Data Release: Light trucks continue to power U.S. auto sales

- After bouncing back to over 17 million units in March following soft February sales numbers, U.S. auto sales slipped in April, tallying 16.5 million units (on a seasonally-adjusted annualized basis).

- Sales of the Detroit 3 brands, along with Nissan, led the way, with each automaker recording a 6% increase relative to last year. Hyundai (+3% y/y) and Toyota (+2% y/y) were in the middle of the pack with more modest gains, while Honda (-2% y/y) and Kia (-1% y/y) posted declines in April.

- Sales of light trucks were quite robust during the month, up 11% y/y, while passenger car sales edged down by 1% y/y.

Key Implications

- Demand for light trucks continues to be the key driver of new vehicle sales, due in large part to longer loan terms, which allow consumers to purchase more expensive vehicles. According to Edmund's, the average loan term was 67.8 months in April, marking the longest term in history. Lower gasoline prices and increased lease availability have also played a role in boosting demand for these larger vehicles.

- Despite the deceleration from the 17 million unit pace sold in March, auto sales are still off to their best start since 2006 and are likely to remain strong for the remainder of the year. Economic activity in the U.S. is expected to pick up some steam over the remainder of the year, interest rates remain at rock-bottom levels and wage growth is accelerating.

- All told, auto sales in the U.S. are on track for another increase this year. For the year as a whole, we expect them to close in on the 17 million unit mark, up from 16.4 million units in 2014.

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