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Market Intelligence

10 August 2022

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Paul Sell,
Associate Director,
Trend Tracker

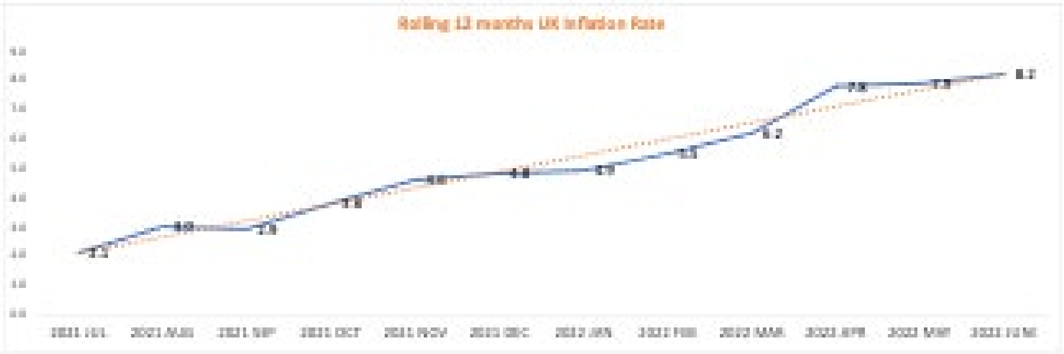
"This period continues to be an ongoing time of inflationary pressures. In fact, as we write, the Bank of England has warned the UK will fall into recession this year as it expects the economy to shrink in the final three months of 2022, as gas prices continue to rise following Russia's invasion of Ukraine.

We remain in a period of significant change across the industry with a number of challenges faced. However, some of these are becoming more predictable in the short-term at least, such as inflation continuing to rise along with interest rates predicted to do the same (to try to tackle this); EVs growing in marketshare; and new car production continuing to be suppressed leading to ongoing issues with some parts availability and mobility challenges. As a result, the new ways of working that have been put in place to adapt will continue in the foreseeable future, with extended lead times remaining.

At time of writing the ABI has confirmed the price of motor insurance has dropped £11 compared to Q2 2021, because of the fiercely competitive market – an unsustainable position when set against many increases across claims costs (Energy, Fuel, Parts, Paint & Labour) .

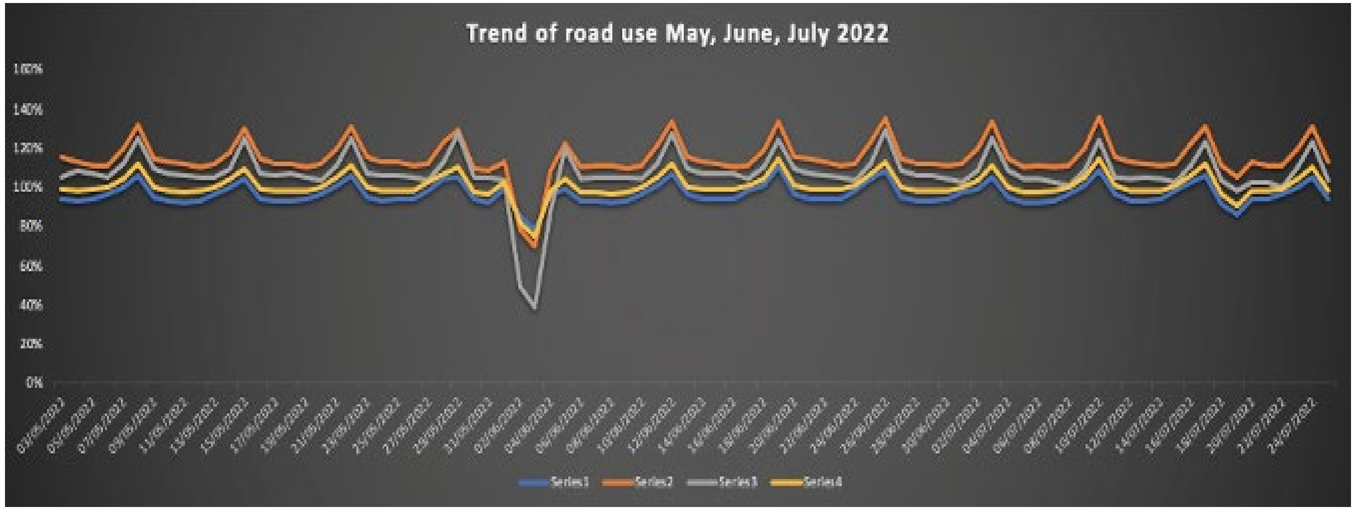
Undoubtably, claims costs are rising and the motor market has a challenging horizon."

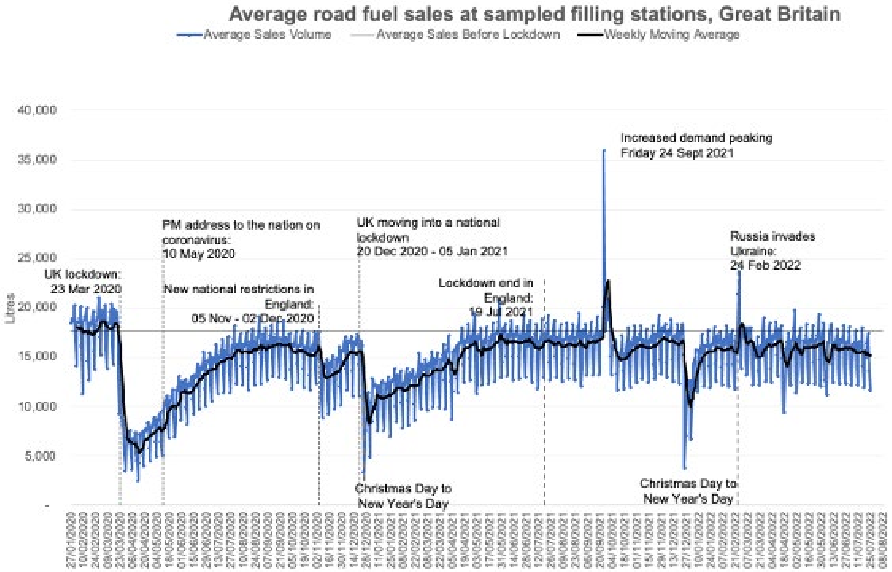
Inflation & Fuel Prices



- CPI increased again, new 'highest levels in over 30 years' as can be seen from the graph above tracking back to 1999
- The increases month on month continuing with the largest impacts now coming from housing and household services, motor fuels and food
- Bank of England warning or further increases in both Inflation and Interest rates, increasing the cost of borrowing – public and private debt services

Transport





- Generally, 2022 road use is consistently at or slightly above pre-pandemic levels
- However, in recent weeks in July, both road use and fuel sales have dropped away by a few points - influences being the hot weather, summer holidays and, of course, the cost of fuel in the context of cost of living
- We predict this will continue through the summer period at least

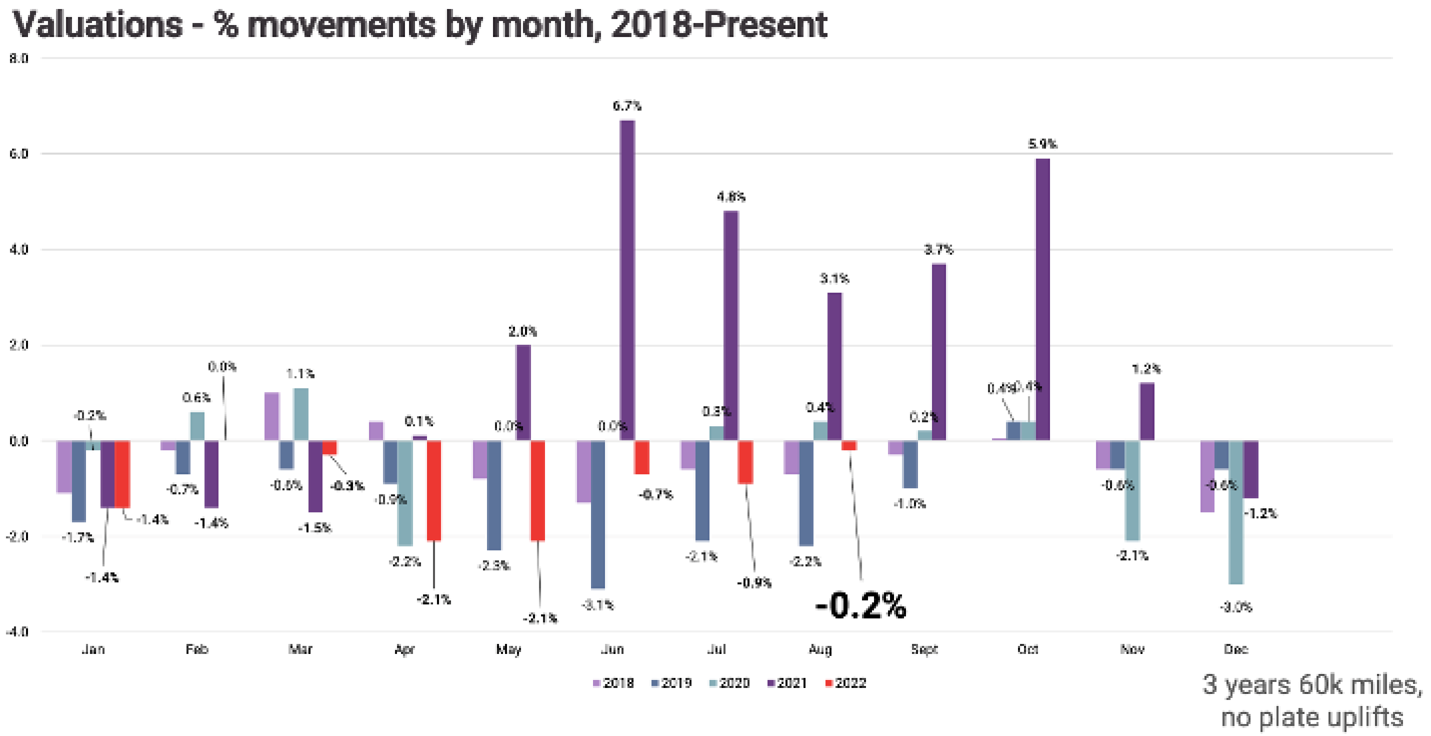
Department for Transport

New Car market

- UK new car registrations fell -9.0% to 112,162 units as supply chain shortage continues
- Battery electric vehicles (BEV) bucked the trend, growing marketshare to 10.9% but slowing
- Industry outlook revised downwards, now anticipating a -2.8% fall in 2022
- SMMT reported: '***Ongoing global supply chain issues****, predominantly the lack of semiconductors, continued to frustrate order fulfilment,* ***exacerbated by Covid lockdowns in key manufacturing and logistics centres in China****, plus disruption from the war in Ukraine, all of which restricted production output and thus supply into the UK new car market. Declines were driven primarily by a -18.2% fall in registrations by large fleets.'*

SMMT DRIVING THE MOTOR INDUSTRY

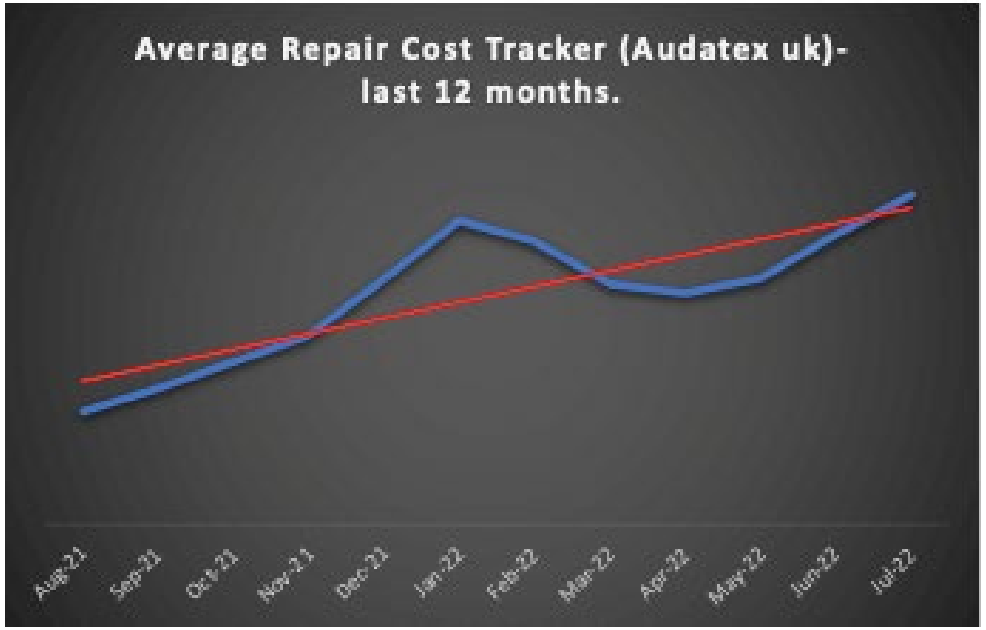
Used Car market

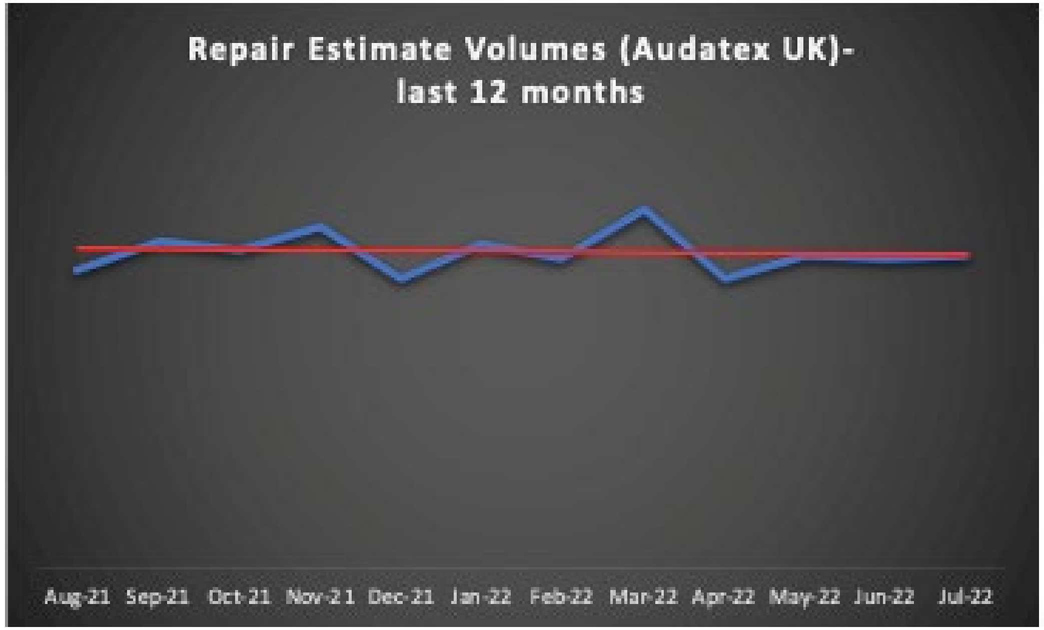


Cap-hpi noted: 'Adjustment has been considerably milder than we expected over the past few weeks. New car supply continues to be constrained for multiple reasons but consumer demand likely to remain subdued for some time due to cost-of-living squeeze.'

SOLERA Vehicle Solutions | cap hpi

Repair volumes and rising costs





- The graphs show the last 12 months in terms of volume and costs
- Repair estimate volumes with a flat trend-line & starting to dip in recent months
- Continued increase in repair costs with the largest year-on-year increase, moving from an average of 8% to 10%

SOLERA Vehicle Claims | Audatex

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