

U.S. Automotive Forecast for October 2023 October 26, 2023

New-Vehicle Sales Projected to Increase 6.6% in October Amid Record Consumer Spending

The Total Sales Forecast

Total new-vehicle sales for October 2023, including retail and non-retail transactions, are projected to reach 1,201,800 units, a 6.6% increase from October 2022, according to a joint forecast from J.D. Power and GlobalData. October 2023 has 25 selling days, one fewer than October 2022. Comparing the same sales volume without adjusting for the number of selling days translates to an increase of 2.5% from a year ago.

The seasonally adjusted annualized rate (SAAR) for total new-vehicle sales is expected to be 15.5 million units, up 0.9 million units from October 2022.

The Retail Sales Forecast

New-vehicle retail sales for October 2023 are expected to increase when compared with October 2022. Retail sales of new vehicles this month are expected to reach 1,012,800 units, a 6.9% increase from October 2022 when selling day adjusted. Comparing the same sales volume without adjusting for the number of selling days translates to an increase of 2.8% from 2022.

The Takeaways

Thomas King, president of the data and analytics division at J.D. Power:

“October results indicate a relatively robust performance with modest year-over-year sales growth but with record consumer expenditures. Year-to-date total sales through October are anticipated to surpass 12.8 million units, reflecting a 13.6% increase compared with the same period a year ago. Nonetheless, these figures remain below pre-pandemic levels when year-to-date sales exceeded 14 million units. The UAW work stoppage, which commenced in September, has had a limited effect on October’s industry sales. However, if the duration of the stoppage extends and scope escalates, it may disrupt sales results as we move into year-end.”

Despite the work stoppage, retail inventory levels in October are expected to finish around 1.5 million units, a 5.5% increase from last month and 41.2% increase compared with October 2022, but still well below pre-pandemic levels.

“As inventory and sales volumes improve, the average new-vehicle retail transaction price is declining modestly, trending down \$451—or 1%—from October 2022, to \$45,651. However, even with the decline in average transaction prices, consumers are on track to spend nearly \$43.7 billion on new vehicles this month—the highest on record for the month of October and 0.8% higher than October 2022.”

Sales to fleet customers are still elevated as manufacturers leverage higher vehicle production to allocate more vehicles to those fleet customers. Fleet sales are projected to increase 4.9% from October 2022.

“The increase in new-vehicle supply and higher interest rates are resulting in a dip in dealer profits, yet these profits continue to surpass pre-pandemic levels. The total retailer profit per unit—which includes grosses, finance and insurance income—is expected to reach \$3,182 in October. While this is 28.9% lower than a year ago, it is still more than double the amount in October 2019. The primary factor behind the profit decline is the reduced number of vehicles selling above the manufacturer’s suggested retail price (MSRP). This month, only 25.7% of new vehicles are projected to be sold above MSRP, which is down from 41.3% in October 2022.”

Total aggregate retailer profit from new-vehicle sales for this month is projected to be down 26% from October 2022, reaching \$3 billion for the third-highest October on record.

“Retailers continue to pre-sell vehicles, however higher inventory levels enable more shoppers to buy directly from dealer lots. In October, 42% of vehicles are projected to be sold within 10 days of their arrival at the dealership, which is down from the peak of 57% in March 2022. The average time that a new vehicle spends in the dealer’s possession before being sold is expected to be 30 days, up 11 days from a year ago, but still less than half the pre-pandemic average of 70 days.

“Manufacturer discounts in October are expected to be relatively flat when compared with September but have increased materially from a year ago when incentives were at record lows. The average incentive spend per vehicle has grown 92.2% from October 2022 and is currently on track to reach \$1,774. Expressed as a percentage of MSRP, incentive spending is currently trending at 3.7%, an increase of 1.7 percentage points from October 2022. It is noteworthy that discounts on leased vehicles have risen in recent months. This month, leasing is expected to account for 21% of retail sales, up significantly from 16% in October 2022, but still well below October 2019 when leased vehicles made up nearly 30% of all new-vehicle retail sales.

“Elevated pricing, combined with rising interest rates, are contributing to the escalation of monthly loan installments. The average monthly finance payment in October is on pace to be \$728, up \$11 from September 2022. That translates to a 1.5% increase in monthly payments from a year ago. The average interest rate for new-vehicle loans is expected to be 7.5%, an increase of 140 basis points from a year ago. Although, the month-to-month pace of rate increases are tempered when compared with the prior year.

“Used-vehicle prices have experienced a modest drop from the previous year but remain relatively close to their historical peak levels. The average trade-in equity for October is trending towards \$8,956, down \$378 from a year ago. It’s worth noting that trade-in equity this month remains at double the amount of pre-pandemic levels.

"Despite a slight increase in inventory levels compared with previous months, the industry is still facing a supply shortage. This is evident from consumer spending and inventory turnover rates in October, which highlight robust demand and ongoing supply challenges. This situation further strengthens the foundation for sustained strong new-vehicle pricing and overall profitability."

Sales & SAAR Comparison

U.S. New Vehicle	October 2023 ^{1, 2}	September 2023	October 2022
Retail Sales	1,012,828 units (6.9% higher than October 2022) ²	1,127,618 units	984,980 units
Total Sales	1,201,522 units (6.6% higher than October 2022) ²	1,341,281 units	1,172,038 units
Retail SAAR	13.1 million units	13.6 million units	12.2 million units
Total SAAR	15.5 million units	15.7 million units	14.6 million units

¹ Figures cited for October 2023 are forecasted based on the first 17 selling days of the month.

² October 2023 has 25 selling days, one fewer than October 2022.

The Details

- The average new-vehicle retail transaction price in October is expected to reach \$45,651, down \$451 from October 2022. The previous high for any month—\$47,362—was set in December 2022.
- Average incentive spending per unit in October is expected to reach \$1,774, up from \$851 in October 2022. Spending as a percentage of the average MSRP is expected to increase to 3.7%, up 1.7 percentage points from October 2022.
- Average incentive spending per unit on trucks/SUVs in October is expected to be \$1,881, up \$935 from a year ago, while the average spending on cars is expected to be \$1,373, up \$538 from a year ago.
- Retail buyers are on pace to spend \$43.7 billion on new vehicles, up \$0.3 billion from October 2022.
- Truck/SUVs are on pace to account for 79% of new-vehicle retail sales in October.
- Fleet sales are expected to total 188,694 units in October, up 4.9% from October 2022 on a selling day adjusted basis. Fleet volume is expected to account for 15.7% of total light-vehicle sales, down from 16% a year ago.
- Average interest rates for new-vehicle loans are expected to increase to 7.5%, 140 basis points higher than a year ago.

EV Outlook

Elizabeth Krear, vice president, electric vehicle practice at J.D. Power:

"EV retail share reached an all-time high of 9.0% in September, up from 6.8% a year ago. But in terms of upper-funnel sales activity, the percentage of new-vehicle shoppers who are 'very likely' to consider buying or leasing an EV is at 26%, the same as August. So, while EVs account for a

larger piece of the consideration pie, the consideration pie itself isn't getting proportionally bigger. Shoppers still have concerns about charging anxiety, price and product availability.

“In the J.D. Power EV Index, the availability factor has a score of 40 (on a 100-point scale), meaning a viable EV product is available to four in ten new-vehicle shoppers in the United States. While the score has improved 10 points from a year ago, it is expected to decline soon because of challenges in key segments. For example, market dynamics are compelling GM to partially delay production of Chevrolet Silverado EV and GMC Sierra EV, while Ford has constrained production of F-150 Lightning.”

Global Sales Outlook

Jeff Schuster, group head and executive vice president, automotive at GlobalData:

“While the global light-vehicle selling rate (SAAR) pulled back from the 100-million-unit rate in August, it did hit 93.2 million units, marking the fourth straight month above 90 million units. Global volume finished the month at 8.0 million units, up 9% year over year. North America led the major markets in growth, with volume up 21%. Growth in Europe remained solid at 15%, as recovery in Eastern Europe was solid at 31%, despite the continued war in Ukraine. Asia saw mixed results, with Japan growing 11%; China seeing stable growth of 7%; and South Korea contracting 4% as tighter credit and a weakening economy take hold.

“October is projected to continue the current pace of strong global sales, with a 91 million-unit selling rate. Volume is expected to be up 6% at 7.5 million units, with Europe expected to outperform other major markets.

“China and North America are still exceeding expectations, driving an upward revision to the 2023 forecast. Global light-vehicle sales are now expected to finish at 88.6 million units, up 9% from 2022. Thus far, there has been little effect to sales from the UAW strike but the longer it continues—and if it expands—there may be a more pronounced influence which could carry into early 2024. The outlook for 2024 has been increased slightly to 92 million units, a 4% increase from 2023, Volatility and risk remain elevated, given the number of variables that are currently affecting auto sales globally.”

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