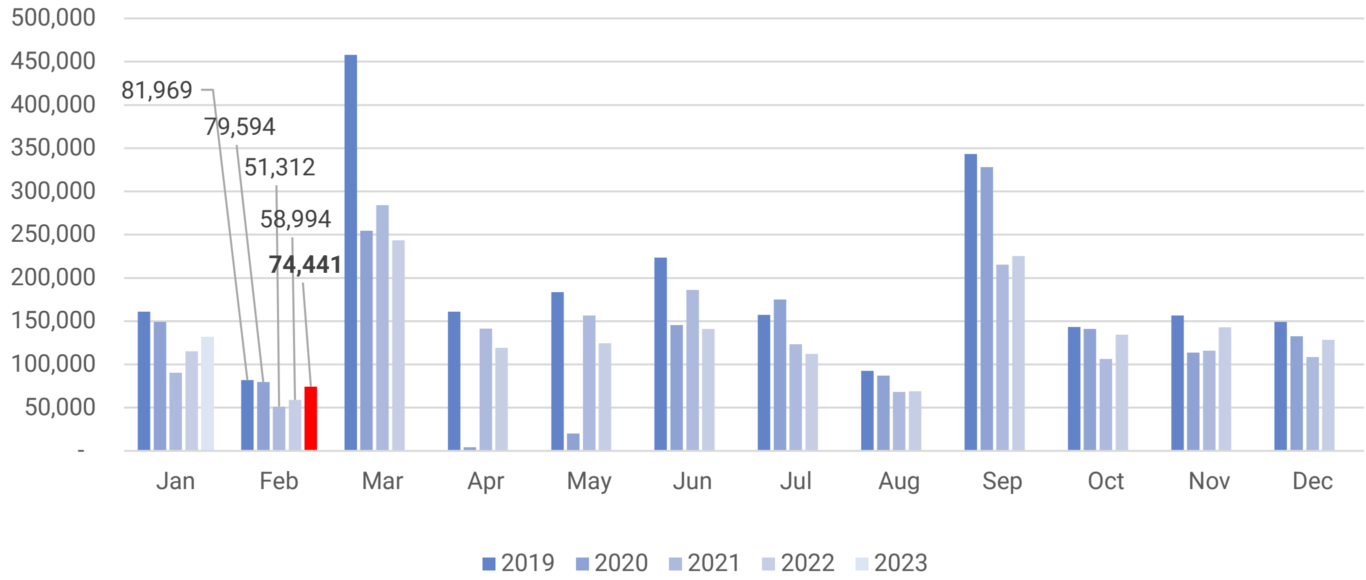
April 2023

Car market overview

This monthly overview provides an update on the current new and used car markets in the UK. We will report on new car registrations to the end of February 2023 and used car activity at the time of writing. All information is correct as of 28th March 2023.

New car sales

According to the figures produced by the Society of Motor Manufacturers and Traders (SMMT), 74,411 new cars were registered in February 2023, an increase of 26.2% on the same month last year (58,994) and the seventh consecutive month of year-on-year growth. Year-to-date, volumes are up 18.6% on last year, with 206,435 registrations versus 174,081 in 2022. Compared to the first two months of 2020, before COVID-19 started to affect the market, volumes are 9.8% down. All eyes are on March, which at the time of writing is well on target to achieve the eighth consecutive month of growth.



Source: SMMT

All sectors of the market were positive in February, with Private registrations up 5.8%, Fleet up 46.2% and Business up just 0.7%. Manufacturers continue to replenish the stocks of those fleet companies that have been short of supply since 2020 and that have volumes of cars on lease extensions with their end-users. Year-to-date, Private registrations remain slightly down, by 1.2%, with Fleet up 40.3% and the relatively small Business sector up 27.5%.

Hybrid vehicles saw the largest year-on-year increase in February, up 40.0%, for a share of 12.9%, followed by petrol, up 35.8% with the largest share, at 56.9%, whilst diesel registrations fell by 7.0%, for a share of just 7.3%. Plug-in Hybrids increased by 1.0% (6.3% share), and Battery Electric Vehicles by 18.2%, for an impressive share of 16.5%. Year-to-date, alternatively-fuelled vehicles take a combined share of 33.9% - more than 1 in 3 registered cars being of some electric propulsion, compared to diesel share at just 10.1% (petrol is at 57.4%).

Used car retail activity

March continued in a similar vein to January and February for the used car retail market, with demand at healthy levels, and Quarter 1 of 2023 generally surpassing all expectations. When you cast your mind back 3 months, to December, there was some trepidation around how the cost-of-living issues across the country would affect appetite for used cars, but the market has been robust and consumers have been actively buying.

Again, the continuation of some now familiar themes remain. With trade prices high, and generally on an upward trajectory since the first week of January, and retail prices already high, there has been little opportunity to push advertised prices up, so margins are being squeezed. Competition from both physical and online outlets has made this particularly the case, even with consumer demand strong. Important to remember that prices went up some 30% in 2021 and have barely dropped since. There is also some competition around APR (Annual Percentage Rates) for finance deals, with some using this as a lever to attract buyers, which again can squeeze some of that profit.

The second theme that has continued in March is the uncertainty in the electric vehicle used car market. Consumer demand remains patchy, with the cost of electricity, range anxiety and press stories putting some people off the move to driving electric. EVs will certainly work for many, but it is not quite as simple a buying or ownership experience as for a petrol or diesel car. There also remains wide disparities on retail prices for EVs, with those retailers that bought at previous high prices, some even carrying stock purchased as far back as the final months of 2022, reluctant to drop prices due to what the car owes them, whilst those that have bought recently at far lower wholesale prices, can afford to advertise more cheaply and still make a margin. Demand is there for EVs, but it is not anywhere near as high as for internal combustion engine cars. To try to create additional demand, we have seen some manufacturers and dealer groups, concerned by used volumes now and in the future, put packages together to try to entice the consumer, by way of attractive finance rates purely for EVs, increased finance deposit contributions or offering a free home charger, and these have had some degree of success. There do remain some attractive new car deals on electric cars, however, so when buying on finance, for a modest increase the new car is being purchased by many as opposed to a used one.

There is also some pressure on cheaper EVs, as again, for a relatively modest increase in monthly payments, they can “upgrade” to a more aspirational brand or model, now that prices in the used market have realigned for many models, particularly the Tesla Model 3 and the Jaguar I-PACE that are now commonly advertised below £30,000, with some nearer to the £20,000 point.

Overall, March has been another strong month for used car retailers, with positivity across the board. There has been some margin squeeze, but not to cause too much angst, and EVs remain relatively difficult to sell, but for the staple diet of petrol and diesel cars, there is much to be positive about.

The biggest issue has been replenishing stocks at acceptable prices.

Used car remarketing activity

With the retail market in rude health, the wholesale arena has continued to see a high degree of activity, with buyers seeking out cars to fill their websites and/or forecourts.

Again, some caveats. Petrol, diesel and hybrid cars in good condition have been highly sought after, both in the auctions and when buying direct from remarketers. Cars in poorer condition, either cosmetically or mechanically, have been not quite so in demand, with dealers not wishing cars to spend time in their workshops – turnaround time is key, particularly as margins are not as healthy as they were last year. Older cars have not sold quite as well as in previous months, whereas the three-year old vehicle is in demand and in shorter supply, as we are now 3 years on since the first COVID-19 induced lockdown, and new car volumes have been heavily affected since.

It has been a particularly interesting month for electric vehicles in the wholesale market. With consumers still not buying in abundance, there remains some reluctance from dealers to buy, particularly in volume. Some still have buying bans, whereas others are now seeing prices as attractive and can see that, when adding a margin, that these will be desirable to the consumer at reasonable price points. As values for some EVs have continued to drop in cap Live, they have become more attractive through the month, and conversion rates have improved for certain models. We have continued to witness small volumes of some EVs on certain days being sold particularly cheaply, as vendors look to liquidate stock, but the volumes have been low and have not overly affected the cap value moves, as other auction sales and remarketers have been selling at far higher prices. With ICE car prices high, and plenty of competition for stock, some dealers are looking to EVs as an opportunity, although they are being wary on volume, not wishing to be over-exposed.

Car editorial

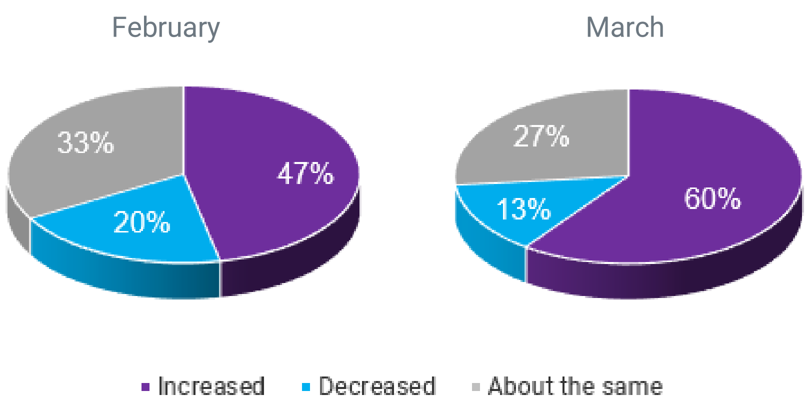
By cap hpi

Overall, the wholesale market has been strong in March, conversion rates healthy and prices high, particularly for petrol and diesel cars. Some hybrids remain under pressure, mainly due to high prices and volumes, but they have not been anywhere near as badly affected as pure electric vehicles.

Volumes within the sold data received by cap hpi point reflect this healthy market – they are c.20% higher than in the same period last year, but 12% lower than pre-COVID.

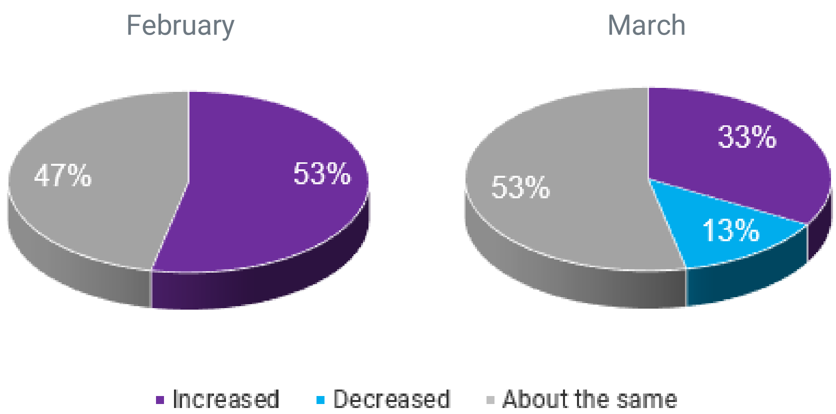
Turning now to the cap hpi auction survey, with a fantastic response rate once again. Thanks to those companies that respond each month.

How do your current stock levels compare to last month?



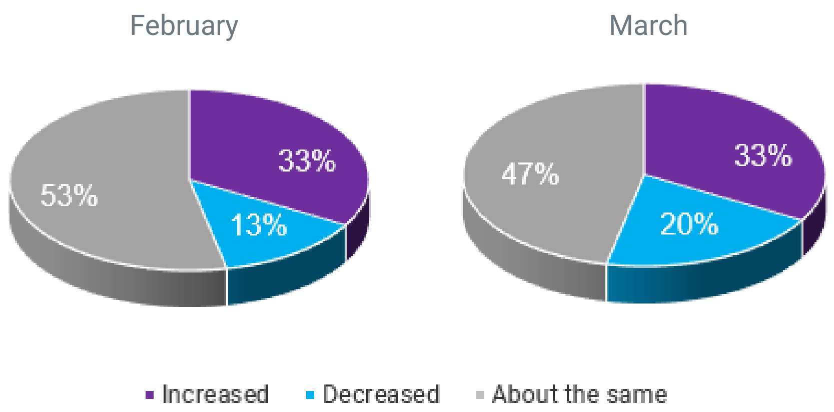
Stock levels continue to increase for the majority, with new car supply improving and the used car market healthy, generating part-exchanges, it is unsurprising and welcomed by the auction companies. 60% saw levels increasing, with a further 27% pointing to a similar picture to last month. Only a small minority, and fewer than last month, were seeing numbers of cars dwindling.

How does your current overall demand compare to last month?



Over half of respondents were seeing a similar picture to February with regards to demand. Important to remember that demand has been healthy all year so far. One third of respondents actually saw demand increase in March, not always the case in a new plate month, but franchised dealers do remain fully engaged in the used market this year. Again, a small minority saw declines in this area, not the same respondents that were seeing stock levels reduce, however.

How do your conversion rates compare to last month?

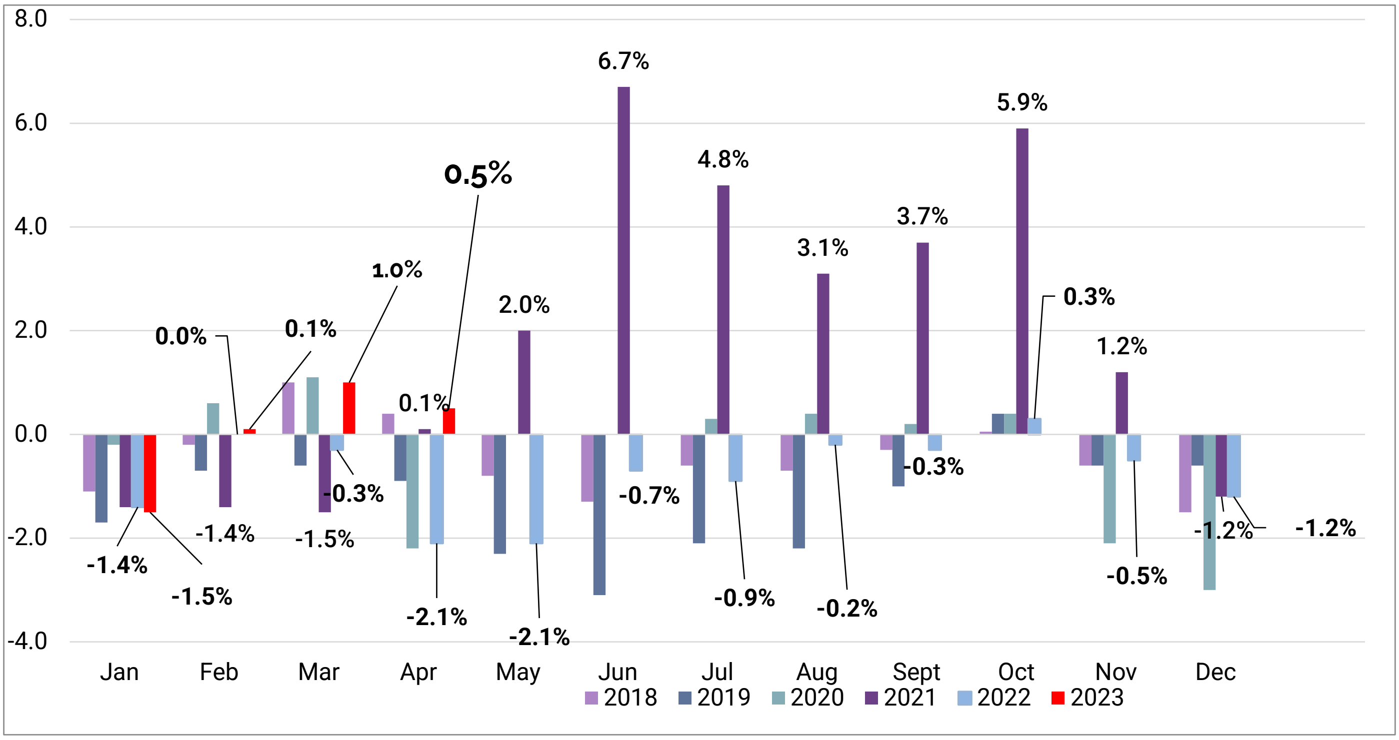


80% of respondents saw either parity with the previous month or an improvement to conversion rates, which remain at high levels for the time of year. Again, a minority were seeing these decline and that included those that stated demand was worse than in February. The cheaper end, particularly where there are mechanical or electrical issues, and cars in poor condition, have certainly worsened with regards to both demand and conversion rates.

Used cars – trade values

So, what has this interesting market, with many nuances, meant for cap hpi used car values? Average cap Live values edged up gently through the month, but did plateau around the third week, and in the last days there was a very small reversal of the average figure. As we end March and produce monthly values for April, for those that are not tracking them daily, values at the 3-year point were a small positive, up 0.5%, equivalent to an average increase of c.£30. This is shown by the April figure on the graph below. Looking back over the years since Live was introduced, March tends to vary between being seeing a small positive or a small negative movement. In 2020, as we were just entering the first lockdown, we witnessed the largest downturn, of -2.2%, and last year March was also a weak month, dropping by 2.1%, but for both those years the negative movements were relatively short-lived. The 0.5% increase this March, actually equals the most positive movement seen since Live was introduced in 2012, with 2014 seeing the same increase. Indeed, you have to go back to 2010 to see a movement in excess of this percentage, when values increased by 0.7%. And of course, the increase this year is coming off the back of two strong years, in 2021 and 2022 and a healthy start to this year. 2023 year-to-date is the only year in the last fifteen where all of the first 3 months have seen individual increases.

Monthly percentage movements in Live valuations (3-years, 60k miles)



For the first time this year, however, there has been a negative movement for older cars. At the 10-year age point, values have dropped by an average of 1.3%, equivalent to c.£55. A small movement, but a downwards one nonetheless and it is generally cars under £5,000 that have reduced in value. At younger ages, the averages were level with values in February at the 1-year point, and slightly down (-0.5%) at 6-months of age.

All mainstream sectors saw a small average increase in their figures, with superminis, city cars and upper medium seeing the largest average increases (ranging from 0.6 to 0.8%); perhaps this is where the best value sits. However, there were some large differences for models within these sectors, with the devil very much in the detail. City cars such as the Fiat 500 and Peugeot 108 dropped by just over 1% (around £100), whereas the Fiat Panda, Hyundai i10 and Skoda Citigo all increased by between 3 and 4%, equating to around £250 for each.

Whilst SUVs overall saw an average increase of 0.5%, large SUVs dropped by an average of 0.7%, whereas medium and small models increased by averages of 0.9% and 0.6% respectively. Again the devil is in the detail as seen by the BMW X5, where the petrol version dropped by 2.0% or £800 at the 3 year point, whereas the diesel increased by 1% or c.£400. The Land Rover Range Rover, on the other hand, saw some weakness across all fuel types, with supply outweighing demand, and values dropping between 1 and 2% depending on the fuel, ranging from an average of c.£550 to c.£1,300.

Looking at electric vehicles, it been another fascinating month, as average values have reduced for the seventh consecutive month. The average Live movement at 3 years was -5.4%, equivalent to c.£1,500. While this is still a large reduction it is not as great as the past two months which saw values decrease by 7.5% and 6.6% respectively. When tracking the average cumulative movement for EVs over the last seven months the figure is an eyewatering -29.9%, for context the movement for petrol vehicles over the same period of time is -1.4%.

However, it is impossible to gauge the market by looking at *average* EV values now, as different models are realigning price-wise in completely different ways. The Tesla Model 3 for example, reduced in value early in the month (by 2.0%) but ended up in a level position as the price performance slowly improved. This model has quickly become the benchmark for many when tracking used EV prices, so a recent stabilisation could give some confidence to EV values in the market, however, some still do look expensive in comparison. Similar to the Model 3, the Jaguar I-PACE and Audi E-Tron also saw reductions early in the month but actually ended up with small increases. These three models have seen some of the biggest negative movements over recent months so may have now reached the level where buyers can purchase with confidence once more, although this does depend very much on the retail market of course. However, these models are the exception rather than the rule, as we continued to see large reductions applied throughout March for other electric vehicles, with some of the largest movers being the Ford Mustang Mach-e, down c.8.5% or £2,575, the Renault Zoe down by 9% or c.£950, the Vauxhall Corsa Electric down c.8.5% or c.£1,100 and the Volkswagen Golf Electric down 10.5% or £1,400. Many EVs values continue to realign, even though some are now cheaper than the equivalent internal combustion vehicle.

So, overall, a small positive movement for cars at the benchmark 3 year age point, particularly for non-EV product. The average uplift is actually 0.8% when removing electric cars from the figures, equivalent to over £70 on average, but for EVs, volatility remains.

What next?

Last month, our prediction was:

"Franchise dealers eyes will be on new car registrations in March, but they will continue to focus on the used car market whilst it remains so buoyant. There is no reason to predict a downturn in consumer demand. Used cars remain a necessity purchase for many and not everyone is affected by economic concerns enough to put off replacing a car.

Volumes of used cars will start to increase as we progress through March, particularly as manufacturers will continue to furnish the fleet industry with cars, leading to the replaced cars hitting the used market. However, with there being a shortage already, these increases will not be enough to cause any concerns.

It is likely that used car values for petrol and diesel cars will remain strong. There could even be continued increases in values for a number of models that are not over-supplied in the market. Those that look expensive, or sit close to list prices may well reduce however.

It is not clearcut on when we will see a more stable market for electric vehicles, however, as it will happen at different stages for different models, for example we may already be seeing the Tesla Model 3 starting to level off, but others still look relatively expensive".

As March closes and we enter the Easter school holiday period, we are likely to see an end to the three consecutive months of average increases at the 3 year age point. The older end of the market has already turned, albeit slightly, and this can be a pre-cursor for the rest of the market. There will be increased volumes of used cars arriving into the market, particularly from fleet returns, with cars replaced in March. However, stock is required by retailers, so they will continue to buy, but maybe not at the same prices as previously, with more cars available, and particularly as trade values remain high and margins under pressure. Important to note though, that new car registrations over the last three years have been well shy of pre-COVID times, and compared to 2019, there are cumulatively over two million less cars in the market than there would otherwise have been. This will continue to keep values relatively high, overall, with only small decreases from current values likely.

For electric vehicles there will continue to be realignment as models jostle for position on price. Where does the cheaper end of the EV market sit now that more expensive, aspirational cars have reduced in price? Does that gap need to widen? Whatever happens over the coming weeks, cap Live will continue to reflect price changes on a daily basis, remaining an essential tool for vendors and buyers alike.

Current used valuations April 2023 - average value movements

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
City Car	(0.3%)	0.6%	1.1%	0.2%
Supermini	(0.0%)	0.7%	0.3%	(2.3%)
Lower Medium	0.0%	0.4%	(0.0%)	(2.2%)
Upper Medium	0.5%	0.8%	0.1%	(1.4%)
Executive	(0.1%)	0.2%	(0.2%)	(2.8%)
Large Executive	(2.1%)	(1.0%)	(0.1%)	0.8%
MPV	(0.7%)	0.1%	0.1%	(0.3%)
SUV	(0.0%)	0.5%	0.7%	(0.5%)
Convertible	1.6%	1.7%	1.8%	1.5%
Coupe Cabriolet	2.0%	1.8%	2.6%	1.2%
Sports	(0.0%)	0.1%	0.0%	0.0%
Luxury Executive	(1.3%)	(1.7%)	(0.7%)	(0.2%)
Supercar	(0.2%)	(0.1%)	0.1%	0.0%
Overall Avg Book Movement	**(0.0%)**	**0.5%**	**0.4%**	**(1.3%)**

( ) Denotes negative percentages

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
MPV Small	0.9%	(0.0%)	(0.2%)	0.1%
MPV Medium	0.2%	0.6%	0.4%	(0.3%)
MPV Large	(2.0%)	(0.8%)	(0.4%)	(0.7%)
SUV Small	0.4%	0.6%	0.6%	0.7%
SUV Medium	0.1%	0.9%	1.0%	(0.5%)
SUV Large	(0.8%)	(0.7%)	(0.4%)	(0.8%)

( ) Denotes negative percentages

Car editorial

By cap hpi

Notable Movers 1-yr 20k

	MIN £	MAX £	AVG £
BMW 2 SERIES ACTIVE TOURER (14-22)	350	700	508
BMW I3 (13-22)	(1,500)	(1,100)	(1,311)
CITROEN C3 (16-)	400	700	535
DACIA LOGAN (13-21)	(550)	(500)	(525)
FIAT PANDA (12-)	225	450	339
KIA E-NIRO (18-) Electric	(1,700)	(900)	(1,425)
MAZDA MX-5 (15-)	900	1,150	1,025
TESLA MODEL X (19-21)	(7,600)	(6,400)	(7,050)
VOLKSWAGEN TIGUAN (16-)	450	800	550
VOLVO XC90 (14-) HYBRID	(1,100)	(900)	(1,040)

( ) Denotes negative value

Notable Movers 3-yr 60k

	MIN £	MAX £	AVG £
BMW X1 (15-19) DIESEL	300	400	345
FORD GALAXY (15-20) DIESEL	(400)	(300)	(367)
FORD KUGA (12-20) DIESEL	300	350	320
KIA SORENTO (15-21) DIESEL	650	950	821
SUZUKI BALENO (16-19)	725	975	837
TESLA MODEL S (19-21)	(3,100)	(2,150)	(2,787)
TOYOTA C-HR (16-20) HYBRID	(700	(300)	(489)
TOYOTA PRIUS+ (12-21) HYBRID	(450)	(400)	(416)
VAUXHALL ASTRA (15-20)	375	600	492
VOLVO XC90 (14-) DIESEL	550	700	612

( ) Denotes negative value