JANUARY 2019

Wholesale Prices Decline in December
Prices down by an average of 2.2%

Used Vehicle Price Index Down
Index falls to 119.6

New Vehicle Sales Increase in 2018
New vehicle sales reach 17.22M units

Incentive Spending Declines
Incentives decrease by 3.6% to $4,278 per unit
NEW & USED MARKET UPDATE

USED MARKET UPDATE

The used vehicle market experienced a decline once again in December, marking the fourth consecutive month of declines, which is a typical result for the period. As a result, the J.D. Power Valuation Services’ Seasonally Adjusted Used Vehicle Price Index declined by 0.4 point – relative to November – to 119.6. Despite the index’s decline towards the end of the year, it closed out 2018 at its highest level since early 2016. Overall, 2018 shaped up to be an exceptionally strong year for used vehicles relative to 2017, prices grew by a healthy 2.9%, which was supported primarily by mainstream segment growth.

On an annual basis, prices for mainstream passenger car segments were the strongest. Compact car prices ended 2018 around 9% above their position in 2017, while mid-size car prices grew by around 7%. Mainstream SUV prices also increased in 2018, however not nearly to the same level as their car counterparts. One of the primary drivers was the increase in used SUV supply. However, despite these increases in supply, there was still healthy demand for SUVs which helped keep segment price movement positive. As a result, compact utility prices ended the year 2% above 2017’s level, while mid-size utility prices increased by nearly 5%

The premium side of the industry did not perform nearly as well. Prices ended the year down for nearly all segments, with some of the worst losses observed in the luxury mid-size car segment, which has seen steady year-over-year declines since 2012. Prices for this segment declined by over 7% in 2018.

In non-index terms, wholesale prices of used vehicles up to 8-years in age fell by 2.2% in December relative to November. December’s performance was nearly identical to the period’s result in 2017. However, looking back further, the previous 5-year average for the period averaged a lesser 1%.
Wholesale losses at the segment level were mixed in December. On the mainstream side, declines fell within a tight range except for large utility whose prices fell 3.8%. This segment did experience the largest wholesale volume increase on the mainstream side of the market in 2018, up over 26%, which certainly didn’t help support prices. Overall, in 2018 large utility experienced price a price loss of over 4% for the year relative to 2017.

On the premium side of the market, luxury compact and luxury mid-size car losses reached 3% or higher for the month, while luxury large car and luxury compact utility losses were much leaner at 1.3% apiece.

**AUCTION VOLUME TRENDS**

Auction volume for units up to five years in age declined by 9% compared to November, but increased by a slight 0.2% relative to November 2017. As a result, 0-5-year-old volume ended the year 4.4% above 2017’s level. The largest volume increases were observed among SUV segments. This is a trend that will continue as more of these models are sold on the new side of the market. In terms of volume share, truck share grew to 49% for the year. Looking forward, used supply is expected to increase once again, peaking in 2019 before leveling off in subsequent years.

**2019 FORECAST**

In terms of full-year 2019 expectations, the used market is expected to cool off in 2019 as prices are forecast to decline by around 1.1%. There should be increases in used supply once again this year along with more volatile credit conditions which are expected to apply downward pressure on the used side of the market. Gasoline prices and labor conditions are expected to have neutral impacts, while overall demand and consumers appetite for used cars, which is supported by increases in equipment as well as more advanced safety and technology features, will help to balance out but not outweigh the anticipated negatives for the year.
**NEW VEHICLE SALES**

**NEW SALES CLOSE OUT 2018 STRONG**

The new vehicle market remained positive in December, as a result the seasonally adjusted annual rate (SAAR) grew to 17.51 million. December 2018’s SAAR was 1% greater than its level during the same period in 2017.

**NEW VEHICLE SALES**

Overall, new vehicle sales increased in December relative to the same period in 2017. The month’s result brought 2018’s final tally to 17.22 million units, up 0.5% compared to 2017’s result. Light-truck penetration reached 69.2% on an annual basis in 2018, compared to 30.8% for passenger cars. Looking back to 2017, light-truck share represented a lesser 64.5% of the market compared to 35.5% for passenger cars.

At the manufacturer and brand level, Fiat Chrysler recorded the strongest annual performance among the big three domestic automakers. Sales at FCA grew by 8.7% in 2018, while Ford and General Motors both experienced declines, down 3.7% and 1.6%, respectively. Looking at import automakers, Honda, Nissan and Toyota sales all declined in 2018, sales fell by respective figures of 2.2%, 6.2% and 0.3%. As for premium automakers, Volvo recorded an impressive 20.6% increase in 2018 while Jaguar Land Rover and Porsche sales grew by 7.3% and 3.2%, respectively.

**INCENTIVE SPENDING DECLINES**

Automakers decreased incentive spending once again in December. According to Power Information Network (PIN) data from J.D. Power, incentive spending per unit fell on a year-over-year basis for the sixth consecutive month in December. This comes after 54 months of increases. In December spending dropped 3.6% to $4,278 per unit. Incentive spending as a percent of MSRP fell to 10.5%, which was in line with what was observed in December 2016.
New & Used Market Trends [cont.]

**DECEMBER INVENTORY DECLINES TO 61 DAYS**

According to WardsAuto, total supply level fell to 61 days for the period, matching December 2017. On a month-over-month basis, supply fell by 11 days relative to November.

General Motors’ inventory was reduced to 67 days, which was good but not as lean as the 63 days the automaker recorded in December 2017. Ford Motor Company’s supply fell to 77 days, while FCA's inventory declined to 89 days. On the import side, Toyota Motor Sales’ supply was reduced to 48 days. Inventory for American Honda Motors fell to 59 days, while Nissan North America’s supply was reduced to a lean 51 days.

Subaru’s 26 days of supply remained lowest on the mainstream side of the industry. As for luxury automakers, Tesla’s 3-day inventory was the lowest on the premium side of the market.

**Source:** WardsAuto
ECONOMIC UPDATE

The Bureau of Economic Analysis’ (BEA) third estimate for third quarter 2018 GDP growth is 3.4%. The increase in GDP reflected an increase in personal consumption expenditures (PCE), private inventory investment, federal government spending, and state and local government spending. These increases were partly offset by negative contributions from exports and residential fixed investment. The third quarter GDP growth is slower compared to the second quarter 2018 GDP growth rate of 4.2%. Real GDP grew by an annual average of 2.6% in 2017, a marked increased from 1.8% growth during 2016.

Employment

The unemployment rate rose by 0.2% in December and the number of unemployed individuals increased to 6.3 million. Employment grew in health care, and professional and business services, construction and manufacturing. The U-6 unemployment rate which measures discouraged, part-time, or underemployed workers in the economy, is at 7.6% for the month of December and remains unchanged from November.

Non-farm employment increased by 312,000 jobs in December which was an increase following November’s growth of 176,000 jobs. Employment continued to trend up in several industries including manufacturing, construction, and health care while the wholesale and wholesale trade, information, and financial activities remained stagnant. The average monthly gain in jobs over the past 3 months stands at 254,000.

Wages

In December, average hourly earnings for all employees on private non-farm payrolls rose by 11 cents to $27.48. Over the year, average hourly earnings have increased by 84 cents, or 3.2 percent. Hourly wages in non-farm payrolls went from $27.37 to $27.48 and average weekly earnings increased by $6.53 from $941.53 to $948.06 compared to November.

Housing

The National Association of Realtors reported existing home sales at a seasonally adjusted annual rate of approximately 5.32 million homes during the month of November. This illustrated a increase of 1.9% from September and a decrease of 7.0% from November of last year. The median home price for existing home sales decreased to $257,700 in November however, it is still up 4.2% from November of last year. Total housing inventory at the end of November decreased from 1.85 million existing homes available for sale in October to 1.74 million however, this still reflects an 4.19% increase from a year ago.

Energy, Oil, Gas

Energy prices stabilized after falling into a bear market in November. Many factors contributed to the sudden and unexpected sharp selloff including surging production and Iran sanctions, which were not as stringent as once thought. U.S. gasoline prices averaged $2.37 per gallon in December, a decrease of 28 cents/gal as compared to November. The year-over-year increase in gasoline prices was approximately $0.09 per gallon (3.52%) higher than the prior year.

Brent crude oil prices averaged $67 per barrel in December which is down almost $7 from the November average. Prices have since fallen stabilized and remained stagnant. EIA estimates that U.S. crude oil production averaged 10.9 million barrels per day (b/d) in 2018, up 1.6 million barrels per day (b/d) in 2017. EIA projects that U.S. crude oil production will average 12.1 million b/d in 2019 and will average 12.19 million b/d in 2020.
AT J.D. POWER VALUATION SERVICES (FORMERLY NADA USED CAR GUIDE)

What’s New
NADA Values Online Now Features the VIN Based Option

You already use NADA Values Online to see all sides of every vehicle’s story. Now you can gain even greater insight with our new VIN Based Option feature, which provides a precise, uniquely adjusted valuation for specific used cars and light-duty trucks. The VIN Based Option utilizes packaging, content and descriptive features specific to each 17-character VIN, rather than just the 11-character VIN, to enhance and customize a vehicle’s valuation. This way, you can understand the valuable differences between two identical-seeming vehicles of the same year, make and model. Rely on the new VIN Based Option to:

- Reveal valuable vehicle equipment, trim and options
- Increase valuation accuracy and reduce risk
- Make more-informed business decisions

About J.D. Power

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About J.D. Power Valuation Services (formerly NADA Used Car Guide)

J.D. Power Valuation Services (formerly NADA Used Car Guide) is a leading provider of vehicle valuation products, services and information to businesses. Its team collects and analyzes over 1 million combined automotive and truck wholesale and retail transactions per month, and delivers a range of guidebooks, auction data, analysis and data solutions. J.D. Power acquired NADA Used Car Guide in 2015, forming a powerful combination that brings the
CONSULTING SERVICES

J.D. Power Valuation Services’ market intelligence team leverages a database of nearly 200 million automotive transactions and more than 100 economic and automotive market-related series to describe the factors driving current trends to help industry stakeholders make more informed decisions. Analyzing data at both wholesale and retail levels, the team continuously provides content that is both useful and usable to the automotive industry, financial institutions, businesses and consumers.

Complemented by J.D. Power Valuation Services’ analytics team, which maintains and advances its internal forecasting models and develops customized forecasting solutions for automotive clients, the market intelligence team is responsible for publishing white papers, special reports and the Used Car & Truck Blog. Throughout every piece of content, the team strives to go beyond what is happening in the automotive industry to confidently answer why it is happening and how it will impact the market in the future.

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ADDITIONAL RESOURCES

Guidelines
Updated monthly with a robust data set from various industry sources and J.D. Power Valuation Services’ proprietary analysis, Guidelines provides the insight needed to make decisions in today’s market.

Perspective
Leveraging data from various industry sources and J.D. Power Valuation Services’ analysts, Perspective takes a deep dive into a range of industry trends to determine why they are happening and what to expect in the future.

White Papers
J.D. Power Valuation Services’ white papers and special reports aim to inform industry stakeholders on current and expected used vehicle price movement to better maximize today’s opportunities and manage tomorrow’s risk.

Used Car & Truck Blog
Written and managed by the Market Intelligence team, the Used Car & Truck Blog analyzes market data, lends insight into industry trends and highlights relevant events.

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