

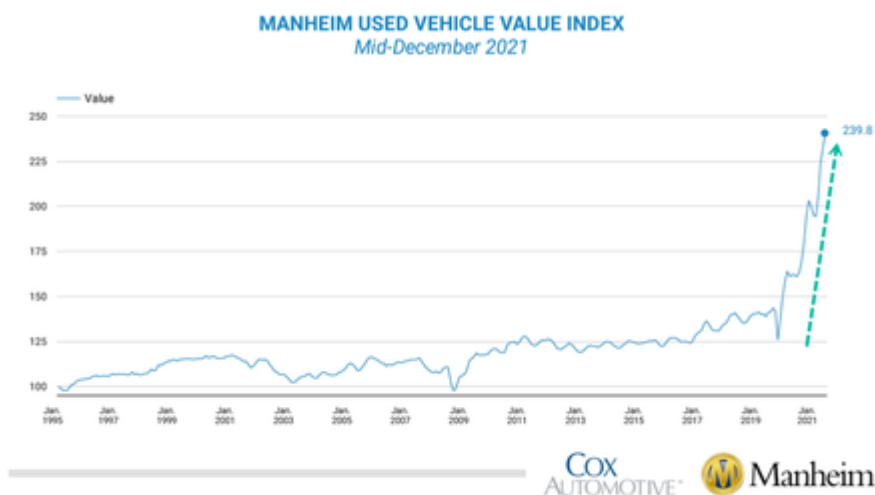


As Used Car Prices Hit Another Record High, Here's What Goldman Thinks Happens Next

Description

USA: Another month, another record (see prior records: [here](#) & [here](#)). New data shows used car prices continued to soar in the first half of December, suggesting inflation has been anything but transitory.

[The Manheim Index](#), the most recognized wholesale used-vehicle price index by financial and economic analysts, reported that the wholesale used car index rose 3.1% in the first 15 days of December compared to November. The overall index has jumped a mindboggling 48.9% from December 2020.



“On a year-over-year basis, all major market segments saw seasonally adjusted price gains through the first 15 days of December. Pickups had the smallest year-over-year gains, vans had the largest at 63.3%, and both non-luxury car segments outpaced the overall industry in seasonally adjusted price growth. Compared to November, SUVs and vans had the smallest growth in the first half of December, while compact cars had the largest gain,” the report said.

MANHEIM USED VEHICLE VALUE INDEX
Mid-December 2021

Month of Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
01-Jan	109.1	101.7	117.6	124.9	125.7	123.4	122.3	125.3	125.2	124.9	131	135.4	141.6	163
02-Feb	108.1	105.5	118.1	123.6	125.8	122	123.3	125.1	123.2	124.7	131	135.2	143.5	169.2
03-Mar	107.7	106.1	119.9	124.2	126.2	120.4	124.4	124.6	122.4	124.1	130.8	136	141.9	179.2
04-Apr	108.4	106.6	120.7	126.6	126.1	119.2	124.9	124.2	122.7	124.7	132.5	138.4	125.8	194
05-May	107.5	109.1	121	127.8	125.1	119.1	124.7	123.8	124.4	127.9	134.2	139.6	137	203
06-Jun	107.8	114.1	120.2	127.5	123.4	119.7	124	123.9	126.2	129.3	134.9	140.5	149.3	200.4
07-Jul	109.9	115.4	118.9	125.9	121.2	120.9	122.7	124.1	127	130.3	136.9	140.5	158	195.2
08-Aug	110.7	116.4	118.8	123.7	120.7	122.3	121.8	124.4	126.9	131.3	139.7	141.3	163.7	194.5
09-Sep	110.8	118.5	118.9	122.9	120.7	122.8	121.4	124.8	127	134.9	139.9	139.9	161.2	204.8
10-Oct	104.2	117.4	122.9	122.8	121.9	122.3	121.8	125.3	126.1	136.3	140.9	140.3	161.9	223.7
11-Nov	98.3	117.4	124.3	123.8	122.6	122.4	123.3	125.1	124.8	134.5	139	138.9	162	232.5
12-Dec	98	117.5	124.4	125.1	124.1	121.7	123.9	125.7	125	132	137.6	141.1	161.1	239.8
Annual Avg.	106.7	112.1	120.5	124.9	123.6	121.4	123.2	124.7	125.1	129.6	135.7	138.9	150.6	196.5



Heading into the new year, Goldman Sachs chief economist Jan Hatzius provided clients with an outlook on the automobile market. He expects **“further increases in new and used car prices during the first quarter of 2022, but outlines “new car prices peak in Q2 (vs. Q1 previously) and used car prices peak in Q1 (vs. December 2021 previously).”**

Hatzius said cooling down auto markets will be a challenging task. Port congestion remains a significant problem and has only marginally improved in recent months. He said new outbreaks of the Omicron variant is a major risk to foreign automotive and semiconductor factories could derail the rebound in car production.

KPMG global head of automotive Gary Silberg is in similar agreeance with Hatzius and believes a **turning point in vehicle prices is nearing**. He told [Automotive News](#) that vehicle supply and demand would achieve equilibrium sometime between October 2022 and 2023, but used-vehicle prices would begin to fall before that point.

“In every scenario, we expect the market to anticipate the turnaround in the new-car supply situation ahead of time and begin repricing used cars before new-car lots are full and used-car demand returns to normal.

“In other words, a 20 to 30 percent plunge in used-vehicle prices is in the cards,” KPMG wrote in a note.

Relief for car shoppers is coming, but it might be in the second half of 2022, and [don't expect prices to return to pre-2019 levels.](#)

by Tyler Durden

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