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Market Intelligence

September 2023

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Associate Director,
Trend Tracker

"September sees the third month of a consistent repair volume across the summer – all three months presenting c147,000 repairs (95% of pre-pandemic levels, 103% of 2022).

- Inflation continues to fall, but not as quickly as the government would like. However, wage inflation is catching up and 'real pay' is now a positive number.

- GDP slight growth, a strong employment market too, but it is starting move the wrong way (employment numbers below pre pandemic and unemployment numbers higher).

- Road usage higher than pre-pandemic levels, but Car Sales still 7% below.

- Car Production is thriving & Sales are growing, particularly EVs (1 in 5 cars sold).

- Used car market consistent overall (but movements within this) with small drops each month from the sudden escalation in prices post pandemic.

- Cycle times consistent, with lead times continuing to keep pressure on the cost and provision of mobility (courtesy cars), parts availability much better but still some outliers that create real challenges for some models.

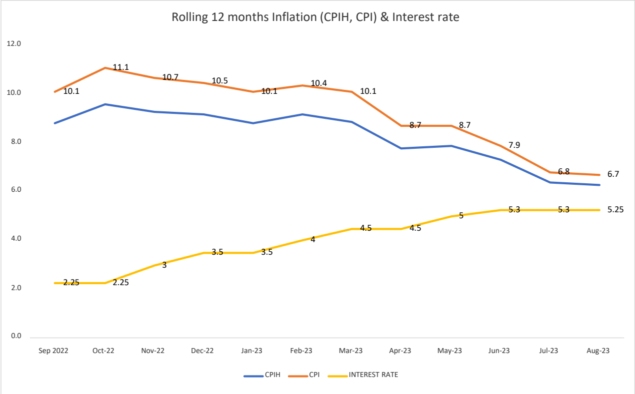
- Salvage indicators show the big difference in the average sale price and average vehicle age of EV vehicles vs. ICE vehicles which portrays a market challenge (writing off electric vehicles less than 5 years old due to type of damage or concern about potential hazards).

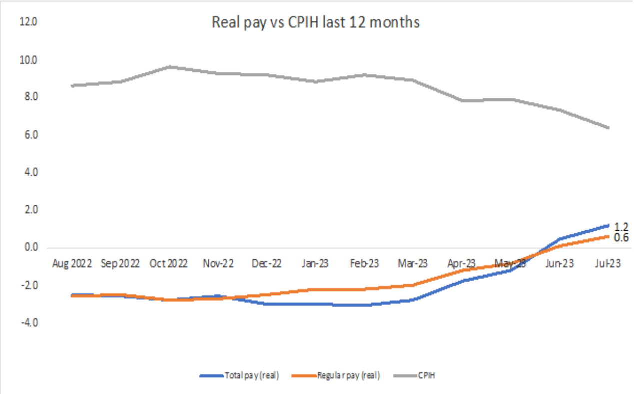
- Repair cost inflation slowing down (but still increasing year on year) - predicted 2023 average to be 11-13% from the highs of 16-18% in 2022 (this led to a 15pts deterioration in Motor Insurance Market profitability leading to 20-22% increases in rates which are still climbing in an attempt address this).

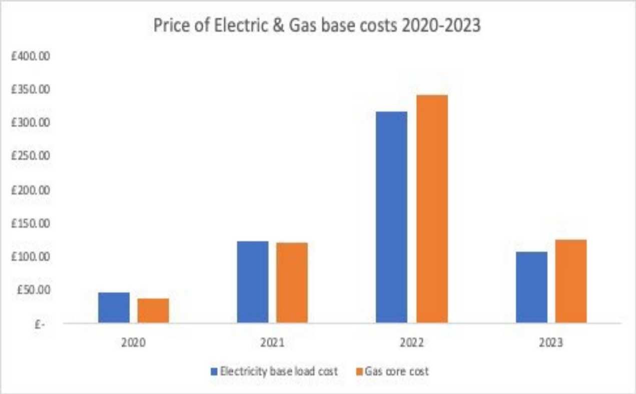
Full details of all these market impacts in the latest Trend Tracker report https://www.trendtracker.co.uk ."

Economic Trends

(ONS, ECA)



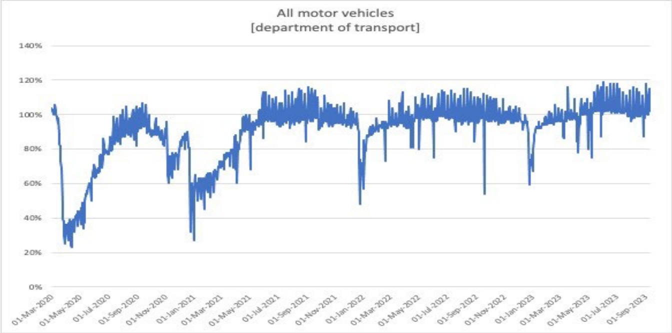


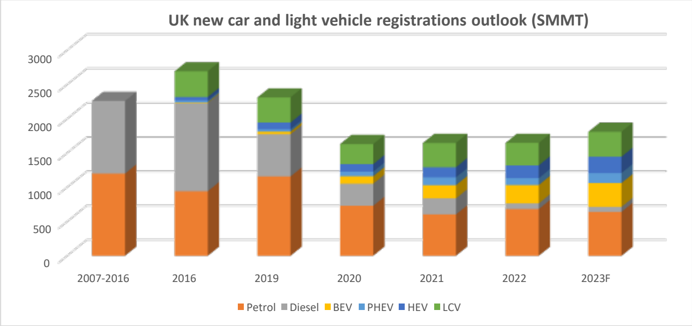


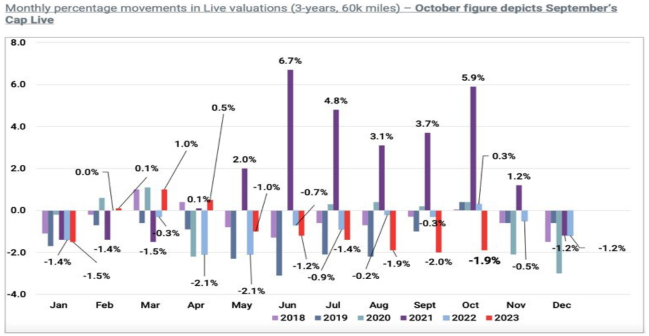
- (CPIH) rose by 6.3% in the 12 months to August 2023, down from 6.4% in July. (CPI) rose by 6.7% in the 12 months to August 2023, down from 6.8% in July.
- Within this relevant to Motor Repair - Fuel price falling by 16.4% in the year to August 2023, compared with a larger fall of 24.9% in the year to July. Within transport, the effect from motor fuels was partially offset by downward effects from second-hand cars and air fares. Second-hand car prices fell by 1.8% on the month this year, compared with a rise of 0.9% a year ago. On an annual basis, prices fell 0.5% in the year to August, compared with rise of 2.3% in the year to July
- Employment rate 75.5% which is down vs. last quarter and still below Pre-Pandemic levels. Unemployment rate 4.3% still above Pre-Pandemic levels. Number of vacancies dropped again for 14th consecutive month.
- GDP is overall showing slight growth, still slower than G7 to bounce back from effects of pandemic, helped by strong manufacturing output
- Looking at more recent weeks Energy prices continue to drop from the significant highs of 2022, with small volatility as described by ECA in their latest weekly insight https://ecabusinessenergy.com/

Mobility & Car market

(cap hpi, ONS, SMMT, Dept. of transport)



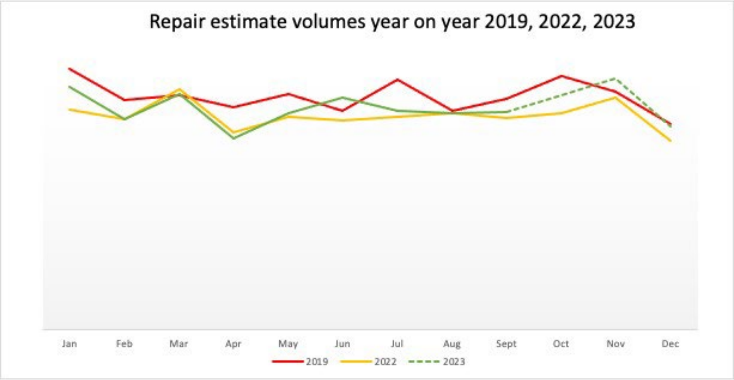


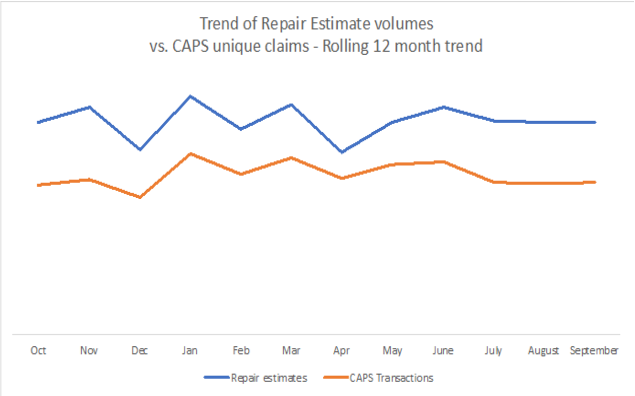


- Traffic volumes were 102% of the levels during the first week of February 2020. This is 3 percentage points higher compared to the equivalent day in the previous year (99% on Monday 12 September 2022).
- UK car production declined by -9.7% to 45,052 units in August, following six months of growth. Electrified vehicles represent nearly two in five of all cars produced in August, equivalent to 16,511 units. UK commercial vehicle (CV) manufacturing grows 8.6% in most productive August since 2012. 6,660 units leave factories in August, pushing year-to-date volume 62.2% above pre-pandemic levels.
- New car market enters second year of growth as August registrations rose 24.4%, still 7.5% below pre-pandemic. 1 in 5 cars sold are BEV.
- Eigth consecutive month of growth for UK van market in August, up 5.0% to 16,303 units. Battery electric van demand continues to rise, up 6.9% in the month to 1,122 units.
- Cap Live is reporting a 1.9% or c.£420 decline in values at the 3-year, 60,000-mile point. This is the largest drop in the month since 2008, when values dropped by 4.1% as the financial crisis at the time affected the market.'

Vehicle Repair & Supply chain

(Audatex, WCFMC, ONS)





- Repair volumes – continue to track at 95% of pre-pandemic levels July, August and September bringing c147k units consistently.
- Repair costs – have climbed rapidly through the last 12 months with the increase in inflation but have now started to show signs of levelling off, tracking at 10% YOY increase in costs, down from 11% in August and 16% in June. We attempted to predict how this will track with inflation for the rest of the year and predicted the 11% correctly for August & 10% correctly for September.
- ABP reported this week that John Lewis (Covea) are temporarily stopping writing new business and renewals of Electric Vehicles as a result of the increased claims costs and durations – the article stated they claimed the difference in average value to be 25%. Trend Tracker research can confirm that when comparing vehicles 5 years or younger, whilst there is 10-times the volume of ICE repairs vs. EV repairs, they are 25.5% higher average repair costs and take on average 2-3 says longer to repair. This is an area of concern for Insurers as these vehicles usually have increased parts delays, have less green parts availability and are more likely to be written off if battery damage occurs.

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