Industry Insight

BVRLA

Leasing Outlook

Jan 2022

In search of certainty

Leasing companies seek clarity as they navigate an erratic environment

Market spotlight
Adopting a pragmatic approach

Used market
Plenty of positives

Quarterly report
Market changes accelerate

Customer satisfaction
Lead time woes

In association with: AutoTrader, apd Global Research, cap hpi, International Asset Finance Network Online

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Disclaimer

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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

In the current business climate, leasing companies face a stark choice of being the driver or a passenger when it comes to company performance.

The constantly shifting sands of the pandemic-driven market mean it is hard to find solid ground to direct a long-term business strategy, leading senior executives to try new ways of working and innovative business concepts.

The result is a more agile approach to the market, ensuring businesses can respond to a less predictable environment, where suddenly emerging Covid variants prompt equally rapid changes in government policy.

Even without pandemic-related challenges, there are ongoing short-term threats, such as the government's recent updates to the plug-in car and van grant rates, while suppliers still wait for certainty about future company car tax rates, which have been essential to stimulating EV market growth.

The record performance of the used car market is also a source of concern, with analysts suggesting the market could start to soften early next year.

Leasing company executives talk about a “breakdown of logical relationships” that have always underpinned business strategy, leading to more proactive management to ensure a company doesn’t become a prisoner of a rigid business model.

The antidote to uncertainty is “meaningful discussions” with customers and more sophisticated solutions that focus on “communicating viable options”, leasing executives say.

For example, as shortages extend lead times towards the end of 2022 for some models, leasing companies are discussing contract extensions and also suggesting alternative vehicle brands or models that meet customer needs.

Electrification has added a new layer of complexity to communications, both in terms of supporting client decision-making and managing expectations as market conditions change – such as quickly informing customers about grant reductions, delivery schedules moving, or the financial impact of manufacturer discounts being cut.

Underpinning any successful strategy is a focus on securing the best employees and training them well, so they can support customers and identify solutions when obstacles appear.

Leasing companies are now operating in one of the most complex business environments in history and employees are the vital link between business and customer.

Inflationary pressures may be pushing wage bills higher, but building a strong team will be the key to protecting margins in the long-run, executives say.

Experience may be less important than attitude and cultural fit, which can be the foundation for education and upskilling.

As one executive said: “We just need the right type of canvas to paint the best picture.”

Masterpieces take time, but the work starts now.

BVRLA Fleet Update

Q3 2021 saw the BVRLA fleet pass a significant milestone, as the proportion of the fleet taken by diesel fell below petrol for the first time in decades amid continuing electrification. Overall, the BVRLA car and van fleet grew by 2.8% during Q3 2021 compared with the same period last year, with personal leasing and commercial vehicle demand driving growth at an accelerating rate. The BCH fleet continues to fall, but the pace of decline has slowed.

“It is a lot harder work to deliver what customers need. It has to be less process driven and much more consultative, but there is still a huge amount of opportunity in this market.”

BVRLA Fleet Focus Q3 2021

The latest quarterly focus on the BVRLA fleet is based on Q3 2021 data from members. It shows that strong demand in some sectors is driving overall growth in the fleet.

Consumer demand and rapid growth in commercial vehicle orders are underpinning growth and offsetting long-term declines in the BCH sector. The van fleet continues to achieve record highs and demand seems to be accelerating.

Although the BCH car fleet continues its long-term decline, this partly reflects a switch to salary sacrifice, while leasing executives forecast a potential return to growth in business leasing over the next year, driven by increasing economic activity.

Plug-in vehicles are helping to reshape the leasing sector; business leasing of EVs continues to be driven by tax incentives, but there is also evidence of growing interest among personal contract hire customers, as one in 10 new leasing registrations is now a battery electric vehicle.

This shift continues to drive down average CO_2 levels, which reached a new low during the quarter.

BVRLA DATA HUB

Overall fleet

Total fleet 1,835,481

(+2.8% YEAR-ON-YEAR)

Share of total fleet

	Q3 2020	Q3 2021
Cars	76%	75%
Vans	24%	25%

BVRLA fleet reports year-on-year growth for first time since Q3 2018

TREND

+50,113

(YEAR-ON-YEAR)

Total fleet size

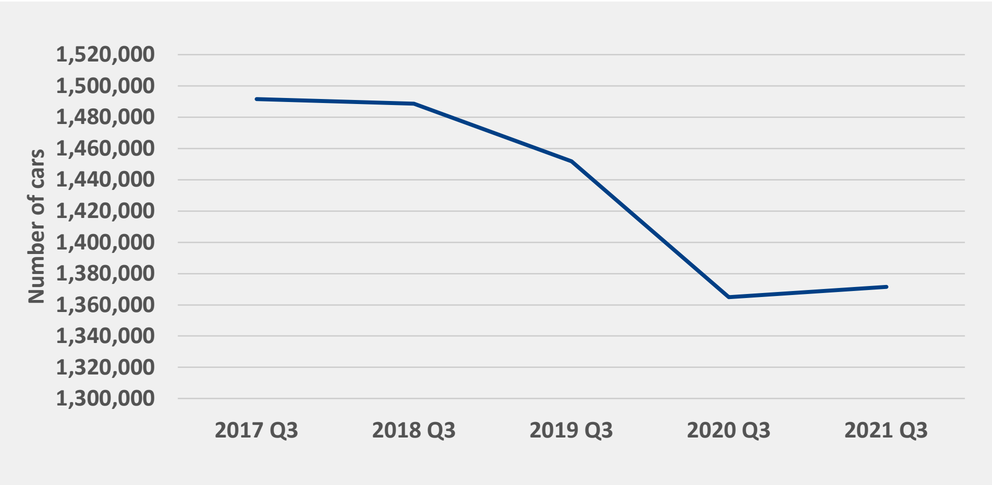
The continuing strong performance of the commercial vehicle sector was bolstered by a return to growth for the BVRLA car fleet in Q3 2021. The combined growth ended 11 successive quarters of reported declines in the overall fleet, which achieved a year-on-year rise of 2.8% during the quarter.

Commercial vehicles continued to do the heavy lifting within the fleet, growing by more than 40,000 units year-on-year, or more than 10%; the car fleet grew just under 0.5%, equivalent to around 6,500 units.

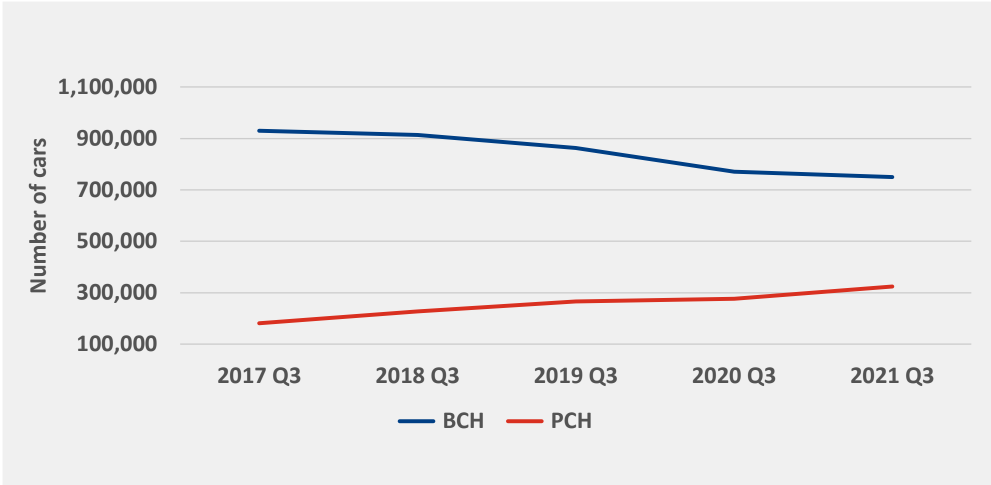
Although car fleet growth is small, it is a significant turnaround compared to previous quarters when year-on-year falls ranged between 3% and 6%.

BVRLA Fleet Focus Q3 2021

Total car fleet



BCH v PCH car fleet



BVRLA car fleet records first year-on-year growth for three years

The BVRLA car fleet has shown the first green shoots of growth after 12 quarters of reporting annual declines. In Q3 2021, the car fleet grew by 6,577 units, which is less than 0.5%, but in context of recent performance it is a significant step forward for the market. There were ideal conditions during the quarter as economic activity increased, but growth only came from consumer sales. The business car fleet declined more than 4% (nearly 46,000 cars), while the consumer fleet rose 52,500 to nearly 379,000 vehicles. Ongoing supply chain issues and renewed waves of pandemic restrictions into 2022 could hamper market performance and risk the rise being short-lived.

TREND

1,371,425
(+0.5% YEAR-ON-YEAR)
BVRLA CAR FLEET

PCH growth leaps to offset ongoing decline in BCH fleet

The BVRLA BCH car fleet fell year-on-year by 2.7% during Q3 2021, and it is an indication of just how difficult the market has been that this result can be seen as partly good news. The fall of nearly 20,660 units is the BCH fleet's best performance since late 2018; annual falls of 5-10% have been common in each quarterly report and in Q3 2020 the fleet was down nearly 9%, so there is a marked improvement, even if it is a slowing rate of decline. The BCH decline was more than offset by accelerating growth in PCH, with a fleet increase of just over 17% adding more than 47,000 cars; the growth rate quadrupled compared to the same period last year (3.9%).

TREND

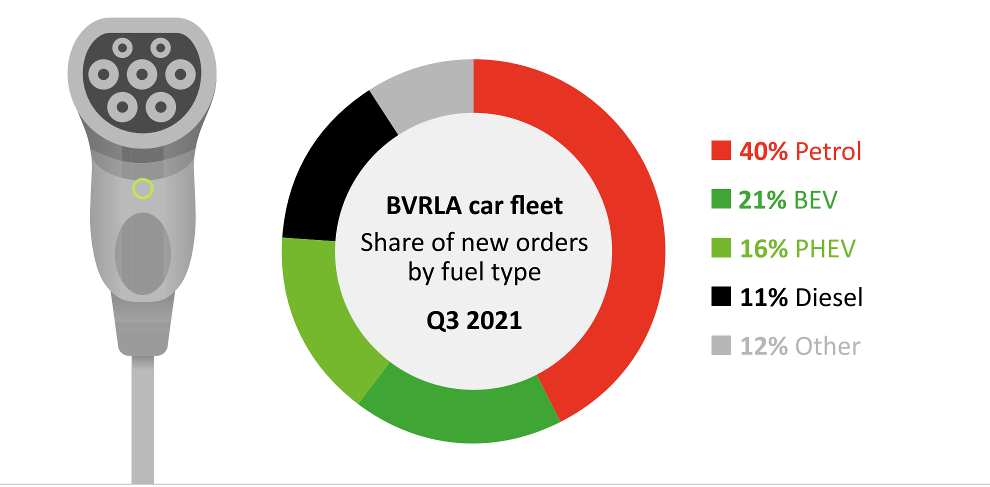
750,196
-2.7% (YEAR-ON-YEAR)
BCH CAR FLEET

TREND

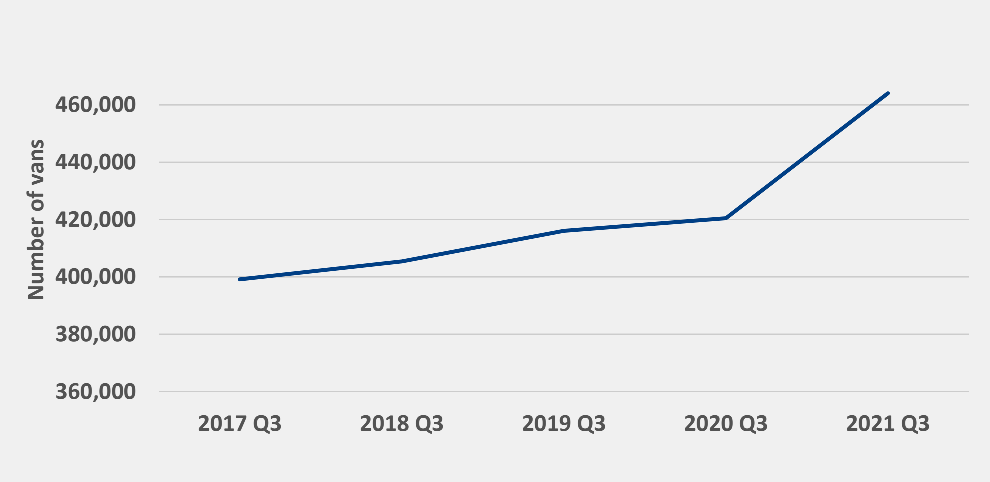
323,982
+17.2% (YEAR-ON-YEAR)
PCH CAR FLEET

BVRLA Fleet Focus Q3 2021

Car fuel choices



Van fleet



Diesel fleet drops below petrol for first time in decades amid switch to EVs

The end of diesel dominance occurred during Q3 2021 as its share of the BVRLA fleet fell below petrol for the first time in decades (see data hub for details). Fleets and drivers are switching to petrol and increasingly embracing plug-in vehicles. Pure electric and plug-in hybrid cars accounted for 37% of new car orders among BVRLA members during Q3 2021, almost equalling petrol. BEVs made up 31% of new BCH orders during Q3 2021 and 68% of salary sacrifice agreements. They also accounted for one-in-10 new PCH agreements during the quarter, indicating that buying habits of consumers are changing. Plug-in vehicles and hybrids now account for more than one-fifth of the BVRLA car fleet.

TREND
+68%
(YEAR-ON-YEAR)
PROPORTION OF NEW SALARY SACRIFICE ORDERS TAKEN BY BEV

TREND
-29%
(YEAR-ON-YEAR)
DIESEL SHARE OF TOTAL CAR FLEET

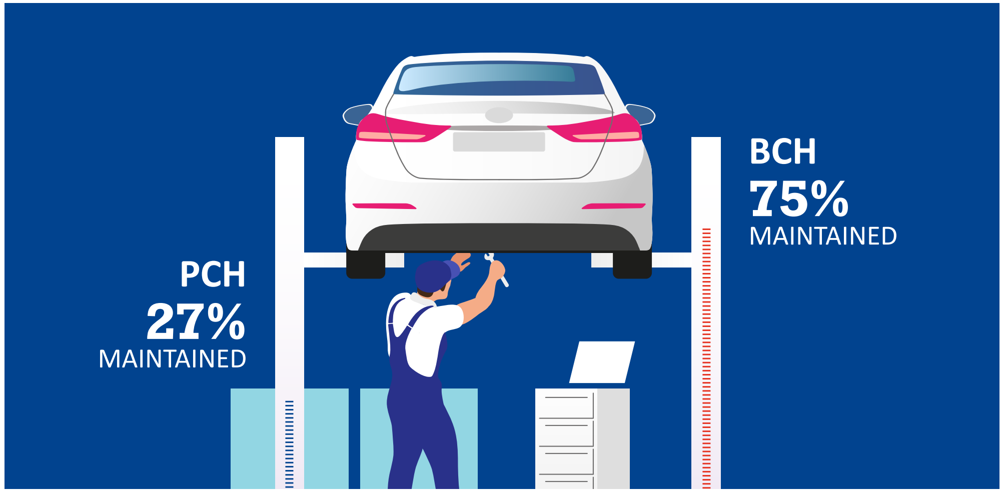
Van fleet goes from strength to strength as growth accelerates

Strong demand from van operators pushed the BVRLA van fleet to new highs during Q3 2021 at it reached more than 464,000 vehicles. This 10.4% year-on-year rise is one of the strongest seen in recent years and comes after very strong growth in the previous quarter. Although some growth can be attributed to pent-up demand following delivery disruption earlier in the year, there is a clear indication of a strong market in general, as the fleet is significantly larger than in 2019 or 2018. The shift to a digital economy reliant on delivery services has played a key role alongside ongoing demand for vehicles to support significant construction projects, such as HS2. This level of growth could be curtailed in future quarters as leasing executives continue to report lead times and vehicle availability affected by supply chain disruption, but in an encouraging sign, latest available data from the Society of Motor Manufacturers and Traders shows very strong LCV registrations for December 2021.

TREND
464,056
+10.4% (YEAR-ON-YEAR)
TOTAL VAN FLEET

BVRLA Fleet Focus Q3 2021

Maintenance contracts - proportion of maintained fleet by funding method



Signs of growing demand for maintenance in personal leasing contracts

The proportion of the BVRLA fleet provided with maintenance contracts has remained broadly stable year-on-year, with some growth among personal schemes. Currently, 75% of the BCH car fleet is maintained, which is a similar level to the same period last year. The proportion of the PCH fleet that is maintained has risen to 27% compared to 25% for the same period last year. Overall, the number of cars with maintenance contracts across all funding types is 889,000, or 65% of the car fleet. This compares to 899,000 for the same period last year, when 66% of contracts were maintained. The proportion of vans provided with maintenance contracts has stayed broadly level year-on-year at 55%.

TREND

559,336

BCH MAINTAINED FLEET

TREND

87,922

PCH MAINTAINED FLEET

Regulated contracts

Size of regulated fleet likely to rise as proportion of registrations increases

The proportion of contracts that are regulated remains broadly unchanged year-on-year, accounting for 28% of cars, but there are indications this will rise in future years.

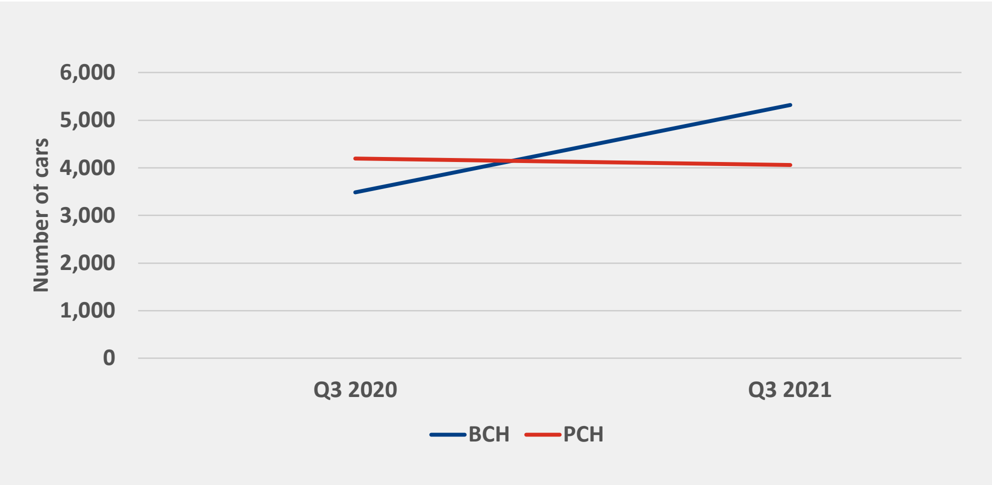
More than 40% of new registrations are regulated, driven by a greater proportion of consumer contracts in leasing business. Nearly all PCH contracts are regulated, compared to less than one in 10 BCH contracts.

The regulated PCH fleet has grown from 274,000 to 316,000 year-on-year, whereas the unregulated BCH fleet has fallen from 995,000 to 713,000 vehicles.

More than 90% of van contracts are unregulated.

BVRLA Fleet Focus Q3 2021

Used vehicle leasing



Used car leasing remains an untapped market for leasing companies

Used car finance accounts for just 1.3% of the BVRLA car fleet, which is a smaller proportion than the same period last year. There is little evidence of substantial growth, despite industry discussion about increasing the revenue-generating life of assets across several lifecycles as part of the circular economy. The lack of growth could mask other initiatives that mean vehicles remain on fleet for a longer period. For example, it could be argued that simple contract extensions are a form of used vehicle leasing which takes a car beyond its planned fleet lifecycle. Leasing executives say extensions are a common offering in response to the long lead times facing customers while they wait for their new order to arrive.

TREND

5,317

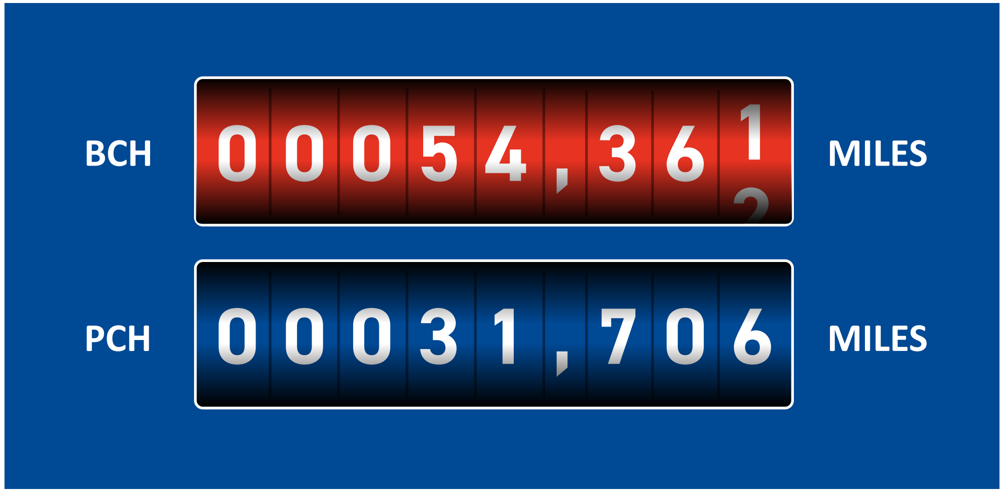
BCH USED CAR LEASING

TREND

4,057

PCH USED CAR LEASING

Contract mileage/duration



Contract mileage increases while duration remains unchanged

Business car contract hire has risen to 54,361 miles compared to 50,600 miles for the same period last year, although average contract duration remains the same, at 39 months.

Personal contract hire cars are leased over much lower distances, although this is also increasing. Average PCH mileages were 31,706 for Q3 2021, compared to 24,600 for the same period last year.

The average duration of a PCH agreement is 38 months, compared to 36 months for the same period last year.

TREND

+7.4%

(YEAR-ON-YEAR)

BCH CONTRACT MILEAGE

TREND

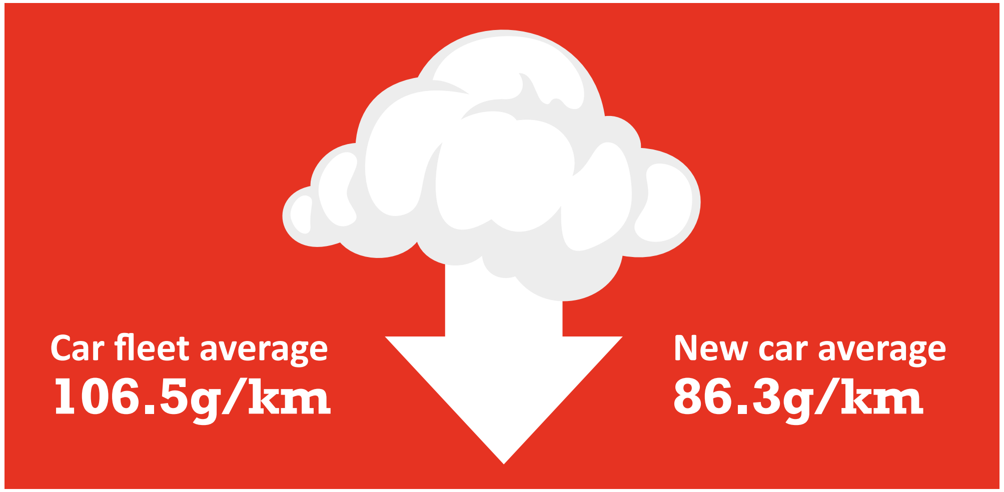
+29%

(YEAR-ON-YEAR)

PCH CONTRACT MILEAGE

BVRLA Fleet Focus Q3 2021

BVRLA fleet CO_2 emissions

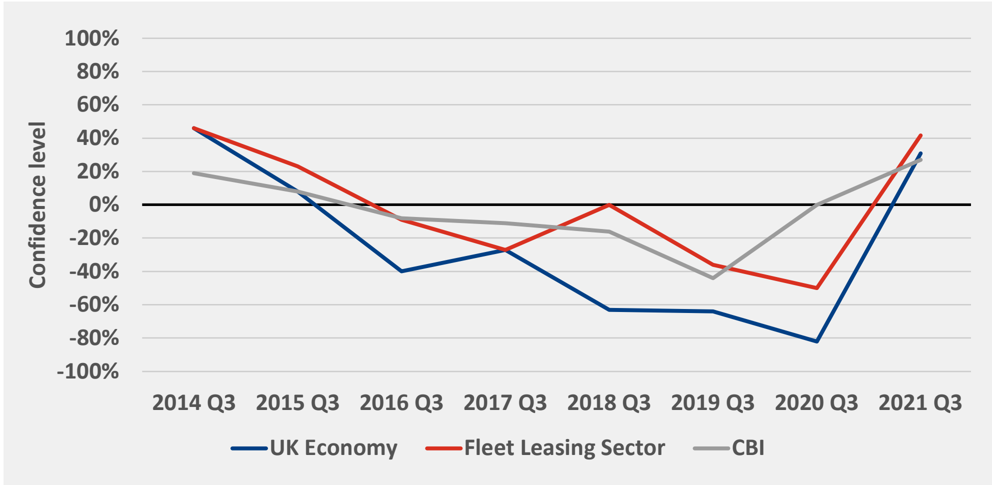


Electric drive pushes BVRLA fleet emissions to a historic low

TREND
-15%
(YEAR-ON-YEAR)
NEW CAR CO_2 EMISSIONS

Average emissions on the BVRLA car fleet have continued their historic decline as members lead the charge to put the cleanest vehicles available on the road. Pure electric and plug-in hybrid cars accounted for 37% of new car orders among BVRLA members during Q3 2021. BEVs offer zero tailpipe emissions and official emissions for PHEVs are typically less than 50g/km. BEVs now take 10% of the BVRLA car fleet and PHEVs 11%. The pace of change is likely to continue despite reducing grants, with tax breaks confirmed until 2025, while the government is committed to decarbonising its entire fleet, much of which is leased, within five years.

Industry confidence



Leasing industry positive about growth but executives raise concerns over margins

TREND
+92 points
(YEAR-ON-YEAR)
CHANGE IN LEASING CONFIDENCE LEVEL

Leasing industry leaders are broadly positive about the performance of the economy, although their confidence is slightly more muted than last quarter's BVRLA Leasing Outlook report. They expect an improving economy and say that business for the fleet leasing sector will also broadly improve, with most expecting their fleet size to increase. However, many raise growing concerns over margins being squeezed by inflationary pressures, as manufacturers increase prices and reduce discounts, while staff costs are rising. While many leasing companies are enjoying windfall profits from residual values, they are also struggling to predict when this strong market is likely to end.

BVRLA Member Outlook

Leasing companies adopt pragmatic outlook as opportunities beckon in 2022

Leasing companies need to be "alive to the changing sands" of the market during 2022 so they can respond to emerging challenges and changes, according to industry leaders.

There is a positive outlook for the year, but with an element of caution based on the ongoing pandemic and the disruption it has caused to production, supply chains and pricing. Leasing leaders talk of extensive order banks and the struggle to meet demand, with delivery schedules stretching well into this year as manufacturer efforts to ramp up production are hampered by a lack of materials, particularly semi-conductors.

Where cars and vans are in short supply, it changes the balance of power between supplier and buyer, with increasing prices and reduced discounts, which is likely to feed into higher leasing rates for customers.

So, with difficult discussions about delayed deliveries, higher rates and potentially less choice, customer engagement will be critical in the coming months.

One leasing executive talks of "triaging everything" to deliver the best outcome for the customer. While drivers may want to wait for a particular brand, others will be prepared to switch to an equivalent model that is more readily available from another manufacturer, potentially for a shorter leasing term until order banks are fulfilled.

In other cases, contract extensions enable customers to wait for a particular vehicle and allow leasing companies to retain customer loyalty. Executives also refer to forward ordering product to secure inventory.

For the short-term, the focus will be on securing growth where possible and keeping customers mobile through engagement and "meaningful conversations" about their needs. The strong order banks will support steady growth, with the fleet expected to expand by 2% year-on-year by the end of Q3 2022.

As manufacturers are global supply chain specialists who are "adaptable, resilient and creative", issues will be resolved and volumes will recover, "possibly quicker than expected", in which case discussions about pricing and discounts are likely to be hastily reconvened. However, as one executive said, leased cars have been "unfeasibly good value" in the years leading up to the crisis, so it remains to be seen whether inflationary pressures mean higher rates remain in the long-term.

Leasing executives are assessing where electric vehicles fit into this changing dynamic. By Q3 2022, the BEV and PHEV car fleet is likely to be bigger than diesel, which slumped below petrol for the first time in decades during Q3 2021.

Although the sudden reduction in government grants is unwelcome, it is more harmful to the fledgling electric van market than cars, where fleet demand will continue to be underpinned by benefit-in-kind tax incentives that give plug-in models an advantage compared to internal combustion engined vehicles.

Car and van fleet forecast

	2017 Q3	2018 Q3	2019 Q3	2020 Q3	2021 Q3	2022 Q3 Forecast	Forecast change Q3 21-22
CARS	1,491,456	1,488,521	1,451,803	1,364,848	1,371,425	1,399,000	2%
VANS	399,134	405,432	416,077	420,520	464,056	478,000	3%
TOTAL	1,890,590	1,893,953	1,867,880	1,785,368	1,835,481	1,877,000	2%

* 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

	2017 Q3	2018 Q3	2019 Q3	2020 Q3	2021 Q3	Fleet size Q3 2021	Forecast fleet size Q3 2022	Forecast fleet size change Q3 21-22
Diesel	74%	70%	59%	49%	35%	479,999	422,000	-12%
Petrol	20%	24%	33%	34%	37%	507,427	502,000	-1%
BEV	0.1%	0.3%	0.7%	3%	10%	137,143	210,000	53%
PHEV	2.8%	4.6%	5.5%	5%	11%	150,857	211,000	40%
Other	3%	1%	2%	9%	8%	96,000	54,000	-44%

BVRLA Member Outlook

Leasing companies expect that the BVRLA pure electric car fleet will continue to grow rapidly; by the end of Q3 2022, it is predicted to be equal in size to the PHEV fleet. The combined plug-in car fleet could also be larger than diesel by this point.

BCH will continue to be the driving force of EV fleet volume growth, with 57% of new orders accounted for by BEVs and PHEVs, compared to 17% for PCH, while 82% of new car orders through salary sacrifice are for plug-in vehicles because it is such a tax efficient method of vehicle provision.

As one executive said: “Companies are actively seeking to get on board the EV agenda. Salary sacrifice and EVs provide a green choice that offers a hugely effective discount on the car.”

Some also predict that demand for plug-in vehicles will grow rapidly in the PCH market. One leasing executive says demand doubled in the final quarter of 2021 and grew from 7% to 23% of personal leasing orders during last year.

The overall PCH market provides the greatest opportunity for growth, according to leasing executives, with the BVRLA PCH fleet expected to expand more than 11% year-on-year by Q3 2022, adding more than 35,000 vehicles, compared to just 2,000 for BCH, which is predicted to grow by 0.2%.

There is also ongoing debate about where growth will come from. For example, the PCP sector is viewed by some providers as a rich hunting ground where they can win converts to the benefits of PCH.

This growth will continue a change in the balance of the BCH and PCH fleet, with business leasing falling to 68% share of their combined volume in the third quarter, while PCH takes 32%. There has been a rapid change between the two forms of funding; as recently as 2017, BCH represented 84% share of the two funding options.

Overall, the leasing sector is a market where customers expect certainty and familiarity, but also innovation and fresh thinking; where a list of great ideas is essential to securing a seat at the negotiating table, even if the winning supplier is likely to end up providing standard leases for years to come.

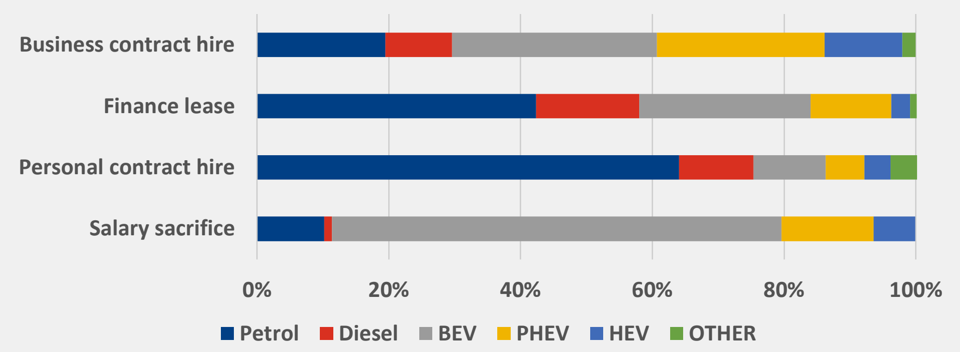
“The job is a lot harder now to deliver less than we might want, but we have to be more consultative and help customers answer their key questions,” one executive said, adding: “We are having more meaningful conversations with customers to help them as challenges emerge.”

This strategic approach will be increasingly valuable as growing numbers of customers face significant strategic decisions about their fleet as the government’s 2030 deadline for new car electrification looms.

Industry research indicates most fleet managers in SMEs have yet to start preparing for change, while thousands of businesses are uncertain about costs, charging infrastructure and driver management.

This “knowledge gap” presents a ready-made market for leasing companies in 2022 to share their expertise and guide businesses to a more efficient future fleet.

Fuel choices by funding method Q3 2021



Car fleet forecast by funding type

	2017 Q3	2018 Q3	2019 Q3	2020 Q3	2021 Q3	2022 Q3 Forecast	Forecast change Q3 21-22
BCH	929,962	913,563	863,500	770,856	750,196	752,000	0.2%
PCH	180,641	226,812	265,854	276,353	323,982	360,000	11.1%
TOTAL	1,110,603	1,140,375	1,129,354	1,047,209	1,074,178	1,112,000	3.5%
BCH	84%	80%	76%	74%	70%	68%	
PCH	16%	20%	24%	26%	30%	32%	

Opinion - used market prices

cap hpi

Dylan Setterfield
Head of Forecast Strategy, cap hpi

“The overall outlook is for a reduction from the current high point, probably after Easter.”

It had to come to an end. The record breaking increases in used values finally ground to a halt in November. As we predicted, consumer demand softened and despite ongoing new car supply issues, values decreased in December book by an average of -1.2%.

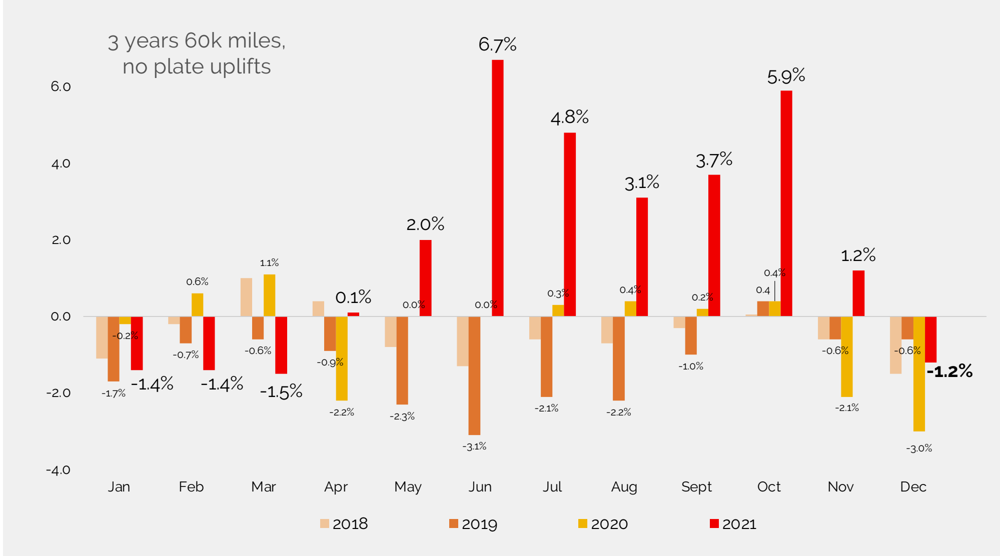
Today, it very much looks like the drop into January book will be of similar magnitude. Is this the beginning of a price crash? No, almost certainly not. Essentially, what we are seeing in the market now is a normal softening of values, due to decreased demand leading up to Christmas. In fact, the -1.2% December drop was below the historical average (-2%) and is viewed as positive. November’s +1.2% increase was the only positive movement ever seen in that month – it was just very different from the previous months’ increases.

We expect to see a robust start to 2022, with a resumption of demand expected (even if further Covid restrictions are imposed). The outlook beyond that is heavily dependent on the supply situation. Just as everything was pointing towards some level of improvement, the Omicron variant has added an additional layer of complexity. At some stage in 2022, we expect to see increased used car volume leading to significant market adjustments: older generations moving back below their successors, vehicle relationships reverting closer to normal and many models returning to sensible levels against list price. This will largely be a gradual process.

However, as discussed on our customer webinars, a new market has effectively been formed for some models and clearly some vehicles will be impacted more than others by any reset.

New car supply is likely to remain constrained, but the majority of lead times recently appeared to have stabilised. New car registration data is skewed by manufacturers’ prioritization actions, with November SMMT data +42% over 2020 for retail but down -25% for fleet (much improved from -40% in October!). Despite semi-conductor supply improving overall, further Coronavirus outbreaks in South Korea and Vietnam highlight the fragility of global supply chains and the unpredictability of disruption: key components and materials come from a variety of different countries.

Month-to-month % change in residual values at 3 years/60,000 miles - 2018-present



The economic situation remains uncertain, with rising inflation, labour market imbalances and the potential for sluggish growth. In our multiple regression analysis, inflation was NOT a major direct influence on used car prices for ANY age/sector/fuel combination, but may combine with other factors to impact the overall economy. In fact, used car prices are influencing inflation, not the other way around!

The overall outlook is for a reduction from the current high point, probably after Easter, but this should be seen as a gradual realignment rather than a ‘crash’, with values remaining higher than before the recent dramatic increases.

Opinion - customer satisfaction

GLOBAL RESEARCH

Dr Andrew Skelhorn
Research and Insight Director, APD Global Research

“Negative sentiment for vehicle delivery highlighted lead times and information regarding the estimated delivery date.”

The upward trend in customer satisfaction reported at the start 2021 has turned to decline in most areas as vehicle and parts supply problems continue to bite.

In this quarter's Leasing Outlook, we compare customer and driver satisfaction with leasing companies and brokers over the past 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 Promoter Scores (NPS).

CSAT scores in Q4 2021 have dropped back down to early pandemic levels in all the primary areas of customer contact, but especially around vehicle orders (see CSAT Trends).

NPS scores have declined in all areas since 2020, with the fall in Q4 being most pronounced for vehicle delivery (See NPS Trends).

In contrast, customer sentiment – derived from the driver’s verbatim comments has shown a recovery back to Q1 levels of positivity in the final quarter of this year, with 48% of comments being positive.

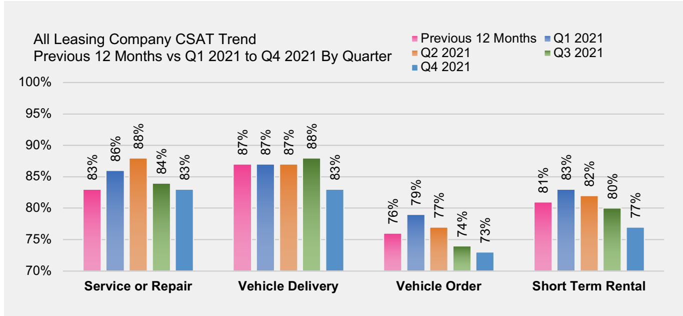
An analysis of factors selected and of driver comments shows that the most frequent positive sentiment revolved around the professionalism and politeness of staff and delivery drivers, efficient service and vehicle cleanliness.

Negative sentiment for vehicle delivery highlighted lead times, and information regarding the estimated delivery date. For service events the issues were authorisation, communication and failure to repair first time around, as they have been for some years.

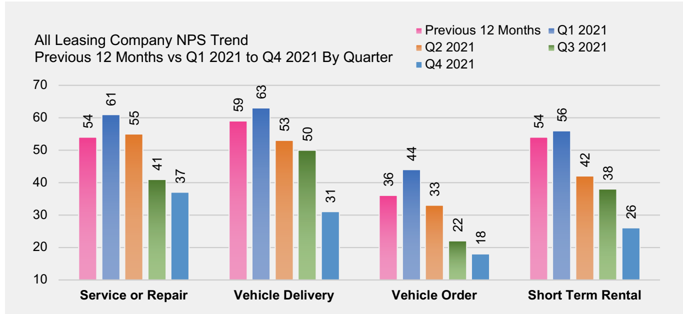
Electric vehicles have continued to present a challenge in terms of Covid-restricted handovers, with many drivers commenting that they felt there was insufficient explanation of unfamiliar controls, but otherwise there has been little negative sentiment relating to the switch to electric vehicles, implying that leasing companies and brokers have been providing good levels of support in this area.

As in previous quarters, supply problems, magnified by the global semiconductor chip shortage, continue to have a significant impact upon customer CSAT and NPS scores. This has been particularly evident around the order process from Q2 of 2021, but has become more pronounced during Q3 and Q4. Many leasing companies continue to mismanage expectations at the point of order, or they fail to minimise the frustration of ongoing delays through effective communication. This dissatisfaction with the order process continues to colour driver satisfaction throughout the delivery process and has seriously impacted their likelihood to recommend the leasing company or broker.

CSAT Trends



NPS Trends



Drivers also continue to comment that working from home, reduced travel and furlough has seriously impacted their mobility requirements, as a result the contracted vehicles and anticipated mileage no longer suit the user’s changed circumstances.

Opinion - used market overview

AutoTrader

Ian Plummer
Commercial Director, Auto Trader

"We have plenty of cause for a positive 2022 outlook."

The unprecedented levels of consumer demand - reflected in the circa 30% increase in visits to Auto Trader each month – coupled with the well-publicised new and used car supply constraints, had an extraordinary effect on used car prices in 2021. Year-on-year (YoY) growth had reached record levels by late 2020, but as the full impact of the global shortage of semiconductors began to be felt in May, prices began to rocket. So much so, we have seen five years' worth of price growth in just six months, with prices increasing 28.6% YoY in November.

The question is whether these unique market dynamics can continue into 2022? Well, from what we are tracking, unless there's a very significant new Covid-related impact on the economy, the answer is a resounding yes.

Demand will be driven by a growing economy and a robust jobs market, as well as an increasingly positive sentiment towards car ownership, a growing number of younger drivers coming into the market and a backlog of circa 1.4 million missed sales. Coupled with the fact new car supply challenges will continue until at least mid-2022, any speculation that these dynamics, and therefore used car prices, will change significantly anytime soon, is simply incorrect.

It is careful consideration of these dynamics, as well as potential headwinds, such as growing inflation (our analysis shows inflation has had very limited impact on both new and used car transactions historically), which have shaped our predictions.

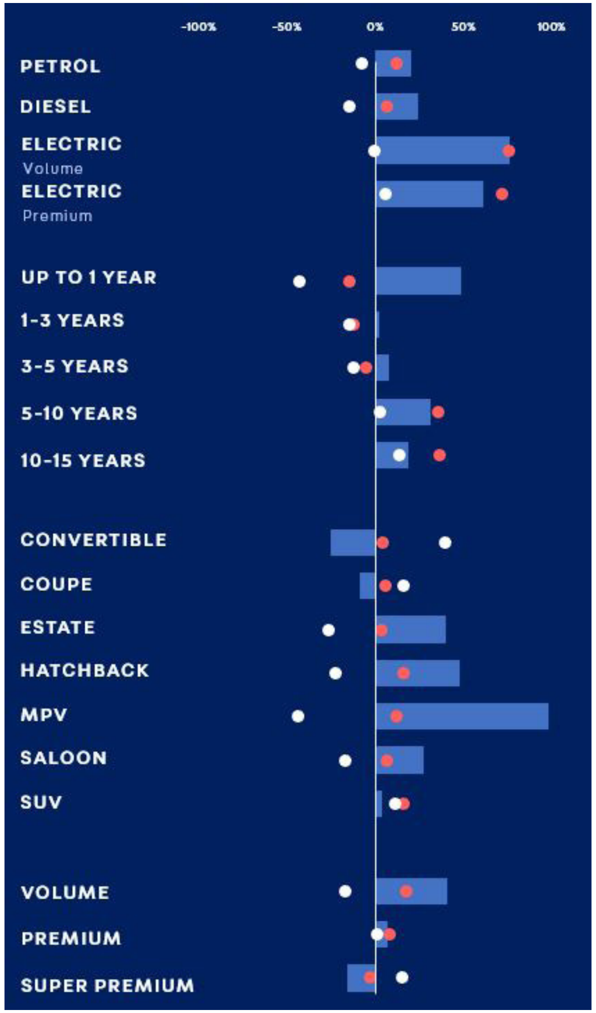
Based on the latest economic projections, our modelling calculates that with unconstrained supply, we'd see circa 2.4 million new car sales in 2022. However, supply will ultimately dictate the new car market, so given the current outlook for microchips, we estimate sales will be between 1.75 – 2.12 million. It is an increase on 2020 and 2021, but frustratingly not as strong as it could be.

Fuelled by continued levels of demand and boosted by would-be new car buyers, we expect a far stronger recovery for the used market, with transactions close to 2019 levels, between 7.71 and 7.95 million.

As the last two years have shown, market conditions can change very quickly, but as long as there are no significant disruptions to trading, we are confident in these predications, and moreover, have plenty of cause for a positive 2022 outlook.

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



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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