

US Automotive Market Projections for May 2024



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May 2024 is shaping up to be an interesting month for the US automotive market. According to J.D. Power and GlobalData, new-car sales are on the rise, but there's a lot more happening beneath the surface. Let's dive into the details and uncover some lesser-known aspects that could impact the market dynamics.



Overview of Sales and Projections

In May 2024, total US new-vehicle sales are projected to hit just under 1,446,800 units, marking a 2.9% increase from May 2023 when adjusted for selling days. Without adjusting for selling days, this translates to a 7% increase. The seasonally adjusted annualized rate (SAAR) for new-vehicle sales is expected to be 16.1 million units, up from 15.6 million units in May 2023.

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The retail side of the new vehicle market is poised for notable growth this May. Expectations are high with projections indicating that over 1,187,000 new vehicles will be sold to individual customers. When adjusting for the number of selling days, this represents a solid 4.4% increase compared to May 2023.

If we look at the raw numbers without any adjustments, the increase is even more impressive at 8.6%. The retail seasonally adjusted annual rate (SAAR), which helps smooth out seasonal variations and provides a clearer picture of market trends, is set to climb to 13.3 million units, indicating a strong performance in the retail automotive market.

Sales Snapshot Table:

Category	May 2024 (Projected)	April 2024	May 2023
Retail Sales	1,187,037 units	1,080,865 units	1,093,152 units
Total Sales	1,446,760 units	1,326,978 units	1,351,664 units
Retail SAAR	13.3 million units	13.3 million units	12.5 million units
Total SAAR	16.1 million units	15.9 million units	15.6 million units

A Mixed Bag of Outcomes

May's new-vehicle sales are a "mixed bag." On the bright side, the total sales pace is set to exceed 16 million units for the first time this year. Additionally, discount levels remain stable despite May traditionally being a month of increased discounts due to Memorial Day shopping activities.

However, the industry is producing more vehicles than are being sold, leading to rising inventories and potentially higher discounts later in the year. Retail inventory is expected to finish around 1.8 million units, up 0.6% from April 2024 and a staggering 52.7% increase from May 2023.

Declining Transaction Prices and Rising Inventory

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The average new-vehicle retail transaction price is expected to decline compared to last year, influenced by rising manufacturer incentives, falling retailer profit margins, and the availability of lower-priced vehicles. The transaction price is trending towards \$45,033, down \$1,045 from May 2023. Despite slightly higher retail sales, lower transaction prices mean shoppers will spend around \$50.9 billion on new vehicles this month, a 6.8% increase from May 2023.

Interestingly, total retailer profit per unit, including vehicle gross plus finance and insurance income, is projected to drop to \$2,471, a 31.5% decrease from May 2023. The rise in inventory is a primary factor behind this profit decline, as fewer vehicles are selling above the manufacturer's suggested retail price (MSRP). Only 14.9% of new vehicles sold above MSRP so far in May, down from 29.2% last year.

Retail Inventory Trends:

Month	Retail Inventory	% Change from Previous Month	% Change from Previous Year
April 2024	1.8 million units	+0.6%	+52.7%

More Lease Deals and Incentive Spending

Manufacturer discounts are holding steady compared to April but have significantly increased from last year. The average incentive spend per vehicle is expected to reach \$2,640, up 48.1% from May 2023. This rise in incentives is driven by a greater availability of lease deals, with leasing projected to account for 23.9% of retail sales, up from 20.6% last year.

Despite rising incentives, average monthly loan payments are stabilizing, with the average monthly finance payment expected to be \$727, slightly down from May 2023. The average interest rate for new-vehicle loans is projected to be 7.1%, an increase of 17 basis points from a year ago.

Incentive Spending Details:

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Vehicle Type	Average Incentive Spending	Increase from May 2023
Trucks/SUVs	\$2,710	+\$877
Cars	\$2,341	+\$767

EV Market Trends

The electric vehicle (EV) market is experiencing what Elizabeth Krear of J.D. Power calls a "low tide moment." Despite a peak EV market share of 8.8% in April, May is expected to see a slight decline. EV shopper consideration has dropped to 24% from 26% last year, with concerns about charging infrastructure and higher purchase prices being significant deterrents.

The availability of EVs is at an all-time high, yet EV adoption has not kept pace, leading to aggressive sales programs to attract buyers. The J.D. Power EV Index fell to 16.2 in April, the lowest since August 2021.

Global Sales Perspective

Globally, the light-vehicle selling rate accelerated to 85.9 million units in April, up from 84.3 million in March. Despite a slower start to 2024, the year-to-date selling rate has risen to 83.9 million units. Europe saw a 14% year-on-year increase, while China's domestic sales increased by only 3% due to consumer challenges.

Looking ahead, the global selling rate for May is expected to climb to 89 million units, driven by a potential rebound in the Chinese market and strong mini-vehicle production in Japan.

Wrapping Up

As we look at the US automotive market in May 2024, it's clear that while new-car sales are growing, several underlying factors are shaping the landscape. From rising inventories and declining transaction prices to the challenges facing the EV market, there's a lot more at play than just the headline numbers. Whether these trends will

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continue to evolve or take a new direction remains to be seen. What do you think will be the biggest surprise in the automotive market this year?