June 2020

LCV Market Overview

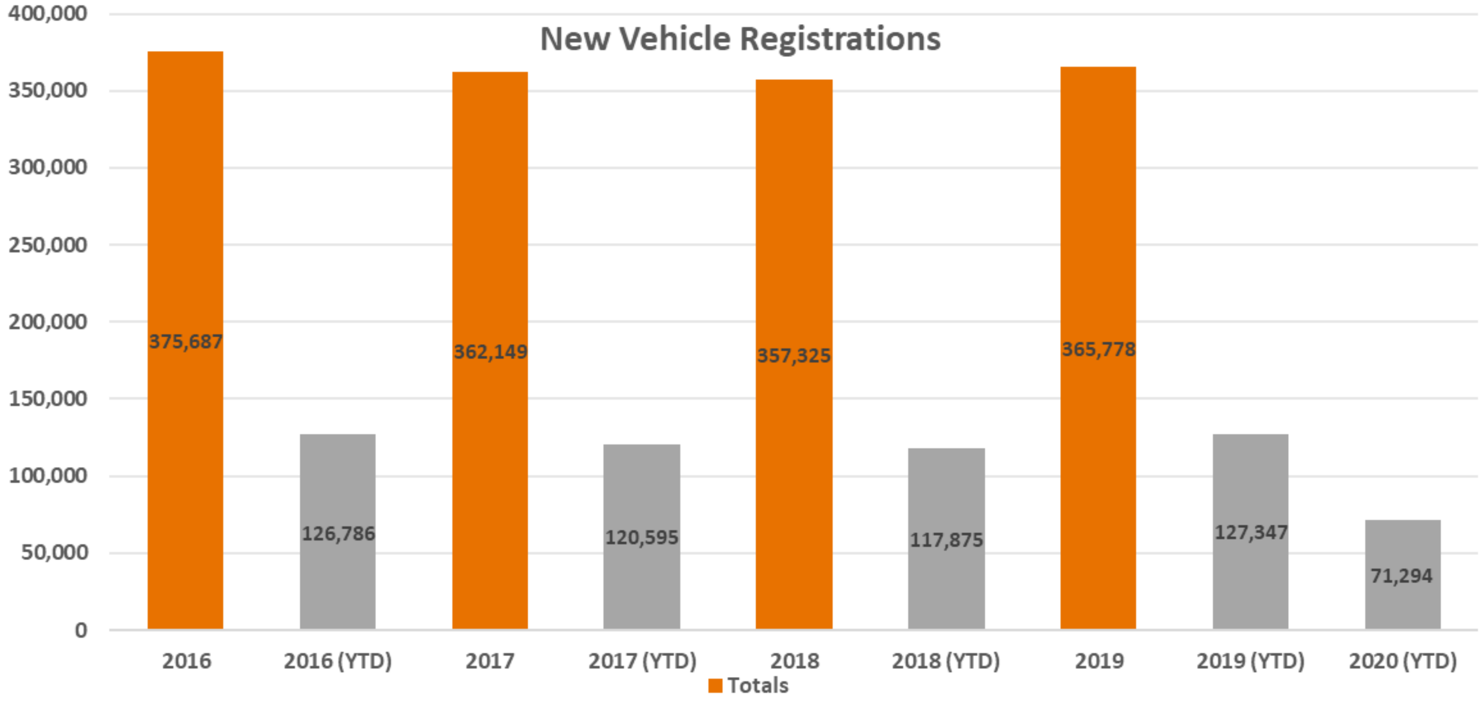
New LCV Vehicle Registrations

As we move into the COVID-19 lockdown phase 2 in which part of the Government's strategy is to invite workers to return to work if possible, we see that a few retailers in other sectors are opening their doors and allowing limited numbers of shoppers to enter, starting on the road to normality and economic recovery.

It was all thought that after Brexit had been concluded that 2020 would have the kick start that we all had been promised, but at the time of writing this editorial dealerships are readying themselves to re-open their sites after a closure of ten weeks, in anticipation that the Government will allow them to open their doors again to the general public. For many this break in both new & used commercial vehicle sales, and when re-opened having to operate in a yet to be defined retail world both for buyers but also the sellers alike, will bring increased challenges to an industry that basis's itself on that "person to person" contact.

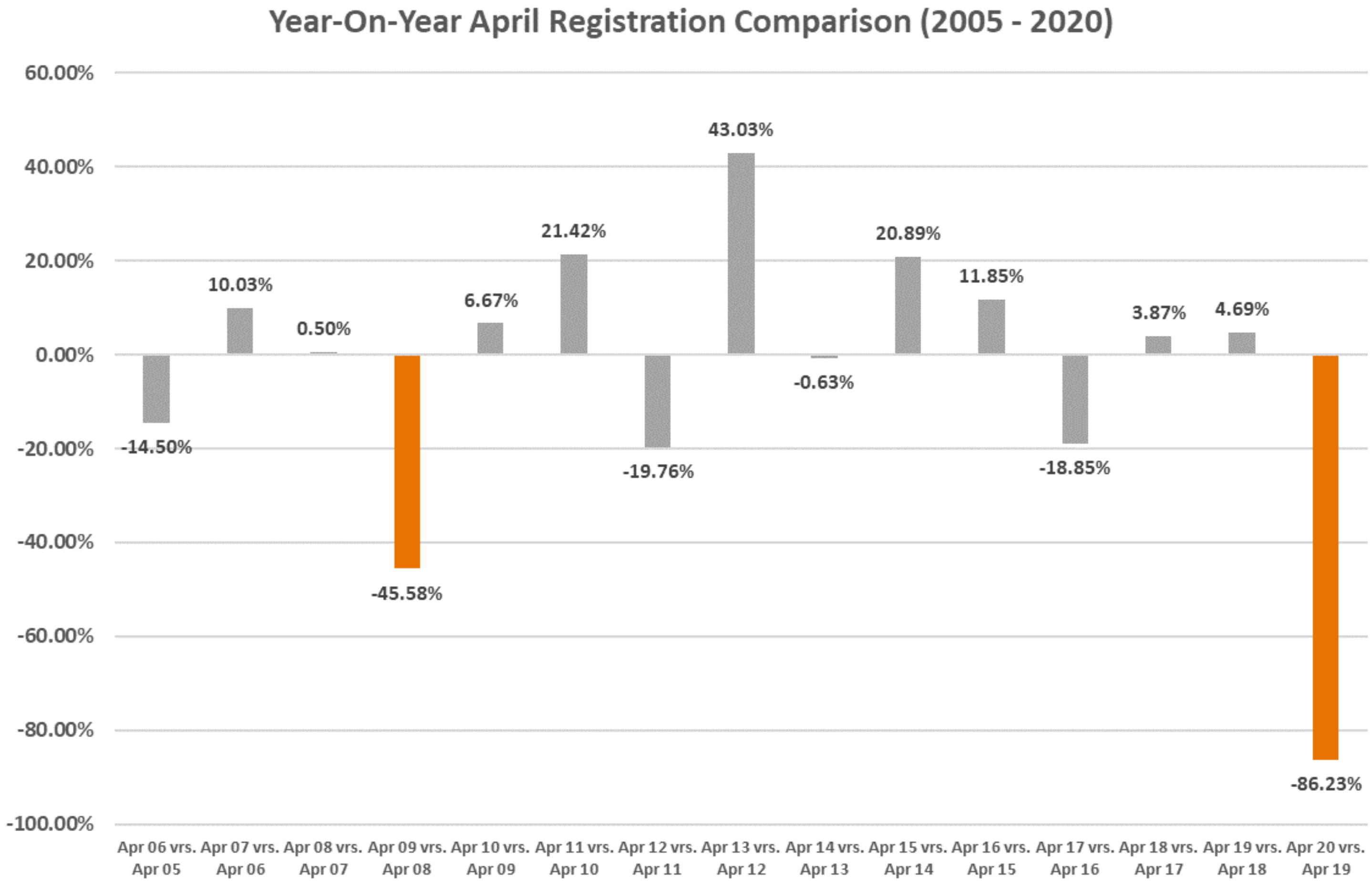
It is acknowledged that having that on-line sales ability will provide additional benefits as witnessed in our weekly shopping patterns, and which is likely to continue for some time. It is quite evident businesses that are not in this space currently are looking at changing that situation, selling commercial vehicles is different but having that on-line ability only supports the traditional methods of buying a vehicle.

Last month we reported that new vehicle registrations for March fell by 54% compared to 2019, and waited with interest to see the April figures. The total number of LCV registrations for April was 3387, which is considerably down when compared to previous years, but with the UK in a complete lockdown during the month with the exception of key workers a low number was to be expected. It is envisaged that the May numbers will be very similar as the transaction of new vehicles is limited. With a reduction of 44% of new LCV's year-to-date and a third of the year completed, the April 2020 SMMT forecast of a 28% reduction in total volume for the year against that of 2019, requires the industry and businesses to re-open and claw back some of the early years losses.



Source: SMMT

In order to put April's number into context the following graph highlights the April changes year-on-year from 2005 to 2020.



Source: SMMT

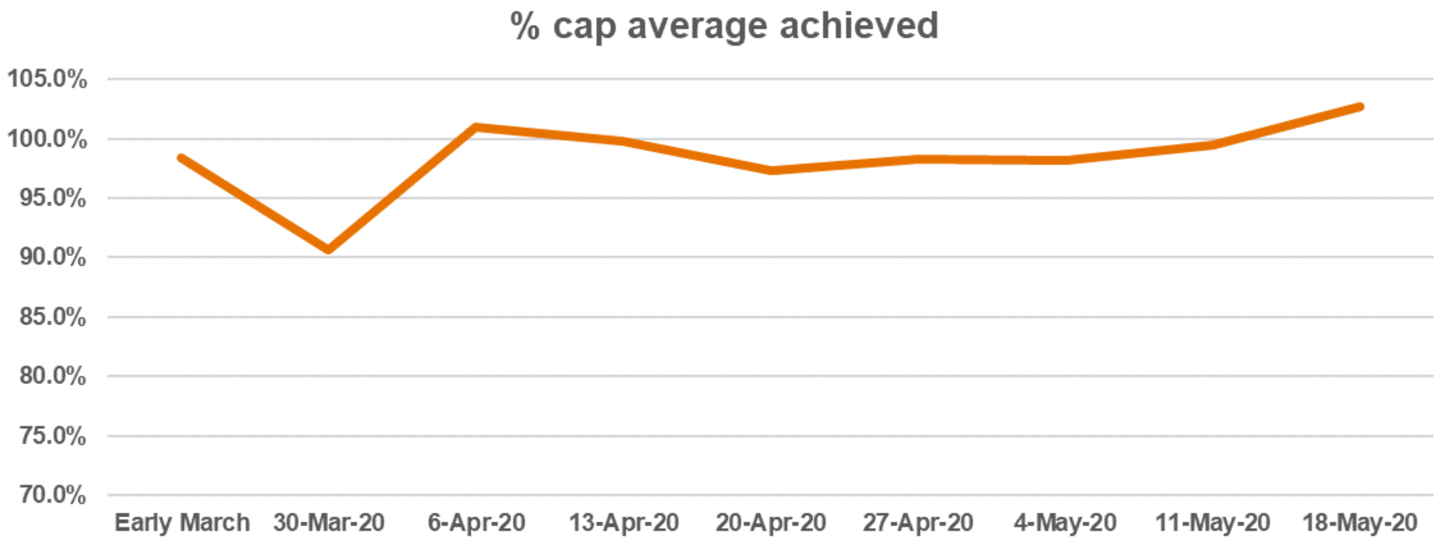
With a reduction of 86.23% in April 2020, this is the largest reduction since the April 2008-2009 comparison, where we saw a decrease of 45.58%. However, there were totally different factors surrounding the 2009 numbers, the financial crisis where the supply of finances was not available - with the Bank of England base rate at 5.5%, and the supply of vehicles was good. On the other hand, 2020 we have a totally different picture, the world is in a viral pandemic, the Bank of England base rate is 0.10%, vehicle production plants have closed, and forced business closures mandated by the Government removed the ability of dealerships being able to make those needed sales. A partial relaxation in May has meant more and more businesses are able to return to work, but yet we await the re-opening of dealerships which is expected in June, at which point those vehicles that were due to be delivered in March, April & May will be concluded.

Used Vehicle Activity

Mid May saw the re-opening of a number of auction companies all operating on-line sales in differing formats, but all with the same goal of moving some of the stock they have been holding since the 23rd March closure.

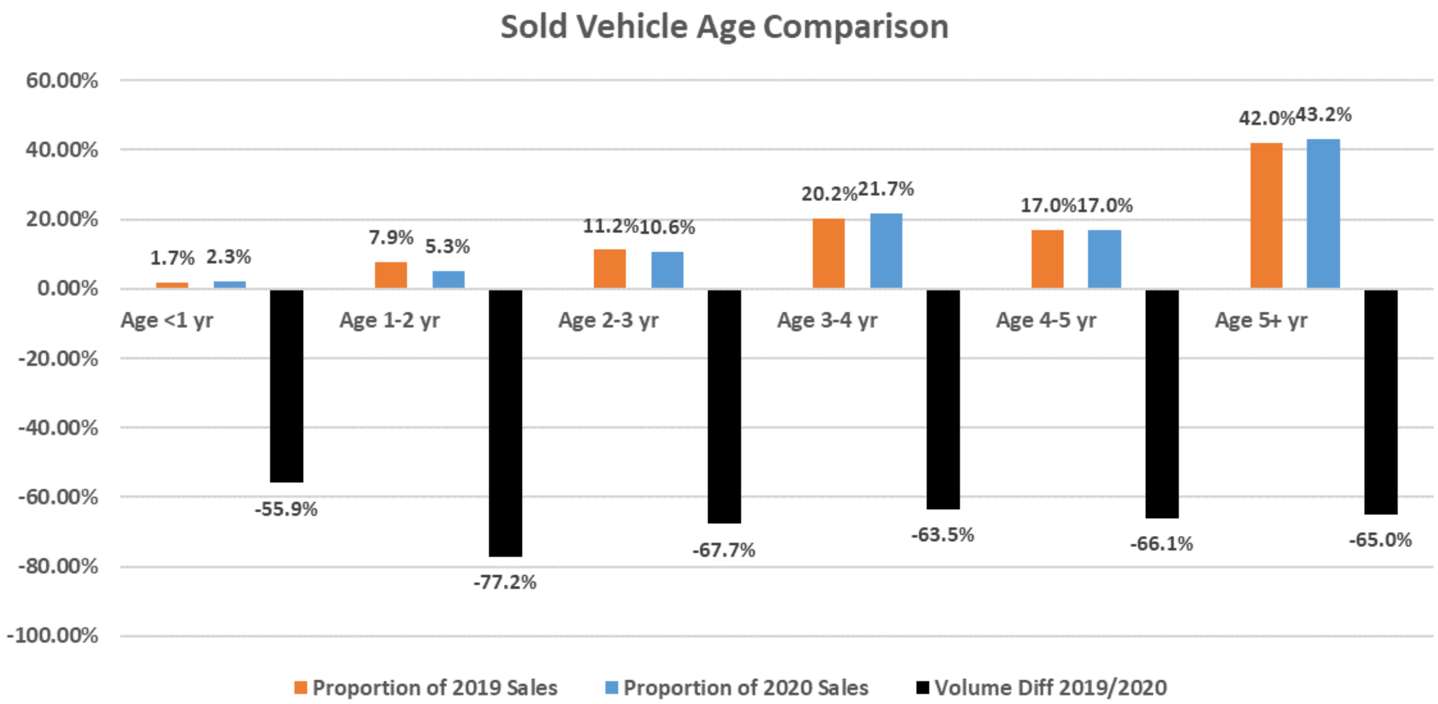
In a normal May we would expect to receive over 14,500 sold records, but as of the 22nd May this month's figure is down 88%, albeit we have seen sold volumes increasing each week as the month progressed.

However, the performance against our guide values have not decreased, and apart from the early part of the lockdown period values against our guide prices have maintained a consistent percentage, as the graph below indicates.



The volume of sold units is anticipated to increase over the weeks as more and more buyers adapt to buying vehicles solely on-line, or when auctions can open their doors and hold a physical sale in conjunction with the on-line offerings. However, due to the low numbers of transactions this month and as stated previously, we made the responsible decision not to move any values whilst there was not enough evidence to accurately portray the market.

In conjunction with monitoring the performance of the vehicles being sold, we carried out in depth analysis of the age of the vehicles and compared the current year-to-date against that of 2019. The evidence shows that we have not seen any major changes in the proportion of differing vehicle ages in 2020 to that of the previous year, and the details are shown in the following graph



HGV Market Overview

New HGV Vehicle Registrations

With the detailed release of the heavy commercial vehicle registration figures for Qtr.1 2020 from the SMMT, which is split into weight and vehicle type, not all have been affected in the same way. HGV registrations over 6 tonnes have reduced by 22.5% when compared to the previous year, broken down into -12% for rigid vehicles and -34.5% for tractor units. The effect of COVID-19 can be seen in the sale of all types of vehicles, as dealerships have been unable to operate normally, with only servicing & parts desks being open for sale.

With 58 HGV production plants in Europe, in 22 different countries each in a different status of lockdown due to the COVID-19 virus, and those that have returned to work operating under tighter control with social distancing, all production volumes will take some time to get back to some kind of normality. As an example, the lockdown in Italy & Spain both started their factory closures in early March, with the restrictions being lifted two months later, the loss of production of HGV's could be considerable.

Used Vehicle Activity

With the re-opening of a number of auction centres to transact on-line sales in May, and venturing into that unknown territory where there is no physical auction audience to work with. It was evident that the length of time it took between lots being offered became a factor in the total time it took to facilitate the sale. This may result in the reduced number of lots entered or alternatively lengthening the sale time, the latter of course will need sufficient stock variation in order to keep the buyer's interest as the sale progressives.

Similarly, to LCV's, due to the low numbers of transactions this month and as stated previously, we made the responsible decision not to move any values whilst there was not enough evidence to accurately portray the market. However, the situation regarding the volume of sales is constantly being monitored.