

# Country report - USA

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The United States is arguably the most advanced, industrialised country in the world, with an estimated 328m population in 2019 (4.3% of the world's total inhabitants) living in a land area of 9.15 million square kilometers made up of 50 states. Some 83% of the population is urban - New York is the largest city at 8.5 million people followed by Los Angeles at 4 million. The median age is 38 years with an average life expectancy of 79 years.

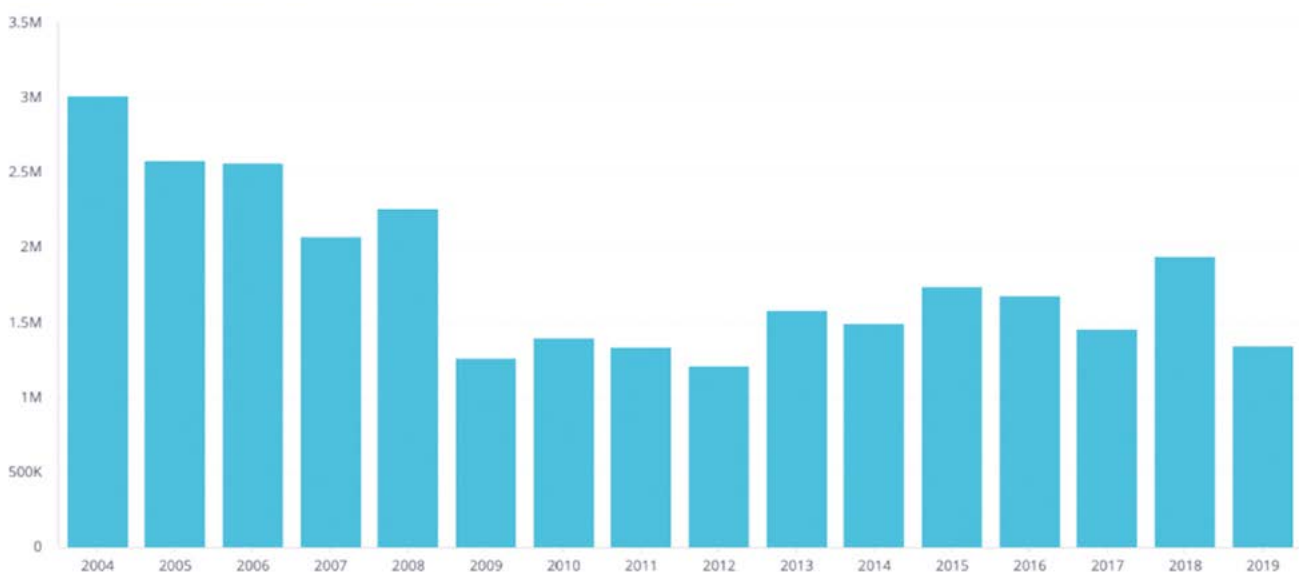
Economically, the US boasts a nominal GDP of US\$21.4 trillion in 2019 having more than doubled in 20 years, although the expectation for 2020 is set at US\$20.7. Unemployment stood at just under 9.6% in April 2020, against just 3.7% in 2019, showing the impact of the Covid-19 pandemic.

As with the rest of the world, the overall impact of the pandemic is yet to be assessed, although predictions show a short-term, significant economic downturn that will impact the automotive sector, with the larger employers suggesting their businesses have been more badly affected than smaller operations.

## **The vehicle parc, manufacturing and sales**

The total US light vehicle parc in 2019 was 278m. This is made up of approximately 116 million cars, 165 million light trucks with an average age of just under 12 years old. The total parc rises to 286m when including the nine million medium/heavy duty trucks. With almost 228m licensed drivers in the US, the ratio of drivers per vehicle is just 1.1, the lowest anywhere in the world.

## **Passenger car ownership in USA by year of registration at Dec 2019. Total Parc+-278M**



SOURCE: OATS

By far and away the largest market is the 'light truck' segment, largely comprising pick-up and SUV vehicles. The most popular of these – and outselling any other vehicle in the US – is Ford's F-Series pickups (in particular the F-50), although they lost some ground in 2019 to Dodge, whose RAM model saw a 20% boost to take it into second place. Amongst car registrations, the Japanese manufacturers dominate, with the Toyota Camry, Honda Civic and Toyota Corolla making up the top three. Ford's Fusion comes a lowly eighth, just ahead of Tesla's all-electric Model 3 which came straight into the top 10 in its launch year.

Despite Tesla's success, hybrid vehicle sales accounted for just 4.3% of the US market in 2019 – around 722,000 from total sales of 16.9m – an increase of just 0.5% since 2013. This increased the total of registered hybrid vehicles across the country to five million out of the total vehicle parc, with the vast majority being registered in California.

The US vehicle and parts manufacturing industry grossed US\$780bn in 2019 with domestic vehicle production dipping to 92m vehicles, its lowest since 2010. The industry as a whole employs almost five million people. Of these, 596 000 work in motor parts manufacturing, 1.3 million in dealerships, with close to one million employed in gasoline stations and a similar number in repair and maintenance operations.

The aftermarket industry has an estimated value of around US\$405bn. In a survey conducted from 2015-2019 by the Auto Care and Aftermarket industry, the top five key impact issues for the sector were the average age of the vehicle parc; increasing vehicle complexity which emphasizes the need for a professional technician's expertise; telematics that could exclude small repair shops; consumers opting to main their vehicles rather than buying a new one; and the general health of the economy.

### **Base oil production**

From Drake's first well in Titusville, Pennsylvania in 1859 - when 'lamp oil' or 'rock oil' was first drilled using 'modern' methods - to the present day, the US oil industry has played a major role in the US economy.

The First World War revealed the importance of oil for survival especially as cars, tanks, and aeroplanes were first used. US oil companies supplied 80% of the

war's hydrocarbon requirements. Exxon alone supplied about 25%. These few oil companies controlled about 85% of the world petroleum reserves until the first fuel crisis of 1973 when OPEC's influence began to change the landscape of influence.

Currently, US oil supply comes from 135 operating refineries, mostly situated around the Gulf coast of Texas and Louisiana, with Marathon's Garyville Louisiana refinery – built in 1977 - being the largest at 578,000 b/d, until Motiva upgraded its Port Arthur, Texas refinery. This is set to deliver a capacity of 607,000 b/d of atmospheric crude distillation as of 2020.

In 2019 US crude production reached a record 12.23 million b/d, an increase of 11% on the previous year. Petroleum production reached 19.25m b/d, making it virtually self-sufficient in meeting its 20.46m b/d consumption.

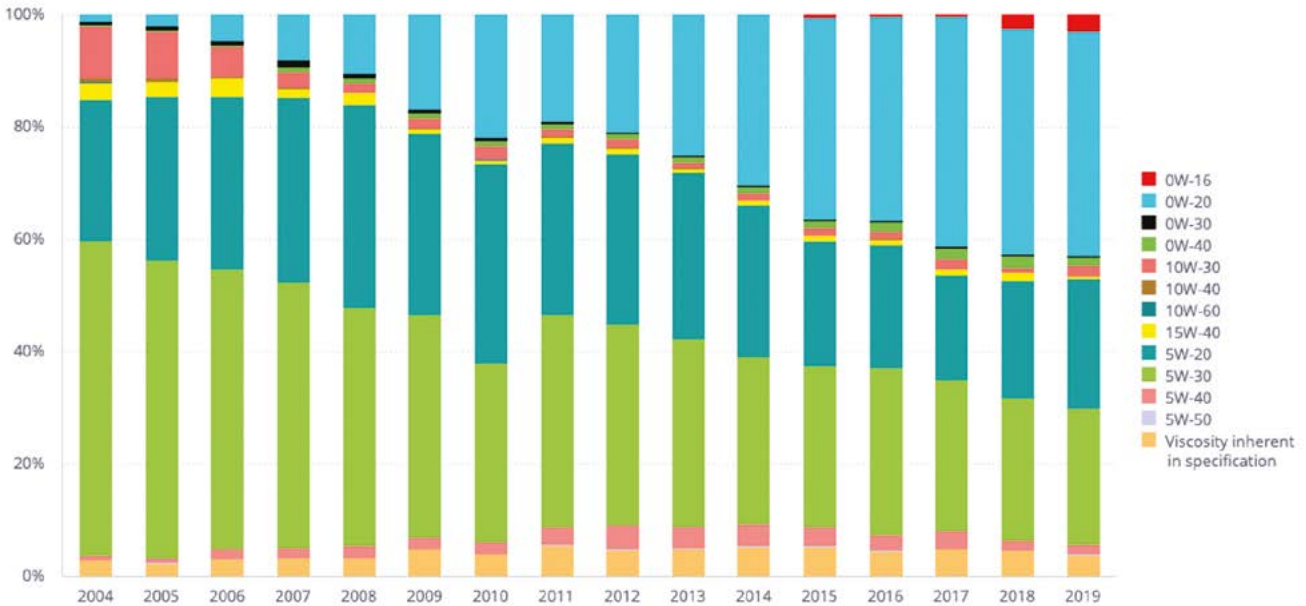
### **Lubricants production and market**

As home to the International Lubricants Standardization and Approval Committee (ILSAC) and the American Petroleum Institute (API), the US plays a highly influential role in setting standards in product testing, specification and marketing for the global lubricants industry. Most recently, ILSAC introduced the GF-6 specifications with licenced sales beginning in May 2020.

Supported by the Independent Lubricants Manufacturers Association (ILMA), founded in 1948, the US independent sector still thrives. The US lubricants market as a whole is worth around US\$20bn and is predicted to show slow but continued growth for the next five years. Unsurprisingly, the automotive sector takes the largest share of the market by a significant margin, with industrial lubricants taking second place. The automotive market is split largely into two consumer groups – Do It For Me (DIFM) and Do It Yourself (DIY).

In terms of product sales, retail chains alone accounted for almost US\$140m worth of greases and lubes in the year to April 2020. Include oil additives, plus transmission and brake fluids and that figure rises to almost US\$550m. The country's 7,276 dedicated oil change and lube outlets have shown a 4.3% increase in year-on-year average sales between 2014 and 2019 with the latest figure at a little more than US\$900,000 per outlet per year.

## Parc % by Year of Manufacture by significant Viscosities



SOURCE: OATS

The Autocare and Aftermarket Industry research showed that regardless of vehicle age, engine oil and oil filters have by far the largest replacement rate of any other vehicle component. OATS' data shows that, as with most countries we have reported on to date, the penetration of high-performance lubricants into the market has increased in line with newer vehicles being introduced to the parc.

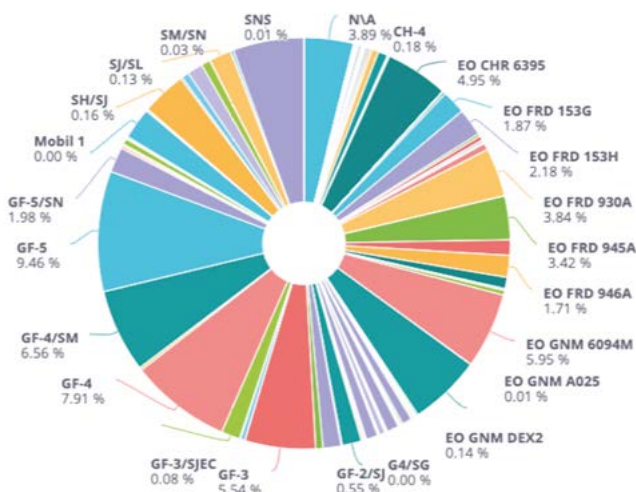
However, in the case of the US, the increase in ultra-high performance 0W-20 and 0W-16 products has been significant for 2015 registered vehicles onwards. Of the others, 5W-20 and 5W-30 specifications make up the majority share of the market.

Reflecting this general trend, the specification breakdown shows GF-4 and GF-4/SN combining to take the most significant share of products at more than 14%. However, GF-5 combined products follow close behind, taking 11%. Amongst motor manufacturer-specific lubricants, Ford lubricants dominate the sector, followed by General Motors and Chrysler.

### In summary

The COVID19 pandemic has impacted the US economy and the automotive sector has not escaped lightly, but may have been less hard hit than other countries. Automotive parts retailers and workshops largely remained open, being considered 'essential services', while consumer behaviour regarding travel patterns may have also been less dramatic than elsewhere around the world.

## Engine Oil Specification by Car Parc %



Although electric vehicles globally have seen major investment resulting from the pandemic and increased environmental pressure, Tesla's growing in popularity belies the fact that EVs generally are a significantly smaller sector in the US than in almost any other developed nation. It appears this segment will continue to grow more slowly in the US than the rest of the world, particularly as the current administration continues to give strong support to the oil and gas industry. In summary, don't bet on the wheels of the light truck sector falling off just yet!

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