

New Vehicle Retail Sales Match 2016 levels, but Incentives Rise Considerably

Total Incentive Spending Through April Up 13% From Last Year

DETROIT: 25 April 2017 — New vehicle retail sales are expected to remain on pace with last year, but incentive spending is at record levels through April, according to a forecast developed jointly by J.D. Power and LMC Automotive.

Retail sales in the month of April are anticipated to reach 1,169,700 units, a 1.3% increase compared with April 2016 on a selling day adjusted basis. Year-to-date, retail sales in 2017 are up 0.3% compared to the same period a year ago.

Deirdre Borrego, senior vice president of automotive data and analytics at J.D. Power, said: “While industry retail sales pace remains high, it is being powered by elevated levels of incentive spending which pose a serious threat to the long-term health of the industry. The total value of incentives used to sell new vehicles has increased by \$1.9 billion through the first four months of the year.”

Total incentive spending in the marketplace stands at \$16.4 billion through April, up 13% from last year. On a per unit basis, spending for the average new vehicle through April was \$3,814, up \$460 from a year ago. On trucks and SUVs, spending was \$3,740, up \$578, while on cars, spending was \$3,938, up \$308.

Despite record incentive levels, average days to turn continues to rise. Nearly 30% of vehicles sold in 2017 sat on dealer lots for over 90 days, up from 27% last year. “With flat retail demand and inventory at record levels, manufacturers will continue to face a difficult choice between maintaining elevated incentives or making production cuts,” Borrego said.

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

	April 2017 ¹	March 2017	April 2016
New-Vehicle Retail Sales	1,169,700 units (1.3% higher than April 2016) ²	1,226,608 units	1,199,077 units
Total Vehicle Sales	1,476,100 units (1.8% higher than April 2016) ²	1,553,936 units	1,505,521 units
Retail SAAR	14.2 million units	13.0 million units	14.3 million units
Total SAAR	17.5 million units	16.6 million units	17.5 million units

¹Figures cited for April 2017 are forecasted based on the first 13 selling days of the month.

²The percentage change is adjusted based on the number of selling days in the month (26 days in April 2017 vs. 27 days in April 2016).

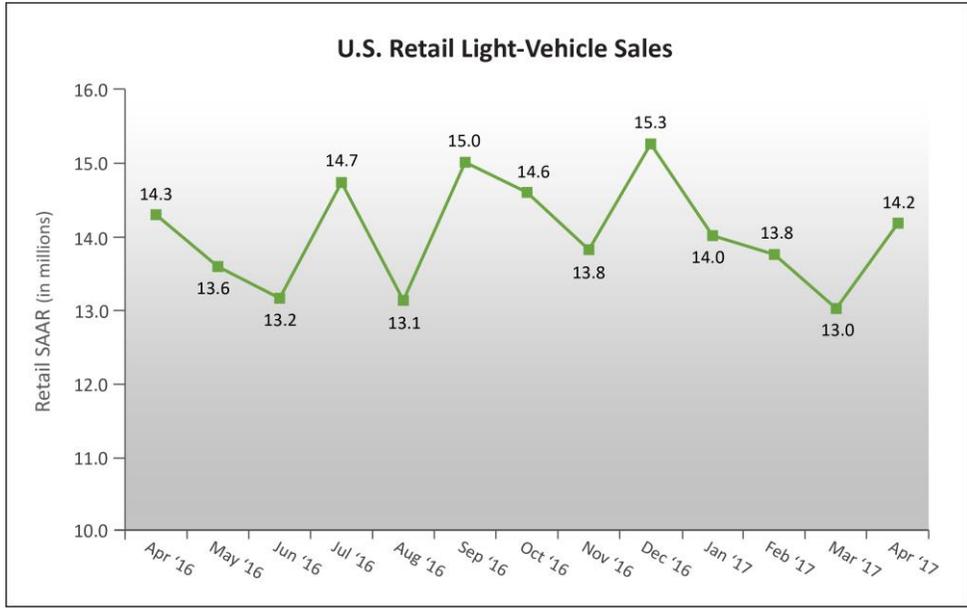
- The average new-vehicle retail transaction price to date in April is \$31,380, a record for the month, surpassing the previous high for the month of \$31,228 set in April 2016.
- Average incentive spending per unit through April 16 is \$3,499, a record for the month, and surpassing the previous high for the month of \$3,393 set in April 2009.

- Trucks account for 61.8% of new-vehicle retail sales so far in April—the highest level ever for the month of April—making it the 10th consecutive month above 60%.
- Days to turn, the average number of days a new vehicle sit on a dealer lot before being sold to a retail customer, reached 70 in the first 13 days of April. This is the highest level for any month since July 2009 (80).
- Fleet sales are expected to total 306,400 units in April, up 3.8% from April 2016 on a selling day adjusted basis. Fleet volume is expected to account for 20.8% of total light-vehicle sales, a slight increase from 20.4% in April 2016.

Jeff Schuster, senior vice president of forecasting at LMC Automotive, said: “Retail auto sales are performing as expected but non-retail sales have been slightly lower, which is the primary reason for total sales being down 1.4% year-to-date. But this is no time to hit the panic button. There’s a lot of runway left in the year and many variables. Economic and policy factors remain important in setting direction for the auto sector in the near-term, however, given the year-to-date performance, risk assessment is looking at internal factors like used car pricing, lease penetration and the interplay between vehicle inventory and incentives.”

As the outlook for 2017 is realigned based on current factors, LMC is taking the edge off the forecast for total light-vehicle sales in 2017, with a reduction of 40,000 units to 17.5 million units, now a decline of 0.1% from 2016. The forecast for retail light-vehicle sales remains at 14.2 million units, an increase of 0.2% from 2016.

U.S. Retail SAAR—April 2016 to April 2017



(in millions of units)
 Source: Power Information Network® (PIN) from J.D. Power

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