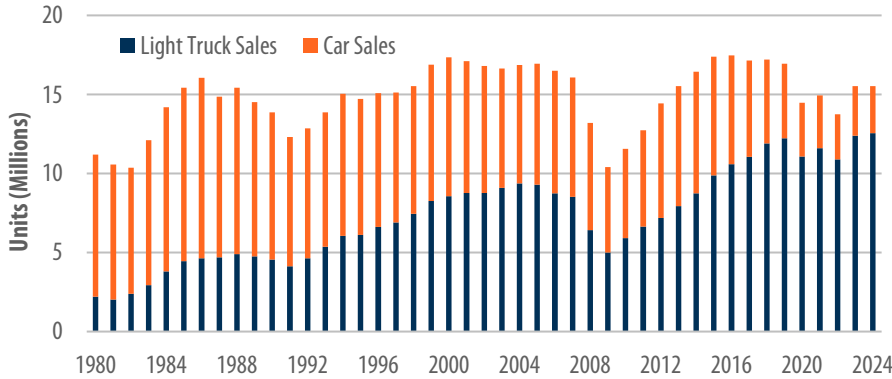


In today's Three on Thursday, we look at the auto sector in the United States. Auto sales in the U.S. are an important driver of economic activity, influencing various sectors from manufacturing to retail. The automotive industry not only supports millions of jobs directly within car manufacturing and sales but also indirectly through related industries such as steel, rubber, and electronics, to name a few. Robust auto sales often indicate a healthy economy, as they reflect consumer confidence and spending power. Additionally, the industry contributes around 3% of the nation's GDP. For more details, please find the three charts below.

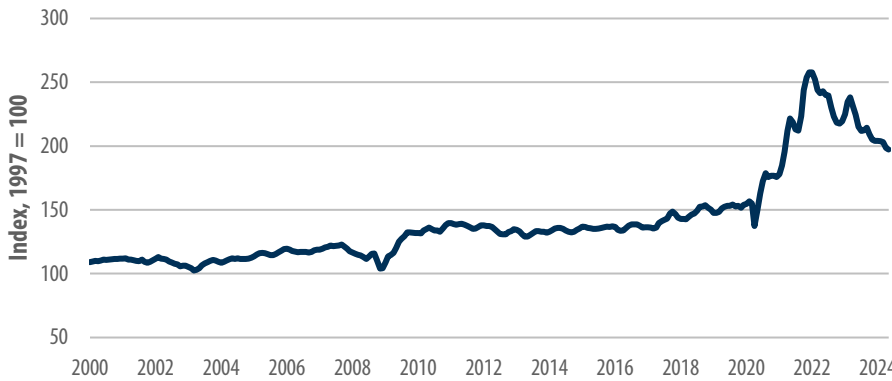
Annual U.S. Auto Sales



Source: Bureau of Economic Analysis, First Trust Advisors. Annual data 1980-2023. 2024 data is the annualized average through May.

So far this year, auto sales have averaged 15.5 million units at a seasonally adjusted annualized rate through May. Of these sales, 80.8% have been light trucks (including pickup trucks, SUVs, minivans, and some crossover vehicles), while only 19.2% have been cars. If this trend continues throughout 2024, it will surpass last year's record, where light trucks accounted for 79.9% of total auto sales. Back in 1980, the market share of light trucks was only 19.8% of overall sales and has consistently increased from there, reflecting a growing consumer preference for larger, more spacious vehicles.

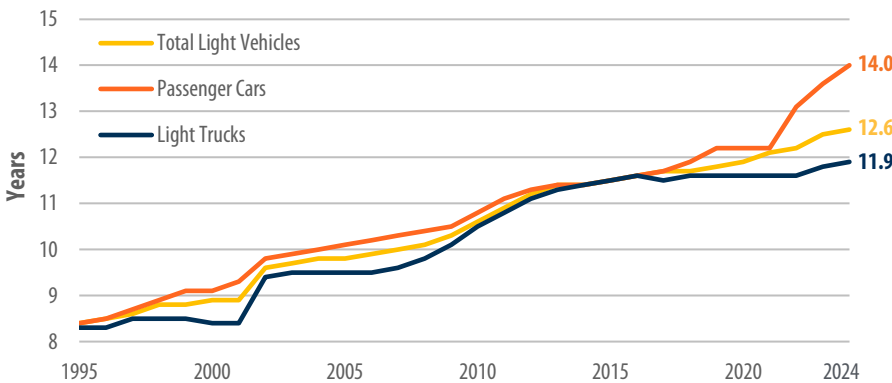
Manheim Used Vehicle Value Index



Source: Manheim, First Trust Advisors. Monthly data 1/2000 - 5/2024.

The global shutdowns in 2020 led to a supply chain nightmare, resulting in a significant shortage of new vehicle inventory. This shortage drove many consumers to the used vehicle market, causing a substantial surge in used vehicle prices. While new vehicle inventories remain limited, they are gradually recovering, exerting some downward pressure on used vehicle prices. Despite the Manheim Used Vehicle Value Index declining 24.4% from its peak in January 2022, it remains 27.5% higher than it was in February 2020, before the shutdowns.

Average Age of U.S. Vehicles



Source: R.L. Polk & Co., First Trust Advisors. Annual data 1995 - 2024. 2020 and 2021 data for passenger cars and light trucks not available and represented as 2019 level.

Cars, trucks, and SUVs in the U.S. are reaching record ages, with the average vehicle now 12.6 years old in 2024 as people hold onto their vehicles longer. Key factors contributing to this trend include improved vehicle quality, which allows cars to last longer, and rising new vehicle prices that encourage consumers to keep older cars. Additionally, incremental technology improvements in new models have not been compelling enough to spur widespread replacements. However, the growth in the average vehicle age is beginning to slow as new vehicle sales recover from pandemic-related parts shortages, including computer chips. In 2023, the average vehicle age increased by two months.

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.