

## August to Become Highest Consumer Spending Month Ever As Retail Sales Hit Highest Level Since December 2016

### The Retail Sales Forecast

New-vehicle retail sales in August are expected to rise from a year ago, according to a forecast developed jointly by J.D. Power and LMC Automotive. Retail sales are projected to reach 1,404,500 units, a 5.8% increase on a selling day adjusted basis compared with August 2018. It's important to note that the sales month for August 2019 includes the Labor Day holiday and an additional weekend than the sales month for August 2018. Without the selling day adjustment, sales are projected to increase 9.8%.

### The Total Sales Forecast

Total sales in August are projected to reach 1,622,000 units, a 5.0% increase compared with August 2018 (selling day adjusted). The seasonally adjusted annualized rate (SAAR) for total sales, which normalizes sales for the inclusion of the Labor Day holiday and additional weekend this year, is expected to be 16.8 million units. This is down 130,000 units from a year ago.

### The Takeaway

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

“August will be a blockbuster month for the industry. Sales are expected to post the largest year-over-year gain since December 2016. Strong volumes coupled with higher average sales prices means that consumers will spend more purchasing new vehicles in August than any month in history.

“Rising manufacturer incentives are contributing to August's strong results, but the industry sales reporting calendar is primarily behind the large gains. This year, the Labor Day holiday will fall within the time period manufacturers use to report August sales, unlike typical years when the Labor Day weekend falls into September sales results. Labor Day is one of the most heavily shopped periods of the year, with consumers motivated by heavy discounts on outgoing model-year vehicles and new 2020 model-year vehicles arriving in showrooms. Last year, more than 237,000 vehicles were sold during the Friday-Monday holiday period.”

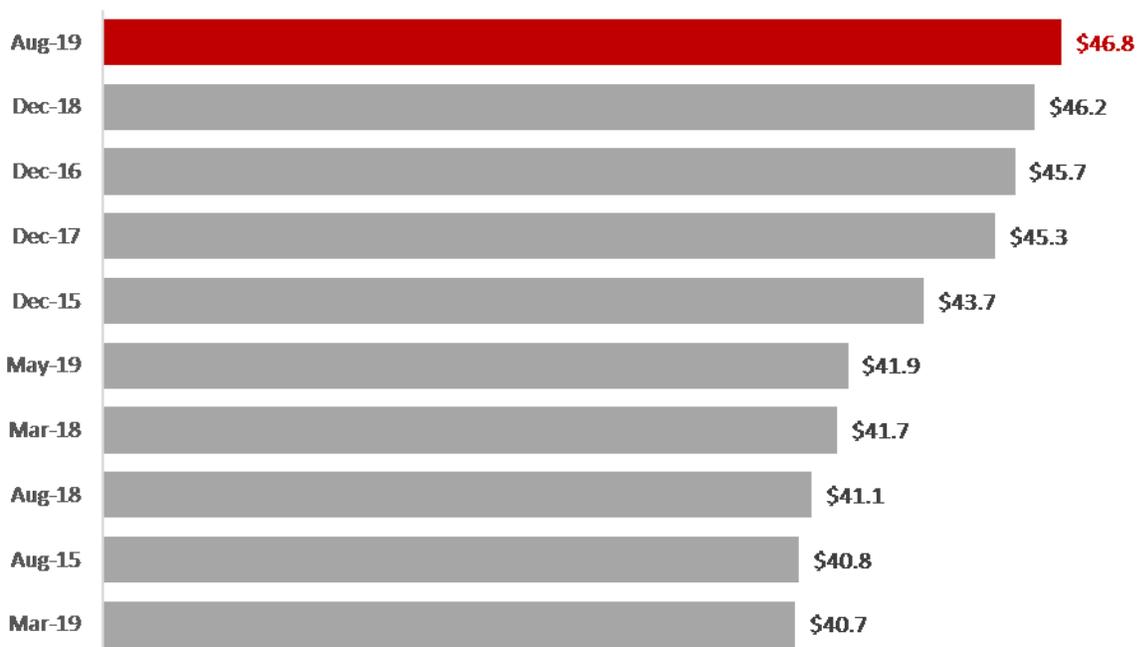
Concurrently, industry spending is on pace to exceed \$4,000 per unit for the second consecutive month. Manufacturer incentive spending as a percentage of MSRP is on pace to reach 10.5%, up from 10.1% in August 2018. The higher spending is due to manufacturers selling fewer new model-year vehicles, which typically have lower incentives than outgoing model-year vehicles. Month-to-date, new 2020 model-year vehicles have accounted for 8% of sales, down from 13% last year. While manufacturers are well into their sell-down of 2019 model-year vehicles, a large number of 2018 model-year vehicles remain on dealer lots. Nearly 3% of vehicles sold to-date this month have been 2018 model-year and older.

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Transaction prices are expected to set another record, with the average new-vehicle sales price projected to reach \$33,322—the highest level ever for the month of August—up 4% (+\$1,182) from last year. The average price for cars is up 4% to \$26,781 while trucks/SUVs are up 2% to \$35,696.

Continued growth in prices, combined with the large growth in retail sales, means that consumers are expected to spend a record \$46.8 billion on new vehicles in August. This represents the highest level for any month, edging out the previous high set in December 2018 by \$598 million.

#### Top 10 Months of Consumer Expenditure (Billions)



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Looking ahead, the unique sales calendar that is inflating August results will affect September sales. September 2019 has only 23 selling days, the lowest possible number of selling days in a month and only the fourth time this has occurred in the past decade. “While the strong August results will undoubtedly generate headlines, we should all be ready for a dip in sales in September,” King said. “The last time that Labor Day fell into August sales results was in 2014. That year, September retail sales declined by more than 17% from August.”

## Sales & SAAR Comparison

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

	August 2019 <sup>1</sup>	July 2019	August 2018
<b>New-Vehicle Retail Sales</b>	1,404,500 units (+5.8% higher than August 2018) <sup>2</sup>	1,202,931 units	1,279,674 units
<b>Total Vehicle Sales</b>	1,622,000 units (+5.0% higher than August 2018) <sup>2</sup>	1,399,988 units	1,489,515 units
<b>Retail SAAR</b>	13.6 million units	14.1 million units	13.5 million units
<b>Total SAAR</b>	16.8 million units	16.9 million units	16.9 million units

<sup>1</sup>Figures cited for August 2019 are forecasted based on the first 21 selling days of the month.

<sup>2</sup>August 2019 has 28 selling days, one day more than August 2018.

## The Details

- The average new-vehicle retail transaction price in August is expected to reach \$33,322. The previous high for the month of August, \$32,140, was set last year.
- Average incentive spending per unit in August is expected to reach \$4,177, up from \$3,878 last year.
- Consumers are on pace to spend a record \$46.8 billion on new vehicles in August, up \$5.7 billion from last year's level.
- Truck/SUVs account for 71.5% of new-vehicle retail sales through Aug. 25, the highest level ever for the month of August.
- Days to turn, the average number of days a new vehicle sits on a dealer lot before being sold to a retail customer, is 74 days through Aug. 25. This is up from 67 days last year.
- Fleet sales are expected to total 217,600 units, flat from August 2018. Fleet volume is expected to account for 13.4% of total light-vehicle sales, down from 14.1% last year.

## Outlook for the Year

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

"Consumers continue to shake off the political and trade turbulence because the economy remains on solid, if somewhat slowing, footing. This foundation, combined with higher fleet volume in the first half of the year, will keep the industry above 17 million units for a fifth year in a row. While the U.S. auto industry has momentum right now, concern about global auto sales is warranted. Global sales are expected to be down 2.5 million units, or 3%, to 92.1 million units. With trade uncertainty in the backdrop, global risks could pull down the U.S. economy, and with it, auto demand next year."

LMC's forecast for 2019 total light-vehicle is holding at 17.0 million units, a decline of 1.7% from 2018. The outlook for retail has improved to 13.6 million units, up from 13.5 million units, on stronger recent performance. However, the retail market will post a more pronounced decline of 2.5% from 2018.

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