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Manheim Report: Used Vehicle Values Showing Balance After Steep Declines in Second Quarter

- Used-vehicle values increased 1.0% in September, as the Manheim Used Vehicle Value Index (MUVVI) moved higher for the second straight month to 214.3.
- Following steep declines in Q2, used vehicle values gained strength in August and returned to a more normal balance in the second half of September, resulting in Q3 ending down 3.9% year over year.
- Q3 EV transactions – at 1.7% of all transactions – rose 88% year over year as more makes and models entered the wholesale marketplace.

ATLANTA, Oct. 6, 2023 – The Manheim Used Vehicle Value Index (MUVVI) stabilized to end the third quarter with a steady September, following a period of fluctuation with declines in the first half of the year and rebounding values in Q3.

Wholesale used-vehicle prices (on a mix, mileage, and seasonally adjusted basis) increased 1.0% in September from August. The Manheim Used Vehicle Value Index rose to 214.3 in September, down 3.9% from a year ago.

“We saw a very different third quarter compared to the second quarter with the used-vehicle market swinging back and regaining a sense of balance,” said Cox Automotive Chief Economist Jonathan Smoke. “What has been behind this improving dynamic for used-vehicle values is improving retail vehicle demand, which tightened retail supply and led to more dealers buying at wholesale. Early September carried the momentum from August but quickly leveled out, and the month ended about as we expected. The fourth quarter may still have some hurdles to overcome, notably the United Auto Workers strike, but we expect the rest of the year to remain stable.”

Manheim Market Report Values Normalize at Month-End

In September, Manheim Market Report (MMR) values saw below-average weekly declines to start the month, but the month ended with normal decreases in the final week. Over the last four weeks, the Three-Year-Old Index declined 1.2% in aggregate. Those same four weeks delivered an average decline of 1.8% in 2014-2019.

Over the month of September, daily MMR Retention, which is the average difference in price relative to the current MMR, averaged 99.2%, meaning market prices were slightly below MMR values. The average daily sales conversion rate declined to 55.7%, which was close to normal for the time of year. For comparison, the daily sales conversion rate averaged 55.3% in September 2019. The sales conversion rate in September was lower than in August but stronger than in June and July.

The major market segments saw seasonally adjusted prices that were mostly lower year over year in September. Compared to September 2022, vans and SUVs lost less than the industry, down 2.3% and 3.5%, respectively. Compact cars again performed the worst year over year, down 9.9%, followed by luxury, down 6.7%, and midsize cars, down 5.9%. Pickups were up 0.7%, better than the industry and the only positive year-over-year performer. Compared to last month, pickups, midsize cars, compact cars, and SUVs gained more than the industry at 2.1%, 1.4%, 1.3%, and 1.1%, respectively. Luxury lost 0.6%, and vans were down 0.9% from August.

Used Retail Vehicle Sales Decreased in September

Assessing retail vehicle sales based on observed changes in advertised units tracked by vAuto, we initially estimate that used-vehicle retail sales in September were down 10% compared to August, and the year-over-year comparison with 2022 worsened. Used retail sales are estimated to be down 2% year over year in September, the worst performance since June. The average retail listing price for a used vehicle moved down 0.7% over the last four weeks.

Using estimates of used retail days' supply based on vAuto data, an initial assessment indicates September ended at 47 days' supply, down two days from 49 days at the end of August and seven days lower than how September 2022 ended at 54 days. Leveraging Manheim sales and inventory data, wholesale supply is estimated to have finished September at 26 days' supply, up one day from the end of August and down three days from September 2022's estimate of 29 days.

"We are at a crossroads for wholesale, mainly from concerns about the UAW strike potentially slowing new retail sales and moving buyers into the used market," said Chris Frey, senior manager of Economic and Industry Insights for Cox Automotive. "We don't see that happening just yet, as it always takes time for changes to work through the market. Two very different outcomes are possible. One is to see higher prices from an extended strike on new production also showing up at wholesale and then used retail. The second leads to very little change – a quick strike resolution leading to price declines at relatively normal rates, or simply pausing, thus the wholesale and used retail markets are minimally affected."

New-Vehicle Sales Stay Strong

September's total new-light-vehicle sales were up 18.5% year over year, with one more selling day versus September 2022. By volume, September new-vehicle sales were up 0.7% month over month. The September sales pace, or seasonally adjusted annual rate (SAAR), came in at 15.7 million, an increase of 14.3% from last year's 13.7 million and up 2.1% from August's upwardly revised 15.3 million pace.

Combined sales into large rental, commercial, and government fleets increased 26% year over year in September. Sales into rental fleets were up 53% year over year, sales into commercial fleets were up 6.6%, and sales into government fleets were up 38%. Including an estimate for fleet deliveries into dealer and manufacturer channels, the remaining retail sales were estimated to be up 17.7%, leading to an estimated retail SAAR of 12.9 million, up 1.1 million from last year's 11.8 million pace, and up 0.3 million from last month's 12.6 million pace. Fleet market share was estimated to be 13.8%, a gain of 0.6% over last year's share but down 1.8% from August's 15.6% market share.

Rental Risk Prices Mixed, Mileage Down Again in September

The average price for rental risk units sold at auction in September declined 1.7% year over year. Rental risk prices increased by 1.4% compared to August. Average mileage for rental risk units in September (at 51,300 miles) was down 5.3% compared to a year ago and down 6.9% from August.

Manheim Used Vehicle Value Index Full-Year Forecast Lowered

The Manheim Used Vehicle Value Index forecast is expected to finish the year down 2.2% year over year. Risks remain in the fourth quarter, including the United Auto Workers strike, a possible economic slowdown, and political uncertainty that puts downward pressure on consumer sentiment.

"Our forecast suggests that we should have relatively stable pricing in the fourth quarter," notes Smoke. "We have achieved balance between buyers and sellers, which should reflect only modest changes between now and the end of the year. In essence, we expect values to move in a more normal pattern through the final three months of 2023. The one caveat is that our forecast assumes the UAW strike doesn't last until Thanksgiving and beyond."



About Manheim

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About Cox Automotive

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