J.D. POWER

LMC AUTOMOTIVE

Press Release

Retail Sales Pace to Decline in October; Incentive Spending Still Falling, but Transaction Prices Rise

Truck Mix Exceeds 70% of Retail Sales for First Time Ever

DETROIT: 29 Oct. 2018 — New-vehicle retail sales pace in October is expected to fall from a year ago, 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 13.6 million units, down 400,000 from a year ago.

"The year-over-year comparison is difficult as sales in October last year were inflated by vehicle replacement demand associated with Hurricanes Harvey and Irma," said **Thomas King, Senior Vice President of the Data and Analytics Division at J.D. Power**. "Despite the decline in sales volumes, high transaction prices are helping to drive record revenues."

The average transaction price in October is on pace to reach $32,947, the highest ever for the month of October and the second-highest ever recorded.

Consumer demand continues to shift away from cars and towards trucks and SUVs. Month to date, trucks and SUVs account for more than 70% of retail sales, the first time the 70% threshold has been exceeded.

Incentive spending in October is also on pace to decline on a year-over-year basis. October will be the fourth consecutive month with lower spending, reflecting the first sustained decline in spending since the recession. October spending to-date is $3,742 per unit, down $143 from the same time last year. Spending on cars was down $494, while spending on trucks/SUVs was up $17.

"For manufacturers, the financial benefits of continued growth in truck mix along with reduced incentives is helping to offset the effect of reduced sales volumes," King said. "Manufacturers have succeeded in better aligning production with consumer demand, which is the primary driver of reduced incentive levels. Given those reduced incentive levels, the overall outlook for the financial health of the industry is positive despite the lower sales volumes."

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

	October 2018[1]	**September 2018**	**October 2017**
New-Vehicle Retail Sales	1,058,800 units (-4.5% lower than October 2017)[2]	1,149,682 units	1,066,310 units
Total Vehicle Sales	1,349,000 units (-4.0% lower than October 2017)[2]	1,442,532 units	1,351,774 units
Retail SAAR	13.6 million units	14.2 million units	14.0 million units
Total SAAR	17.4 million units	17.6 million units	17.9 million units

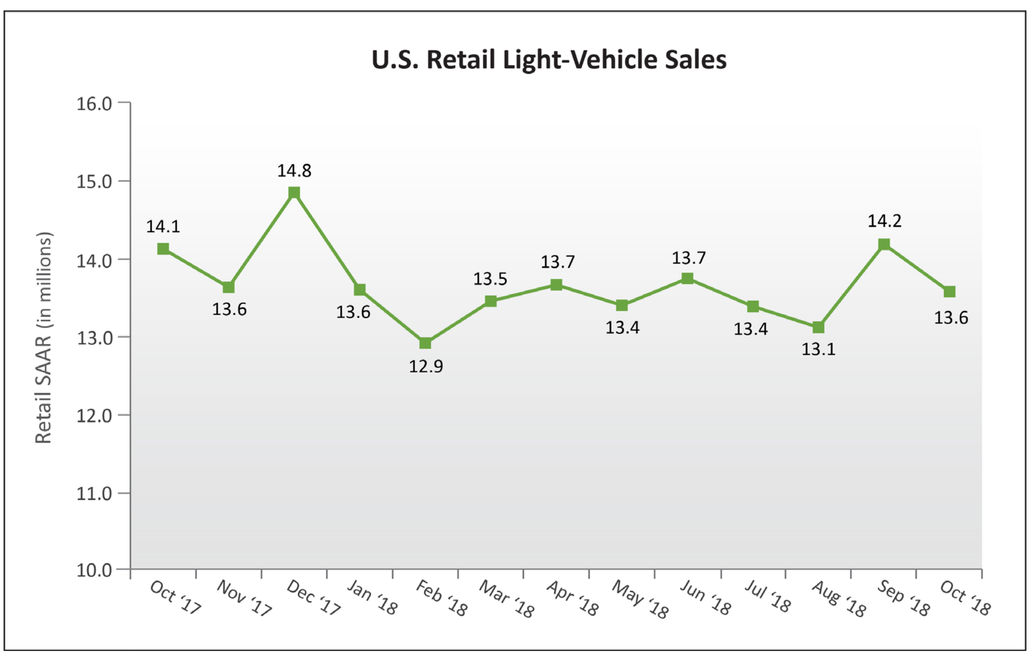
[1]Figures cited for October 2018 are forecasted based on the first 17 selling days of the month.
[2]October 2018 has 26 selling days, while October 2017 had 25 selling days.

- The average new-vehicle retail transaction price to date in October is on pace to reach $32,947, an all-time monthly record. The previous high for the month of October—$32,449—was set last year.
- Average incentive spending per unit to date in October is $3,742, down from $3,885 during the same period last year.
- Consumers are on pace to spend $34.9 billion on new vehicles in October, which is $300 million more than last year's level.
- Truck/SUVs account for 70.4% of new-vehicle retail sales through Oct. 21—the highest level ever for the industry—making it the 28th 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 69 days through Oct. 21, down 5 days from last year.
- Fleet sales are expected to total 290,200 units in October, down 2.3% from October 2017. Fleet volume is expected to account for 22% of total light-vehicle sales, up from 21% last year.

Jeff Schuster, President, Americas Operations and Global Vehicle Forecasts at LMC Automotive, said, "Affordability may be the canary in the coal mine for the level of auto sales as we close out 2018 and begin to look at 2019. Transaction prices are still edging higher. We expect another interest rate hike from the Fed in December, followed by three more in 2019, and the used-vehicle market is robust. This is a combination that could cause consumers to be squeezed out of the new-vehicle market, putting pressure on volume even if other fundamentals are favorable."

LMC's forecast for 2018 total light-vehicle sales remains at 17.2 million units, just 35,000 units higher than 2017. The retail light-vehicle forecast remains at 13.8 million units, a decline of 1.4% from 2017. Fleet volume continues to growth and is now expected to rise by 7.1% and account for 21% of total light-vehicle sales. For 2019, the forecast for total light vehicles is at 17.0 million units and retail light-vehicle sales is at 13.6 million units, a decline of 1.5% and 1.2%, repectively.

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



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

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