

As the COVID-19 situation continues to develop, J.D. Power Valuation Services is committed to supporting our industry through this unprecedented time.

What follows are our insights through the week ending April 19.

## The Takeaways

- New-vehicle retail sales are now in recovery. The week ending April 19 marks the third consecutive week of improving new market conditions. While several markets remain depressed, all major markets are showing signs of recovery.
- Wholesale auction activity continues to be depressed; however, activity is improving. Wholesale sales improved for the second week in a row as has the rate of decline in auction prices.
- J.D. Power's used wholesale price expectations have been refined. Our Likely scenario has prices down 8% to 11% through June before beginning to recover.

## New and Used Market Performances (Through the Week Ending April 19):

### New Vehicles: Retail Sales Recovery Has Begun

The J.D. Power pre-virus forecast for 2020 was 16.8 million new-vehicle total sales and 13.4 million retail sales, representing declines of 1.9% and 2.6%, respectively, versus 2019.

New-vehicle sales continue to improve in April, with the week ending April 19 marking three straight weeks of improving conditions. For the week ending April 19, retail sales were down 48% from the pre-virus forecast, an improvement over the 51% decline for the week ending April 12. Approximately 294,000 new vehicles have been retailed month-to-date through April 19, a decline of 51% compared with the pre-virus forecast.

While April month-to-date regional sales declines are severe, most markets are outperforming the expected 80% decline in sales based on stay-at-home guidance. For the week ending April 19, nearly all markets are showing signs of growth from the depressed volumes seen in prior weeks as dealers adapt to conditions and selling regulations are clarified.

The pre-virus forecast for April 2020 was 1.36 million total sales and 1.09 million retail sales, representing declines of 0.8% and 1.1%, respectively, versus April 2019. The J.D. Power April outlook for full-month retail sales is 500,000-613,000 units. This is a decline of between 43%-54% from the pre-virus forecast, representing a volume decline of 472,000-585,000 units.

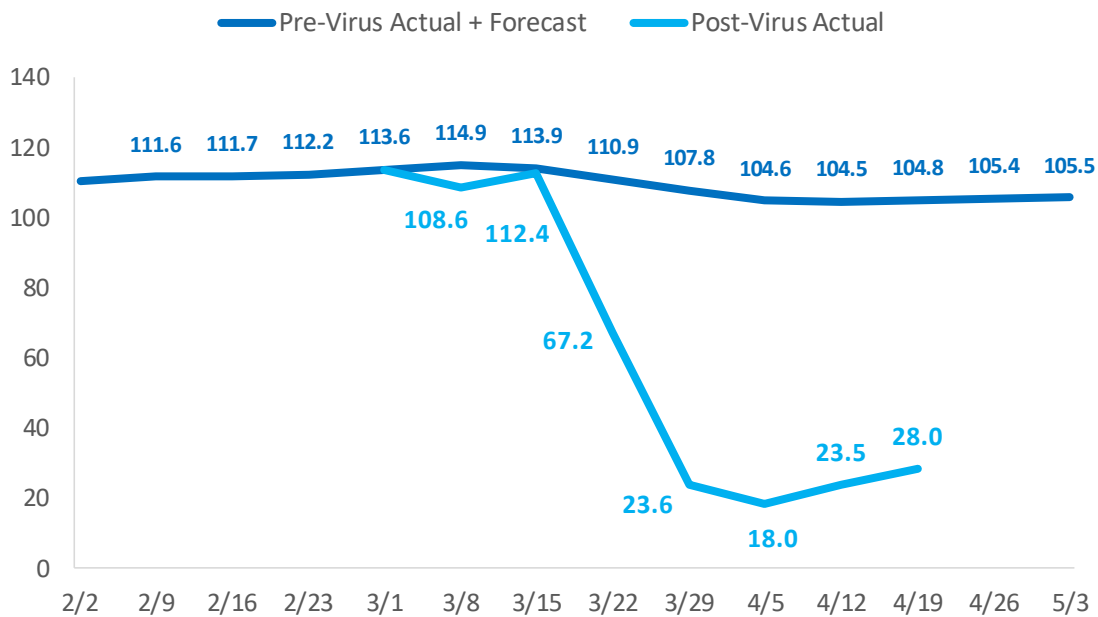
The retail sales outlook for March through July continues to improve. The current expectation is that 0.9-1.8 million retail sales will be removed over the five months of March through July. The key driver of the actual outcome will be the degree in deterioration experienced in economic conditions. The full-year retail sales outlook is now 11.3-12.5 million versus a pre-virus baseline of 13.4 million, while the 2020 full-year outlook for total sales is now 12.6-14.5 million versus a pre-virus baseline of 16.8 million.

## Used Vehicles: Auction Activity Improves for Second Consecutive Week

Wholesale auction activity remains well below average. However, sales are moving in a positive direction as auction houses are now open and focusing entirely on simulcast sales. Wholesale auction sales reached nearly 28,000 units the week ending April 19, a 19% lift over the prior week’s 23,500 units<sup>1</sup>.

Volume over the first three weeks of April was 80% below April 2019 and 78% lower than our pre-outbreak forecast. Auction volume has now totaled just 160,000 units since virus-related disruptions began in mid-March. This reflects a decline of 368,000 units, or 70%, versus our pre-virus forecast and a loss of 419,000 units versus the same period in 2019.

### Weekly Wholesale Auction Volume (000s)



*Note: Vehicles up to 8 years old.*

At the segment level, sales remain low across the board, but most segments experienced positive movement for the period ending April 19 when compared to the week ending April 12. Double-digit gains were recorded for 14 segments across both the mainstream and premium sides of the market. The large pickup, small SUV, and large premium SUV segments experienced volume increases of more than 32% for the week. Only two segments posted declines, specifically the small car and small premium SUV segments where volume fell by 7% and 18% respectively.

<sup>1</sup> Lagging reported sales for the week ending April 12 added ~4,300 sales to the previously report ~19,200-unit total.

While sales continue to recover for higher volume segments, totals remain well below pre-virus levels. For example, midsize car sales reached 4,300 units last week, down from the roughly 16,900 units sold during the same period in 2019 and the approximately 16,500 units sold per week average over the first two weeks of March 2020.

### Segment Auction Volume (000s)

Segment	YTD			Week Ending			Weekly Change	
	Apr-19	Mar-20	Apr-20 MTD	4/5/2020	4/12/2020	4/19/2020	Δ 4/12 v. 4/19	
MAINSTREAM	Compact Car	71.0	44.5	7.6	2.6	3.5	4.1	+15%
	Compact SUV	58.0	37.4	6.8	2.3	3.0	3.8	+28%
	Large Car	17.7	10.4	1.9	0.7	0.9	1.0	+4%
	Large Pickup - Light Duty	41.2	28.6	4.8	1.6	2.1	2.7	+32%
	Large SUV	9.0	6.7	0.7	0.3	0.3	0.4	+22%
	Midsize Car	73.2	45.9	8.0	2.8	3.8	4.3	+12%
	Midsize Pickup	7.0	4.7	0.9	0.4	0.4	0.5	+11%
	Midsize SUV	55.1	38.4	5.4	1.9	2.4	3.0	+28%
	Midsize Van	13.2	9.0	1.4	0.5	0.6	0.8	+26%
	Small Car	16.0	12.0	2.4	0.8	1.2	1.1	-7%
Small SUV	21.3	16.4	2.5	0.9	1.1	1.4	+33%	
PREMIUM	Compact Premium Car	20.8	10.2	1.8	0.5	0.8	1.0	+28%
	Compact Premium SUV	8.1	5.0	0.7	0.2	0.3	0.4	+2%
	Large Premium Car	2.3	1.3	0.2	0.1	0.1	0.1	+6%
	Large Premium SUV	4.2	2.6	0.4	0.1	0.2	0.2	+34%
	Midsize Premium Car	11.1	4.8	0.7	0.3	0.3	0.4	+12%
	Midsize Premium SUV	15.5	8.1	1.3	0.4	0.6	0.7	+21%
	Small Premium Car	3.0	2.1	0.3	0.1	0.1	0.2	+18%
	Small Premium SUV	2.0	1.4	0.2	0.1	0.1	0.1	-18%

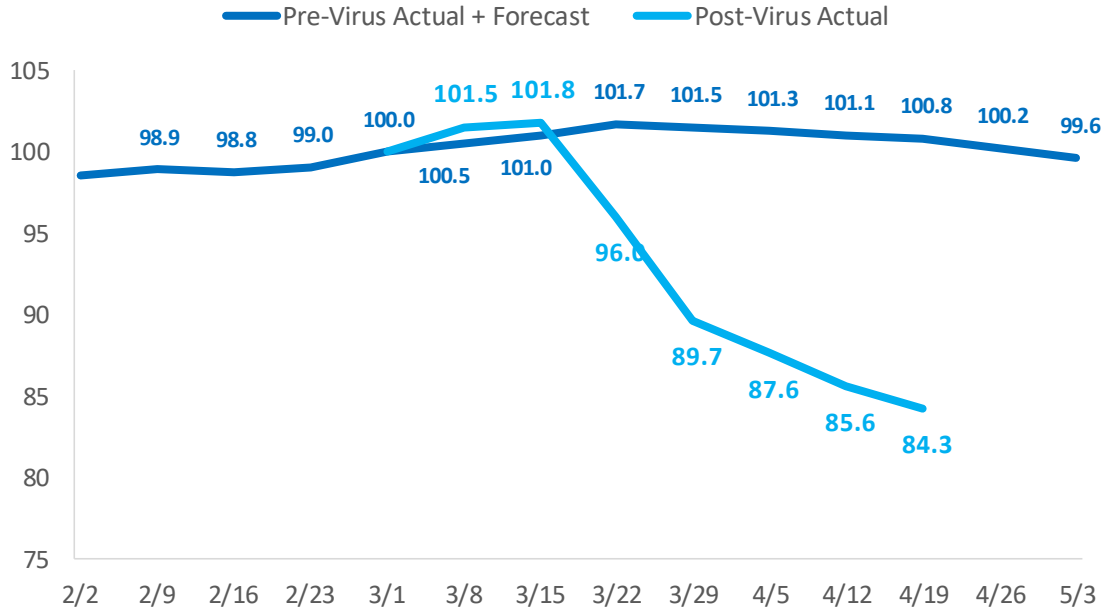
Note: Vehicles up to 8 years old.

### Wholesale Price Declines Slow

While wholesale volumes increased, auction prices fell once again. However, the degree of decline slowed from 2.3% for the week ending April 12 to 1.6% the week ending April 19. The improvement in the rate of decline is a positive indicator, but the wholesale auction market still has a long way to go before resembling anything close to normal.

Similar to what we have observed over recent weeks, segment level performances were once again mixed. However, these results must be viewed within the context of current volume levels. In general, we continue to observe softness in compact, small, and midsize car prices, which exhibited the greatest strength in the pre-virus months leading up to March 2020.

## Weekly Wholesale Auction Price Index



Note: Vehicles up to 8 years old. March 1 = 100.

## Segment Auction Prices (000s)

Segment	Auction Price (000s)								Weekly Change	
	3/1/2020	3/8/2020	3/15/2020	3/22/2020	3/29/2020	4/5/2020	4/12/2020	4/19/2020	Δ 4/5 v. 4/12	
<b>MAINSTREAM</b>										
Compact Car	\$8.4	\$8.7	\$8.7	\$8.0	\$7.3	\$7.1	\$6.9	\$6.8	-2%	
Compact SUV	\$13.5	\$13.7	\$13.8	\$13.1	\$12.3	\$12.0	\$11.8	\$11.5	-3%	
Large Car	\$12.4	\$12.7	\$12.8	\$12.1	\$11.3	\$11.4	\$11.0	\$10.9	-1%	
Large Pickup - Light Duty	\$21.4	\$21.6	\$21.7	\$20.9	\$20.0	\$19.6	\$19.5	\$19.1	-2%	
Large SUV	\$31.7	\$32.0	\$32.0	\$30.9	\$29.6	\$29.6	\$29.5	\$29.7	+1%	
Midsize Car	\$9.7	\$10.0	\$10.0	\$9.3	\$8.6	\$8.3	\$8.0	\$7.8	-2%	
Midsize Pickup	\$18.9	\$19.2	\$19.4	\$18.6	\$17.4	\$17.5	\$16.7	\$17.2	+3%	
Midsize SUV	\$17.2	\$17.6	\$17.6	\$16.8	\$16.0	\$15.6	\$15.3	\$15.0	-2%	
Midsize Van	\$13.5	\$13.8	\$13.9	\$13.1	\$12.1	\$11.6	\$11.1	\$11.2	+1%	
Small Car	\$6.1	\$6.3	\$6.3	\$5.7	\$5.3	\$5.2	\$4.9	\$4.8	-2%	
Small SUV	\$11.9	\$12.1	\$12.2	\$11.6	\$10.8	\$10.4	\$10.4	\$10.2	-3%	
<b>PREMIUM</b>										
Compact Premium Car	\$16.0	\$16.2	\$16.3	\$15.4	\$14.6	\$14.4	\$14.0	\$14.4	+3%	
Compact Premium SUV	\$20.9	\$21.0	\$21.1	\$20.2	\$19.5	\$19.1	\$18.7	\$18.7	-0%	
Large Premium Car	\$29.2	\$29.4	\$30.2	\$29.0	\$28.5	\$27.2	\$27.6	\$27.2	-2%	
Large Premium SUV	\$35.4	\$35.3	\$35.0	\$33.9	\$32.4	\$33.1	\$31.6	\$32.1	+2%	
Midsize Premium Car	\$18.7	\$19.1	\$19.2	\$18.3	\$17.3	\$17.5	\$17.2	\$17.2	+0%	
Midsize Premium SUV	\$23.3	\$23.6	\$23.5	\$22.7	\$21.5	\$21.6	\$21.3	\$21.4	+1%	
Small Premium Car	\$13.6	\$13.8	\$14.1	\$12.9	\$12.2	\$11.6	\$11.6	\$11.6	+0%	
Small Premium SUV	\$16.9	\$17.2	\$17.4	\$16.5	\$15.4	\$14.8	\$15.1	\$15.0	-1%	

Note: Vehicles up to 8 years old.

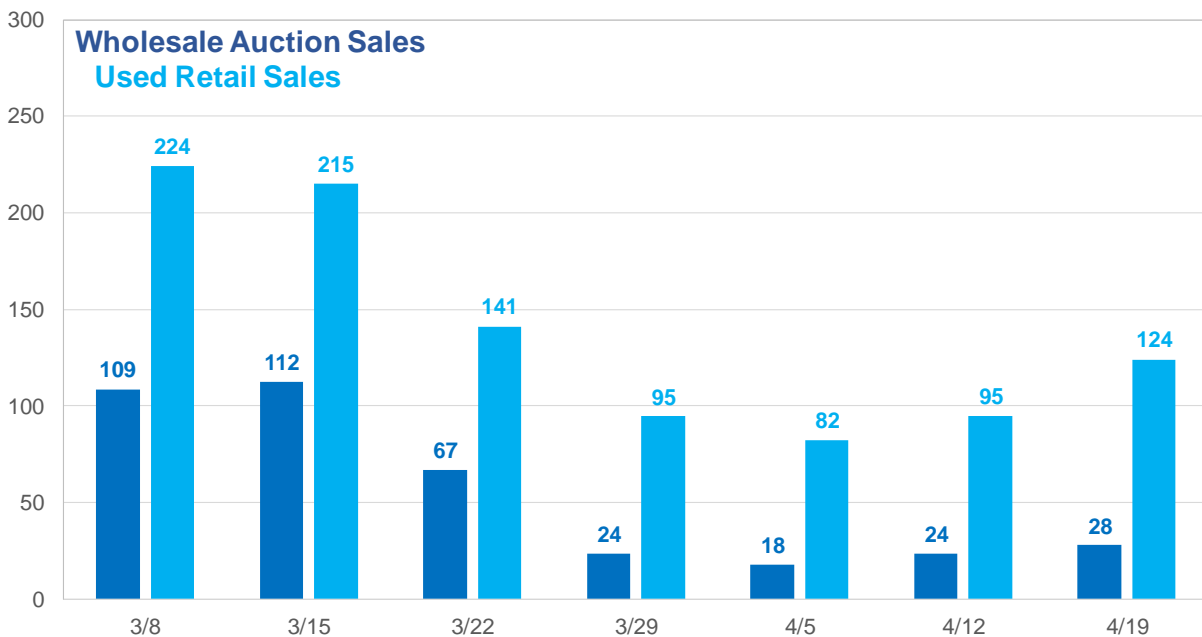
## Used Retail Sales Volumes Improve

Used sales at franchise dealers remain depressed, however, not nearly to the same extent as wholesale auction sales. Retail sales totaled just under 400,000 units over the four-weeks ending April 19, while wholesale auction sales reached just 93,000 units. To put this in perspective, pre-virus there were approximately two used retail sales at franchise dealers for every auction sale. This ratio has averaged more than four used retail sales per auction sale since the week ending March 29. This indicates that franchise dealers are selling down their used retail inventory, much of which was likely purchased pre-virus, and are reluctant to purchase replacement units.

Used retail volumes were down 44% the week ending April 19 versus the same week in 2019. The week's result represents an improvement over the prior week's 57% loss compared to the same week in 2019. Month-to-date used retail sales are down 54%, or 322,000 units, versus the same period in 2019. Sales in March 2020 were down 38% from the same month in 2019.

Used retail prices continue to be fairly strong as consumers are paying similar amounts relative to pre-virus levels. Retail prices have fallen by an average of just 0.5% on a weekly basis over the past three weeks and are down 2% versus the beginning of March, a large 14-point improvement over wholesale losses.

### Used Retail Sales Volume @ Franchise Dealers versus Wholesale Sales Volume (000s)



## Used Supply Outlook

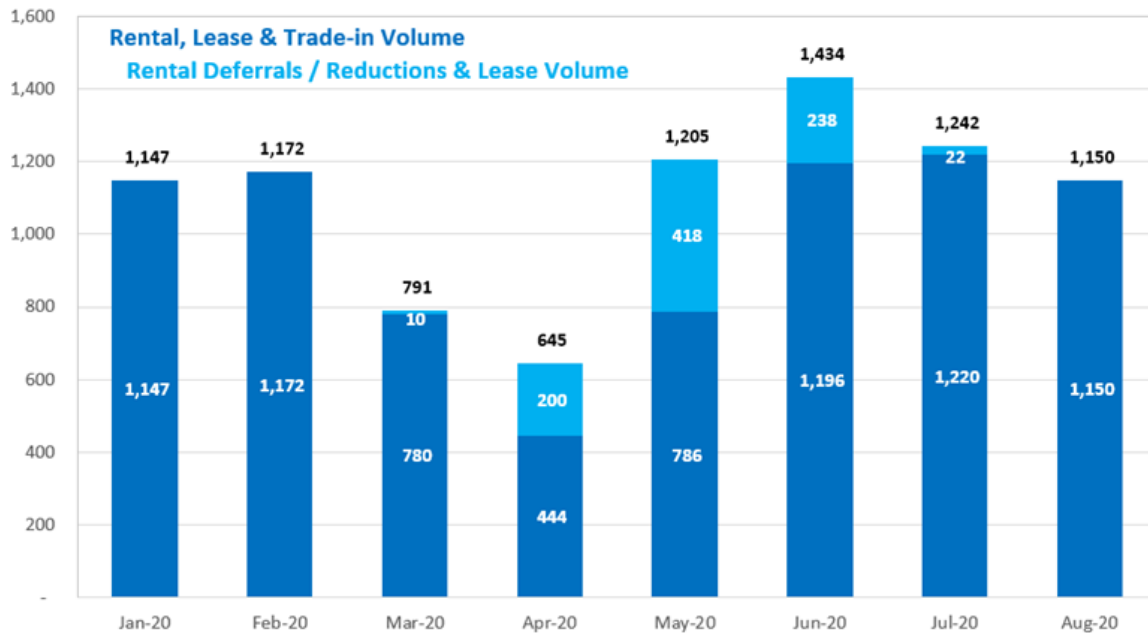
The pandemic has severely disrupted the inflow of rental, lease, and trade-in volume. As such, supply outflow over the coming months will also be impacted. Expectations are that the majority of deferred rental and lease sales from March and April, as well as rental units that will be sold due to fleet reductions, will be remarketed by the end of June. Trade-in volume expectations will be lower over the period due to the reduction in new and used retail sales as covered earlier in this report.

Taken as a collective, pre-virus expectations for rental, lease and trade-in volume averaged ~1.25M units per month over the March – June 2020 timeframe<sup>2</sup>. Current expectations are that an average of just over 1M units will enter the used market per month over this period.

We estimate that ~480,000 rental and lease return and trade-in units were removed or deferred from the market during March (relative to our pre-virus outlook). Current expectations are that an additional 557,000 units will be removed or deferred in April 2020 versus our pre-virus expectations.

Deferred rental and lease volume, and volume related to rental fleet reductions, is expected to return to market in larger quantities in May and June. Despite the increase in rental and lease volume, however, the anticipated decline in trade-ins through May will lead to a roughly 63,000-unit reduction in volume versus our pre-virus expectations. In June, however, an expected improvement in new and used retail sales will lead to a recovery in trade-in volume. This, combined with the continued disbursement of rental and lease volume, will lead to a 160,000-plus unit increase in total volume over our pre-virus expectations.

### Rental, Lease, and Trade-in Supply Outlook (000s)



<sup>2</sup> Vehicles up to 8 years in age.

Currently, we expect a relatively small number of the deferred rental / lease volume, and volume associated with rental fleet reductions, to return to market in July and August. Volume conditions are expected to return to our pre-virus expectations by the end of the summer.

Note that lease and trade-in expectations are predicated on data and insight derived from J.D. Power’s Power Information Network (PIN). Rental assumptions are based on an analysis of historical new vehicle sales to rental fleets, typical and observed rental volume at wholesale auction, and an assessment of rental fleet utilization moving forward.

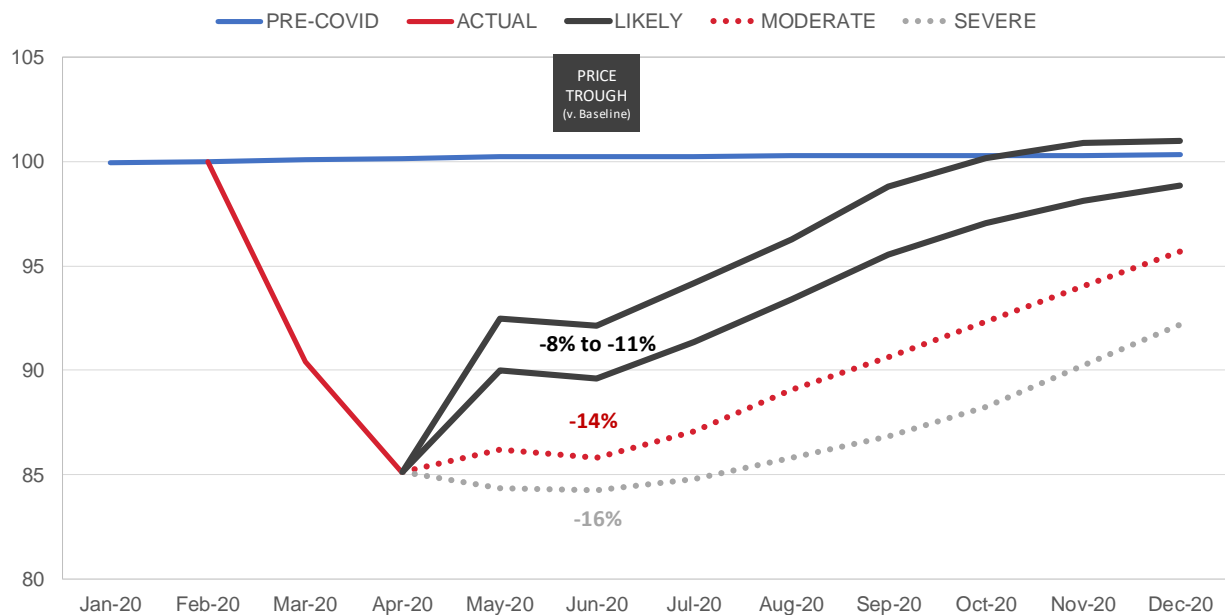
Note, too, that changing virus, market, and macro-economic conditions can drive changes in our outlook moving forward.

### Used Vehicle Price Expected to Decline 4% to 6% Versus 2019

The used vehicle market, particularly wholesale auction activity, will continue to experience substantial volatility as it reacts to the evolving COVID-19 situation. Wholesale prices are currently 15% below their pre-virus levels in early March, and represent a market fractured by extreme supply and demand.

While severely depressed, wholesale prices are expected to recover from their current lows, with duration and degree dependent on the lifting of stay-at-home orders and the extent of stimulus impact.

### Auction and Direct-to-Dealer Wholesale Price Outlook



Valuation Services continues to closely monitor the situation and make refinements to our forecast by using the latest data and market intelligence information. Currently our latest forecast expects used prices to follow our Likely Scenario in the above chart. Prices are forecast to decline between 8%-11% through June before improving as the country opens back up. The low point of this range is only mildly different than the 7% figure we have reported in previous updates. However, we have added guidance to reflect the potential downside risk under a Likely scenario.

Our outlook is centered on macroeconomic expectations, particularly the expectation that the country will continue to experience significant job losses through the second quarter, followed by a gradual recovery in the second half of the year. Under our Likely Scenario, prices are expected to be down 4% to 6% on a full-year basis versus 2019. This compares to our pre-virus expectation that used prices would be flat-to-up by 1%. Prices in Q4 will be flat to down 2% versus pre-virus expectations. Given the highly uncertain nature of the COVID-19 pandemic, this forecast is subject to change in the coming weeks.

## **Supplemental Weekly Valuation Updates**

Valuation Services will continue to implement weekly updates to our monthly values to provide clients with the up-to-date information needed to make sound business decisions in these uncertain times.

Clients can choose to use valuations published at the start of a given month / edition (e.g., May 2020 values released at the end of April), or they can elect to use the weekly revisions over the course of the month (e.g., revised May 2020 values released in mid-May). The next update to April 2020 values will be released to NADA Online on Monday, April 27.

Weekly adjustments for the month of April stood at -2.9% versus March 2020 through the week ending April 19. This compares to relatively flat edition-to-edition movement for the initial April 2020 publication.

For more information regarding weekly value updates, methodology, or any other questions please visit [www.nada.com/b2b](http://www.nada.com/b2b).

As we continue to support each other, we at J.D. Power stand firm in our commitment to ensure our customers have access to powerful data and valuable insights to help them make the right decisions for their businesses. Please feel free to call us at 800-544-6232 Monday through Friday 8:30 a.m.-6 p.m. EDT or email us with your questions any time.

Thank you,

J.D. Power Valuation Services Team

Larry Dixon

[larry.dixon@jdpa.com](mailto:larry.dixon@jdpa.com)

David Paris

[david.paris@jdpa.com](mailto:david.paris@jdpa.com)