

Automotive Forecast January 2019

Jan. 29, 2019

The Retail Forecast

New vehicle retail sales in January are expected to fall from a year ago, according to a forecast developed jointly by J.D. Power and LMC Automotive. Retail sales are projected to reach 864,300 units, a 2.4% decrease compared with January 2018. The seasonally adjusted annualized rate (SAAR) for retail sales is expected to be 13.2 million units, down 451,100 from a year ago.

The Takeaway

Thomas King, Senior Vice President of the Data and Analytics Division at J.D. Power:

“This marks the third consecutive year where retail sales are expected to show declines at the start of the year. In addition to the disruption from inclement weather, the uncertainty of the government shutdown also caused some customers to delay their purchases.”

Retail sales to-date are down 3.8% nationally, but in the North Central region, which includes the Midwest states that were hampered by a snow storm, retail sales were down 6.2%.

“Despite the lower retail sales, elevated transaction prices continue to help manufacturers maintain profitability. The average transaction price in January is on pace to reach \$33,285, the highest level ever for the month.”

The record prices reflect higher prices trending for both cars (up 5% to \$27,708) and trucks/SUVs (up 2% to \$35,659). Incentive discipline is also helping, as spending is expected to decline year-over-year for the seventh consecutive month. January to-date spending is \$3,720 per unit, down \$136 from the same time last year.

“While rising interest rates pose a risk to overall pricing and affordability for the industry, the continued growth in transaction prices is a good sign of its sustainability. This is paramount for helping manufacturers achieve success in 2019.”

Consumers are on pace to spend nearly \$29 billion in autos in January, which is up slightly from last year.

Sales & SAAR Comparison

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

	January 2019 ¹	December 2018	January 2018
New-Vehicle Retail Sales	864,300 units (-2.4% lower than January 2018) ²	1,316,304 units	885,604 units
Total Vehicle Sales	1,141,300 units (-1.0% lower than January 2018) ²	1,624,477 units	1,153,650 units
Retail SAAR	13.2 million units	14.3 million units	13.6 million units
Total SAAR	16.8 million units	17.6 million units	17.2 million units

¹Figures cited for January 2019 are forecasted based on the first 15 selling days of the month.

²January 2019 has 25 selling days, the same as January 2018.

The Details

- January is typically the lowest volume sales month of the year, as evidenced by January 2018 accounting for only 6.5% of annual sales. Temporary disruptive factors such as inclement weather can have a much larger impact to the sales pace than in higher volume months.
- The average new-vehicle retail transaction price to date in January is on pace to reach \$33,285. The previous high for the month of January—\$32,313—was set last year.
- Average incentive spending per unit to date in January is \$3,720, down from \$3,856 during the same period last year.
- Consumers are on pace to spend \$28.8 billion on new vehicles in January, up slightly from last year's level.
- Truck/SUVs account for 69.6% of new-vehicle retail sales through Jan. 20, the highest level ever for a January.
- 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 days through Jan. 20, flat from last year.
- Fleet sales are expected to total 277,100 units in January, up 3.4% from January 2018. Fleet volume is expected to account for 24% of total light-vehicle sales, up from 23% last year.

Outlook for the Year

Jeff Schuster, President, Americas Operations and Global Vehicle Forecasts, LMC Automotive:

"The sky isn't falling but, coming off a solid 2018, the auto industry faces headwinds that are likely to pull down demand this year and into 2020. U.S. auto sales will remain healthy in large part because of nearly 70 redesigns and new-model launches in 2019. But there will be more pressure on new-vehicle sales because of rising interest rates and a robust used-vehicle market.

The key thing to watch is production. If manufacturers over-produce, it will drive up inventory levels, and that can drive up incentives. The industry has to be careful.”

LMC’s forecast for 2019 total light-vehicle sales rounds up to 17.0 million units, a decline of 1.9% from 2018. Retail light-vehicle sales is projected at 13.7 million units, a decline of 1.5% from 2018. SUV launches are robust and will drive continued growth in the segment as SUV share of total light vehicles is expected to near the 50% level this year.

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