

U.S. Automotive Forecast for May 2024 May 23, 2024

May Sales Pace Forecast to Exceed 16 Million Units for First Time This Year

The Total Sales Forecast

Total new-vehicle sales for May 2024, including retail and non-retail transactions, are projected to reach 1,446,800 units, a 2.9% increase from May 2023 on a selling day adjusted basis, according to a joint forecast from J.D. Power and GlobalData. May 2024 has 26 selling days, one more than May 2023. Comparing the same sales volume without adjusting for the number of selling days translates to an increase of 7% from a year ago.

The seasonally adjusted annualized rate (SAAR) for total new-vehicle sales is expected to be 16.1 million units, up 0.5 million units from May 2023.

The Retail Sales Forecast

New-vehicle retail sales for May 2024 are expected to increase when compared with May 2023. Retail sales of new vehicles are expected to reach 1,187,000 units, a 4.4% increase on a selling day adjusted basis. Comparing the same sales volume without adjusting for the number of selling days translates to an increase of 8.6% from 2023.

The Takeaways

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

“Expected new-vehicle sales results for May represent a mixed bag of outcomes. On the positive side, the total sales pace will exceed 16 million units for the first time this year. Also, discounts are similar to last month, despite May being a month in which discounts traditionally increase to take advantage of elevated shopping activity during the Memorial Day weekend. This is good news for manufacturer and retailer profitability. However, the industry continues to produce more vehicles than are being sold, leading to rising inventories and increasing the likelihood of elevated discounts as the year progresses.”

Retail inventory is projected to finish around 1.8 million units, a 0.6% increase from April 2024 and a 52.7% increase from May 2023. Fleet mix is projected at 18%, down 1.2 percentage points from May 2023 and down 3.4% on a selling-day adjusted volume basis.

“The average new-vehicle retail transaction price is declining compared with a year ago as manufacturer incentives rise, retailer profit margins fall and availability of lower-priced vehicles increases. Transaction prices are trending towards \$45,033—down \$1,045 or 2.3%—from May 2023. The combination of slightly higher retail sales but lower transaction prices means that shoppers are on track to spend nearly \$50.9 billion on new vehicles this month—6.8% higher than May 2023 and the second highest May on record.

“Total retailer profit per unit—which includes vehicles gross plus finance and insurance income—is expected to be \$2,471, down 31.5% from May 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 May, only 14.9% of new vehicles have been sold above MSRP, which is down from 29.2% in May 2023.”

Total aggregate retailer profit from new-vehicle sales for this month is projected to be \$2.8 billion, down 21.5% from May 2023.

“Rising inventory means fewer vehicles are being pre-sold by retailers, with more shoppers able to buy directly off dealer lots. This month, J.D. Power forecasts that 33.3% of vehicles will sell within 10 days of arriving at the dealership, down from a peak of 58% in March 2022. The average time a new vehicle remains in the dealer's possession before sale is expected to be 40 days, up from 29 days a year ago.

“Manufacturer discounts are expected to be similar to April (up \$33 per unit) but have materially increased from a year ago. The average incentive spend per vehicle has grown 48.1% from May 2023 and is currently on track to reach \$2,640. Expressed as a percentage of MSRP, incentive spending is currently at 5.3%, an increase of 1.7 percentage points from a year ago. Increased spending of current model year is nearly offset by lower volumes of prior model year vehicles with higher spending.

“One of the drivers of higher incentive spending from a year ago is the increased availability of lease deals, and leasing is growing accordingly. This month, leasing is expected to account for 23.9% of retail sales, up 3.3 percentage points from 20.6% in May 2023.

“After rising consistently during the past few years, average monthly loan payments are stabilizing. The average monthly finance payment this month is on pace to be \$727, down \$3 from May 2023. The average interest rate for new-vehicle loans is expected to be 7.1%, an increase of 17 basis points from a year ago.

“So far in May, average used-vehicle retail prices are \$28,470, reflecting a 5.4%—or \$1,614—decrease from a year ago. The decline in used-vehicle values is translating to lower trade-in equity for owners, now trending towards \$7,866, which is down \$1,438 from a year ago.”

Sales & SAAR Comparison

U.S. New Vehicle	May 2024 ^{1, 2}	April 2024	May 2023
Retail Sales	1,187,037 units (4.4% higher than May 2023) ²	1,080,865 units	1,093,152 units
Total Sales	1,446,760 units (2.9% higher than May 2023) ²	1,326,978 units	1,351,664 units
Retail SAAR	13.3 million units	13.3 million units	12.5 million units
Total SAAR	16.1 million units	15.9 million units	15.6 million units

¹ Figures cited for May 2024 are forecasted based on the first 16 selling days of the month.

² May 2024 has 26 selling days, one more than May 2023.

The Details

- The average new-vehicle retail transaction price in May is expected to reach \$45,033, down \$1,045 from May 2023. The previous high for any month—\$47,329—was set in December 2022.
- Average incentive spending per unit in May is expected to reach \$2,640, up from \$1,782 in May 2023. Spending as a percentage of the average MSRP is expected to increase to 5.3%, up 1.7 percentage points from May 2023.
- Average incentive spending per unit on trucks/SUVs in May is expected to be \$2,710, up \$877 from a year ago, while the average spending on cars is expected to be \$2,341, up \$767 from a year ago.
- Retail buyers are on pace to spend \$50.9 billion on new vehicles, up \$3.3 billion from May 2023.
- Trucks/SUVs are on pace to account for 80.6% of new-vehicle retail sales in May.
- Fleet sales are expected to total 259,723 units in May, down 3.4% from May 2023 on a selling day adjusted basis. Fleet volume is expected to account for 18% of total light-vehicle sales, down 1.2 percentage points from a year ago.
- Average interest rates for new-vehicle loans are expected to increase to 7.1%, 17 basis points higher than a year ago.

EV Outlook

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

“We’re seeing a ‘low tide moment’ for EVs right now, but it’s unclear how long it will last. EV market share peaked at 8.8% in April, with May expected to be down 0.4 percentage points. Results from the J.D. Power 2024 Electric Vehicle Consideration Study show that, for the first time since the study’s inception in 2021, EV shopper consideration has dropped from the previous year. This year, 24% of shoppers say they are ‘very likely’ to consider purchasing an EV, which is down from 26% a year ago. Shoppers who are rejecting EVs point to lack of charging station availability, purchase price, limited driving distance per charge, time required to charge and inability to charge at home or work.

"The decline in shopping interest for EVs comes as the industry has reached an all-time high in EV availability. EV availability is at 54.3—the highest it's ever been on a 100-point scale—as it moves toward parity with gas-powered vehicles. EV adoption within the J.D. Power EV Index fell to 16.2 in April, hitting its lowest point since August 2021. EV retail share, while having some bright spots when it comes to certain models, is not growing at the same pace as EV availability. This is bringing aggressive conquest sales programs to the EV segment, so we'll see if shoppers find them attractive enough."

Global Sales Outlook

Jeff Schuster, vice president of research, automotive at GlobalData:

"The global light-vehicle selling rate accelerated in April to 85.9 million units from 84.3 million units in March. After a slower start to 2024, the April year-to-date selling rate has risen to 83.9 million units and is expected to continue to climb as the year progresses and the typical distortions in the first quarter are averaged out.

"From a volume perspective, April increased 3% year over year to 6.8 million units, slightly weaker than initial expectations for the month, but still a solid performance at the topline. Below the topline, the results were mixed, with Europe outperforming all major markets, increasing 14% year over year. China's domestic sales increased just 3% as consumers face mounting challenges that the price cuts did not override. North America, Korea and Japan all contracted in April, due in part to base effect and fewer selling days. Japan's selling rate recovered as previously suspended production at Toyota and Daihatsu restarted.

"The global selling rate in May is expected to increase significantly to 89 million units on volume growth of 2%. The wildcard this month is expected to be China, which is currently projected to contract 0.4%. If the Chinese market can rebound off recent weakness, global growth will be driven higher. Japan is expected to post a near double-digit increase in May, fueled by stronger mini-vehicle production.

"Given the higher volatility and inconsistent performance across markets, the outlook for 2024 is virtually unchanged at 89.1 million units, a 3% increase from 2023. There is some downward pressure from markets across Asia that could pull the global market down slightly as we progress through 2024. Pricing trends, geopolitical risk and the overall performance of economies around the world continue to be key drivers in the near-term auto market."

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