

Auto Sales Monthly Outlook

Feb sales ok as fleet helps with retail to follow eventually, expect SAAR of 15.3mm

Industry Overview

February SAAR estimate of 15.3mm, up ~3% YoY

We estimate February US light vehicle sales will increase about 3% YoY on a selling day adjusted basis, resulting in a SAAR of 15.3mm. Sales at this level would be above the relatively soft 15.0mm SAAR in January 2024 and on an unadjusted volume basis would be up 13% MoM. February SAAR at this rate would be slightly below the 2023 full year SAAR of 15.5mm and combined with weak January sales would mark a somewhat slower start to the year. Recall that fleet sales were a key driver of the strength in 2023 (+33% in 2023 vs. +11% for retail according to Cox Automotive); we expect a similar trend in 2024 and that fleet will be the primary driver of YoY growth in sales in February. As the fleet recovery continues and replacement demand is filled, we expect retail sales to follow, similar to the recovery in 2010/2011/2012. Overall, the trend in US auto sales remains positive, although macro uncertainty and higher rates pose risks to growth. Consumer confidence has improved meaningfully over the last two months, which is a good sign, but remains low relative to history.

Expect further growth in US auto sales in 2024+

In 2023, US sales grew meaningfully to 15.5mm (+12.5% YoY) as supply chain disruptions dissipated and the economy remained relatively robust. In 2024, we expect a further uptick in US auto sales for a SAAR of 16.1mm (+4% YoY). Sales are likely to continue to grow given release of pent-up demand following COVID-related production constraints. Fleet sales and a return in mass market sales are likely incremental drivers, but may have a negative impact on mix.

N-T pressure supports robust recovery over L-T

We have viewed the US automotive cycle as a capital goods replacement cycle with a consumer overlay. With this in mind, we view the pressure on volumes over the last 2+ years relatively constructively, in that depressed sales for longer is creating a more robust capital goods replacement cycle to be unleashed on the other side. After a SAAR of 13.8mm in 2022 and 15.5mm in 2023, we project auto sales will increase to 16.1mm in 2024 and build towards the next peak in the US auto cycle in 2028 (17-18mm range).

Mix remains strong, ATPs fall as incentives climb

Mix and price remain strong, but early signs of price moderation and mix normalization are materializing. According to Kelley Blue Book, industry ATPs declined in January 2024 with pricing down 3.5% YoY and -2.6% MoM to \$47,401. January incentives were up 95% YoY and +1% MoM to \$2,716/unit. Incentive spending in January was 5.7% of ATPs vs. 2.8% in January 2023, but this is still well below 2019 levels of ~10%. If supply continues to increase and the automotive consumer is further stressed, pricing could come under pressure. January Inventories at 2.4mm remain lower than more typical levels (2.5mm-3.0mm+) but are approaching this range. Our base case assumes ATPs will decline slightly in 2024, but that this will more be a function of negative mix rather than from like-for-like price cuts.

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Exhibit 1: Feb. 2024 estimated sales

We estimate a February SAAR of 15.3mm

	Total Vehicles		
	2024	2023	%Δ*
February UNITS:			
Detroit Three	472,471	457,210	-0.8%
Europeans	104,055	95,139	5.0%
Japanese	437,974	397,559	5.8%
Koreans	120,839	122,111	-5.0%
Others	75,191	66,737	8.2%
Total	1,210,530	1,138,756	2.1%
ANNUAL RATE	15.3	14.9	3.1%
(Millions)			
MARKET SHARE:			
Detroit Three	39.0%	40.1%	(1.1)
Europeans	8.6%	8.4%	0.2
Japanese	36.2%	34.9%	1.3
Koreans	10.0%	10.7%	(0.7)
Others	6.2%	5.9%	0.4

Source: BofA Global Research estimates, WardsAuto InfoBank

* % is selling day adjusted

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Acronyms

ATP: Average transaction price

L-T: Long-term

N-T: Near-term

OEM: Original equipment manufacturer

NA: North America

SAAR: Seasonally Adjusted Annual Rate

EV: Electric vehicle

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