Introducing New Economic Indexes
With Particular Reference to the Used Car Industry

TONY HUGHES, Managing Director
Moody’s Analytics’ Experience in Data Development

» We construct forecasts and stress scenarios for a wide array of industry data.

» We maintain regional data, and construct forecasts for the Case-Shiller house price index in the U.S. We partner with Core-Logic to develop Australian home price indexes.

» We partner with Equifax to provide data on retail credit performance at a highly detailed level for all U.S. regions – CreditForecast.com.

» We help construct the ADP Employment Report, which seeks to predict U.S. monthly jobs numbers before they are released.

» We provide forecasts and stress scenarios of used vehicle residuals at a 10-digit VIN level.

» Today I will concentrate on the fascinating world of used car prices!
Manheim and CPI Diverging Sharply: Which Is Right?

Index, July 2015 = 100

Sources: BLS, Manheim, Moody’s Analytics
Leading Industry Indexes Broadly Corroborate the CPI

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Car Prices Are Still Falling But the Sky Isn’t as Lender Profits Rise

By Gabrielle Coppola and Jennifer Surane
July 28, 2017, 10:00 AM GMT+1 Updated on July 28, 2017, 4:06 PM GMT+1

Source: Bloomberg

Auto lenders that sounded alarm bells about slumping car values are seeing less of a price drop than feared. Proof of the reprieve -- however short-lived -- is showing up in their profits.

Sources: BLS, Manheim, NADA, Black Book, Moody’s Analytics
Leading Industry Indexes Broadly Corroborate the CPI

Index, July 2015 = 100

Sources: BLS, Manheim, NADA, Moody’s Analytics
Introducing New Economic Indexes

Moody’s, Based on Hedonics, Charts a Middle Ground
Index, July 2015 = 100

* Moody’s Analytics’ index is currently under development

Sources: BLS, Manheim, NADA, Moody’s Analytics
Moody’s Index Gives More Force to Post Recession Surge

Index, Jan 2015 = 100

Sources: BLS, Manheim, NADA, Moody’s Analytics
Manheim Performs Pretty Well Over the Long Haul

Index, Jan 1995 = 100

Sources: BLS, Manheim, NADA, Moody’s Analytics
A Few Notes Used Car Price Indexes

» In tracking car prices lately, all major indexes have provided a useful signal.

» The Manheim has been too optimistic – prices have been falling. Followers of the Manheim would have avoided the abject pessimism demonstrated by others in the industry.

» Established indexes that move markets (like the Manheim & NADA) should be consistently maintained. Changing them risks losing a useful signal.

» A new index should add to the story, cover something other indexes don’t. If the new index is trustworthy, it will gain currency, it will move markets.

» Old indexes that do not move markets are irrelevant and can be killed.

» A new index may be based on “Big Data”. Such sources should, if they are useful, be eroding the market moving potential of “Small Data” based indexes.
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