

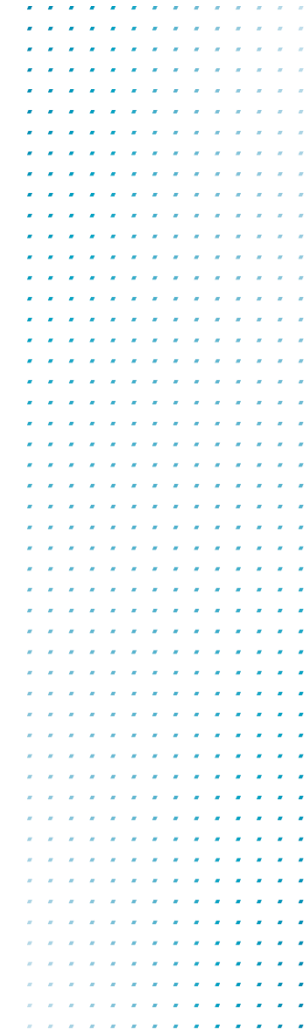
Glass's Monthly Car Market Report

June 2018

Glass's
Part of Autovista Group

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Foreword

Thanks for downloading the June edition of Glass's Monthly Market Report.

New car registration figures released this month by the SMMT show that the market grew for the second consecutive month, increasing by 3.4% compared to May last year. This brings the year to date deficit down from 8.8% last month to 6.8%. The take-up of diesel models suffered a further bruising, being over 19,000 units down on last year, but petrol more than made up this shortfall, with an increase of over 22,500 units. The diesel market share now sits at only 32.8% compared to almost 62% for petrol.

The used car market continues to perform reasonably well for the time of year. Auction activity throughout May however, was more mixed than in recent months, with average first time conversion rates around six percent lower than in April and ten percent lower than in March, at an average of 76%. However, this is in line with last year. It is believed that around 2.5% more cars were sold than in May last year. Glass's editors, who attended 21 physical auctions throughout May, reported that stock volumes continue to be reasonably high and that hammer prices were noticeably weaker. Through the summer months, we expect stock volume to reduce.

Glass's current accuracy, which compares June trade values with observations gathered throughout May, show that we are within 1.3% of the market.

Jayson Whittington, Chief Car Editor, Glass's



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New car market – overview

UK registration growth in May down to mitigating factors

The UK's new car market recorded a second consecutive month of growth in May (3.4%) with 192,649 registrations, a sign of some positivity. Prior to April, new registrations dropped for 12 consecutive months, with increases in vehicle excise duty (VED) and a decline in diesel sales partially to blame. The result contrasts with the 8.5% year-on-year decline in May 2017.

This year, private demand in the month grew by 10.1%, with more than 83,000 registrations, partially offsetting the declines in the business and fleet sectors, -9.6% and -0.7% respectively.

Segment growth

The most popular vehicle segments measured year on year were as follows:

- Supermini (up 6.0%)
- Small family (up 1.6%)
- Dual purpose (up 19.2%)
- Specialist sports cars (up 12.7%)
- Convertibles (up 11.7%)

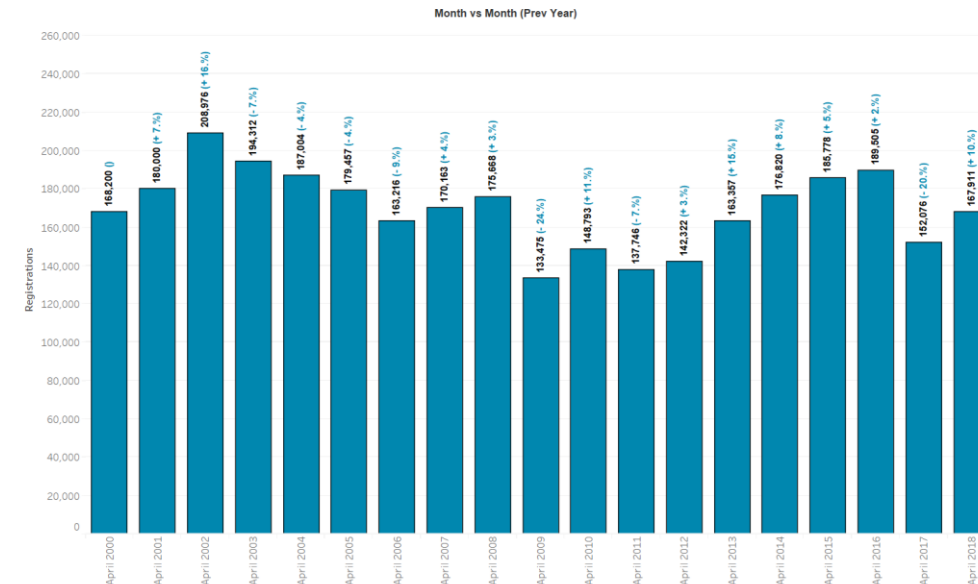
Meanwhile, there was good news for the alternatively fuelled vehicle (AFV) segment, as demand for hybrid and plug-in cars grew by 36.1% to 11,240 units, accounting for a record 5.8% of the market. Plug-in hybrid cars were the biggest driver of growth, up 72.7%, while hybrids rose 22.6% and battery electric vehicles grew 18.7%. Registrations of petrol cars also increased, by 23.5%, while diesels fell for the 14th consecutive month, down 23.6%.

The decline in diesel when the UK market is starting to grow again highlights the difficulty the fuel is having in establishing itself in the minds of buyers. April and May were the first months of the revised VED scheme that penalises diesels not meeting the RDE2 emissions requirements of the WLTP test. This has again influenced diesel registrations in the UK.

Year-to-date

In the year-to-date figures, the overall market remains down, with new registrations falling 6.8%, as economic and political uncertainty continue to affect demand. The business and fleet sales channels continue at a lower rate, down 16.2% and 7.1% respectively, while demand from private buyers in the first five months is 5.7% lower than 2017 levels.

SMMT new car registrations



Source: Society of Motor Manufacturers and Traders (SMMT)

News analysis – the trouble with WLTP

No one is arguing that the new Worldwide Harmonised Light-Vehicle Test Procedure (WLTP) is a much-needed update to previous emissions testing regimes. However, while last year's introduction on new models yet to achieve type approval went without issue, widening the field to include all vehicles is proving far more testing.

The new tests include a real-world driving portion, the RDE (real-world driving experience) which puts vehicles through their paces in everyday driving scenarios. Linking these with stricter laboratory testing means a better view of emissions profiles. Add to this the need to test every possible model combination including optional extras, and suddenly carmakers have a very pressing schedule to meet.

WLTP has therefore led to a new emissions standard, Euro 6d-TEMP, which manufacturers need to meet by 1 September 2018. This covers the first step of the RDE test which requires a nitrogen oxide (NOx) conformity factor of 2.1 will apply, meaning that NOx emissions in the RDE1 test can be up to 2.1 times the Euro 6 laboratory limit of 80mg/km.

RDE2 will apply to new type approvals from 1 January 2020 and to all new registrations from 1 January 2021. The NOx conformity factor at this stage is 1.0 but with an error margin of 0.5, meaning that NOx emissions in the RDE2 test can be up to 1.5 times the Euro 6 laboratory limit of 80mg/km.

Production delays

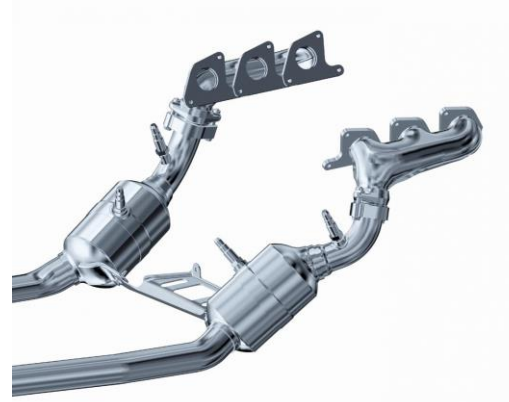
In order to ensure vehicles pass the stricter testing, some manufacturers have to make amendments to certain models. While these may have passed the previous New European Driving Cycle (NEDC) test, which was purely laboratory-based, with the RDE portion, it is obvious that emission

output will be higher.

Therefore, many carmakers are looking to re-engineer some or all of their models. The most common solution is the Petrol Particulate Filter (PPF). Particulate filters are already fitted to all new diesel cars, trapping particulate matter and then burning it off safely. Unlike diesel engines, which regenerate at temperature, regeneration in a PPF takes place under deceleration. Oxygen is pumped through the engine and filter passively, without heat.

However, it is not a simple procedure, adding a new filter into the exhaust system. Software needs adding to the ECU in order to activate the regeneration, while the pipework itself needs altering to add an extra filter canister without affecting exhaust pressure and performance. This may also lead to changes in the structure underneath a vehicle.

Vehicle bodies re-engineered for new exhaust filter canisters



News analysis – the trouble with WLTP

Manufacturer concern

With WLTP for all vehicles being introduced from 1 September 2018, vehicle producers need to be prepared now. This means in the last few weeks, certain manufacturers have announced delays to some or all models while they look to make them ready for the new testing procedures.

There have been wide spread announcements of pauses in production as manufacturers aim to alter engine emission profiles and meet the RDE portion of the WLTP test on specific models with promises of sales resuming later in 2018 following periods of re-engineering.

Some groups have suggested that production of many vehicles will be delayed restricting the availability of some models. This delay in production will increase stock levels later in 2018 and early 2019.

The issue is also delaying some vehicle launches, as companies need to ensure existing fleets are compliant and tested by the time the new rules take effect. However, once WLTP has become the norm, it should not take long for the industry to resume normal service.



Manufacturing delays cause concern for automotive groups

New car market –seasonally adjusted annual rate (SAAR) analysis

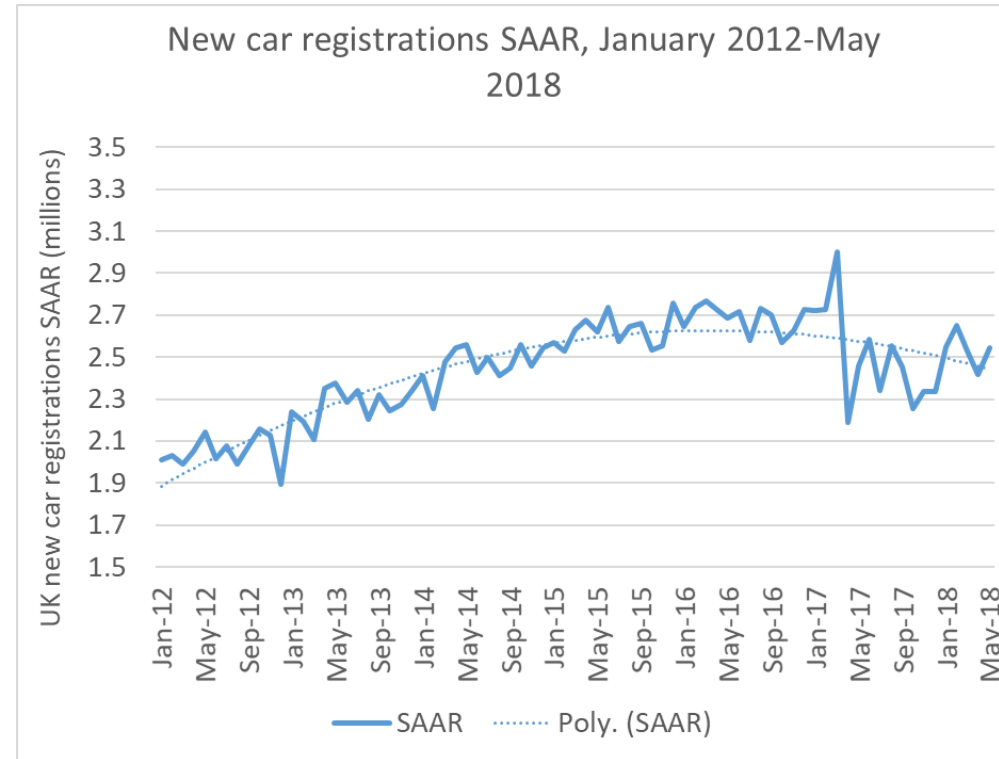
SAAR Analysis – May

The recent monthly results suggest that the UK's new car market is starting to return to stability following a long period of decline. May 2018 is the second month in succession that sales have grown compared to 2017.

Using Autovista Group's seasonality adjusted terms, taking monthly sales totals and working them as a percentage of the full year results from 2009 to 2017 and then calculating the average, a predicted outcome for the end of 2018 can be seen.

May has an average of 7.6% of yearly UK sales, as buyers return to the market following the release of new registrations in March. With the rise in sales, May's SAAR predicts a yearly sales total of just over 2.54 million, up from 2.42 million in April and highlighting how the market is starting to recover. May's estimated total suggests the year will end on par with 2017's figures.

However, inputting figures for the rest of the year suggests that around 2.3 million vehicles will be sold, a drop on 2017 and in line with current forecasts.



- UK SAAR based on average seasonality from 2009 to 2017
- General subtle slowdown in SAAR since Brexit vote
- SAAR spiked and tumbled as old VED regime ended
- SAAR has recovered early in 2018 after weakness of Q4 2017 and broad stability is expected for the remainder of 2018

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

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.

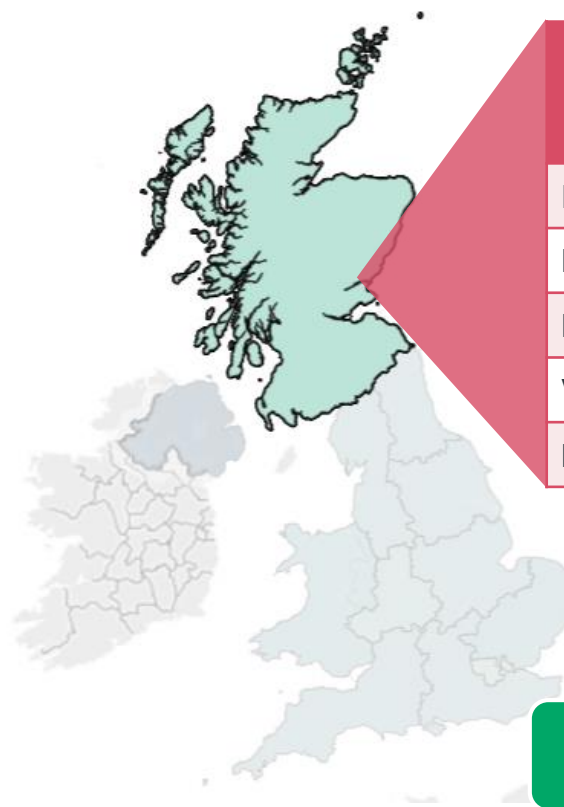
NATIONWIDE

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

MAKE AND MODEL	AVERAGE DAYS TO SELL
Dacia – Sandero Stepway	27
Audi SQ5	29
Chevrolet Spark	31
Peugeot 307	31
Skoda Yeti Outdoor	31

FOCUS ON... Scotland

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



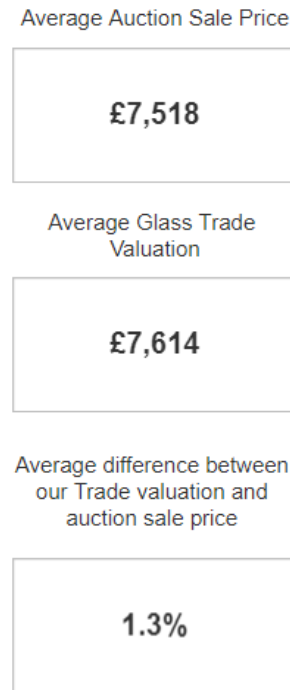
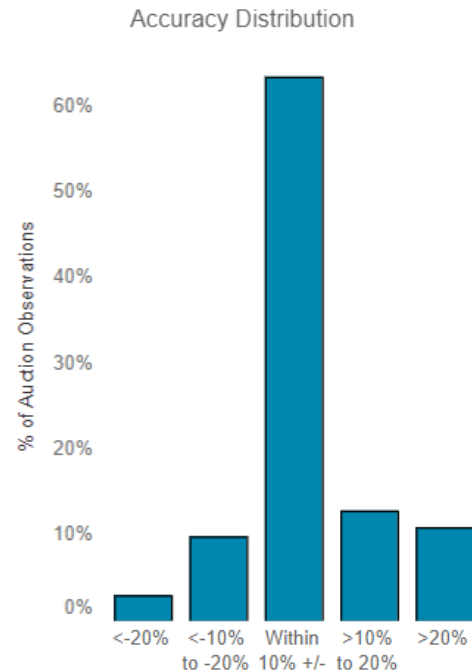
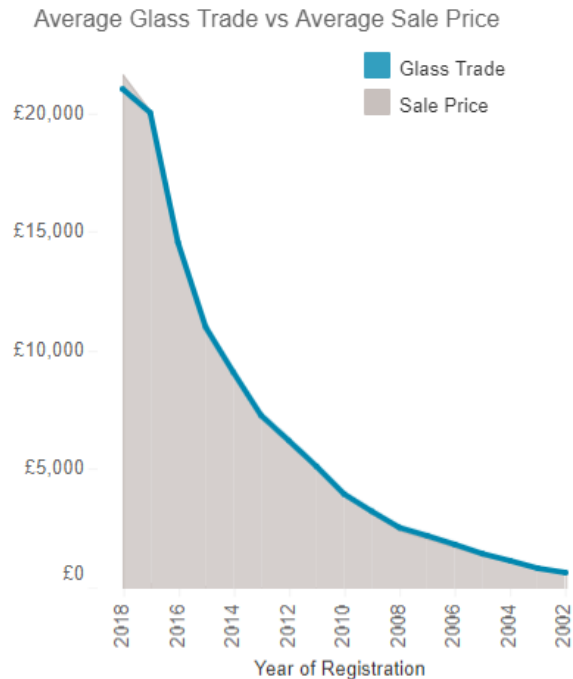
MAKE AND MODEL	AVERAGE DAYS TO SELL
Kia Rio	22
Dacia Sandero Stepway	24
Peugeot 2008 Crossover	24
Vauxhall - Zafira	24
Hyundai iX35	25

[Access the full interactive map](#)

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 June values are compared to our most recent batch of auction observations, we find that we are 1.3% 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 filters include:

- vehicle type
- fuel type
- manufacturer.

This means subscribers can see just how accurate we are on what matters most to them.

**Get full access
to our valuation
accuracy dashboard**

Focus on used diesel

Attitudes to used diesel cars

It is 'business as usual' where diesel is concerned in the used marketplace. This is the attitude of dealers and consumers alike. Diesel cars still represent excellent value for money and with no current fiscal penalty associated with owning a used version, there is unlikely to be any major shift in attitude towards them.

The negativity in the press is making consumers consider alternatives to diesel. However, diesel continues to make sense economically, both in terms of purchase price and running costs. In certain segments, there is also a greater availability in the used market. For example, diesel cars dominate the premium upper medium segment containing models such as the BMW 3 series, Audi A4 and Mercedes C-Class due to their popularity with fleet operators.

What are the emission standards Euro4, Euro5 and Euro6?

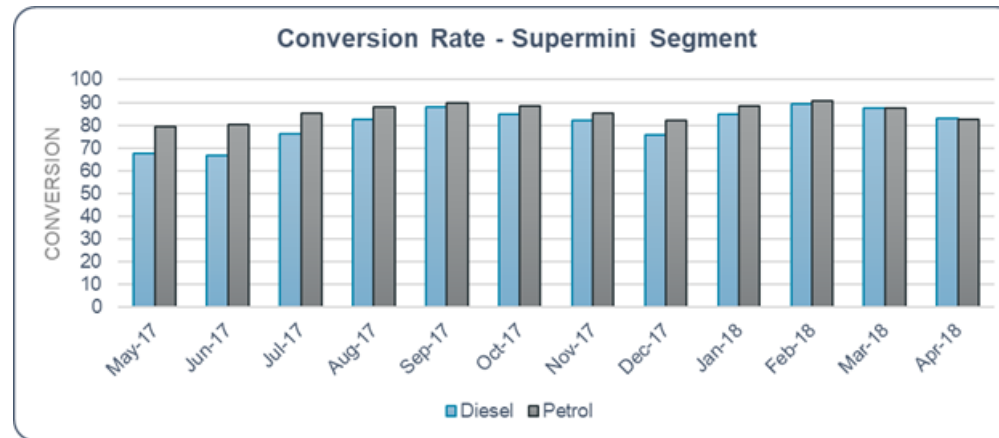
Within the automotive industry, these standards are well understood and documented, however, there is little consumer awareness of the different standards in the UK as there are no financial penalties based on these standards.

Attitudes will change when major cities adopt Ultra Low Emission Zones (ULEZ), where the basis of penalties are on the specific emission standard for each vehicle. Whilst ULEZ schemes will initially only affect a relatively small percentage of drivers, the associated press coverage will bring the differences between the various emissions standards into focus

Current used diesel prices

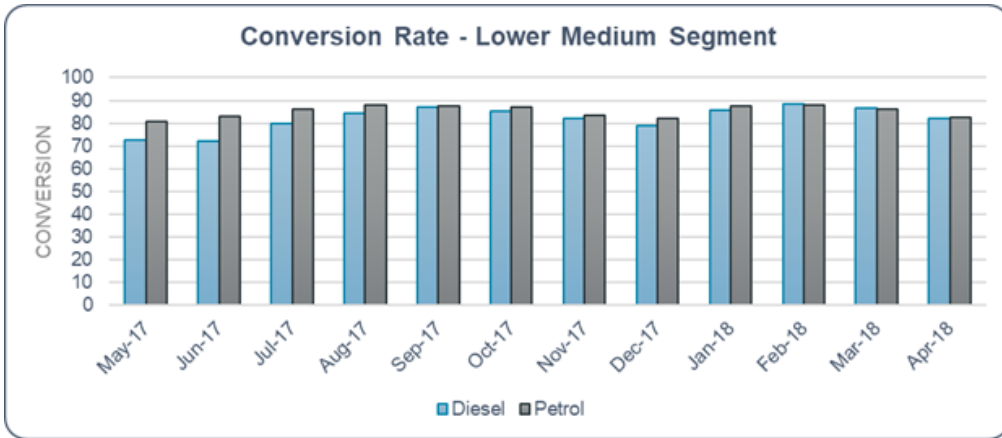
Currently demand remains the same regardless of Euro standard so there is no price disparity in terms of like for like models. Additionally, with the current plans for clean air zones only affecting drivers wishing to enter major cities, it is unlikely that this will have a significant effect on demand for non-Euro6 cars.

One way that Glass's measures desirability is to monitor the first time conversion rates of popular car segments at auction. The following chart shows the Supermini segment. This segment contains models such as the Ford Fiesta and Volkswagen Polo. It clearly shows that petrol models have been converting at a slightly better rate, although the gap has narrowed more recently, which underlines the strength of the used market over the first four months of this year, where everything appears to have been in equal demand.

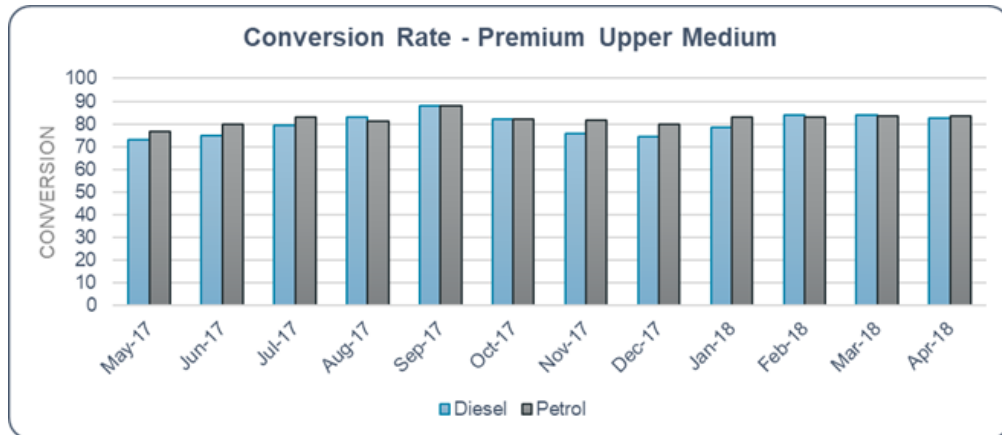


Focus on used diesel

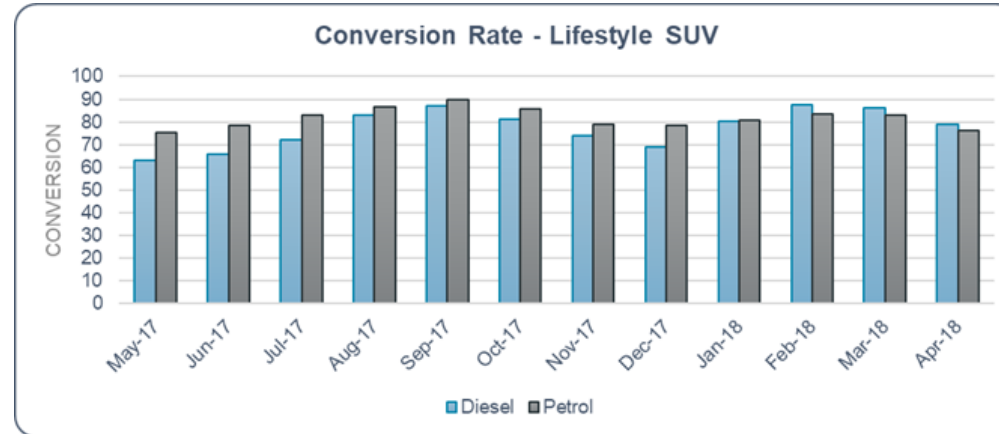
A similar conversion pattern shows in the chart below for cars from the Lower Medium segment. (Ford Focus, Vauxhall Astra, Volkswagen Golf)



The Upper Premium segment includes the Audi A4, BMW 3 Series and Mercedes C-Class. Year to date, diesel models out perform petrol.



The following chart shows a segmentation including SUVs. Petrol SUVs were converting at a higher rate than diesel for much 2017. Since January, diesel has taken the upper hand with only approximately 25% of the total volume year to date being petrol models.



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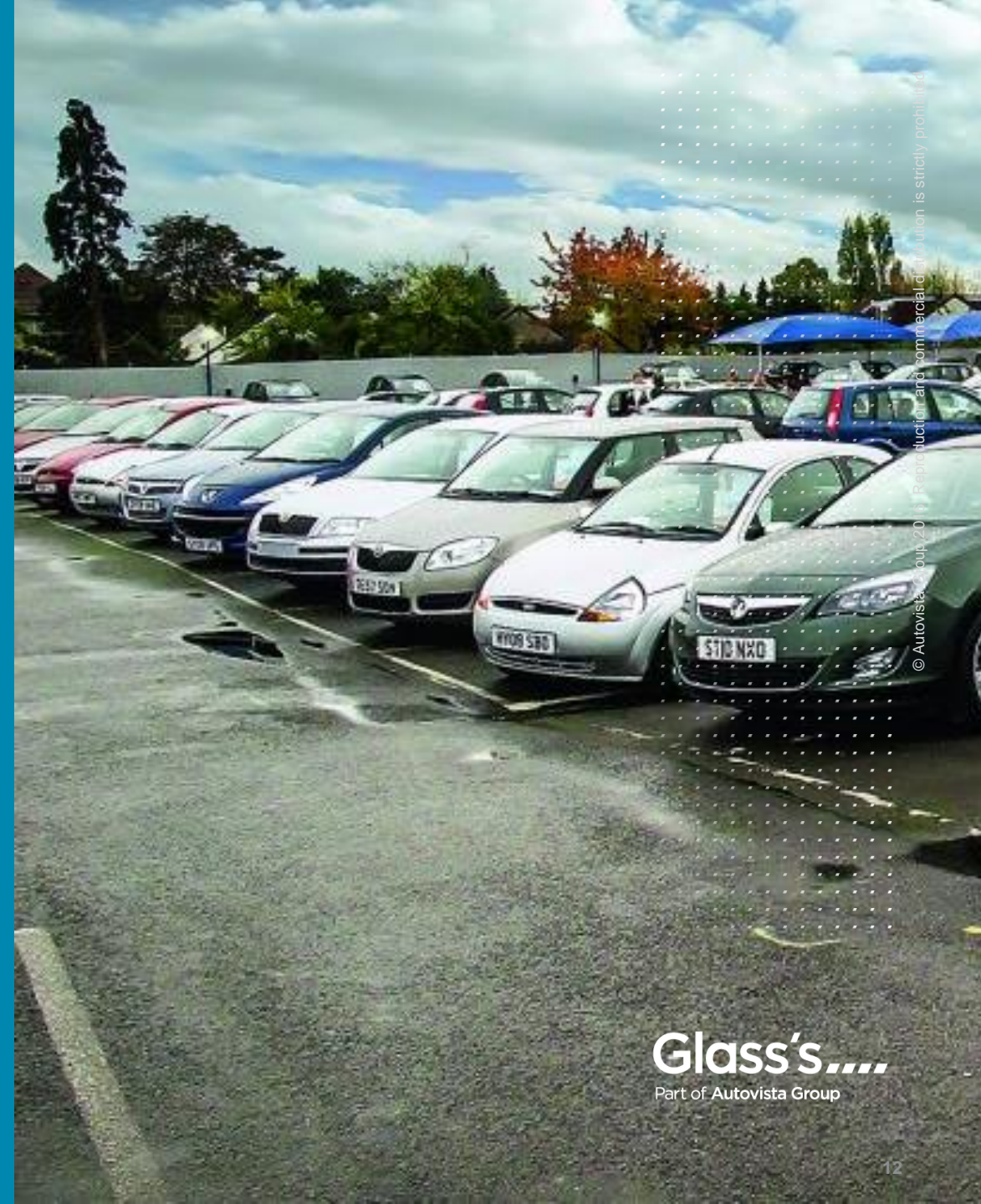
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