

February 2020

Optimistic start for UK automotive but challenges ahead

Cox Automotive Market Tracker identifies splits across the market

- Wholesale volumes remain relatively stable Year-on-Year (YoY), in line with anticipated New Year seasonal rise
- Used car market continues to show signs of strength, with first time conversions up +7.3% YoY, at 88%
- Slightly older vehicles hit auctions in January MoM, reflecting challenges of supply and demand and represented in -1.5% price drop from December
- Despite 60% of dealers showing confidence economy will improve, challenges ahead from CAFE regulations, coronavirus supply issues and FCA decisions

A relatively positive start to 2020 has seen average wholesale prices for January reach the second highest total in the past five years, according to data released by global automotive solutions provider Cox Automotive. Figures for January 2020 put average prices at £6,264 for the month, with only January 2018 doing better in the past five years, at £6,626.

However, while the used market is currently showing signs of strength, all sectors (franchise, independent and supermarket) have identified the potential for stock availability challenges on the horizon, with 56% stating stock availability in January 2020 was worse than last year.

Although some franchise dealers have reported a fast start to the New Year, there are suggestions that it tailed off towards the end of the month. The outlook for the rest of the quarter is less optimistic and anecdotal feedback from the dealer sentiment survey suggests dealers may try to renegotiate sales figures with manufacturers come March.

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Your monthly overview of the used car market

Global pressures on manufacturers, including CAFE regulations, the impact of coronavirus on supply chains and the turnaround on the medium-term role of hybrid vehicles in the UK's emissions reductions plans are all likely to add to already stretched relationships between manufacturers and retailers over the coming 12 months.

WHOLESALE



Average price

£6,264

⬇️ -1.5% MoM



Average age

85.2 months

⬆️ 5.4% MoM



Average mileage

62,791

⬆️ +2.2% MoM

Although lower than the last two months of 2019, average wholesale prices for January 2020 indicate an overall positive trend, with the £6,264 figure beating the other 10 months of last year. While not yet reaching the comparatively strong performance of 2018, indications at this very early stage are positive but with plenty of potential road bumps along the way.

Correspondingly, average mileage in the wholesale markets is also down on much of 2019, at 62,791 in January – a -2.4% decline YoY. Average age has remained relatively flat as an overall trend for the past year; however, showed a seasonal +5.4% increase MoM, reflecting the challenges for good quality stock at the turn of the year. Indeed, supply continues to reflect the conversion and cap hpi performance.

Data from NextGear Capital, the stock funding arm of Cox Automotive, suggested similar trends, with the average price funded increasing to £7,836, up +2.4% YoY. A short-term expansion in stock levels, in line with seasonality, meant average mileage rose +0.6% to 62,224, while average days in stock increased by +1.6% to 6.3 days.

Meanwhile, for trade-to-trade auction platform Dealer Auction.co.uk, overall conversions were at an all-time high, due to shortage of good quality stock. Cap performance improved by 3%, to 100.1%, and the average value rose by £476 in January 2020, compared with December 2019 figures.

Philip Nothard, Customer Insight and Strategy Director for Cox Automotive, said: “With an industry that is already struggling after several years of political and economic uncertainty, the news that petrol and diesel models may be banned in the UK five years earlier than originally stated, in 2035, comes as yet another challenge for manufacturers, albeit one that could be anticipated and understood in the context of today’s social and environmental debate.

“However, the addition of hybrid and plug-in hybrid vehicles into that announcement came as a big surprise for many and may well cause significant impact for manufacturers who have just two design cycles to shift their business plans. Indeed, there are many industry commentators who have suggested, however positive for the environment and air quality, it isn’t feasible to move the goalposts without significant investment into subsidising EV adoption.”

Nothard continued: “Of course, the new CAFE regulations are already having an impact on supply, with some franchises better placed than others. The coronavirus is also making an impression, with manufacturing plants for OE and aftermarket extending their lunar new year shut down while governments try to contain the spread of the virus. This may well cause further supply issues later into the year, depending on the duration of the shutdowns, leading to a knock-on effect in the wholesale markets.”

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Wholesale fuel comparison year-on-year*



Petrol



Diesel



Hybrid



Electric

£5,006

+6.6% YoY

£7,428

+0.5% YoY

£14,888

+11.7% YoY

£12,235

-8.9% YoY

Average diesel values in the wholesale market remain relatively stable, up +0.5% MoM and down -1.9% YoY. However, petrol models have shown a significant uplift YoY, up +6.6%; although easing slightly MoM, down -2.7%.

Volumes of EV and hybrid models in the wholesale markets remain low for statistical analysis, albeit on the rise, with prices continuing to fluctuate due to the impact of new model supply and demand.

RETAIL

Modix dealer sentiment for December



Margins

32%

Reported margins
were up YoY



Demand

50%

Reported consumer
demand up YoY



Confidence

60%

Say economy will improve
over the coming months

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The latest dealer sentiment survey from Modix, the digital marketing arm of Cox Automotive, reflects a positive start to the year, with half of dealers reporting consumer demand up YoY. Looking specifically at retail channels, 45% said physical footfall was higher than last January, while 59% felt an increase on online activity for the same period.

Stock availability remains a challenge, with 56% citing it was worse than last January. A third (32%) also felt retained margins had decreased YoY; however, the same proportion (32%) had seen an increase, suggesting there are significant splits developing in the retail markets.

Nothard commented: "Margins have been a topic of great debate over the past 12 months and it is positive to see signs of green shoots in the market, with a third of dealers reporting a rise compared with last year. Strength of consumer demand continues from December and echoes the rise in the Consumer Confidence Index, with nearly four fifths of dealers suggesting demand had increased or remained the same."

Latest data from the Society of Motor Manufacturers and Traders (SMMT) paints a less positive picture, with new car registrations down -7.3% YoY at 149,279, representing the lowest total for the month since 2013.

Nothard said: "It is great to see positive sentiment among so many dealers, but the numbers don't lie. It is going to be a challenging start for the year for many and we have seen increases in both overage and consigned new cars. In contrast, the current supply and demand in the wholesale markets for used cars is reflected in dealers seeing reductions in both days in stock and overage used cars.

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“It is certainly a market of many splits, with differences in experience across new and used, independent and franchised, traditional and alternative fuels. With so much currently changing in the market, and wider global trends, we can expect another year of fluctuations and contradictions.”

Ends.

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About Cox Automotive UK

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