Press Release

New Vehicle Retail Sales Pace to Fall in February but Transaction Prices to Hit Record Levels

Average Incentive Spending Poised to Fall for First Time Since 2013 due to Lower Spending by Domestic Manufacturers on Trucks and SUVs

DETROIT: 27 Feb. 2018 — The new vehicle retail sales pace in February 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 13.3 million units, down 400,000 from a year ago. Retail sales are projected to reach 997,300 units, a 3.0% decrease compared to February 2017 (both February 2017 and 2018 had 24 selling days).

"The industry is expected to deliver mixed results in February, with a decline in retail sales volume, higher transaction prices and the potential for the first year-over-year drop in incentive spending in more than four years." said **Thomas King, Senior Vice President of the Data and Analytics Division at J.D. Power**.

Average incentive spending through the first three weeks of February is $3,840, down $14 versus the same period last year. "The decline in spending is particularly notable given that incentives have risen consistently since 2013. In December 2017 for example, spending rose by over $400 from the prior year," King added.

However, the decline is due to reduced spend in select segments of the industry, specifically, trucks and SUVs offered by domestic manufacturers. Incentives on domestic trucks and SUVs have fallen $450 through month-to-date. In contrast, incentives on non-domestic trucks and SUVs have risen $482 and spending on all cars is up $80.

While rising transaction prices for the industry overall and reduced spending in some segments of the market is a positive indicator for the long-term health of the industry, sustaining lower levels of incentives will be challenging and considerable potential exists for spending to rise at the end of February and in the months ahead. An illustration is that the $450 decline on domestic truck and SUV incentives has coincided with a significant drop in market share for those vehicles. In fact, domestics share of the truck and SUV market has fallen 3.2 percentage points to 49.2% this month compared to a year ago.

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

	February 2018[1]	**January 2018**	**February 2017**
New-Vehicle Retail Sales	997,300 units (-3.0% lower than February 2017)[2]	885,604 units	1,028,393 units
Total Vehicle Sales	1,303,800 units (-2.1% lower than February 2017)[2]	1,152,917 units	1,331,524 units
Retail SAAR	13.3 million units	13.6 million units	13.7 million units
Total SAAR	17.1 million units	17.1 million units	17.4 million units

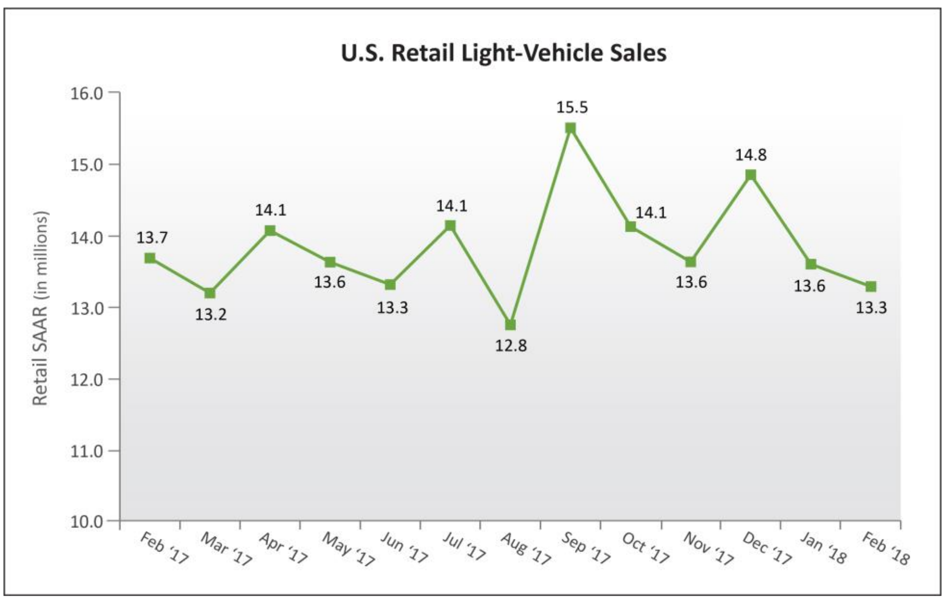
[1]Figures cited for February 2018 are forecasted based on the first 15 selling days of the month.
[2]February 2018 has 24 selling days, while February 2017 had 24 selling days in the month.

- The average new-vehicle retail transaction price to date in February is $32,237, a record for the month, surpassing the previous high for the month of $31,302 set in February 2017.
- Consumers are on pace to spend $32.2 billion on new vehicles in February, just slightly below last year's level.
- Incentives as a percentage of MSRP are at 10.2% so far in February, exceeding the 10% level for 19th time in the past 20 months.
- Trucks account for 67% of new-vehicle retail sales through Feb. 18—the highest level ever for the month of February—making it the 20th 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 70 through Feb. 18, flat from last year.
- Fleet sales are expected to total 306,500 units in February, up 1.1% from February 2017. Fleet volume is expected to account for 24% of total light-vehicle sales, up from 23% last year.

Jeff Schuster, Senior Vice President of Forecasting at LMC Automotive, said, "While the pullback in topline light-vehicle sales last year was concentrated on the fleet business, this year the weakness is expected to be primarily on the retail side. Rising interest rates will become an issue with consumers managing monthly payments. The federal tax cut, combined with an approved budget, could spark increased demand as the year progresses."

LMC's forecast for 2018 total light-vehicle sales is just under 17.0 million units, a decrease of 1.4% from 2017. Retail light-vehicle sales are forecast to be 13.7 million units, a decrease of 1.7% from 2017.

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



(in millions of units)
Source: *Power Information Network® (PIN)* from J.D. Power

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