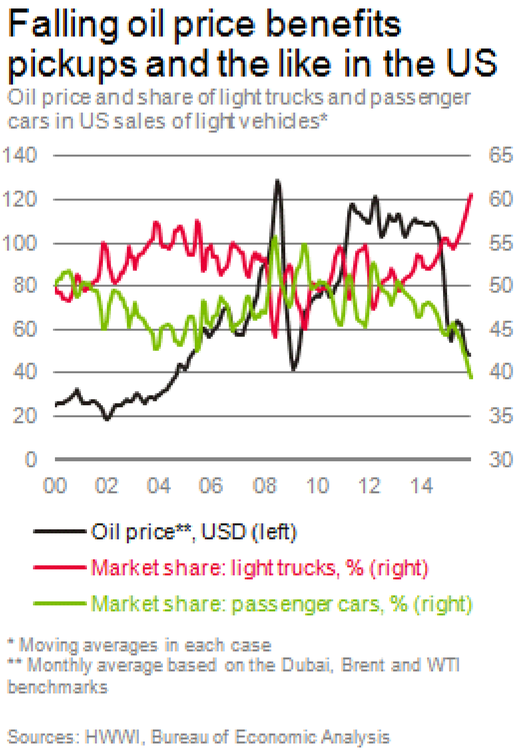
Chart in focus

Falling oil price benefits pickups and the like in the US

January 28, 2016

The share of light trucks (such as pickups and heavy sport utility vehicles) in total vehicle sales has increased noticeably in the US of late, reaching a new high of over 60% at the end of 2015. This came at the expense of conventional passenger car sales. The huge slide in oil prices, and thus petrol prices, quite obviously encourages this shift in preferences, as fuel costs become less of an issue for drivers. This is not a favourable development for the German automakers. After all, they command just 4.7% of the light truck market in the US. By contrast, they boast a 12.3% share of the passenger car segment.



The US auto market suffered a major slump during the recession years 2008 and 2009. Unit sales of light vehicles, which include light trucks (e.g. pickups) on the one hand and passenger cars on the other, shrank by 18% in the US in 2008 and, in fact, by more than 21% in 2009. In the subsequent years, the market witnessed an impressively rapid recovery. In 2015, light vehicle sales surpassed the 2009 level by more than two-thirds. All in all, nearly 17.4 million vehicles were sold in the US last year, marking a new record high. The US market is likely to continue on a path of expansion in the long term, too – not least because of the "demographic dividend". In the next 15 years alone the US population is set to increase by over 30 million.

One interesting phenomenon in the US auto market is the major influence of the oil price, and thus the petrol price, on car buyer behaviour. For example, the market share of light trucks, which show well over 40% higher fuel consumption on average than passenger cars (based on new vehicles), grew pretty steadily in the first half of the past decade. In this period, the price of oil was relatively low. When oil prices soared between 2004 and end-2008, the light trucks share tended to shrink to the benefit of more fuel-efficient passenger cars. In the years after the slump, light trucks and passenger cars ran "neck and neck" with no clear winner emerging. During this period, the oil price was usually pretty high.

The second half of 2014 saw the beginning of the noticeable slide in the oil price to its currently very low level, this being due to persistently large supply in juxtaposition with low demand for this commodity. This development significantly influenced car buying behaviour in the US. For instance, the share of passenger cars in total unit sales of light vehicles decreased within 1 ½ years by roughly 10 percentage points to 38.8% – the lowest reading ever. The currently very low price of petrol in the US has quite obviously encouraged this shift in preferences towards light trucks, as fuel costs become less of an issue for drivers. It is helpful that the share of taxes in petrol prices in the US is smaller than say in Germany, so a decline in crude prices feeds through more strongly to the price at the pump there than is the case in Germany. Naturally, it is also advantageous for the US buyers in this context that light trucks' fuel consumption has steadily fallen and fuel efficiency has risen over the past few years. An average light truck achieved a fuel mileage of 25.3 miles per gallon in 2013 (newer figures are not yet available). In 2000, the reading was only 21.3 miles per gallon, corresponding to an increase of 19%.

For the German automakers, a high and/or increasing importance of light trucks in the US market is – ceteris paribus – not good news. After all, they commanded just 4.7% of this market segment in the US in 2015. By contrast, they boast a 12.3% share of the passenger car segment. Given the likelihood of a lasting supply overhang, the oil price will probably remain relatively low for the time being, suggesting that light trucks' US market share will remain high at the least. At the same time, the boom in the US auto industry is likely to cool noticeably this year in comparison with the strong growth of the past few years. Among other things, this may lead to higher rebates. In this respect, the US auto market will be challenging in 2016 (not only) for the German automakers.

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