

Total Auto Sales Increase Modestly in October

- **Total auto sales increased 1.5% to an annualized pace of 16.0 million in October. The increase was broad-based with both autos and light trucks up month-on-month.**
- **The modest increase improved the year earlier growth rate to 4.3% from just 0.5% in September; light trucks were up 5.4% while autos were up a more modest 0.9%.**
- **Despite the increase, total auto sales have been below 17.0 million for 41 straight months; high sticker prices and elevated auto loan rates are weighing on auto sales.**
- **Although lower interest rates will improve affordability, slower job and wage growth will limit auto sales with no rebound expected until the second half of next year.**

Total auto sales, including autos and light trucks, climbed 1.5% to a seasonally adjusted annualized pace of 16.0 million in October from 15.8 million in September. The increase was broad-based with autos up 2.3% month-on-month and light trucks up a more modest 1.6%, a sharp moderation from the 3.0% gain in September. The modest monthly increase pushed the year ago growth up to 4.3% from 0.5% in September. Light trucks led the way with annual growth of 5.4%, double September's increase of 2.7% and the fastest pace of growth since March 2024 (5.5%). Autos were 0.9% higher than a year ago, a marked improvement from the 8.1% drop in September.

Despite the increase in October, total auto sales have been below 17.0 million for 41 consecutive months. Sales are being depressed by high prices and elevated auto loan rates. The average new car price this year is \$48,205 – a 21% increase from five years ago – and monthly payments on new-car loans now average \$767, up 17% from four years ago, according to Cox Automotive. Moreover, one in six new-car buyers this year will take on payments of more than \$1,000 a month according to a survey by automotive researcher Edmunds.com, which also found that 73% of consumers are postponing purchasing a new car due to the prohibitive cost.

The Federal Reserve's half-point interest rate cut on September 18 will help, but it will take time to trickle down to auto loans and will probably only reduce the typical monthly payment by a modest amount. As a result, buyers have been forced to get creative to keep monthly payments somewhat manageable. To wit, almost 1 in 5 auto loans now stretch for seven years, up from five years just a few years ago, according to Edmunds.

While lower interest rates – PNC expects the FOMC to lower the fed funds rate by 25 basis points at the two remaining meetings this year with four identical rate cuts in the first half of 2025 – will improve affordability, slower job and wage growth will weigh on auto sales with no rebound expected until the second half of 2026.

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