J.D. POWER

LMC AUTOMOTIVE

U.S. Automotive Forecast for February 2023

Feb. 24, 2023

Total New-Vehicle Sales Increase as Availability Improves; Consumer Spending on New Vehicles Sets February Record

The Total Sales Forecast

Total new-vehicle sales for February 2023, including retail and non-retail transactions, are projected to reach 1,117,100 units, a 7.2% increase from February 2022 according to a joint forecast from J.D. Power and LMC Automotive. February 2023 has the same number of selling days as February 2022.

The Retail Sales Forecast

New-vehicle retail sales for February 2023 are expected to increase when compared with February 2022. Retail sales of new vehicles this month are expected to reach 907,900 units, a 0.1% increase from February 2022.

The Takeaways

Thomas King, president of the data and analytics division at J.D. Power:
"Despite economic headwinds, the auto industry is on track to deliver year-over-year sales growth alongside record transaction prices and record consumer expenditures for the month of February. Improving vehicle availability is allowing more retail and fleet customers who have been waiting on the sidelines to finally buy a new vehicle.

"The February total sales growth is due primarily to increased sales to fleet customers—up 54%—as manufacturers increase production and make more vehicles available to this segment of the industry. Availability for retail customers is improving but remains extremely low, which is keeping prices and dealer profitability well above historic levels."

New-vehicle transaction prices continue to rise, with the average price reaching a February record of $46,229, a 4.8% increase from a year ago.

The record transaction prices means that consumers are on track to spend nearly $42.0 billion on new vehicles this month—the most ever for the month of February and an increase of 5.0% from February 2022.

“As expected with improved supply, dealer profits are taking a step back but remain well above pre-pandemic levels. Total retailer profit per unit—inclusive of grosses and finance and insurance income—is on pace to be $3,820. This is down 23.3% from a year ago but still more than double 2019. The decline is due primarily to fewer vehicles being sold above MSRP. In February, 31% of new vehicles are being sold above MSRP, down from the high of 48% in July 2022.”

Total aggregate retailer profit from new-vehicle sales for the month of February is projected to be down 23.2% from February 2022, reaching $3.5 billion for the second-highest February on record.

“Dealerships are still pre-selling a large portion of their inventory allocation, but increased supply means more buyers are purchasing vehicles that are in inventory at a dealership. This month, 43% of vehicles will be sold within 10 days of arriving at a dealership, down from a high of 57% in March 2022. The average number of days a new vehicle is in a dealer’s possession before being sold is on pace to be 29 days—up from 19 days a year ago—but still less than half the pre-pandemic average of 70 days.

“Manufacturer discounts are up slightly from a month ago, but they remain historically low. The average incentive spend per vehicle is tracking toward $1,335, a 4.7% increase from a year ago. Incentive spending per vehicle expressed as a percentage of the average vehicle MSRP is trending at 2.8%, down 0.1 percentage points from February 2022. 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 18% of retail sales. In February 2019, leases accounted for 31% of all new-vehicle retail sales.

“Elevated pricing coupled with repeated interest rate increases continue to inflate monthly loan payments. After breaking the $700 level for the first time ever in July 2022, the average monthly finance payment in February is on pace to be $722, up $59 from February 2022. That translates to an 8.9% increase in monthly payments from a year ago. The average interest rate for new-vehicle loans is expected to be 6.8%, an increase of 252 basis points from a year ago.

“Used-vehicle prices are falling which is resulting in less trade-in equity for new-vehicle buyers who have a vehicle to trade. The average trade-in equity for February is trending toward $8,955, down $333 from a year ago and down $1,095 since the peak in June 2022. For context, February 2023 trade equity is still more than double the pre-pandemic level, helping owners that have a vehicle to trade in offset some of the pricing and interest rate increases.

“Even with the positive gains in February, the industry is still not reaching its sales volume potential. While supply is consistently increasing, the inventory levels are still not sufficient to fulfill demand each month. This means industry profitability will remain well above historical levels throughout 2023 but will deteriorate during the course of the year.”

Sales & SAAR Comparison

U.S. New Vehicle	February 2023[1, 2]	January 2022	February 2022
Retail Sales	907,885 units (0.1% higher than February 2022)[2]	855,027 units	906,649 units
Total Sales	1,117,088 units (7.2% higher February 2022)[2]	1,051,254 units	1,042,281 units
Retail SAAR	12.2 million units	13.6 million units	12.2 million units
Total SAAR	14.6 million units	16.0 million units	13.7 million units

[1] Figures cited for February 2023 are forecasted based on the first 16 selling days of the month.
[2] February 2023 has 24 selling days, the same as February 2022.

The Details

- The average new-vehicle retail transaction price in February is expected to reach $46,229, a 4.8% increase from February 2022. The previous high for any month—$47,362—was set in December 2022.
- Average incentive spending per unit in February is expected to reach $1,335, up from $1,275 in February 2022. Spending as a percentage of the average MSRP is expected to fall to 2.8%, down 0.1 percentage points from February 2022.
- Average incentive spending per unit on trucks/SUVs in February is expected to be $1,339, up $73 from a year ago, while the average spending on cars is expected to be $1,320, up $9 from a year ago.
- Retail buyers are on pace to spend $42.0 billion on new vehicles, up $2.0 billion from February 2022.
- Truck/SUVs are on pace to account for 79.2% of new-vehicle retail sales in February.
- Fleet sales are expected to total 209,200 units in February, up 54.2% from February 2022 on a selling day adjusted basis. Fleet volume is expected to account for 19% of total light-vehicle sales, up from 13% a year ago.
- Average interest rates for new-vehicle loans are expected to increase to 6.78%, 252 basis points higher than a year ago.

EV Outlook

Elizabeth Krear, vice president, electric vehicle practice at J.D. Power:

"The U.S. electric vehicle infrastructure and charging network will be put to the test in 2023. Retail share of battery electric vehicles (BEVs) in the United States is on track to end February at a record 8.5%, an increase of 74% from February 2022. Including plug-in hybrids (PHEVs), share for electric vehicles will exceed 10% for the first time. This surge in demand for vehicles follows consumers having higher satisfaction with Level 2 charging in Q4 2022, but the industry must address declining satisfaction with DCFC fast charging or risk getting out over their skis with EV owners.

"Satisfaction with the condition of L2 chargers and cost of charging improved, driven by upgrades made by network operators. A good portion of the decline of L2 charging earlier in the year was attributed to the cost of charging, but now in comparison to high DCFC charging costs, L2 charging looks like a bargain. In contrast, DCFC customer satisfaction declined 14 points in Q4 2022, driven by cost, availability and speed. Customers are not experiencing the full charging rate at all DCFC chargers, either due to vehicle limitations or demand control by charging network or utility provider.

"Having lost ground, Tesla has emerged as the most-considered EV brand among shoppers, with 44% either 'very likely' or 'somewhat likely' to consider the brand for their next EV purchase.

"Availability of EVs is improving. According to the J.D. Power EV Index, overall EV availability has increased 5 index points, driven largely by an increase of lower-priced, lower trim-level versions of popular models, such as the Ford F-150 Lightning."

Global Sales Outlook

Jeff Schuster, group head and executive vice president, automotive at GlobalData, parent of LMC Automotive:

"January's global light-vehicle sales were down 8.0% year over year and the selling rate stood at 83 million units, broadly in line with Q4 2022 but slightly weaker than expected. Global supply constraints and inflation remain key issues, though distortions from tax changes also held back the global total last month. China's market got off to a sluggish start in 2023 with sales down 34% year over year, largely due to the spike in COVID-19 infections and the termination of the tax incentives. Both North America (up 7%) and Western Europe (up 10%) had positive year-over-year growth in January, but this should not be overemphasized since 2022 was a weak base of comparison. As war lingers on in Ukraine, Eastern Europe is down 9% from January 2022.

"Global light-vehicle sales in February are forecast to be positive, with volume forecast to increase 7%. However, the selling rate is expected to retreat to below 80 million units, just 200,000 units above February 2022. Eastern Europe remains the drag on global volume with an expected decline of 22% from a year ago.

"The forecast for 2023 is holding at a 6% increase, with global light-vehicle sales rounding up to 85.9 million units. While the outlook still bears a high level of uncertainty, disruption is easing some and other risks also appear to be more balanced. Markets are resilient and economies around the world are holding up fairly well, which should keep the automotive recovery on track."

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