

News

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Cox Automotive and Moody's Analytics Launch Vehicle Affordability Index

ATLANTA, November 17, 2020 – Cox Automotive and Moody's Analytics are launching today the Vehicle Affordability Index that quantifies price movements in the new vehicle market in relation to the spending power of the U.S. consumer. The Cox Automotive/Moody's Analytics Vehicle Affordability Index (VAI) will be updated monthly using the latest data from government and industry sources, including key pricing data from Kelley Blue Book, a Cox Automotive company. Going forward, this important industry measure will be released at mid-month to indicate if the prices paid for new vehicles are moving out of consumers' financial reach or becoming more affordable over time.

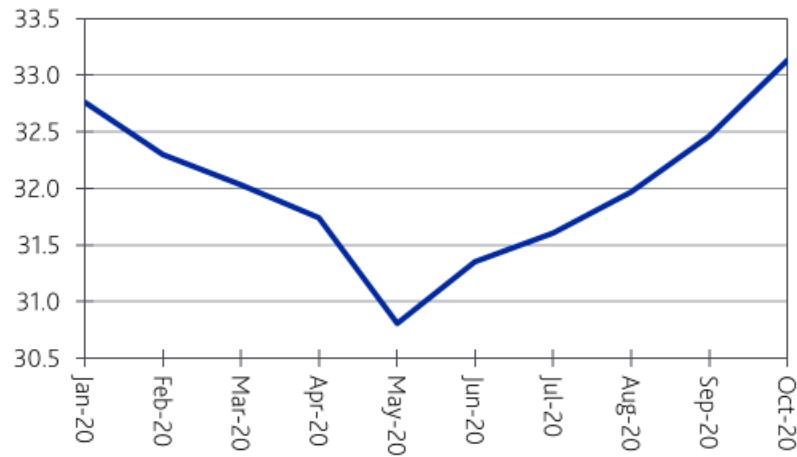
In the current market, with high unemployment and an economy struggling to recover to pre-pandemic levels, understanding the affordability of new vehicles is increasingly important to industry analysts and consumers alike. However, the answer is more complex than simply rising and falling Manufacturer's Suggested Retail Prices (MSRPs). To measure true vehicle affordability, Cox Automotive and Moody's Analytics considered shifting household incomes, incentive spending by the automakers and dealers, and actual finance charges on new vehicle loans when developing the VAI.

According to Cox Automotive Chief Economist Jonathan Smoke: "Until now, the industry lacked visibility into consumer spending power and interest rate changes relative to the movement of new vehicle prices. The Cox Automotive/Moody's Analytics Vehicle Affordability Index is filling this void by providing a comparative way to measure affordability while eliminating guesswork and prognostication."

The Cox Automotive/Moody's Analytics Vehicle Affordability Index for October is at 33.13, representing the number of weeks of income needed for a median-income household to pay off a new vehicle. Measuring in weeks provides a consistent, straightforward unit that captures the affordability of new vehicles.

New Vehicles Are Becoming Less Affordable as Incomes Drop - VAI through Oct 2020

Weeks needed to purchase [new light vehicle], (#, NSA)



Sources: Cox Automotive, Moody's Analytics

In the early stages of the pandemic, affordability improved as incomes were supported by the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the form of stimulus payments and enhanced unemployment benefits, while interest rates declined, and incentives peaked in the new vehicle market. However, affordability has been declining as average transaction prices continue to rise, and household income has fallen.

“Looking ahead, we expect new vehicle affordability to continue decreasing over the next months without further federal fiscal policy action,” said Michael Brisson, Auto Economist at Moody's Analytics. “The COVID-19 pandemic is intensifying at an alarming rate, dampening consumer demand, putting continued stress on the labor market, and depressing incomes. Despite falling interest rates, dropping incomes may push new vehicles out of reach for the average consumer.”

[Click here](#) to read the latest analysis on vehicle affordability from Jonathan Smoke and Michael Brisson.

[Click here](#) for more details and the full methodology for the Cox Automotive/Moody's Analytics Vehicle Affordability Index.

The December update for the Cox Automotive/Moody's Analytics Vehicle Affordability Index will be published on Dec. 15, 2020.

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About Moody's Analytics

Moody's Analytics provides financial intelligence and analytical tools to help business leaders make better, faster decisions. Our deep risk expertise, expansive information resources, and innovative application of technology help our clients confidently navigate an evolving marketplace. We are known for our industry-leading and award-winning solutions, made up of research, data, software, and professional services, assembled to deliver a seamless customer experience. We create confidence in thousands of organizations worldwide, with our commitment to excellence, open mindset approach, and focus on meeting customer needs. For more information about Moody's Analytics, visit our [website](#) or connect with us on [Twitter](#) or [LinkedIn](#).

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