

Appraiser Blog

Exploring the Factors Behind August's Expected US Auto Sales Surge



By Tony Rached

Exploring the Factors Behind August's Expected US Auto Sales Surge

Monday, August 28, 2023

The United States automotive market gears up for an anticipated surge in new vehicle sales, offering a glimpse into a dynamic landscape shaped by an intricate interplay of factors. Industry experts' insights reveal that August is poised to usher in a notable upswing in the realm of automotive commerce. This projected increase in sales is rooted in a convergence of elements, characterized by an optimized supply chain and unwavering consumer demand for personal transportation solutions.



Revving Up the Numbers: Notable Spike in New Vehicle Sales

According to a comprehensive joint study conducted by J.D. Power and GlobalData, the US is poised to experience an impressive 15.4% surge in new vehicle sales during

1

August. The estimated total unit count, which encompasses both retail and non-retail transactions, is projected to soar to a commendable 1,354,600 units. This figure stands as a resounding testament to the market's resilience and vitality, reflecting a substantial leap from the sales figures of the previous year.

The foundation of this anticipated surge is multi-faceted, underscored by the expertise of Thomas King, President of J.D. Power's Data and Analytics Division. As a prevailing trend, vehicles are often sold before their physical presence graces dealership lots. However, this time, the automotive narrative takes on a new dimension with the advent of increased inventory levels. This augmented inventory empowers a broader spectrum of prospective buyers to directly acquire vehicles from dealer lots.

Inventory Growth and Profit Considerations

A noteworthy aspect of this surge revolves around the expansion of retail inventories, slated to experience an impressive uptick of 48.4% in August—significantly surpassing the corresponding figures from the preceding year. While this surge in inventory widens consumer choices, it introduces the potential challenge of impacting dealers' profit margins. The market context is further influenced by the backdrop of elevated interest rates, exerting additional pressure on dealers' profitability.

The financial dynamics of this surge are equally intriguing. Consumer expenditure on new vehicles is projected to attain an unprecedented zenith for August, with an estimated outlay of \$47.8 billion. This striking figure represents a remarkable 10.5% escalation compared to the expenditures of the previous year, underlining the palpable enthusiasm driving the automotive market.

However, the market's complexity manifests in interesting ways. The projected trajectory of new-vehicle transaction prices indicates a marginal decline of 1.2% compared to the previous year. This intriguing movement is attributed to the burgeoning sales of smaller vehicle segments, inherently characterized by lower transaction values.

Global Glimpse: Shaping the Path Ahead

Amidst the surges and shifts of the current year, the report casts a gaze towards the global automotive market's future. 2023 is poised to culminate with a remarkable 86.8 million units sold worldwide, surpassing the earlier estimate of 86.4 million units. This adjustment signifies a continuous improvement in supply chains, fortifying the market's resilience.

While optimism resonates, the report also sounds a cautionary note for the approaching month. September is likely to usher in challenges, with the looming potential for work stoppages within automakers' operations. Such disruptions could potentially amplify the existing market asymmetry, prolonging the prevailing state of tight supply.

Onward to 2024: Illuminating the Path

Peering into the horizon of 2024, the automotive industry's future shines bright. Global sales of light vehicles are forecasted to reach a notable milestone of 90.2 million units, serving as a compelling testament to the sector's enduring vigor and vitality.