U.S. Automotive Forecast for March 2023

March 23, 2023

Consumer Spending on New Vehicles Sets Q1 Record; March Total New-Vehicle Sales Pace Increases

The Total Sales Forecast

Total new-vehicle sales for March 2023, including retail and non-retail transactions, are projected to reach 1,330,700 units, a 6.2% increase from March 2022, according to a joint forecast from J.D. Power and LMC Automotive. March 2023 has the same number of selling days as March 2022.

New-vehicle total sales for Q1 2023 are projected to reach 3,526,700 units, a 7.3% increase from Q1 2022 when adjusted for selling days.

The Retail Sales Forecast

New-vehicle retail sales for March 2023 are expected to increase when compared with March 2022. Retail sales of new vehicles this month are expected to reach 1,090,500 units, a 1.9% increase from March 2022.

New-vehicle retail sales for Q1 2023 are projected to reach 2,858,500 units, a 0.2% increase from Q1 2022 when adjusted for selling days.

The Takeaways

Thomas King, president of the data and analytics division at J.D. Power:
“March is shaping up to be yet another positive month for the industry. With retail sales forecasted to be up nearly 2%—along with average transaction prices tracking up 3.5%—consumers are pace to spend nearly $50 billion this month, an increase of 5.5% from what they spent on new vehicles a year ago.

“Retail demand for vehicles remains strong, due primarily to considerable pent-up demand. The availability of new vehicles in inventory at retailers is improving, resulting in a softening of dealer margins and increased manufacturer incentive spending. But, overall, the industry remains supply constrained, and profitability is well above historical norms.

“This dynamic of high transaction prices despite increased production levels is being assisted by an increased manufacturer focus on sales to fleet customers. Rather than allocate incremental production to retailers, manufacturers are selling more vehicles to fleet buyers. Sales to fleet buyers are expected to increase 31% from a year ago.”

New-vehicle transaction prices continue to rise, with the average price reaching a March record of $45,818. This is a 3.5% increase from a year ago.

The record transaction prices means that consumers are on track to spend nearly $50.0 billion on new vehicles this month—the second-highest for the month of March and an increase of 5.5% from March 2022. For the first quarter of 2023, consumers spent more than $132 billion on new vehicles, the highest on record for any quarter and 4.4% higher than Q1 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 $3,761. This is down 23.4% from a year ago but still more than double 2019. The decline is due primarily to fewer vehicles being sold above MSRP. In March, 30% 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 March is projected to be down 22% from March 2022, reaching $4.1 billion for the second-highest March 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, 44% 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 30 days—up from 18 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 and up significantly from a year ago, but they remain historically low. The average incentive spend per vehicle is tracking toward $1,558, a 45.2% increase from a year ago. Incentive spending per vehicle expressed as a percentage of the average vehicle MSRP is trending at 3.3%, down 0.9 percentage points from March 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 accounts for just 20% of retail sales. In March 2019, leases accounted for 31% of all new-vehicle retail sales.

“Elevated pricing coupled with 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 March is on pace to be $711, up $46 from March 2022. That translates to a 6.8% increase in monthly payments from a year ago. The average interest rate for new-vehicle loans is expected to be 6.7%, an increase of 228 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 March is trending toward $8,800, down $430 from a year ago and down $1,240 since the peak in June 2022. For context, March 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.

"Overall, the first quarter of 2023 has been another period of remarkable profitability for both manufacturers and retailers. While the profit results for retailers are less favorable than a year ago, it will still be the second-best quarter on record. However, as vehicle production continues to increase during the year, interest rates will remain high, pent-up demand will diminish, pricing will become more competitive and profitability will inevitably degrade. Regardless, the industry is still positioned to enjoy one of the most profitable years on record."

Sales & SAAR Comparison

U.S. New Vehicle	March 2023[1, 2]	February 2023	March 2022
Retail Sales	1,090,495 units (1.9% higher than March 2022)[2]	912,982 units	1,070,556 units
Total Sales	1,330,743 units (6.2% higher than March 2022)[2]	1,144,092 units	1,253,373 units
Retail SAAR	11.9 million units	12.3 million units	11.6 million units
Total SAAR	14.4 million units	15.0 million units	13.5 million units

[1] Figures cited for March 2023 are forecasted based on the first 16 selling days of the month.
[2] March 2023 has 27 selling days, the same as March 2022.

The Details

- The average new-vehicle retail transaction price in March is expected to reach $45,818, a 3.5% increase from March 2022. The previous high for any month—$47,362—was set in December 2022.
- Average incentive spending per unit in March is expected to reach $1,558, up from $1,073 in March 2022. Spending as a percentage of the average MSRP is expected to increase to 3.3%, up 0.9 percentage points from March 2022.
- Average incentive spending per unit on trucks/SUVs in March is expected to be $1,627, up $545 from a year ago, while the average spending on cars is expected to be $1,302, up $264 from a year ago.
- Retail buyers are on pace to spend $50.0 billion on new vehicles, up $2.6 billion from March 2022.
- Truck/SUVs are on pace to account for 77.5% of new-vehicle retail sales in March.
- Fleet sales are expected to total 240,200 units in March, up 31.4% from March 2022 on a selling day adjusted basis. Fleet volume is expected to account for 19% of total light-vehicle sales, up from 15% a year ago.
- Average interest rates for new-vehicle loans are expected to increase to 6.66%, 228 basis points higher than a year ago.

EV Outlook

Elizabeth Krear, vice president, electric vehicle practice at J.D. Power:
"As EV market share reaches 8.5%, the J.D. Power EV Index, which tracks the transition from ICE to EV, increased 2 points in February, and now stands at 49. EV market dynamics are as volatile

as ever, particularly with IRA taking effect. Some EV Index factors are improving, such as Interest; Availability; and Affordability, while Infrastructure and Experience factors are sliding.

"Affordability has increased 6.6 points since December, closing February with a score of 87.4. This is driven primarily by the lifting of volume caps for key players Tesla and General Motors. Interpretations of the IRA has opened more inclusion for leasing, which is also helping.

"Interest remains strong for EVs in the mass market segment, with Ford F-150 Lightning coming in as the most considered model, followed by Toyota bZ4X. Interest in premium brands follows pricing fluctuations, with the Cadillac LYRIQ seeing the highest gain in 2023. The EV landscape is changing quickly. Newer models are bringing in more mainstream, first-time buyers who expect build quality and dependability to be on par with ICE vehicles."

Global Sales Outlook

Jeff Schuster, group head and executive vice president, automotive at GlobalData, parent of LMC Automotive:
"The global light-vehicle selling rate fell in February to 81 million units from 83 million units in January. On a year-over-year basis, volume was up 10% to 6.5 million units, as drag from global supply constraints remain a factor in the month's performance. Individual markets continue to vary in the recovery path, though there was some consistency in February. Japan and Korea led mature markets, with volume up 21% and 20%, respectively. North America, Western Europe, China and India were all up approximately 10% from February 2022.

"As March ends, we expect global light-vehicle sales to finish at 7.7 million units, up nearly 5% from March 2022. The selling rate is expected to slip to 79.1 million units, which is still an increase from 76.7 million units in March 2022. Of the major markets, China is expected to pull down sales in March with volume projected to be 2% lower year over year.

"The automotive environment in 2023 remains challenging and while there are some warning signs in the banking industry and with the general economy, the outlook for global vehicle sales has been increased by 200,000 from a month ago to 86.1 million units, up 6.2% from 2022. Supply disruption is expected to continue to ease, shifting the level of recovery over to the consumer to decide."

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