

Appraiser Blog

# New-Vehicle Inventories Breach 2 Million After the Pandemic



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#### **New-Vehicle Inventories Surge Past 2 Million in a Post-Pandemic Resurgence**

In a significant milestone for the automotive industry, new-vehicle inventories in the United States have recently surpassed 2 million units, marking the first time this has occurred since April 2021. This resurgence in inventory levels signals a positive shift in the industry's recovery from the pandemic-induced disruptions.

In this blog post, we'll delve into the details of this remarkable development, exploring the factors contributing to the increase in vehicle inventories, the role of automakers in preparing for potential disruptions, and the varying inventory situations across brands and vehicle segments.

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## A Steady Climb Back

After facing the tumultuous impacts of the COVID-19 pandemic, the automotive industry has been on a long and arduous journey to regain its footing. According to estimates, the new-vehicle inventory levels recently reached 2.06 million vehicles. This represents an impressive increase of over 837,000 vehicles from the same time a year ago, equating to a remarkable 68 percent surge.

The nadir of new-vehicle inventories was witnessed in September 2021 when they plummeted below 830,000 units. For much of the following year, these inventories oscillated between this low point and a high of 1.1 million vehicles. However, the tide began to turn in August 2022 when inventories started to steadily climb.

Despite the recent gains, it's worth noting that the current inventory levels still lag behind those of 2019 by approximately 1.4 million vehicles. Even compared to 2020, there is a deficit of around 400,000 vehicles. These statistics emphasize the lasting impact of the pandemic on the industry's supply chain and inventory management.

## Brand Disparities

One intriguing aspect of the current inventory landscape is the significant variations between different automotive brands. Asian automakers maintain the industry's lowest days' supply, indicating their ability to effectively manage their inventories. In contrast, the Detroit 3 brands dominate the list of manufacturers with the highest days' supply. This divergence underlines the distinct strategies employed by these companies in navigating the post-pandemic market.

## Monthly Fluctuations

An analysis of the data compiled reveals that all seven automakers reporting monthly U.S. sales and inventory data experienced an increase in their days' supply from the previous month. Ford stands out with the steepest gain, jumping by 13 days and exceeding a two-month supply. Other automakers also witnessed stockpile increments ranging from two to five days' supply, with Volvo being the only exception, carrying more than 30 days of inventory.

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One noteworthy trend that has persisted over the past year is the connection between vehicle inventory levels and their price segments. Lower-priced vehicle segments tend to have lower inventory levels, while higher-end segments, including many electric vehicles (EVs), boast above-average inventory levels. This pattern suggests that consumer demand for more affordable options may be outpacing supply.

### **Automaker Preparedness**

One intriguing observation is the apparent preparedness of certain automakers, notably Stellantis, Ford, and General Motors, in anticipating and addressing potential production disruptions. This foresight is particularly evident in their readiness in the highly profitable full-size pickup segment.

Michelle Krebs, executive analyst with Cox Automotive, highlights the Detroit 3's readiness, stating that they are well-stocked, especially for a potential United Auto Workers (UAW) strike. This strategic positioning could prove invaluable, especially considering that the latter months of the year tend to be significant for full-sized truck sales.

### **A Glimpse into the Road Ahead**

The recent milestone of surpassing 2 million new-vehicle inventories in the United States marks a pivotal moment in the automotive industry's journey to recovery post-pandemic. While challenges persist, automakers' strategies and industry dynamics have contributed to this positive development.

The varying inventory situations across brands and price segments add depth to the narrative, underscoring the complexity of managing supply and demand in a rapidly evolving market. As the industry continues to adapt and grow, it will be fascinating to monitor how these inventory trends evolve in the coming months.