EV/Hybrid Segment Thriving Despite Weakness in Automotive Industry

While the automotive industry continues to cool off, the electric and hybrid vehicle sector appears to be thriving. As of late, oil prices have risen, and it is uncertain what the long-term effects will be on the economy. However, in terms of the electric vehicle market, considerable growth is occurring.

The US manufacturing sector appears to be slowing as we move into the second half of 2019. The positive news is that US heavy-duty truck production has increased by 17.1% year over year as of March, but the rate of growth is slowing. This is likely due to a saturation of the market as the industry expands. On the demand side, manufacturing is likely to see a decline in 2019. Wholesales trade and retail sales will rise at a slower pace into mid-2020.

While the US production of personal computers and household appliances continues to decline, Japan is showing improvements in economic activity. The leading indicators for Japan indicate a cyclical increase in industrial production through March of 2019. Japan’s industrial production continued to improve for 18 months. An annual data revision by the Federal Reserve Board now shows industrial production expanding at a slowing rate. We suggest that, on the whole, there will continue to be growth opportunities during this time.

What you need to know:

- Oil prices: We have seen oil prices rise over the last few months. Is this trend going to continue or will there be some relief?
- Alternative fuel vehicles: The alternative fuel vehicle segment is not without risk. Automakers have benefited from a federal tax credit valued up to $7,500 (even higher in select states) that has incentivized the purchase of electric vehicles, but these credits fall in value after companies reach 200,000 vehicles sold. As more manufacturers reach this threshold, consumers will bear a larger share of the cost of their purchase.
- Tax credits: With lawmakers in Congress introduced legislation to extend this credit, a position that President Trump opposes. Reduction, expiration, or elimination of the tax credit will discourage the purchase of alternative fuel vehicles.
- Retail sales: US light vehicle retail sales during the first three months of 2019 totaled 6.2 million units, down 0.1% from the same period one year ago. Longer-lasting vehicles and ride-sharing services such as Uber and Lyft are allowing consumers to delay or altogether forego purchasing new automobiles. While this may be good news for consumers, it is bad news for the automotive industry.

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