FEBRUARY 2025

CLOUD THEORY™

ON THE HORIZON

Automotive Industry Inventory Report

New Vehicle Inventory Sees Seasonal Decline and Falls Below 3 Million

Days-to-Move Hits Five Year High at 80 Days

Prices Remain High; Tariffs Threaten to Raise Them Higher

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Summary

January typically has a unique seasonal pattern, with inventories and vehicle movement seeing declines after year-end sales events and as model year changeovers mature—and 2025 was not an exception.

But there are signs that the marketing and selling environment is coming under pressure beyond those normal cycles. February vehicle movement is projected to tick down again (vs. a more typical rebound in that month), days-to-move is at an almost five year high at 80 days, and turn rates are settling in at 35% — close to levels that have not been seen since before the pandemic.

Pricing is one key factor in the marketplace equation, with prices still near $50K despite the supply, demand, and velocity dynamics that have been playing out for the better part of a year. And while tariffs have not been acted upon (yet), the threat of them looms over the industry throughout North America and beyond, and creates risk for OEMs and parts suppliers alike.

In this environment, marketers and incentives planners should pay close attention to their inventory and movement positions relative to the competition at a national, regional, and local level in order to make informed investment decisions and support makes and models where that help is needed most.

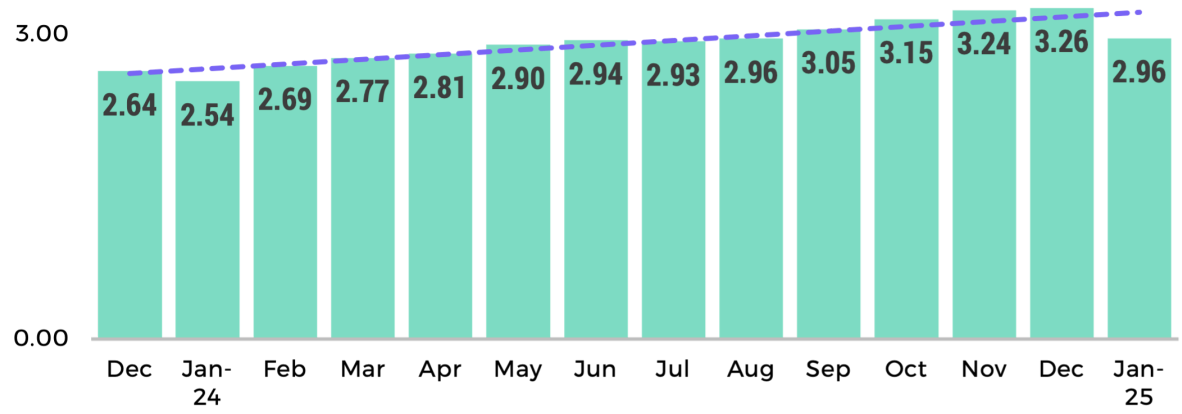
This is particularly true for makes with average or lower Inventory Efficiency Index scores that have to work harder to sell the inventory that they have on hand.

Inventory and Movement

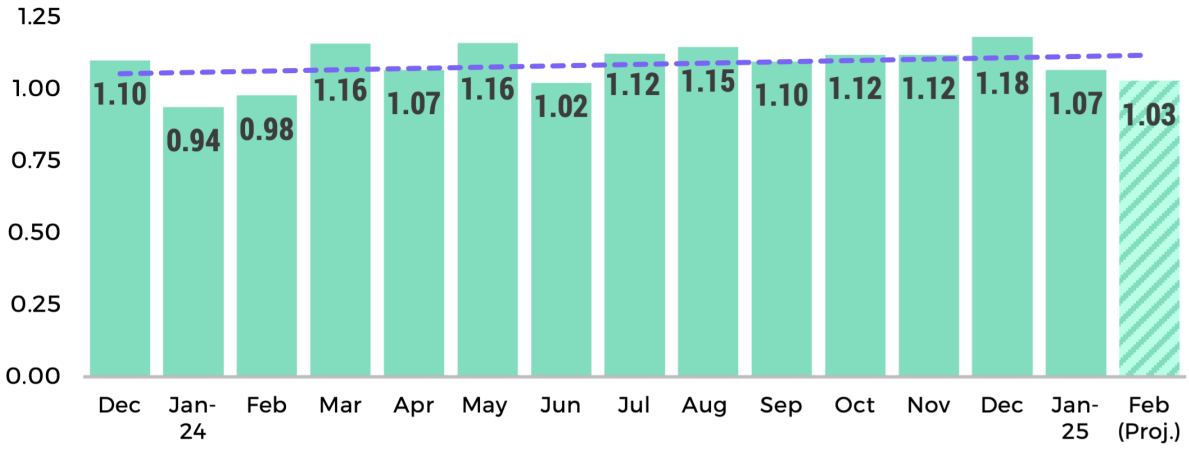
Inventory levels experienced a typical seasonal decline in January (-300K vs. December 2024), but the drop was sharper compared to a year ago (-100K). Supply levels fell below 3.0MM for the first time since August 2024.

Vehicle movement also saw a seasonal decrease in January, falling by 110K compared to the month prior. Unlike in the subsequent time period in 2024—when this metric rebounded slightly in February-–projections point to a small continued regression in the next 30 days.

Average Inventory - New (MM)



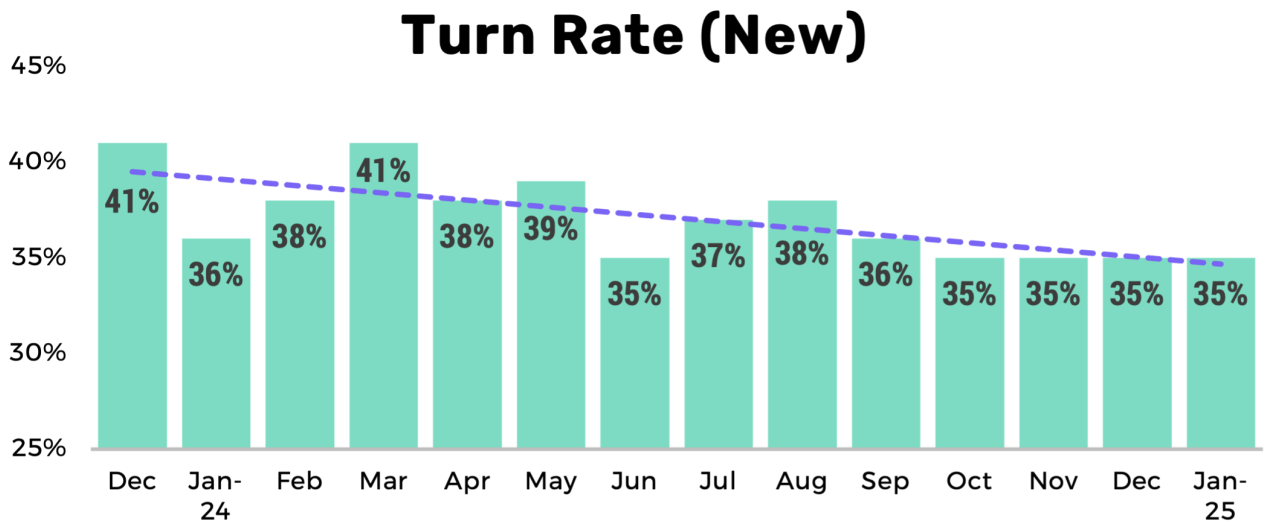
Vehicle Movement - New (MM)

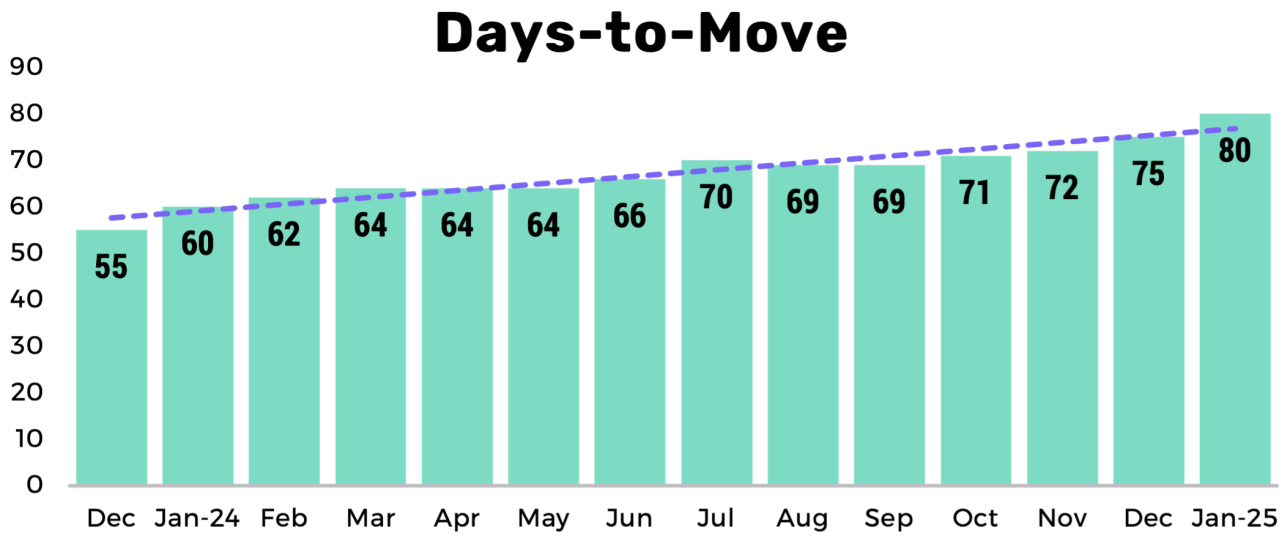


Vehicle Sales Velocity

These metrics point to an increasingly challenging sales environment, with turn rates settling in the mid-30s—with a fourth straight reading of 35%—and a days-to-move showing (80 days) that hasn't been seen in almost five years.

The latter metric increased for the fourth consecutive month, and jumped by five days in the latest period.





Pricing

Despite these supply, demand, and velocity dynamics in the marketplace, pricing has remained elevated. While the average marketed value did decline by $438 in the current period, the longer-term trend continued to hover at or near $50K.

Market adjustments—which reflect the visible discounts and incentives on dealer vehicle detail pages—ticked up slightly in the current period, but the rate of change has slowed in the last six months.

"While some of this month's trends can be attributed to normal seasonal patterns after year-end deals and maturing model year changeovers, there is a longer-term and underlying dynamic that is pointing to a more challenging sales environment. The effects of ongoing price premiums and longer sales periods should be on every OEM's radar screen.

And if the tariff situation moves from threats to reality—particularly if it spreads beyond North America—these marketplace issues may shift from worrisome to truly problematic."

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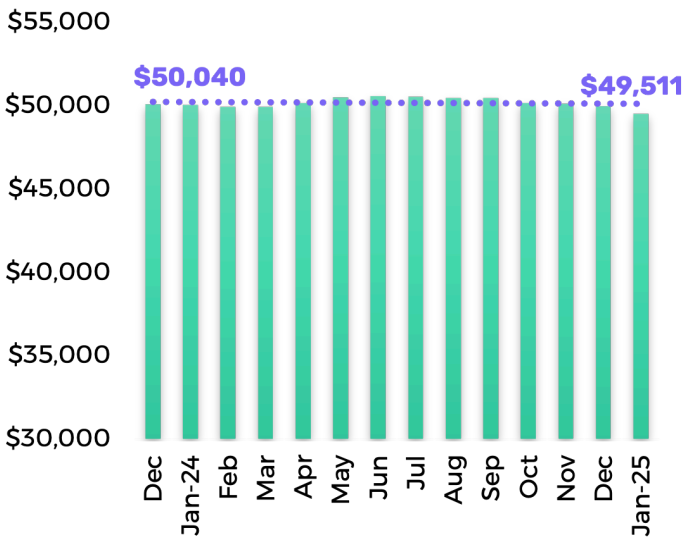
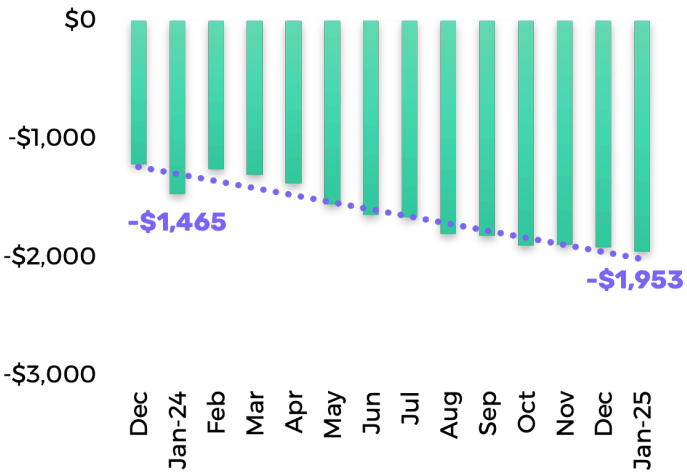
RICK WAINSCHEL
VP of Data Science & Analytics, Cloud Theory

Average Price (New)



Average Market Adjustment vs. MSRP



Inventory Efficiency Index Score

TOP 10 MAKES • IN-STOCK VEHICLES

With supplies growing and discounts/incentives rising, it is important to view Cloud Theory's Inventory Efficiency Index through the lens of in-stock vehicles—those that are currently on dealer lots—to determine the OEMs that are getting at or above their fair market share given their relative inventory in the marketplace. In doing so, it points to manufacturers that are either short on supply or successfully generating demand (or both). In each case, OEMs can be more focused in their incentive and discounting strategies.

The top three makes—Lexus, Toyota, and Subaru—remained in place, with the former two pointing to the continued strength (and inventory shortages) of Toyota Motor Corporation. **Two luxury brands--Acura and Cadillac—made strong moves**, both gaining double digits in their scores and by multiple ranks in the current month.

RANK	MAKE	January 2025 Inventory Efficiency Index Score	Point Change vs. December 2024	Rank Change vs. December 2024
1	LEXUS	377.6	-8.0	--
2	TOYOTA	256.3	-0.9	--
3	SUBARU	158.0	+2.6	--
4	HONDA	153.8	+8.5	+1
5	BMW	129.5	-19.4	-1
6	CHEVROLET	111.4	+4.5	+1
7	GMC	110.5	+0.3	-1
8	KIA	109.3	+7.5	+2
9	ACURA	107.0	+11.5	+6
10	Cadillac	106.6	+10.3	+3

"With pricing currently being such a key issue in the automotive marketplace, it is important to note that makes with higher Inventory Efficiency Index scores have an advantage in being able to promote and command premium values.

Whether it is due to supply shortages or inherently strong brand power—or both—those makes are better able to weather the storm if prices remain elevated. But all OEMs should be aware of the larger macro-dynamics that are in place and make informed investment decisions that take them into account."

MATT SHARP • **Chief Digital Officer and General Manager, Cloud Theory**

Inventory Efficiency Index

ABOUT CLOUD THEORY'S INVENTORY EFFICIENCY INDEX

Cloud Theory's patent-pending Inventory Efficiency Index provides a previously unavailable real-time view of market-relevant supply and demand for all makes and models and across all geographies. Key decision makers can use the IEI to confidently allocate valuable marketing and incentive dollars to locations requiring a boost in demand or reallocate vehicles to areas that are moving inventory more efficiently.

Cloud Theory's Inventory Efficiency Index determines scores for vehicle makes or models based on relative inventory and movement data compared to competitors.

- A score of 100 means that an OEM's demand is in balance with its relative supply in the marketplace.
- A score above 100 indicates that a make or model is selling its inventory more efficiently than average.
- A score below 100 means that there are opportunities to bring demand into better alignment with supply (or vice versa).

About Cloud Theory

Cloud Theory is more than a concept. It is the eye of the storm, where cutting-edge data, software, and artificial intelligence meet deep industry knowledge and experience. Built for automotive manufacturers, agencies, and affiliates, Cloud Theory enables our customers to understand – in real time – the complex competitive world in which they do business and to make bold decisions that drive them forward. The combination of billions of data points, interactive tools, and expert consulting gives our clients the ability to weather any storm and find their way to clear blue skies.

Learn more at cloudtheory.ai.

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