

Appraiser Blog

# Why U.S. New-Vehicle Sales Are Booming in December 2023



By Tony Rached

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The tail end of the year brings a season of cheer for the U.S. automotive sector, marked by a significant upturn in new vehicle sales. A recent analysis by industry experts J.D. Power and GlobalData paints a promising picture: a projected 13% increase in December sales compared to the same period last year.

This growth spurt is propelled by a harmonious blend of enhanced inventory levels, attractive discount strategies, and overall improved vehicle accessibility.



### Key Growth Drivers

1. **Revamped Discount and Incentive Strategies:** A major highlight of this seasonal sales boom is the heightened discount and incentive offerings by dealerships. December is witnessing an average incentive spending per vehicle of approximately

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\$2,458, a leap from last year's \$1,289. This strategic pricing adjustment is fueling an estimated \$50.4 billion expenditure on new vehicles, marking a \$2.4 billion increment.

2. **Surge in Vehicle Availability:** A significant contributor to this sales crescendo is the marked improvement in vehicle stock levels. Reaching heights not seen since spring 2021, this influx of new vehicles is satisfying the accumulated consumer demand and diversifying buyer choices.
3. **Aggressive Stock Clearance Initiatives:** The anticipation of new model releases in the upcoming year has spurred dealers and manufacturers to accelerate the clearance of current inventories. This push is magnified by enticing winter sales campaigns, effectively amplifying December's sales figures.

## Market Dynamics and Consumer Behavior

- **Shifts in Consumer Expenditure:** The elevated spending per unit echoes a broader consumer trend towards higher investment in new vehicles, spurred by enticing incentives and a richer assortment of models.
- **Economic Influences:** Despite a dip in dealer profits per unit owing to the expanded supply and rising interest rates, profits are still surpassing pre-pandemic levels, indicating a market resilient to economic headwinds.
- **Transaction Price Trends:** The Average Transaction Price (ATP) for new vehicles this December is expected to be around \$46,055, showing a slight decrease from the \$47,362 recorded in the corresponding period of the previous year, hinting at the impact of aggressive discounting on pricing strategies.

## Forward-Looking Projections

The auto industry is set to round off the year on a triumphant note, with total sales nearing a striking 15.5 million units - a robust 12.8% increase from last year. The industry's horizon looks bright, with global demand forecasted to ascend by 3% to 92.3 million units in 2024.

This optimistic projection is underlined by the twin pillars of improving vehicle availability and affordability, as emphasized by Thomas King of J.D. Power.

## Closing Thoughts

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December's flourishing new-vehicle sales encapsulate a year of positive evolution for the U.S. automotive market. With a strategic approach to pricing, inventory management, and consumer engagement, the industry is adeptly navigating through macroeconomic challenges.

This period of prosperity not only underscores the industry's resilience but also sets the stage for sustained growth in the coming years. As we advance into the new year, the automotive sector stands as a beacon of robust demand and dynamic market activity.