

Press release: For Immediate Release

Cazana's Used Car Market Update for January 2019

Key points:

- Used car customers still driving strong retail pricing
- Consumer confidence may be low and used sales more difficult, but levels are robust
- Used car PCP helping to boost the used car market

With 2018 consigned to the history books, the January 2019 SMMT registration figures have been eagerly awaited with the first indication on how the UK market has been performing for the New Year. Unfortunately, the news was not so good and despite the significant drop in the market in the last twelve months it would seem there is further to go. This month's registration figures overall are 1.6% lower than the January 2018 figure. Given that the weather has not been too unpleasant and that there have been no specific national events that may have impacted on demand, the drop in registrations is perhaps due to either a continued lack of new car product or maybe it is Brexit that has had the negative effect.

The continued weak spot is the diesel market and in January 2019 the diesel vehicle registration volume was 20.3% lower than in January 2018. This is quite a drop once again and where petrol registrations are up 7.3% in comparison to the same period last year it is now perhaps cause for significant concern especially when the diesel market share is at just 29.1% and represents 64.1%. AFV's recorded an increase of 26.3% in registrations over the same period last year and this represents a 6.8% market share.

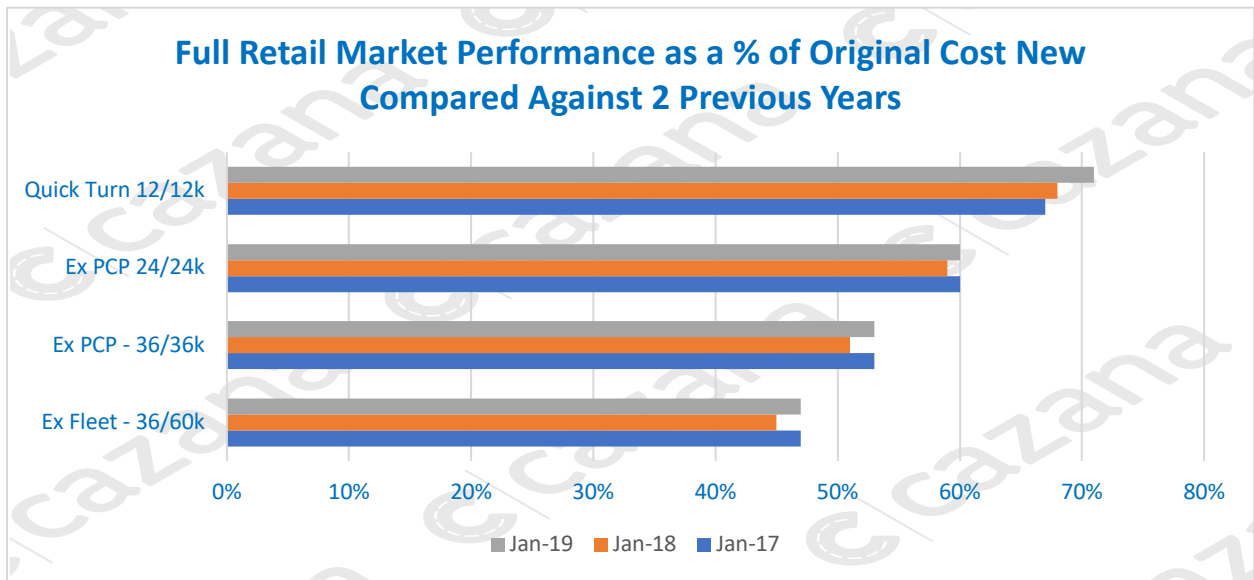
Looking at the market profile however and it is noticeable that registrations to the private buyer have improved by 2.9% on the same period last year. The fleet and business registrations are down by 3.4% and 33.5% respectively and this lends a little support to the comments that lack of diesel product availability has had a part to play in lower figures particularly for the diesel users in the fleet markets. Only time will tell, although it is worth noting that looking at registrations by manufacturer and Audi show volumes down by almost 27% over the same period last year. Accepting that much of their business is fleet based and often diesel focussed and this would account for at least some of the negative change in figures. What is also interesting is that of the VW Group brands, only Audi is still showing significant registration deficit which must surely be due to product availability as anecdotally demand for the brand remains as strong as ever.

Moving to the used car market and activity in the last few weeks has been less positive than normal for many at this time of year. There has been a lack of good quality and desirable stock in the wholesale market and demand in the retail market has been consistent meaning for some cars there has been an increase in retail pricing driven by an uplift in consumer demand. However, there is little doubt that the retail consumer is more difficult to close at the point of sale at the moment. Getting the customer through the door is just part of the process and it is in the latter stages where commitment seems to be less strong than in recent months. Anecdotal feedback is that Brexit is cause for concern and this is probably a valid reason for some buyers but the wiser buyers seem to also be capitalising on this as a starting point for a better deal!

The next chart looks at retail pricing performance as a percentage of original cost new for some of the key age and mileage profiles in comparison with the same month over the past 2 years:-

Registered Office:

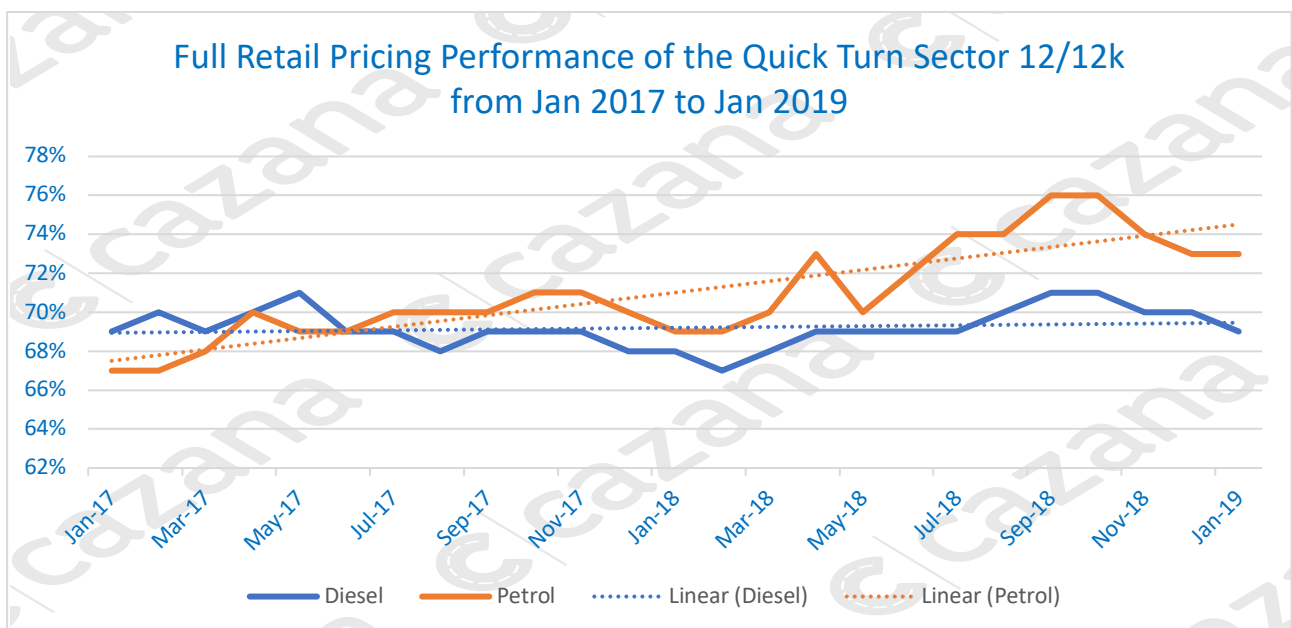
Cazana, Runway East, 10 Finsbury Square, London, EC2A 1AF
Registered in England No. 8460946



Data powered by cazana.com

This chart is interesting as it shows a unique trend across three of the key market profiles. Whilst it is clear that retail pricing levels in January 2019 have improved over the same period last year, it is of note that in all but the Quick Turn sector retail pricing as a percentage of original cost new is now at the same level as it was in January 2017. It is likely that the Quick Turn sector is still enjoying the retail pricing advantages of having less pre-registered stock in the market allowing for higher pricing. Customers in this sector are in part those who can't get a new car because of WLTP supply driven constraints. Strength in the very young car market can often lead to a general rise in retail pricing so the next few months will be interesting to watch.

The next chart looks at performance in the Quick Turn sector by fuel type:-



Data powered by cazana.com

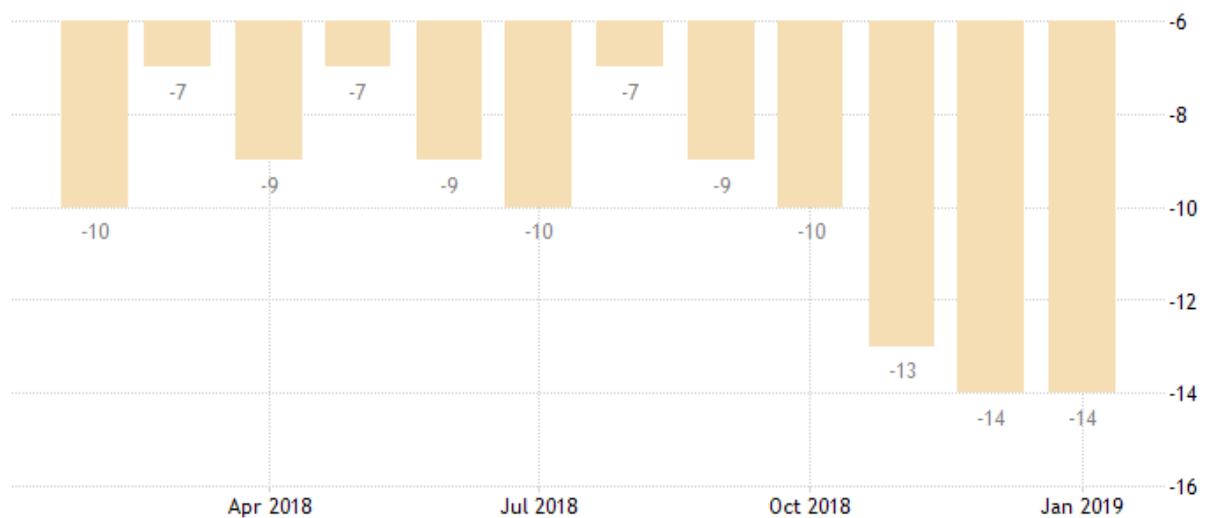
Registered Office:

Cazana, Runway East, 10 Finsbury Square, London, EC2A 1AF
Registered in England No. 8460946

Given the strength in the Quick Turn sector, the previous chart is worth appraising to see what has happened to retail pricing over the previous 2 years when split by fuel type. The first point of interest is that until mid-2018 the residual value performance of the diesel and petrol variants was very similar. The trend is for petrol prices to continue to increase in this sector and bearing in mind much of the activity at this age and mileage is rental, bodyshop and courtesy car fleets this is not a real surprise.

The second point of interest is that Diesel residual value performance has been consistent and this may come as a surprise to many. At 69% of original cost new in January 2017, the figure remains the same in January 2019 although it is important to highlight that over the same period petrol performance has improved from 67% to 73% of original cost new which is an increase of 6 percentage points which is remarkable.

With such continued retail pricing strength in the market it is often difficult to understand how this is being achieved under the current economic conditions. Brexit is ever closer and an agreement ever further away. Consumers are worried as the Consumer Confidence chart below shows:-



SOURCE: TRADINGECONOMICS.COM | GFK NOP (UK)

But it would seem that despite confidence being at a 12 month low, cars are still selling and for high retail prices. Therefore, there must be a catalyst that is keeping the market moving and it would seem that this might well be the change in ownership patterns. Working on a deal with straight HP can provide a scary looking monthly figure these days but using the ever-increasing number of used car PCP products might just be the way that retail pricing and sales success is being perpetuated. The FLA confirm that used car finance penetration is at one of the highest ever levels. Finance companies are working hard to make sure that they are as accurate as possible on the Guaranteed Future Values and put all these factors together and taking a PCP on a used car looks more appealing than it has done in many years.

In summary, January has posed its own challenges in both the new and used car markets. New car sales should be better balanced this year and the coming months will see whether that will be the case, although supply and demand factors should resolve themselves in the coming weeks and a more balanced year in volume terms is very likely. The used car market whilst harder in recent weeks will continue to be a profitable place to be, especially as finance companies use more live and intuitive unedited market data on which to base future values thus driving ownership costs down.

Registered Office:

Cazana, Runway East, 10 Finsbury Square, London, EC2A 1AF
Registered in England No. 8460946

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. 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 the continuing Brexit confusion at an all-time high, top quality up to the minute commercial data will identify market variations quicker than any other data provider and will be vital to ensure modern automotive organisations are in a position to make the most effective strategic decisions.

Written by Rupert Pontin, Director of Valuations at Cazana, February 5th 2019

-Ends-

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. 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 eight 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.

Registered Office:

Cazana, Runway East, 10 Finsbury Square, London, EC2A 1AF
Registered in England No. 8460946