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# Market Intelligence Special

October 2022

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Paul Sell,  
Associate Director,  
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Whilst the economic and political situations remain uncertain and quite frankly very worrying for many, the working pattern within the industry is hitting a new normal with consistency on parts delays and cycle times.

The attention and concern is clearly on energy costs for both consumers and businesses despite the Energy Plan announced by the new Prime Minister. NBRA reporting a three-fold increase in costs which will require significant support. Some Insurers have announced one-off payments and some increasing labour rate to help. One thing is for certain, repair costs are rising rapidly and the full extent of this has not been seen yet. Insurers will need to push up motor insurance prices but in a highly competitive market this can be difficult depending on the marketshare strategy.

But day-to-day we are seeing a consistent, new-normal position...

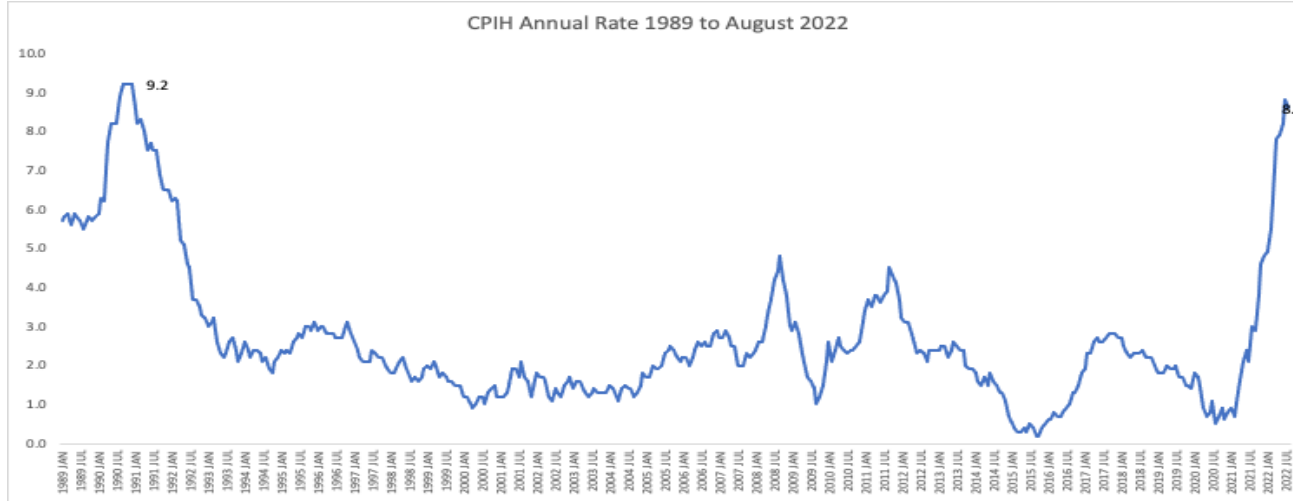
- New car sales production slightly up but still suppressed with shortage of microchips – no short-term fix
- Used car demand and supply both low with prices not moving much – low supply and low demand
- Repair volumes being consistently at 85% of 2019 levels (with some months up or down from that average)
- Supply chain logistics show some improvement, but parts delivery and delays remain and show no significant change
- Cycle time and K2K consistent over last 6 months – reflecting this new industry norm
- Repairers working to 'optimal capacity' with many not having any availability heading into winter
- Repair costs continue to rise and predicted to continue to in the short term (subject to the impact of the energy assistance)

Trend Tracker will be exploring all these in detail in the forthcoming comprehensive market report due to release in October.

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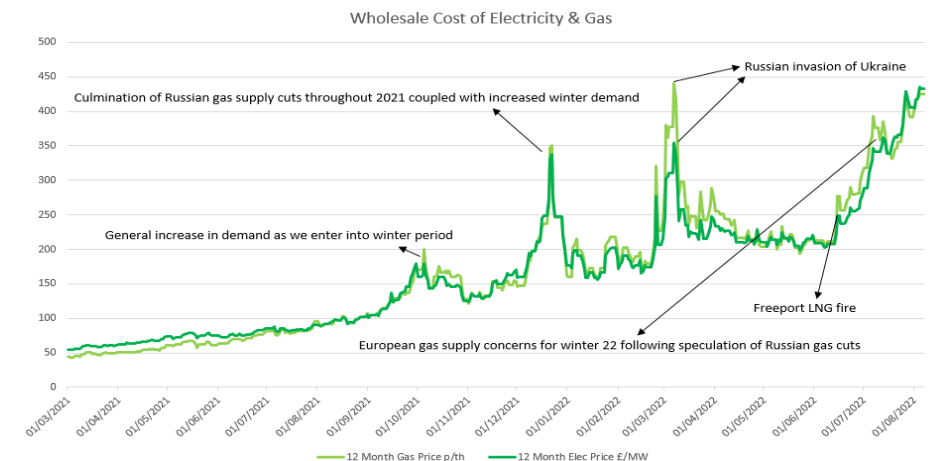
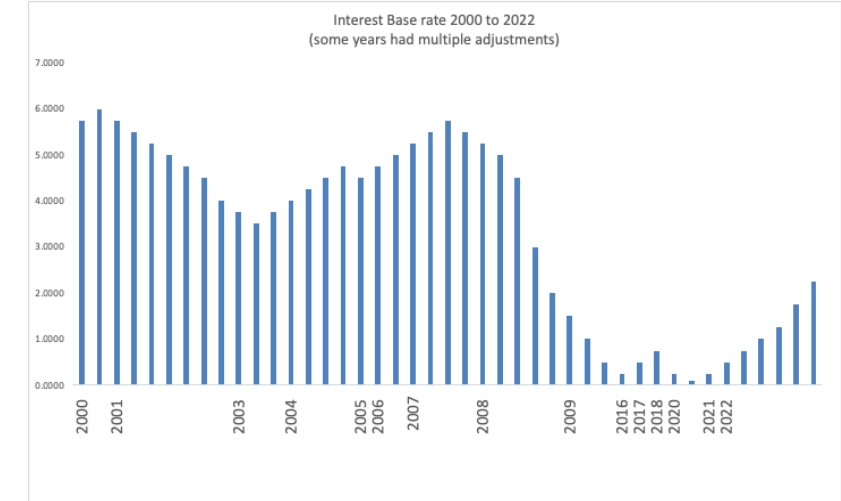
# Economy

(ONS, Trend Tracker, ECA, Credit Suisse)



- Inflationary pressure – mini budget and BOE actions, changing predictions from experts
- Energy costs– single most significant cost issue, SMMT state members bills up by £100m to £300m.
- NBRA state three-fold increase wiping out profit margins.
- Sale prices going up– across all industries

**Credit-Suisse 'predicted increase in claims costs of 11-12% in H2 2022'**

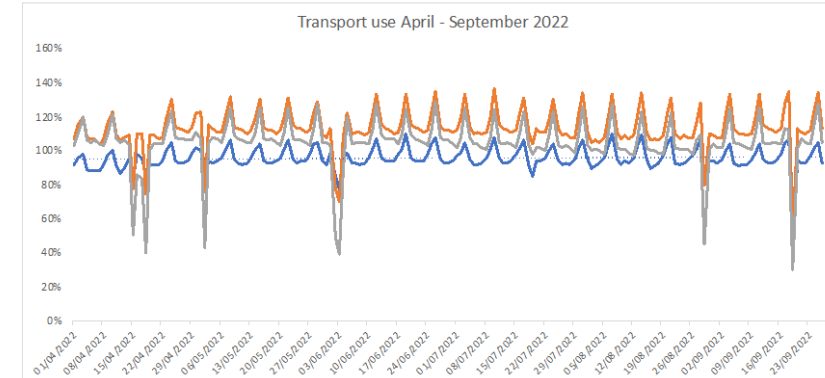
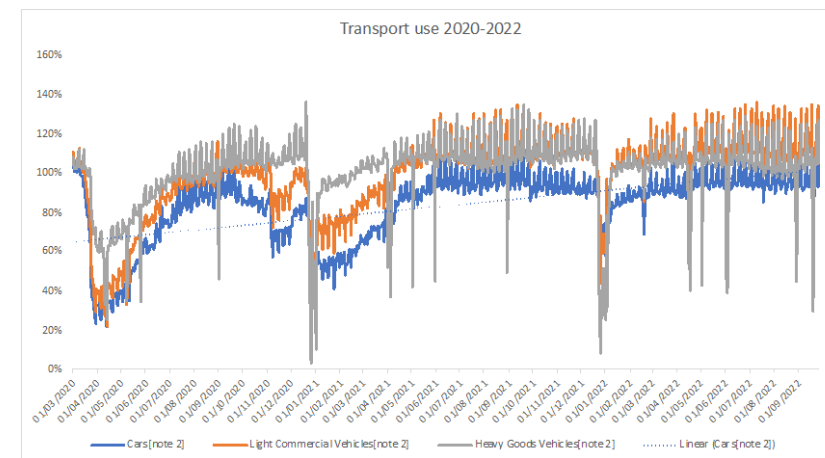
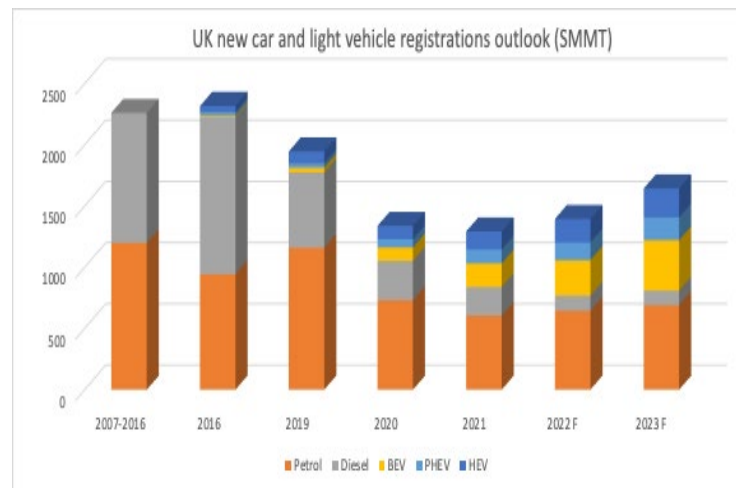
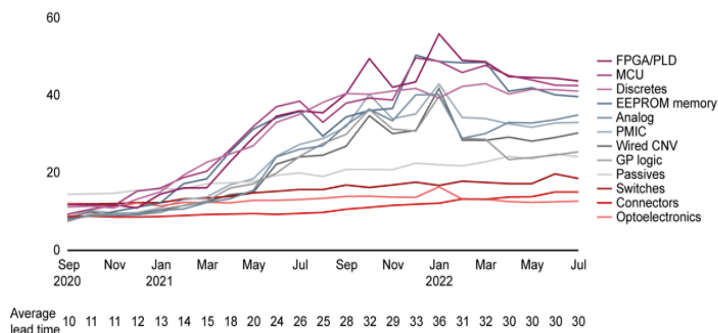


# New Car market

(cap hpi, Trend Tracker, SMMT)

After spiking in 2021, semiconductor delivery times flattened at elevated levels

Lead time (weeks)



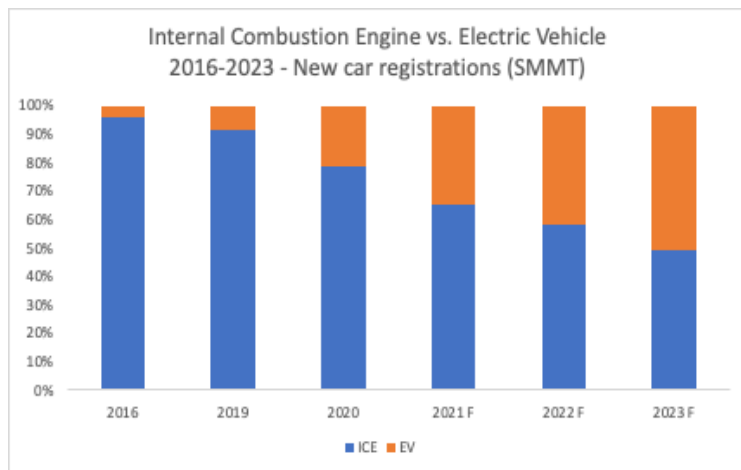
- Automotive demand for chips – supply chain couldn't meet demand post-pandemic
- New Car sales still low–SMMT estimate 2022 YTD 0.5m less units vs. pre-pandemic
- Used car prices – together with Fuels and Energy driving transport inflation - 29% YOY at peak
- Road use at almost pre-pandemic levels but with different traffic patterns

The SMMT has also lowered its sales forecast for next year to 1.89m, down from 2.02m



# Growth of EV

(SMMT, Audatex, Trend Tracker)

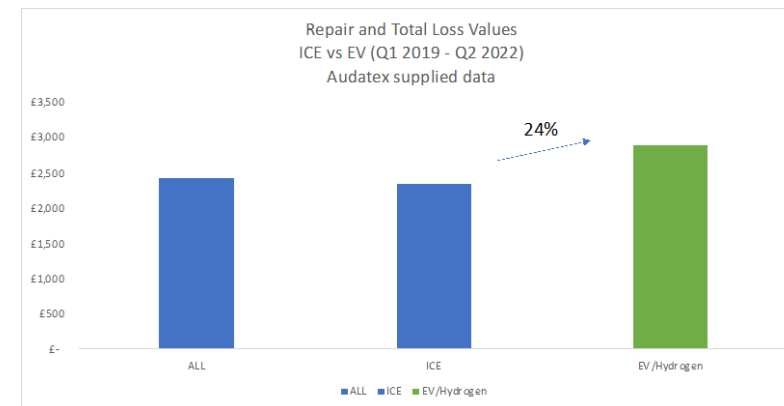


EV share in new sales in Europe exceeds expectations, but replacement of the fleet is slow

European share of plug-in hybrid EVs + full electric EVs in total registrations and in the fleet in (EU + EFTA + UK)



Source: ACEA, ING research



- UK plan to be fastest G7 nation to decarbonise road transport
- By March 2022, Mini, Vauxhall, Ford, Bentley, Rolls Royce and others have committed to a zero-emission future from 2030
- £3 billion+ of investment flowed into the UK zero emission sector
- £950 million rapid charging fund will support the rollout of at least 6,000 high powered chargepoints across England's roads by 2035
- By 2030, government claims 300,000 public chargepoints as a minimum in the UK

**SMMT - demand for EVs continues to grow expected to reach a marketshare of 22.6% this year, rising to 27.8% next year**

**SMMT**  
DRIVING THE  
MOTOR INDUSTRY

**SOLERA** | Audatex  
Vehicle Claims



# Staff

(ONS, Trend Tracker)

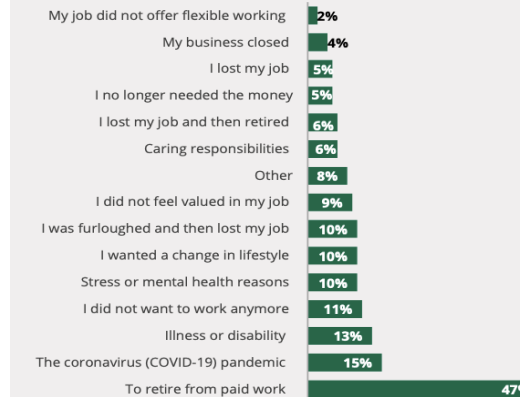
## Furloughed jobs by day

1 March 2020-30 September 2021, millions



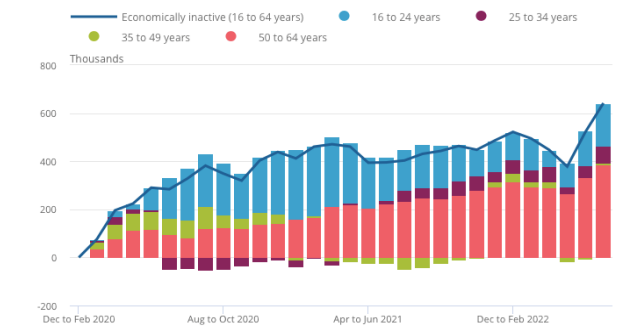
## Reasons for leaving work for 50-70 year olds

Percentage of people who left or lost their job since the start of the pandemic and not returned



## UK economic inactivity by age, aged 16 to 64 years, seasonally adjusted

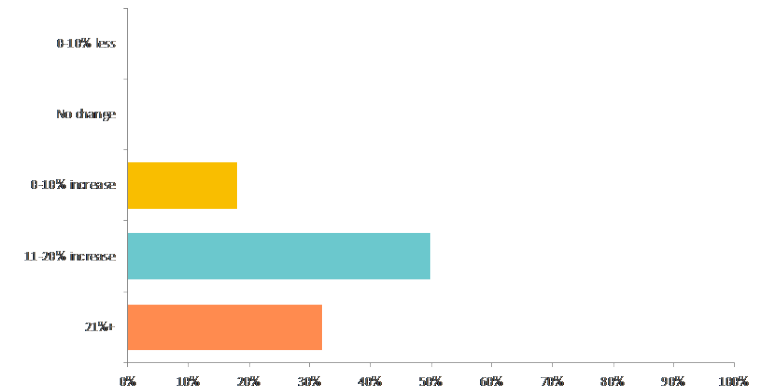
cumulative changes from December 2019 to February 2020, for each period up to May to July 2022



Source: Office for National Statistics - Labour Force Survey

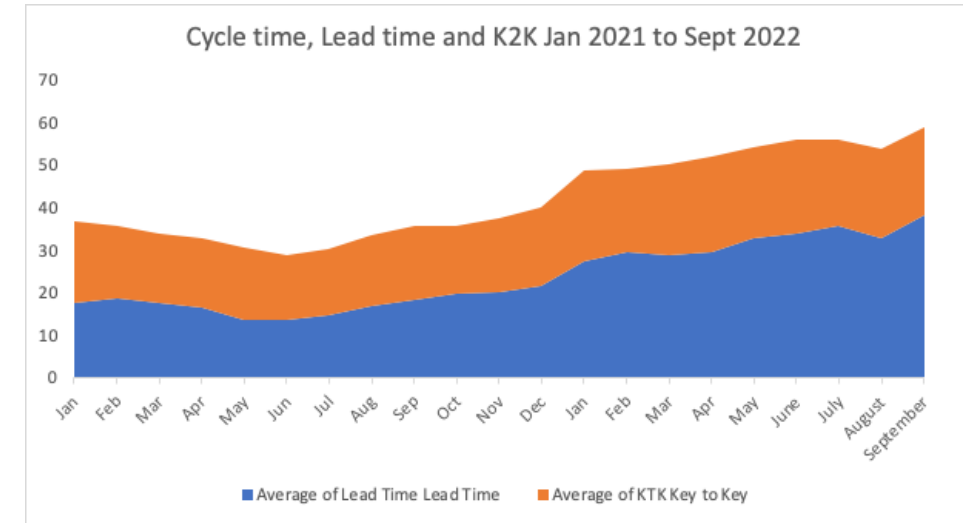
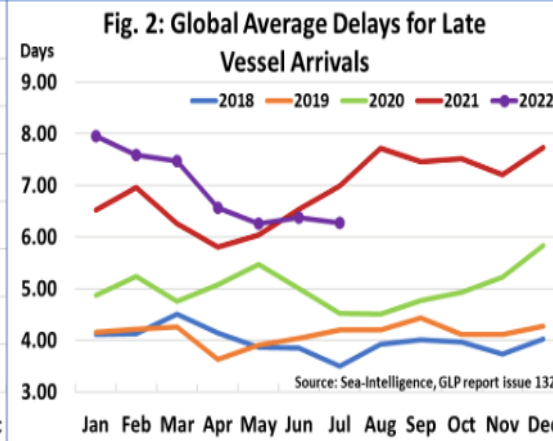
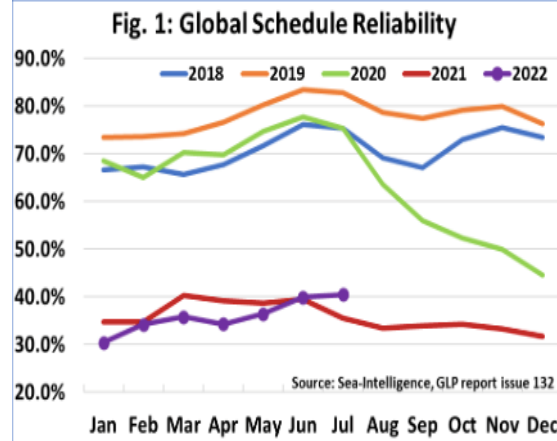
- Pandemic changed working attitudes– Number of inactive increased
- Furlough – extended the period of return to work creating choices
- Increased career switching– across industries and types of employment
- Hybrid working – has forced up average salaries with the job and place of work now in different places
- Skills hard to attract and retain in the industry and costs more to do so

**Staff costs up – 50% stated between 11-20%, 100% stated increased**



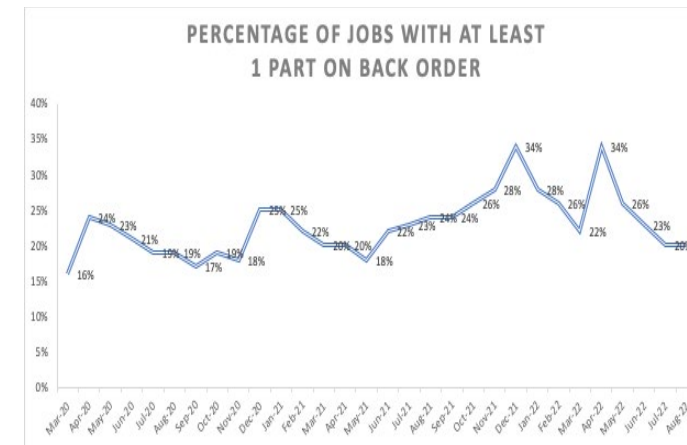
# Supply chain issues

(Sea Intelligence, Advantage Parts, Trend Tracker)



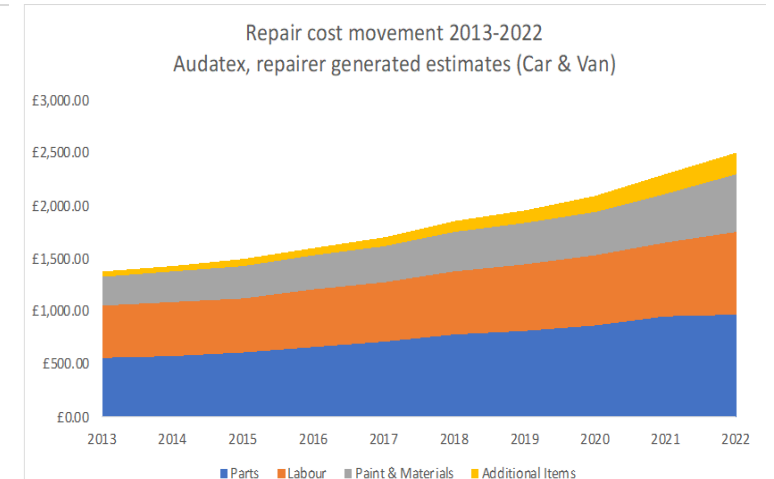
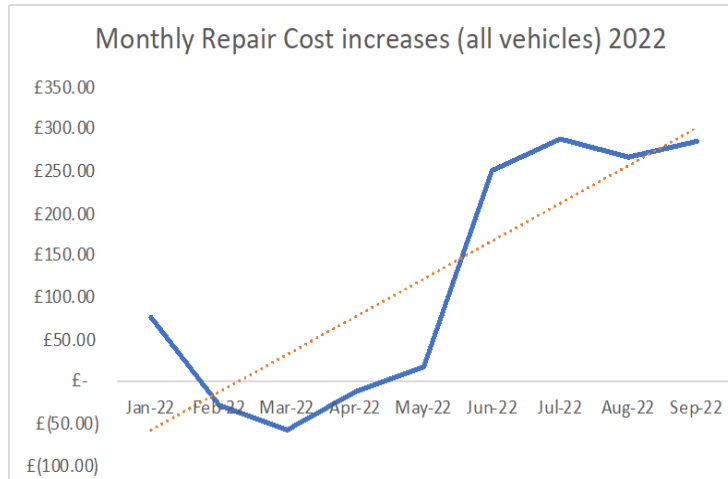
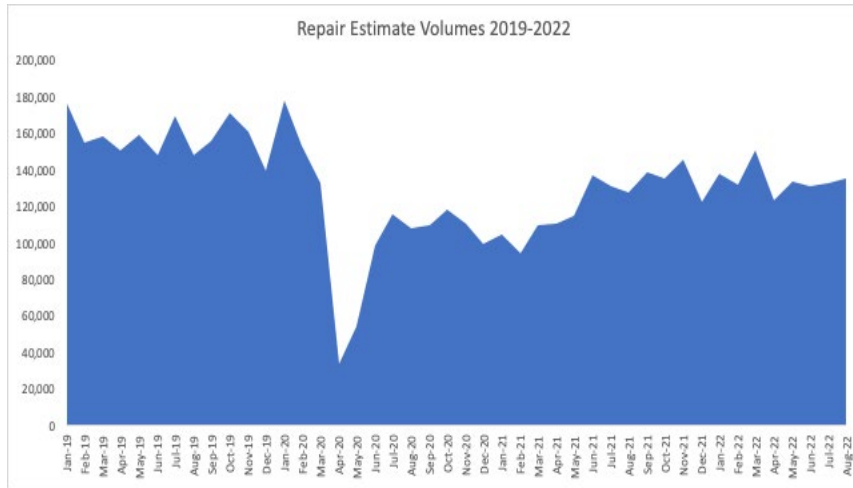
- Global shipping delays – various impacts on global shipping created significant drop in reliability and increased delays
- Parts delays – became common problem and still not fully addressed, repair durations moved out and have stayed that way
- New ways of working – to manage the changing demand & supply a new normal – here to stay for foreseeable future

**Consistently 1 in 5 jobs missing 1 part or more, consistent cycle time in excess of 50 days (last 6 months)**



# Repair volumes and rising costs

(Audatex, Trend Tracker)



- Vehicle Repair demand – steady at 85% of pre-pandemic levels – driving patterns and rush hours have changed
- Inflation impact– Month on month increases now in excess of £200 per repair
- Repair costs rising – year on year, month on month with all key components contributing, as margins are squeezed
- Consumers – needing to get used to a much longer repair duration and greater inconvenience

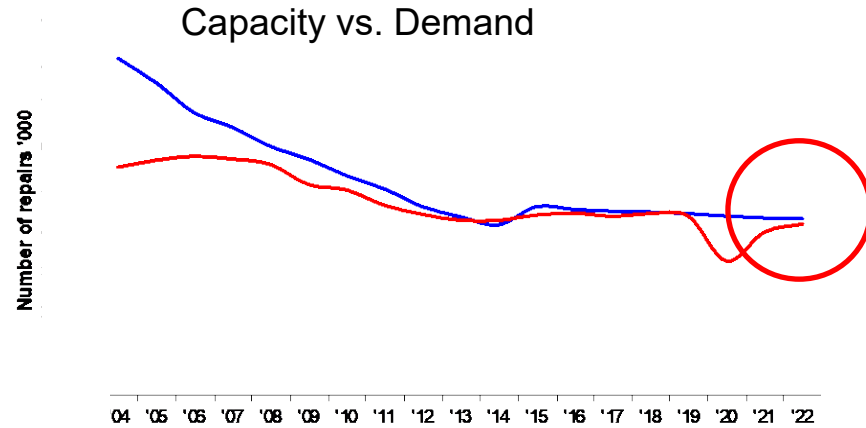
**Market Value growing attracting investment, despite less repairs than pre-pandemic**

**SOLERA** | Audatex  
Vehicle Claims



# Capacity vs Demand

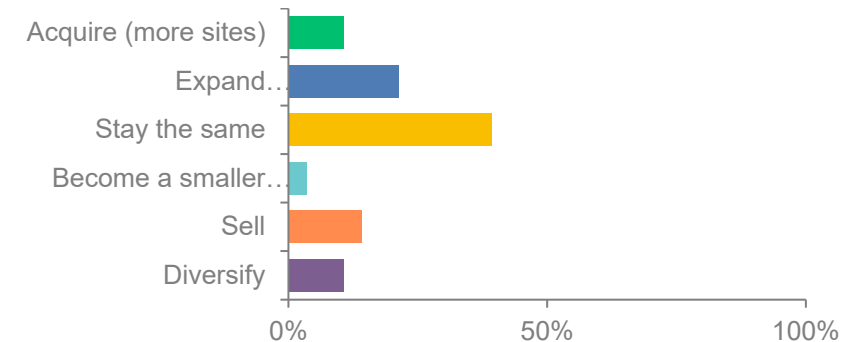
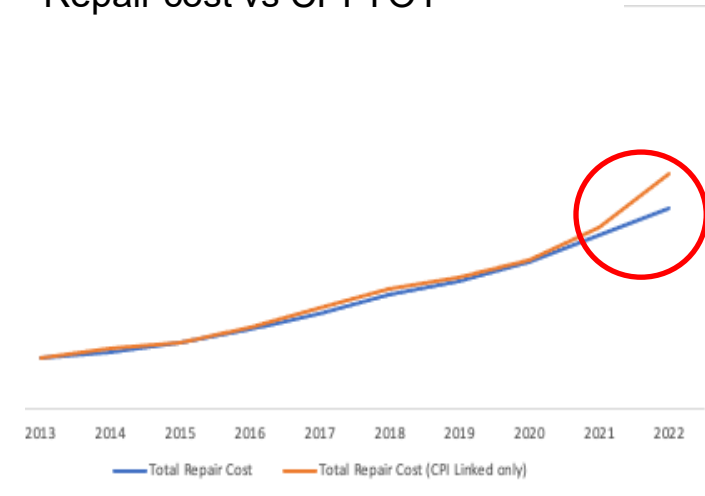
(Audatex, Trend Tracker)



- Vehicle Repair **Procurement** – balance of power changing
- **Inflationary pressure** – not fully seen in repair costs yet
- **Optimal capacity**– as repairers have adapted to the challenges to now work at
- Optimal (not maximum) capacity with 62% stating no available capacity

**Market movement – variety of strategies in recent survey with only 40% intending to stay the same**

## Repair cost vs CPI YOY

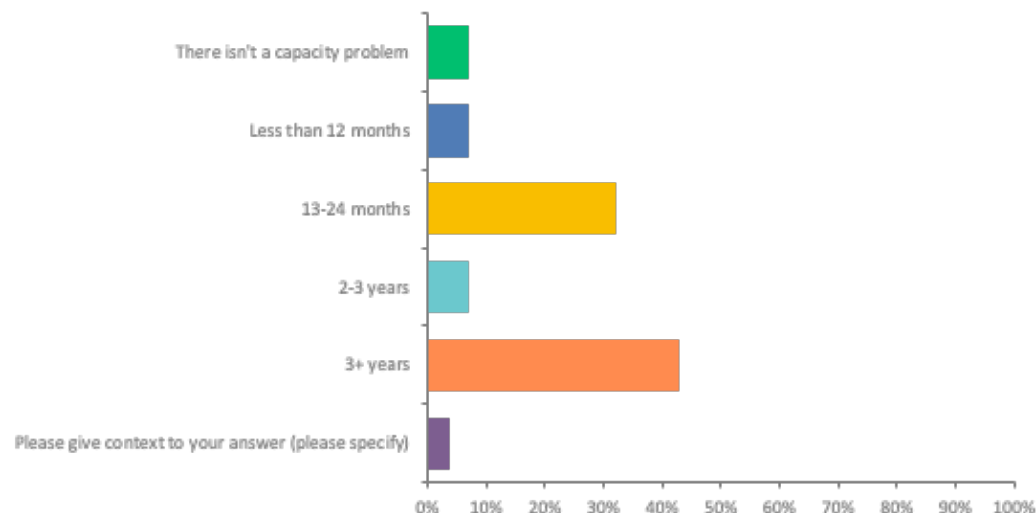


**SOLERA** | Audatex  
Vehicle Claims

## Summary

(Trend Tracker)

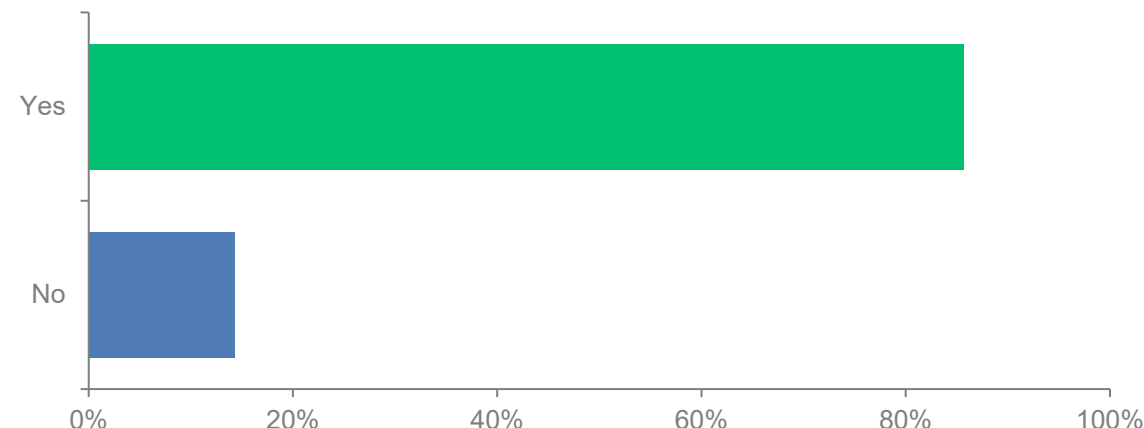
### For how long do you believe the capacity problem will last?



#### Repairers' concerns:

- Immediate future = energy costs and rising cost of production
- Medium term = recruiting and keeping good staff
- Longer term = recruiting and keeping good staff

### Do you think the repair industry has been significantly impacted and in a long-term way?



#### Insurers' concerns:

- Securing quality capacity
- Customer service (especially in Winter)
- Continued rising costs & pricing movements