

U.S. Automotive Forecast for June 2024 June 26, 2024

Dealer Software System Outages Disrupt June Sales; Rapid Recovery Expected in July

The Total Sales Forecast

Total new-vehicle sales for June 2024, including retail and non-retail transactions, are projected to reach between 1,336,800 and 1,273,600 units, a 2.6% to 7.2% decrease from June 2023, according to a joint forecast from J.D. Power and GlobalData. June 2024 has 26 selling days, the same as June 2023.

The seasonally adjusted annualized rate (SAAR) for total new-vehicle sales is expected to be between 14.7 million and 15.4 million units, down between 0.7 million and 1.4 million units from June 2023.

New-vehicle total sales for the first half of 2024 are projected to finish between 7,794,500 units and 7,857,700 units, a 0.4% to 1.2% increase from the first half of 2023 on a selling day adjusted basis. H1'24 has 154 selling days, two more than H1'23. Comparing the same sales volume without adjusting for the number of selling days translates to an increase of 1.7% to 2.5% from a year ago.

The Retail Sales Forecast

New-vehicle retail sales for June 2024 are expected to decrease when compared with June 2023. Retail sales of new vehicles are expected to reach between 1,009,845 and 1,073,000 units, a 2.5% to 8.2% decrease.

New-vehicle retail sales for the first six months 2024 are projected to reach between 6,273,900 and 6,337,000 units, a 0.6% to 1.6% increase from the first six months of 2023 on a selling day adjusted basis. Comparing the same sales volume without adjusting for the number of selling days translates to an increase of 1.9% to 2.9% from a year ago.

The Takeaways

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

“Because of the disruption to dealer software systems, June sales will not be reflective of actual consumer demand for new vehicles. Instead, a significant number of sales that would have occurred in June are now likely to occur in July. While considerable uncertainty exists around when these systems will return to normal—under the assumption that they return to normal by month end for most dealers—June total sales are projected to be between 1.33 and 1.27 million units, a 2.6% to 7.2% decrease, respectively, from June 2023. However, it should be noted that a significant range of sales outcomes are possible due to the uncertainty about exactly when system outages will be resolved and what countermeasures dealers put in place to transact sales through the close.

“Prior to the disruption, the total sales forecast was tracking at 1.41 million units, so the effect of the disruption is significant. However, it will not affect overall demand in the long term. Sales will be delayed, but the majority will likely occur in July shortly after the situation is rectified and sales are being made despite system outages. Indeed, if there is one thing that the pandemic demonstrated to the auto industry, it’s that dealers are very adept at dealing with adversity and have been effective in rapidly identifying ways to deliver vehicles to buyers.”

Retail inventory is projected to finish around 1.8 million units, a 4.5% increase from May 2024 and a 41.6% increase from June 2023. Fleet mix is projected at 20.5%, up 0.6 percentage points from June 2023.

“The average new-vehicle retail transaction price is declining compared with a year ago as manufacturer incentives rise, retailer profit margins decline and availability of lower-priced vehicles increases. Transaction prices are trending towards \$44,857—down \$1,372 or 3%—from June 2023. The combination of slightly higher retail sales and lower transaction prices means that buyers are on track to spend nearly \$44.6 billion on new vehicles this month—6.5% lower than June 2023 but the fourth highest June on record.

“Total retailer profit per unit—which includes vehicles gross plus finance and insurance income—is expected to be \$2,407, down 32.3% from June 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 June, only 16.9% of new vehicles have been sold above MSRP, which is down from 34.9% in June 2023.”

Total aggregate retailer profit from new-vehicle sales for this month is projected to be \$2.4 billion, down 34.8% from June 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 32.9% 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 45 days, up from 28 days a year ago.

“Manufacturer discounts are expected to be similar to May (down \$65 per unit) but have materially increased from a year ago. The average incentive spend per vehicle has grown 51.2% from June 2023 and is currently on track to reach \$2,625. Expressed as a percentage of MSRP, incentive spending is currently at 5.3%, an increase of 1.8 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 22.7% of retail sales, up 2.7 percentage points from 20% in June 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 \$1 from June 2023. The average interest rate for new-vehicle loans is expected to be 6.99%, flat from a year ago.

So far in June, average used-vehicle retail prices are \$28,208, reflecting a decrease of 6.3%—or down \$1,882—from a year ago. The decline in used-vehicle values is translating to lower trade-in equity for owners, now trending towards \$7,770, which is down \$1,552 from a year ago.

“Looking forward to July, we expect the dealer software system disruptions to be rectified and most of the lost June sales recovered within the month. Also, a robust start to July is expected due to the extended July 4th holiday weekend.”

Sales & SAAR Comparison

U.S. New Vehicle	June 2024 ^{1, 2, 3}	May 2024	June 2023
Retail Sales	1,041,436 units (5.4% lower than June 2023) ²	1,175,307 units	1,100,461 units
Total Sales	1,305,206 units (4.9% lower than June 2023) ²	1,437,895 units	1,372,785 units
Retail SAAR	12.2 million units	13.2 million units	13.1 million units
Total SAAR	15.1 million units	16.0 million units	16.1 million units

¹ Figures cited for June 2024 are forecasted based on the first 13 selling days of the month.

² June 2024 has 26 selling days, the same as June 2023.

³ June 2024 figures represent mid-point of range estimates.

The Details

- The average new-vehicle retail transaction price in June is expected to reach \$44,857, down \$1,372 from June 2023. The previous high for any month—\$47,329—was set in December 2022.
- Average incentive spending per unit in June is expected to reach \$2,625, up \$889 from June 2023. Spending as a percentage of the average MSRP is expected to increase to 5.3%, up 1.8 percentage points from June 2023.

- Average incentive spending per unit on trucks/SUVs in June is expected to be \$2,707, up \$908 from a year ago, while the average spending on cars is expected to be \$2,263, up \$765 from a year ago.
- Retail buyers are on pace to spend \$44.6 billion on new vehicles, down \$3.1 billion from June 2023.
- Trucks/SUVs are on pace to account for 81.3% of new-vehicle retail sales in June.
- Fleet sales are expected to total 263,770 units in June, down 3.1% from June 2023. Fleet volume is expected to account for 20.2% of total light-vehicle sales, up 0.4 percentage points from a year ago.
- The average interest rate for new-vehicle loans is expected to be 6.99%, flat from a year ago.

EV Outlook

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

“EV growth has been slow the first half of the year. Although interest from new-vehicle shoppers is slightly up month over month, it’s flatlined at about 25%. Monthly EV retail share is also unchanged compared with a year ago at 8.4%. EV availability and affordability have risen to 58% market coverage offering viable alternatives to gas-powered vehicles. With more options at competitive affordability, it begs the question, ‘Why is the pace of EV sales flat and what is the satisfaction and future intent of current EV owners?’

“The J.D. Power 2024 U.S. Electric Vehicle Experience (EVX) Ownership Study shows that 96% of current BEV owners are likely to consider purchasing/leasing another BEV for their next purchase. Looking deeper, only 20% of current BEV owners are likely to consider purchasing/leasing a gas-powered vehicle for their next purchase and 39% of current BEV owners are likely to consider purchasing/leasing a PHEV for their next purchase. This is positive news for the EV ecosystem.

“It’s notable, too, that 87% of current PHEV owners say they’re likely to consider purchasing/leasing another PHEV and 66% saying they’re likely to consider stepping up to a BEV. Only 44% of PHEV owners say they are likely to consider a gas-powered vehicle for their next purchase.”

Global Sales Outlook

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

“The global light-vehicle selling rate in May stood at 87.4 million units, a modest improvement from 86.2 million units in April. The year-to-date selling rate through May improved to 84.7 million units but remains more than 4 million units below the expected year-end forecast.

“Sales volume in May increased just 0.7% to 7.2 million units, which is weaker than expectations going into the month. Lower demand in China accounted for much of weaker global gain. China contracted 3.3% in May, which was noticeably stronger than the 0.4% decline projected—but the selling rate still improved from April. Japan (-4.5%) and Korea (-7.3%) also contributed to the muted performance in May. Europe was mixed with a contraction of 2.2% in Western Europe as persistent economic headwinds continued. Eastern Europe grew 13%, as robust recovery in Russia continues. North America posted a 6% increase, driven by the US market strength.

"Some additional challenges have emerged in June, but the selling rate is still expected to pass the 90-million-unit level, though slightly weaker than the 92-million-unit rate a year ago. Volume is projected to decline nearly 1% year over year, fueled by a nearly 6% pullback in China and a 16% decline in Korea.

"The slight pullback in demand expectations has trimmed the outlook for 2024 by 200,000 units to 88.9 million units, a 2.5% increase from 2023. China's trade-in subsidy does not appear to be providing a boost to demand as the government expected. However, the European Central Bank did cut rates in June, and more are expected, which could provide some upside if sales are reignited. Overall, risks remain balanced, and the global auto market is stable."

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