

# AUCTION INDUSTRY REPORT 2009

## ECONOMY : THINGS ARE GOING FINE ; DON'T SWEAT A COUPLE OF DATA POINTS !

The economic recovery that began in the third quarter of this year continued into the fourth quarter. The final estimate for second quarter change in real GDP at an annual rate came in at -0.7%, a slight improvement from earlier estimates. The first estimate for third quarter real GDP will be released at the end of this month and should be at least a positive 3%.

Some indicators for September released earlier this month "disappointed" analysts. However, monthly data series are volatile and not all months will show the same degree of improvement. More significant is the preponderance of data over the past few months that reflect an economy in recovery mode.

During the early part of an economic recovery, it is important to not focus on labor market indicators. While employers will cut back on layoffs at this time, most will not begin hiring until the economy has been growing for some time and they need new workers to meet higher demand. In addition, the improving economic environment will attract people who stopped looking for work when things were terrible back into the labor market. These formerly discouraged workers will increase the unemployment rate until they find jobs.

## NEW VEHICLE SALES : PAYBACK HURTS !

As expected, new light vehicle sales dropped sharply to 9.2 million units from their "Cash for Clunkers" (C4C) supercharged August 14.2 million level. Year-to-date (YTD) through September, new light vehicle sales have averaged 10.2 million. In addition to moving sales from September and later in the year into July and August, C4C depleted domestic vehicle inventories going into September down to an extremely low level (29% below last year). Since consumer confidence and household wealth have been moving up, we expect unit sales to firm from the depressed September level.

## USED VEHICLE SALES: THEY ARE BUYING NEW CARS !

Used car retail sales felt the wrath of C4C as the program turned used car buyers into new car buyers. August sales were flat with last year and September declined 9.7% according to CNW research. This is the first year-over-year (Y/Y) decline since April of this year. Although used car retail sales should bounce back somewhat in October, lack of used inventory remains a problem that will limit gains.

## AUCTION VOLUME : VOLUME JUMPS UP , THEN DOWN ?

C4C and perhaps calendar effects have created a great deal of volatility in the recent monthly results. The three-month rolling average provides a better view of the underlying trend. That trend is negative with a 6.2% average decline in the third quarter and a YTD drop of 5.9%.

Last year through September, volume was flat with 2007, and then the economy and auction volume collapsed with fourth quarter volume down 17%. As the C4C effect dissipates and this year's data is compared to last year's terrible results, we expect the monthly comparisons to turn positive.

**REGIONS :** All regions were down sharply in September with the North Central, the region with the weakest economy, continuing to show the worst auction volume results.

**TYPE :** The pay back for the stimulus provide by C4C was evident in the September results with dealer consignment down 18.9%. However, the three-month rolling average for dealer consignment was only down 3.2%. Fleet/lease volume was also down sharply, but still is positive YTD. Volume from manufacturers was very weak as vehicles are being kept longer.

**SEGMENT :** All segments were down sharply in September. Passenger cars, however, were only down 1.5% on a three-month basis. CUVs continue to be the only segment up YTD.

## AUCTION PRICE : PRICES STILL UP !

Auction average prices continued to be above last years' level, but the rate of increase has moderated to 2.7%, the weakest result since April of this year.



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Continued

AUCTION VOLUME	Percent Change From Prior Year						
	Three Month Rolling Average			Month			
	2009	2009	2009	2009	2009	2009	2009
	JUL	AUG	SEP	JUL	AUG	SEP	YTD
Total	-6.3	1.8	-6.2	-8.9	18.9	-25.7	-5.9
Regions							
Far West	-8.7	-2.6	-10.7	-16.4	13.7	-26.7	-6.4
Southwest	-6.7	3.0	-4.1	-10.4	24.6	-23.9	-4.8
North Central	-10.0	-2.5	-10.5	-9.3	9.9	-29.9	-9.4
Southeast	-3.4	4.4	-3.4	-5.4	22.0	-24.2	-4.5
Northeast	-3.7	5.2	-3.7	-6.1	23.2	-24.2	-4.4
Sales Type							
Dealer	-10.3	1.1	-3.2	-12.2	23.2	-18.9	-11.8
Fleet/Lease	1.6	8.4	-1.2	-0.8	23.3	-22.9	4.9
Manufacturer/Factory	-21.8	-22.6	-37.8	-30.5	-17.2	-59.6	-19.9
Segment							
CUV	3.3	7.2	-4.6	-4.8	20.4	-26.8	4.3
Passenger Car	-4.3	5.9	-1.5	-3.4	26.0	-23.5	-4.6
Pickup	-1.3	4.2	-6.7	-6.9	15.8	-26.1	-2.7
SUV	-16.9	-10.0	-16.8	-21.9	4.7	-31.3	-14.3
Van	-11.7	-5.3	-11.5	-19.3	11.6	-25.0	-10.1
AUCTION PRICE	Percent Change From Prior Year						
	Three Month Rolling Average			Month			
	2009	2009	2009	2009	2009	2009	2009
	JUL	AUG	SEP	JUL	AUG	SEP	YTD
Total	7.1	6.9	4.4	6.5	4.0	2.7	1.5
Regions							
Far West	9.4	8.4	6.1	7.7	4.6	6.0	3.4
Southwest	6.9	7.4	4.4	6.8	5.8	0.3	1.2
North Central	6.4	6.8	5.5	7.2	4.0	5.3	1.4
Southeast	9.5	9.2	7.0	9.2	5.6	5.8	3.3
Northeast	4.2	3.6	0.4	2.5	0.9	-2.3	-1.0
Sales Type							
Dealer	8.6	8.1	5.9	9.3	3.5	5.4	0.3
Fleet/Lease	5.8	6.9	5.8	5.4	6.1	5.3	0.6
Manufacturer/Factory	6.2	9.1	10.2	6.0	10.0	16.9	2.1
Segment							
CUV	5.5	8.1	7.9	8.1	8.3	7.8	-0.8
Passenger Car	-4.0	-5.2	-5.9	-6.4	-7.0	-4.8	-4.5
Pickup	30.3	30.2	23.5	33.2	22.2	16.5	13.5
SUV	26.5	27.2	19.8	26.5	21.2	12.5	11.2
Van	3.6	5.3	3.1	4.1	4.5	0.3	-3.0

Auction data come from a number of different sources and may not always appear to be consistent. In order to provide the most useful and up-to-date information about the industry, we utilize data from the most appropriate sources and provide you with the underlying implications.