Wholesale Prices Decline in November
Prices down by an average of 3.5%

Used Vehicle Price Index Down
Index falls 1 point to 119.7

New Vehicle Sales Grow Slightly
Sales remain relatively flat, new vehicle SAAR reaches 17.4 million

Incentive Spending Declines Again
Incentives decrease for third time since April 2015
NEW & USED MARKET UPDATE

USED MARKET UPDATE

The used vehicle market slowed once again in November marking the third consecutive month of declines. As a result, the J.D. Power Valuation Services' Seasonally Adjusted Used Vehicle Price Index declined by 0.8 point – relative to October – to 119.7. While the used market is trending down this year from its high point in the summer, the index still remains at its highest level since early 2016 and is 3.6 points above November 2017’s level. Year-to-date, prices are up by an average of 2.8% through November relative to the same period in 2017.

On the mainstream side of the market, prices this year have been supported by exceptionally strong performances of passenger cars. Compact car prices are expected to end the year around 9% above their position in 2017, while mid-size car prices are forecast to grow by around 7%. Mainstream SUV prices also expected to increase in 2018, however not nearly to the same level as their car counterparts. There are a few reasons for this; one of the primary drivers is the increase in used supply of these segments along with affordability, which favors more competitively priced passenger cars. With that said, compact utility prices are expected to end the year nearly 2% above 2017’s level while mid-size utility prices are expected to increase by nearly 5%.

The premium side of the industry is not performing nearly as well. Prices are expected to be down for most segments, with some of the worst losses expected in the luxury mid-size car segment, which has seen steady year-over-year declines since 2012. Prices for this segment are expected to decline by over 7%.

In non-index terms, wholesale prices of used vehicles up to 8-years in age fell by 3.5% in November relative to October. November’s performance was nearly
identical to the period last year. However, going back even further the previous 5-year average for the period has been a lesser 2%.

Losses at the segment level were mixed in November. On the mainstream side, passenger car losses accelerated while SUV and truck losses returned to being some of the leanest in the industry. The opposite was true for premium segments in November. Losses were the most severe for luxury SUV segments, however passenger car segments followed closely behind.

**AUCTION VOLUME TRENDS**

Auction volume for units up to five years in age declined by 16% compared to October and declined by 4% relative to November 2017. Month-over-month volume declined by double digits for all segments except for large utility. As a result, overall year-to-date late-model volume now sits 4.7% above year ago levels. The largest volume increases are still observed among SUV segments. Luxury compact utility volume is up 42% and large utility volume is now up 29%. In terms of volume share, truck share grew to 48.5%. Looking forward, used supply is expected to increase in 2018 relative to 2017 before peaking in 2019 and leveling off in subsequent years.

**2018 FORECAST**

For December, prices of vehicles up to 8 years in age are expected to decline by around 0.5%. In terms of full-year expectations, with the exceptionally strong performances observed over the summer months, used prices are forecast to increase by 3% in 2018 relative to 2017. Looking ahead to 2019, the used market is expected to slow with prices down by 1.2% relative to 2018.

**NEW VEHICLE SALES**

**NEW SALES WERE STRONG IN NOVEMBER**

After rebounding in October, the new vehicle market continued at a healthy pace in November. U.S. new vehicle sales finished with a seasonally adjusted annual rate (SAAR) of 17.40 million. The November...
SAAR was about 1% below November 2017’s 17.52 million, and slightly below October 2018’s 17.49 million.

NEW VEHICLE SALES

Overall, new vehicles edged up in December relative to the same period in 2017. November’s result brought 2018’s year-to-date tally to 15.59 million units, up 0.3% compared to the same period in 2017. Light-truck penetration increased from October’s 69% to 71% in November. Total volume in November declined to 1.38 million units, or 0.7% below the same figure as a year ago on a DSR basis.

At the manufacturer and brand level, Fiat Chrysler recorded the strongest year-over-year results among the major automakers. Based on DSRs, Fiat’s November sales increased 17.3% and its market share reached 13% increasing by percentage points, the strongest increase among the major automakers.

INCENTIVES DECLINED BY 2%

Automakers decreased incentive spending in November for the third time since April 2015. On average, according to Autodata, spending reached $3,718 per unit versus $3,811 per unit in November 2017.

Among the U.S. Big Three, GM decreased incentives by 3.9% in November to an average of $4,584 per unit. Spending at Ford Motor Company dropped by 7% to $4,358 per unit, while FCA incentive spend decreased by 4% to $4,370 per unit.

As for import automakers, Toyota Motor Sales dropped incentives by 8% in November, reaching an average of $2,572 per unit, while Nissan North America increased spending by 6% to $4,574 per unit and American Honda increased incentives by 5% to $2,041. Luxury automaker BMW decreased incentives by 1% to an average of $5,589 in November. Audi increased spending by 24% to $5,162 per unit, while Mercedes-Benz boosted spending by 26% to $6,526.
Mainstream Brand Performance (Units Sold)

<table>
<thead>
<tr>
<th>Brand</th>
<th>Nov-18</th>
<th>Nov-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>16,623</td>
<td>17,974</td>
<td>189,204</td>
<td>196,946</td>
<td>-7.5%</td>
<td>-3.9%</td>
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<tr>
<td>Chevrolet</td>
<td>166,151</td>
<td>167,627</td>
<td>1,835,161</td>
<td>1,857,276</td>
<td>-0.9%</td>
<td>-1.2%</td>
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<tr>
<td>Chrysler</td>
<td>13,094</td>
<td>16,510</td>
<td>153,539</td>
<td>171,337</td>
<td>-20.7%</td>
<td>-10.4%</td>
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<tr>
<td>Dodge</td>
<td>33,196</td>
<td>28,845</td>
<td>426,796</td>
<td>419,111</td>
<td>15.1%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Fiat</td>
<td>1,309</td>
<td>1,733</td>
<td>14,544</td>
<td>24,754</td>
<td>-24.5%</td>
<td>-41.2%</td>
</tr>
<tr>
<td>Ford</td>
<td>181,040</td>
<td>196,224</td>
<td>2,114,490</td>
<td>2,177,445</td>
<td>-7.7%</td>
<td>-2.9%</td>
</tr>
<tr>
<td>GMC</td>
<td>52,757</td>
<td>46,277</td>
<td>494,513</td>
<td>496,541</td>
<td>14.0%</td>
<td>-0.4%</td>
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<tr>
<td>Honda</td>
<td>106,481</td>
<td>120,440</td>
<td>1,307,553</td>
<td>1,352,572</td>
<td>-11.6%</td>
<td>-3.3%</td>
</tr>
<tr>
<td>Hyundai</td>
<td>57,082</td>
<td>55,435</td>
<td>602,527</td>
<td>603,315</td>
<td>3.0%</td>
<td>-0.1%</td>
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<tr>
<td>Isuzu Truck</td>
<td>415</td>
<td>340</td>
<td>3,726</td>
<td>3,398</td>
<td>22.1%</td>
<td>9.7%</td>
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<tr>
<td>Jeep</td>
<td>73,784</td>
<td>66,001</td>
<td>892,778</td>
<td>755,317</td>
<td>11.8%</td>
<td>18.2%</td>
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<tr>
<td>Kia</td>
<td>45,101</td>
<td>44,302</td>
<td>542,245</td>
<td>546,629</td>
<td>3.0%</td>
<td>-0.8%</td>
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<tr>
<td>Mazda</td>
<td>20,660</td>
<td>21,469</td>
<td>274,455</td>
<td>262,577</td>
<td>-3.8%</td>
<td>4.5%</td>
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<tr>
<td>Mini</td>
<td>3,528</td>
<td>4,038</td>
<td>40,887</td>
<td>42,494</td>
<td>-12.6%</td>
<td>-3.8%</td>
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<tr>
<td>Mitsubishi</td>
<td>1,309</td>
<td>1,733</td>
<td>14,544</td>
<td>24,754</td>
<td>-24.5%</td>
<td>-41.2%</td>
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<tr>
<td>Mitsubishi Fuso</td>
<td>3</td>
<td>4</td>
<td>42</td>
<td>88</td>
<td>-25.0%</td>
<td>52.3%</td>
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<tr>
<td>Nissan</td>
<td>96,427</td>
<td>122,959</td>
<td>1,213,942</td>
<td>1,318,202</td>
<td>-21.6%</td>
<td>-7.9%</td>
</tr>
<tr>
<td>Ram</td>
<td>56,758</td>
<td>39,017</td>
<td>514,945</td>
<td>491,416</td>
<td>45.5%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Scion</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>199</td>
<td>#DIV/0!</td>
<td>#DIV/0!</td>
</tr>
<tr>
<td>Smart</td>
<td>100</td>
<td>130</td>
<td>1,154</td>
<td>2,905</td>
<td>23.1%</td>
<td>60.3%</td>
</tr>
<tr>
<td>Subaru</td>
<td>56,782</td>
<td>51,721</td>
<td>615,594</td>
<td>548,614</td>
<td>9.8%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Toyota</td>
<td>163,977</td>
<td>164,499</td>
<td>1,942,973</td>
<td>1,941,660</td>
<td>-0.3%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Volkswagen</td>
<td>26,789</td>
<td>29,207</td>
<td>322,017</td>
<td>309,395</td>
<td>4.2%</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

Source: WardsAuto

At the mainstream brand level, Chrysler’s $5,355 average incentive spend was the highest among the non-luxury brands. At the other end of the spectrum, Subaru spent only $1,146 per unit, down 8% compared to the same period in 2017.

**SEPTEMBER INVENTORY UP TO 72 DAYS**

Total supply level increased to 72 days for the period, compared to 70 days in November 2017, according to WardsAuto. Compared to October, days’ supply went down by 3 days in November.

General Motors’ inventory stayed at 83 days, the same as in November 2017. Ford Motor Company’s supply stretched by 7 days to 85, while FCA’s inventory increased by 7 days to 95 days. On the import side, Toyota Motor Sales’ supply stayed at 59 days. Inventory for American Honda Motors increased by 18 days to 77 days, while Nissan North America’s supply increased by 6 days to reach 66 days.

Subaru’s 28 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.
ECONOMIC UPDATE

The Bureau of Economic Analysis (BEA) second estimate for third quarter 2018 GDP growth is 3.5%. This estimate was unrevised compared to the advanced estimate from the prior month. 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 remained unchanged 3.7% in November and the number of unemployed individuals remained the essentially unchanged at 6.0 million. Employment grew in transportation and warehousing, health care, 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 November which is slightly higher from 7.4% in October.

Non-farm employment increased by 155,000 jobs in November which was a decrease following October’s growth of 250,000 jobs. Employment continued to trend up in several industries including manufacturing, transportation, and health care while the wholesale and retail trade, information, and financial activities remained stagnant. The average monthly gain in jobs over the past 12 months stands at 209,000.

Wages

In November, average hourly earnings for all employees on private non-farm payrolls rose by 6 cents to $27.35. Over the year, average hourly earnings have increased by 81 cents, or 3.1 percent. Hourly wages in nonfarm payrolls went from $27.25 to $27.30 and average weekly earnings decreased by $0.67 from $941.51 to $940.84 compared to October.

Housing

The National Association of Realtors reported existing home sales at a seasonally adjusted annual rate of approximately 5.22 million homes during the month of October. This illustrated an increase of 1.4% from September and a decrease of 5.1% from October of last year. The median home price for existing home sales decreased to $255,400 in October however, it is still up 3.8% from a year ago. Existing home inventory for October is at 1.85M, down from 1.88M last month and up from 1.80M one year ago. This reflects a decrease of 1.60% from last month and an increase of 2.78% last October.

Energy, Oil, Gas

Energy prices reached 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 $2.64 per gallon in November, a decrease of 22 cents/gal as compared to October. The year-over-year increase in gasoline prices was approximately $0.08 per gallon (3.0%) higher than the prior year.

Brent crude oil prices averaged $65 per barrel in November which is a decrease of almost $16 from the October average. November saw the largest monthly average price decline since December 2014. EIA estimates that U.S. crude oil production averaged 11.5 million barrels per day [b/d] in November, up slightly from the October level due to platforms resuming normal operations after hurricane related outages in the Gulf of Mexico. EIA projects that U.S. crude oil production will average 10.9 million b/d in 2018, up from 9.4 million b/d in 2017, and will average 12.1 million b/d in 2019.
AT J.D. POWER VALUATION SERVICES [FORMERLY NADA USED CAR GUIDE]

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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

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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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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.

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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
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