

Retail Sales Remain Robust in October as Average Transaction Price Exceeds \$34,000 for First Time Ever

The Retail Sales Forecast

New-vehicle retail sales in October are expected to be similar to a year ago, according to a forecast developed jointly by J.D. Power and LMC Automotive. Retail sales are projected to reach 1,134,400 units, a 0.9% decrease on a selling day adjusted basis compared with October 2018. Reporting the same numbers without controlling for the number of selling days translates to an increase of 2.9% from last year. (Note: This year contains one additional selling day compared with October 2018.)

The Total Sales Forecast

Total sales in October are projected to reach 1,394,400 units, a 1.3% decrease on a selling day adjusted basis compared with October 2018. Without controlling for the additional selling day results in an increase of 2.5%. The seasonally adjusted annualized rate (SAAR) for total sales is expected to be 17.3 million units, down 200,000 units from a year ago.

The Takeaway

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

“Demand for new vehicles remains robust in October, with sales volumes expected to be similar to year-ago levels. While volumes are steady, average transaction prices are up dramatically. In fact, prices in October are on track to be the highest ever, exceeding \$34,000 for the first time and up almost \$1,300 from a year ago.”

The combination of strong sales volumes coupled with record prices mean that consumers will spend a record amount on new vehicles for the month of October. Overall expenditure of \$38.8 billion on new vehicles is up nearly \$2.5 billion from last year.

The rise in prices is due in part to the ongoing demand shift from cars to more expensive trucks and SUVs, which account for more than 72% of sales in October, up 2.4 percentage points from last year. However, prices of both cars and trucks/SUVs are rising. The average transaction price for cars (up 4% to \$27,739) is rising at a faster rate than trucks/SUVs (up 3% to \$36,474).

Also notable is the spread in sales performance at different price points. Sales of vehicles with a price less than \$30,000, which account for 46% of the market, are down 7%, while sales of vehicles priced higher than \$30,000 are up 6%.

While the top-line industry results for October are impressive, they are being powered by large discounts from manufacturers. Incentive spending is on pace to exceed \$4,000 per unit for the fourth consecutive month as record levels of old model-year inventory persist. New model-year vehicles are expected to account for only 28% of sales in October, more than 4 percentage points behind last year. This means that the industry will sell nearly 71,000 additional older model-year vehicles compared with October 2018.

Spending on cars is expected to be up \$145 to \$3,789, while spending on trucks/SUVs is up \$308 to \$4,272.

Looking forward, discounts are expected to remain strong as the industry heads into November. Traditionally, promotional activity increases as manufacturers attempt to leverage the large number of shoppers in the market around the Thanksgiving holiday weekend. Last year, more than 200,000 vehicles were sold over the Thanksgiving holiday period, with more than 40% of those sales coming on Black Friday.

“This year, manufacturers will be eager to finally clear out inventories of old model-year vehicles and close out the year with strong sales results. The discounts necessary to deliver these results could force the return of unhealthy incentive levels seen in prior years,” King said.

Sales & SAAR Comparison

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

	October 2019 ¹	September 2019	October 2018
New-Vehicle Retail Sales	1,134,400 units (-0.9% lower than October 2018) ²	1,030,354 units	1,102,350 units
Total Vehicle Sales	1,394,400 units (-1.3% lower than October 2018) ²	1,281,298 units	1,306,405 units
Retail SAAR	14.1 million units	14.3 million units	14.0 million units
Total SAAR	17.3 million units	17.3 million units	17.5 million units

¹Figures cited for October 2019 are forecasted based on the first 17 selling days of the month.

²October 2019 has 27 selling days, one day more than October 2018.

The Details

- The average new-vehicle retail transaction price in October is expected to reach \$34,217, the highest for any month on record. The previous record —\$33,924—was set in December 2018. Last year’s transaction price of \$32,951 was the previous high for the month of October.

- Average incentive spending per unit in October is expected to reach \$4,145, up from \$3,872 last year.
- Consumers are on pace to spend \$38.8 billion on new vehicles in October, up \$2.5 billion from last year's level.
- Truck/SUVs account for 72.3% of new-vehicle retail sales through Oct. 20, the highest level ever for the month of October.
- Days to turn, the average number of days a new vehicle sits on a dealer lot before being sold to a retail customer, is 74 days through Oct. 20. This is up 6 days from last year.
- Fleet sales are expected to total 260,000 units, down 3% from October 2018. Fleet volume is expected to account for 19% of total light-vehicle sales, flat vs. last year.

Outlook for the Year

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

“With the close of 2019 near, auto sales are expected to be above 17 million units for the fifth straight year. Attention is now shifting to 2020 and, while retail sales are expected to decline for the fifth straight year, the outlook has improved somewhat. Trade risk and vehicle affordability remain top concerns for the coming year, but the economy is expected to remain supportive with growth at a sub-2% level. A higher probability of a recession has been pushed out to 2021 or later.”

LMC's forecast for 2019 total light-vehicle sales has been revised upward by 50,000 units to 17.1 million units, a decline of 0.9% from 2018. The upward retail revision is for volume at 13.7 million units, a decline of 1.6% from 2018. Total light-vehicle demand in 2020 is forecast at 16.8 million units and retail light-vehicle demand is at 13.5 million units, a decline of 1.8% and 1.6%, respectively.

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