



# Economic & Market Overview

As at 05/10/20

## Used Vehicles Drive Optimism

September 2020 will not go down as a month when the new car plate (70) saw cars roar off the forecourt, although arguably, it might be a month we recall as the one where alternative fuelled cars (AFVs) accelerated silently away from it.

In short, September was a disappointing month for new car sales, a theme we have seen for three successive Septembers now, but September 2020 was down a further 4.4 per cent from 2019. The result was that just 328,041 cars were registered according to the Society of Motor Manufacturers and Traders (SMMT) which noted that it was 'the weakest September since the introduction of the dual number plate system in 1999 and some 15.8% lower than the 10-year average of around 390,000 units for the month.'

There have been some supply problems as manufacturers have got back up to speed, which probably explains some of the decline and the latest data is not without some bright spots:

1. Battery electric and plug-in hybrid car registrations surged by 184.3% compared with September last year and accounted for more than one in ten registrations;
2. Van registrations grew by 26.4% when compared with what was a notably weak September 2019.

I'm not sure that the new car sales position was a huge surprise. Consumer uncertainty in the wake of COVID-19 joined with the push towards AFVs that are still considered to be expensive when compared to a fossil-fuelled car and which still carry some consumer concern on re-charging and driving range. That both concerns are being addressed rapidly

is evident, but it seems many car buyers are not quite ready to join the growing ranks of early adopters. However, that is not to say people aren't buying cars.

Used cars are what consumers are buying and in numbers that are seeing demand exceed supply. The net impact is that used car prices are achieving record highs. AutoTrader and Cox Automotive UK have revealed in the last few days that demand for used cars remained robust throughout September, with many reporting good financial performances and margins for the month.

In difficult economic conditions, buying used has been a common default position throughout my career. Cheaper to buy, depreciation absorbed, lower monthly payments; it is a rational customer decision. With continuing COVID uncertainty and Brexit issues to be addressed, used cars are likely to remain a popular choice. Prices have already risen and with regulatory changes to motor finance ahead, it seems possible that this will be a healthy route to offset any negative income implications resulting from the regulator's desire to see £165M pa saved on charges for consumers.

Where I am most impressed is the continuing agility of the motor retail sector. Across our business, I see and hear how well the sector is adapting. Since we first opened our doors in 1991, this nimbleness was evident and like our commitment to service, neither has changed.

Best Wishes

**John Hughes**  
Managing Director

## Key Economic Data Summary as at 05/10/20

<b>CPI (Aug)</b>	+0.2%	Down from previous report
<b>CPIH (Aug)</b>	+0.5%	Down from previous report
<b>Employment Rate (May '20 to July '20)</b>	76.5%	0.4 percentage points higher than a year earlier and 0.1 percentage point higher than the previous quarter.
<b>Unemployment Rate (May '20 to July'20)</b>	4.1%	0.3 percentage points higher than a year earlier and 0.2 percentage points higher than the previous quarter.
<b>UK gross domestic product (GDP) July 2020</b>	+6.6%	Third consecutive monthly increase, but it has still only recovered just over half of the lost output caused by the coronavirus
<b>BoE Base Rate</b>	0.1%	Unchanged from previous report
<b>LIBOR (6M GBP)</b>	0.07850 %	Prices have fallen since the preceding report
<b>Crude Oil</b>	\$37.05	Prices have fallen since the preceding report
<b>Gold</b>	\$1,900.37	Prices have risen since the preceding report

### New Car Registration Sales News – SMMT 05-10-20

The UK new car market declined -4.4% in September, according to figures published by the Society of Motor Manufacturers and Traders (SMMT). The sector recorded 328,041 new registrations in the month – the weakest September since the introduction of the dual number plate system in 1999 and some 15.8% lower than the 10-year average of around 390,000 units for the month.

Private registrations fell by 1.1% over the month. Demand from business was also muted, with around 10,000 fewer cars joining larger fleets, representing a 5.8% decline.

More encouragingly, battery electric and plug-in hybrid car uptake grew substantially to account for more than one in 10 registrations as new models continue to increase consumer choice. Demand for battery electric vehicles (BEVs) increased by 184.3% compared with September last year, with the month accounting for a third of all 2020's BEV registrations.

### New LCV Registration News - SMMT 05-10-20

The UK new light commercial vehicle (LCV) market grew by more than a quarter (26.4%) in September, according to the latest figures released today by the Society of Motor Manufacturers and Traders (SMMT). In total, 52,096 vans, pickups and 4x4s were registered in the month, up some 10,880 units on a weak September 2019, when regulatory changes distorted the market.

### Used Car News – AutoTrader 02-10-20

In September, the average retail price of a used car was £13,829, according to Auto Trader's Retail Price Index, marking a 7.6% year-on-year (YoY) increase on a like-for-like basis. It followed the previous YoY record of 6.1% recorded in August. Before this, the highest rate of growth was 5.8%, in July 2014. The report notes that September marked the sixth consecutive month of growth in retail price values.

The trajectory reflects the exceptionally strong levels of demand in the market, which, despite the reintroduction of regional COVID-19 restrictions, continues to grow at record levels.

**Source: Auto Trader Retail Price Index September 2020**

## Personal Loan Rates

Please note the following unsecured personal loan rates were sourced from lenders' websites on 05/10/20 - Based upon a £5000 loan over 36 months and subject to underwriting. The Representative APR is the rate at, or below which, the advertiser reasonably expects that credit would be provided under at least 51% of the agreements entered into as a result of the financial promotion. Note some rates may only be available to current customers.

Lender	APR Representative	Lender	APR Representative
Sainsbury's Finance	3.6%	HSBC	6.1%
Tesco Personal Finance	3.4%	Lloyds Bank	15.4%
Santander UK	4.5%	TSB Bank	9.9%
Nat West/RBS	7.9%	Barclays Bank	10.9%
M & S	4.4%	Virgin Money	3.9%
Halifax	9.9%		

## Money & Credit August 2020 – Bank of England 29/09/20

- Net consumer credit borrowing remained positive in August at £0.3 billion. This was a little weaker than borrowing of £1.1 billion in July, which was in line with the average net flow in the 18 months to February 2020. These increases followed net repayments of £3.9 billion per month, on average, between March and June. The annual growth rate fell slightly to -3.9%, down from -3.7% in July: this was a new series low since it began in 1994.
- Weaker net lending was evident in all forms of consumer credit: on credit cards £0.2 billion in August (down from £0.6 billion); net borrowing of other forms of consumer credit was £0.1 billion, down from £0.5 billion in July. The annual growth rates both remained negative, at -10.4% and -0.9% respectively.
- The lower consumer credit net borrowing reflected gross borrowing increasing by less than gross repayments. Both remained around 16% lower than their pre-Covid levels. Gross borrowing was £21.3 billion, up from £20.9 billion in July and compared to an average of £25.5 billion in the six months to February 2020. Repayments increased to £20.6 billion from £19.6 billion in July.

## SMMT outlook for 2020 and 2021 – as at July 2020

### 2020

- Car registrations at 1.603 million, down 30.6% on the 2019 total.
- Diesel car volume of 0.352 million, down 42.8% on 2019 and taking a 22.0% market share.

- BEV registrations to rise 107.0%, pushing market share up to 4.9%.
- PHEV registrations to rise 54.6%, taking market share of 3.3%.
- HEV registrations to increase by 2.5%, with market share of 6.3%.
- LCV registrations at 0.269 million, down 26.3% on the 2019 total.

### 2021

- Car registrations at 2.035 million, up 26.9% on the 2020 outlook level.
- Diesel car volume of 0.417 million, up 18.3% on 2020 with a 20.5% market share.
- BEV registrations to rise 66.9% on 2020 outlook, increasing market share to 6.4%.
- PHEV registrations to rise 62.8% on 2020 outlook, pushing market share up to 4.3%.
- HEV registrations to increase 46.9% on 2020 outlook, with market share of 7.2%.
- LCV registrations at 0.318 million, up 17.9% on the outlook for 2020.

**Notes:** car forecasts rounded to nearest 10,000 and LCV to 1,000 unit. Reasonable care has been taken in preparing this information. It is not an exclusive aid for market analysis, other sources and market intelligence should be reviewed.