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July's Subtle Shift: Used Car Wholesale Prices Drop



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Used car markets have recently seen intriguing changes as the automotive industry continues to evolve, influenced by both macroeconomic factors and industry-specific dynamics. Used car wholesale prices exhibited a slight decline in July, which marked a subtle yet significant change in the landscape. This article explores the nuanced change within used car economics during the past month.



A Delicate Descent: Used Car Wholesale Prices Dip in July

July marked a turning point in the realm of used car wholesale prices, with a noteworthy 1.6% decrease in the amount car dealers paid for vehicles at auctions, in comparison to June. The origins of these figures can be traced to the trusted source of automotive insights—the Manheim Used Vehicle Value Index, meticulously crafted by the parent company of Kelley Blue Book, Cox Automotive. The index is a comprehensive measure of the ever-shifting landscape of used vehicle values.

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Interestingly, the broader trajectory over the past year unveils a more substantial decline, with wholesale prices now standing 11.6% lower than their levels from the same time a year ago. This gradual reduction hints at a larger trend that echoes the pulse of the used car market as it adjusts to various external and internal forces.

Wholesale Price Drops and Their Ripple Effect

A fascinating facet of the used car market is the interconnected relationship between wholesale and retail prices. The decrease in wholesale prices typically serves as a precursor to changes in retail values, and this July was no exception. This ripple effect tends to manifest over a span of six to eight weeks, illustrating the intricate interplay between various market factors and consumer behaviors.

Navigating the Path of Retail and Wholesale Prices

The recent market dynamics have been favoring used car shoppers, who experienced a breath of fresh air as retail prices took a slight dip in June. This came as welcome news, particularly after a period marked by frequent price increases. However, the decrease in retail prices hasn't been as profound as the corresponding drop in wholesale prices.

Chris Frey, a distinguished figure in the industry as the senior manager of Economic and Industry Insights at Cox Automotive, contextualizes these numbers effectively. He points out that from July 2020 to April 2022, the market endured 22 consecutive months of double-digit price increments. This stark contrast is highlighted by the fact that there have only been six instances of double-digit declines since October of the same year—a clear testament to the evolving dynamics within the used car market.

Complex Factors Shaping the Landscape

A factor worth considering when dissecting the market's behavior is the significant impact of the COVID-19 pandemic on the automotive sector. During the height of the pandemic, American automakers produced approximately 8.1 million fewer vehicles than usual. These cars will never enter the used car market, creating enduring upward pressure on used car prices.

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It's imperative to acknowledge that these price changes don't follow a uniform pattern across all vehicle types. A prime example lies in the disparity between wholesale prices of pickup trucks and compact cars. Over the course of a year, wholesale prices of pickup trucks registered a mild decline of 6.6%, while the other end of the spectrum showcased compact cars with a substantial 15.9% reduction in auction prices compared to July of the previous year.

Consumer Confidence and Future Outlook

Contextualizing the market further, the Conference Board Consumer Confidence Index showed a remarkable year-over-year increase of 22.8% in July. Additionally, there has been a surge in plans to purchase vehicles within the upcoming six months, marking the highest level in nine months and reinforcing positive sentiments toward the automotive industry and the used car market.

July's subtle shift in used car wholesale prices speaks volumes about the intricate dynamics of the automotive market. The delicate descent in wholesale prices, the rippling effects on retail values, and the underlying factors that shape these trends highlight the ever-evolving nature of the industry. As consumers, dealers, and enthusiasts navigate these changes, the road ahead promises both challenges and opportunities, paving the way for a future that blends market resilience and consumer confidence.