

Market Tracker

December 2021

Used vehicle values may never return to pre-pandemic levels, says Cox Automotive

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- c.1.4 million new vehicles lost, never to reach used vehicle parc
- Record 16.8% month-on-month increase in average value at Manheim
- Softening in the market is likely due to the seasonal period
- New car sales increase 1.7% year-on-year
- EVs continue the positive trends in new car sales
- The UK has the best recovery compared to its European neighbours

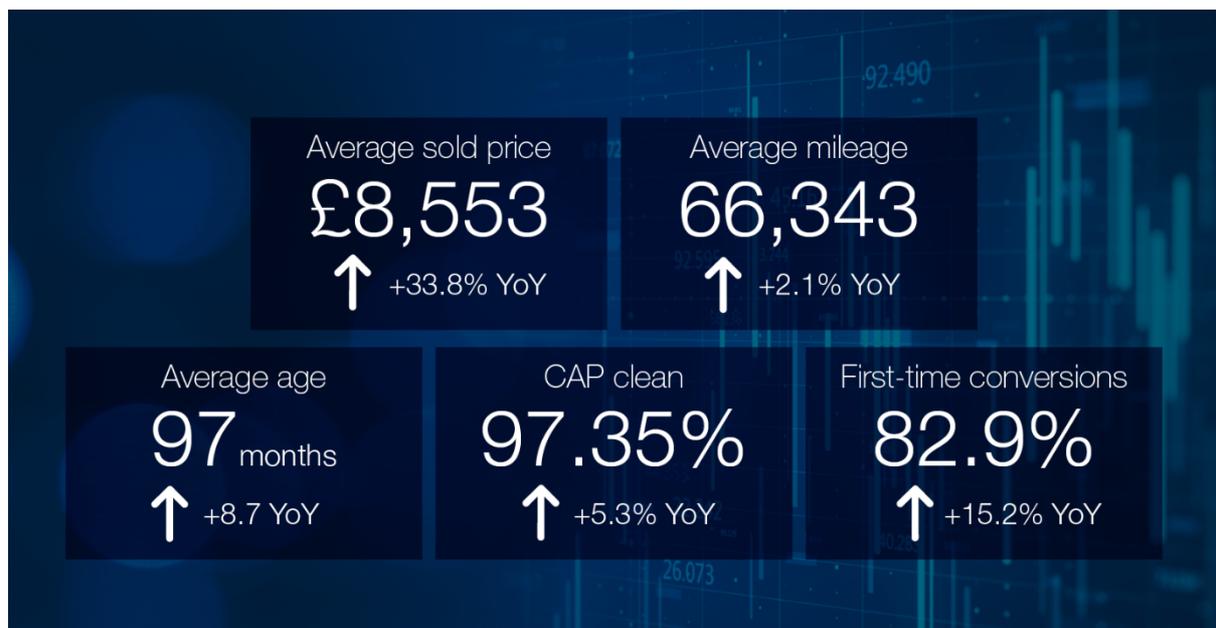
A year of frustration caused by new vehicle production problems and COVID restrictions has transformed the wholesale vehicle market. That's according to Cox Automotive in its latest market tracker, reflecting on wholesale values from November 2021.

According to Philip Nothard, Insight and Strategy Director at Cox Automotive, wholesale vehicle values will show signs of stabilisation throughout mid-2022 as the market attempts to get back to some form of normality. However, the coronavirus pandemic has rapidly accelerated the online and digital marketplace to what existed two years ago. As a result, it's also entirely possible that a new benchmark for used vehicle values has been reached that may never dip to pre-pandemic levels.

Nothard warns that there is no tsunami of used stock on the horizon, and an increased focus on the detail will be required as the shape of the market evolves. It also can't be ignored that around 1.4 million new vehicles have been lost from the market, which will never enter the used vehicle parc. Although the impact in the sub-12-month market has been felt already, it will without a doubt have a bearing on the sector for years to come.

Manheim November auction results

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November's wholesale key indicators experienced a slight easing month-on-month in the sector, with marginal falls observed, continuing a trend first observed in October's results.

Last month's average first-time conversion decreased by -6.01% to 82.90% month-on-month. Similarly, CAP Clean experienced a marginal month-on-month fall of -2.32%, to 97.35%. This easing resulted in a lowering of both the average age and mileage of vehicles observed through the Manheim lanes.

The average age of cars sold also slightly decreased by -5.64% to 97 months, and the average mileage of cars sold, decreased by -4.31% and down by 2,987 miles to 66,343 miles. However, despite four key indicators experiencing month-on-month falls, used car values continued to rise, with the average sale price experiencing one of the largest month-on-month increases of 16.8% or £1,129, to £8,553.

Writing in Cox Automotive's [AutoFocus Q4](#) magazine in December, Nothard said: "Back in July, we asserted that the used car market has never been more critical to the overall health of the automotive industry than it has been in 2021. The last few months have given more weight to this suggestion.

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“While prices have now increased for eight consecutive months, recent signs point towards a potential softening in the market. And while it remains the case that prices overall have continued to rise, the situation is becoming increasingly complex, with some models starting to see significant price decreases. Moreover, some figures we’ve observed are misleading, as it doesn’t represent live market data where many models that saw an increase at the start of the month, which dropped off by the end.

“It’s important to remember in the final month of the year that this is traditionally a slow period as retail activity slows ahead of Christmas. Prices are expected to drop in line with usual market cycles, so current prices still reflect a high demand with a low supply market. With prices as they are, dealers are becoming increasingly cautious, but as the year draws to a close, they will require stock for the new year, so prices are unlikely to drop significantly.

“We expect current market conditions to continue throughout Q1 2022, and it’s entirely possible that we are seeing a revised benchmark for the used vehicle parc.”

New car results

According to data from the Society of Motor Manufacturers and Traders (SMMT), 115,706 new cars were sold in the UK, an increase of 1.7% on the results from November 2020 – when the effects of the second lockdown of last year were also affecting the new car industry. However, despite the increase and the end to four months of consecutive decline, the sales figures also represent a -31.3% decline on the pre-pandemic five-year average.

Compared to its European neighbours, the UK was the only country to record positive year-on-year results. However, Germany suffered the worst year-on-year performance in November at 198,300 sales and a decline of -31.7%. Italy followed with 104,500 sales representing a -24.6% fall, Spain followed with 66,400 sales representing a -12.3% fall, with France suffering the smallest decline with 122,000 sales representing a -3.2% fall.

The overall picture of the monthly performances is better represented when November 2021 is compared to the same period in 2019, the last comparable pre-pandemic year. The UK’s November new car sales performance last month represented a -26.1% fall. Spain and France followed with falls of -28.7% and -29.4% respectively. Italy’s fall in sales was -30.8%, with the biggest fall occurring in Germany at -33.7%.

Nothard added: “The fact that all markets are down more than 20%, compared to what could be a more normal trading year of 2019, illustrates that although the UK recorded an increase in new car sales, the result should not be taken as a reflection of recovery.”

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Writing about the full-year performance in the latest AutoFocus, Nothard said: “Two of the major trends – electrification and semiconductor shortages – are likely to continue to impact the new car market in the UK in the short to medium-term. In addition, the ongoing impact of COVID-19, uncertainty surrounding Brexit, and continued supply shortages looms large, and it may take longer than anticipated for the market to recover from this as quickly as hoped. But in the short term, we anticipate a continuation of the current market conditions, with some uplift in supply helping to drive sales as we progress through Q1 2022.”

In line with previous forecasts, Cox Automotive also adjusted its forecasts for the remainder of 2021 and Q1 of 2022, giving best, mid, and worst-case scenarios. The worst-case scenario looks to be the most likely, but as ever, there are significant, multiple, and complex variables at play.

Nothard added: “Our worst-case scenario sees 2021 end on 1.552 million transactions after a 245,204 Q4. This is -4.8% down compared to 2020 full year and falls -32.8% down compared to 2019. In our Q1 2022 forecast, we predict the quarter will end on 431,787 transactions, a +1.5% increase year-on-year, but -35% down compared to the 2000-2019 average.”

Data from the November SMMT results show that electric vehicles (EVs) market share has increased. The share of plug-in hybrid vehicles (PHEVs) grew to 9.3% or 10,796 units over the same period in 2020. The demand for battery electric vehicles (BEVs) meant that the share of the new car market equated to 18.8% or 21,725 units, doubling the numbers this time last year. As 17.5% of the 1,538,585 sold in the year-to-date were BEVs or PHEVs, one in six vehicles registered in 2021 has plug-in capability. Adding these figures to the 9.0% hybrid electric vehicle (HEV) market share, more than a quarter of the 2021 new car market is electrified.

Supply shortages effect on new car registrations

The well-publicised supply constraints were recently highlighted by Gabriella Dickens, a senior UK economist at Pantheon Macroeconomics. Dickens said: “Supply shortages and subdued demand continued to hold back new private car registrations in November, despite the jump in the year-over-year rate of growth to 41.7%.

“Indeed, the sharp rise in the growth rate reflects base effects as car sales plummeted in November 2020 as the UK economy re-entered a strict lockdown.

“Private car registrations last month still were 14.4% below their average November level in the five years prior to covid, though this represents a slight improvement from October when sales were 17.9% below on the same basis,” Dickens said that shortages of certain inputs, most notably semiconductors, remained one of the main reasons behind weak sales, but demand was also subdued.

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Ends.

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About Cox Automotive Europe

Cox Automotive Europe is driving the digital transformation of defleet, remarketing and retail operations for our manufacturer, fleet and dealer customers in continental Europe, Ireland and the UK.

As part of Cox Automotive, the world's largest automotive service organisation, we're transforming the way the world buys, sells, owns and uses vehicles. We work in partnership with our customers to not just provide dependable solutions that improve performance and profitability throughout the vehicle lifecycle today, but to innovate and prepare for the opportunities of tomorrow.

Our businesses are organised around our customers' core needs across vehicle solutions, remarketing, funding, retail and mobility. Our product brands in Europe include Manheim, Manheim Express, Dealer Auction, RMS Automotive, FleetMaster, Movex, NextGear Capital, eVA Valuations & Appraisals, Codeweavers, Modix and money4yourmotors.com. Cox Automotive Europe employs more than 2,500 team members and works with thousands of businesses throughout the wholesale and retail automotive markets.

Cox Automotive Europe is an operating division of Cox Automotive International and part of Cox Automotive, the world's largest automotive service organisation. Cox Automotive International represents our three core markets outside of the US - Europe, Australia & New Zealand and Canada & Brazil - and emerging markets in China and India.

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About Manheim

Manheim - a Cox Automotive product brand - helps manufacturers, fleets and dealers buy, sell, process and manage their vehicle assets efficiently, profitably and confidently.

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Manheim Auction Services is responsible for one of the largest multi-channel wholesale vehicle marketplaces in the UK. Our physical and Simulcast auction services are complemented by a broad range of products and services that support vendor defleet and disposal programmes – and give buyers confidence, convenience and value.

Manheim Vehicle Services provides the physical operations required by manufacturers, fleets and dealers for the operation of scalable and intelligent retail, in-life and defleet programmes. We specialise in delivering significant financial, quality and efficiency gains.

Manheim Inspection Services is the specialist in providing consistent, compliant and positive vehicle inspection services. We add value to vendor de-fleet and disposal programmes on the doorstep or centrally, and our resulting assurance products give buyers confidence in the vehicles they want.

Cox Automotive Europe is driving the digital transformation of defleet, remarketing and retail operations for our manufacturer, fleet and dealer customers in continental Europe, Ireland and the UK.

As part of Cox Automotive, the world's largest automotive service organisation, we're transforming the way the world buys, sells, owns and uses vehicles. We work in partnership with our customers to not just provide dependable solutions that improve performance and profitability throughout the vehicle lifecycle today, but to innovate and prepare for the opportunities of tomorrow.

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