# In A Slowing Automotive Market, Subaru, Nissan Expected To Gain Share In 2017, According To Kelley Blue Book; Ford, Jeep Continue To Struggle

DETROIT, June 28, 2017 /PRNewswire/ -- New vehicle sales in the first half of 2017 are expected to be 8.4 million, down nearly 2.3 percent compared to the first six months of 2016. With growing economic headwinds, full year sales in 2017 are predicted to reach 17.1 million, down 2.5 percent from the record 17.5 million sold in 2016 and within the 16.8 to 17.3 million range set by Kelley Blue Book <a href="https://www.kbb.com">www.kbb.com</a> analysts earlier this year.



"We are moving into a 'post peak' period for the U.S. auto industry," saidJonathan Smoke, chief economist for Cox Automotive™, parent company of Kelley Blue Book. "Many of the tailwinds that took the market to record sales in 2015 and 2016 are slowly becoming the headwinds that will keep new vehicle sales in check through the end of the decade." While the U.S. economy is strong and key indicators are favorable for new automobile sales, vehicle affordability continues to be an issue holding back many households. Through the first five months of 2017, the average transaction price for a new vehicle averaged approximately \$34,609, the highest level ever reported by Kelley Blue Book. Lenders have also tightened standards, making auto loans harder to obtain for shoppers without good credit, holding down potential sales.

Another headwind facing the industry: A significant number of off-lease vehicles are returning to the market as low mileage, relatively-new used vehicles. According to Cox Automotive data, 3.6 million lease vehicles will return to the market in 2017, up from 3.0 million in 2016. These off-lease vehicles are rapidly becoming an affordable, appealing alternative to new. More are on the way. By 2020, 4.6 million off-lease vehicles will return to the market.

"Overall, despite slowing new-vehicle sales, we think the automotive market is healthy," added Smoke. "Sales of approximately 17.1 million will make 2017 among the best years the industry has ever recorded. And the mix is strong, with profitable SUVs and crossovers dominating the market."

#### Winners and Losers in 2017

With the market down in 2017, automakers are fighting for sales and many are already adjusting production to keep supply in check. Still, many automakers are flourishing. Subaru gained the most market share during the first five months of 2017, driven by excellent product, strong marketing and a showroom of vehicles perfectly matched with current consumer demand.

"In the past few years, the market has come to Subaru," saidKelley Blue Book Executive Analyst Rebecca Lindland. "Their brand is strong and their products are exactly what customers are shopping for. They've been smart with incentives, managing inventory very well." At current pace, Subaru could pass Hyundai in U.S. market share by the end of the year.

Nissan is also poised to gain share in 2017. The company has fresh product, including the all-new Rogue Sport, which went on sale in May, aimed directly at the heart of the crossover segment. The company also continues to be very aggressive with incentives and fleet sales, according to Cox Automotive experts. "Nissan is gaining market share by piling on incentives and eating up fleet demand others abandoned. As long as profitability holds up, there's no reason to believe the brand will change strategy in the second half of the year," said Lindland.

Cox Automotive analysts believe Chrysler, Ford and Jeep will continue to struggle with market share in calendar year 2017. All three brands lost share in the first part of the year. Chrysler's product line will soon be reduced to two entries, the Pacifica minivan and the 300 sedan. At current pace, the company's market share in the U.S. will soon drop below 1 percent.

Ford, the best-selling brand of vehicles in the U.S., will continue to face market share challenges in 2017 according to Cox Automotive data, with rapidly dropping car sales and an aging portfolio of SUVs and crossovers. The all-new Expedition will help grow sales, but is not expected to be in market until late this year.

"What Ford really needs right now is excitement in their showroom, beyond the GT supercar," said Lindland. "The new EcoSport, a highly anticipated subcompact SUV, will be a welcome addition. Unfortunately that product is still six-to-eight months from launch. Until then, Ford has only the Escape to fight for sales in the hottest part of the market."

In the first five months of 2017, no brand lost more market share than Jeep. With heavy incentives unable to move aging product, Jeep lost more than half-apercent of share through May of this year. The all-new Compass compact SUV will help win back sales, but will be challenged to match the pace of the older Compass and Patriot models, both of which will be discontinued. "Jeep's sales performance is this SUV-crazy market is truly a missed opportunity," admits Lindland.

The brand to watch in 2017: Volkswagen.

"We are keeping an eye on Volkswagen," said Lindland. "The worst days of the diesel matter are mostly behind them. Volkswagen won back market share in the first half of the year thanks to loyal owners and is poised to gain more in the second half by appealing to new owners with strategic SUVs launching into the heart of the market."

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## SOURCE Kelley Blue Book

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