J.D. POWER

LMC AUTOMOTIVE

Automotive Forecast February 2020

Feb. 26, 2020

February Retail Sales to Surpass More Than a Million Units For Only Third Time Since 2005

The Retail Sales Forecast

New-vehicle retail sales in February are expected to be up from a year ago, according to a forecast developed jointly by J.D. Power and LMC Automotive. Retail sales are projected to reach 1,016,000 units, a 0.2% increase compared with February 2019. Reporting the same numbers without controlling for the number of selling days translates to an increase of 8.5% over last year. (Note: February 2020 contains one extra weekend and two additional selling days than February 2019.)

The Total Sales Forecast

Total sales in February are projected to reach 1,332,200 units, a 1.8% decrease compared with February 2019. Reporting the same numbers without controlling for the number of selling days translates to an increase of 6.4% over last year. The seasonally adjusted annualized rate (SAAR) for total sales is expected to be 16.5 million units, flat from a year ago.

The Takeaway

Thomas King, President of the Data and Analytics Division at J.D. Power:
"The once-in-a-generation sales calendar quirk means that February retail sales will exceed one million units for only the third time in the last 15 years." The combination of the leap year and industry sales reporting practice means that this year's sales month contains five weekends. The last time this happened was 28 years ago in 1992.

With the second consecutive month of year-over-year gains, the industry is off to its strongest start since 2017. Yet, record levels of spending are still being utilized to support the underlying volume. Incentive spending is on pace to reach $4,179 in February, the highest ever for the month and an increase of $293 from last year. Spending on cars is expected to be up $97 to $3,746, while spending on trucks/SUVs is up $353 to $4,335.

"Last year it took until September for the industry to reach the current spend levels," King noted. "While the coronavirus has had no meaningful effect on production yet, it does have the potential to reduce overall inventory levels and lower the need for continued elevated incentives.

If unhealthy inventory levels persist throughout the year, however, manufacturers may be faced with spend levels that are pacing towards $5,000 by next year."

Transaction prices continue to remain a bright spot for the industry and are on pace to rise by 2.8% to $34,152, the highest level ever for the month of February. This is being partially driven by the shift away from cars towards more expensive trucks/SUVs. Car mix is anticipated to fall to 26.4%, down three percentage points from last year and the lowest level ever for the month of February. At the current pace, car mix for the industry will fall below 23% by December.

Record prices, coupled with the growth in sales, means that consumers are expected to spend $34.7 billion on new vehicles in February. This is up nearly $3.6 billion from last year and another record to start the year.

Looking ahead, the advantage of the unique calendar in February means that March will be at a slight disadvantage. March contains only 25 selling days, the lowest number since 2015 and one less weekend compared with last year. "With retail sales expected to post declines, it's important not to evaluate the month in isolation; rather, it highlights the importance of evaluating performance over a longer period to get a complete picture of the sales pace," King said.

Sales & SAAR Comparison

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

	February 2020[1]	**January 2020**	**February 2019**
New-Vehicle Retail Sales	1,016,000 units (+0.2% higher than February 2019)[2]	874,968 units	936,037 units
Total Vehicle Sales	1,332,200 units (-1.8% lower than February 2019)[2]	1,128,392 units	1,252,428 units
Retail SAAR	12.9 million units	13.6 million units	12.7 million units
Total SAAR	16.5 million units	16.8 million units	16.5 million units

[1]Figures cited for February 2020 are forecasted based on the first 13 selling days of the month.
[2]February 2020 has 26 selling days, two more days than February 2019.

The Details

- The average new-vehicle retail transaction price in February is expected to reach $34,152. The previous high for the month of February, $33,208, was set in February 2019.
- Average incentive spending per unit in February is expected to reach $4,179, up from $3,886 last year. The previous record for the month—$4,008—was set in 2018.
- Incentive spending on cars is expected to be up $97 to $3,746, while spending on trucks/SUVs is up $353 to $4,335.

- Consumers are on pace to spend $34.7 billion on new vehicles in February, up $3.6 billion from February 2019.
- Truck/SUVs account for 72.9% of new-vehicle retail sales through Feb. 16, 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 72 days (through Feb. 16). This is flat from a year ago.
- Fleet sales are expected to total 316,260 units, down 7.7% from February 2019. Fleet volume is expected to account for 24% of total light-vehicle sales, down from 25% a year ago.

Outlook for the Year

Jeff Schuster, President, Americas Operations and Global Vehicle Forecasts, LMC Automotive:
"Uncertainty seems to be the buzz word for the auto industry right now, even if the causes change. While we expect the light vehicle market to decline further in 2020, the factors that play a part in that decline are numerous. The coronavirus is not expected to have an immediate effect on sales in the U.S. but its effect on the global supply chain and production puts every global manufacturer and the global economy potentially at risk. A slowing U.S. economy and higher transaction prices are already contributing to the headwinds."

The 2020 outlook for total light-vehicles sales is holding at 16.8 million units, a decline of 1.1% from 2019. Retail light-vehicle sales in 2020 are also expected to decline by 1.5% to 13.5 million units. Fleet share of total light-vehicles is now expected to hold at 19.5%, consistent with 2019.

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