

Manheim Index Declines in February



Wholesale used vehicle prices (on a mix-, mileage-, and seasonally adjusted basis) declined for the second consecutive month in February. At 122.0, the Manheim Used Vehicle Value Index is now 3% below its year-ago level. Auction prices unadjusted for changes in mix and mileage are higher than they were last year as a result of commercial consignments accounting for a greater share of auction volume in 2013.

The weakening in adjusted wholesale prices this year was not unexpected. It is the result of a payback for the year-end uptick in prices caused by Hurricane Sandy as well as the longer-term shift caused by the wholesale market's adjustment to growing future supplies after a period of exceptional shortage.

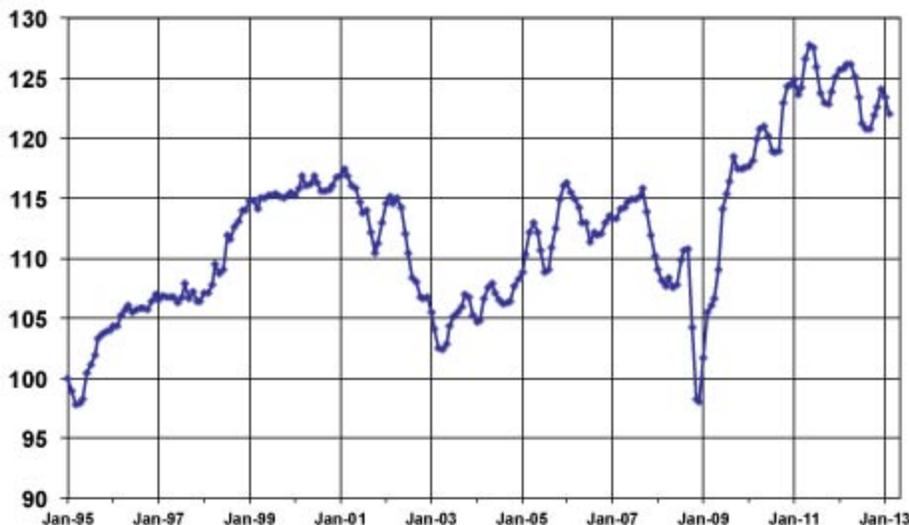
Manheim Used Vehicle Value Index

January 1995 = 100

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Jan	100.0	104.3	106.5	107.1	114.8	115.3	116.9	114.6	105.5	104.7	108.8	116.3	113.3	109.1	101.7	117.6	124.9	125.7	123.4
Feb	98.9	104.3	106.9	107.1	114.8	115.8	117.4	115.1	104.1	104.8	110.3	115.5	113.3	108.1	105.5	118.1	123.6	125.8	122.0
Mar	97.8	105.3	106.8	107.8	114.1	116.9	116.9	114.6	102.5	106.6	112.2	114.9	114.1	107.7	106.1	119.9	124.2	126.2	
Apr	97.9	105.7	106.8	109.5	115.0	116.1	116.1	115.0	102.4	107.6	112.9	114.2	114.2	108.4	106.6	120.7	126.6	126.1	
May	98.2	106.1	106.8	108.7	115.0	116.2	115.8	114.2	102.8	107.9	112.1	112.9	114.7	107.5	109.1	121.0	127.8	125.1	
Jun	100.4	105.5	106.3	109.1	115.3	116.8	114.7	112.0	104.3	107.1	110.7	112.9	114.9	107.8	114.1	120.2	127.5	123.4	
Jul	101.1	105.7	106.7	111.9	115.3	116.3	113.8	110.4	105.1	106.5	108.8	111.4	114.9	109.9	115.4	118.9	125.9	121.2	
Aug	101.9	105.8	107.9	111.6	115.4	115.6	114.0	108.4	105.5	106.2	109.1	112.1	115.1	110.7	116.4	118.8	123.7	120.7	
Sep	103.3	105.8	106.6	112.6	115.1	115.6	112.1	108.0	105.9	106.3	110.9	111.9	115.8	110.8	118.5	118.9	122.9	120.7	
Oct	103.6	105.7	107.2	113.1	115.0	115.7	110.4	106.7	107.0	106.4	112.5	112.0	113.9	104.2	117.4	122.9	122.8	121.9	
Nov	103.9	106.4	106.4	114.0	115.3	116.1	111.2	106.6	106.8	107.7	114.9	112.9	111.9	98.3	117.4	124.3	123.8	122.6	
Dec	104.0	107.0	106.4	114.0	115.5	116.7	112.9	106.7	105.3	108.2	116.1	113.5	110.2	98.0	117.5	124.4	125.1	124.1	
Annual Avg.	100.9	105.6	106.8	110.5	115.1	116.1	114.4	111.0	104.8	106.7	111.6	113.4	113.9	106.7	112.1	120.5	124.9	123.6	

Manheim Used Vehicle Value Index

January 1995 = 100



New vehicle sales begin to level off. New vehicles sold at a seasonally adjusted annual rate of 15.4 million in February, which was in line with expectations. Given that the consensus full-year forecast is 15.5 million, and that sales have been running at a 15.4 million rate for the past three months, the pace of new vehicle sales, which had been on a straight line up from the trough of 9.5 million in mid-2009, will now plateau.

In the past, a leveling-off in the sales rate often brought forth higher incentives as manufacturers and dealers fought to keep the upward momentum alive. It is our belief, and hope, that those old practices will not be repeated in the current cycle. Production plans, current inventory levels, and flat incentive spending in February support our hypothesis.

Used vehicle sales continue rising. Entering 2013, there was more concern about the near-term pace of used vehicle sales than for new vehicle sales. After all, it is lower- and middle-income used vehicle buyers who are most impacted by the loss of the payroll tax holiday, delayed (and smaller) tax refunds, and higher gas prices. Despite those drags, used vehicle retail sales were strong in both January and February and produced a 12% year-to-date increase in retail deliveries for dealers.

The pricing impact of growing wholesale supplies. The coming increase in wholesale supplies in 2013 and beyond is well-known, but to assess the impact on pricing it is important to quantify that increase relative to retail demand. The total number of units supplied by commercial sellers (whether sold at auction or not) will likely rise to more than 5.8 million units in 2013 from 5.1 million in 2012. By 2015, the total will likely reach more than 6.8 million units. Clearly these are sizable increases – but they are off a very low base.

Relative to the number of used vehicles retailed by dealers, total commercial wholesale supplies will be only 20% in 2013 and 22% in 2015. That's up from 18% in 2012, but well within the historical average range over the past decade.

Prices of off-rental units remain strong. In February, unadjusted prices for off-rental risk units sold at auction approached the highs reached last spring. Average mileage (37,000) was down 6% from a year ago. Volume was up from last year.

Price Changes for Selective Market Classes

February 2013 vs February 2012

