

January 2018

black book Editorial

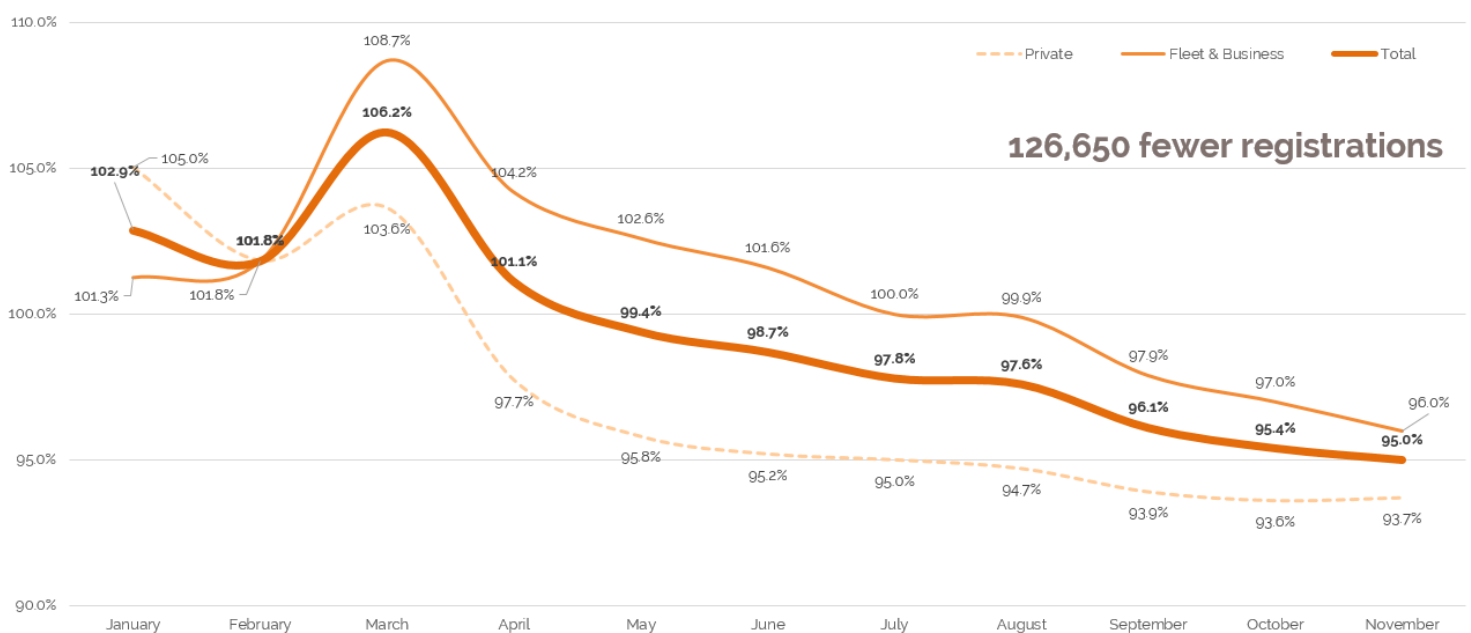
James Dower –Senior Editor black book

New Car Sales

November continued to reflect the gradual decline in new car registration activity with a month-on-month reduction of -11.2% compared to 2016. Whilst at first glance the percentage may look dramatic, it needs to be remembered that in real terms November is not one of the significant registration months of the year. The overall market has seen a 5% decline year-to-date, equating to a reduction of 126,650 vehicles. Certain media reports may reflect that 2017 has been a problematic year for new car sales but, in reality, we are more than likely to have witnessed a marketplace that is closer to true new car demand than seen in previous years. There is no doubt that pre-registration has formed a constituent part of the overall volume this year and it would be naive to suggest that this is unlikely to play a part in December as the year comes to a close. However, as 2017 has progressed, it appears that the industry has accepted that achieving volume expectations only ever experienced in the previous year were both incredibly unlikely and, perhaps far more importantly, far less profitable. 2016 saw growth driven through Fleet & Business with the Private registrations declining. This year we have seen Private registrations contract by 6.3% and Fleet & Business by 4%. It has, without doubt, been interesting to follow, especially after an incredibly buoyant first quarter driven by the Vehicle Excise Duty that came into effect on 1st April.

Historically, December registrations tend to be relatively subdued as consumer demand is low and the slightly enhanced value of the New Year registration lead to greater activity in January. This being said, the close of 2017 may just see a number of manufacturers continuing to push for market share.

Cumulative new car registrations 2017 vs 2016

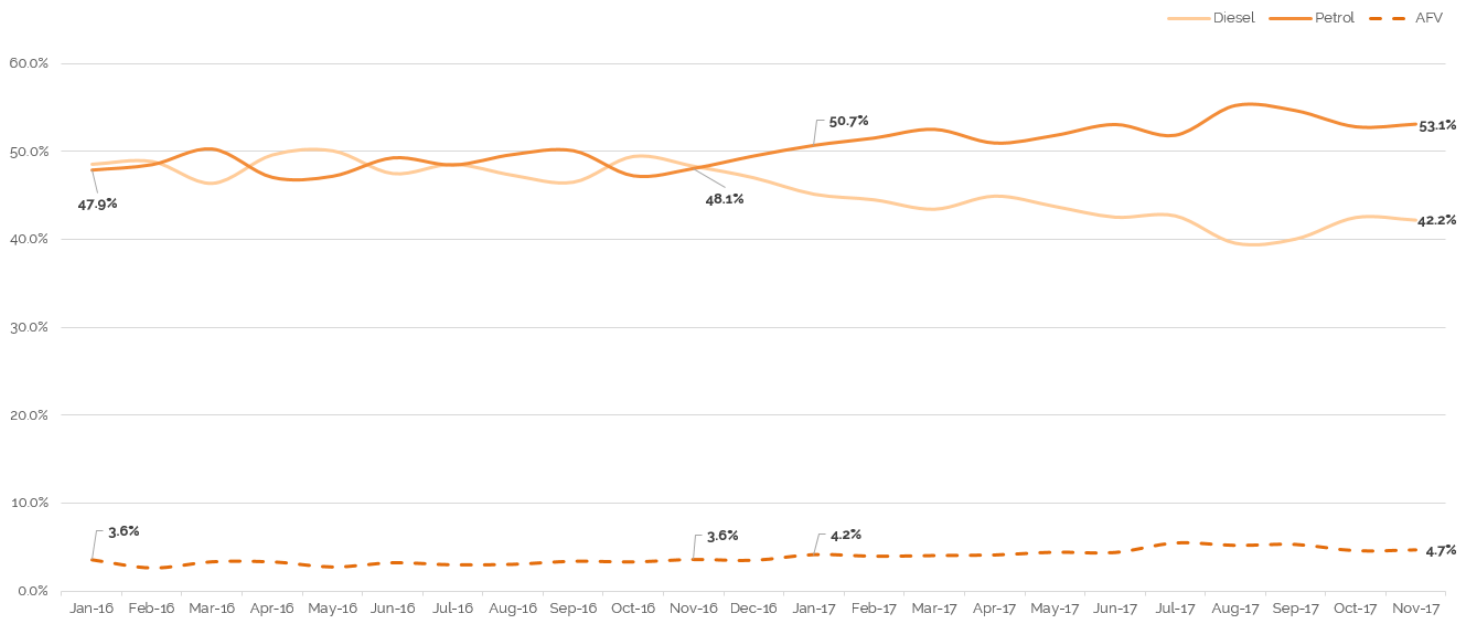


Source: SMMT

Diesel registration volumes have been under the spotlight throughout 2017 and November, once again, saw petrol as the preferred fuel choice accounting for 56.8% of the month's market share, diesel dropping to 37.7% and Alternative Fuel Vehicles at 5.4%.

2018 is likely to see this trend continue as both private buyers and company car user-choosers evaluate the complexities of fuel economy, company car taxation rules and the benefits of AFV's.

Market share by fuel type



Source: SMMT

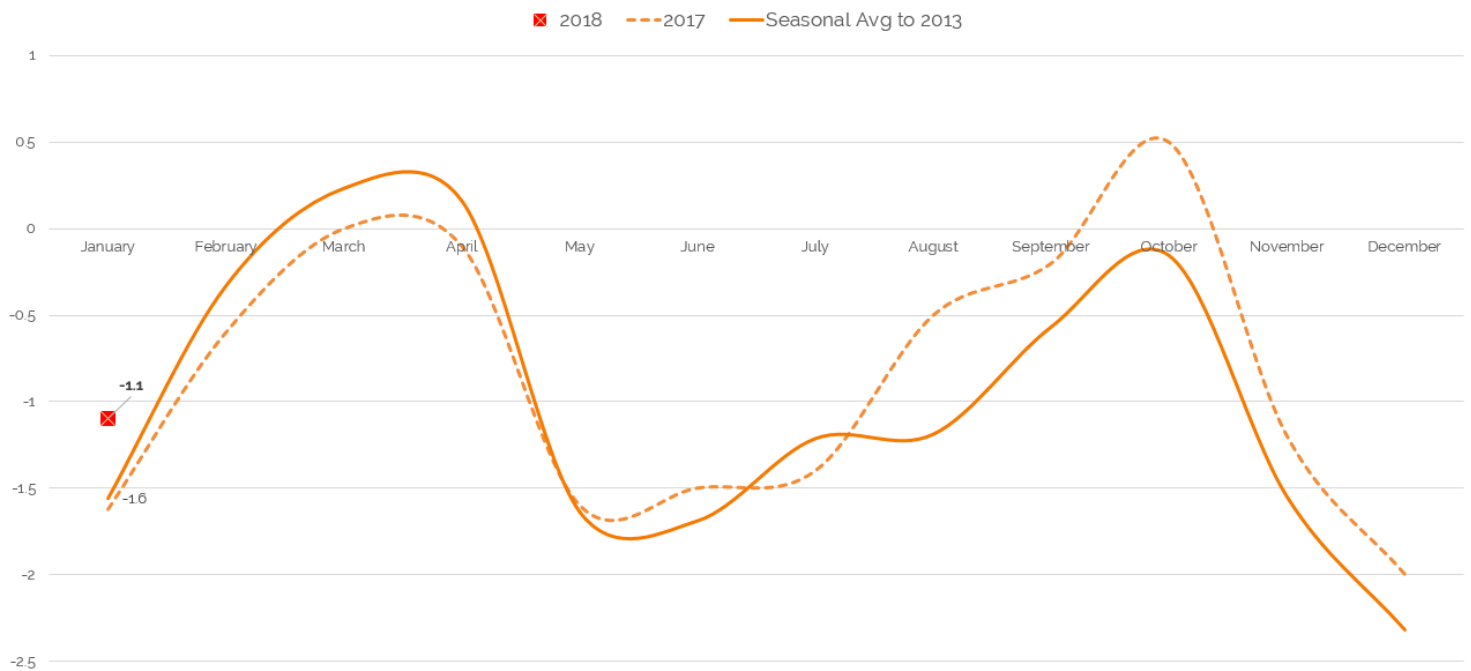
Auction Activity

Adverse weather is usually directly proportional to a drop off in demand in the used car marketplace and December saw certain areas significantly affected for a number of days. Whilst physical attendance certainly dwindled, the volume of buyers using on-line services grew and there appeared to be a two tiered market with higher graded vehicles continuing to retain a following and poorer examples failing to achieve reserve. The demand for late plated vehicles was low as the overall wholesale and retail market continued to see the impact of the increased de-fleet of rental registrations witnessed in the first quarter. It was evident that a number of chequebooks were closed although a proportion of buyers remained active throughout the month anticipating an increase in retail demand through January and the strengthening of the wholesale market into the first quarter of 2018. As is usually the case at this point in the year, there tends to be a delicate balance between a clean year-end stock position and ensuring that there is not a forecourt shortfall when used car retail demand picks up in January and prices begin to strengthen.

Used Cars – Trade Values

December saw prices at the 3 years 60,000 miles category move back by 1.1% which, when compared to the 1.6% downward movement experienced at the same point last year, continued to illustrate the direct link between declining new car activity and greater stability in the used car market. Average values at 1 year 10,000 miles fell slightly more and moved back by 1.2% as we saw greater volumes entering both the retail and wholesale market.

Monthly movements 3 years 60,000 miles



On average, the City Car sector saw a great deal of strength through the month and only saw values ease back by a marginal 0.1% at 3 years 60,000 miles. Top performers saw values increase with Fiat 500 (08-15) rising by 2.1%, Toyota Aygo (14-) up 2% and Smart Fortwo (14-) strengthen by 1.8%. There were some instances, however, where values dipped such as the Volkswagen Up (12-) and Skoda Citigo which moved down by 3%.

The Supermini sector eased back by 0.7% at 3 years 60,000 miles. BMW Mini One (10-14) Diesel values increased by 2.6%, Mitsubishi Mirage (13-) moved up by 2.1% and Citroen C3 (10-16) improved by 2%. At the other end of the scale, Skoda Fabia (10-15) diesel saw a decrease of 3.1%, BMW Mini One (14-) Diesel and Audi A1 (10-) weakened by 3.0%.

At a time where we would normally witness some levelling off in the Coupe Cabriolet and Convertible sectors, the weather had a notable effect moving through the month and values at 3 years 60,000 miles reduced by 2.7% and 1.8% respectively. January could prove to see interest in these vehicles increase as spring moves ever closer.

The electric vehicle sector saw average prices rise at 3 years 60,000 miles by 0.9%. Key influences within the overall average move were Renault Zoe (13-) Electric which continues to see real strength and moved up by 9.9%, Smart ForTwo (13-15) Electric increased by 5.2% and Peugeot Ion (11-) which increased by 4.2%.

Full details of the sector movements are detailed below.

What Next?

Historically, used car activity starts to improve after the Christmas period and values begin to strengthen. Buyers will be looking to replenish sold stock and those who have run a more lean stock into the back end of the year will also be looking to capitalise on the upturn in retail enquiry rates. Wholesale stock levels tend to be relatively healthy at this point in the year but it is likely that the higher graded vehicles will generate the greatest level of attention from the buyers and will look to command higher values in the increasingly competitive marketplace. Those who miss out may find themselves having to buy lower graded vehicles and investing a little more time and money preparing stock for the forecourt.

One of the biggest questions for 2018 will be just how much new car volume we are likely to see and how hard manufacturers are going to push registrations? If the pattern of 2017 is anything to go by, we are likely to see fewer new cars registered and a market more aligned to natural consumer demand. Used cars are, most certainly, going to be of utmost importance to profitability through the year and the expected reduction in forced registrations should allow the smaller retailers some breathing space to focus on profitability as opposed to pure volume.

The used car market is likely to increase in volume due to the historic levels of new car registrations but, with the decline in new car volume, this should have a stabilising effect.

The black book team will continue to report on the market each day giving our live product subscribers the most up to date market feedback.

black book January 18 - Average Value Movements

| | 1 yr/10k | 3 yr/60k | 5 yr/80k |
|-------------------------|---------------|---------------|---------------|
| City Car | 0.1% | (0.1%) | (0.5%) |
| Supermini | (0.8%) | (0.7%) | (0.3%) |
| Lower Medium | (1.7%) | (1.1%) | (0.7%) |
| Upper Medium | (0.8%) | (1.3%) | (1.3%) |
| Executive | (1.8%) | (1.6%) | (1.0%) |
| Large Executive | (2.0%) | (2.1%) | (1.9%) |
| MPV | (0.5%) | (0.6%) | (0.7%) |
| SUV | (1.2%) | (1.1%) | (1.1%) |
| Electric | (0.8%) | 0.9% | 0.2% |
| Convertible | (1.9%) | (1.8%) | (1.6%) |
| Coupe Cabriolet | (2.5%) | (2.7%) | (1.5%) |
| Sports | (1.5%) | (1.0%) | (0.6%) |
| Luxury Executive | (1.3%) | (0.7%) | (0.5%) |
| Supercar | (2.3%) | (1.4%) | (0.2%) |
| Average Movement | (1.2%) | (1.1%) | (0.9%) |

() Denotes negative percentages

Notable Movers 3yr 60k

| Generation Name | Min £ | Max £ | Avg £ |
|----------------------------------|-------|-------|-------|
| AUDI A1 (10-) | -400 | -225 | -295 |
| AUDI Q3 (11-) DIESEL | -600 | 150 | -268 |
| BMW 1 SERIES (11-17) DIESEL | -250 | -150 | -200 |
| BMW 3 SERIES (12-) DIESEL | -150 | -75 | -129 |
| BMW 5 SERIES (13-17) DIESEL | -550 | -350 | -429 |
| BMW MINI ONE (10-14) DIESEL | 125 | 150 | 146 |
| CITROEN C3 (10-16) | 75 | 100 | 85 |
| FIAT 500 (08-15) | 75 | 125 | 95 |
| FORD FIESTA (08-17) | -175 | -50 | -106 |
| HYUNDAI IX20 (10-) | 100 | 125 | 115 |
| MERC A CLASS (12-) DIESEL | -300 | -100 | -216 |
| MERC C CLASS (14-) DIESEL | -200 | -100 | -150 |
| NISSAN JUKE (10-) | -225 | -125 | -159 |
| NISSAN QASHQAI (13-) DIESEL | -150 | -75 | -98 |
| SKODA OCTAVIA (13-) DIESEL | -200 | -125 | -160 |
| SKODA YETI (09-) | 75 | 100 | 78 |
| TOYOTA AYGO (14-) | 75 | 125 | 94 |
| VAUXHALL INSIGNIA (13-) DIESEL | -400 | -200 | -299 |
| VOLKSWAGEN TIGUAN (11-16) DIESEL | -300 | -150 | -215 |
| VOLKSWAGEN UP (12-) | -175 | -100 | -133 |