

### New Vehicle Retail Sales Pace in December Expected to Slow; Annual Sales to Dip Below 14 Million

#### Incentive Spending on Track to Set Another Record High

**DETROIT: 22 Dec. 2017** — For the eighth time this year, the new vehicle retail sales pace in December is expected to fall from year-ago levels, 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 14.6 million units, down 350,000 from a year ago. Retail sales are projected to reach 1,305,800 units, a -2.6% decrease on a selling day adjusted basis compared to December 2016.

“While 2017 retail sales will be below 14 million units, the year will still rank as the eighth-best retail sales year in history and only a modest 280,000 units below the 14.2 million sold in 2015,” said **Thomas King, Senior Vice President of the Data and Analytics Division at J.D. Power**. “The larger concern remains the elevated incentives being used to drive the current sales pace.” Month-to-date in December, average incentive spending per unit has reached an all-time high of \$4,302, passing the record of \$4,188 set in November and well above the \$4,001 spent in December 2016.

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

	December 2017 <sup>1</sup>	November 2017	December 2016
<b>New-Vehicle Retail Sales</b>	1,305,800 units (-2.6% lower than December 2016) <sup>2</sup>	1,139,863 units	1,392,522 units
<b>Total Vehicle Sales</b>	1,591,900 units (-2.0% lower than December 2016) <sup>2</sup>	1,396,438 units	1,687,154 units
<b>Retail SAAR</b>	14.6 million units	13.6 million units	15.0 million units
<b>Total SAAR</b>	17.8 million units	17.5 million units	18.1 million units

<sup>1</sup>Figures cited for December 2017 are forecasted based on the first 14 selling days of the month.

<sup>2</sup>December 2017 has 26 selling days, while December 2016 had 27 selling days in the month.

- The average new-vehicle retail transaction price to date in December is \$32,933, a record for the month, surpassing the previous high for the month of \$32,082 set in December 2016.
- Consumers are on pace to spend \$43.1 billion on new vehicles in December, down nearly \$1.6 billion from last year’s level.
- Average incentive spending per unit to date in December is \$4,302 per unit, surpassing the previous record of \$4,188 set in November 2017. Spending on trucks and SUVs is \$4,265, up \$418 from last year. Spending on cars is \$4,377, up \$98.
- Incentives as a percentage of MSRP are at 11.2% so far in December, exceeding the 10% level for 17th time in the past 18 months.
- Trucks account for 68% of new-vehicle retail sales through Dec. 17—the highest level ever for the month of December—making it the 18th 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 72 through Dec. 17.
- Fleet sales are expected to total 286,000 units in December, up 0.8% from December 2016. Fleet volume is expected to account for 18% of total light-vehicle sales, flat from last year.

**Jeff Schuster, senior vice president of forecasting at LMC Automotive**, said, “As 2017 comes to a close, the pullback from the 2016 level is settling at 300,000 units, with more than half of that from the much smaller fleet market. Retail demand, propped up with high incentives, has been held to only a slight decline. However, SUV demand has been robust and is expected to finish up 5% in 2017 from 2016 and a market share of 43% of total light-vehicle sales. The SUV reign will continue for the foreseeable future. SUVs are expected to account for 50% of new model activity in 2018, which will help push the share of total sales to 45% and continue the segment’s volume growth, even as the total market is projected to contract further in 2018.”

LMC’s forecast for 2017 total light-vehicle sales is holding at 17.2 million units, a decrease of 1.9% from 2016. Retail light-vehicle are expected to finish the year just below 14.0 million units, down 1.1% from 2016. Looking forward to 2018, total light-vehicle sales forecast remains at just under 17.0 million unit a decline of 1.2%. The forecast for retail light-vehicles is at 13.8 million units for 2018, a decline of 1.4%.

**U.S. Retail SAAR— December 2016 to December 2017**



(in millions of units)

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

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