

U.S. Automotive Forecast for December 2021

Dec. 23, 2021

Lack of Supply Still Restricting New-Vehicle Sales in December; Prices and Profits Continue to Set Records

The Retail Sales Forecast

New-vehicle retail sales for December 2021 are expected to decline when compared with December 2020, according to a joint forecast from J.D. Power and LMC Automotive. Retail sales of new vehicles this month are expected to reach 1,105,800 units, a 17.4% decrease compared with December 2020 when adjusted for selling days. December 2021 has one fewer selling day than December 2020. Comparing the same sales volume without adjusting for the number of selling days translates to a decrease of 20.4% from 2020.

New-vehicle retail sales in Q4 2021 are projected to reach 2,923,600 units, a 17.7% decrease from Q4 2020 when adjusted for selling days.

New-vehicle retail sales for 2021 are projected to reach 13,074,500 units, a 6.5% increase from 2020 when adjusted for selling days.

The Total Sales Forecast

Total new-vehicle sales for December 2021, including retail and non-retail transactions, are projected to reach 1,245,600 units, a 20.5% decrease from December 2020. Comparing the same sales volume without adjusting for the number of selling days translates to a decrease of 23.3% from 2020.

The seasonally adjusted annualized rate (SAAR) for total new-vehicle sales is expected to be 13.0 million units, down 3.5 million units from 2020.

New-vehicle total sales in Q4 2021 are projected to reach 3,302,700 units, a 19.9% decrease from Q4 2020 when adjusted for selling days.

New-vehicle total sales for 2021 are projected to reach 14,958,900 units, a 4.2% increase from 2020 when adjusted for selling days.

The Takeaways

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

“Despite inventory shortages constraining December sales volumes, there are several good news stories for the industry. Retail inventory is showing some improvement, tracking at just more than one million units for the first time since July and transaction prices and retailer profits are at record highs.

“Retailers continue to sell most vehicles nearly as soon as they arrive in inventory. This December, a record of nearly 57% 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 17 days, a record low and down from 49 days a year ago.

“While the inventory situation has improved modestly since November, supply remains well below the level at which consumer demand for new vehicles can be met. Intense demand with this limited supply is resulting in prices continuing to increase. Average transaction prices are expected to reach a record of \$45,743, the first time ever above \$45,000 and 20% higher than December 2020 when prices eclipsed \$38,000 for the first time.”

Record transaction prices are partly due to near record-low levels of discounting. The average manufacturer incentive per vehicle is on pace to be a low for the month of December at \$1,598, a decrease of \$2,291 from a year ago. Expressed as a percentage of the average vehicle MSRP, incentives for December 2021 are trending toward a record-tying low of 3.5%, down nearly 5.5 percentage points from a year ago and the third consecutive month below 4.0%.

All told, consumers are on track to spend \$50.6 billion on new vehicles this month, the second highest on record for the month of December and the fifth-highest amount for any month on record.

Dealers also are continuing to benefit from high transaction prices with total retailer profit per unit—inclusive of grosses and finance & insurance income—being on pace to reach a record \$5,258, an increase of \$3,277 from a year ago and a third consecutive month above \$5,000. The gains in per-unit profit more than offset the drop in sales volume, which will make December 2021 the most profitable month on record for retailers. Total aggregate retailer profit from new-vehicle sales is projected to be up 254% from December 2019, reaching \$5.8 billion, the first time over \$5 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 equity for December is trending towards \$10,199, an 83% increase of \$4,623 from a year ago and the first time above \$10,000. Also, interest rates are favorable when compared with a year ago. The average interest rate for loans in December is expected to decrease nine basis points to 4.05%. Even with lower interest rates and increased trade-in values, the average monthly finance payment is on pace to hit a record high of \$680, up \$78 from December 2020.

“Full year 2021 will still show a solid sales increase from 2020. The year-over-year sales declines experienced every month in the second half of 2021 were not enough to wash the record sales pace in the first half of the year. Also, pricing and profitability for 2021 will achieve record levels for full year results. Overall, despite the inventory-related disruption to sales volume, the industry is closing out the year with record-breaking financial results.

“Looking forward to 2022, retail sales will continue to be dictated by the number of vehicles shipped from plants and ports to dealerships. Indications are that shipments will rise incrementally as the year goes on, allowing sales to rise from 2021 levels. However, pent-up consumer demand will keep inventory levels near historical lows. Therefore, 2022 is likely to be another year of record setting pricing and profitability.”

Sales & SAAR Comparison

U.S. New Vehicle	December 2021 ^{1, 2}	November 2021	December 2020
Retail Sales	1,105,832 units (-17.4% lower than December 2020) ²	890,603 units	1,388,646 units
Total Sales	1,245,593 units (-20.5% lower than December 2020) ²	1,005,689 units	1,624,743 units
Retail SAAR	11.7 million units	11.0 million units	14.3 million units
Total SAAR	13.0 million units	12.8 million units	16.5 million units

¹ Figures cited for December 2021 are forecasted based on the first 16 selling days of the month.

² December 2021 has 27 selling days, one fewer than December 2020.

The Details

- The average new-vehicle retail transaction price in December is expected to reach \$45,743. The previous high for any month, \$44,515, was set in November 2021.
- Average incentive spending per unit in December is expected to reach \$1,598, down from \$3,889 in December 2020. Spending as a percentage of the average MSRP is expected to fall to 3.5%, down 5.5 percentage points from December 2020.
- Average incentive spending per unit on trucks/SUVs in December is expected to be \$1,607, down \$2,291 from a year ago, while the average spending on cars is expected to be \$1,562, also down \$2,291 from a year ago.
- Buyers are on pace to spend \$50.6 billion on new vehicles, down \$2.3 billion from December 2020.
- Truck/SUVs are on pace to account for a record 80.2% of new-vehicle retail sales in December.
- Fleet sales are expected to total 140,000 units in December, down 38.6% from December 2020 on a selling day adjusted basis. Fleet volume is expected to account for 11% of total light-vehicle sales, down from 15% a year ago.

Global Sales Outlook

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

“Global light-vehicle sales declined 11% year over year in November to 6.7 million units, but the selling rate hit 80.1 million units, the second consecutive month with improvement. November’s rate was up 3.2 million units from October, but still more than 11 million units below the pace of last November. China continues to outpace the rest of the world, posting a decline of 8%, while Europe was down 17%. The United States, Japan and South Korea each posted declines near 16%. December is projected to maintain a selling rate of 80 million units, with volume off 13% from December 2020.

“A mild improvement in the chip shortage may be overshadowed by risk from the surge in Omicron variant COVID-19 cases. While vehicle shortage and the inventory crunch appear to have peaked, they continue to have a negative effect on demand. The uncertainty of potential restrictions and lockdowns in Europe and Asia could be problematic for global sales levels as we enter 2022. However, 2021 is now expected to finish at just above 81 million units, an increase of 4% from 2020, thanks to a recent increase in China and improvements in some markets in Western Europe. Even with the added risk, the outlook for 2022 has improved to 86 million units, an increase of 750,000 units from last month. We remain cautiously optimistic about the pace of recovery during the next 18 months.”

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