

**J.D. POWER**

---



# **USED CAR AND LIGHT TRUCK GUIDELINES**

**MARCH 2019 INDUSTRY REVIEW**

J.D. Power Valuation Services



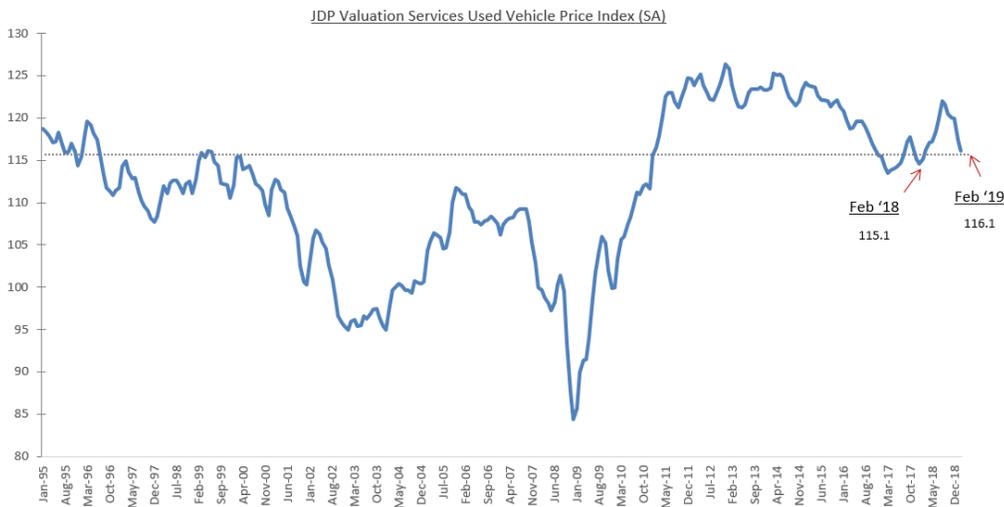
## TABLE OF CONTENTS

USED MARKET UPDATE.....	2
USED VEHICLE PRICE INDEX.....	2
AUCTION VOLUME TRENDS.....	4
2019 FORECAST.....	4
NEW VEHICLES SALES.....	5
INCENTIVE SPENDING.....	7
INVENTORY.....	7
AT J.D. POWER VALUATION SERVICES (FORMERLY NADA USED CAR GUIDE).....	8

## USED MARKET

### USED VEHICLE PRICE INDEX

The used vehicle market continued its sluggish start to the new year, as a result the J.D. Power Valuation Services' Seasonally Adjusted Used Vehicle Price Index declined 1.3 points – relative to January – to 116.1. February's decline marked the sixth consecutive month of declines in the used market and is a trend we should expect to see more of throughout the course of 2019 as used vehicle prices are expected to decline relative to 2018.



There are a few reasons behind the market's weakness so far this year, in January the industry faced challenges because of extreme winter weather conditions as well as the 35-day government shutdown. The used market typically heats up in February, however, the month faced its own unique obstacles which suppressed the growth we normally see in used vehicle prices.

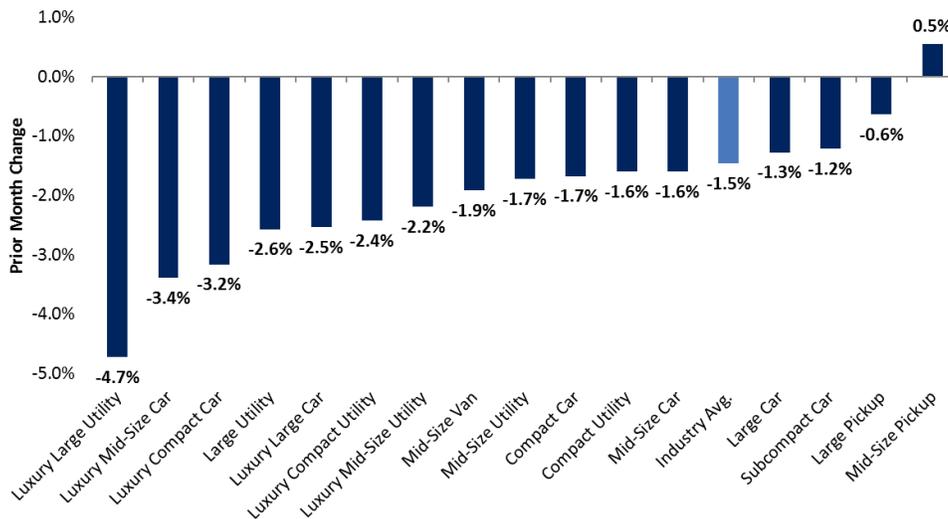
There has been a lot of attention surrounding concerns over tax law changes which have led to smaller refunds for many Americans. Both the new and used vehicle markets benefit from tax refund season. During this time of the year early filers begin receiving their federal refunds, which can be applied as healthy down payments for a new or use vehicle purchase. This was not the case through the first half of February. According to IRS Filing Season Statistics through the week ending February 15, the total number of refunds issued was down 26.5% while the average refund amount was down 16.7% relative to the same period in 2018. However, the refund situation improved over the second half of the month. Through the week ending March 1, the total number of refunds issued increased but was still down 4.2%, however the average refund amount reached \$3,068, or a 0.7% improvement relative to the same period in 2018. It does take time for

taxpayers to receive and recognize their individual refunds, ultimately the improvement was likely too late to help the February's result.

Looking back, the month of February has typically experienced positive price movement. Over the past 5-years, wholesale prices at the industry level increased by an average of 0.6%. Historic price strength for the period has been exceptional for some of the less expensive mainstream passenger car segments. Purchasers in these segments are more sensitive to affordability concerns and coming up with down payments to qualify for the most favorable financing terms and monthly payments can be challenging. Tax refunds received during this period have been a great source for a healthy down payment.

In non-index terms, wholesale prices of used vehicles up to 8-years in age fell by 1.5% in February relative to January. February's performance was the month's worst result in the past 20 years and only the second time there has been a material decline in prices during that time. The other time prices fell in February was back in 2017. February 2017 faced similar challenges as the Protecting Americans from Tax Hikes (PATH) Act of 2015 kicked into gear. There was a specific section of the law that focused on refunds, as a result the IRS had to wait until February 15, 2017, to issue refunds to taxpayers who claimed the earned-income tax credit (EITC) or the additional child tax credit (ACTC). During this period in 2017 prices declined by an average of 0.9%.

**Monthly Change in Wholesale Used Vehicle Prices - February 2019**  
Vehicles up to eight years in age.



Source: J.D. Power Valuation Services

Price losses at the mainstream segment level were worse than expected and strayed from typical February results. Large utility prices were the softest on the mainstream side, declines reached 2.6% for the period or nearly 2 percentage

points worse than the segment's previous 5-year February average. Further down the line, compact and mid-size utility segments turned in slightly better performances as prices declined by respective figures of 1.6% and 1.7%, however, over the past 5-years combined prices for the segments appreciated by an average of around 0.5% in the February period. Subcompact, compact and mid-size car prices declined by a combined average of 1.4% in February, however, these segments typically see prices increase by 1% to 1.5% in the February period due to benefits associated with federal tax refunds.

On to the premium side of the market, losses were on average greater than their mainstream counterparts and fell within a range of 2.2% to 4.7%. Luxury large utility segment prices experienced the biggest decline on both the mainstream and luxury sides of the market in February. Wholesale prices for the group declined by an average of 4.7%, which was the largest decline for the segment on record and roughly 3 percentage points worse than the previous 5-year February average. Luxury compact car and luxury mid-size car prices were also more depressed than typical for the period. Over the past 5-years the pair has experienced losses of roughly 1% in the month of February, or about 2 percentage points better than February 2017's result.

## **AUCTION VOLUME TRENDS**

Auction volume for units up to five years in age declined by 5.2% relative to January 2019 but increased by 7.3% compared to February 2018. As a result, CYTD volume is now 9.1% above 2018's level. So far this year the largest volume increases have been 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 is up by 39% and mid-size utility is up 18% so far CYTD 2018. In terms of volume share, truck share grew to 51.2% while car share was reduced to 48.8%. Used supply for units up to five years in age is expected to peak in 2019, before leveling off in 2020 and 2021. The anticipated increase will be fueled by increases in off-lease volume. Retail, rental and commercial volumes are also expected to increase in 2019, however, not nearly to the same degree as off-lease volume.

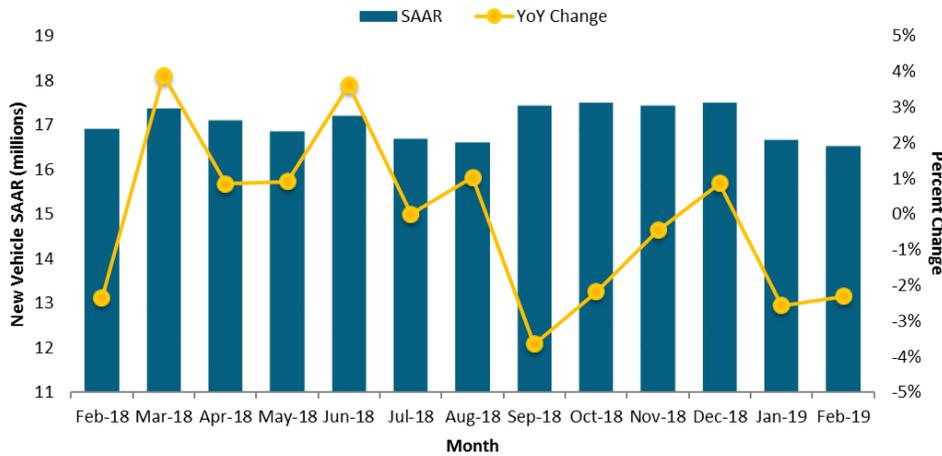
## **2019 FORECAST**

In terms of full-year 2019 expectations, the used market is expected to slow in 2019. With January and February's weaker than expected performances, 2019's outlook has worsened. As a result, prices are forecast to fall by around 3%. Increasing levels of used supply 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

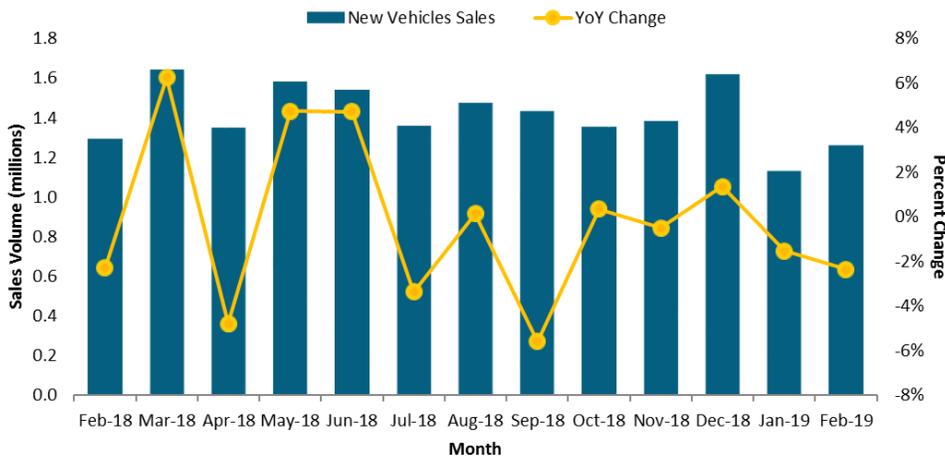
### New Vehicle SAAR



Source: WardsAuto

In February, the new vehicle market continued its sluggish start to 2019. New sales reached 1.26 million units for the period, down 2.4% relative to February 2018. As a result, the seasonally adjusted annual rate (SAAR) fell to 16.53 million. Retail volume fell once again in February and has declined now for eight consecutive months, however, rental and fleet demand remain strong and have increased now for 14 straight months.

### New Vehicle Sales



Source: WardsAuto

The month's result brought 2019's tally to 2.44 million units, down 2% compared to CYTD 2018. Light-truck penetration reached 69.5% CYTD 2019, up from 67.8% during the same period in 2018. Passenger car share was reduced to 30.5% CYTD 2019, down from 32.2% during the same period in 2018, which is a trend that we should continue seeing as SUVs become more popular.

At the manufacturer level, the U.S. big three all recorded losses relative to February 2018. Sales at GM were the worst and fell by 5.4%, followed by Ford and FCA respective declines of 4.1% and 2%. Looking at import automakers, Honda sales slipped by 0.4% while Nissan and Toyota sales fell by 12% and 5.2%, respectively. Nissan's performance was the weakest on the mainstream side of the market and driven by a 17.3% decline in Infiniti brand sales.

Mainstream Brand Performance (Units Sold)						
	Feb-19	Feb-18	CYTD-19	CYTD-18	Y/Y	CYTD/CYTD
Buick	15,597	16,322	30,735	29,970	-4.4%	2.6%
Chevrolet	143,055	149,487	267,432	291,319	-4.3%	-8.2%
Chrysler	10,368	16,150	19,422	26,734	-35.8%	-27.4%
Dodge	37,073	40,187	64,150	67,787	-7.7%	-5.4%
Fiat	616	1,241	1,367	2,470	-50.4%	-44.7%
Ford	173,000	181,830	332,963	331,319	-4.9%	0.5%
GMC	37,849	42,640	72,606	75,698	-11.2%	-4.1%
Honda	102,926	104,588	199,301	200,222	-1.6%	-0.5%
Hyundai	45,612	44,732	86,408	84,361	2.0%	2.4%
Isuzu Truck	267	208	404	374	28.4%	8.0%
Jeep	67,075	70,020	125,476	129,723	-4.2%	-3.3%
Kia	43,406	40,672	80,782	76,300	6.7%	5.9%
Mazda	23,854	25,731	43,899	50,693	-7.3%	-13.4%
Mini	2,679	3,065	5,136	6,002	-12.6%	-14.4%
Mitsubishi	13,760	12,973	22,468	21,453	6.1%	4.7%
Mitsubishi Fuso	0	2	0	4	-100.0%	-100.0%
Nissan	103,735	117,110	194,174	230,013	-11.4%	-15.6%
Ram	44,831	35,390	83,794	66,522	26.7%	26.0%
Scion	0	1	0	1	-100.0%	-100.0%
Smart	58	106	141	211	-45.3%	-33.2%
Subaru	49,081	47,249	95,153	91,606	3.9%	3.9%
Toyota	152,626	162,929	291,227	312,071	-6.3%	-6.7%
Volkswagen	25,706	26,660	48,780	51,404	-3.6%	-5.1%

Luxury Brand Performance (Units Sold)						
	Jan-19	Jan-18	CYTD-19	CYTD-18	Y/Y	CYTD/CYTD
Acura	12,213	10,969	21,977	19,877	11.3%	10.6%
Alfa Romeo	1,362	1,568	2,512	3,216	-13.1%	-21.9%
Audi	13,560	15,451	27,813	29,962	-12.2%	-7.2%
BMW	23,558	23,508	41,660	42,524	0.2%	-2.0%
Cadillac	12,449	12,338	23,167	22,233	0.9%	4.2%
Genesis	1,528	1,363	2,752	2,976	12.1%	-7.5%
Infiniti	10,607	12,820	20,909	23,455	-17.3%	-10.9%
Jaguar	3,465	2,185	6,543	4,789	58.6%	36.6%
Land Rover	1,039	829	1,858	1,496	25.3%	24.2%
Lexus	20,122	19,265	37,542	37,179	4.4%	1.0%
Lincoln	7,726	6,700	15,441	13,110	15.3%	17.8%
Mercedes-Benz	24,389	27,788	48,110	55,286	-12.2%	-13.0%
Porsche	4,826	4,382	10,245	9,198	10.1%	11.4%
Tesla	19,478	3,022	43,071	9,588	544.5%	349.2%
Volvo	6,635	6,283	12,489	11,850	5.6%	5.4%

Source: WardsAuto

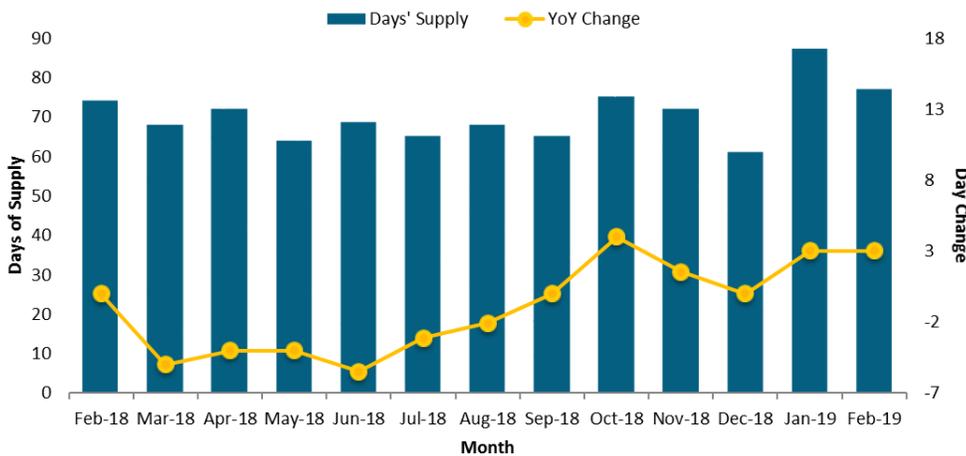
## INCENTIVE SPENDING

Automakers decreased incentive spending once again in February. According to Power Information Network (PIN) data from J.D. Power, incentive spending per unit fell on a year-over-year basis for the eighth consecutive month in February. This comes after 54 months of increases. In February spending fell 2.7% to \$3,873 per unit. Incentive spending as a percent of MSRP fell to 9.8%. So far in 2019, manufacturers are doing well keeping incentive spending and supply levels in check.

## INVENTORY

According to WardsAuto, total supply fell to 77 days for the period, which was slightly higher than February 2018's 74 day figure. On a month-over-month basis, supply was reduced by 10 days relative to January.

### New Vehicle Days' Supply



Source: WardsAuto

General Motors' inventory fell from January's 107 day figure to 93 days in February. Ford Motor Company's supply was reduced to 91 days, down from 101 days in January, while FCA's inventory was reduced from 120 days in January to 96 days in January. On the import side, Toyota Motor Sales' supply fell to 64 days. Inventory for American Honda Motors was reduced to 86 days, while Nissan North America's supply was reduced to 65 days.

Subaru's 41 days of supply remained lowest on the mainstream side of the industry, however, Kia supply was also lean at 44 days. As for luxury automakers, Tesla's 2-day inventory was the lowest on the premium side of the market.

### 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.

#### Commercial Truck Market Analysis

Chris Visser  
703.610.7067  
Chris.Visser@jdpa.com

#### Financial Industry, Accounting, Legal, OEM Captive

Steve Stafford  
703.821.7275  
Steve.Stafford@jdpa.com

#### Automotive Dealers, Auctions, Insurance, Credit Unions, Fleet, Lease, Rental Industry, Government

Doug Ott  
703.749.4710  
Doug.Ott@jdpa.com

#### Director Business Development

James Gibson  
703.821.7136  
James.Gibson@Jdpa.com

#### Director Sales and Customer Service

Dan Ruddy  
703.749.4707  
Dan.Ruddy@jdpa.com

## 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.

**VP and General Manager,  
Vehicle Valuations & Analytics**

Jonathan Banks  
Jonathan.Banks@jdpa.com

**Senior Director,  
Valuation Services**

Larry Dixon  
Larry.Dixon@jdpa.com

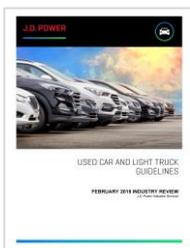
**Senior Analyst,  
Automotive**

David Paris  
David.Paris@jdpa.com

**Senior Quantitative Analyst,  
Valuation Services**

Maya Ivanova  
Maya.Ivanova@jdpa.com

## ADDITIONAL RESOURCES



### Guidelines

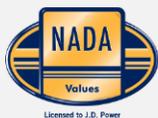
Updated monthly with a robust data set from various industry sources and J.D. Power Valuation Service’s proprietary analysis, Guidelines provides the insight needed to make decisions in today’s market



### 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**



**Read our Blog**  
[nada.com/usedcar](http://nada.com/usedcar)



**Follow Us on Twitter**  
[@NADAValues](https://twitter.com/NADAValues)



**Find Us on Facebook**  
[Facebook.com/NADAUsedCarGuide](https://Facebook.com/NADAUsedCarGuide)



**Watch Us on YouTube**  
[Youtube.com/NADAUsedCarGuide](https://Youtube.com/NADAUsedCarGuide)