

BLUE BOOK BRIEFING

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The latest video and written news stories by the editorial staff of Kelley Blue Book's KBB.com

NEW-VEHICLE REVIEWS ON KBB.COM:

All-new and updated video and written reviews from the editorial staff of Kelley Blue Book's KBB.com, and links to consumer reviews and ratings on KBB.com

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Built on Shifting Sands?

- Jack R. Nerad, executive editorial director and executive market analyst for Kelley Blue Book's KBB.com

From outside appearances this year has been a good one for the auto industry. Though August sales slipped a bit year-over-year versus 2014's results, year-to-date sales were still on the upside by nearly 4 percent. We are apparently continuing on our way to a 17 million unit sales year. Further, many industry analysts predict that 2016 will be equally robust with sales set to top 17 million yet again. The feeling among many analysts is that next year will be the seventh consecutive year of automotive sales gains, a virtually unprecedented run of positive sales results. But, as you probably guessed, there is a potential joker in the deck, and frankly no one knows exactly what effect it will have since, as an economy, we've never been here before.

So what is that joker in the deck? The interest rate. And we have never been where we are right now, because never in its long history of involvement with monetary policy and banking has the U.S. government established a near-zero percent interest rate policy. In fact, in previous decades, even with heavy involvement by the U.S. Federal Reserve in monetary policy, such a notion would have been akin to blasphemy. But here we are. The ramp-up of auto sales since 2009 has been accompanied by a similar unprecedented run of near-zero interest rates, and it doesn't take a Nobel Laureate in economics (happily, since I'm not one) to suggest that there is a correlation, a strong correlation, between the two. In an effort to jump-start the economy and prevent a downturn even before the market crash of 2008, the Fed instituted its current stimulus policy that essentially leverages government borrowing to assure low interest rates. "Jump-start" typically implies a short-term effort, and the low-to-no interest policy was initially viewed as a quick fix to get the economy back on

track, but the Fed has been applying a lot of cold-cranking amps to the economy over much of the past decade, and still, many economists warn that it is not time to pull off the jumper cables and see if the American economic engine can run again on its own.

What will a hike in interest rates engender? That question is key going forward, as the Fed indicates that it may be about to pull the plug and let interest rates go up a notch, or as has been suggested, go up 25 percent of one notch. If, indeed, the Fed does ratchet interest rates up a bit before the end of the year, what does it mean to the American economy and, importantly, what does it mean to our industry?

To get a flavor of what that future might look like, let's take a look at the recent past. If you take a macro view of what has driven auto sales, housing sales, housing prices and the stock market over the past six years, one would have to point to the near-zero interest rate policy. In autos, low interest rates make cars and trucks more affordable to both consumers and to fleet buyers. More affordability immediately translates into more sales. Higher interest rates mean higher costs, and that is likely to translate into lower sales or, at the very least, make maintaining sales volume much more expensive for manufacturers and dealers. And while the proposed initial rate hike might appear minimal, there are two items to keep in mind. One, the first rate hike is likely to be followed by others in a measured fashion that could mean interest rates two to three points higher than they are currently within 24 months. Two, a boost in interest rates is likely to have negative ramifications for housing sales, housing prices and the stock market, and each of those factors will make consumers feel poorer. And what do consumers do when they feel poorer? Well, one thing they don't do is buy automobiles.

Please don't read this as a plea that we keep the zero-interest policy going forever. The fact of the matter is that it would be virtually impossible to keep it in place because of the enormous government debt that it entails. For real growth, we must return to a more market-driven interest rate. But if and when we begin that difficult transition, one needs to have the perspective that much of today's gains in the auto industry have been built on shifting sands. Taking the effort to build a sounder foundation will take time, and it won't be painless.

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- JACK R. NERAD

LATEST NEWS STORIES ON KBB.COM:

Check out the very latest news stories by visiting KBB.com and clicking the the *KBB.com Top Picks* tab on the home page. The following latest news stories by KBB.com's editorial staff went live on the site or were updated during August 2015.

Latest News:

[2017 Bentley Bentayga gets real in Frankfurt](#)

[2017 Cadillac XT5 set for spring intro](#)

[2017 Ford F-150 Raptor breaks cover](#)

[2017 Hyundai Elantra previewed](#)

[2017 Hyundai Elantra redesign teased](#)

[2017 Jaguar F Pace to introduce new tech touches](#)

[2017 Kia Sportage teased](#)

[2017 Kia Sportage shows its new shape](#)

[2017 Kia Sportage: More style, sophistication and spirit](#)

[2017 Mercedes-AMG C-Class Coupes unveiled](#)

[2017 Mercedes-Benz C-Class Coupe to debut at Frankfurt](#)

[2017 Mercedes-Benz S-Class Cabriolet set for Frankfurt](#)

[2017 Mercedes-Benz S-Class Cabriolet unveiled](#)

[2017 Mitsubishi Mirage skips a model year](#)

[2017 Porsche 911 revamp brings all turbo power](#)

[2017 Smart Fortwo Cabrio revealed](#)

[2016 BMW 7 Series First Review: Remaking a flagship](#)

[2016 Buick LaCrosse, Regal and Verano add Sport Touring trims](#)

[2016 Chevrolet Camaro priced](#)

[2016 Chevy Volt rollout limited](#)

[2016 Dodge Challenger and Charger go Plum Crazy, again](#)

[2016 Dodge Charger/Challenger Hellcat prices rise](#)

[2016 FCA 3.6L Pentastar V6 updates boost torque and MPG ratings](#)

[2016 Ford Explorer Platinum: Moving on up](#)

[2016 Ford Shelby GT350R production begins](#)

[2016 Galpin Ford Fisker Mustang Rocket Speedster bows](#)

[2016 GMC Sierra 2500HD/3500HD add tech](#)

[2016 Honda CR-Z lives on](#)

[2016 Honda Pilot earns IIHS Top Safety Pick+ rating](#)

[2016 Infiniti Q70 Premium Select Edition unveiled at Pebble Beach](#)

[2016 Jeep Wrangler Black Bear Edition unveiled](#)

[2016 Lamborghini Aventador LP 750-4 SV Roadster revealed](#)

[2016 Lexus GS Series refreshed](#)

[2016 Lexus LX 570 updated](#)

[2016 Nissan LEAF offers more range, features](#)

[2016 Rolls-Royce Dawn unveiled](#)

[2016 Subaru BRZ cuts price, adds Starlink infotainment](#)

[2016 Toyota Land Cruiser updated](#)

[2015 Ford Focus ST aftermarket kit adds 23 hp, keeps warranty](#)

[Acura earns top safety rating across entire U.S. line](#)

[Acura NSX launch delayed](#)

[Aston Martin to add EVs](#)

[Audi e-tron Quattro Concept teased](#)

[BMW 3.0 CSL Hommage R Concept makes U.S. debut](#)

[BMW Concept M4 GTS previews track-focused future production car](#)

[Borgward Crossover bows at Frankfurt](#)

[Bugatti Vision Gran Turismo Concept on way](#)

[Bugatti Vision Gran Turismo Concept revealed](#)

[Going Beyond the Credit Score to Find a Loan](#)

[Honda Project 2&4 Concept teased](#)

[Honda Project 2&4 delivers instant exhilaration](#)

[Hyundai HCD-16 Vision G Coupe Concept previews a premium future](#)

[Hyundai N 2025 Vision Gran Turismo previews new sub-brand](#)

[Kia Hot-Weather Testing: Feel the heat](#)

[Nissan Crossover Concept teased](#)

[Peugeot Fractal Concept unveiled](#)

[Toyota hybrids top 8 million in global sales](#)

[This Week in Car Buying: Buick Enclave tops deal list; Toyota looks to online sales; Inventories shrink; Loan balances rise](#)

[This Week in Car Buying: California scraps fuel savings proposal; Ford F-150 hits its stride; 2016 Chevy Malibu priced; U.S. tops China in car sales](#)

LATEST NEWS STORIES ON KBB.COM CONTINUED:

[*This Week in Car Buying: New car transaction prices up year-over-year; Jaguar introduces EliteCare coverage, Mazda kicks off Retail Evolution*](#)

[*This Week in Car Buying: Nissan bets renters beget buyers; Cadillac ramps up SUVs; What's hot, what's not; Lender under pressure*](#)

[*This Week in Car Buying: Slowing sales set stage for big deals; Mind the gap between new and used car payments; Toyota bans below invoice ads*](#)

NEW-VEHICLE REVIEWS ON KBB.COM:

The following new-vehicle reviews written by KBB.com's editorial staff went live on the site or were updated during August 2015. To see any new-vehicle reviews from KBB.com's editorial staff, please visit KBB.com and click on the *Car Reviews* tab, then select the make and model.

Video Posted to KBB.com:

[*Video Review: 2016 Chevrolet Corvette Z06*](#)

Written Stories Posted to KBB.com:

Highlights

[*Frankfurt Auto Show*](#)

[*Our 10 Most Awarded Cars of 2015*](#)

[*Our 5 Favorite New-Car Safety Features*](#)

[*10 Best Car Deals of the Month - September*](#)

[*11 Most Useful In-Car Technologies*](#)

[*KBB.com Awards and 10 Best Lists*](#)

Vehicle Coverage:

First Drives/Reviews

[*2016 Lexus RX First Review: Striking on the outside, familiar within*](#)

[*2015 Chevrolet Suburban vs. Yellowstone National Park*](#)

[*2016 Smart ForTwo First Review*](#)

[*2016 Toyota Prius First Look: More efficient, more fun*](#)

[*2016 Toyota Tacoma V6 First Review: More Modern, More Efficient, More Capable*](#)

Long Term Vehicle Updates

[*2015 Honda Fit Long-Term Update: Noise/vibration/harshness*](#)

[*2015 Mazda3 Long-Term Update: Infotainment Tips and Tricks*](#)

Quick Takes

[*2016 Hyundai Sonata Hybrid SE Quick Take*](#)

[*2015 Ram ProMaster City Quick Take*](#)

NEW-VEHICLE REVIEWS CONTINUED:

KBB.com Expert Reviews:

[2016 Audi TT](#)

All-new for 2016 and available as a 2+2 coupe or 2-passenger roadster, the Audi TT is a technological powerhouse and performance marvel.

[2016 Buick Enclave](#)

Though showing its age, the Buick Enclave 3-row premium SUV still offers a lot of room and features at a price that undercuts rivals.

[2016 Cadillac SRX](#)

The Cadillac SRX meshes the company's distinctive razor-edge styling with a luxurious interior and powerful V6 engine.

[2016 Chevrolet Corvette](#)

Chevrolet's 2016 Corvette continues to impress its fans and stifle critics, delivering supercar performance at an amazing price.

[2016 Chevrolet Cruze Limited](#)

For those bargain shopping, Chevy's 2016 Cruze Limited offers exceptional room, comfort and economy for about the same price as the 2015 model.

[2016 Chevrolet Impala](#)

The Chevrolet Impala combines full-size comfort with a slick exterior and a boatload of must-have entertainment technologies.

[2016 Dodge Dart](#)

With its Italian roots and iconic American name, the Dodge Dart sedan is a cut above the average economy car.

[2016 Dodge Journey](#)

With numerous configurations and a powerful V6 engine option, the 3-row, 7-passenger Dodge Journey for 2016 shines as a value leader.

[2016 Ford C-Max](#)

The Ford C-Max Hybrid mixes style with substance to create an efficient green car that is also fun to drive.

[2016 Ford Expedition](#)

The Ford Expedition is a big sport-utility vehicle that can tow heavy loads, haul large families and their gear, and offers traditional 4-wheel-drive (4WD) capability.

[2016 GMC Acadia](#)

Purposeful good looks and a luxurious interior make the GMC Acadia crossover SUV the perfect ride for the upwardly mobile family.

[2016 Honda Fit](#)

If you're looking for a car that's roomy, fuel-efficient, fun-to-drive and actually affordable, the Honda Fit is just what you need.

NEW-VEHICLE REVIEWS CONTINUED:

[2016 Kia Forte](#)

The Kia Forte offers up sedan, coupe and hatchback models with sporty styling and high-end features throughout.

[2016 Kia Soul](#)

The Kia Soul is rolling coolness backed by an impressive warranty and some amazing features. There's even an electric version.

[2016 Mazda CX-3](#)

The all-new CX-3 allows Mazda to jump into the red-hot sub-compact SUV market with what could be the most fun-to-drive vehicle of all.

[2016 Mazda Mazda3](#)

Stylish, efficient and fun, the 2016 Mazda3 sedan and hatchback easily match or outpace rivals like the Toyota Corolla and Honda Civic.

[2016 Mercedes-Benz Metris](#)

The Mercedes-Benz Metris is a new cargo or passenger van. It fits in a home garage yet boasts greater space and capability than rivals.

[2016 Scion iA](#)

Scion's first-ever sedan injects a fresh flavor of substance and style into the subcompact arena.

[2016 Scion iM](#)

Scion's most grown-up model to date blends hatchback versatility with premium features to form a stylish-yet value-intensive package.

[2016 Toyota Tacoma](#)

The Tacoma, Toyota's tough, reliable midsize truck, is all-new for 2016. It's now more fuel-efficient, quicker and more capable off-road.

[2016 Volkswagen Tiguan](#)

The Volkswagen Tiguan is a pricier outlier than other compact SUVs, but it brings sporty handling and an upscale feel.

Kelley Blue Book Provides New-Car Safety Feature Insights, Tips to Help Avoid Distracted Driving at 2015 Celebrity Red CARpet Safety Event

As Part of Child Passenger Safety Week and Amidst Growing Distracted Driving Concerns, KBB.com Experts Highlight Five Favorite New-Car Safety Features

IRVINE, Calif., Sept. 15, 2015 -- As part of Child Passenger Safety Week 2015, Kelley Blue Book www.kbb.com, the only vehicle valuation and information source trusted and relied upon by both consumers and the automotive industry, aims to educate consumers on the various technology features available on new cars to help keep families safe and avoid distracted driving while they are on the road. The KBB.com experts recently published an article detailing their Five Favorite New-Car Safety Features, giving new-car shoppers insight into various helpful safety and technology features to consider in their next vehicle purchase... [MORE](#)

10 Most Awarded Cars of 2015 by Kelley Blue Book's KBB.com

KBB.com Recognizes Vehicles Winning Most Kelley Blue Book Awards, Accolades This Year

IRVINE, Calif., Sept. 9, 2015 -- A big part of car shopping used to be dedicated to separating the good models from the bad, but today the challenge lies in sifting through all the great cars to find the very best according to your individual wants and needs. To give shoppers a smart place to start their potential new-car search, the editors at Kelley Blue Book www.kbb.com, the only vehicle valuation and information source trusted and relied upon by both consumers and the automotive industry, have named the 10 Most Awarded Cars of 2015... [MORE](#)

Six Cox Automotive Leaders Named to Auto Remarketing '40 Under 40' List

Honor Celebrates Value the Company Places on Fostering a Uniquely Talented, Diverse Workforce

IRVINE, Calif., Sept. 1, 2015 -- Celebrating the unique talents, perspectives and ideas of its diverse workforce, Cox Automotive announced today that six leaders from across the organization have been named to the inaugural Auto Remarketing "Remarketing & Used-Car Industry's 40 Under 40." With more representatives than any other organization on the list, this distinction not only honors some of the company's best and brightest young professionals, it also is a testament to their leadership and contributions across the digital, retail and wholesale automotive spectrum... [MORE](#)

New-Car Transaction Prices Jump More Than 3 Percent in August 2015, According to Kelley Blue Book

All Major Brands Report Year-Over-Year Improvement; Labor Day and Financial Market Conditions Could Impact Future Growth

IRVINE, Calif., Sept. 1, 2015 -- The analysts at Kelley Blue Book www.kbb.com, the only vehicle valuation and information source trusted and relied upon by both consumers and the automotive industry, today report the estimated average transaction price (ATP) for light vehicles in the United States was \$33,543 in August 2015. New-car prices have increased by \$1,107 (up 3.4 percent) from August 2014, while dropping \$79 (down 0.2 percent) from last month... [MORE](#)

New-Car Sales to Drop 4 Percent in August 2015, According to Kelley Blue Book

2015 Labor Day Timing to Impact Results; Fiat Chrysler Sales Streak to End

IRVINE, Calif., Aug. 26, 2015 -- New-vehicle sales are expected to decline 4 percent year-over-year to a total of 1.52 million units in August 2015, resulting in an estimated 17.2 million seasonally adjusted annual rate (SAAR), according to Kelley Blue Book www.kbb.com, the only vehicle valuation and information source trusted and relied upon by both consumers and the automotive industry. Industry sales are expected to decline in comparison to this time last year because auto sales from Labor Day weekend in 2014 were included in last year's August results. This year, the Labor Day weekend sales days will be included in the September 2015 results, so the shift in the timing of Labor Day this year impacts the year-over-year results... [MORE](#)

About Kelley Blue Book (www.kbb.com)

Founded in 1926, Kelley Blue Book, The Trusted Resource®, is the only vehicle valuation and information source trusted and relied upon by both consumers and the automotive industry. Each week the company provides the most market-reflective values in the industry on its top-rated website KBB.com, including its famous Blue Book® Trade-In Values and Fair Purchase Price, which reports what others are paying for new and used cars this week. The company also provides vehicle pricing and values through various products and services available to car dealers, auto manufacturers, finance and insurance companies, and governmental agencies. Kelley Blue Book's KBB.com ranked highest in its category for brand equity by the 2014 Harris Poll EquiTrend® study and has been named Online Auto Shopping Brand of the Year for four consecutive years. Kelley Blue Book Co., Inc. is a Cox Automotive company.