

Auto Sales Monthly Outlook

Solid start to 2024 w/Jan SAAR of 15.7mm...18mm peak in 2028

Industry Overview

January SAAR estimate of 15.7mm, up ~4% YoY

We estimate January US light vehicle sales will increase about 4% YoY on a selling day adjusted basis, resulting in a SAAR of 15.7mm. This would be slightly below the 15.8mm SAAR in December 2023. On an unadjusted volume basis, this would be down 22% MoM, although we note that January is historically one of the smallest months of the year in terms of volume. January SAAR at this rate would be slightly better than the 2023 full year SAAR of 15.5mm, and would continue the trend of YoY improvement in auto sales. Recall, fleet sales were a key driver of the strength in 2023 (+33% in 2023 vs. +11% for retail according to Cox Automotive) and we expect a similar trend in 2024 as fleet sales are still ~400-500k units below 2018-2019 volumes. The increase in fleet sales in 2023 was driven mostly by Rental (+58%), followed by Government (+35%) and Commercial (+4%). Overall, the trend in US auto sales remains encouraging, though 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 still remains below 80.

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 seen 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 ease 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 remained largely flat in the \$48k range in 2023 with December pricing down 2.4% YoY to \$48,759. December incentives were up 101% YoY and +6% MoM to \$2,687/unit. Incentive spending in December was 5.5% of ATPs vs. 2.7% in December 2022, 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. However, December Inventories at 2.3mm remain below typical levels (2.5mm-3.0mm+), employment is strong, and consumer confidence is finally improving. 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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Equity

United States

John Murphy, CFA
Research Analyst
BofAS
+1 646 855 2025
johnj.murphy@bofa.com

John P. Babcock
Research Analyst
BofAS
+1 646 743 0046
john.p.babcock@bofa.com

Federico Merendi
Research Analyst
BofAS
+1 646 556 2798
federico.merendi@bofa.com

William Healey
Research Analyst
BofAS
+1 646 855 5747
william.healey2@bofa.com

Exhibit 1: Jan. 2024 estimated sales

We estimate a January SAAR of 15.7mm

	Total Vehicles		
	2024	2023	%Δ*
January UNITS:			
Detroit Three	418,552	434,606	-7.5%
Europeans	103,314	94,598	4.8%
Japanese	422,857	351,641	15.4%
Koreans	113,840	107,889	1.3%
Others	69,900	58,185	15.3%
Total	1,128,463	1,046,919	3.5%
ANNUAL RATE			
(Millions)	15.7	15.1	4.2%
MARKET SHARE:			
Detroit Three	37.1%	41.5%	(4.4)
Europeans	9.2%	9.0%	0.1
Japanese	37.5%	33.6%	3.9
Koreans	10.1%	10.3%	(0.2)
Others	6.2%	5.6%	0.6

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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