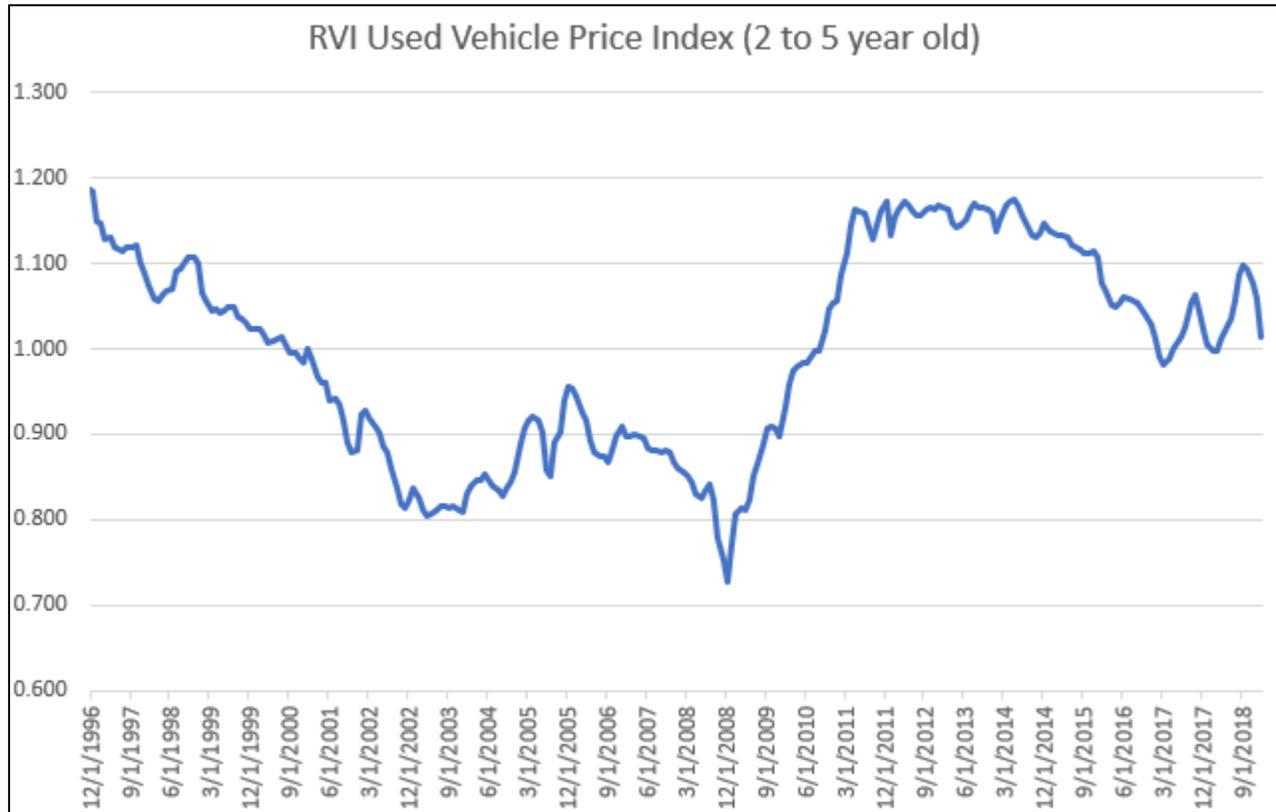


January 2019 Wholesale Vehicle Transactions



| RVI UVPI Indexes | | | | | |
|------------------|--------|--------|--------|---------|--------|
| 2-to-5 | | 0-to-2 | | 6-to-12 | |
| M-to-M | Y-to-Y | M-to-M | Y-to-Y | M-to-M | Y-to-Y |
| -4.2% | 1.0% | -3.8% | 2.1% | -3.0% | 0.6% |

January new and used car markets were adversely impacted by both one-time factors as well as auto-specific issues that raised the price of buying or financing a vehicle. Among the critical one-time factors, the government shutdown hurt demand in states and regions with high numbers of government employees. Dealers reported a drop in traffic as the shutdown continued late into the month. Unusually bad weather and extremely low temperatures also hurt demand. Used car sales figures are not accurately measured, however, new car demand dropped from a seasonally adjusted rate of 17.72 million in December to 16.6 million in January, so it is likely that used car demand also declined. Both business and consumer confidence dropped in January, to their lowest levels since November 2016. However, those indexes are expected to recover in February with a second government shutdown averted.

Although the Federal Reserve indicated that it would hold off on further interest rate hikes, the damage has already been done with new car buyers paying 6.19% for a 5-year loan compared to 4.99% in 2018. Nevertheless, the U.S. economy remains strong with historically low unemployment and low inflation.

Certain situations impacted the used car market in January including confusion over the timing and amount of refunds with more filers learning that instead of a refund check, they may owe the IRS due to under-

withholding. This raises questions as to whether the 2019 used vehicle market will experience the typical seasonal lift over the tax season.

Franchise dealers account for about one-third of used car sales. With new car inventory 2.2% higher than last year, dealers have been focusing their attention on reducing the stock of new cars instead of adding to their used car inventory. Automakers will have to cut back on production and increase incentives to reduce the current surplus. It's likely that automakers will do both, emphasizing lower output of less profitable models while boosting ad spend and incentives on pickup trucks where competition is heating up. Ford's recent announcement of a 1.5 million unit recall for transmission issues could shift market share among the Detroit Three but is not likely to impact residual values assuming that the problem is repaired quickly.

Wholesales auction activity reflected the fundamentals described above. Auction volume declined 10.4% from January 2018 and 6.1% from December. All three RVI indexes dropped in January but were still above January 2018. Perhaps the most telling drop was in the 6-to-12-years-old cars which represent the sweet spot for used car dealers and their customers. Strong demand and low supply of these units underpinned the relatively strong performance of this index relative to cars aged 0-to-2-years and the primary index of 2-to-5-year-old cars.

Segment Results

| UVPI USA 2-5 Year Olds | | | | % Change from | |
|------------------------|--------------|--------------|--------------|---------------|-------------|
| RVI_SEGMENT | Jan-19 | Dec-18 | Jan-18 | M-to-M | Y-to-Y |
| COMPACT | 0.970 | 1.010 | 0.938 | -4.0% | 3.4% |
| FULL-SIZE PICKUP | 1.018 | 1.017 | 1.032 | 0.1% | -1.3% |
| FULL-SIZE SEDAN | 1.101 | 1.129 | 1.064 | -2.5% | 3.5% |
| FULL-SIZE SUV | 0.905 | 0.965 | 0.945 | -6.2% | -4.3% |
| FULL-SIZE VAN | 1.033 | 1.055 | 1.045 | -2.1% | -1.1% |
| LUXURY COUPE | 0.916 | 0.921 | 0.917 | -0.6% | -0.2% |
| LUXURY FULL-SIZE SEDAN | 0.920 | 0.919 | 0.918 | 0.0% | 0.2% |
| LUXURY MID-SIZE SEDAN | 0.823 | 0.830 | 0.830 | -0.8% | -0.8% |
| LUXURY SMALL SEDAN | 0.762 | 0.780 | 0.785 | -2.3% | -3.0% |
| LUXURY SUV | 0.981 | 1.034 | 1.008 | -5.1% | -2.6% |
| MID-SIZE SEDAN | 1.020 | 1.064 | 0.997 | -4.1% | 2.3% |
| MID-SIZE SUV | 1.072 | 1.121 | 1.097 | -4.4% | -2.2% |
| MINIVAN | 0.975 | 1.065 | 0.964 | -8.4% | 1.1% |
| SMALL PICKUP | 1.200 | 1.225 | 1.229 | -2.0% | -2.3% |
| SMALL SUV | 1.041 | 1.094 | 1.056 | -4.8% | -1.4% |
| SPORTS CAR | 1.084 | 1.097 | 1.067 | -1.1% | 1.6% |
| SPORTY COUPE | 1.087 | 1.147 | 1.051 | -5.3% | 3.4% |
| SUB-COMPACT | 1.065 | 1.099 | 1.006 | -3.1% | 5.9% |
| UVPI Market | 1.014 | 1.059 | 1.004 | -4.2% | 1.0% |

2018 Certified Vehicle U.S. Sales

| | 2018 | 2017 | % Change Y-o-Y |
|------------|------------------|------------------|-----------------------|
| January | 203,079 | 192,928 | 5.3% |
| February | 212,189 | 211,264 | 0.4% |
| March | 259,029 | 243,347 | 6.4% |
| April | 221,277 | 235,007 | -5.8% |
| May | 248,866 | 237,476 | 4.8% |
| June | 241,127 | 221,792 | 8.7% |
| July | 223,117 | 227,439 | -1.9% |
| August | 234,150 | 230,106 | 1.8% |
| September | 213,529 | 222,217 | -3.9% |
| October | 213,448 | 200,565 | 6.4% |
| November | 206,572 | 202,983 | 1.8% |
| December | 224,011 | 221,195 | 1.3% |
| YTD | 2,701,669 | 2,646,322 | 2.1% |

END OF REPORT

All data provided by RVI.

Industry commentary and analysis provided by [Maryann Keller & Associates.](#)