

J.D. POWER

US Automotive: New & Used Vehicle Sales and Financing Insights

Prepared for;

2022 Auto Intel Summit

Mike Buckingham, Managing Director Auto Finance

4/14/2022

ALG

**AUTODATA
SOLUTIONS**

CHROMEDATA

HELIX 



**POWER INFORMATION
NETWORK**

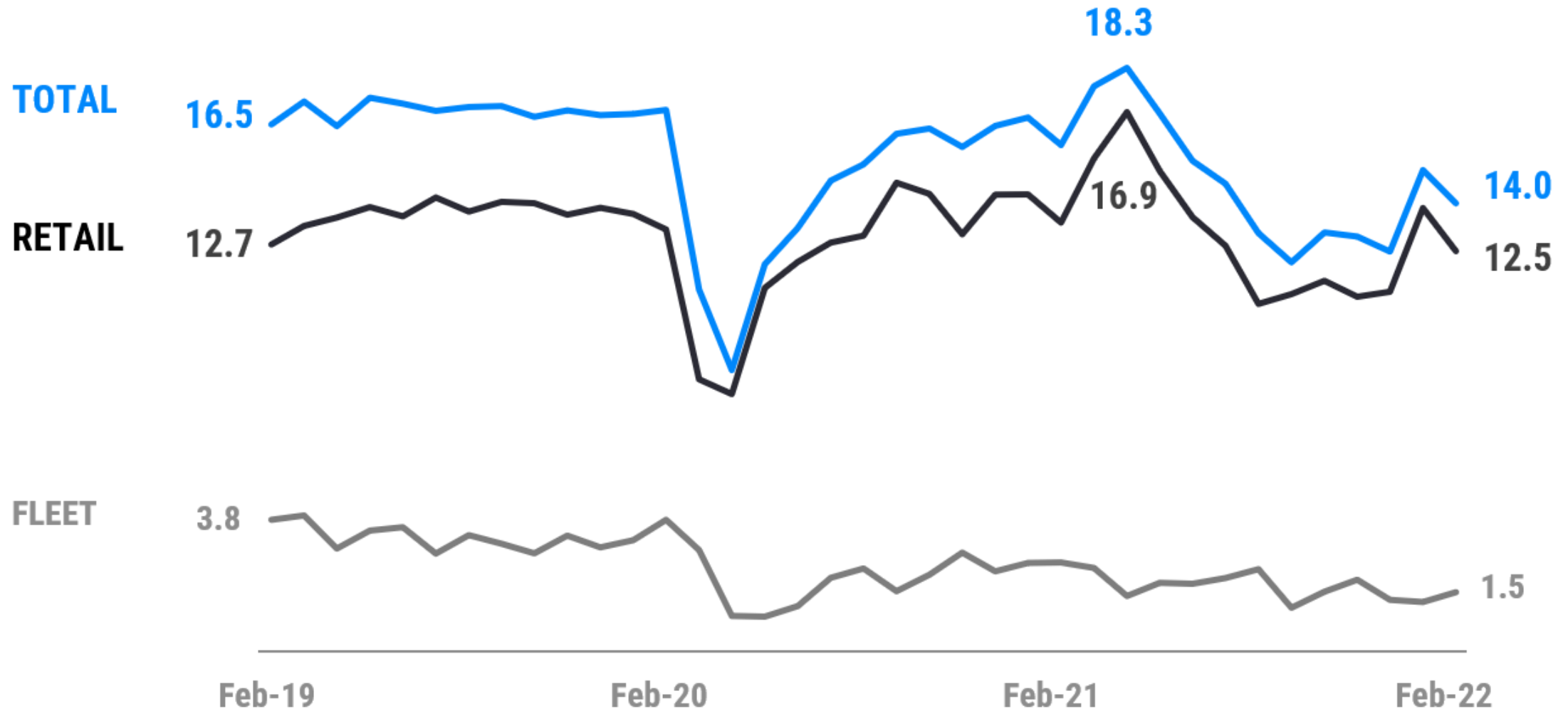
SMARTDIGITAL

UNITYWORKS

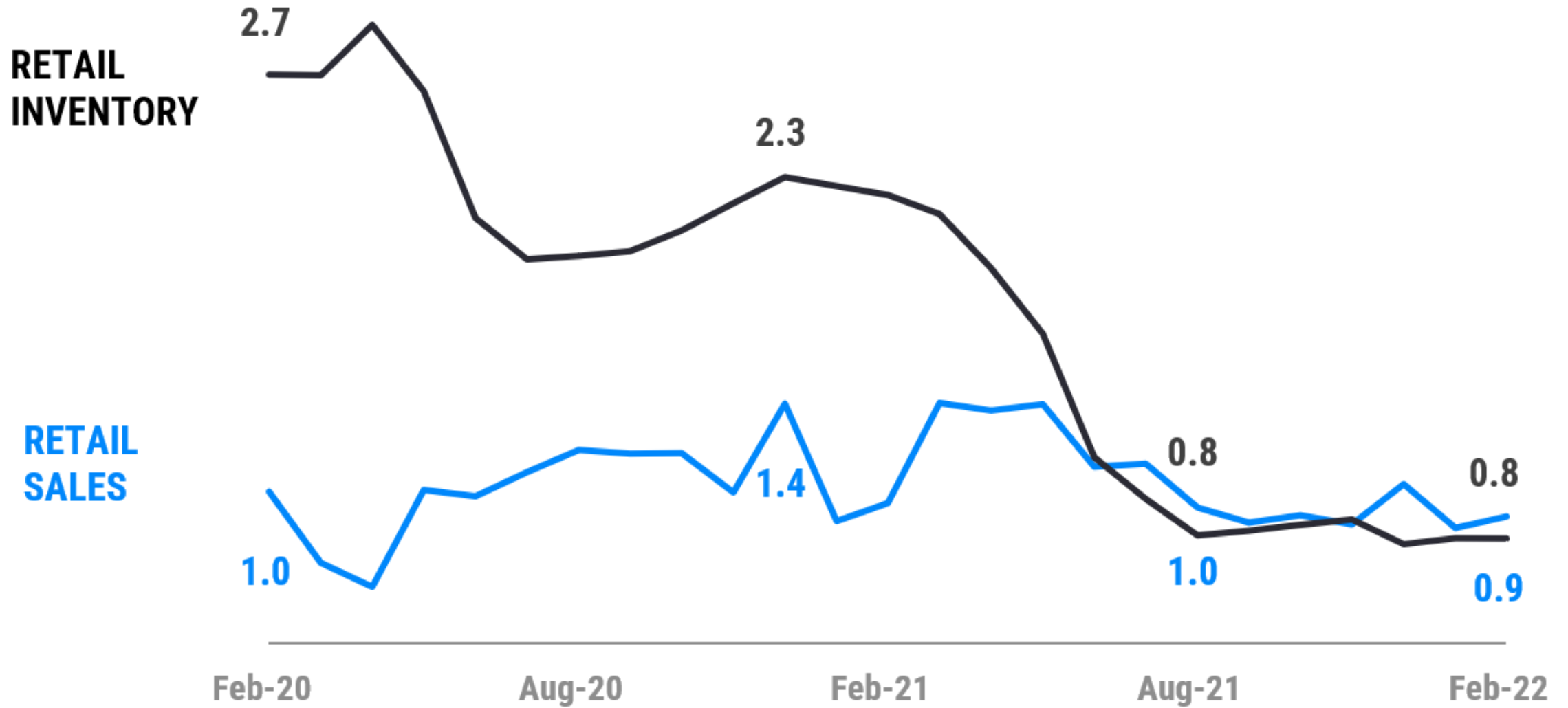
**VALUATION
SERVICES**

- New Auto Sales Data
- Used Car Market & Data
- Auto Finance Origination Data

New Auto Sales Data & Insights

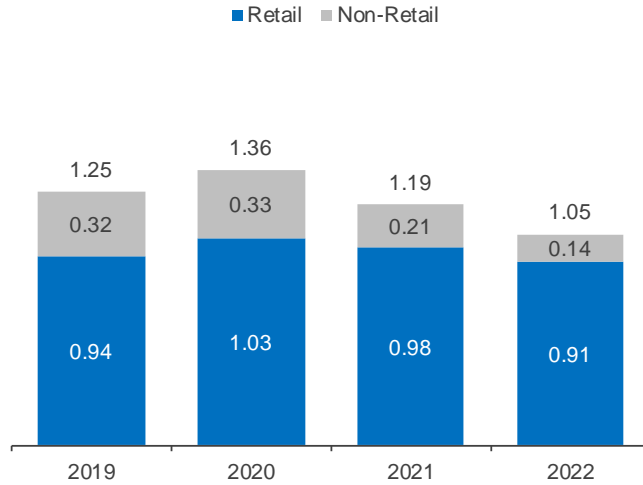


Source: Data & Analytics, a business division of J.D. Power.



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February Industry Sales



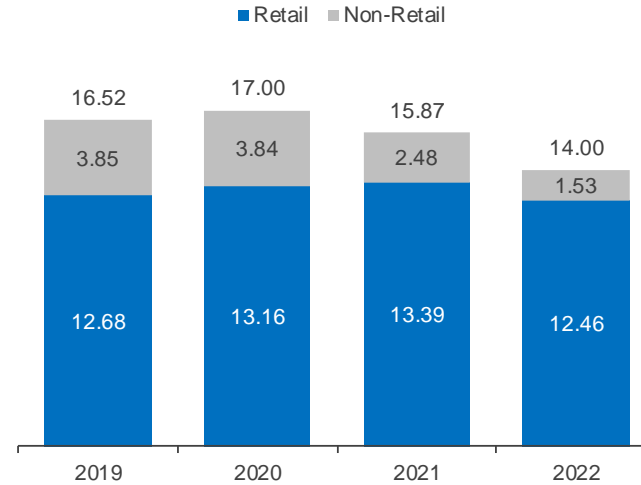
Year-over-year Sales Δ (%):

| | | | | |
|------------|-------|-------|--------|--------|
| Total | -3.3% | +0.3% | -5.3% | -12.0% |
| Retail | -4.7% | +1.2% | +3.2% | -7.1% |
| Non-Retail | +1.2% | -2.3% | -31.5% | -34.6% |

Memo:

| | | | | |
|----------------|-----|-----|-----|-----|
| Non-Retail Mix | 25% | 25% | 18% | 13% |
|----------------|-----|-----|-----|-----|

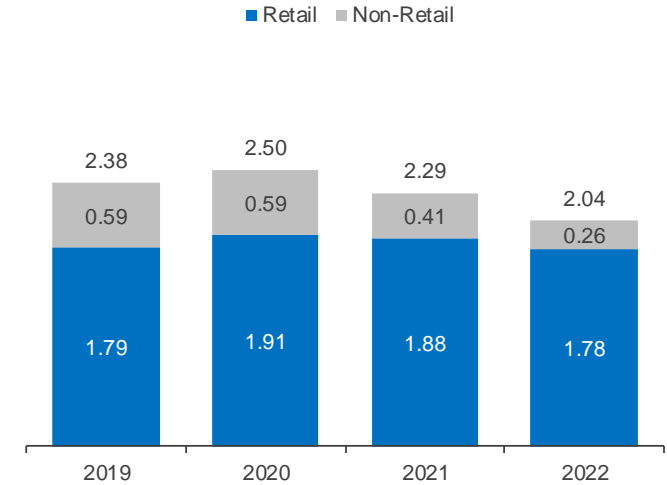
February SAAR



Year-over-year Sales Δ (millions):

| | | | | |
|------------|-------|-------|-------|-------|
| Total | -0.40 | +0.48 | -1.13 | -1.87 |
| Retail | -0.39 | +0.48 | +0.23 | -0.92 |
| Non-Retail | -0.01 | -0.00 | -1.37 | -0.95 |

YTD Industry Sales



Year-over-year Sales Δ (%):

| | | | | |
|------------|-------|-------|--------|--------|
| Total | -2.6% | +0.6% | -2.4% | -11.1% |
| Retail | -4.5% | +2.2% | +4.7% | -5.1% |
| Non-Retail | +3.7% | -4.1% | -25.4% | -38.2% |

| | | | | |
|----------------|-----|-----|-----|-----|
| Non-Retail Mix | 25% | 24% | 18% | 13% |
|----------------|-----|-----|-----|-----|

- February Total sales fell -12.0% year-over-year with greater decline from non-retail sales (-34.6%)
- February SAAR ended at 14 million, -1,871k units below prior year
- Non-retail sales fell -34.6%, accounting for 13% of industry sales

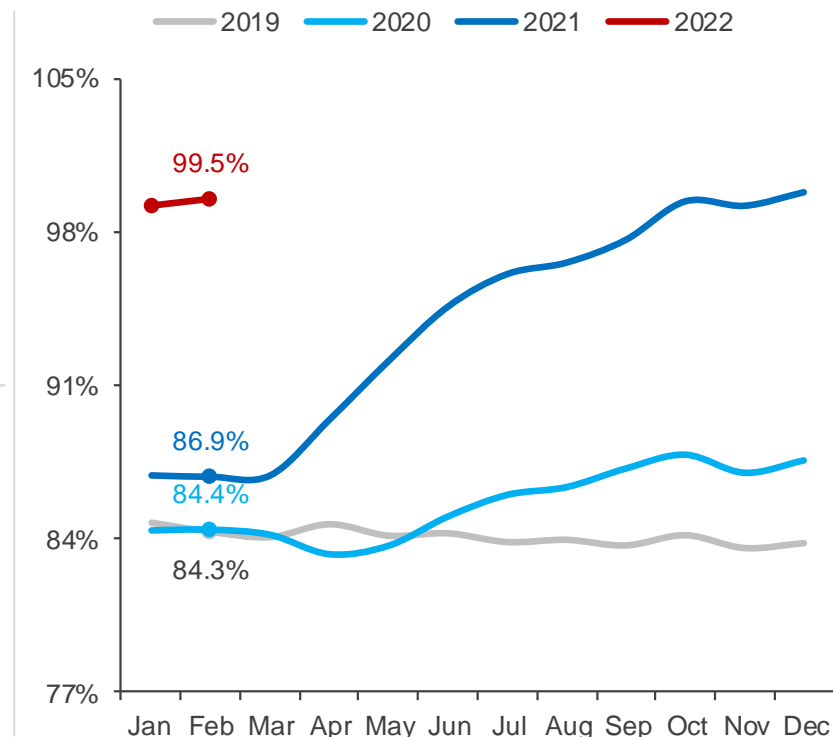
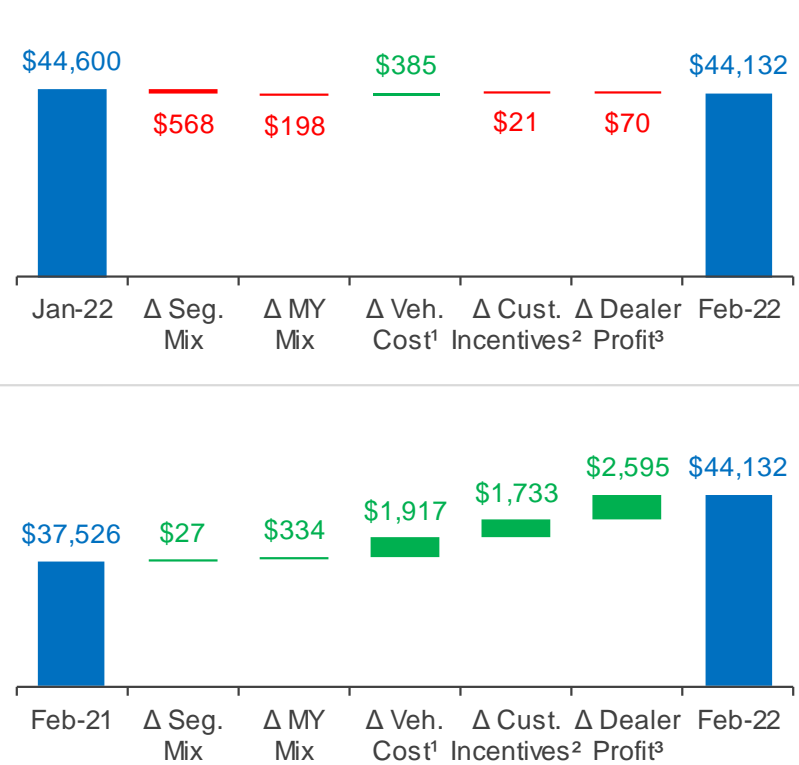
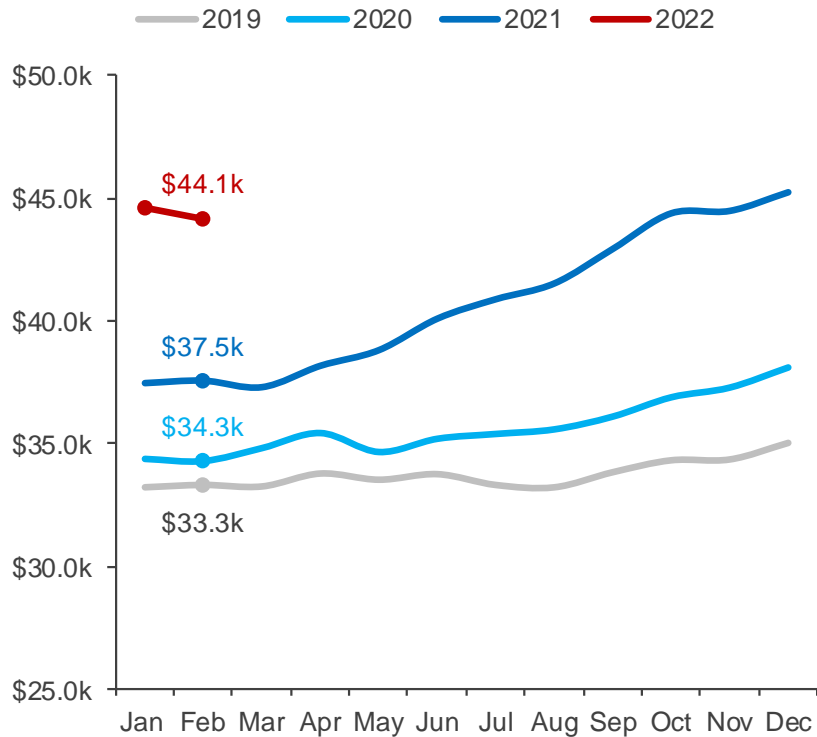
Note: Sales changes are selling-day adjusted

Source: PIN Retail Sales Report, PIN Consulting

Customer-Facing Transaction Price (CFTP)

CFTP: M/M and Y/Y

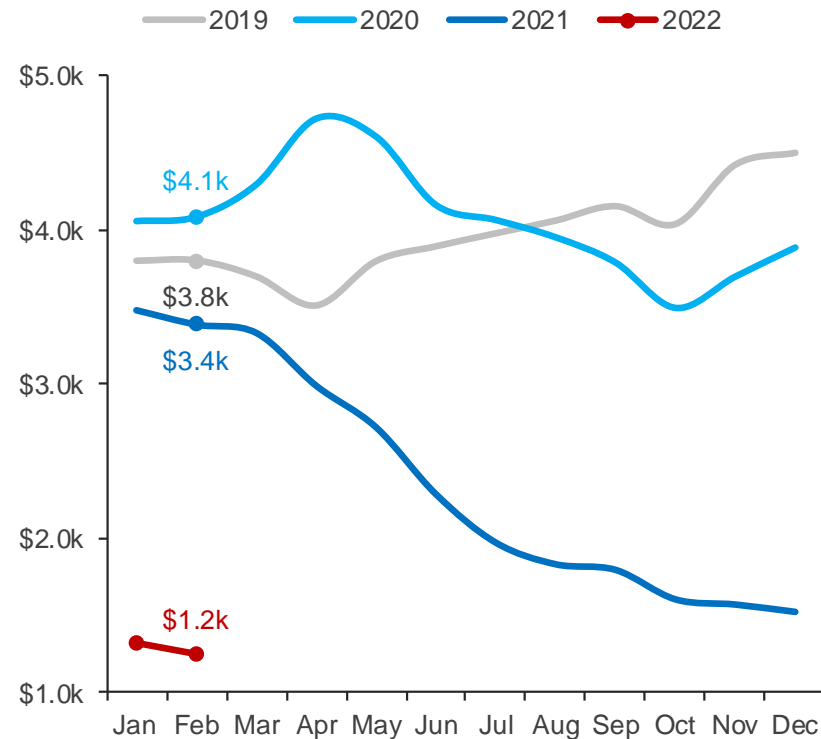
CFTP Relative to MSRP



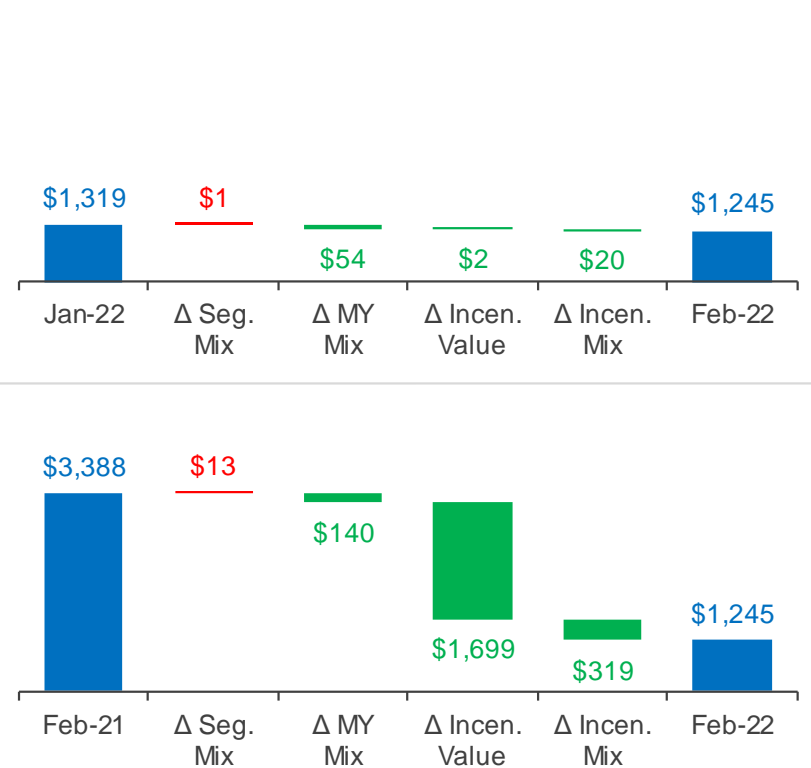
- Average Customer-Facing Transaction Price rose to \$44,132 (+\$6,606 Y/Y, -\$468 M/M)
- Dealer Profit (+\$2,595) was the largest contributor to the +17.6% Y/Y gain
- Customer-Facing Transaction Price as a percent of MSRP grew to 99.5% (+12.7ppts Y/Y, +0.3ppts M/M)

Note: ¹Veh. Cost is the dealer's net cost inclusive of factory & dealer-installed accessories | ²Cust. Incentives includes Fed'l gov't spending | ³Dealer Profit includes dealer facing incentives and dealer gross

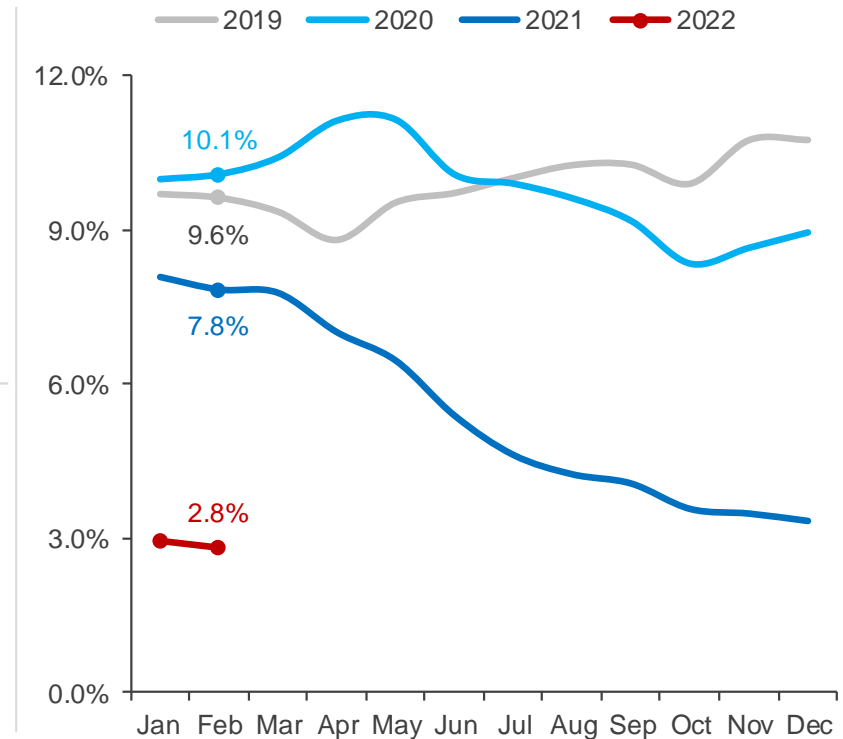
Incentive Spend per Unit



Incentive Spend per Unit:



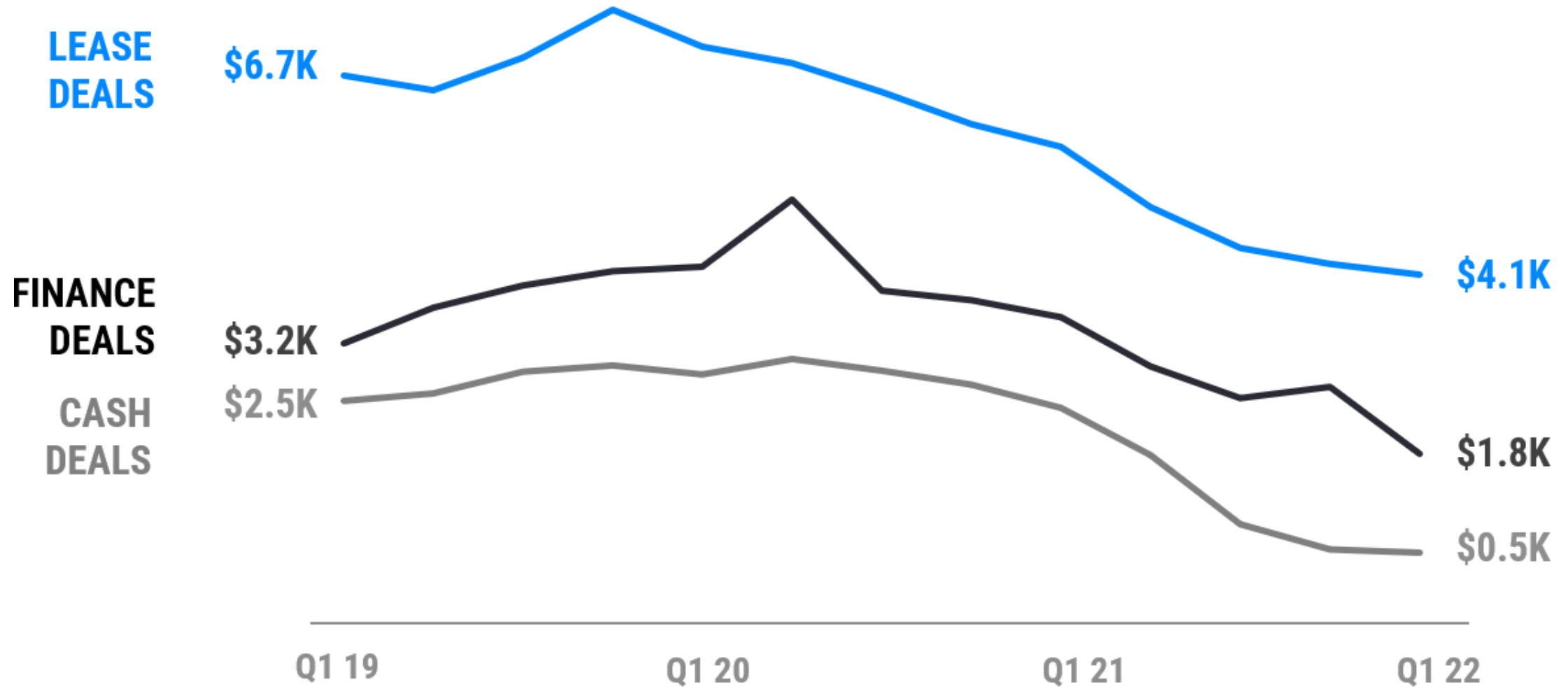
Incentive Spend per Unit Relative to MSRP



- Incentive Spend per Unit fell to \$1,245/unit (-\$2,144/unit or -63.3% Y/Y, -\$74/unit or -5.6% M/M)
- Incentive Spend per Unit as a percent of MSRP fell to 2.8% (-5.0ppts Y/Y, -0.1ppts M/M)

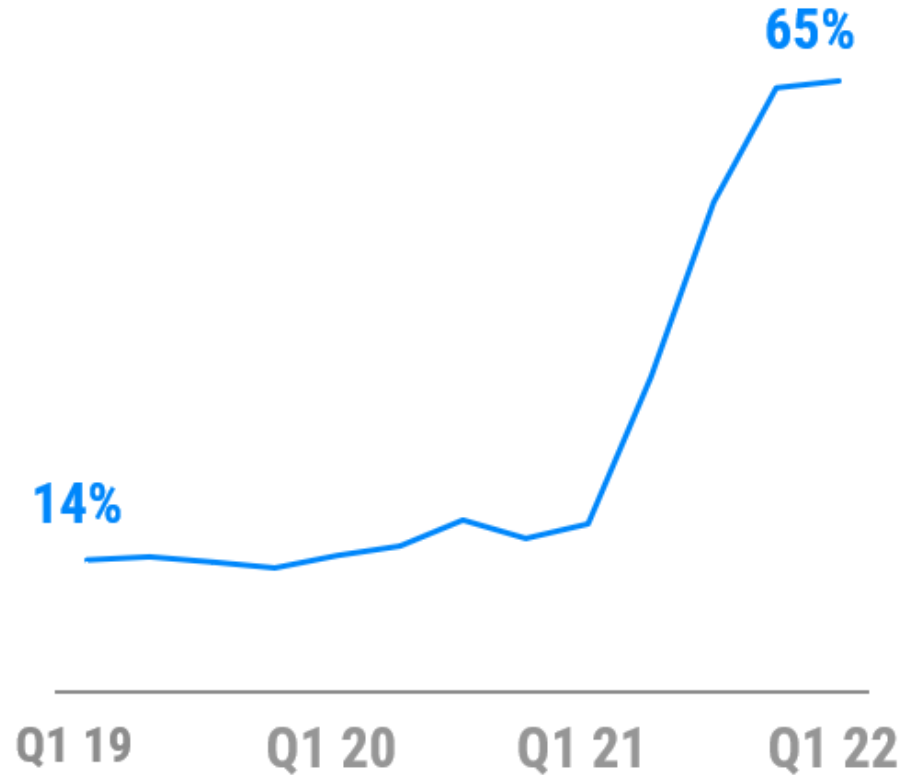
Note: Excludes non-franchise sales, super-premium, and commercial brands
 Source: PIN Incentive Spend Report

OEM Incentives continue to Decrease

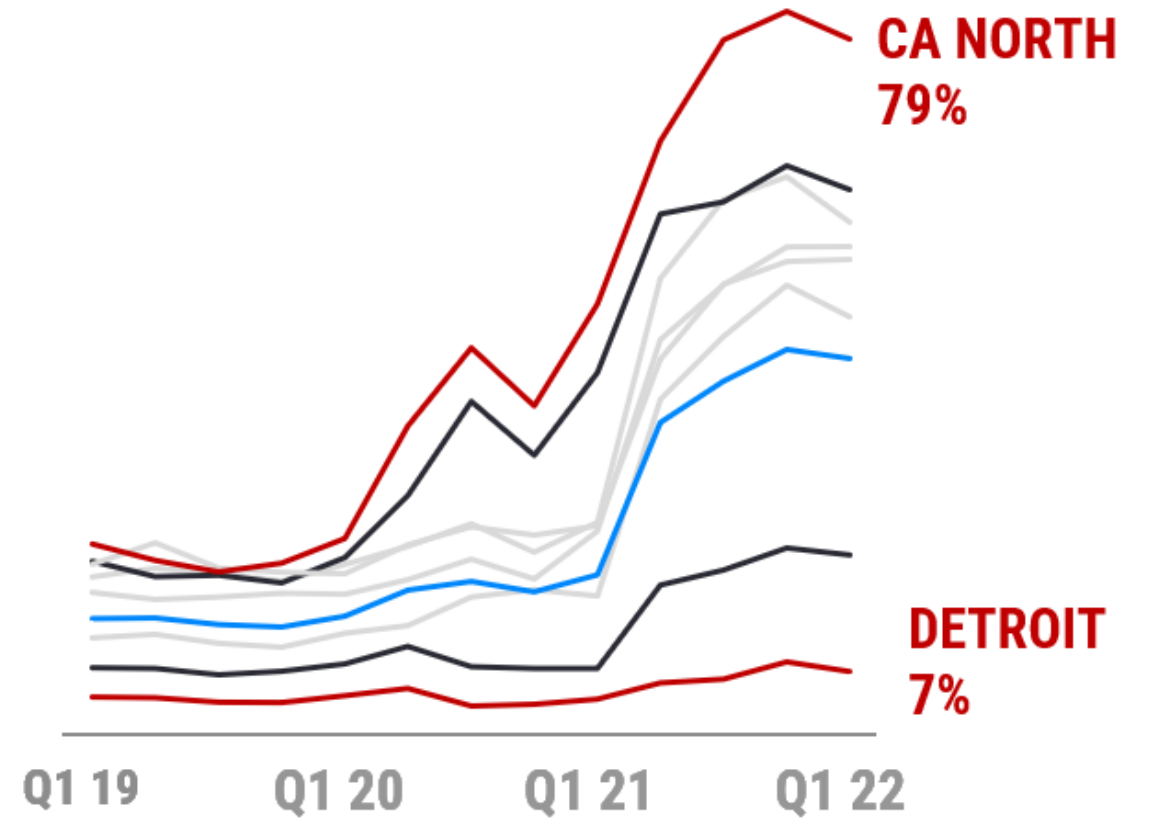


Source: Data & Analytics, a business division of J.D. Power.

% SALES OVER MSRP

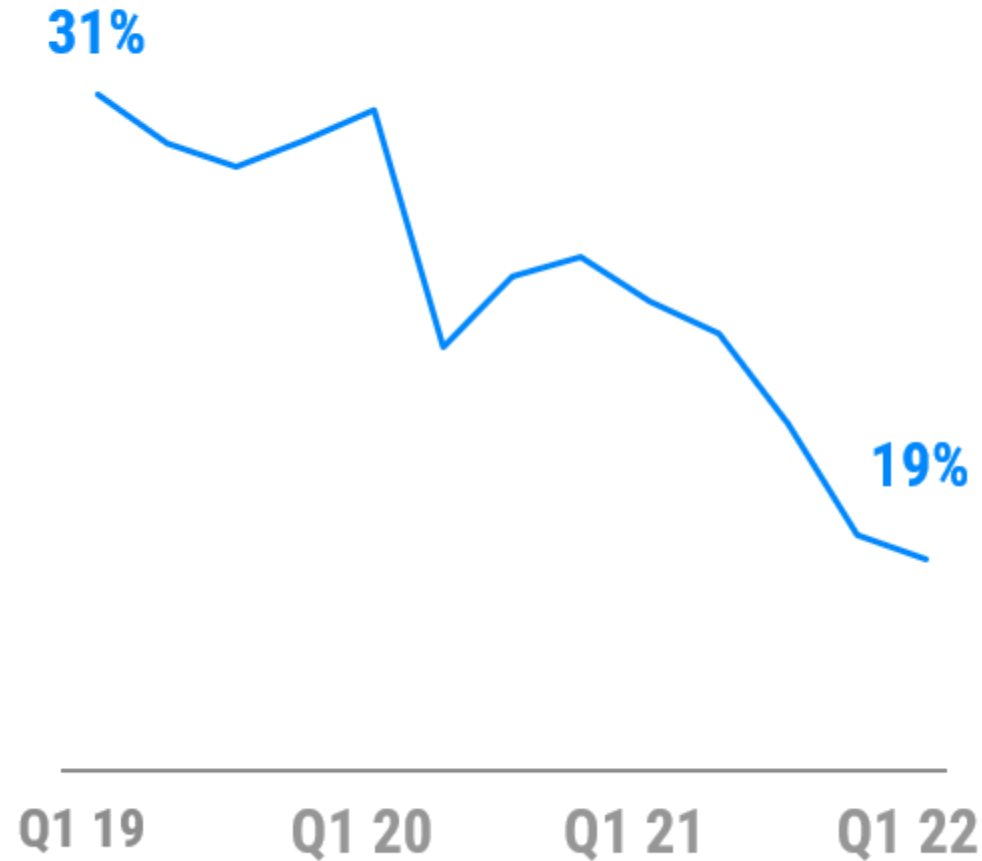


% SALES OVER MSRP

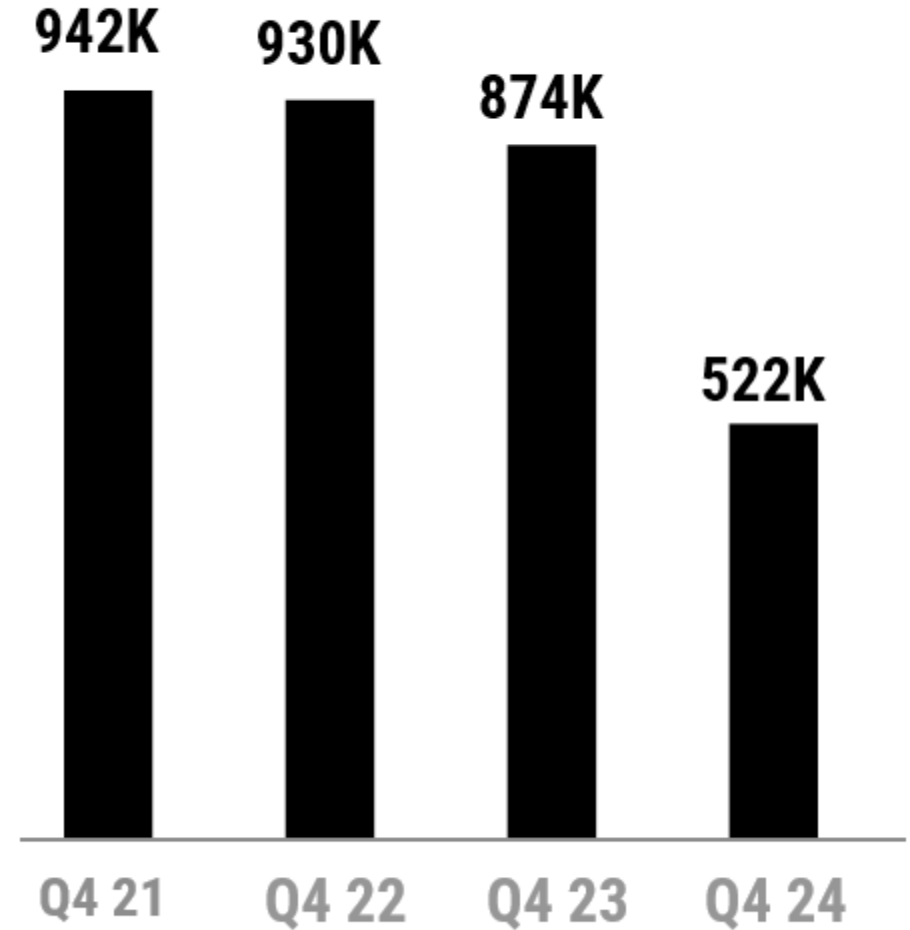


Source: Data & Analytics, a business division of J.D. Power.

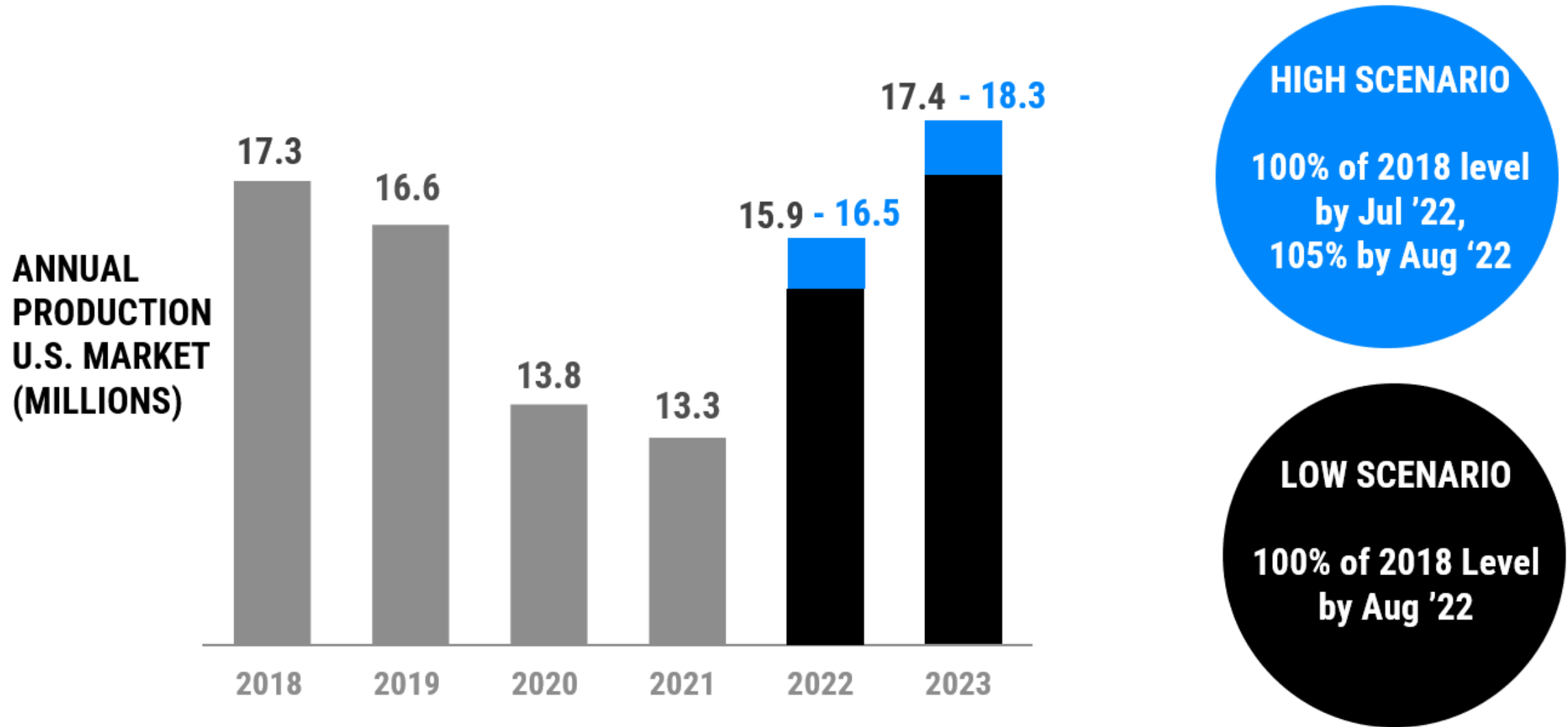
LEASE % OF SALES



FUTURE LEASE RETURNS



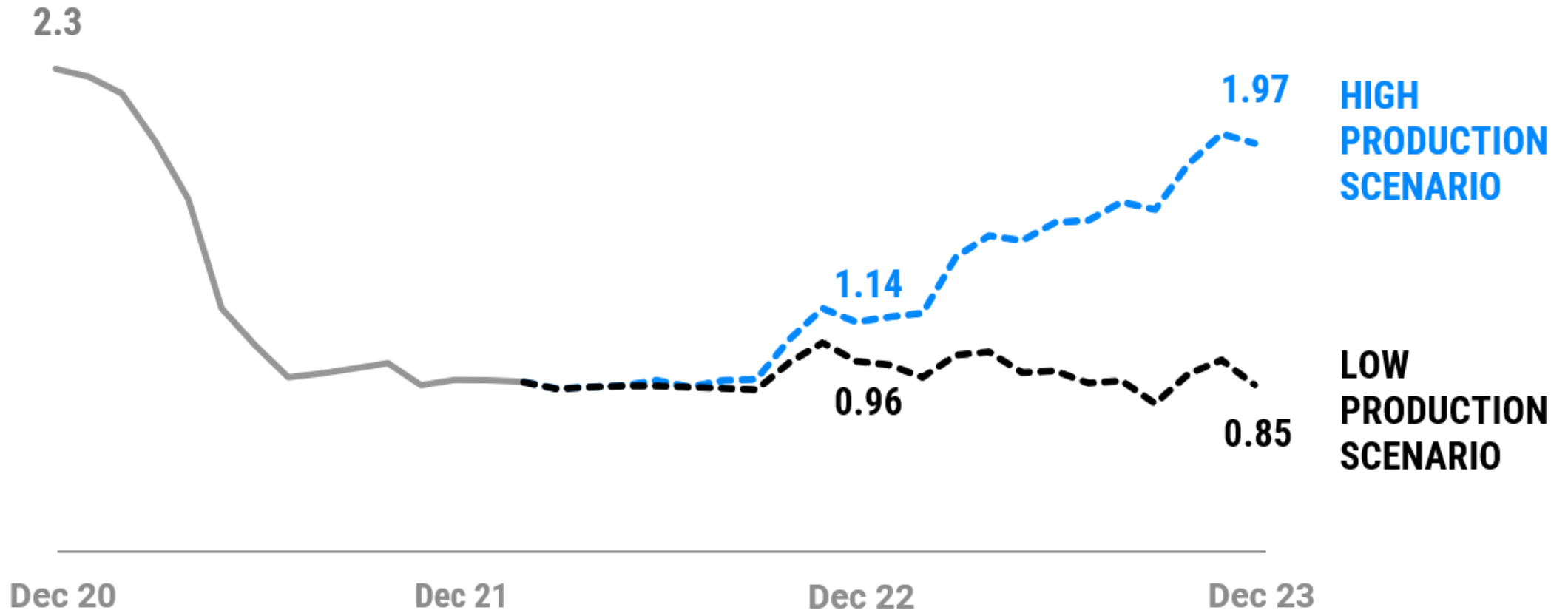
Source: Data & Analytics, a business division of J.D. Power.



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Potential Inventory Recovery Starting in Q4

RETAIL
INVENTORY
(MILLIONS)



Source: Data & Analytics, a business division of J.D. Power.

- **INVENTORY IS KEY DRIVER OF 2022 RESULTS**
- **INVENTORY DETERMINED BY SUPPLY CHAIN DISRUPTION**
- **POTENTIAL INVENTORY RECOVERY STARTING IN Q4**

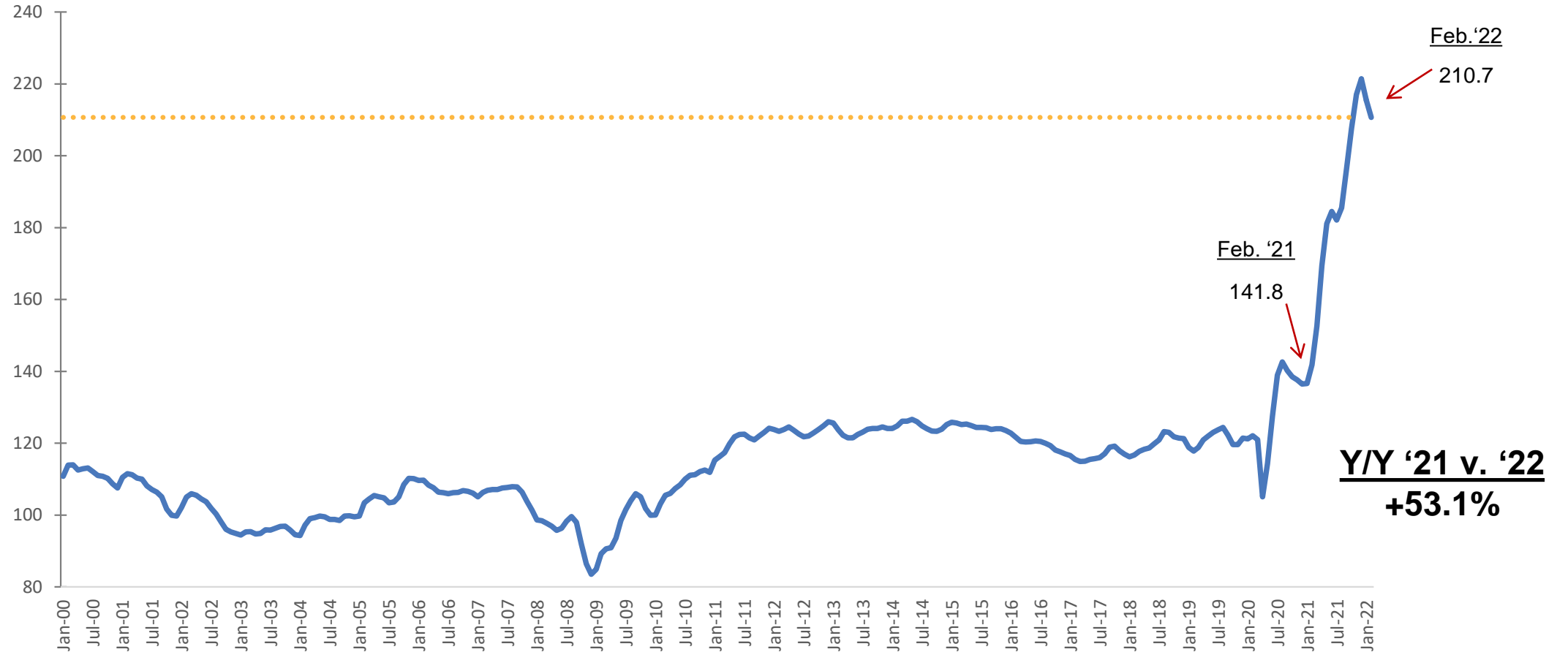
MEANING...

- **CURRENT PRICE/PROFIT DYNAMIC PERSISTS FOR MOST OF YEAR**
- **GRADUAL SOFTENING THROUGH YEAR, OFFSET BY HIGHER RETAIL VOLUMES**

Source: Data & Analytics, a business division of J.D. Power.

Used Car Data & Insights

JDP Valuation Services Used Vehicle Price Index (SA)

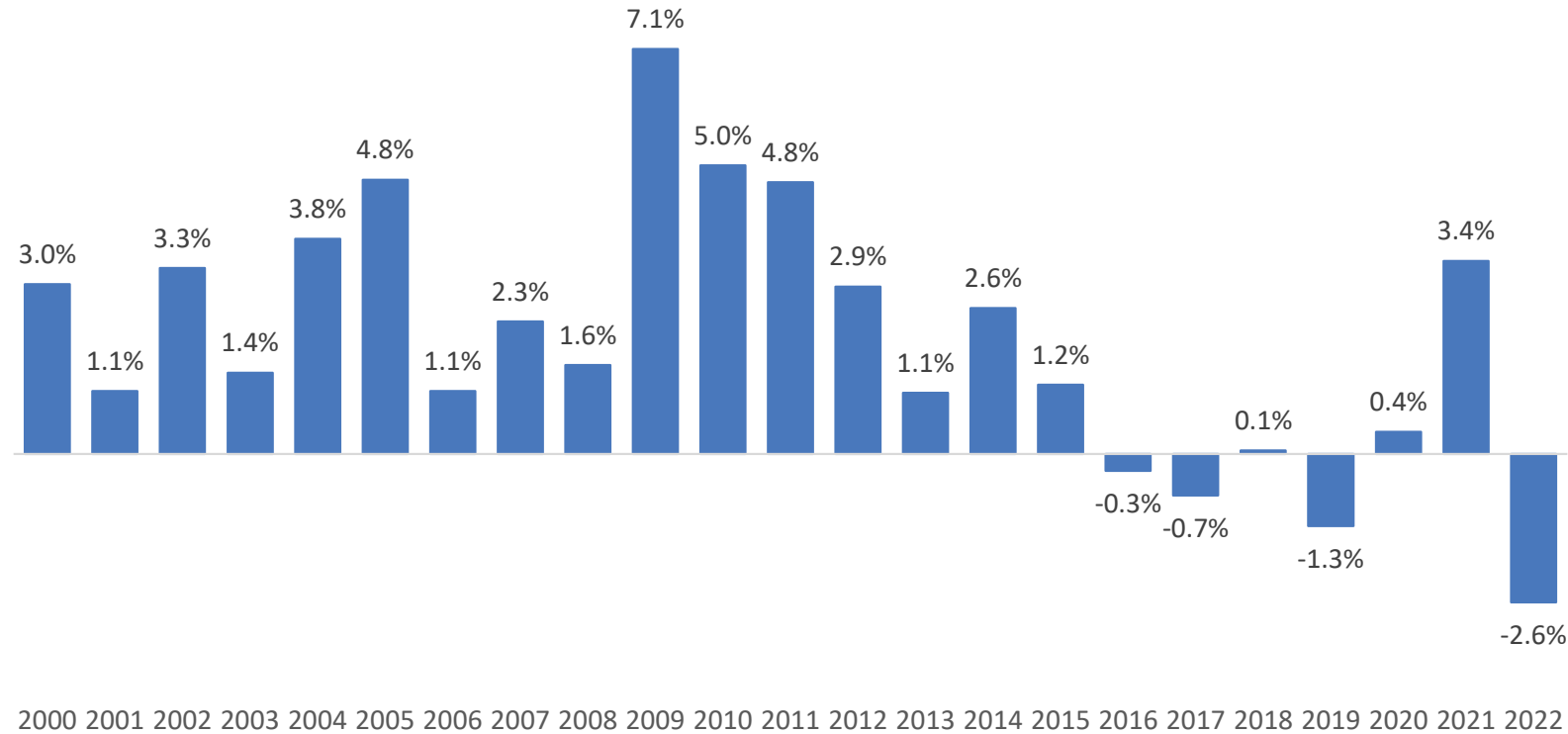


- The UVPI declined by 4.8-pts in February '22 versus January '21.
- In February '22, the UVPI ended the month 68.9-pts higher than February '21.

Note: Vehicles up to eight years in age. January 2010 = 100.

Source: Valuation Services UVPI

Monthly Used Vehicle Price Change (February Period)

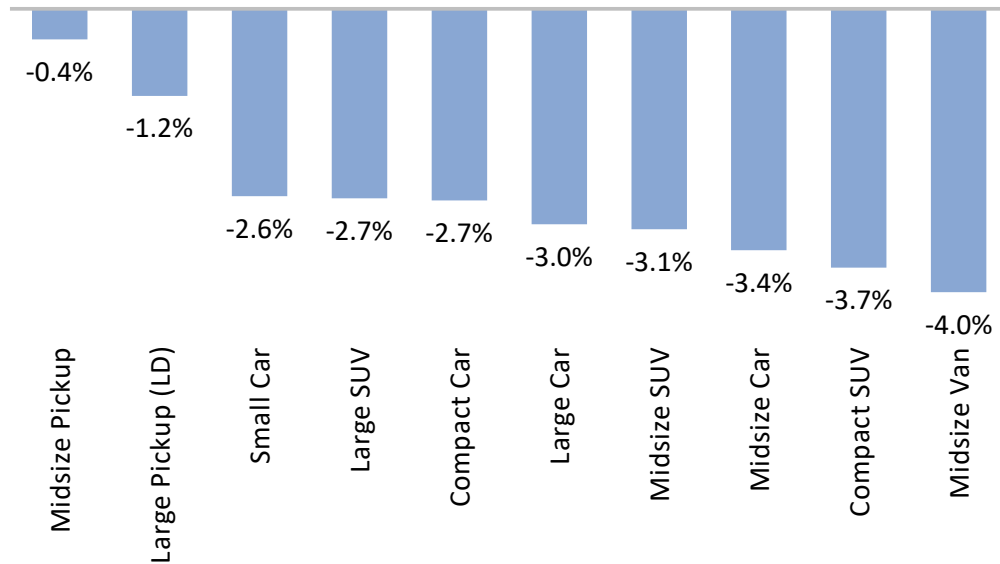


- At the Industry level, wholesale prices declined by 2.6% in February '22 relative to January '21, the period's performance was the worst in recent years.
- **In the 5 years leading to 2020, prices had been essentially flat in the February period, increasing by an average of 0.2%.**

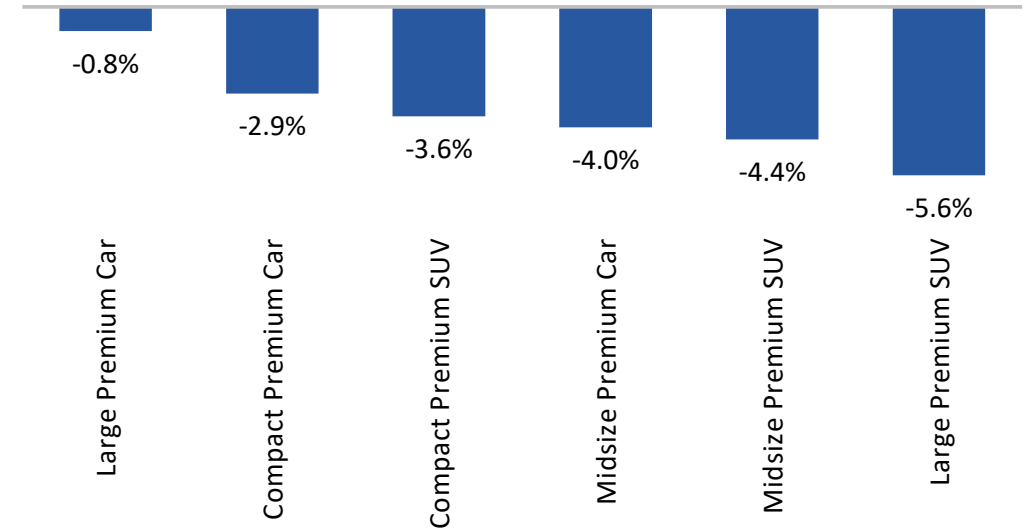
Note: Vehicles up to eight years in age.

Source: Valuation Services

Mass Market Wholesale Price M/M Δ



Premium Wholesale Price M/M Δ

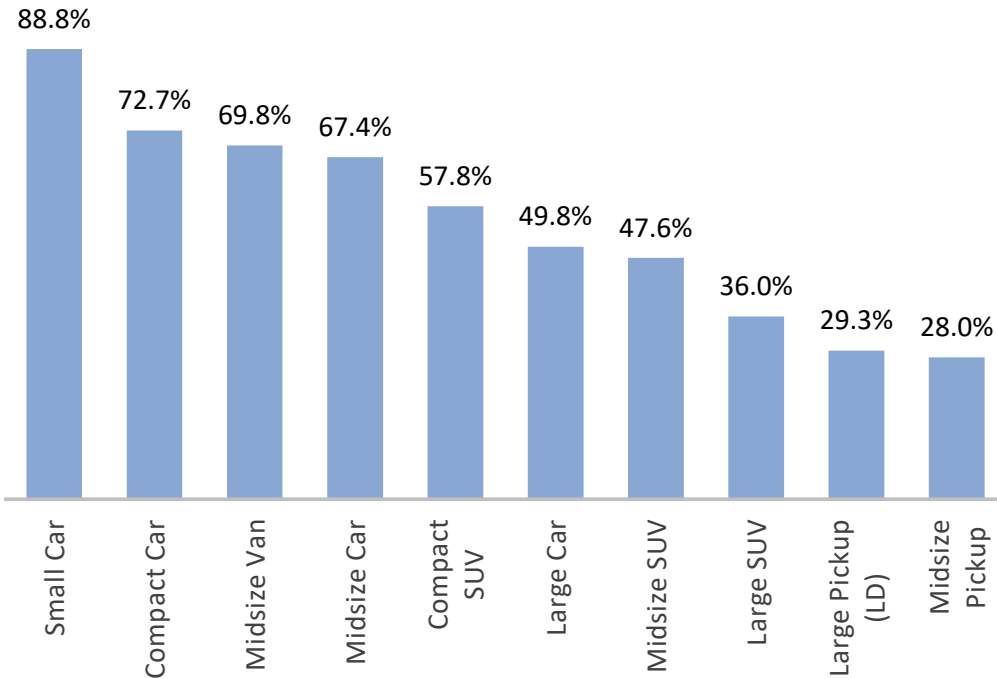


- Mass market segment results were mixed in February, **midsize and large pickup prices were the strongest in the industry** down respective figures of 0.4% and 1.2%. Passenger car prices fell between a range of 2.6% to 3.4%, while **SUVs all fared slightly worse than the overall industry average**, down by a range of 2.7% to 3.7%.
- Except for large cars and compact SUV, premium segment prices were generally softer than their mass market counterparts.

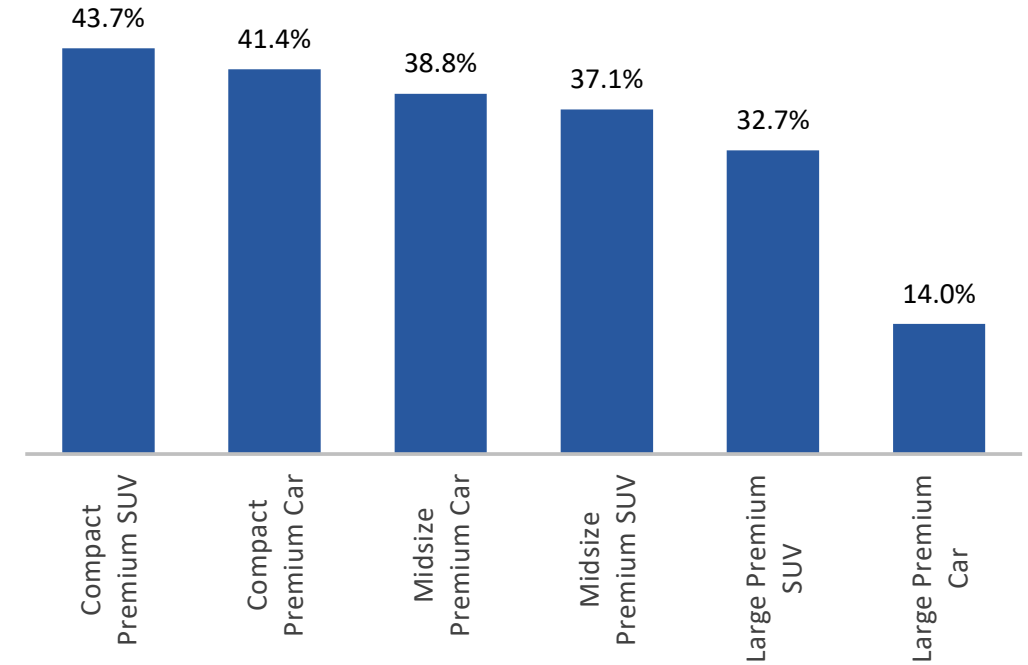
Note: Vehicles up to eight years in age.

Source: Valuation Services

Mass Market Wholesale Price Y/Y Δ



Premium Wholesale Price Y/Y Δ



- **Small and compact car prices lead the industry in terms of Y/Y increases**, prices for the segments are **currently nearly 89% and 73% above '21's YTD Y/Y level**. SUV prices are between 36% to 58% greater, and pickups 28% to 29% above last year.
- In general, **mass market segments continue to outperform their premium counterparts**, however, premium segment prices are up significantly as well. Premium increases range from 14% for large car to 44% for compact SUV.

Note: Vehicles up to eight years in age.

Source: Valuation Services

Wholesale Auction Sales

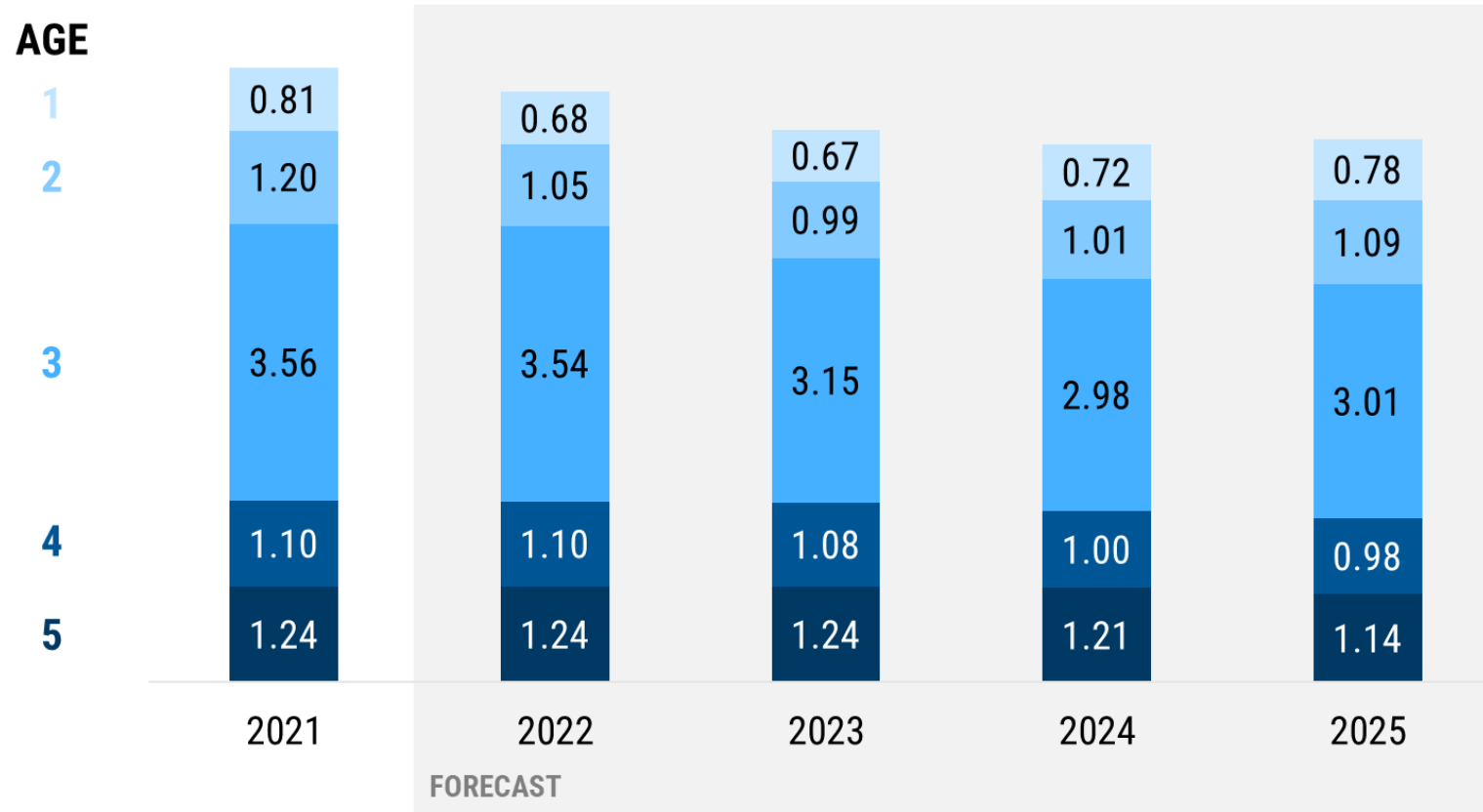
- Auction sales continue to trend lower than previous periods due to the ongoing market disruptions leading to lower levels of 1, 2, and 3-year-old units making their way to the wholesale market.
- Compared to January '22, mass market sales were up 30% and premium segment volume was 4% lower in February '22.
- Despite the sharp increase relative to January, mass market sales volume was still 11% in February '22 relative to the same period last year and is now down nearly 10% through the first two months of the year. Premium sales volume is trending much lower than mass market, through February there have been approximately 39% fewer premium vehicles sold at wholesale relative to the same two-month period in '21.

| Segment | Feb. '21 | Jan. '22 | Feb. '22 | M/M Change % | Y/Y Change % | CYTD '21 | CYTD '22 | CY Change % |
|----------------------------|----------------|----------------|----------------|----------------|-----------------|----------------|----------------|-----------------|
| Compact Car | 39,969 | 27,825 | 29,345 | ▲ 5.5% | ▼ -26.6% | 83,000 | 59,692 | ▼ -28.1% |
| Compact MPV | 4,381 | 2,627 | 3,126 | ▲ 19.0% | ▼ -28.6% | 8,672 | 6,268 | ▼ -27.7% |
| Midsize Sporty Car | 5,534 | 3,883 | 4,007 | ▲ 3.2% | ▼ -27.6% | 10,966 | 8,125 | ▼ -25.9% |
| Midsize Car | 43,282 | 30,998 | 32,866 | ▲ 6.0% | ▼ -24.1% | 88,922 | 66,520 | ▼ -25.2% |
| Compact Sporty Car | 1,866 | 1,302 | 1,420 | ▲ 9.1% | ▼ -23.9% | 3,745 | 2,805 | ▼ -25.1% |
| Large Car | 8,934 | 6,769 | 6,974 | ▲ 3.0% | ▼ -21.9% | 18,268 | 14,230 | ▼ -22.1% |
| Large Pickup - Heavy Duty | 5,978 | 2,430 | 5,282 | ▲ 117.4% | ▼ -11.6% | 12,418 | 10,144 | ▼ -18.3% |
| Compact SUV | 46,017 | 26,042 | 38,737 | ▲ 48.7% | ▼ -15.8% | 95,534 | 78,955 | ▼ -17.4% |
| Large Van | 967 | 327 | 912 | ▲ 178.9% | ▼ -5.7% | 1,958 | 1,622 | ▼ -17.2% |
| Small SUV | 21,447 | 14,666 | 18,322 | ▲ 24.9% | ▼ -14.6% | 44,389 | 36,927 | ▼ -16.8% |
| Small Car | 8,736 | 7,192 | 7,642 | ▲ 6.3% | ▼ -12.5% | 18,064 | 15,435 | ▼ -14.6% |
| Midsize SUV | 43,879 | 29,845 | 41,282 | ▲ 38.3% | ▼ -5.9% | 91,191 | 88,788 | ▼ -2.6% |
| Midsize Van | 8,815 | 6,315 | 8,298 | ▲ 31.4% | ▼ -5.9% | 17,661 | 17,695 | ▲ 0.2% |
| Midsize Pickup | 5,704 | 4,639 | 6,236 | ▲ 34.4% | ▲ 9.3% | 11,765 | 13,363 | ▲ 13.6% |
| Large Pickup - Light Duty | 30,787 | 22,038 | 37,340 | ▲ 69.4% | ▲ 21.3% | 62,571 | 82,723 | ▲ 32.2% |
| Large SUV | 5,961 | 5,852 | 9,365 | ▲ 60.0% | ▲ 57.1% | 12,370 | 21,232 | ▲ 71.6% |
| Mainstream Total | 282,257 | 192,750 | 251,154 | ▲ 30.3% | ▼ -11.0% | 581,494 | 524,524 | ▼ -9.8% |
| Compact Premium Car | 15,579 | 8,240 | 7,764 | ▼ -5.8% | ▼ -50.2% | 31,280 | 16,711 | ▼ -46.6% |
| Midsize Premium Car | 6,851 | 3,663 | 3,698 | ▲ 1.0% | ▼ -46.0% | 13,712 | 7,672 | ▼ -44.0% |
| Compact Premium SUV | 9,010 | 5,245 | 5,225 | ▼ -0.4% | ▼ -42.0% | 18,343 | 10,960 | ▼ -40.2% |
| Midsize Premium SUV | 12,020 | 7,731 | 7,377 | ▼ -4.6% | ▼ -38.6% | 26,191 | 15,864 | ▼ -39.4% |
| Small Premium SUV | 2,793 | 1,616 | 1,603 | ▼ -0.8% | ▼ -42.6% | 5,342 | 3,341 | ▼ -37.5% |
| Small Premium Car | 2,464 | 1,733 | 1,461 | ▼ -15.7% | ▼ -40.7% | 4,815 | 3,316 | ▼ -31.1% |
| Large Premium SUV | 3,327 | 2,574 | 2,406 | ▼ -6.5% | ▼ -27.7% | 6,869 | 5,181 | ▼ -24.6% |
| Large Premium Car | 1,482 | 1,239 | 1,129 | ▼ -8.9% | ▼ -23.8% | 3,139 | 2,470 | ▼ -21.3% |
| Ultra Luxury/Exotic | 993 | 848 | 870 | ▲ 2.6% | ▼ -12.4% | 1,967 | 1,780 | ▼ -9.5% |
| Midsize Premium Sporty Car | 630 | 669 | 587 | ▼ -12.3% | ▼ -6.8% | 1,310 | 1,300 | ▼ -0.8% |
| Compact Premium Sporty Car | 311 | 307 | 334 | ▲ 8.8% | ▲ 7.4% | 608 | 668 | ▲ 9.9% |
| Premium Total | 55,460 | 33,865 | 32,454 | ▼ -4.2% | ▼ -41.5% | 113,576 | 69,263 | ▼ -39.0% |
| Industry Total | 337,717 | 226,615 | 283,608 | ▲ 25.1% | ▼ -16.0% | 695,070 | 593,787 | ▼ -14.6% |

Note: Vehicles up to eight years in age.

Source: Valuation Services

ALG Used Supply Forecast (Millions)



- Supply challenges realized on the new side of the industry will have lasting effects on used supply for years to come.
- **Moving forward, ALG expects reductions in supply through 2024 which will help support bolster used prices.**

Note: Vehicles up to five years in age.

Source: ALG

ALG Residual Value Forecast

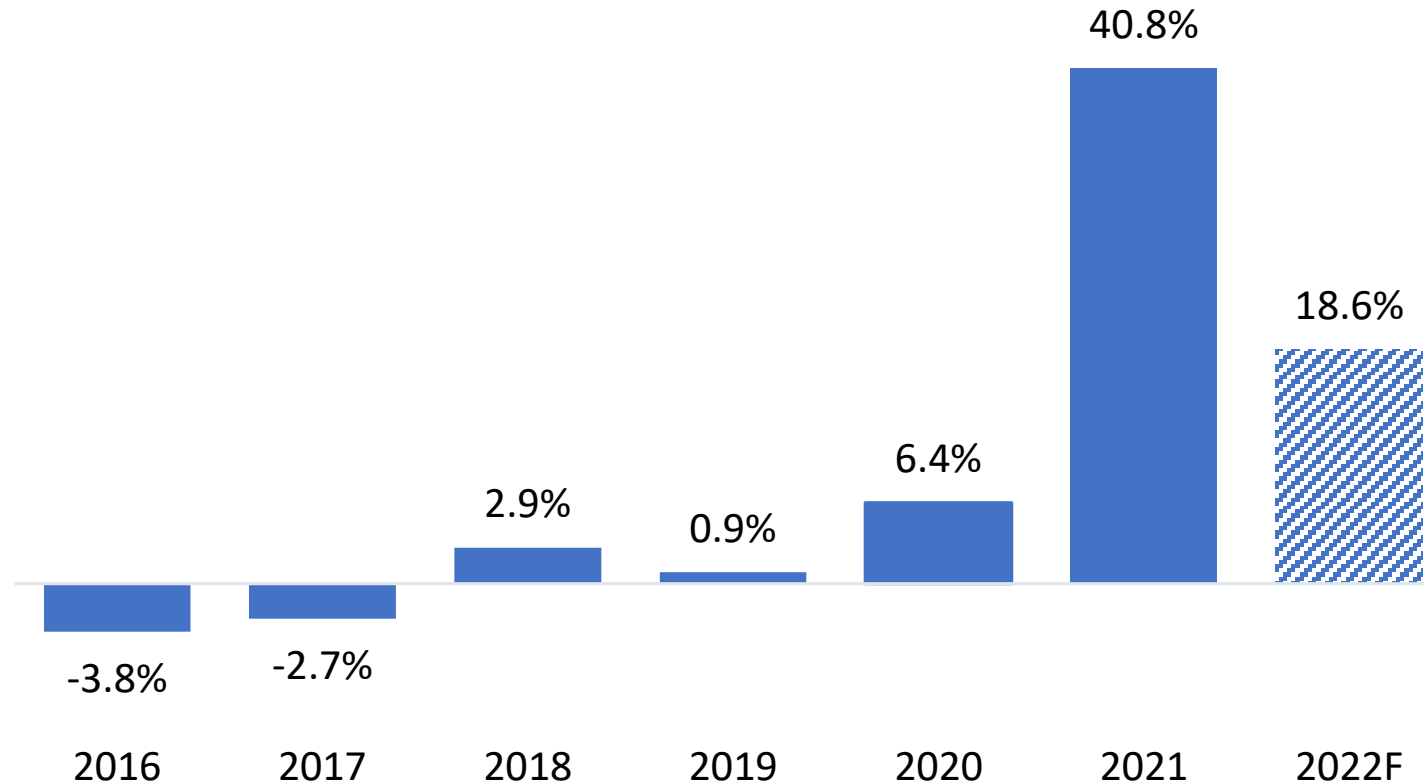


- Record high values will begin to recede in '22 once new vehicle production and inventories begin to recover. Values are expected to continue moving lower over the next two years.

Note: Three-year-old residual value forecast

Source: ALG

Annual Valuation Services Wholesale Price Index Forecast (SA)



- **Wholesale prices increased rapidly over the course of '21, growing by more than 40% versus 2020's** already elevated level. In '22 wholesale prices are expected remain robust as new vehicle production and inventories will remain a challenge. **On a full year-over-year basis, wholesale prices are expected to increase by more than 18%.** However, isolating December '22 shows that prices could close out the year nearly 2.5% lower than they were in December '21.

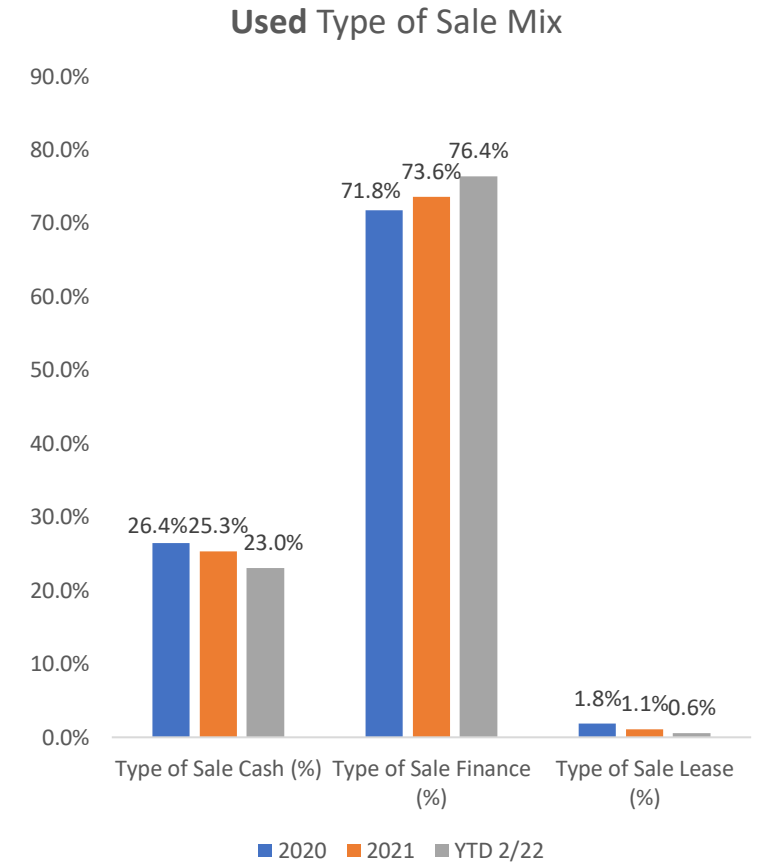
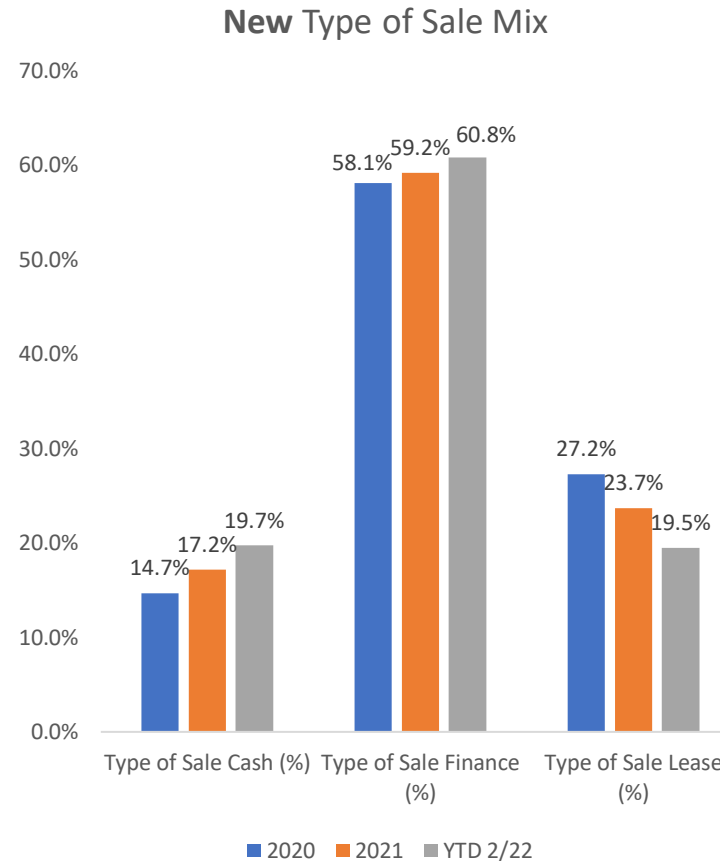
Note: Vehicles up to eight years in age.

Source: Valuation Services

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Auto Finance Origination Data & Insights

- **Indirect Loan Financing** continues to be the method of choice for Consumers purchases at Franchised Auto Dealers
- **New Loan Share increased over 1%** vs. 2021 due less leasing.
- **Leasing share** was 27.2% in 2020, vs. 30.2 in 2019 and has fallen dramatically in the past 15 months.
- **Dealers facilitate** consumer financing and leasing with an **80% share of New** and **77% of Used** purchases.
- **Direct Lending** accounts for approximately **4% of New vehicle** sales and **9% of Used Vehicle** sales.

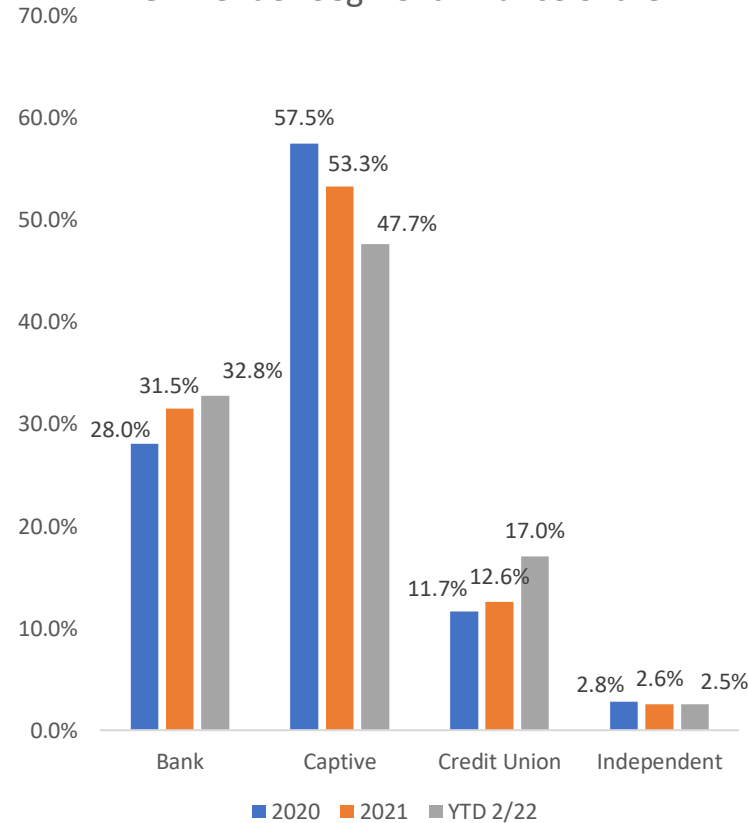


Source: PIN Navigator Data & Analytics, a business division of J.D. Power.

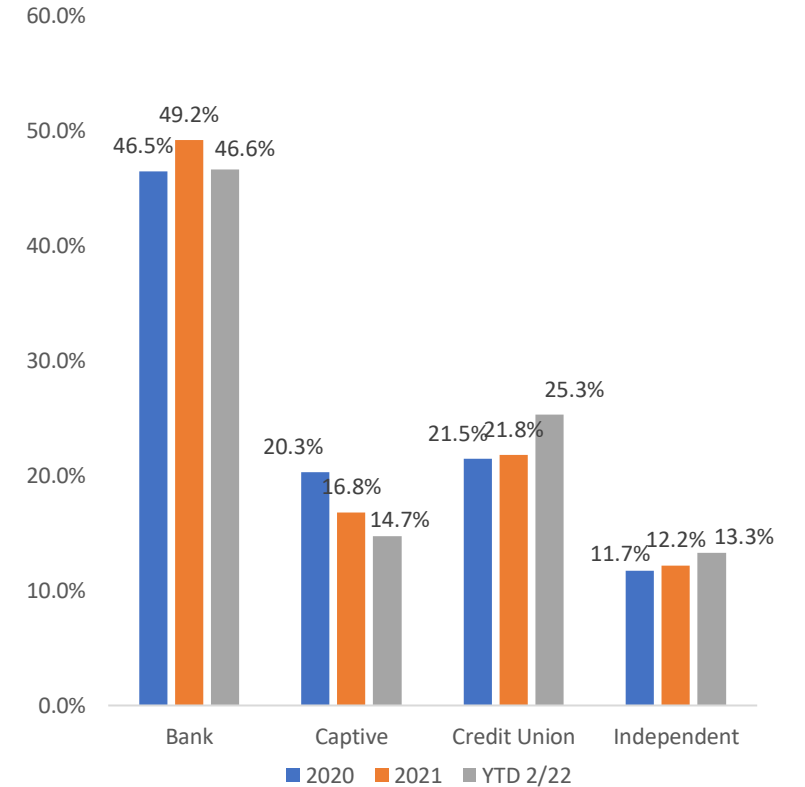
New and Used Vehicle Financing by Lender Segment

- **Captives New Financing** share is largest at 53.3% in 2021 (but down substantially from the 2020 Q2 peak).
- **Captives Used** share has fallen well below 2020 levels.
- **Bank's New share** had rebounded sharply to 32% in 2021 as Captives reduced low APR offers.
- **Bank's Used** share ended up 3% in 2021.
- **Credit Union New** share up slightly but has risen sharply in the past 4 months!
- **Credit Union Used** share holding steady at 21% in 2021 but is rising sharply recently.
- **Independent's New Share was flat'21.**
- **Independent's Used Share** climbed to over 12% in 2021 and is rising in 2022.

New Lender Segment Finance Share

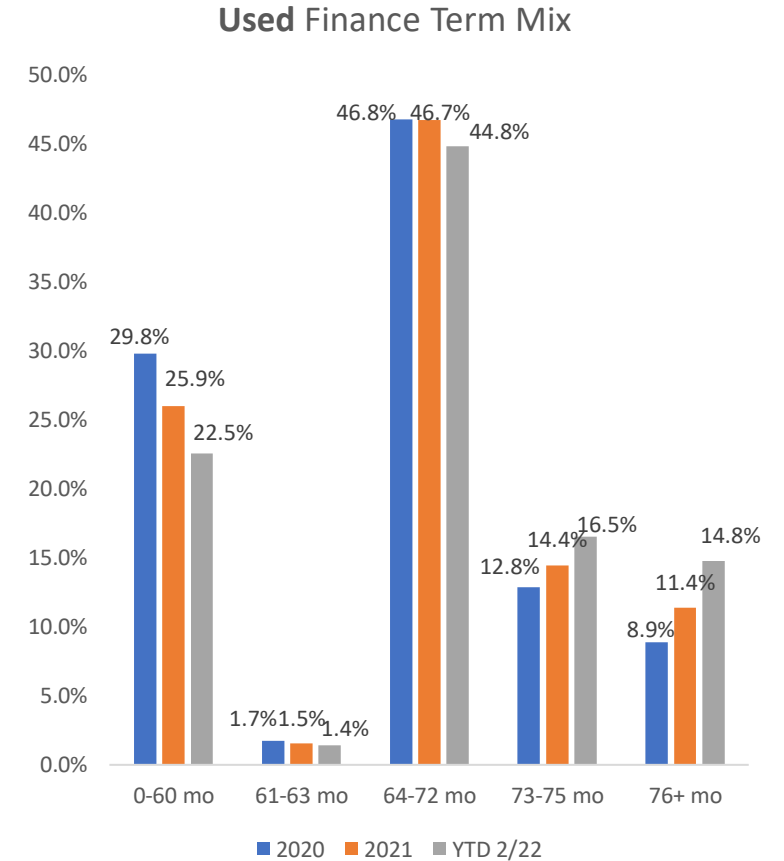
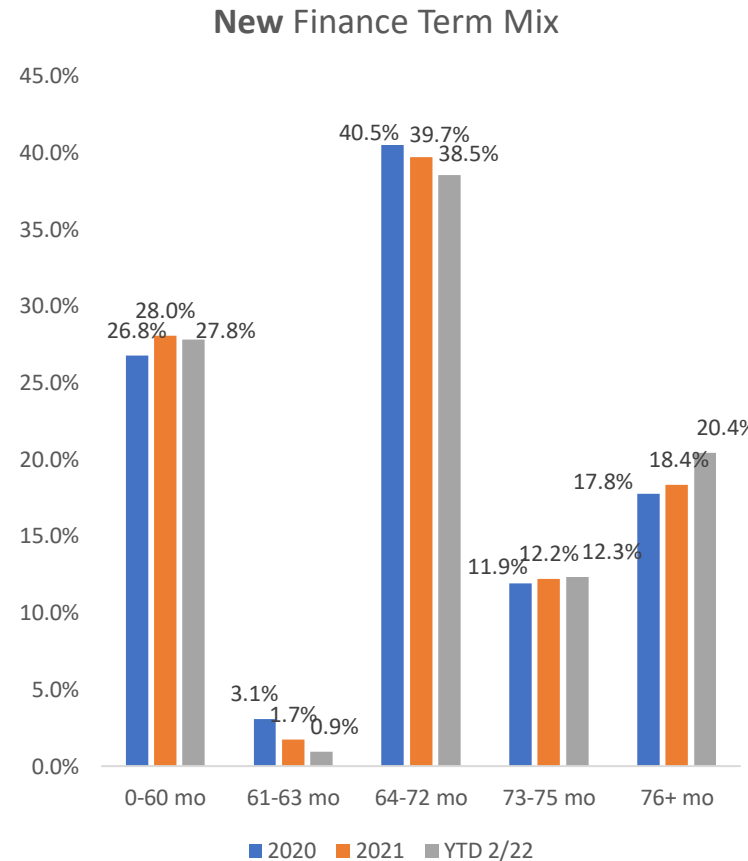


Used Lender Segment Finance Share



Source: PIN Navigator Data & Analytics, a business division of J.D. Power.

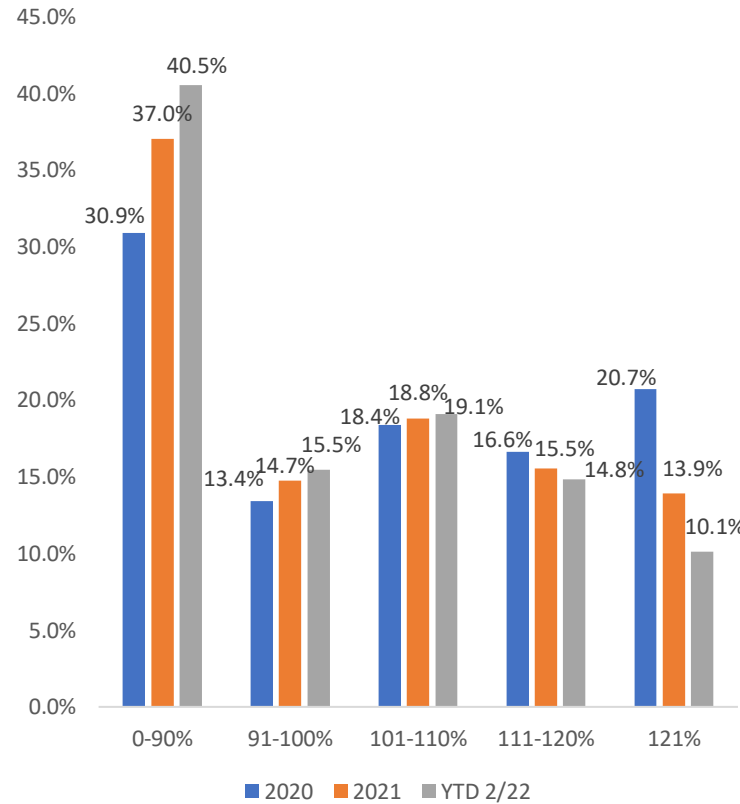
- **New Vehicle Loan Terms continue to increase**, and the rate was accelerated in 2020 primarily due to the **captives “84-month 0% APR programs”** launched in Q2.
- **84-month New Vehicle loans peaked in April 2020 at 29%**, the 2021 average ended at **18.4%**
- **Used Vehicle Loan Terms** are increasing with the largest gain in the 76+months category.
- While Captives have increased terms to support vehicle sales and market share, **Banks and Credit Unions are also supporting these longer terms.**



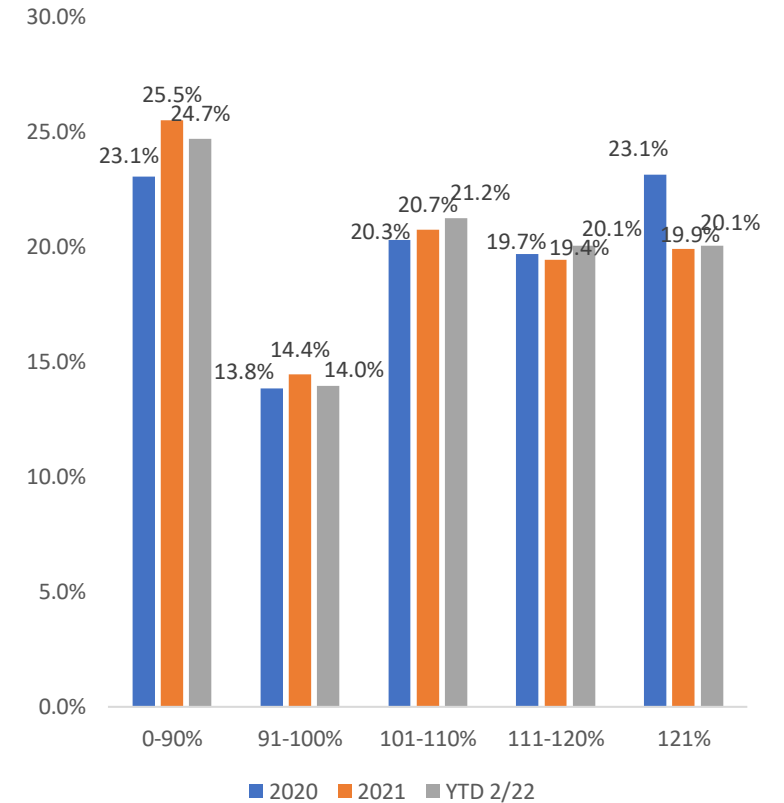
Source: PIN Navigator Data & Analytics, a business division of J.D. Power.

- **New and Used Vehicle advances have continued to moderate.**
- **In the 121%+ bucket, both New & Used peaked in March 2020 at 27%, but has fallen dramatically.**
- **Record Used car prices are providing consumers much larger down payments.**
- **The Lower levels of advance mix are based on lender standards and higher Prime consumer purchases.**
- **We believe this declining trend will continue in 2022 but the rate of decline may moderate.**

New Finance LTV Mix

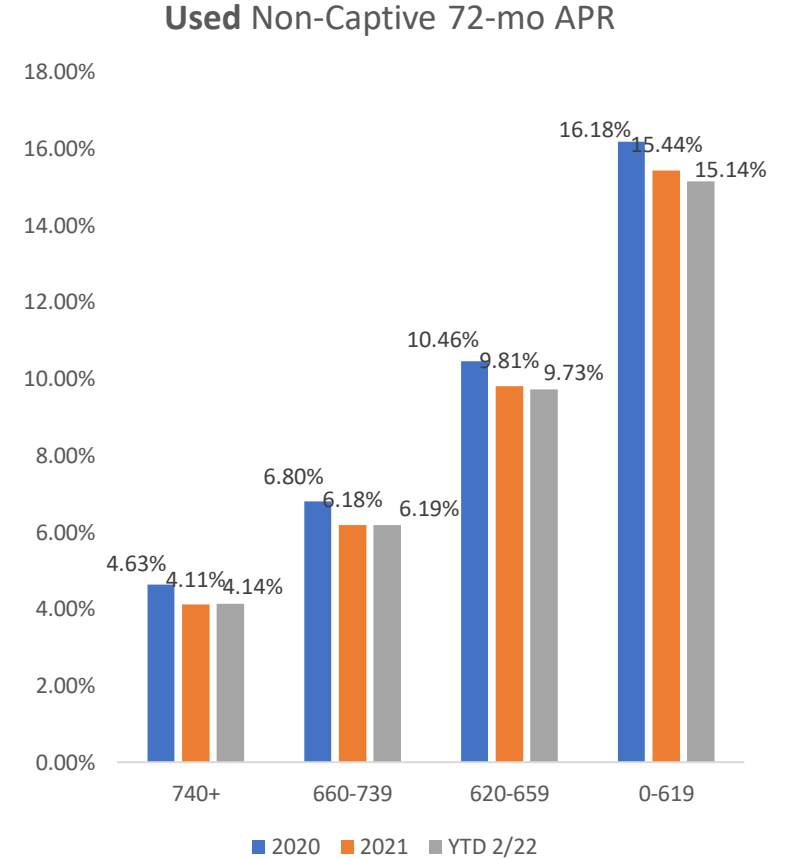
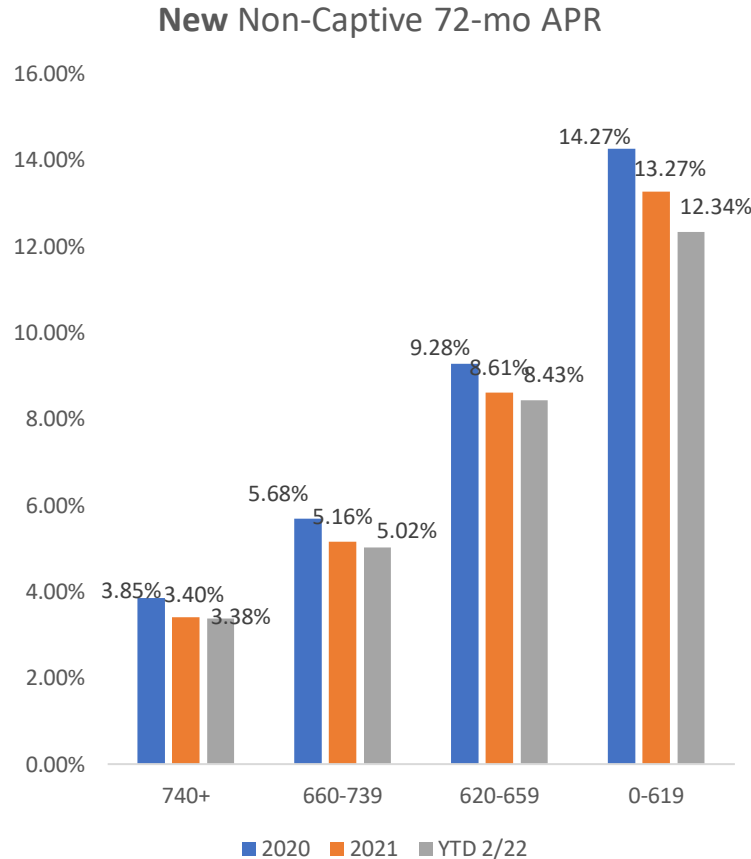


Used Finance LTV Mix



Source: PIN Navigator Data & Analytics, a business division of J.D. Power.

- **New Vehicle**, Non-Subvented Loan pricing had **fallen on average 49 bps in 2021**.
- **Used Vehicle** Loan rates **fell approximately 55 bps in the Prime Segments and** compared to 2021.
- Our data reflects that the **current pricing is the lowest in the past 5 years**.
- While most rates have decreased in all Credit Tiers, **Super-Prime and Prime rate decreases are the greatest due to competitive forces**.
- The Fed is now taking a more aggressive approach **we forecast loan buy rates to rise throughout 2022, and our data reflects slight increases thus far in '22**.



Source: PIN Navigator Data & Analytics, a business division of J.D. Power.

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