

Retail Sales Pace to Fall for Fifth Time in 2018, but Incentive Spending on Pace to Decline for First Time Since 2013

After 54 Consecutive Months of Year-Over-Year Increases, Incentive Spending on Pace to Fall by 5% in July

DETROIT: 27 July 2018 — New-vehicle retail sales in July are expected to fall from a year ago on a selling-day-adjusted basis, according to a forecast developed jointly by J.D. Power and LMC Automotive. Retail sales are projected to reach 1,156,200 units, a 3.2% decrease compared with July 2017. (Note: July 2018 has one less selling day than July 2017.) Without the selling-day adjustment, retail sales would be down 7.1%.

“While it’s disappointing for the retail sales pace to post declines again, it’s important to remember that July only has 24 selling days this year, the fewest for the month since 2012 and one less weekend than last year,” said **Thomas King, Senior Vice President of the Data and Analytics Division at J.D. Power**. “More notable is that incentive spending is on pace to post year-over-year declines for the first time in 54 months.”

Incentive spending through the first two weeks of July was \$3,665 per unit, down \$204 from the same time last year. The decline has been driven by reduced spending on cars, down \$579, while spending on trucks/SUVs is up \$5.

“Reduced spending is a positive indicator for the health of the industry, but it is being driven solely by performance from cars,” King said. “Sustaining lower levels of incentives will remain a challenge, and considerable potential exists for spending to rise at the end of July and in the months ahead.”

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

	July 2018 ¹	June 2018	July 2017
New-Vehicle Retail Sales	1,156,200 units (-3.2% lower than July 2017) ²	1,219,711 units	1,243,911 units
Total Vehicle Sales	1,327,500 units (-2.1% lower than July 2017) ²	1,549,845 units	1,412,032 units
Retail SAAR	13.5 million units	13.7 million units	14.1 million units
Total SAAR	16.1 million units	17.4 million units	16.7 million units

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

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

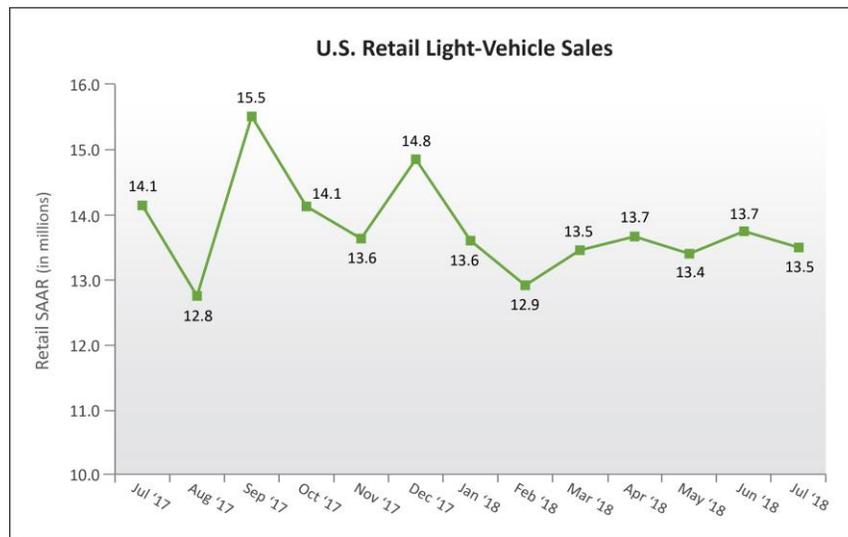
- The average new-vehicle retail transaction price to date in July is \$31,561, an all-time monthly record. The previous high for the month of July—\$30,950—was set last year.
- Average incentive spending per unit to date in July is \$3,665, down from \$3,869 during the same period last year.
- Consumers are on pace to spend \$36.5 billion on new vehicles in July, which is nearly \$2 billion less than last year’s level.

- Trucks account for 68% of new-vehicle retail sales through July 22—the highest level ever for the month of July—making it the 25th 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 68 days through July 22, down 4 days from last year.
- Fleet sales are expected to total 171,300 units in July, up 6.1% from July 2017. Fleet volume is expected to account for 13% of total light-vehicle sales, up 1 percentage point vs. last year.

Jeff Schuster, President, Americas Operations and Global Vehicle Forecasts at LMC Automotive, said, “With the first half of 2018 being slightly ahead of volume expectations, the second half is poised for a pullback from the robust second half of 2017. July’s expected performance is consistent with that notion. Short-sighted tariffs—and retaliatory responses—are the most significant risk factor for the U.S. and global markets. In fact, significant escalation of tariffs could derail America’s strong economic growth and even push the market into a premature recession.”

LMC’s base case forecast for 2018 total light-vehicle sales is holding at 17.1, a decrease of 0.4% from 2017. The retail light-vehicle forecast remains at 13.8 million units, a decline of 1.6% from 2017. Fleet mix is up slightly with an additional 135,000 units expected from a year ago, or 19.6% of total light-vehicle sales compared with 18.8% in 2017.

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



(in millions of units)

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

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