

As the COVID-19 situation continues to develop, J.D. Power Valuation Services is committed to supporting our industry through this unprecedented time.

What follows are our insights through the week ending May 10.

## **The Takeaways**

- New-vehicle retail sales continue to recover as dealership sales operation limitations are lifted in many parts of the country. The week ending May 10 marks six straight weeks of new-vehicle retail sales recovery.
- Wholesale auction activity continues to improve. Auction sales surpassed 60,000 units for the second consecutive week as the used market recovery builds momentum.
- Wholesale auction prices improved for the third week in a row, rising by 2% on a weekly basis. Prices have grown 6% over the past three weeks and are now down by 9% from our pre-virus forecast.

## **New and Used Market Performances (Through the Week Ending May 10):**

### **New Vehicles: Retail Sales Continue to Recover**

New-vehicle sales continue to improve as activity the week ending May 10 marked the sixth consecutive week of improving retail conditions. Retail sales were down 26% from the pre-virus forecast over the week, an improvement over the 30% decline experienced the week ending May 3. Retail sales through May 10 reached 232,000 units, a decline versus our pre-virus forecast of 27%, or 88,000 units.

The recovery in new retail sales is supported by the gradual loosening of stay at home mandates across the country. States that lifted partial sales bans this week were California, Colorado, and Kentucky. Unrestricted sales opening in California is a big positive for the industry, as the state accounted for 12.4% of sales in 2019. As of now, 28 states, which accounted for 58% of 2019 sales, allow dealership sales operations to remain open. However, 22 states still have limitations on dealership sales operations from state orders. Of those with limitations, 16 allow for showroom sales by appointment or with specified social distancing actions.

May's retail sales outlook is forecast at 965,000 to 1,099,000 sales. This represents a decline of 16% to 26% from pre-virus expectations. The virus is projected to remove 1,000,000 to 1,400,000 sales over the five months of March – July 2020.

The recovery and full-year sales will be determined by the deterioration of economic conditions, and mitigation of economic conditions through government and OEM stimulus actions, inventory constraints, and OEM incentives. The full-year retail sales outlook is now 11.4 – 12.4 million versus a pre-virus baseline of 13.4 million, while the 2020 full-year outlook for total sales is now 13.0 – 14.5 million versus a pre-virus baseline of 16.8 million.

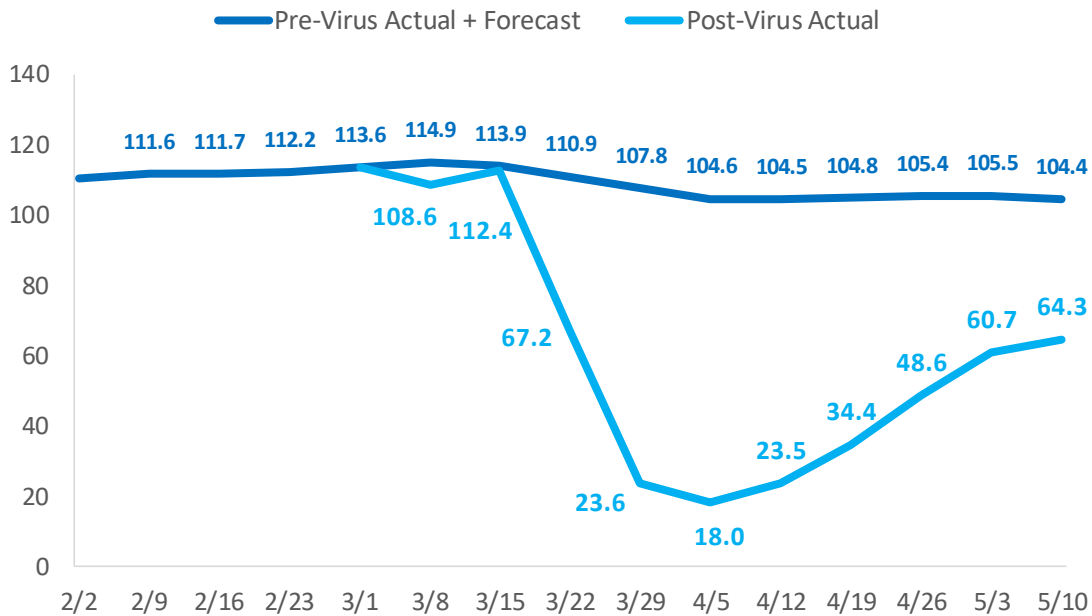
## Used Vehicles: Auction Sales Improve for Fifth Consecutive Week

Wholesale auction sales remained depressed through the week ending May 10, however, sales continue to show noticeable signs of improvement as dealers reopen showrooms to foot traffic and return to physical auctions to fill gaps in used vehicle inventories.

Wholesale auction sales exceeded 64,000 units for the week ending May 10, a figure 38% below pre-virus expectations, a marked improvement over the 70% loss recorded just three weeks prior. In addition, lagging sales added approximately 10,000 units to week ending May 3's tally. As a result, wholesale sales have now surpassed 60,000 units for two consecutive weeks.

Wholesale auction sales over the first two weeks of May reached an average of 62,500 units per week, double the weekly average recorded in April. Wholesale auction sales have totaled 341,000 units since mid-March, a decline of 578,000 units versus the same period in 2019 and a loss of 503,000 units versus our pre-virus expectations.

### Weekly Wholesale Auction Sales (000s)



*Note: Vehicles up to 8 years old.*

While sales remain well below pre-virus levels, they continued to improve for most segments last week. Double-digit gains were recorded for 10 segments across both the mainstream and premium sides of the market. Only two segments, both mainstream, experienced small declines in volumes. It should be noted, however, that these declines were recorded coming off the sizeable gains observed during week ending May 3.

### Segment Auction Sales (000s)

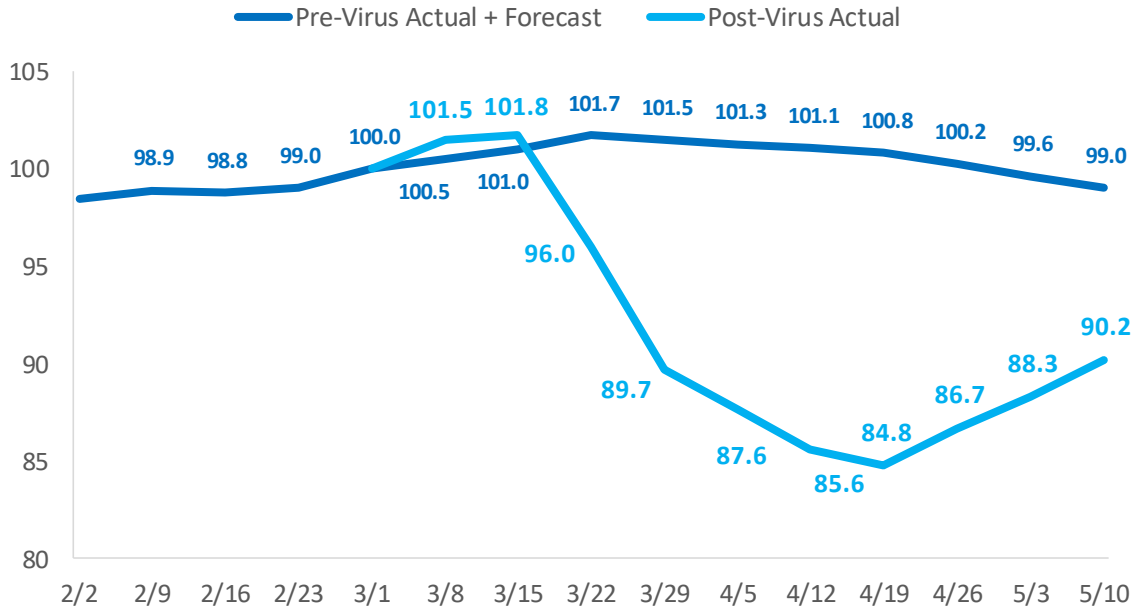
Segment	Week Ending						Weekly Change Δ 5/3 v. 5/10
	4/12/2020	4/19/2020	4/26/2020	5/3/2020	5/10/2020		
MAINSTREAM	Compact Car	3.5	5.1	6.9	8.4	8.6	2%
	Compact SUV	3.0	4.5	6.4	8.3	8.2	-1%
	Large Car	0.9	1.3	1.8	2.1	2.3	9%
	Large Pickup - Light Duty	2.1	3.4	5.1	6.2	6.3	1%
	Large SUV	0.3	0.5	0.8	1.1	1.2	12%
	Midsize Car	3.8	5.5	7.3	8.7	8.9	3%
	Midsize Pickup	0.4	0.6	0.9	1.0	1.0	1%
	Midsize SUV	2.4	3.7	5.5	7.2	7.7	8%
	Midsize Van	0.6	0.9	1.4	1.8	1.9	6%
	Small Car	1.2	1.5	2.1	2.3	2.2	-7%
	Small SUV	1.1	1.7	2.3	3.0	3.5	18%
PREMIUM	Compact Premium Car	0.8	1.1	1.5	2.1	2.6	26%
	Compact Premium SUV	0.3	0.4	0.7	0.9	1.4	55%
	Large Premium Car	0.1	0.1	0.2	0.2	0.2	12%
	Large Premium SUV	0.2	0.2	0.3	0.4	0.5	15%
	Midsize Premium Car	0.3	0.4	0.6	0.8	1.0	16%
	Midsize Premium SUV	0.6	0.8	1.3	1.7	2.1	24%
	Small Premium Car	0.1	0.2	0.2	0.4	0.5	32%
Small Premium SUV	0.1	0.1	0.2	0.2	0.3	30%	

Note: Vehicles up to 8 years old.

### Wholesale Auction Prices Rise Again

Auction prices continue to recover as markets gradually open back up and used demand improves. As a result, wholesale auction prices improved for the third week in a row. Prices rose 2% over the week ending May 10 versus the week prior. Once again, lagging reported sales lifted prices 2% the week of May 3, a slight improvement over initial results. Prices have grown 6% over the past three weeks and are now down 9% from our pre-virus forecast for the week of May 10, a substantial rise from the 16% trough recorded the week of April 19.

## Weekly Wholesale Auction Price Index



Note: Vehicles up to 8 years old. March 1 = 100.

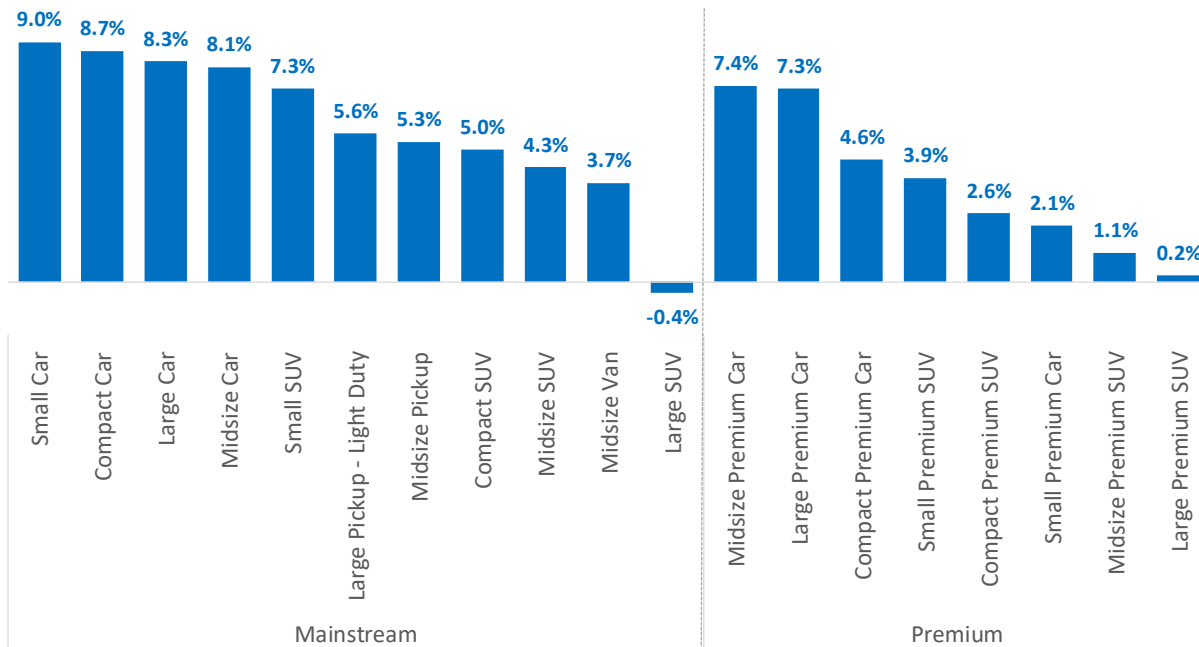
## Segment Auction Prices (000s)

Segment	Week Ending					Weekly Change Δ 5/3 v. 5/10
	4/12/2020	4/19/2020	4/26/2020	5/3/2020	5/10/2020	
<b>MAINSTREAM</b>						
Compact Car	\$6.9	\$6.8	\$7.1	\$7.2	\$7.4	+3%
Compact SUV	\$11.8	\$11.5	\$11.7	\$11.9	\$12.1	+2%
Large Car	\$11.0	\$11.0	\$11.3	\$11.8	\$11.9	+1%
Large Pickup - Light Duty	\$19.5	\$19.3	\$19.6	\$20.0	\$20.4	+2%
Large SUV	\$29.5	\$29.8	\$29.8	\$29.6	\$29.6	-0%
Midsize Car	\$8.0	\$7.9	\$8.2	\$8.4	\$8.6	+3%
Midsize Pickup	\$16.7	\$17.2	\$17.2	\$17.7	\$18.1	+2%
Midsize SUV	\$15.3	\$15.1	\$15.2	\$15.5	\$15.8	+2%
Midsize Van	\$11.1	\$11.3	\$11.4	\$11.5	\$11.8	+2%
Small Car	\$4.9	\$4.9	\$5.2	\$5.2	\$5.4	+3%
Small SUV	\$10.4	\$10.1	\$10.3	\$10.5	\$10.9	+3%
<b>PREMIUM</b>						
Compact Premium Car	\$14.0	\$14.3	\$14.3	\$14.7	\$14.9	+2%
Compact Premium SUV	\$18.7	\$18.6	\$18.5	\$18.8	\$19.1	+1%
Large Premium Car	\$27.6	\$26.3	\$26.7	\$27.6	\$28.3	+3%
Large Premium SUV	\$31.6	\$31.9	\$31.4	\$31.6	\$32.0	+1%
Midsize Premium Car	\$17.2	\$17.3	\$17.7	\$18.3	\$18.6	+2%
Midsize Premium SUV	\$21.3	\$21.5	\$21.3	\$21.6	\$21.7	+1%
Small Premium Car	\$11.6	\$11.5	\$11.6	\$11.6	\$11.8	+2%
Small Premium SUV	\$15.1	\$15.0	\$15.4	\$15.5	\$15.6	+1%

Note: Vehicles up to 8 years old.

Segment level price performances improved for the week ending May 10. All segments experienced week-over-week price changes that were flat-to-slightly-up.

### Segment Auction Price Change Week Ending 4/19 v. 5/10



*Note: Vehicles up to 8 years old.*

Mainstream passenger car prices continue to show steady gains after several weeks of declines more severe than the overall industry, with prices increasing for the third consecutive week. Mainstream used car prices had been on a long-term rise pre-virus, but post-virus have taken a more severe hit than mainstream pickups and SUVs.

Over the past several weeks, passenger car prices have been some of the strongest in the industry and could be an early indicator of price-sensitive consumers returning to the marketplace. On the mainstream side of the market, passenger car segment prices have improved by a range of 8% to 9% since week ending April 19. A similar pattern can be seen on the premium side of the market for midsize and large cars, where prices for these segments have improved by over 7%. However, results remain less pronounced for compact and small premium car increases.

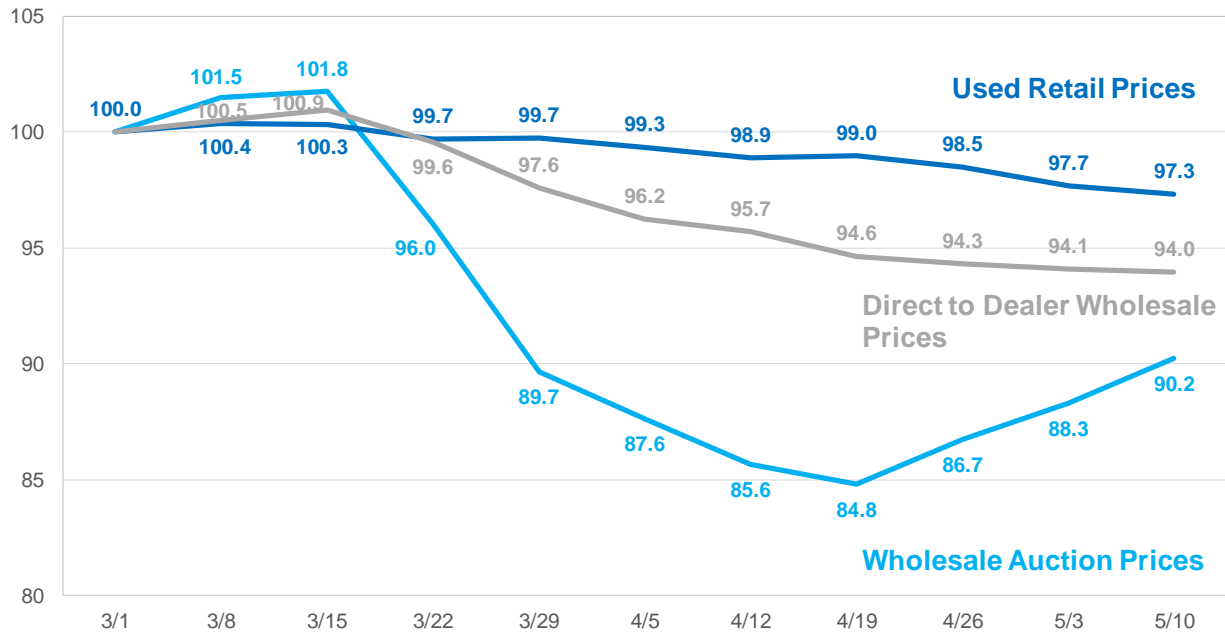
#### **Used Retail Prices Continue to Exhibit Great Resilience**

Used retail prices continue to show strength falling by a mild 0.4% on a weekly basis the week ending May 10. Even better is the fact that used retail prices have fallen just 3% since the beginning of March. Direct-to-dealer prices were essentially unchanged last week. Prices have been relatively stable over the past three weeks and are now down 6% versus the beginning of March.

Used retail and direct-to-dealer wholesale prices have been relatively stable, while wholesale auction prices are on a clear path upward.

## Weekly Used Retail, Direct to Dealer Wholesale, and Wholesale Auction Price Indices

March 1 =100



*Notes: Wholesale auction sales include simulcast and physical auction sales. Direct to dealer wholesale sales occur "upstream" or outside of a physical auction sale. Data covers vehicles up to 8 years in age. Figures are mix-adjusted.*

### **Used Vehicle Price Expectations on Course for Gradual Recovery**

After several weeks of measurable improvement, the used market is now in recovery. It should be noted, however, that the market will continue to experience volatility as it reacts to the evolving COVID-19 situation. Wholesale prices are currently 9% below the pre-virus expectations and represent a market still under pressure from fractured supply and demand. However, while still depressed, wholesale prices are on course to recover as stay-at-home orders are lifted and markets reopen.

J.D. Power Valuation Services continues to closely monitor the situation and make refinements to our forecast by using the latest data and market intelligence information. Currently, our forecast remains unchanged from prior weeks. Under our Likely scenario, prices are forecast to decline 8% – 11% through June before improving as the country opens back up.

Our outlook is centered on macroeconomic expectations, particularly the expectation that the country will continue to experience significant job losses through the second quarter, followed by a gradual recovery in the second half of the year. Under our Likely scenario, prices are expected to be down 3% – 5% on a full-year basis versus 2019. This compares to our pre-virus expectation that used prices would be flat-to-up by 1%. Prices in Q4 will be flat-to-down 2% versus 2019 levels indicating that, as we move through the year, we expect used prices to continue to improve. Given the highly uncertain nature of the COVID-19 pandemic, this forecast is subject to change in the coming weeks.

### **Supplemental Weekly Valuation Updates**

Valuation Services continues to provide weekly updates to our monthly values to ensure our clients have the most the up-to-date information needed to make sound business decisions in these uncertain times. For more information regarding our weekly values updates, methodology, or any other questions please visit [www.nada.com/b2b](http://www.nada.com/b2b). Please feel free to call us at 800-544-6232 Monday through Friday 8:30 a.m.-6 p.m. EDT or email us with your questions any time.

Thank you,

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