

Glass's Monthly Car Market Report

November 2017

Glass's
Part of Autovista Group

Contents

Foreword	3
Live retail market	4
UK's fastest selling cars in October	
New car market	5
Overview	
Focus on fuel types	6
The shift in fleet purchasing	7
Used car market	8
Overview	
Retail volume	9
Retail stock days	10
Dealer Survey results	11
A month in the life of...	12
Andy Cutler, Glass's Forecast & Valuations Editor	
Residual values	14
Measuring our accuracy	
Performance and setting	15
Forecast valuations	16
Measuring our accuracy	

Foreword

Welcome to the latest issue of Glass's monthly market report. We have received very positive feedback from subscribers and industry contacts on our inaugural report last month and we hope you find this edition just as insightful. In addition to looking back on the new and used car market in October, we will be introducing one of our Forecast editors, Andy Cutler, who gives us a flavour of his activity and the events that he attends in an average month. Andy has decades of industry experience and is a vital part of the editorial team.

The new car market continues to struggle matching last year's record registration haul. This report contains more detail on the growing deficit, although it needs to be remembered that 2,224,603 is still a staggering volume of new cars destined for our roads in the first ten months of the year.

Market presence continues to be a key goal of Glass's. In the period since we released our last report, our editorial team has attended 15 physical auction sites across the country, as well as monitoring several others online. It is clear that whilst wholesale trading conditions have been reasonably strong in recent months, they began changing towards the end of October with both conversion rates and hammer prices falling away. Some segments of the market appear to be underperforming more than others. Premium cars in excess of £15,000 have started to struggle, whereas at the other end of the spectrum, small city cars and stock below £4,000 continues to perform very strongly. Overall performance in October should be considered as positive for the time of year.

Our editors are easily recognisable at auction as we wear Glass's branded jackets. If you spot an editor and have time for a chat, feel free to come over and share your view of the market with us.

As mentioned last month, transparency is very important to us at Glass's and we believe it is important that you know how our values compare to current wholesale hammer prices. You will find more details within the main body of the report, but our November Trade values reassuringly sit within 1.2% of the current market on average.

Jayson Whittington
Chief Car Editor
Glass's

Live retail market – UK’s fastest selling used cars in October

Every month we analyse our Live Retail Pricing data, powered by Radar, to tell you what the UK’s fastest selling used cars were the previous month.

Based on over 8.4 million annual real trade car adverts on the UK’s leading advertising portals, with a minimum of 50 observations, this data gives you an indication of what’s selling well across the UK’s used car forecourts. Our [interactive online map](#) allows you to filter the data by region or vehicle segment so you can see exactly what models are popular in your area or stock profile.

NATIONWIDE

These were the UK’s fastest sellers at a national level in October (with 50 or more sales).

MAKE AND MODEL	DAYS TO SELL
Dacia – Logan MCV	19
Skoda – Kodiaq	19
Dacia – Sandero Stepway	25
Nissan – Qashqai+2	28
Renault – Captur	29
Audi – Q2	29
Vauxhall – Mokka X	30
Dacia – Duster	30
Chevrolet – Captiva	31
Dacia – Sandero	31

FOCUS ON... Scotland

These were the UK’s fastest sellers in Scotland in October (with 50 or more sales).



MAKE AND MODEL	DAYS TO SELL
Vauxhall – Mokka	18
Dacia – Sandero Stepway	18
Hyundai – i10	19
Fiat – 500	20
Vauxhall – ADAM	20
Kia – Rio	20
Fiat – 500X	20
Renault – Clio	20
Citroen – C1	20
Renault – Captur	20

Access the full interactive map

New car market – overview

Manufacturer incentives fail to stop the drop

The decline in the volume of the UK's new passenger car registrations continues, with the latest figures from the Society of Motor Manufacturers and Traders (SMMT) revealing a 12% drop in October 2017 compared to October 2016.

New car demand in the UK has now dropped for the seventh consecutive month and the 12.2% October decline represents the second biggest monthly drop of the year so far. Only 158,192 vehicles in total were registered, with diesel models suffering the most, while petrol saw a slight increase in sales and the expanding alternative fuel vehicle (AFV) segment saw continuing rapid growth.

Decline was seen across the different market sectors, with business and fleet demand down 26.8% and 13.0% respectively. Meanwhile, dealers reported 10.1% fewer private buyers taking delivery of new cars in the month.

This comes despite manufacturers launching a number of incentive schemes to entice drivers into trading in older and more polluting vehicles for new lower emission models. These were launched at the start of September but with the lag effect from order to registration, it was expected that October's figures would more positively reflect the sales impact that the new deals have had.

Nevertheless, with fleet and business sales down more than private vehicles in the month, this could still highlight a slight impact of the manufacturer incentives. However, the decline in diesel sales and increase in AFV registrations is of course still largely a result of the 'demonisation' of diesel in recent months and the announcement of an extra charge on more

polluting vehicles in London – although this doesn't apply to vehicles running Euro 5 and upwards technology.

Glass's forecasts almost a 6% drop in new car registrations

In the month, diesel sales were down by 29.9% compared to October 2016, while petrol saw a light increase of 2.7%. AFV demand grew by 36.9%, although this only represents an extra 2,223 sales and a market share of 5.2%. In contrast, diesel saw 26,539 fewer sales, with the share in the month falling below 40% for the second time in 2017. Overall, the market contracted by 21,976 units compared to October 2016 and this could again cause a decline in new car registrations Europe-wide when the next set of figures are published by the European Automobile Manufacturers Association (ACEA). In its September results publication, West Europe's new car market was down 2.2% thanks to the 9.3% decline in the UK market during that month.

Year-to-date, the new car market is now 4.6% down on 2016 levels, with 2,224,603 units registered. This aligns with the SMMT's latest sales forecast for 2017, published last week, with the market expected to end the year on 2.565 million sales, a 4.7% drop on last year. However, given the severity of the market contraction in recent months as well as the rise in interest rates announced on 2 November and the fact that the 2017 GDP forecast for the UK has been reduced following only modest growth in Q3, this forecast already seems rather bullish. Glass's forecasts that the 2017 tally of new car registrations will actually fall by 5.9% to 2.534 million units.

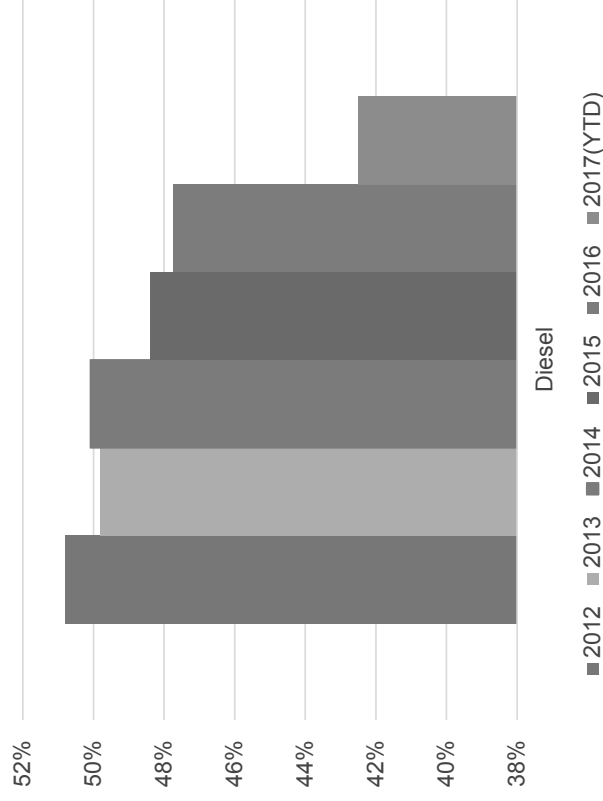
New car market – focus on fuel types

Diesel is down by 14.9% year-to-date, while petrol is up by 2.9% and AFVs up 34.8%. Diesel is therefore bearing the brunt of the market contraction and uncertainty over the future of the fuel is undoubtedly exacerbating the market weakness to some extent. The technology is down by 166,118 sales year-to-date while the new car market is 106,060 units lower overall. The diesel share of the new car market has therefore dropped further to 42.5% in the first ten months of 2017.

Petrol and AFVs, which include conventional hybrid, plug-in hybrid and pure electric vehicles, are slowly making up for diesel's decline, which could be attributed in part to new vehicle excise duty figures introduced by the UK Government in April 2017, which is when the slide in the figures began. However, the weakness in consumer confidence brought about by the uncertainty surrounding the UK's exit from the European Union has compounded the market weakness in more recent months and the SMMT has raised another point on the subject.

Mike Hawes, SMMT chief executive, said, 'Declining business and consumer confidence is undoubtedly affecting demand in the new car market but this is being compounded by confusion over government policy on diesel. Consumers need urgent reassurance that the latest, low emission diesel cars on sale will not face any bans, charges or other restrictions, anywhere in the UK. We urge the Government to use the forthcoming Autumn Budget to restore stability to the market, encouraging the purchase of the latest low emission vehicles as fleet renewal is the fastest and most effective way of addressing air quality concerns.'

New car market, diesel share, 2012-2017



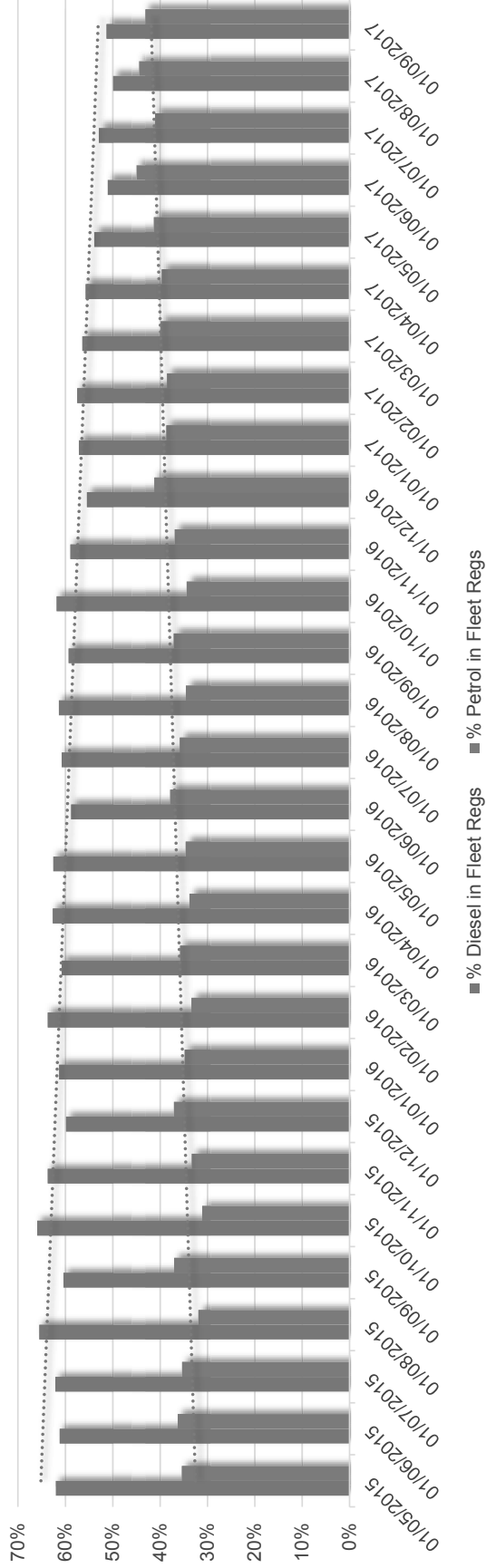
New car market – the shift in fleet purchasing

It is noteworthy that although diesel continues to be the dominant fuel amongst fleet customers, its share is even waning in this domain. Analysis of detailed registrations data provided by the SMMT reveals that the diesel share of fleet registrations has fallen below 60% every month since November 2016 and its demise is accelerating. The diesel share even fell to 50% in August and only recovered to 51% in September. Petrol has of course been the main beneficiary and based on this trend, is set to surpass diesel as the leading fuel among fleet buyers within months. The high upfront cost of electric vehicles (EVs) means they are only cost-effective over the long term and are therefore far more popular with private buyers

than with fleet buyers which rarely keep vehicles beyond five years. This also means that EVs take far longer to flow through to the used car market.

Although diesel demand is still falling more rapidly among private consumers than fleet buyers, this trend is rather worrying as fleet users naturally cover higher mileage. As it is, there are already concerns that CO2 levels could rise in the UK this year for the first time since average CO2 emissions were recorded and a continuation of this trend will only increase the likelihood of that. This only adds to the woes of manufacturers, who are facing large fines for potentially missing CO2 targets in Europe by 2021.

Fleet Registrations - Diesel & Petrol as % of total Fleet Registrations



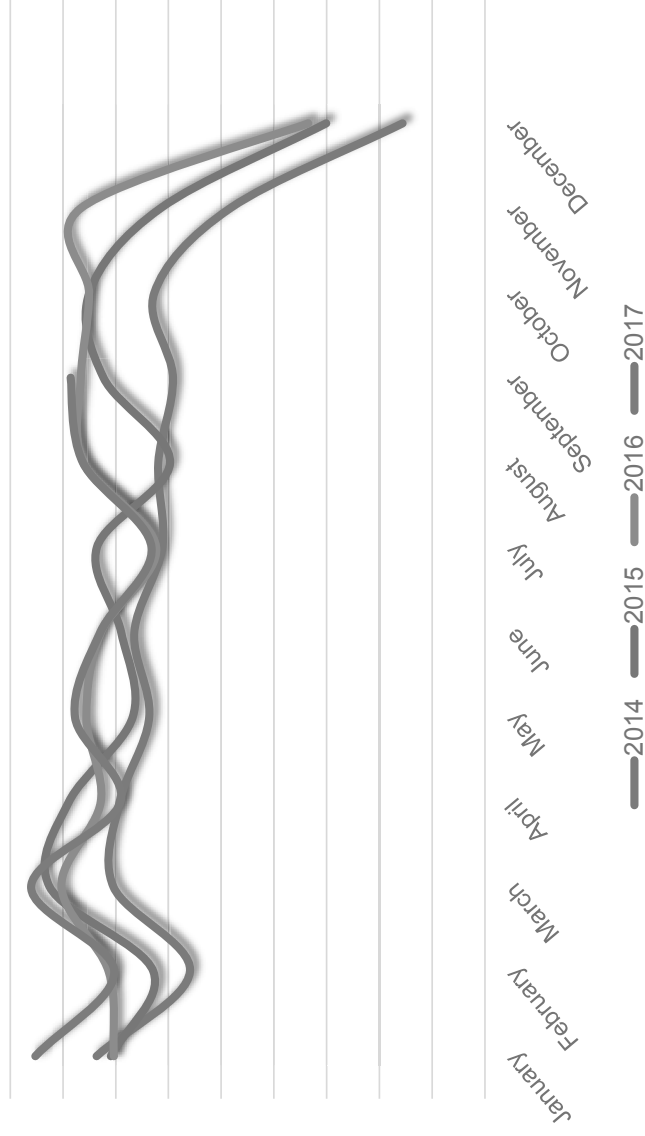
Used car market – overview

Used car sales also slowing

The latest trade sales volumes data collated by Glass's confirm that the used car market continues to perform better than the new car market. Since May, volumes have tracked slightly above those achieved in the same months in 2016 and the net effect is that the volume of used car transactions in the first nine months of 2017 was 1.7% higher than in the same period in 2016, compared to the 3.9% decline in new car demand over the first three quarters. However, this growth is outpaced by the rise in stock levels as a result of the boom in new car registrations in recent years and so could naturally apply some downward pressure on residual values.

Used volume	
2014/15	Up 8%
2015/16	Up 3.4%
2016/17	Up 1.7%

Trade Sales Volume

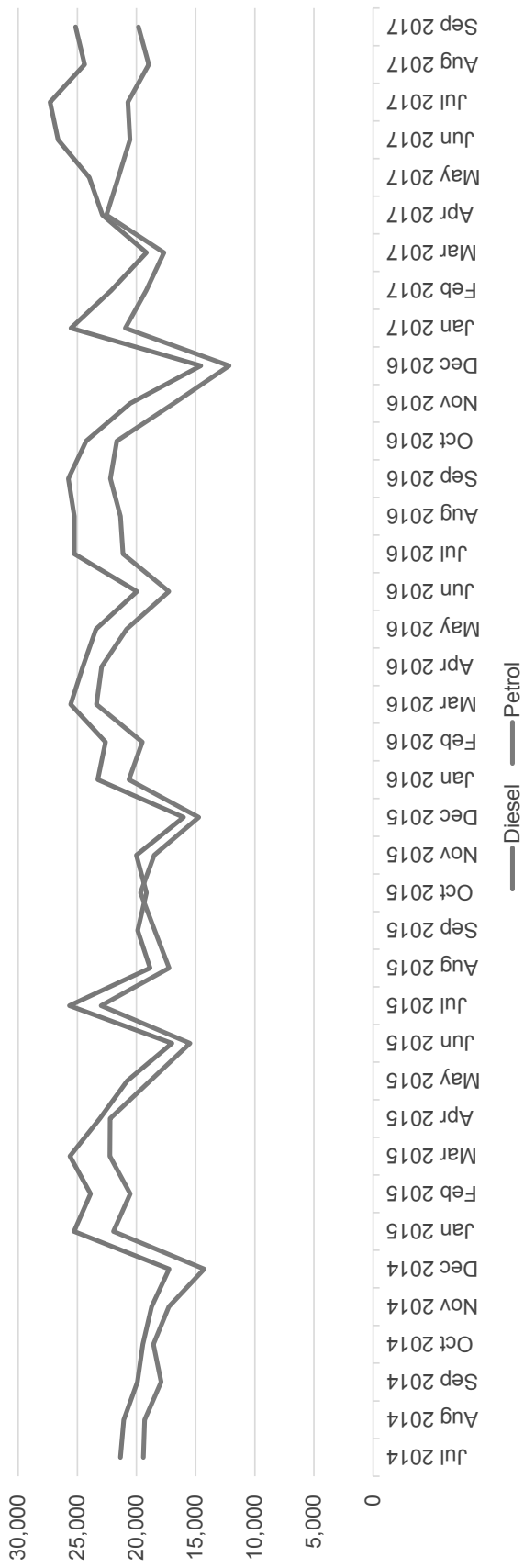


Used car market – retail volumes

Although the volume of used transactions is proving rather resilient, waning consumer confidence is seemingly impacting the upper end of the used car market in the same way that it is hurting new car sales. Glass's valuations editor Rob Donaldson commented that 'cars costing £15,000 upwards are a struggle' and editor Andy Cutler echoed this view, saying 'anything over £15,000 is struggling.'

A pattern of divergence between the performance of used petrol and diesel cars is also emerging, mirroring the declining diesel share in new car sales. Observations data collated by Glass's confirms that the retail volume of diesels aged between 2½ and 4½ years remains higher than that of petrol cars and the gap has even widened in recent months.

Used Car Retail Diesel Volume (2.5-4.5 Years)

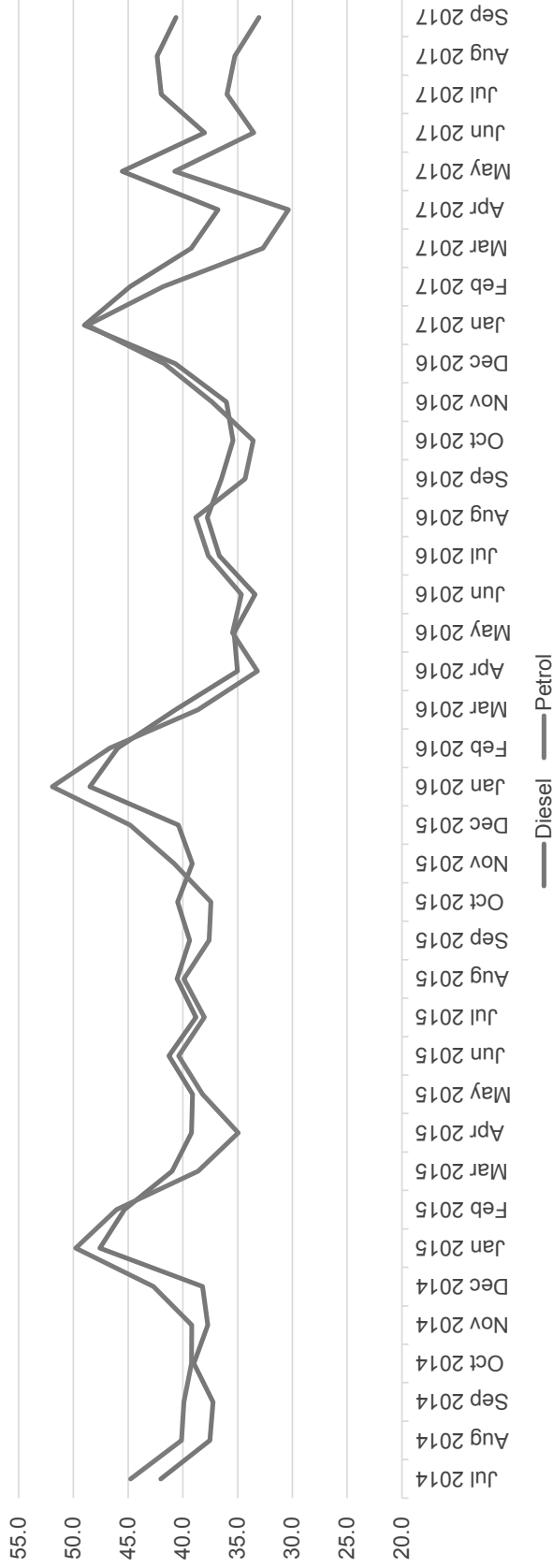


Used car market – retail stock days

Stock days for petrol and diesel cars have remained pretty steady since mid-2014 and even tracked each other in 2016 when cars were taking less time to sell on average. However, the average number of days cars are held in stock has generally crept up again in 2017 and, moreover, the gap between retail stock days for diesels compared to petrol cars has widened.

The latest data reveal that it now takes over 40 days on average to sell a diesel of typical fleet age between 2½ and 4½ years compared to 33 days for petrol cars.

Used Car Retail Stock Days (2.5 - 4.5 Years)



Dealer market feedback – monthly survey results

Every month we conduct a survey with dealers and subscribers regarding activity and experiences in the current car market.

The insights and information gained from this monthly survey are an important component in our valuation process and supplements the data and insight we gather from wholesale channels.

Everyone who completes the survey receives a copy of the full results and is entered into a prize draw to win a £100 Amazon voucher.

Survey highlights

- Petrol is the best selling fuel type for 70% of franchised dealers, alternative fuel is for 4% while diesel is still the best seller for 26%
- 87% of new car purchases are funded by PCP while only 4% are cash buys
- Pre-reg activity is down with 30% of respondents saying it is less than last year.
- Respondents feel their new cars are most likely to sell within 31-40 days and used cars within 21-30 days. Our Live Retail Pricing data has the UK average for used cars at 41.5 days.
- 53% of independent dealers feel footfall in October was down compared to September

[Download the full Monthly Market Survey results](#)

A month in the life of...

Andy Cutler, Glass's Car Forecast and Valuations Editor

As an Editor at Glass's who covers both forecast and used values, I have to keep myself up to date with new car activity and the used car marketplace.

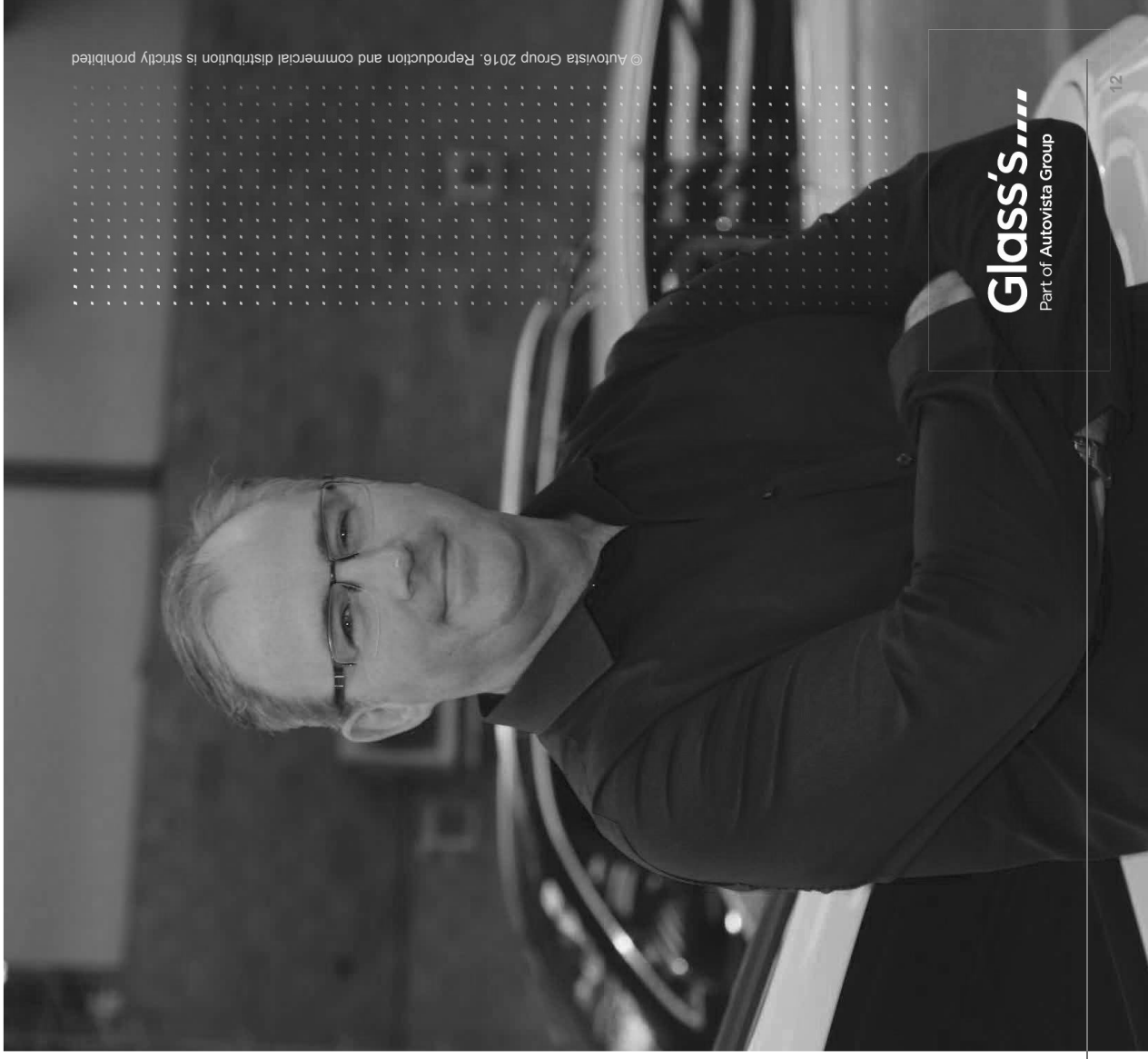
This involves a lot of time and effort travelling to see and discuss new cars at very early opportunities and then finally revisiting them with test drives. At the other end of the scale, I visit car auctions regularly to keep myself up to date with what is happening; watching the sales and talking to the buyers and auctioneers to get their views on where the used car market is at.

Many of the new car previews take place some time prior to the actual launch of the vehicle and many of the very early drives are even carried out under camouflage. These are often followed up with test drives of cars that are closer to full production vehicles, just prior to their launch.

These events are crucial to not only help us to position the car against its peers in the UK market but also to try and help the manufacturers to make the right decisions prior to launch with regards to trim, content and the like. We help them make the cars attractive to the UK audience and therefore maximise their residual value potential as much as possible.

It is vitally important, as a forecast editor, that I keep up to date with as many manufacturers as possible. I need to understand what is coming to the marketplace as these new vehicles can have an effect on numerous peers when they arrive.

Following is a summary of a few events I attended in October.



A month in the life of... Andy Cutler

New model drives

This month I've driven the new Jeep Compass in Turin, the DS7 Crossback in Paris, the Skoda Karoq in Spain, the Bentley Bentayga at Millbrook Proving Ground in the UK and finally the all New MG ZS in Northampton. And that's just a typical month!

The new Jeep Compass is just under 4.4m in length and will be a rival for many vehicles in the crowded compact SUV segment, ranging from the Audi Q3 and BMW X1 to the Kia Sportage and VW Tiguan.



The new DS7 Crossback is the first true DS vehicle of the brand as the previous DS models were all available as Citroën products. It is targeting the top-end premium market and will be available with 3 petrol and 3 diesel options.



The all-new MG ZS is a smaller SUV offering that comes with a 7 year, 80,000 mile warranty. It is targeted at the Nissan Juke and Renault Captur size models and aims to compete on price and the long warranty offering.

I put the Bentley Bentayga through its paces on and off-road at Millbrook. The off-road course showed that the car was capable on the rough stuff while the Hill Route, Speed Bowl and Mile Straight confirmed its performance capabilities.



The new Skoda Karoq is basically the smaller sibling of the larger Kodiaq. It is initially available in four trim levels, including the fleet-targeted S1E Technology level, which will have a lower purchase price but less support to make it appealing to the company car driver in terms of BIK costs.

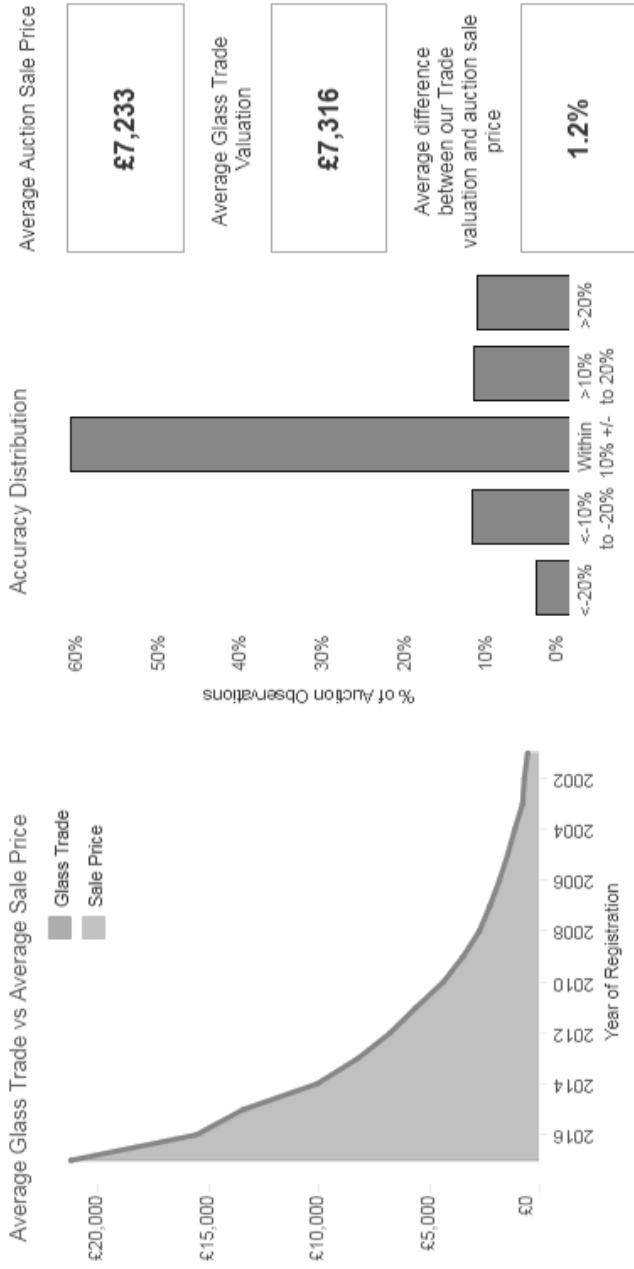
Auction visits

Even with all the travelling and test drives I still found time to fit in a number of auction visits. During October, I attended auctions at BCA Nottingham, Manheim Shotts, BCA Glasgow and BCA Edinburgh, to keep an eye on the used market and current movements. I echo the sentiments of the rest of the team that activity was good at the start of the month but dropped off in the latter part of the month. Currently the smaller, city style cars that tend to be petrol powered are performing particularly well at the moment.

Residual values – measuring our accuracy

How accurate are our current Glass Trade values?

Glass's closely monitors the wholesale auction market and all observations gathered are used to help us to achieve our target of the Glass Trade Value being within 2% of the auction sale price. The wholesale used car marketplace was buoyant at the start of October but tailed off significantly towards the end. Our editorial team called this one well and, as a result, when our November values are compared to our most recent batch of auction observations, we find that we are within 1.2% of the market on average.



The image to the left is a snapshot of our accuracy reporting dashboard. Glass's subscribers get full access to our accuracy dashboard each month and can filter by vehicle type, fuel type, manufacturer and more. This means they can see just how accurate we are on what matters most to them.

Get full access to our valuation accuracy dashboard

Residual values – performance and setting

In late 2016 and into early 2017, residual values measured as a percentage of original list price after 36 months and 60,000 miles recovered as a result of the pronounced seasonal effects at play in the UK market and key new models arriving on the used car market. Values of both petrol and diesel cars followed the typical seasonal pattern and declined again in the second and third quarters but have recovered again since September. However, it is especially noteworthy that diesel cars used to retain more of their value after 36 months and 60,000 miles but that values had converged by the time the Dieselgate emissions scandal broke in September 2015.

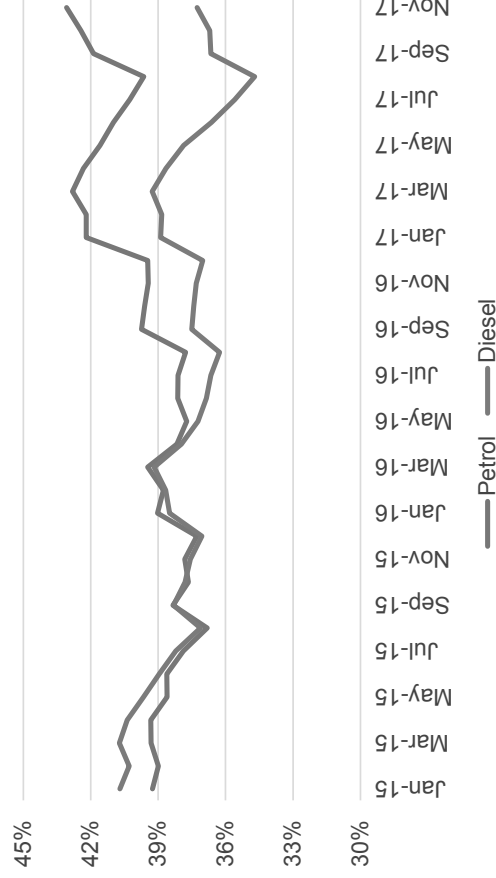
The trend of petrol values performing better than diesels was clearly already in place and so the uncoupling since cannot be solely attributed to the tarnished reputation of diesel as a result of the scandal and its repercussions. Nevertheless, fast forward to Glass's valuations for November 2017 and petrol-driven cars have widened the gap with diesel to six percentage points, achieving 43% and 37% respectively of original list price after 3 years and 60,000 miles. It must be reiterated that these are averages of aggregated, unweighted residual values.

Reflecting on the health of the used market in October, Jayson Whittington, Glass's chief car editor, comments that there were 'decent trading conditions in the first half of the month' but activity has slowed.

Glass's residual value policy committee agreed on a general -1% downward revision of residual values for November. However, this has been fundamentally effected through changes to the larger car segments, with valuations for models in the small/city and supermini segments actually increasing slightly.

Overall, UK residual values still face downward pressure over at least the next two years as the increasing number of new cars bought since 2014 enter the used car market and economic and political uncertainty prevail as the UK navigates its departure from the EU. Pressure on values naturally looks set to continue to be greatest in the larger segments, with more expensive used offerings already showing signs of struggling as discussed earlier. These segments are naturally also more susceptible to the impact of a shift away from diesel and consumer preference moving towards SUVs. The small car segment is dominated by petrol vehicles, with few diesel variants available and, as such, is expected to perform at least in line with the overall market.

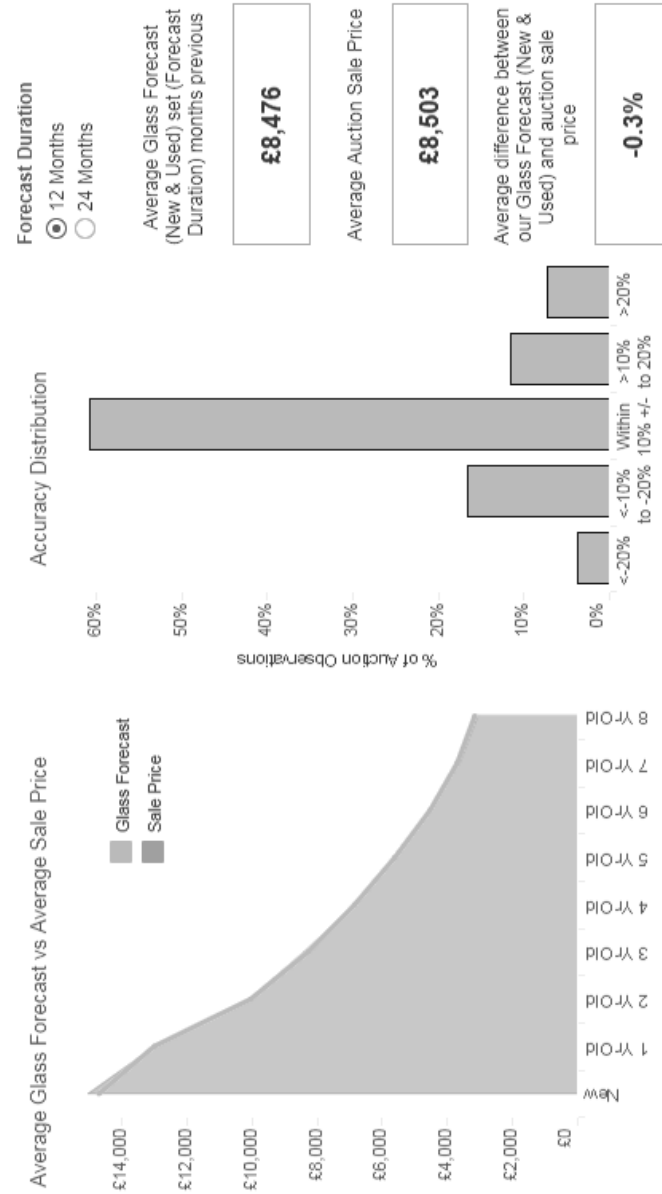
Residual values, 36 months / 60,000 miles, trade percentage, January 2015–November 2017



Forecast valuations – measuring our accuracy

How accurate are our Forecast values?

Our award winning forecast valuation data has been designed to provide you with an independent benchmark using a widely recognized, transparent methodology at its core. A huge wealth of data, detailed analysis and decades of experience in the industry go into each value. And we publish our accuracy every month, to give our customers complete confidence in the numbers they rely on to make critical business decisions every day.



Every month we compare the current auction sale observations against our forecasts from one and two years ago.

The forecast values we set in October 2016 are 0.3% under the hammer price, on average, at auction 12 months later.

The image to the left is a snapshot of our forecast accuracy. The full accuracy dashboard allows you to filter by vehicle type, fuel type, manufacturer and more.

Get full access to our valuation accuracy dashboard

Glass's Monthly Market Report

November 2017

Author:

Neil King, Senior Data Journalist, Autovista Group

Contributors:

Jayson Whittington, Chief Car Editor, Glass's
Jonathan Wyatt, Analytics Manager, Glass's
Andy Cutler, Forecast & Valuations Editor

Media enquiries: media@glass.co.uk

Glass's, part of Autovista Group

5th Floor, Wellington House
125 Strand
London
WC2R 0AP

w: www.glassbusiness.co.uk

e: customer@glass.co.uk

p: +44 (0)20 3897 2500

T: @GlassGuide

Published by Glass's Information Services Ltd. All material © Glass's Information Services 2017.



© Autovista Group 2017. Reproduction and commercial distribution is strictly prohibited.

Glass's.....
Part of Autovista Group