

Press release: For Immediate Release

Cazana’s Used Car Market Update for November 2019

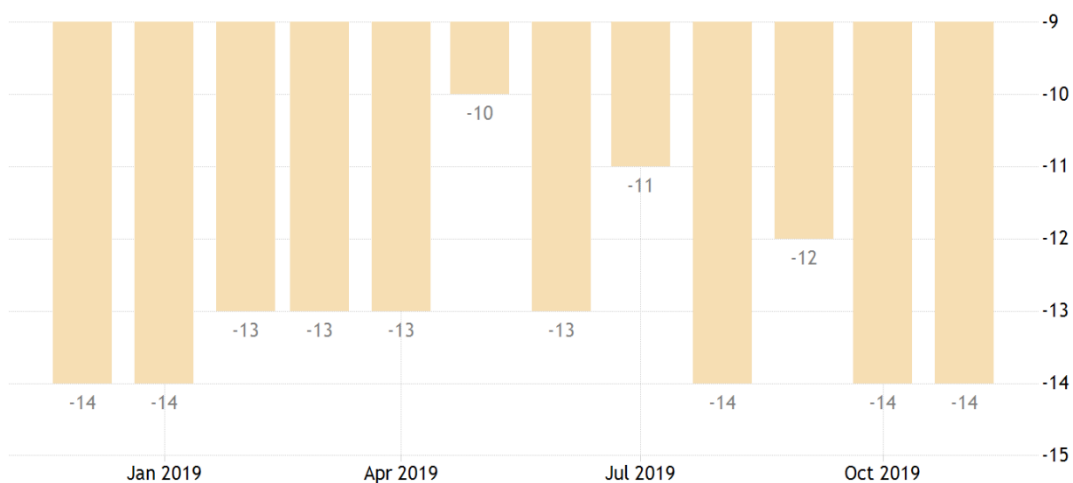
Key points:

- Late Plate Low Mileage Petrol Prices Recover
- Consumer Confidence Steadies at a Low Level
- Ex PCP Pricing Under Pressure

The UK economy and the voting trail have been the hot topics in the national media over the last month. The focus has been squarely on which political party may be best placed to take us through the next phase of Brexit and perhaps into the next chapter of our social and economic development. Whilst there are polar opposites against each other in terms of whether the original Leave Vote will be adhered to, the commercial world still needs a decision and frankly to some people - any decision will suffice to allow robust future planning. On one side a commitment to honour the original referendum and the other the potential to take a revised Brexit plan to another national referendum, although there is little evidence of what that new deal might be and perhaps, more importantly, there appears to be no appetite from Europe to sit back down at the negotiation table.

The more positive view at the moment is that the used car market has yet to suffer any significant further decline in demand from the consumer. The new car market may have dipped by 1.3% in November but activity in the used car market has remained good. Where many had felt that consumer confidence was still on the decline, the chart below suggests that whilst low, confidence seems unlikely to fall further until the result of the election is known and the dust has had time to settle:-

The chart below shows the current state of Retail Consumer Confidence in the UK.



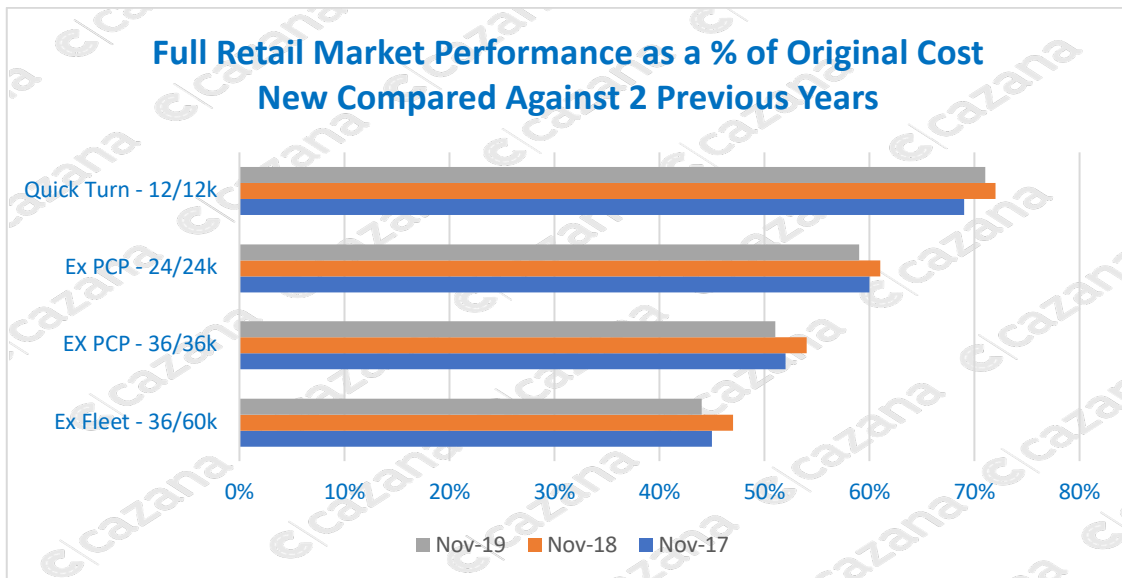
Data Courtesy of Trading Economics

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The new car market year to date is now running 2.7% behind 2018 which is the prediction that Cazana gave over a year ago and was some three percentage points more positive than other industry pundits at the time who later had to revise expectations. This demonstrates the value of working with realtime insight and data science to predict accurate results. Interestingly the new private car market is 3.4% lower than in 2018 but there is still time for this to improve through December although there is some evidence that the new private buyer is still being tempted by fabulous late plate deals on pre-registered cars. In recent months this market had been adversely affected by the plethora of petrol cars that had been forced to the market, however this seems to have now balanced as the non RDE compliant cars have found homes vis the used market at discounted prices so the balance of supply and demand is more consistent.

Looking specifically at the used car market overall and the chart below shows the performance of retail pricing as a percentage of original cost in the market at key age and mileage profiles against the same period over the last three years:-



Data powered by cazana.com

This highlights that November 2019 is at a lower point than it has been in the last three years and reinforces the effect of strong new car sales in recent years. Whilst a little strength has returned to the late plate market the chart clearly defines the impact of Ex PCP cars coming back to the market in greater volume. At two years old the decline is two percentage points and at three years this extends to three percentage points and this is beginning to become a bit of a pattern and as such needs to be watched more closely as the market may be sliding into a heavier depreciation pattern than has been experienced for some years.

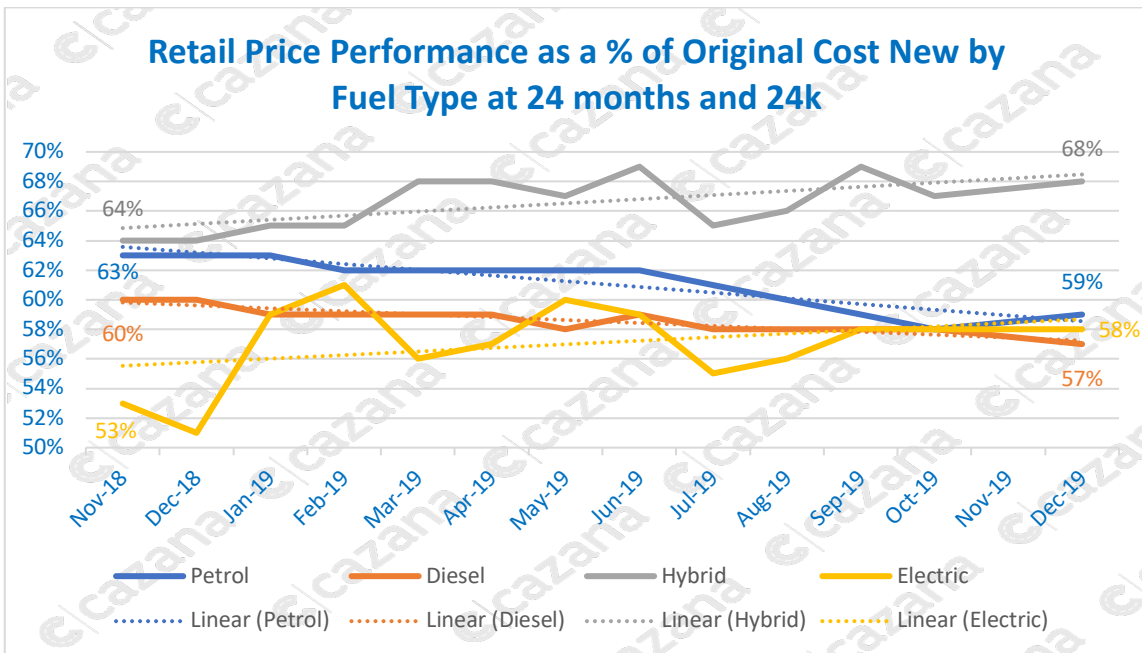
In some respects, there is a view, and evidence to support the idea, that pricing has dropped because of the volume of cars in the sub twelve-month-old sector. The need to get this short term oversupply moved resulted in some very advantageous finance deals

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on that age car in the market, which ultimately meant that the cost-saving in buying a two or three-year-old ex PCP car was not big enough to attract the consumer. Last month's commentary evidenced this and the realtime nature of this data allowed Cazana customers to take appropriate action on retail pricing and buying of new stock to match market demands.

The chart below looks a little closer at what has been happening at the two year age profile and measures the Retail price as a % of original cost new at two years and twenty four thousand miles by fuel type:-



Data powered by cazana.com

Whilst this age and mileage profile has seen only a two-percentage point decline in pricing terms it is interesting to note that the volume of advertised cars has remained largely similar to November 2018 although the average cost new has increased. This would suggest that higher value cars are coming to the market and that consumer appetite is for cheaper models. Deeper analysis will reveal what specific vehicles are hitting the market but this chart reflects a larger price drop for petrol models at four percentage points in comparison with the same period last year. This is followed by diesel models with a three-percentage point drop.

Of note is that both hybrid and electric cars have seen a marked increase in demand. This is in line with market expectations and although the BEV (Battery Electric Vehicle) data looks spiky, this reflects the supply of vehicles to the market. A retail price increase of five percentage points is one percentage point higher than that of hybrid cars and hybrid vehicles at this age are still leading the fuel types in overall residual value terms for the time being. However, it would be wise to remember that as volume increases this residual value premium other fuel types will diminish.

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In summary, the used car market during November was actually better than many had anticipated, and although retail pricing dropped it is important to remember that these drops were not large. Retail consumer demand has remained stronger than expected given the political and seasonal backdrop, and this is interesting and the same time reinforces the view that despite low consumer confidence levels as a whole in the retail sector, the automotive industry has performed pretty well. Pressure points are specifically with the pricing performance of ex PCP cars returning to the market, but there is no imminent expectation of large drops in value as some pundits had suggested a few weeks ago. Recent industry events such as the very well attended VRA Seminar paint a realistically positive image of the coming weeks and months with the slight caveat that the general election may cause a brief performance blip.

Cazana's truly live retail-driven data is unique in providing up to the moment market insight and intelligence being driven from over 25,000 websites each day in the UK alone. Seeking more focussed information relating to specific market sectors or time periods ensures the maximum vision and the most comprehensive insight required to maximise profit, ROI and asset management. With market conditions continuing to change by the day, top quality up to the minute commercial data identifies market variations quicker than any other data provider and are vital to ensure modern automotive organisations are in a position to make the most effective strategic decisions.

Written by Rupert Pontin, Director of Insight at Cazana, December 10th 2019

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Notes to editors

- Cazana provides global automotive insights, enabling the next generation of vehicle access.
- Founded in 2012, Cazana originally set out to gain a better understanding of the prices of classic cars by using big data. Although it started as a hobby for founder Tom Wood, Cazana has become the largest car search and indexing engine for used cars on sale in the UK. The business now tracks millions of vehicles for sale across in excess of 9 countries on a daily basis.
- Cazana's search technology shows every car on-sale, unearths hidden history on every vehicle and tracks a car's value and history with a timeline of events from manufacturer to present day.
- Cazana provides a wealth of data to manufacturers, dealers, finance and leasing companies to help them better understand residual value risk and the changing prices of vehicles in the market. Cazana is the first car valuation engine to use real-time retail data and correctly value vehicle condition and specification, which helps its clients price products more effectively and with greater certainty.

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