J.D. POWER

LMC AUTOMOTIVE

U.S. Automotive Forecast for November 2022

Nov. 23, 2022

New-Vehicle Sales Rise in November as Inventory Improves; Key Financial Metrics Remain Strong but Show Signs of Moderation

The Retail Sales Forecast

New-vehicle retail sales for November 2022 are expected to be relatively flat when compared with November 2021, according to a joint forecast from J.D. Power and LMC Automotive. Retail sales of new vehicles this month are expected to reach 933,400 units, a 0.3% decrease from November 2021. November 2022 has one additional selling day than November 2021. Comparing the same sales volume without adjusting for the number of selling days translates to an increase of 3.8% from 2021.

The Total Sales Forecast

Total new-vehicle sales for November 2022, including retail and non-retail transactions, are projected to reach 1,102,300 units, a 5.6% increase from November 2021. Comparing the sales volume without adjusting for the number of selling days translates to an increase of 9.9% from 2021.

The Takeaways

Thomas King, president of the data and analytics division at J.D. Power:
"November results demonstrate that vehicle production is continuing to improve, with available retail inventory exceeding one million units for a second consecutive month and a larger share of manufacturers' production being allocated to fleet customers. The increased production is enabling a 9.9% increase in total vehicle sales (non-selling day adjusted) for the month of November.

"On the retail side, demand continues to exceed supply, as evidenced by continued strength in transaction prices, retailer profits, inventory turn rates and minimal manufacturer discounting. However, as inventories and interest rates rise, these metrics will show signs of either moderation or decline."

New-vehicle transaction prices continue to rise but at slower pace than earlier this year. The average price in November will set a record for the month of $45,872, an increase of 3.1% from a year ago.

The record transaction prices mean that buyers are on track to spend nearly $42.8 billion on new vehicles this month—the highest level ever for the month of November and a 7.0% increase from November 2021.

“Dealer profits are falling but remain extraordinarily strong. Total retailer profit per unit—inclusive of grosses and finance and insurance income—is on pace to be $4,359, down 15.4% from a year ago, but still more than double 2019 levels. The decline is due primarily to fewer vehicles being sold above MSRP. In November, nearly 41% of new vehicles are being sold above MSRP, which is down from 50% in July 2022.”

Total aggregate retailer profit from new-vehicle sales for the month of November is projected to be down 12.2% from November 2021, reaching $4.1 billion, the second-best November on record.

“Dealerships are continuing to pre-sell a significant portion of their available inventory, but increased production means vehicles are spending slightly more days at dealerships. This month, 49% of vehicles will be sold within 10 days of arriving at a dealership, down from a high of 56.5% in March. The average number of days a new vehicle is in a dealer’s possession before being sold is on pace to be 21 days—up from 18 days a year ago.

“Manufacturer discounts remain minimal. The average incentive spend per vehicle is tracking toward $1,009, a decrease of 35% from a year ago. Incentive spending per vehicle expressed as a percentage of the average vehicle MSRP is trending at 2.2%, down 1.3 percentage points from November 2021. One of the factors contributing to the low level of spending is the absence of discounts on vehicles that are leased. This month, leasing is accounting for just 17% of retail sales. In November 2019, leases accounted for 30% of all new-vehicle retail sales.

“Elevated pricing coupled with interest rate increases are inflating monthly loan payments. After breaking the $700 level for the first time ever in July, the average monthly finance payment in November is on pace to be $712, up $48 from November 2021. That translates to a 7.2% increase in monthly payments from a year ago. The average interest rate for new-vehicle loans is expected to increase 238 basis points from a year ago to 6.37%.

Used-vehicle prices are falling and leading to less trade-in equity for new vehicle buyers. The average trade-in equity for November is trending toward $9,197, a 0.4% ($33) increase from a year ago but down $905 since the peak in June 2022. For context, November 2022 trade equity is still more than double the pre-pandemic level.

“Looking at December and into 2023, the dynamics observed in November are expected to persist. Gradual improvements in vehicle availability will lead to improvements in the new-vehicle sales pace, but per-unit prices and profitability will moderate. Rising interest rates and falling used-vehicle values will compound this rebalancing of the industry price-volume equation. However, it is important to recognize that the overall health of the new-vehicle industry is exceptionally strong and will remain so in the coming months.”

Sales & SAAR Comparison

U.S. New Vehicle	November 2022[1, 2]	October 2022	November 2021
Retail Sales	933,402 units (-0.3% lower than November 2021)[2]	982,571 units	899,139 units
Total Sales	1,102,266 units (5.6% higher November 2021)[2]	1,173,105 units	1,002,523 units
Retail SAAR	11.3 million units	12.7 million units	11.2 million units
Total SAAR	13.9 million units	15.2 million units	12.9 million units

[1] Figures cited for November 2022 are forecasted based on the first 17 selling days of the month.
[2] November 2022 has 25 selling days, one more than November 2021.

The Details

- The average new-vehicle retail transaction price in November is expected to reach $45,872, a 3.1% increase from November 2021. The previous high for any month—$46,171—was set in July 2022.
- Average incentive spending per unit in November is expected to reach $1,009, down from $1,551 in November 2021. Spending as a percentage of the average MSRP is expected to fall to 2.2%, down 1.3 percentage points from November 2021.
- Average incentive spending per unit on trucks/SUVs in November is expected to be $1,024, down $525 from a year ago, while the average spending on cars is expected to be $1,014, down $544 from a year ago.
- Retail buyers are on pace to spend $42.8 billion on new vehicles, up $2.8 billion from November 2021.
- Truck/SUVs are on pace to account for 77.6% of new-vehicle retail sales in November.
- Fleet sales are expected to total 168,900 units in November, up 56.8% from November 2021 on a selling day adjusted basis. Fleet volume is expected to account for 15% of total light-vehicle sales, up from 10% a year ago.
- Average interest rates for new vehicle loans are expected to increase to 6.37%, 238 basis points higher than a year ago.

Global Sales Outlook

Jeff Schuster, president, global forecasts, LMC Automotive:
"October was in line with expectations and, at a selling rate of 85.4 million units, was up nearly 8 million units from October 2021. Sales volume increased 10% from a year ago but year-to-date volume was down 1% and remained 10% lower than pre-pandemic year-to-date 2019. High-growth markets include India (27%), North America (14%) and Western Europe (12%). China saw a cooling of the growth rate for a third consecutive month but was still up nearly 8% from a year ago.

"The selling rate is expected to increase slightly in November to 86.5 million units but volume growth from November 2021 is expected to be moderate at 8%. The potential for new lockdowns in China and a rail strike in the United States add some risk to the outlook for November and December, but inventory is generally improving.

“The full-year outlook for 2022 has slipped to 81.5 million units, which is just 70,000 units higher than 2021. In 2023, we expect to see a rebalancing of supply and demand, and the overall volume effect due to supply disruption should fall to 2.9 million units from 7.3 million units in 2022. The 2023 outlook is tempered slightly by weakening economic conditions, down to 84.6 million units from our previous forecast. The market remains quite dynamic as some improving variables are countered by negative ones.”

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