

October New Vehicle Retail Sales Pace Remains Strong Amidst Recovery from Hurricanes

Incentives Spending to Increase for the 43rd Consecutive Month

DETROIT: 26 Oct. 2017 — The new vehicle retail sales pace in October is expected to reach the second-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 14.2 million units, down 0.3 million from a year ago. Retail sales in October are anticipated to reach 1,070,900 units, a 0.6% decrease (selling day adjusted) compared with October 2016.

“Recovery from Hurricanes Harvey and Irma continue to aid new-vehicle retail sales in October,” said **Thomas King, Senior Vice President of the Data and Analytics Division at J.D. Power.** “Despite one fewer weekend than last year, sales in the Hurricane-affected regions continue to post gains in October. While on a national basis, October month-to-date sales are down 2.8% from last year, in the Southeast region, which includes Florida, sales are up 5% as shoppers complete purchases postponed during the storm and replace damaged vehicles. In contrast, sales in the South Central region, which includes Houston, are up only 3% as the recovery from the storm begins to wind down.”

Incentive spending in October remains aggressive as manufacturers clear out record inventories of prior model year vehicles. Average incentive spending per unit to date in October remains at \$3,901, surpassing the previous high for an October of \$3,835 in October 2016. New model year vehicles also continue to account for just 29% of sales so far in October, compared with 41% last year.

“While incentives have declined from the record high set last month, the need to reduce inventory could push spending to a new all-time high level in the final months of the year,” King said.

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

	October 2017¹	September 2017	October 2016
New-Vehicle Retail Sales	1,070,891 units (-0.6% lower than October 2016) ²	1,255,332 units	1,120,052 units
Total Vehicle Sales	1,320,374 units (+0.1% higher than October 2016) ²	1,522,913 units	1,371,347 units
Retail SAAR	14.2 million units	15.5 million units	14.5 million units
Total SAAR	17.6 million units	18.6 million units	17.8 million units

¹Figures cited for October 2017 are forecasted based on the first 17 selling days of the month.

²October 2017 has 25 selling days, while October 2016 had 26 selling days in the month.

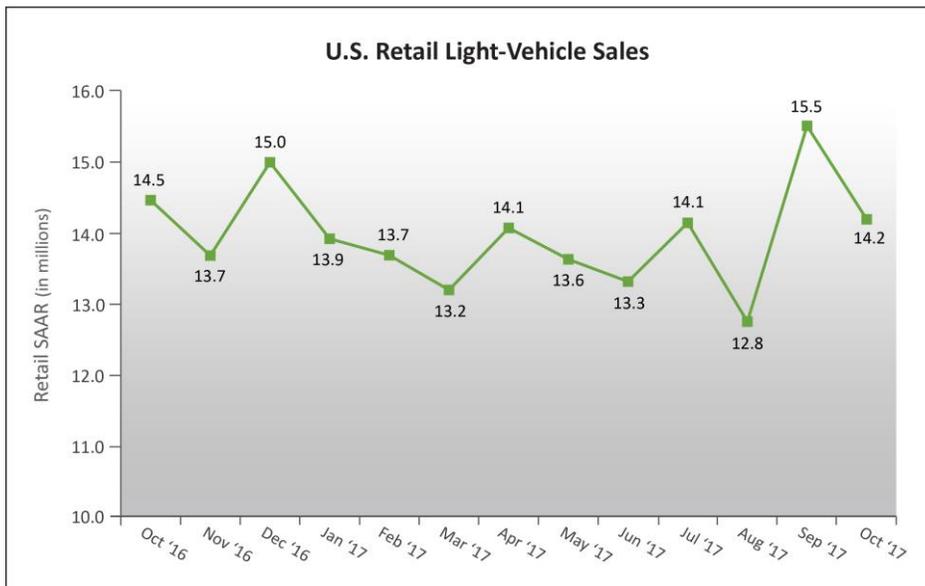
- The average new-vehicle retail transaction price to date in October is \$32,185, a record for the month, surpassing the previous high for the month of \$31,570 set in October 2016.

- Consumers are on pace to spend \$34.5 billion on new vehicles in October, down nearly \$1 billion from last year's level.
- Average incentive spending per unit to date in October is \$3,901 per unit, surpassing the previous high for the month of \$3,835 set in October 2016. Spending on trucks and SUVs is \$3,842, up \$73 from last year. Spending on cars is \$4,015, up \$69.
- Incentives as a percentage of MSRP are at 10.5% so far in October, exceeding the 10% level for 15th time in the past 16 months.
- Trucks account for 66% of new-vehicle retail sales through Oct. 22—the highest level ever for the month of October—making it the 16th 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 Oct. 22. This is the highest level since July 2009 (80 days).
- Fleet sales are expected to total 249,500 units in October, up 3.3% from October 2016 on a selling day adjusted basis. Fleet volume is expected to account for 19% of total light-vehicle sales, up from 18% in October 2016.

Jeff Schuster, senior vice president of forecasting at LMC Automotive, said, “The current pace of U.S. auto sales is driven, in part, by recovery from hurricanes Harvey and Irma, but it now appears to be less of an overall volume boost and for a shorter duration than previously expected. Next year remains a pivotal year for auto sales, driven by conflicting variables. Tailwinds include a likely fiscal stimulus package and perhaps some insurance-delayed hurricane recovery. Headwinds may be stronger though, including used car interplay and some credit tightening. The wild card will be incentives/pricing and consumer response.”

LMC’s outlook for 2017 total light-vehicle sales is holding at 17.1 million units, a decrease of 2.3% from 2016. The outlook for retail light-vehicle remains at 13.9 million, down 1.3% from 2016. Looking forward to 2018, total light-vehicle sales are forecasted at just under 17.0 million unit, with retail light-vehicles at 13.8 million units.

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



(in millions of units)

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

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Media Relations Contacts

Geno Effler; J.D. Power; 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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