

# NAMA used car market commentary for August & early September

## Whole market August compared to July

- The price of all used cars sold at auction reduced from £4,690 to £4,604, or 2%, between July and August. The breakdown by customer type was Fleet -1%, Dealer Part-Exchange -1%, and Manufacturer/Rental -1% (Please also refer to the section on price changes by customer type).
- Sales reduced by 3% for a total of 76,475 units.
- Sales conversion rates reduced slightly from 77% to 76%.
- The number of entries prior to achieving a sale remained constant at 1.3.
- The number of days that cars remained on site before achieving a sale increased from 8.0 to 8.3.
- The average age of all cars sold increased from 79.7 to 81.0 months and the average mileage was unchanged at 48,000.

### Comment:

For what is one of the quietest wholesale months of the year, August recorded a good result for vendors. Prices for all cars fell by a fairly modest 2%, but as we have seen all year, stable prices have only been possible because of an overall reduction in the supply of used cars rather than any improvement in Trade demand. We would describe the August market as being orderly and pedestrian with trade buyers only venturing out to fill spaces that have appeared on their forecourts.

What is encouraging to note is that dealer asking prices have also been virtually unchanged over the summer months which means that there is no obvious loss of profit margin. Of course, stock turn does slow a little, and this year has been no exception.

## Price changes August compared to July, by customer type

	Jul-12	Aug-12	% Diff
Manufacturer/Rental	£13,075	£12,900	- 1%
Fleet	£7,475	£7,425	- 1%
Dealer PXC	£2,350	£2,325	- 1%

(Janet please note that that the % diff is all minus figs)

Manufacturer/rental 0 – 2.5 years  
 Fleet 2.6 – 4.5 years  
 Dealer PXC over 4.5 years.

**Comment:**

The moderate fall in prices of 1% for each of the sectors is a reflection of very stable market conditions between July and August. The attendance at the various auction sites changed little, and so too did the Trades propensity to buy. In addition, the supply of trade cars also changed little and this is partly evidenced by the similar numbers of cars sold in each of the sectors. Moreover, sales of cars by year of manufacturer also remained very constant (see below). We will probably not witness these trading conditions again this year.

Little change in the sales mix between July and August

	Jul-12	Aug-12
<b>0.5 Or Less</b>	185	361
<b>0.6 - 1.5 Years</b>	3821	3133
<b>1.6 -2.5 Years</b>	3975	4035
<b>2.6 - 3.5 Years</b>	11501	11434
<b>3.6 - 4.5 Years</b>	7589	7133
<b>4.6 -5.5 Years</b>	6591	6319
<b>5.6 -6.5 Years</b>	6602	6578
<b>6.6 - 7.5 Years</b>	6677	6557
<b>7.6 - 8.5 Years</b>	7337	7076
<b>8.6 - 9.5 Years</b>	6980	6754
<b>9.6 -10.5 Years</b>	6275	6146
<b>10.6 Years Or More</b>	10917	10949
<b>Total Volume</b>	<b>78,450</b>	<b>76,475</b>



## Significant changes in the sales mix over the longer term

Even though we are reporting little change in the sales mix between July and August, if we look at a longer time frame the story is very different.

Auction sales in August of last year were 82,116 units or 7.3% higher than this year. However, for cars aged 10.6 years or more, the total this August was 10,494 units and a year ago, it was only 8,056 units. Or put another way, this age group represented 14% of all auction sales this year compared to only 9.8% last year. Likewise, cars aged between 9.6 and 10.5 years accounted for 8% this year and 6% last. Furthermore, for every month this year, there has been a larger proportion of sales in these age groups than for the equivalent month last year. An explanation for this is difficult to pinpoint. It is going to be attributable to a number of factors:

- 1) The age mix of cars that dealers have chosen to send to auction has got older as they retain more of the younger part-exchanges for retail.
- 2) Dealer sentiment would strongly suggest that customers have been retaining ownership of their cars for a longer period during the recession. This has resulted in a higher proportion of part-exchanges being older and unsuitable for retail.

The other area where there has been quite a dramatic change in the sales mix over the last 12 months is with cars aged between 2.6 and 3.5 years – in the main, ex-fleet cars. Here, sales made up 19.5% of the total in August 2011, but had reduced to only 15% a year later. The main reason for this is that the cars reaching auction this year were registered in the early part of 2009 when Fleet sales were at their lowest point.

These very significant changes in the age mix of cars would also help to explain the apparent disparity in prices. The suggestion would be that reduced supply in the Fleet sector has helped to push up prices year-on-year from £6,675 to £7,475, or 10.1%. In contrast, the greater supply from dealer part-exchange sector has served to limit the increase from £2,175 to £2,325, or 6.5%

### **Market Forecast:**

As we start the second trading week of September the market dynamics are beginning to change. As we expected, the supply from the dealer sector is now on the increase, and as we had hoped, trade interest is gaining momentum. Prices were also on the up with gains of over 3% from the end of last month. It would appear that these positive signs will continue for the next few weeks, but thereafter, we enter the traditional period of uncertainty. Will the market be able to preserve the higher prices? Or, will there need to be a price correction? The verdict is out.

