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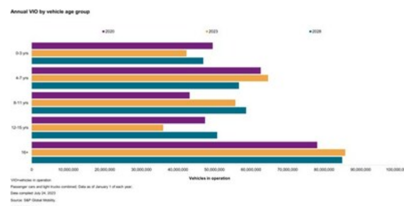
# As America becomes a nation of old cars, mechanics and the aftermarket may see boom times, according to S&P Global Mobility

SOUTHFIELD, Mich., Aug. 7, 2023 /PRNewswire/ -- With a record-high average vehicle age in the US, the aftermarket is likely to see robust growth in repair and maintenance work, as older cars will see even more miles driven than traditionally expected, according to analysis by S&P Global Mobility.

Two years of short supply of new vehicles has driven consumers into the used-car market. Now, there could be a counterintuitive shift: Surging new-vehicle supply could further boost expansion of the used-vehicle fleet, bringing more high-mileage vehicles into service bays.

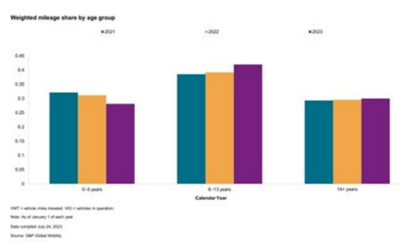
How is this possible? The aging car parc has already expanded the repair business sweet spot, which we consider as vehicles from six to 11 years old. Now 12- and 13-year-old vehicles are becoming a bigger part of the business - even though they were originally sold during the slow-sales years of the Great Recession.




Growth in vehicle age won't be uniform. While the share of 7-year-old vehicles in operation is expected to decline through 2028, vehicles more than eight years old will swell in number, said Todd Campau, associate director for aftermarket solutions for S&P Global Mobility. That age group is expected to grow by more than 25 million units by 2028, according to S&P Global Mobility projections.

"As vehicles with more electronic sophistication continue to age and increase in overall share, the aftermarket's role in maintaining the aging vehicle fleet will become increasingly critical," Campau said. "That's where the real opportunity is in the aftermarket space."

In addition, drivers of older, lower-priced, out-of-warranty vehicles are likely to drive more miles, because they may have jobs without a work-from-home option. During the pandemic years, vehicles from six to 13 years old - the new aftermarket sweet spot - will increase their share of annual miles traveled, outstripping both vehicles zero to 5-years-old and 14-years-plus, according to S&P Global Mobility projections.



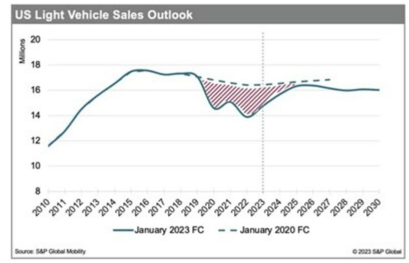

**Supply chain, inventory, and macroeconomics fuel disparity**

For several years, pandemic-related supply-chain headaches have kept automotive production below demand. Light vehicle sales of 13.8 million in the US in 2022 - the lowest in a decade - were a key factor boosting the average vehicle age to 12.5 years.

The situation wasn't entirely unwelcome for automakers and dealers. Automakers shifted their production mix to high-ticket, high-margin vehicles. At the same time, tight inventories meant that dealers could sell new vehicles quickly to desperate shoppers willing to pay sticker prices - or higher.

Now that's changing, Campau said. It was expected that as the availability of components like semiconductor chips improved, new vehicle sales would increase, slowing the rate of used vehicle growth. S&P Global Mobility forecasts 15.4 million light vehicle sales in the U.S. this year, followed by 15.8 million in 2024 and 16.5 million in 2025, based on its July forecast.

But the consumer side of the equation remains a little shaky, despite some positive macroeconomic signs. Lingering inflation and high interest rates are expected to weaken the recovery of new vehicle demand just as inventory increases. The market is transitioning from being supply-constrained to being demand-constrained, Campau said.




One key indicator: Demand for auto loans has slipped below third-quarter 2020 levels, according to analysis by S&P Global Mobility and TransUnion.

The question now, Campau noted, is whether OEMs will start building more economy or mid-priced vehicles and trims to provide affordable options to middle- and lower-income families currently trapped in a used-vehicle spiral, or if automakers will stick with a mix that favors higher-margin vehicles.

"Will the consumers continue to support that premium model?" Campau said. "The question is who's going to blink first?"

Of course, automakers can always stimulate demand by the age-old method of piling on incentives. The market is already starting to see increased incentives as new vehicle inventories have risen this year, he says. But spiffs are still at less than half of pre-pandemic levels. That said, price cuts by Tesla and Ford on their respective EV lines show that inventory concerns are growing.

**Older cars becoming trickier to fix**

All of this suggests that a growing used-vehicle fleet will continue to benefit the aftermarket business. But while aftermarket repair shops should see more business coming in the door, they face new challenges.

The vehicles in their service bays will be increasingly loaded with sensors for infotainment, communications, and advanced driver assistance systems like adaptive cruise control, lane departure warning and collision avoidance. Adaptive cruise, in particular, has been on a steady upward penetration trend since 2015; it is projected to be in nearly 70 percent of model-year 2023 vehicles, according to S&P Global Mobility estimates.

"I think sensors are where the next big opportunity is for the aftermarket," Campau said. Likewise, as 5G connectivity becomes dominant in new vehicles, a growing share of vehicles in operation will be capable of receiving over-the-air (OTA) software updates. By 2028, S&P Global Mobility projects, more than one-third of vehicles in operation will be connected, with more than 95 percent of those OTA-ready.

As the used vehicle parc grows in technological sophistication, right-to-repair issues will come to the fore, as automakers wrestle with wanting to maintain control over intellectual property while their service bays become more crowded.

"For consumers, the option to have the choice to maintain their vehicle in a timely fashion where convenient will be increasingly important," Campau said. "The volume of the vehicle fleet will make cooperation between OE aftersales service and aftermarket service shops a requirement to keep the nearly 300 million-vehicle population working as safely and efficiently as possible."

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At S&P Global Mobility, we provide invaluable insights derived from unmatched automotive data, enabling our customers to anticipate change and make decisions with conviction. Our expertise helps them to optimize their businesses, reach the right consumers, and shape the future of mobility. We open the door to automotive innovation, revealing the buying patterns of today and helping customers plan for the emerging technologies of tomorrow.

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