J.D. POWER

LMC AUTOMOTIVE

Press Release

New Vehicle Retail Sales Pace to Decline for Fourth Consecutive Month

Retail Sales Pace to Fall by 600,000 Units in July—Largest Decline in 2017

DETROIT: 27 July 2017 — The new vehicle retail sales pace in July is expected to decline for the fourth consecutive month, according to a forecast developed jointly by J.D. Power and LMC Automotive.

The seasonally adjusted annualized rate (SAAR) for retail sales in July is expected to be 14.1 million units, a decrease of 600,000 units from a year ago. Actual retail sales in July are anticipated to reach 1,236,000 units, a 1.7% decrease (selling day adjusted) compared with July 2016.

"While the retail selling rate will post declines again in July, the larger concern remains the continued deterioration of key industry health indicators," said **Thomas King, vice president of PIN OEM operations, media & marketing at J.D. Power**. "Manufacturers typically reduce incentive spending following the July 4 holiday, but this year elevated inventory levels, coupled with the sales slowdown, have compelled them to maintain aggressive discounts throughout July."

Last year, industry incentive spending fell by 14% after the July 4 holiday. In contrast, this year spending has remained at holiday levels throughout the month. Average incentive spending per unit to date in July is $3,876 per unit, a record for the month, surpassing the previous high for the month of $3,597, set in July 2016.

The elevated inventory levels are reflected in slower turn rates for vehicles sitting on dealer lots. Despite record discounts, the average new vehicle sold in July spent 72 days in inventory, the highest level since 2009. Furthermore, the utilization of extended loan terms continues to grow. Loans of 84 months and longer are accounting for more than 6% of retail sales for the first time ever.

"The second half of the year will continue to present challenges to manufacturers as they navigate a hyper competitive and dynamic marketplace, while working to find the optimal mix of production cuts and discounting necessary to align supply, demand and inventory levels," King said.

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

	July 2017[1]	**June 2017**	**July 2016**
New-Vehicle Retail Sales	1,236,000 units (-1.7% lower than July 2016)[2]	1,170,842 units	1,307,996 units
Total Vehicle Sales	1,438,700 units (-1.2% lower than July 2016)[2]	1,472,064 units	1,521,263 units
Retail SAAR	14.1 million units	13.1 million units	14.7 million units
Total SAAR	17.2 million units	16.5 million units	17.9 million units

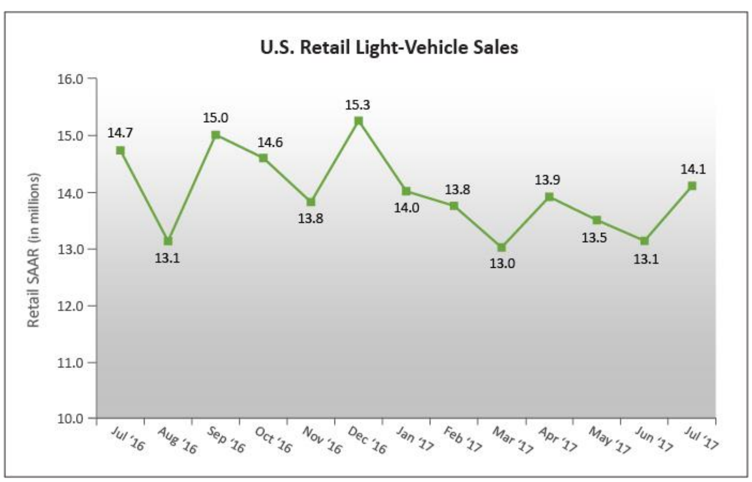
[1]Figures cited for July 2017 are forecasted based on the first 18 selling days of the month.
[2]The percentage change is adjusted based on the number of selling days in the month (25 days in July 2017 vs. 26 days in July 2016).

- The average new-vehicle retail transaction price to date is $30,772, a record for July. It surpasses the previous high of $30,730 set in July 2016.
- Despite record transaction prices for July, consumers are on pace to spend $38 billion on new vehicles this month, about $2 billion less than last year's level.
- Average incentive spending per unit to date in July is $3,876 per unit, a record for July, and surpassing the previous high for the month of $3,597, set in July 2016. Spending on trucks and SUVs is $3,700, up $194 from last year. Spending on cars is $4,174, up $436.
- Incentives as a percentage of MSRP are at 10.8% so far in July, exceeding the 10% level for 12th time in the past 13 months.
- Trucks account for 63.2% of new-vehicle retail sales through July 23—the highest level ever for the month of July—making it the 13th consecutive month above 60%.
- Days to turn (the average number of days a new vehicle sits on a dealer lot before being sold to a retail customer) remained at 72 through July 23. This is the highest level since July 2009 (80 days).
- Fleet sales are expected to total 202,700 units in July, down 1.2% from July 2016 on a selling day adjusted basis. Fleet volume is expected to account for 14.1% of total light-vehicle sales, up slightly from 14% in July 2016.

Jeff Schuster, senior vice president of forecasting at LMC Automotive, said, "U.S. light vehicle demand appears to have leveled off right around 17 million units and we expect it to hover in this range for the balance of 2017. Under this backdrop, the auto industry is acting much more proactively than in the past to managing cooling sales. It is important, however, to not overreact once supply and demand is realigned, as most fundamentals—including the economy—remain supportive."

LMC's forecast for 2017 total light-vehicle sales is at 17.0 million units after a rounding adjustment down from 17.1 million units. The retail light-vehicle outlook stands at 13.8 million units, a 2.2% projected decline from 2016. Fleet volume is now expected to be down nearly 10% from 2016.

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



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

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Media Relations Contacts
Geno Effler; Costa Mesa, Calif.; 714-621-6224; media.relations@jdpa.com
Emmie Littlejohn; LMC Automotive; Troy, Mich.; 248-817-2100**;** elittlejohn@lmc-auto.com

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