



Rodney's Take

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Car Pain

Remember the good old days, when haggling over the price of a new car meant potentially walking away if they didn't give you enough of a discount? Those ancient times were just two years ago. In mid-2020, dealers couldn't give away cars, mostly because people either couldn't or wouldn't go to dealerships or they were fearful of losing their jobs so they were hesitant to buy. It seemed like everyone involved was in pain. The same thing is true today, but for completely different reasons.

Since late 2020, Americans have been flush with cash and ready to spend. The pandemic drove us to road trips and the great outdoors, which compelled many of us to look for a new set of wheels. But the supply chain disruptions led to component shortages, which kept manufacturers from minting as many new vehicles as we wanted to buy, curtailing the revenue for carmakers and dealers alike.

As with most shortages, price became the adjusting factor.

A new car cost on average \$35,000 in 2019. Today, a new car costs on average \$47,000. Those numbers are reflected in the Consumer Price Index, which shows new vehicle inflation up 12.5% over just the last year. Consumers buying new cars aren't negotiating to get great discounts, they're just trying to find cars to purchase.

As for manufacturers and dealers, they're watching potential sales walk out of the door as customers can't find what they want on the lot. In the late

2010s, Americans bought around 17 million cars and light-duty trucks each year. That number dropped to 14.47 million in 2020 as the pandemic raged, but then remained low, at 14.93 million, in 2021 because of low inventory. Industry experts hoped that sales would rebound to 15.4 million this year, but it looks like we'll be stuck below 15 million for the third consecutive year as new lockdowns and manufacturing disruptions snarl the supply chain yet again.

I've called out dealers for price gouging in the current environment before, and I'd still love to see some Congress members call a few of them to testify, but getting annoyed at the situation doesn't change it. There aren't enough cars, which is holding back sales to the point of curbing GDP growth and retail sales and driving inflation higher.

But one group is finding a silver lining. The automakers that are introducing electric vehicle models are getting their offerings to market just when consumers have few choices, and it doesn't hurt that gasoline prices are high. Ford will start delivering the all-electric F150 Lightning pickup truck this week to some of the 200,000 consumers who made reservations. Some dealers are trying to capitalize on the situation by charging additional dealer markups (ADMs) or using other means to pump up the price of the truck. Ford is trying to hold down such activity, but the manufacturers have limited control over independent dealers.

We'll soon find out if the new Lightning is as good as it looks. As recently as last week Ford reported that it was still tweaking the vehicle's software before delivery. The entry-level model can travel 230 miles on a charge, while the extended version can go 320 miles. Those numbers aren't exceptional, but they're not bad considering the shape and weight of the vehicle. However, there is an issue. The truck performs on par with electric passenger cars, but things go south if consumers start to use it as a truck. Adding weight by hauling things will diminish the range, and towing will cut the range in half. Not many people will let their vehicles run out of charge. If you intend to pull a boat, camper, or some sort of trailer, the expected range

will drop to 115 miles on the entry-level truck, which puts the effective range at less than 100 miles.

I hope that a company like QuantumScape (NYSE: QS) will develop a commercially viable long-range battery. I've been following and writing about the rechargeable battery market for years, and several companies, including Toyota, have announced breakthroughs that either later fizzled or have been delayed. It will happen, I just wish it would happen faster. Until then, we can add range anxiety or recharging hassles to the list of pains in the car market.

I hope that new car prices come back down when the supply chain smooths out, but that seems unlikely. Perhaps we should just hope for less inflation.

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Got a question or comment? You can contact us at info@hsdent.com.