

First Half of 2019 to Deliver Lowest Retail Sales Since 2013; Transaction Prices, Dealer Profitability Rise to Record Levels

The Retail Sales Forecast

New-vehicle retail sales in June 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 1,149,900 units, a 2.9% decrease compared with June 2018. The seasonally adjusted annualized rate (SAAR) for retail sales is expected to be 13.3 million units, down 500,000 from a year ago.

New-vehicle retail sales through the first half of 2019 are projected to reach 6,477,400 units, a 3.3% decrease from 2018.

The Total Sales Forecast

Total sales in June are projected to reach 1,471,900 units, a 1.5% decrease compared with June 2018. The seasonally adjusted annualized rate (SAAR) for total sales is expected to be 17.3 million units, down 500,000 from a year ago.

New-vehicle total sales through the first half of 2019 are projected to reach 8,396,500 units, a 1.8% decrease from 2018.

The Takeaway

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

“While the first half of 2019 is expected to deliver its weakest retail sales since 2013, the growth in prices has been nothing short of remarkable. Average transaction prices set a record during the first half, which has big implications for manufacturer revenues.”

New-vehicle prices are on pace to reach \$33,346—the highest ever for the first half of the year—and are up nearly 4% (+\$1,158) from last year.

Reduced sales volumes coupled with higher overall prices, means that consumers are anticipated to spend \$216 billion on new vehicles through the first half, down just 0.4% from last year. Incentive discipline to start the year has continued through the second quarter. Spending to-date through the first half has fallen to \$3,788 per unit, \$130 less than the same period a year

ago. Spending on cars is down \$304 to \$3,588, while spending on trucks/SUVs is down \$65 to \$3,871.

“The decline in new sales have been disappointing, but it’s important not to overlook the effect of growth in the used-vehicle market,” King said. “Used sales at franchised dealers are expected to increase by nearly 9% through the first half. Most significant for retailers is the greater profit opportunity due to higher front-end gross and F&I income earned compared with new vehicles. Overall combined new and used retailer profits through the first half are on pace to reach \$23.4 billion, up 3.7% from last year. Shifting away from the traditional focus on volumes, 2019 remains on target to be one of the best years recorded.”

Sales & SAAR Comparison

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

	June 2019 ¹	May 2019	June 2018
New-Vehicle Retail Sales	1,149,900 units (-2.9% lower than June 2018) ²	1,254,974 units	1,230,307 units
Total Vehicle Sales	1,471,900 units (-1.5% lower than June 2018) ²	1,591,870 units	1,552,291 units
Retail SAAR	13.3 million units	13.8 million units	13.8 million units
Total SAAR	16.8 million units	17.4 million units	17.3 million units

¹Figures cited for June 2019 are forecasted based on the first 19 selling days of the month.

²June 2019 has 26 selling days, one day less than June 2018.

The Details

- The average new-vehicle retail transaction price to date in June is \$33,665. The previous high for the month of June—\$32,074—was set last year.
- Average incentive spending per unit to date in June is \$3,782, down from \$3,880 last year.
- Consumers are on pace to spend \$38.6 billion on new vehicles in June, down \$800 million from last year’s level.
- Truck/SUVs account for 71.1% of new-vehicle retail sales through June 23, the highest level ever for the month of June.
- 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 days through June 23. This is up 6 days from last year.
- Fleet sales are expected to total 322,000 units, up 3.9% from June 2018. Fleet volume is expected to account for 22% of total light-vehicle sales, up from 21% last year.

Outlook for the Year

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

“Auto sales are nearing the halfway point for 2019 and despite all of the external noise, the beat goes on! A much more dovish Fed is under pressure and is now expected to make a series of interest rate cuts. This will provide support for auto sales in the second half of the year and help offset rising vehicle prices and the current level of incentives. Trucks overall are expected to remain strong on further SUV growth, but the pickup war is heating up. We expect pickup share to reach 17.8% in 2019, a percentage point increase from 2018.”

LMC’s forecast for 2019 total light-vehicle sales is holding at 16.9 million units, a decline of 2.1% from 2018. The retail light-vehicle sales forecast is also stable with volume at 13.5 million units, a decline of 3.1% from 2018.

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