

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 17.

## The Takeaways

- After six weeks of consecutive growth, the new-vehicle retail sales recovery paused as a leveling of sales performance was exhibited across markets – causes varied across markets as the industry continues to work through the challenges of recovery.
- Wholesale auction activity continues to gradually improve with each passing week. Auction sales reached 86,000 units as physical auction activity is steadily approaching pre-virus expectations.
- Wholesale auction prices improved for the fourth consecutive week, rising by 2.2% on a weekly basis. Prices have grown 8.3 percentage points over the past four weeks and are now down only 5% from our pre-virus forecast.

## New and Used Market Performances (Through the Week Ending May 17):

### New Vehicles: Retail Sales Recovery Paused

After six weeks of consecutive growth, the industry recovery paused for the week ending May 17. Retail sales for the week reached 427,000 units, representing a decline of 26%, or 149,000 units, versus our pre-virus forecast and a slight improvement over the 27% decline experienced the week ending May 10.

The slowdown in the recovery was widespread across most markets. Nearly all markets slowed or declined the week ending May 17 when compared to the previous week. However, Los Angeles and New York posted modestly improved results.

While transaction prices have come down from the product mix-driven highs experienced a few weeks ago, they continue to remain elevated versus pre-virus levels. Transaction prices reached their highest level on record at \$35,700 during the week ending April 5, however, they have since declined. Average transaction prices declined for the second consecutive week during the week ending May 17, falling by approximately \$200 to an average of \$34,500 per unit. This variance was driven largely by changes in segment mix and product mix within segments.

Incentives hit record levels at over \$5,000 per unit during the week ending May 3. A week-over-week incentives decrease was experienced the week ending May 10, driven by vehicle mix and a lower supported finance incentive mix. Most recently, spending remained roughly flat in the week ending May 17. However, there is potential for incentive escalation in the coming weeks.

May's retail sales outlook is forecast at 961,000 to 1,064,000 sales. This represents a decline of between 18% and 26% from pre-virus expectations. The virus is projected to remove 1,000,000 to 1,500,000 sales over the five months of March through 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

remains 11,400,000 to 12,400,000 versus a pre-virus baseline of 13.4 million, while the 2020 full-year outlook for total sales is 13,000,000 to 14,000,000 versus a pre-virus baseline of 16.8 million.

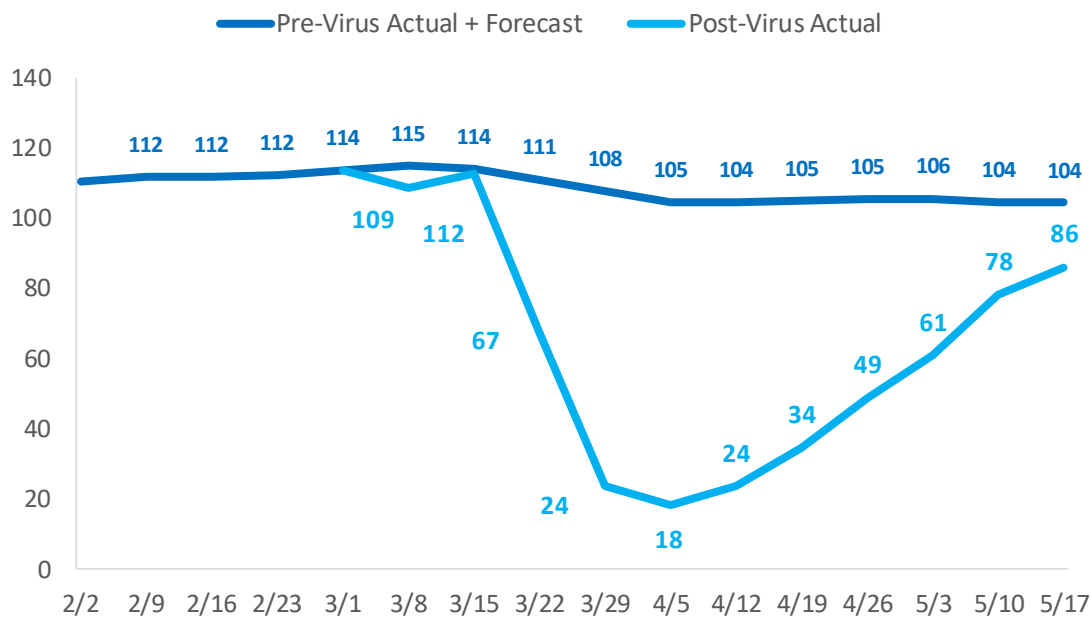
### Used Vehicles: Auction Sales Increase Narrowing Pre-Virus Gap

Wholesale auction sales remained below pre-virus levels through the week ending May 17. However, sales continue to recover, and physical auction activity is steadily approaching pre-virus expectations.

Wholesale auction sales reached an estimated 86,000 units for the week ending May 17, just 18% below pre-virus expectations – a significant improvement over the 70% loss recorded just four weeks prior. In addition, lagging sales added approximately 13,500 units to the week ending May 10’s tally.

Wholesale auction sales over the past three weeks reached an average of 75,000 units per week, nearly three times higher than weekly averages recorded over the same period in April. Wholesale auction sales have totaled 442,000 units since mid-March, a decline of 589,000 units versus the same period in 2019 and a loss of 506,000 units versus our pre-virus expectations.

### Weekly Wholesale Auction Sales (000s)



*Note: Vehicles up to 8 years old.*

While sales at the segment level remain below pre-virus volumes, they improved again for virtually all segments last week. Many segments continue to experience double-digit weekly gains as the market moves toward recovery. Mainstream Large Car was the only segment to experience a small pull back in auction sales the week ending May 17, down 3% versus the previous week.

## Segment Auction Sales (000s)

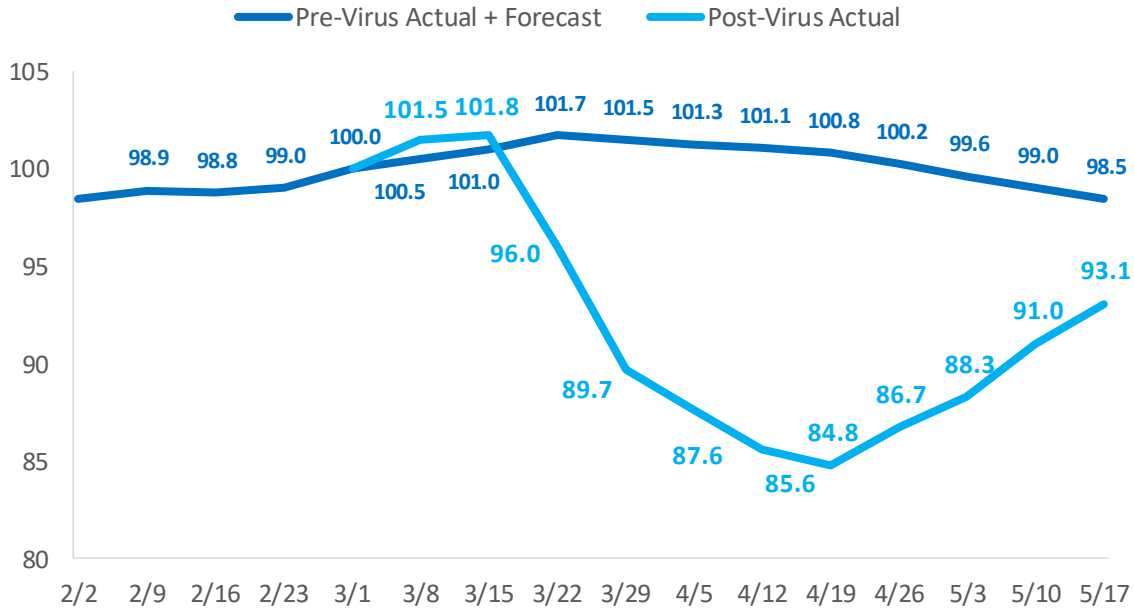
Segment	Week Ending					Weekly Change	
	4/19/2020	4/26/2020	5/3/2020	5/10/2020	5/17/2020	Δ 5/10 v. 5/17	
MAINSTREAM	Compact Car	5.1	7.0	8.5	10.4	11.1	7%
	Compact SUV	4.6	6.5	8.4	9.7	11.3	16%
	Large Car	1.3	1.8	2.1	2.8	2.7	-3%
	Large Pickup - Light Duty	3.5	5.2	6.3	8.1	8.3	3%
	Large SUV	0.5	0.8	1.1	1.5	1.8	22%
	Midsize Car	5.6	7.4	8.9	11.0	11.6	6%
	Midsize Pickup	0.6	0.9	1.0	1.3	1.5	20%
	Midsize SUV	3.8	5.5	7.3	9.3	10.4	11%
	Midsize Van	1.0	1.4	1.8	2.2	2.4	7%
	Small Car	1.5	2.1	2.4	2.7	2.7	0%
Small SUV	1.7	2.3	3.0	4.2	4.3	2%	
PREMIUM	Compact Premium Car	1.1	1.5	2.1	2.8	3.5	23%
	Compact Premium SUV	0.4	0.7	0.9	1.5	2.2	41%
	Large Premium Car	0.1	0.2	0.2	0.2	0.3	31%
	Large Premium SUV	0.3	0.3	0.4	0.6	0.7	26%
	Midsize Premium Car	0.5	0.6	0.8	1.1	1.3	14%
	Midsize Premium SUV	0.8	1.3	1.7	2.3	3.3	44%
	Small Premium Car	0.2	0.2	0.4	0.5	0.6	6%
	Small Premium SUV	0.1	0.2	0.2	0.4	0.5	43%

Note: Vehicles up to 8 years old.

### Wholesale Auction Prices Jump Again

Auction prices continue to recover as markets open back up and used demand improves. As a result, wholesale auction prices improved for the fourth week in a row. Prices rose 2% over the week ending May 17 versus the week prior. Once again, lagging reported sales lifted prices approximately 1 percentage point for the week ending May 10, a slight improvement over initial results. Prices have grown by more than 9% over the past four weeks and are now down only 5% from our pre-virus forecast for the week ending May 17, 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.

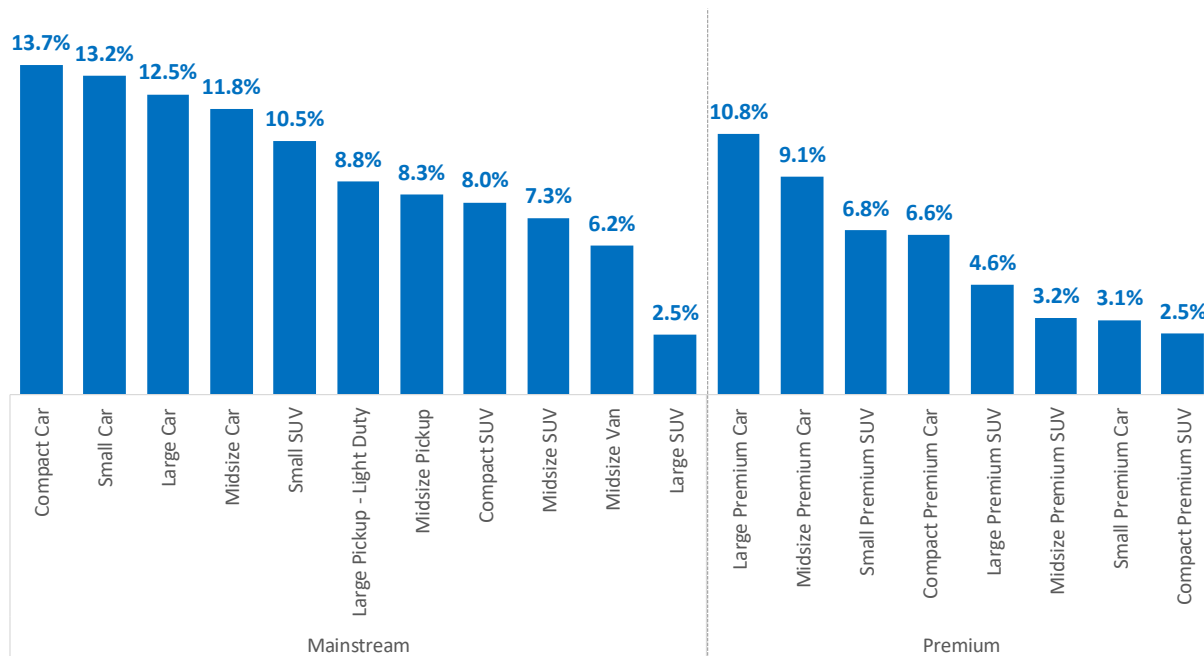
## Segment Auction Prices (000s)

Segment	Week Ending					Weekly Change Δ 5/10 v. 5/17
	4/19/2020	4/26/2020	5/3/2020	5/10/2020	5/17/2020	
<b>MAINSTREAM</b>						
Compact Car	\$6.8	\$7.0	\$7.2	\$7.5	\$7.7	+3%
Compact SUV	\$11.5	\$11.7	\$11.9	\$12.1	\$12.5	+3%
Large Car	\$11.0	\$11.3	\$11.8	\$12.1	\$12.4	+2%
Large Pickup - Light Duty	\$19.3	\$19.6	\$20.0	\$20.5	\$21.0	+3%
Large SUV	\$29.8	\$29.9	\$29.7	\$29.9	\$30.6	+2%
Midsize Car	\$7.9	\$8.2	\$8.4	\$8.7	\$8.9	+2%
Midsize Pickup	\$17.1	\$17.1	\$17.7	\$18.2	\$18.5	+2%
Midsize SUV	\$15.1	\$15.2	\$15.5	\$15.9	\$16.2	+2%
Midsize Van	\$11.3	\$11.4	\$11.5	\$11.9	\$12.0	+1%
Small Car	\$4.9	\$5.1	\$5.2	\$5.4	\$5.6	+4%
Small SUV	\$10.2	\$10.3	\$10.5	\$11.0	\$11.2	+2%
<b>PREMIUM</b>						
Compact Premium Car	\$14.3	\$14.3	\$14.7	\$15.0	\$15.2	+2%
Compact Premium SUV	\$18.6	\$18.5	\$18.8	\$19.0	\$19.1	+0%
Large Premium Car	\$26.4	\$26.7	\$27.6	\$28.4	\$29.2	+3%
Large Premium SUV	\$31.8	\$31.4	\$31.6	\$32.0	\$33.3	+4%
Midsize Premium Car	\$17.3	\$17.7	\$18.3	\$18.7	\$18.9	+1%
Midsize Premium SUV	\$21.5	\$21.3	\$21.6	\$21.7	\$22.1	+2%
Small Premium Car	\$11.5	\$11.6	\$11.5	\$11.7	\$11.9	+2%
Small Premium SUV	\$15.1	\$15.5	\$15.6	\$15.7	\$16.2	+3%

Note: Vehicles up to 8 years old.

Segment level price performances improved across the board for the week ending May 17. All segments experienced week-over-week price changes that were flat-to-up and in line with overall industry results.

### Segment Auction Price Change Week Ending 4/19 v. 5/17



*Note: Vehicles up to 8 years old.*

Segment prices continue to recover from their April lows across both the mainstream and premium sides of the market. Mainstream passenger car prices are experiencing some of the largest increases in the industry after several weeks of declines more severe than the overall industry. As a result, mainstream passenger car prices are up by a range of approximately 12% to 14%. Mainstream pickup and SUV prices are also up from their low points, however, gains are not nearly as pronounced as in those experienced by the passenger car segments. On the premium side of the market results are mixed. While midsize and premium car prices are up between 9% to 11%, compact and small car increases lag behind and are similar to premium SUV segments.

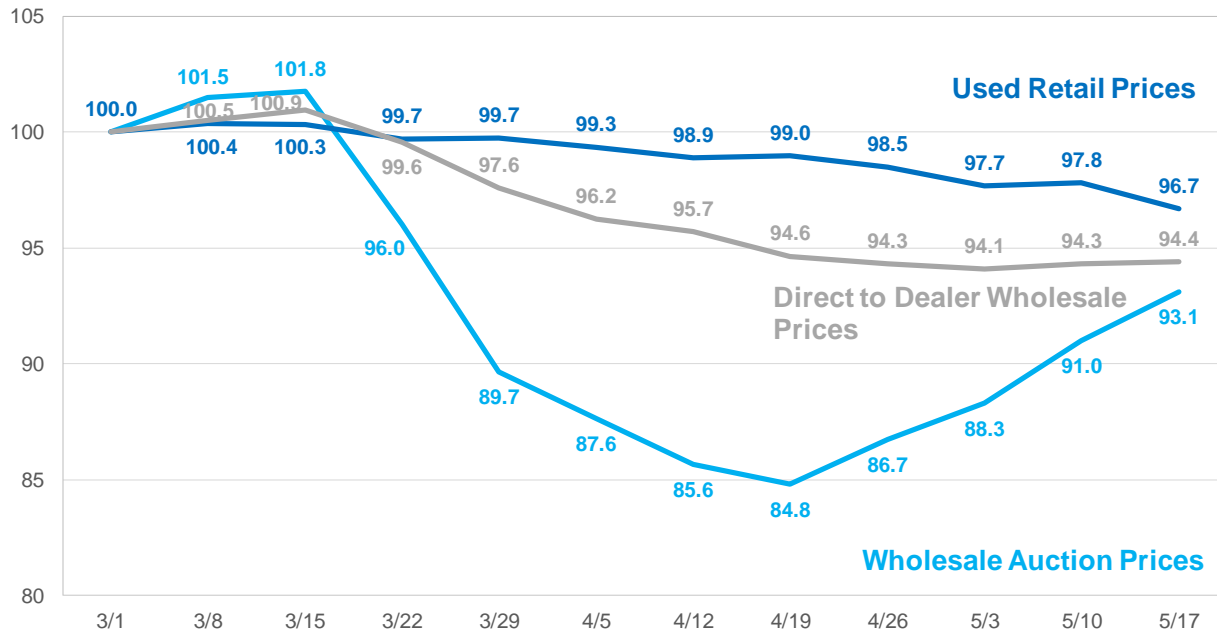
#### **Used Retail Prices Remain Strong**

Used retail prices continue to hold up well, falling by only 1 percentage point on a weekly basis for the week ending May 17. As a result, retail prices are now down only 3% from pre-virus levels. Direct-to-dealer prices were essentially unchanged for the fourth consecutive week last week. Prices have been stable over the past several weeks and are now down 6% versus the beginning of March.

Despite lower sales volumes, used retail prices continue to follow trends that are fairly typical for the time of year, while wholesale prices increasingly reflect a market that is returning to a state of normalcy.

## 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 Remain on Track for Steady Recovery

After several weeks of measurable improvement, the used market continues down the path of 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 5% below pre-virus expectations and are steadily moving towards normalcy as we work through a market still under pressure from reduced supply and demand. However, while still depressed, wholesale prices remain 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. Prices are forecast to decline 8% to 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 progress 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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