APRIL 2025

CLOUD THEORY™

ON THE HORIZON

Automotive Industry Inventory Report

New Vehicle Movement Leaps Upward as Consumers Anticipate Tariff-Related Price Increases

Retail Costs Already Heading Higher and will Accelerate if Tariffs Stay in Effect

Sales “Hangover” is Likely as Trade Wars Heat Up

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Summary

March represented yet another set of twists and turns in what has been a multi-year progression of unprecedented supply, demand, and pricing dynamics in the new vehicle marketplace.

This latest development comes in the form of tariff-related effects, with the Trump Administration implementing levies on materials and parts and moving toward adding surcharges on major vehicle systems and on vehicles coming from outside the United States.

As these actions are moving from threat to implementation, prices have already risen more than $1,000 at retail and have reversed a declining trend that had been playing out for the past eight months. These recent increases come in the form of less aggressive incentives by OEMs and shallower discounts at dealerships. Both changes reflect how cost uncertainties are driving initial and preemptive price hikes throughout the industry. And as deeper and broader tariffs are now being contemplated and enacted, the potential for consumer cost increases goes from in the hundreds of dollars to the thousands.

Consumers, in anticipation of these higher prices, rushed to buy new vehicles in the current period, with Vehicles Moved hitting a level (1.3MM) not seen since May 2021. While this provided a boost in the short run, the ”pull ahead” effect of these accelerated sales (estimated to be 153,000 in March) runs the risk of leading to a hangover effect that depresses results going forward. That risk is exacerbated if prices run up quickly, if the tariffs remain in place for a long period of time, and—particularly—if they spark a retaliatory and escalating trade war that pushes costs and prices even higher than the initial salvos would suggest.

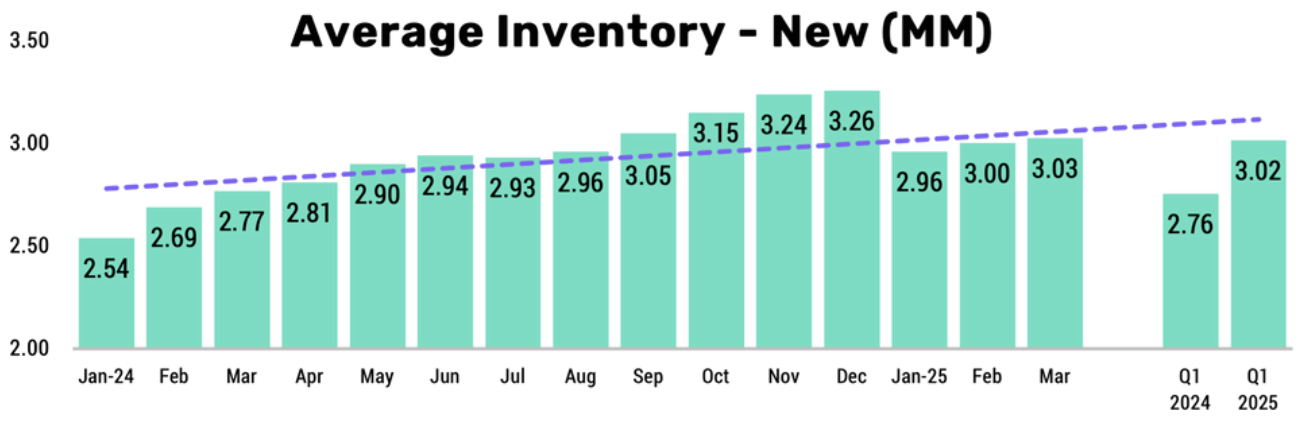
While the timing, scope, and duration of these tariffs cannot be predicted, the actions and reactions that they spark are already evident. What can also be said is that OEMs and their partners who closely monitor the real-time impact of these events on supply, demand, and pricing—and who implement appropriate actions to mitigate threats and take advantage of opportunities—will have an advantage in today’s (and tomorrow’s) volatile automotive marketplace.

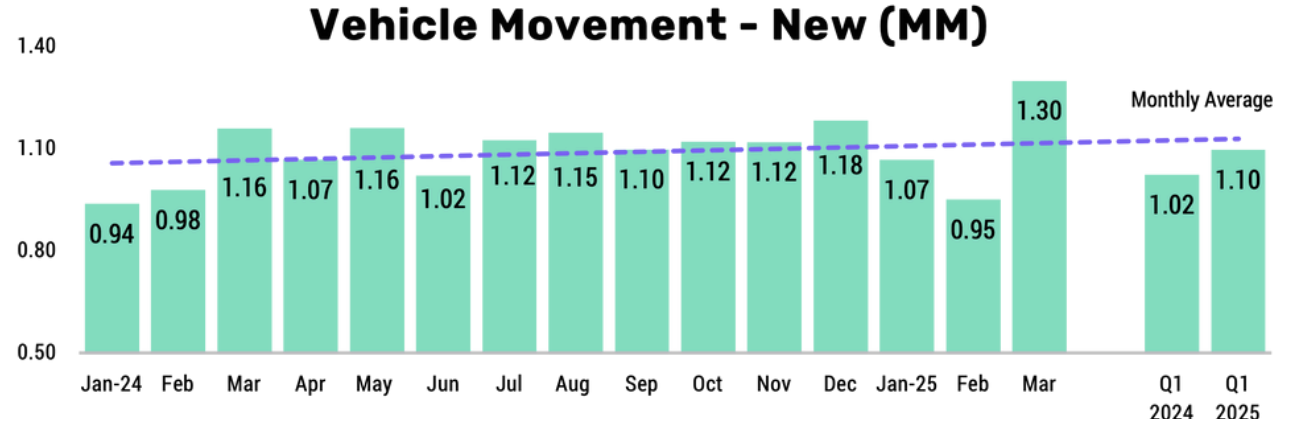
Inventory and Movement

Unlike last year, when inventories ramped up in February and March, the first quarter of 2025 has been on a slower growth trajectory. While still above 3 million in the latest period, supply is well below levels seen at the end of 2024.

One key reason for this slower growing supply is the extremely strong Vehicle Movement results in March. The 1.30 million figure is up 38% MoM and is at the highest level seen since May 2021. There are several factors that have historically boosted March sales: 31 selling days in March vs. 28 in February and seasonal purchases aided by tax refund checks, for example. But this year, there is an additional and notable reason related to "pull ahead" sales among consumers concerned that prices will go up dramatically with the new tariffs in effect.

These "pull ahead" purchases are estimated to have added 153,000 sales to the March totals. It is noted that YoY Vehicle Movement growth (March 2025 vs. March 2024) is almost exactly equal to this number, meaning that tariff concerns are accounting for the entirety of the increase in the current period.

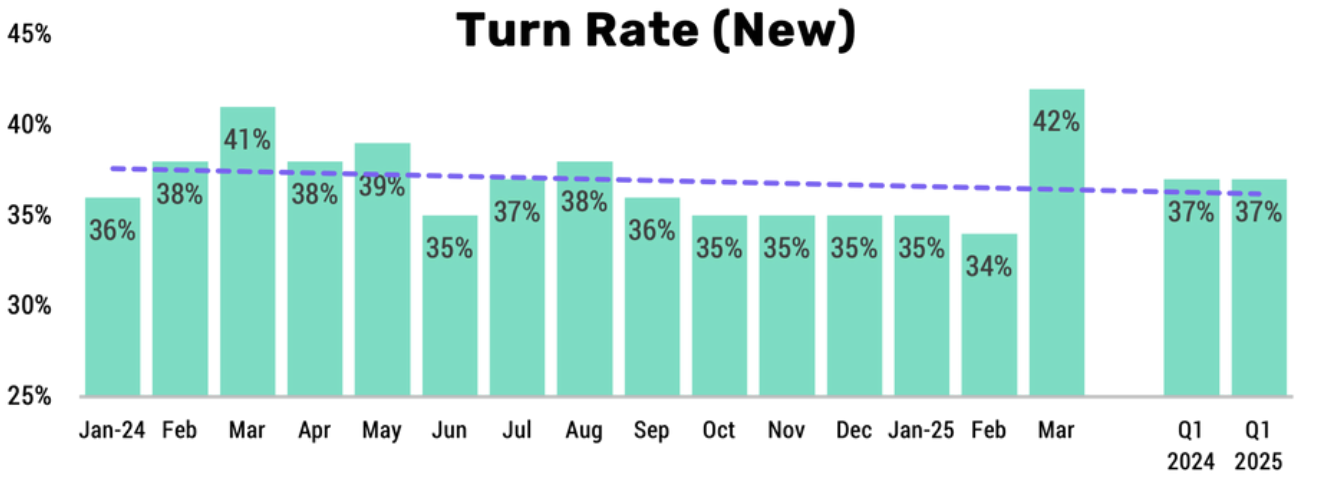


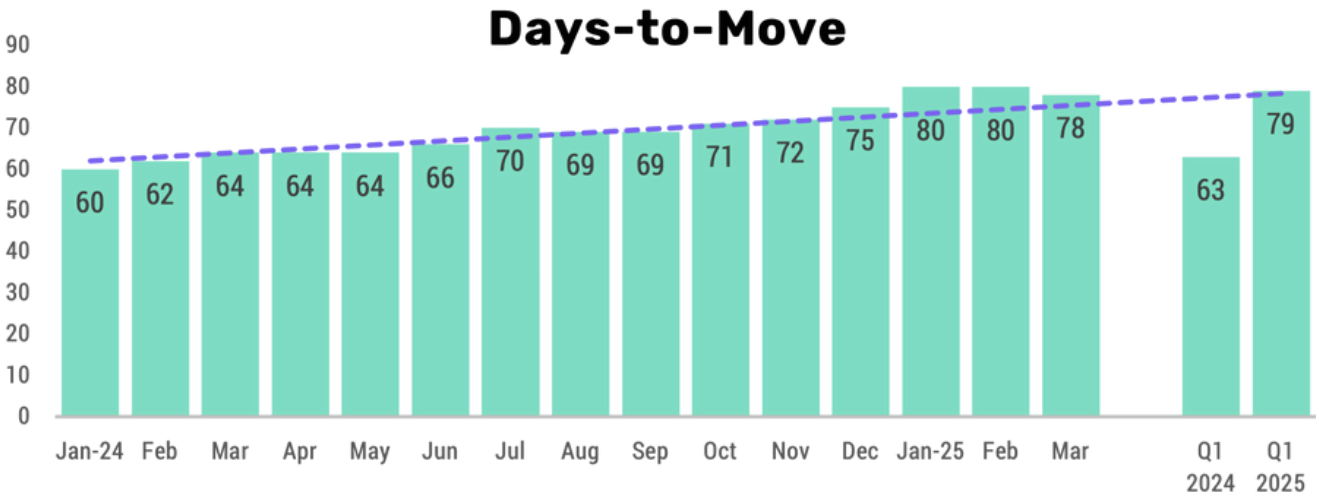


Vehicle Sales Velocity

The sharp increase in Vehicle Movement, coupled with the relatively flat supply picture, resulted in an eight-point jump in Turn Rate in the current period. This metric has been mired in the mid-30s for most of the past year, so this represents a departure from recent trends.

Days-to-Move did see a small dip in March, but the overall trajectory is still heading higher longer term, as is evidenced by the 16-day increase when comparing Q1 2025 to Q1 2024.

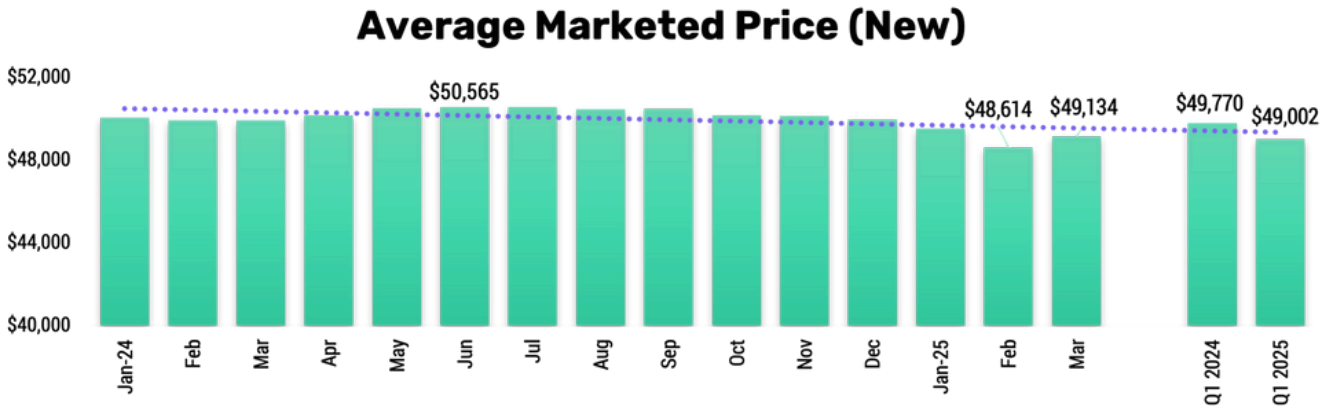


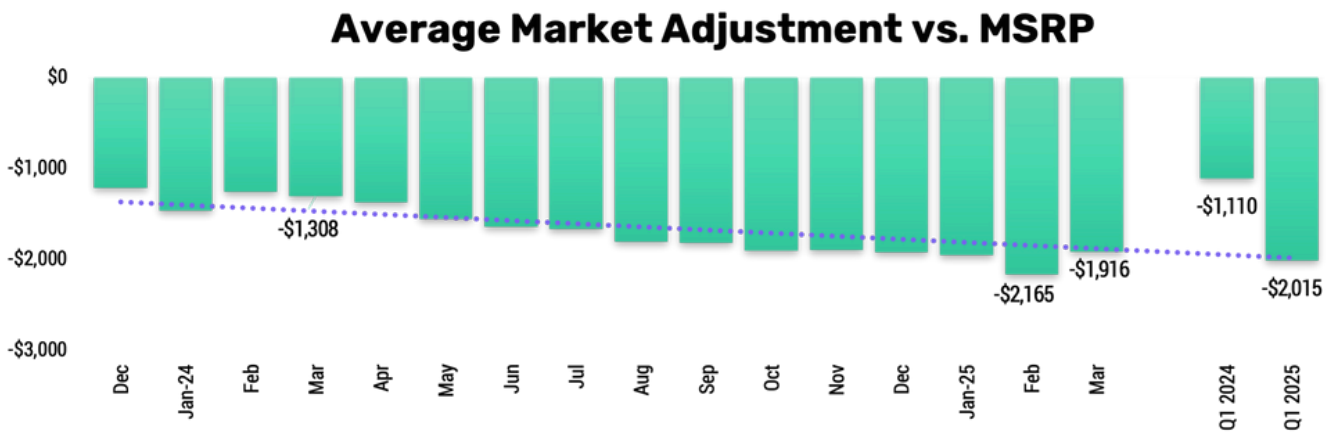


Pricing

Average Marketed Pricing, which had been edging downward over the past eight months—having fallen almost $2,000 from June 2024 to February 2025—reversed course in March, with an increase of more than $500 MoM. Even more notably, prices rose almost every day during the month, and the end-of-March figure was $944 higher than the end of the previous month. Already-implemented tariffs on steel and aluminum, as well as concerns and uncertainties about parts and systems costs, are influencing retail prices even before the larger scale and more widespread surcharges were implemented.

The way these price increases are being pursued are largely in the form of reduced discounts and incentives. For the first time in more than a year, our Market Adjustment metric pointed to a pullback in aggressiveness, with a decline of $249 for the overall month and $432 when comparing the end of March to the end of February.





"The industry is contending with the potential of much higher costs, which will trigger much higher prices for consumers going forward. While this led to very strong results in the short term as consumers got ahead of the price increase curve, the longer-term effects will likely be highly detrimental to industry prospects. And if the tariffs become entrenched and trigger an all-out trade war, marketplace dynamics could quickly go from worrisome to catastrophic."

—

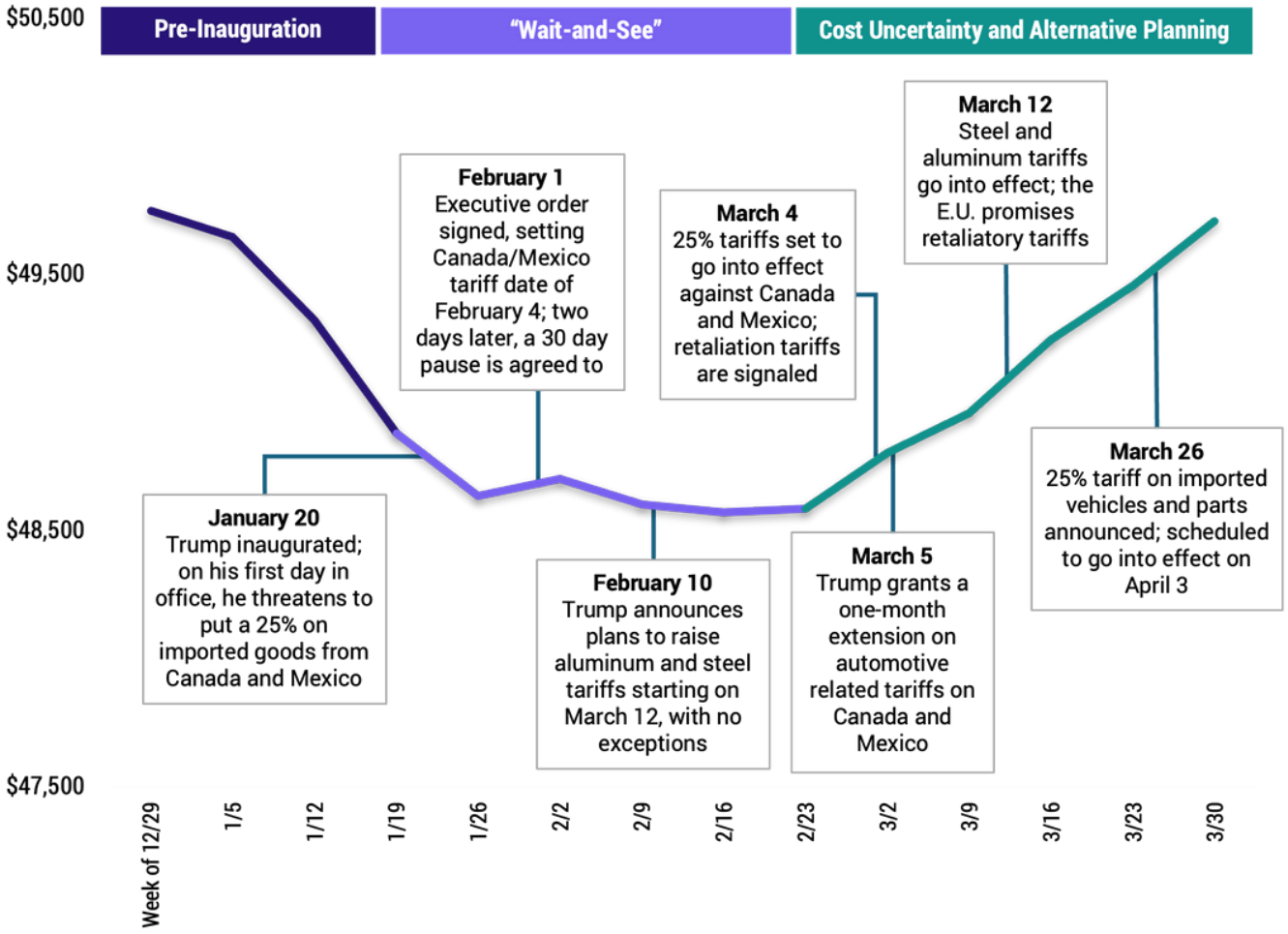
RICK WAINSCHEL • **VP OF DATA SCIENCE & ANALYTICS, CLOUD THEORY**

A Deeper Dive on Tariffs

While the tariff situation has roiled the automotive marketplace, the reality is that we are still at an early stage of their potential effects. In the ten weeks since the Trump Administration came back into power, there have been a number of announcements, withdrawals, pauses, and scope changes in terms of the timing and structure of those levies. In the early stages, Average Marketed Prices stayed relatively steady as OEMs and dealers were in a "wait and see" mode as reality did not meet rhetoric.

But starting in late February, retail prices started to ratchet up as that rhetoric heated up and as initial tariffs on steel and aluminum began to go into effect. OEMs, contending with uncertain supply chain costs, began pulling back on incentive plans. And dealers, anticipating price hikes from the OEMs, became less aggressive with their discounting strategies.

Average Marketed Price (New Vehicles)



A Deeper Dive on Tariffs

As a result of these pressures across the automotive ecosystem, the Average Marketed Price at retail increased by $1,123 from February 23 to March 31, reversing eight months of downward pricing pressure. And this is before the more widespread and costly tariffs on the major parts and cars themselves go into effect.

In an example of how the global supply chain is already affecting prices, it is not coincidental that XL SUVs, Full Size Pickups, and Heavy-Duty Trucks have been leading the charge in terms of those price increases. With V8 engines coming primarily from Canada, models and trims in those segments are an early harbinger of dynamics to come as costs (even threatened ones) get passed from the OEM to the dealer to the consumer.

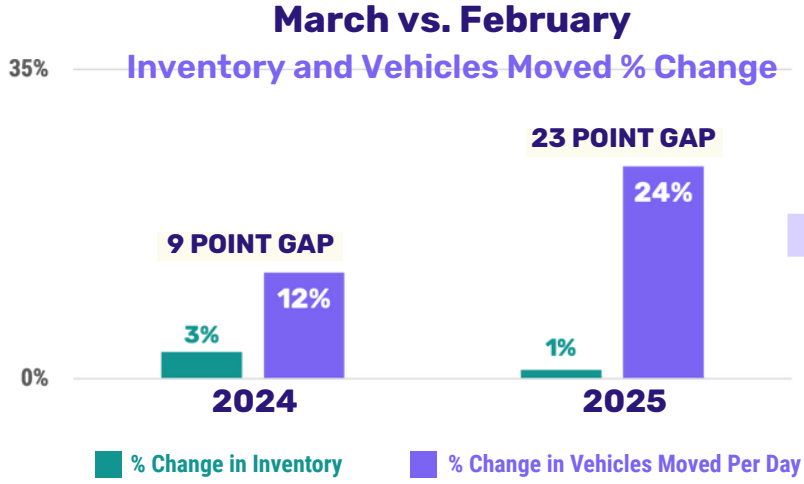
Between February 23 and March 31, the Average Marketed Retail Price of a New Vehicle increased by

+$1,123

Three segments drove that overall increase:		
XL SUV	Full Size Pickup	Heavy Duty Truck
+$2,182	+$1,223	+$1,194

And consumers are well aware of the risks that these tariffs pose in terms of future cost hikes, with price increases potentially moving from in the hundreds of dollars to in the thousands. To quantify the effect that this had in March, what has historically been around a ~10 point gap in Average Inventory vs. Vehicle Movement change MoM (see 2024 below as an example) moved to a 23-point gap in 2025. The additional "pull ahead" sales related to this wider differential equated to 153,000 units in the current period.

With those sales now in the books, results in April and beyond will be that much more challenging, especially if tariffs are deep and of long duration. If so, we may move from worrisome to catastrophic if a significant number of consumers are priced out of the market or put off purchases until prices come down (or at least become more predictable).



153,000

"Pull Ahead" sales in March 2025 due to consumer tariff concerns

Inventory Efficiency Index Score

TOP 10 MAKES • IN-STOCK VEHICLES

While all OEMs will ultimately be affected by these price increases, those makes that are selling their vehicles efficiently will be better able to navigate the choppy waters that are on the horizon.

As has been seen over time, Toyota Motor Corporation is in an advantageous position, with both of their brands having Inventory Efficiency Index scores of more than 200. In the case of Lexus, this is very much related to a greatly reduced inventory picture, with their YoY supply down by half. Maintaining that efficiency as their supply picture improves will need to be in focus for that manufacturer.

Makes such as Acura and Volkswagen are on the upswing on this metric, pointing to momentum in selling their vehicles efficiently, while others such as Subaru and BMW need to take steps to maintain their current strength.

RANK	MAKE	Q1 2025 Inventory Efficiency Index Score	Point Change vs. Q4 2024	Rank Change vs. Q4 2024	Point Change vs. Q1 2024	Rank Change vs. Q1 2024
1	LEXUS	280	-44	--	+132	+3
2	TOYOTA	223	-39	--	-11	-1
3	HONDA	148	+1	+1	-29	-1
4	SUBARU	130	-30	-1	-15	+1
5	BMW	128	-15	--	+6	+3
6	ACURA	112	+14	+7	+25	+10
7	KIA	112	+8	+2	-17	--
8	CHEVROLET	110	+3	-2	-5	+1
9	GMC	105	-1	-1	-6	+1
10	VW	96	+4	+5	+14	+7

Notes:

Lexus inventory fell by -49% from Q1 2024 to Q1 2025

Makes that fell out of the top 10 from Q4 2024 to Q1 2025: Land Rover, Mazda

Makes that fell out of the top 10 from Q1 2024 to Q1 2025: Cadillac, Land Rover

> "Inefficiencies in selling vehicles are always a problem, leading to a greater need to advertise and incentivize to make a sale.
>
> But with marketplace dynamics potentially adding to an already challenging selling environment in the form of significantly higher retail prices, it becomes even more important for OEMs to understand if they are getting their fair market share given their relative inventory positions across their portfolios and their regions."
>
> **JEFF ENGLISHMEN • VP, Strategic Partnerships, Cloud Theory**

Inventory Efficiency Index

ABOUT CLOUD THEORY'S INVENTORY EFFICIENCY INDEX

Cloud Theory's patent-pending Inventory Efficiency Index provides a previously unavailable real-time view of market-relevant supply and demand for all makes and models and across all geographies. Key decision makers can use the IEI to confidently allocate valuable marketing and incentive dollars to locations requiring a boost in demand or reallocate vehicles to areas that are moving inventory more efficiently.

Cloud Theory's Inventory Efficiency Index determines scores for vehicle makes or models based on relative inventory and movement data compared to competitors.

- A score of 100 means that an OEM's demand is in balance with its relative supply in the marketplace.
- A score above 100 indicates that a make or model is selling its inventory more efficiently than average.
- A score below 100 means that there are opportunities to bring demand into better alignment with supply (or vice versa).

About Cloud Theory

Cloud Theory is more than a concept. It is the eye of the storm, where cutting-edge data, software, and artificial intelligence meet deep industry knowledge and experience. Built for automotive manufacturers, agencies, and affiliates, Cloud Theory enables our customers to understand – in real time – the complex competitive world in which they do business and to make bold decisions that drive them forward. The combination of billions of data points, interactive tools, and expert consulting gives our clients the ability to weather any storm and find their way to clear blue skies.

Learn more at cloudtheory.ai.

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To learn more about our entire portfolio of automotive brands, visit:
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