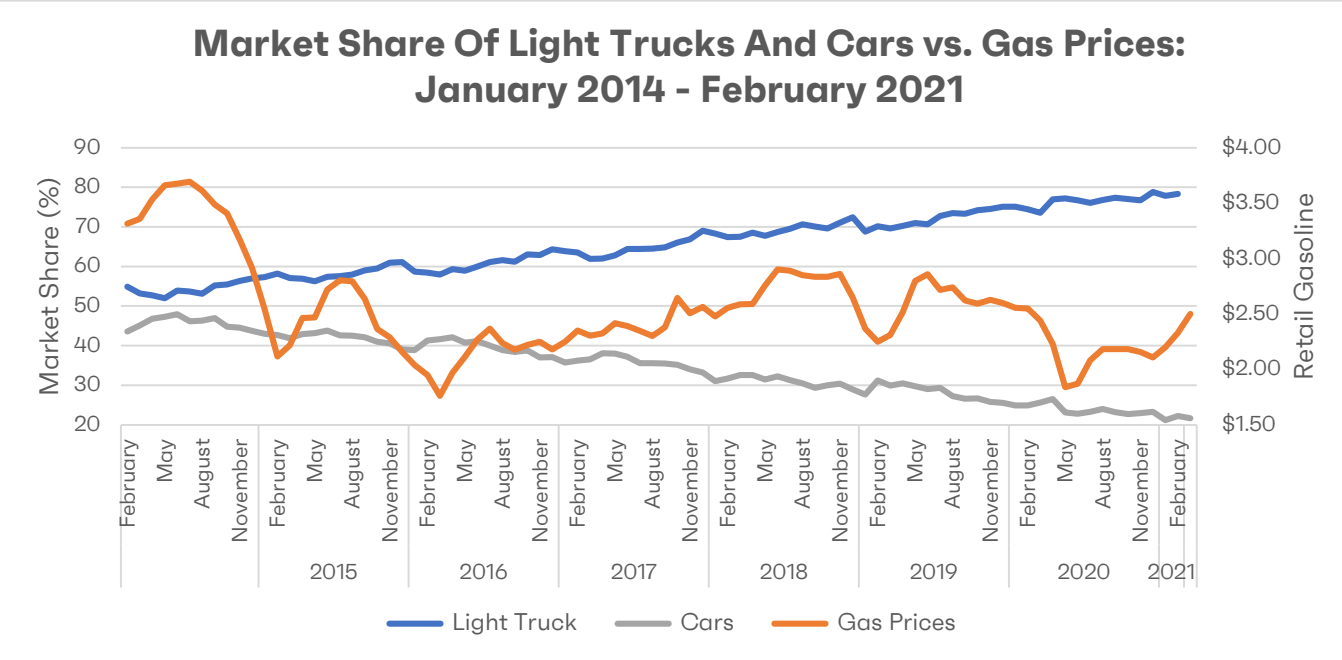
Segments vs. Gas Prices (Updated 3/3)

WardsIntelligence: "Propped by small-size models and luxury makes, February sales of CUVs, the biggest segment group, were roughly flat with same-month 2020. Market penetration rose to 45.0% from 42.4%. SUVs were up 5.6% year-over-year, and the Large Van segment increased 2.6% while midsize vans declined 20.0%. Sales of pickups were down 2.4% year-over-year in February, but market penetration increased to 18.7% from 18.1%. Car sales declined 19.8% year-over-year in February, with market share falling to 21.8% from like-2020's 25.7%. February penetration was the second worst on record for cars, with December 2020's 20.7% the lowest."[15]

Segment Sales Last Year: For the year, the CUV segment group posted record market penetration of 43.3%. Except 2012, CUV penetration has risen every year since the first one hit the market it 1995. The

SUV group recorded its highest annual market share (8.7%) since 9.0% in 2008. In entire-2020, CUVs and SUVs for the first time accounted for over half the market – 52%. With 19.7% of the market in 2020, the Pickup group recorded its highest market share since at least 1970 – when WI's digital records begin – and probably for the post-World War II era, if not before then. Inside the group, the Large Pickup segment's 15.5% market share in 2020 also was a likely post-World War record.[16]

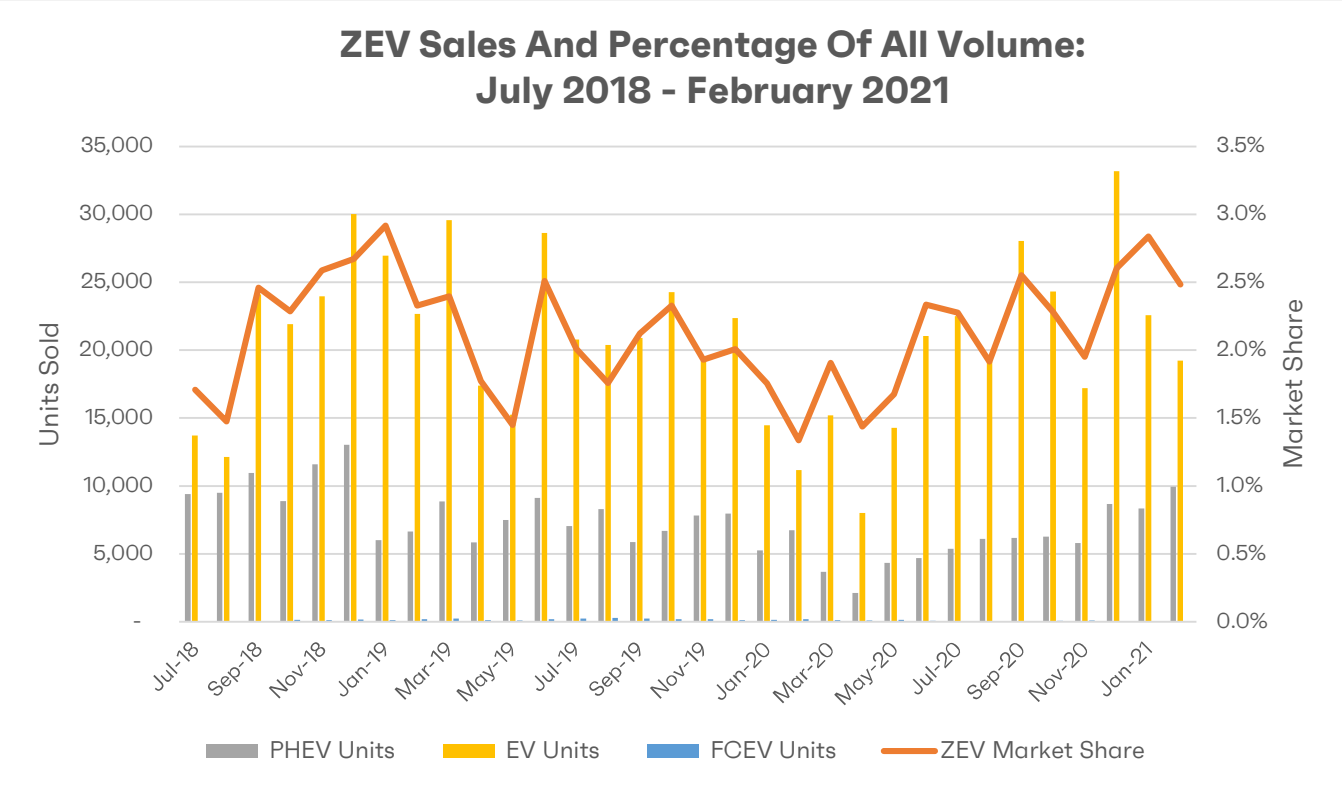
Historic Perspective: The upward trend in the popularity of light trucks over cars has been steady since 2013, when only 2% of annual market share separated the two segments.[17] and gas was over $3.00.[18] a gallon. As fuel prices dropped below the $3.00 mark in mid-September 2014, light truck sales began to take off – and never looked back. Gas prices since have averaged only $2.68 a gallon (through October 2020) and when combined with increased fuel economy for light trucks, an increase of 4 mpg since 2013, the perfect conditions existed to continue fueling light truck market growth.[19]



ZEV Powertrain Sales (Updated 3/3)

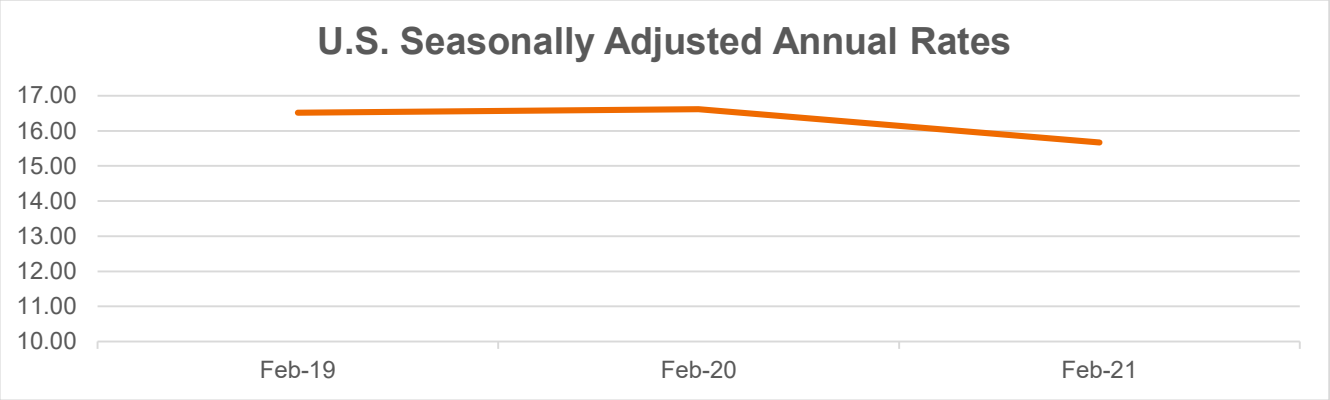
Sales of zero emission vehicles (BEV, PHEV, & Fuel Cell) accounted for 2.5% of total vehicle sales in February 2021, up from 1.3% from a year ago but down 0.4% from January 2021. Sales of battery electric vehicles led the way for ZEVs, accounting for 1.6% of total sales, almost double the 0.83% the electric cars represented in February 2020. Plug-in hybrids accounted for 0.84%, about two and a half times the percent from the same time last year and slightly higher than the 0.54% December number.[20]

Credit Suisse: "For all the hype around EV euphoria, we still haven't seen the inflection in the US. YTD BEV+PHEV sales in the US are down ~12% y/y, outpacing the industry decline of -17%...albeit EV sales in the last 3 months are up 20%+ y/y; BEV+PHEV have accounted for 2.0% of vehicle sales YTD."[21]



Seasonally Adjusted Annual Rates (Updated 3/3)

"February's 15.7 million-unit SAAR was the lowest since August's 15.1 million, and a sharp comedown from January's 11-month-high 16.6 million. Lean inventory, further depleted by a global shortage of microchips for the automotive industry which temporarily stopped production at several plants in January and February, and severe weather that hammered much of the country causing power outages and the closure of several dealerships in the latter part of the month, were the main reasons sales dipped below the five-month trend.."[22]



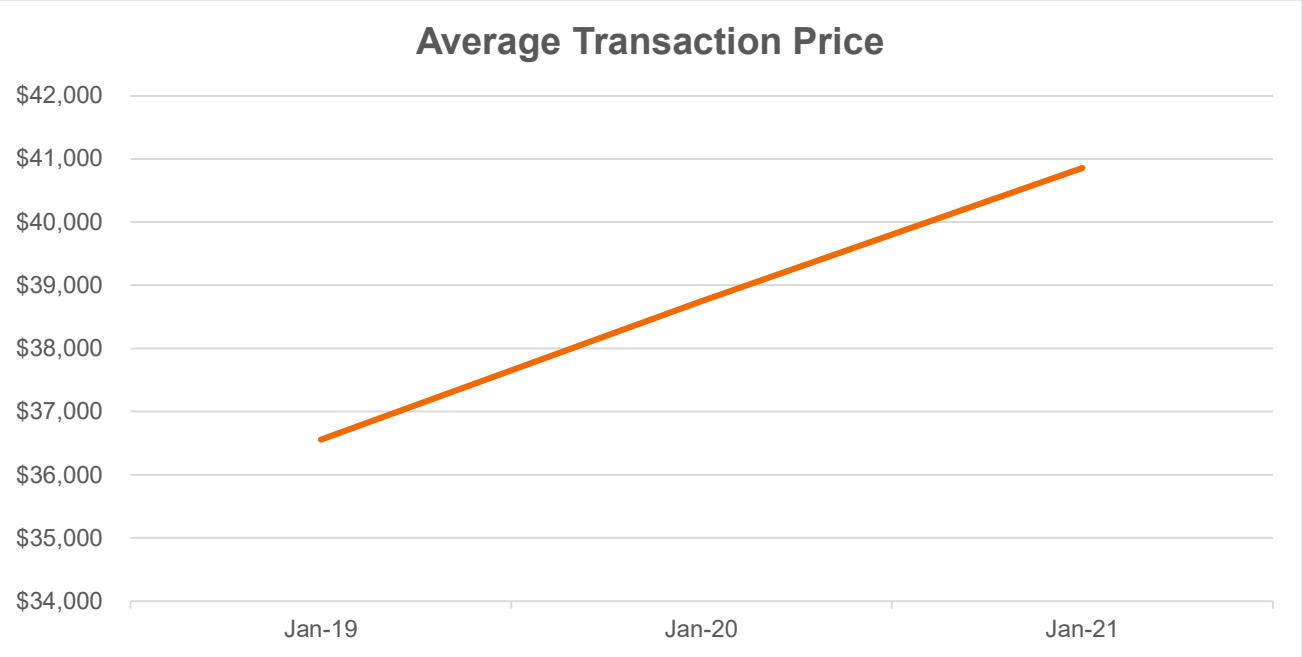
Average Transaction Price (Updated 3/3)

J.D. Power: "Average transaction prices are expected reach another monthly high, rising 9.8% to $37,524, the highest ever for the month of February and nearly at the record set in December 2020. For context, average transaction prices are 22% higher in February 2021 than they were in February 2016 at $30,746.

Disciplined incentives and dealer discounting, along with the shift towards more expensive trucks and SUVs, remain the key drivers of higher prices. SUVs and trucks are on pace to account for a combined 78% of retail sales compared with 74% a year ago.

Low interest rates and higher trade-in values also are supporting higher transaction prices. The average interest rate for loans in February is expected to fall 121 basis points from a year ago to 4.3%. During the same period, the average monthly finance payment is up only $20 to $602. Concurrently, the average trade-in value has risen to $4,987, an increase of $866 (21.0%) from a year ago. Loan terms are relatively stable with the average term increasing less than one month—to 70 months—compared with a year ago.[23]

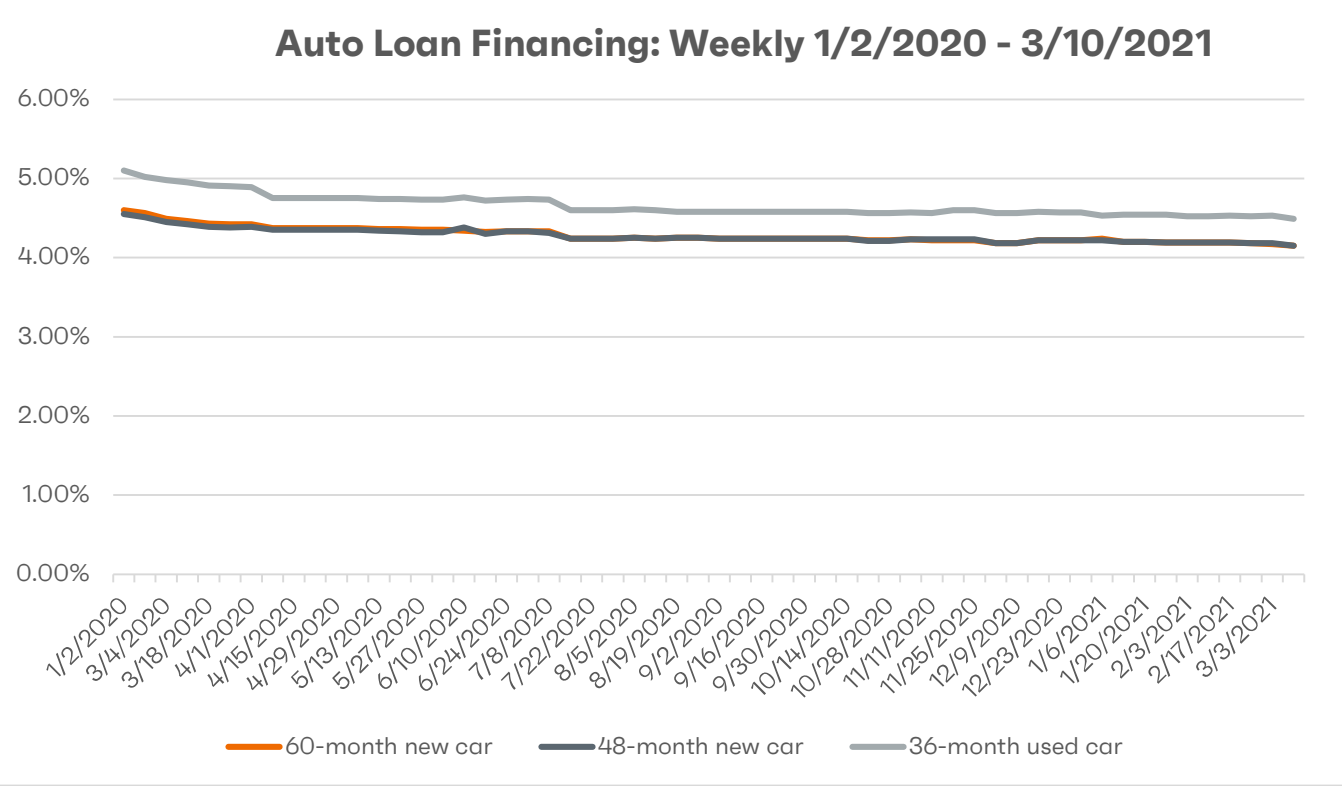
Kelley Blue Book: "The valuation analysts at Kelley Blue Book today reported the estimated average transaction price for a light vehicle in the United States was $40,857 in January 2021. New-vehicle prices increased $2,110 (up 5.45%) from January 2020, while falling $295 (down 0.72%) from last month."[24]



Auto Loan Financing (Updated 3/10)

Financing Rates Set New Low For The Year: March interest rates have begun to decline ever so slightly for 60 months to 4.15%, ticking down 0.02% from last week. Rates fell as well to 4.49% for a 36-month used car loan. Buyers seeking a 48-month loan also saw a small change in interest rates from the previous couple of weeks. Rates have remained relatively static since mid-July until starting to dip in November. Since the beginning of last year, rates are down 0.45%, but only down 0.31% since the same time a year ago.[25]

Dates	60-month new car	48-month new car	36-month used car
12/4/2019	4.61%	4.57%	5.11%
1/2/2020	4.60%	4.55%	5.10%
3/3/2021	4.17%	4.18%	4.53%
3/10/2021	4.15%	4.15%	4.49%
One Week Change	-0.02%	-0.03%	-0.04%
Two Week Change	-0.03%	-0.03%	-0.03%
Change since 1/3/20	-0.45%	-0.40%	-0.61%
One Year Change	-0.31%	-0.27%	-0.46%

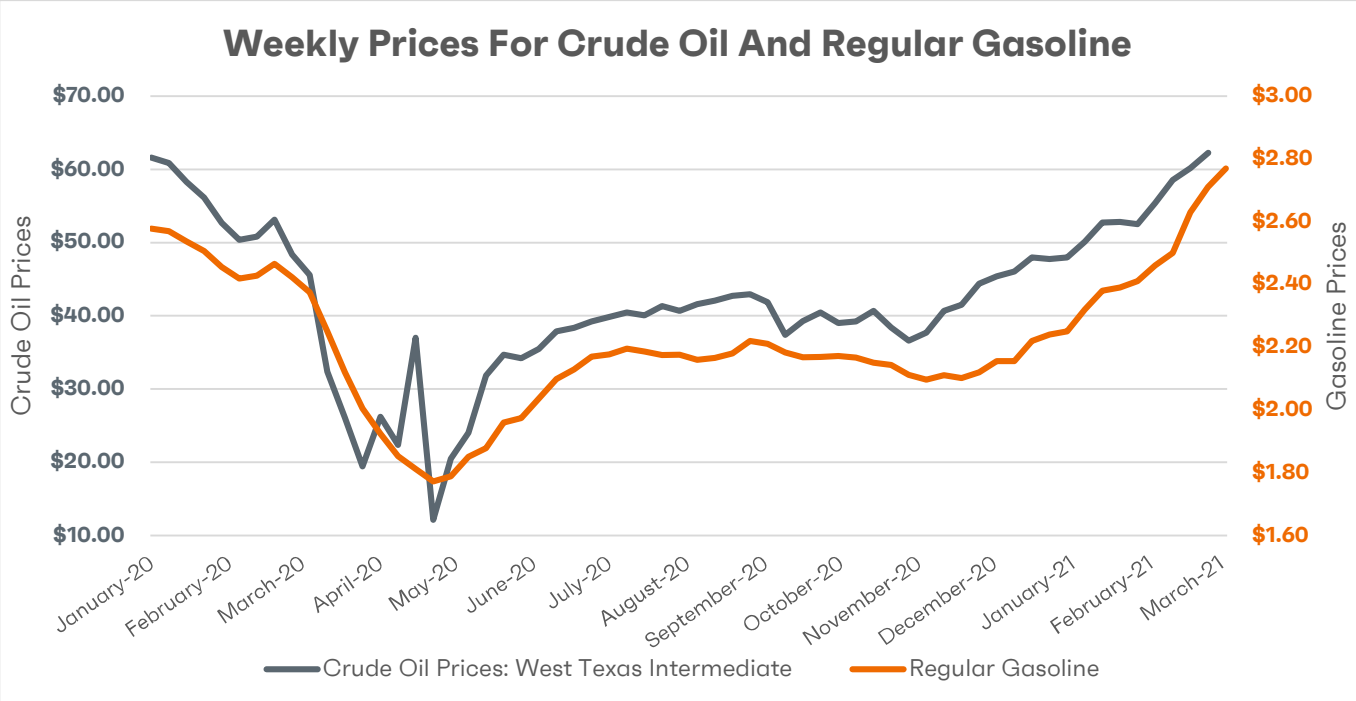


Crude Oil and Gas Prices (Updated 3/10)

EIA Outlook For Gasoline: "U.S. regular gasoline retail prices averaged $2.50 per gallon (gal) in February, compared with an average of $2.33/gal in January and $2.44/gal in February 2020. EIA forecasts gasoline prices to average $2.44/gal in 2021 and $2.46/gal in 2022. U.S. diesel fuel prices averaged $2.85/gal in February compared with $2.68/gal in January and $2.91/gal in February 2020, and EIA forecasts it will average $2.70/gal in 2021 and $2.77/gal in 2022."[26]

EIA Outlook For Production: "EIA estimates that U.S. crude oil production averaged 10.4 million b/d in February, which is down 0.5 million b/d from estimated January production. Most of the decline reflects the cold temperatures that affected much of the country, particularly Texas. Unlike the relatively winterized oil production infrastructure in northern areas of the country, infrastructure in Texas, such as wellheads, gathering lines, and processing facilities, are more susceptible to the effects of extremely cold weather. Following the freeze-offs, EIA forecasts crude oil production will rise to almost 11.0 million b/d in March. EIA expects U.S. crude oil production will average 11.1 million b/d in 2021 and 12.0 million b/d in 2022. In 2020, production averaged 11.3 million b/d, down from 12.2 million b/d in 2019. EIA's current forecast for U.S. crude oil production in 2022 is 0.5 million b/d higher than in last month's STEO because of higher expected crude oil prices."[27]

Oil Rises To Highest Level Since Before The Pandemic, While Gas Continue To Trend Up: Oil prices, as benchmarked at West Texas Intermediate, jumped over $63 per barrel – the highest total in over a year. Since election day, oil prices have climbed about $26 a barrel – or almost 70 percent. As such, prices at the pumps are rising as well. EIA reports a gallon of regular gas is now $2.77, the highest price since July 2019. Gas is now 7.4 percent higher than prices at the beginning of 2020.[28]

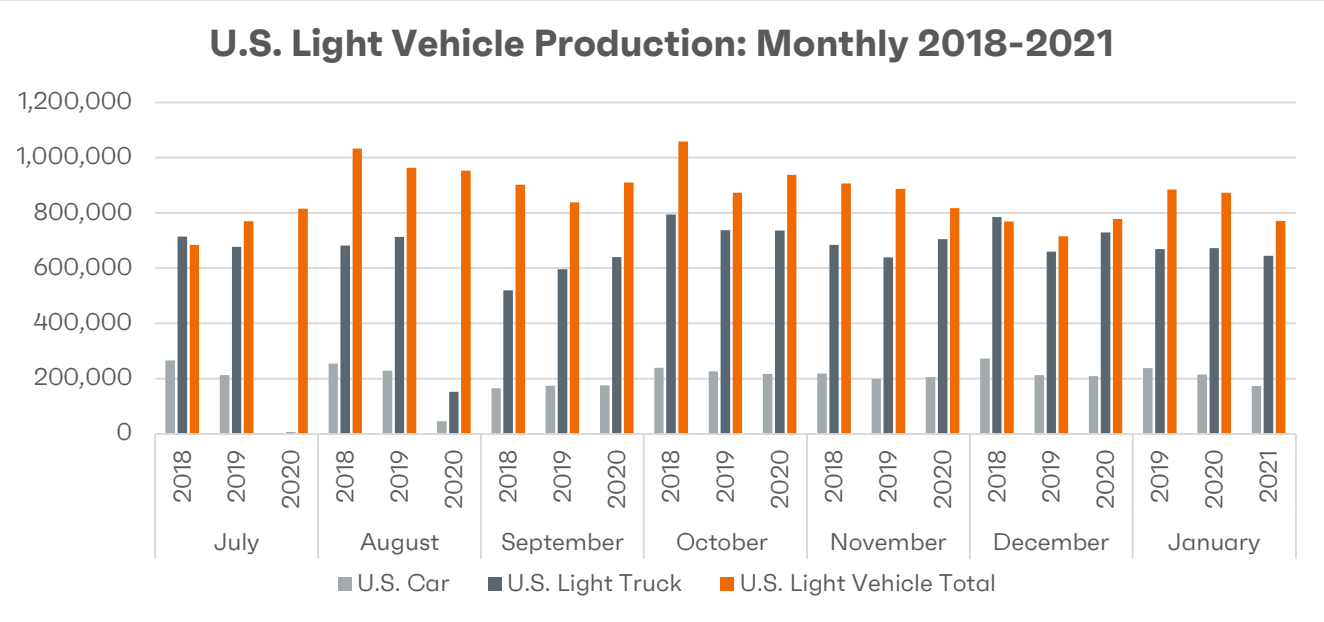


Production Meter

U.S. Light Vehicle Production (Updated 2/17)

WardsIntelligence: "Including an estimate for December, production ended 2020 at 12.91 million units, 20.3% below 2019's 16.20 million, and a 27.2% decline from 2016's record total of 17.73 million. Production was last lower in 2010 (11.91 million units). Like sales, production is forecast to take several years before getting close to its previous peak attained in 2016. But thanks to increased sales penetration of locally made vehicles, production will close in on its previous peak faster than will total light-vehicle sales, equaling almost 99% - 17.52 million units - of its record in 2025.

In fact, because of still-depleted inventory caused by the widespread Covid-19 related plant shutdowns the industry undertook in the March-to-June period last year – with the month of April falling to nearly zero production – production in 2021 will rebound much more sharply than sales. Output in 2021 is forecast to rise 22.6% in 2021 to 15.82 million units. Post-2021, production is forecast to average year-over-year increases of 2.6% through 2025."[29]



[30]

U.S. Light Vehicle Inventory and Days' Supply (Updated 3/10)

WardsIntelligence Inventory Update: "Large-scale production losses in North America over the past two months weighed heavily on U.S. light-vehicle inventory in February and, after leaving a small mark on last-month sales, could have a much more dramatic negative impact on demand in March.

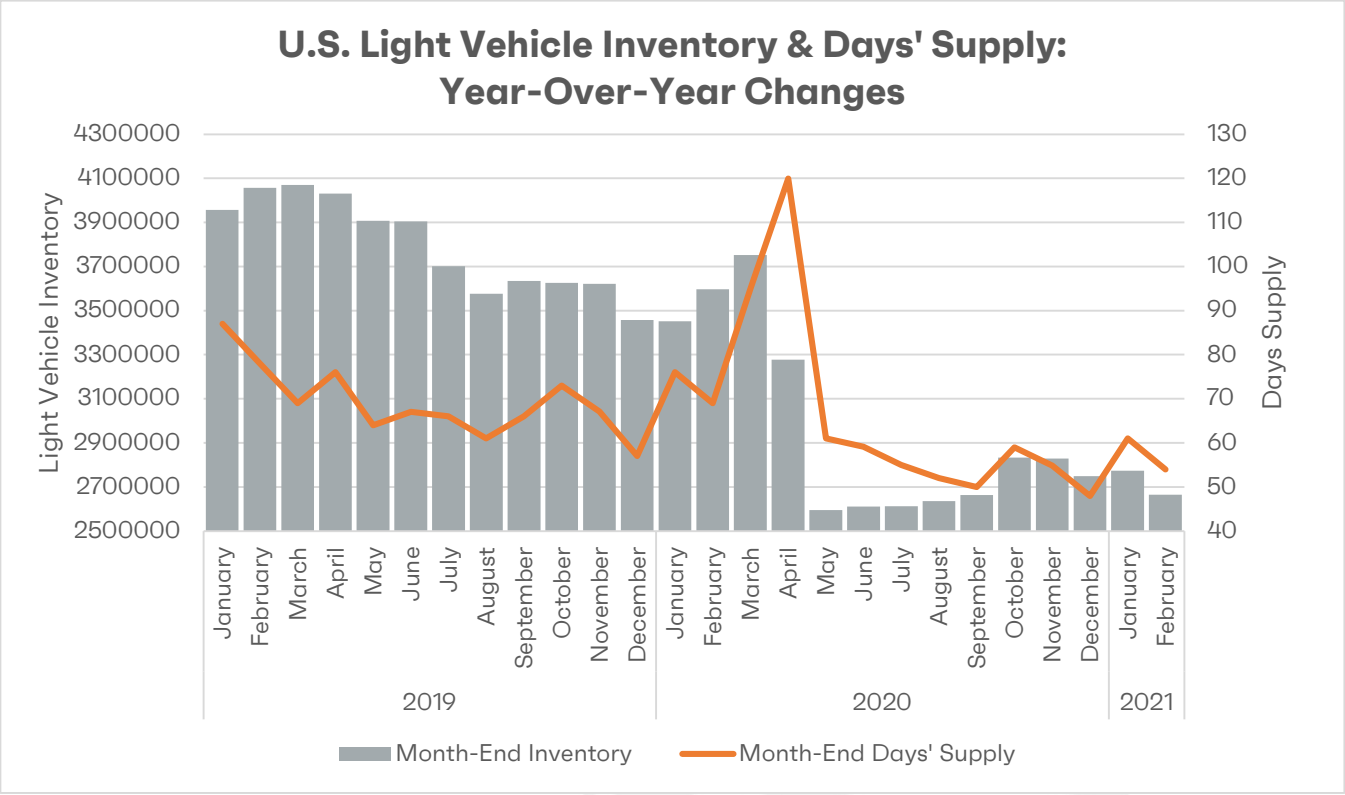
Light-vehicle inventory declined 4.0% from January's total to 2.66 million units, a 10-year low for the month. Inventory typically rises from January to February. Inventory already was culled somewhat in January due to unplanned production slowdowns and its total of 2.77 million units was 20.2% below the same year-ago period. February's total worsened to a 26.2% year-over-year decline.

Severe winter weather in February slightly added to the production losses, but the vast majority is due to a global shortage of microchips for the automotive industry that has caused several vehicle plants to temporarily close or slow operations.

Compared with Wards Intelligence partner LMC Automotive's outlook for the first quarter at the beginning of the year – prior to full awareness of the magnitude of the shortage – North American production likely will end the period over 300,000 units lower than expected. To-date, well over 200,000 units have already been lost compared with start-of-year expectations.

Inventory of domestically made vehicles totaled 2.018 million units, 4.3% below January and down 29.5% from like-2020. The total is roughly 250,000 units below what expectations were for the month at the beginning of the year."[31]

J.D. Power: "Lean inventories mean that vehicles are selling quickly once they arrive at dealerships, and they are selling with lower discounts. The average number of days a new vehicle sits on a dealer lot before being sold is on pace to fall to 51 days, down 19 days from last year."[32]



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Global Meter

Global Light Vehicle Sales Outlook (Updated 3/10)

Wards Intelligence Outlook: "Global vehicle sales totaled 6.97 million in January, starting the year 3.4% ahead of year-ago's 6.74 million. However, the good news was not equally shared.

The Asia-Pacific region experienced a 19.7% jump to 3.75 million, compared to year-ago's 7-year low of 3.13 million, while all other regions posted losses.

Sales in China soared 29.2% to an estimated 2.49 million. The growth was artificially inflated since China already was on lockdown from the coronavirus in January 2020. Still, the total was 5.0% above 2019's pre-pandemic result.

India sales rose 6.5% to 363,000 units, continuing the 10.4% gain from the second half of 2020. Sales also were strong in Japan (+5.5), South Korea (+19.0%) and Vietnam (+58.2%).

The Asia-Pacific region held a 53.8% share of the global market, compared to year-ago's 46.5%.

In Europe, where COVID-19 cases were currently high but had not yet been detected in the prior year, sales dropped 20.0% to 1.16 million. Norway (+2.0%) and Sweden (+25.9%) were the only markets to record gains.

Double-digit losses were reported from Germany (-29.6%), Italy (-13.3%), the U.K. (-33.4%) and many others.

Sales crumbled 48.6% in Spain to 52,000 units, the biggest year-over-year decrease the country has seen since the beginning of the pandemic. France sales dipped a relatively modest 3.4% to 165,000.

Demand in North America was down 5.5% to 1.34 million, after a 3.4% boost in December. The U.S. slipped 3.3% to 1.13 million, while Canada (-11.7%) and Mexico (-22.3%) saw greater slowdowns.

South America sales fell 8.1% to 283,000 vehicles, despite gains in Argentina (+9.6%), Colombia (+3.0%) and Uruguay (+5.6%). Brazil sales tumbled 11.6% to 171,000 units.

It will be an interesting year comparing current sales to 2020's dramatic results, while the coronavirus maintains its grip on most of the world."[34]

Sales in select countries around the globe, including year-over-year percent change by month as well as raw volume by month:

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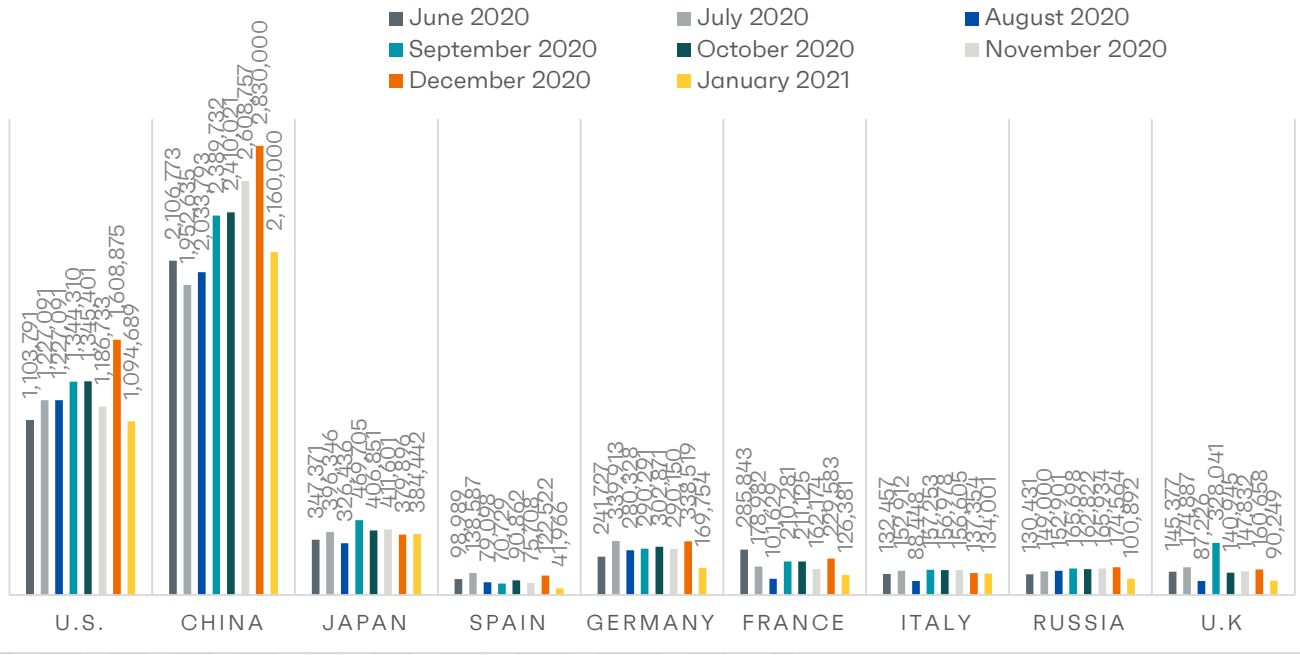
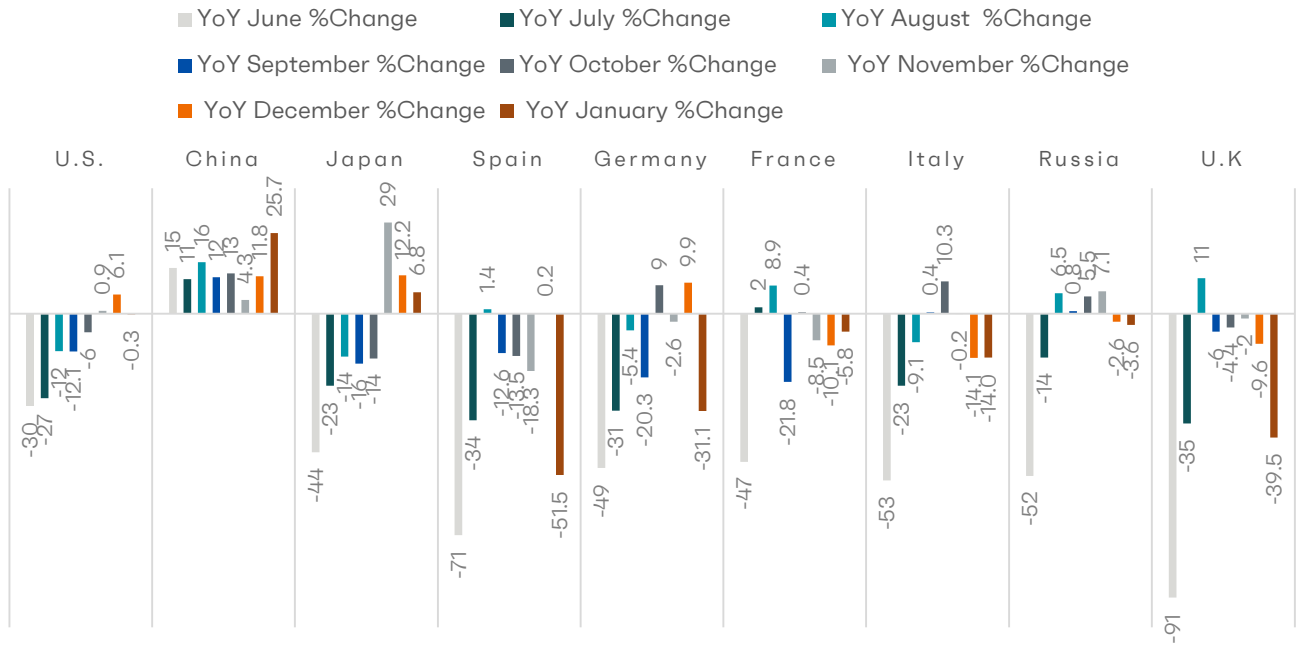
Light Vehicle Sales By Country



Light Vehicle Sales By Country: Year-Over-Year Percent Change By Month

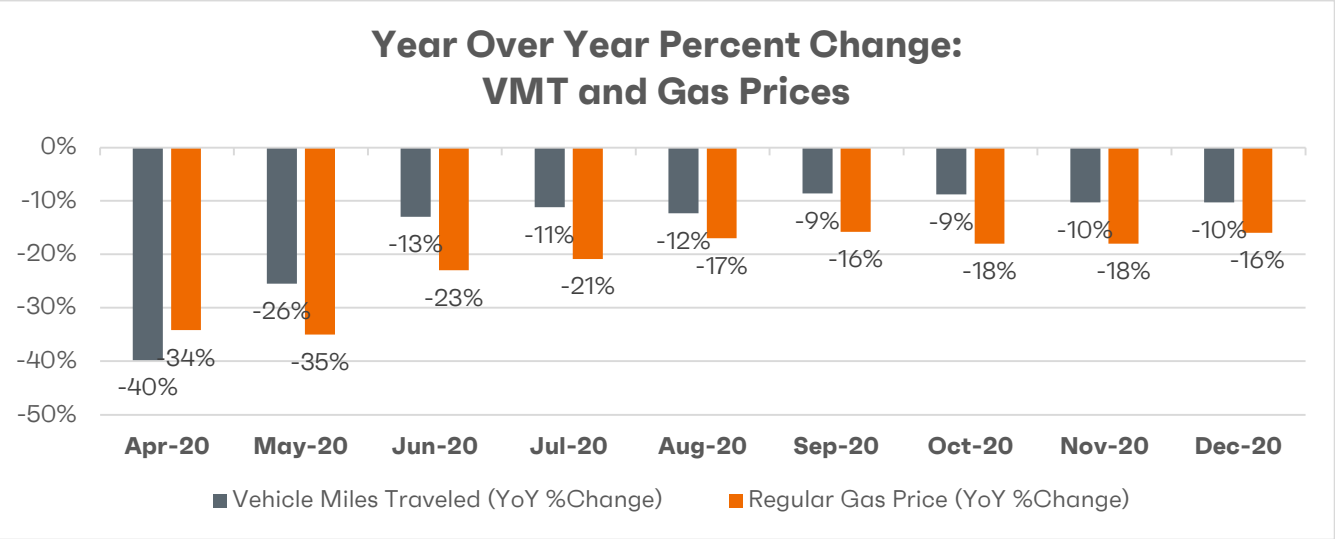


Recovery Meter

Roadway Travel (Updated 3/3)

According to the U.S. Department of Transportation, seasonally-adjusted vehicle miles traveled in December fell over 10 percent from the same time a year ago, with year-over-year VMT dropping ever so slightly from September and October figures. Overall, cumulative travel is down 14 percent or about 410 billion vehicle miles.[35]

- "Travel on all roads and streets changed by -10.3% (-28.1 billion vehicle miles) for December 2020 as compared with December 2019. Travel for the month is estimated to be 244.1 billion vehicle miles.
- "The seasonally adjusted vehicle miles traveled for December 2020 is 244.5 billion miles, a -10.6% (-28.9 billion vehicle miles) decline from December 2019. It also represents -0.3% decline (-0.8 billion vehicle miles) compared with November 2020.
  Cumulative Travel for 2020 changed by -13.2% (-430.2 billion vehicle miles). The cumulative estimate for the year is 2,829.7 billion vehicle miles of travel.



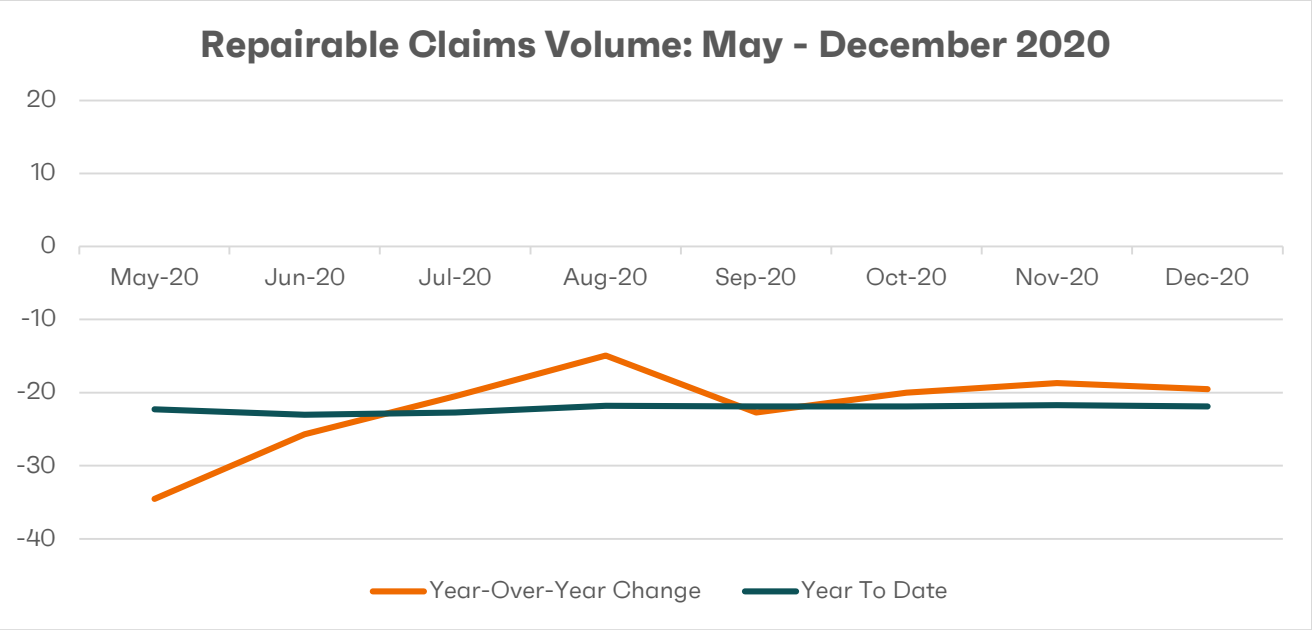
Repairable Claims (Updated 1/13)

At the beginning of 2020, the economy was strong, unemployment rates were low, congestion levels were high in many urban areas, and miles driven continued to grow. Auto accident and claim frequency had started to flatten, but average vehicle repair costs continued to rise. And then the pandemic. In response to rising diagnoses, hospitalizations, deaths, and immense uncertainty, many states began issuing shelter-at-home orders in mid-March. All but essential and frontline workers sheltered at home; many companies furloughed or let employees go, while those that could have their

employees work remotely, quickly set them up to do so. Daily trips and miles driven in the U.S. plummeted, and auto accidents and claim counts followed suit.

Latest Data From CCC: "Repairable appraisal counts for the full calendar year were down -21.3 percent versus CY 2019; when excluding comprehensive losses, repairable counts were down -26 percent for the full year.

- After plunging -35 percent in Q2, repairable appraisal counts improved to -20.2 percent in Q3 and to -19.7 percent in Q4, with bad weather in many parts of the U.S. helping to counter decline in volume due to less driving, particularly during rush hour.
- Non-comprehensive repairable appraisal counts however reversed course again in Nov'20 and Dec'20, as the CDC recommended people forgo holiday travel, and a third wave of the virus drove up new COVID-19 cases, hospitalizations, and fatalities.
- Even numerous winter storms with lots of ice failed to lift accident counts in December, since many drivers were off the roads altogether, working remote and doing much of their holiday shopping online.[36]



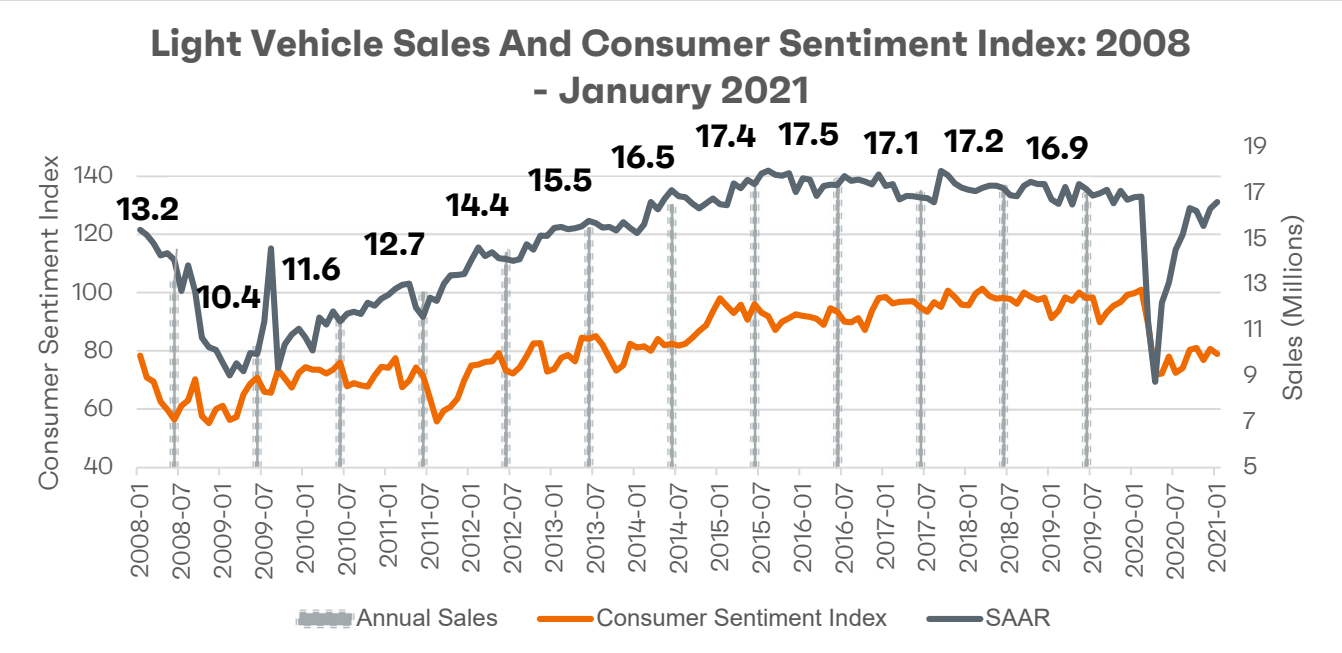
Economic News (Updated 3/10)

Paul Traub Of The Federal Reserve Bank of Chicago Predicted The U.S. Economy Will Rebound In 2021 From Previous Peaks If Vaccines And Public Action Stops The Virus. "The economy recovered relatively quickly after the initial hit of the Covid-19 pandemic. We saw a V-shape recovery in GDP. 'We spent our way out of it,' Paul said. While personal consumption expenditures on service were down greatly, spending on durable and non-durable goods shot up. The new-car-buying population is high-income, the group least affected by unemployment and reduced wages. Employment figures look better than they really are. Unemployment looks low, but participation is down (people, especially women, have given up looking for a job, and thus are no longer counted as 'unemployed'). Wages seem

to have risen, but the lower-income population was hit most by job losses, shifting the average to those who were able to retain their position. Economic forecasts estimate the U.S. economy could get back to its previous peak sometime in 2021, but only if vaccines and public action are successful at controlling the spread of the virus. Current trends that could have a negative impact on light-vehicle sales in the future: decline in the rate of licensed drivers, lower number of households plus household size declining, normalizing of working from home, and overall drop in average vehicles miles traveled."[37]

February U.S. Manufacturing Job Gains Increased By 10,000 Jobs, After Dropping in January. "Manufacturing employment increased by 21,000 over the month, led by a gain in transportation equipment (+10,000). Employment in manufacturing is down by 561,000 over the year."[38]

U.S. Car And Truck Production Credited With Giving The Economy Its Biggest Boost In 50 Years. "U.S. car and truck production in the third quarter gave the economy its biggest boost in almost a half century. A surge in motor-vehicle output contributed just over 6 percentage points to the annualized 33.1% increase in gross domestic product, according to government data. That was the largest share since the first quarter of 1971, when United Auto Workers union members were returning to assembly lines after a months-long strike." [39]



Consumer Confidence and Sales (Updated 1/13)

The Sentiment Index slipped in late December, although it remained higher than last month despite the ongoing surge in Covid infections and deaths. The improvement was due to a large and rapid partisan shift, with Democrats becoming much more positive and Republicans much more negative. The largest change was in long term business prospects, as twice as many Democrats as three months ago expected a continuous expansion over the next five years (54% up from 27%), while that same

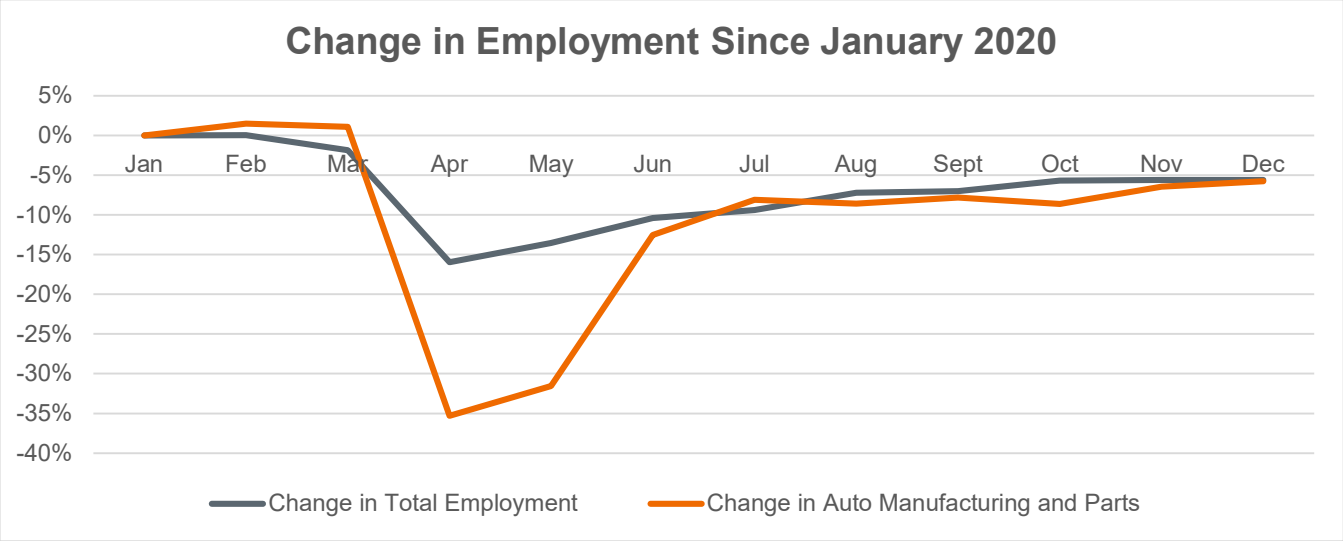
favorable expectation was nearly cut in half among Republicans (32% down from 60%). The pandemic has had a much greater relative impact on assessments of the overall economy than on assessments of consumers' current personal financial situations. Since the start of the pandemic, however, a huge divide has grown across households in how they assess their own personal finances: the finances of those that continue to be employed and working at home have remained positive while those who have lost jobs and incomes have been quite negative.[40]

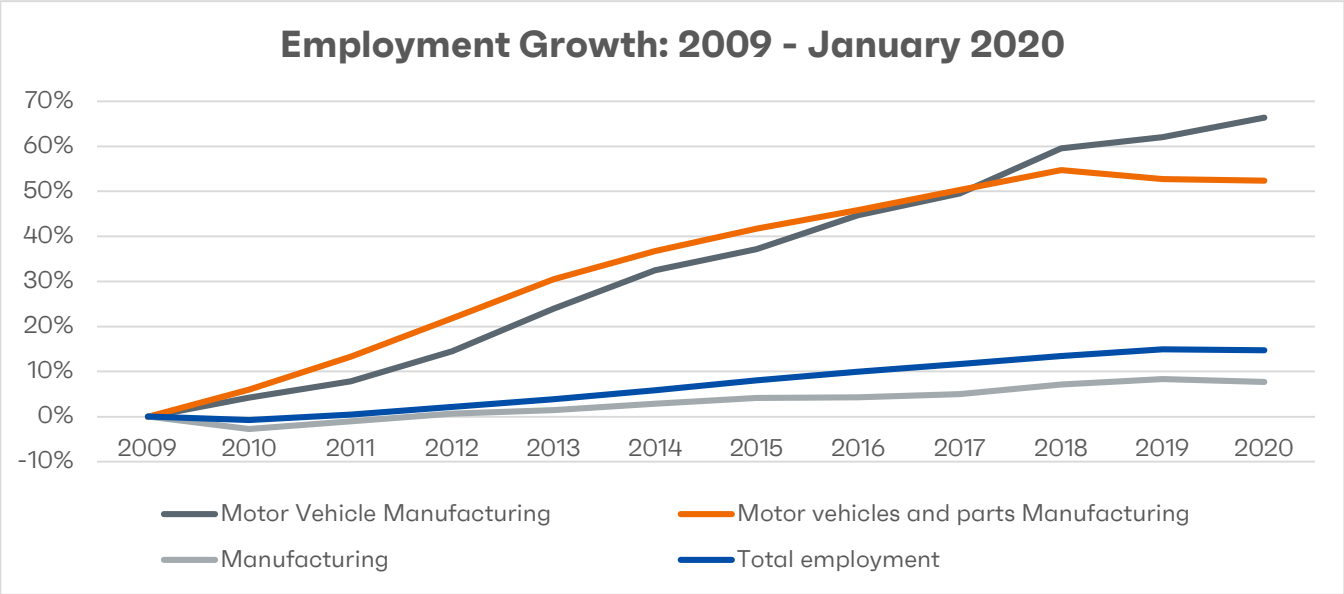
Employment (Updated 1/13)

After a loss of nearly 350,000 employees (about 35% of the workforce) in the height of the pandemic, employment in the Automobile Manufacturing and Parts sectors has raced back and is now only down about 67,800 employees, constituting a 5.76 percent loss since January. December's employment is an improvement of about 7,000 jobs since November.[41]

After the recession in 2009, the auto industry was credited with being on the leading edge of the recovery, which began a ripple effect through other parts of the country.[42]

Additionally, the chart below shows how the recovery of jobs in motor vehicle manufacturing alone and motor vehicle and parts manufacturing far outpaced the recovery of manufacturing and total jobs.





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