

ZeroSum Market First Report

# Automotive Inventory Data and Sales Forecasts

May 2022



**The ZeroSum Market First Report** is the automotive industry's first source to predict month-end vehicle movement, providing vital supply and demand trend data to automotive marketers and dealers. ZeroSum uses predictive modeling to accurately estimate new vehicle inventory, pricing trends, and market share.



# ZEROSUM'S TAKE: WHAT YOU NEED TO KNOW

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This May, businesses are feeling the impact of lower consumer demand, factory shutdowns, and higher production costs. Even Carvana, one of America's largest used car retailers, felt the impact as their stock prices plummeted 90% since November. This is largely due to preparing for much higher demand levels than needed. In China, COVID lockdowns have slowed production for many manufacturers, leading to continued supply pressure. With rising raw material costs, Toyota warned that prices could take 20% off full-year profits. Due to inflation rates and rising gas prices, OEMs like Hyundai and Volkswagen are beginning to ramp up production of EVs as customers shift their focus.

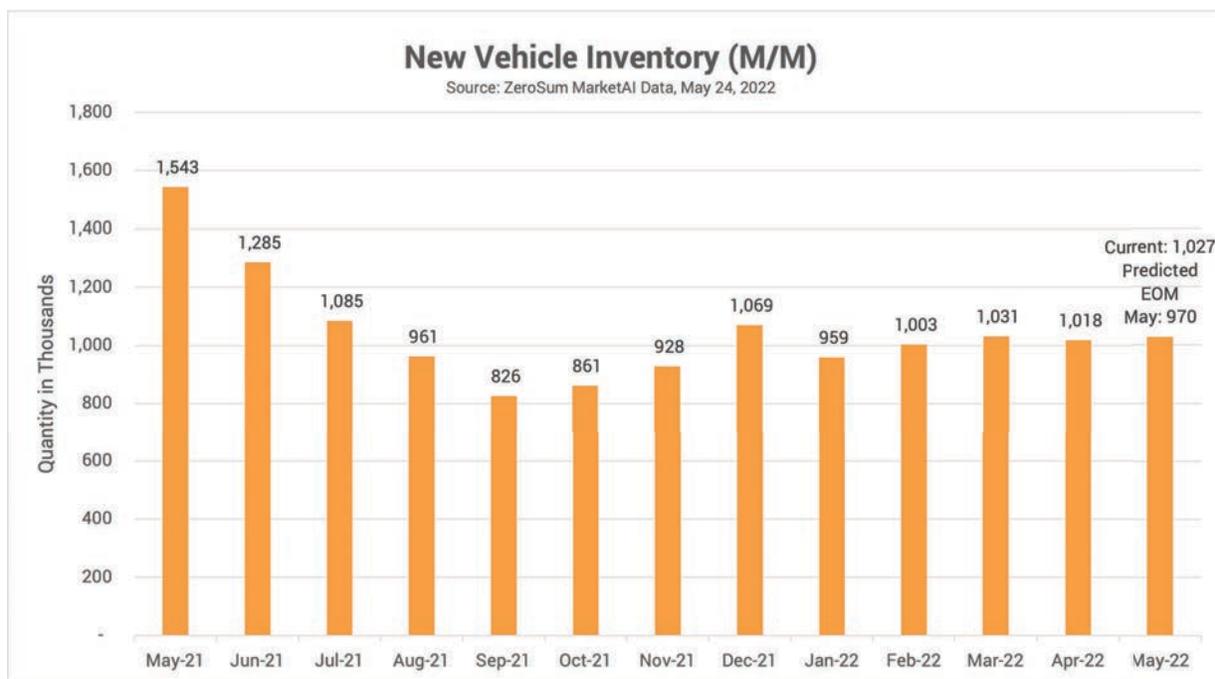
As new vehicle inventory remains constant, and prices for both new and used cars begin to level off, dealers are continuing to benefit from high levels of profit. However, consumers have finally hit the limit on what they are willing to pay. **For dealers, this is a critical tipping point because they will need to accelerate turn rates on both new and used inventory to maintain profits and earn more inventory to sell.**

## Here are your key takeaways:

This month, there are 1.95% fewer used vehicles on the ground than at the end of April while new vehicle inventory remains relatively consistent. On average, a used car now costs almost as much as a new car did a year ago.

1. **Adjust your business model.** In our previous report, we talked about the stabilization of new car inventory levels being the new normal, and that remains true in May. Dealers will need to focus on used car marketing alongside new car marketing for business growth.
2. **Keep an eye on stabilizing prices.** Be prepared to adjust your marketing as prices level off and consumer demand wanes. To maintain profit, the market pricing will have to be more strategic to meet demand.
3. **Be prepared for EV demand.** Higher gas prices and long ordering waits are pushing consumers to purchase used electric vehicles at high prices.

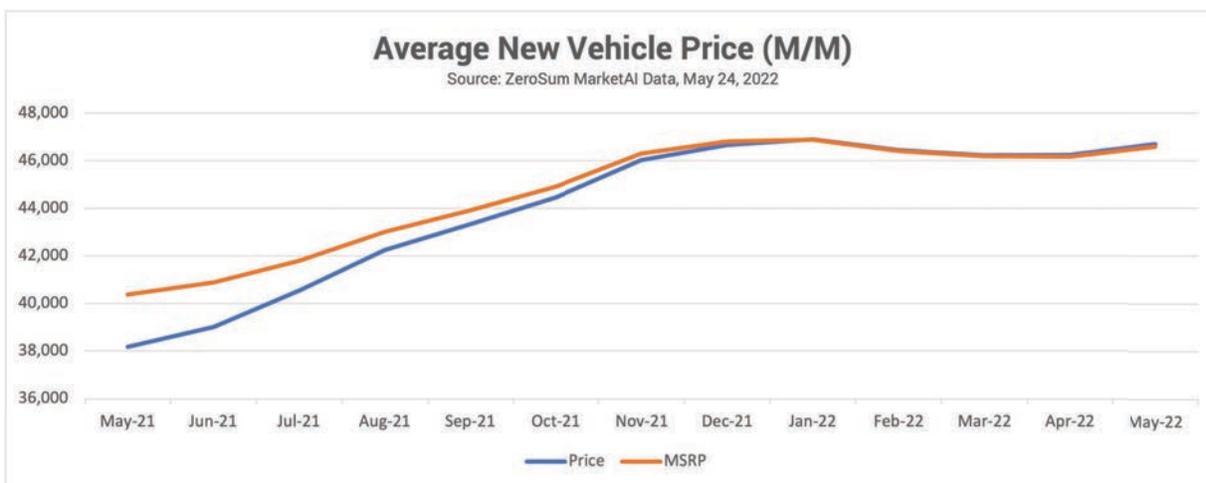
# NEW VEHICLES RETAIL OUTLOOK



Since the beginning of 2021, new vehicle inventory levels have been trending downwards. However, in recent months, inventory has remained relatively flat, signaling that the market has transitioned to a new normal. At the time of this report, new vehicle inventory was only slightly higher than it was at the end of April, up 2.91%, and we predict that by month-end, inventory will be 970,021, down slightly since April.

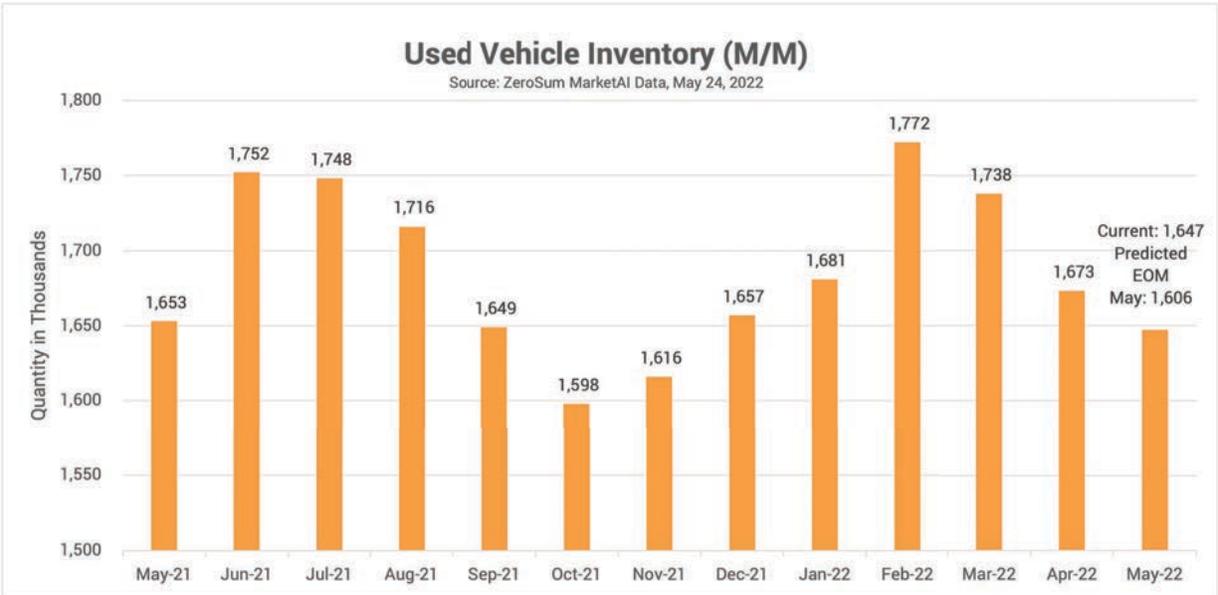
In the coming months, ZeroSum expects inventory levels for new cars to remain static as chip shortages, factory shutdowns, and new manufacturing models persist. For dealers, this means their business models will need to evolve. **Dealers should consider a more holistic marketing model, with as much focus on used as new.**

# NEW VEHICLES RETAIL OUTLOOK



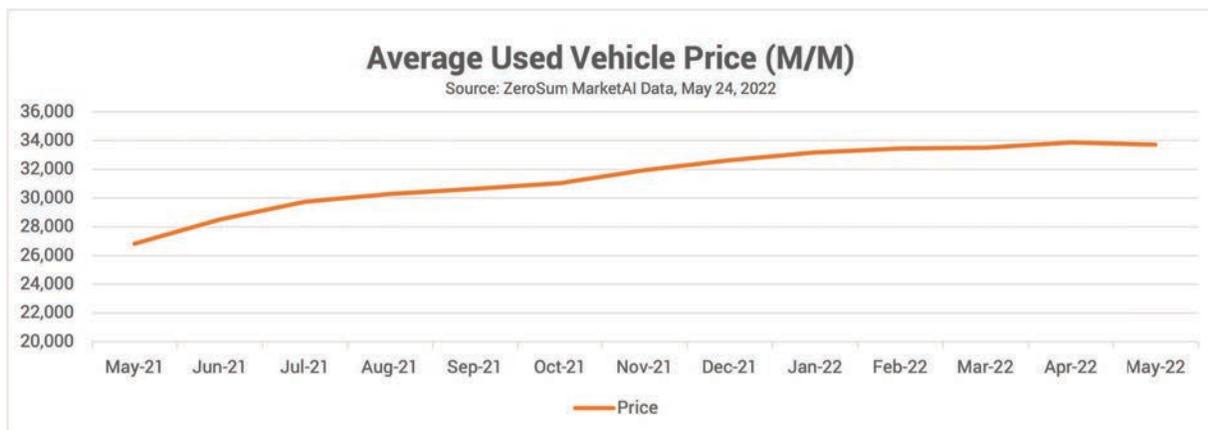
Since the beginning of the year, new car average prices have remained close to MSRP. In May, the average price of a new vehicle rose 0.39% to \$46,899 since the start of April, which is 0.64% higher than MSRP. With consistently low inventory levels and high demand, the discounts and incentives have become less important, putting available inventory in the spotlight. **It will be important for dealers to keep an eye on the stabilizing prices and be prepared to adjust their marketing tactics.**

# USED VEHICLES RETAIL OUTLOOK



Used inventory is currently down another 1.95% since the end of April, and we expect it to remain similar at the end of May at 1,606,023. As we have reached a new normal in terms of new car inventory levels, the opportunity to control sales growth largely relies on dealers’ ability to turn and increase used car volume.

# USED VEHICLES RETAIL OUTLOOK



Used vehicle average prices are down only 0.38% from the start of last month, remaining relatively flat overall. With the slight uptick in new vehicle inventory, the pressure to increase used car prices has begun to let up. In March of 2021, the average cost of a new car was a little over \$37,000. Currently, the average price of a used car is almost \$34,000, meaning that over the course of year, the price of a used car has become almost the same as a new one was a year ago.

# USED VEHICLES RETAIL OUTLOOK

## Electric Vehicle Sales 30-Day Average

Source: ZeroSum MarketAI Data, May 25, 2022

VEHICLE TYPE	ACTIVE INVENTORY	AVG. INVENTORY	TOTAL INVENTORY	MOVED INVENTORY	DAYS ON LOT	PRICE	MOVED PRICE	TURN RATE
New	16,631 ▲ 14,802 12%	16,482 ▲ 15,054 9%	31,663 ▲ 30,344 4%	15,181 ▼ 15,290 -1%	31 ▼ 32 -3%	\$59,499 ▼ \$60,315 -1%	\$59,461 ▲ \$58,925 1%	92% ▼ 102% -10%
Used	8,929 ▼ 9,367 -5%	8,456 ▲ 8,251 2%	17,014 ▼ 18,873 -10%	8,558 ▼ 10,622 -19%	38 ▼ 42 -10%	\$58,752 ▲ \$57,883 2%	\$54,682 ▲ \$52,581 4%	101% ▼ 129% -22%

The focus on used vehicle marketing is even more important for electric vehicles due to consumer demand for fuel efficient options. The above chart shows that sometimes, consumers are willing to pay near-new sales prices for a used car, rather than waiting for a new car that could take months. **As the average gas price has risen to \$4.60 a gallon, many consumers are considering making the switch to electric.** As manufacturers begin to produce more EVs, pressure on the used EV market should come down, but we are not seeing that yet. The lines are getting blurred between new and used vehicle demand and therefore marketing should be too.

# ABOUT ZEROSUM'S MARKET FIRST REPORT

ZeroSum's Market First Report is based on ZeroSum's retail vehicle movement and pricing indices, powered by real-time data gathered using ZeroSum's data-driven marketing platform MarketAI. The platform brings together vast amount of data, including all available light vehicle inventory in the U.S., to help improve marketing performance. MarketAI allows dealers to analyze their market in real-time, using sales conversion rates, market turn rates, days' supply, and competitive inventory.

## **About ZeroSum**

ZeroSum is a leader in software, marketing, and data. Powered by its SaaS platform, MarketAI, ZeroSum is simplifying and modernizing automotive marketing by leveraging artificial intelligence, data, and scaling ability to acquire new customers. ZeroSum is the first and only company that matches consumer demand with automotive data in real time.

Want to learn more? Book your demo now.

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