Headline: Annual new car costs rise above $12K

Deckhead: Record prices, 90% increase in finance rates drive numbers

The yearly cost to drive a motor vehicle continues to rise.

AAA’s Your Driving Costs – a data source for expenses associated with owning and operating a new vehicle – finds that the average cost of owning and operating a new vehicle in 2023 increased significantly. The annual expense of $12,182 – or $1,015 monthly – is a sharp increase from 2022, when the average cost topped at $10,728 – $894 monthly.

“It’s important for car buyers to clearly understand the costs associated with owning a new vehicle,” said Greg Brannon, AAA’s director of automotive research. “Due to global supply-chain issues and constrained inventory of new vehicles, car prices rose dramatically in 2022. And while the situation continues to improve, the spillover effects are keeping prices high.”

The overall average manufacturer’s suggested retail price (MSRP) of new vehicles in 2023 increased to $34,976 – an annual increase of $1,575 from the previous year. It’s important to note that MSRP does not always correspond to a consumer’s actual purchase price and might vary depending on demand. A higher sticker price directly impacted finance costs, with vehicles boasting an average annual finance of $1,253 – a 90% increase from the previous year.

The change in the annual cost of owning a new vehicle also is likely driven by:

* Depreciation, which is the difference between the car’s value upon purchase and the value of the car when sold. According to 2023’s YDC projections, new vehicles are expected to depreciate by an average of $4,538 per year over five years of ownership – up 22% from 2022.
* The jump in new vehicle prices compared to used-vehicle values that have experienced a decline in the past year.
* Automakers have focused on producing more oversized, luxurious and expensive vehicles loaded with extra features that increase prices even more.

Compared to 2022, fuel ranked among one of the higher annual cost categories. The average cost per miles in 2023 decreased roughly 2 cents per mile. Meanwhile, the cost of charging EVs increased by nearly 2 cents per kWh from 2022. It went from 13.9 cents per kWh to 15.8 cents. The increase is likely accounted for by higher-than-expected inflation, according to the U.S. Energy Information Administration.

Given their size, fuel economy and prices, it should come as no surprise that half-ton pickups have the highest average driving costs among all vehicle categories covered in the YDC study. Pickup trucks excel at hauling and towing, although many buyers don’t use them for these purposes. Potential buyers should be aware that the unique capabilities of pickups come at a high cost of more than $1 per mile.

The pickup market has slowed over the past 12 months, with gas prices trending higher and financial costs climbing.

“The once popular pickup truck is now seeing a slight decline in demand as these vehicles have become increasingly expensive, rivaling the price of many luxury cars,” said Brannon. “As interest rates continue to climb, this adds a layer of expense per month that consumers should consider when shopping for their next vehicle.”

Cutline: MONEYPIT – The cost to own a new car in 2023 rose to above $12,000. Image: pavel\_shishkin. Adobe Stock.

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