

## U.S. Automotive Forecast for February 2024

Feb. 22, 2024

### Increasing New-Vehicle Sales Drives Record Consumer Spending

#### The Total Sales Forecast

Total new-vehicle sales for February 2024, including retail and non-retail transactions, are projected to reach 1,214,600 units, a 1.4% increase from February 2023, according to a joint forecast from J.D. Power and GlobalData. February 2024 has 25 selling days, one more than February 2023. Comparing the same sales volume without adjusting for the number of selling days translates to an increase of 5.6% from a year ago.

The seasonally adjusted annualized rate (SAAR) for total new-vehicle sales is expected to be 15.4 million units, up 0.4 million units from February 2023.

#### The Retail Sales Forecast

New-vehicle retail sales for February 2024 are expected to increase when compared with February 2023. Retail sales of new vehicles this month are expected to reach 981,300 units, a 3.8% increase from February 2024. Comparing the same sales volume without adjusting for the number of selling days translates to an increase of 8.1% from 2023.

#### The Takeaways

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

“This month, the new-vehicle market is poised for volume growth with total sales expected to rise a modest 1.4% and retail sales growing 3.8%, selling day adjusted. This volume growth is being driven by higher inventory levels, higher manufacturer incentives and lower retailer profit margins, all of which translate into declining average transaction prices. Despite the landscape shifting towards increased volume with diminished per-unit profits, retail customers will still spend more on new vehicles this month than in any other February on record.”

Retail inventory levels are expected to finish around 1.7 million units, a 3.6% increase from January 2024 and a 44.7% increase from February 2023. Fleet mix is projected at 19.2%, down 1.9 percentage points from February 2023.

“The average new-vehicle retail transaction price is declining due to rising manufacturer incentives, falling retailer profit margins and increased availability of lower-priced vehicles. Transaction prices in February are trending towards \$44,045, down \$1,919 or 4.2%—from February 2023. However, despite the significant decline in average transaction prices, higher sales volumes mean consumers are on track to spend nearly \$40.8 billion on new vehicles this month—the highest on record for the month of February, and 4.1% higher than February 2023.

“Total retailer profit per unit—which includes vehicles gross plus finance and insurance income—is expected to be \$2,574, down 31.3% from February 2023. Rising inventory is the primary factor behind the profit decline and fewer vehicles are selling above the manufacturer’s suggested retail price (MSRP). Thus far in February, only 17.4% of new vehicles have been sold above MSRP, which is down from 31.7% in February 2023.”

Total aggregate retailer profit from new-vehicle sales for this month is projected to be \$2.4 billion, down 25.7% from February 2023.

While retailers continue to pre-sell vehicles, rising inventory is enabling more shoppers to buy directly off dealer lots. In February, it’s projected that 32.7% of vehicles will sell within 10 days of arriving at the dealership, down from the peak of 58% in March 2022. The average time a new vehicle remains in the dealer’s possession before sale is expected to be 43 days in February, marking a 14-day increase from a year ago.

“Manufacturer discounts in February are expected to rise \$66 from January and have materially increased from a year ago. The average incentive spend per vehicle has grown 75.3% from February 2023 and is currently on track to reach \$2,565. Expressed as a percentage of MSRP, incentive spending is currently at 5.3%, an increase of 2.3 percentage points from a year ago.

“One of the drivers of higher incentive spending is the increased availability of lease deals, and leasing is growing accordingly. This month, leasing is expected to account for 23.2% of retail sales, up 4.5 percentage points from 18.7% in February 2023.”

After rising consistently during the past few years, average monthly loan payments are stabilizing. The average monthly finance payment in February is on pace to be \$722, flat from February 2023. The average interest rate for new-vehicle loans is expected to be 6.9%, an increase of 17 basis points from a year ago.

“So far, average used-vehicle retail prices are \$28,121, reflecting a 2.4% or \$700 decrease from February 2023. The decline in used-vehicle values is translating to lower trade-in equity for consumers. The average trade-in equity is trending towards \$7,912, down \$992 from a year ago.

“It’s apparent that the industry is returning to traditional pre-pandemic dynamics after nearly three years of inventory constraints. Competition between OEMs and retailers to attract buyers to showrooms is rising, and the seasonality of both consumer demand and promotional activity is returning. This is good news for shoppers who have struggled to find their desired vehicle at an affordable price but points to a more challenging profit environment for OEMs and retailers.”

## Sales & SAAR Comparison

U.S. New Vehicle	February 2024 <sup>1, 2</sup>	January 2024	February 2023
<b>Retail Sales</b>	981,343 units (3.8% higher than February 2023) <sup>2</sup>	855,187 units	907,768 units
<b>Total Sales</b>	1,214,623 units (1.4% higher than February 2023) <sup>2</sup>	1,057,761 units	1,150,496 units
<b>Retail SAAR</b>	12.8 million units	12.4 million units	12.2 million units
<b>Total SAAR</b>	15.4 million units	14.8 million units	14.9 million units

<sup>1</sup> Figures cited for February 2024 are forecasted based on the first 15 selling days of the month.

<sup>2</sup> February 2024 has 25 selling days, one more than February 2023.

## The Details

- The average new-vehicle retail transaction price in February is expected to reach \$44,045, down \$1,919 from February 2023. The previous high for any month—\$47,329—was set in December 2022.
- Average incentive spending per unit in February is expected to reach \$2,565, up from \$1,464 in February 2023. Spending as a percentage of the average MSRP is expected to increase to 5.3%, up 2.3 percentage points from February 2023.
- Average incentive spending per unit on trucks/SUVs in February is expected to be \$2,722, up \$1,221 from a year ago, while the average spending on cars is expected to be \$1,944, up \$633 from a year ago.
- Retail buyers are on pace to spend \$40.8 billion on new vehicles, up \$1.4 billion from February 2023.
- Trucks/SUVs are on pace to account for 79% of new-vehicle retail sales in February.
- Fleet sales are expected to total 233,279 units in February, down 7.7% from February 2023 on a selling day adjusted basis. Fleet volume is expected to account for 19.2% of total light-vehicle sales, down 1.9 percentage points from a year ago.
- Average interest rates for new-vehicle loans are expected to increase to 6.9%, 17 basis points higher than a year ago.

## EV Outlook

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

“In 2023, EV sales and leases accounted for a larger percentage of retail auto industry growth than gas-powered vehicles. Industry-wide, automobile sales and lease volumes rose 8% in 2023 from 2022, reaching a total of approximately 13 million units. With approximately one million in total volume for the year, EV sales and leases grew 50%, while gas-powered vehicles grew 2%.

“But 2024 has started with slowing EV sales. In January, battery electric vehicle sales fell 1.6 percentage points from 9.2% in December 2023. Further, upper-funnel EV shopper interest declined for a fourth consecutive month. New-vehicle shoppers who are ‘very likely’ to consider purchasing an EV for their next vehicle dropped to 25.6%, a full percentage point lower than in December. Shoppers cite a lack of charging station availability as the main reason for rejecting EVs.

“That said, some good news is on the way. Infrastructure scores have improved 5 percentage points, marking the most significant increase in the three years of EV history tracked by J.D. Power. The improvement is driven largely by non-Tesla charging installations at higher power levels and upgrades to the existing networks. Infrastructure scores are expected to continue increasing this year as the Tesla Supercharger network is opened to non-Tesla EVs. But this alone is not enough to move the needle. Improvement is needed in terms of the availability of affordable EVs for mainstream customers.”

## **Global Sales Outlook**

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

“The global light-vehicle sales selling rate cooled in January, as expected, from the strong finish to 2023. The selling rate was 81.5 million units, which is down from the 90-million-unit selling rate in December. *[It should be noted that, beginning this month, we are reporting domestic sales in China and excluding Chinese exports that were previously included.]* Global sales volume was up 16% year over year, which is strong, but January usually faces some distortions. As has been the story for several months, China domestic sales have outperformed most markets, but the near 50% increase in January is due to abnormal weakness a year ago caused by the expiration of tax incentives and timing of the Lunar New Year. Europe increased 11%, with recovery in Eastern Europe boosting sales across the region. North America grew just 2% as volume in January was pulled down by the weaker start to the year in the United States.

“Global light-vehicle volume in February is projected to be flat vs. February 2023, but again, distortions are affecting the year-over-year comparison. The selling rate is expected to increase to 86 million units. Base effect in China is the main cause for the weaker volume expectation as China domestic sales are expected to fall 13% from February 2023.

“Global light-vehicle sales in 2024 are projected to be 89.1 million units (adjusted for China exports), an increase of 3% from 2023. This maintains our view that growth will slow as natural demand—at current pricing—is now being met. Global inventory is expected to build slightly in 2024 as production returns to predictable levels and outpaces demand. This year remains on target to return to a more normalized pattern of demand, but the market will not be without challenges from an economic slowdown and from external factors, like the Red Sea shipping attacks and the potential for military escalation in the Middle East.”

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