

Light Commercial Vehicle insight Q3/20

/ Author:

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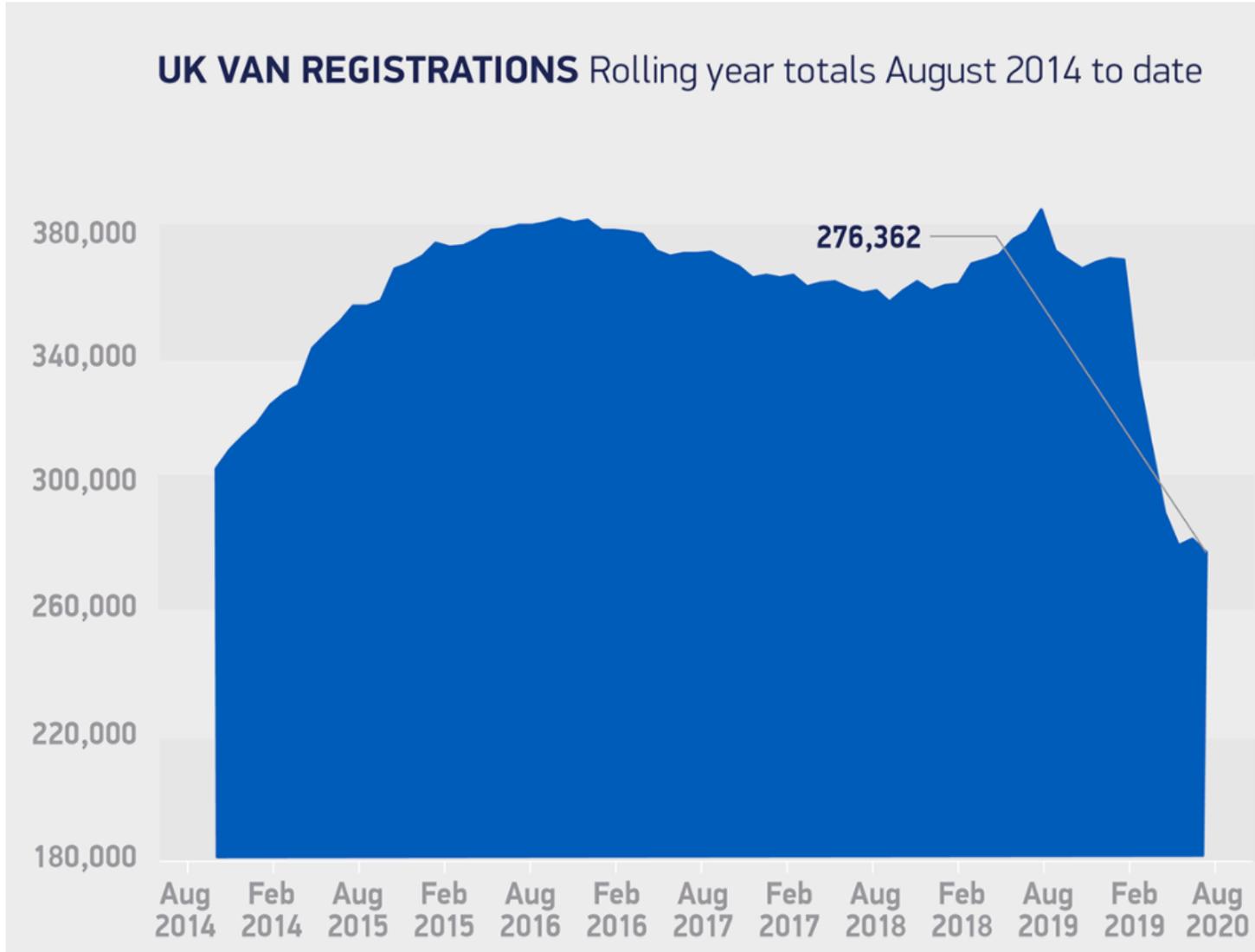
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SMMT new market data

2020 actuals and forecasts



Headlines years

2007-2016: 288,000 (annual avg registrations)

2009: 186,000 (35% fall from 2008)

2016: 376,000 (all time record)

2019: 366,000

SMMT forecasts:

2020: Pre-Covid 348,000 (-4.9% vs 2019)

2020: April 275,000 (-24% vs 2019)

July 269,000 (-26.3% vs 2019)

2021: 318,000

Manheim wholesale performance – August CV tracker

Records continue to tumble

- 3rd month of record-breaking sales performances, bucking traditional seasonal slowdown and setting an all-time average selling price record
- August 2020 used van values are 28% higher year-on-year (YoY) up from £5,680 to £8,158
- Not due to a lack of wholesale supply as the volumes of vans in auction are only tracking 7% behind August 2019
- First-time conversion rates are strong at 87% (up 13% compared to the same period last year)
- Stand out demand for Euro 5 and pre-Euro 5 vans - average selling price in August 41% higher than Q1/pre-lockdown
- 58% of vans sold in August were Euro 5 or older and Euro 6 vehicles also enjoyed a rally in price with values in August being 15% higher than Q1/pre-lockdown
- Monthly LCV buyer sentiment revealed:
 - 60% of dealers post lockdown have reduced their stocking volumes by an average of 40% compared to pre-lockdown
 - 80% of dealers are also reporting significant delays on retail preparation, advising that it is taking up to 10 days longer to process due to new COVID-19 compliant working practices

LCV market context

“The eye of the storm”

/ **CVs are business critical tools that power and protect cashflow**

- Investment projects and economic stimulus underpin demand (e.g. HS2, roadbuilding, construction projects)
- Winners and losers (e.g. new home delivery services by local shops and gig economy vs early terminations from business consolidations/closures)

/ **CVs face specific pressures from legislation**

- Unprecedented number of pre-COVID factors - CAFE fines vs capital allowance tax relief vs derogations vs scrappage vs electrification vs Brexit
- Social distancing in cabs and potential short-term derivative specific demand pressures (e.g. minibus, welfare bus)
- Clean Air Zone launches “deferred” until 2021 or put on back burner – Birmingham, Leeds, Bristol, London ULEZ Phase 2

/ **Q4 2020 LCV sector short term trends**

- We have a new norm in LCV, recovery curve is key, public health crisis not liquidity crisis – supply recession not demand recession
- Government support packages potentially stimulating investment in CVs (eg Business Rate Relief)
- Flexi-rent model - likely to grow significantly, businesses looking to on/off hire without penalty
- Varied OEM appetite/capacity to supply bulk orders – significant lead time challenges
- Independent CV dealers – largely investing their own cash so likely to reduce stock and operating costs

2021 LCV market context

“The new norm”

/ **New vehicle supply**

- OEMs will still suffer production challenges due to regional COVID factors
- Large fleet orders – supply vs demand vs OEM focus on “retail” deals to drive longer term revenues to franchise network
- Brexit could compound this position – tariffs and scrappage incentives across major EU markets favour LHD production
- List prices will continue to rise

/ **Legislation**

- CAFE fines vs capital allowance tax relief vs derogations vs scrappage vs electrification vs Brexit
- Social distancing in cabs and potential short-term derivative specific demand pressures (e.g. minibus, welfare bus)
- Clean Air Zone launches deferred or canned - Birmingham, Leeds, Bristol, London ULEZ Phase 2

/ **Wholesale and retail markets**

- Little or no pre-reg appetite/activity
- Franchise networks will focus on used in the absence of new supply
- Used values will stay at new norm and creep up MoM with the largest active buyer base
- Used supply will remain similar to 2020; due to lower new sales to business, fewer part exchanges and staggered supply

New UK market insight on van ownership and usage

A newly published 11 page report – provisional as some survey results were placed on hold due to COVID – with the following headlines:

- The primary usage of licensed vans was for carrying equipment, tools and materials (41%) followed by delivery or collection of goods (16%)
- Van mileage travelled per annum has almost doubled in the last 25 years and the number of vans in the parc has increased by 93% over that period
- Over two thirds of vans (67%) travelled on local or rural roads regularly
- Half of all vans (50%) in Great Britain stayed local on a typical day – within a 15 mile radius of their base
- 96% of the 4.1 million vans in the parc are diesel, at the end of 2019 only 0.3% were ultra-low emission – 12,300.
- 52% of vans in the parc are owned by a business, balance termed “private”
- 33% of vans in the parc are over 10 years of age

Department for Transport *Provisional Van Statistics 2019/2020*

<https://instituteofcouriers.com/images/news/2020/sep/provisional-van-statistics-2019-20.pdf>

CV insight links

Your library

Cox Auto/Manheim CV Market Tracker:

July: <https://www.coxauto.co.uk/latest-news/superheated-van-market-setting-new-records/>

August: <https://www.coxauto.co.uk/latest-news/cv-market-tracker-records-tumble-as-cv-market-temperature-soars/>

September: <https://www.coxauto.co.uk/latest-news/records-continue-tumbling-at-manheim-cv/>

Latest SMMT New Vehicle Forecasts (Updated July)

<https://www.smmt.co.uk/wp-content/uploads/sites/2/WEBSUM-SMMT-CARLCV-MARKET-OUTLOOK-Q3-27072020.pdf>

Department for Transport *Provisional* Van Statistics 2019/2020

<https://instituteofcouriers.com/images/news/2020/sep/provisional-van-statistics-2019-20.pdf>

Cox Automotive 2019 Insight Report (featuring new and used Cox Auto forecasts for car and van)

<https://www.coxauto.co.uk/insightreport/>

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