

**J.D. POWER**

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# **USED CAR AND LIGHT TRUCK GUIDELINES**

**FEBRUARY 2019 INDUSTRY REVIEW**

J.D. Power Valuation Services



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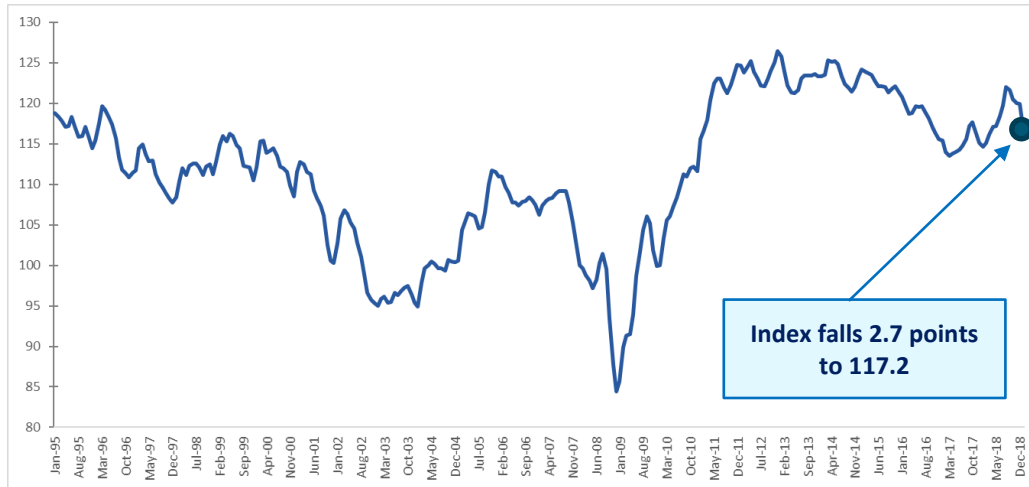
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## USED MARKET UPDATE

## Used Vehicle Price Index

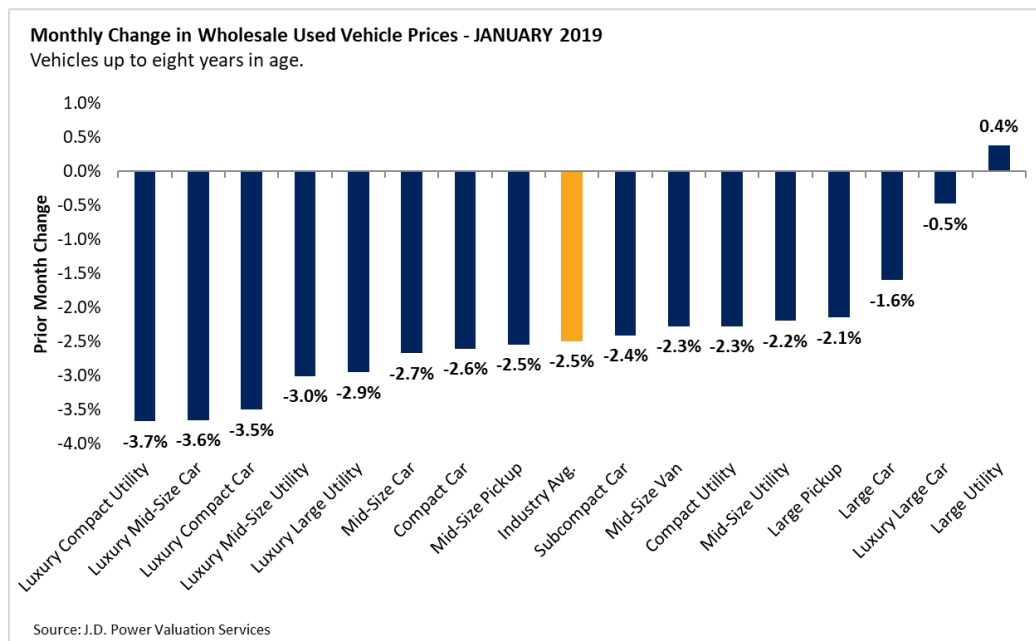


The used vehicle market slowed once again in January, marking the fifth consecutive month of decline. While January results are typically flat to down slightly, this year's performance was significantly weaker because of weather related challenges resulting from the polar vortex as well as the government shutdown which lasted 35 days. Millions of people were affected because of these events, potentially disrupting both new and used vehicle purchases during the period. As a result, the J.D. Power Valuation Services' Seasonally Adjusted Used Vehicle Price Index declined by 2.7 points – relative to December – to 117.2. Despite the index's sharp decline, it currently sits 2.3% above January 2018's level.

In non-index terms, wholesale prices of used vehicles up to 8-years in age fell by 2.5% in January relative to December. January's performance was the worst result in the past 10 years. It was expected that used prices would decline by around half a percent mirroring results of the past several years, however things were significantly worse due to weather and government related challenges.

Losses at the mainstream segment level were consistent across the board except for large utility, which recorded a small half percent lift in prices. Bucking their recent trend, subcompact, compact and mid-size passenger car losses were some of the largest on the non-premium side of the market, however their SUV counterparts fell within a tight range. Losses ranged between about 1.5% to 2.7% for the month, which was about one percentage point worse than typical across the board.

On to the premium side of the market, losses were on average greater than their mainstream counterparts and fell within a range of 3% to 3.7%. luxury large car losses reached only half a percent, but the overall size of this segment is extremely small, any material change in any one model really shifts overall results.



## AUCTION VOLUME TRENDS

Auction volume for units up to five years in age increased by 28% compared to December. On an annual basis volume grew by 2.8% relative to January 2018. Following the now long running trend, 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. For example, compact utility volume increased by 30% and mid-size utility grew by 8% in January relative to the period in 2018. In terms of volume share, truck share grew to 51% while car share was reduced to 49%. Used supply for units up to five years in age is expected to peak in 2019, increasing by 3% before leveling off in 2020 and 2021. The anticipated increase will be fueled by a near 8% increase in off-lease volume, while rental and commercial volume is expected to increase by just under 2% and retail supply is expected to grow by around 1%.

## 2019 FORECAST

In terms of full-year 2019 expectations, the used market is expected to slow in 2019. Used prices are forecast to decline by around 1% to 1.5%. There should be increases in used supply once again this year along with more volatile credit conditions and increasing gasoline prices which are expected to apply downward pressure on the used side of the market. Labor conditions are expected to have a neutral impact, while solid home prices and overall consumer 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 SLOW IN JANUARY

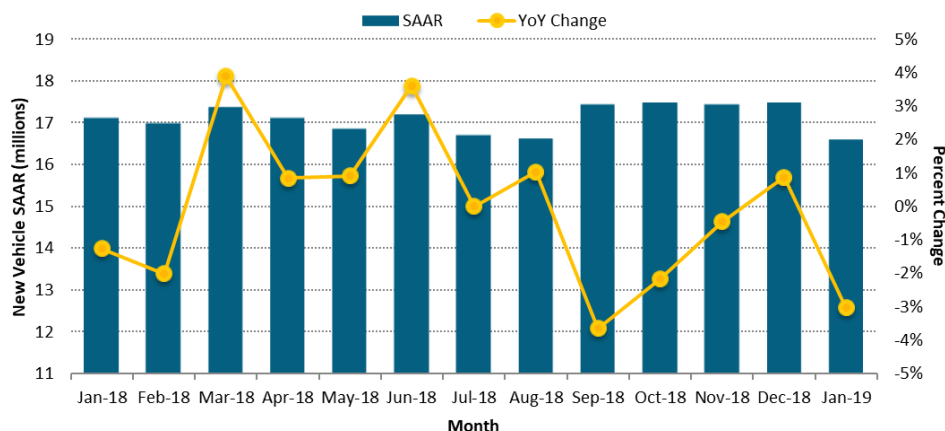
The new vehicle market slowed in January because of weather and government related challenges that likely kept some potential buyers away from dealerships. As a result, the seasonally adjusted annual rate (SAAR) fell to 16.6 million, which was the lowest on record since August 2017. The new industry is expected to slow in 2019, however January's result was softer than expected.

New vehicle sales declined in January relative to the same period in 2018. The month's result brought 2019's tally to 1.3 million units, down 2.1% compared to 2018's result. Light-truck penetration reached 69.1% on an annual basis in 2018, compared to 30.9% for passenger cars. Looking back to 2017, light-truck share represented a lesser 68.2% of the market compared to 31.8% for passenger cars.

At the manufacturer and brand level, Ford recorded the strongest annual performance among the big three domestic automakers. Sales at Ford grew by 7.6% in January, while FCA experienced a smaller increase of 2.7% while General Motors saw a decline of 6.8%. Looking at import automakers, Honda sales grew by 1.5% while Nissan and Toyota sales each declined in January. Nissan experienced a hefty 18.5% decline while Toyota deliveries declined by 6.6%. Sales at Hyundai and Kia were each strong, increasing by respective figures of 1.9% and 4.9%.

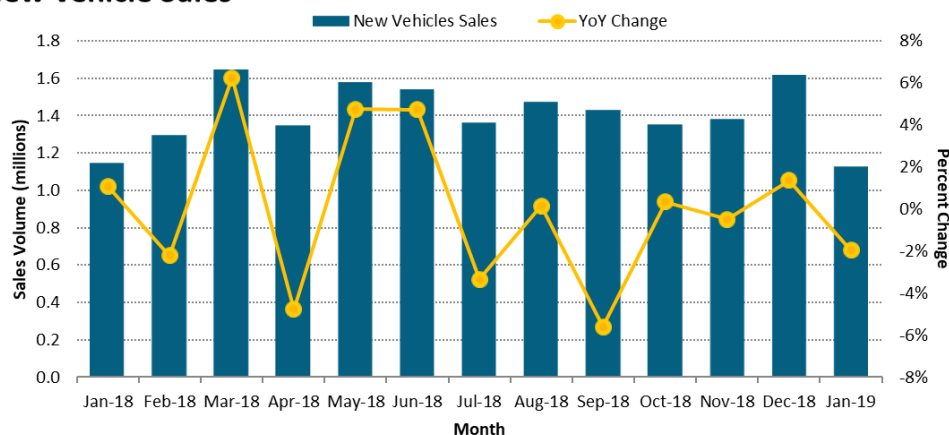
As for premium automakers, sales at Daimler fell by 13.8% and were not much better at BMW, sales were down by 6.3%. However not all was bad on the luxury side of the market. Sales at Jaguar Land Rover grew by 15.6% and Porsche recorded a gain of 12.5%, followed by a smaller increase of 5.2% for Volvo.

#### New Vehicle SAAR



Source: WardsAuto

### New Vehicle Sales



Source: WardsAuto

## INCENTIVE SPENDING DECLINES

Automakers decreased incentive spending once again in January. According to Power Information Network (PIN) data from J.D. Power, incentive spending per unit fell on a year-over-year basis for the seventh consecutive month in January. This comes after 54 months of increases. In January spending dropped 1.9% to \$3,846 per unit. Incentive spending as a percent of MSRP fell to 9.8%, which was in line with what was observed in January 2016, and lower than both January 2017 and January 2018.

## JANUARY INVENTORY DECLINES TO 61 DAYS

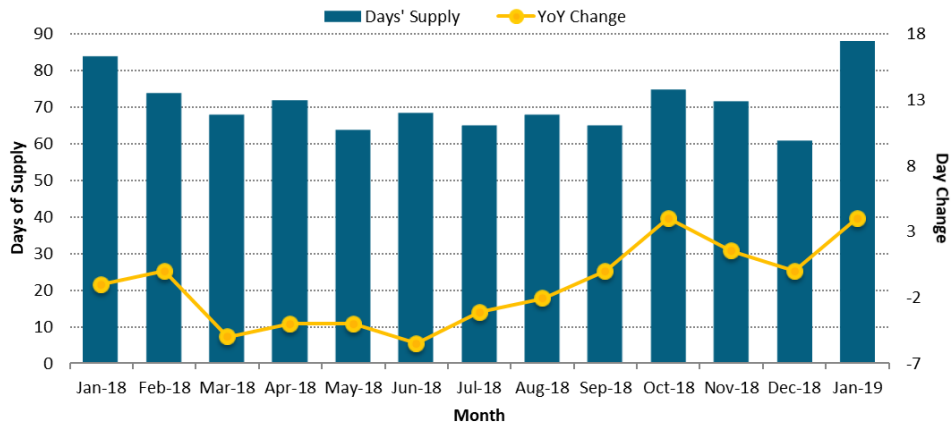
According to WardsAuto, total supply grew to 88 days for the period, which was slightly higher than January 2018's 84 days figure. On a month-over-month basis, supply increased by 21 days relative to December.

General Motors' inventory grew to 107 days, which was greater than the 94 days figure recorded in January 2018. Ford Motor Company's supply grew to 101 days but was less than the 109 days recorded last January. FCA's inventory spiked to 120 days and was also higher than the 106 days figure recorded last year for the period. On the import side, Toyota Motor Sales' supply grew to 70 days. Inventory for American Honda Motors grew to 90 days, while Nissan North America's supply grew to 79 days.

Subaru's 42 days of supply remained lowest on the mainstream side of the industry and was lower than the 53 days recorded in January 2018. As for luxury automakers, Tesla's 3-day inventory was the lowest on the premium side of the market.



### New Vehicle Days' Supply



Source: WardsAuto

#### Mainstream Brand Performance (Units Sold)

	Jan-19	Jan-18	CYTD-19	CYTD-18	Y/Y Change	CYTD/CYTD
Buick	15,138	13,648	15,138	13,648	10.9%	10.9%
Chevrolet	124,377	141,832	124,377	141,832	-12.3%	-12.3%
Chrysler	9,054	10,584	9,054	10,584	-14.5%	-14.5%
Dodge	27,077	27,600	27,077	27,600	-1.9%	-1.9%
Fiat	751	1,229	751	1,229	-38.9%	-38.9%
Ford	159,963	149,489	159,963	149,489	7.0%	7.0%
GMC	34,757	33,058	34,757	33,058	5.1%	5.1%
Honda	96,375	95,634	96,375	95,634	0.8%	0.8%
Hyundai	40,796	39,629	40,796	39,629	2.9%	2.9%
Isuzu Truck	265	166	265	166	59.6%	59.6%
Jeep	58,401	59,703	58,401	59,703	-2.2%	-2.2%
Kia	37,376	35,628	37,376	35,628	4.9%	4.9%
Mazda	20,045	24,962	20,045	24,962	-19.7%	-19.7%
Mini	2,457	2,937	2,457	2,937	-16.3%	-16.3%
Mitsubishi	8,708	8,480	8,708	8,480	2.7%	2.7%
Mitsubishi Fuso	0	2	0	2	100.0%	100.0%
Nissan	90,439	112,903	90,439	112,903	-19.9%	-19.9%
Ram	38,963	31,132	38,963	31,132	25.2%	25.2%
Smart	83	105	83	105	-21.0%	-21.0%
Subaru	46,072	44,357	46,072	44,357	3.9%	3.9%
Toyota	138,601	149,142	138,601	149,142	-7.1%	-7.1%
Volkswagen	23,074	24,744	23,074	24,744	-6.7%	-6.7%

Source: WardsAuto

#### Luxury Brand Performance (Units Sold)

	Jan-19	Jan-18	CYTD-19	CYTD-18	Y/Y Change	CYTD/CYTD
Acura	9,764	8,908	9,764	8,908	9.6%	9.6%
Alfa Romeo	1,150	1,648	1,150	1,648	-30.2%	-30.2%
Audi	14,253	14,511	14,253	14,511	-1.8%	-1.8%
BMW	18,102	19,016	18,102	19,016	-4.8%	-4.8%
Cadillac	10,718	9,895	10,718	9,895	8.3%	8.3%
Genesis	1,224	1,613	1,224	1,613	-24.1%	-24.1%
Infiniti	10,302	10,635	10,302	10,635	-3.1%	-3.1%
Jaguar	3,078	2,604	3,078	2,604	18.2%	18.2%
Land Rover	4,028	3,912	4,028	3,912	3.0%	3.0%
Lexus	17,420	17,914	17,420	17,914	-2.8%	-2.8%
Lincoln	7,715	6,410	7,715	6,410	20.4%	20.4%
Mercedes-Benz	23,721	27,498	23,721	27,498	-13.7%	-13.7%
Porsche	5,419	4,816	5,419	4,816	12.5%	12.5%
Tesla	18,411	6,566	18,411	6,566	180.4%	180.4%
Volvo	5,854	5,567	5,854	5,567	5.2%	5.2%

Source: WardsAuto

## AT J.D. POWER VALUATION SERVICES (FORMERLY NADA USED CAR GUIDE)

### WHAT'S NEW

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

J.D. Power is a global leader in consumer insights, advisory services, and data and analytics to help clients measure and improve the key performance metrics that drive growth and profitability. J.D. Power's industry benchmarks, robust proprietary data, advanced analytics capabilities, and reputation for independence and integrity has established the company as one of the world's most well-known and trusted providers of consumer and market insights for more than a dozen industries. Established in 1968, J.D. Power is headquartered in Costa Mesa, California, and has 17 global locations serving North/South America, Asia Pacific, and Europe.

### 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 automotive industry rich data sets, strong analytics and over 130 years of market experience.

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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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### ADDITIONAL RESOURCES



#### Guidelines

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



#### 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.

**J.D. POWER**



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