

Press Release

**J.D. Power and LMC Automotive Report:
Severe Weather Disrupts Auto Sales in Early February; However, Recovery Is Expected**

Average New-Vehicle Retail Transaction Prices and Industry Revenue Are on Target to Set February Records

WESTLAKE VILLAGE, Calif.: 21 February 2014 — Retail light-vehicle sales in February are showing signs of improvement from January and the first week of this month, according to a monthly sales forecast developed jointly by J.D. Power and LMC Automotive.

Retail Light-Vehicle Sales

Though severe weather in much of the United States during the first half of February disrupted new-vehicle sales, J.D. Power expects the sales pace to increase toward the end of the month, as vehicle buyers who delayed their purchase due to severe weather return to market. Other contributors to an anticipated upswing in sales are the President’s Day holiday weekend and the promotional events that accompanied it.

**U.S. Retail SAAR—February 2013 to February 2014
(in millions of units)**



Source: Power Information Network® (PIN) from J.D. Power

February’s new-vehicle retail sales, the most accurate measure of true underlying consumer demand for new vehicles, are forecasted to reach 972,400—a 5 percent increase from February 2013—with the seasonally adjusted annualized rate (SAAR) for retail sales projected to reach 12.7 million.

“Although severe weather impacted sales in early February, the negative effect should be somewhat mitigated since the majority of vehicle sales occur in the second half of the month,” said John Humphrey, senior vice president of the global automotive practice at J.D. Power.

Humphrey also noted that the underlying health of the industry remains strong as seen through a continuation of record average transaction prices.

“The industry is on track to reach its highest-ever average transaction price for the month of February, with prices exceeding \$29,000,” Humphrey said. “This beats the previous record from February 2013 by more than \$400.”

J.D. Power also expects consumer spending on new vehicles—the sum of retail sales multiplied by transaction price—to exceed \$28.3 billion in February, also the highest for the month and an increase of nearly \$1.7 billion from February 2013.

Total Light-Vehicle Sales

Total light-vehicle sales in February 2014 are projected to reach 1.2 million units, a 3 percent increase from February 2013. Fleet sales are less than 21 percent of total new-vehicle sales, below the February average of more than 22 percent from the previous two years. Fleet sales for the full year are forecasted to account for 17.8 percent of total sales, slightly higher than 2013.

J.D. Power and LMC Automotive U.S. Sales and SAAR Comparisons

| | February 2014¹ | January 2014 | February 2013 |
|---------------------------------|---|---------------------|----------------------|
| New-Vehicle Retail Sales | 972,400 units (5% higher than February 2013) | 825,610 units | 928,130 units |
| Total Vehicle Sales | 1,226,000 units (3% higher than February 2013) | 1,010,713 units | 1,191,934 units |
| Retail SAAR | 12.7 million units | 12.8 million units | 12.2 million units |
| Total SAAR | 15.7 million units | 15.2 million units | 15.3 million units |

¹Figures cited for February 2014 are forecasted based on the first 13 selling days of the month.

Sales Outlook

Despite the initial slow start to the year, LMC Automotive’s forecast for total light-vehicle sales in 2014 remains at 16.2 million units, with retail light-vehicle sales of 13.3 million units.

“With the likelihood of fleet sales holding below 18 percent and modest retail sales increases, the absolute rate of growth could be lower than initially expected,” said Jeff Schuster, senior vice president of forecasting at LMC Automotive. “The auto industry needs to be prepared for slower but stable growth and increased competitive intensity, which will put pressure on the successful execution of launches this year.”

North American Production

Vehicle production in North America in January—hampered by inclement weather in the southeastern United States—came in at 1.3 million units, flat from January 2013 but a 250,000 unit increase from December.

A slower-than-expected sales pace in January, combined with excess production in the fourth quarter of 2013, built a substantial increase in inventory from a days-supply perspective. Inventory started February

at an 88-day supply, an increase of 24 days from the start of January. The Detroit Three combined supply level increased to 109 days, with an additional 92,000 units parked on dealer lots and storage locations. All other manufacturers, with the exception of Subaru, also had an increase in inventory for the month.

“While inventory levels are excessive at this point, demand during the spring selling season will help resolve the situation,” said Bill Rinna, senior manager of forecasting at LMC Automotive. “However, if inventory is not cleared out by June, production levels in the second half of the year are at risk.”

Given the current environment and risk, LMC Automotive has reduced its 2014 North American production forecast by nearly 100,000 units to 16.5 million units, a 2.5 percent increase from 2013. This is still the highest total in the region since 2000.

About J.D. Power

J.D. Power is a global marketing information services company providing performance improvement, social media and customer satisfaction insights and solutions. The company’s quality and satisfaction measurements are based on responses from millions of consumers annually. Headquartered in Westlake Village, Calif., J.D. Power has offices in North/South America, Europe and Asia Pacific. For more information on car reviews and ratings, car insurance, health insurance, cell phone ratings, and more, please visit JDPower.com. J.D. Power is a business unit of McGraw Hill Financial.

About McGraw Hill Financial

McGraw Hill Financial (NYSE: MHFI) is a leading financial intelligence company providing the global capital and commodity markets with independent benchmarks, credit ratings, portfolio and enterprise risk solutions, and analytics. The Company’s iconic brands include: Standard & Poor’s Ratings Services, S&P Capital IQ, S&P Dow Jones Indices, Platts, CRISIL, J.D. Power, and McGraw Hill Construction. The Company has approximately 17,000 employees in 27 countries. Additional information is available at www.mhfi.com.

About LMC Automotive

LMC Automotive, formerly J.D. Power Automotive Forecasting, is the premier supplier of automotive forecasts and intelligence to an extensive client base of automotive manufacturer, component supplier, logistics and distribution companies, as well as financial and government institutions around the world. LMC’s global forecasting services encompass automotive sales, production and powertrain expertise, as well as advisory capability. LMC Automotive has offices in the United States, the UK, Germany, China and Thailand and is part of the Oxford, UK-based LMC group, the global leader in economic and business consultancy for the agribusiness sector. For more information please visit www.lmc-auto.com.

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