

August New Vehicle Retail Sales Pace Dips to Lowest Level So Far in 2017

Retail Sales Pace to Fall by Nearly 350,000 units, Despite Elevated Incentive Levels

DETROIT: 24 Aug. 2017 — The new vehicle retail sales pace in August is expected to decline for the fifth time this year, according to a forecast developed jointly by J.D. Power and LMC Automotive. The seasonally adjusted annualized rate (SAAR) for retail sales is expected to be 13.0 million units, a decrease of 341,000 units from a year ago and the lowest level of the year. Retail sales in August are anticipated to reach 1,284,411 units, a 1.9% decrease (selling day adjusted) compared with August 2016.

“The dip in retail demand for new vehicles in August is consistent with the slowdown observed throughout 2017, despite the availability of large discounts as manufacturers work to clear out last year’s models,” said **Thomas King, Vice President of PIN OEM Operations, Media & Marketing at J.D. Power.**

Despite the slowdown, the upcoming Labor Day holiday represents a key sales opportunity for manufacturers. “Labor Day is one of the most heavily shopped periods of the year, as consumers take advantage of sales promotions that typically extend through the first week of September,” King said. In 2016, more than 400,000 vehicles were sold during the Labor Day holiday, accounting for nearly 3% of annual sales.

The combination of a slowing sales environment, a busy holiday shopping period and the need to clear out old models means that manufacturers are expected to continue with aggressive discounting, especially since they have record levels of old models in inventory. So far in August, last year’s models (2017 & older) account for 91% of retail sales, compared with 81% last year.

Average incentive spending per unit to date in August is at a record for the month at \$3,805, surpassing the previous high of \$3,645 set in August 2016, and is expected to rise further during the month. Last year, incentive spending over the holiday period rose by nearly 5% from the start of the month.

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

	August 2017 ¹	July 2017	August 2016
New-Vehicle Retail Sales	1,284,411 units (-1.9% lower than August 2016) ²	1,243,911 units	1,260,562 units
Total Vehicle Sales	1,522,950 units (-2.9% lower than August 2016) ²	1,413,920 units	1,511,108 units
Retail SAAR	13.0 million units	14.1 million units	13.3 million units
Total SAAR	16.6 million units	16.7 million units	17.2 million units

¹Figures cited for August 2017 are forecasted based on the first 17 selling days of the month.

²August 2017 has 27 selling days, while August 2016 had 26 selling days in the month.

- The average new-vehicle retail transaction price to date in August is \$31,004, a record for the month, surpassing the previous high for the month of \$30,971 set in August 2016.

- Consumers are on pace to spend \$39.9 billion on new vehicles in August, a record for the month and nearly \$1 billion more than last year's level.
- Average incentive spending per unit to date in August is \$3,805 per unit, a record for the month, and surpassing the previous high for the month of \$3,645 set in August 2016. Spending on trucks and SUVs is \$3,696, up \$192 from last year. Spending on cars is \$3,988, up \$131.
- Incentives as a percentage of MSRP are at 10.6% so far in August, exceeding the 10% level for 13th time in the past 14 months.
- Trucks account for 63.2% of new-vehicle retail sales through Aug. 20—the highest level ever for the month of August—making it the 14th consecutive month above 60%.
- 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 through Aug. 13. This is the highest level since July 2009 (80 days).
- Fleet sales are expected to total 238,500 units in August, down 8.3% from August 2016 on a selling day adjusted basis. Fleet volume is expected to account for 16% of total light-vehicle sales, down from 17% in August 2016.

Jeff Schuster, senior vice president of forecasting at LMC Automotive, said, “The pullback in light vehicle demand for the U.S. market continues to solidify, but it’s paramount to focus on the segment transition going on below the topline and not fixate on demand being past apex. For the next few years, we expect the topline range to hover in the vicinity of this year, and the recipe for success in the near-term remains unchanged. OEMs with fresh products in the right segments with the latest technology will win. The further market shift toward SUVs will need to be balanced with the future push toward EVs and investment in future mobility.”

LMC’s forecast for 2017 total light-vehicle sales is holding at 17.0 million units, down 500,000 units from 2016. The retail light-vehicle outlook remains at 13.8 million units, a 2% projected decline from 2016. Fleet volume is expected to be down 7% from 2016, but the majority of the year-over-year pullback has already taken place. SUVs are expected to grow to more than 42% of total light vehicle sales this year, up 2 percentage points from 2016. That growth coming from the car segment, which is projected to fall 2 percentage points to 33% in 2017.

U.S. Retail SAAR— August 2016 to August 2017



(in millions of units)

Source: Power Information Network® (PIN) from J.D. Power

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