



US FIRST-QUARTER AUTO SALES GREW NEARLY 5% DESPITE HIGH INTEREST RATES, BUT EV GROWTH SLOWS FURTHER - ASSOCIATED PRESS

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New vehicle sales in the U.S. rose nearly 5% from January through March, as buyers stayed in the market despite high interest rates. But electric vehicle sales growth slowed during the first three months of the year, with mainstream buyers wary of limited range and a lack of charging stations.

Automakers, most of which reported U.S. sales numbers Tuesday, sold nearly 3.8 million vehicles in the first quarter versus a year ago, for an annual rate of 15.4 million in sales.

With inventory on dealer lots growing toward pre-pandemic levels, auto companies were forced to reduce prices. J.D. Power said the average sales price in March was \$44,186, down 3.6% from a year ago and the largest recorded decline for the month of March.

The company said automaker discounts in March were two-thirds higher than a year ago, around \$2,800. That includes increased availability of lease deals. J.D. Power expected leases to account for almost a quarter of retail sales last month, up from 19.6% in March of last year.

Sales of electric vehicles grew only 2.7% to just over 268,000 during the quarter, far below the 47% growth that fueled record sales and a 7.6% market share last year. The slowdown, led by Tesla, confirms automakers' fears that they moved too quickly to pursue EV buyers. The EV share of total U.S. sales fell to 7.1% in the first quarter.

Nearly all of the early adopters and people concerned about internal-combustion engines' impact on the planet have bought electric vehicles, and now automakers are facing more skeptical mainstream buyers, Edmunds Director of Insights Ivan Drury said.

"That's where all of those headwinds come in that we've seen in survey data," Drury said. "Those real-world concerns about charging infrastructure, battery life, insurance costs."

Cox Automotive Chief Economist Jonathan Smoke cautioned it appears the industry has already hit its spring sales peak as buyers expect the Federal Reserve to cut interest rates later in the year.

"Interest rates are still near 24-year highs, and consumers just don't have the urgency to buy, with the expectation that rates will be lower later this year," he wrote in a market report. Automobile interest rates still are averaging around 7% per year.

Drury said vehicles that are more affordable are selling faster than more expensive ones. Sales of many large and expensive SUVs fell during the quarter as companies faced more frugal buyers.

"Small sells, whether it be size or the sales price," Drury said.

For example, General Motors' Chevrolet brand sold 37,588 Trax small SUVs in the quarter, more than a fivefold increase from a year ago. By itself, the Trax, which starts around \$21,500, outsold the entire Cadillac brand.

Most automakers reported strong year-over-year sales increases from January through March, but General Motors, Stellantis, Kia and Tesla all reported declines.

GM, the top-selling automaker in the U.S., reported that sales were down 1.5% for the quarter, while Stellantis sales were off nearly 10%. Kia sales were down 2.5%. All three companies reported strong first-quarter sales a year ago.

Toyota reported a large sales increase, 20%, for the quarter, and said combined sales of its hybrids and lone electric vehicle rose 36%. Honda said its sales increased 17%, while Nissan and Subaru both posted 7% increases. Hyundai reported an increase of just 0.2%.

Tesla global sales were off nearly 9%, which the company blamed on factory changes to build an updated Model 3, shipping delays in the Red Sea and an attack that knocked out power to its factory in Germany. Motorintelligence.com estimated that Tesla's U.S. sales were down more than 13% in the first quarter.