

Supply chain issues are unlikely to alleviate in 2022.

The shipping industry has been operating at peak capacity levels for almost two years. Early in the pandemic, shippers' capacity was devoted to personal protection equipment (PPE), before shifting back to consumer goods. The outlook for the first quarter of 2022, typically the industry's softest quarter of the year, is as strong as peak season was in most prior years. The solution is complex and unlikely to be fully resolved in 2022.

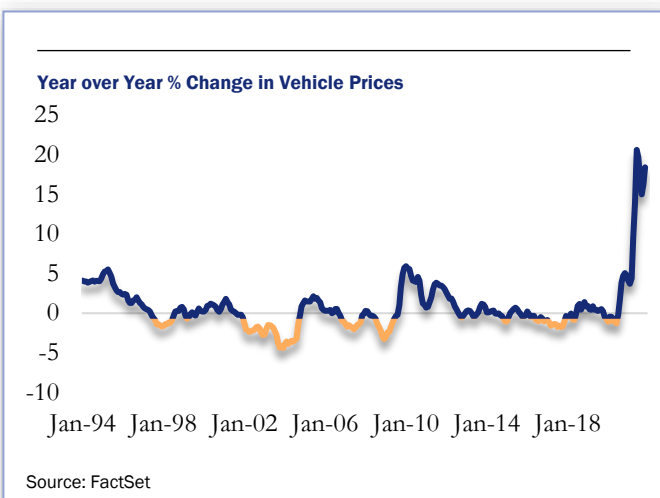


New vehicle demand outstripped supply by almost 1 million units in 2021 in the United States according to industry estimates.

Supply chain issues and equipment shortages hurt dealerships' ability to source inventory, and buyers will continue to experience scarce availability through 2022. Brands with domestic manufacturing capacity will perform better than brands who manufacture internationally. A new BMW, which can be manufactured domestically, typically has a 4-6 week waiting period. A German manufactured Audi currently has a 3-4 month waiting period.

Freight costs will remain elevated throughout 2022

and this will affect retailers regardless of size. The spot price for shipping containers is 5-10 times higher than pre-pandemic levels. Large importers benefit from direct contracts, which lock in rates below the spot market. Despite this, importers frequently exceed their container contracts and are forced into the spot market to secure additional containers. Smaller retailers operate entirely in the spot market because they lack both container capacity and signed contracts.



The acquisition costs for used cars have soared.

Despite higher price tags on the lot, dealers aren't realizing margin gains. A dealer's used car inventory is often a 50/50 split between acquisitions at auction and trade-ins. Higher used car prices have created a new opportunity for buyers to purchase new vehicles at MSRP. This presents a great value for patient buyers willing to order a car in advance and wait for delivery. The pricing discrepancy between used and new cars is likely to persist in 2022.

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