



Manheim Index Rises Again in November 2012

Wholesale used vehicle prices (on a mix-, mileage-, and seasonally adjusted basis) rose by 0.6% in the month of November. (Without the seasonal adjustment, prices were unchanged.) The November Manheim Used Vehicle Value Index stood at 122.6, which represented a 1% decline from a year ago, a 25% increase from the trough in December 2008, and a 4% decline from the all-time high reached in May 2011.

Hurricane Sandy lifted used vehicle values in November by both reducing supply and increasing demand. Those forces will continue into December and the early part of 2013, and may mitigate some of the volatility that a possible shift in retail demand might cause.

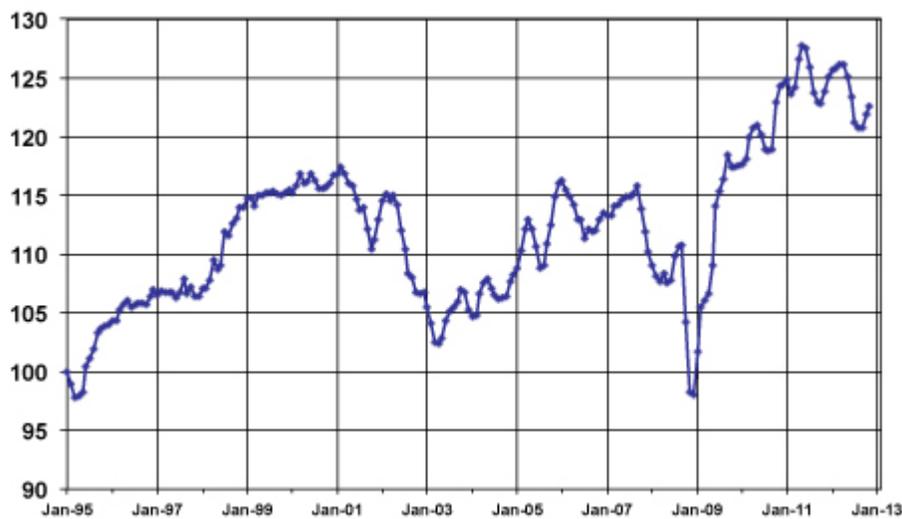
Manheim Used Vehicle Value Index

January 1995 = 100

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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
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
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	122.8	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	
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	

Manheim Used Vehicle Value Index

January 1995 = 100



New car and light-duty truck selling rate surges to 15.5 million in November. . New vehicle sales in November were boosted by the pickup of sales that were lost in the final days of October due to Hurricane Sandy and by the replacement demand that was created by the storm. The benefit of higher replacement demand will continue in December and January.

Despite the high new vehicle sales pace (averaging close to 15 million over the past three months), there have been pockets of excessive inventory builds. Incentives have risen modestly (with more likely to come); but it appears that manufacturers are also willing to adjust production levels, which will help future used vehicle residuals.

Hurricane Sandy also increases used vehicle replacement demand Used vehicle retail sales rose 15% in November, with the dealer segment ringing up an exceptionally strong 31% gain, according to CNW. Full year sales are now set to reach the 41 million mark for the first time since 2007.

Although the fundamental drivers of used vehicle retail demand (especially credit availability) are likely to remain favorable in 2013, resolution of the fiscal cliff could have an impact on next year's sales activity. There is a better-than-even chance that income tax rates on the middle class (the bulk of used vehicle buyers) will not go up next year. However, the future of the "temporary" 2 percentage point reduction in the payroll tax is less certain. One can argue whether the lower payroll tax is good economic policy, but one cannot deny that it has been beneficial to used vehicle sales.

Rental risk: volumes down, pricing stable. Due to the predictable increase in long-term rentals following Hurricane Sandy, most rental car companies partially delayed scheduled defleeting. Average auction prices for the available units remained steady in the \$15,000 range, suggesting that that is the ceiling currently being imposed by the new vehicle market.

Pickups show pricing strength. Wholesale pricing for pickups has remained strong in recent months as increased activity in the building and services trades has supported retail demand. The heavy overhang of inventory in the new pickup truck market has had little impact on wholesale values since the auction activity in this segment is concentrated on older units with more than 100,000 miles.

Conversely, auction activity in the luxury car segment includes a lot of fully reconditioned, late-model, end-of-term lease units and company cars. As such, wholesale prices have recently been kept in check by promotional activity occurring in the market for new luxury cars.

Price Changes for Selective Market Classes

November 2012 vs November 2011

