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Discounts on the Dealership Lot Lift Car Sales

Some automakers have seen inventory jump to prepandemic levels, prompting them to spend more on promotions

By [Ryan Felton](#) [Follow](#)

Dec. 29, 2024 5:30 am ET



New-vehicle prices are expected to ease further in 2025, with discounts continuing to flow. PHOTO: DAVID ZALUBOWSKI/AP

Car shopping in 2024 started to get back to normal for the first time this decade, with ample choice on the dealership lot and even some bargains for shoppers.

After years of depressed inventory stemming from pandemic-era supply chain problems, U.S. dealers' stock levels have largely recovered. That has put pressure on retailers and automakers to more aggressively price their unsold vehicles.

Car buyers received about \$3,400 in discounts and other incentives on average during the busy December shopping season, up more than 25% from a year

earlier, according to research firm J.D. Power. The offers have included low- and zero-percent interest rates, cash-back offers and cheap leases, especially on electric vehicles.

The increase in promotions in recent months has offered inflation-weary car shoppers some relief after several years of having to shell out sums near or even above the sticker price. The stronger promotions have helped boost overall U.S. vehicles sales.

Industrywide U.S. sales rose by about 7% in December, according to a J.D. Power forecast. Most automakers are scheduled to report their latest sales tallies Friday.

“There are good deals to be had out there,” said Geoffrey Pohanka, a Maryland-based dealer who sells Chevrolet, Jeep, Nissan and other brands.

For the year, U.S. vehicle sales are expected to rise 3%, to about 16 million vehicles sold, decelerating from 12% growth in 2023. Industry forecasters expect sales to edge slightly higher again next year.



A few carmakers, including Toyota, are still operating with thin inventory, offering fewer deals and discounts than other makers. PHOTO: DAVID PAUL MORRIS/BLOOMBERG NEWS

“The current business is solid from a historical perspective,” Tom Donnelly, chief executive of Mazda’s North American operations, said of the auto industry. “I mean, years ago, 15 million, we’d be high-fiving.”

Pressures on carmakers are building though, Donnelly said, citing tightening tailpipe-emissions regulations and the need to invest in electric cars.

“You’re trying to balance the decent environment that the industry is in with this once-in-a-century transition that the industry is having to undergo,” he said.

The U.S. car market hasn’t returned to the 17-million-vehicle annual sales mark that held steady for several years before the pandemic disruptions. Analysts and car executives say that is partly because many shoppers remain priced out of the market, despite the recent return of promotions and discounts.

Higher interest rates have kept monthly payments elevated relative to prepandemic levels. Also, a dwindling number of smaller, cheaper cars for entry-level buyers has curbed overall sales.

Average discounts are currently about 8% of the sticker price, according to research firm Cox Automotive, up sharply from recent years but still below the 10% industry prepandemic norm.

The affordability problem is one of several factors clouding the outlook for the car industry heading into the new year, despite the steady pace of vehicle sales and a stable economic picture.

Lighter-than-expected demand for electric vehicles has prompted automakers to backtrack on some plans to open EV-related factories and roll out battery-powered models.

Meanwhile, President-elect Donald Trump’s administration has also floated the possibility of steep tariffs on all products imported from Mexico and Canada, threatening a major import pipeline for the industry.



Electric-vehicle shoppers have a good shot at finding leasing deals now, industry executives say.
PHOTO: COLE BURSTON/REUTERS

Mexico has emerged in recent years as a bigger source of lower-priced U.S. models. Mary Barra, General Motors' chief executive, in December said that Trump's proposed tariffs could have a "very substantial impact" on the carmaker.

Some automakers have laid off workers in recent months, including GM and Stellantis, whose CEO abruptly resigned in early December.

Carmakers will need to work harder in 2025 to attract customers because the pent-up demand from several years of vehicle shortages has largely been filled, analysts say. Many car owners also face elevated interest rates, repair bills and insurance premiums.

New-vehicle prices are expected to continue easing in 2025, a benefit to car shoppers but a potential profit hit for automakers. Morgan Stanley analysts predict that car buyers on average will pay 2% to 3% less for new wheels in the coming year.

The discounts should continue to flow because of improved vehicle availability. There were about 2.7 million vehicles on U.S. dealer lots or en route to stores at the end of December, up 17% from a year earlier, according to research firm Wards Intelligence.

Supply is uneven across manufacturers, though, and some carmakers are still operating with thin inventory, meaning consumers loyal to a particular brand

may not get the sweetest deal. Toyota's inventory remains tight, and the Japanese car brand has discounted less than rivals, according to Cox Automotive.

Electric-vehicle shoppers have the best shot at finding a good offer right now, particularly for those willing to lease a vehicle instead of buying it outright.

EV sales leader Tesla recently sweetened its offers, including 0% financing on the Model 3 sedan and Model Y SUV and leases for \$299 a month.

In November, consumers financed the purchase of an electric Kia EV6 with an average monthly payment of \$816, according to Edmunds' data. A lease, meanwhile, went for \$471 a month on average.

"Our message to consumers is: If you want an EV, now is the time to buy," Pohanka said.

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Appeared in the December 30, 2024, print edition as 'Automaker Discounts Give Car Sales a Lift'.

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