

## U.S. Automotive Forecast for February 2022

Feb. 25, 2022

### **February Sales Rate Remains Constrained by Low Inventory; Record Pricing and Dealer Profitability Continue**

#### **The Retail Sales Forecast**

New-vehicle retail sales for February 2022 are expected to decline when compared with February 2021, according to a joint forecast from J.D. Power and LMC Automotive. Retail sales of new vehicles this month are expected to reach 922,100 units, a 5.7% decrease compared with February 2021. (Note: February 2022 has the same number of selling days as February 2021.)

#### **The Total Sales Forecast**

Total new-vehicle sales for February 2022, including retail and non-retail transactions, are projected to reach 1,057,300 units, an 11.1% decrease from February 2021.

The seasonally adjusted annualized rate (SAAR) for total new-vehicle sales is expected to be 14.1 million units, down 1.7 million units from 2021.

#### **The Takeaways**

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

“With retail inventory on pace to finish a fourth consecutive month below 900,000 units and ninth consecutive month below one million units, the new-vehicle supply situation is not displaying signs of near-term improvement. Therefore, sales in February are being determined by the number of vehicles delivered to dealerships rather than reflecting actual consumer demand.”

New-vehicle prices continue to maintain record levels as average transaction prices are expected to reach a February record of \$44,460, an 18.5% increase from a year ago. Supply shortages are continuing to constrain incentive offers from manufacturers. For February, incentive spend per vehicle expressed as a percentage of the average vehicle MSRP is trending toward a record low of 2.8%, down 5.0 percentage points from February 2021 and the second consecutive month below 3.0%. From an absolute value standpoint, average manufacturer incentive spend per vehicle is on pace to reach \$1,246, a decrease of \$2,143 from a year ago.

“Vehicles continue to sell quickly and a growing number of those vehicles have been ordered by buyers. 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 20 days—down from 54 days a year ago.

“Despite lower volumes, higher prices mean that retail consumers are on track to spend a healthy \$41.0 billion on new vehicles this month, the highest on record for the month of February and 12.4% above February 2021.

“Dealers also continue to benefit from high transaction prices with total retailer profit per unit—inclusive of grosses and finance and insurance income—being on pace to reach \$5,023, an increase of \$2,837 from a year ago and the fifth 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 February 2021, reaching \$4.6 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 February is trending towards \$9,663, a 93.0% increase of \$4,657 from a year ago. As expected, interest rates are starting to climb but at a tempered level. The average interest rate for loans in February is expected to increase three basis points from a year ago to 4.28%. The average monthly finance payment is on pace to hit a record high of \$668 for the month of February, up \$71 from February 2021. That translates to an 11.9% increase in monthly payments from a year ago, which is still below the 18.5% increase in transaction prices.

“What we’re seeing in February—sales being constrained by available inventory—is expected to continue in March. The underlying question is which manufacturers will have the ability to produce enough vehicles to increase inventory levels. Ongoing supply chain disruptions, along with near-term announcements of production outages by several manufacturers, mean that the aggregate inventory situation is unlikely to change in March. For some manufacturers, the situation may deteriorate. This likely means that prices and per-unit profitability for retailers and manufacturers will likely remain healthy.”

## Sales & SAAR Comparison

| U.S. New Vehicle    | February 2022 <sup>1, 2</sup>                                  | January 2022       | February 2021      |
|---------------------|--|--------------------|--------------------|
| <b>Retail Sales</b> | 922,118 units<br>(-5.2% lower than February 2022) <sup>2</sup> | 876,186 units      | 977,520 units      |
| <b>Total Sales</b>  | 1,057,262 units<br>(-11.6% lower February 2022) <sup>2</sup>   | 992,927 units      | 1,189,228 units    |
| <b>Retail SAAR</b>  | 12.7 million units   | 13.9 million units | 13.4 million units |
| <b>Total SAAR</b>   | 14.1 million units   | 15.1 million units | 15.9 million units |

<sup>1</sup> Figures cited for February 2022 are forecasted based on the first 17 selling days of the month.

<sup>2</sup> February 2022 has 24 selling days, the same as February 2021.

## The Details

- The average new-vehicle retail transaction price in February is expected to reach \$44,460. The previous high for any month, \$45,283, was set in December 2021.
- Average incentive spending per unit in February is expected to reach \$1,246, down from \$3,388 in February 2021. Spending as a percentage of the average MSRP is expected to fall to 2.8%, down 5.0 percentage points from February 2021.
- Average incentive spending per unit on trucks/SUVs in February is expected to be \$1,240, down \$2,144 from a year ago, while the average spending on cars is expected to be \$1,267, down \$2,137 from a year ago.
- Buyers are on pace to spend \$41.0 billion on new vehicles, up \$4.3 billion from February 2021.
- Truck/SUVs are on pace to account for a record 78.8% of new-vehicle retail sales in February.
- Fleet sales are expected to total 135,100 units in February, down 36.2% from February 2021 on a selling day adjusted basis. Fleet volume is expected to account for 13% 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 got off to a better-than-expected start in 2022, as January posted volume of 6.6 million units, just 1% behind January 2021. The selling rate increased to 83.9 million units, up from 82.1 million units in December 2021. Volume in China was up 4.6% in January, which is consistent with recent months of China outperforming most major markets. Some markets across Europe also saw marked improvement, including Germany and the UK. February is expected to finish at 5.7 million units, down 1.8% from February 2021. The selling rate is forecast to fall to 77.4 million units. The Russian invasion of Ukraine will negatively affect the close of the month and add another layer of substantial risk to the recovery in 2022.

“An already tight supply of vehicles and high prices across the globe will be under added pressure based on the severity and duration of the conflict in Ukraine. Rising oil and aluminum prices will likely affect consumers’ willingness and ability to purchase vehicles, even if inventory improves. We have made significant downgrades to the Ukraine and Russia forecasts due to the escalating conflict between the two and the repercussions associated with sanctions against Russia. The decline in Europe has pulled the outlook for global light-vehicle sales down by 400,000 units to 85.8 million units. Volume still is expected to increase 5% from 2021, but short-term risk has been escalated beyond the pandemic.”

### **Media Relations Contacts**

Geno Effler, J.D. Power; West Coast; 714-621-6224; [media.relations@jdpa.com](mailto:media.relations@jdpa.com)

Emmie Littlejohn, LMC Automotive; Troy, Mich.; 248-817-2100; [elittlejohn@lmc-auto.com](mailto:elittlejohn@lmc-auto.com)

**About J.D. Power and Advertising/Promotional Rules** [www.jdpower.com/business/about-us/press-release-info](http://www.jdpower.com/business/about-us/press-release-info)

**About LMC Automotive** [www.lmc-auto.com](http://www.lmc-auto.com)

# # #