U.S. Automotive Forecast for June 2023

June 23, 2023

Double-Digit Sales Growth Continues for Third Consecutive Month As June New-Vehicle Sales Soar 22.6%; Q2 2023 Sales Rise 18.2%

The Total Sales Forecast

Total new-vehicle sales for June 2023, including retail and non-retail transactions, are projected to reach 1,381,200 units, a 22.6% increase from June 2022, according to a joint forecast from J.D. Power and GlobalData. June 2023 has 26 selling days, the same as June 2022.

New-vehicle total sales in Q2 2023 are projected to reach 4,116,600 units, an 18.2% increase from Q2 2022 on the same number of selling days.

New-vehicle total sales for the first half of 2023 are projected to reach 7,687,900 units, a 13.6% increase from the first half of 2022 on the same number of selling days.

The Retail Sales Forecast

New-vehicle retail sales for June 2023 are expected to increase when compared with June 2022. Retail sales of new vehicles this month are expected to reach 1,105,300 units, a 16.6% increase from June 2022.

New-vehicle retail sales in Q2 2023 are projected to reach 3,292,900 units, an 11.2% increase from Q2 2022 on the same number of selling days.

New-vehicle retail sales for the first six months 2023 are projected to reach 6,161,400 units, a 6.0% increase from the first six months of 2022 on the same number of selling days.

The Takeaways

Thomas King, president of the data and analytics division at J.D. Power:
"The 2023 theme of strong sales growth, enabled by increased vehicle production and pent-up demand, is continuing in June. On a volume basis, June year-to-date total sales will be just more than 7.6 million units—an increase of 13.6%—but still below pre-pandemic sales levels which were north of 8 million. Volume growth is being complemented by further increases in transaction prices which are trending towards being up 3% for the first half of 2023 despite increases in OEM incentives and declines in dealer grosses. As a result, it's anticipated that consumers will spend nearly $281.4 billion on the purchase of new vehicles in the first half of 2023, a noteworthy 8% growth from the same period a year ago.

"Retail inventory levels in June are expected to finish at just more than 1.2 million units, remaining consistent with most months this year. This represents a 16.6% increase from May 2023 and a substantial increase of 45% compared with June 2022, but well below historical levels.

“Sales to fleet customers are rising faster as manufacturers leverage higher vehicle production to allocate more vehicles to those fleet customers. Fleet sales are projected to increase 54.5% from June 2022.

“The increased vehicle supply and elevated interest rates have led to a decline in dealer profits—but those profits still exceed pre-pandemic levels. The total retailer profit per unit—which includes grosses, finance and insurance income—is expected to reach $3,692 in June. While this is 26.7% lower than a year ago, it is still more than double the amount in June 2019. The primary reason for the decline in profit is that fewer vehicles are being sold for prices higher than the manufacturer's suggested retail price (MSRP). This month, only 30% of new vehicles are projected to be sold above MSRP, which is down from a high of 49% in July 2022.”

Total aggregate retailer profit from new-vehicle sales for this month is projected to be down 16.2% from June 2022, reaching $3.8 billion for the third-highest June on record.

"Retailers are still actively promoting and selling vehicles before they physically arrive at the dealership. However, with increased inventory levels, more consumers are now able to purchase vehicles from inventory. In June, 46% of vehicles are projected to be sold within 10 days of their arrival at the dealership, which is down from the peak of 57% in March 2022. The average time that a new vehicle spends in the dealer's possession before being sold is expected to be 28 days, up from 18 days a year ago, but still less than half the pre-pandemic average of 70 days.

“Manufacturer discounts in June have remained relatively consistent compared with May but have increased materially from a year ago. The average incentive spend per vehicle has risen 95.9% from June 2022 and is currently on track to reach $1,798. Expressed as a percentage of MSRP, incentive spending is currently trending at 3.7%, an increase of 1.7 percentage points from June 2022. A key factor influencing the relatively lower incentives compared to historical levels is the decreased amount of discounts provided for leased vehicles. However, it is noteworthy that discounts on leased vehicles have risen in recent months. This month, leasing is expected to account for 21% of retail sales, up significantly from the low of 16% in September 2022, but still well below June 2019 when leased vehicles made up nearly 30% of all new-vehicle retail sales.

“Elevated pricing coupled with interest rate increases continue to inflate monthly loan payments. The average monthly finance payment in June is on pace to be $726, up $27 from June 2022. That translates to a 3.9% increase in monthly payments from a year ago. The average interest rate for new-vehicle loans is expected to be 7.0%, an increase of 194 basis points from a year ago.

“Used-vehicle prices have declined slightly from a year ago but remain close to all-time highs. The average trade-in equity for June is trending toward $9,979, down $78 from a year ago, the highest trade-in equity recorded. For context, trade equity this month is still more than double the pre-pandemic level, helping owners offset some of the pricing and interest rate increases.

"In the coming months, the industry may face challenges such as higher interest rates and changing economic conditions. Despite the potential effect of these economic risks, the industry will continue to benefit from pent-up demand for new vehicles. As new-vehicle availability gradually improves, there will be an easing of the current record levels of pricing and profitability as manufacturer incentives gradually increase and retailer profit margins gradually fall. Nevertheless, this will be offset to some extent by an increase in overall sales volumes."

Sales & SAAR Comparison

U.S. New Vehicle	June 2023[1, 2]	May 2023	June 2022
Retail Sales	1,105,299 units (16.6% higher than June 2022)[2]	1,092,390 units	948,314 units
Total Sales	1,381,190 units (22.6% higher than June 2022)[2]	1,368,440 units	1,126,863 units
Retail SAAR	12.8 million units	12.2 million units	10.9 million units
Total SAAR	15.8 million units	15.1 million units	12.9 million units

[1] Figures cited for Jun 2023 are forecasted based on the first 15 selling days of the month.
[2] Jun 2023 has 26 selling days, the same as June 2022.

The Details

- The average new-vehicle retail transaction price in June is expected to reach $45,978, flat from June 2022. The previous high for any month—$47,362—was set in December 2022.
- Average incentive spending per unit in June is expected to reach $1,798, up from $918 in June 2022. Spending as a percentage of the average MSRP is expected to increase to 3.7%, up 1.7 percentage points from June 2022.
- Average incentive spending per unit on trucks/SUVs in June is expected to be $1,649, up $949 from a year ago, while the average spending on cars is expected to be $1,393, up $597 from a year ago.
- Retail buyers are on pace to spend $47.9 billion on new vehicles, up $6 billion from June 2022.
- Truck/SUVs are on pace to account for 77.7% of new-vehicle retail sales in June.
- Fleet sales are expected to total 275,900 units in June, up 54.5% from June 2022 on a selling day adjusted basis. Fleet volume is expected to account for 20% of total light-vehicle sales, up from 16% a year ago.
- Average interest rates for new-vehicle loans are expected to increase to 7.0%, 194 basis points higher than a year ago.

EV Outlook

Elizabeth Krear, vice president, electric vehicle practice at J.D. Power:
"There have been sizable shifts this year—up and down—in the individual factors of the J.D. Power EV Index, revealing vulnerability in the transition from gas-powered vehicles to EVs. The three factors of interest, availability and affordability have increased, but the other three factors

of adoption, infrastructure and experience have declined. The EV Index score of 49—on a 100-point scale—remains unchanged, and that might be concerning to some in the industry.

“EVs from perennial mass-market brands continue to yield high interest upon introduction, including the Honda Prologue, which debuted in May as the most-considered EV. As the industry waits for new product, monthly price mix dynamics are at play at vehicle trim levels. Driven by the Inflation Reduction Act, pricing adjustments and model mix, the affordability factor increased notably to 94 in April 2023 from 82 in December 2022. Pricing improvements increase affordability across a variety of models, including Tesla’s with price cuts.

“With Tesla charging network collaborations on the horizon, Ford, GM and Rivian buyers will benefit. However, charging installation growth continues to lag the growth of EVs on the road, further straining already-limited infrastructure. One of the top reasons rejecters say they’re not likely to purchase an EV is range. Among Compact SUVs, EV ranges are just 65% of gas-powered counterparts—but EV owners say that’s nearly sufficient for them to not change their driving behaviors—another advantage for the Tesla, Ford, GM and Rivian alliance.”

Global Sales Outlook

Jeff Schuster, group head and executive vice president, automotive at GlobalData:
“The global recovery accelerated in May with the selling rate hitting 89.0 million units, 13.2 million higher than May 2022. Volume was up 19% for the same period to 7.4 million units. Most markets have outperformed 2022 when they were hampered by severe supply constraints, that have started to ease. Leading the year-over-year growth were China (up 26%), Japan (up 25%) and North America (up 22%). Europe was up 19% and Russia’s sales were nearly 2.5 times the volume of May 2022.

“June’s selling rate is expected to remain elevated at 88.0 million units, but global light-vehicle volume is expected to increase just 4% from June 2022, which was relatively strong. Most markets will continue to grow, including Japan (up 21%), North America (up 19%) and South America (up 20%). China is expected to contract 14%, the major factor behind a weaker global growth rate.

“May outperformed expectations resulting in a slight increase to the overall outlook for global light-vehicle sales in 2023. The current forecast is up 200,000 units from last month to 86.3 million units, an increase of 7%. Unfulfilled global demand is estimated at 3.5-4 million units, so the market is still not at equilibrium. We remain cautiously optimistic about the remainder of 2023, given the current positive momentum. However, risk remains elevated and even as supply disruption eases, other risks emerge such as rail car shortages in the United States. The outlook for 2024 global light-vehicle sales remains stable at 90.3 million units, an increase of nearly 5% from 2023.”

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