

# Glass's Monthly Car Market Report

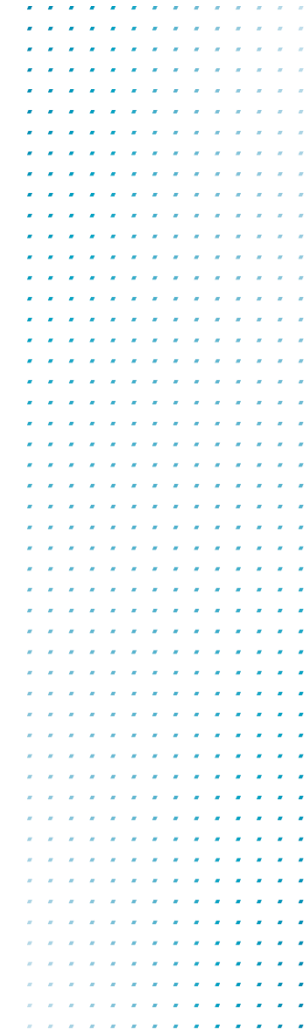
January 2019



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# Foreword

Happy New Year and welcome to the January edition of Glass's Monthly Market Report. In this edition, we will be reflecting on an eventful 2018 in the new car market, as well as looking at how the used market has performed. We will also catch up on what interesting cars our forecast editor Andy Cutler has had the pleasure of driving over the past couple of months.

Much of 2018 was challenging for the new car market. December was no exception, with just over 144,000 new cars registered, a fall of 5.5% on December 2017. Diesel cars accounted for only 29.5% of the market, with petrol taking the lions share at 64.4%, and alternative fuel taking the remaining 6.2%. Sales to private consumers were down by 3.8% in the month but fleet registrations were down 7.9%, possibly due to some manufacturers tactically registering less cars than usual in December, due to supply constraints. The final registration tally for 2018 was 2.37 million, a fall of 6.8%.

The used wholesale market has been very consistent throughout most of 2018. December was erratic however with subdued hammer prices. It appears that some vendors chose to hold fresh stock back for January, which will have affected overall auction performance. That said, where fresh stock was available, it sold on the first time of asking 80% of the time. Reruns did not fair so favourably, with many carried-over into January.

Comparing Glass's December values to actual auction prices, we were within 3.5% of the market in this notoriously unpredictable month.

**Jayson Whittington, Chief Car Editor, Glass's**



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# New Car Market

In January 2018, industry commentators including Glass's, forecast the new car market would fall in 2018. We anticipated that by the end of quarter one the market would be heavily down, due to the spike in registrations in Q1 2017 resulting from changes made to VED rates. Quarter 1 was indeed significantly lower, down 12.4%. The assumption was that the next few months would outperform 2017, with a normal registration pattern resuming, resulting in final registrations 4% below 2017. However, the year-end total did not recover to the predicted level, finishing 6.8% below 2017. Details of the factors affecting the new car market in 2018 are below.

## Diesel decline

The take-up of diesel models suffered another bruising in 2018, resulting in over 315,000 units lost versus prior year ending up with 31.7% market share. Following the demonization of diesel, many more people are opting for petrol or alternative fuel vehicles (AFV). Increases in benefit in kind rates for diesel cars have also been a factor in the decision making process of company car drivers, with many coming to the conclusion that sticking with diesel would increase their personal tax liability to an intolerable level. The volume of petrol sold was up by almost 118,000 units and AFVs were up by over 24,000, clearly not making up the shortfall left by the diesel decline. Therefore, the shift away from diesel is only partly to blame for the new car market decline.

## Brexit

While Brexit has not actually happened yet, it has dominated the UK press and will have undoubtedly negatively influenced consumer confidence, particularly as at the time of writing there seems to be no clear direction on what the outcome will be. Following the initial vote to leave the EU the exchange rate fell and has failed to recover. This

makes the UK a less profitable place for overseas manufacturers to sell cars and will have led to reductions in short cycle business such as rental and tactical registration activities.



## WLTP

It was expected that there would be some form of 'WLTP effect' on new car registrations as manufacturers worked towards having all models WLTP tested by the September 1st deadline.

Feedback from leasing companies indicated that contract extensions increased in the months leading up to the September 1st deadline, as understandably, company car drivers were reluctant to order new cars until they fully understood the impact that post September 1st increases in CO2 would have on their benefit-in-kind liability.

# New Car Market

In August, there was a small upside. History shows the new car market tends to be weak in the month before a plate change. However, 2018 was different, with 23.1% more cars registered than in 2017. Again, Glass's predicted this anomaly, as any cars that were not WLTP compliant or not derogated, needed to be registered before the 1st September. This led to large-scale pre-registration activity by some manufacturers in parallel to some very attractive consumer offers that boosted registrations. This spike in activity brought the YTD registration deficit down to 4.2% at the end of August.

September was not as positive. Some volume manufacturers suffered a downturn in excess of 50%, due to delayed WLTP testing, resulting in many models not being available for sale. Just a month on from the 17,661 spike in August registrations, September suffered a fall of 87,336 compared to 2017.

Supply issues continued throughout the final quarter of the 2018 as did the high numbers of contract extensions. It may well be that without these delays; a 4% forecasted downturn was correct. Should we therefore expect to see a strong Q1 2019 as supply increases, satisfying pent-up demand, or is it already too late for manufacturers to satisfy increased demand so quickly?

## 2019 predictions

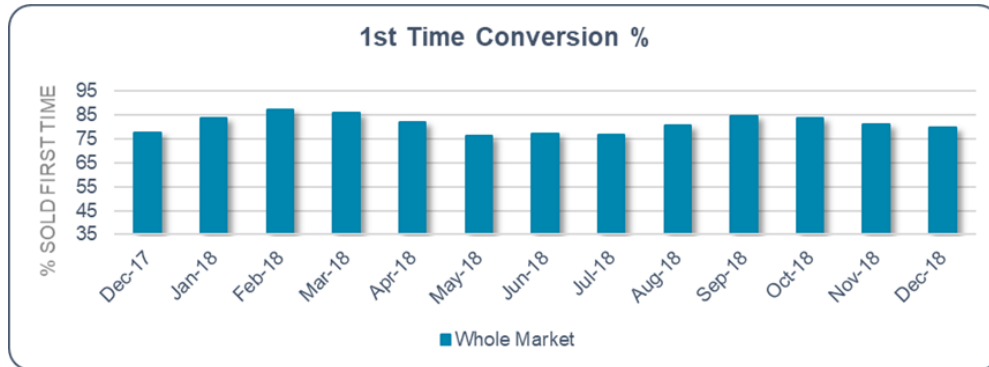
It is difficult to predict where registrations will end up at the end of 2019, with so many unpredictable factors in play. One view is that the year will get off to a strong start following the supply issues experienced in Q4 2018, with the rest of the year being similar to last year, resulting in an uplift of around 3.5%. However, with Brexit looming large on the horizon, and a negative economic outlook, this may well prove to be optimistic. It is likely that some people considering a new car purchase will wait until after the Brexit deadline

passes to make a final decision. Considering manufacturer lead times, this could push those registrations into Q3. If the Brexit outcome is a poor one, we should brace ourselves for a period of prolonged uncertainty, which could severely affect the new car market.



# Used car market overview

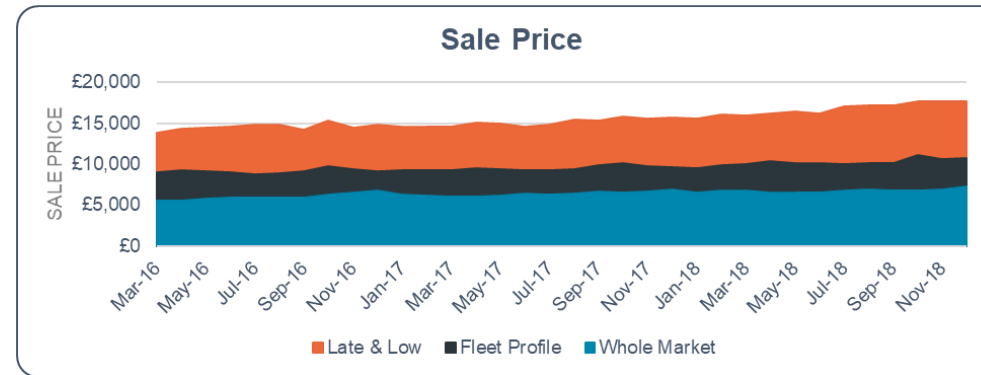
The used wholesale market performed well in December compared to previous years, however in comparison to the rest of the 2018 it was erratic at best. Fresh stock was in limited supply towards the end of the shortened working month with vendors choosing to hold it back in favour of better trading conditions in January. Consequently, the market achieved an 80% first time conversion rate, around two percentage points better than last year. Judging by the overall lacklustre performance in December, vendors made the correct choice, although if more fresh stock was readily available, buyer activity may have been different.



Cars up to 2.5 years of age stand out as having performed well in December. They achieved a first time conversion rate of 83%, which is six percentage points better than December 2017. This is a trend that we have seen emerging over the past few months, with buyers seemingly less reluctant to buy younger cars at auction.

Twelve months ago, Glass's predicted that 2018 would be the year

that the 'used car was king'. Used retail activity has been consistently buoyant throughout most of the year, only tailing off in December. Increased demand over the past two years has led to price inflation as shown in the chart below that plots the average hammer prices at auction.



2019 is expected to be another strong year for the used car market. The fallout of Brexit, in whatever form that takes, is sure to have an effect. Uncertainty could lead more people to choose a used car instead of going for a new one, in order to save money.

Changes in CO2 output following WLTP and increases in diesel BIK rates could encourage more people to opt out of company cars and buy a used one of their own instead and more people with cars on PCP finance could opt to pay the final payment and take ownership, instead of swapping for a new car. All of these possibilities could increase demand for used cars in the wholesale market, leading to even better performances at auction and reduced depreciation.

# Live retail market – UK's fastest selling used cars in December

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.

## FOCUS ON... South West

These were the UK's fastest sellers in the South West in December (with 50 or more sales).

MAKE AND MODEL	AVERAGE DAYS TO SELL
Dacia Sandero Stepway	28
Vauxhall Zafira Tourer	32
Ford S-Max	33
Vauxhall Mokka	34
Mitsubishi ASX	34



## NATIONWIDE

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

MAKE AND MODEL	AVERAGE DAYS TO SELL
Peugeot 307	25
Renault Zoe	25
Suzuki Jimny	26
Ford Grand Tourneo Connect	28
Nissan Pathfinder	28

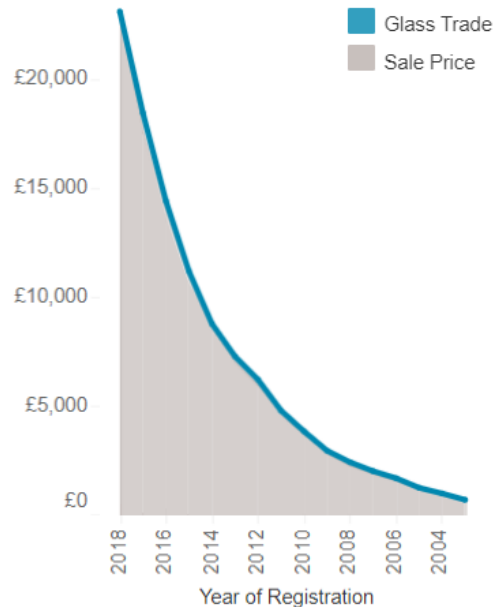
[Access the full interactive map](#)

# Residual values – measuring our accuracy

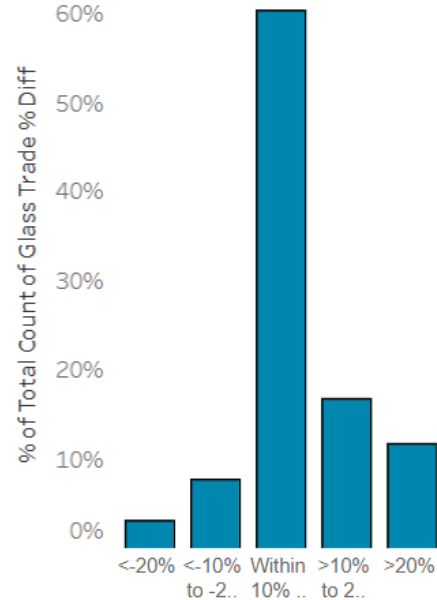
## How accurate are our current Glass Trade values?

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. The graphs below show Glass’s Trade Accuracy For Cars Observed in December 2018 versus the average Glass Trade Valuation for December.

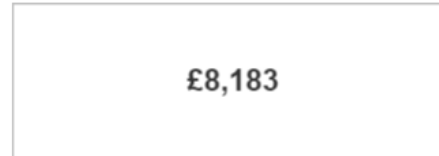
Average Glass Trade vs Average Sale Price



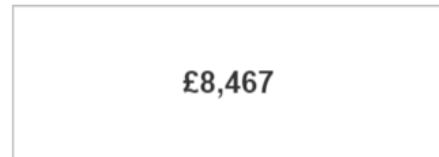
Accuracy Distribution



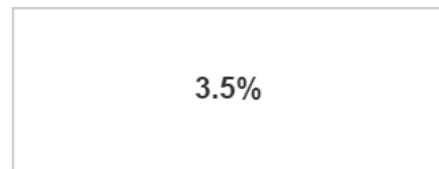
Average Auction Sale Price



Average Glass Trade Valuation



Average Difference Between Our Trade Valuation and Auction Sale Price



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

# The secret diary of a forecast editor

Set to be an amazing year for new cars, 2019 sees important launches from Suzuki, Toyota, Porsche, Volkswagen, BMW and many other manufacturers. New technology, improved emissions, increased PHEV and EV ranges and new developments in ADAS (Advanced Driver Assistance Systems) will create buzz in a market where the wheels never stop turning. New names will arrive together with the reincarnation of some old favourites. Andy Cutler, our Forecast Editor, summarises his picks for an exciting start to 2019.

## Manufacturer events:

### 1. Toyota: Epsom UK

A visit to Toyota to understand the final details of the new Corolla and Rav4 models. The Corolla name disappeared from the UK new car market in 2007, replaced by the Auris, however Toyota is reversing this decision with the launch of the all new Corolla.

The new Corolla launches with a 1.2 litre petrol engine and 2 different petrol hybrid engines; the first being the latest generation of the 1.8 litre hybrid and a new higher powered 2.0 version giving a more emotional drive with its added power and torque.

Alongside the new Corolla; Toyota is launching the all-new RAV4. This incarnation takes the vehicle to a completely new level.

The new RAV4 also uses a new improved drivetrain; available as a 2.5 litre petrol hybrid delivering class leading CO2 figures. Personally, I like the new RAV4 and think it is a step change from the old model bringing with it real modernity in style.

### 2. Suzuki: Milton Keynes UK

Suzuki and a drive of the eagerly awaited all-new Jimny with an in depth review of the 19MY Vitara with improvements including new soft touch materials.

Firstly, the Jimny: a unique car in the market, there really is not anything quite like. With retro looks, the car has caught buyer imaginations and will create a long waiting list with only around 1,000 units available in the UK each year.

This really is a go-anywhere car equally at home on or off the beaten track. It is light, compact and affordable. I have to say that I could not wait to get my hands on one after I had seen the pictures and it really did not let me down. It will not be for everyone but I absolutely love it.

The 19MY version of Vitara includes revisions as follows.

- An elegant new face with redesigned grille and lower bumper
- Redesigned rear lights with a distinctive LED display
- New seat trim design with suede seat fabric fitted on SZ5 models
- Upper instrument panel upgraded to a soft touch material
- Instrument cluster features a central colour information display



# The secret diary of a forecast editor

## 3. Ford: Peterborough

This was a full remarketing discussion to understand how Ford handles the vehicle disposal process and the many improvements in all areas they have made to improve results.

The day also included an opportunity to drive a number of Ford products including the new Tourneo Courier, the facelifted Edge and the Fiesta ST with a new 1.5 litre 197bhp 3-cylinder turbo engine.



## 4. Kia: Leicestershire

Driving the e-Niro across the Leicestershire countryside as well as the all-new ProCeed reminded me just how far Kia has transformed its range over the last few years. The ProCeed is the vehicle responsible for transforming the 3-door version of the Ceed into a stylish shooting break.

The e-Niro impressed just like its cousin the Hyundai Kona, current production allocation for the UK suggests there will not be enough of them to go round with less than 1,000 available during 2019.

The new ProCeed also impressed, it is the pick of the Ceed range. In

terms of dimensions it retains the same 1,800 mm width as the Ceed 5-door and Sportswagon, however it is 5mm longer with 43mm less height than the Sportswagon. The ProCeed offers more luggage capacity than many conventional compact family wagons, with its 564 litres 50% more spacious than a Ceed five-door and just 5% less than a Sportswagon.

The range starts from a 1.4 T-GDi 138bhp manual and auto DCT and 1.6 CRDi 134bhp manual and auto DCT for 'GT-Line', 'GT-Line S' is available only in one engine 1.4 T-GDi 138bhp auto DCT and finally 'GT' in the powerful turbo engine 1.6 T-GDi 201bhp auto DCT.



# The secret diary of a forecast editor

## 5. Honda: Seville

Honda is another manufacturer currently going through a process of replacing diesel engines with petrol hybrids. However, the new Honda CR-V Hybrid works in a different way to many hybrid systems.

Firstly, there is no CVT gearbox and instead there are two electric motors. The first motor is a power generator used to charge the battery pack. The battery pack then supplies power to the second electric motor to drive the wheels when the vehicle is in electric drive mode. The petrol engine only powers the wheels directly in certain circumstances such as high-speed motorway use and hard acceleration. Activated via a lock-up clutch directing the drive from the engine through to the wheels, the three drive modes seamlessly activate when required.



## 6. DS: Paris

A flying visit via Eurostar to PSA in Velizy to attend a DS brand day. The event presented the new investment for the DS brand and the brand strategy moving forward. There was an opportunity to preview

a number of DS models coming through over the next few years. This was a interesting day and giving an excellent insight into the brand.



## 7. Volkswagen: Wolfsburg

A day previewing the Passat facelift. The styling changes are subtle, however, the added technology with many new safety systems, new drive trains, advanced driver assistance systems and infotainment technologies with a new level of online services. Since the Passat launch in 1973, the nameplate remains today an important fleet model for the brand selling on every continent. It will also become the first car in its segment to break through the 30 million sales barrier.

# Glass's Monthly Market Report

## January 2019

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