Press release: For Immediate Release

Cazana's Used Car Market Update for March 2020

Key points:

- New and Used Car Sales Paused
- Retail Pricing is Still Moving
- Retail Consumers Searching for Cars in the Virtual Market

The country continues to reluctantly embrace an enforced lockdown position for the time being, and the indications are that this may well be extended past the original 3-week deadline set by the government on the evening of March 23rd. A pause in life to try and stem the spread of the COVID-19 virus may seem like an eternity, but in the grand scheme it really isn't, although the impact on the economy, business and personal lives of everyone is immense. With restrictions in other countries demonstrating that this is necessary to stem the spread of the disease, it is essential that the population adheres to the lockdown and helps support those that are designated as keyworkers and keep the country operational during this difficult time.

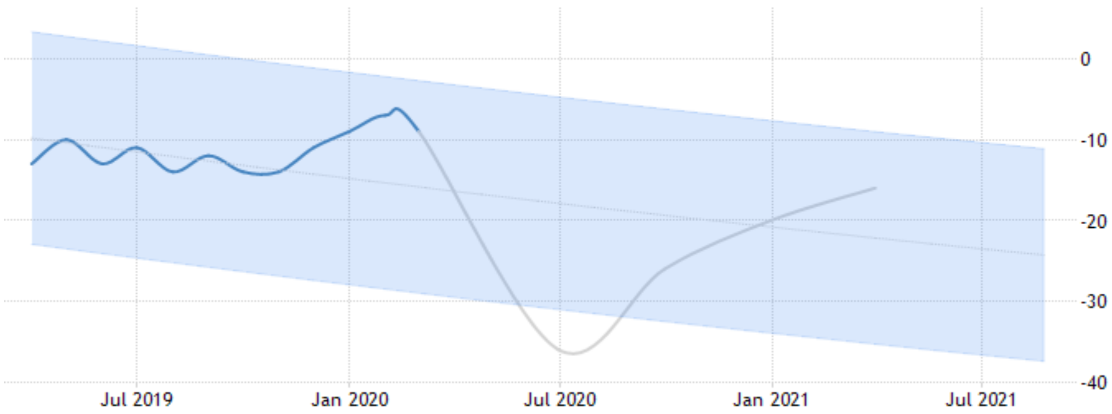
From an industry perspective, it has been a month of two halves with two weeks of unexpected silence in the showrooms resulting in many staff being furloughed in the absence of customers. Service departments and smaller garages are working to keep key workers mobile and safe with their transportation needs and the insurance industry is still largely active. Dealers still have a shop window and many eyes browsing vehicles on sale. However, there is a low volume of online sales taking place although delivery in the most part is not possible until the lockdown is lifted.

The headline new car market statistics show that registrations for the month dropped by 44.4% in comparison to the same period last year. Given that this effectively means the remainder of the figures represent just two weeks of activity it is still relevant to note that the market share statistics are a reasonable indicator of the type of activity that took place. Private registration market share was up 3.4 percentage points for the month in comparison with March 2019 at the expense of the Fleet sector which suffered a 2.6 percentage point drop, although market share for the year to date for both sectors is almost exactly the same at 47.2% and 50.9%.

From a fuel type perspective, diesel registrations are now just 17.6% of the March market down 8.1 percentage points on March 2019 with the year to date figure at 18.9%. Petrol sat at 60.1% for the month and 60.9% for the year to date. The most important other increase is for BEVs which are up from 0.9% last year to 4.6% for March 2020 taking the year to date figure to 3.8% market share.

Considering the fact that the new car market has been severely affected by COVID-19 and the used car market also stalled the next chart proves somewhat interesting in its view of Consumer Confidence for the month: -

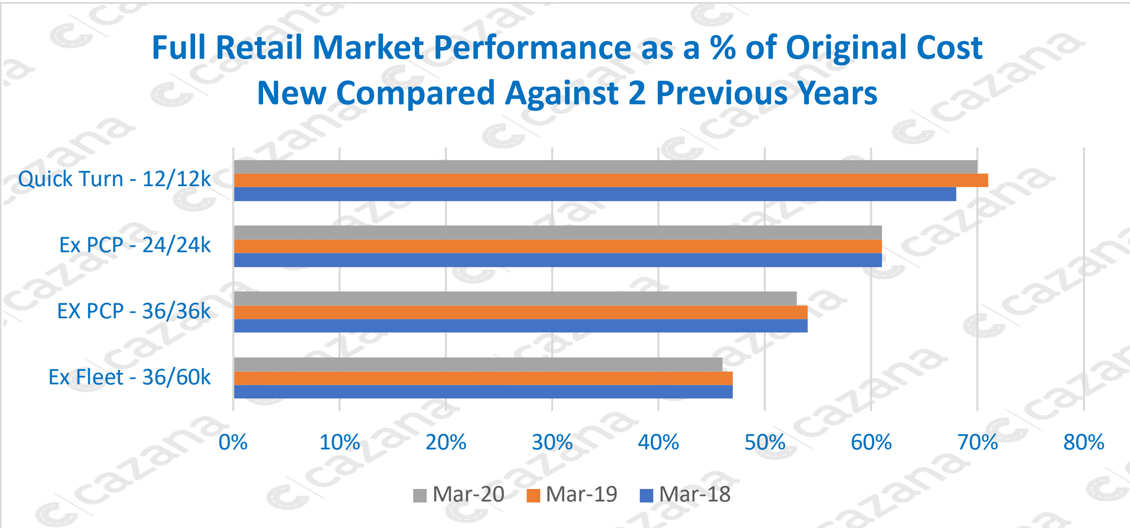
Consumer Confidence



Data Courtesy of Trading Economics

This indicates that consumer confidence only dipped mildly during March which is surprising and can only reflect the early weeks where despite the spread of the virus the public was still allowed to shop and move in society unhindered. But the forecast is clear with a significant dip expected through until July when many experts believe the lockdown will be rescinded. The business confidence data shows a similar pattern although as this is a true black swan event it is very difficult to understand how the rest of the year and the general economy will perform or indeed how the consumer will react.

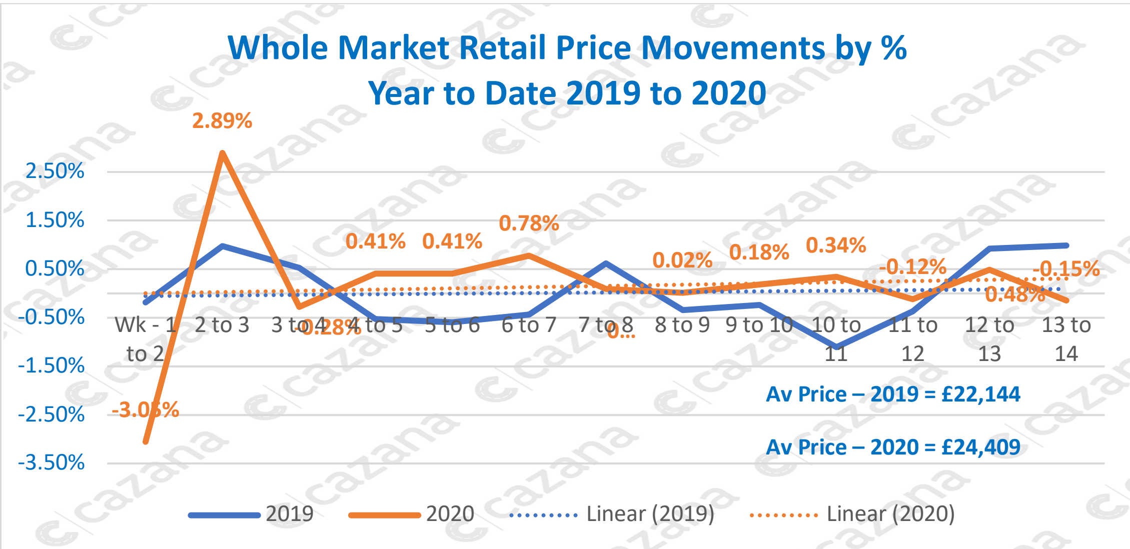
The chart below shows the impact on used car retail pricing as a percentage of original cost new for March 2020:-



Data Powered by Cazana

For the second month running the used car retail pricing performance has been particularly good with a minimal one percentage point drop across all age and mileage profiles, except for the ex PCP two-year-old sector which remained even. This is a little surprising given that it is this profile that has been of concern to the industry for some while as an increase in volume has been widely anticipated.

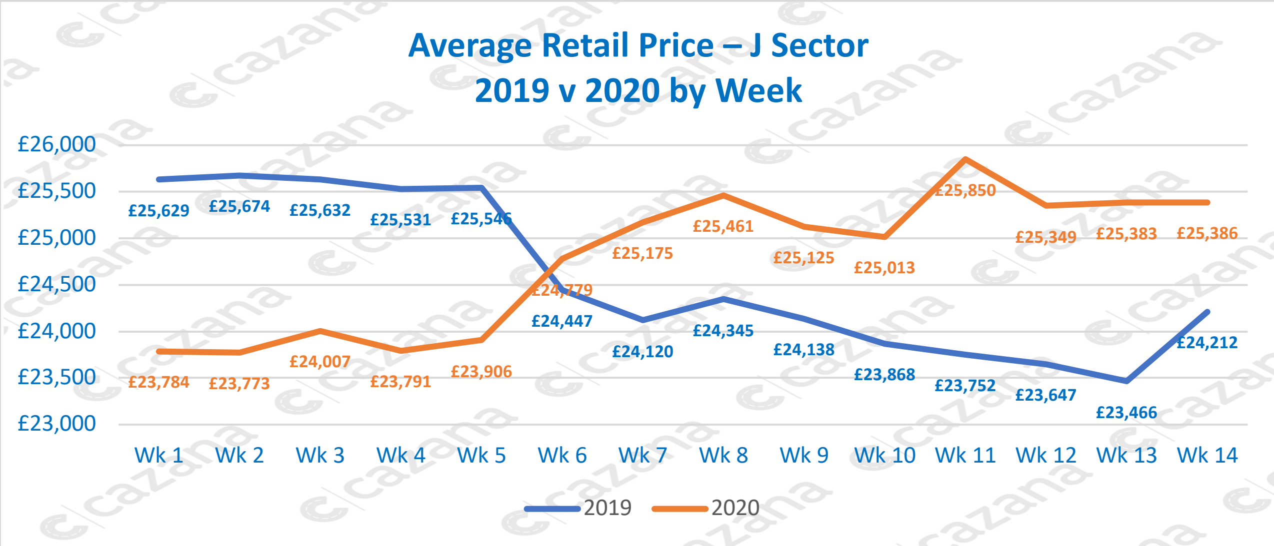
Given the current market circumstances a deviation to the normal market reporting is appropriate and the next few charts will look at the performance of retail pricing on a week by week basis over the course of the month. This will give insight into the way in which retail pricing is continuing to move. Where traditional vehicle valuation providers have been forced to stop issuing values due to the cessation of the source of their data Cazana are unique in being able to continue to show the automotive industry what is happening with pricing. With auctions and the wholesale market closed on retail data is available to assess the shift in pricing and stock value not to mention risk levels for the finance and leasing sectors. The chart below gives an overall view of the percentage retail price drops by week for the year to date 2020 in comparison with 2019:-



Data powered by cazana.com

What is clear is that pricing has continued to move throughout the year to date and when compared to 2019 it would not only seem that 2020 has been more stable, but also that pricing is on a slight upward trend. This for some that may seem to be strange given that used car sales in the last 2 weeks have been dormant and although the overall market increase has been small at 0.2% this represents a shift upwards of £48 per car. It is also worth pointing out that in 2019 pricing during the same period did increase by 1.5% so it is fair to say that COVID-19 would appear to have been a suppressant.

However, the detail is essential and whilst the whole market data shows a minimal increase in pricing other sectors show that pricing has been more volatile. The next chart looks at pricing by currency in the J or SUV sector which has also been an are of market concern as new car registrations have bloomed in response to customer demand over recent years:-



Data powered by cazana.com

The chart shows that over the same period in 2019 the average price of an SUV dropped by £1417 although during 2020 the price rose by £1602. This suggests that there were two drivers behind the upturn, the first being the profile of car returning to the market and secondly the fact that retail consumer demand has been strong. In percentage terms, the uplift in value in the past 4 weeks has been 1.4% in both 2020 and in 2019 although this followed a period of decline in the previous year.

To summarise the last month has been complicated for both the new and used car markets. It is vital to remember that even though the wholesale and auction market is silent the retail market is still open. Dealers are still taking deposits and most certainly changing pricing as they jockey for position in the virtual shop window. During this period whilst many people have been furloughed the senior management and pricing teams are still very much on duty and in many cases seeking to improve online presence and develop more robust remote operational and sales processes in readiness for the end of lockdown. There is no need for pricing reductions right now so the industry must be careful not to be lured into a race to the bottom and using real-time insight from Cazana will ensure the business can accelerate profitability as soon as normal trading resumes.

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 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, April 14th 2020

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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. 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 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.