

New Vehicle Retail Sales Pace to Decline in January; Full Year Expected to Fall 1.5%

Transaction Prices on Pace to Set Record for Month of January

DETROIT: 29 Jan. 2018 — For the second consecutive year, the new vehicle retail sales pace in January 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 13.7 million units, down 150,000 from a year ago. Retail sales are projected to reach 893,900 units, a 2.7% decrease on a selling day adjusted basis compared to January 2017. (Note: January 2018 has an extra selling day compared with January 2017).

“Coming off a strong sales period to close out 2017, a slower start to the year was anticipated,” said **Thomas King, Senior Vice President of the Data and Analytics Division at J.D. Power**. “After the industry’s emphasis on the sell-down of old model-year vehicles in December, January is a transition month as manufacturers shift focus towards 2018 model-year vehicles.”

Through mid-January, 2018 model-year vehicles accounted for 73% of retail sales, an increase of more than 11 percentage points from December. Average transaction prices so far in January have risen to \$32,169, the highest level ever for the month of January. This means that while sales will fall on a selling day adjusted basis, the total value of new vehicles purchased will increase by just over \$1 billion from last year’s level.

“The challenge in 2018 will be maintaining incentive discipline, coming off a year when incentive spending per unit reached the highest level ever recorded,” King said. Average incentive spending through the first two weeks of January is \$3,733, up \$94 from the same period last year and on track to set a record high to start the year.

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

	January 2018 ¹	December 2017	January 2017
New-Vehicle Retail Sales	893,900 units (-2.7% lower than January 2017) ²	1,323,906 units	882,402 units
Total Vehicle Sales	1,153,300 units (-2.9% lower than January 2016) ²	1,601,853 units	1,140,659 units
Retail SAAR	13.7 million units	14.8 million units	13.9 million units
Total SAAR	17.1 million units	17.9 million units	17.4 million units

¹Figures cited for January 2018 are forecasted based on the first 16 selling days of the month.

²January 2018 has 25 selling days, while January 2017 had 24 selling days in the month.

- The average new-vehicle retail transaction price to date in January is \$32,169, a record for the month, surpassing the previous high for the month of \$31,422 set in January 2017.

- Consumers are on pace to spend \$28.8 billion on new vehicles in January, just over \$1 billion from last year's level.
- Incentives as a percentage of MSRP are at 10% so far in January, exceeding the 10% level for 18th time in the past 19 months.
- Trucks account for 67% of new-vehicle retail sales through Jan. 21—the highest level ever for the month of January—making it the 19th 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 71 through Jan. 21.
- Fleet sales are expected to total 259,000 units in January, down 3.6% from January 2017. Fleet volume is expected to account for 23% of total light-vehicle sales, flat from last year.

Jeff Schuster, Senior Vice President of Forecasting at LMC Automotive, said, “On the heels of a strong close in 2017 to 17.2 million units, optimism for a solid 2018 seems to be growing. Most variables are aligned favorably, with the majority of that positive weight being carried by an expected boost in the economy. The tax cut is expected to help drive the economy toward the 3% growth level, which we haven’t seen since 2005. Pressure from the off-lease vehicles and the used vehicle market will remain, but is not expected to have a material affect on volume. The wildcard for the year is NAFTA. If the U.S. withdraws from NAFTA, economic growth will likely be reduced, the stock market volatility will increase and consumer goods, including vehicles will likely increase, causing a more pronounced pullback in vehicle demand in the second half of 2018 and into 2019.”

LMC’s forecast for 2018 total light-vehicle sales is at 17.0 million units, a decrease of 1.3% from 2017. Retail light-vehicle are expected at 13.8 million units, a decline of 1.5% from 2017. SUVs as a segment, are expected to grow another 3% in 2018 to a 45% market share while cars will remain under pressure with volume expected to drop 6% to a 33% share of market.

U.S. Retail SAAR— January 2017 to January 2018



(in millions of units)

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

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