IHS Markit Analysis: US Registration Data Show Market Share Improvement for Pick-up Trucks, Decline for Compact Cars in H1

An Analysis of H1 New Vehicle Registration Data

Stephanie Brinley, Principal Automotive Analyst, IHS Markit

Although 2020 began with expectations for a relatively normal year of vehicle sales, although some contraction of the US market, the COVID-19 pandemic began affecting the US light-vehicle market in March, created a massive volume drop in April and overall had a significant impact on registrations in the first half of 2020. Over the first six months of the year, US registrations declined 22.8 percent year on year (y/y). Barring the introduction of further shutdowns, either regional or national, the registration figures for April are expected to represent the lowest point of 2020, with the declines from May through July becoming progressively smaller. IHS Markit has reviewed the first-half registration data for early signals of changes in consumer behavior.

Pick-up truck segments most resilient

US registrations of pick-up trucks have continued to gain market share in 2020. Over the first six months, pick-up trucks have continued to show lower y/y declines in registrations than other vehicle types. According to IHS Markit registration segmentation, the non-luxury full-size half-ton pick-up segment was the segment with the second highest registrations in the first half and its market share increased by 1.8 percentage point to 11.8 percent of registrations. Market shares of the non-luxury mid-size pick-up and full-size three-quarter to one-ton pick-up truck segments also increased. The three segments combined claimed 20 percent of US registrations in the first half of 2020, compared with 17 percent in the first half of 2019. The half-ton and mid-size pick-up segments saw the highest gains of market share, with mid-size pick-ups gaining 0.7 percentage point of share and accounting for about 4.2 percent of US registrations. The three-quarter to one-ton pick-up segment gained about 0.5 percentage point of share, to 4.1 percent. Registrations of three-quarter to one-ton pick-ups and mid-size pick-ups were similar from a volume standpoint in the first half. In the first half, mid-size pick-up registrations were 275,000 units, while three-quarter to one-ton pick-up registrations were more than 270,000 units. The mid-size pick-up segment’s registrations declined 7.5 percent y/y in the first half, with better inventory of the Ford Ranger and the Jeep Gladiator softening the impact of COVID-19 effects.

The larger truck segment’s registrations declined 11.5 percent y/y in the first half, still notably lower than the 22.8 percent y/y decline of the overall market.

The non-luxury full-size half-ton pick-up segment is the largest of the three light-vehicle pick-up segments (as defined in IHS Markit registration data), with

Contacts

Michelle Culver, Director, Public Relations · michelle.culver@ihsmarkit.com, +248.728.7496

registrations reaching more than 768,000 units in the first half, down 9 percent y/y. These vehicles tend to bring in higher revenue and profit margin, and their comparatively strong performance in the first half of the year benefited the financial results of Ford, Fiat Chrysler Automobiles (FCA), and General Motors (GM). However, while registrations of pick-up truck sales were the most resilient among the segments in the first half of 2020, the non-luxury compact crossover utility vehicle (CUV) segment still saw higher registrations than all pick-up truck segments combined. In the first half, the US saw 1.31 million pick-up trucks registered, a decline of about 9.2 percent y/y and lower than the 1.43 million non-luxury compact CUVs registered.

CUVs continue to gain market share

Despite a decline of 22.2 percent y/y in the first half, the non-luxury compact CUV segment saw its market share increase slightly, up 0.2 percentage point. Registrations in the luxury compact CUV segment, at just over 245,000 units in the first half, declined 8.8 percent y/y, although the market share of the segment increased 0.6 percentage point to 3.8 percent. The market share of the two segments combined reached 25.6 percent in the first half of 2020, up from 24.9 percent in the first half of 2019. In the first half of 2020, there was also an improvement for mid-size CUVs, both luxury and non-luxury. The market share of non-luxury mid-size CUVs increased from 10.0 percent in the first half of 2019 to 10.5 percent in the first half of 2020, despite a volume decline of 18.8 percent. This segment includes the Hyundai Palisade and Kia Telluride, which have been extremely well received in the US market since their respective launches. The Palisade launched in June 2019, so wasn't a factor in first-half 2019 sales. Telluride sales started in March 2019, and was only available for part of the first half of 2019; Telluride is built in the US, however, and inventory affected by the nearly two-month shutdown of US production. Luxury mid-size

CUVs also picked up some market share in the first half, increasing from 3.1 percent to 3.6 percent. The segment also benefits from the all-new Lincoln Aviator and Cadillac XT6, as well as the Tesla Model Y.

Market share, top ten segments

Segment	H1 2019	H1 2020
Non luxury compact CUV	21.7	21.9
Non luxury full size half ton pickup	10.0	11.8
Non luxury mid-size CUV	10.0	10.5
Non luxury traditional compact	10.3	8.5
Non luxury traditional mid size	8.6	7.6
Non luxury mid size SUV	5.6	6.2
Non luxury mid size pickup	3.5	4.2
Non luxury full-size 3 qtr to 1 ton pickup	3.6	4.1
Luxury compact CUV	3.2	3.8
Luxury mid size CUV	3.1	3.6

Source: IHS Markit © 2020 IHS Markit

Car segments: Share decline rolls on

Key car segments continued to see their market share decline in the first half, with non-luxury traditional compact cars seeing their share drop almost 2 percentage points; in the first half of 2019, the segment captured 10.3 percent of US vehicle registrations, which fell to just 8.5 percent in the first half of 2020. The two largest car segments in the US are the non-luxury traditional compact and the non-luxury traditional mid-size segments. They had a combined market share of only 16.1 percent over the first half of 2020, down from 18.9 percent a year earlier. The market share of cars will continue to be eroded as model lines are discontinued. In July, it was announced that several subcompact cars would be discontinued, including the Chevrolet Sonic, Honda Fit, Toyota Yaris, and Hyundai Accent hatchback. In the first half of 2020, the non-luxury traditional subcompact car segment's share of total US registrations dropped to 2.6 percent, compared with 3.4 percent a year earlier. However, there are also new subcompact CUV-looking entries essentially acting as entry vehicles. While the market positioning of models such as the Hyundai Venue and Nissan Kicks is that of a CUV, they are classified as cars by the US Environmental Protection Agency and, therefore, as cars in IHS Markit registration data.

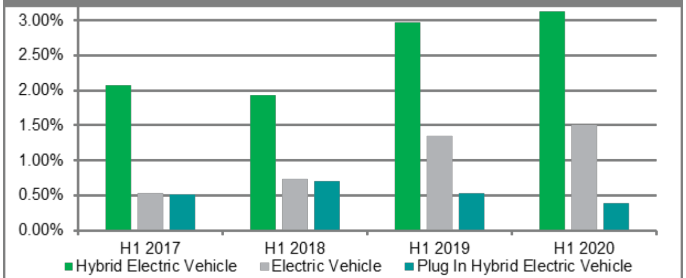
Two other factors which IHS Markit expects could be impacting compact and mid-size car sales are the disappearance of service jobs in the first half and canceled rental-fleet orders. As compact and mid-size cars are less expensive than utility vehicles, the lack of buying power from this group could be having an impact on passenger car registrations, particularly at the low end. While not all rental-fleet orders were for cars, the loss of orders from major rental-car companies from Hertz to Avis had impact on first half as well. Those canceled orders coincided with production shutdown as well, and as production resumed, automakers in some cases shifted planned production from rental-car fleet vehicles to vehicles configured for retail. Benefits from that change would be seen in the second half, however.

Electrification

In the first half of 2020, electric vehicles (EVs) continued to gain market share in the US, while the share of plug-in hybrid EVs (PHEVs) continued to fall. In the first half, 1.50 percent of US registrations were EVs, up from 1.35 percent a year earlier. Hybrid electric vehicles (HEV) saw their share improve from 2.97 percent in the first half of 2019 to 3.13 percent in the first half of 2020, while PHEVs saw their share drop from 0.53 percent to 0.39 percent over the same period. Non-electrified powertrains continue to both dominate the landscape but see their share slightly eroded. In the first half of 2020, their share fell to 95.0 percent, from 95.2 percent in the year-earlier period. Tesla continues to be the most significant player in the EV market, with 79.42 percent of US EV registrations in the first half of 2020; however, this was down slightly from 79.96 percent in the first half of 2019, despite production of the Model Y beginning at the end of that period. As more players come online and presumably EV sales increase, Tesla's share of the EV market should continue to decline; this can happen as volume increases, if total EV sales increases over time. Meanwhile, Chevrolet captured 8.37 percent of US EV registrations in the first half of 2020, compared with 7.09 percent in the first half of 2019 and Audi’s share improved to 3.11 percent from 1.10 percent over the same period. Hyundai's EV share was flat at 1.60 percent in the first half of 2020, while Nissan’s share of the EV market tumbled from 5.30 percent in the first half of 2019 to 3.09 percent in the first half of 2020.

HEVs have the largest market share of electrified vehicles, as the solution has been available the longest. In the first half of 2020, HEVs’ share improved to 3.13 percent of the total market, from 2.97 percent in the first half of 2019. This reflects the fact that there are more HEV-equipped models available than EVs or PHEVs, as well as that US consumers have grown comfortable with the technology in the more than 20 years since the Toyota Prius first arrived in the US.

Share of US registrations



Source: IHS Markit © 2020 IHS Markit

The outlook for PHEVs may change as the year progresses and the Toyota RAV4 Prime and the Ford Escape PHEV offer a new, affordable choice in the largest segment in the US. In 2018, there was an influx of new PHEVs and the market share of this model type spiked but was not sustained. US consumers are not yet warming to the solution.

Luxury continues to see share improve

Luxury vehicle sales have continued to gain share in recent years, including during the first half of 2020. In the first half of 2020, luxury vehicles saw share improve from 12.7% to 13.7% of the total market. Back in the first half of 2018, share was just over 12%. As we noted, luxury compact CUV and luxury mid-size CUV saw share of total market increase in the first half of 2020.These also are the highest-volume luxury segments. Within luxury segments, luxury compact CUV gained 2.4 percent share, while luxury mid size CUV gained 1.5% share. These two segments now account for more than half of luxury vehicle registrations. The gain has propelled these two segments to capturing 53.7% of luxury registrations in the first half of 2020, up from 49.8% in the first half of 2019.

Market share of luxury registrations

Segment	H1 2019	H1 2020
Luxury Compact CUV	25.0	27.5
Luxury Mid size CUV	24.7	26.2
Luxury traditional compact	20.4	18.3
Luxury full size SUV	7.2	7.5
Luxury traditional mid-size	8.0	6.1
Luxury sport	5.1	5.2
Luxury traditional sub compact	3.5	3.9
Luxury traditional full size	3.8	2.7
Luxury mid size SUV	1.9	2.1
Luxury exotic	0.4	0.3
Luxury prestige full size	0.1	0.2

Source: IHS Markit

Not unlike the wider market, luxury car sales continue to decline. In the luxury arena, the luxury traditional compact and mid-size segments are also the largest car segments. As share of luxury registrations, luxury traditional compact cars claimed share of 18.3% of luxury registrations, down from 20.4% in the first half of 2019. The luxury traditional mid size segment share of the luxury market saw a similar drop, falling from 8.0% in the first half of 2019 to 6.1% in the first half of 2020. However, though share continues to erode for these segments. As share of overall market, these segments combined saw share drop from 3.6% in the first half of 2019 to 3.3% in the first half of 2020. At a brand level, Mercedes-Benz grew its share of the luxury market from 13.3% in first half 2019 to 15.5% in first half 2020, while most brands saw share decline. Despite the introduction of the Model Y, Tesla's share of luxury registrations gained only 0.2% in the first half of 2020, though the EV maker is among the top five luxury brands.

Outlook

In the first half of 2020, there was the impact of economies being closed essentially to help slow the spread of the COVID-19 virus, including restrictions on US manufacturing that halted light-vehicle production for about two months and restrictions on dealership operations. Sales were also affected by wary customers in US states that did not close down activities, as well as by major levels of job loss throughout the country. US light-vehicle registrations have been improving since the period of most restrictions in April; however, registrations declined nearly 23 percent y/y in the first half of 2020. Since the lockdown period ended, it seems that consumers with the means to buy and an interest in buying a vehicle are doing so – and that their purchases were largely in the same segments as prior to the pandemic. Assuming there are no further major government lockdowns in 2020, which the IHS Markit baseline forecast does, US light-vehicle sales will drop to 13.6 million units in 2020, from 17 million in 2019, according to our August forecast.

However, looking at the first half of the year, the general trends from 2019 largely continued, although pick-up truck registrations gained share. EVs continue slowly to gain market share, although much of that is attributable to Tesla, Chevrolet, and Audi gaining ground. Luxury registrations also continue to gain ground; over the first half of 2020, some of this may be a result of most of the jobs lost due to COVID-19 lockdowns and operations restrictions affecting lower-wage hourly jobs, while many with higher paying office jobs were able to shift to a work-from-home model and less economically impacted. We continue to see automakers adjust their product portfolios, with several subcompact cars getting the axe to make room for new utility vehicles. IHS Markit expects the market's sales recovery to be over years, with the US not seeing 17 million light-vehicle registrations annually again through 2025. Against that backdrop, we may see further product portfolio adjustments; in a lower-volume environment, the cost of maintaining a low-volume, low-margin product in this market may be prohibitive.

Another factor which impacted registrations in first half of 2020 were the impact of COVID-19 on rental-car companies; most cancelled orders as the US stay-at-home orders and reduction in business and vacation travel cratered rental-car demand, even triggering bankruptcy procedures for Hertz. Automakers have also reported shifting some of the production they had planned for rental car fleets to retail cars, following the canceled order and as production resumed in June. In making that change, automakers may be able to soften the impact of lost rental fleet orders over the course of the year.

IHS Markit Customer Care:

CustomerCare@ihsmarkit.com
Americas: +1 800 IHS CARE (+1 800 447 2273)
Europe, Middle East, and Africa: +44 (0) 1344 328 300
Asia and the Pacific Rim: +604 291 3600

IHS Markit®