



Press Release

J.D. Power and Associates Reports: Total U.S. New Light-Vehicle Sales Expected to Drop to 14.2 Million Units, Reaching the Lowest Levels Since 1993

Retail Sales Down 10 Percent; Fleet Sales Decline by 21 Percent

WESTLAKE VILLAGE, Calif.: 23 July 2008—J.D. Power and Associates forecasts new light-vehicle sales to drop to 14.2 million units in 2008, marking a 12 percent decrease from 16.1 million units in 2007.

The forecast revision—which represents a reduction of 750,000 units from 14.95 million projected earlier this year—is prompted by a deteriorating economic environment, prolonged effects wrought by the credit crisis, elevated gas prices and a reduction in the daily rental fleet market. Specifically, fleet sales are projected to drop to 2.6 million units—a 21 percent decrease from 2007. Retail sales, which are reflective of actual consumer behavior in the new-vehicle marketplace, are expected to decline by 10 percent to 11.6 million units.

“While the sluggish economy is the primary driver of the reduction in retail sales, fleet sales are expected to experience an even steeper decrease from 2007,” said Jeff Schuster, executive director of automotive forecasting for J.D. Power and Associates. “This trend indicates that the automotive industry is making serious efforts to continue reducing fleet sales, while also allowing retail sales to work through the downturn without heavy use of incentives.”

Although sales for smaller vehicles are rapidly increasing, the growth rate of smaller vehicle segments has not been enough to offset significant declines experienced in large-vehicle segments. Retail sales for the compact basic segment from January to June 2008 were up 28 percent compared with the first half of 2007. In contrast, sales in the first half of 2008 for all vehicles in the large segments—which include large pickups and SUVs—were down 26 percent, compared with the same time period in 2007.

New-vehicle sales for smaller cars have also been constrained by a thinning supply. Days to turn (the number of days a vehicle remains on the dealer lot before selling) for the compact basic segment averaged 57 days from January to June 2008, according to the Power Information Network (PIN). However, days to turn decreased sharply to average 47 days from May to June. By contrast, days to turn for the large pickup segment averaged 85 days from January to June 2008, but increased to 95 days from May to June.

“The weak performance seen in June 2008 is expected to carry over into July, and year-over-year comparisons mark June as the weakest month on a seasonally adjusted annualized rate since 1993,” said Schuster.

Total light vehicle sales in July are forecasted to sink below a seasonally adjusted annualized rate (SAAR) of 13.6 million units—down 2 percent from June 2008 and 12 percent from July 2007. PIN transaction data to date for the month of July indicates that retail sales are down 21.6 percent (selling day adjusted), suggesting that poor sales performance in June was not simply an abnormality, but a continuation of a downward trend that may continue into the balance of 2008.

“The economic stress and uncertainty that consumers may face over the next six to 12 months will likely result in a continuous period of slow new-vehicle sales,” said Schuster. “It is also unlikely that a pronounced rebound will occur in 2009 and conditions could actually worsen before they improve.”

J.D. Power and Associates projects a slight sales improvement to 14.3 million units in 2009, with an increase in retail sales to just 11.7 million units, and fleet sales remaining essentially unchanged at 2.6 million units.

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