

2023 **Q2 Report**

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Executive Summary

There is continued uncertainty in the global economy, with a growth slowdown expected for 2023. While inflation figures are down, they are still well above where they were pre-COVID. Regarding resale prices, interest rates are increasing for used cars, which will likely temper some of the demand.

	2019 Inflation Rate	April 2023 Inflation Rate
United States	1.8%	4.9%
Canada	1.95%	4.4%
Mexico	3.64%	6.25%

Based on our <u>2023 Market Pulse Survey</u>, **88% of fleet leaders are concerned about rising prices and inflation** and are mostly focused on reducing the total cost of ownership. It is therefore vital for fleets to streamline operations and leverage expert advice to boost their bottom line.

Here are the highlights of the trends for this quarter:

Fuel costs have started to trend upwards, after a dip in the early part of the year. Promote fuel-efficient driving practices and use telematics to achieve fuel savings for your fleet.

Vehicle theft worldwide is on the rise as demand outpaces supply. Take a layered approach to ensure your fleet remains protected by using tracking and anti-theft devices, and other technologies.

Despite used vehicle prices lowering year-over-year, they have been on a steep incline since March. Be highly strategic by placing orders far in advance, as vehicle supply remains low.



Report Contents



0 Fuel

Fuel costs have increased due to seasonal factors, OPEC+ production cuts, and increased demand. Leverage telematics and promote driving best practices to minimize fuel costs.



Key Trends

Over the past year, fuel costs have been volatile. After a relief at the pumps earlier this year, fuel prices have started to rise again.

OPEC+ reduced oil production¹ by over one million barrels a day in April, which is expected to lead to a moderate increase in fuel costs. In the United States (U.S.) and Canada, gas prices are also expected to be impacted by summer travel fuel demand and the shift to producing more expensive summer-grade fuel². While fuel prices are forecasted to be higher this summer, they are still projected to be lower compared to summer last year.

In Mexico, fuel costs in 2023 remain steady with an increase of 2% to 3% monthly, despite an increase of over 35% since 2020.



Gas Prices

	Past 12 months' average cost	Fuel prices as of February 2023	Fuel prices as of June 5, 2023
United States (USD per gallon)	\$4.60	\$3.41	\$3.52
Canada (CAD per litre)	\$1.95	\$1.52	\$1.57
Mexico (MXN per litre)	\$24.01	\$23.95	\$24.16

Fuel

Recommendations

01

Monitor <u>driver behavior</u> and leverage <u>telematics insights</u>, to promote eco-friendly driving practices and achieve fuel savings.

02

Utilize fleet management applications to locate the closest and lowest-cost fuel stations.

03

Implement a fleet-wide fuel card coupled with a <u>fuel</u> management solution to prevent fuel fraud and misuse.

04

Use more fuel-efficient vehicles, and understand which vehicles require premium fuel and which ones can use regular-grade fuel, to reduce fuel expenses.

©2 Safety

Supply chain issues have contributed to record levels of car theft and the sale of stolen vehicles worldwide. To safeguard your fleet, use a layered approach, such as protecting key fobs and deploying tracking and anti-theft devices.



Key Trends

With the rapid advance of technology, the rise in auto theft has been facilitated by the key fobs' ability to intercept radio frequency IDs. In the province of Ontario, Canada, up to 30 vehicles are reported stolen every day. New data shared by Carfax shows that up to 153,000 cars were stolen in the U.S. in 2022 alone. In addition, catalytic converter theft³ has more than doubled.

Data port locks⁴ which prevent thieves from gaining access to the On-Board Diagnostics (OBD) port, in addition to creating a geofence⁵ around your equipment to alert when units are moved outside allowed premises, are common technical solutions being used to prevent theft and to track inventory.

In Mexico, there was a distinct rise in delivery cargo van[§] carjackings and vehicle theft over the last year due to an increase in ecommerce. A further increase in violence was used to obtain trailer and freightliner trucks. However, overall theft was down 1% from 2021 with about 45% of units recovered between March 2022 to March 2023.

^{3.} Report: Catalytic Converter Thieves Target These 10 Vehicles Most

^{1.} How to keep your car safe with an OBD port locking device

^{5.} How to Prevent and Track Fleet Equipment Theft

^{6.} Borderlands: Mexico recorded 237 cargo thefts the first 2 months of 2023

02 Safety

Recommendations

01

Take measures to prevent catalytic converter theft such as installing an anti-theft device, as well as painting and laser inscribing the vehicle identification number on the catalytic converter.

02

Protect key fobs by keeping them in a Faraday pouch or a metal box, to block radio frequency signals.

03

Perform continuous monitoring of motor vehicle records to stay up to date on driver risk profiles. 04

Install GPS theft trackers, and, where possible, park vehicles in a garage, near security personnel or surveillance cameras. In Mexico, link devices with local authorities to initiate action and recover stolen units.



03 Remarketing

Despite resale values declining while odometers continue to climb to record heights, used vehicle prices still remain above pre-pandemic levels. Due to challenges in sourcing your preferred assets at the right price, continue to monitor price trends of new and used vehicles.

<u>Learn more about Element's remarketing services</u>





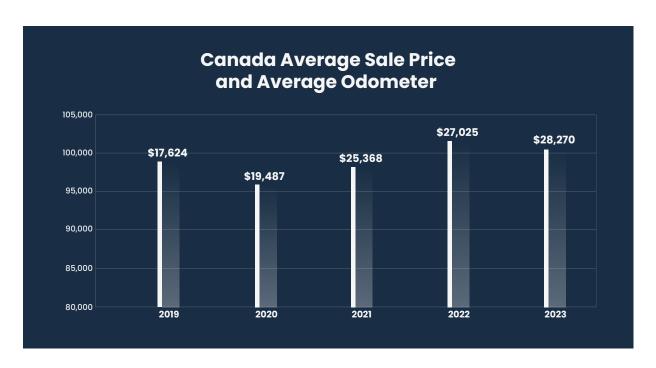
Though new vehicle inventory is rising to its highest levels since 2021^Z, continued microchip, parts, and labor shortages are expected throughout 2023. It is expected that the used vehicle market will remain constrained keeping prices high, due to new-car factories operating at only 80% capacity.

While used vehicle prices were stabilizing in a downward trend, supply dwindled to an all-time low since data was collected in 2019. As a result, used vehicle prices are now 35% higher⁸ than pre-pandemic averages. Contributing to those soaring prices are labor shortages further impacting transportation of vehicles to auction. On average, those vehicles have an additional +9% increase in mileage comparatively, which will affect replacement costs down the road.

In Mexico, manufacturer's suggested retail prices (MSRPs) have been increasing at a rate of 1% monthly. Since production levels increased during Q1 2023, these prices have become more stable. Since pre-COVID inventory levels have not yet been achieved, anticipate and plan yearly renewals and work closely with your fleet management company to set a delivery calendar for your fleet orders.

Remarketing







Recommendations

01

Keep small vans longer to have extra units available, as replacements of this vehicle type are challenging due to phase-outs. 02

Place orders early when ordering banks open and more frequently to acquire the vehicles needed for your fleet.

03

Establish a broad fleet strategy to allow for some stability as this will have the most impact as you plan replacement schedules. 04

Determine which spare vehicles held on to during peak shortages could now be sold as they were pushed past replacement parameter periods.

Element's Strategic Consulting

Element's strategic consulting team brings deep expertise to help you realize greater productivity and reduced total cost of ownership. Leveraging the most robust benchmarking database in the industry with over 1 million vehicles under management, the team uses advanced analytics to mine data for actionable insights. In 2021, the team identified over \$1.5B in cost savings for clients across U.S and Canada and over \$101M in Mexico.

Find out more about Element's strategic consulting services or get in touch with us!



Steve Jastrow

Vice President, Strategic Consulting & Analytics

Steve is a client-focused executive leader with over 25 years of experience championing high performing finance, commercial consulting, data and analytics organizations within the General Electric Corporation and Element Fleet Management. At Element, he heads a team of over 40 experts with on average 13 years of industry experience. The team is focused on supporting clients' fleet goals including fleet cost savings, operational efficiencies and sustainability through financial modelling and advanced analytics.



Javier Cabrera

Strategic Consulting Mexico Leader

Javier leads the Strategic Consulting team in Mexico and has more than 13 years of experience in management consulting, strategic sourcing and automotive. He has worked in several strategy and operations projects in over 8 industries. He leads the team in Mexico to address the needs of over 120 strategic clients by building financial models, developing improvement analysis and ad-hoc optimization projects for cost savings. Javier holds a Masters in Business Administration from the UVM Mexico City.

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About Element Fleet Management

Element Fleet Management (TSX: EFN) is the largest pure-play automotive fleet manager in the world, providing the full range of fleet services and solutions to a growing base of loyal, world-class clients – corporates, governments and not-for-profits – across North America, Australia and New Zealand. Element's services address every aspect of clients' fleet requirements, from vehicle acquisition, maintenance, accidents and remarketing, to integrating EVs and managing the complexity of gradual fleet electrification. Clients benefit from Element's expertise as the largest fleet solutions provider in its markets, offering unmatched economies of scale and insight used to reduce fleet operating costs and improve productivity and performance. For more information, visit www.elementfleet.com.

Learn more about Element's strategic consulting services or get in touch with us.

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