J.D. POWER

LMC AUTOMOTIVE

Press Release

September New Vehicle Retail Sales Pace to Rise to Highest Level of 2017 Amidst Disruption From Hurricanes

<u>Incentives Reach All-Time Record High</u>

DETROIT: 29 Sept. 2017 — The new vehicle retail sales pace in September is expected to reach the highest level this year, according to a forecast developed jointly by J.D. Power and LMC Automotive. The seasonally adjusted annualized rate (SAAR) for retail sales is expected to be 15.0 million units, flat from a year ago. Retail sales in September are anticipated to reach 1,213,102 units, a 2.6% decrease (selling day adjusted) compared with September 2016.

"Hurricanes Harvey and Irma have disrupted—and will continue to disrupt—new-vehicle retail sales in September and beyond," said **Thomas King, Senior Vice President of the Data and Analytics Division at J.D. Power**. "While, on a national basis, September month-to-date sales are down 0.8% from last year, in the South Central region, which includes Houston, sales are up 14% as shoppers replace storm-damaged vehicles and complete purchases that were postponed during the storm. In contrast, sales in the Southeast region, which includes Florida, are down 16% as the region and its vehicle retailers begin to return to normal operations."

The sales decline in the Southeast will be reversed in the coming weeks as buyers completed delayed purchases, but the recovery will likely spill over into October.

Incentives have reached all-time highs as manufacturers continue with aggressive discounting to clear out record inventories of prior model year vehicles. Average incentive spending per unit to date in September has set a new record at $4,050, surpassing the previous high of $4,024 in November 2016. New model year vehicles account for just 17% of sales so far in September, compared with 28% last year.

"While the industry will benefit from additional replacement demand from storm damaged vehicles in the coming months, elevated incentives remain a threat to the overall health of the industry," King said.

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

	September 2017[1]	**August 2017**	**September 2016**
New-Vehicle Retail Sales	1,213,102 units (-2.6% lower than September 2016)[2]	1,264,453 units	1,197,020 units
Total Vehicle Sales	1,433,268 units (-4.0% lower than September 2016)[2]	1,482,532 units	1,435,359 units
Retail SAAR	15.0 million units	12.8 million units	15.0 million units
Total SAAR	17.5 million units	16.1 million units	17.7 million units

[1]Figures cited for September 2017 are forecasted based on the first 19 selling days of the month.

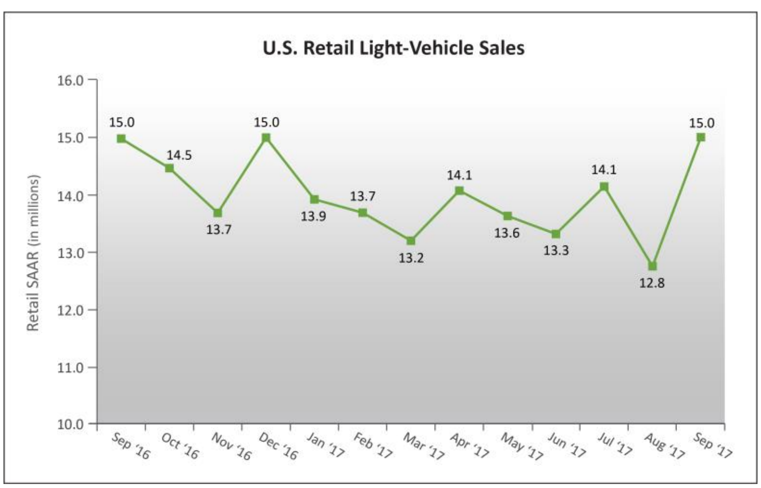
[2]September 2017 has 26 selling days, while September 2016 had 25 selling days in the month.

- The average new-vehicle retail transaction price to date in September is $31,058, a record for the month, surpassing the previous high for the month of $31,024 set in September 2016.
- Consumers are on pace to spend $37.7 billion on new vehicles in September, a record for the month and more than $0.5 billion than last year's level.
- Average incentive spending per unit to date in September is $4,050 per unit, a record for the industry, and surpassing the previous high for the month of $3,939 set in September 2016. Spending on trucks and SUVs is $4,044, up $206 from last year. Spending on cars is $4,062, down $38.
- Incentives as a percentage of MSRP are at 11.1% so far in September, exceeding the 10% level for 14th time in the past 15 months.
- Trucks account for 65% of new-vehicle retail sales through Sept. 24—the highest level ever for the month of September—making it the 15th 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, is 75 through Sept. 24. This is the highest level since July 2009 (80 days).
- Fleet sales are expected to total 220,200 units in September, down 11.2% from September 2016 on a selling day adjusted basis. Fleet volume is expected to account for 15% of total light-vehicle sales, down from 17% in September 2016.

Jeff Schuster, Senior Vice President of Forecasting at LMC Automotive, said, "The effect of hurricanes Harvey and Irma is expected to boost retail light vehicle demand through the remainder of 2017 and into 2018, as recovery continues. With the need to replace 500,000 or more damaged or destroyed vehices, the U.S. auto market slowdown will see some relief as demand over the next 6-9 months will likely be upwardly distorted. In addition, a short-term increase in fleet sales may also be an outcome as current shortages are replenished. However, this does not change the overall expectation of level to weaker demand in the U.S. over the next 2-3 years."

Driven by vehicle replacement need, LMC's outlook for 2017 total light-vehicle has been increased by 70,000 units to 17.1 million. The retail light-vehicle outlook has been increased to 13.9 million units from 13.8 million. As part of the increase in retail sales, we have made a minor adjustment the the retail/fleet pattern for the remainder of 2017. Retail sales are expected to be down 1.4% from 2016, while fleet volume is projected to contract by 8.0% this year.

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



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

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