

## **New Vehicle Retail Sales Continue to Decline, But Demand for Expensive Vehicles Rises**

### **The Retail Sales Forecast**

New vehicle retail sales in April 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 1,041,600 units, a 5.3% decrease compared with April 2018 on a selling day adjusted basis. (Note: April 2019 has one more selling day than April 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.

### **The Total Sales Forecast**

Total sales in April are projected to reach 1,366,600 units, a 3.5% decrease compared with April 2018 (all results are selling day adjusted). The seasonally adjusted annualized rate (SAAR) for total sales is expected to be 16.9 million units, down 0.4 million from a year ago.

### **The Takeaway**

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

“From an overall volume perspective, the industry continues to show signs of softness with April representing the 10<sup>th</sup> straight month of year-over-year retail sales declines. Yet, we continue to see strength in other key industry health metrics, with a large increase in average transaction prices and lower manufacturer incentives.”

New vehicle prices in April are on pace to reach \$33,695—the highest ever for April—and are up nearly 4% (+\$1,235) from last year. Incentive spending has also declined to \$3,408 per unit, \$300 less than the same period a year ago.

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The combination of higher prices, reduced incentives and rising interest rates has led to a deviation between the low and high end of the marketplace. Sales to-date in April for vehicles under \$20,000 are down 25% from last year, but demand for vehicles costing \$40,000 and higher are up 7%. Younger buyers have been affected most in the current environment. Among

buyers 16-35 years old, sales are expected to fall 8% in April vs. a decline of only 4% for buyers over 55.

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“With the volume contraction focused of the low end of the market, the dip in industry retail sales poses a smaller threat to OEM profitability than headline sales results suggest,” King added. Total OEM revenues in April are expected to reach more than \$45 billion, up 4.8% from last year. This is due to a combination of strong prices, lower incentives and higher fleet volumes offsetting the decline in retail sales.

## Sales & SAAR Comparison

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

|                                 | April 2019 <sup>1</sup>                                       | March 2019         | April 2018         |
|---------------------------------|---|--------------------|--------------------|
| <b>New-Vehicle Retail Sales</b> | 1,041,600 units<br>(-5.3% lower than April 2018) <sup>2</sup> | 1,197,989 units    | 1,055,415 units    |
| <b>Total Vehicle Sales</b>      | 1,366,600 units<br>(-3.5% lower than April 2018) <sup>2</sup> | 1,611,833 units    | 1,359,424 units    |
| <b>Retail SAAR</b>              | 13.3 million units  | 13.0 million units | 13.7 million units |
| <b>Total SAAR</b>               | 16.9 million units  | 17.4 million units | 17.3 million units |

<sup>1</sup>Figures cited for April 2019 are forecasted based on the first 17 selling days of the month.

<sup>2</sup>April 2019 has 25 selling days, one more day than April 2018.

## The Details

- The average new-vehicle retail transaction price to date in April is on pace to reach \$33,695. The previous high for the month of April—\$32,460—was set last year.
- The record prices reflect higher prices trending for both cars (up 1% to \$27,477) and trucks/SUVs (up 4% to \$36,338).
- Average incentive spending per unit to date in April is \$3,408, down from \$3,708 during the same period last year.
- Consumers are on pace to spend \$35.1 billion on new vehicles in April, up \$800 million from last year’s level.
- Truck/SUVs account for 69.7% of new-vehicle retail sales through April 21, the highest level ever for an April.
- Days to turn, the average number of days a new vehicle sits on a dealer lot before being sold to a retail customer, is 72 days through April 21, up 5 days from last year.
- Fleet sales are expected to total 325,000 units in April, up 2.6% from April 2018. Fleet volume is expected to account for 24% of total light-vehicle sales, up from 22% last year.

## Outlook for the Year

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

“Despite the first four months exhibiting significant volatility, the overall market is tracking at a year-to-date selling rate of 16.8 million units. New-model launch activity should provide a boost in the second half, with nearly two-thirds of new models still yet to launch and the number of redesigned models expected to increase 13% from 2018. However, given the lack of topline growth this year, electrification and automated vehicle technology will continue to be key focus areas for capital investment.”

LMC’s forecast for 2019 total light-vehicle sales is holding at 16.9 million units, a decline of 2.2% from 2018. Continued strong performance from fleet is expected to offset retail softness, with the forecast for retail light-vehicle sales falling to 13.5 million units, a decline of 2.6%.

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