



# Holman

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# MILES AHEAD

Insights and recommendations to position your fleet for success.

# Executive Summary

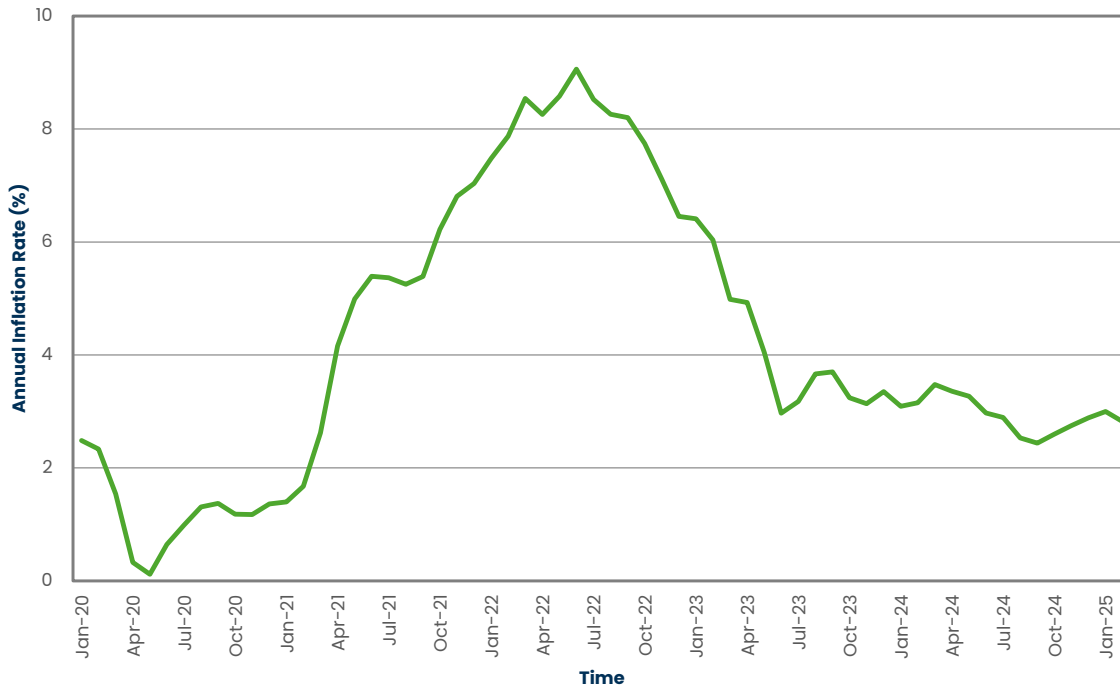
Following several years of disruptions and economic headwinds, 2024 finally brought some signs of relief for fleet operators. However, in recent months, new challenges have emerged. As the new administration in the United States continues to implement its rapidly evolving trade policy, the entire automotive industry – especially the commercial fleet sector – will be significantly impacted by wide-ranging tariffs and shifting economic trends. The broader impact of these far-reaching tariffs will extend well beyond the automotive industry, fueling uncertainty across virtually all segments of the global economy.

Undoubtedly, these policy changes will affect fleet planning and investment decisions for the foreseeable future. Holman is monitoring the situation closely and our fleet management experts are collaborating with our partners across the industry to stay ahead of shifts in pricing and supply chain performance to help our customers adjust accordingly to minimize the impact on their business. Visit [Holman's Tariff Resource Hub](#) for the latest information on tariffs along with insights on how these evolving trade policies may affect your business.

**Holman | Miles Ahead** offers an analysis of how these macroeconomic factors are poised to influence fleet operations to help you navigate these challenges.

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## U.S. Consumer Price Index (CPI)



\*Source: [Organization for Economic Co-operation and Development via FRED®](#)

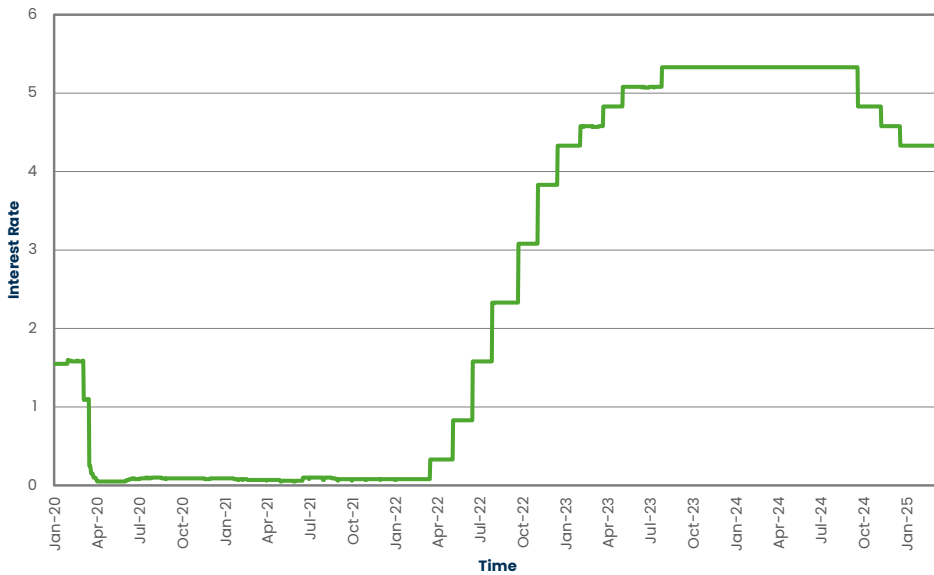
## Overview & Outlook

- **CPI Forecast:** In recent months, the CPI has fluctuated slightly, settling at 2.8% as of February 2025. While shifting economic conditions can quickly alter the long-term outlook, current forecasts indicate the CPI will hover close to 2.8% for the remainder of the year.
- **Inflation Outlook:** Following the Federal Reserve Board's March 19 decision to hold interest rates steady at 4.5%, the inflation forecast shifted slightly higher, up from the previously projected 2.5% to a revised 2.8% for 2025.
- **Variables to Monitor:** Given the current economic uncertainty, fleet operators should monitor interest rates and possible tariffs closely to stay ahead of potentially significant shifts in pricing.

# Buy

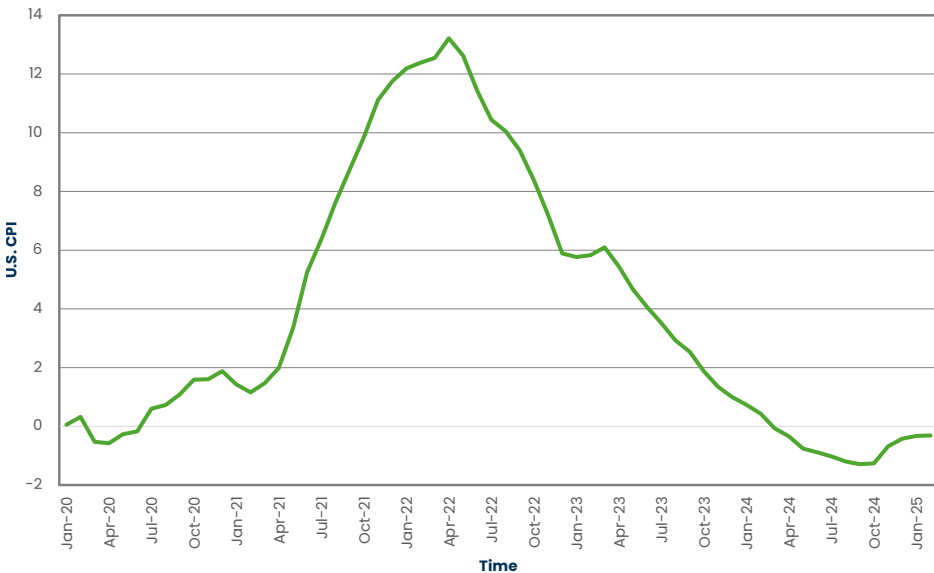
The buy stage of the vehicle lifecycle requires a thorough analysis of both fleet performance and economic conditions to develop the ideal acquisition strategy. While interest rates remain elevated, new vehicle prices have stabilized in recent months. However, with tariffs on the horizon, the window of opportunity to purchase vehicles ahead of potentially significant price increases may be closing.

## Federal Funds Effective Rate



\*Source: [Board of Governors of the Federal Reserve System \(US\) via FRED®](#)

## New Vehicles – U.S. Consumer Price Index (CPI)



\*Source: [U.S. Bureau of Labor Statistics via FRED®](#)

## Impacts & Action Items

- **Interest Rate Outlook:** The Fed held interest rates steady at 4.5% following its March meeting due to lingering inflation and tariff uncertainty. Interest rates remain elevated but 1-2 cuts are still projected for 2025.
- **Monitor Market Trends:** While price increases have slowed recently, the average new vehicle price now exceeds \$45,000 and proposed tariffs are likely to drive prices higher.
- **Leverage OEM Discounts:** Review OEM partnerships and prioritize factory ordering to mitigate market volatility while also avoiding additional fees, dealer markup, and unnecessary packages that come with purchasing vehicles from dealer inventory.
- **Don't Hesitate to Order:** Fleet managers should not delay ordering to wait on lower interest rates as that may prove more costly due to recently enacted tariffs.

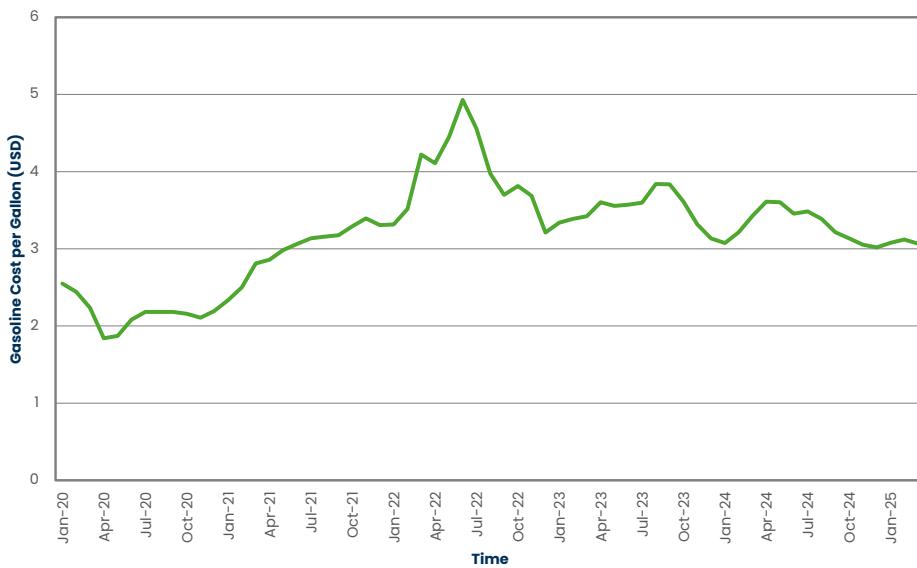
## Key Takeaway

Given the current pricing trends and the uncertainty on the horizon, fleet operators should consider placing orders as soon as possible before macroeconomic factors potentially drive costs higher.

# Drive

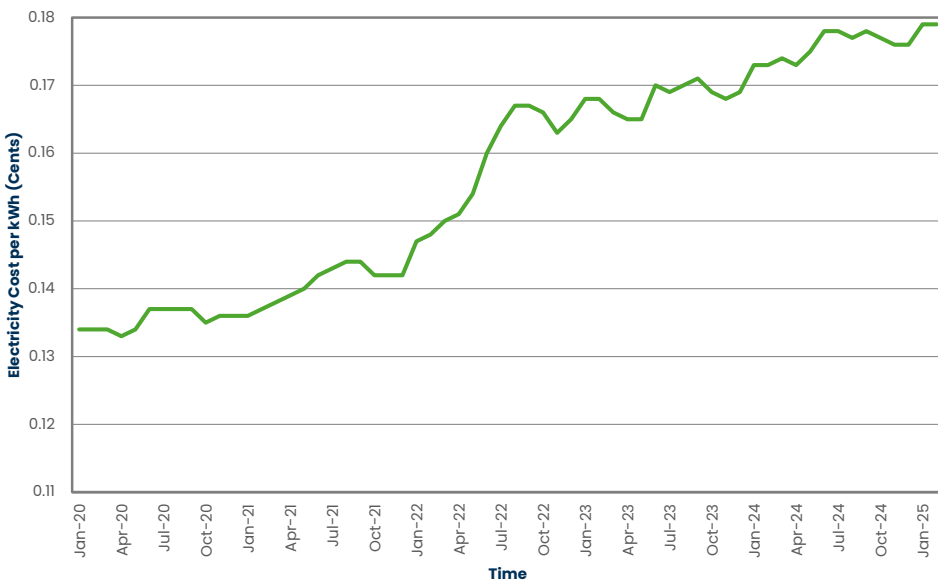
The drive stage of the vehicle lifecycle is often the biggest variable in a fleet's performance with utilization, driver behavior, and fuel prices all influencing costs to varying degrees. In fact, fuel expenses – gasoline and electricity – are typically the biggest line items in a fleet's operating budget. While there has been some price relief in recent months, fuel costs are influenced by a variety of factors and these catalysts can shift quickly.

## U.S. Gasoline Prices



\*Source: [U.S. Energy Information Administration via FRED®](#)

## Electricity Prices in U.S. City Average



\*Source: [U.S. Energy Information Administration via FRED®](#)

## Impacts & Action Items

- Gasoline Prices Trend Lower:** Since March 2024, gasoline prices have fallen by 36 cents per gallon or nearly 11%.
- 2025 Forecast:** Gasoline prices are expected to continue to decline throughout 2025, dropping by an additional 11 cents per gallon or approximately 3%.
- Prepare for Rising Electricity Costs:** Consider potential increases in your long-term fleet planning, as electric power costs are forecast to increase by 2% in 2025.
- Reevaluate Fleet Strategy:** Regularly assess your fleet's vehicle mix and fuel efficiency to stay ahead of trends in energy consumption and your sustainability goals.

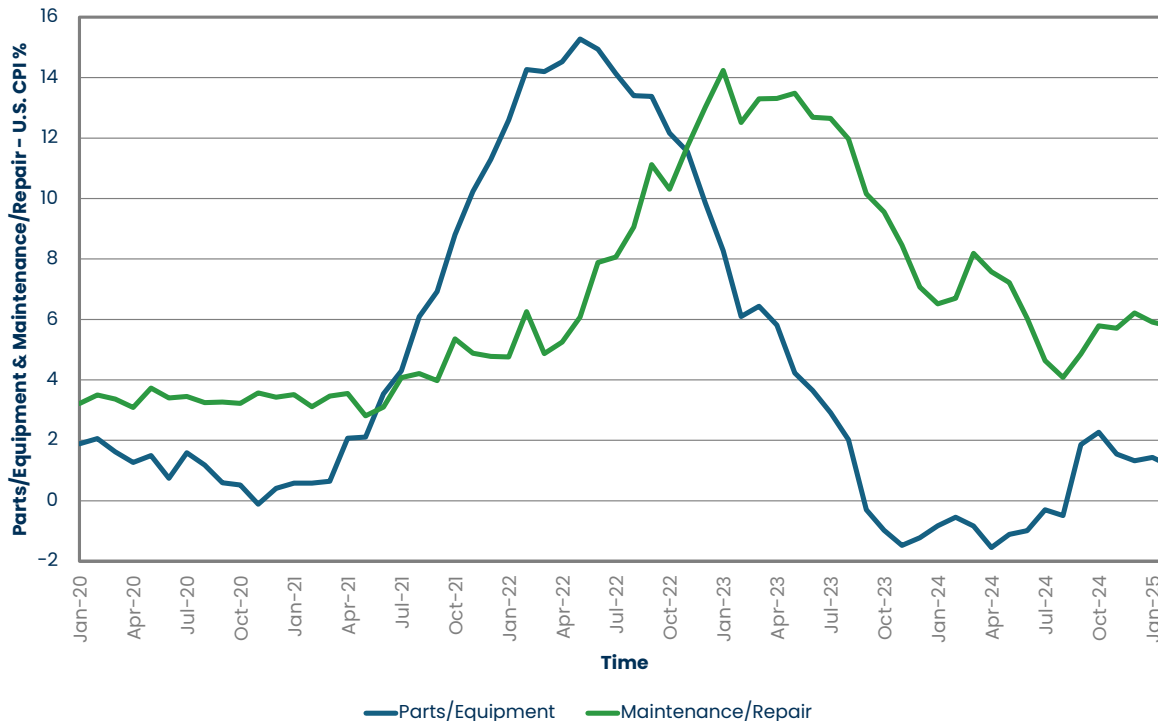
## Key Takeaway

Lower gasoline prices have provided some much needed budget relief in recent months; look for opportunities to reallocate these savings to retire older vehicles and replace them with newer, more fuel-efficient models.

# Service

To effectively control repair costs and minimize downtime, fleet operators need to leverage analytics to embrace a “predict and prevent” methodology rather than relying on the traditional “break and fix” model. While the parts and new vehicle supply chains stabilized in 2024, the ongoing labor shortage and tariff uncertainty have propelled repair costs to near record highs. Staying ahead of these trends is key to better controlling and accurately forecasting your operating budget.

## Parts/Equipment & Maintenance/Repair – U.S. Consumer Price Index (CPI)



\*Source: [U.S. Bureau of Labor Statistics via FRED® \(1\)](#) and [U.S. Bureau of Labor Statistics via FRED® \(2\)](#)

### Key Takeaway

Establish and maintain strong national account vendor partnerships to leverage volume pricing agreements and prioritize preventative maintenance to help minimize the impact of rising repair costs.

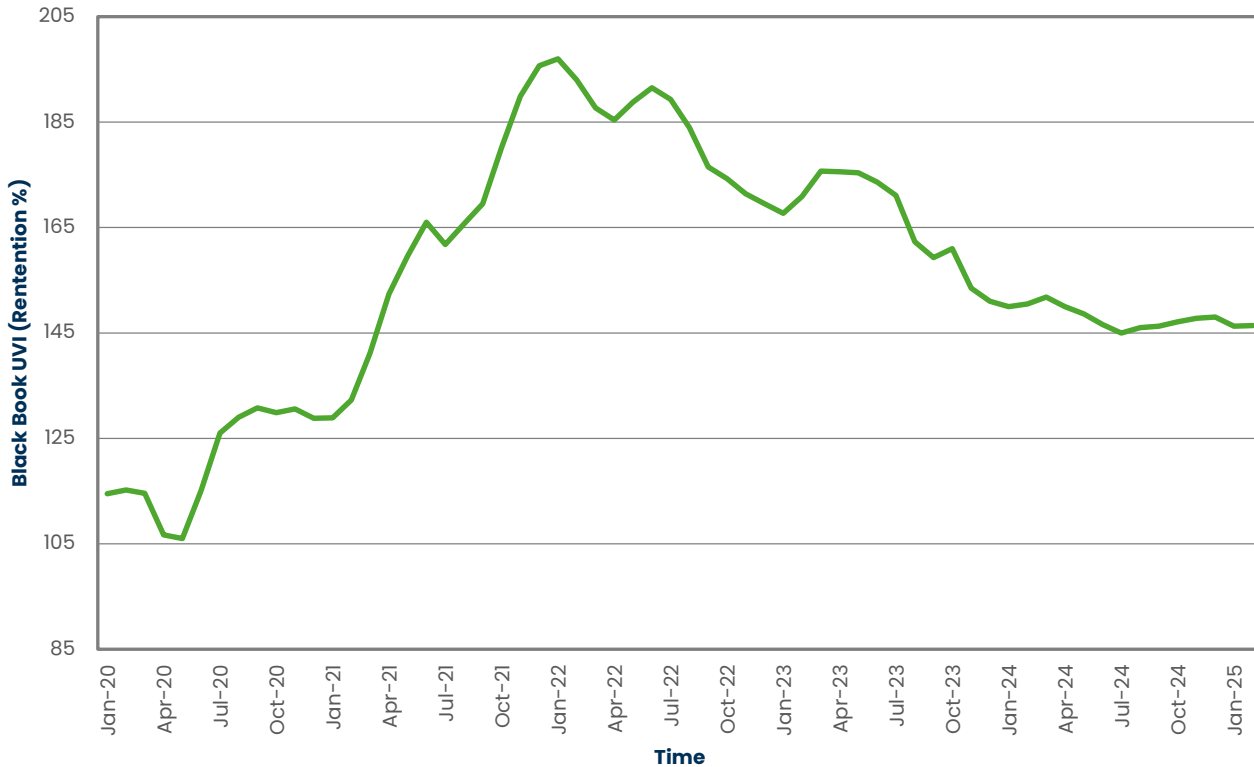
### Impacts & Action Items

- **Prepare for Rising Repair Costs:** Parts and equipment pricing, though temporarily stabilized, is expected to rise significantly in 2025 due to potential tariffs and supply chain challenges. Increasing labor rates will also push repair costs higher.
- **Adjust Budgets Accordingly:** With maintenance costs expected to continue to increase, you should proactively reassess your fleet’s operating budget to ensure it accounts for this sustained upward trend.
- **Diversify Vendor Network:** For fleets relying heavily on independent vendors, aligning with national account vendors could help mitigate the impact of price increases.
- **Prioritize Preventative Maintenance:** With many fleets introducing new vehicles after two years of supply constraints, adhering to preventative maintenance (PM) schedules is critical to minimizing long-term operating costs.

# Sell

The sell stage of the vehicle lifecycle plays a key role in your total cost of ownership (TCO). To optimize your TCO, you need to employ a liquidation strategy that leverages the latest market intelligence to maximize sales proceeds. However, the used vehicle wholesale market can be dramatically influenced by economic conditions and industry trends. Q1 2025 saw a gradual softening of the secondary market but used vehicle values appear poised for a rebound in Q2 and fleet operators who are well prepared may be able to capitalize on favorable market conditions.

## Black Book Used Vehicle Retention Index



\*Source: [Black Book](#)

### Key Takeaway

Fleet managers with budget flexibility and strong OEM partnerships should accelerate vehicle replacements; this strategy allows you to acquire new vehicles ahead of possible tariff-driven price increases while also capitalizing on a strong used vehicle market.

### Impacts & Action Items

- **Market Stability:** The used vehicle market has stabilized since early 2024, with the Black Book Used Vehicle Index showing fewer fluctuations than the sharp volatility seen during the pandemic.
- **Supply Constraints Ease:** Recent market stability can be attributed to improved new vehicle availability as OEMs increase production and pandemic-related supply chain disruptions subside.
- **Strong Spring Demands:** Spring typically drives a spike in used vehicle demand as tax refunds increase spending, boosting market values.
- **Tariff Concerns:** Tariff uncertainty continues to impact the used vehicle market. If new vehicle prices rise due to tariffs, consumers may shift to used models, potentially increasing values in certain segments of the secondary market.



## Take A Longer Drive

As you work to navigate these challenging macroeconomic conditions, you also need to continue to adjust and refine your overall fleet strategy. With that in mind, Holman's fleet management experts offer their perspective on several of the latest trends, including the importance of fostering a culture of driver safety, to ensure your fleet remains well positioned to support your business.

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### Building a Culture of Fleet Safety – Creating a Roadmap

For virtually all vocational fleet operators, your drivers and their performance behind the wheel are the biggest x-factors in your fleet equation. High-risk behavior from your drivers – speeding, aggressive driving, harsh braking, etc. – not only increases costs throughout the entire vehicle lifecycle; it also exposes your company to ramifications that go well beyond accident repairs if you're not addressing their performance while driving a company vehicle.

On average, approximately 20 percent of a company's fleet will be involved in an accident each year – and each incident brings with it a significant cost to your company. In addition to direct costs such as medical bills and vehicle repairs, there are often a number of indirect costs as well – lost productivity, increased insurance premiums, potential legal liabilities, and negative publicity to name just a few. In fact, according to the Network of Employers for Traffic Safety, motor vehicle collisions cost employers more than \$70 billion annually.

To keep your drivers safe, mitigate your company's risk exposure, and minimize accident costs, you need to proactively building a culture of safety. To help you develop a comprehensive fleet safety program that aligns with the specific needs of your company, here are a few key factors to consider.

## Establish Goals & Secure Organizational Buy-In

As you begin to explore implementing a driver safety program (or look to adjust an existing program), you should start this process with a clear understanding of your current risk exposure. Begin by assessing the current state of your fleet operations and driver performance. Determine (to the best of your ability) your fleet's accident rates. Are collision repair costs elevated and/or on the rise? Are there particular drivers who account for a significant portion of accidents?

With this insight, you can develop a strategy to address pain points and key areas of risk exposure. This information will also allow you to establish goals and measurements for success to ensure your safety program is having a positive impact.

Also be sure to keep in mind that driver safety is a challenge that transcends fleet and requires an unwavering commitment from your entire business. An organization that wants to adhere to best practices will embrace a top-down approach with all fleet stakeholders emphasizing the importance of driver safety.

If all fleet stakeholders are not aligned on the goals of your safety program, it will be incredibly challenging to foster a culture of safe driving. Responsibility for fleet safety should not rest solely with fleet personnel. Safety and performance expectations should be clearly defined, and all fleet stakeholders should be held accountable for upholding these performance standards.

Visit [Holman.com](https://www.holman.com) for more information on [developing a roadmap for success](#), the common pitfalls to avoid, and how to effectively leverage technology to enhance the optics of your safety program.

## Additional Insights & Resources

- Shifting economic conditions and tariffs continue to create uncertainty for the entire industry. To provide the latest information on tariffs and how they may affect fleet investment decisions, Holman recently launched a [tariff resource hub](#).
- Holman's maintenance expert shares his perspective [on the latest vehicle maintenance trends](#) and offers advice to help fleet operators optimize their strategy.
- Holman offers its recommendations for [effectively leveraging telematics data](#) to drive meaningful improvement.
- Holman highlights how fleet operators can [effectively navigate regulatory challenges](#) to ensure their fleet remains compliant.