

Used Vehicle Value Index – May 2013



By applying statistical analysis to its database of more than 5 million used vehicle transactions annually, Manheim has developed a measurement of used vehicle prices that is independent of underlying shifts in the characteristics of vehicles being sold.

The Manheim Index is increasingly recognized by both financial and economic analysts as the premier indicator of pricing trends in the used vehicle market, but should not be considered indicative or predictive of any individual remarketer's results.

Wholesale Prices Ease in May

Wholesale used vehicle prices (on a mix-, mileage-, and seasonally adjusted basis) slipped 0.1 percent in May. This brought the Manheim Used Vehicle Value Index to a level of 119.1, which was 4.8 percent lower than a year ago.

The magnitude of May's decline was significantly smaller than any of the previous four months and reflected the ongoing re-alignment of new and used vehicle price ratios back to more normal levels. Thus, the pricing impact of higher wholesale supplies in the second half of this year might be less than what many analysts previously anticipated. The dominant force in future wholesale pricing will more likely be retail volumes and dealer profitability. With used vehicle financing readily available at attractive terms, retail markets will likely remain strong.

New vehicle sales pace remains steady. In May, new cars and light-duty trucks sold at a seasonally adjusted annual rate (SAAR) of 15.3 million. This was reported as a welcome improvement from April's temporary slip below the 15 million rate. The reality, however, is that the SAAR, on a three-month moving average basis, has been in a tight range ever since the beginning of last year. We find the three-month moving average more useful given that the monthly seasonal adjustment factor for new vehicle sales is subject to errors due to shifting seasonal forces, the diminished relevance of selling day adjustments, and the lack of accounting for the distribution of weekends or holidays during the month.

Incentive activity and inventory levels, the forces within the new vehicle that most impact wholesale values, remain supportive to used vehicle residuals. However, in some segments of the new vehicle market (mostly notably midsize cars), strong product offerings, attractive finance and lease deals, and a drive for market share have lowered wholesale prices for competing late-model used units.

Used vehicle sales up overall, but down for dealers. Total used vehicle sales rose 2 percent in April, according to CNW. But, sales by dealers, which are more insightful for the wholesale market, fell by 4.7 percent in May. Channel checks suggest, however, that inventory turn rates and net profits remain healthy for most dealers.

May results differ for various price points, seller segments, and market classes.

An analysis of mileage changes by wholesale price tiers shows that vehicles in the \$11,000 to \$13,000 price range were the weakest segment of the auction market in May, relative to a year ago. This hurt the resale performance of some commercial fleet managers, especially if their portfolio was concentrated in just a couple of specific models of midsize cars. If their portfolio had a large number of small crossovers or full-size pickups, they did much better.

Prices for rental risk units sold at auction (unadjusted for changes in mix and mileage) were flat compared with a year ago. Average mileage was down about 2 percent.

Within market classes, pickups continued to significantly outperform all other segments. Used vehicle pricing for compact and midsize cars remained, however, under the pressure of competition from the new vehicle market and increased wholesale supplies.