

Glass's Monthly Car Market Report

March 2018

Glass's
Part of Autovista Group

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Foreword

March remains a critical month for franchise dealers, with new car handovers high on the priority list. The extreme wintry weather many of us experienced at the beginning of the month was an unwelcome sight.

In this months report we will take a close look at how the new car market is shaping up so far this year, as well as sharing our observations of the wholesale used car market.

The latest figures released by the Society of Motor Manufacturers and Traders (SMMT) show the new car market is already down by 5.1% year to date, compared to 2017. It is important to remember that the first quarter of last year was very strong as a result of consumers bringing forward planned purchases in order to benefit from what were, in the main, lower VED rates. In fact, taking account of the record volume registered last March, we should expect sales to decline even more by the end of quarter one. However, caution should be taken not to read too much into this, with the market expected to claw back some of the deficit from April onwards.

The wholesale market was very buoyant throughout February, indicating that retail activity has not slowed. Feedback received from the trade revealed some frustration from buyers - as stock supply eased, it made it more difficult to buy the desired quantity. Hammer prices also strengthened. More stock is expected to hit wholesale channels as a result of March's plate change, which will be welcomed by buyers, but we have seen in previous years that it can take until the third week of the month before stock hits in significant volumes.

Glass's trade accuracy, which compares our latest trade values with the latest auction observations, show that we are within 0.9% of the market. Trading conditions should remain buoyant in March and prices should remain stable as demand meets the increased supply.

Jayson Whittington
Chief Car Editor
Glass's

New car market – overview

The UK's new vehicle market is still suffering, and posted its eleventh monthly decline in a row during February. However, while this may be a headline-grabbing announcement, it is worth remembering that the second month of the year is often slower for sales as customers traditionally wait to buy new plate vehicles in March.

According to new figures released by the Society of Motor Manufacturers and Traders (SMMT), last month saw the country's registrations dip by 2.8% compared to February 2017. While the start of the year has been disappointing, figures for the first three months of last year were higher than normal, due to new vehicle excise duty (VED) rules implemented in April 2017.

In January, new car sales were down 5.3%. Therefore a 2.8% drop is an improvement, although the current year is still 5.1% down over the first two months. Overall, 80,805 units were sold.

Demand for petrol vehicles rose during February, with a 14.4% growth in sales, 48,941 vehicles registrations in total, compared to 42,787 in 2017. Alternatively fuelled vehicles, including electric and hybrid cars, saw sales up by 7.2%, albeit against smaller numbers.

However, these totals were not enough to offset another large decline in diesel sales, with a 23.5% drop compared to the second month of 2017. This is in-line with January, which saw sales of the fuel decline by 25%. In total, diesel is down by 24.9% over the first two months of the year, with a 35.6% market share.

In a statement, the SMMT said it believes this is a disappointing performance, given the latest low emission vehicles, including diesel, can help address air quality issues. Last year saw the first rise in CO2 levels in the UK for 20 years. The drop in sales is before a new VED rise in the first year of registration for new diesel vehicles from April, with the market expected to see another large drop from then onwards.

Registrations by business, private and fleet buyers year-to-date are all down, 29.8%, 7.1% and 2.1% respectively.

Commenting on the figures, Mike Hawes, SMMT Chief Executive, said: 'Although the new car market has dipped, it remains at a good level despite the drop in demand for diesel. Consumers should be reassured, however, that the latest cars are the cleanest in history and can help address air quality issues, which is why they are exempt from any restrictions.'

Looking ahead to the crucial number plate change month of March, we expect a further softening, 'given March 2017 was a record as registrations were pulled forward to avoid VED changes.'

Yearly New Car Registrations by Fuel Type



New car market – what is happening to diesel?

Last year, the diesel market dropped by 17.1% in the UK, falling to an overall market share of 42%. So far in 2018, the picture looks even bleaker for the technology, but what is the fundamental cause of the problem?

The decline of diesel began in 2015, with the ‘Dieselgate’ scandal. Suddenly, the technology was in the media for the wrong reasons. In particular, the issue was nitrogen oxides (NOx), gases that can contribute to the formation of smog, acid rain and can cause health problems through resultant particulate matter.

Despite the fact that diesel vehicles have been producing NOx for decades, the Dieselgate scandal alerted media outlets to a subject that could be reported on in various different ways. Suddenly, a number of manufacturers found themselves subjects of stories about emission figures which were higher in ‘real world’ scenarios than in the (at the time) mandated laboratory tests.

However, this persecution of the technology for its perceived pollution actually belies what is going on behind the scenes. Today’s modern diesel vehicles are developed according to Euro 6 regulations, the strictest ever governing emission standards. This means that those sold across Europe are some of the cleanest vehicles on the roads, with lower CO2 emissions and miniscule NOx output. It is a sign of their environmental credentials that in 2017, UK CO2 levels rose for the first time in 20 years as diesel market share collapsed.

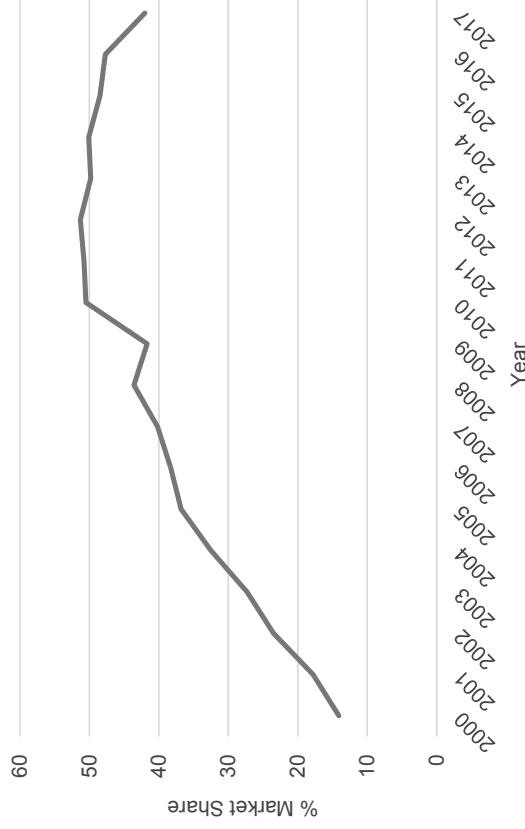
Further challenges lie ahead for the technology, especially in Europe with the introduction of bans on private diesel vehicles in cities. Germany and Italy are looking to implement such procedures and it may not be long before other countries follow.

The decline in sales also has an impact on the residual value (RV) of diesel vehicles. However, these have been inferior to petrol-powered cars long before Dieselgate. The latest valuations from Glass’s, the UK division of Autovista Group, reveal that petrol-driven cars widened the gap with diesel to seven percentage points in December, achieving 45% and 38% respectively of

original list price after three years and 90,000 kilometres by the end of 2017. This trend started in March 2016, with a drop in diesel RV which had been similar to petrol before this time.

A positive effect of the diesel crisis is the investment in electric vehicle technology, a cleaner mobility with zero-emission output. Had the US scandal and subsequent demonisation not materialised, manufacturers may have waited longer to develop battery technology. Volkswagen, for example, is investing €70 billion to bring a total of 80 versions of electric vehicles to its fleet by 2025, a move that may have been decades waiting had diesel still been a low-carbon viable alternative to petrol.

The rise and fall of diesel market share in the UK



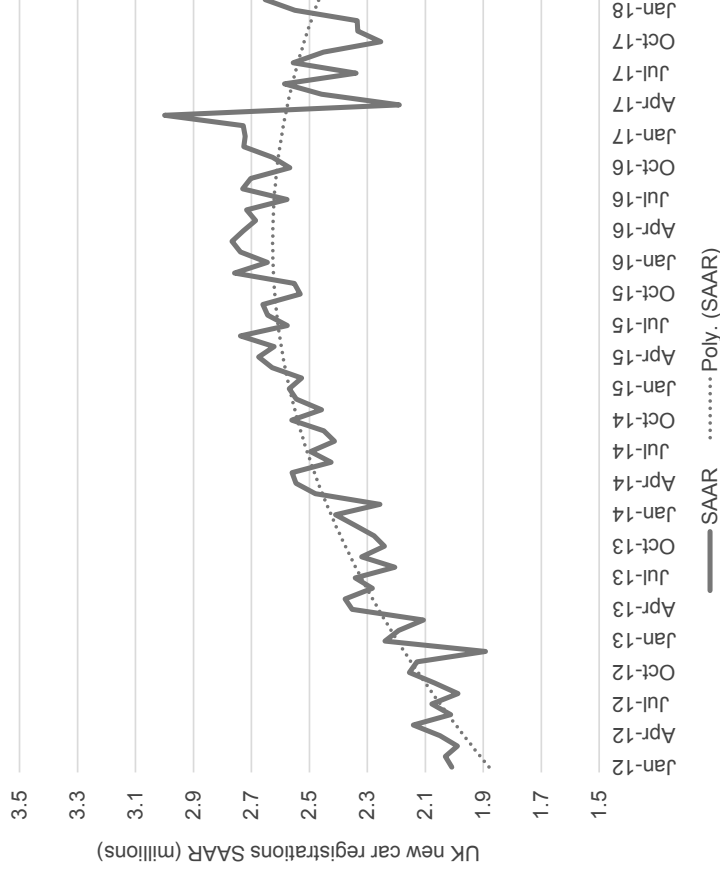
New car market – SAAR Analysis

By considering the new car market in seasonally adjusted terms, a truer picture of developments within the industry can be found, more so than simply tracking actual monthly movements. Autovista Group has developed average seasonality based on registration figures between January 2009 and December 2017. Calculating out the SAAR (seasonally adjusted annual rate) highlighted the spike and fall in the sales rate of new vehicles in March and April last year, as a result of the introduction of new Vehicle Excise Duty (VED) charges introduced on 1 April.

For the first two months of 2018, SAAR has averaged just over 2.6 million units. With an average of 18.9% of vehicles sold during a year coming in March (based on average figures between 2009 and 2017), it is expected there will be another spike, before a drop off again as diesel cars have additional VED rates imposed upon them for the first year of registration in April.

But with the economic outlook uncertain at best and the recent increase in interest rates, a recovery in demand is clearly not expected. Ultimately, SAAR analysis suggests a new car market of between 2.3 and 2.5 million units in 2018, essentially down between 2% and 10%.

New car registrations SAAR, January 2012-January 2018



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

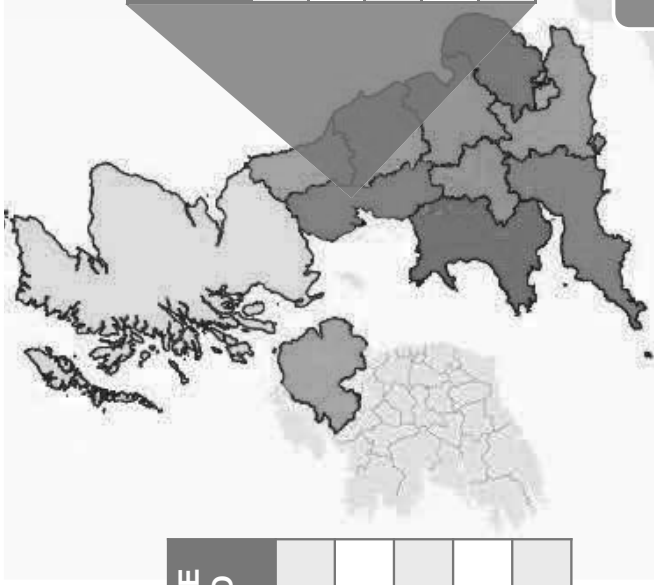
Every month we analyse our Live Retail Pricing data, powered by Radar, to tell you what the UK’s fastest selling used cars were the previous month.

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 January (with 50 or more sales).

MAKE AND MODEL	AVERAGE DAYS TO SELL
Peugeot – 206	30
Dacia – Sandero Stepway	31
Fiat – Bravo	34
Dacia – Logan MCV	34
Mitsubishi – Colt	34



FOCUS ON... North West

These were the UK’s fastest sellers in the North West in January (with 50 or more sales).

MAKE AND MODEL	AVERAGE DAYS TO SELL
Citroen – C4 Picasso	21
Kia – Picanto	28
Peugeot – 107	29
Hyundai – Tucson	33
Citroen – Grand C4 Picasso	33

[Access the full interactive map](#)

Used car market – overview

The UK's used vehicle market saw a drop in sales during 2017, although the market remained strong compared to the country's new registration figures.

During the year, used car sales fell by just 1.1%, with more than 8.1 million vehicles changing hands, according to the latest SMMT figures, which are released quarterly. Despite a 5.1% fall in the market in the fourth quarter, annual transactions were at their second highest level, following the record set in 2016.

To highlight the impact that VED rates have had on the diesel market, used diesel car transactions rose 3.3%, with more than 3.3 million motorists (40.8% of buyers) investing in one. Vehicles registered before April 2017 still carry their favourable VED rates.

In 2017, buyers continued to take advantage of the latest alternatively fuelled vehicles (AFVs), now increasingly available in the used market. Growth was driven by demand for petrol-electric hybrid cars, up 22.2% to 73,864, and zero-emission electric vehicles, which rose 77.1%, with 10,199 changing hands in the year. Despite a 4.3% decline, petrol retained its position as the most popular fuel type with a 58.0% market share,

Reflecting trends in the new car market, smaller cars continued to be the most popular used buy, with superminis representing a third (33.5%) of all transactions, while demand for minis grew 4.3%. SUVs enjoyed the strongest growth, rising 9.5%. Apart from executive cars, up to a marginal 0.02%, all other segments experienced declines.

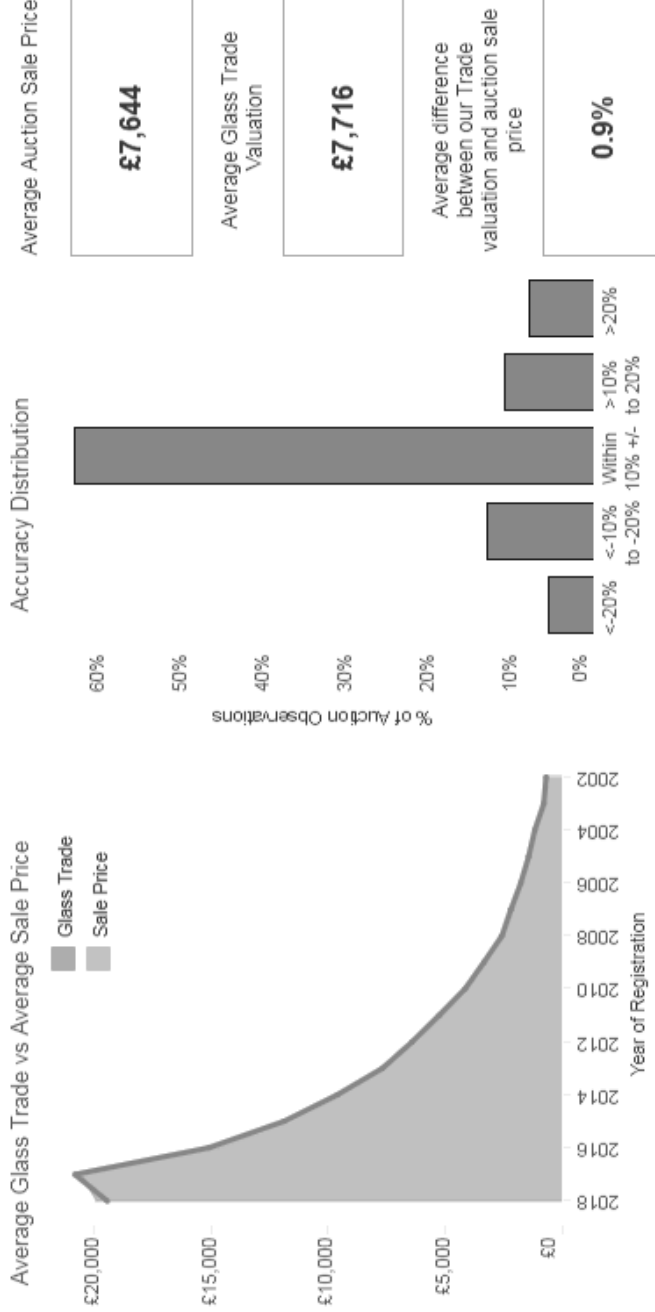
The UK's best-selling used model remained the Ford Fiesta, closely followed by the Ford Focus and Vauxhall Corsa. Silver remained the nation's most popular used car colour, despite sales falling -6.5%, while black and blue took second and third places.



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. When our March values are compared to our most recent batch of auction observations, we find that we are 0.9% above 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

The EVs of Geneva

The Geneva motor show has given a number of manufacturers a chance to show their new electric vehicle (EV) ranges as they battle to meet CO2 targets set by the EU Commission.

Jaguar used Geneva to give its much anticipated I-Pace electric SUV its world debut. The vehicle features a 90kWh lithium-ion battery with 432 cells, producing a range of 298 miles – according to WLTP testing figures. This makes the I-Pace comparable to Tesla models and removes range-anxiety amongst some drivers.

Audi showcased a prototype of its first all-electric model, the e-tron. On display in a camouflage film, the premium market SUV will feature all-wheel drive and long-distance range with some charging options. The car is currently being tested in extreme conditions to prepare it for launch by the end of 2018.

Volvo spin-out company Polestar also launched its Polestar 1 model at Geneva and announced that the vehicle would launch in the UK market first. The Electric Performance Hybrid powertrain features an internal combustion engine powering the front wheels, while a double electric rear axle drive system powers the rear wheels from a total of 34 kWh of battery power.

Honda brought its Urban EV concept back to Europe for the first time since its global launch in Frankfurt last year, signifying the company's intention to enter the European EV market, with a production version planned for launch next year. In addition, the company also displayed the Sports EV Concept, giving a glimpse of how an electric sports car of the future may look.



Jaguar I-Pace



Polestar 1



Honda Urban EV



Audi e-tron

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