

POWER STEERING

January 2023



[MichaelSilver.com](https://www.MichaelSilver.com)

We believe the year 2022 was the second-best net profit percentage of sales in the last fifty years. The Y-T-D for November 2021 was 5.2% while in November 2022 it was 4.7%. The NADA has quit publishing certain national numbers for various reasons. Also we prefer using November's Y-T-D since December usually has LIFO adjustments, special year end bonuses to dealers for tax purposes, and other special accounting entries. November has minimal or fewer special adjustments. Also, pre-tax net profit percentage of sales has been slowly trending downward since the end of 2021. See results below from our over 250 new vehicle dealers.

November Y-T-D 2021	5.2%
November 2021	5.9%
January 2022	4.2%
February 2022	4.2%
March 2022 (typically the best month of the year)	5.5%
April 2022	4.9%
May 2022	4.9%
June 2022	4.6%
July 2022	4.3%
August 2022	4.7%
September 2022	3.9%
October 2022	3.3%
November 2022	3.6%
December 2022	2.2%
December Y-T-D 2022	4.8%

The enclosed metrics page reflects the month of December and Y-T-D pre-LIFO net profits percentage of sales. We find front-end gross profits are trending lower.

MichaelSilver
Services Tailored to
Automobile Dealerships

Visit our Website to learn more:
www.MichaelSilver.com/automobile-truck-dealerships

INSIDE

Nationwide New Car and Light Duty Truck Sales	2
Federal Income Taxes.....	2
New Vehicle Inventory – Sales Efficiency	2
New Vehicle Inventory.....	2
Monthly Sales and Profit Survey.....	3
New Vehicle Floor Plan Interest Rates	4

Nationwide New Car And Light Duty Truck Sales

For the fourth quarter results, there were 3.3 million sold in 2021 and 3.6 million sold in 2022. A good trend. For the year of 2022 there were 13.9 million sold while in 2021 there were 15.1 million sold. As reported by Automotive News, Toyota was the highest seller but down 8.8%, second was Ford but down 2.1%, third was Chevrolet but was up 5.7%, and lastly, Honda but was down 32.7%.

Federal Income Taxes

We all read at times where someone writes or states the “high” income or “wealthy” do not pay their fair share of income taxes. The IRS publishes in its many thousands of documents income and income tax metrics. These metrics do not include many tax free benefits that tens of millions of citizens receive. Below, we have shown Individual Income Tax metrics for the calendar year of 2019 and 2020.

	2019	2020
Top 11% of earners	17,190,000	18,460,000
Income range top 11 % of earners	+\$500,000	+\$500,000
Top 11% of earners gross income of total income (all tax payers)	21%	23%
Top 11% of income taxes paid percentage of total income taxes	40%	44%

As a summary of the above, the top 11% of earners make 21% of the total adjusted gross income and pay 40–44% of the income taxes.

New Vehicle Inventory – Sales Efficiency

It is obvious to us there is some inequity in the factories supplying new vehicle inventory. For the reader: GM's Franchise agreement contains “distribute new Motor Vehicles among its dealers in a fair and equitable manner.” Also it states, “Upon written request, General Motors will advise Dealer of the total number of new Motor Vehicles, by allocation group, sold to dealers in Dealer's market Area or Region during the preceding month.” We have also seen other dealers, different franchises, with Sales Efficiency of less than 80%, but the dealer never had more than a handful of new units on the ground of new vehicles such as day's supply of less than 10 days. Be careful for the factory might use this low Sales Efficiency against you in the future though their scoring system is grossly mis-computed and not equitable.

New Vehicle Inventory

We are finding some factories are drafting on dealers, being paid by dealers' banks, even though the vehicle has not been built or the dealer has not received the vehicle. In some cases the factory is being paid, but the vehicle has not been 100% built or shipped. We read in an agreement between GM and a dealer's lender the following: “Document No. 1 permits GM or its collecting bank to collect directly from the financing organization or its paying bank the invoiced amount of each vehicle shipped by GM to a particular GM dealer.” It is obvious that GM has a “special” procedure on vehicles not 100% built and not “shippable” or shipped. We think this might be “breaking” the rules or the “spirit” of the dealer's finance sources. We suggest you have your office verify at least twice a month that all vehicles on your floor plan statement are physically at the dealership.

NOTE: The page of metrics, page 3, are M-T-D and Y-T-D pre-LIFO metrics.

Monthly Sales and Profit Survey

December 2022

Make	New Units	Gross New	Used Units	Gross Used	YTD Net Profit %	MTD Net Profit %
CHRYSLER	60	\$286	107	\$2,340	5.0%	2.1%
CHRYSLER	49	\$1,482	31	\$3,408	3.2%	2.6%
CHRYSLER	17	\$2,381	48	\$1,473	2.7%	2.4%
CHRYSLER	37	\$264	62	\$2,370	6.5%	1.2%
CHRYSLER	132	\$3,552	118	\$1,147	3.2%	0.3%
CHRYSLER	22	\$3,165	37	\$3,483	6.5%	1.6%
CHRYSLER	17	\$2,781	41	\$2,240	5.0%	1.1%
CHRYSLER	19	\$2,849	30	\$1,764	3.9%	0.7%
CHRYSLER	14	\$4,246	21	\$2,346	7.8%	-0.5%
CHRYSLER	15	\$4,091	18	(\$1,073)	3.8%	-5.6%
CHRYSLER	41	\$2,955	10	\$5,400	3.9%	-7.9%
CHRYSLER	41	\$1,716	39	\$1,164	-0.3%	-7.3%
AVERAGE CHRYSLER	39	\$2,481	47	\$2,172	4.3%	-0.8%
FORD	27	\$2,630	60	\$2,452	6.5%	17.4%
FORD	21	\$4,263	58	\$2,222	5.8%	12.9%
FORD	27	\$3,476	27	\$1,825	6.1%	11.0%
FORD	40	\$4,701	30	\$2,241	3.7%	7.6%
FORD	107	\$3,374	79	\$2,932	3.8%	3.7%
FORD	21	\$4,474	34	\$2,787	4.1%	8.8%
FORD	42	\$1,654	19	\$3,427	2.5%	5.7%
FORD	46	\$12,340	27	\$1,974	4.9%	4.0%
FORD	26	\$5,366	26	\$2,586	5.0%	3.0%
FORD	38	(\$1,043)	90	\$1,520	5.0%	1.1%
FORD	43	\$1,898	40	\$461	1.2%	0.7%
FORD	36	\$3,082	45	\$1,344	2.7%	0.3%
FORD	35	\$3,345	42	\$2,860	5.0%	-0.6%
FORD	12	\$4,340	40	\$1,977	3.0%	-7.0%
FORD	26	\$2,828	36	\$1,807	3.5%	-7.8%
AVERAGE FORD	36	\$3,782	44	\$2,161	4.2%	4.1%
GM	32	\$4,379	61	\$2,898	4.5%	10.9%
GM	35	\$5,586	46	\$2,318	10.6%	9.0%
GM	37	\$3,875	42	\$3,282	3.8%	8.3%
GM	33	\$3,889	22	\$2,562	6.5%	12.7%
GM	49	\$7,058	45	\$431	2.0%	7.1%
GM	135	\$2,905	100	\$4,952	8.1%	2.3%
GM	30	\$2,574	28	\$1,858	2.0%	7.8%
GM	21	\$4,293	58	\$2,248	5.3%	11.8%
GM	64	\$2,437	49	\$2,180	4.8%	4.9%
GM	52	\$4,964	58	\$2,756	3.4%	4.6%
GM	59	\$1,476	27	\$3,094	3.5%	4.4%
GM	32	\$3,213	34	\$3,039	5.8%	6.7%
GM	14	\$2,322	39	\$3,597	4.7%	9.2%
GM	46	\$2,216	159	\$1,593	5.9%	2.5%
GM	64	\$3,192	28	\$2,822	5.9%	4.4%
GM	29	\$4,092	22	\$2,325	6.7%	3.2%
GM	25	\$5,284	41	\$1,375	1.3%	2.2%
GM	22	\$3,090	46	\$271	4.1%	1.4%
GM	18	\$3,052	33	\$1,854	5.1%	1.0%
GM	31	\$3,161	59	\$127	3.9%	3.3%
AVERAGE GM	41	\$3,653	50	\$2,279	4.9%	5.9%
IMPORT	190	\$2,351	136	\$1,182	10.5%	9.7%
IMPORT	50	\$3,217	60	\$1,160	6.0%	13.9%
IMPORT	162	\$3,168	76	\$2,290	5.8%	6.5%
IMPORT	131	\$3,325	82	\$731	6.9%	3.9%
IMPORT	66	\$2,895	78	\$2,195	7.9%	8.6%
IMPORT	86	\$3,635	76	\$1,693	8.7%	6.1%
IMPORT	71	\$3,323	114	\$1,893	6.5%	5.5%
IMPORT	45	\$4,464	78	\$2,523	5.8%	7.2%
IMPORT	57	\$2,170	60	\$3,272	6.6%	6.4%
IMPORT	30	\$3,711	136	\$2,113	4.8%	4.4%
IMPORT	79	\$3,339	34	\$2,229	8.4%	8.1%
IMPORT	34	\$3,442	29	\$3,592	8.7%	11.6%
IMPORT	14	\$2,474	39	\$3,598	4.9%	9.3%
IMPORT	30	\$3,251	40	\$2,621	5.5%	4.6%
IMPORT	24	\$2,052	89	\$2,052	3.4%	3.3%
IMPORT	41	\$2,039	34	\$556	2.9%	3.4%
IMPORT	71	\$120	47	\$644	4.1%	1.8%
IMPORT	34	\$2,791	30	\$1,500	6.2%	3.9%
IMPORT	69	\$2,714	28	\$1,753	5.4%	1.5%
IMPORT	37	\$3,663	25	\$1,886	4.3%	1.3%
AVERAGE IMPORT	66	\$2,907	65	\$1,974	6.2%	6.0%
AVERAGE	47	\$3,249	52	\$2,142	5.0%	4.3%
MEDIAN	37	\$3,168	41	\$2,222	5.0%	3.9%

New Vehicle Floor Plan Interest Rates

We have seen a lot of volatility in interest rates in 2022. Also in the past we have seen the term LIBOR for interest rates replaced by SOFR (Secured Overnight Financing Rate). In the past and now, dealers interest rate is often quoted as SOFR + some percentage, or PRIME less some percentage, or Prime + some percentage. We took a recent survey as of the end of 2022 of several dealers to give the reader an idea of what smaller and larger dealers floor plan interest rate is. We have put them in order of low to high. The Prime rate as of February 13, 2023 is 7.75% and SOFR is 4.55%.

TYPE	ADJUSTMENT	FINAL RATE
SOFR	+1.00%	5.32%
		5.42%
		5.47%
SOFR	+1.25%	5.55%
SOFR	+1.45%	5.77%
		5.68%
		5.724%
		5.95%
		6.02%
		6.03%
SOFR	1.85%	6.15%
SOFR	1.85%	6.15%
PRIME	-1.25%	6.225%
SOFR	+1.95%	6.25%
PRIME	-1.25%	6.25%
SOFR	+2.00%	6.30%
SOFR	+2.00%	6.30%
		6.64%
		6.88%
		7.00%
		7.00%
PRIME	-0.50%	7.00%
PRIME	-0.50%	7.00%
PRIME	-0.25%	7.25%
PRIME	0.00%	7.50%
		7.65%

As you can see there is a wide range of new vehicle floor plan interest rates being charged from a low of 5.32% to a high of 7.65%. Based on the date this was written, December 19, 2022, the SOFR 30-day rate was 4.32% and Prime was 7.50%.

For More Information, Contact:
 Phil Kent, CPA - Partner
 Email: pkent@michaelsilver.com
 9 Parkway North, Suite 300
 Deerfield, IL 60015
 Phone: 847.213.2113