U.S. Automotive Forecast for September 2021

Sept. 28, 2021

Lack of Inventory Severely Constrains September New-Vehicle Sales As Per-Vehicle Prices and Profits Reach All-Time High

The Retail Sales Forecast

New-vehicle retail sales for the month of September 2021 are expected to decline when compared with September 2020 and September 2019, according to a joint forecast from J.D. Power and LMC Automotive. Retail sales of new vehicles this month are expected to reach 888,900 units, a 24.8% decrease compared with September 2020, and a 19.8% decrease compared with September 2019 when adjusted for selling days. September 2021 has the same number of selling days as September 2020 but two additional selling days than September 2019. Comparing the same sales volume without adjusting for the number of selling days translates to a decrease of 24.8% from 2020 and a 12.8% decrease from 2019.

New-vehicle retail sales in Q3 2021 are projected to reach 2,990,500 units, a 14.3% decrease from Q3 2020 and an 18.8% decrease from Q3 2019 when adjusted for selling days.

The Total Sales Forecast

Total new-vehicle sales for September 2021, including retail and non-retail transactions, are projected to reach 1,009,400 units, a 24.5% decrease from September 2020 and a 26.9% decrease from September 2019. Comparing the same sales volume without adjusting for the number of selling days translates to a decrease of 24.5% from 2020 and a decrease of 20.6% from 2019.

The seasonally adjusted annualized rate (SAAR) for total new-vehicle sales is expected to be 12.2 million units, down 4.0 million units from 2020 and down 4.9 million units from 2019.

New-vehicle total sales in Q3 2021 are projected to reach 3,374,300 units, a 13.4% decrease from Q3 2020 and a 22.7% decrease from Q3 2019 when adjusted for selling days.

The Takeaways

Thomas King, president of the data and analytics division at J.D. Power:
"September results show that there are simply not enough vehicles available to meet consumer demand. Similar to August, inventory levels have been depleted to the extent that new-vehicle sales are being dictated by how many vehicles are being delivered to dealerships each month. In September 2019, 1,020,000 retail sales occurred as buyers chose from 2.9 million vehicles in inventory. This month, retail customers will buy 888,900 vehicles, with just 920,000 in inventory.

"The mismatch between strong consumer demand and constrained inventory is leading to higher vehicle prices. In September 2021, average transaction prices are expected reach an all-time high of $42,802, the fourth consecutive month over $40,000. For context, average transaction prices are trending to be 18.6% higher in September 2021 than they were in September 2020 when prices broke the $36,000 level for the first time ever. This is partially due to continued compression of manufacturer incentives. The average manufacturer incentive per vehicle is on pace to be $1,755, a decrease of $2,037 from a year ago and the lowest amount on record. Expressed as a percentage of the average vehicle MSRP, incentives for September 2021 are trending toward a record low of 4.0%, down nearly 5.2 percentage points from a year ago.

"When new vehicles arrive at retailers, they are sold extremely quickly. For the month of September 2021, the average number of days a new vehicle sits on a dealer lot before being sold is on pace to fall to a record low of 23 days, down from 54 days a year ago and down two days from August 2021. Retailers continue to sell a large proportion of vehicles almost as soon as they arrive in inventory. This month, nearly 50% of vehicles will be sold within 10 days of arriving at a dealership.

Despite retail volumes in September being down significantly, the higher prices mean that consumers are on track to spend $38.0 billion on new vehicles this month, the fourth highest on record for the month of September.

Total retailer profit per unit—inclusive of grosses and finance & insurance income—are on pace to reach an all-time high of $4,753, an increase of $2,587 from a year ago. Grosses have been above $3,000 for five consecutive months and above $4,000 for three consecutive months. For retailers, the record profit per unit, despite the big drop in volumes will result in September 2021 being the most profitable September ever. Total aggregate retailer profits from new-vehicle sales will be $4.2 billion, the highest ever for the month of September and up an amazing 203% from September 2019.

These results are being partially enabled by exceptionally strong used-vehicle prices as new vehicle buyers benefit from more equity on their traded-in vehicles. The average monthly finance payment is on pace to be $652, up $71, aided by average trade-in values trending towards $7,994, an increase of $3,085 (62.9%) from a year ago. The average interest rate for loans in September is expected to decrease 40 basis points to 4.02% from a year ago, on track for the second consecutive year-over-year decrease.

"Looking forward to October, with inventory and production levels at historical lows, dealers are turning vehicles on lots almost as soon they arrive and, as demand continues to exceed production, the overall industry sales pace will continue to be supply constrained. At these unprecedented low levels of inventory, the sales pace will be dictated mostly by manufacturers' procurement, production and distribution activities. However, regardless of inventory position or production levels, manufacturers and retailers will continue to benefit from the current intense level of consumer demand achieving higher profits per every unit sold."

Sales & SAAR Comparison

U.S. New Vehicle	September 2021[1,2]	August 2021	September 2020
Retail Sales	888,914 units (-24.8% lower than September 2020; -19.8% lower than September 2019)[2]	960,424 units	1,182,788 units
Total Sales	1,009,422 units (-24.5% lower than September 2020; -26.9% lower than September 2019)[2]	1,087,277 units	1,337,515 units
Retail SAAR	11.0 million units	10.8 million units	14.7 million units
Total SAAR	12.2 million units	13.0 million units	16.2 million units

[1] Figures cited for September 2021 are forecasted based on the first 15 selling days of the month.
[2] September 2021 has 25 selling days, the same as September 2020 but two more than September 2019.

The Details

- The average new-vehicle retail transaction price in September is expected to reach a record $42,802. The previous high for any month, $41,528, was set in August 2021.
- Average incentive spending per unit in September is expected to fall to $1,755, down from $3,792 in September 2020 and $4,154 in September 2019. Spending as a percentage of the average MSRP is expected to fall to 4.0%, down 5.2 percentage points from September 2020 and down 6.3 percentage points from September 2019.
- Average incentive spending per unit on trucks/SUVs in September is expected to be $1,739, down $2,134 from a year ago and down $2,574 from 2019, while the average spending on cars is expected to be $1,816, down $1,711 from a year ago and down $1,891 from 2019.
- Consumers are on pace to spend $38.0 billion on new vehicles, down $4.6 billion from September 2020 but up $3.6 billion from September 2019.
- Truck/SUVs are on pace to account for 78.3% of new-vehicle retail sales in September.
- Fleet sales are expected to total 120,500 units in September, down 22.1% from September 2020 and down 55.8% from September 2019 on a selling day adjusted basis. Fleet volume is expected to account for 12% of total light-vehicle sales, flat from 12% a year ago.

Observations on New Vehicle Residual Values

Eric Lyman, vice president, ALG:

"ALG has updated its forecast for three-year-old retention values to reflect continued production constraints and the resulting decline in used-vehicle supply that will affect values until the middle of the decade. Late-model-year vehicles will continue to see elevated values throughout 2022 calendar year, when returning leases on 2019 model-year vehicles are expected to retain a staggering 60.6% of their original MSRP, with continued used supply constraints alone contributing a full seven points to vehicle retention next year. While this is down from the 65.0% retention experienced for 2018 model-year vehicles in 2021, these unprecedented values will continue to disrupt the traditional off-lease remarketing environment with lessees and dealers intercepting vehicles at lease maturity before they can be sent to traditional wholesale auctions and upstream sales channels. Looking further out into the future, ALG expects three-year-old vehicles returning in 2024 calendar year to drop to 53.7% of original MSRP. While these values may seem low compared with current market performance, they still represent a residual value forecast 4.0 percentage points higher than the five-year pre-pandemic average experienced from 2015-2019."

Observations on the Used Vehicle Market

Jonathan Banks, vice president, Valuations Services:
"After cooling briefly in late June and July, used prices have once again started to heat up as the market moves into the fall season. This is typically the time of year where the market softens, however, ongoing production challenges on the new side of the industry are helping keep used prices at historic levels. Used prices increased each week in August and have continued to climb in September. So far, through the first half of the month, prices have risen by an average of 4%. The latest growth pushes wholesale prices up approximately 31% above September 2020. As the global semiconductor shortage lingers, a certain degree of volatility in used prices should be expected. However, used vehicles will remain in high demand."

Global Sales Outlook

Jeff Schuster, president, Americas operations and global vehicle forecasts, LMC Automotive:
"Global volume in August slid 11% from August 2022, to just 5.8 million units. The grip of the semiconductor crisis got stronger, causing the selling rate to fall to 79.7 million units—the first time it failed to reach the 80 million units since July 2020. Most major markets fell by double digits from a year ago, including Western Europe (-21%), the United States (-18%) and China (-15%). India was the only large market posting an increase—9%--on a year-over-year basis, but that was from a low base in 2020. Looking at September, the inventory constraint is expected to intensify. We forecast volume to fall 20% from September 2020 with volume at 6.3 million units and a subdued selling rate of 73 million units—nearly 18 million units below September 2020.

"The semiconductor shortage and other manufacturing disruptions have taken a turn for the worse and the auto industry now faces the stark realization that the expected recovery will be delayed until 2022, if not 2023. We have substantially cut our outlook for global light vehicles in 2021 and 2022. We expect 2021 volume to be 3 million units lower than our forecast a month ago—now just 80.6 million units, an increase of 4% from 2020. With the extension of the chip shortage, the outlook for 2022 has been cut by 6.5 million units to 85.2 million. The situation remains extremely fluid and additional downside risk of 5 million units remains for 2022."

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