

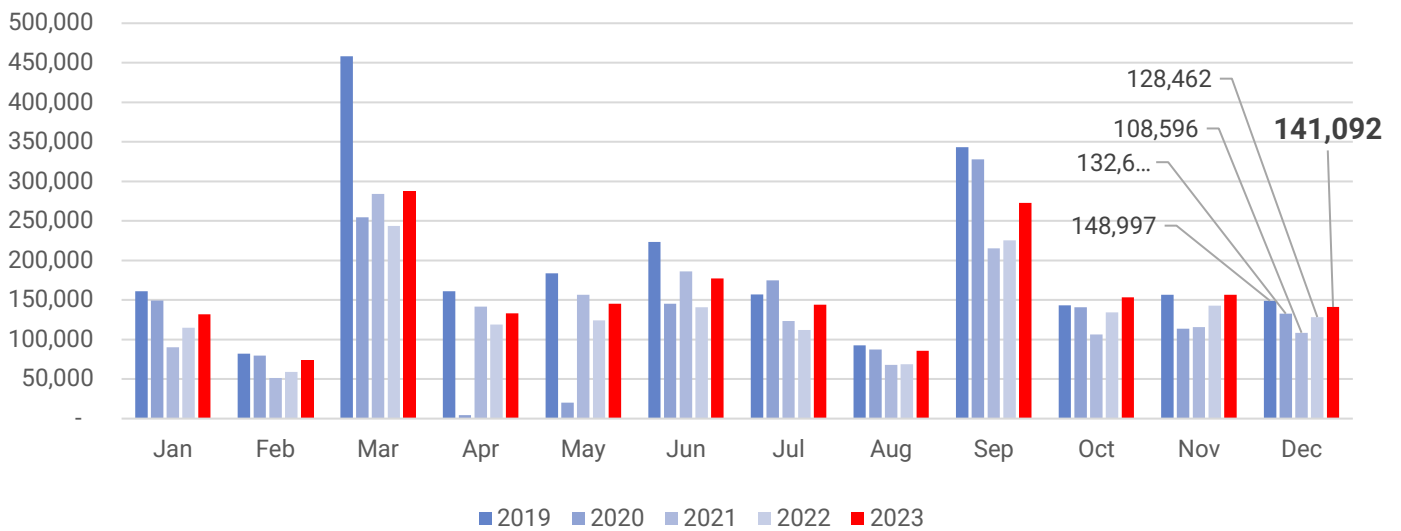
February 2024

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 December 2023 and used car activity at the time of writing. All information is correct as of 26th January 2024.

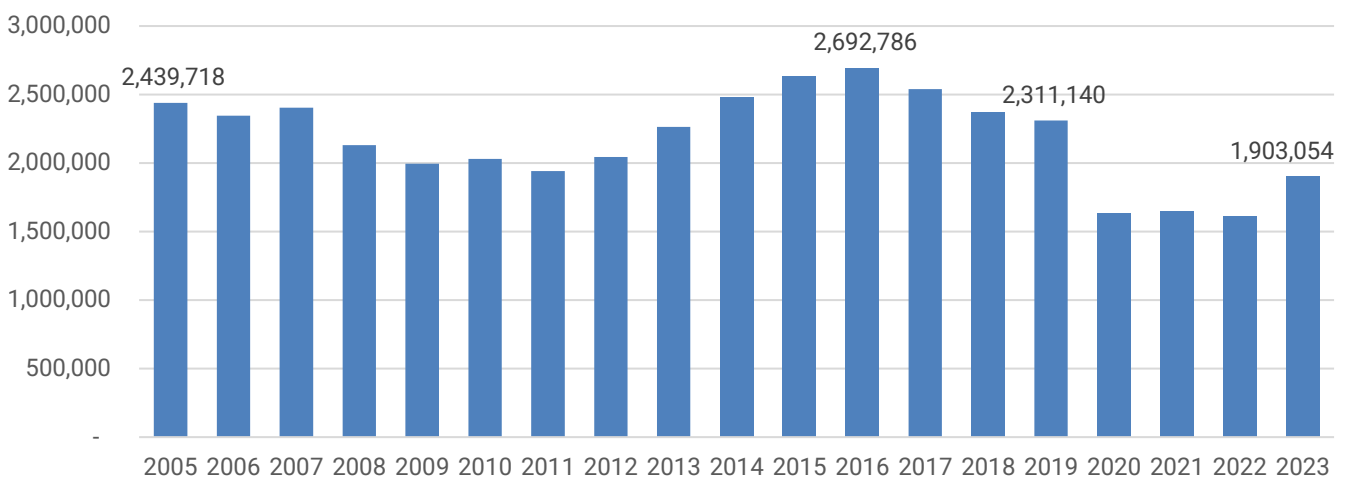
New car sales

According to the figures produced by the Society of Motor Manufacturers and Traders (SMMT), 141,092 cars were registered in December 2023, a 9.8%, or 12,630 unit, increase over the same month in 2022. This was the 17th consecutive month of year-on-year growth.



Source: SMMT

For the full year, 1,903,054 cars were registered, a 17.9% or 288,991 unit, increase over the previous year. This growth was driven in entirety by the fleet market, posting a 38.7% increase, with retail registering a marginal decline, of 0.1%, after a strong recovery year in 2022. The SMMT cite cost of living pressures and high interest rates as the two main factors for the lack of retail growth. Overall, the new car market in 2023 was 17.7% down on pre-pandemic 2019.



Source: SMMT

Car editorial

By cap hpi

Daily Rental registrations increased in December, recording just 500 units less than in the popular plate-change month of September, as a number of manufacturers continue to increase volumes in this area. However, the full year's registration figures were still 68% down on 2019, despite being 129% up on 2022. Volumes remain well controlled by those manufacturers registering in this channel.

Turning to fuel-type, petrol cars continued to lead the way, with a 35.5% increase for the month and 18.1% for the year, as manufacturers focused on registering internal-combustion engine cars before the Zero Emission Vehicle (ZEV) mandate came into force on 3rd January. Battery electric vehicle (BEV) registrations were actually down 34.2% in December, but the final month of 2022 as the comparison was exceptional for BEV volumes, and Tesla in particular, plus the ZEV mandate will have led some to delay BEV registrations into this year to help them hit the 22% target. Over the whole of 2023, BEVs recorded a 17.8% increase and a share of 16.5%, which was very similar to the previous year (16.6%). Petrol cars market share for the year was at 56.0%, whilst diesel languished behind at just 7.5%. Pure hybrids increased by 27.1% for a 12.6% share, whilst Plug-in hybrids increased by 39.3% for a 7.4% share. In total, alternatively-fuelled vehicles took a 36.5% share of the new car market in 2023.

Used car retail activity

During December, we reported that used car retail activity was steady for the time of year, and felt like a normal December, after a relatively tough October and November. It was certainly not all doom and gloom. All eyes were on the period after Christmas and into January, to see if there would be a "bounce" in activity.

Thankfully, the year has started well, with all retailers reporting an uptick in activity and improving as the month of January has progressed. There were a steady number of enquiries immediately post-Christmas and into the short, first week of the New Year, but since the weekend of the 6th/7th activity levels increased. As is normal for January, there has been pent-up demand from consumers who put that significant purchase of a new car on hold as they focused on affording Christmas expenses.

Having said that, it is not summer 2021 all over again, when demand peaked, and prices went through the roof. Most dealers have described January as "good" or "better than okay", rather than any more dramatic superlatives. Obviously, some are performing better than others.

There have been some downward adjustments on advertised prices, particularly on cars that may have been in stock since October or November and have struggled to be sold. Retailers can also afford to advertise at a lower amount than a few months ago if they have bought cars in December, as their trade value was on average 10% lower than at the start of October, so they can maintain a margin at a lower retail price. Many are trying to hold on price as much as possible, however, but some adjustments down, either on total price or monthly payments, have certainly helped pique consumers interest and encouraged them to buy.

Battery electric vehicles have continued to be a challenge. Whilst there is consumer interest, it is not to the level required to purchase the volumes that are returning to the used market now, particularly those from fleet and leasing companies. 2020 saw a dramatic rise in BEV registrations (c.200% increase over 2019, 108k vs. 36k), despite the pandemic, and they have been on the rise ever since. These cars are now returning to the used market in volume, but demand remains far stronger for the more traditional fuel-types, particularly petrol cars. More incentives are required to encourage the used buyer if the ZEV mandate is to be achievable and a success, after all every new car registration needs a used car buyer further down the line. With such strong new car offers on BEVs - it is not uncommon to see new ones offered with discounts of up to £10,000 to £15,000 or 30% off list price, along with lower interest rate finance options, free home chargers and ultimately not dissimilar monthly payments – where is the incentive for the used buyer?

Overall, the first month of 2024 can be ticked off as a success for retailers, but they generally remain cautious and hopeful that it will continue along the same vein.

Car editorial

By cap hpi

Used car remarketing activity

The remarketing arena was a tough environment in the final quarter of 2023, particularly in October and November, with prices tumbling as dealers became increasingly wary and vendors adjusting accordingly. December did return to some normality and there were some retailer's buyers that took advantage of low wholesale prices at that point and stocked up for the hoped-for January retail bounce.

The days immediately following Christmas used to be a benign period for the remarketing industry, with only the odd auction sale in the three working days to New Year. However, since the dramatic rise in online auctions, accelerated of course by the COVID pandemic, retailers can easily buy from the comfort of their home or office now. As a result, sold volumes have increased over this period. The two weeks over Christmas in 2023 saw 16% more trade cars sold than in 2022, and 54% more than in 2019.

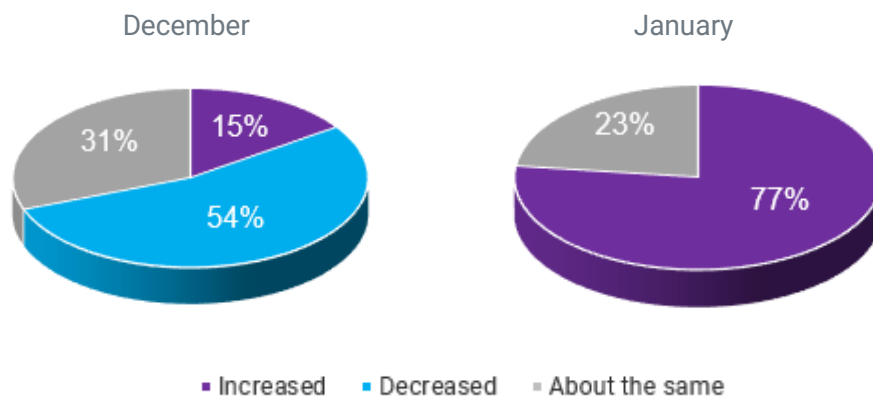
The first week of January only saw a small increase in trading over the same period last year, but as the retail world sparked into life, buyers became more and more active as the month progressed. As a result, vendors increased their prices, particularly if they had cleared the decks to a certain degree, by selling cheaply in the final weeks of 2023. Bargains that were around just a few weeks ago became very hard to come by, but retailers continued to stock up, just having to pay more to do so.

Auction conversion rates went up, with some reports of 100% auctions, and generally the figures in the high 80% to 90% area. Condition has remained important, with Cap Clean cars, particularly at a sub £15,000 price point, being well sought after and fought over. There has been improved demand for lower NAMA (National Association of Motor Auction) graded cars too, many of which were particularly hard work to try to sell at the end of last year. Dealers do remain wary about those cars with mechanical defects, however.

Electric vehicle purchasing remains patchy and most retailers remain wary about buying these in bulk. Supply has increased and despite sold volumes increasing, it continues to outweigh demand.

Thanks again to the auction houses that respond to our survey, the results of which always make interesting reading and this month are particularly positive:

How do your current stock levels compare to last month?

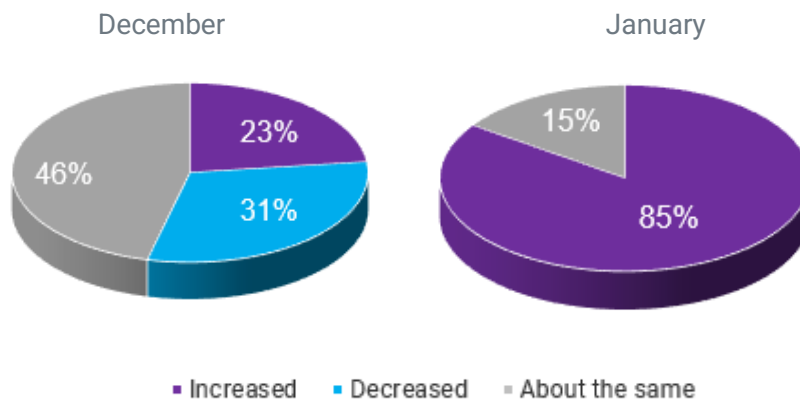


Over three-quarters of respondents reported that stock levels were increasing in January, with the remainder stating that they were level with the end of 2023. A far cry from the 54% that were seeing a continued decline in December. More volume tends to hit the market in January as swapped cars from year-end registration activity appear and an uptick in retail part-exchange units. With a c.2.5 million shortfall in new car registrations since the pandemic, the auctions will be hoping that volumes continue to hold up.

Car editorial

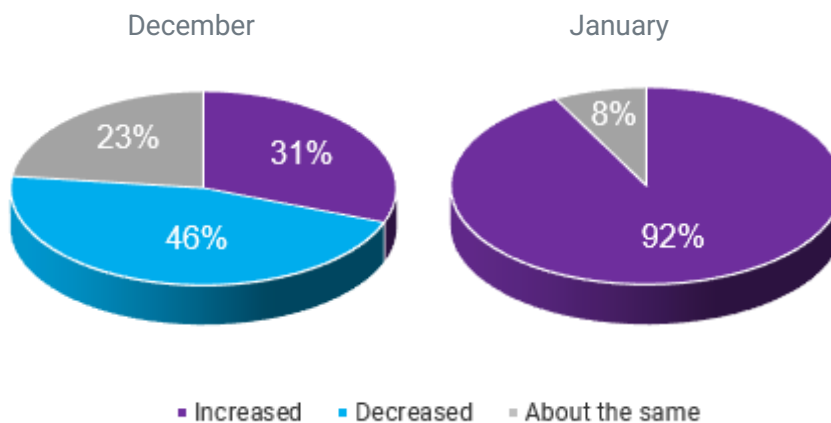
By cap hpi

How does your current overall demand compare to last month?



There were even better statistics for the demand metric, with 85% of respondents seeing this improve and only a small minority reporting it as being on par with December. Reassuringly, no one reported that demand had dropped.

How do your conversion rates compare to last month?



Conversion rates have also increased for all but a tiny minority and this is off the back of almost half of respondents seeing them decline in December. A really positive picture for the auction environment, as retailers look to stock up to cater for increased retail demand.

Used cars – trade values.

It has been well-documented just how far prices fell in the final quarter of 2023, as reflected in Cap Live value movements, which dropped by an average of 10.5% in that October-December period. There was the perfect storm of heavier supply, lower demand, high used car prices and lower than market values for fleet companies' residual values on stock returning to the market. All this meant wholesale sellers were prepared to sell for low percentages of monthly Cap, which drove values down in our Live product.

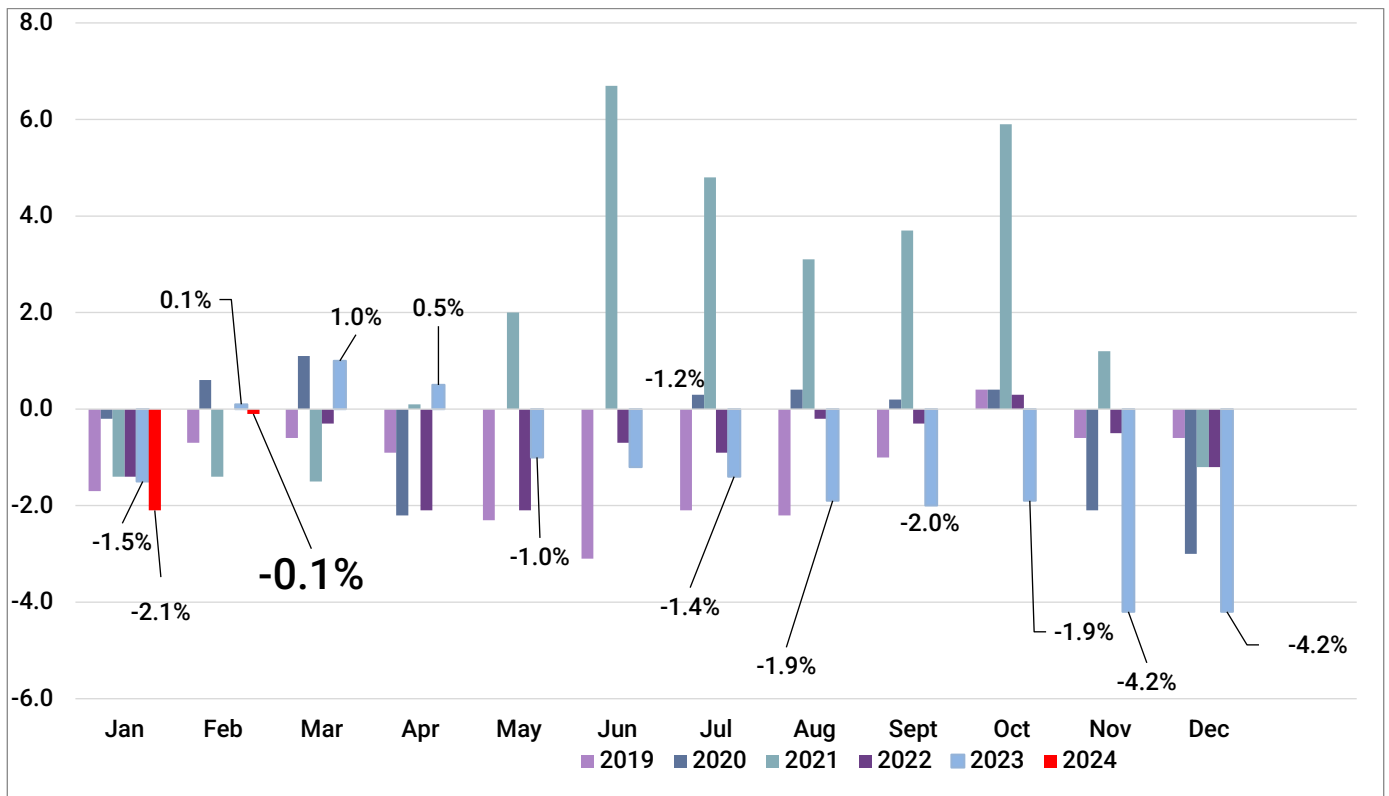
Thankfully, this short period of volatility has come to an end. January Cap Live saw some small drops in the period up to the 10th of the month, but at that point there was an about-turn and values started to go back up for many models. The final result at the benchmark 3-years, 60,000 mile point is a negligible 0.1% downward movement, equivalent to just minus £90 on average. If the monthly deadline cut-off had been a couple of days later, it is highly likely that the monthly movement reported would have been a small positive one. Cap Live subscribers will see this within the figures over the coming days, or may even have already seen it in the day or so between the writing of this overview and monthly publication day.

Car editorial

By cap hpi

This -0.1% average movement is the strongest performance in a month since March Live (April monthly values) last year. It is very much in-line with the average movement in January, which sits at -0.3% for the previous eleven Januarys since Cap Live was introduced and is the fourth most positive January in that period, the strongest being a 0.6% increase in 2020.

Monthly percentage movements in Live valuations (3-years, 60k miles) – February 2024 figure depicts January 2024's Cap Live



Values did fall slightly more at younger ages, with a 0.5% decline at 1-year, 10,000 miles, equivalent to c.£285, with more pressure on this age of car due to some keen new car offers and year-end pre-registration activity, but again the movement down is small. At older ages, there was a 0.1% drop at 5-years old and 0.3% at 10-years, equivalent to average drops of just £50 and £20 respectively.

It is important to look at fuel-type at this point, as if you isolate the movements to petrol, diesel and pure hybrid cars, the average movement at 3-years old is indeed a small positive one at 3-years of age, of 0.1%, and a negligible 0.1% move down at 1-year old. This obviously points to battery electric vehicles and plug-in hybrids dragging the average down. Both these fuel-types have dropped by a relatively significant 1.8% at the 3-year age point, equivalent to over £425, with BEVs dropping by 1.9% (c.£720) at 1-year old.

At the 1-year point, we have observed significant price reductions for certain models throughout the month. Notable examples include the Audi Q4 E-Tron (-4%/-£1,400), Citroen C4X (-4%/-£925), Genesis GV60 (-5%/-£2,000), Lexus RZ (-4%/-£1,850), Ora Cat (-5%/-£1,100), VW ID.5 (-6%/-£2,000), and VW ID.Buzz (-5.9%/-£2,850). As disposal volumes of the Tesla Model Y slowly increase, their price performance within used wholesale channels have started to soften as values moved back (-2%/-£725) in January. The Model 3 does look better value for money though and only moved back 0.4% (c.£90) at 1-year old and -1.2% (c.£200) at the 3-year age point.

There is some positivity for this fuel-type, however, and the picture does remain mixed for BEVs, as models such as the Nissan Leaf and Renault Zoe look competitively priced now and have not moved in January, whilst the Mercedes-Benz EQC, electric BMW i3 and Mini Convertible Electric have all increased in value in the month.

Car editorial

By cap hpi

Moving away from BEVs and looking at sectors overall, it is noticeable from the value movements in January that price-point cars have been in demand. City cars (+0.5%), superminis (+1.1%) and lower medium (+0.5%) models have all seen an average increase. The monetary amounts are negligible, but positive nonetheless, as retailers look to stock up on these desirable cars. Any of these with an automatic gearbox have been in particular demand. Examples of some models that have seen some small increases in value are the Fiat 500, Nissan Micra, Seat Ibiza, Suzuki Swift and Volkswagen Golf.

Other sectors saw marginal declines, with the exception of SUVs which were level at the 3-year point, but if you exclude BEVs and plug-in hybrids they experienced a small positive average movement, of 0.3%.

Overall, January has seen a huge improvement compared to the back end of last year with regards to used car value movements. A far more stable picture, with some improvements, compared to those three months of sizeable reductions.

What next?

Last month, our prediction was:

"Although cost-of-living concerns will remain as we enter 2024, fuelled by fixed rate mortgages continuing to come to an end, being replaced with higher monthly payments for households, we, along with the industry, are predicting an upturn in consumer activity in January. With it, dealers will be buying wholesale cars in greater volume than they have been in the final quarter of 2023.

However, there will still be plenty of cars in the used market, not least the unsold vehicles from conversion rates being at 50-65% over the last few months. There will also be used cars generated by manufacturers end-of-year registration activity, particularly if they continue to serve the fleet market and create pre-registered cars in high volumes.

It is likely, therefore, that supply will continue to outweigh demand, at least in the short-term. In the first quarter of 2023, values went up in each of the first three months, something we had not witnessed before. It is unlikely to be repeated in 2024, mainly because of the volume that will be present. Retailers of all types will be buying cars, but unlikely to be in enough volume to overly dent the supplies, meaning they will have plenty of choice and values are unlikely to go up. That being said, we are forecasting far smaller drops than over the last three months and relatively positive start to 2024."

It is fair to say that January has actually been stronger than we predicted and the movement down over 1% less than forecast. Proof that the market will not necessarily reflect what is forecast, but is always down to supply and demand.

Over the coming weeks we are not expecting a downturn in fortunes, and as stated, January has improved the longer it has gone on. Last February, values went up by 1% in Cap Live and then a further 0.5% in March, before they started to drop from April. It would not be a surprise to see something similar for the next few months this time around.

As stated earlier in this overview, Cap Live values continue to move after monthly deadline cut-off, and over the last few days of January and into February, it is likely that subscribers will see small increases in many values. Monthly values can become out-of-date even before they are published in a moving market.

Car editorial

By cap hpi

Current used valuations February 2024 - average value movements

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
City Car	0.0%	0.5%	0.2%	(0.5%)
Supermini	0.5%	1.1%	1.4%	0.2%
Lower Medium	0.4%	0.5%	0.3%	(0.1%)
Upper Medium	(0.6%)	(0.7%)	(0.6%)	0.1%
Executive	(0.2%)	(0.7%)	(0.5%)	(0.3%)
Large Executive	(1.9%)	(1.5%)	(1.7%)	(1.3%)
MPV	(0.5%)	(0.5%)	(0.9%)	(1.6%)
SUV	(0.6%)	0.0%	0.0%	(0.5%)
Convertible	(2.3%)	(1.7%)	(1.1%)	(0.5%)
Coupe Cabriolet	(3.0%)	0.2%	(0.6%)	0.1%
Sports	(0.8%)	(0.6%)	(0.6%)	(0.7%)
Luxury Executive	(0.4%)	(0.6%)	(1.4%)	(2.1%)
Supercar	(1.2%)	(1.0%)	(0.8%)	(0.2%)
Overall Avg Book Movement	(0.5%)	(0.1%)	(0.1%)	(0.3%)

() Denotes negative percentages

	1 YR/10K	3 YR/60K	5 YR/80K	10 YR/100k
MPV Medium	(0.2%)	(0.4%)	(0.9%)	(1.7%)
MPV Large	(0.9%)	(0.7%)	(0.8%)	(1.7%)
SUV Small	0.3%	0.6%	0.2%	(0.3%)
SUV Medium	(0.7%)	0.1%	0.2%	(0.4%)
SUV Large	(1.0%)	(0.8%)	(1.1%)	(1.2%)
MPV Medium	(0.2%)	(0.4%)	(0.9%)	(1.7%)

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Car editorial

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Notable Movers 1-yr 20k

	MIN £	MAX £	AVG £
FIAT 500 (15-)	150	200	178
FORD FOCUS (18-22) DIESEL	350	600	461
JAGUAR XF (15-) DIESEL	250	350	291
LAND ROVER DISCOVERY (16-) DIESEL	(1,100)	(800)	(942)
PORSCHE BOXSTER (16-)	(2,200)	(1,300)	(1,730)
TESLA MODEL Y Electric	(800)	(700)	(750)
VOLKSWAGEN GOLF (20-)	450	600	520
VOLKSWAGEN ID.5 (22-) Electric	(2,100)	(1,700)	(1,912)
VOLVO S90/V90 (16-) DIESEL	(600)	(550)	(575)
VOLVO XC60 (17-) DIESEL	(700)	(700)	(700)

() Denotes negative value

Notable Movers 3-yr 60k

	MIN £	MAX £	AVG £
AUDI E-TRON (18-23) Electric	(600)	(350)	(481)
BMW 4 SERIES CONVERTIBLE (13-20) DIESEL	600	850	687
DACIA SANDERO (13-20) DIESEL	275	325	300
JAGUAR XE (14-19) DIESEL	(250)	(150)	(225)
KIA SORENTO (15-21) DIESEL	(450)	(300)	(357)
LAND ROVER DISCOVERY (16-) DIESEL	(700)	(300)	(505)
NISSAN JUKE (10-20) DIESEL	225	350	287
TOYOTA YARIS (17-21) HYBRID	575	700	639
VOLKSWAGEN GOLF (14-20) ELECTRIC	(450)	(450)	(450)
VOLKSWAGEN SHARAN (10-21) DIESEL	(350)	(300)	(341)

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