

## U.S. Automotive Forecast for November 2021

Nov. 24, 2021

### **New-Vehicle Sales Still Restricted by Low Supply in November; Demand Sustains Record-High Levels of Prices and Profits**

New-vehicle retail sales for November 2021 are expected to decline when compared with November 2020, according to a joint forecast from J.D. Power and LMC Automotive. Retail sales of new vehicles this month are expected to reach 933,700 units, a 12.6% decrease compared with November 2020 when adjusted for selling days. November 2021 has one more selling day than November 2020. Comparing the same sales volume without adjusting for the number of selling days translates to a decrease of 8.8% from 2020.

### **The Total Sales Forecast**

Total new-vehicle sales for November 2021, including retail and non-retail transactions, are projected to reach 1,061,900 units, a 14.8% decrease from November 2020. Comparing the same sales volume without adjusting for the number of selling days translates to a decrease of 11.1% from 2020.

The seasonally adjusted annualized rate (SAAR) for total new-vehicle sales is expected to be 13.6 million units, down 2.2 million units from 2020.

### **The Takeaways**

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

“For November—as has been the case since August—new-vehicle sales are being constrained by available inventory. Retail inventory on dealer lots is expected to end below one million vehicles for a fourth consecutive month, with sales in each month being dictated by the number of vehicles delivered to dealerships rather than reflecting actual demand. The lack of vehicles in inventory this month is particularly significant as the typical Black Friday sales surge will be difficult to support. Nevertheless, strong underlying demand for new vehicles, coupled with rising pent-up demand due to the inventory shortage, is sustaining record transaction prices and profits for each unit sold.

“Retailers continue to sell a large proportion of vehicles almost as soon as they arrive in inventory. This November, a record of nearly 55% of vehicles will be sold within 10 days of arriving at a dealership, while the average number of days a new vehicle sits on a dealer lot before being sold is on pace to fall to 19 days, a record low and down from 48 days a year ago.

“This scarce inventory is being met with powerful demand that continues to maintain prices—and profit per unit sold—at record levels. Average transaction prices are expected to reach a November record of \$44,043, a sixth consecutive month above \$40,000, and 18.1% higher than November 2020 when prices hit \$37,284.

This is partly due to record-low manufacturer incentives. The average manufacturer incentive per vehicle is on pace to be a November low of \$1,612, a decrease of \$2,089 from a year ago. Expressed as a percentage of the average vehicle MSRP, incentives for November 2021 are trending toward a record-tying low of 3.6%, down nearly five percentage points from a year ago and the second time on record below 4.0%.”

Despite retail volumes in November being down significantly, the higher prices mean that buyers are on track to spend \$41.1 billion on new vehicles this month, the highest on record for the month of November.

Total retailer profit per unit—inclusive of grosses and finance & insurance income—is on pace to reach a record \$5,164, an increase of \$3,060 from a year ago and a second consecutive month above \$5,000. Grosses have been above \$4,000 for five consecutive months. Despite the drop in sales volume, this record profit per unit sold will result in November 2021 being the most profitable month on record for retailers. Total aggregate retailer profit from new-vehicle sales is projected to be up 226% from November 2019, reaching \$4.8 billion.

Record new-vehicle prices are being supported by exceptionally strong used-vehicle prices, as new-vehicle buyers benefit from more equity on their trade-in vehicles. The average trade-in value for November is trending towards \$9,549, an increase of \$4,332 (83%) from a year ago and the first time above \$9,000. Also, interest rates are favorable when compared with a year ago. The average interest rate for loans in November is expected to decrease 30 basis points to 4.01%. Even with lower interest rates and increased trade-in values, the average monthly finance payment is on pace to hit a record high of \$670, up \$74 from November 2020.

“Looking forward to closing out 2021, retail sales again will be dictated by the number of vehicles shipped from plants and ports to dealerships. However, indications are that shipments will not rise materially. Therefore, the traditional year-end sales push will be somewhat non-traditional. Overall, even with the extremely constrained supply in the second half of 2021, the industry will still sell more vehicles than in 2020. However, 2021 sales will not come close to the sales volume potential that could have been realized if production and supply were at historical levels. The silver lining is that many of the shoppers who could not find a vehicle in 2021 will likely still be in the market in 2022.”

## Sales & SAAR Comparison

U.S. New Vehicle	November 2021 <sup>1, 2</sup>	October 2021	November 2020
<b>Retail Sales</b>	933,699 units (-12.6% lower than November 2020) <sup>2</sup>	927,129 units	1,023,374 units
<b>Total Sales</b>	1,061,904 units (-14.8% lower than November 2020) <sup>2</sup>	1,051,442 units	1,194,788 units
<b>Retail SAAR</b>	11.5 million units	11.5 million units	13.0 million units
<b>Total SAAR</b>	13.6 million units	13.1 million units	15.8 million units

<sup>1</sup> Figures cited for November 2021 are forecasted based on the first 11 selling days of the month.

<sup>2</sup> November 2021 has 24 selling days, one more than November 2020.

## The Details

- The average new-vehicle retail transaction price in November is expected to reach \$44,043. The previous high for any month, \$44,417, was set in October 2021.
- Average incentive spending per unit in November is expected to reach \$1,612, down from \$3,701 in November 2020. Spending as a percentage of the average MSRP is expected to fall to 3.6%, down five percentage points from November 2020.
- Average incentive spending per unit on trucks/SUVs in November is expected to be \$1,640, down \$2,065 from a year ago, while the average spending on cars is expected to be \$1,497, down \$2,191 from a year ago.
- Buyers are on pace to spend \$41.1 billion on new vehicles, up \$3.0 billion from November 2020.
- Truck/SUVs are on pace to account for a record 81.2% of new-vehicle retail sales in November.
- Fleet sales are expected to total 128,000 units in November, down 28.3% from November 2020 on a selling day adjusted basis. Fleet volume is expected to account for 12% of total light-vehicle sales, down from 14% a year ago.

## Global Sales Outlook

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

“The global light-vehicle selling rate for October 2021 improved to 77.0 million units, up from 73.5 million in September—but still 15 million units below October 2020. Global volume declined 16% year over year, as markets remain mixed and the supply shortages continue to plague the industry. The volume decline has accelerated in Western Europe, down 27% from October 2020, while China greatly outperformed expectations, falling just 7% from a year ago. India also improved and was off just 21% from October 2020. The United States, South Korea and Eastern Europe were down 21-22% year over year. November 2021 is expected to show slight improvement from October but is expected to be down 14% year over year. The selling rate is projected to increase marginally to 77.2 million units.

“The supply shortage is being managed in very creative ways, from building vehicles without certain content to bringing chip development and production in-house for better supply chain

visibility. However, the improvements in vehicle production are inconsistent around the world. China and India both saw stronger vehicle production in October, but North America and Europe remain constrained. Even as plants restart after being down for several weeks, they are not running near normal levels. While the solutions are intended to minimize the disruption now or in the future, consumers will continue to find it difficult to purchase the exact vehicle they want for several months to come. The outlook for 2021 has been quite fluid but the forecast this month remains at the 80-million-unit level—with a 200,000-unit improvement—representing a decline of 4% from 2020. The recent performance in China suggests that there may be some upside potential in the world’s largest market as the year closes. With the chip shortage appearing to level off, we have increased the 2022 forecast by 400,000 units to 85.2 million.”

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