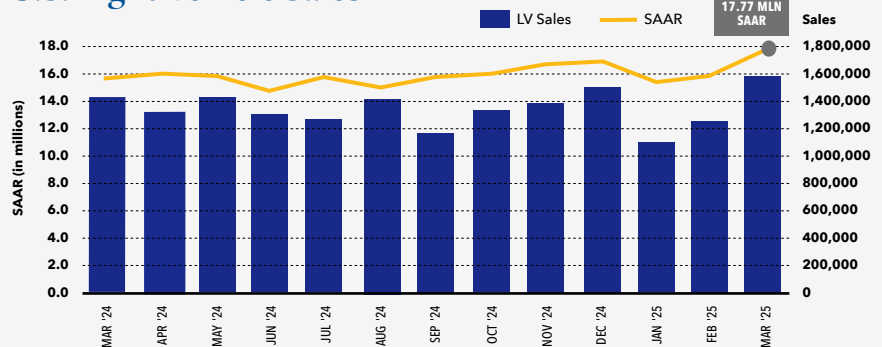


SMARTER PERSPECTIVE: AUTOMOTIVE  
**This Roller Coaster Ride May Not Be Over Yet**

By Keith Spacapan

**June 2025** After five consecutive years of sales in excess of 17 million light vehicles, the U.S. auto industry plunged to 14.6 million vehicles in 2020 at the hands of a global pandemic that left no segment of the global economy untouched. After falling to a 50-year low in April 2020, the manufacturers figured out how to restart their vehicle assembly plants while respecting social distancing protocols that protect their workforce. The industry was convinced it was on a path back to 16 million vehicles when the global chip shortage cut more than 10.0 million vehicles from global production. The U.S. auto industry managed to eke out a meager increase in 2021, living off bloated inventories that it had built before the pandemic. The inventory was quickly depleted, and the industry took a second plunge in 2022, ending the year at 13.9 million units, the lowest level since 2011. The industry clawed its way back to 15.6 million units in 2023 and 16.0 million units in 2024 despite high finance costs precipitated by a global recession. First, a global pandemic, then a global chip shortage, followed by a global recession, and now a global trade war.

**U.S. Light Vehicle Sales**



Source: Wards Intelligence

Like the on-again and off-again tariffs, the domestic automobile market has been a bit up and down as of late. Following a couple of mild winters, the seasonally adjusted annualized rate (SAAR) of sales succumbed to the more normal winter weather this year. The January SAAR of 15.6 million was an improvement from 15.0 million in January of last year but disappointing following the 17.1 million in December. Then there was a modest bounce in February, a SAAR of 16.0 million vehicles, followed by a big

bounce in March to 17.8 million vehicles just ahead of the 25 percent tariffs effective April 3 on all car and light-duty truck imports. We have seen this before when an administration implements major policy changes. Each time the EPA increased greenhouse gas emissions for commercial vehicles, first in 2008 and then in 2015, there was a significant pull ahead of sales, followed by a prolonged lull. In this case, the bounce in sales is being attributed to consumers trying to get ahead of the tariffs. Dealers were

**Finance Cost**

7.1% APR  
+ 30 bps QOQ  
No Change YOY

**Fuel Cost**

\$3.64 per gallon  
+ \$0.55 MOM  
+ \$0.46 YOY

**Inventory**

70 days  
- 19 days MOM  
- 2 days YOY

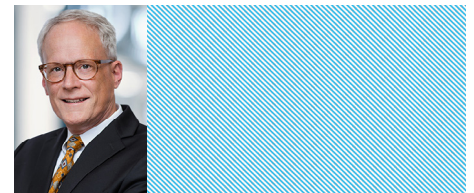
**Incentives**

\$3,059 per vehicle  
-\$168 MOM  
+\$235 YOY



advertising to consumers that “now was the time to buy,” pointing out that the tariffs do not apply to inventory sitting on the lot. This strategy will work for a month or two as long as the existing inventory holds out. The SAAR in April (17.3 million) was again above 17 million vehicles, but there was evidence the daily selling rate was decelerating toward the end of the month as dealer inventory got more picked over. Only one person knows where tariffs will end up, but something tells me that this roller coaster ride isn’t over yet.

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