2016–2021 Forecast Assumptions

Forecast Assumptions

Despite getting off to a slow start in 2018, the economy continues to maintain solid momentum. Nominal GDP growth for the year is expected to be 4.8 percent, which is up from the 4.1 percent growth seen in 2017. Nominal GDP growth should peak in 2019 at 5.5 percent before cooling a bit in the outbound years. Consumer spending growth will continue to support the economic expansion, underpinned by lower personal tax rates and gains in employment, disposable income, and home values. Miles traveled growth slowed in 2017 after two strong growth years in 2015 and 2016 but continued strength in the employment market should contribute to a rebound there.

2018 Aftermarket Forecast 2017 Review

	2017 Estimate (% change)	2016 Final Result (% change)
Total Aftermarket Sales	3.5%	3.1%
New Car Dealer Sales	2.7%	3.7%
Auto Parts Stores	3.1%	2.3%
General Auto Repair	3.8%	2.7%

Source: IHS Markit

Market Trends Influencing the Aftermarket

- While recession risks remain present, economic growth should remain slow and steady going forward. Domestic demand will continue to drive growth.
- A confident consumer will ensure that consumer spending remains the driving force of economic growth. The three month average to start 2018 for the consumer sentiment index was the highest since 2001. This level of optimism should continue as the job market remains strong, wages continue to inch upwards and the housing market keeps improving.
- While the savings rate is expected to tick up over 4 percent in 2019 after being at 3.4 percent for 2017 and forecast to remain at that level in 2018, consumer spending will remain strong as incomes continue to rise. Consumers are expected to increase spending 4.6 percent annually through the forecast as disposable income will rise just under 5 percent annually.
- The long-term outlook for gas prices remains unchanged. Prices did increase higher than expected in 2017, partially resulting from Hurricane Harvey's impact on the oil and gas industry in Texas, and will continue to rise in 2018 before coming back in late 2018 and 2019. The rise likely helped slow total miles driven last year.
- After growing almost 2.4 percent in both 2015 and 2016, total miles driven increased just 1.2 percent in 2017. Continued strength in the employment market and rising consumer spending should get drivers moving again and help get miles driven growth back up over 2 percent for the year.
- New vehicle sales peaked in 2016 and dropped nearly two percent in 2017. While annual sales should continue to fall each year through the forecast, they will remain above 16.5 million in 2021. Even with five consecutive years of declining sales, the volume will remain high enough to keep demand strong and prevent any trough of aging vehicles similar to what was seen shortly after the 2008 recession.
- While vehicle sales peaked in 2016 and will decline going forward, total vehicles in operation (VIO) shows no sign of slowing. For 2018 VIO should increase nearly 2.5 percent to just under 279 million. Growth will slow going forward but by 2021 there is expected to be more than 294 million vehicles on the road in the U.S.

The share of sales through the three main channel groups is expected to remain steady through 2021. The dealer channels are expected to maintain their 30.1 percent share of all sales. The retail channels are expected to provide 35.4 percent of all sales with the remaining 34.5 percent handled by the service channels. Within these groupings there will certainly be channels that outperform. The new car dealer channel is expected to just outperform the overall market. Within the retail channel, "Electronic shipping and mail-order houses" will see annual growth at more than twice that of the overall market, making up for underperformance in the "Automotive parts and accessories stores" category.

IHS Markit forecasts total sales of the U.S. light duty aftermarket to come in at just under $296 billion for 2018. That figure will be 3.6 percent higher than the $285.8 billion seen in 2017. Annual growth will cool each year of the forecast, with 2021 growth expected to be 3.2 percent and resulting in total sales that year of more than $326 billion. The 2021 figure will represent nearly $90 billion in sales growth since 2012.

U.S. Motor Vehicle Auto Care Industry

The U. S. motor vehicle aftermarket, consisting of light vehicles, medium and heavy duty trucks, will also be referred to in this report as the Auto Care Industry. This $379 billion industry in 2017 is expected to grow at a compounded annual growth rate of 3.4 percent per year and reach $433.3 billion in 2021. It is expected this growth will be fueled by a gradually increasing number of miles driven, the increasing average age of vehicles and more specifically the growth of vehicle population in the 11 year and older category. Motorists recognize that vehicles are engineered to last longer and are therefore demonstrating a willingness to take advantage of the favorable economies of vehicle maintenance and repair vs. the cost of purchasing new vehicles.

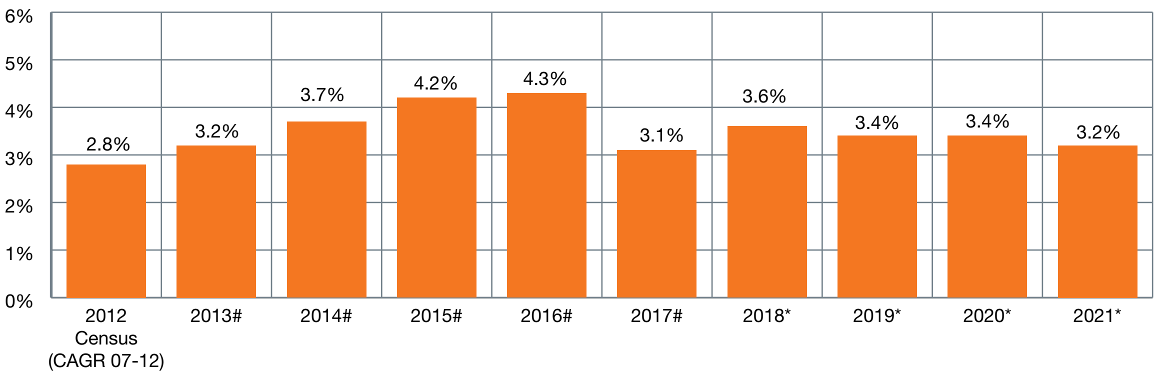
This new *2019 Digital Factbook* from the Auto Care Association is intended to help provide further details about the factors influencing the growth of the auto care industry.

Size of the U.S. Motor Vehicle Auto Care Industry (Billions of Consumer Dollars)

Year	Automotive	Medium and Heavy Duty	Total Aftermarket	Automotive YOY Percent Change	Total Market YOY Percent Change
2007 (Census)	$207.9	$68.8	$276.7		
2012 (Census)	$238.3	$78.9	$317.2		
CAGR ('07-12)	2.8%	2.8%	2.8%		
2012 (Census)	$238.3	$78.9	$317.2		
2013#	$245.9	$81.6	$327.5	3.2%	3.2%
2014#	$255.0	$84.4	$339.4	3.7%	3.6%
2015#	$265.8	$87.2	$353.0	4.2%	4.0%
2016#	$277.1	$90.2	$367.3	4.3%	4.0%
2017#	$285.8	$93.3	$379.1	3.1%	3.2%
2018*	$296.0	$96.4	$392.4	3.6%	3.5%
2019*	$306.2	$99.7	$405.9	3.4%	3.4%
2020*	$316.6	$103.1	$419.7	3.4%	3.4%
2021*	$326.7	$106.6	$433.3	3.2%	3.2%
CAGR ('17-21)	3.4%	3.4%	3.4%		

Year Over Year Growth of the U.S. Automotive Aftermarket

(Percent Change from Previous Year)



Notes: # Estimate * Forecast
Historical data have been revised. Figures do not include warranty work.

Source: Auto Care Association / AASA Channel Forecast Model