Industry Insight

BVRLA

Leasing Outlook

July 2022

Weathering the storm

Keeping customers mobile as rising costs and supply shortages continue to bite

Market spotlight
Agency retail models cause concern

Quarterly report
Personal leasing growth maintains overall fleet size

Industry outlook
Switching to plug-in

Opinion
Partner insights

In association with: AutoTrader, apd Global Research, Solera Vehicle Solutions | cap hpi, asset finance connect

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Executive Panel

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Each quarter, we obtain the views of a selection of members of our Executive Panel to enhance our report insights. To join the panel email Phil Garthside at **phil@bvrla.co.uk**.

Market Summary

Buoyant used vehicle prices and bursting order banks are giving the BVRLA's leasing company members a degree of hope in an economy buffeted by wrecking ball headwinds.

Rising interest rates and vehicle prices are increasing costs, and potentially leaving leasing companies out of pocket on orders that are yet to be delivered. These impacts are being cushioned by windfall profits on the disposal of vehicles.

Meanwhile, soaring pump prices are sharpening the focus of both business and private drivers on the total cost of ownership of vehicles, and supporting the efforts of leasing companies to transition their fleets to battery electric models.

The Government may have withdrawn the Plug-in Car Grant and much of the support for home chargers, but while the benefit in kind tax on company cars remains at just two per cent, demand for zero emission motoring from both fleet drivers and employees in salary sacrifice schemes is growing rapidly. The average emissions of new business contract hire cars joining the BVRLA fleet in Q1 2022 was just 53g/km of CO_2, compared to 77.2g/km for the same period last year, a reduction of 31%.

Conscious that HMRC has not yet confirmed benefit in kind tax rates from 2025, leasing companies are lending their voices to BVRLA calls for greater clarity on the future tax treatment of electric vehicles.

For the immediate future, leasing companies are focused on keeping their customers mobile, extending contracts in the face of new vehicle supply shortages and order lead times stretching to 12 months and beyond. Given the continued strength of used vehicle prices, a more profitable course of action would be to recall and sell end-of-contract vehicles today, although any short-term gain would severely damage long-term customer loyalty.

Customer service lies at the heart of the Financial Conduct Authority's proposed Consumer Duty regulations, with leasing companies now waiting to see the fine print. While most insist their businesses would not survive without acting fairly and in good faith towards all customers, whether private or corporate, the increased percentage of consumer contracts will mean increasing numbers of member vehicles will be under the scope of regulations and potentially require time to implement.

From a customer perspective, both fleets and private motorists understand that delivery delays are not the fault of leasing companies, and that switching supplier would not lead to speedier access to new vehicles. However, the combination of market shortages and the introduction of EVs is leading to more consideration of a wider range of vehicle makes and models.

For their part, manufacturers are increasingly looking to 'own' customers for longer than the initial sale of the vehicle. Leasing companies see the development of centrally controlled agency models in place of franchised dealer networks as a shot across the bows from manufacturers attempting to gain more control through the life of their vehicles. The skills and expertise required to deliver full service leasing products are not easily gained, and it remains to be seen just how many vehicle manufacturers are able or even want to achieve this goal over the long term.

"For the immediate future, leasing companies are focused on keeping their customers mobile, extending contracts in the face of new vehicle supply shortages and order lead times stretching to 12 months and beyond."

BVRLA Fleet Focus Q1 2022

The combined car and van lease fleet operated by BVRLA members was up year-on-year but down quarter on quarter in Q1 2022.

Comparing the first three months of this year with the same period of 2022 reveals a 2.9% increase in the car and van lease fleet, pushed higher by a 12.81% rise in the number of LCVs, up by more than 56,000 vehicles to 496,911 units.

However, a decline of 0.28% in the car lease fleet compared to Q1 2021, saw its total slip to 1,367,332 units, with a 30,000 vehicle rise in the private lease fleet failing to compensate for a 34,000 drop in the business lease fleet.

"Bursting order banks are giving the BVRLA's leasing company members a degree of hope despite current headwinds."

BVRLA DATA HUB

Overall fleet

Total fleet

1,864,243

(+2.9% YEAR-ON-YEAR)

Share of total fleet

	Q1 2021	Q1 2022
Cars	76%	73%
Vans	24%	27%

BVRLA fleet shrinks quarter-to-quarter

The tightening of vehicle supply led to a slight contraction in the combined car and van fleet operated by BVRLA members between the last quarter of 2021 and Q1 2022, bringing to an end three consecutive quarters of growth.

The total lease fleet is now slightly smaller than its pre-pandemic figure of 1,896,308 vehicles.

Between Q4 2021 and Q1 2022 the car lease fleet declined by 0.78% or 10,814 vehicles, with a 2,000 rise in private lease cars proving insufficient to offset a 13,000 drop in the number of business cars.

Over the same two periods, the total van fleet shrank by 0.27%, or 1,369 vehicles.

TREND

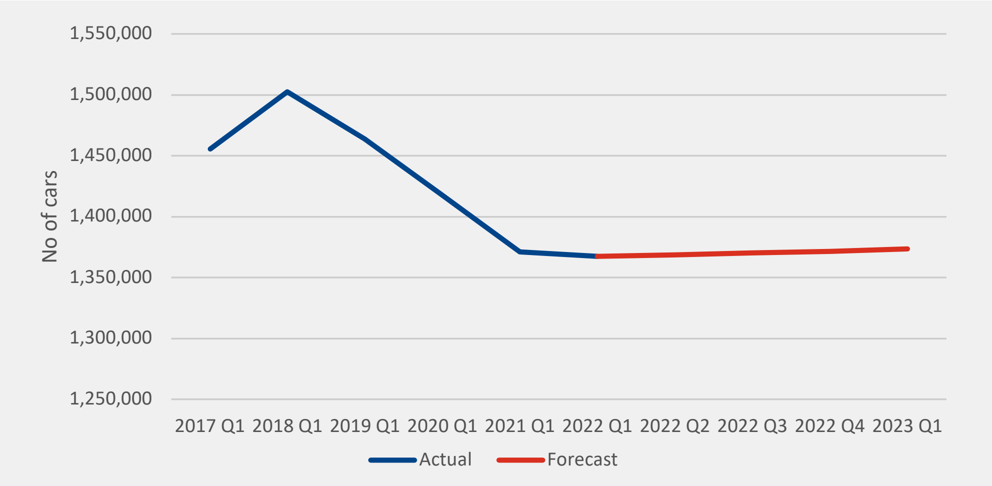
-52,613

(YEAR-ON-YEAR)

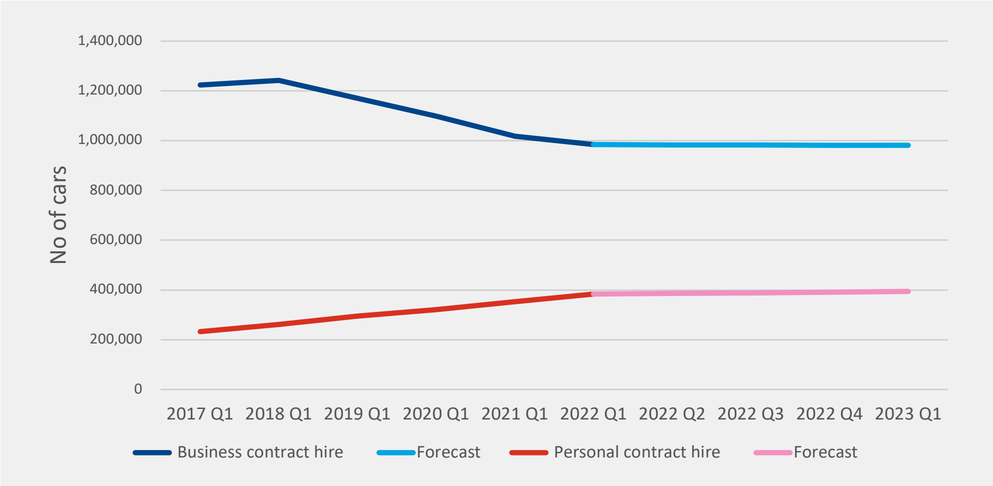
Total fleet size

BVRLA Fleet Focus Q1 2022

Total car fleet



BCH v PCH car fleet



Supply shortages stop car fleet recovery

TREND

1,367,332
(-0.28% YEAR-ON-YEAR)
BVRLA CAR FLEET

The shortage of new vehicles, due to the scarcity of semiconductors and other vehicle components, has stymied the post-Covid recovery of the car leasing market. The total car lease fleet operated by BVRLA members was smaller in Q1 2022 than the first quarter of any of the last five years.

Leasing companies report bulging order banks for new company cars as drivers look to take advantage of the exceptionally low benefit in kind tax rates of electric cars, but delivery times are stretching to 12 months and longer. The consumer car lease fleet continues to grow, accounting for 28% of the total car fleet in Q1 2022, compared to 17% in Q1 2018.

Private consumers attracted to vehicle usership rather than ownership

TREND

763,123
(+0.1% YEAR-ON-YEAR)
BCH CAR FLEET

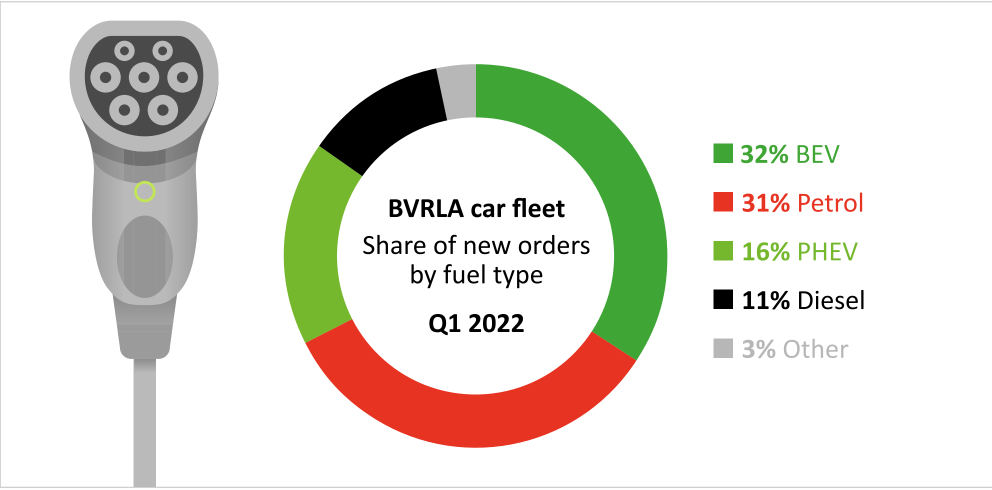
TREND

325,885
(+7.5% YEAR-ON-YEAR)
PCH CAR FLEET

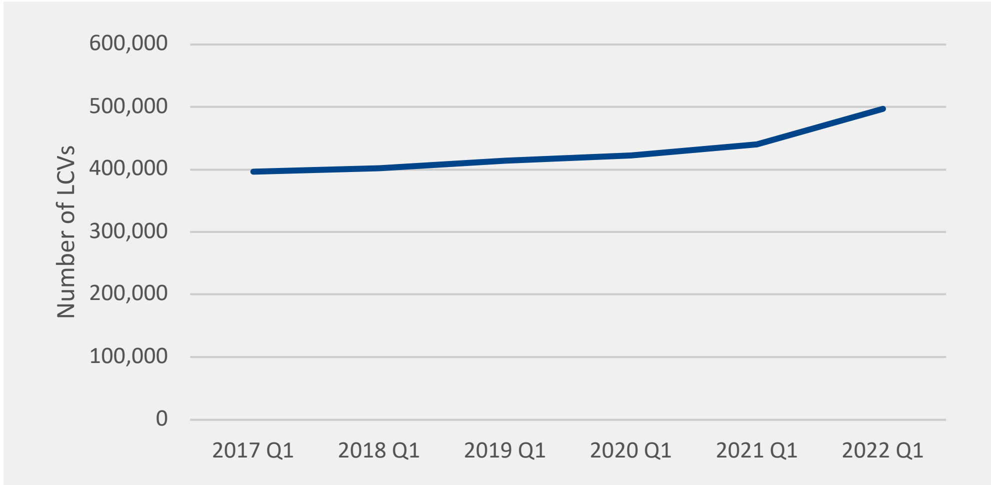
A slow but steady rise in personal leasing products is helping to maintain the size of BVRLA members' car fleet. The number of personal contracts was 8.6% higher in Q1 2022 than the first quarter of 2021, at 383,601 cars. The most dynamic sector of this market is salary sacrifice, typically offered to the entire employee base rather than company car drivers. BVRLA members recorded a 41.2% increase in their salary sacrifice fleets, albeit from a low base, to reach a total of 35,134 cars in Q1 2022. Business contract hire was up by only 0.1% in the first quarter of the year, compared to Q1 2021, although it accounts for the majority (56%) of the car leasing market.

BVRLA Fleet Focus Q1 2022

Car fuel choices



Van fleet



EVs dominate new car orders

Battery electric has become the dominant power source for new car orders among the business customers of BVRLA leasing companies, as fleets and their company car drivers transition rapidly to zero emission motoring.

BEVs accounted for 43% of business contract hire orders in the first three months of this year, twice their penetration of the private contract hire sector. The other booming sector for EVs is salary sacrifice, where EVs represent 84% of orders. This compares with the wider UK new car market, where only 15% of deliveries were BEVs in the first three months of 2022. Across the entire BVRLA leasing fleet, BEVS accounted for 32% of all new car orders in Q1 2022, followed by petrol (31%), while plug-in hybrids (16%) outperformed diesel (11%). BEVs now account for 15% of the entire BVRLA car fleet and are on a rapid trajectory to catch petrol (35%) and diesel (29%).

43%

THE SHARE OF NEW BUSINESS CONTRACT HIRE ORDERS TAKEN BY BEVS

84%

THE PROPORTION OF SALARY SACRIFICE ORDERS TAKEN BY BEVS

Supply squeeze stymies soaring demand for LCVs

TREND

496,911

(+12.8% YEAR-ON-YEAR)

TOTAL VAN FLEET

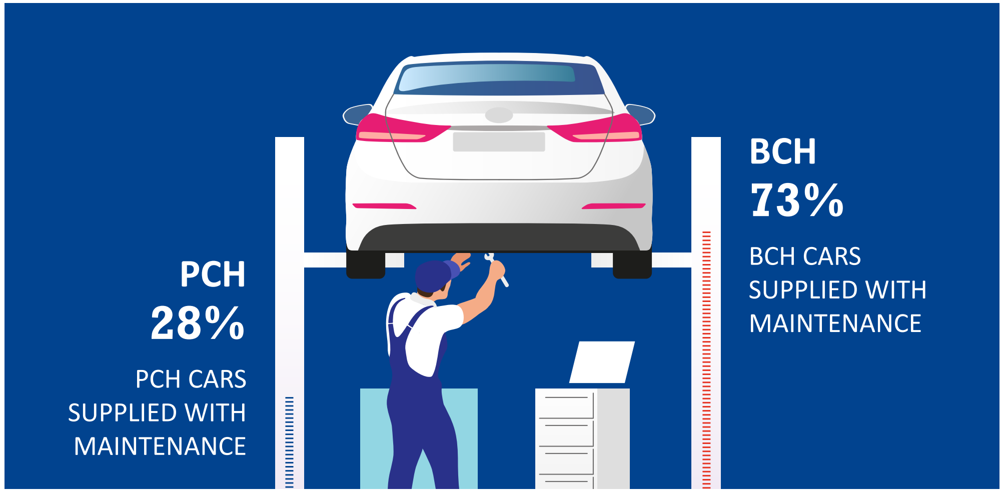
The shortage of new light commercial vehicles has seen BVRLA leasing companies supply used vans on secondary leases to satisfy demand. The total LCV fleet of association members was 12.8% higher in Q1 2022 than the same period last year, at 496,911 vehicles, but it could have been higher still had the supply of new vehicles been available. Official SMMT figures show five consecutive months of declining LCV sales in 2022.

In terms of funding methods, finance lease accounts for almost one in five LCVs on the BVRLA fleet, with contract hire enjoying the lion's share at 68%.

The penetration of electric power trains into the LCV sector lags well behind cars, with diesel still accounting for more than 90% of sales. The average emissions of new LCV orders in Q1 2022, at 172.9g/km of CO_2, was actually higher than the emissions of the entire BVRLA LCV lease fleet's 168.9g/km, although this is most likely due to larger vans joining the fleet than any like-for-like deterioration in emissions performance.

BVRLA Fleet Focus Q1 2022

Maintenance contracts - proportion of maintained fleet by funding method



Regulated contracts

Businesses more likely to take maintenance-inclusive contracts than private drivers

The commercial imperative to offer a low headline rate for personal contract hire continues to limit sales opportunities to provide cars with maintenance included in the lease. Only 28% of PCH contracts include maintenance, although this figure rises to 35% for new orders in Q1 2022, and soars to 99.96% for salary sacrifice where an all-inclusive approach dominates the market. The figures are almost reversed in the business contract hire market, where 72% of vehicles are supplied with maintenance contracts. It is notable, however, that fleets prepared to take the residual value risk on their vehicles by finance leasing are also much more inclined to carry the maintenance risk, with only 16.5% opting for maintenance-inclusive products. In the LCV sector, 63% of the BVRLA business contract hire fleet is supplied with maintenance.

TREND

557,904

BCH MAINTAINED CAR FLEET

TREND

214,971

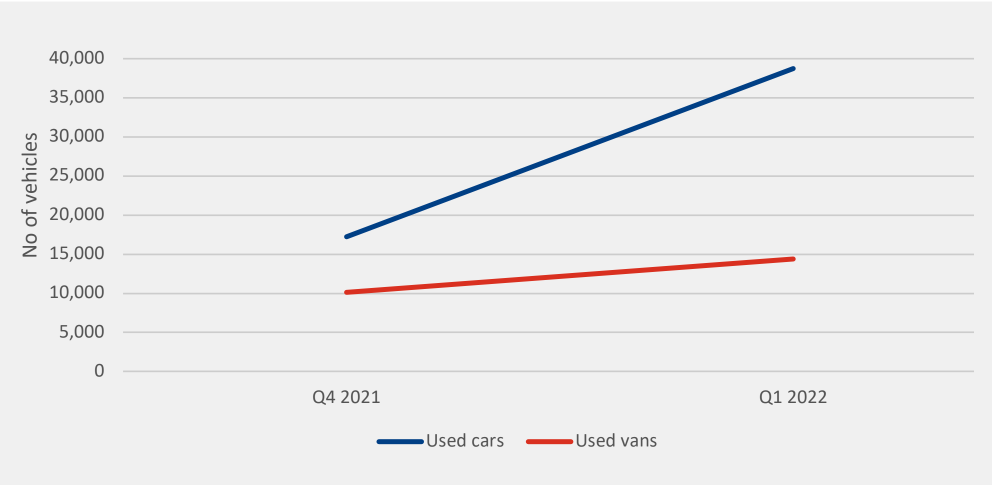
BCH MAINTAINED LCV FLEET

New FCA Consumer Duty regulations will impact leasing

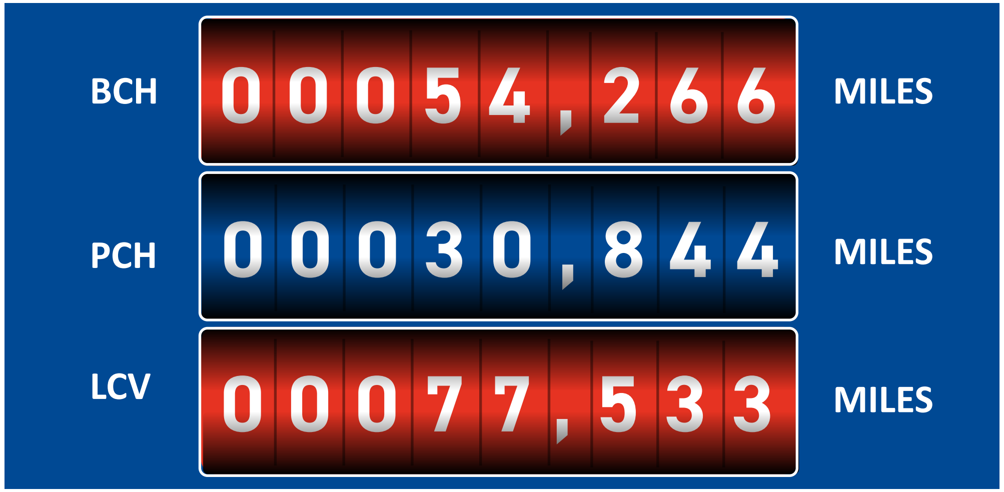
New Financial Conduct Authority regulations could have a significant impact on the fastest growing sector of the car leasing market, personal contract hire. The FCA is set to announce its new Consumer Duty guidance, which is designed to run alongside its existing handbook regulations. The new guidance is aimed at ensuring that any products and services on offer are fit for purpose, represent fair value and are clearly communicated and understandable. It represents a shift towards a more ‘outcomes’ based type of FCA enforcement, with firms expected to be more proactive in how they work with their supply chain partners, justify their pricing and value proposition and monitor any potential customer harm.The Government has also announced plans to reform the Consumer Credit Act, which is nearly 50 years old. It hopes to deliver a much more flexible regime that is aligned with the new Consumer Duty, as well as providing more clarity on how and where new subscription and mobility models should be regulated. Overall, leasing company leaders support the direction of regulatory travel, but are concerned that the FCA provides adequate time for them to make the required changes to systems and procedures.

BVRLA Fleet Focus Q1 2022

Used vehicle leasing



Contract mileage



Two bites of the cherry

The percentage of used cars in the BVRLA car leasing fleet more than doubled between the final quarter of last year and Q1 2022, to 2.83% from 1.3%, but still accounts for a tiny proportion of the fleet.

The attractiveness of offering vehicles on a secondary lease has risen amid the shortage of new stock, particularly among leasing companies with facilities to refurbish used vehicles.

This appears to be working well in the van sector, where utility trumps emotion.

The second-life potential of electric vehicles also holds particular promise thanks to their reliability, with leasing companies reporting no cliff-edge in service and maintenance expenditure once mileages reach a certain threshold.

3.1%

PROPORTION OF USED CARS IN Q1 ORDERS

4.1%

PROPORTION OF USED VANS IN Q1 ORDERS

Vehicles kept for longer and covering higher mileages

Contract mileages and durations have lost their significance over the past two years as anything more than reference points or pricing benchmarks. Firstly, the pandemic brought many vehicles to a virtual standstill for months and, secondly, long lead times have forced fleets to extend their current contracts. This means that the terms of new contract hire agreements for both business and personal customers are shorter than the average end of contract profile of BVRLA members' fleet. New contracts are being written on an average of 39 months for businesses and 37 months for personal contract hire, while the average mileage provision is just under 50,000 miles at a time when end-of-life lease company cars are averaging more than 54,000 miles. For LCVs, new contracts are being written over a 45-month period, although the current average defleet age is 50 months.

49,679

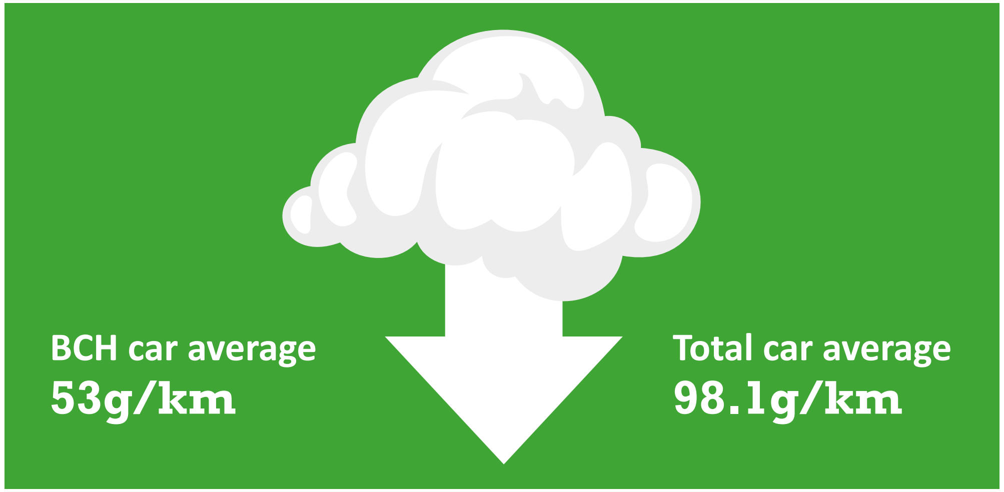
AVERAGE MILEAGE OF NEW BCH AGREEMENTS

28,289

AVERAGE MILEAGE OF NEW PCH AGREEMENTS

BVRLA Fleet Focus Q1 2022

BVRLA fleet CO_2 emissions



BCH emissions fall by 30%

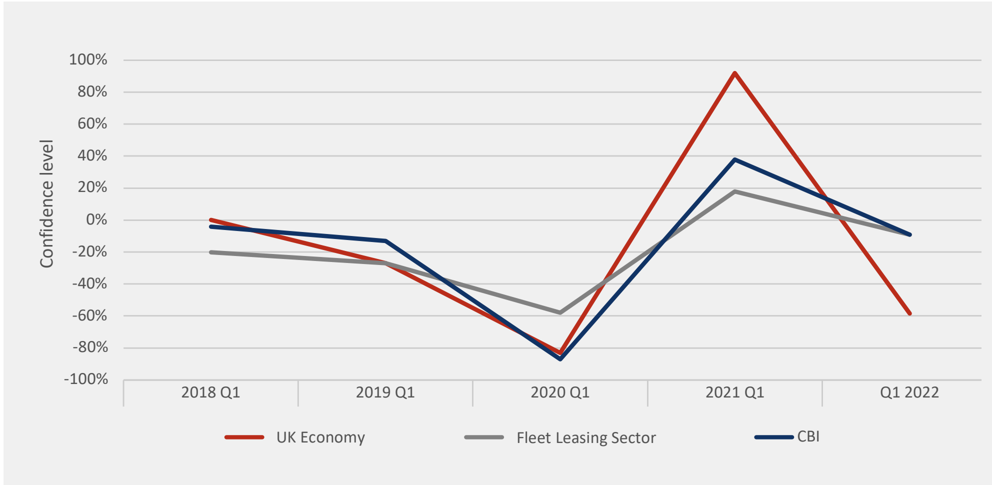
The race to electric company cars to cut drivers benefit in kind tax bills and meet corporate environmental commitments has seen the average emissions of business contract hire (BCH) vehicles tumble by 31% in a year. The average emissions of new BCH cars joining the BVRLA fleet in Q1 2022 was just 53g/km of CO_2, compared to 77.2g/km for the same period last year. The emissions of new personal contract hire cars (PCH) during Q1 was almost twice as high, at 93.7g/km in Q1.

For the entire car fleet, average emissions now stand at 86g/km for BCH, 122.gg/km for PCH, and 98.1g/km overall.

Unfortunately from a climate perspective, the emissions of light commercial vehicles have are rising – up 5% for new LCVs to an average of 172.9g/km in Q1 2022, and now standing at 168.8g/km across the whole LCV lease fleet. E-LCVs constitute a tiny minority of the parc.

TREND
+5%
(YEAR-ON-YEAR)
NEW LCV CO_2 EMISSIONS

Industry confidence



Leasing industry confidence hit by economic headwinds

The cost of living crisis, Brexit trading woes and the war in Ukraine have poured a bucket of icy water over leasing industry confidence for the months ahead.

This time last year the green shoots of recovery in an economy reopening after Covid-19 gave BVRLA members a genuine confidence boost, but this has completely evaporated.

While full order banks give leasing companies optimism for fleet growth, they forecast a contraction in both margins and the wider economy, mirroring CBI projections for the next six months.

50%
(YEAR-ON-YEAR)
HALF OF BVRLA LEASING COMPANIES EXPECT TO INCREASE THEIR FLEET SIZE IN THE NEXT SIX MONTHS

BVRLA Member Outlook

Supply shortages stops leasing companies from capitalising on high demand.

It is a terrible irony that at the very time when many of the advantages of contract hire are at their most attractive, leasing companies cannot source sufficient new vehicles to satisfy demand.

Amid a challenging economic outlook, rising interest rates and higher residual value concerns due to uncharted demand for used electric vehicles, the fixed cost, risk-free benefits of contract hire ought to be more popular than ever.

As one leasing executive said, “There is no better time to be leasing, because you can fix your costs in a very uncertain economic time and inflationary market. In how many other areas of expenditure can you fix your costs for three or four years? As an industry we should really be promoting this.”

As public charging infrastructure becomes more visible and a greater numbers choice of electric cars hits the market, salary sacrifice schemes are poised to reap the benefits. The only concern is vehicle supply.

Unfortunately, leasing companies are frequently finding themselves in the invidious position of having to deliver bad news to customers. Not only have the lead times between the order and delivery of new vehicles stretched out to 12 months, and in some cases longer, but in many instances the intervening period is seeing manufacturers change prices (and not always honour the price at the time of order), change vehicle specifications, and even remove vehicles from their production schedules, forcing customers to start the order process again from the back of the queue.

The agile acquisition of cancelled orders is giving limited opportunities for leasing companies to supply customers, albeit without offering a choice of vehicle colour or specification, but for the most part, leasing companies report bulging order banks and infuriating delays.

The significance of these hold-ups is mounting as interest rates ratchet upwards. Leasing companies can largely pass on the higher rates for new orders, but problems arise for orders accepted months ago and yet to be delivered. The Bank of England has hiked interest rates five times since December 2021, from 0.1 per cent to 1.25 per cent, the highest since 2009. While leasing companies hedge their borrowing costs to avoid reneging on rental prices when customers place orders, their hedged positions do not necessarily cover 12 to 18-month lead times. This raises the very real prospect of either losing money on the finance element of leases or having awkward conversations with customers about increasing rentals for vehicles already on order.

The component shortage is also impacting the service, maintenance and repair elements of contract hire agreements, with garages taking longer to source replacement parts. This is increasing vehicle downtime – sometimes by several weeks – which adds to fleet costs, and poses operational difficulties for leasing customers given the difficulty of sourcing of daily rental vehicles for back-up. Car and van hire fleets are suffering the same delays in sourcing new vehicles as leasing companies,

Car and van fleet forecast

	2018 Q1	2019 Q1	2020 Q1	2021 Q1	2022 Q1	2023 Q1	Forecast change Q1 2022 - 2023
CARS	1,503,000	1,464,000	1,418,000	1,371,000	1,367,000	1,374,000	0%
VANS	402,000	414,000	422,000	440,000	503,000	521,000	3%
TOTAL	1,904,000	1,877,000	1,840,000	1,812,000	1,870,000	1,894,000	1%

* Based on forecasts from seven BVRLA members. Total sample 680,000 vehicles. Fleet size forecast data rounded to nearest 1,000.

Car fleet forecast by fuel type

	2018 Q1	2019 Q1	2020 Q1	2021 Q1	2022 Q1	2023 Q1	Fleet size Q1 2022	Forecast Fleet size Q1 2023	Change
Diesel	72%	64%	52%	41%	30%	26%	416,000	351,000	-16%
Petrol	22%	29%	37%	36%	36%	35%	487,000	483,000	-1%
BEV	0%	0%	2%	6%	14%	19%	188,000	267,000	42%
PHEV	4%	5%	3%	7%	12%	15%	170,000	212,000	25%
Other	1%	2%	8%	10%	8%	5%	109,000	62,000	-43%

BVRLA Member Outlook

leading some larger end-user fleets to hold on to end-of-contract vehicles in a pool, rather than return them, so they can keep the wheels of business turning.

So far, leasing executives say they are biting the bullet on these inflationary costs, rather than passing them on to customers, thanks to unexpectedly high profits on vehicle disposals. The peak of the used car market may have passed, with cap hpi reporting that the prices of cars at the benchmark three years and 60,000 miles fell by 4.2% in March and April and that the value of some cars are 10% lower over the past three months. However, with the volumes of used stock about 20% lower than pre-Covid, demand continues to outstrip supply, inflating prices. Leasing companies confirm that they are achieving significantly higher disposal proceeds than they originally forecast when these vehicles first joined their fleets.

The depreciation costs within new contracts are, however, a concern given the rise in new car prices and sharp cuts in manufacturer discounts and rebates. Buying terms were already less generous for electric vehicles, and have declined significantly as the availability of new vehicles has shrunk, with some OEMs accused of channelling supply towards higher margin retail business at the expense of fleets.

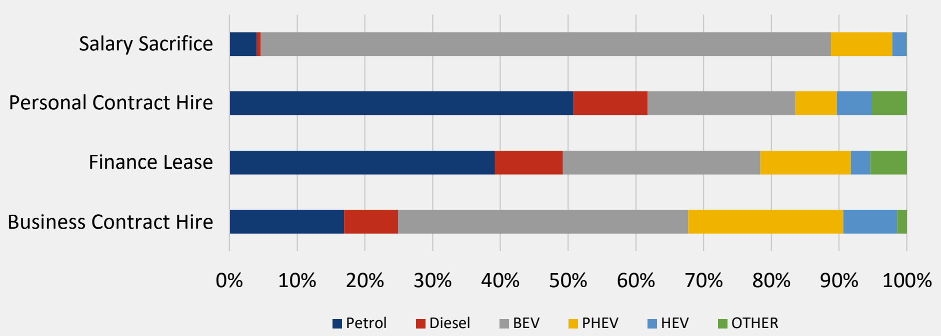
Several leasing companies report that manufacturers are determined not to return to their days of over supply and associated distress marketing tactics, once normal production resumes. They will instead build cars profitably to order. This is a mantra that experienced leasing executives have heard more than once, pointing out that it only takes one manufacturer to break ranks to force others to rethink their own strategy.

It is, however, a largely positive outlook, where depreciation is limited either by a limited supply of used vehicles shoring up values or the availability of higher discounts and rebates.

Of greater concern are the more fundamental changes resulting from certain manufacturers' decision to start moving their distribution network away from franchised dealers and towards an agency model. This involves manufacturers selling vehicles centrally for a fixed price, while dealers provide showroom, test drive and servicing facilities. On the plus side, an agency model gives leasing companies a single point of contact for negotiations and the efficiency of discounts being applied immediately to invoices, rather than chasing manufacturers and dealers for rebates. On the negative side, it potentially signals greater competition from manufacturers that are determined to get closer to their customers and generate more revenue through the life of a vehicle, and not just at its point of sale.

Leasing company executives already report growing attempts by car and van makers to capture more details about the users of their vehicles. At the same time, they point out that history shows manufacturers have not proved to be very successful when it comes to satisfying the demands of business customers who want a raft of services such as fleet management, daily rental provision and accident management.

Fuel choices by funding method Q1 2022



Car fleet forecast by funding type

	2018 Q1	2019 Q1	2020 Q1	2021 Q1	2022 Q1	2023 Q1 F	Forecast change
BCH	1,242,000	1,170,000	1,098,000	1,018,000	984,000	980,000	0%
PCH	261,000	294,000	320,000	353,000	384,000	393,000	3%
TOTAL	1,503,000	1,464,000	1,418,000	1,371,000	1,367,000	1,374,000	0%
BCH	0.83%	80%	77%	74%	72%	71%	
PCH	0.17%	20%	23%	26%	28%	29%	

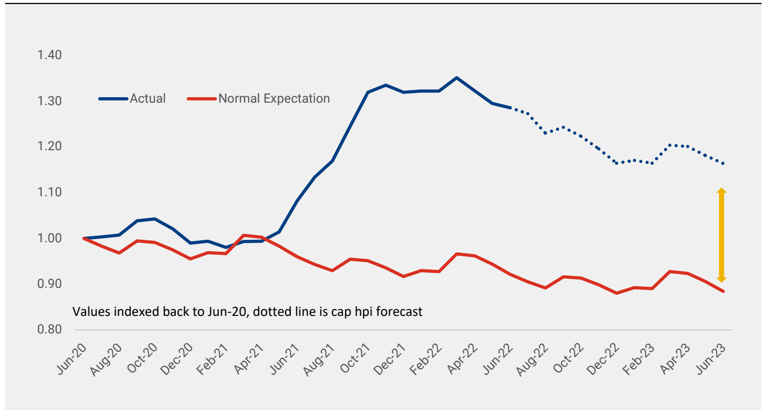
Opinion - used market prices

SOLERA Vehicle Solutions | cap hpi

Dylan Setterfield
Head of Forecast Strategy, cap hpi

"We expect the market to remain 28% above what could normally be expected from three years earlier and leasing companies will generally be sheltered from any market drops before the market stabilises in the medium term."

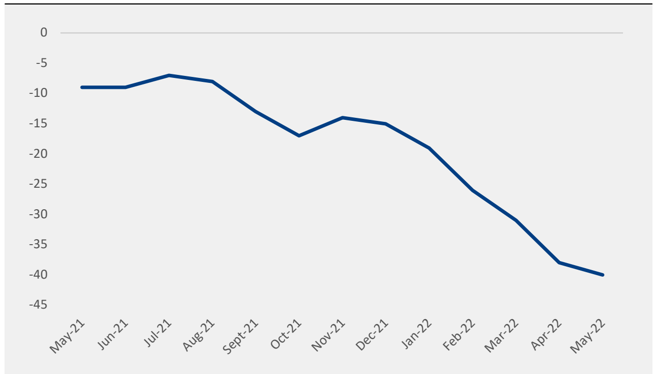
Latest view for used value movements - Jun-22



There are two big potential concerns affecting the short-term future of the used car market. Entering a recession is not one of them: the used car market saw price inflation in early 1991 during one recession and again in 2009 while we were still in the throes of the financial crisis. Put simply, the problems are demand and supply. Sounds counter-intuitive that it can be both, but it's true.

In May, UK consumer confidence (as measured by GfK's index) hit -40, the lowest score since records began in 1974. Worldwide, every section of the economy is being devastated by rising oil and gas prices, exacerbated by the war in Ukraine and sanctions imposed on Russia. Interestingly, of the five elements of the survey, the outlook for the personal financial situation is far less negative than the overall economic financial situation and the major purchase index 'only' sits at -35. Clearly, there is some belt-tightening going on, but the savings index remains slightly positive.

GfK Consumer Confidence



Lower confidence is already having an impact on the used market. Dealers are telling us at cap hpi that they are typically transacting at around 70% of normal volumes, they are only holding 70% of normal stock levels and footfall is trending downwards. This obviously filters down to trade buyers, who are certainly more cautious about what they buy and how much they pay for cars than they were a year ago, but for now auction performance remains fairly robust.

So why is supply an issue? Well, leasing companies and other businesses all have bulging order banks. Lead times are inconsistent, some vehicles are no longer available to order and new supply issues seem to crop up every week. We've had everything from Covid to chips to floods to earthquakes to war. Thousands of vehicles are due for replacement and some manufacturers are expecting an improvement to the supply situation in the second half of this year. There is a slim possibility that we could end up with a perfect storm: a big increase in supply of used cars at the same time that we are still suffering from weak demand.

Even though many in the industry are longing for these supply improvements, the probability of the perfect storm is quite low. We will undoubtedly see an improvement in supply for some models later this year, but there will tend to be a natural staggering of the volume and by the time we get to March 2023, we will start to see the positive effect on the three-year-old market of the lower new car registrations since the start of the pandemic resulting in dramatically reduced supply overall.

The best news is that even after the market adjustment we are currently going through, we expect the market to remain 28% above what could normally be expected from three years earlier and leasing companies will generally be sheltered from any market drops before the market stabilises in the medium term due to that significantly reduced supply of used cars.

Opinion - customer satisfaction

GLOBAL RESEARCH

Dr Andrew Skelhorn
Research and Insight Director, APD Global Research

The decline in customer satisfaction since the start of 2021 had started to recover in vehicle orders in Q2 2022, as vehicle and parts supply problems were better managed with the customer.

But there had now been a significant decline in satisfaction with short term rentals, as vehicle availability issues impacted further down the line. In this quarter's Leasing Outlook, we compare customer and driver satisfaction with leasing companies and brokers over the last 24 months, as well as survey comments using APD's Sentiment.360 analytics tool to discover what lies behind the results and the role supply chains have on overall satisfaction (CSAT) and Net Promotor Scores (NPS).

CSAT scores in Q1 2022 have mostly now recovered from pandemic levels in most primary areas of customer interaction. But have continued to be volatile around short term rental (Graph 1 - CSAT Trends).

NPS scores, which had declined in all areas since 2020, showed some signs of recovery Q2 2022, with encouraging growth in service and repair, but with continued deterioration in other areas, especially around the vehicle delivery process (Graph 2 – NPS Trends).

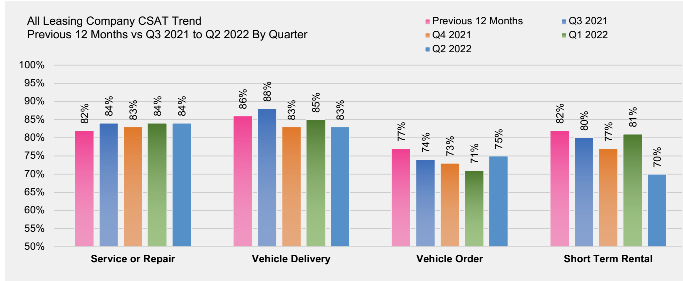
Customer sentiment – shown as the percentage of any driver's verbatim comments that were positive, has declined over the last 12 months, with only 65% of comments being positive. (Graph 3). Analysis of the factors selected, and of driver comments, shows that the most frequent positive sentiment still revolved around the professionalism and politeness of staff and delivery drivers, efficient service and vehicle cleanliness.

Negative sentiment for vehicle delivery continued to revolve around online order systems, lead times, and information regarding the estimated delivery date. The condition of the vehicle upon delivery was also a common cause for concern. For service events the issues were authorisation, communication and failure to repair first time around, as they have been for some years. The choice of garage locations and unsatisfactory suppliers continues to raise concerns.

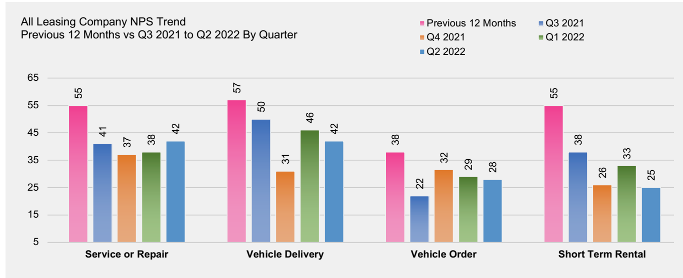
Supply problems, magnified by the global semiconductor chip shortage, continue to have a significant impact upon customers. This had been evident around the order process since Q2 of last year, but the management of expectations of fleet customers and drivers appears to have led to an improved satisfaction with the solutions offered.

Still at issue, and the strongest sentiments expressed, are inaccuracy in quoted delivery dates at the point of order and failure to minimise the frustration of ongoing delays and reduced spec through effective communication. These delivery delays continue to colour driver satisfaction with the final delivery process and continues to seriously impact their likelihood to recommend the leasing company or broker.

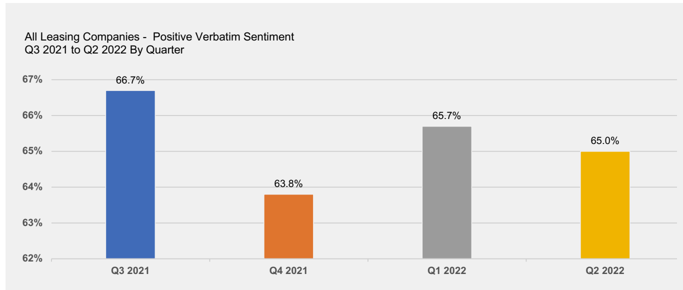
Graph 1 – CSAT Trends



Graph 2 – NPS Trends.



Graph 3 – Customer Sentiment



Opinion - used market overview

AutoTrader

Fiona Mackay
Automotive Finance Director, Auto Trader

Although it feels like no time at all, a huge amount has happened since our last contribution to the Outlook Report, not least the conflict in Ukraine, and the increasing financial pressures as a result of rising inflation. Utilising our unparalleled data, we can see how the market is currently performing in these conditions.

Demand and supply

Each month we produce a Market Health metric, which based on our supply and demand data determines the relative strength of the market. In May we saw used car market health drop around 23% on the same period last year, due to a softening in demand. However, it's worth bearing in mind that any comparison against last year will be massively distorted by the exceptional 'once in a lifetime' levels of demand the market experienced, fuelled, in part, by the pent-up demand and increased consumer savings following lock-down closures. Accordingly, a far more accurate comparison would be against pre-COVID 2019; indeed, the volume of advert views on our marketplace is up 12.4% on May 2019.

Although supply has broadly started to stabilise (up around 6% year-on-year), it will come as no surprise that constrained new car supply continues to hit younger used cars.

Despite major supply issues across the market however, based on our latest proxy sales data we can see that independent retailers only sold 1% fewer used cars than they did in 2019. When looking in more detail we can even see that sales of 3+ year old cars are higher than in 2019, as underlying demand remains healthy wherever stock is readily available.

Vehicle pricing & finance

Based on our pricing data, which is now being employed by the Office for National Statistics to feed its measures of inflation, the average price of a used car has softened over recent months. However, with an average sticker price of £17,382 in May, prices are still up a massive 28% year-on-year, and over £2k more than they would have otherwise been in 'normal' conditions. Based on the current market dynamics, there's no indication prices will drop anytime soon.

Our latest consumer finance calculator data shows that finance interactions on site are up 4% year on year, highlighting that consumer propensity to build bespoke quotes online remains key to the car buying process.

Driving electric adoption

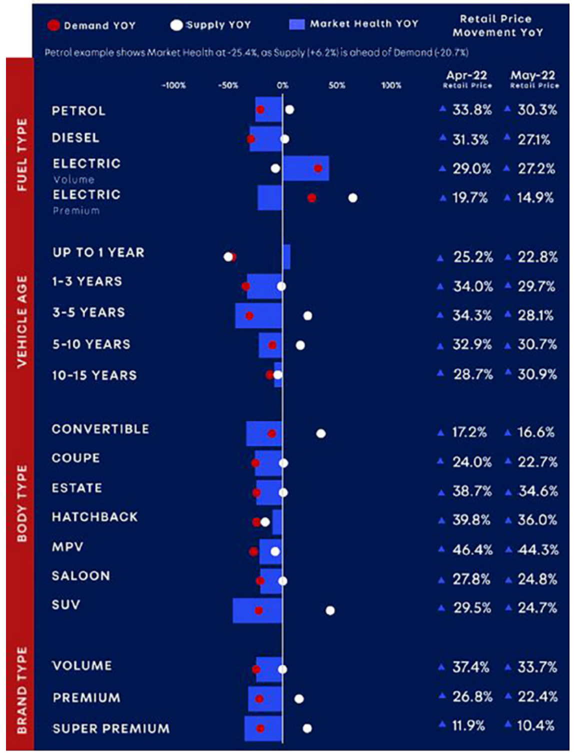
With the average family car costing over £100 to fill up, it's perhaps little surprise that we're seeing a surge in consumers searching for an electric car on our platform. EVs represent one in four of all vehicle enquiries to date in June (as of 17th), and account for eight of the top 20 models viewed. What's more, our latest EV demand data now shows that electric cars are the fastest selling fuel type, taking on averaging just 26 days to sell vs petrol at 33 days.

Interestingly we're not seeing the same spike in engagement with hybrids, with the share of new hybrid leads actually falling in recent weeks.

Along with all of our insights, we supply this data to our retailer partners to help them decide which vehicles to source and how to price.

Demand, supply, market health & price movement

Charts shows demand, supply, market health & price movement Charts show yoy growth - Market Health (blue bar), Demand (red) and Supply (white), with pricing movements



We'll continue to track how these, and other trends develop throughout the year, and look forward to updating you in the next edition of this Report.

BVRLA DATA HUB

For full data, visit the BVRLA data hub at:
https://www.bvrla.co.uk/resource/bvrla-data-hub.html

This report provides a consolidated view of the Quarterly Leasing Survey and the forward-looking Leasing Outlook report. In addition to the data highlights provided in this report, you can now access an extensive list of tables as part of the Quarterly Leasing Survey online, by following the link provided above.

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