

Press release: For Immediate Release

Cazana’s Used Car Market Update for January 2020

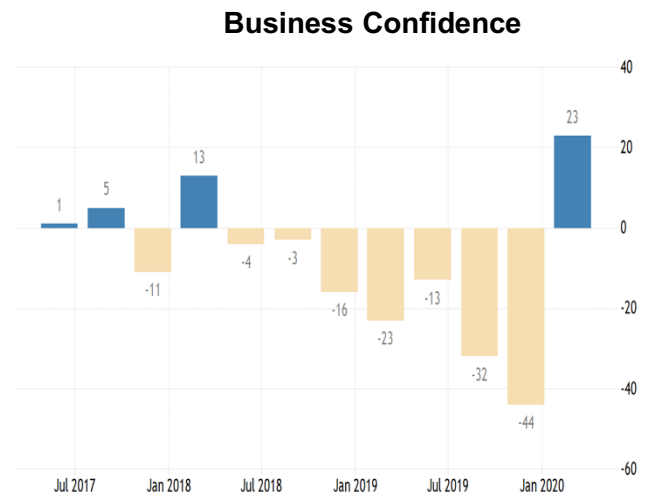
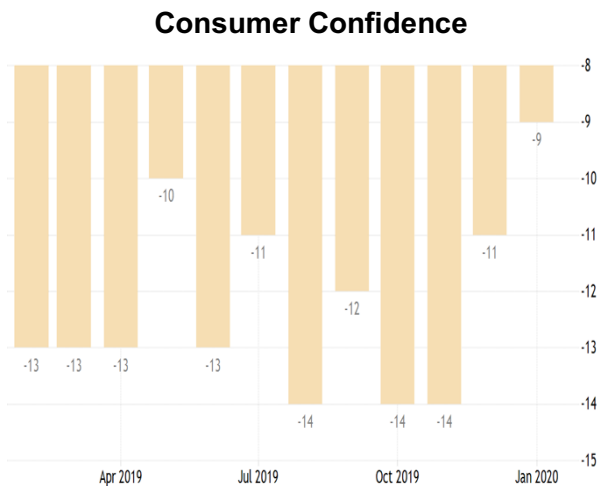
Key points:

- Petrol Pricing Shows Weakness
- Diesel Pricing Consistent
- Consumer and Business Confidence Grows

January marks the start of a new year and with this the new and used car markets traditionally receive a boost in fortune with excited retail customers searching for new cars. Consumers are often tempted by the January sales and the plethora of enticing deals offered by manufacturers and dealers alike. This year has been slightly different. Although many businesses in the used car market have enjoyed positive results, the new car market has been (something of) a surprising disappointment.

The latest registration data from the SMMT has revealed a slump in the new car market with a drop of 7.3% in the number of cars registered for use on the nations roads when compared to the same period in 2019. Whilst this is extremely disappointing, the news is that it is the private car sector that has seen the largest decline with a drop of 13.9% when compared to January 2019 with Fleet registrations declining by 2.2%. However, there could be a simple reason or reasonable explanation for these poor figures. In December, the new car market performed much better than expected largely due to some interesting registration volumes from some of the manufacturers. This is most likely due to the need to move stock before the end of the year to meet internal targets and also a move to ensure that 2019 CAFE targets were met.

The drop in new car registrations is also contradictory to the consumer and business confidence data, as highlighted in the charts below:-



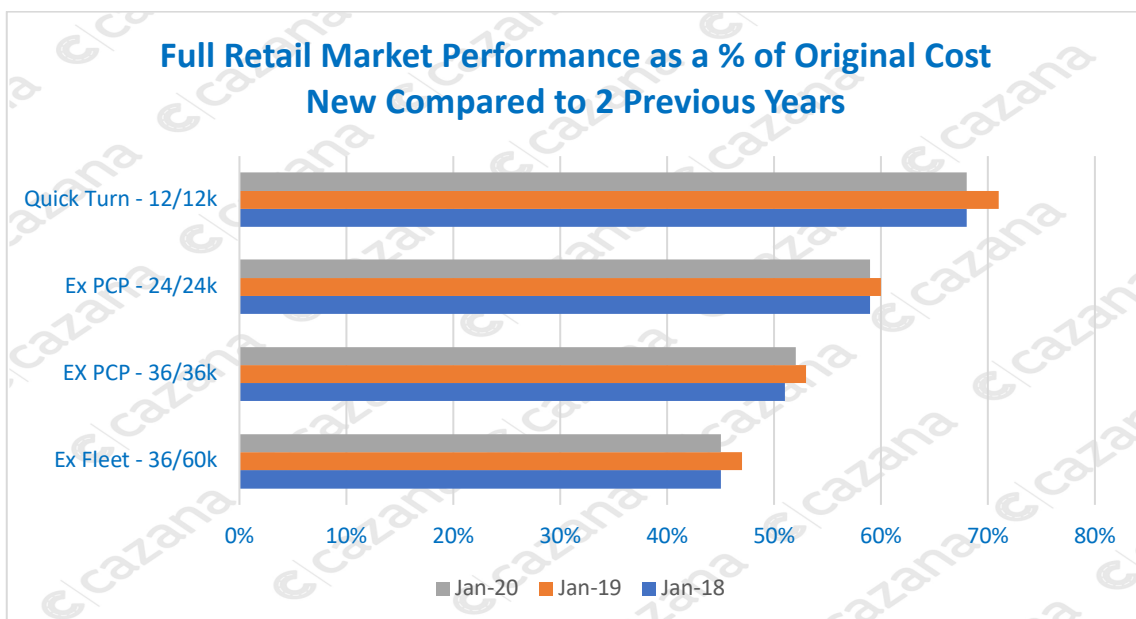
Data Courtesy of Trading Economics

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Both charts reveal that post-election and the installation of a conservative majority government, both consumer and business confidence has risen. This also accounts for the fact that the public were aware that we would leave the EU on January 31st. This therefore lends credence to the belief that the January 2020 market decline is predominantly due to an inflated performance in December 2019. It is wise to consider that for the first time the automotive industry just might be out of step with the rest of the economy, as it has been for much of last year, although this time to the detriment of industry.

From a used car market and pricing perspective, the chart below shows the performance of retail pricing as a percentage of original cost new in the market at key age and mileage profiles against the same period over the last three years.



Data Powered by Cazana

This chart highlights that in accordance with previous years, the largest decline in retail pricing was three percentage points, and this affected the Quick Turn market profile. Given the high level of pre-registration activity in the new car market in December this should not come as a surprise. Whilst Ex PCP product at both two and three years old has dropped by one percentage point in comparison to 2019, it is Ex Fleet product that has dropped by two percentage points. This movement could be attributed to the high volume of new Fleet sale activity in December, as companies found some confidence to replace some of the cars that may have had extended contracts.

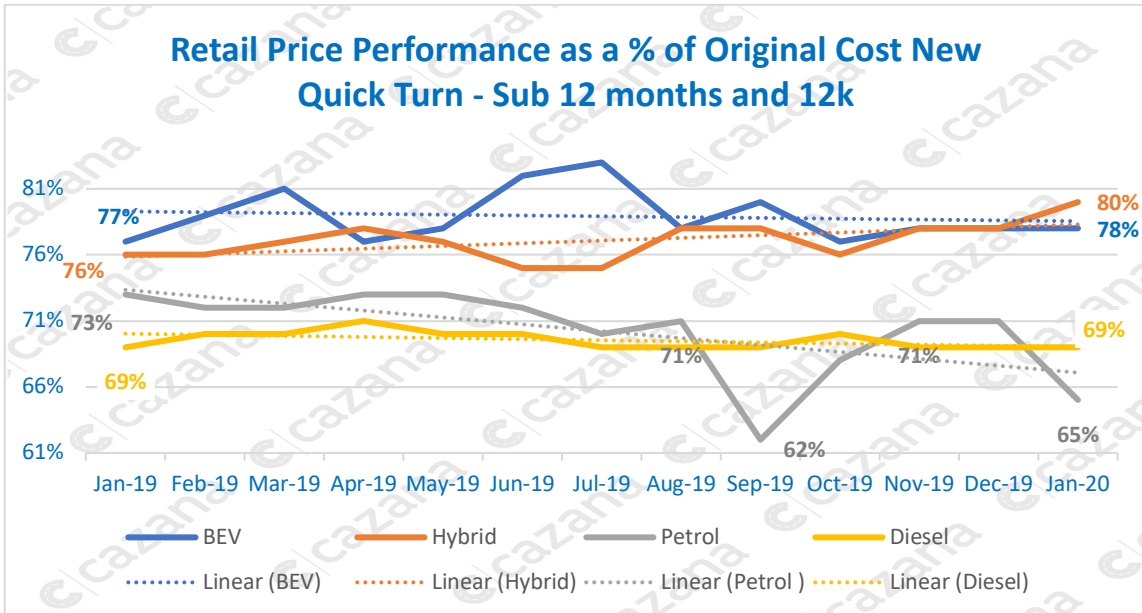
Perhaps the most surprising change is that there was significantly less of a price movement on Ex PCP product that had shown potential weakness as increased volumes came to the market. The implication is that despite greater numbers the retail consumer was still keen to spend money on this profile of car, and hence a decent balance of supply and demand was maintained. This may have been due to attractive finance

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propositions and the need to perhaps reduce expenditure following the expensive festive period.

On the basis that the largest price fall came from the plate market, the chart provides a clearer picture of where the problems lay:-



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This chart clarifies where the pricing difficulties lay in January 2020 and reflects activity over the course of 2019. First and foremost, it is important to acknowledge the performance of the new power types in the used market. With the government announcing its aspirations to ban all fossil fuel sales by 2035, there is likely to be a greater focus on the Hybrid and BEV markets in the next few years. It is crucial to acknowledge that the current level of residual value performance is unsustainable in the mid to long term. Both these fuel types have behaved similarly over the course of the year which is good news. Interestingly, Hybrid pricing rose in January 2020 but it is likely to dip again in the near future.

The performance of diesel-powered cars has been consistent, which is as expected given the enormous drop in new diesel sales over the last two years. A variance of just one percentage point in the last twelve months reinforces the belief that there is still ample used car demand for this fuel type.

This brings us to the performance of petrol cars, and the instability in pricing over the last six months. There have been two major drops in the residual value performance in September 2019 and in January 2020. It is no coincidence this has happened as both months were situated just after a significant period of pre-registration mandated by the manufacturers to cover the disposal of new cars to meet legislation. There are too many petrol cars coming to the market and there is not enough consumer demand to take up

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the supply. This reflects a lack of market understanding by certain players in the new car industry and a lack of quality insight to suggest that this might be the outcome. At a time when residual value performance is so important, the use of data science driven data cannot be undervalued.

In summary, January has been an unusual time for the car market. Whilst a significant improvement in business and consumer confidence should have resulted in, at worst, a stable new car market, the reality has been very different. It will be fascinating to see what happens in the coming weeks where new cars are concerned, and the used car market looks set to remain fair after an eventful January. February is sometimes a little slow as it is the run up to the new plate, and this period affects both new and used car demand. However, given performance in recent weeks, we may be entering uncharted territory.

Cazana's retail-driven data is unique in providing up to date 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 maximum vision and the most comprehensive insight required to boost profit, ROI and asset management. With market conditions continuing to change by the day, Cazana provide top quality commercial data that identifies market variations quicker than any other data provider and is vital to ensuring modern automotive organisations are in a position to make the most effective strategic decisions.

Written by Rupert Pontin, Director of Insight at Cazana, February 6th 2020

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For more information, please contact teresa@cazana.com / 07548 303 949

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. Cazana has become one of the most innovative suppliers of both consumer and business insight on a global basis and now tracks millions of vehicles for sale across in excess of 40 countries daily.
- 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

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specification, which helps clients to price products more effectively and with greater certainty.

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