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Auto Sales Are Idling as Prices Remain High

Christopher Otts

5–6 minutes

High [new-vehicle prices](#) and borrowing costs are keeping some shoppers on the sidelines, pointing to what is expected to be another lackluster sales year for automakers.

Industrywide third-quarter U.S. vehicle sales fell 1.9% compared with a year earlier, according to an estimate from research firm Wards Intelligence. Most major automakers reported results for the July-to-September period on Tuesday.

[General Motors GM 0.29%increase; green up pointing triangle ▼](#), the nation's largest carmaker by volume, said sales fell 2% in the quarter compared with a year earlier, with the company's mass-market Chevrolet brand accounting for most of the decline.

[Toyota Motor](#)'s U.S. sales fell 5.6% in the quarter from a year earlier, with popular nameplates such as the Rav4, Camry and Corolla posting declines last month.

U.S. electric-vehicle leader [Tesla](#) is expected to report global deliveries Wednesday.

Analysts say the industry's U.S. sales tally was dented by disruption from Hurricane Helene, which hit the Southeast on the final weekend of

September, typically a busy selling period.

Meanwhile, auto executives also were bracing for any impact from [a dockworker strike](#) that took effect early Tuesday, shutting down ports from Maine to Texas.

Toyota built up extra vehicle stocks in recent weeks anticipating the work stoppage, said Jack Hollis, operations chief for Toyota in North America.

“They need to get to a solution quickly. It could be damaging to the whole economy,” he said.

The sluggish third-quarter results put automakers on pace to finish the year with U.S. vehicle sales of around 15.7 million—a slight increase from last year, when [supply-chain snags](#) were still crimping vehicle output, but still well off historic highs.

Carmakers posted five consecutive years of at least 17 million vehicle sales through 2019. Many analysts and dealers [point to affordability](#) as the primary reason why sales haven’t marched back to those levels.

The average new vehicle in the U.S. sold for \$44,467 in September, down nearly 3% from last year as automakers and dealers offer more discounts, according to industry tracker J.D. Power.

But that figure is up from about \$34,600 at the end of 2019, reflecting years of sharp inflation during the pandemic, when a shortage of computer chips and other car parts crimped vehicle production.

Those prices present plenty of sticker shock for consumers who might be returning to the dealership for the first time in five or six years, said Jessica Caldwell, head of insights at car-shopping site Edmunds.

“This market is still pretty unaffordable,” she said.

John Motroni, a retired television-news producer in San Francisco, said

he and his wife were recently interested in Ford's Maverick compact pickup truck, which starts in the high \$20,000s.

But when a San Francisco-area Ford dealer was asking thousands of dollars more than the sticker price, Motroni and his wife decided to keep their 2009 Ford Flex sport-utility vehicle. "We just said, 'To heck with it,' " he said.

The Federal Reserve's decision to [cut the U.S. benchmark interest rate](#) hasn't yet translated into significantly lower borrowing costs for car shoppers. New-car finance payments averaged \$734 last month, up slightly from last year, according to J.D. Power.

In a sign of consumers stretching their wallets, more are turning to leasing to walk away from the dealership with less money out of pocket. Leases accounted for 25% of new-car sales in the third quarter, up from 20% a year earlier, according to Cox.

Consumers are also gravitating to more-affordable vehicles. Sales of smaller cars and SUVs are up over the past year, while sales of midsize cars and trucks and larger SUVs have declined, according to Cox.

"I don't think that people really want these teeny, tiny vehicles, but it's what they can afford right now," said Cox senior economist Charlie Chesbrough.

The stagnant U.S. market is among several challenges facing traditional automakers, including fierce competition in China. Several European automakers [lowered sales or profit forecasts](#) in recent weeks, including [Volkswagen](#), Mercedes-Benz, [BMW](#) and Jeep maker [Stellantis STLA 0.26%increase; green up pointing triangle ▼](#).

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