BofA SECURITIES

Auto Inventories Monthly Insight

Auto inventory leaps to 2.5mm in February

Industry Overview

05 March 2024

Equity
United States
Autos/Car Manufacturers

February auto inventory up 98k units MoM

Total auto inventory at the end of February 2024 increased 98k units from January 2024 to ~2.50mm. Inventories have consistently marched higher over the last two years as production has recovered and are now up ~8% year-to-date. The MoM increase in absolute inventory was driven primarily by the Japanese (+53k) and Korean OEMs (+20k). The D3 posted higher inventory as well (+21k), driven by a +24k unit increase at GM and a +30k increase at Stellantis, partially offset by a -32k decline at Ford. European OEM inventory was +4k MoM. On a days' supply (DS) basis, inventory stood at 49DS, which is ~6% above the five-year average of 46DS, and up one day MoM. Recall that the February inventory bump came following a solid bounce back in February sales, which were up MoM on a SAAR basis to 15.8mm (see our Auto Sales Monthly report).

Supply approaching normalized levels (2.5-3mm)

Inventory is now at the lower end of the more "normal" levels of 2.5mm-3.0mm+ units. This comes as production constraints faded in 2023, and both sales and inventory started to recover following years in which low inventory impaired sales. Our latest forecast assumes inventories rise to 2.7mm-2.8mm units by the end of 2024. As we see autos as capital goods that periodically need to be replaced, we believe there is still substantial unfulfilled demand following the last few years of shortages. In the near-term, however, affordability could represent an obstacle to stronger demand. With climbing inventory and largely flat sales, pricing strength also looks more at risk. On a more positive note, OEMs continue to manage inventory to match demand. We consider this beneficial in that it helps to sustain prices.

Cycle timing now favorable, expect healthy recovery L-T

The depressed volume environment over the last few years has built pent-up demand, which should create a robust capital goods replacement cycle for a multi-year recovery.

Exhibit 1: February 2024 Inventory
February inventory was ~2.50mm units, with days' supply of 49 above the 5-year avg. of 46

	Inventory Units	Days Supply	5-yr Avg DS	% Above /Below	Note
Detroit 3 -- Cars	97,485	76	50	51%	Detroit 3 OEM's total inventory was up 22k MoM and increased
Detroit 3 -- Lt Trucks	1,219,042	67	59	14%	260k units YoY. Aggregate supply remains less constrained than
Detroit 3 -- Total	**1,316,527**	**68**	**58**	**17%**	the industry average, across both cars and light trucks.
Japanese -- Cars	208,076	40	40	1%	Supply at Japanese OEMs was up 53k MoM and increased
Japanese -- Lt Trucks	527,394	40	38	4%	354k units YoY. Aggregate supply is more constrained than the
Japanese -- Total	**735,470**	**40**	**39**	**3%**	industry average across both cars and light trucks.
European -- Cars	55,624	42	47	-10%	European OEM's inventory was up 4k units MoM and increased 64k
European -- Lt Trucks	169,681	53	48	12%	units YoY. Aggregate supply is less constrained than the
European -- Total	**225,305**	**50**	**48**	**5%**	industry average across both cars and light trucks.
Korean -- Cars	49,279	31	37	-16%	Inventory at Korean OEMs was up 20k units MoM and increased
Korean -- Lt Trucks	127,925	34	37	-10%	75k units YoY. Both car and truck inventories remain well below
Korean -- Total	**177,204**	**33**	**37**	**-11%**	the industry average.
Industry -- Cars	415,874	41	40	2%	Total inventory increased 98k units MoM and was +761k units YoY.
Industry -- Lt Trucks	2,083,392	51	48	6%	Car supply tighter than light truck, as OEMs continue to prioritize
Industry -- Total	**2,499,266**	**49**	**46**	**6%**	production and inventory build of high ASP/margin vehicles.

Source: WardsAuto InfoBank, BofA Global Research

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We track industry inventories by calculating the days' supply (DS) based on a trailing 12-month average daily selling rate. Using the 12-month average reduces volatility in the days' supply number following a very strong (weak) sales month.

Wards inventory measurement includes dealer inventory and vehicles in transit to dealers.

Abbreviations:

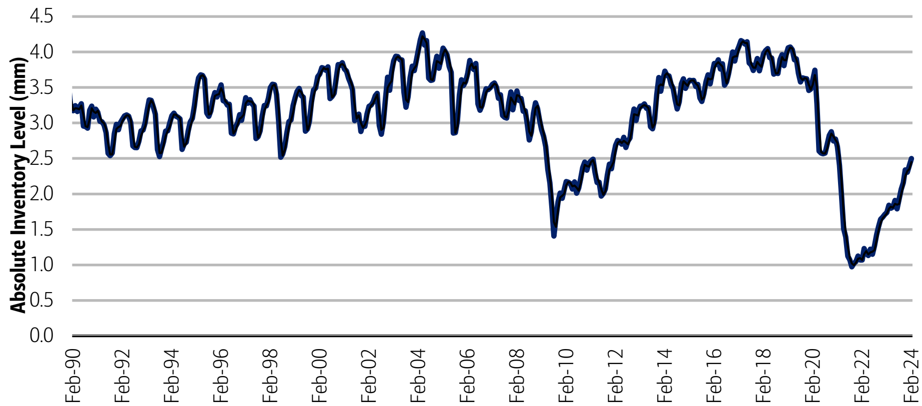
ASP: Average selling price
D3: Detroit 3 automakers
DS: Days' supply
L-T: Long-term
OEM: Original equipment manufacturer
SAAR: Seasonally adjusted annualized rate
SUV: Sport utility vehicle
UAW: United Auto Workers
GE: General Electrics

Timestamp: 05 March 2024 04:07PM EST

Industry Inventories

Exhibit 2: US absolute inventory level (mm)

Total automotive inventory at the end of February 2024 increased 98k units from January 2024, to ~2.50mm units. This translates into days' supply of 49DS, which is above the five-year average of 46DS.



Source: WardsAuto InfoBank

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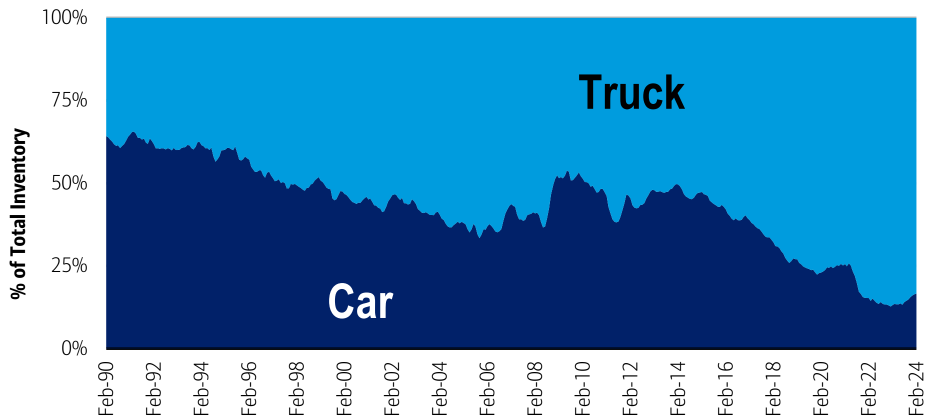
Exhibit 3: US inventory mix – % of total inventory

OEMs have prioritized higher-mix/margin vehicles for production, and as such, inventory mix has moved heavily towards light trucks. Passenger cars are beginning to take back share as production for those vehicles recovers.



Source: WardsAuto InfoBank

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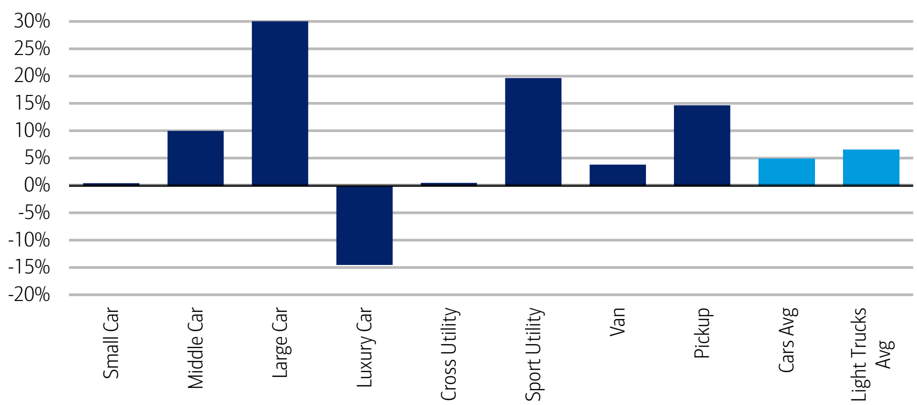
Exhibit 4: US automotive inventory % above/below average, by vehicle segment – Feb. 2024

Supply shortages have eased and inventory for Mid/Large Cars , SUVs, Vans & Pickups have recovered



Source: WardsAuto InfoBank

Note: Large Cars was at 123%

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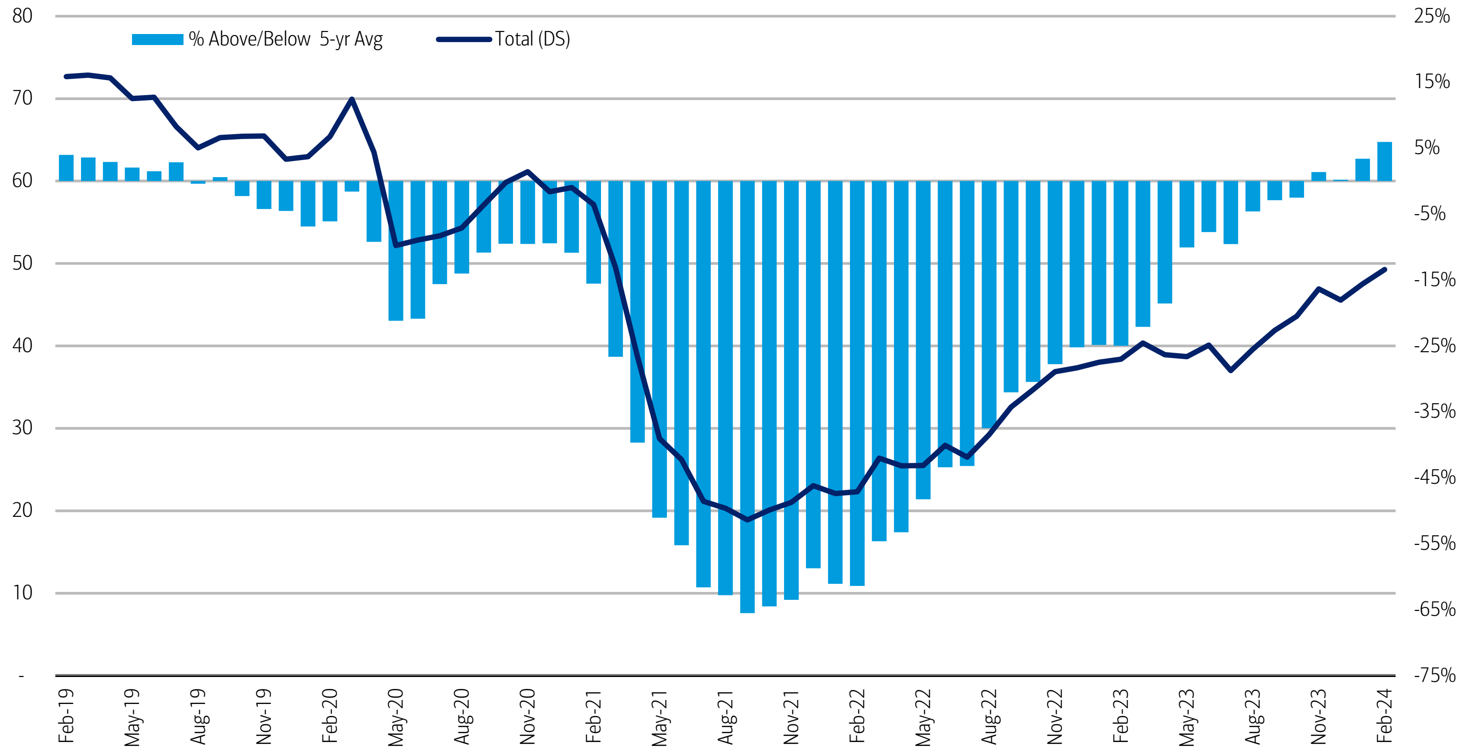
Total Inventories

Exhibit 5: Industry Inventories – Total (DS)

February industry total days' supply is above the 5-year historical average and was up 1 day MoM to 49 days from 48 in January 2024



Source: WardsAuto InfoBank

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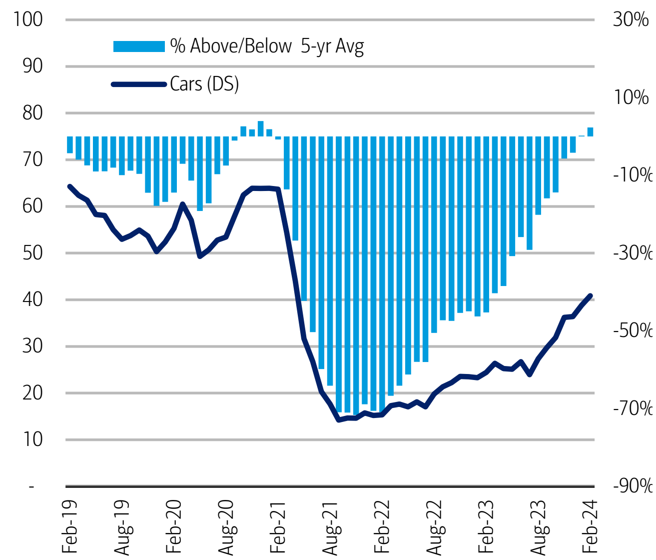
Exhibit 6: Industry Inventories – Cars (DS)

February industry car days' supply is above the 5-year historical average and was up 2 days MoM to 41 days from 39 in January 2024



Source: WardsAuto InfoBank

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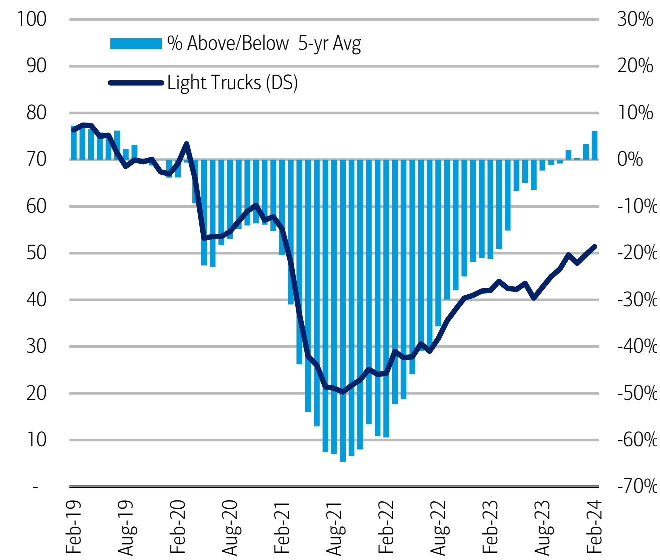
Exhibit 7: Industry Inventories – Light Trucks (DS)

February industry light truck days' supply is above the 5-year historical average and was up 1 day MoM to 51 days from 50 days in Jan. 2024.



Source: WardsAuto InfoBank

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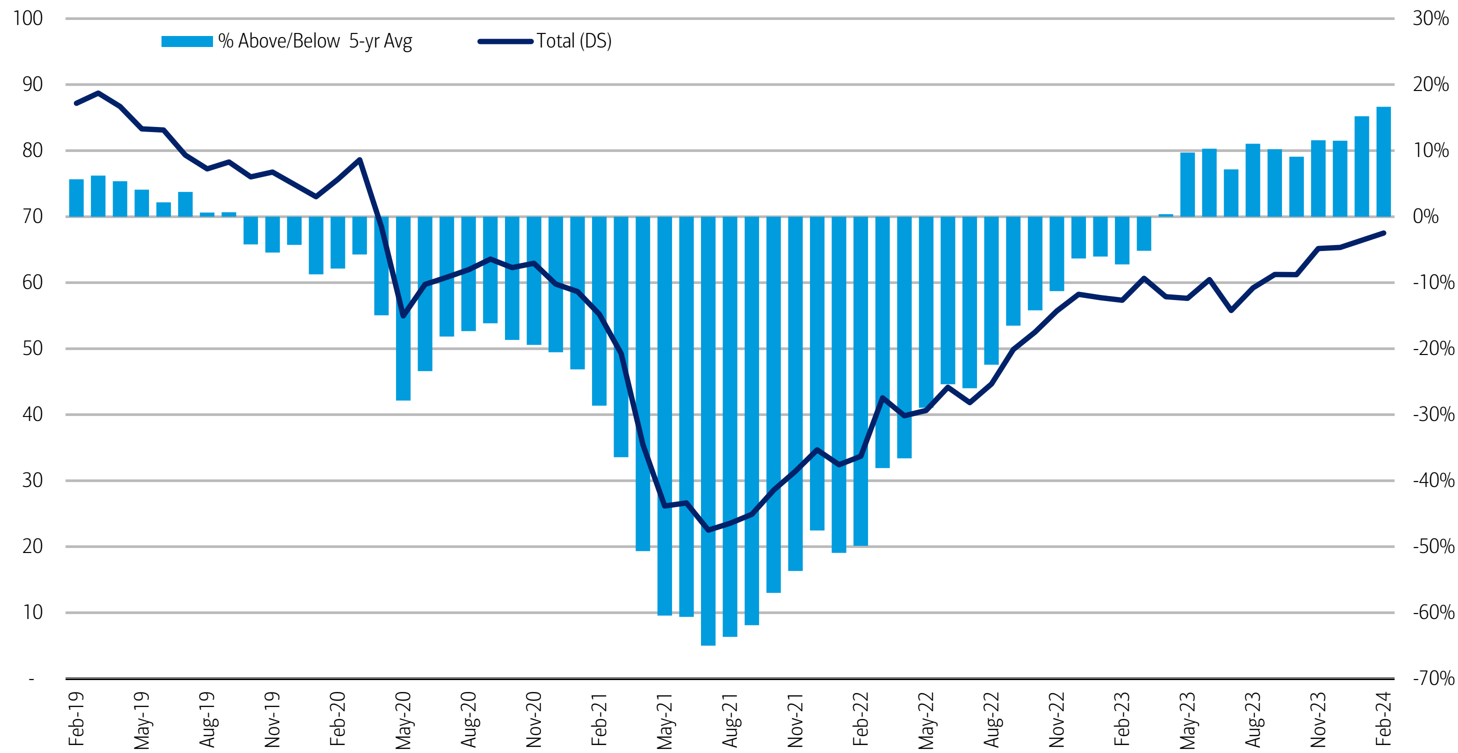
Detroit 3 Inventories

Exhibit 8: Detroit 3 (D3) Inventories – Total (DS)

February Detroit 3 days' supply is above the 5-year historical average and was up 2 days MoM to 68 days from 66 in January 2024



Source: WardsAuto InfoBank

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Exhibit 9: Detroit 3 Inventories – Cars (DS)

February D3 car days' supply is above the 5-year historical average and was down 1 day MoM to 76 days from 77 in January 2024

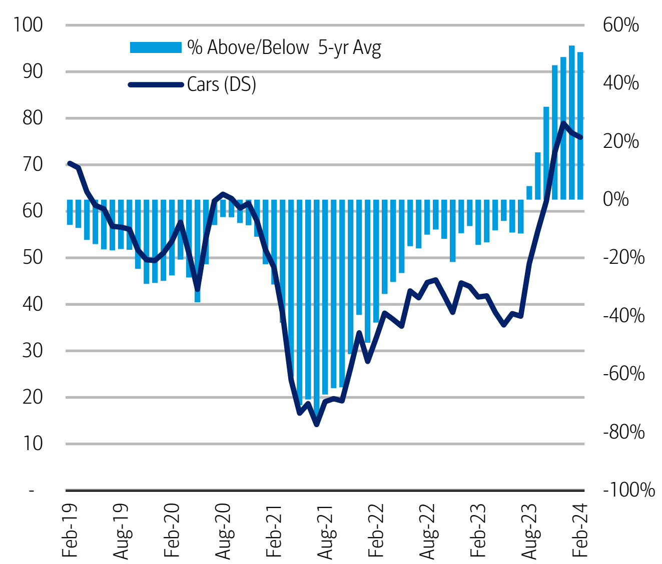

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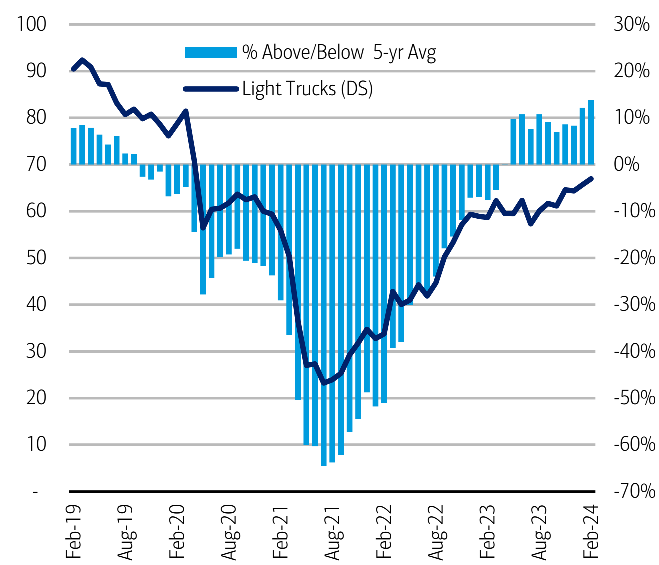
Exhibit 10: Detroit 3 Inventories – Light Trucks (DS)

February D3 light truck days' supply is above the 5-year historical average and was up 1 day MoM to 67 days from 66 in January 2024



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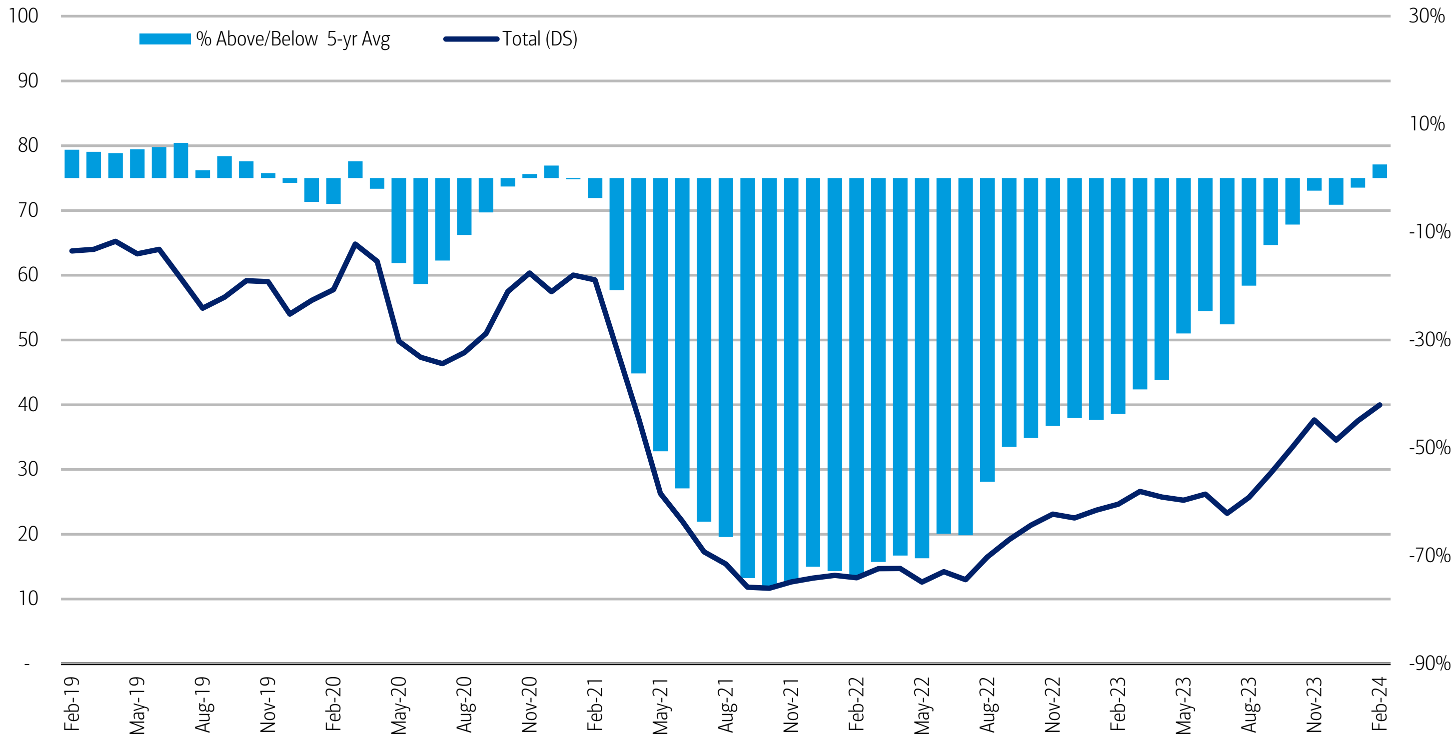
Japanese Inventories

Exhibit 11: Japanese Inventories – Total (DS)

February Japanese days' supply came in above the 5-year historical average and increased 2 days on a MoM basis to 40 days from 38 in January 2024



Source: WardsAuto Infobank

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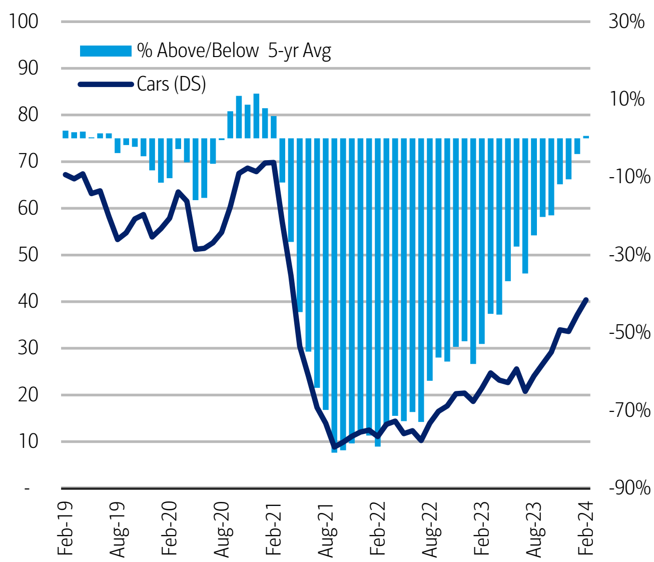
Exhibit 12: Japanese Inventories – Cars (DS)

February Japanese car days' supply is above the 5-year historical average and was up 3 days MoM to 40 days from 37 in January 2024



Source: WardsAuto Infobank

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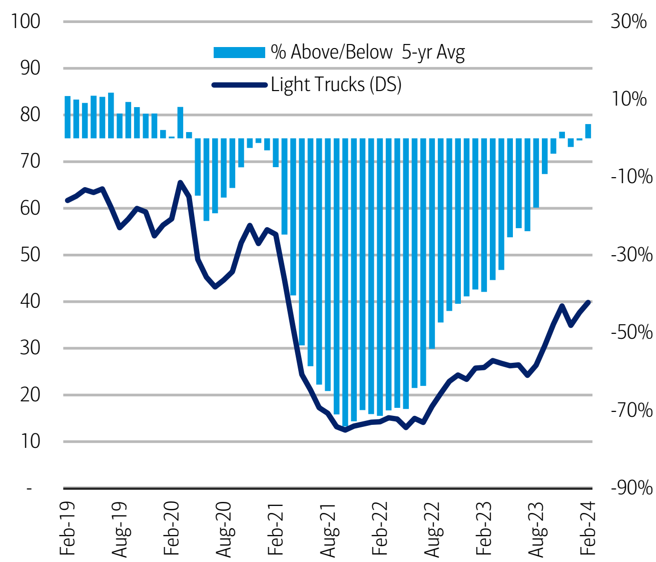
Exhibit 13: Japanese Inventories – Light Trucks (DS)

February Japanese light truck days' supply is above 5-year average and was up 2 days MoM to 40 days from 38 in January 2024



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Korean Inventories

Exhibit 14: Korean Inventories – Total (DS)

February Korean days' supply is below the 5-year historical average and was up 4 days MoM to 33 days from 29 days in January 2024

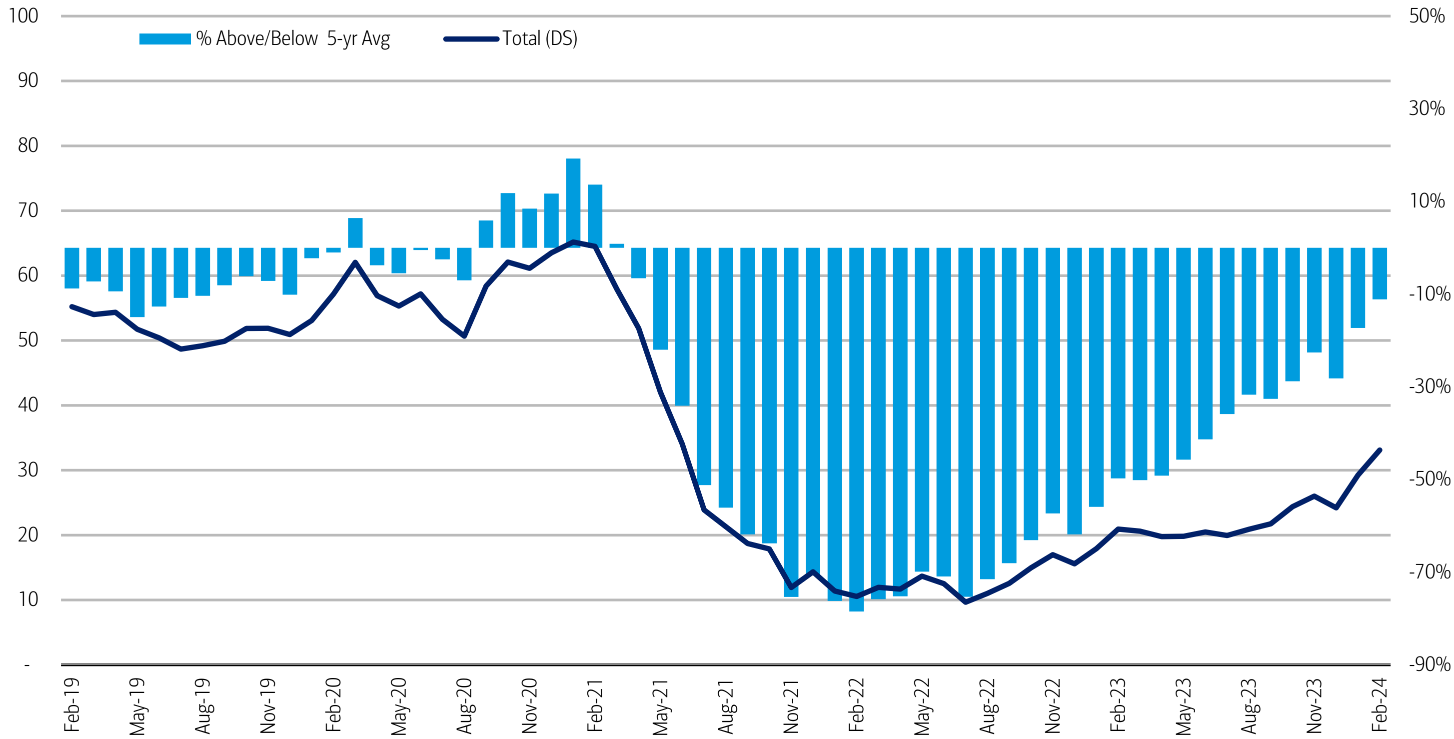

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Exhibit 15: Korean Inventories – Cars (DS)

February Korean car days' supply is below the 5-year historical average and was up 4 days MoM to 31 days from 27 days in January 2024

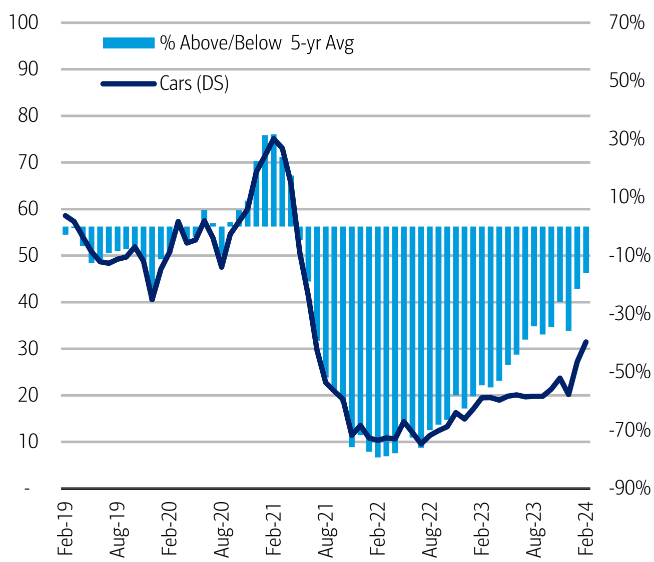

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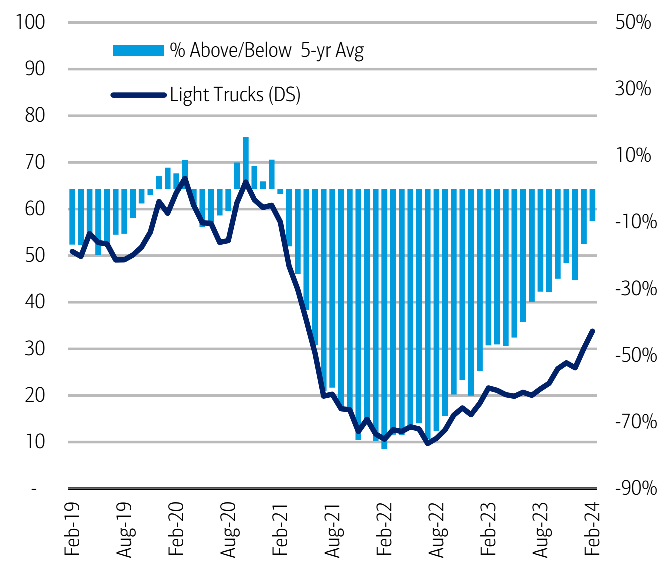
Exhibit 16: Korean Inventories – Light Trucks (DS)

February Korean light truck days' supply is below the 5-year historical average and was up 4 days MoM to 34 days from 30 in January 2024



Source: WardsAuto Infobank

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European Inventories

Exhibit 17: European Inventories – Total (DS)
February European days' supply is above the 5-year historical average and was flat MoM at 50 days

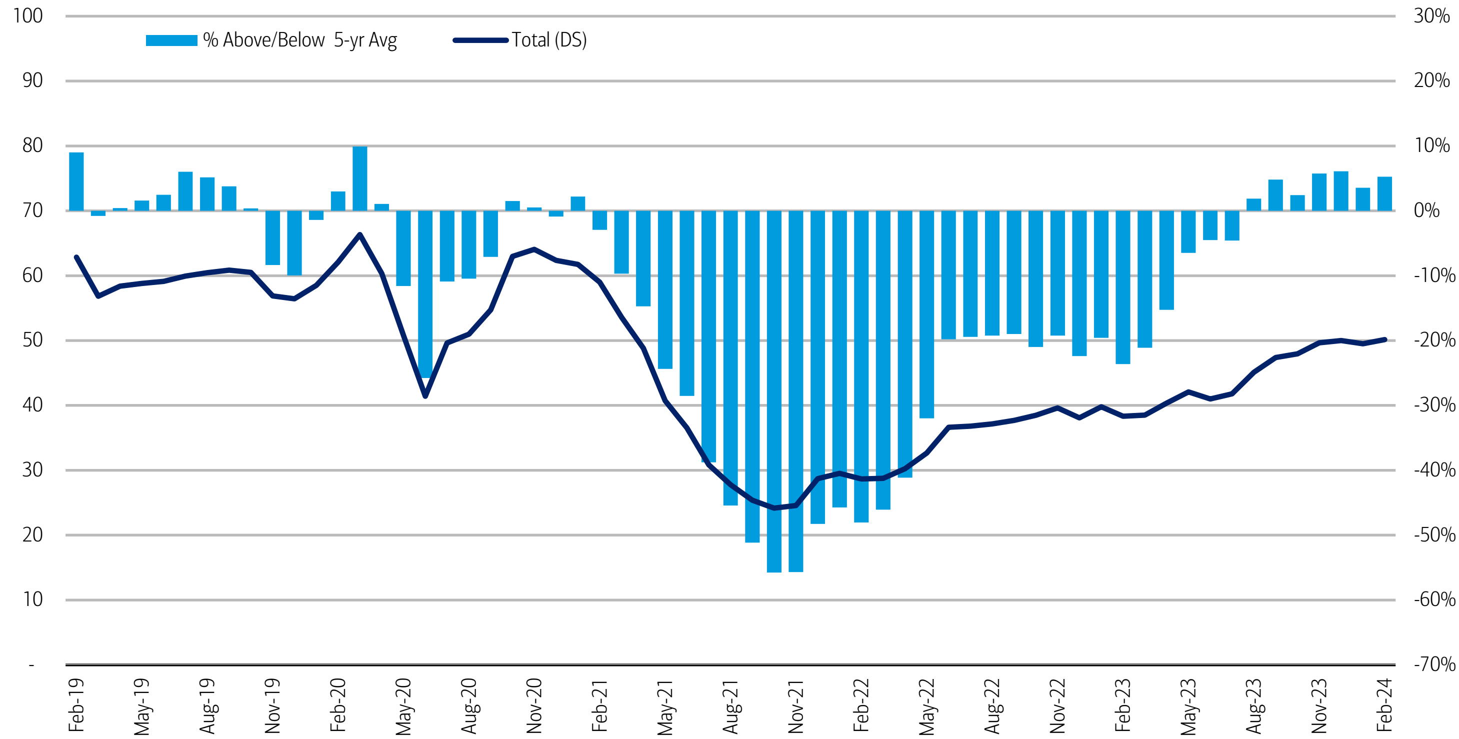

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Exhibit 18: European Inventories – Cars (DS)
February European car days' supply is below the 5-year historical average and was down 1 day MoM to 42 days from 43 in January 2024

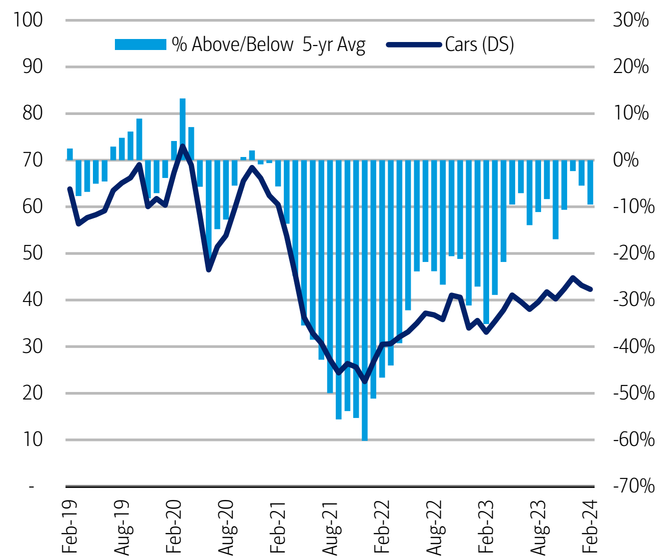

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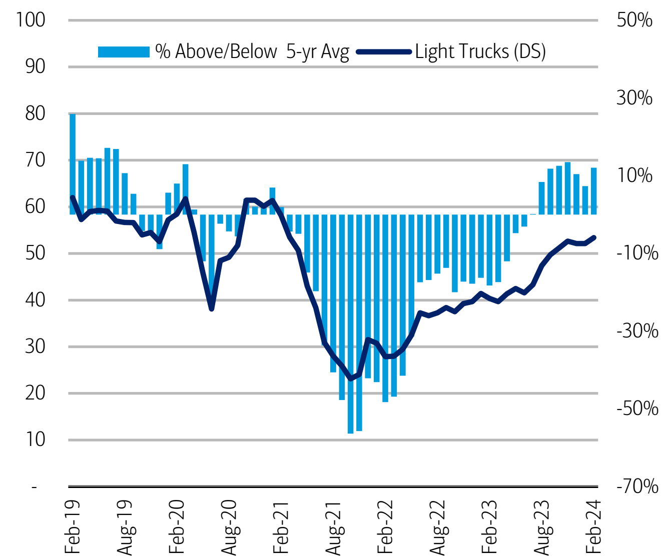
Exhibit 19: European Inventories – Light Trucks (DS)
February European light truck days' supply is above the 5-year historical average and was up 1 day MoM to 53 days from 52 in January 2024



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