

U.S. Automotive Forecast for January 2022

Jan. 26, 2022

New-Vehicle Sales in January Constrained by Historic Low Inventory; Transaction Prices and Retailer Profit Maintain Record Levels

The Retail Sales Forecast

New-vehicle retail sales for January 2022 are expected to decline when compared with January 2021, according to a joint forecast from J.D. Power and LMC Automotive. Retail sales of new vehicles this month are expected to reach 828,900 units, an 8.3% decrease compared with January 2021. (Note: January 2022 has the same number of selling days as January 2021.)

The Total Sales Forecast

Total new-vehicle sales for January 2022, including retail and non-retail transactions, are projected to reach 932,100 units, a 15.6% decrease from January 2021.

The seasonally adjusted annualized rate (SAAR) for total new-vehicle sales is expected to be 14.1 million units, down 2.6 million units from 2021.

The Takeaways

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

“Despite optimism towards the end of 2021 that diminishing supply chain disruption would result in more vehicles being delivered to dealerships, the new-vehicle supply situation has shown no meaningful improvement. January month-end retail inventory is expected to be below one million units for the eighth consecutive month. The volume of new vehicles being delivered to dealerships in January has been insufficient to meet strong consumer demand, resulting in a significantly diminished sales pace.

“When vehicles are delivered to dealers, they sell quickly. A rising proportion of those vehicles have been ordered by consumers in advance. This month, nearly 53% of vehicles will be sold within 10 days of arriving at a dealership, while the average number of days a new vehicle is in a dealer’s possession before being sold is on pace to be 19 days—down from 51 days a year ago. With consumer demand still exceeding supply, new-vehicle prices continue to be at record levels. Average transaction prices are expected to reach a January record of \$44,905. Inventory shortages are resulting in even fewer incentive offers from manufacturers. The average

manufacturer incentive spend per vehicle is on pace to be \$1,319, a decrease of \$2,163 from a year ago. Expressed as a percentage of the average vehicle MSRP, incentives for January are trending toward a record low of 2.9%, down nearly 5.2 percentage points from a year ago and the first time below 3.0%.

“Despite lower volumes, higher prices mean that consumers are on track to spend a healthy \$37.2 billion on new vehicles this month, the highest on record for the month of January and 10% above January 2020.

“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 \$5,138, an increase of \$2,969 from a year ago and the fourth consecutive month above \$5,000. The gains in per-unit profit are offsetting the drop in sales volume as the total aggregate retailer profit from new-vehicle sales is projected to be up 117% from January 2021, reaching \$4.3 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 January is trending towards \$9,852, an 88% increase of \$4,611 from a year ago. Also, interest rates are favorable when compared with a year ago. The average interest rate for loans in January is expected to decrease 14 basis points to 4.14%. Even with lower interest rates and increased trade-in values, the average monthly finance payment is on pace to hit a record high for the month of January of \$669, up \$73 from January 2021.

“Although the start of 2022 is disappointing from a sales standpoint, the underlying health metrics of the industry have never been stronger. Looking forward to February, the overall industry sales pace will continue to be constrained by procurement, production and distribution and all indications are that deliveries will not rise substantially for the industry in aggregate. This means February will likely be another month of suppressed sales volume offset by near record level pricing and profitability.”

Sales & SAAR Comparison

U.S. New Vehicle	January 2022 ^{1, 2}	December 2021	January 2021
Retail Sales	828,853 units (-8.3% lower than January 2021) ²	1,056,979 units	903,829 units
Total Sales	932,099 units (-15.6% lower January 2021) ²	1,195,178 units	1,104,672 units
Retail SAAR	13.1 million units	11.2 million units	14.3 million units
Total SAAR	14.1 million units	12.4 million units	16.8 million units

¹ Figures cited for January 2022 are forecasted based on the first 17 selling days of the month.

² January 2022 has 24 selling days, the same as January 2021.

The Details

- The average new-vehicle retail transaction price in January is expected to reach \$44,905. The previous high for any month, \$45,283, was set in December 2021.

- Average incentive spending per unit in January is expected to reach \$1,319, down from \$3,482 in January 2021. Spending as a percentage of the average MSRP is expected to fall to 2.9%, down 5.2 percentage points from January 2021.
- Average incentive spending per unit on trucks/SUVs in January is expected to be \$1,310, down \$2,202 from a year ago, while the average spending on cars is expected to be \$1,353, down \$2,019 from a year ago.
- Buyers are on pace to spend \$38.2 billion on new vehicles, up \$4.4 billion from January 2021.
- Truck/SUVs are on pace to account for a record 80.1% of new-vehicle retail sales in January.
- Fleet sales are expected to total 103,200 units in January, down 48.6% from January 2021 on a selling day adjusted basis. Fleet volume is expected to account for 11% of total light-vehicle sales, down from 18% a year ago.

Global Sales Outlook

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

“Global light-vehicle sales finished 2021 at 81.3 million units, a 5% increase from 2020, as both China and India ended on a robust note and outperformed expectations. December’s selling rate improved to 81.8 million units but was a stark 10 million units below the December 2020 rate. While improvement was measured across many markets in Asia, the United States and Europe were off more than 20% in December, year over year. January is shaping up to give back some of the sales momentum from the fourth quarter as major markets—notably China, South Korea and Japan—are affected by the peaking Omicron variant and restrictions. Volume is projected at 6.2 million units, a 7% decline from January 2021. The selling rate is forecast to slip to 78.5 million units.

“The start of 2022 faces risk from a multitude of drivers that have been affecting the market for several months, such as the Omicron variant, supply chain shortages and global inflation. The addition of geo-political concerns with a potential Russia-Ukraine conflict is adding additional economic risk. However, we continue to expect the automotive market to weather the short-term risk and improve 6% to 86.2 million units in 2022 on a stabilizing supply of vehicles by year-end, as well as reduced disruption from the pandemic.”

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