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Market Intelligence

ARC360 Gaining Ground Together
24 November 2022

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The data & insights contained within this document were presented by Paul Sell, Associate Director, Trend Tracker at ARC360's Gaining Ground Together 2022 event – 24 November 2022 – and form part of the newly launched *The UK Motor Claims and Body Repair Report 2022-2023* available now



GAINING GROUND TOGETHER

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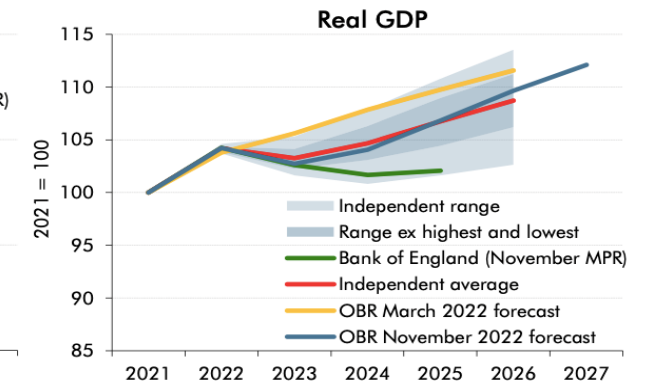
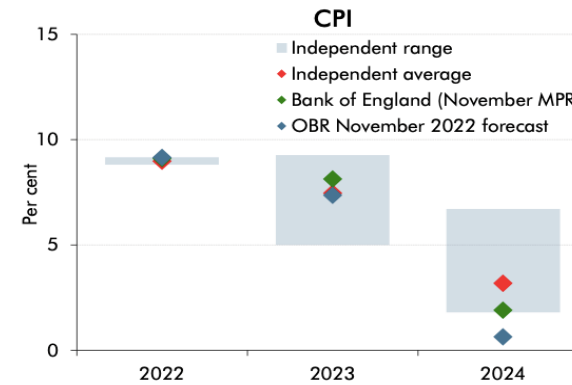
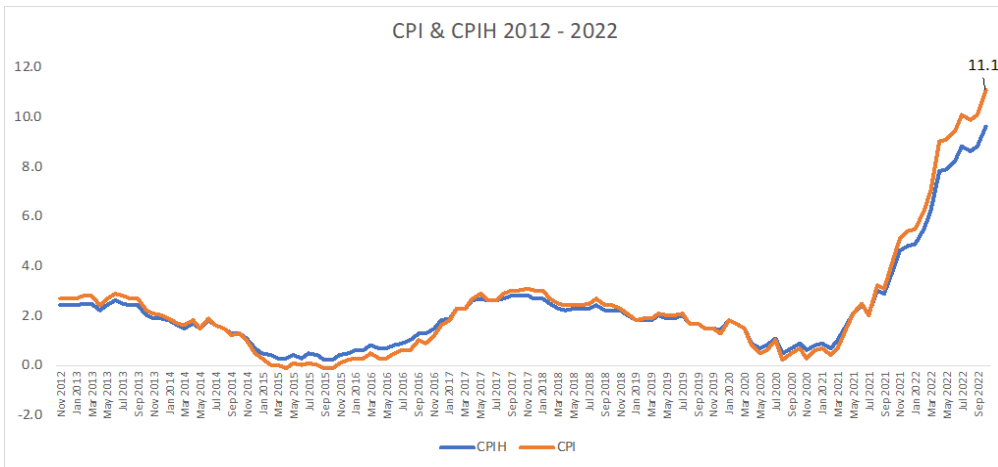


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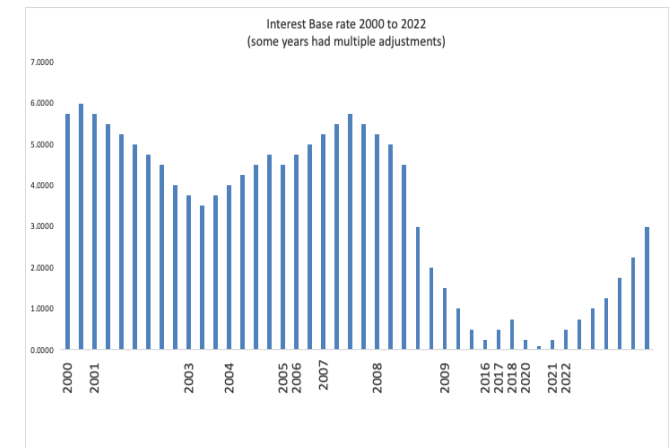
Economy

(ONS, Trend Tracker, ECA)

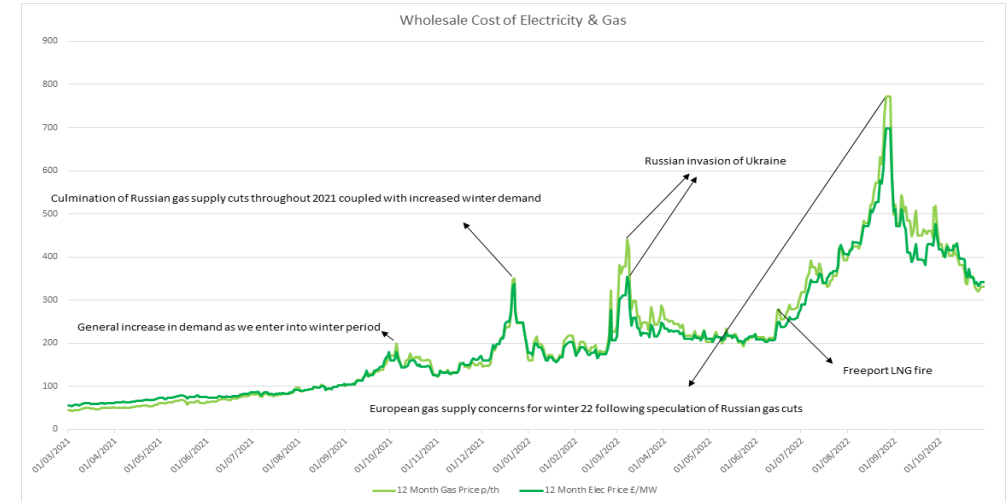
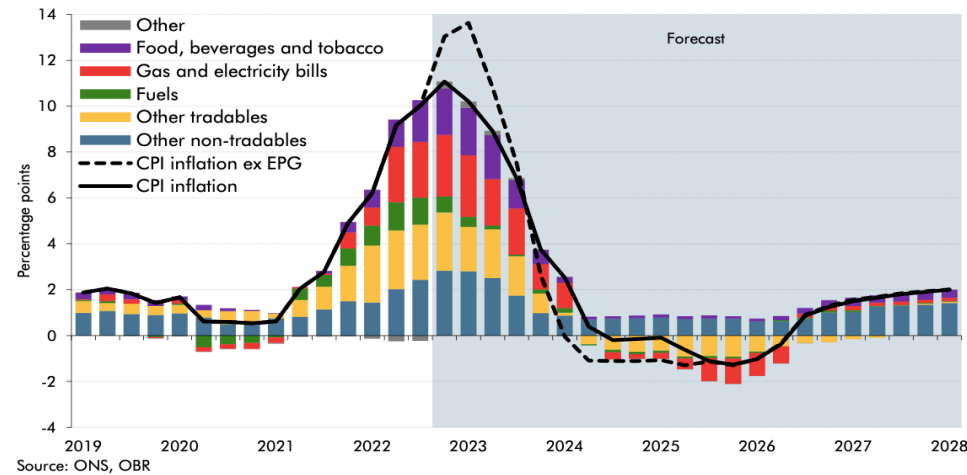


Note: Independent average uses the most recent average of independent forecasters' medium-term projections, published by the Treasury in November. Bank of England forecast excludes the backcast.
Source: Bank of England, HM Treasury, ONS, OBR

- Costs up, economy shrinking, biggest drop in living standards for 70 years.
- Inflationary pressure – 41 year high , predicted to peak shortly and slowly fall, largely as a result of the EPG.
- BOE increasing interest rates to try to mitigate this, heading into official recession, predicted to rise to 5% before slowly falling.
- Government states a 'Global Inflation, Energy & Economic crisis' forecasting a tough next 2 years as they seek to reduce Inflation and grow GDP – pushing tax to the highest percentage of National Income since WWII.

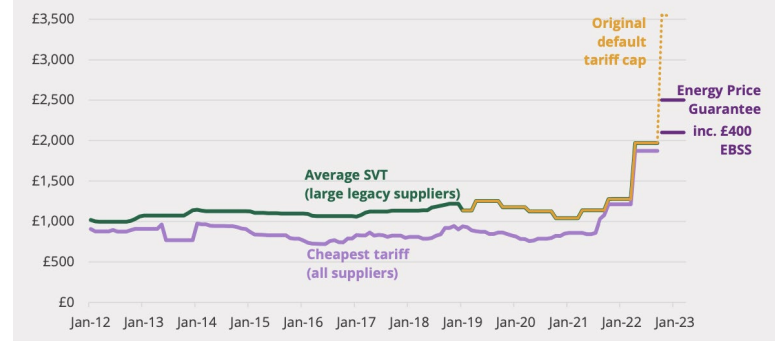


Energy and Food (ONS, Trend Tracker, ECA)



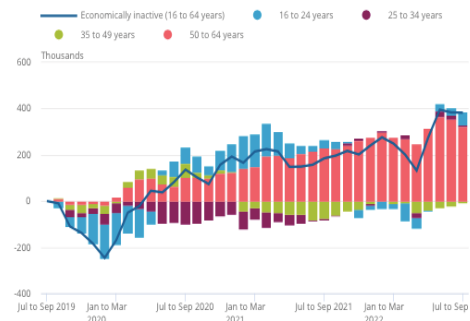
- Inflationary pressure – specifically Energy and Food ONS/OBR forecasting a drop to pre pandemic levels by 2024 (supporting the governments forecast of a tough 2 years).
- Energy – single most significant cost issue, starting to fall in recent weeks, greatly supported by the EPG, still significantly higher than only 1 year ago.
- Real household disposable income drop of 7% 2021-2023.
- Prices going up across all industries, YOUNGOV 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.

The gap between the price cap and the cheapest tariff narrowed in 2021 and 2022. Price cap up by 54% in April 2022, Energy Price Guarantee limits increase in October 2022
Average annual direct debit dual fuel bill for typical levels of consumption, cash prices, Great Britain



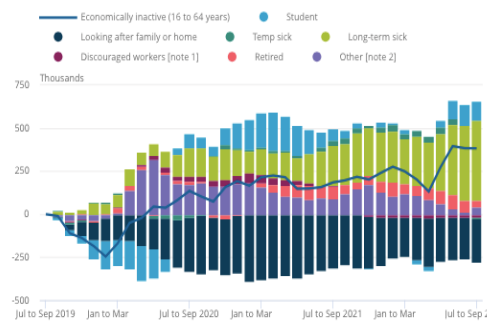
Staff shortages and costs (ONS, Trend Tracker)

UK economic inactivity by age, people aged 16 to 64 years, seasonally adjusted, cumulative change from July to September 2019, for each period up to July to September 2022



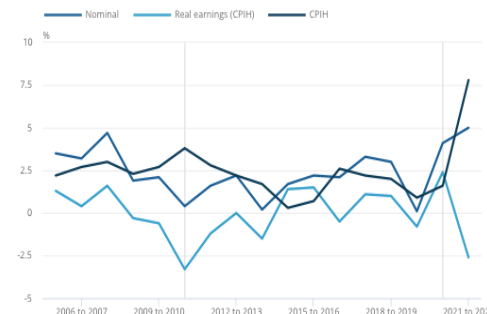
Source: Office for National Statistics - Labour Force Survey

UK economic inactivity by reason, people aged 16 to 64 years, seasonally adjusted, cumulative change from July to September 2019, for each period up to July to September 2022



Source: Office for National Statistics - Labour Force Survey

Annual percentage change in real and nominal median gross weekly earnings for full-time employees, UK, 2005 to 2022



Source: Office for National Statistics - Annual Survey of Hours and Earnings (ASHE)

Employment rate

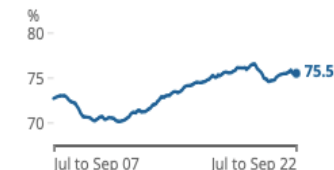
Employment rate (all aged 16 to 64)

Quarterly change: ◀ 0pps
Since Dec-Feb 2020: ▼ -1.1pps

The employment rate is unchanged on the quarter but increased on the year and is still below pre-pandemic rates.

Source: ONS LFS

[Read more](#)



Unemployment rate

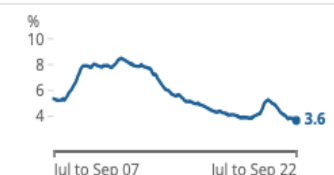
Unemployment rate (all aged 16+)

Quarterly change: ▼ -0.2pps
Since Dec-Feb 2020: ▼ -0.4pps

The unemployment rate decreased on the quarter and the year, and is below pre-pandemic rates.

Source: ONS LFS

[Read more](#)



Inactivity rate

Economic inactivity rate (all aged 16 to 64)

Quarterly change: ▲ 0.2pps
Since Dec-Feb 2020: ▲ 1.4pps

The economic inactivity rate increased on the quarter and the year, and is still above pre-pandemic rates.

Source: ONS LFS

[Read more](#)



- Employment rate up to 75%, unemployment low at 3.6% but inactivity up to 21% of population.
- Increased inactivity rates reduce workforce population post pandemic, particularly 50+, with big increase in long-term sick.
- Cost of staff increasing at 5% (ONS), but this is not keeping with inflation – government have increased minimum wage by 9.7%; benefits & pensions uplifted by 10.1% - pressure on wages.
- Cost to hire increasing with the need to pay more to attract, train and maintain staff.
- ONS report vacancies coming down (in motor market) with businesses citing economic pressures – holding back on recruitment.

Car market

(cap hpi, Trend Tracker, SMMT)

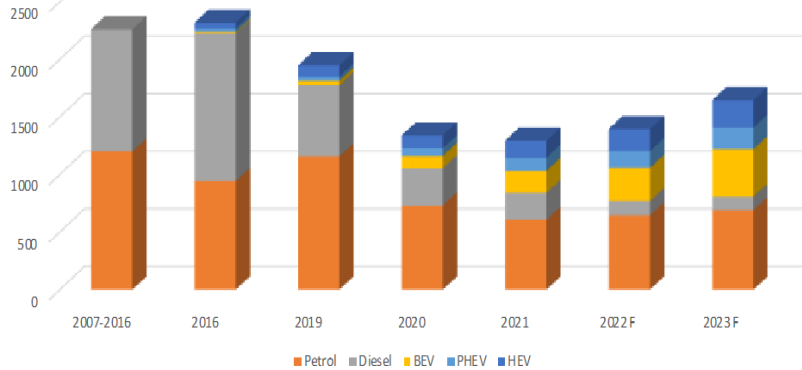
S&P Global
Mobility

SOLERA
Vehicle Solutions

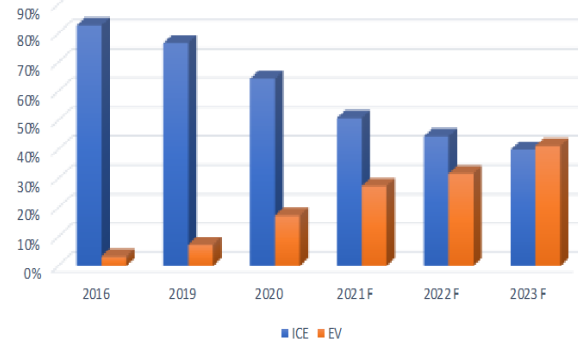
cap hpi

SMMT
DRIVING THE
MOTOR INDUSTRY

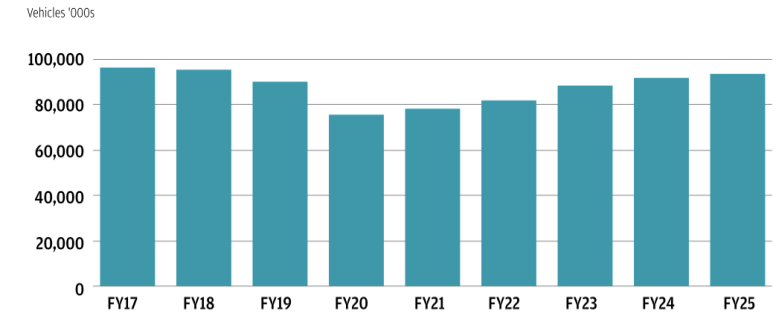
UK new car and light vehicle registrations outlook (SMMT)



Internal Combustion Engine vs. Electric Vehicle
2016-2023 - New car registrations (SMMT)



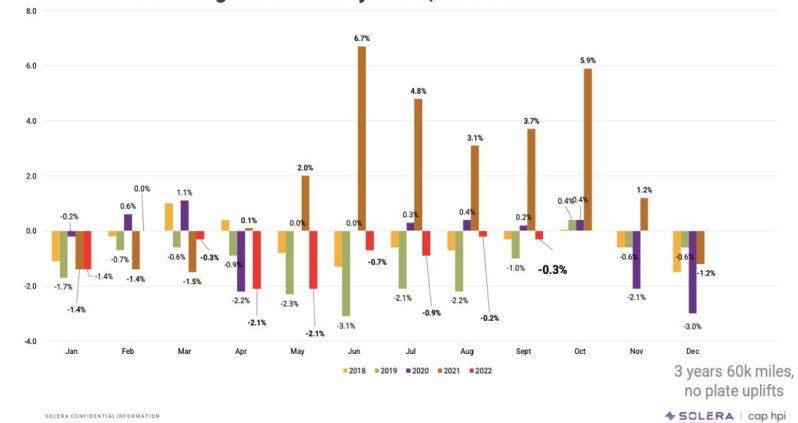
Global light vehicle production is returning to pre-pandemic levels



Source: S&P Global Mobility

- New car sales up YOY but production 47% down YTD vs pre –pandemic. SMMT has also lowered its sales forecast 2023 to 1.89m.
- S&P Global Mobility predict global sales will be up 7% in 2023 with chip shortages improve.
- Plug—in's account for 21% of registrations, still growing rapidly (compared to ICE) with pressure on government to improve infrastructure.
- Used Car sales down 12% YOY (SMMT), BEV's buck the trend with Q3 being 44% up. Cap-hpi report wholesale volumes on a par with 2021 (20% down vs. pre-pandemic). Values drop slightly -0.5% after a slight increase in September 0.3%. – no significant movement.

Valuations - Percentage movements by month, 2018-Present



3 years 60k miles,
no plate uplifts
SOLERA | cap hpi

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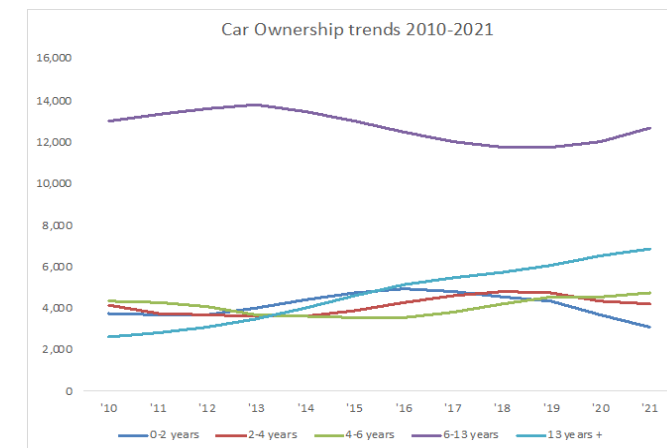
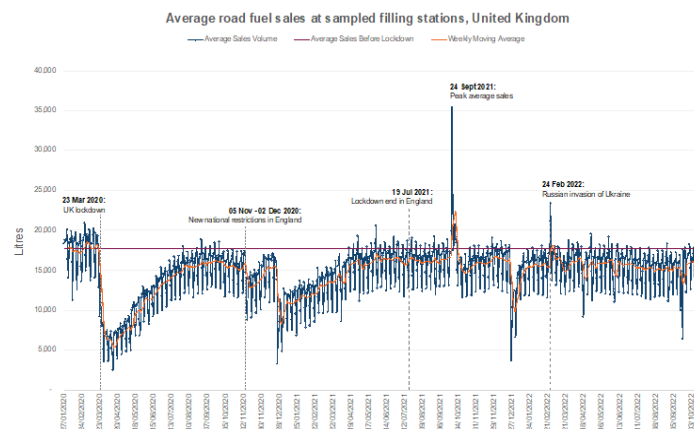
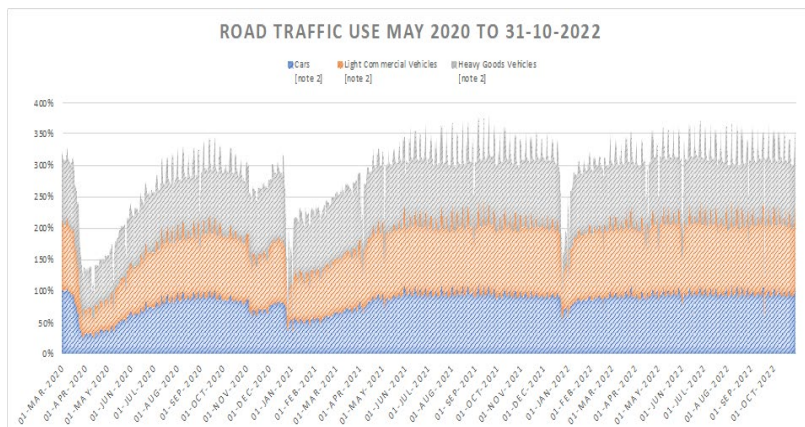


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Road use and cost of travel

(Department for Transport, Trend Tracker)



- Road Traffic use seems to have reached consistent post-pandemic levels - 95% of 3/2020 (cars).
- We reported in October that the latest ONS survey confirmed that 44% of people struggling with cost-of-living have cut down on non-essential journeys (ONS survey).
- This is increasingly something to consider for EV drivers as well as ICE vehicle owners with Rapid Charging points charging rates particularly increasing as well as price of Energy at home.
- Further point to note – increasing average age of vehicles on roads due to effects of Pandemic, shortage of supply & now Cost of living crisis.

Cost per mile comparisons - over time

Home charging costs based on current capped p/kWh rates

	Battery electric (using 7kW home charger)	Battery electric (using 'rapid' chargers)	Battery electric (using 'ultra-rapid' chargers)	Petrol	Diesel
May 2022	8p	13p	15p	19p	20p
September 2022	10p	18p	18p	19p	21p

Source: RAC Charge Watch

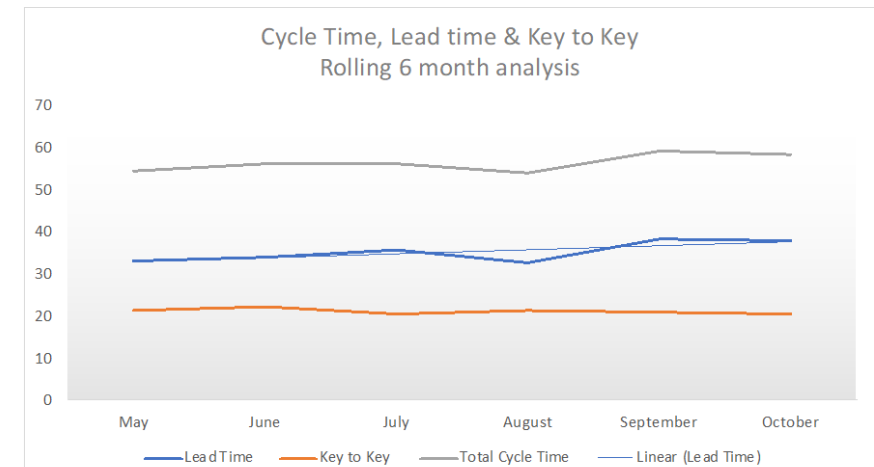
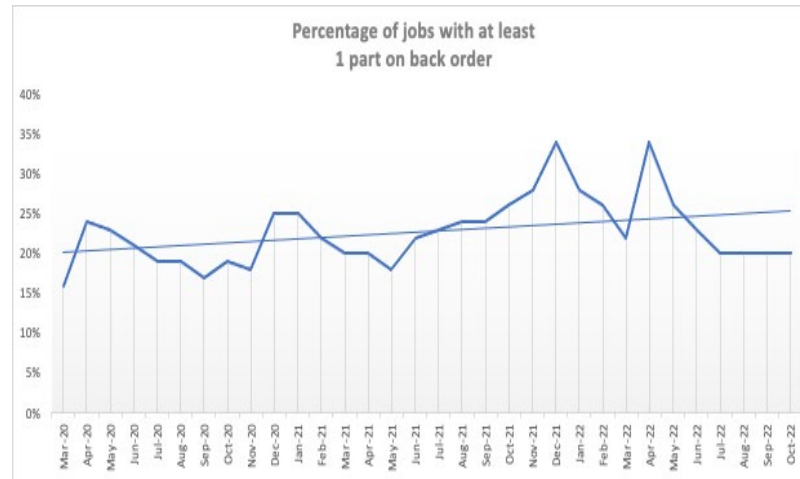
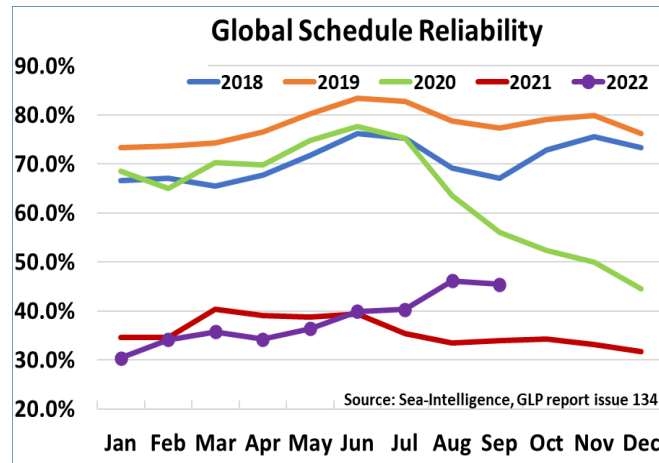


Repair duration and supply chain

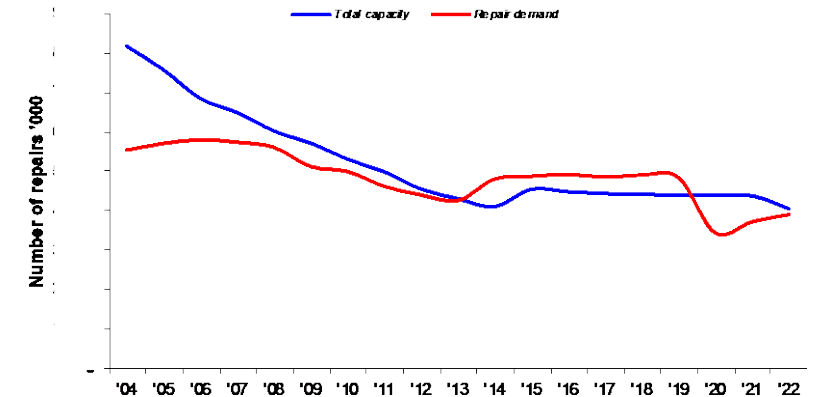
(Sea Intelligence, Advantage parts, Trend Tracker)



Sea-Intelligence



- Global Shipping reliability improving but still below pre-pandemic levels.
- Parts delays – APS report consistent shipping times and a consistent position of 1 in 5 jobs with at least 1 part or more missing.
- Cycle time has been consistent in last 6 months, K2K still consistent at 20 days but lead time moving out in October creating Cycle Time of 59 days (impact on cost and customer).
- Insurers securing capacity ahead of winter (Admiral & Aviva recent actions) as capacity vs. demand picture changes



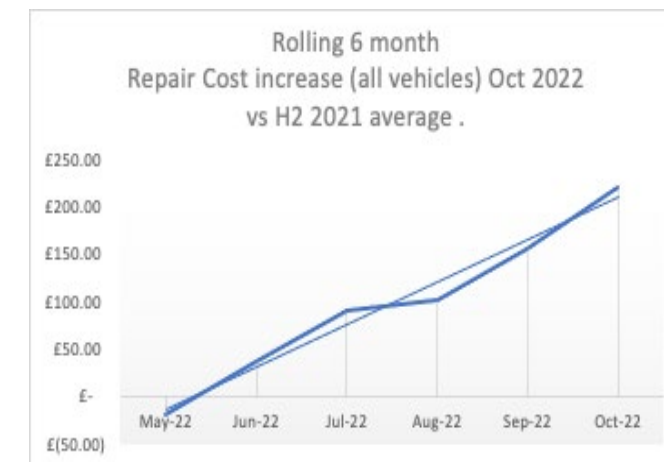
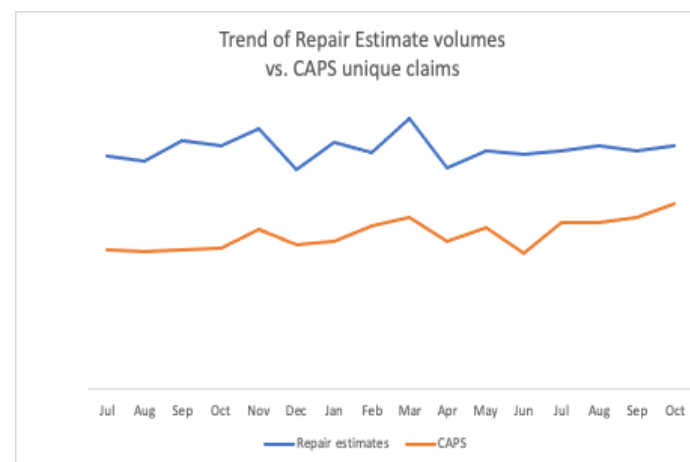
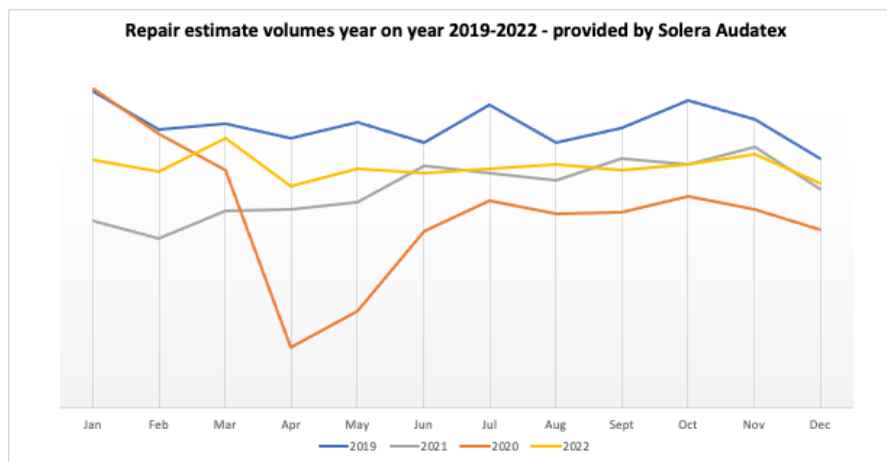
Repair volumes and rising costs

(Audatex, Trend Tracker)



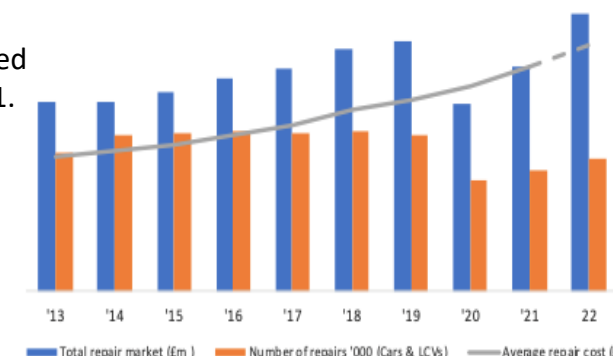
SOLERA
Vehicle Claims

Audatex



- Vehicle Repair demand – consistently running below pre-pandemic levels, but October higher than September as we approach winter months (CAPS and Audatex data show an up-tick).
- Repair costs rising – 18% up year on year, all key components contributing, as margins are squeezed with increased production costs - month on month increases- in excess of £200 per repair higher than the average repair costs for H2 2021.
- C Suisse recently predicted 21% price increase required (Motor Insurance) as a result of inflationary pressure.
- Whilst a difficult period for many in this industry, there will be winners and losers as businesses adapt to these headwinds.
- Market Value is growing & demand is stable, thus attracting investment.

Market Size by value (Repairs vs. Average Repair cost)
2022 - using YTD Sept figures with predicted volume



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