READING THE METER®

A look inside a cleaner, safer, smarter auto industry.

ALLIANCE FOR AUTOMOTIVE INNOVATION

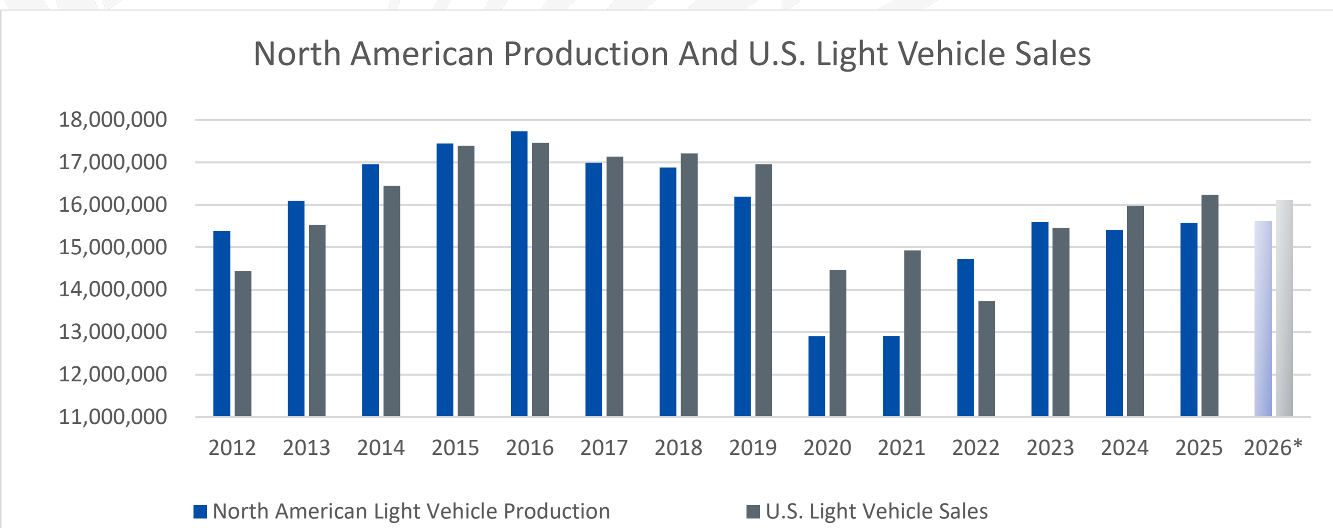
Sponsored by: Hogan Lovells

Contents – May 22, 2026

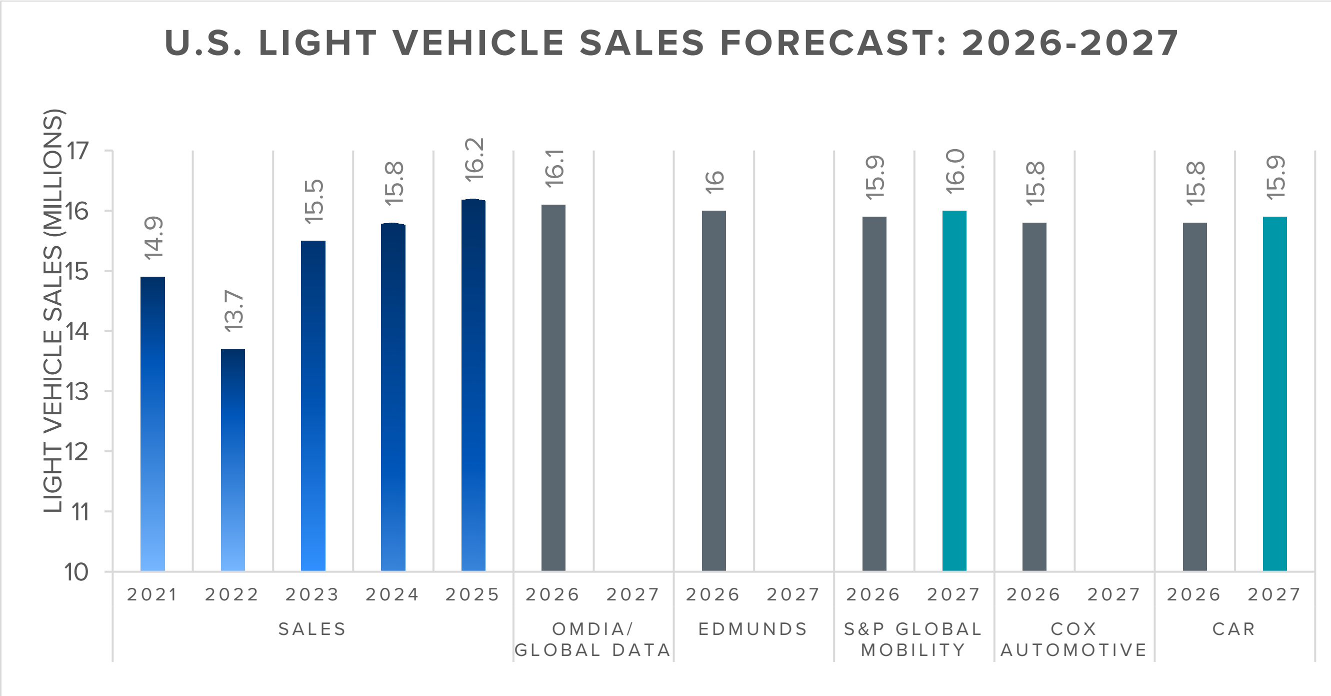
Forecast Meter

Sales & Production Summary and Forecast (Updated 5/22)

2024-2025 Sales,[1] Extended Sales Forecast[2] and Production Forecasts[3]		
	U.S. Sales & Forecasts	**North American Production**
January '25	1,110,721 (+3.8% YoY)	1,194,682 (-7.1 YoY)
February '25	1,219,841 (+3.4% YoY)	1,290,302 (-8.7% YoY)
March '25	1,585,390 (+10.7% YoY)	1,424,691 (+1.5% YoY)
April '25	1,463,379 (+6.8% YoY	1,338,714 (-8.2% YoY)
May '25	1,466,595 (-1.3% YoY)	1,419,834 (-2.4% YoY)
June '25	1,254,418 (-4.2% YoY)	1,331,187 (0.03% YoY)
July '25	1,370,061 (+6.6% YoY)	1,197,801 (+7.9% YoY)
August '25	1,454,685 (+6.8% YoY)	1,425,340 (-1.5% YoY)
September '25	1,250,274 (+2.3% YoY)	1,358,730 (+1.3% YoY)
October '25	1,271,331 (-4.5% YoY)	1,374,124 (-4.5% YoY)
November '25	1,273,390 (-7.3% YoY)	1,157,195 (-11.5% YoY)
December '25	1,460,177 (-6% YoY)	1,020,573 (+4.6% YoY)
January '26	1,105,581 (-3.9% YoY)	1,145,975 (-2.6% YoY)
February '26	1,197,312 (-1.5% YoY)	1,260,121 (-2.9% YoY)
March '26	1,403,623 (-8.4% YoY)	1,417,384 (+2.1% YoY)
April '26	1,361,970 (-6.9% YoY)	1,333,762 (+1.2% YoY)
2025 Full Year	16,233,363 (+2.4% YoY)	15,576,688 (-3% YoY)
2026 Forecast	16,100,000	15,614,000



U.S. Light Vehicle Sales Outlook (Updated 5/5)



Omdia Outlook (5/5)[4]: "Looking ahead to May, Omdia's forecasted volume is 1,451 million units (15.9 SAAR). Interestingly, pre-COVID-19, sales in May averaged a 9% increase over April. Yet, post-COVID-19, May sales increase on average by only 3% over April. That puts the estimated raw volume for May closer to 1.403 million units, tracking 4.0% below May a year ago's 1.461 million units.

"OEMs have cautioned that it would take sustained gas prices above $5 per gallon before they anticipate a change in sales or the sales mix (people switching to electrified powertrains over IC-only). However, the coastal states (California, Washington, and Oregon), which import more oil from the Middle East, are already over $5 per gallon, with California topping $6 per gallon, according to AAA."

North American Production & Inventory Outlook (Updated 5/22)

Omdia Production & Inventory Outlook (5/22)[5]: "North American production of light vehicles and medium- and heavy-duty trucks for 2Q26 has fallen by 1.1% this month to 7.851 million units, a loss of 12,450 units from last month's estimate. However, the overall 2026 forecast for all North American vehicle production increased by less than 1% to 15.614 million units, up 304 units from last month's estimate.

"Production in 2Q is estimated at 4.034 million units, a drop of 1.1% compared to the same period a year ago and a loss of just over 17,800 units from last month's estimate. Excluding medium- and heavy-duty trucks, light-vehicle output for 2Q is forecast to reach 3.935 million units, 19,200 units below last month's estimate and a 0.7% decline from a year ago.

“Looking ahead to the end of May, light-vehicle production is estimated at 1.274 million units. If the estimate holds, it would amount to a 7.8% YoY loss and a slight reduction from the 1.278 million units estimated last month. June’s production estimate has also been revised from 1.371 million units to 1.360 million units, but it is still a 4.3% increase over May’s estimate. Several brands that are ramping up new models and others continuing production despite strong sales and lean inventory dominate the increase.”

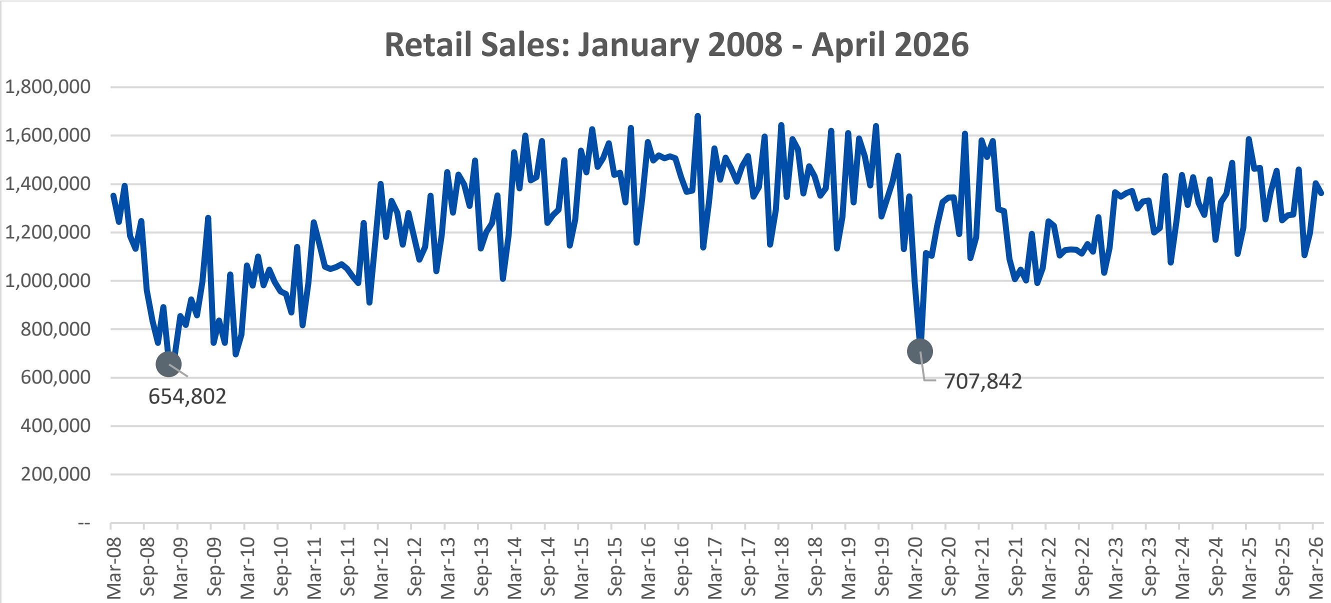
S&P Global Mobility Outlook (5/22)[6]: “North America: The outlook for North America light vehicle production was reduced by 13,000 units and by 339,000 units for 2026 and 2027, respectively (and reduced by 284,000 units for 2028). Amid the drawn-out US-Iran conflict and the constriction of the Strait of Hormuz, choking off crucial supplies to the global economy, the outlook for 2026 was reduced 0.1% totaling 14.94 million units. Despite the economic headwinds and threats to the supply chain, the forecast for 2026 remains tied to several high-volume vehicles in need of production to meet demand and to bolster lean inventory levels, most notably for General Motors' full-size pickups and the Toyota RAV4. Facing economic headwinds and other externalities, the forecast is built around the rationale that auto manufacturers won’t preemptively slow or cut output until there is ample evidence of a demand slowdown or if they begin to experience supply chains issues. Production planning is therefore expected to remain consistent with a more measured decline beginning in late third quarter and through 2027 and into 2028. As a result, the outlook for 2027 bears the brunt of the risk and reductions, revised down 2.2% totaling 14.96 million units. Reflecting on downward revisions, reductions are focused on vehicles and segments most vulnerable to lingering higher fuel costs along with overall weakening economic conditions that could impact buying decisions by lifestyle consumers that may defer vehicle purchases.”

Market Meter

U.S. Light Vehicle Sales (Updated 5/5)

Monthly Sales (Updated 5/5)

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.



Monthly Sales (Updated 5/5)

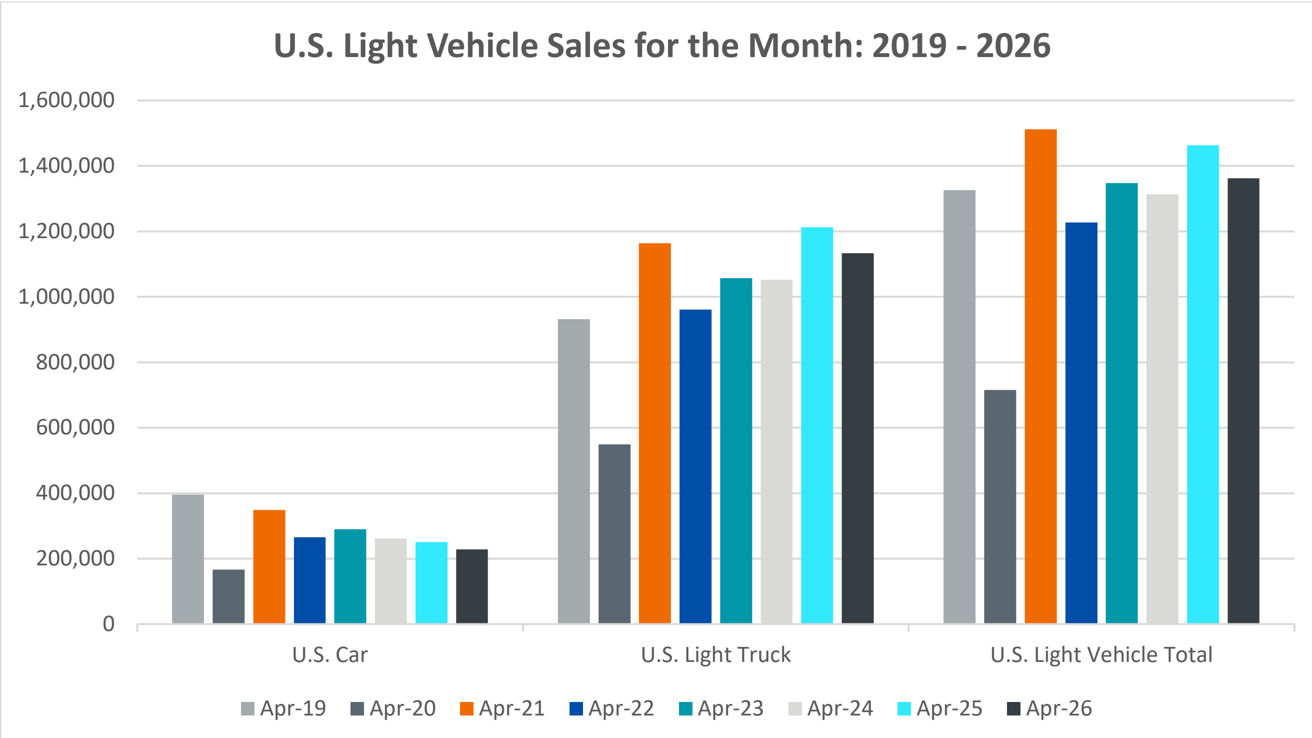
Omdia[7]**:** “US light vehicle sales fell year-over-year (YoY) for the eighth consecutive month in April. Light vehicle sales declined (3.8%) compared to last year but came in higher than April’s mid-month estimate.

April’s SAAR of 15.9 million units came in well under the same month’s 2025 SAAR of 17.3 million units. However, as Omdia reported earlier, last March and into April experienced a pull-ahead effect as consumers rushed to make purchases before the start of the new tariffs, which makes YoY comparisons difficult, if not unhelpful.

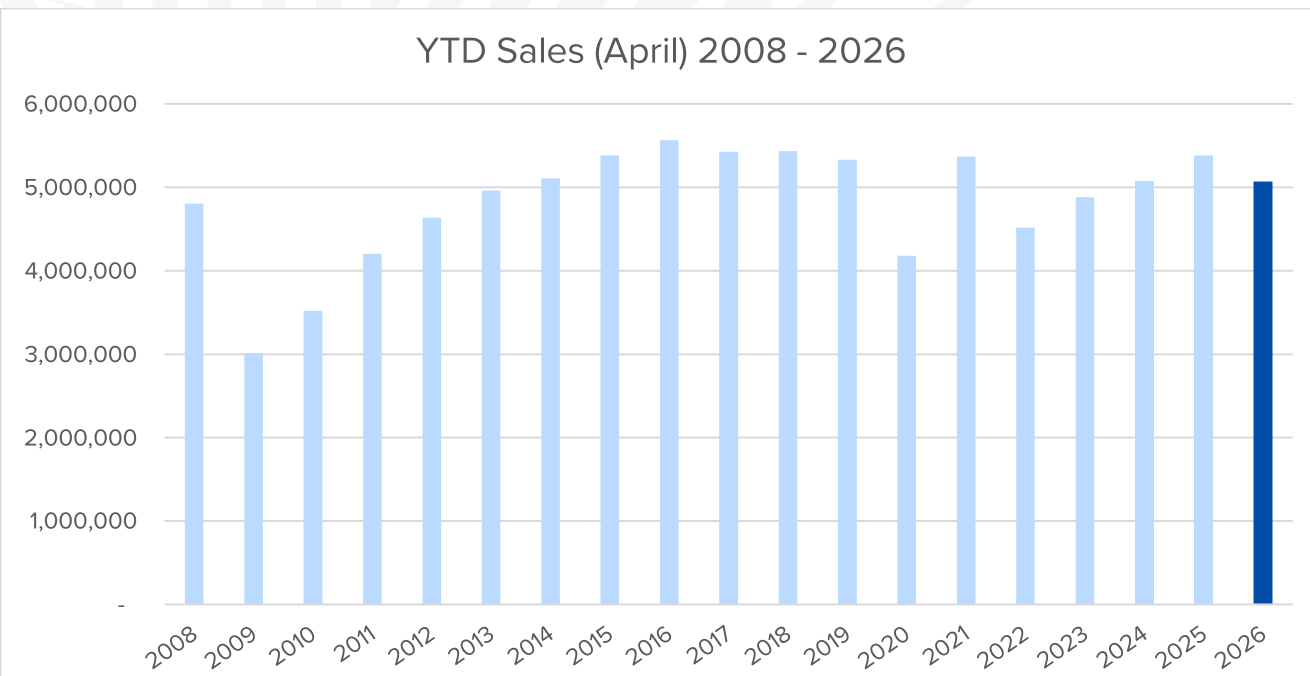
“Raw volume in April totaled 1.362 million units, 6.9% below the same month in 2025’s 1.463 million units. The daily selling rate (DSR) for April 2026 equaled 52,383 over the month’s 26 selling days, 6.9% below the year-ago’s 56,293, also with 26 selling days.

“Non-plug-in hybrids (HEVs) totaled 209,500 in April. That is up 10.1% from last year’s [190,000] and up almost 3.0% from last month’s 203,500 units. In fact, hybrids have been making gains all year. The segment had its biggest month-over-month (MoM) gain so far this year in March when sales totaled 203,500, a 24.4% increase from February’s 163,300. PEVs also recorded their highest MoM gain in March, with raw volume totaling 89,200, up 28.9% from February.

“OEMs have cautioned that it would take sustained gas prices above $5 per gallon before they anticipate a change in sales or the sales mix (people switching to electrified powertrains over IC-only). However, the coastal states (California, Washington, and Oregon), which import more oil from the Middle East, are already over $5 per gallon, with California topping $6 per gallon, according to AAA.”



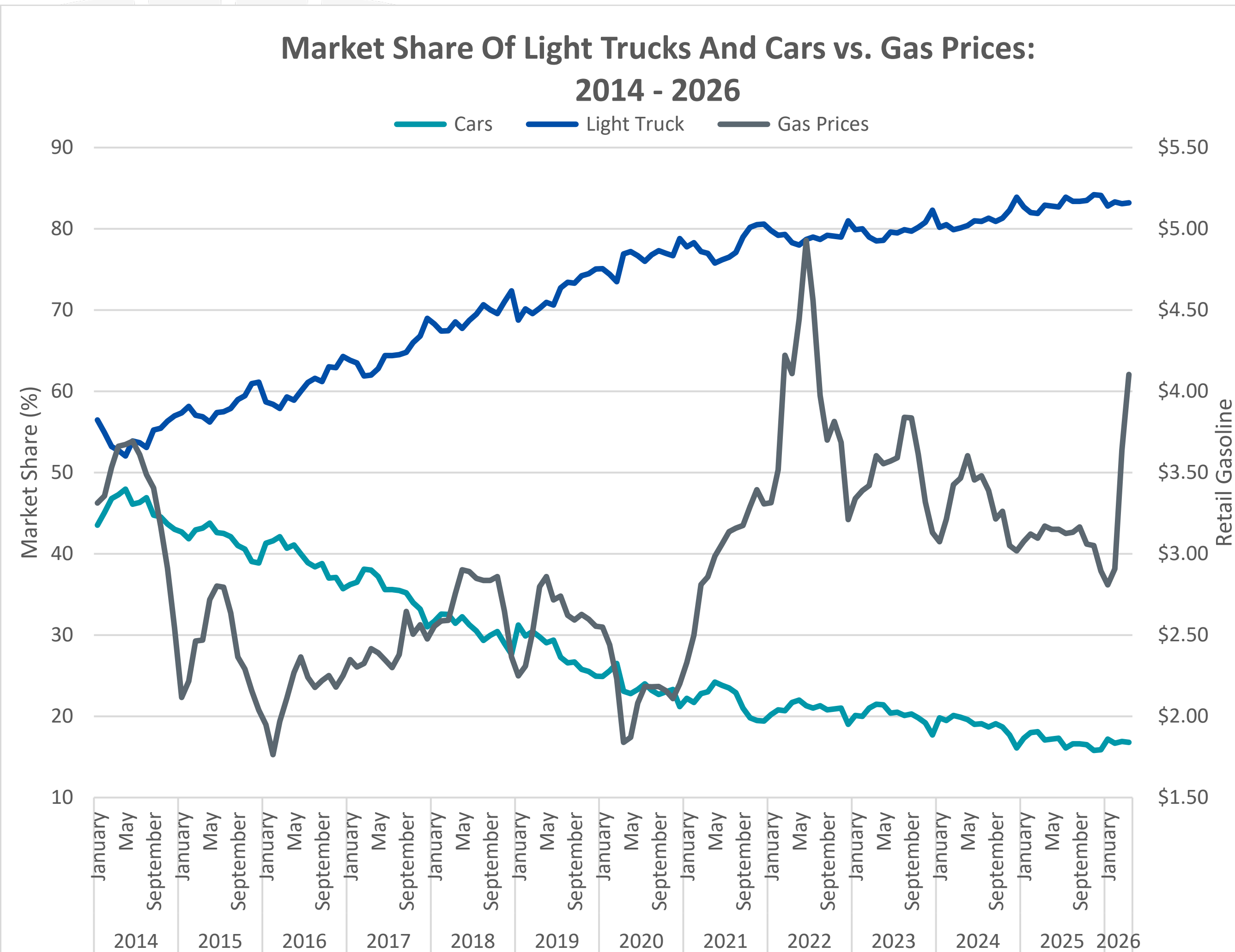
Calendar year-to-date sales through April totaled 5.07 million units, down 5.8 percent from 2025's 5.4 million.



Segments vs. Gas Prices (Updated 5/5)

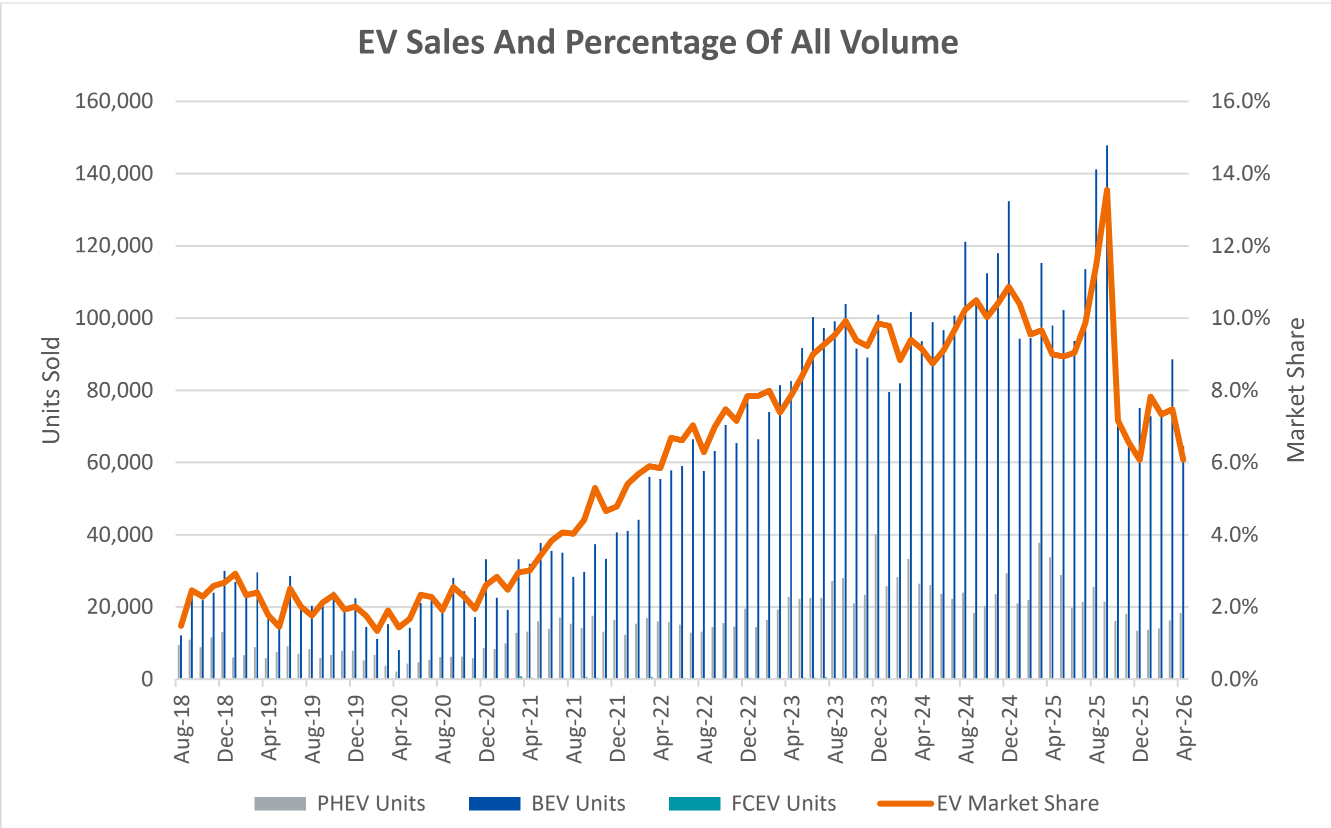
Monthly Sales: Light trucks accounted for 83.2 percent of sales in April, up 0.3 percentage points from the market share a year ago. Compared to the same period in 2025, sales of cars are down about 22,000 units, and down about 166,000 from April 2019, when cars comprised 30 percent of the market as opposed to the 16.8 percent of the market passenger cars have now.

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.[8] and gas was over $3.00.[9] a gallon. As fuel prices dropped below the $3.00 mark in mid-September 2014, light truck sales began to take off. Gas prices since have averaged only $2.85 a gallon (through January 7, 2026) 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.[10]



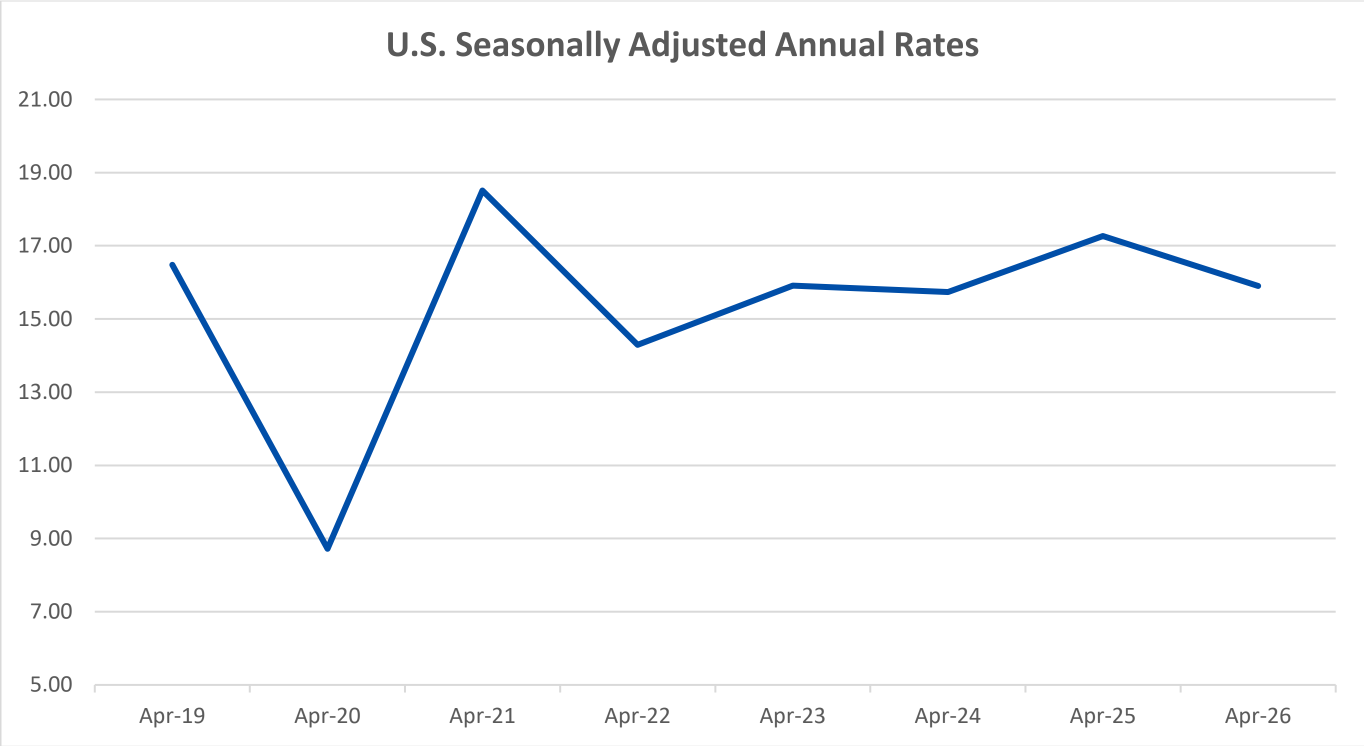
EV Powertrain Sales (Updated 5/5)

Sales of electric vehicles (BEV, PHEV, & Fuel Cell) accounted for 6.1 percent of total vehicle sales in April 2026 (82,855) per Omdia estimates. Market share decreased 1.4 percentage points (pp) from March 2026's 7.4 percent. April's EV market share is down 2.9 pp from a year ago. Sales of battery electric vehicles accounted for 4.7 percent of total sales, down 2 pp from April 2025. Plug-in hybrids accounted for 1.3 percent, down 1 pp from the same time last year. Hybrid market share was 15.4 percent.



Seasonally Adjusted Annual Rates (Updated 5/5)

Omdia[11]: "April's SAAR of 15.9 million units came in well under the same month's 2025 SAAR of 17.3 million units. However, as Omdia reported earlier, last March and into April experienced a pull-ahead effect as consumers rushed to make purchases before the start of the new tariffs, which makes YoY comparisons difficult, if not unhelpful."

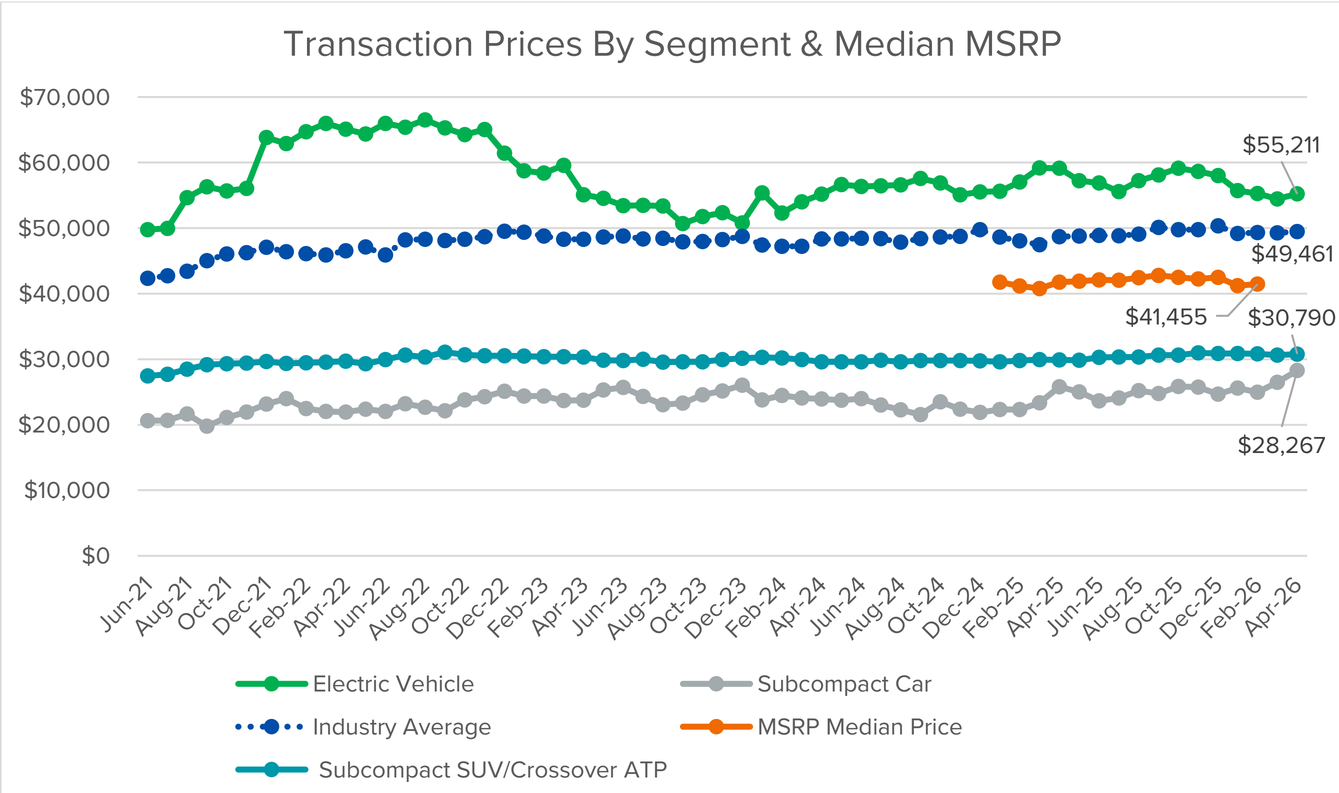


Average Transaction Price (Updated 5/22)

J.D. Power (Updated 5/22) [12]**:** "The average transaction price is essentially flat at $46,023, down 0.2% from a year ago."

Median MSRP (March) (5/22): The Median MSRP In March 2026 Was $41,195, More Than $8,000 Below the Average Transaction Price of $49,275.

- Median MSRP decreased month-over-month by less than 1 percent ($260). Year-over-year, median MSRP was up similarly by less than 1 percent ($395).



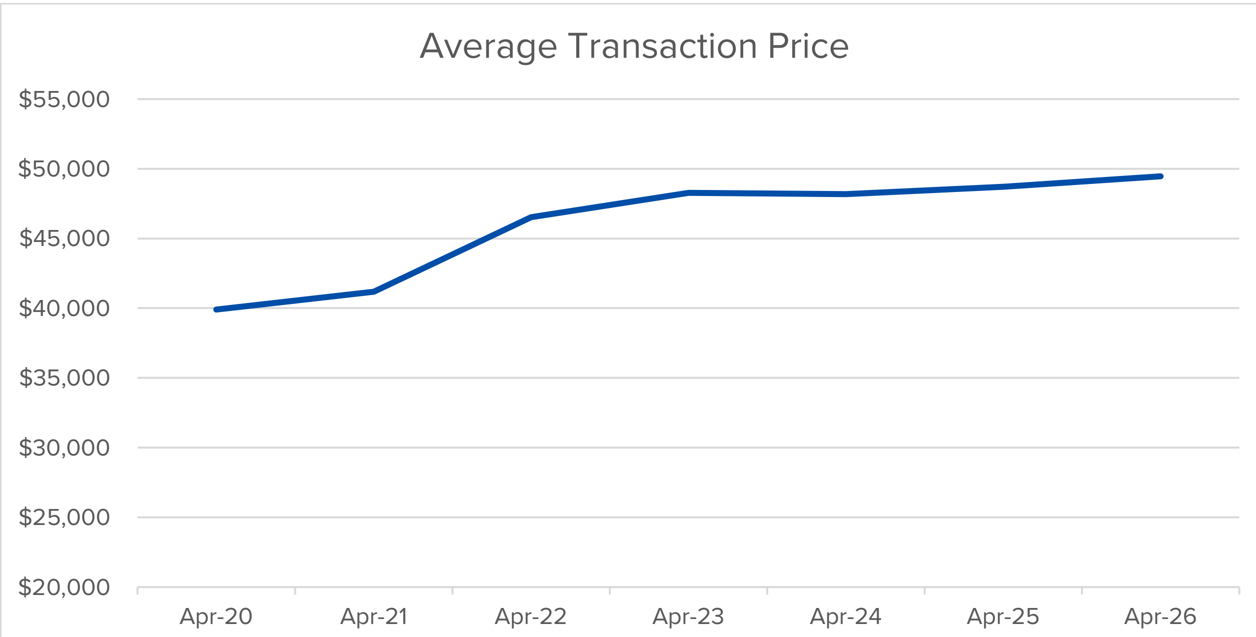
Kelley Blue Book (April) (5/22)[13]**:** "The ATP for a new vehicle, according to Kelley Blue Book, was $49,461, up 1.8% from one year earlier. Prices last month were higher by 0.7% from March, above the long-term average of 0.3% and explained in part by large monthly price gains in April of the three best-selling vehicle segments, midsize SUVs, compact SUVs and full-size pickup trucks.

"Incentive spending declined month over month in April, falling to 6.9% of ATP from 7.2% in March. Incentive spending last month was up modestly from April 2025, when it was 6.8% of ATP. Incentive spending was highest for EVs, many luxury segments, full-size pickups and compact SUVs. Inventory levels, as measured by days' supply, have tightened since earlier in the year, helping keep incentive spending in check."

- **Erin Keating, Executive Analyst, Cox Automotive:** "What we're seeing in April is a mix-driven pricing story, not reaccelerating inflation. Strength in high-volume segments like SUVs and pickups is lifting the average, but overall price growth remains below long-term norms, signaling that the pricing environment is continuing to normalize. What's more interesting is that while year-over-year price growth may be returning to pre-pandemic norms, the market itself hasn't. Today's pricing is being supported more by supply discipline and mix than demand strength, which is why volume is absorbing more of the pressure."

"The electric-vehicle ATP was lower year over year by 4.9% at $55,211 but increased from the revised-lower March ATP ($54,456) by 1.4%. The gap between EV and ICE+ increased slightly month over month to about $6,200."

"EV incentives declined in April. Last month, the average incentive for a new EV was 13.8% of ATP (just over $7,600), more than double the industry average. Incentives in April declined from March (14.6%) but were higher year over year. In April 2025, the average incentive package for a new EV was equal to 11.5% of ATP."



Cox Automotive Used Vehicle Prices (5/22)[14]: "The average used-vehicle listing price was $26,342, up 3.0% compared to the levels observed a year earlier and higher by 3.8% from the revised $25,370 recorded in March. The month-over-month increase follows a typical seasonal pattern, though the magnitude was larger than in recent years. Used EV listing prices increased 4.2% from March."

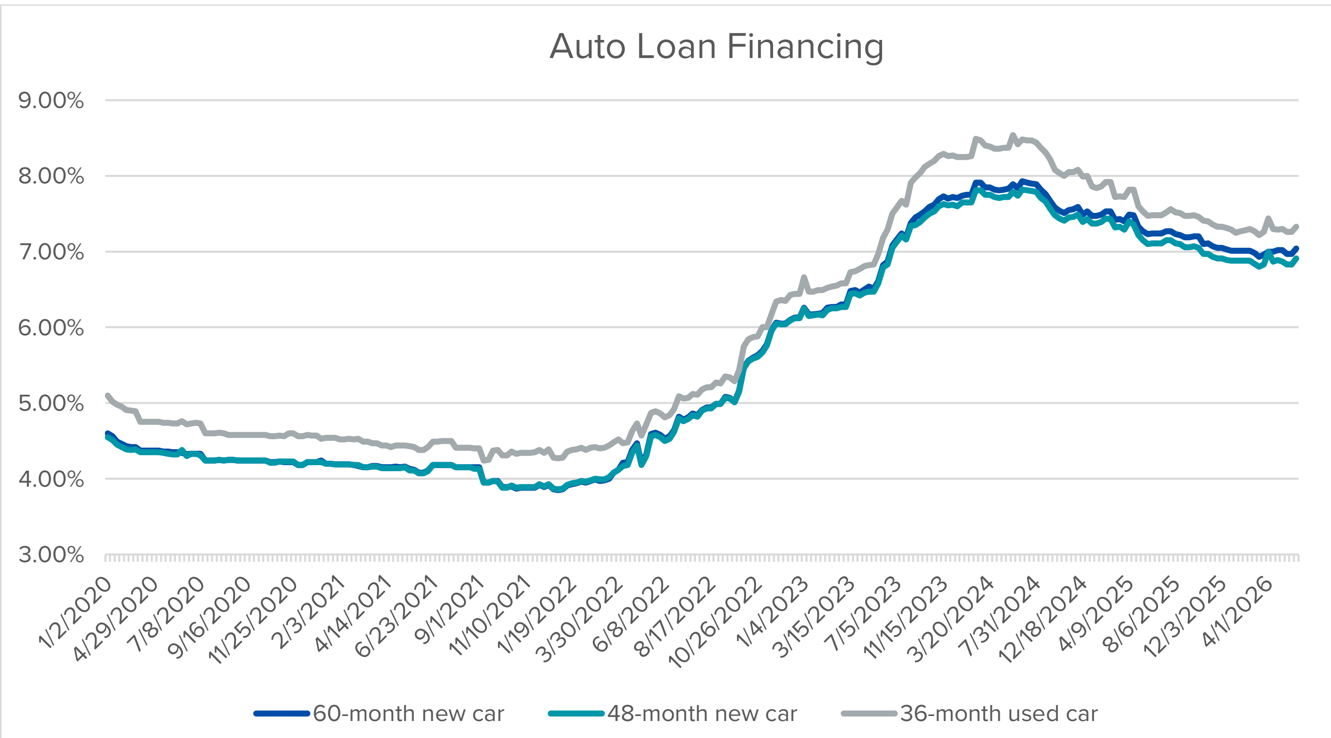
Cox Automotive Used EV Prices (5/22)[15]: "The average listing price for a used EV was $35,895 in April, up 4.2% month over month and essentially flat year over year, at +0.5%. It was the first positive year-over-year reading since July 2025. The month's increase was broad-based, with 29 makes posting higher listing prices, including several high-volume brands such as Tesla, up 6.0%; Chevrolet, up 7.7%; Hyundai, up 4.4%; and Ford, up 3.9%. The used EV price premium over ICE+ vehicles widened slightly to $1,096 in April, as both segments posted similar month-over-month gains."

Auto Loan Financing (Updated 5/22)

JD Power (5/22)[16]: "Financing conditions are moving in consumers' favor, but it isn't enough to fully offset structural affordability pressure. The average interest rate on new-vehicle loans is expected to fall 0.47 percentage points to 6.59%, the lowest May reading in two years

Interest Rates Rise to 7.04 Percent for 60-Month New Car Loan (updated 5/22): Interest rates increased over the last two weeks, increasing 0.07 on the 60-month, 0.08 on the 48-month new car loan and 0.07 on the 36-month use car loans. Rates on the 60-month new car loan now stand at 7.04 percent. Rates for the 48-month new loan and 36-month used car loan are 6.91% and 7.33%, respectively. Since the beginning of 2020, 60-month rates are up 2.44 pp, and are down 0.23 pp since the same time a year ago.[17]

Dates	60-month new car	48-month new car	36-month used car
1/2/2020	4.60%	4.55%	5.10%
5/14/2025	7.27%	7.15%	7.53%
5/6/2026	6.97%	6.83%	7.26%
5/20/2026	7.04%	6.91%	7.33%
Two Week Change	0.07%	0.08%	0.07%
Change since 1/3/20	2.44%	2.36%	2.23%
One Year Change	-0.23%	-0.24%	-0.20%



Crude Oil and Gas Prices (Updated 5/22)

Gas and Oil on the Rise (5/22):[18] Oil prices, as benchmarked at West Texas Intermediate were $105 in mid-May, up $41 from the same time a year ago. Since election day 2024, oil prices are up $36 a barrel. After spending 13 weeks under $3.00 a gallon, gas rose to a four-year high in the middle of May ($4.50) and currently sits at $4.49. Gas is 74 percent higher than the beginning of 2020.

EIA Outlook For Gasoline (4/23)[19]**:** “Higher crude oil prices are leading to higher prices at the pump for gasoline and diesel. We forecast U.S. average retail gasoline price will increase to nearly $4.30 per gallon (gal) in April and the U.S. average retail diesel price will increase to more than $5.80/gal.

“U.S. retail gasoline and distillate prices compared with Brent crude oil price

“Crude oil prices typically constitute around half the total retail price of gasoline and slightly less for diesel. Other factors include refinery margins (found by subtracting crude oil cost from refined product price), retail and distribution margins (subtracting wholesale gasoline costs from pump prices), and taxes.

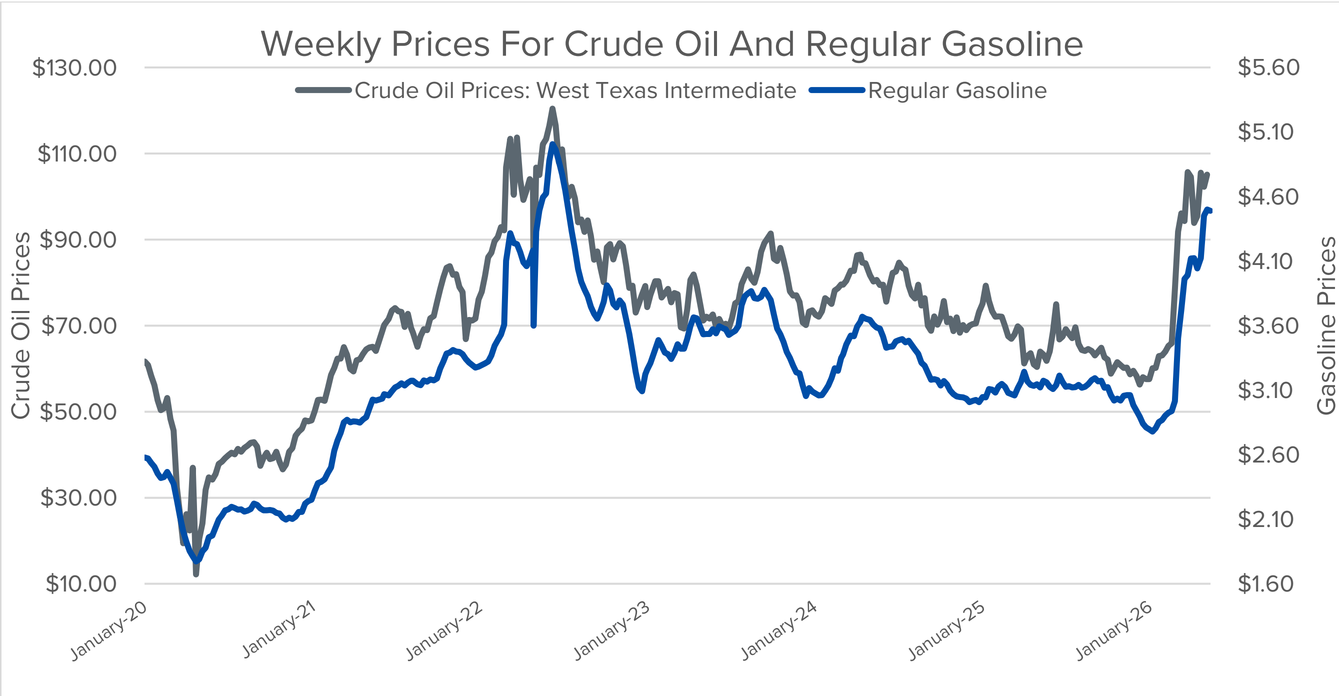
“Most of the increase in retail gasoline prices will be driven by the increased crude oil price and typical seasonal patterns. We forecast U.S. gasoline inventories to be average or above average throughout the forecast period, which contributes to less pressure on refiner and retail margins for gasoline than for diesel.

“We forecast U.S. retail gasoline prices to average $3.70/gal in 2026 and $3.46/gal in 2027, both up from $3.10/gal in 2025. Diesel prices average $4.80/gal this year and $4.11/gal in 2027, both up from $3.66 in 2025.”

EIA Outlook For Oil (4/23):[20] “In March, the spot price spread between Brent crude oil and West Texas Intermediate (WTI) crude oil priced at Cushing, Oklahoma, widened to an average of $12 per barrel (b) in March, compared with $6/b in February.

“The price of Brent crude oil increased more than that of WTI because the Brent crude oil price is more exposed to global crude oil market conditions. An increase in transportation costs, which has been exacerbated by disrupted navigation through the Strait of Hormuz, has reduced the shipping capacity to move crude oil between markets. In addition, WTI price increases were relatively smaller because of above-average domestic inventories and policy interventions in the United States. The U.S. government announced plans for the release of crude oil from the Strategic Petroleum Reserve (SPR) on March 11 and announced a 60-day Jones Act waiver to allow foreign vessels to transport commodities between U.S. ports on March 17.

“We forecast U.S. crude oil inventories to remain above average levels, softening the upward price effects on WTI crude oil, relative to Brent. The Brent-WTI spread in our forecast peaks at $15/b in April, when production disruptions are largest. The spread falls to $9/b on average in 3Q26 and $4/b by 4Q26, when we assume most of the disruptions to global crude oil production and trade will dissipate.”



Production Meter

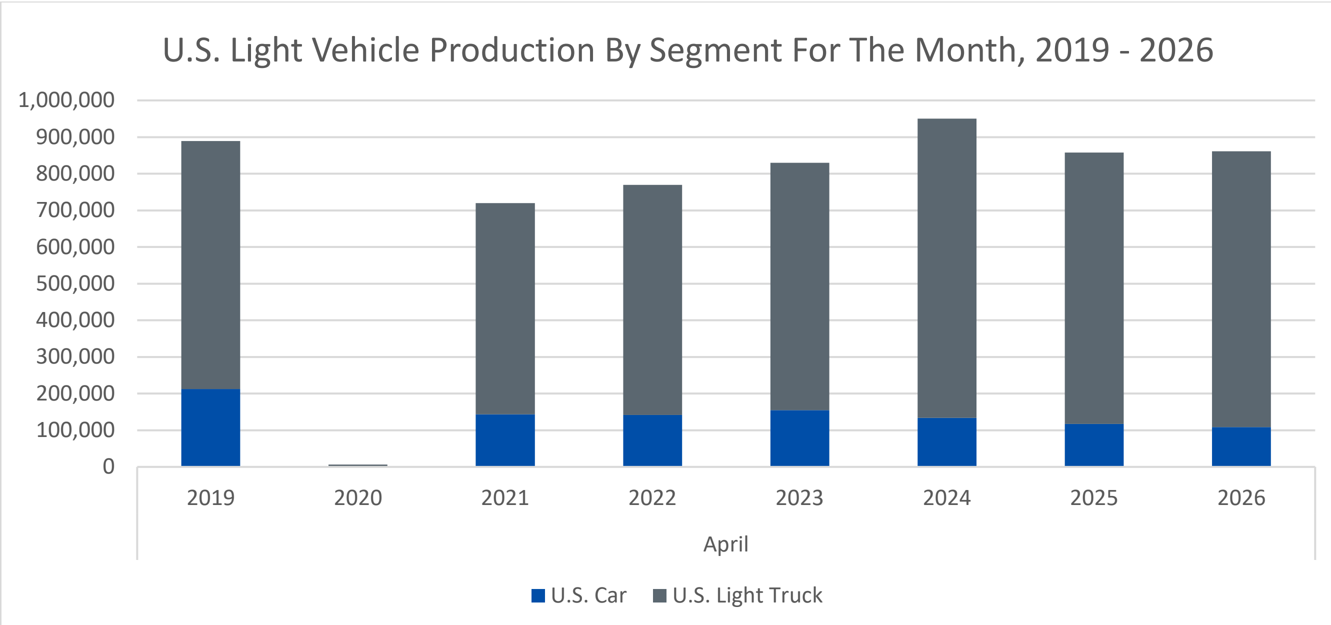
North American Production (Updated 5/22)

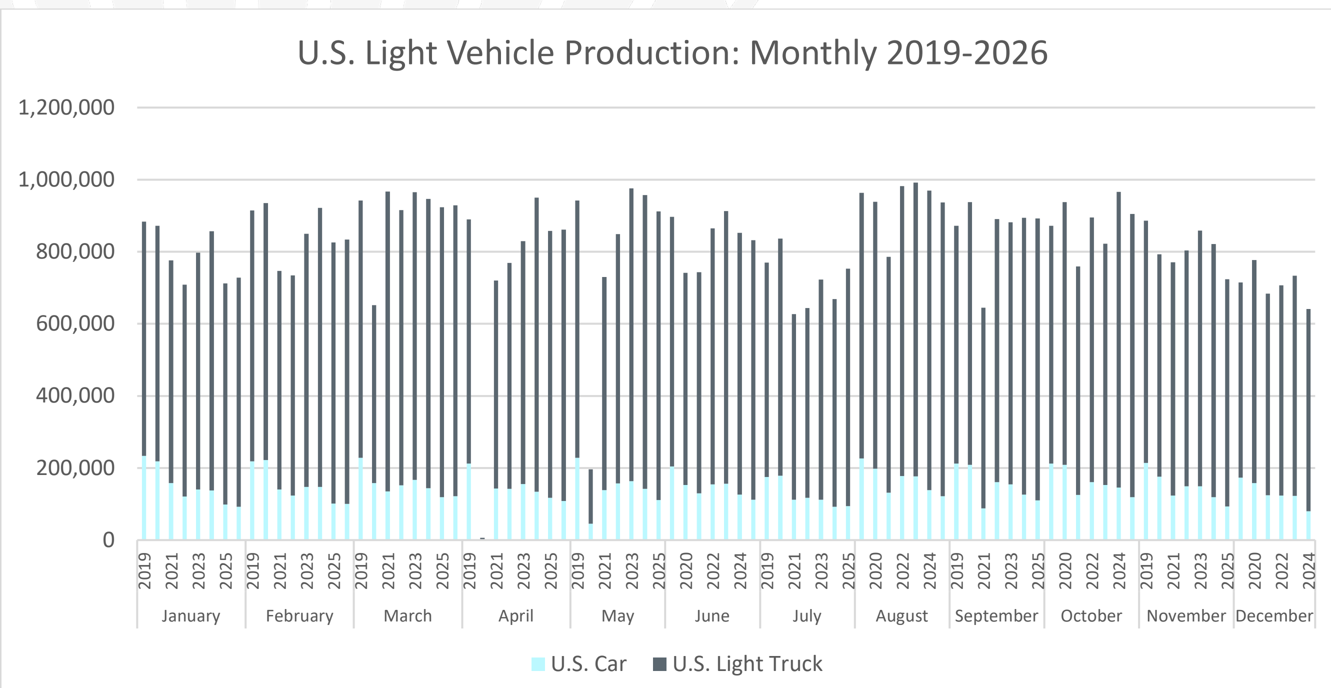
Omdia [21]: "April production ended slightly below estimates at 1.334 million units, down 1.2% year-over-year (YoY). Medium- and heavy-duty truck production in April totaled 32,596 units, a 13.1% YoY decline and a 10.5% drop from the prior month. The trucking industry continues to suffer from higher costs and delayed investments, according to ACT Research. However, sales of heavy-duty trucks have been improving, suggesting fleet managers may finally be getting off the sidelines. The threat of higher interest rates in the near future could spur buying."

U.S. Light Vehicle Production (Updated 5/22)

U.S. Monthly Production

U.S. Light vehicle production for April was down 8 percent month-over-month, totaling 860,912 vehicles (108,530 cars; 752,382 light trucks), year-over-year, production is up 0.4 percent from 2025. [22]



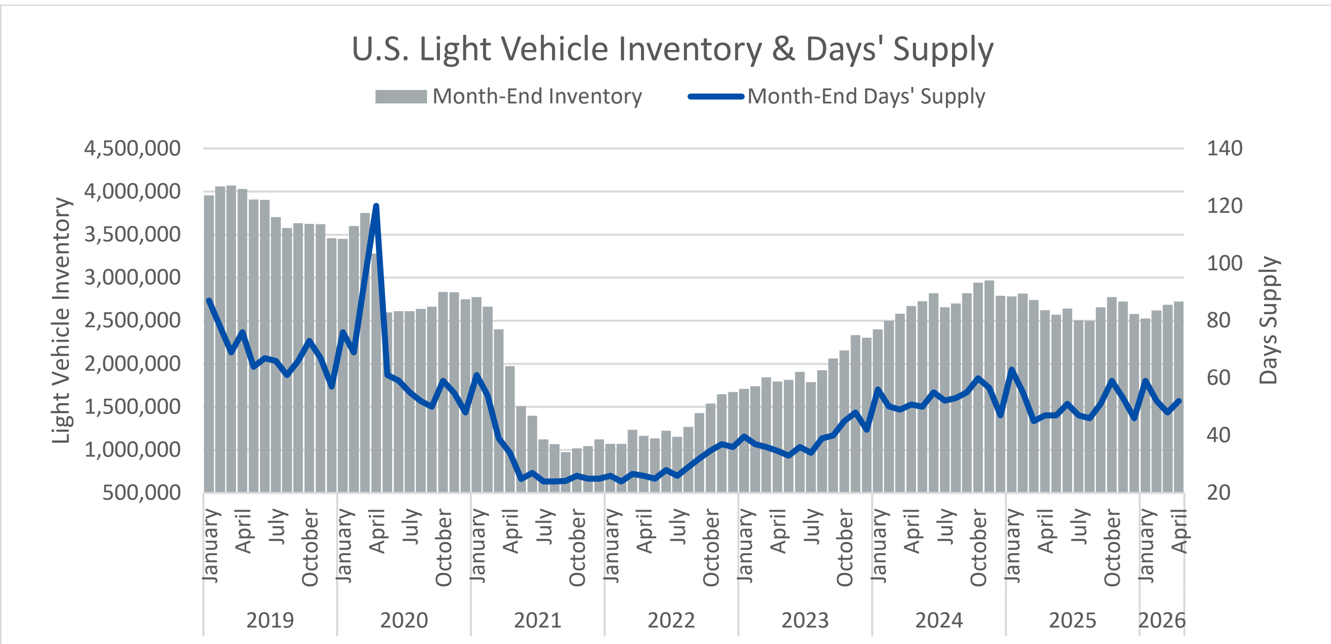


U.S. Light Vehicle Inventory and Days' Supply (Updated 5/5)

Omdia Inventory Update (5/5)[23]: "At the end of April, total units reached 2.723 million, up 3.6% from 2025 and 1.4% from March. This shift ends a 12-month streak of annual declines.

"While April's raw volume sales of 1.362 million units were better than expected, they were 6.9% below the 1.463 million units from the same month a year ago and were lower than the previous month's 1.389 million units. This cooling pace provided dealerships with some breathing room to restock. Days' supply subsequently climbed to 52 days, a jump from the 47 days recorded during the same period last year.

"EVs continue to destock as OEM interest and demand remain low. Total plug-in electric vehicle (PEV) stocks plummeted by more than 32% compared to last year. This decline is mirrored almost identically across both pure battery electric (BEV) and plug-in hybrid (PHEV) models."



Global Meter

Global Light Vehicle Sales (Updated 5/5)

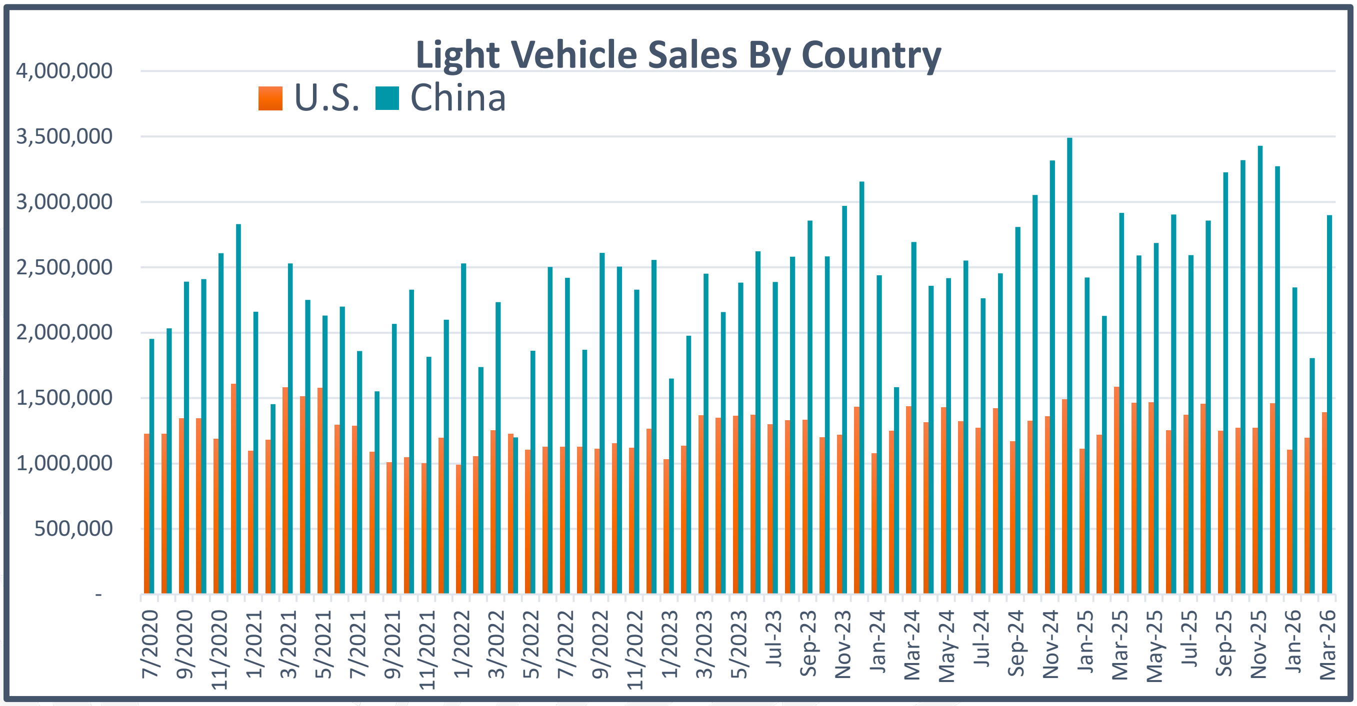
Omdia[24]**:** "Global sales of light vehicles and medium- and heavy-duty trucks combined rose YoY for the first time in five months. March's raw volume of 9.185 million units was 1.2% above the same month a year ago's 9.078 million units and was 35.4% over February's 6.785 million units.

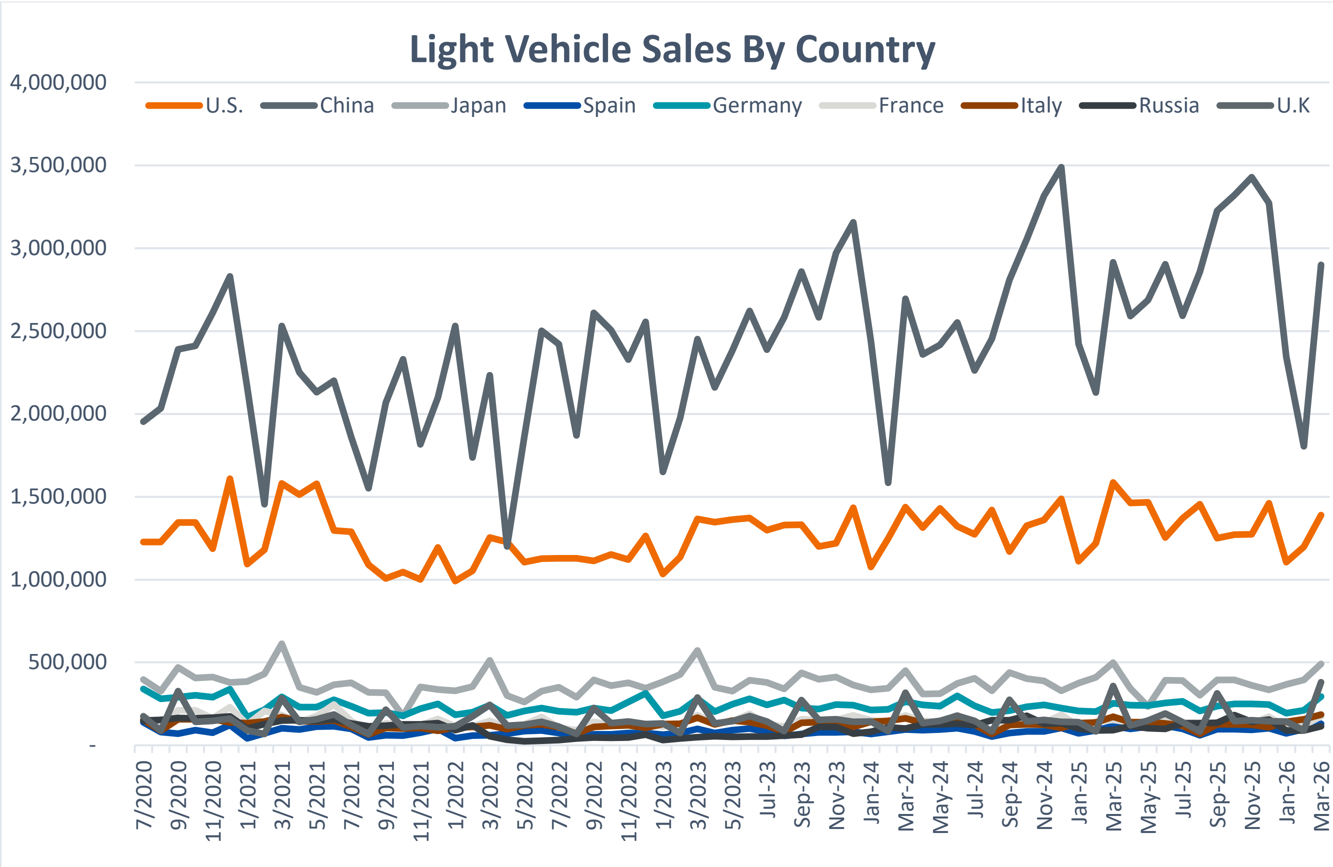
"Increases in South America (30.0% YoY), Europe (9.0% YoY), and Other regions (10.8% YoY) mainly drove the hike. This was enough to overcome an 11.1% YoY drop in North America, which had more to do with an artificially high bar set last year during the rush to get ahead of price increases from tariffs rather than an actual slump in sales.

"Excluding medium-/heavy-duty trucks, light vehicles totaled 8.893 million units in March, up 1.6% from March a year ago's 8.753 million units and 36.2% from last month.

“Looking ahead to April, GlobalData expects global light-vehicle sales to fall 1.3% YoY, despite China potentially bouncing back from its post-Lunar New Year slump and India and other Asian markets continuing along their growth trend.

“Expected weakness in North America mainly drives the drop. The effects of the conflict in the Middle East are finally working their way into forecasts, and it is clear that North America is not immune.”





Global Light Vehicle Production (Updated 5/22)

S&P Global Mobility Forecast (5/22)[25]: "The effects of the ongoing Middle East conflict continue to influence the outlook for the global auto industry. Further, region-specific influences, particularly for mainland China, also factor into forecast adjustments for the month. A key driver of the outlook for the industry in the near-term is governed by assumptions around the ongoing conflict in Iran. S&P Global Mobility is shifting to an oil price scenario of increased and more sustained impact through 2027. There is early evidence that some production is effectively being pulled forward as OEMs guard again potential feedstock/part shortages. Of note, most cargo ships exiting the Strait of Hormuz have reached their destination. Users of feedstocks and feedstock derivatives are utilizing existing inventories or increasingly scarce alternative supplies. We continue to monitor the situation and are actively modeling alternative scenarios. Clients are encouraged to review our Rapid Response reports for updates between forecast revisions and reach out to our analyst team with further questions. The May forecast update reflects a mix of downward revisions through the short-term forecast horizon with more meaningful cuts for Greater China, Japan/Korea and South Asia, among others, as we adjust to reflect the ongoing impacts of the conflict in Iran as well as a downward revision for China to reflect continued near-term demand headwinds. The more noteworthy regional adjustments with the latest forecast update are detailed below:

"Europe: The outlook for Europe light vehicle production was reduced by 67,000 units and by 183,000 units for 2026 and 2027, respectively (and reduced by 174,000 units for 2028). Our May forecast update for

Europe has been revised downward, reflecting a deterioration in macroeconomic conditions driven by higher than expected oil prices resulting from the prolonged Iran conflict. Although March recorded a strong backfill of around 40,000 units and production is expected to remain broadly stable through Q2-2026, output is now expected to be adjusted downward in H2-2026 as demand destruction emerges. The March uplift was driven primarily by volume brands, such as Skoda, Volkswagen, Seat, Hyundai and Toyota. Looking into the second half of 2026, the outlook for nearly all brands has been revised downward, resulting in a 107,000 unit reduction overall. Some noteworthy exceptions to the downward revisions include Tesla benefiting from stronger domestic and export demand, Nissan shifting production in favor of the Juke and Qashqai and Xpeng with an improved outlook for both the P7+ and the G9. For 2027, demand constraints are expected to persist due to the weaker macroeconomic environment. Output for West & Central Europe (including Turkey) has been revised downward by 181,000 units, bringing the total to 14.99 million units. Nearly all OEMs are impacted by this weaker outlook. Regarding the CIS market, only minor changes were reported this month.

“**Greater China:** The outlook for Greater China light vehicle production was reduced by 197,000 units and by 146,000 units for 2026 and 2027, respectively (and reduced by 93,000 units for 2028). In April 2026, mainland China’s passenger vehicle market showed clear signs of softness, characterized by weakening demand, diminishing effectiveness of price competition and growing structural pressure across segments amid incentive withdrawal. Additionally, the conflict in the Middle East has increased economic headwinds, leading to weaker consumer confidence in the market. According to the CPCA, passenger vehicle production in April fell 2.7% while sales declined 4.8%. The divergence between stronger industrial output and weaker sales indicates that domestic demand has not yet fully recovered to prior year levels, mainly owing to payback effects as scrappage and EV incentives have retreated. This misalignment also led to an increase in stock building. Overall, the softness of mainland China’s auto market reflects both cyclical and structural factors. In the near-term, it is largely driven by demand pull-forward effects, fading policy stimulus and diminishing returns from price competition. Structurally, it signals the transition of the industry from high growth to a more mature, competitive phase. Downward revisions through the short-term reflect structural headwinds such as destocking, continued DRAM pricing/availability impacts, overseas localization and regulatory tightening.

“**Japan/Korea:** The production outlook for Japan for 2026 and 2027 was reduced by 93,0000 units and 143,000 units, respectively, relative to last month’s forecast. The downward revisions in the near-term reflect the expectation that normalization of the Strait of Hormuz is likely to be delayed beyond June, factoring into a further slowdown in demand due, in part, to prolonged inflation. Of note, the risk of materially reduced production due to supply constraints for petrochemicals and aluminum is not currently factored into the forecast. Although South Korea production in March was about 40,000 units higher than expected, the 2026 production forecast was reduced by 16,000 units relative to last month as global demand is expected to contract due to the continued rise in oil prices caused by the effective closure of the Strait of Hormuz. As demand contraction due to the conflict in the Gulf region is expected to linger in the short term, South Korea's production volume was reduced by 64,000 units in 2027 and by 13,000 units in 2028, while still taking into account the addition of Kia’s new EV1. In the long term, South Korea’s volume was increased by around 50,000 units per year compared last month due primarily to the aforementioned addition of the Kia EV1 starting in the second half of 2028.

“**Middle East/Africa:** The outlook for Middle East/Africa light vehicle production was reduced by 32,000 units and by 54,000 units for 2026 and 2027, respectively (and reduced by 14,000 units for 2028). Production revisions for Middle East/Africa are dominated by the ongoing impacts of the Iran war with demand as well as production, logistics and supply chain capabilities being significantly affected. The downgrade over the short-term forecast horizon for this month is focused particularly on Iran.

“**North America:** The outlook for North America light vehicle production was reduced by 13,000 units and by 339,000 units for 2026 and 2027, respectively (and reduced by 284,000 units for 2028). Amid the drawn-out

US-Iran conflict and the constriction of the Strait of Hormuz, choking off crucial supplies to the global economy, the outlook for 2026 was reduced 0.1% totaling 14.94 million units. Despite the economic headwinds and threats to the supply chain, the forecast for 2026 remains tied to several high-volume vehicles in need of production to meet demand and to bolster lean inventory levels, most notably for General Motors' full-size pickups and the Toyota RAV4. Facing economic headwinds and other externalities, the forecast is built around the rationale that auto manufacturers won't preemptively slow or cut output until there is ample evidence of a demand slowdown or if they begin to experience supply chains issues. Production planning is therefore expected to remain consistent with a more measured decline beginning in late third quarter and through 2027 and into 2028. As a result, the outlook for 2027 bears the brunt of the risk and reductions, revised down 2.2% totaling 14.96 million units. Reflecting on downward revisions, reductions are focused on vehicles and segments most vulnerable to lingering higher fuel costs along with overall weakening economic conditions that could impact buying decisions by lifestyle consumers that may defer vehicle purchases.

"South America: The outlook for South America light vehicle production was reduced by 12,000 units and by 45,000 units for 2026 and 2027, respectively (and reduced by 29,000 units for 2028). The downward revision in the extreme near-term for the region reflects a more cautious outlook linked to the Iran war. This comes even though April actuals for Brazil continued to outperform expectations. Of note, results for Argentina came in well below our forecast. Regional volumes for 2027-2028 were revised down by of 1.1% (37,000 units per year). This is driven by the prospect of a lingering extended impact from the Iran war including higher input costs as well as a deterioration in macro expectations, among other factors. Similar to the revised outlook for 2026, much of the impact is focused on Argentina which appears less able to offset the general deterioration.

"South Asia: The outlook for South Asia light vehicle production was reduced by 70,000 units and by 228,000 units for 2026 and 2027, respectively (and reduced by 119,000 units for 2028). ASEAN production rebounded in April with output increasing 7.3% year-over-year. This apparent strength, however, was largely a function of a scheduled production push by major Japanese OEMs to meet their fiscal year-end targets in March, rather than a sign of organic market health. Production lines have been temporarily insulated from the immediate impact of the war in Iran and the closure of the Strait of Hormuz, as OEMs have been able to draw down on pre-secured inventories of raw materials and supplies. However, reflecting the imminent depletion of these buffers and the dual pressures of deteriorating market demand and supply chain challenges, we have further downgraded the regional forecast through the near-term. Notwithstanding recent production strength, India remains one of the world's most vulnerable large economies to the effects of the war in Iran. India is highly dependent on energy imports, with over 85% of its oil demand met through imports, about half of which comes from the Gulf region. Production volumes for India have been reduced by 38,000 units and 134,000 units for 2026 and 2027, respectively, as war in the Middle East gives rise to uncertainty."

Economy Meter

Roadway Travel (Updated 5/5)

According to the U.S. Department of Transportation, seasonally-adjusted vehicle miles traveled in February increased by 2.3 percent from the same time a year ago. The cumulative travel estimate for 2026 is 497.8 billion vehicle miles.[26]

- Travel on all roads and streets changed by +2.6% (+6.3 billion vehicle miles) for February 2026 as compared with February 2025. Travel for the month is estimated to be 245.0 billion vehicle miles.

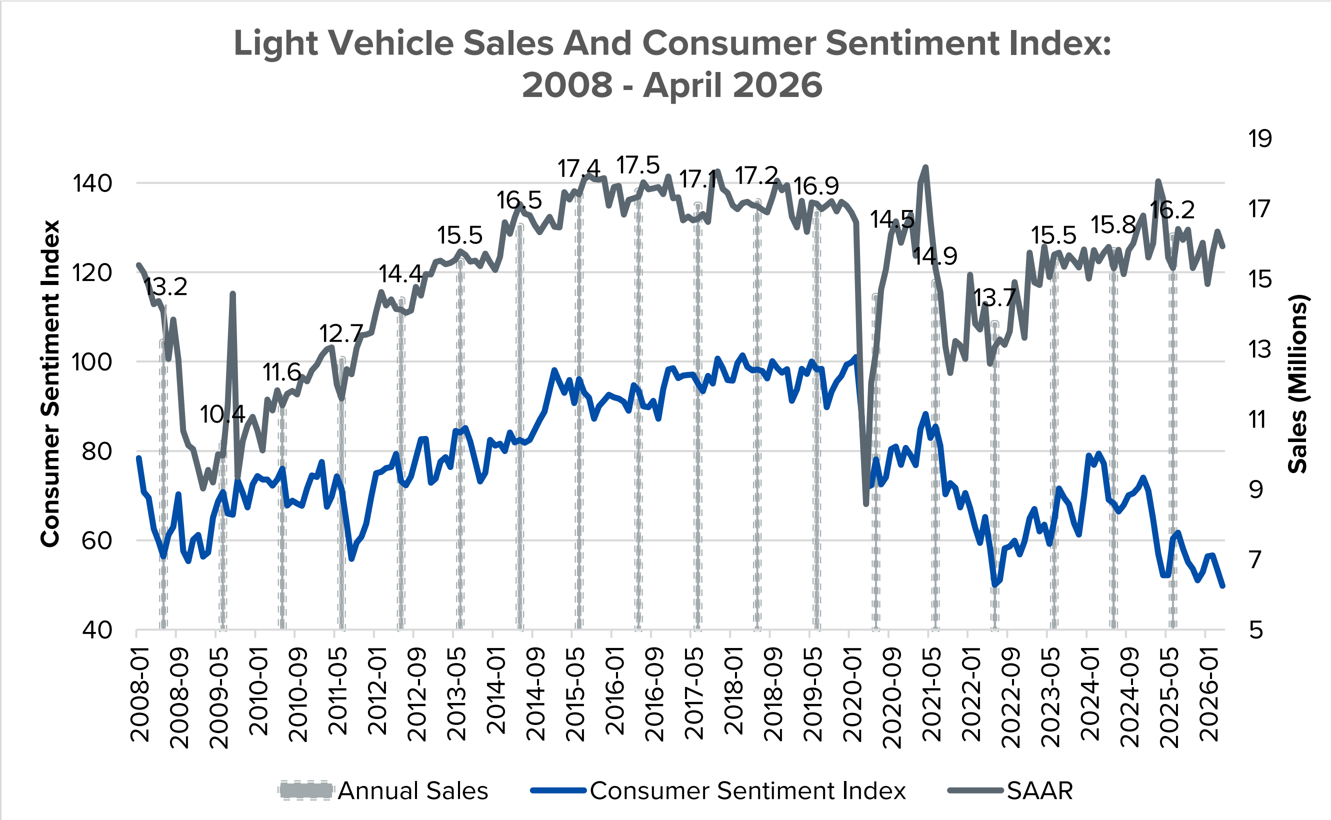
- The seasonally adjusted vehicle miles traveled for February 2026 is 279.2 billion miles, a +2.3% (6.2 billion vehicle miles) change over February 2025. It also represents a 0.6% change (1.6 billion vehicle miles) compared with January 2026.
- Cumulative Travel for 2026 changed by +1.3% (+6.6 billion vehicle miles). The cumulative estimate for the year is 497.8 billion vehicle miles of travel.

Consumer Confidence and Sales (Updated 5/22)

Surveys of Consumers Director Joanne Hsu[27]: "Consumer sentiment fell for the third straight month as supply disruptions in the Strait of Hormuz continue to boost gasoline prices. Sentiment is now just below the previous historical trough seen in June 2022. The cost of living continues to be a first-order concern, with 57% of consumers spontaneously mentioning that high prices were eroding their personal finances, up from 50% last month. Lower-income consumers and those without college degrees posted particularly strong sentiment declines; these groups are more sensitive to increases in the cost of gas and other essentials. Independents and Republicans saw decreases in sentiment, with both groups reaching their lowest readings of the current presidential administration. Meanwhile, sentiment of Democrats was little changed from last month. Critically, consumers appear worried that inflation will increase and proliferate beyond fuel prices, even in the long run.

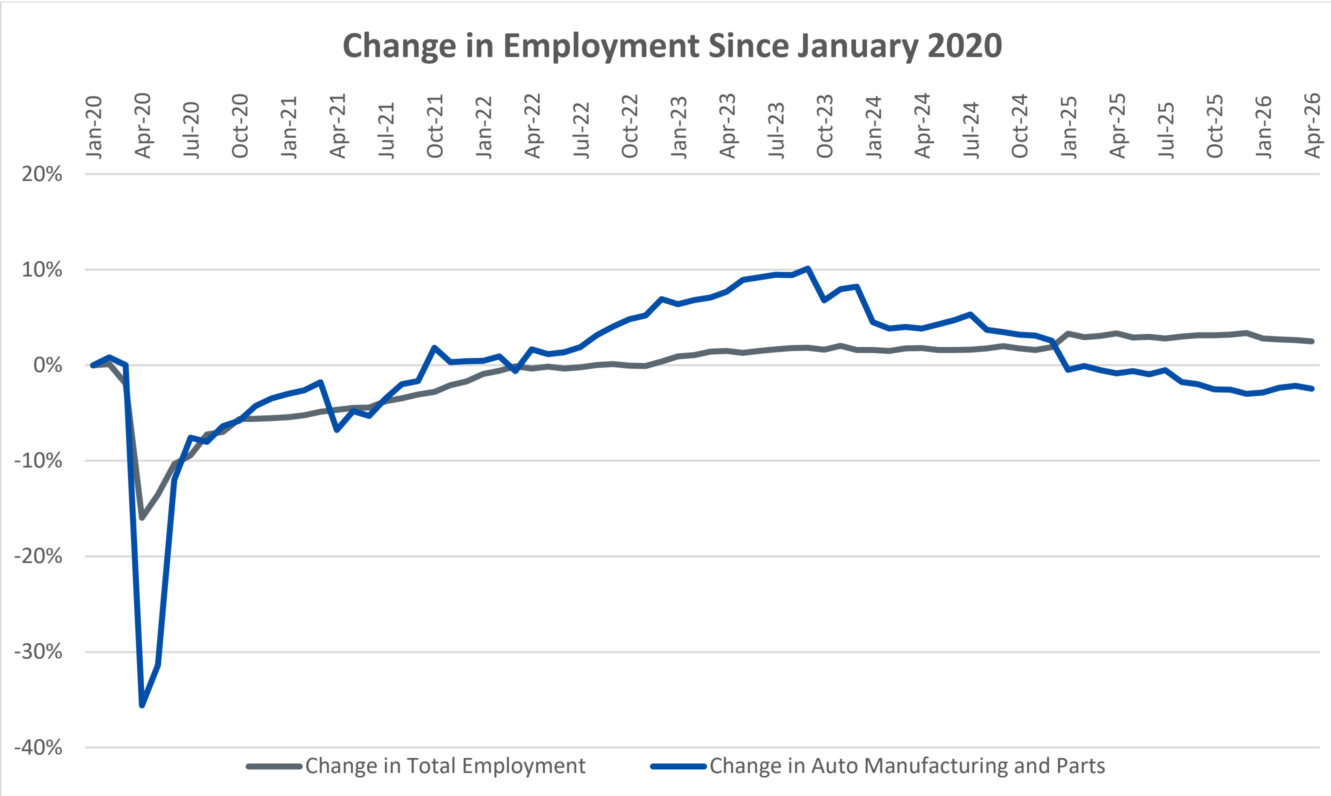
"Year-ahead inflation expectations inched up from 4.7% last month to 4.8% this month. The current reading substantially exceeds the 3.4% reading seen in February 2026 prior to the start of the Iran conflict, along with all 2024 readings. Long-run inflation expectations climbed from 3.5% in April to 3.9% in May, notably higher than the 2.8% to 3.2% range seen in 2024. This month's increase in long-run expectations reflects sizable jumps among independents and Republicans. For the latter group, long-run inflation expectations are currently more than double their February 2025 reading on a monthly basis."

Light Vehicle Sales And Consumer Sentiment Index: 2008 - April 2026



Employment (Updated 5/22)

Motor Vehicle And Parts Manufacturing Lost 3,000 Jobs in April.



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