

U.S. Automotive Forecast for February 2025

Feb. 20, 2025

New-Vehicle Retail Sales Expected to Rise 8.1% While Consumer Spending Expected to Set a Monthly Record for February

The Total Sales Forecast

Total new-vehicle sales for February 2025, including retail and non-retail transactions, are projected to reach 1,243,700, a 3.5% increase from February 2024 according to a joint forecast from J.D. Power and GlobalData. February 2025 has 24 selling days, one fewer than February 2024. Comparing the same sales volume without adjusting for the number of selling days translates to a decrease of 0.6% from 2024.

The seasonally adjusted annualized rate (SAAR) for total new-vehicle sales is expected to be 16.6 million units, up 0.3 million units from February 2024.

The Retail Sales Forecast

New-vehicle retail sales for February 2025 are expected to increase from a year ago. Retail sales of new vehicles are expected to reach 1,010,000, an 8.1% increase from February 2024. Comparing the same sales volume without adjusting for the number of selling days translates to an increase of 3.8% from 2024.

The Takeaways

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

“Consumer demand for new vehicles continues to exhibit strength. February marks the fifth consecutive month of year-over-year retail sales growth, with an 8.1% increase on a selling day adjusted basis. The strong retail sales pace and resiliently high average transaction prices mean consumers will spend more money buying new vehicles this month than any other February on record.

“While strong retail sales and record consumer expenditure point to a generally healthy market, the industry is not without its challenges. Rising inventory levels on dealer lots and increased competition for new-vehicle buyers is pressuring both manufacturer and retailer profitability, as evidenced by rising discounts from manufacturers and falling profit margins for retailers.

“Also notable is the decline in sales to fleet customers, which are expected to fall 12.5% from February 2024. This means that fleet sales will account for just 18.8% of total light-vehicle sales, down 3.4 percentage points from a year ago. Although the drop in fleet sales is especially notable in the context of rising retail sales, it is driven primarily by manufacturers limiting

discounts for fleet buyers. Instead, manufacturers are choosing to focus on historically more profitable retail buyers. Nevertheless, the fleet market remains a significant opportunity to increase sales this year for manufacturers willing to offer more compelling discounts.”

Manufacturer discounts for consumers are continuing to increase. The average incentive spend per vehicle is expected to grow 22.8% from February 2024 and is on track to reach \$3,227. Expressed as a percentage of MSRP, incentive spending is currently at 6.5%, an increase of 1.1 percentage point from a year ago.

“Total retailer profit per unit—which includes vehicles gross plus finance and insurance income—is expected to be \$2,171, down 11.8% from February 2024. The decline in profits is primarily driven by rising inventory levels and increased competition for new-vehicle buyers. Far fewer vehicles are selling above the manufacturer's suggested retail price (MSRP). Thus far in February, only 11.9% of new vehicles have been sold above MSRP, down from 19.2% a year ago.

“Despite rising manufacturer discounts and falling retailer profits, average transaction prices remain high. The average retail transaction price for new vehicles is trending toward \$44,619, up \$71 (0.2%) from February 2024.”

The combination of sales growth and a small increase in prices means that buyers are on track to spend nearly \$42.6 billion on new vehicles this month—2.5% higher than February 2024, and the highest February on record.

“For retailers, the rise in sales is not enough to offset the decline in per unit profits. Total aggregate retailer profit from new-vehicle sales for this month is projected to be \$2.1 billion, down 10.1% from February 2024.

“Vehicle affordability remains a challenge for the industry and is the primary reason why the sales pace, while strengthening, has not returned to pre-pandemic levels. Average monthly finance payments this month are on pace to be \$738, up \$17 from February 2024, and the highest February on record. The average interest rate for new-vehicle loans is expected to be 6.80%, down 3 basis points from a year ago.

“So far in February, used-vehicle retail prices have exhibited strength. The average used-vehicle price is \$28,263, up \$289 from a year ago. Despite relatively strong used prices, consumers have less equity on their trade-ins. Average trade-in equity is expected to decline \$173 from a year ago, trending towards \$7,625. Furthermore, the proportion of new-vehicle buyers who have negative equity on their trade-in is increasing. Currently, 25.5% of trade-ins have negative equity, up 2.0 percentage points from February 2024. These trade-in equity dynamics further exacerbate the industry's affordability challenges, as more consumers must now deal with the double challenge of high new-vehicle prices compounded by negative equity, leading to even higher monthly loan payments.

“Sales volumes in January and February are typically the lowest of the year and are frequently a weak indicator of overall market conditions. However, January and February results are consistent with trends observed in the latter part of 2024, characterized by rising sales driven by increased discounts from both manufacturers and retailers. This pattern is expected to continue into March and beyond. That said, several factors could affect the market in the months ahead, including changes to electric vehicle tax credits, fuel economy regulations and import tariffs.

There is considerable uncertainty over whether these changes will materialize and, if so, when they will take effect and how significant the changes will be. In the interim, consumer demand remains strong, as evidenced by total consumer spending on new vehicles in January and February reaching record levels.”

Sales & SAAR Comparison

U.S. New Vehicle	February 2025 ^{1,2}	January 2025	February 2024
Retail Sales	1,010,029 units (8.1% higher than February 2024) ²	910,650 units	973,177 units
Total Sales	1,243,720 units (3.5% higher than February 2024) ²	1,105,457 units	1,251,315 units
Retail SAAR	13.8 million units	13.4 million units	13.0 million units
Total SAAR	16.6 million units	15.6 million units	16.3 million units

¹ Figures cited for February 2025 are forecasted based on the first 13 selling days of the month.

² February 2025 has 24 selling days, one fewer than February 2024.

The Details

- The average new-vehicle retail transaction price in February is expected to reach \$44,619, up \$71 from February 2024. The highest for any month—\$47,329—was set in December 2022.
- Average incentive spending per unit in February is expected to reach \$3,227, up \$599 from February 2024. Spending as a percentage of the average MSRP is expected to increase to 6.5%, up 1.1 percentage point from February 2024.
- Average incentive spending per unit on trucks/SUVs in February is expected to be \$3,393, up \$633 from a year ago, while the average spending on cars is expected to be \$2,467, up \$371 from a year ago.
- Retail buyers are on pace to spend \$42.6 billion on new vehicles, up \$1 billion from February 2024.
- Trucks/SUVs are on pace to account for 81.3% of new-vehicle retail sales in February.
- Fleet sales are expected to total 233,691 units in February, down 12.5% from February 2024. Fleet volume is expected to account for 18.8% of total light-vehicle sales, down 3.4 percentage points from a year ago.
- Average interest rates for new-vehicle loans are expected to be 6.80%, down 3 basis points from a year ago.

EV Outlook

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

“Electric vehicle sales started the year strong, reaching 9.8% monthly retail share in January, which is a 1.4-percentage-point increase from January 2024. The percentage of new-vehicle shoppers who are ‘very likely’ to consider an EV peaked at 29% in January, 3.5 percentage points higher than a year ago. Furthermore, shoppers who are ‘very unlikely’ to consider an EV reached a low of 18%, the lowest percentage in more than a year. The average transaction price of a

battery electric vehicle—including the \$7,500 federal tax incentive, when applicable—was just \$750 more than the average transaction price of a non-BEV in January.

“These tailwinds, however, are expected to be offset by headwinds as federal tax incentives, infrastructure funding and regulations are expected to change. To what degree remains to be seen. Based on these factors, J.D. Power projects the pace of EV retail share growth to level off in 2025, holding at a retail share of 9.1%. Longer term, the forecast calls for the EV market to reach 26% retail share by 2030, which is approximately half of the market share the Biden administration targeted.”

Global Sales Outlook

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

“Global light-vehicle sales in January increased 2% year over year to 6.8 million units, continuing the momentum from the close of 2024. The selling rate for January finished at 89.0 million units, a level not seen since January 2018.

“Global sales results in January were mixed, with growth being driven by strength in Japan (+12%), stability in North America (+5%) and a surge in Brazil/Argentina (+22%). China experienced a 1% decline as much of the country did not have access to the incentive extension before the Lunar New Year holiday. Additionally, Western Europe faced political and economic headwinds that caused demand to contract 3%.

“February is expected to increase 7% from February 2024, as China is expected to rebound. The selling rate declining slightly to the 86-88-million-unit level but remains 2-3 million units above the selling rate from a year ago.

“Despite the high level of uncertainty, including the potential for a global trade war, global vehicle sales are showing resilience. The forecast for the year remains 91.6 million units, representing an increase of nearly 4% from 2024. We remain cautiously optimistic yet realistic about the health of the global auto market, as there are significant variables from trade risks to economic pressures that could affect the trajectory of sales in the near term.”

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