

J.D. Power Is Bullish on 2013 Sales Year

Robust new-vehicle retail sales in May are the driving factor of returning total sales above the 15-million unit selling level for the month, according to a monthly sales forecast developed by J.D. Power & Associates' Power Information Network (PIN) and LMC Automotive.

New-vehicle retail sales in May are projected to come in at 1,157,900 vehicles, which represent a seasonally adjusted annualized rate (SAAR) of 12.5 million units, the highest level since January, and will be the third consecutive month with retail sales in excess of 1 million units.

Retail transactions are the most accurate measure of true underlying consumer demand for new vehicles, according to J.D. Power.

The full-size pickup segment contributed to the overall strong sales pace in May, accounting for 11.4 percent of industry retail sales, an increase from 11 percent in April and up from 9.7 percent in May 2012.

Strong demand for full-size pickups is also helping to keep industry average transaction prices at record levels. The average transaction price for all new vehicles through mid-May is \$28,921, the highest ever for the month of May and 3 percent higher than May 2012.

Several components are contributing to strong industry transaction price performance, including: low interest rates, which help keep monthly payments low; the use of extended-term vehicle loans – 72 months or longer – which also help reduce monthly payments; strong used vehicle values, which equate to more trade-in equity; and strong new-vehicle residual values, which lower new-vehicle lease payments.

"Collectively, these components mean that while industry new-vehicle transaction prices have risen by 19 percent during the past five years (\$28,921 in May 2013 from \$24,404 in May 2008), the average monthly payment for new-car buyers and lessees has increased only 3 percent (\$455 in May 2013 vs. \$443 in May 2008)," said John

Humphrey, senior vice president of the Global Automotive Practice at J.D. Power & Associates. "This market dynamic is enabling consumers to purchase new vehicles with improved fuel economy, safety and technology at an affordable monthly payment."

Total light-vehicle sales in May 2013 are expected to increase to 1,439,400, up 8 percent from May 2012. Fleet sales have generally been weaker than expected in 2013, but continue to average nearly 21 percent of total sales. Fleet sales in May 2013 are projected to reach 281,000 units, representing less than 20 percent of total sales.

J.D. Power and LMC Automotive U.S. Sales and SAAR Comparisons show that May 2013 new vehicle retail sales of 1,157,900 (figures based on the first 10 days of sales in May) are 8 percent higher than May of 2012, which had sales of 1,070,816. Additionally, May 2013 sales were higher than April of 2013, which were 1,032,321.

LMC Automotive is holding the total light-vehicle sales outlook for 2013 at 15.4 million units. The 2013 outlook for retail light-vehicle sales also remains the same, at 12.5 million units.

"This is the time of year when the automotive industry holds its collective breath as the recent past has dealt with a spring slowdown in demand; however, the current pace suggests full steam

ahead for the second half of 2013," said Jeff Schuster, senior vice president of Forecasting at LMC Automotive. "Economic and market headwinds have been minimized, while demand continues to build momentum."

North American light-vehicle production year-to-date through mid-May is up 4 percent, compared with the same period in 2012. Most major manufacturer volumes are either flat or up slightly, with the exception of GM, which is down 4 percent on the transition of the Impala and weaker large SUV sales ahead of the new models for 2014.

Vehicle inventory levels in early May are at 3.2 million units – a 63-day supply – and consistent with the current level of demand. Inventory was at a 55-day supply in May 2012.

LMC Automotive is increasing its forecast for 2013 North American production to 16.0 million from 15.9 million units. With this increase, 2013 will mark the first time production in the region has been at the 16-million-unit level since 2002.

"With several manufacturers at or near capacity, it becomes a balancing act to plan production for the remainder of the year," said Schuster. "An effective way to manage the near-term demand and increase production levels is to reduce planned summer shutdowns, as the Detroit automakers recently announced."

Smart Manufacturing, Lean Systems To be Covered at LTU Symposium

A symposium on smart manufacturing and lean systems will be held Wednesday, June 5, at Lawrence Technological University in Southfield.

Lead speakers include Mauro Pino, Chrysler's vice president of Vehicle Assembly Operations, and Bruce Hettle, Ford's executive director of Global Vehicle Operations Manufacturing Engineering.

The symposium provides a forum for industry practitioners to discuss the state of the art and innovation in the field of smart manufacturing and lean production systems.

Another event focus is on recent advances and the next generation of smart manufacturing systems.

The program begins with a pre-symposium workshop from 8 a.m. to noon on failure mode and effects analysis. The main program runs 1-5 p.m. in the Mary E. Marburger Auditorium in the LTU Science Building, 21000 W. 10 Mile Road.

Pre-registration is required at www.ltu.edu/engineering/symposium.asp.

The symposium is free and open to the general public.

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