

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 12.

The Takeaways

- New-vehicle sales April month-to-date exhibited resilience given the substantial headwinds posed by the pandemic. The better than expected performance reflects the net effect of dealers revising sales processes to accommodate safety protocols, the underlying demand for vehicles, and compelling incentives from manufacturers.
- While wholesale auction activity remains severely constrained, the restart of simulcast sales at a large auction house the week ending April 12 appears to have provided some lift in activity.
- The J.D. Power used price forecast remains unchanged. Prices are expected to fall 7% through June before the recovery begins.

New and Used Market Performances (Through the Week Ending April 12):

New Vehicles: Sales Outlook is Improving

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, vs. 2019.

New-vehicle sales April month-to-date exhibited resilience given the substantial headwinds posed by the pandemic. For the week ending April 12, retail sales are down 54% from the pre-virus forecast, similar to the decline for the week ending April 5. Approximately 157,000 new vehicles have been retailed month-to-date through April 12, a decline of 55% compared with the pre-virus forecast.

Widespread stay-home orders had the potential to reduce sales by 80% based on sales declines observed in some larger markets such as San Francisco. However, the effect on most markets has been significantly smaller. This better than expected performance reflects the net effect of dealers revising sales processes to accommodate safety protocols, the underlying demand for vehicles and compelling incentives from manufacturers.

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, vs. April 2019. The J.D. Power April outlook for full-month retail sales is 412,000-558,000 units. This is a decline of between 49%-62% from the pre-virus forecast, representing a volume decline of up to 673,000.

The retail sales outlook for March through July is improving. The current environment is projected to remove 1.0 to 2.0 million retail sales over the five months spanning March through July. The key driver of the actual outcome will be the duration and severity of stay-home regulations. To date, 578,000 new vehicle retail sales have been removed from March and April due to virus effects.

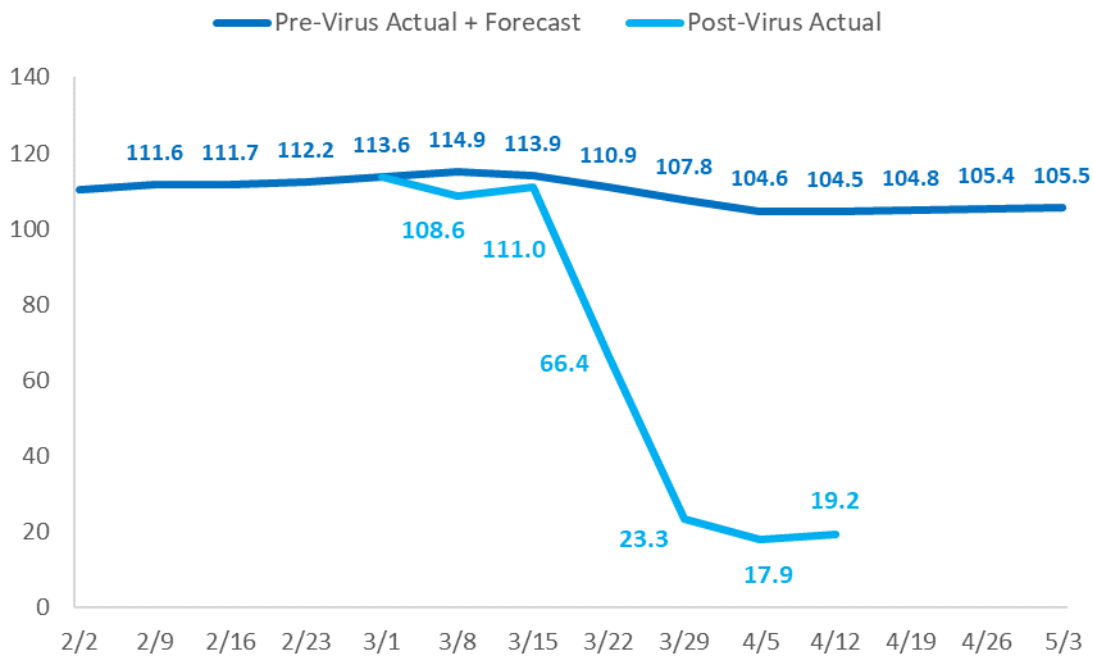
Full-year retail sales outlook is now 11.2-12.5 million (the previous outlook was 10.5-12.5 million) vs. a pre-virus baseline of 13.4 million. The 2020 full-year outlook for total sales is now 12.5-14.5 million (previous outlook was 12.2-14.9 million) vs. a pre-virus baseline of 16.8 million.

Used Vehicles: Auction Activity Remains Depressed, but Ticks Up Slightly

Wholesale auction activity remains severely constrained, however, the restart of simulcast sales by ADESA during the week appears to have provided a bit of a lift to activity. Wholesale auction sales topped 19,000 units the week ending April 12, a small 7% rise vs. the prior week’s skeletal 17,900 units¹.

Volume over the first two weeks of April was 80% below both April 2019 and our pre-outbreak forecast. Auction volume has totaled fewer than 130,000 units since virus-related disruptions began in earnest in mid-March. This reflects a decline of 300,000 units, or 70%, versus our pre-virus forecast and a loss of 340,000 units vs. the same period in 2019.

Weekly Wholesale Auction Volume (000s)



Note: Vehicles up to 8 years old.

¹ Lagging reported sales for the week ending April 5 added ~3,000 sales to the previously report ~15,000-unit total.

Volume for many segments remains exceptionally low. This is especially true on the premium side of the market where volume for numerous segments hovered around 100 units. While volume did rise a bit for higher volume mainstream segments, totals remain well below pre-virus levels. For example, compact car sales reached 2,800 units last week, down from the roughly 15,500 units sold per week back in February.

Segment Auction Volume (000s)

	Segment	YTD			Week Ending			Weekly Change Δ 4/5 v. 4/12
		Apr-19	Mar-20	Apr-20 MTD	3/8/2020	3/15/2020	3/22/2020	
MAINSTREAM	Compact Car	71.0	44.5	4.4	3.5	2.6	2.8	+7%
	Compact SUV	58.0	37.4	4.1	2.9	2.3	2.5	+11%
	Large Car	17.7	10.4	1.2	0.9	0.7	0.7	+4%
	Large Pickup - Light Duty	41.2	28.6	2.8	1.9	1.6	1.6	+2%
	Large SUV	9.0	6.7	0.4	0.3	0.3	0.2	-21%
	Midsize Car	73.2	45.9	4.7	3.7	2.8	3.0	+8%
	Midsize Pickup	7.0	4.7	0.6	0.4	0.4	0.4	+4%
	Midsize SUV	55.1	38.4	3.2	2.5	1.9	1.9	+0%
	Midsize Van	13.2	9.0	0.8	0.7	0.5	0.5	+5%
	Small Car	16.0	12.0	1.2	1.1	0.8	1.0	+28%
Small SUV	21.3	16.4	1.5	1.2	0.9	0.9	+4%	
PREMIUM	Compact Premium Car	20.8	10.2	1.0	0.8	0.5	0.7	+26%
	Compact Premium SUV	8.1	5.0	0.5	0.4	0.2	0.3	+30%
	Large Premium Car	2.3	1.3	0.1	0.1	0.1	0.1	-15%
	Large Premium SUV	4.2	2.6	0.2	0.2	0.1	0.1	+9%
	Midsize Premium Car	11.1	4.8	0.5	0.3	0.3	0.3	-3%
	Midsize Premium SUV	15.5	8.1	0.8	0.6	0.4	0.5	+25%
	Small Premium Car	3.0	2.1	0.2	0.1	0.1	0.1	+42%
Small Premium SUV	2.0	1.4	0.2	0.1	0.1	0.1	+65%	

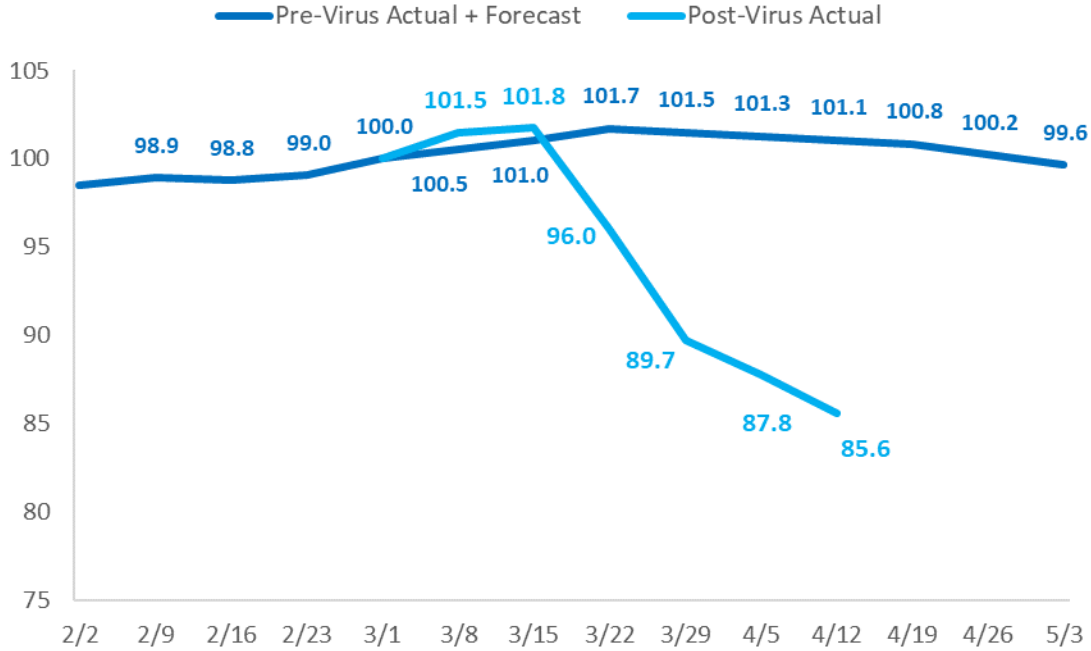
Note: Vehicles up to 8 years old.

Wholesale Prices

While volume leveled off, wholesale auction prices fell once again, dropping 2.5% the week ending April 12. This essentially matches the prior week's decline with auction prices ended the week 15% below our pre-virus forecast. Clearly the wholesale auction market has some way to go before resembling anything close to a normal functioning market.

Segment level performances were mixed, but again, results must be viewed within the context of current volume levels.

Weekly Wholesale Auction Price Index



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

Segment Auction Prices (000s)

	Segment	Auction Prices (000s)							Weekly Change	
		3/1/2020	3/8/2020	3/15/2020	3/22/2020	3/29/2020	4/5/2020	4/12/2020	Δ 4/5 v. 4/12	
MAINSTREAM	Compact Car	\$8.4	\$8.7	\$8.7	\$8.0	\$7.3	\$7.1	\$6.9	-4%	
	Compact SUV	\$13.5	\$13.7	\$13.8	\$13.1	\$12.3	\$12.0	\$11.8	-2%	
	Large Car	\$12.4	\$12.7	\$12.8	\$12.1	\$11.3	\$11.4	\$11.0	-3%	
	Large Pickup - Light Duty	\$21.4	\$21.6	\$21.7	\$20.9	\$20.0	\$19.6	\$19.4	-1%	
	Large SUV	\$31.7	\$32.0	\$32.0	\$30.9	\$29.7	\$29.7	\$29.7	+0%	
	Midsize Car	\$9.7	\$10.0	\$10.0	\$9.3	\$8.6	\$8.3	\$8.0	-4%	
	Midsize Pickup	\$18.9	\$19.2	\$19.4	\$18.6	\$17.4	\$17.5	\$16.7	-4%	
	Midsize SUV	\$17.2	\$17.6	\$17.6	\$16.8	\$16.0	\$15.6	\$15.3	-2%	
	Midsize Van	\$13.5	\$13.8	\$13.9	\$13.1	\$12.1	\$11.6	\$11.0	-5%	
	Small Car	\$6.1	\$6.3	\$6.3	\$5.7	\$5.3	\$5.2	\$5.0	-3%	
Small SUV	\$11.9	\$12.1	\$12.2	\$11.6	\$10.9	\$10.4	\$10.4	+0%		
PREMIUM	Compact Premium Car	\$16.0	\$16.2	\$16.3	\$15.4	\$14.6	\$14.4	\$14.1	-2%	
	Compact Premium SUV	\$20.9	\$21.0	\$21.1	\$20.2	\$19.5	\$19.1	\$18.7	-2%	
	Large Premium Car	\$29.2	\$29.4	\$30.2	\$28.9	\$28.4	\$27.3	\$28.7	+5%	
	Large Premium SUV	\$35.4	\$35.3	\$35.0	\$33.9	\$32.3	\$33.2	\$31.6	-5%	
	Midsize Premium Car	\$18.7	\$19.1	\$19.2	\$18.3	\$17.3	\$17.4	\$17.2	-1%	
	Midsize Premium SUV	\$23.3	\$23.6	\$23.5	\$22.7	\$21.5	\$21.5	\$21.4	-1%	
	Small Premium Car	\$13.6	\$13.8	\$14.1	\$12.9	\$12.2	\$11.7	\$12.0	+2%	
	Small Premium SUV	\$16.9	\$17.2	\$17.4	\$16.5	\$15.5	\$14.9	\$15.2	+2%	

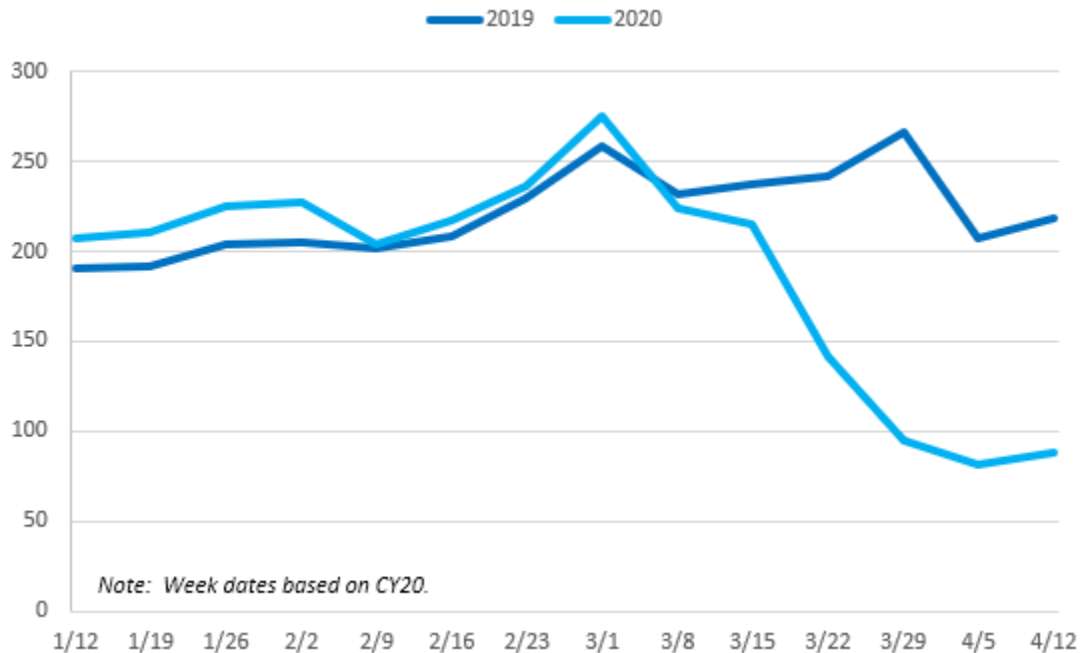
Note: Vehicles up to 8 years old.

Used Retail Sales

Used sales at franchise dealers were down 59% the week ending April 12 vs. the same week in 2019. The week's result is roughly equivalent to the prior week's 61% loss. Month-to-date used retail sales are down 63% or 265,000 units vs. the same period in 2019. Sales in March were down 38% on a prior-year basis.

Used retail prices continue to outperform wholesale results, with prices falling 1% last week vs. the week prior. The difference in wholesale and retail price performance is due to a large disparity in sales activity. While both have been significantly disrupted, franchise dealers used vehicle sales were approximately 3 times greater than wholesale sales over the past four weeks. On a mix adjusted basis, retail prices finished the week of April 12 down just 1.2%, or \$260, from levels recorded at the end of February.

Used Retail Sales Volume @ Franchise Dealers (000s)



Source: J.D. Power Power Information Network (PIN)

Used Vehicle Price Forecast Remains Unchanged

As shared in previous reports, the used vehicle market, particularly wholesale auction activity, will continue to experience substantial volatility as it reacts to the evolving COVID-19 situation.

As of this time, we still expect used prices to fall 7% through June 2020 before beginning to recover. The outlook is centered on macroeconomic expectations, particularly the expectation that the country will experience significant job losses through the second quarter, followed by a gradual recovery in the second half of the year. Our forecast has prices falling by 2% on a full-year basis vs. 2019. This compares to our pre-virus expectation that used prices would be flat-to-up by 1%. 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 20.

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

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