J.D. POWER

LMC AUTOMOTIVE

Automotive Forecast February 2019

Feb. 25, 2019

The Retail Forecast

New vehicle retail sales in February are expected to fall from a year ago. Retail sales are projected to reach 946,600 units, a 2.4% decrease compared with February 2018. The seasonally adjusted annualized rate (SAAR) for retail sales is expected to be 12.6 million units, down 0.3 million from a year ago.

The Takeaway

Thomas King, Senior Vice President of the Data and Analytics Division at J.D. Power:
"The year is off to its slowest start since 2014 with the industry set to post sales declines again in February. While retail sales through the first two months will be down more than 4%, it's important to note that January and February are among the lowest volume sales months of the year." (Last year the two months combined to account for only 13.5% of the annual total.)

Looking ahead to the coming months, the industry should expect to receive a slight boost with the recovery of any lost sales due to inclement weather.

Elevated transaction prices remain a bright spot for the industry and continue to help manufacturers maintain profitability amidst reduced sales volumes. The average transaction price in February is on pace to reach $33,267, the highest level ever for the month.

As a result, consumers are on pace to spend more than $31 billion in autos in February, which is up slightly from last year.

Incentive discipline also continues, as spending is expected to decline year-over-year for the eighth consecutive month. February to-date spending is $3,721 per unit, down $161 from the same time last year. Spending on cars is down $379 to $3,540, while spending on trucks/SUVs is down $66 to $3,797.

"One risk to higher spending in the coming months is the need clear out old model-year inventory," King said. "The model-year transition is currently the slowest on record and could pose a risk for manufacturer profitability if it continues to lag behind prior years." Vehicles that are 2018 model year and older still account for more than 20% of sales in February, up from 17.4% for the same period last year. Spending on old model-year vehicles is $4,927 per unit, up $141 from February 2018.

Sales & SAAR Comparison

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

	February 2019[1]	January 2019	February 2018
New-Vehicle Retail Sales	946,600 units (-2.4% lower than February 2018)[2]	832,346 units	969,451 units
Total Vehicle Sales	1,287,800 units (-0.9% lower than February 2018)[2]	1,126,432 units	1,299,358 units
Retail SAAR	12.6 million units	12.8 million units	12.9 million units
Total SAAR	16.8 million units	16.6 million units	17.0 million units

[1]Figures cited for February 2019 are forecasted based on the first 14 selling days of the month.
[2]February 2019 has 24 selling days, the same as February 2018.

The Details

- The average new-vehicle retail transaction price to date in February is on pace to reach $33,267. The previous high for the month of February—$32,144—was set last year.
- The record prices reflect higher prices trending for both cars (up 2% to $26,763) and trucks/SUVs (up 3% to $35,987)
- Average incentive spending per unit to date in February is $3,721, down from $3,882 during the same period last year
- Consumers are on pace to spend $31.5 billion on new vehicles this month, up $300 million from last year's level.
- Truck/SUVs account for 70.2% of new-vehicle retail sales through Feb. 17, the highest level ever for the month of February.
- Days to turn, the average number of days a new vehicle sits on a dealer lot before being sold to a retail customer, is 73 days through Feb. 17, up 3 days from a year ago.
- Fleet sales are expected to total 341,200 units in February, up 3.4% from February 2018. Fleet volume is expected to account for 26% of total light-vehicle sales, up from 25% last year.

Outlook for the Year

Jeff Schuster, President, Americas Operations and Global Vehicle Forecasts, LMC Automotive: "Tariff risk on automotive imports from outside North America and South Korea is once again clouding an otherwise stable U.S. auto market. Last year, 23% of U.S. sales were sourced from outside of North America, 47% from Japan and 32% from Europe. A tariff of 25% could significantly raise prices and lower U.S. demand by as much as 700,000 units in 2019 as consumers delay purchases and shift to the used car market. The risk is real."

Providing there is not a material tariff effect, LMC's forecast for 2019 total light-vehicle sales rounds up to 17.0 million units, a decline of 1.9% from 2018. Retail light-vehicle sales is projected at 13.6 million units, a decline of 1.8% from 2018. Despite the buzz and model activity, full battery-electric vehicles are expected to account for only 1.5% of the total market in 2019, or 260,000 units.

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