

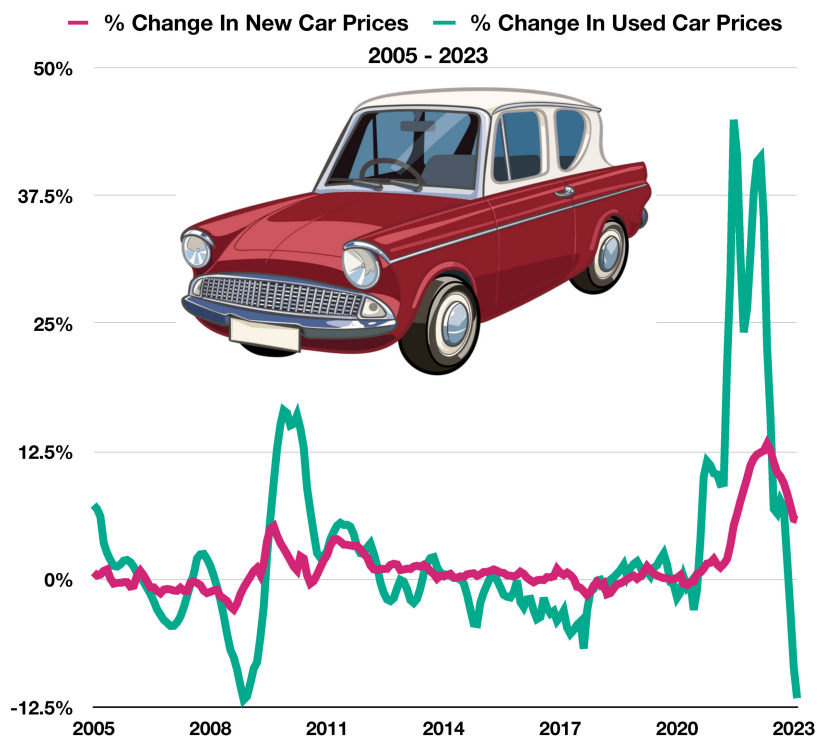
## Rising Car Payments Become Less Affordable for Many - Automotive Industry

Since the pandemic ushered in a widespread global shortage of semiconductor chips that are vital to new vehicles, car prices have risen to historic highs. Three years later, the supply issue has dissipated somewhat, yet prices for new vehicles remain abnormally high.

The average monthly loan payments on new cars rose past \$700 in 2022, while used vehicles surpassed \$500 on average. Despite years of fairly constant prices, the costs of new vehicles have skyrocketed following chip shortages and a reinvigorated demand for cars following the pandemic. While new car prices never surpassed yearly price growth of over 2% for 9 years, they increased over 10% during 10 consecutive months in 2022.

Used vehicles saw much more dramatic price changes, with prices increasing as high as 45% in late 2021 and throughout 2022. Used car prices have historically fluctuated more than new car prices, yet 2022 saw historic price jumps. In trend with used vehicles' volatility, their prices have been falling rapidly in recent months, dropping nearly 12% in January of 2023 alone. So, while used car prices are still higher than pre-pandemic levels, their prices have finally begun trending toward normalcy. Albeit, the same cannot be said for new car prices, which have steadily increased for 30 consecutive months.

Sources: Bureau of Labor Statistics, St. Louis Federal Reserve



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