

## **Bacon and Vehicle Sales**

The automotive world is buzzing with the impact of the semiconductor chip shortage, and for good reason, but no one is talking about the real problem. There is an impending shortage of... bacon! Apparently, while we were all restricted to our homes there was a pig shortage that will now be exacerbated with the end of COVID-related restrictions and the growing demand for hot dogs and other items.

Bacon shortage aside, the real question facing the finished vehicle logistics world is what impact will this current chip shortage have on the number of vehicles to be hauled? After all, each vehicle hauled represents revenue that keeps our industry moving forward.

As June wraps up and we dive headfirst into the summer, now is a good time to assess just how much the chip shortage is impacting our business, and in particular, new vehicle sales. Early estimates for the June Seasonally Adjusted Annualized Rate (SAAR) is 15.8 million. That means that if sales in every month of the year were like June, but only adjusted for the season of the year, there would be 15.8 million new vehicles sold in the United States. The actual projection for new vehicle sales in June is 1.35 million. Given that June 2020 was greatly impacted by COVID shutdowns, the year-over-year (YOY) comparison doesn't provide as much value as it once did. Regardless, the YOY increase in new vehicle sales is 21%.

Rather than looking at YOY, a better comparison is month-over-month. When you look at the last three months you notice a declining trend in new vehicle sales. The 15.8 million SAAR for June represents the second consecutive month of declining sales. The April 2021 and May 2021 SAAR were 18.5 million and 17 million, respectively. There is no doubt that there is demand for new vehicles, but the growing supply chain shortages are limiting the sale of new vehicles. While semiconductor chips and other supply chain items are getting a lot of attention, the only real cure is time.

- The average lead time for semiconductor chip deliveries is increasing, now at 17 weeks whereas the normal lead time was 12 weeks.
- Chip manufactures are ramping up production, but the demand is growing outside of the auto industry as well.
- In early June 2021, the United States Congress approved the US Innovation and Competition Act (USICA). This act will inject significant funds into developing technology within the United States and limit its reliance on technology produced outside of the U.S.



The industry experts predict that the effects of the supply chain shortage will continue to be felt into 2022. In the meantime, if you were wondering which manufacturers were weathering this storm better than others, look no further as we have the answer for you. As the table on the right shows, the Japanese and Korean OEMs have seen the largest market share increases. Although the vehicles sold by the Detroit Three decreased from 41% to 35%, they remain a sizable force within the industry.

<b>Market Share Trend</b>		
<b>OEM Origin</b>	<b>Jun-21</b>	<b>Jun-20</b>
<i>Detroit Three</i>	34.9%	41.3%
<i>European</i>	8.6%	8.8%
<i>Japanese</i>	41.6%	38.7%
<i>Korean</i>	12.1%	9.4%
<i>Others</i>	2.8%	1.9%

*Source: BofA Global research estimates,  
WardsAuto Infobank*

At the end of the day, everyone is confident that current supply chain challenges will end, and vehicle sales will stabilize. However, it is important to all carriers to acknowledge the headwinds and make the appropriate plans that are best for their business and their breakfasts with bacon!

#### Resources

- <https://www.businessinsider.com/why-supply-shortages-economy-inventory-chips-lumber-cars-toilet-paper-2021-5>
- <https://www.extremetech.com/computing/322994-semiconductor-shortage-enters-danger-zone-as-lead-times-rise>
- <https://www.theverge.com/2021/6/8/22457293/semiconductor-chip-shortage-funding-frontier-china-competition-act>