

Automotive Industry in 2016: Record Sales! But...

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As has been reported all over, it looks like the *Automotive Industry* will set some sales records in 2016 (see [here](#), [here](#), and [here](#) for example). As summarized by [JD Power](#), “The full-year sales forecast of 17.5 million units would surpass the total from 2015 by about 5,000 units. Light trucks figure into the upsurge, along with higher incentives—eclipsing \$4,000 per vehicle for the first time on record—as automakers clear out 2016 model-year vehicles.” When read that way, this news is less encouraging than it appears on its face.

Setting sales records is almost never bad. However, if they are set with huge incentives, discounts, and an intention to clear out inventory, that is obviously not any reason to anticipate further growth in 2017. In fact, a deeper dive into the numbers shows some slightly less favorable statistics. For example, the [Wall Street Journal](#) reports that “Retail sales, which strip out sales to fleet buyers, such as rental-car companies, were expected to reach 14.1 million units for the year, a 1.2% decline from 14.2 million units in 2015.”

What will 2017 bring?

There is no reason to think that sales will set another record. The Automotive industry is very cyclical and higher incentives, higher inventories and deeper discounts may sell more vehicles in the short run, but often leads to educed profitability and lower sales in the long run. Is your company planning for potential slower sales in 2017? What have you done with your supply chain and customers? If you have not already planned for the second half of 2017, or even that start of 2018, you are likely already behind.

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