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# Market Intelligence

November 2022

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“ As winter approaches there are a few concerning trends to consider:

- the economic and political situation uncertainty as we eagerly await the budget changes and Office for Budget Responsibility (OBR) on 17 November to see how this will impact consumers and businesses;
- the available capacity in the repair market and how this is accessed by those needing to arrange vehicle repairs;
- the supply chains ability to provide the vehicles, parts and materials required to repair those vehicles in a timely fashion.

Whilst the short-term attention is on energy costs and how this is obliterating margin, almost all other costs are escalating too – impacting customers which, in-turn, is starting to impact their ability to afford excesses. 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 and, to combat this, customers may need to increase excesses even further.

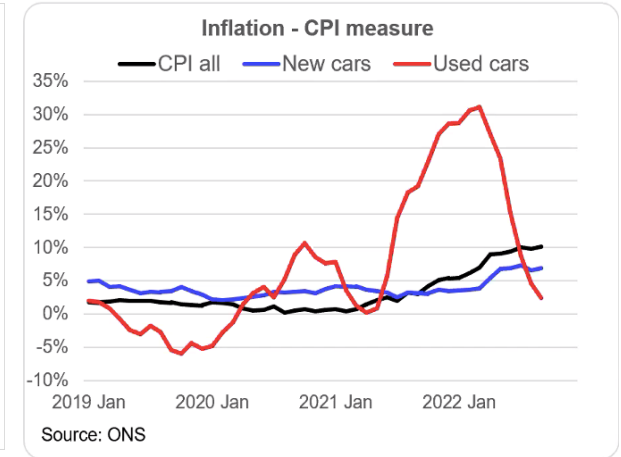
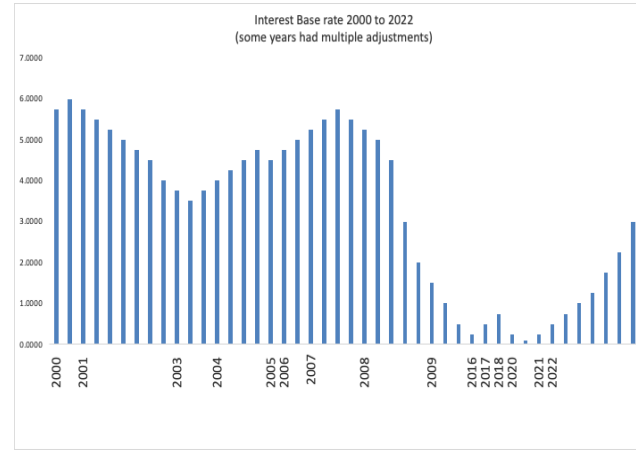
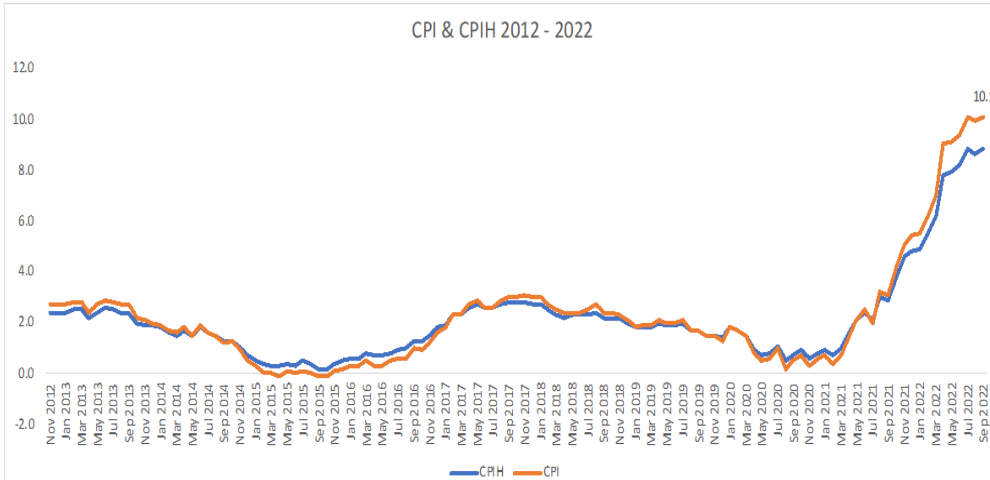
Repair market performance is at a consistent new–normal position... for now:

- New car sales production 47% below that of pre-pandemic YTD – no short-term fix
- Used car demand and supply both low with prices not moving much
- Repair volumes consistently at an average of 85% of 2019 levels YTD (with some months up or down from that average)
- Supply chain logistics showing some improvement, but parts delivery and delays still common place for 1 in 5 repairs - no significant change
- Key-to-key (K2K) consistent over last 6 months, reflecting this new industry ‘norm’ - lead time starting to move out
- Repair costs continue to rise and predicted to continue to in the short-term

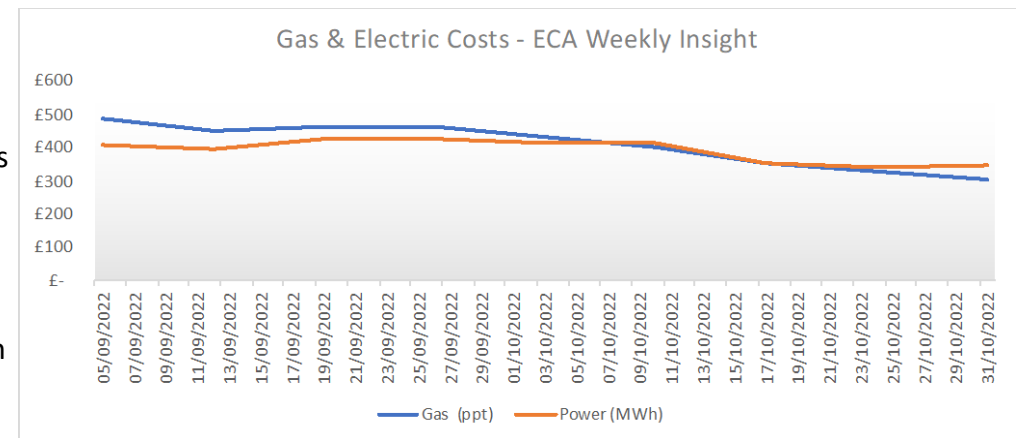
Trend Tracker will be exploring all these in detail in the forthcoming comprehensive market report due to release in after 17 November. ”

# Economy

(ONS, Trend Tracker, ECA)

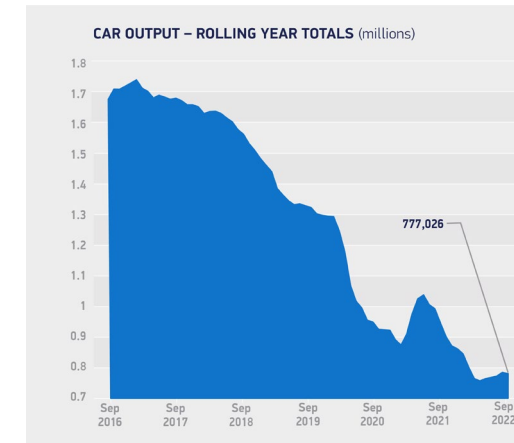
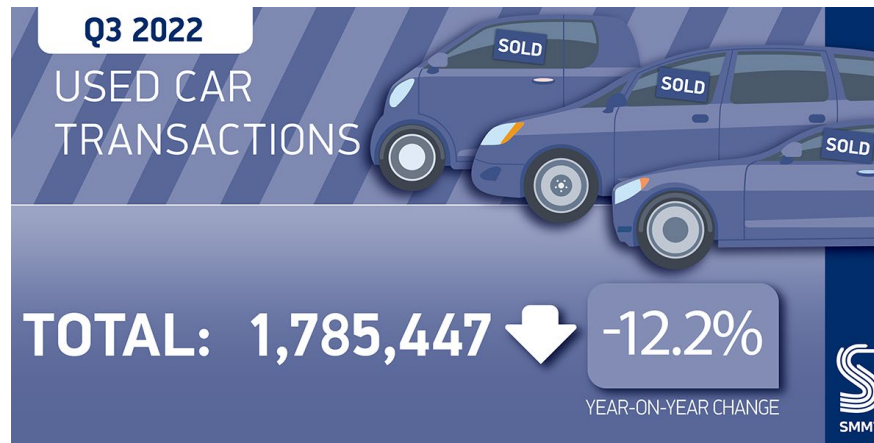
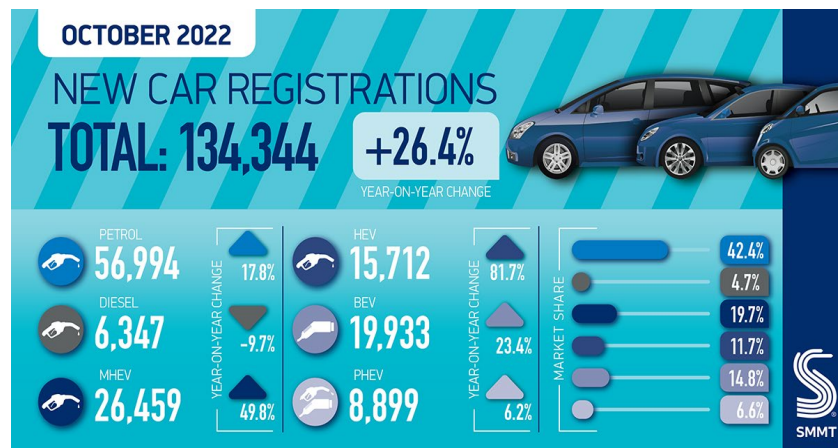


- Inflationary pressure – 40 year high , predicted to climb a little more. Bank of England increasing interest rates to try to mitigate, heading into official recession if Q4 GDP contracts
- Energy costs – single most significant cost issue but starting to fall in recent weeks
- Sale prices going up – across all industries, YOUNG reporting only 1 in 9 state they will continue their current lifestyle if mortgage payments increase – 82% stating they will tighten their belts and make changes



# Car market

(cap hpi, Trend Tracker, SMMT, Credit Suisse)



- New car sales up YOY (very low 2021) but production 47% down YTD Vs pre –pandemic
- Plug—in’s account for 21% of registrations
- Used car sales down 12% YOY, BEVs buck the trend with Q3 being 44% up
- Cap-hpi report wholesale volumes on a par with 2021 but remain 20% down Vs pre-pandemic, values drop slightly -0.5% after a slight increase in September 0.3%. – no significant movement
- Road use for cars at consistently 95% Vs 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

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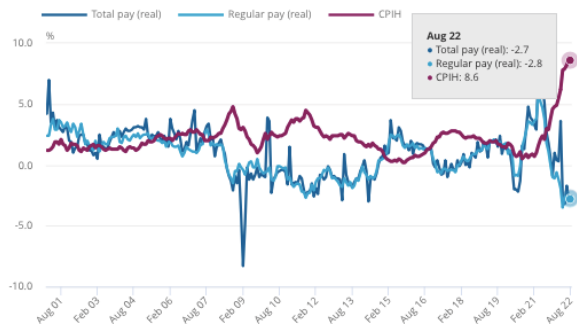


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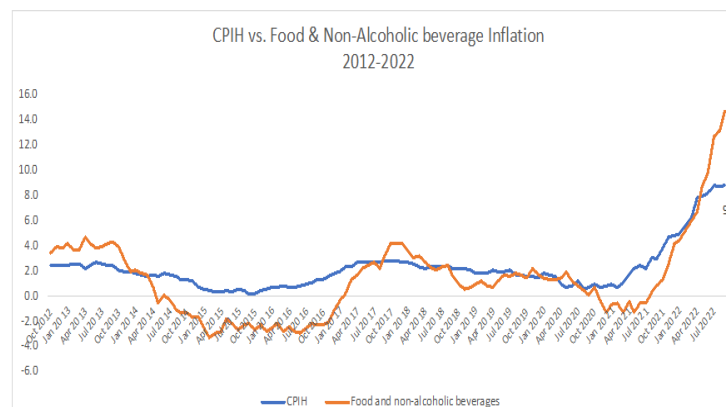
# Staff (ONS, Trend Tracker)

Real average weekly earnings single-month annual growth rates in Great Britain, seasonally adjusted, and Consumer Prices Index including owner occupiers' housing costs (CPIH) annual rate, January 2001 to August 2022



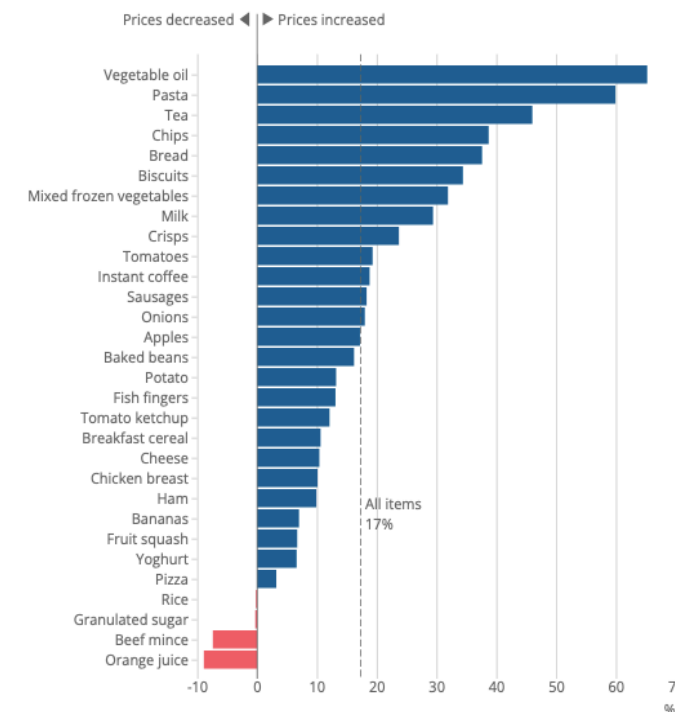
Source: Office for National Statistics - Monthly Wages and Salaries Survey, Consumer price inflation

- Increased pressure on staff costs as inflation continues to increase, graph above shows a 'real pay' reduction when CPI was 8.6% in August, now it is 10.1% - public services strikes as workers need wages to keep pace with inflation
- New challenges too with food inflation rapidly climbing and mortgage rates increasing with interest rate rises
- Increased career switching— across industries and types of employment to increase income



## Prices for lowest-cost vegetable oil, pasta, and tea have increased the most since September 2021

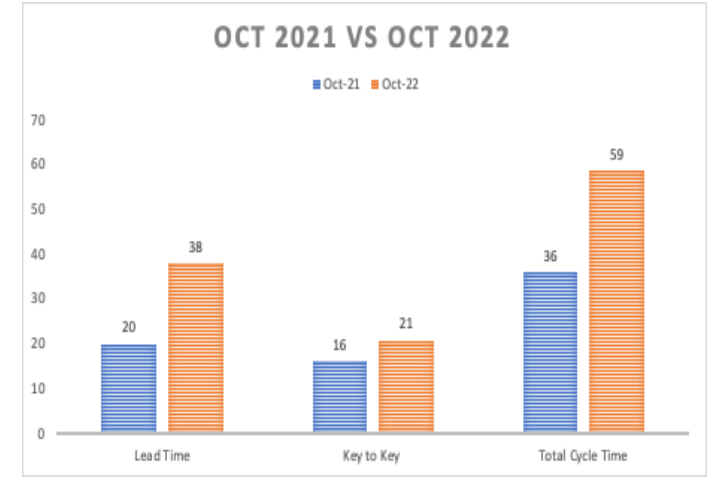
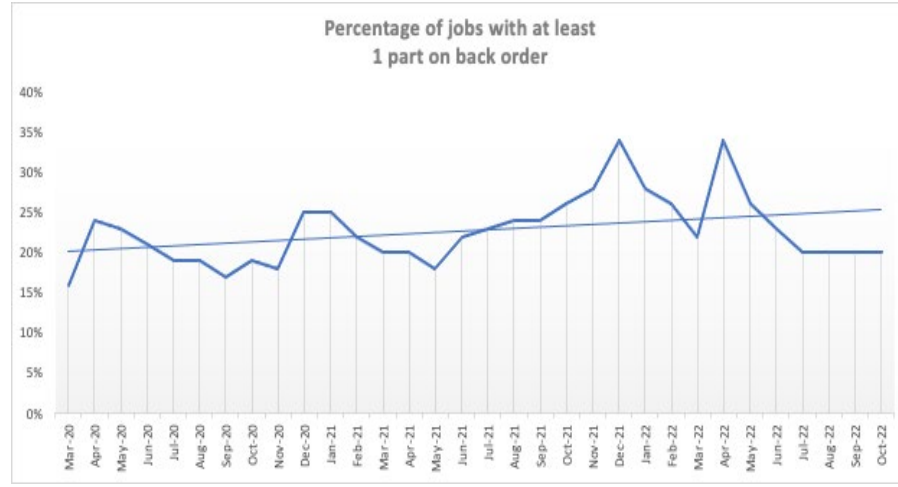
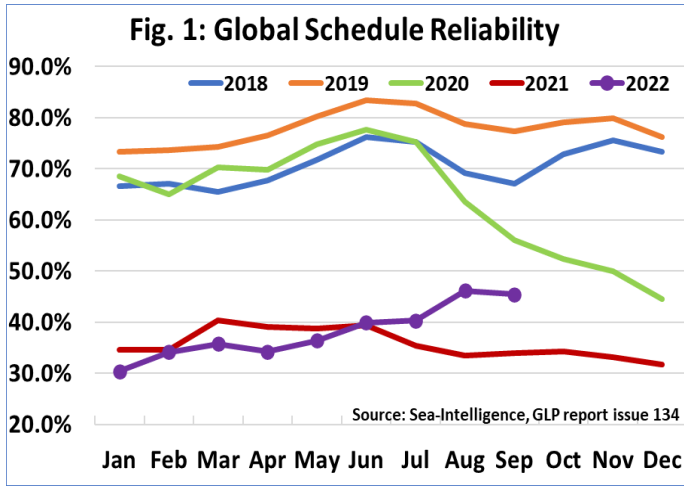
Lowest price of selected 30 everyday groceries, item-level price changes, September 2022 compared with September 2021



Source: Office for National Statistics - Tracking the lowest cost grocery items

# Repair duration and supply chain

(Sea Intelligence, Advantage parts, Trend Tracker)

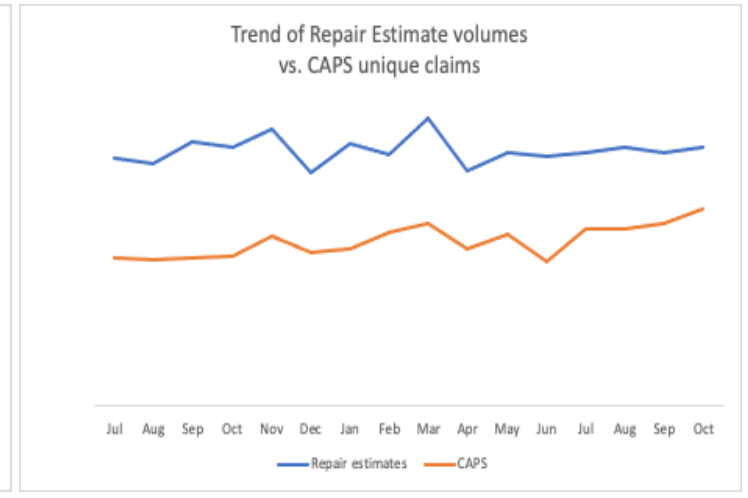
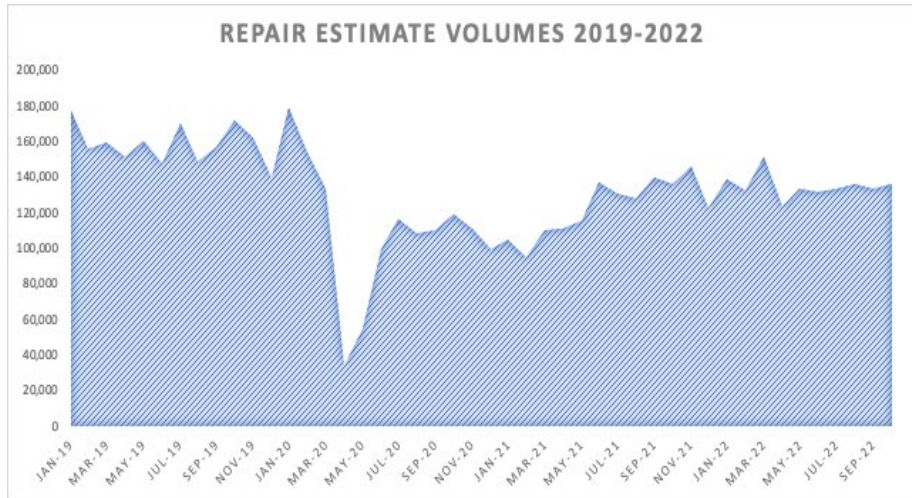


- Global Shipping reliability improving but still below pre-pandemic levels
- Parts delays – consistent shipping times (average 41 hours) and consistent position of 1 in 5 jobs with at least 1 part or more missing
- Cycle time creeping up from 54 to 59 days in October with lead time moving out as volumes creep up in October



# Repair volumes and rising costs

(Audatex, T Tracker)



- Vehicle Repair demand – steady at 85% of pre-pandemic levels, but October higher than September as we approach winter months, both CAPS and Audatex data show an up-tick in volume
- Inflation impact– Month on month increases- in excess of £200 per repair higher than H2 average 2021
- Repair costs rising – 18% up year on year, all key components contributing, as margins are squeezed with increased production costs
- Consumers – needing to get used to a much longer repair durations with Insurers securing capacity (Admiral network decisions, Aviva renewing Vizion contract)
- **Market Value growing attracting investment, despite less repairs than pre-pandemic, as a result of repair values**



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