

COVID-19 Market Updates

Week ending January 15th, 2021





Market Trends and Considerations

Operations

Performance

Considerations



Vehicle Acquisition

OEMs have maintained pre-COVID production rates. However, vehicle chip shortages have moved up cut-off dates for some OEMs and could produce production delays. Element is monitoring the situation.

Some OEMs have already introduced truck/van cut-offs, and more are expected based on higher order volumes.

We recommend:
Place factory orders ASAP to avoid missing cut-off dates. If a vehicle has already hit a cut-off date, work with Element to find a comparable vehicle.



Transportation

Most state and provincial transporters are fully operational.

Most suppliers are reporting no delays to date in their ability to dispatch, transport and store orders. Some disruption exists in certain regions where DMV's are not open.

We recommend:
Work with Element to navigate varying capabilities across each country.

Element decontamination offering for clean vehicle certification if needed for COVID.



Resale

Manheim and ADESA continue with simulcast sales only where allowed and have been gradually adding limited in-lane bidding at select locations, but vehicles don't run in the lanes.

Weekly auction sales volume remains below same period last year due to weaker consumer demand. However, prices are expected to improve in the coming weeks due to potential federal stimulus, tax refunds and typical seasonality.

We recommend:
Continue to turn in vehicles to ensure a regular replacement rhythm and avoid unnecessary maintenance expense. Take advantage of still strong resale conditions with improving market indicators.



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Fuel

Element is not seeing disruption with customers seeking to purchase fuel.

EIA expects U.S. retail average to be \$2.40/g (2021). Kent Group expects Canada retail average to be \$1.14/L (2021). Current national average in U.S. is \$2.38/g and CA is \$1.08/L.

Fewer miles driven may reduce need for extra idle vehicles.
We recommend:
Re-allocation of vehicles to higher need areas.



Maintenance

National Accounts enacted safe distancing and store cleaning/sanitization policies. No reported impact with mobile providers. Major tire OEMs ceasing production at select facilities as current inventory levels are deemed sufficient.

Less than 1% of dealer/independent shops are either closed or experiencing significant downtime. Kal Tire (CA) open *by appointment only* for fleet customers.

We recommend:
Getting caught up on deferred maintenance due to less repair shop volume and less need for business travel.



Financing

No change.

U.S. Federal Reserve and Bank of Canada dropped base interest rates to 0.25%.

Interest rates likely to remain near zero in foreseeable future.

We recommend:
Identify newer owned units (including trucks, trailers, equipment) and consider a Sale Leaseback.
Replace older units tied to higher interest rates.