JULY 2018

Wholesale Prices Decline in June
Prices fall by an average of 0.9%

Used Vehicle Price Index Increases
Index rises 1.2 points to 118.2

New Vehicle Sales Increase
Sales grow 5.4%, new vehicle SAAR reaches 17.38

Incentive Spending Increases
Incentives grow for 39th straight month
NEW & USED MARKET UPDATE

USED MARKET UPDATE

June was an especially strong month for the used vehicle market, therefore increasing the J.D. Power Valuation Services’ Seasonally Adjusted Used Vehicle Price by 1.2 points—compared with May—to reach 118.2. June’s above-average performance brought the index 4.1 points above June 2017, and 3.8 points above January 2018.

Historically over the past five years, June losses has averaged 2.2%, however, this June, wholesale prices of used vehicles up to eight years in age fell by 0.9% since May.

Losses at the segment level were less than historic norms across the board on both the Mainstream and Premium sides of the market. Midsize Pickups and Large Utilities segments returned the best performances for the month. Following the positive trend observed over the past several months, Midsize Pickup prices increased by 0.6%, despite the past five years’ price movement for this segment being flat to down slightly. June’s performance was the segment’s best result since 2009.

After declining by 6.3% in May, Large Utility prices bounced back slightly in June. This was the first time in 2018 that prices for the segment increased and the group’s best showing for the period since 2009. However, when looking at month-over-month price movement for this group, it’s important to remember that the overall sample size is small compared to others so any material change in prices is amplified.

At the opposite end of the spectrum, Premium segments recorded some of the largest losses for the month. Large Premium Car and Midsize Premium Car prices each fell by over 2%, followed closely by Midsize Premium SUV and Compact Premium Car with losses of 1.6% and 1.5% respectively. However, losses observed in these segments were less than what’s typically recorded for the period.
New & Used

**AUCTION VOLUME TRENDS**

Auction volume for units up to five years in age declined by 16.3% compared to May, and was 2.8% lower than recorded in June 2017. As a result, year-to-date late-model volume now sits 2.3% above year-ago levels and continues to increase with each passing month.

At the segment level, some of the largest volume increases are still observed among SUV segments. Compact Premium SUV volume is up 53.3% and Large SUV volume is up 26.3%. In terms of volume share, cars reached 52.2% and trucks are at 47.8%.

Overall, we are anticipating a 6.5% increase in supply for vehicles up to 5 years in age this year, which is slightly less than the 6.6% increase recorded in 2017. We believe that most of this year’s increase will be driven by a 14.2% increase in off-lease volume followed by an 8% increase in rental supply and 2.7% increase in regular retail purchase supply. Supply is expected to peak in 2019 before leveling off.

**2018 FORECAST**

For July, wholesale prices of vehicles up to 8 years in age are expected to decline by less than 1%. In terms of full-year expectations, with the exceptionally strong performances observed over the past few months, our forecast is improvement for the second month in a row. We expect used prices to increase by approximately 1% in 2018, up from the 0.8% we reported last month. Negative forecast factors hurting used vehicles continue to be incentives, an anticipated increase in used supply, worsening credit conditions and increasing gasoline prices. However, positive factors [e.g., favorable labor conditions, strengthening housing prices, long-term quality improvements] will outweigh the negatives.

**SALES ROSE AGAIN IN JUNE**

After increasing by 5% in May, June’s U.S. light-vehicle sales continued to rise. A robust economy and one additional selling day this year helped volume to surpass year-ago by almost 5%.
### Mainstream Brand Performance (Units Sold)

<table>
<thead>
<tr>
<th>Brand</th>
<th>June-18</th>
<th>Jun-17</th>
<th>CYTD-18</th>
<th>CYTD-17</th>
<th>Y/Y Change</th>
<th>CYTD/CYTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buick</td>
<td>17,325</td>
<td>19,299</td>
<td>109,695</td>
<td>110,316</td>
<td>-10.2%</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Chevrolet</td>
<td>176,261</td>
<td>169,605</td>
<td>1,018,086</td>
<td>967,884</td>
<td>3.9%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Chrysler</td>
<td>13,484</td>
<td>19,741</td>
<td>88,630</td>
<td>102,095</td>
<td>-31.7%</td>
<td>-13.2%</td>
</tr>
<tr>
<td>Dodge</td>
<td>46,387</td>
<td>42,550</td>
<td>250,933</td>
<td>260,980</td>
<td>9.0%</td>
<td>-3.8%</td>
</tr>
<tr>
<td>Fiat</td>
<td>1,426</td>
<td>2,242</td>
<td>8,285</td>
<td>14,682</td>
<td>-36.4%</td>
<td>-43.6%</td>
</tr>
<tr>
<td>Ford</td>
<td>213,992</td>
<td>211,748</td>
<td>1,189,033</td>
<td>1,208,046</td>
<td>1.1%</td>
<td>-1.6%</td>
</tr>
<tr>
<td>GMC</td>
<td>49,197</td>
<td>41,434</td>
<td>269,507</td>
<td>263,175</td>
<td>18.7%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Honda</td>
<td>132,031</td>
<td>125,755</td>
<td>715,171</td>
<td>718,015</td>
<td>5.0%</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Hyundai</td>
<td>63,256</td>
<td>52,894</td>
<td>327,786</td>
<td>336,441</td>
<td>19.6%</td>
<td>-2.6%</td>
</tr>
<tr>
<td>Isuzu Truck</td>
<td>301</td>
<td>257</td>
<td>1,653</td>
<td>1,436</td>
<td>17.1%</td>
<td>15.1%</td>
</tr>
<tr>
<td>Jeep</td>
<td>86,989</td>
<td>73,153</td>
<td>495,022</td>
<td>406,291</td>
<td>18.9%</td>
<td>21.8%</td>
</tr>
<tr>
<td>Kia</td>
<td>56,571</td>
<td>56,143</td>
<td>293,563</td>
<td>295,736</td>
<td>0.8%</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Mazda</td>
<td>26,893</td>
<td>22,342</td>
<td>163,924</td>
<td>141,624</td>
<td>20.4%</td>
<td>15.7%</td>
</tr>
<tr>
<td>Mini</td>
<td>4,146</td>
<td>4,410</td>
<td>22,636</td>
<td>22,205</td>
<td>-6.0%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Mitsubishi</td>
<td>11,149</td>
<td>7,625</td>
<td>67,927</td>
<td>54,576</td>
<td>23.4%</td>
<td></td>
</tr>
<tr>
<td>Mitsubishi Fuso</td>
<td>6</td>
<td>8</td>
<td>29</td>
<td>42</td>
<td>25.0%</td>
<td></td>
</tr>
<tr>
<td>Nissan</td>
<td>134,398</td>
<td>131,057</td>
<td>708,525</td>
<td>740,545</td>
<td>-4.3%</td>
<td>-31.0%</td>
</tr>
<tr>
<td>Ram</td>
<td>49,742</td>
<td>46,970</td>
<td>252,729</td>
<td>270,532</td>
<td>5.9%</td>
<td>-6.6%</td>
</tr>
<tr>
<td>Scion</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>174</td>
<td>87.5%</td>
<td>-98.9%</td>
</tr>
<tr>
<td>Smart</td>
<td>126</td>
<td>226</td>
<td>650</td>
<td>1,983</td>
<td>-62.2%</td>
<td>-87.2%</td>
</tr>
<tr>
<td>Subaru</td>
<td>59,841</td>
<td>52,057</td>
<td>322,860</td>
<td>304,810</td>
<td>15.0%</td>
<td>9.9%</td>
</tr>
<tr>
<td>Toyota</td>
<td>185,851</td>
<td>177,973</td>
<td>1,054,310</td>
<td>1,021,231</td>
<td>4.4%</td>
<td>-4.3%</td>
</tr>
<tr>
<td>Volkswagen</td>
<td>28,941</td>
<td>27,377</td>
<td>172,898</td>
<td>161,238</td>
<td>7.2%</td>
<td>-6.7%</td>
</tr>
</tbody>
</table>

Source: WardsAuto

### Luxury Brand Performance (Units Sold)

<table>
<thead>
<tr>
<th>Brand</th>
<th>June-18</th>
<th>Jun-17</th>
<th>CYTD-18</th>
<th>CYTD-17</th>
<th>Y/Y Change</th>
<th>CYTD/CYTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acura</td>
<td>14,532</td>
<td>14,038</td>
<td>72,653</td>
<td>73,871</td>
<td>-1.6%</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Alfa Romeo</td>
<td>2,494</td>
<td>1,017</td>
<td>12,665</td>
<td>12,299</td>
<td>18.4%</td>
<td>22.8%</td>
</tr>
<tr>
<td>Audi</td>
<td>19,471</td>
<td>19,416</td>
<td>107,942</td>
<td>102,971</td>
<td>0.3%</td>
<td>2.9%</td>
</tr>
<tr>
<td>BMW</td>
<td>29,407</td>
<td>28,962</td>
<td>153,386</td>
<td>149,086</td>
<td>1.5%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Cadillac</td>
<td>12,569</td>
<td>12,580</td>
<td>75,949</td>
<td>72,073</td>
<td>-0.1%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Genesis</td>
<td>796</td>
<td>1,613</td>
<td>7,262</td>
<td>9,919</td>
<td>50.7%</td>
<td>26.8%</td>
</tr>
<tr>
<td>Infiniti</td>
<td>10,688</td>
<td>12,271</td>
<td>72,170</td>
<td>79,143</td>
<td>-12.8%</td>
<td>-8.8%</td>
</tr>
<tr>
<td>Jaguar</td>
<td>2,353</td>
<td>2,946</td>
<td>14,797</td>
<td>20,665</td>
<td>-28.4%</td>
<td>-28.4%</td>
</tr>
<tr>
<td>Land Rover</td>
<td>6,982</td>
<td>5,760</td>
<td>44,779</td>
<td>35,839</td>
<td>21.2%</td>
<td>24.9%</td>
</tr>
<tr>
<td>Lexus</td>
<td>23,750</td>
<td>24,395</td>
<td>135,000</td>
<td>133,760</td>
<td>-2.6%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Lincoln</td>
<td>9,534</td>
<td>9,275</td>
<td>50,269</td>
<td>56,337</td>
<td>2.8%</td>
<td>-10.8%</td>
</tr>
<tr>
<td>Mercedes-Benz</td>
<td>28,999</td>
<td>27,312</td>
<td>175,758</td>
<td>177,755</td>
<td>-1.1%</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Porsche</td>
<td>4,892</td>
<td>4,516</td>
<td>29,421</td>
<td>27,988</td>
<td>8.3%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Tesla</td>
<td>9,351</td>
<td>4,076</td>
<td>41,751</td>
<td>21,510</td>
<td>29.4%</td>
<td>94.1%</td>
</tr>
<tr>
<td>Volvo</td>
<td>9,868</td>
<td>7,303</td>
<td>47,622</td>
<td>34,101</td>
<td>35.1%</td>
<td>39.6%</td>
</tr>
</tbody>
</table>

Source: WardsAuto
New & Used Market Trends [cont.]

market, Toyota brand deliveries slightly improved 0.6%. RAV4 sales increased 11% reaching 37,722 units, while sales of Camry slipped 4.2% to 28,000.

American Honda DSR sales increased 1%. Honda’s light truck sales rose 7.9% to a June record of 78,483 offsetting a 6% dip in car demand. The mainstream Honda brand saw a 1.1% decrease in DSR deliveries and its luxury Acura brand posted a 0.3% decline in units sold.

Nissan North America’s DSR declined 2.5% and reached 145,000 units. Mainstream Nissan volume decreased 1.2% and was down 16% at Infiniti.

**JUNE’S INCENTIVES GROW BY 4.6%**

Automakers grew incentive spending once again in June, making it the 39th consecutive month of increased spending. On average, according to Autodata, spending reached $3,784 per unit vs. $3,616 per unit in June 2017.

Among the U.S. Big Three, GM increased incentives 17% to an average of $5,196 per unit. Spending at Ford Motor Company grew 3% to $4,446 per unit, while FCA increased their incentives 3% to an average of $4,507 per unit.

As for import automakers, Toyota Motor Sales dropped incentives 15%, reaching an average of $2,266 per unit. American Honda decreased incentives 9% to $1,830, while Nissan North America decreased spending 1% to $4,041 per unit.

Luxury automaker BMW increased incentives 21% to an average of $5,835. Audi increased spending 53% to $4,640 per unit, while Mercedes-Benz boosted spending to $6,469.

At the mainstream brand level, Chrysler’s $5,929 average incentive spend was the highest among non-luxury nameplates. Buick, Chevrolet, Chrysler, Ram and GMC each spent more than $5,000 per unit on incentives. At the other end of the spectrum, Honda spent only $1,476 per unit, down by 12% compared to the same period in 2017.

**APRIL INVENTORY INCREASED TO 68 DAYS**

Compared to May, days’ supply increased by four days in June. The total supply level landed at 68 days for the period, compared with 74 days in June 2017, according to WardsAuto.
New & Used Market Trends [cont.]

General Motors’ inventories increased to 86 days, up from 69 days in May. Ford Motor Company’s supply went up five days to 78, while FCA’s inventory increased 12 days to 82. Toyota Motor Sales’ supply increased by four days to 64. Buick’s 109 days of supply increased from 100 days in May. Inventory for American Honda Motor Co. increased five days to 74 and Nissan North America’s supply decreased by six days, down to 51.

Subaru’s 38 days of supply remained lowest on the mainstream side of the industry. As for luxury automakers, BMW’s inventory fell to the lowest in the industry at 39 days (except Tesla’s 3-day inventory).
ECONOMIC UPDATE

The Bureau of Economic Analysis (BEA) tertiary estimate for first quarter 2018 GDP growth has been revised to 2.0%, a downward revision of 0.2 from the earlier estimate. The downward revision reflected less consumer spending and less private inventory investment. The revised estimate also reflects an increase in nonresidential fixed investments such as intellectual property products, specifically research and development compared with the fourth quarter 2017 GDP growth rate of 2.9%. The deceleration in real GDP growth in the first quarter is reflected by decelerations in personal consumption expenditures and residential fixed investment. Imports, which are subtracted from GDP, also decelerated. Real GDP grew by an annual average of 2.6% in 2017, a marked increased from 1.8% growth during 2016. the BEA expects a similar growth trend to continue in 2018.

Employment

The unemployment rate edged up to 4.0% in June as employment grew in manufacturing, health care, mining and professional and business services. The U-6 unemployment rate which measures discouraged, part-time or underemployed workers in the economy, is up to 7.8% in June from 7.6% in May. The increase in the unemployment rate can be attributed to an increase in the amount of people entering the labor market.

Non-farm employment increased by 213,000 jobs in June which was a smaller increase in job growth following May’s revised growth of 224,000 jobs. Employment continued to trend up in several industries including professional and business services, manufacturing and health care, while the retail sector experienced losses. The average monthly gain in jobs over the past 12 months stands at 218,000.

Wages

In June, average hourly earnings for all employees on private non-farm payrolls rose 5 cents from May to $26.98. Over the year, average hourly earnings have increased 7.2 cents or 2.7 percent. Hourly wages in nonfarm payrolls went from $26.93 to $26.98 and average weekly earnings increased $1.72 to $930.81 from $929.09. This is a marginal decrease in wage growth from May when weekly earnings increased by $2.42.

Housing

The National Association of Realtors reported existing home sales at a seasonally adjusted annual rate of approximately 5.43 million homes during the month of May. This was essentially in line with sales from April but a decrease of 3.0% from May of last year and have fallen year over year for three straight months. The median home price for existing home sales marginally increased to $264,800 in May, which was up 2.6% from April and up 4.9% from May of last year. Total housing inventory at the end of May climbed 2.78% to 1.85 million existing homes available for sale, but is still 6.09% lower than 2017 (1.97 million).

Energy, Oil, Gas

Energy prices decreased slightly in June, however high volatility was observed as global demand and geopolitical tensions caused crude oil prices to reach multi-year highs. U.S. gasoline prices rose to $2.89 per gallon in June from $2.90 in May. The year-over-year increase in gasoline prices was approximately $0.54 per gallon (18.69%) than the prior year.

Brent crude oil prices averaged $74 per barrel in June which reflects a decrease of $3 from the May average. EIA estimates that U.S. crude oil production averaged 10.9 million barrels per day [b/d] in June, up 100,000 b/d from the May level. EIA projects that U.S. crude oil production will average 10.8 million b/d in 2018, up from 9.4 million b/d in 2017, and will average 11.8 million b/d in 2019.
AT J.D. POWER VALUATION SERVICES (FORMERLY NADA USED CAR GUIDE)

What’s New
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For more information go to www.nada.com/residualvalues.

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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 automotive industry rich data sets, strong analytics and over 130 years of market experience. Residual Values is the first product to be launched by J.D. Power Valuation Services.

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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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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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