

2020 Annual Retail Sales Expected to Fall to 13.48 Million; January to See Modest Declines Despite Record Incentives

The Retail Sales Forecast

New-vehicle retail sales in January are expected to be down from a year ago, according to a forecast developed jointly by J.D. Power and LMC Automotive. Retail sales are projected to reach 854,900 units, a -0.4% decrease compared with January 2019.

J.D. Power and LMC Automotive are forecasting full year 2020 retail sales to reach 13.48 million units, a decline of 205,000 units from 2019.

The Total Sales Forecast

Total sales in January are projected to reach 1,124,700 units, a 0.6% decrease compared with January 2018. The seasonally adjusted annualized rate (SAAR) for total sales is expected to be 16.7 million units, flat from a year ago.

J.D. Power and LMC Automotive are forecasting full year 2020 total sales to reach 16.78 million units, a decline of 212,000 units from 2019.

The Takeaway

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

“In a retail market that is expected to decline for the fifth consecutive year, it’s important to remember that January is typically the lowest sales month of the year.” On average, January accounts for only 6.3% of annual sales and is more than 30% lower than December 2019 sales.

“The larger concern remains the record level incentive spending supporting the underlying volume,” King added. “This marks the first time ever that we will start the year with spending above \$4,000.” Incentive spending is on pace to reach \$4,136 in January, an increase of \$258 from last year. Spending on cars is expected to be up \$328 to \$3,952, while spending on trucks/SUVs is up \$217 to \$4,200.

Cars also continue to see reduced demand in the marketplace and are on pace to account for only 27% of retail sales in January, a decline of 3.7 percentage points from last year. This would be the first time that car retail share of industry started the year below 30%.

Transaction prices remain a bright spot for the industry and are on pace to rise by 2.6% to \$33,982, the highest level ever for the month of January. Prices will set records for both cars (+\$126 to \$27,363) and trucks/SUVs (+\$766 to \$36,316).

Record prices means that consumers are expected to spend \$29.1 billion on new vehicles in January. This is up \$600 million from last year and is a record to start the year.

Looking ahead to next month, February has a once-in-a-generation sales calendar quirk that represents a unique opportunity for manufacturers to capitalize. Due to the leap year and industry sales reporting practice, the February sales month contains five weekends for the first time since 1992. “Typically, February is the second-lowest volume month of the year,” King said, “but the calendar will pull an extra selling weekend into the month. The result could be industry retail sales exceeding one million units in the month for the first time since 2017.”

Sales & SAAR Comparison

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

	January 2020 ¹	December 2019	January 2019
New-Vehicle Retail Sales	854,900 units (-0.4% lower than January 2019) ²	1,237,547 units	858,254 units
Total Vehicle Sales	1,124,700 units (-0.6% lower than January 2019) ²	1,522,240 units	1,131,331 units
Retail SAAR	13.3 million units	13.8 million units	13.2 million units
Total SAAR	16.7 million units	16.8 million units	16.7 million units

¹Figures cited for January 2020 are forecasted based on the first 20 selling days of the month.

²January 2020 has 25 selling days, the same as January 2019.

The Details

- The average new-vehicle retail transaction price in January is expected to reach \$33,982. The previous high for the month of January, \$33,118, was set in January 2019.
- Average incentive spending per unit in January is expected to reach \$4,136, up from \$3,878 last year. The previous record —\$3,955—was set in January 2018.
- Incentive spending on cars is expected to be up \$328 to \$3,952, while spending on trucks/SUVs is up \$217 to \$4,200.
- Consumers are on pace to spend \$29.1 billion on new vehicles in January, up \$600 million from January 2019.
- Truck/SUVs account for 72.5% of new-vehicle retail sales through Jan. 26, the highest level ever for the month of January.

- Days to turn, the average number of days a new vehicle sits on a dealer lot before being sold to a retail customer, is 71 days (through Jan. 19). This is up one day from a year ago.
- Fleet sales are expected to total 269,800 units, down 1.2% from January 2019. Fleet volume is expected to account for 24% of total light-vehicle sales, flat from a year ago.

Outlook for the Year

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

“This year is starting with less trade uncertainty in the auto sector than in 2019 and, while economic growth is expected to hover just under 2%, there could be some upside with trade being less of a drag and it being an election year. Affordability remains a major concern for the U.S. auto market as transaction prices have continued to rise and used vehicles are a viable substitute for some consumers, especially entry-level buyers. At the same time, the battery electric (BEV) market is expected to double the number of entries in 2020 from 16 to 33, but BEV volume is expected to grow by only 50,000 units. So, the average per model will fall from 15,200 to 8,750.”

The 2020 outlook for total light-vehicles sales is 16.8 million units, a decline of 1.2% from 2019. Retail light-vehicle sales in 2020 are expected to decline by 1.5% to 13.5 million units as fleet share of total light vehicles is expected to increase slightly to 19.7% from 19.5% in 2019.

A Special Look Back at 2019

In January 2019, J.D. Power and LMC Automotive forecasted U.S. light-vehicle sales for the year to be 16,983,623. Actual retail sales came in 5,984 units higher, a difference of .04%. That’s hitting the bullseye. J.D. Power analytical accuracy for the past seven years is impressive, with the average annual forecast during that time period coming within 1% of the actual amount. Not so impressive, though, is that no one from the J.D. Power Data & Analytics team won the 2019 J.D. Power Fantasy Football League. The humble crew is not deterred, knowing that their expertise lies in analyzing vehicle sales and the data points around those sales. They have forecasted 2020 U.S. light-vehicle sales to be 16,777,967.

Media Relations Contacts

Geno Effler; J.D. Power; Costa Mesa, Calif.; 714-621-6224; media.relations@jdpa.com
Emmie Littlejohn; LMC Automotive; Troy, Mich.; 248-817-2100; elittlejohn@lmc-auto.com

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