January 2014

- Used Vehicle Depreciation Slows in December
  Prices slide by 1%; NADA’s used vehicle price index
  slips to 124.8

- Used Vehicle Prices Climb for Fifth Straight Year
  The average price of units up to eight years in age
  grows by 0.4% in 2013

- January Official Used Car Guide® Movement
  Average trade-in values lowered by an average of
  1.4%

- New Vehicle Sales Grow by 7.5% in 2013
  Sales hit 15.5M to reach highest level since 2007’s
  16.1M
NEW & USED MARKET TRENDS

December Closes out the Fifth Straight Year of Used Vehicle Price Growth

After declining by 1.5% in November, the rate of used vehicle depreciation pulled back again for the second month in a row in December as wholesale prices for units up to eight years in age fell by 1% on a prior-month basis.

The month’s performance saw NADA’s seasonally adjusted used vehicle price index drop by 0.8 of a percentage point to 124.7 from November’s record high of 125.5. But despite the decline, December’s figure stands as one of the highest reached on NADA’s index.

Looking back to December 2012, used vehicle prices declined by a much leaner 0.3%, however, the strength seen then was a direct result of replacement demand for units destroyed by Hurricane Sandy. By comparison, price declines in December 2010 and 2011 were 1% and 0.9%, respectively, which are figures in line with 2013’s result.

At the segment level, Large SUV prices decayed the most of any segment for the month, dropping by 2.6% or 1.7 points more than November’s slip of 0.9%. Given the minimal amount of depreciation recorded for the segment throughout most of the year – prices fell by a monthly average of just 0.8% from March through November – December’s result should be viewed as an anomaly rather than deteriorating segment demand.

Luxury car prices fell by a similarly dramatic 2.1% in December, which is a slight increase over November’s 1.9% decline. However, the stiffer drop in prices relative to most other

Wholesale used vehicle prices for units up to eight years in age fell by 1% in December, a half point improvement over November’s 1.5% decline.
segments isn’t uncommon for the time of year and was expected, particularly given the ongoing increase in off-lease supply returning to the marketplace.

Prices for remaining segments fell within a tight range of 0.7% to 1.1%, in line with the overall market decline of 1%. After three months of declines in the 2% range, luxury utility prices firmed up the most of any segment in December. The segment’s 0.9% decline was a 1.6% improvement over November’s figure of 2.6%.

Compact and mid-size utilities also performed well, declining by 0.7% and 1%, respectively. Compact and mid-size car prices fell by 1.1% and 0.8%, respectively, which is a slight improvement over November’s figures of 1.5% and 1.4%. Another segment seeing prices firm up was mid-size vans, which improved by 0.7 of a point to land at 0.9% for the month. Large pickups proved to be the only segment with no change in depreciation for the month as November’s decline of 0.8% was carried over into December.

In annual terms, December concluded a fifth straight year of used vehicle price appreciation, as 2013 ended with prices of units up to eight years in age 0.4% higher than they were in 2012 (and 18% higher than they were prior to the start of the recession in 2007).

Supported by a unique combination of both consumer and commercial demand along with lower gas prices and comparatively tight supply, large pickup prices increased by 9.6% last year – the most of any segment. While pickup supply continued to be tight, large SUV supply was downright skeletal; as a
result, prices for the segment grew by a dramatic 8.4% in 2013. The mid-size van and mid-size utility segments saw their price advantage over 2012 increase by 3.7% and 2.3%, respectively, while prices for remaining segments closed out the year down by a tight range of 0.5% (compact utilities) to 1.5% (luxury cars).

**AuctionNet Volume Trends**

Relative to 2012, the number of AuctionNet wholesale transactions of units up to eight years in age declined by 1% in 2013. However, this figure masks considerable differences in trends across vehicle age groups as expanding off-lease supply and moderately higher rental fleet pushed one-to-four-year-old unit volume up by 9.2%, while the recession-induced decline in new sales from 2007 to 2009 was responsible for an 11.2% drop in five- to eight-year-old unit volume.

At the extremes, subcompact car, mid-size car, compact utility, near luxury and premium luxury car, and luxury compact utility segments all experienced volume growth across the majority of age groups; not coincidentally, prices for these segments softened in 2013.

At the opposite end of the spectrum, mid-size pickups and vans, large cars and large SUVs each saw auction volume slide virtually across the board thereby helping to lift prices for most of these segments last year.

Looking ahead to 2014, although late-model (units up to five years in age) volume will continue rise for the majority of segments, it’s important to place volume levels into historical context. NADA estimates that late model supply will grow by 8% on an annual basis in 2014; however, supply will remain some 12% below 2009 levels even with the increase. The disparity in supply will be especially pronounced across truck segments, particularly mid-size pickups, large SUVs, mid-size vans and large pickups. For example, it’s estimated that late model large pickup supply will grow by just over 9% in 2014, but even so,

---

### AuctionNet® Auction Volume: 2012 v. 2013

The annual change in auction volume by vehicle age. E.g. Ages 1-to-2 shows the difference between 2012-13 MY volume in CY13 and 2011-12 MY volume in CY12.

<table>
<thead>
<tr>
<th>Segment</th>
<th>Ages 1-to-2</th>
<th>Ages 3-to-4</th>
<th>Ages 5-to-6</th>
<th>Ages 7-to-8</th>
<th>Ages 1-to-8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subcompact Car</td>
<td>9%</td>
<td>-1%</td>
<td>11%</td>
<td>33%</td>
<td>8%</td>
</tr>
<tr>
<td>Compact Car</td>
<td>3%</td>
<td>-4%</td>
<td>-14%</td>
<td>5%</td>
<td>2%</td>
</tr>
<tr>
<td>Mid-Size Car</td>
<td>12%</td>
<td>26%</td>
<td>-13%</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>Large Car</td>
<td>-20%</td>
<td>-12%</td>
<td>-32%</td>
<td>3%</td>
<td>-16%</td>
</tr>
<tr>
<td>Sport Car</td>
<td>10%</td>
<td>11%</td>
<td>-24%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>Compact Utility</td>
<td>24%</td>
<td>28%</td>
<td>-24%</td>
<td>15%</td>
<td>12%</td>
</tr>
<tr>
<td>Mid-Size Utility</td>
<td>6%</td>
<td>20%</td>
<td>-24%</td>
<td>-8%</td>
<td>2%</td>
</tr>
<tr>
<td>Large SUV</td>
<td>-21%</td>
<td>5%</td>
<td>-47%</td>
<td>21%</td>
<td>-15%</td>
</tr>
<tr>
<td>Mid-Size Pickup</td>
<td>-40%</td>
<td>12%</td>
<td>-37%</td>
<td>-14%</td>
<td>-19%</td>
</tr>
<tr>
<td>Large Pickup</td>
<td>7%</td>
<td>37%</td>
<td>-28%</td>
<td>1%</td>
<td>-2%</td>
</tr>
<tr>
<td>Mid-Size Van</td>
<td>-6%</td>
<td>-8%</td>
<td>-31%</td>
<td>-23%</td>
<td>-17%</td>
</tr>
<tr>
<td>Large Van</td>
<td>2%</td>
<td>-8%</td>
<td>-32%</td>
<td>6%</td>
<td>-7%</td>
</tr>
<tr>
<td>Luxury Compact Car</td>
<td>12%</td>
<td>24%</td>
<td>-22%</td>
<td>13%</td>
<td>8%</td>
</tr>
<tr>
<td>Luxury Mid-Size Car</td>
<td>-18%</td>
<td>13%</td>
<td>-26%</td>
<td>7%</td>
<td>-3%</td>
</tr>
<tr>
<td>Luxury Large Car</td>
<td>-40%</td>
<td>-31%</td>
<td>-23%</td>
<td>1%</td>
<td>-23%</td>
</tr>
<tr>
<td>Premium Luxury Large Car</td>
<td>58%</td>
<td>73%</td>
<td>-39%</td>
<td>22%</td>
<td>15%</td>
</tr>
<tr>
<td>Luxury Sport Car</td>
<td>35%</td>
<td>-17%</td>
<td>-41%</td>
<td>4%</td>
<td>-16%</td>
</tr>
<tr>
<td>Luxury Compact Utility</td>
<td>27%</td>
<td>33%</td>
<td>-40%</td>
<td>37%</td>
<td>9%</td>
</tr>
<tr>
<td>Luxury Mid-Size Utility</td>
<td>20%</td>
<td>10%</td>
<td>-21%</td>
<td>-5%</td>
<td>0%</td>
</tr>
<tr>
<td>Luxury Large Truck</td>
<td>4%</td>
<td>12%</td>
<td>-43%</td>
<td>16%</td>
<td>-7%</td>
</tr>
</tbody>
</table>

**Total** | 4% | 14% | -23% | 1% | -1% |

Source: NADA
[ NEW & USED MARKET TRENDS continued ]

supply will remain nearly 30% lower than 2009 levels.

This will not be the case for mid-size cars, compact utilities (luxury or otherwise) and subcompact cars as late-model supply is expected to be higher, and in the latter two cases significantly so, than 2009 levels this year.

January 2014 used vehicle price forecast

The modest budget deal reached by Congress and signed into law by President Obama in December reduces the risk that consumer confidence – which has recovered considerably since October’s federal government shutdown – will be arbitrarily depressed by a lawmaker-induced crisis this month.

Given this and the fact that core market fundamentals continue to follow recent (and largely favorable) trends, NADA believes January will turn in a performance in line with the seasonal norm for the month.

Historically, used vehicle prices change little between December and January as dealer acquisition activity begins to heat up in preparation for a spring surge in demand stimulated by the receipt of tax rebate checks. After staying more or less flat in January, prices commonly increase anywhere from 2% and 3% through March or April before declining over the remainder of the year.

For 2014, NADA expects used vehicle prices in January will be flat to down just slightly from December’s levels before rising by 2.5% to 3% through March.

By comparison, prices increased by a smaller 1.9% over the same period last year as demand was tempered by higher payroll taxes that went into effect at the start of 2013.

But while price movement is expected to be better than year-ago levels through the first quarter, expanding late-model supply should translate into moderately more severe depreciation over the remainder of the year. As a result, used vehicle prices are expected to fall on an annual basis for the first time since 2008.

Although NADA’s official forecast for 2014 won’t be released until January 25th at the 2014 NADA Convention & Expo in New Orleans, preliminary results point to prices for units up to eight model years in age being down by 1% to 2% on an
annual basis by year’s end.

(Note: February’s edition of Guidelines will contain NADA’s final forecast for the year.)

January Official Used Car Guide® value movement

Trade-in values in the January 2014 edition of the Official Used Guide® were lowered by an average of 1.4% relative to the December 2013 edition. Truck values were pulled down by an average of 1.6% due to pronounced adjustments in the compact utility, mid-size van and luxury utility segments averaging 2%. Value reductions for other truck segments – large vans, mid-size and large pickups, mid-size utilities, and large SUVs – ranged from 0.7% (large SUVs) to 1.4% (large vans).

As for cars, values overall were lowered by 1.2% making the month the first since April 2013 where car adjustments were less severe than trucks. Luxury car segments experienced the steepest cuts in value with adjustments averaging 2.7%, while mid-size, subcompact and compact car reductions fell within a less severe range of 0.6% to 1% (in that order).

On a full-year basis, trade-in values for 2006 – 2013 model year units were reduced by a cumulative average of 15.9% in 2013, down slightly from 2012’s like-age (2005 – 2012 model years) figure of 16.1%. Car and truck values ended the year down by 17.6% and 13.5%, respectively. Dropping by an average of nearly 21%, luxury car values suffered most last year; conversely, large SUV and pickup (mid-size and large) values slipped by an average of just 8.4%. The voluminous compact and mid-size car segments saw values reduced by an average of 17.2%, while values for the industry’s largest truck segment (based on new sales) – mid-size utilities – were lowered by an average of 15.7%.

New Vehicle Sales Reach Highest Annual Total Since 2007

Sales slowed a bit in December to settle at just over 1.35 million units, an increase of a mere 541 units, and were up only 0.04% after posting healthy year-over-year gains for much of 2013. For the year, the industry was up a solid 7.5%, achieving over 15.5 million sales.
compared to last year’s 14.4 million deliveries.

The seasonally-adjusted annual rate (SAAR) rose slightly to 15.3 million units in December from the previous year’s figure of 15.18 million, an increase of 0.8%. Although December’s SAAR appears relatively unsatisfactory given the industry’s stellar November performance, the month’s figure was the sixth highest scored in 2013.

**Domestic performance slips as GM’s sales fall**

The Big Three posted disappointing sales of 601,000 units in December, down 0.8%, as results varied among the three companies. The year’s final numbers paint a rosier picture, however, as the domestics combined to sell over 7.01 million vehicles, which was an 8.8% increase.

Chrysler Group led U.S. automakers with a moderate 5.6% growth in sales after delivering nearly 160,000 units in December, and for the year the company achieved 1.79 million sales for a healthy 9% improvement. While positive, overall results for December left much to be desired as the Chrysler, Dodge and Fiat brands collectively sold 12% fewer vehicles than a year ago. Fortunately, Jeep and Ram maintained their strong momentum to grow sales by 34% and 17%, respectively, with the new Jeep Cherokee standing out the most with its 15,038 deliveries – a 329% leap over the discontinued Liberty.

Ford Motor Company had a quieter month as its sales grew by 1% after selling 211,000 units, but its year-to-date figures were very good as its 2.44 million deliveries...
translated into 10.4% growth. In December, the Lincoln brand made solid gains with sales up 8.1% while the Ford brand settled for a slight 0.8% uptick on 203,000 sales. The more notable models to underperform were the Focus (down 31%) and Taurus (down 22%), but the Fusion (up 27%) and Escape (up 22%) played significant roles in balancing out the product portfolio’s performance.

General Motors fell behind its domestic peers in December as it sold 6.3% fewer units year-over-year on 230,000 deliveries, yet the manufacturer still had a bounce-back year in 2013 with its 2.79 million sales reflecting a 7.3% improvement. None of the GM brands managed to increase sales in December as Cadillac’s 0.5% dip bested GMC (down 1.8%), Buick (down 6.6%) and Chevrolet (down 8.1%). Much of Chevrolet’s slide was a result of falling Silverado and Cruze sales, down 16% and 15%, respectively, but it could have been worse if it were not for gains from the Malibu (up 33%) and Impala (up 10%) sedans.

**Imports exhibit minute increase as brands post mixed results**

Import sales were flat at 0.6% growth to finish the month at just under 750,000 sales, but they eclipsed 8.5 million sales for the year, up 6.3%. Aside from the U.K., whose Jaguar Land Rover sales were up 17%, the nation with the highest sales bump in December was Japan, up a marginal 1.8%, while every other country experienced a decline in deliveries. The results are somewhat misleading, however, as only eight out of 22 foreign brands had sales decreases (excluding Smart) and were down 8.6%, collectively. Further putting things into perspective, sales for five of the eight nameplates were down 14% or greater, anchored by Volkswagen whose deliveries were down 23%. Thus, most brands moved in the right direction, but their gains were offset by a fraction of the other importers where sales fell significantly.

Excluding Mitsubishi (up 56%), the Japanese automaker with the biggest improvement in December was Nissan, whose sales rose by 11% making the company the first in months to surpass Subaru’s growth rate (up 9.6%). Meanwhile, Mazda’s sales were down nearly 16% after deliveries of its highest-selling model, the Mazda 3, fell by 26%. However, an explanation for the drop may be that the company is beginning production of the newest generation of its popular compact at its new plant in Mexico in January 2014.

Nissan North America leapfrogged its Japanese Big Three peers in December with 11% growth on 110,000 sales while its 1.25 million deliveries for 2013 was a 9.4% climb. Complementing Nissan brand growth, Infiniti sales were up over 13,200 units, reflecting a 4.8% increase. Infiniti was led by its QX50 SUV (which replaced the JX moniker from the prior model year) where sales increased by 38%, while Nissan got a boost from its Maxima, Frontier and Sentra models where sales grew by 57%, 47% and 39%, respectively.

American Honda Motor Co. realized a small gain with 135,000 sales for the month, up 1.9%, while its calendar year deliveries of 5.79 million units were a 7.2% increase. Acura’s December sales dipped by 1.8% after it sold 15,800 vehicles while Honda achieved 120,000 sales, good for a 2.4% bump. While the Acura TL and TSX combined to sell 36% fewer units, they will both soon be replaced by the new TLX which will debut at the 2014 Detroit Auto Show and go on sale later this year. Honda’s
slower month was due to sales of its high volume Civic sedan dropping by 12%, but the brand made up for the lost sales with its CR-V and Accord models selling 12% and 9.8% units more, respectively.

Toyota Motor Sales was the only one of the Japanese Big Three to experience a sales decline in December as its 191,000 sales was a 1.7% drop, but its 12 month tally of 2.24 million units placed annual growth at a solid 7.4%. For the month, Lexus shined with nearly 35,000 deliveries to grow by 14%, while Toyota was down 4% after selling fewer than 152,000 vehicles. Much of the positive news for Lexus was thanks to brisk sales of its IS sedan, which were up 117%, whereas Toyota was supported by its RAV4 (up 46%) and Avalon (up 20%) models as deliveries of the Camry and Corolla were down a combined 6.3%. Unable to generate positive momentum, Scion’s sales moved down again with its 4,300 deliveries representing a 22% decrease.

Although European brand sales were down 1.5% in December, only Volkswagen (down 23%), Volvo (down 21%) and BMW (down 0.03%) failed to realize positive growth (excluding Smart, which sold only 855 Fortwo models). Aside from Mini (up 2.1%), all other brands enjoyed no less than 10% growth and Mercedes-Benz and Audi stood out as big winners with deliveries up 18% and 15%, respectively. The well-received E-Class (up 25%) and S-Class (up 67%) led Mercedes and were supplemented by the new CLA sedan, which added 3,285 units, while Audi benefitted from strong gains by its Q7 (up 53%), A6 (up 43%) and Q5 (up 32%) models.

**Incentive spending leaps to its highest point in over two years**

Per Autodata, incentives jumped for the third consecutive month in December to an average of $2,761. The month’s 7.6% year-over-year increase was the third highest recorded since March 2012 and it placed spending at a level last exceeded in August 2010.

General Motors took a different approach with its mainstream brands last month as its spending on Chevrolet and GMC dropped 1% and 5%, respectively,
which likely had an effect on the two brand’s sales performances (down 6.8% combined). On the other hand, in spite of respective increases of 43% and 28% for Buick and Cadillac, their collective deliveries fell 3.4% in the face of stiff competitive from other premium marques. The Ford brand raised incentives by 25% and discounts at Lincoln were up 6%, but the strategy proved ineffective with sales up only 1%. Chrysler incentives were up 7% while Dodge’s were down 2%, but the good news for Chrysler Group LLC was how its sales leader Jeep was able to increase sales by an impressive 34% despite pulling back spending by 14%.

Toyota Motor Sales was the only one of the Japanese Big Three to raise incentives for both its volume and luxury brands as Toyota and Lexus rebates were up 6% and 12%, respectively (yet total sales were down 1.7%). American Honda Motor Co. went in opposite directions with its brands as Honda spent 26% to increase sales slightly while Acura cut spending by 20% and saw a small sales dip. The Nissan brand’s incentives rose 19% and Infiniti’s spending decreased by 4%, yet both nameplates had solid months.

Incredibly, Subaru, already the lowest spender among mainstream brands, cut spending by 20% to $835 per unit and its deliveries still improved by 9.6%. Also impressive were luxury makes Porsche and Land Rover as the two slashed spending per unit down to $664 (down 53%) and $727 (down 64%), respectively, yet each achieved sales increases of 10% or greater.

Mimicking last month, dealer cash and lease subvention increased, up 12.7% and 1.7%, respectively, while finance incentives were down 8%. For the 11th consecutive month, customer cash usage went up year-over-year, rising by 6.6%.

On an annual basis, total incentive spending grew by 3.7% to an average of $2,576 in 2013 with an 8.3% rise in consumer cash spending primarily responsible for the increase. Finance and lease subvention fell by 0.8% and 0.1%, respectively, while dealer cash increased by 6.5%. Total spending is now at its highest level since 2010 but it remains nearly 5% below the 2003 – 2007 pre-recession average of $2,718.

**Overall new vehicle days’ supply climbs by five days versus prior year**

Following the same pattern as years past, inventory fell in December, decreasing by 13 days to 64 days versus the prior month, while rising by five days compared to the previous year. Buick (up two days) and Porsche (up nine days) were the only two brands
to experience an increase in inventory, finishing the month at 115 days and 55 days, respectively. Among luxury brands, domestic makes Lincoln (down 27 days) and Cadillac (down 23 days) realized the greatest reduction in inventory, settling at 83 days and 92 days, respectively.
Another month of robust hiring follows other positive economic news. The economy expanded at an annual rate of 3.6% in the July-September quarter, the fastest growth since early 2012. Still, nearly half that gain came from businesses building their stockpiles. The recent economic upturn has been surprising; many economists expected the government shutdown in October to hobble growth, yet the economy motored along without much interruption.

The federal government shutdown in the first half of October had a small impact on fourth quarter economic growth. Some federal workers on unpaid leave put off purchases because of the uncertainty, but they resumed spending once they were paid in full after the shutdown ended.

Monetary policy is in a period of transition as Federal Reserve Chairman Ben Bernanke’s term is set to expire at the end of January 2014. The Federal Open Market Committee (FOMC) is expected to maintain the current $85 billion per month of central bank purchases of long-term Treasuries and mortgage-backed securities until their last meeting under Chairman Bernanke in late January. At that point, the FOMC will start to gradually reduce its asset purchases, wrapping them up by the end of 2014. This will lead to a steady increase in long-term interest rates, but the underlying fundamentals of the economy should be strong enough to withstand the higher rates.

Short-term rates will remain near zero for another couple of years. The FOMC has stated that it will not begin to raise the federal funds rate at least until the unemployment rate falls below 6.5%, which will likely happen at the end of 2014. But that is a threshold, not a trigger, and the Committee has made it clear that the funds rate will remain close to zero for a while after the unemployment rate falls below 6.5%.

A fourth straight month of solid hiring cut the U.S. unemployment rate in November to a five-year low of 7% and the gains in the job market could spur greater economic growth. The Labor Department reported that employers added 203,000 jobs, nearly matching October's revised gain of 200,000.

The economy has now generated an average of 204,000 jobs from August through November. That’s up from 159,000 a month from April through July. Many of the November job gains were in higher-paying industries. Manufacturers added 27,000 positions, the most since March 2012, while construction firms gained 17,000. The two
industries have created a combined 113,000 jobs in the past four months.

Greater hiring could support healthier spending as job growth has a dominant influence over much of the economy. If hiring continues at the current pace, a virtuous cycle starts to build with more jobs leading to higher wages, more spending and faster growth.

But more higher-paying jobs are also necessary. Roughly half the jobs that were added in the six months through October were in four low-wage industries: retail; hotels, restaurants and entertainment; temp jobs; and home health care workers.

Existing-home sales declined for the second consecutive month in October, while constrained inventory means home prices continue to see double-digit year-over-year gains, according to the National Association of Realtors. Total existing-home sales fell 3.2% to a seasonally adjusted annual rate of 5.12 million in October from 5.29 million in September, but are 6% higher than the 4.83 million-unit level in October 2012. Sales have remained above year-ago levels for the past 28 months.

The national median existing-home price for all housing types was $199,500 in October, up 12.8% from October 2012, which is the 11th consecutive month of double-digit year-over-year increases. Total housing inventory at the end of October declined 1.8% to 2.13 million existing homes available for sale, which represents a 5-month supply at the current sales pace; the relative supply was 4.9 months in September. Unsold inventory is 0.9% above a year ago when there was a 5.2-month supply.

Despite an increase in the U.S. average retail price of regular gasoline to $3.29 per gallon on Nov. 25, gasoline prices remain near the lowest level of 2013 and last year at this
time. Lower global crude oil prices, high profitability for diesel fuel that has been encouraging refiners to increase throughput, high inventories and the switch to less-costly winter grades of gasoline are among the factors currently driving gasoline prices.

Spot prices for Brent crude oil dropped $4.66 per barrel from Sept. 3 to Nov. 25. West Texas Intermediate (WTI) crude prices, which are much less significant to gasoline price formation than Brent prices, fell by $14.81 per barrel over the same period. The decline in crude oil prices was partly driven by lower demand for crude oil due to seasonal refinery maintenance. EIA’s November Short-Term Energy Outlook (STEO) forecasts Brent and WTI prices to decline further to $106 and less than $95 per barrel in December, respectively, and down further to $101 and $93 by the end of 2014. However, heightened uncertainties surround this forecast because of global crude oil supply disruptions.

Fiscal policy has been a significant drag on economic growth in 2013, but that will fade in 2014. In addition to the shutdown, increases in the federal personal income tax and the Social Security payroll tax have weighed on growth in disposable income and consumer spending this year. The spending cuts under the sequester that took effect in the spring have also been a drag on growth.

But taxes are not expected to increase in 2014, and any spending cuts next year will be smaller than this year’s. There is still the potential for another government shutdown in early 2014 – the spending agreement that reopened the government only lasts until Jan. 15 – and Congress will need to raise the debt limit again in February. But given the public outcry over the last shutdown, Congress is highly likely to keep the government open and raise the debt limit on time.
NADAguides.com is the most comprehensive vehicle information website on the internet today, offering a broad range of information and services to help educate consumers in the market to buy, sell, trade, or simply shop for a vehicle. NADAguides is an alliance partner of NADA Services Corporation.

The figures contained below are based on consumer activity on nadaguides.com and are calculated by comparing the number of unique lookups between December 2012 and 2013.
NADA OFFICIAL USED CAR GUIDE® TRENDS

Monthly Change in NADA Used Car Guide Value
December 2013 v. January 2014

<table>
<thead>
<tr>
<th>NADA Segment</th>
<th>2009MY</th>
<th>2010MY</th>
<th>2011MY</th>
<th>2012MY</th>
<th>2013MY*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compact Car</td>
<td>-1.3%</td>
<td>-1.1%</td>
<td>-0.7%</td>
<td>-0.6%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Compact Utility</td>
<td>-2.1%</td>
<td>-2.3%</td>
<td>-2.2%</td>
<td>-1.8%</td>
<td>-2.4%</td>
</tr>
<tr>
<td>Large Pickup</td>
<td>-1.1%</td>
<td>-0.8%</td>
<td>-1.0%</td>
<td>-1.1%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Large SUV</td>
<td>-0.5%</td>
<td>-0.8%</td>
<td>-0.9%</td>
<td>-1.5%</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Luxury Car</td>
<td>-2.2%</td>
<td>-3.2%</td>
<td>-2.3%</td>
<td>-2.0%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Luxury Utility</td>
<td>-1.9%</td>
<td>-1.7%</td>
<td>-1.4%</td>
<td>-1.3%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Mid-Size Car</td>
<td>-1.2%</td>
<td>-0.7%</td>
<td>-0.6%</td>
<td>-0.6%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Mid-Size Utility</td>
<td>-1.4%</td>
<td>-1.0%</td>
<td>-0.8%</td>
<td>-0.6%</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Mid-Size Van</td>
<td>-3.2%</td>
<td>-2.8%</td>
<td>-1.8%</td>
<td>-1.5%</td>
<td>-1.5%</td>
</tr>
</tbody>
</table>

*Value movement can be influenced by newly valued vehicles.

Annual Change in NADA Used Car Guide Value
January, 2013 v. 2014

<table>
<thead>
<tr>
<th>NADA Segment</th>
<th>5YR</th>
<th>4YR</th>
<th>3YR</th>
<th>2YR</th>
<th>1YR</th>
<th>YoY Segment Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compact Car</td>
<td>-2.0%</td>
<td>2.1%</td>
<td>-1.6%</td>
<td>0.8%</td>
<td>0.3%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Compact Utility</td>
<td>0.3%</td>
<td>1.5%</td>
<td>0.2%</td>
<td>-0.3%</td>
<td>0.8%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Large Pickup</td>
<td>10.3%</td>
<td>5.0%</td>
<td>10.8%</td>
<td>4.8%</td>
<td>6.1%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Large SUV</td>
<td>2.5%</td>
<td>-0.6%</td>
<td>3.3%</td>
<td>2.0%</td>
<td>1.2%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Luxury Car</td>
<td>0.1%</td>
<td>1.6%</td>
<td>-1.0%</td>
<td>7.9%</td>
<td>6.9%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Luxury Utility</td>
<td>7.2%</td>
<td>3.2%</td>
<td>-4.0%</td>
<td>0.3%</td>
<td>0.4%</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Mid-Size Car</td>
<td>-2.5%</td>
<td>8.6%</td>
<td>-0.3%</td>
<td>2.6%</td>
<td>3.5%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Mid-Size Utility</td>
<td>4.0%</td>
<td>3.6%</td>
<td>1.0%</td>
<td>-0.1%</td>
<td>0.7%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Mid-Size Van</td>
<td>4.6%</td>
<td>0.6%</td>
<td>12.1%</td>
<td>3.0%</td>
<td>5.9%</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

*Calculations are based on vehicle age, i.e. values for 1 year old vehicles in CY2013 are compared against values for 1 year old vehicles in CY2012.

YTD Change in NADA Used Car Guide Value
January — December 2013

<table>
<thead>
<tr>
<th>NADA Segment</th>
<th>2008MY</th>
<th>2009MY</th>
<th>2010MY</th>
<th>2011MY</th>
<th>2012MY*</th>
<th>YTD Segment Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compact Car</td>
<td>-16.0%</td>
<td>-16.1%</td>
<td>-14.3%</td>
<td>-13.6%</td>
<td>-13.8%</td>
<td>-14.5%</td>
</tr>
<tr>
<td>Compact Utility</td>
<td>-15.0%</td>
<td>-13.5%</td>
<td>-11.8%</td>
<td>-10.2%</td>
<td>-9.9%</td>
<td>-11.6%</td>
</tr>
<tr>
<td>Large Pickup</td>
<td>-5.6%</td>
<td>-5.1%</td>
<td>-3.7%</td>
<td>-1.9%</td>
<td>-2.3%</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Large SUV</td>
<td>-12.9%</td>
<td>-11.6%</td>
<td>-9.7%</td>
<td>-6.5%</td>
<td>-7.1%</td>
<td>-9.2%</td>
</tr>
<tr>
<td>Luxury Car</td>
<td>-16.6%</td>
<td>-14.8%</td>
<td>-15.0%</td>
<td>-15.0%</td>
<td>-8.2%</td>
<td>-12.7%</td>
</tr>
<tr>
<td>Luxury Utility</td>
<td>-16.4%</td>
<td>-13.3%</td>
<td>-13.7%</td>
<td>-12.7%</td>
<td>-11.1%</td>
<td>-13.0%</td>
</tr>
<tr>
<td>Mid-Size Car</td>
<td>-14.4%</td>
<td>-13.3%</td>
<td>-12.9%</td>
<td>-12.3%</td>
<td>-11.8%</td>
<td>-12.6%</td>
</tr>
<tr>
<td>Mid-Size Utility</td>
<td>-15.9%</td>
<td>-13.9%</td>
<td>-11.2%</td>
<td>-10.9%</td>
<td>-10.7%</td>
<td>-12.2%</td>
</tr>
<tr>
<td>Mid-Size Van</td>
<td>-16.6%</td>
<td>-13.2%</td>
<td>-10.9%</td>
<td>-9.8%</td>
<td>-8.9%</td>
<td>-11.2%</td>
</tr>
</tbody>
</table>
AT NADA USED CAR GUIDE

What’s New

Available on iPhone, iPad and Android devices, NADA MarketValues is the fastest, easiest and most cost-efficient way to make smart vehicle decisions on the go. Subscriptions start at $50 per month and when you download NADA MarketValues from Google Play or the Apple Store for $1.99, you’ll receive a FREE 30-day trial!

On the Road

Mike Stanton, John Beckman, Steve Stafford and Jonathan Banks will be attending the 18th Annual AFSA Vehicle Finance Conference & Exposition from January 22 to January 24 in New Orleans. If you are attending, please stop by our booth and see Steve. Also at the conference, on Wednesday, January 22 at 4:15 p.m., Jonathan Banks will speak on a panel about key trends in risk management.

Join us at the NADA Used Car Guide booth #3939 at the 2014 NADA Convention & Expo in New Orleans from January 24 to January 27 and learn about the enhanced NADA MarketValues, enhanced NADA AppraisalPRO and new NADA Appraisal. Exclusive to NADA and NIADA members, we have two convention promotions: a free iPad mini with an annual subscription to NADA AppraisalPRO or 60 days free of NADA MarketValues.

Also at the 2014 NADA Convention & Expo, Mike Stanton will highlight the company’s initiatives to kick off the NADA Used Car Guide press conference on Saturday, January 25. Jonathan Banks will then discuss new and used vehicle market trends, as well as how market conditions will affect used vehicle depreciation and prices in 2014.

About NADA Used Car Guide

Since 1933, NADA Used Car Guide has earned its reputation as the leading provider of vehicle valuation products, services and information to businesses throughout the United States and worldwide. NADA’s editorial team collects and analyzes over one million combined automotive and truck wholesale and retail transactions per month. Its guidebooks, auction data, analysis, and data solutions offer automotive/truck, finance, insurance and government professionals the timely information and reliable solutions they need to make better business decisions. Visit nada.com/b2b to learn more.
NADA CONSULTING SERVICES

NADA’s market intelligence team leverages a database of nearly 200 million automotive transactions and more than 100 economic and automotive market-related series to describe the factors driving current trends to help industry stakeholders make more informed decisions. Analyzing data at both wholesale and retail levels, the team continuously provides content that is both useful and usable to the automotive industry, financial institutions, businesses and consumers.

Complemented by NADA’s analytics team, which maintains and advances NADA’s internal forecasting models and develops customized forecasting solutions for automotive clients, the market intelligence team is responsible for publishing white papers, special reports and the Used Car & Truck Blog. Throughout every piece of content, the team strives to go beyond what is happening in the automotive industry to confidently answer why it is happening and how it will impact the market in the future.

Senior Director, Vehicle Analysis & Analytics
Jonathan Banks
800.248.6232 x4709
jbanks@nada.org

Senior Manager, Market Intelligence
Larry Dixon
800.248.6232 x4713
ldixon@nada.org

Automotive Analyst
David Paris
800.248.6232 x7044
dparis@nada.org

Automotive Analyst
Joseph Choi
800.248.6232 x4706
jchoi@nada.org

ADDITIONAL RESOURCES

Guidelines
Updated monthly with a robust data set from various industry sources and NADA’s own proprietary analytical tool, Guidelines provides the insight needed to make decisions in today’s market.

NADA Perspective
Leveraging data from various industry sources and NADA’s analysts, NADA Perspective takes a deep dive into a range of industry trends to determine why they are happening and what to expect in the future.

White Papers
NADA’s white papers and special reports aim to inform industry stakeholders on current and expected used vehicle price movement to better maximize today’s opportunities and manage tomorrow’s risk.

Used Car & Truck Blog
Written and managed by the Market Intelligence team, the Used Car & Truck Blog analyzes market data, lends insight into industry trends and highlights relevant events.

Connect with NADA

Disclaimer: NADA Used Car Guide makes no representations about future performance or results based on the data and the contents available in this report (“Guidelines”). Guidelines is provided for informational purposes only and is provided AS IS without warranty or guarantee of any kind. By accessing Guidelines via email or the NADA website, you agree not to reprint, reproduce, or distribute Guidelines without the express written permission of NADA Used Car Guide.