

U.S. Automotive Forecast for November 2020

Nov. 25, 2020

Vehicle Retail Sales Decline due to Quirky Sales Calendar; When Adjusted for Selling Days, Retail Sales Stable

Average New-Vehicle Transaction Price Exceeds \$37,000 First Time Ever

The Retail Sales Forecast

New-vehicle retail sales for the month of November are expected to decline marginally from November 2019, according to a joint forecast from J.D. Power and LMC Automotive. Retail sales for new vehicles are projected to reach 1,040,000 units, a 0.7% decrease compared with November 2019 when adjusted for selling days. November 2020 contains three fewer selling days and one less selling weekend when compared November 2019. Comparing the same sales volume without adjusting for the number of selling days translates to a decrease of 12.2% year over year.

The Total Sales Forecast

Total new-vehicle sales for the month of November, including retail and non-retail transactions, are projected to reach 1,208,100 units, a 3.5% decrease from November 2019 when adjusted for selling days. Reporting the same numbers without controlling for the number of selling days translates to a decrease of 14.6% from November 2019. The seasonally adjusted annualized rate (SAAR) for total new-vehicle sales is expected to be 15.8 million units, down 1.3 million units from 2019.

The Takeaways

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

“November 2020 is a prime example of why accounting for selling day differences is important in measuring comparable sales performance. After two consecutive months of year-over-year retail sales gains, a quirk in the November sales calendar will result in new-vehicle retail sales appearing to fall 12%. This year, November has three fewer selling days and one less selling weekend compared with 2019. When these calendar quirks are accounted for, new-vehicle retail sales are expected to almost match 2019 levels. While the sales results illustrate the continued strength of consumer demand, that strength is further reinforced by transaction prices hitting another record high, even as manufacturers and retailers continue to remain disciplined on new-vehicle incentives and discounts.”

The average number of days a new vehicle sits on a dealer lot before being sold is on pace to fall to 48 days, remaining below post-recession lows of 50 days for the second consecutive month.

The average incentive from manufacturers on new vehicles is on pace to be \$3,866 per vehicle, a decrease of \$657 from a year ago and the third consecutive month below \$4,000. Expressed as a percentage of the average vehicle MSRP, incentives for November are 9.0%, down two percentage points from a year ago, and the fourth consecutive month below 10%. For context, incentive spending per unit is 22% lower than when it peaked at \$4,953 per unit in April 2020. Retailers also continue to offer smaller discounts on new-vehicle sales. Total grosses per unit, inclusive of finance and insurance income, are on pace to reach \$2,144, an increase of \$776 from a year ago. This marks the fifth consecutive month above \$2,000.

Average transaction prices are expected reach another all-time high, rising 8.3% to \$37,099. Disciplined incentives and discounting, along with the shift towards more expensive trucks and SUVs, remains the key drivers. SUVs and trucks are on pace to account for a combined 78% of retail sales compared with 74% a year ago. For context, average transaction prices are 18% higher in November 2020 than they were in November 2015 at \$31,397.

Low interest rates and higher trade-in values are supporting higher transaction prices. The average interest rate for loans in October is expected to fall 91 basis points from a year ago to 4.4%. Over the same time, the average monthly finance payment is up only \$19 to \$602. Concurrently, the average trade-in value has risen to \$5,175, an increase of \$772 or 17.5%, from a year ago. Loan terms are relatively stable with the average term up only one month, to 70 months, compared with a year ago.

Looking ahead to December, a healthy sales pace is expected to continue thanks to manufacturers' progress in relieving inventory constraints, continued strong consumer demand and the year-end sales season.

Sales & SAAR Comparison

U.S. New Vehicle	November 2020 ¹	October 2020	November 2019
Retail Sales	1,040,000 units (-0.7% lower than November 2019) ²	1,177,770 units	1,184,187 units
Total Sales	1,208,100 units (-3.5% lower than November 2019) ²	1,350,746 units	1,414,963 units
Retail SAAR	13.1 million units	14.2 million units	13.8 million units
Total SAAR	15.8 million units	16.3 million units	17.1 million units

¹ Figures cited for November 2020 are forecasted based on the first 17 selling days of the month.

² November 2020 has 23 selling days, three fewer days than November 2019.

The Details

- The average new-vehicle retail transaction price in November is expected to reach a record \$37,099. The previous high for any month of \$36,755 was set in October 2020.
- Average incentive spending per unit in November is expected to reach \$3,866, down from the previous monthly record of \$4,523, set in November 2019. Spending as a percentage of the average MSRP is expected to reach 9.0%, down two percentage points from a year ago.
- Average incentive spending per unit on trucks and SUVs combined is expected to be down \$742 to \$3,880, while the average spending on cars is expected to be flat at \$4,230.
- Consumers are on pace to spend \$ \$38.6 billion on new vehicles, down \$2 billion from November 2019.
- Truck/SUVs are on pace to account for 78.1% of new-vehicle retail sales.
- Fleet sales are expected to total 168,100 units, down 18% from November 2019 on a selling day adjusted basis. Fleet volume is expected to account for 14% of total light-vehicle sales, down from 16% a year ago.

Global Outlook for November 2020

Jeff Schuster, president, Americas operations and global vehicle forecasts, LMC Automotive:

“Despite the effect and increased risk of disruption from rising COVID-19 case counts and new restrictions, the global selling rate came in about 90 million units for the third straight month. After upward adjustments in China, the SAAR was at 91 million units in October, up from the 89 million-unit rate a year ago. The strong selling rate is supported by a 2% increase in volume from October 2019. The gain in volume is driven by continued strength in China and India, up 10% and 13%, respectively. Light-vehicle sales in Japan were stronger than expected, up 29% from a low base in 2019 caused by a consumption tax increase. Western Europe was a notable drag on October sales, falling by 6% from October 2019.

“With the solid growth in October, global light-vehicle sales continue to improve on a year-to-date basis. Sales through October are down 17% from a year ago, an improvement from the 19% decline reported last month. The 2020 global outlook remains at a drop of 15% to 77 million units, but the forecast did move upward slightly. Looking ahead to 2021, the global industry will be grappling with the optimism surrounding a COVID-19 vaccine and the reality of a likely negative near-term effect to the economy and auto sector from increasing infection numbers. The 2021 forecast for global light-vehicles is holding at 86 million units, an increase of 11% from 2020.”

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