



Austria



Belgium



Denmark



France



Germany



Italy



Netherlands



Poland



Portugal



Spain



Sweden



Turkey



United Kingdom

INDICATA Market Watch- COVID-19

**Edition 8 - Growth continues, but at slower pace.
Supply frees up in some countries.**

September 2020



INDICATA
PART OF AUTOROLA GROUP

Background

On the 24th March INDICATA published its White Paper *“COVID-19 To what extent will the used car market be affected (and how to survive)?”*

This document explored:

- **Early market trends** - Initial impact of the virus and the social distancing measures implemented.
- **Market scenarios** - A range of impacts based on infection rate development and historical market data.
- **Mitigation** - Risk assessment by sector coupled with potential corrective actions.

We committed to keeping the market updated with live data, volume and price, to keep abreast of the fast-moving environment.

As such we are pleased to announce **INDICATA Market Watch**.

What is INDICATA Market Watch?

INDICATA Market Watch takes two forms:

1. **A regular PDF** - Regular market overviews available for all on the INDICATA country websites (this document)
2. **Free-to-access web-based reporting** - Available for senior management in all major Leasing, Rental, OEM and Dealer Groups.

If you would like FREE access to the web-based INDICATA Market Watch tool (and are a Senior Manager within the auto industry), please contact your local INDICATA office.

How do we produce our data?

INDICATA analyses 9m Used Vehicle adverts across Europe every day. In order to ensure data integrity, our system goes through extensive data cleansing processes.

The Sales (deinstall data) in this report are based on advertisements of recognised automotive retailers of true used vehicles. As such, it does not include data related to private (P2P) advertisements.

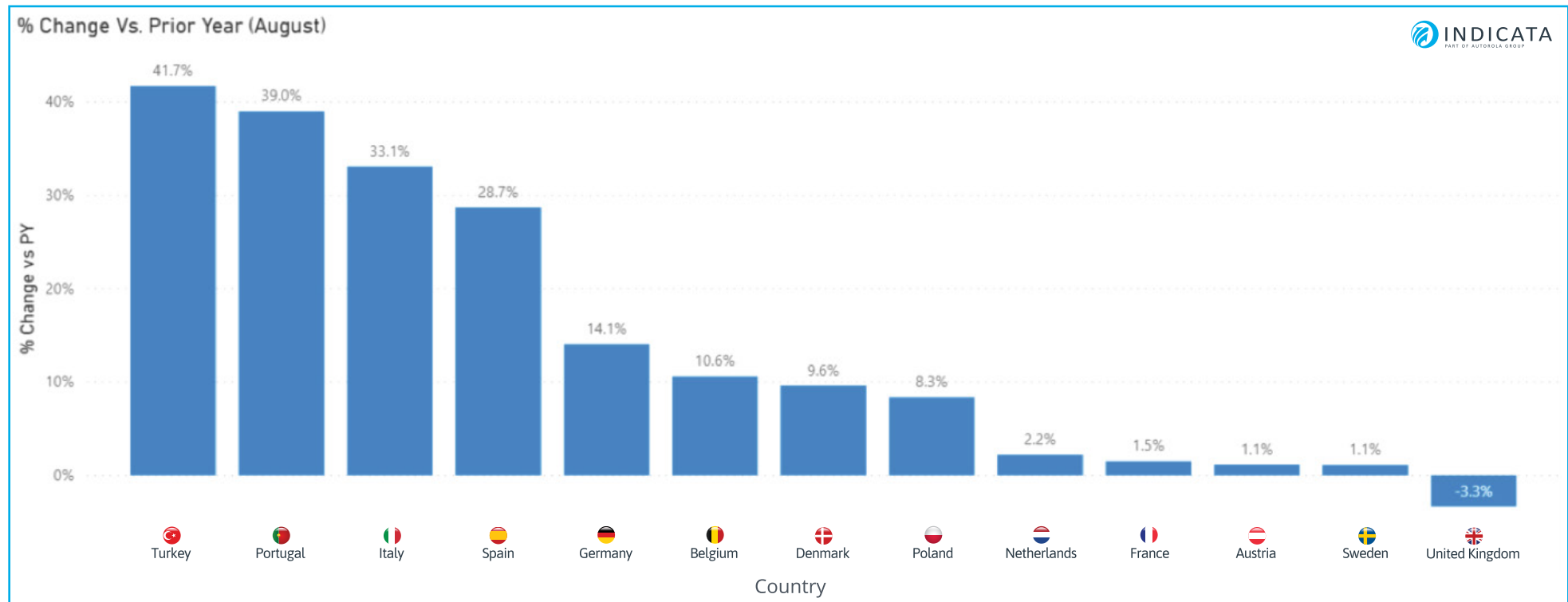
Where an advert is removed from the internet, it is classified as a “Sale”.

Executive Summary and wider market commentary

- European used car market grew by 10.3% year-on-year in August albeit slower than July (12.5%) and June (13.5%). Only the UK market contracted (3.3%), all other markets showed signs of growth, albeit small in some.
- The slowing growth rate appears to be primarily driven by tighter supply and we are seeing continued reductions in dealer stock in most markets.
- Whilst volumes are up year-on-year, the August (holiday) seasonality means that the sales volumes in this month are more evenly balanced with supply in some countries and we are seeing stock growth in France, Germany and UK.
- Pricing remains strong and increasing in most markets which combined with reports of strong wholesale prices and high conversion rates also confirms that overall demand is outstripping supply.
- Sub-one-year old cars are particularly in short supply as lack of OEM actions have limited the number of self-registration (0Km cars) and demonstrators.
- There are signs in the wholesale market that some buyers are exhibiting caution as fears that renewed infection rates combined with high wholesale prices (which have increased faster than retail prices) may result in a slowdown in September and Q4, and dealers being left with overvalued stock.
- The UK appears most at risk of this inflection point with both a reduction in volumes year-on-year and increasing stock levels. However, at this stage pricing remains very firm so there is no definitive sign that the market has now turned.
- With infection rates increasing and growth slowing however we would advise caution and dealers should ensure that:
 - All stock is assessed for "market attractiveness" - if it's not selling in a strong market then be sure you are not holding it in stock in a weak market.
 - Re-implement stock age-based pricing strategies
 - Buy (and thus pay a premium) only for stock that has a strong market liquidity (low Market Day's Supply), our data suggests there are many slow-moving cars in this overpriced market.
- Vendors should also review pricing according to the attractiveness of the stock. There are still opportunities to take premiums out of fast-moving stock (low Markets Day's Supply) but retaining slow moving stock with the risk that the market will falter is a mistake.
- Most risk will be in the 2-4-year car segment as OEMs begin to ramp up their new car sales in Q4 driving more Trade-ins on to the market (that have been absent to date) and leasing de-fleet infrastructure recovers.
- The lowest risk will be in the younger car segment as there will be minimal end-of-year de-fleets by rental companies, and OEMs (still production constrained) will focus on true retail and not force the market with false registrations.

European Markets

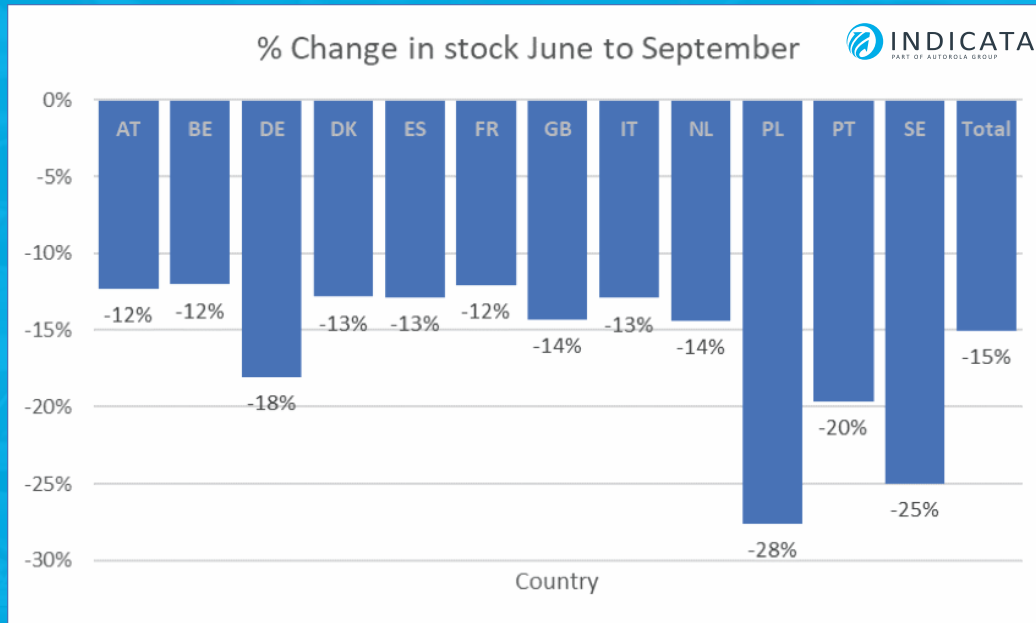
Sales overview



Overall growth in the European market in August was 10.3%. This is positive, however, the rate of growth in July was 12.5% and in June it was 13.2%. Thus, whilst still growing, the pace of growth is gradually easing.

The UK market was the only one to slow (down by 3.3%). It is interesting to note that UK was in decline year-on-year last month (down 1.8%). Other countries showing only limited growth were Sweden, Austria, France and Netherlands.

The key question is if these limited moves and slowdown in overall growth rate is demand or supply related.

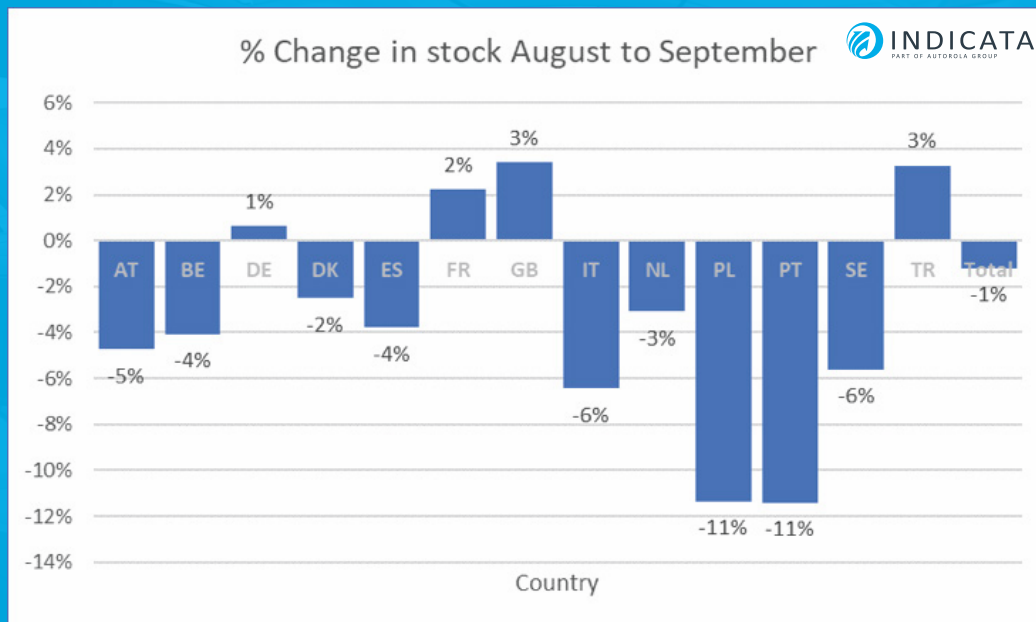


Looking at the change in stock levels since June (where most countries came out of lockdown) we can see that stock remains very tight, particularly in Sweden, Germany and Poland and Portugal.

That said, despite being highly stock constrained, there has still been 8.3% growth in sales volumes year-on-year in Poland.

Sweden also is clearly volume contained, evidenced by large stock reductions coupled with (as shown later in the report) a continuation of strong price growth.

For the Netherlands, UK and France, stock changes since June are on a similar level with the rest of the market, suggesting other factors may be at work.

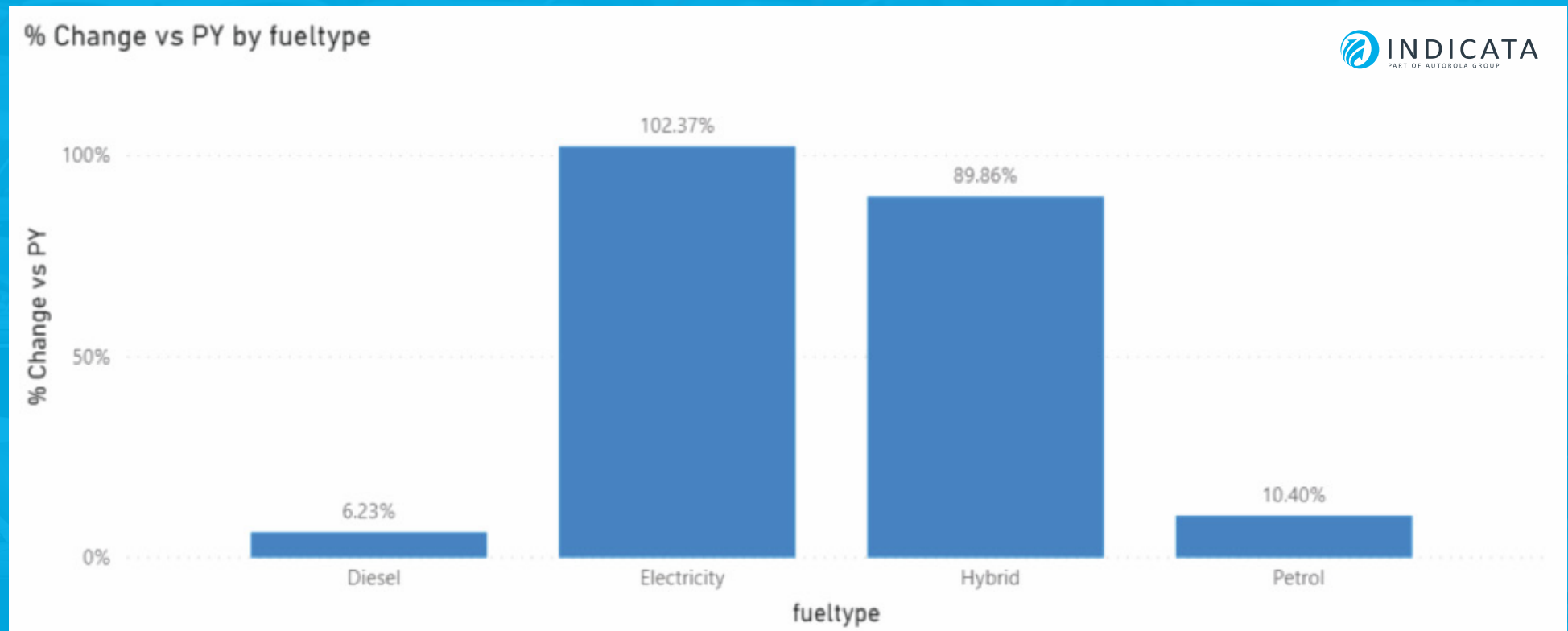


Thus, if we look at the stock change just during August, we can see a different picture.

The UK, once one of the more stock constrained markets, has seen a rise in stock, as seasonal sales rates slowed, and the used car supply infrastructure finally caught up with the market. Similarly, there was a rise in available stock in Germany, France and Turkey.

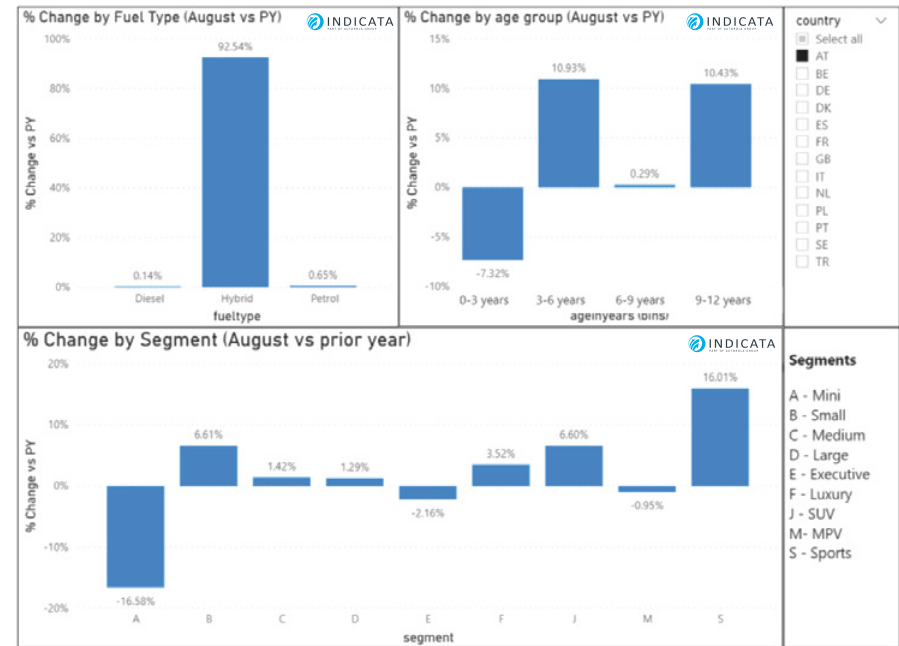
Whilst the easing of stock in Germany allowed an acceleration in growth rate to 14.1% (from 6.4% in July), concerns over increased infection levels has kept France in check. However, Austria has seen supply restrict demand with a 5% reduction in stock in August holding growth to 1.7%.

The general trend to more environmental cars has continued, albeit the difference between year-on-year volumes of petrol vs diesel has narrowed (with petrol growth slowing from 14.6% in July to 10.4% in August).

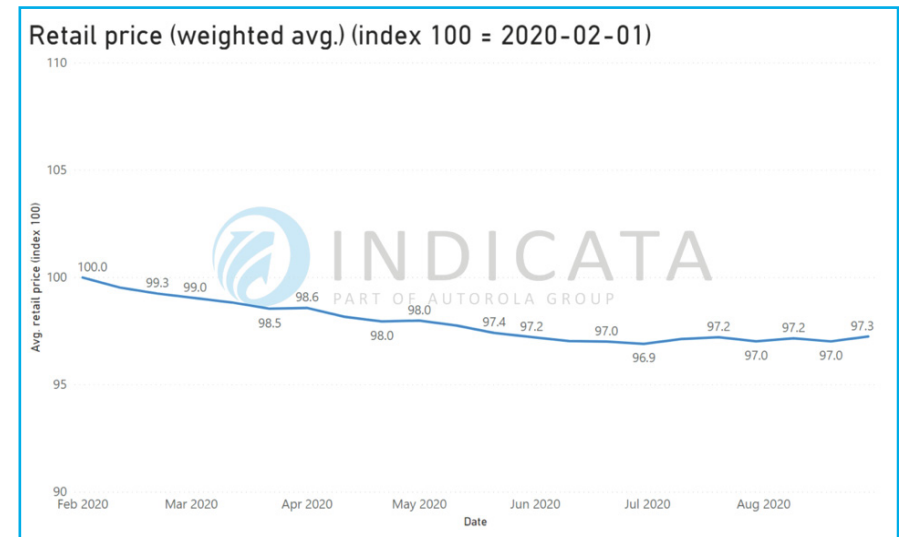
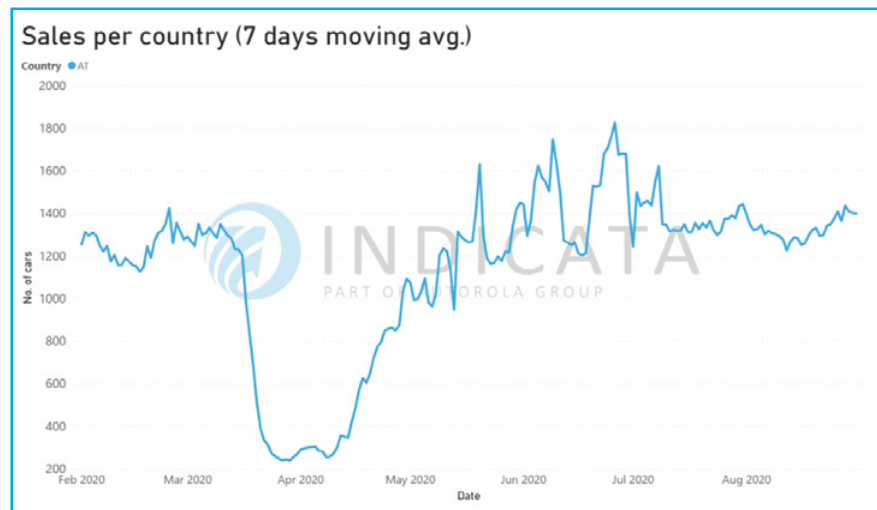


In June Austria was 35% up year-on-year, which eased to 7.1% in July. In August this growth rate has slowed further to only 1.7%. Whilst stock levels reduced by a further 5% in August it appears to be that sales are slowing most in the 0-3-year old market. A-Segment cars are down the most with minor reductions in Executive and MPV segments.

Pricing, which was reducing at a natural “life cycle rate” now appears to have firmed as stock shortages and high trade pricing is now reflected in the market



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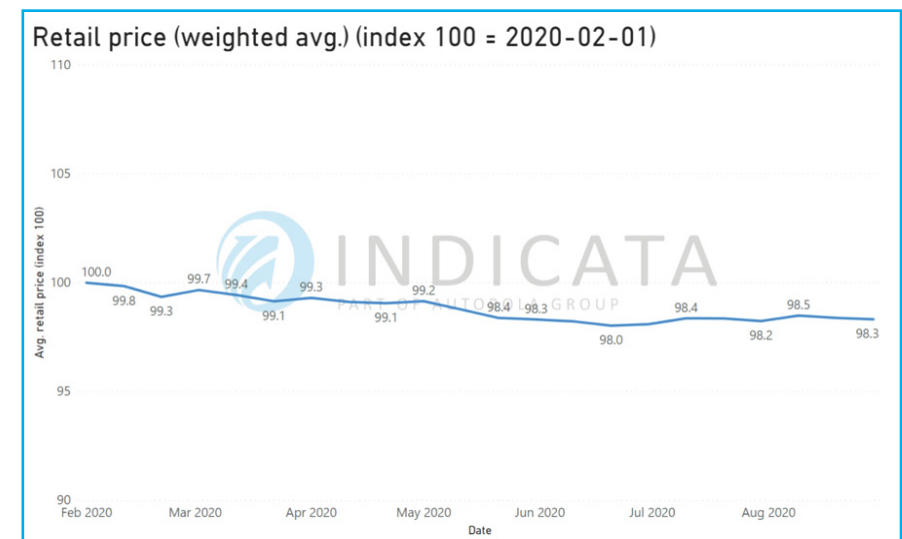
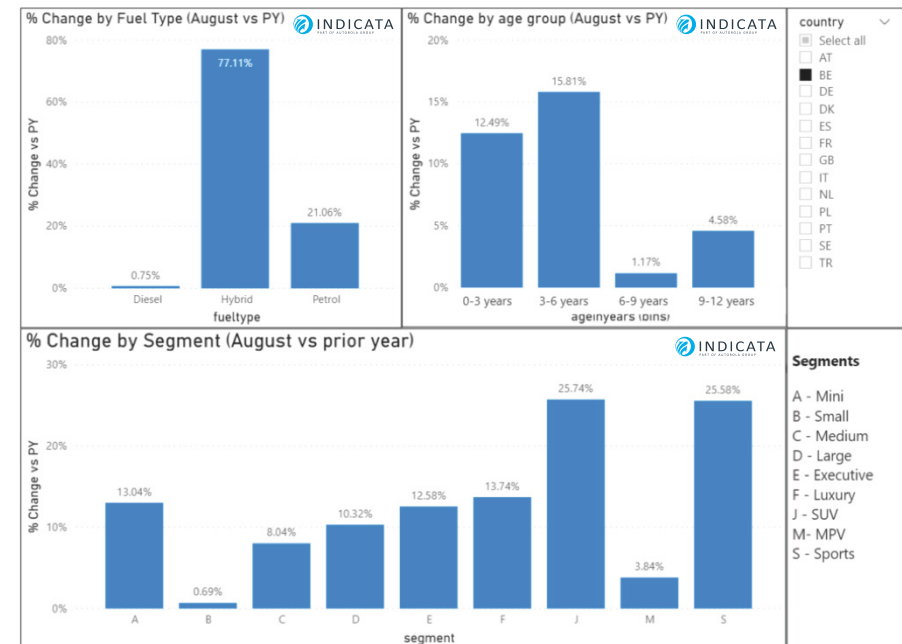
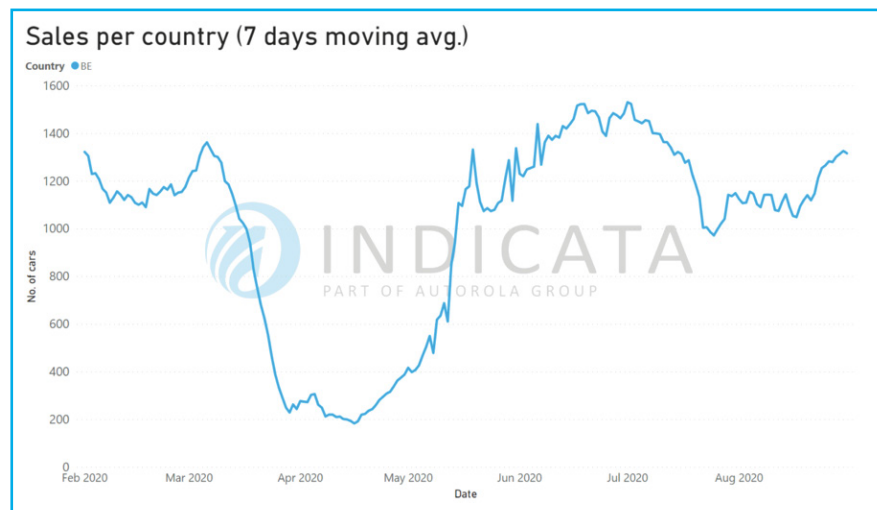
Belgium **Slower growth driven by tight stock and renewed infection rates.**

Belgium at 10.6% up in August also shows a trend of slowing growth rates (June 15% up, July 19% up).

The market continues to show a strong bias to environmental powertrains although petrol has eased from 36% increase in July to 31% increase in August. Equally the powerful 0-3-year segment (30% up in July) now is only 12% up.

There is clearly an element of stock constraint (with stock levels falling a further 4% in August) however this is also a market where refreshed levels of infection will be having an impact in overall activity. That said, pricing remains stable and is not following the natural life cycle decay we would normally expect.

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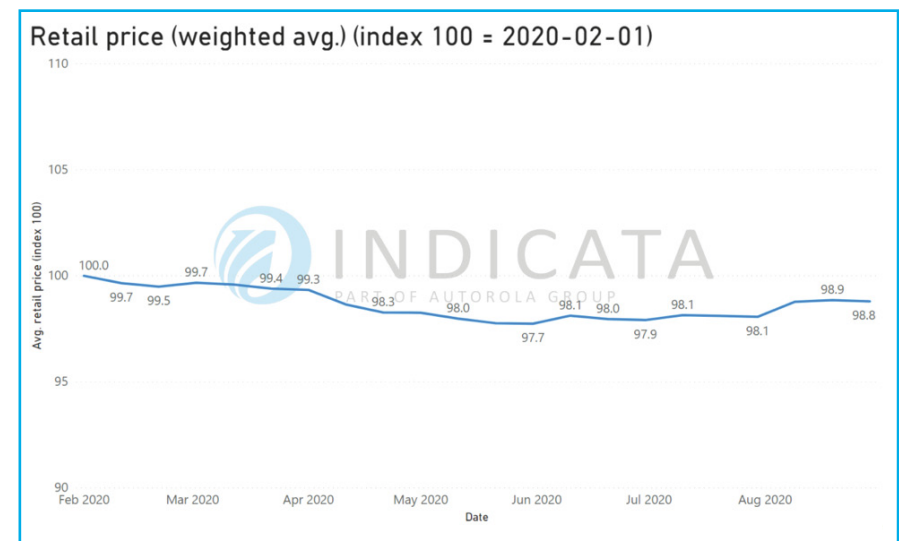
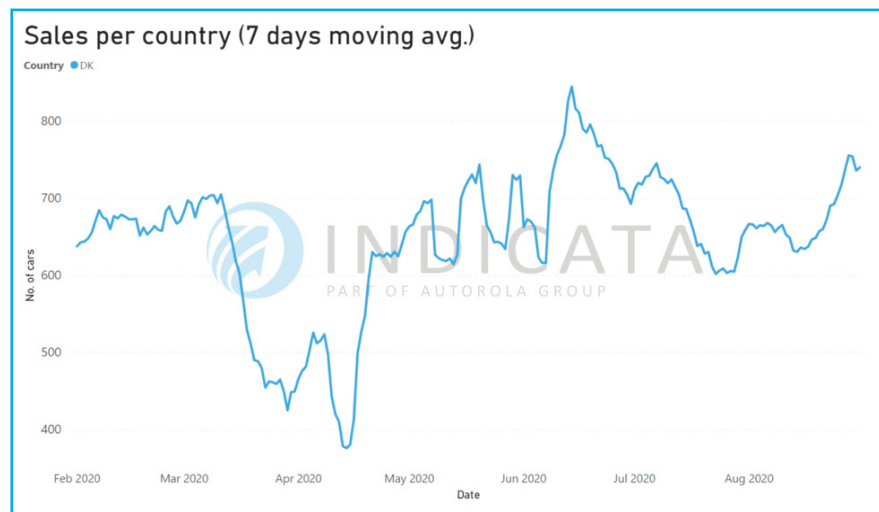
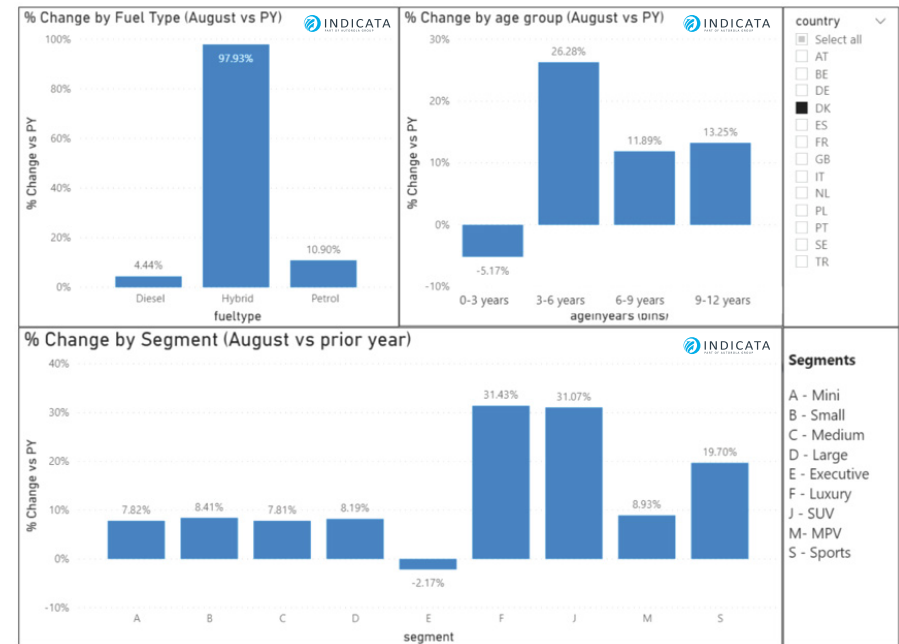


Like most countries, Denmark has a clear summer holiday trend followed by volume increases. That said the Danish powerhouse that was up 31% in June, 21% in July is now only 9.6% up in August.

Equally we are seeing a balancing of volumes between petrol and diesel and more concerning a swap from 7.6% growth in younger cars in July to a reduction of 5.7%.

Overall pricing remains stable (against a backdrop where we would expect a small life cycle drop) which combined with continuing stock reductions, strong wholesale pricing and conversion rates suggest the market remains supply (rather than demand) constrained.

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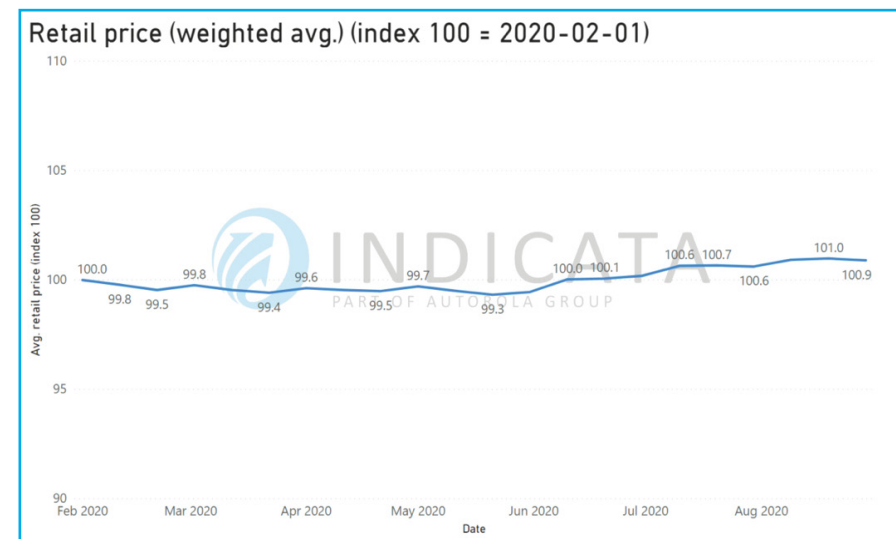
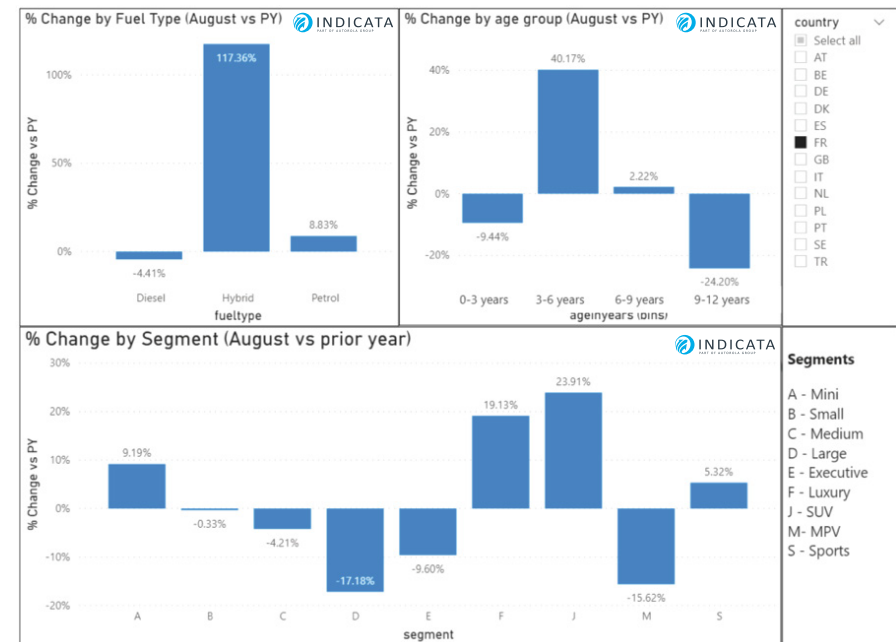
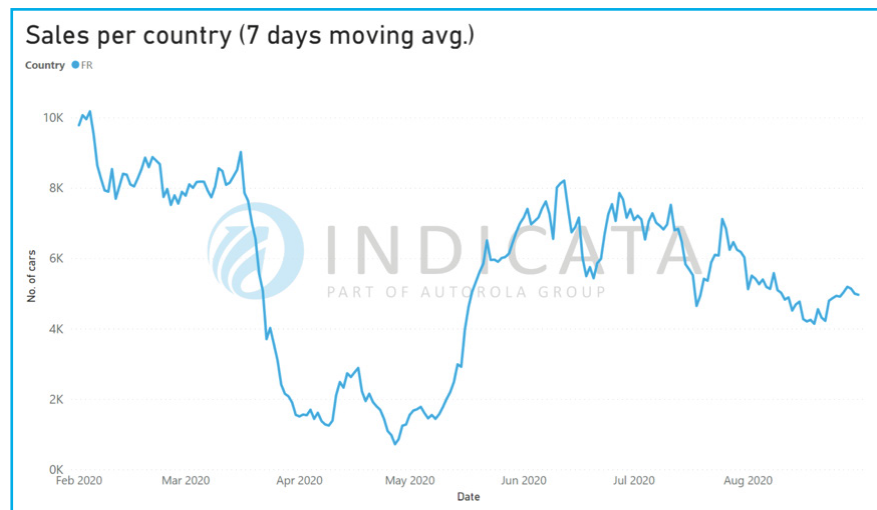


As with many markets we are seeing a normal summer profile of reduced volumes due to French holiday periods. That said, unlike Spain, the market appears to have more concerns as infection rates rise. As a result, whilst growth is up 1.8% it is not as strong as others.

There are still some signs of supply/demand imbalance driving the market. Pricing remains very firm if in some cases raised, reflecting the shortage of lease companies stock coupled with strong wholesale prices. In the holiday period, it looks like supply caught up with demand and stock levels have grown 2% from August into September.

Underlying this we see an increase in petrol prices (up c2% since June) combined with slower growth in petrol (8.8% in August vs 24% in July). This is reflective of a segment that has been supply rather than demand constrained.

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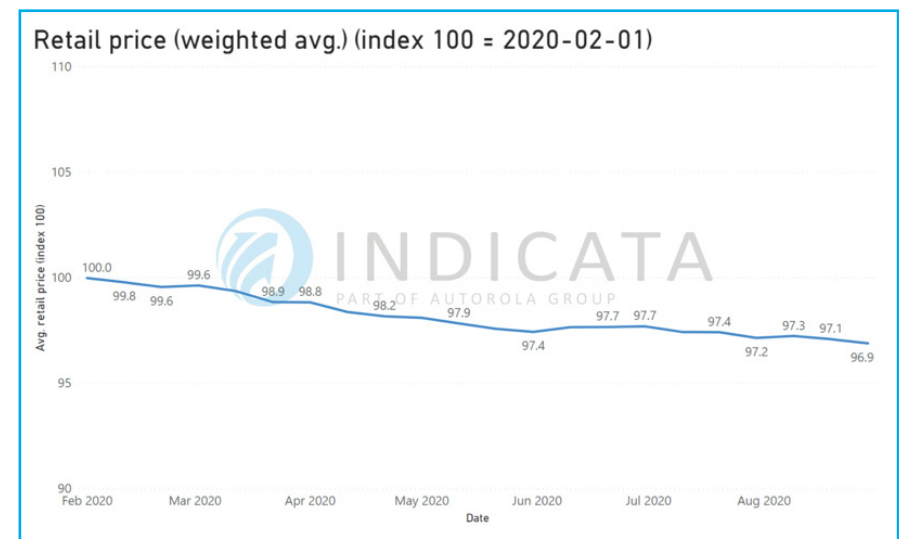
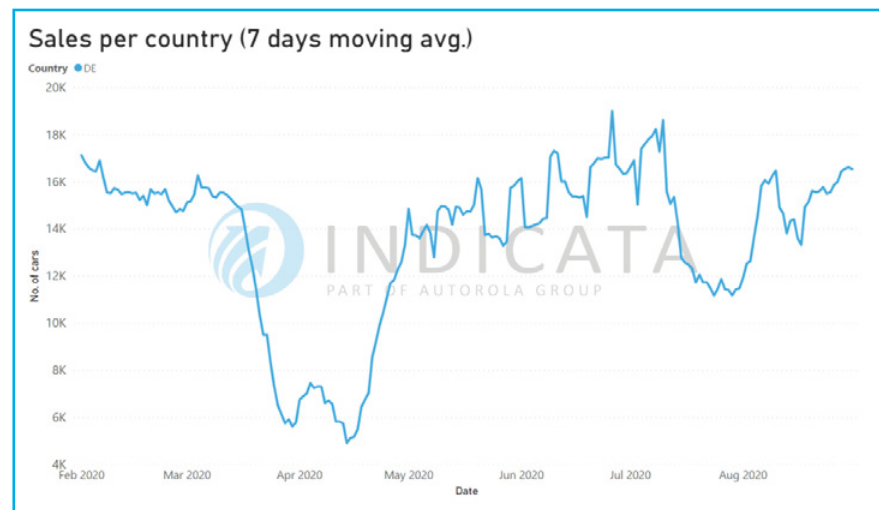
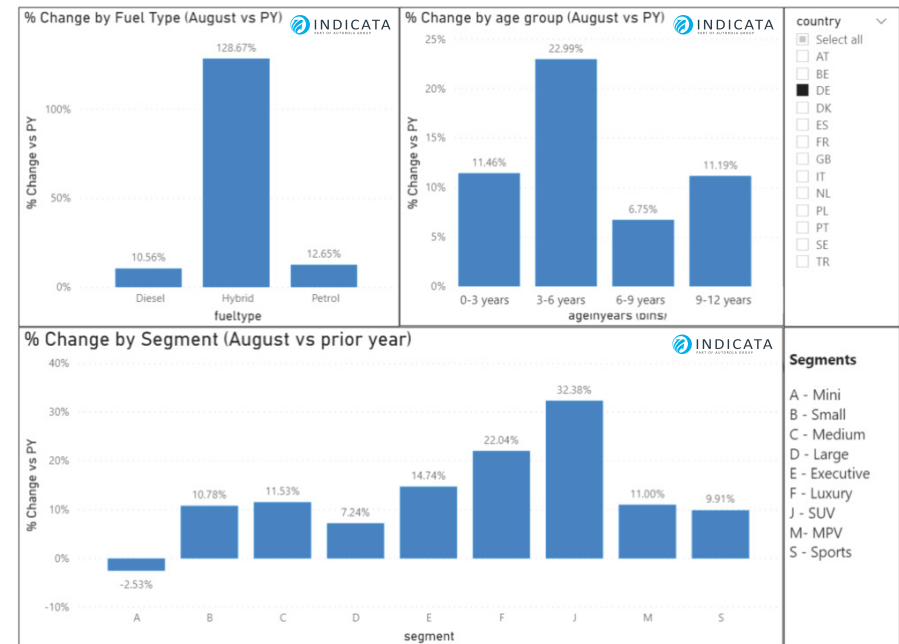
Holiday season in Germany is clearly visible in the overall volume trends, however we are seeing strong growth year-on-year with 14.1% growth in August. This is up from 6.4% in July and a reflection that the seasonally slower sales rates have allowed supply to catch up with demand.

Accordingly, we are seeing that Germany is a rarity in the market with an increasing stock level.

In previous months we had seen the German market display a very strong shift from diesel to petrol and from older cars to newer cars. In August we saw this flatten out with diesel up 10.5% (July down 0.8%) and growth returning to older cars (6 year +) which were strongly in decline in prior months.

Whilst prices are down, this is normal life cycle decay (we use a constant basket of cars), confirming that the growth in volumes is balanced by increasing supply

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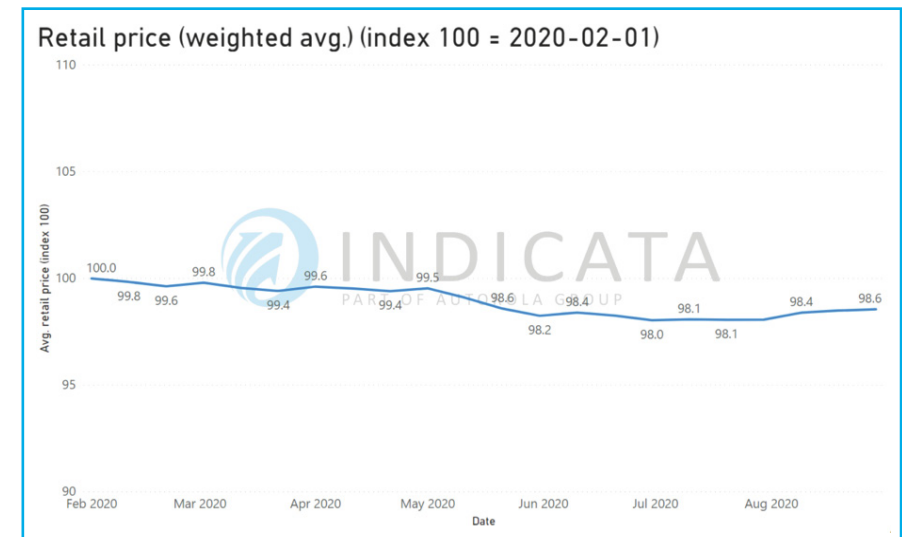
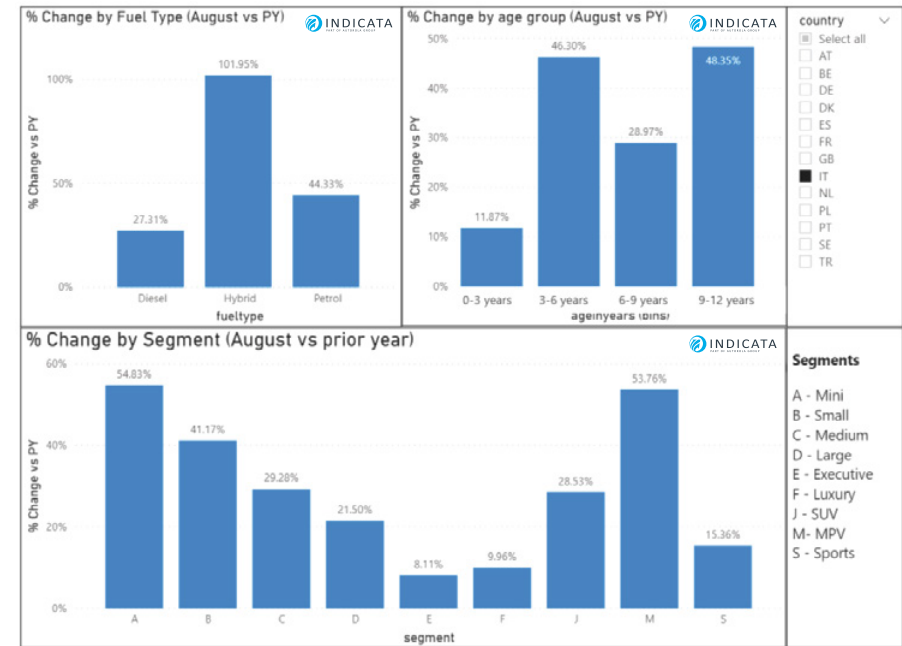
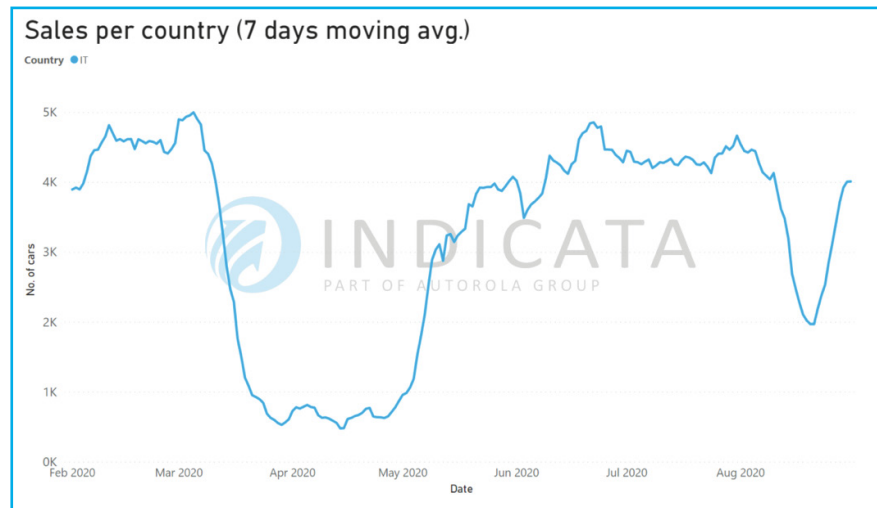


Overall, we are seeing a strong growth year-on-year in web activity by Italian dealers with sales volumes up c33%. Clearly, we see the sharp downward impact of August holidays in the marketplace too.

That said the market appears to be becoming more and more stock constrained with volumes down 6% in August combined with a stable if not growing pricing position (we would normally expect to see a life cycle-based price reduction).

Equally the market is affected by lack of OEM new car activity. Like the UK, sales of younger cars are not as strong as older cars and the 12% growth in sub-3-year cars covers up a reduction of 4.6% in sub one-year sales as 0Km cars become less prevalent in the market.

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Netherlands Lack of sub-one-year activity constrains the market.

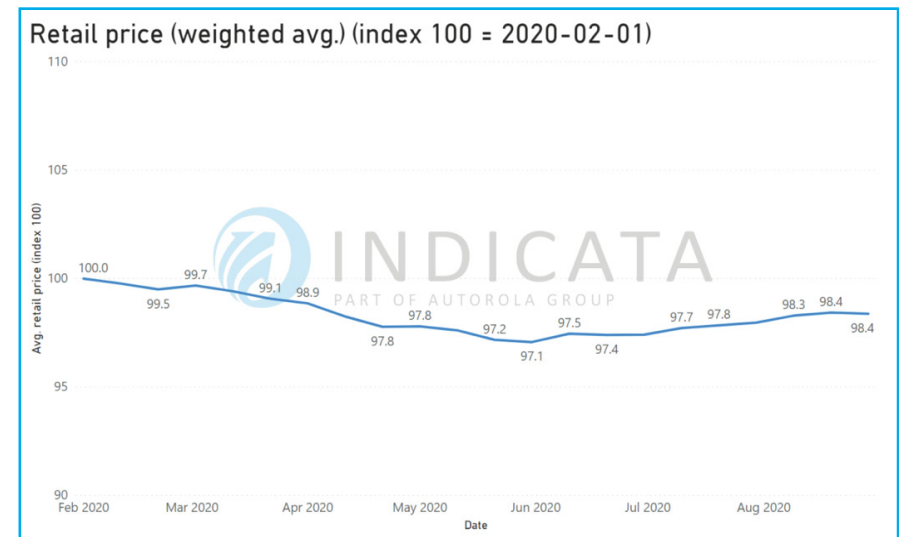
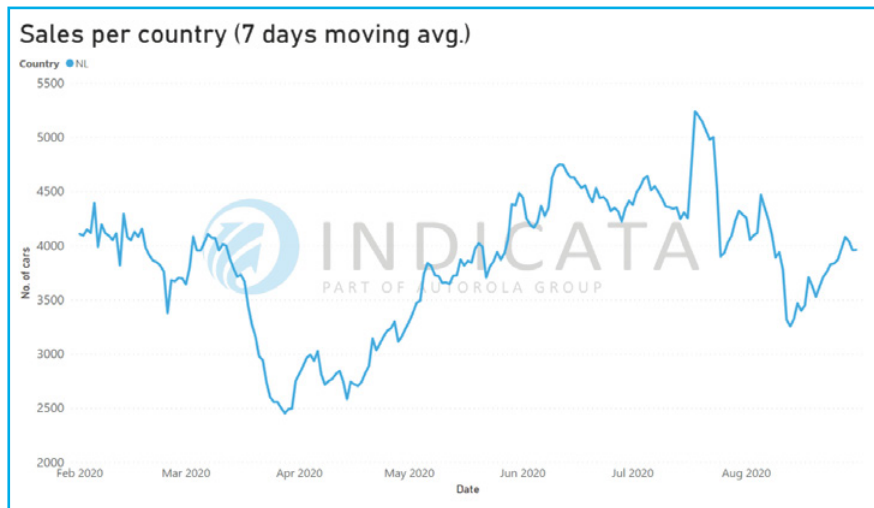
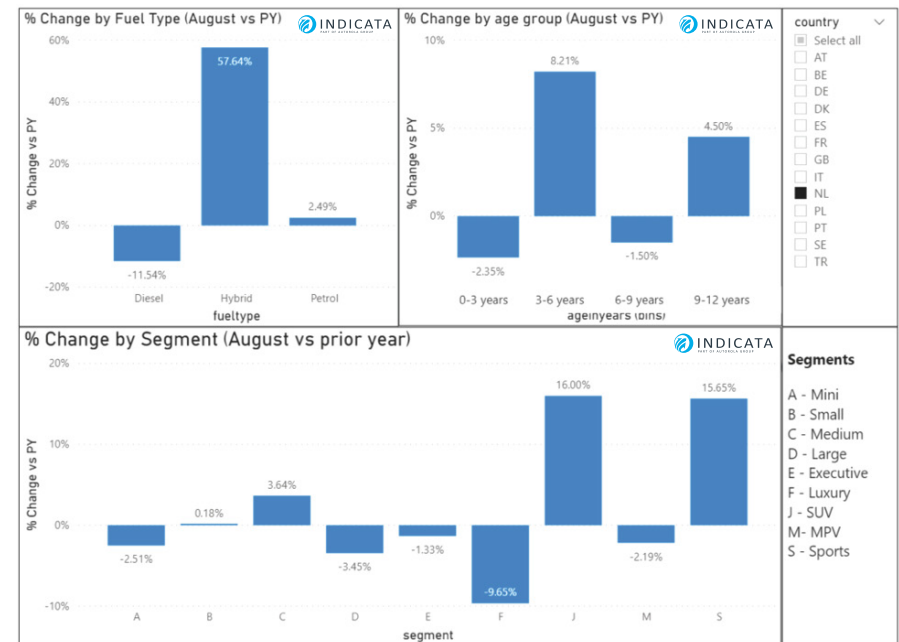


Whilst following a standard August trend of reduced volumes, the Dutch market is slightly up by 2.8% year-on-year in sales against a market that has reduced in stock by 3% over August. This compares with 20% growth in June and 9.7% in July.

Whilst the slowing growth is notable across the board, the sub-one-year sector is significantly down reflecting the lack of OEM push on younger cars. Thus, if we look at the INDICATA price index (focused on 3-year old product) we see the constraint in stock (coupled with strong wholesale pricing and conversion rates) is having an upward push on dealer pricing.

Outside of the SUV segment we are now seeing a weakness in the large, luxury, executive and MPV segments.

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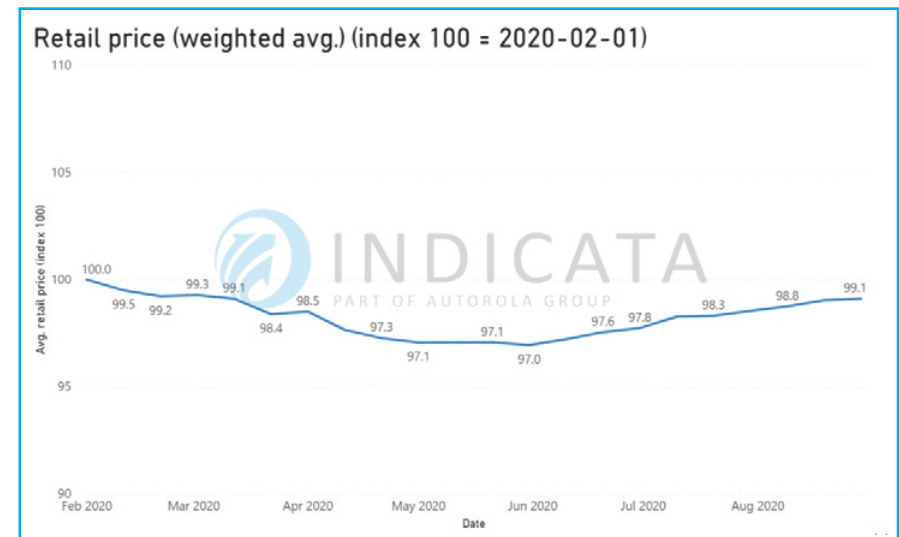
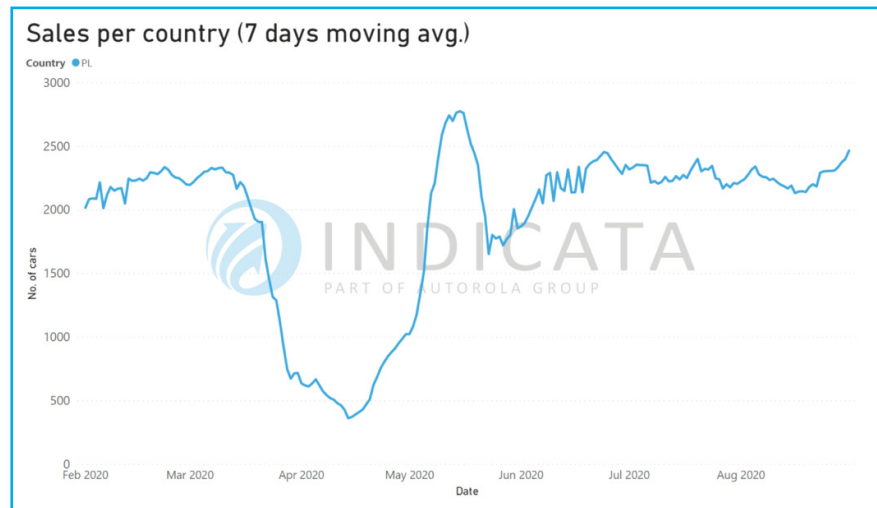
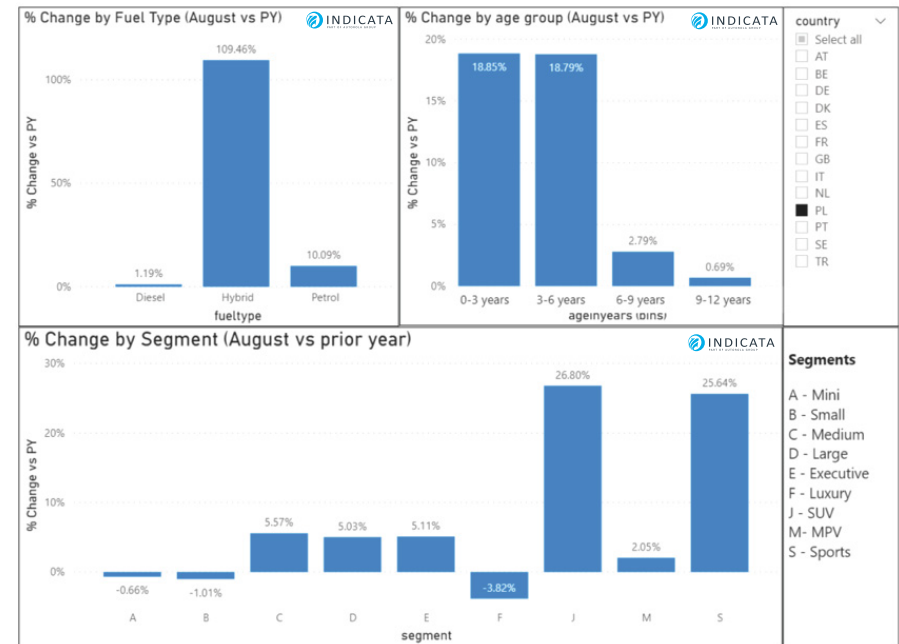
Poland Volume up despite a shortfall in stock.

Poland remains a market under great (and increasing) stress. Stock levels are down 28% since June (and by 11% in August alone) and are the most reduced in Europe. Yet despite this, demand remains strong and volumes are increased by 8.7% despite this constraint.

Volume looks strong in 0-3 and 0-6-year segments - up 19% in both. But like many countries, this covers up a lack of sub one-year stock where volumes are actually down 3.4% with 1-2-year stock up 40% to compensate.

It is therefore unsurprising that prices remain on the ascendancy with wholesale prices also reaching all-time highs.

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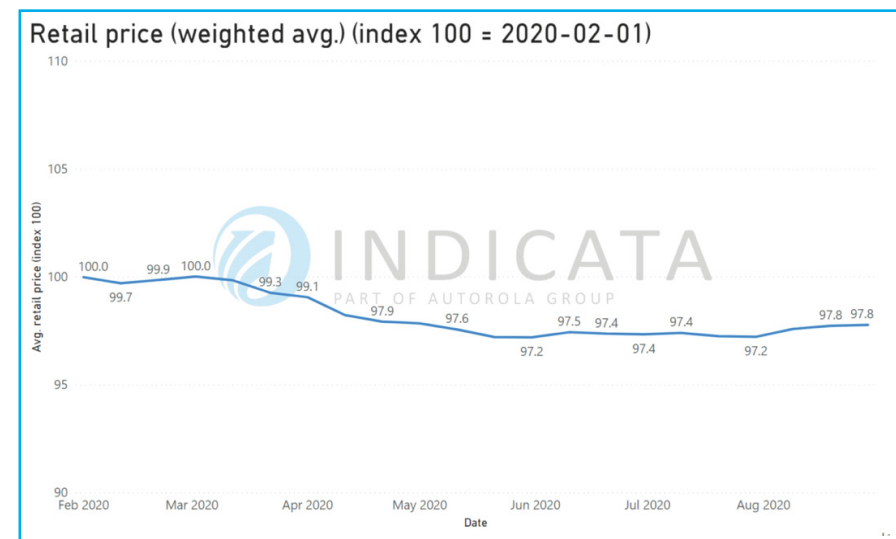
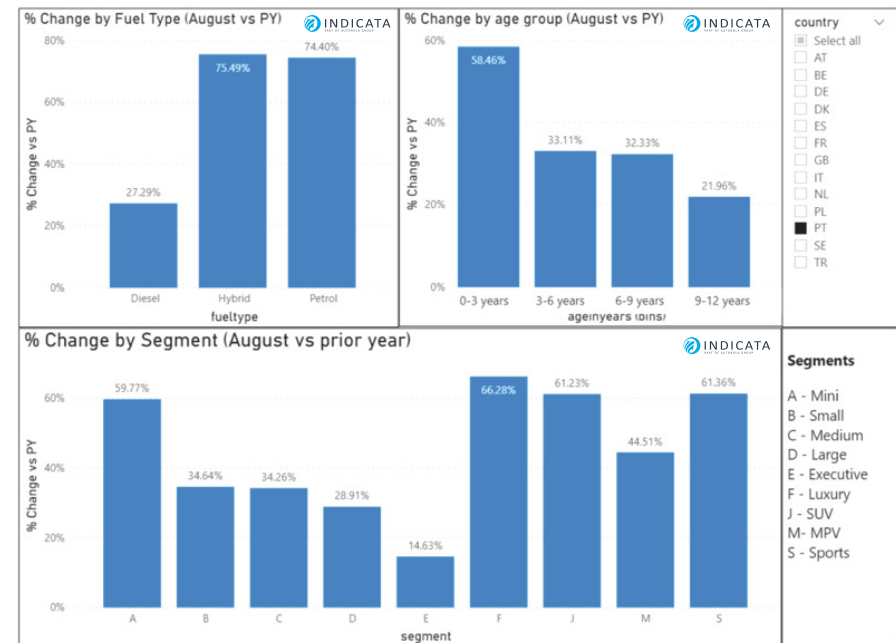
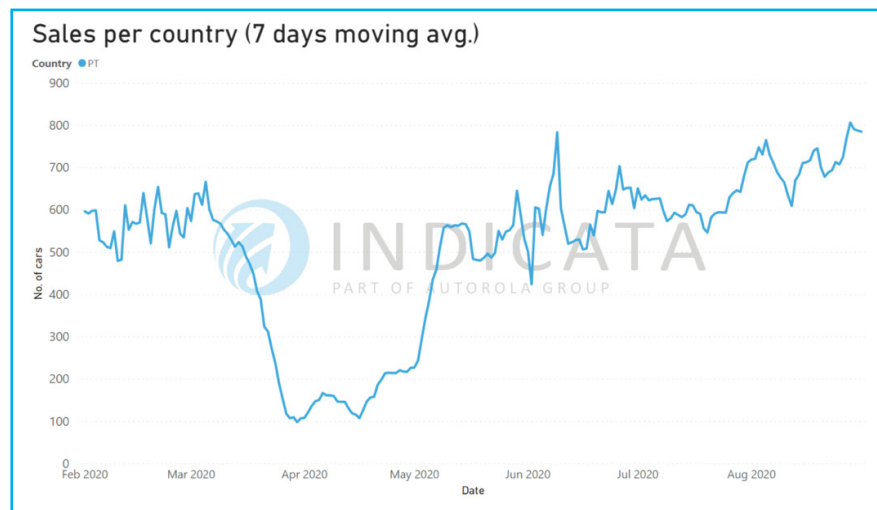


Like Poland Portugal has become a highly stock constrained market with overall levels down 20% since June and indeed reduced 11% in August alone.

This has not stopped the market however, which is up 39% year-on-year, but we expect volumes to slow into September as stock constraints bite.

Pricing has become stable since June (in fact there has been a small uplift) when we would be expecting a small life cycle drop. We would expect to see further price acceleration as we move into September as increasing stock constrains clash with strong demand.

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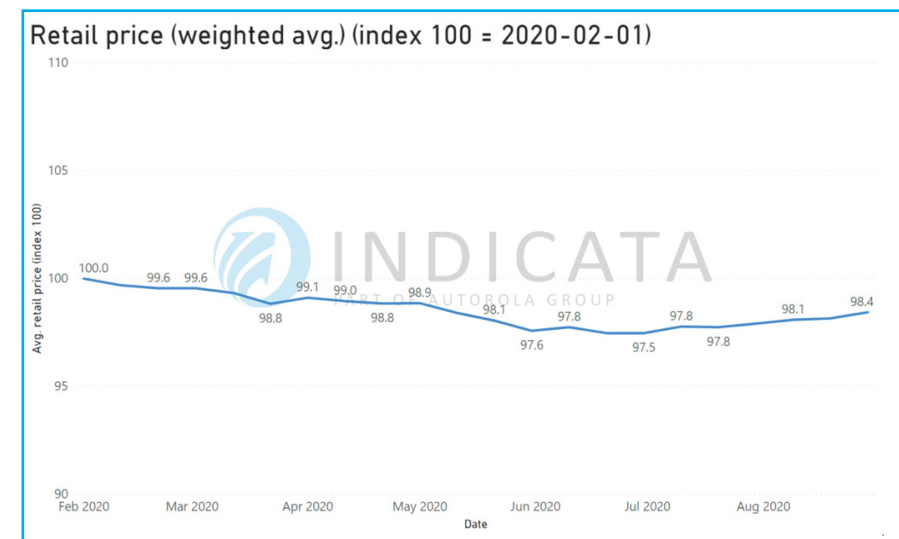
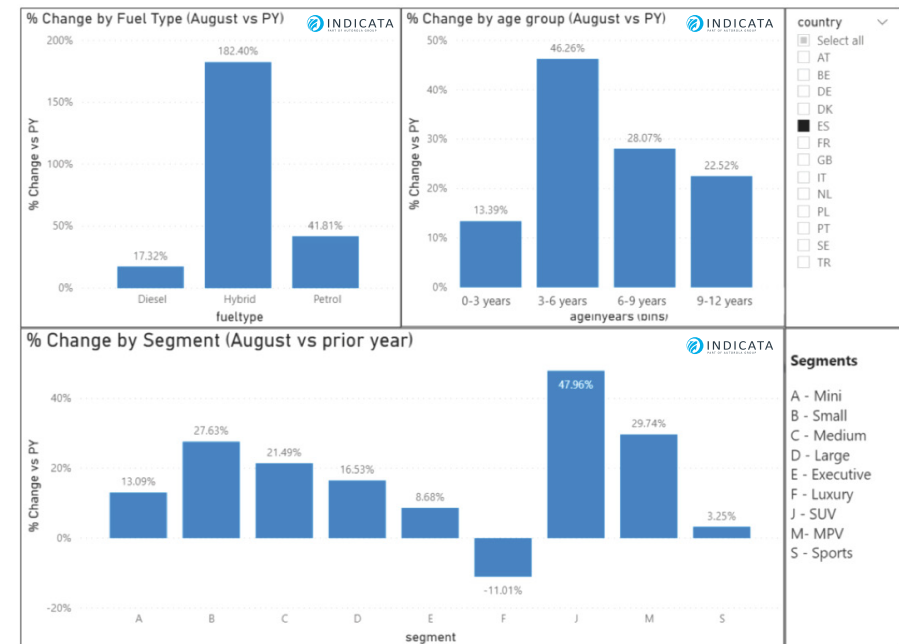
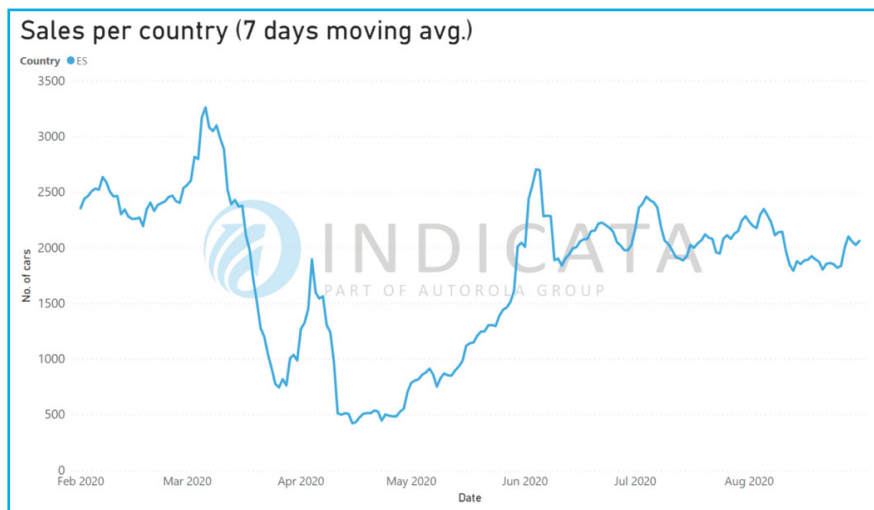


Spain at 28.7% up remains strong despite a resurgence in infection rates in some areas. Dealers are battling to recover from the highly disrupted market earlier in the year and the normal holiday protocols of summer are less prevalent with dealers aiming to maximise all opportunities rather than constraining sales activity.

The strong growth coupled with reducing dealer stock is now being reflected in pricing which has accelerated upwards since July (we would normally expect a marginal life-cycle reduction).

The growth appears constrained in the younger car segments, and we will expect to see this exacerbate going forward as the market will not see the heavy (end of year) daily rental de-fleet activity of previous years.

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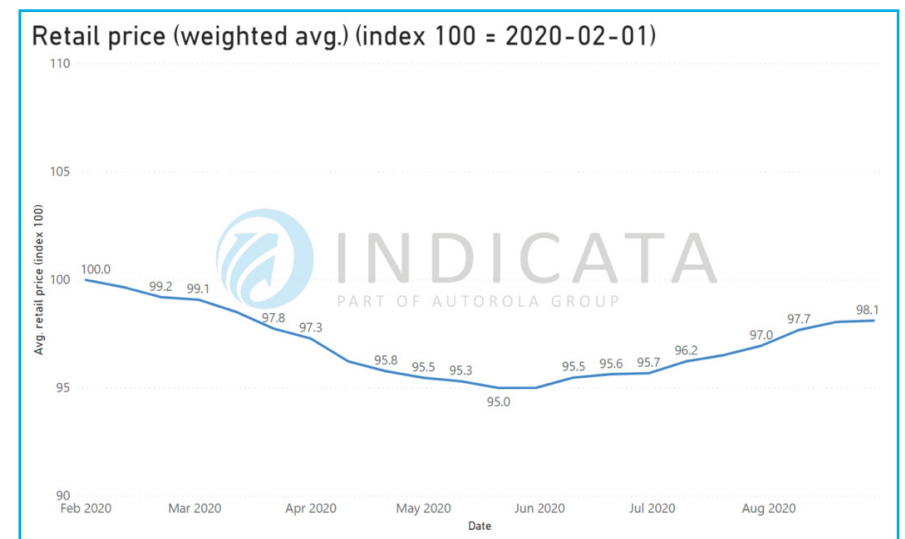
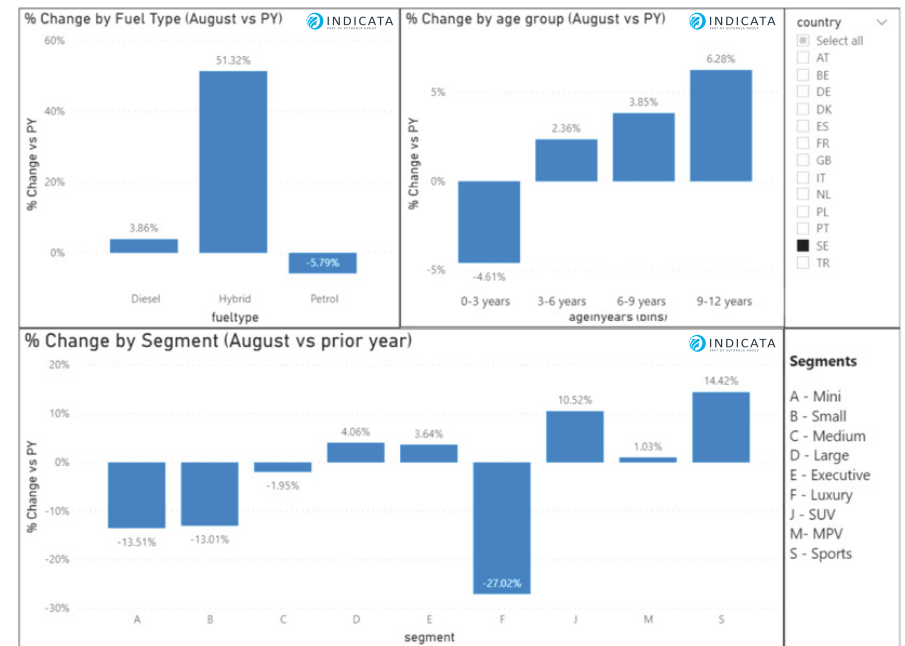
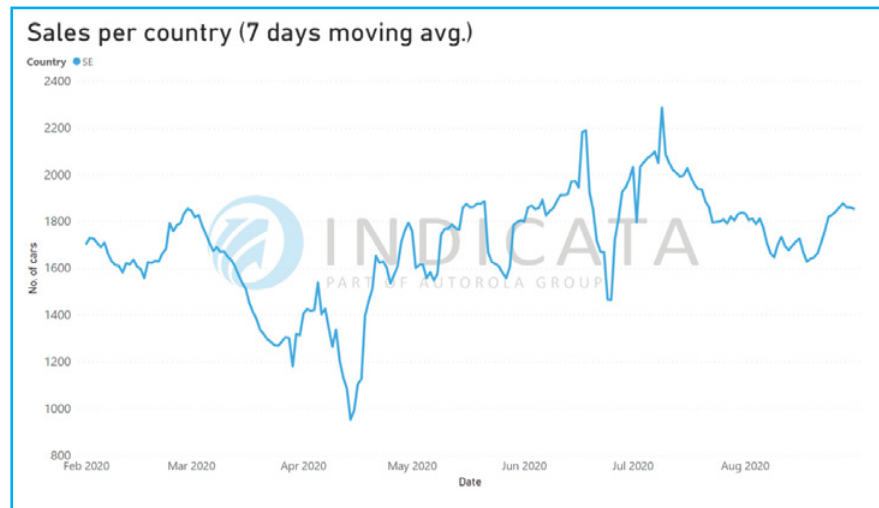


Sweden has been an interesting market given the lack of lockdown measures put in by its government over peak Covid activity. This resulted in only marginal drops in volumes over the March to May periods.

As we have moved to August, we have seen increasing market strength deplete dealer stock which is now 25% down compared to June. Thus, whilst market volumes are only 1.7% up in August the continuation of strong market price increases show a market out of supply / demand balance.

Indeed, the greatest restriction in sales exists in sub 3-year segment, however this is a general reduction in all ages not just the OEM driven sub 1-year market.

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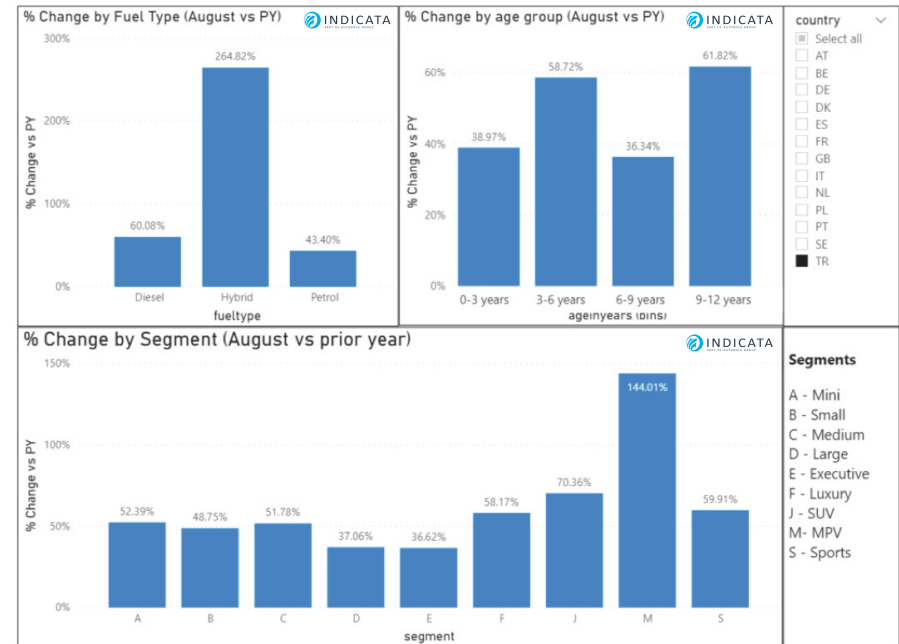




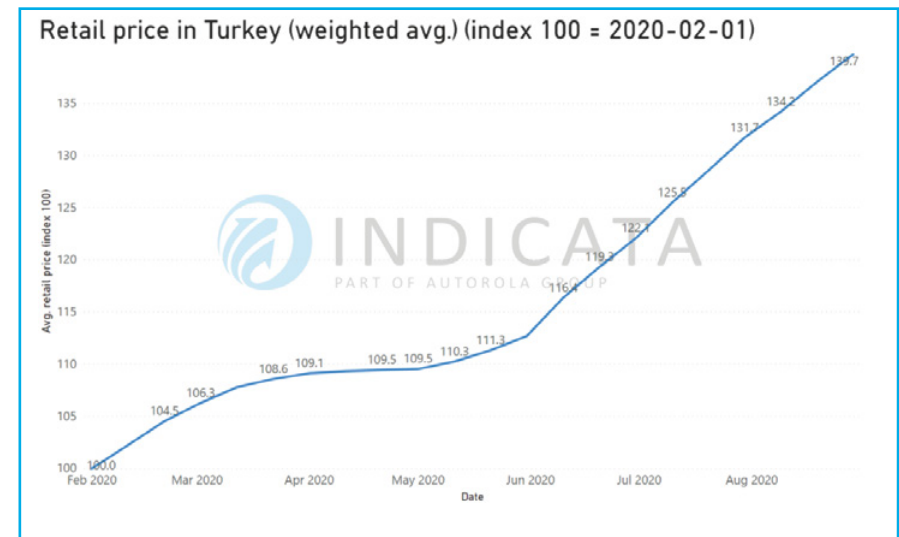
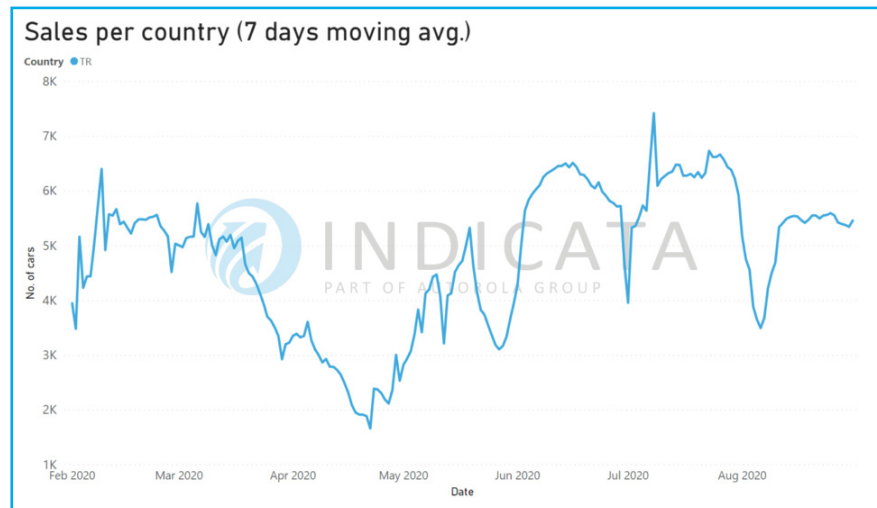
Turkey Used car price inflation continues in a strong market.

Turkey's position as a market dominated by used car activity due to lack of new car alternatives remains.

After a short flattening of pricing and volumes over the peak virus period, Turkey's used market continues to heat up with used car price inflation further accelerating. Against a general annual inflation rate of 11%, used car prices having grown by 38% since February, driven by the 34% shift in exchange rates in the same period.



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United Kingdom

Market weakens and stock more available (an inflection point for price?).



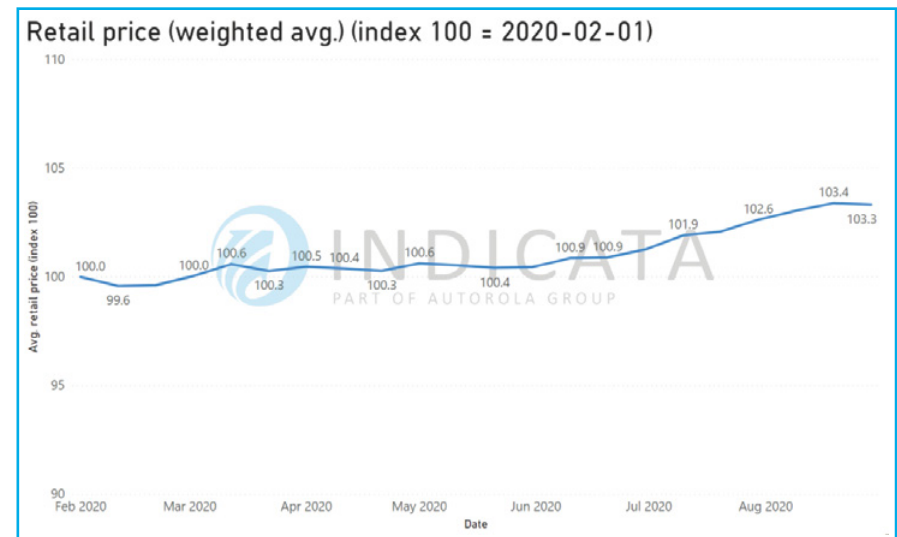
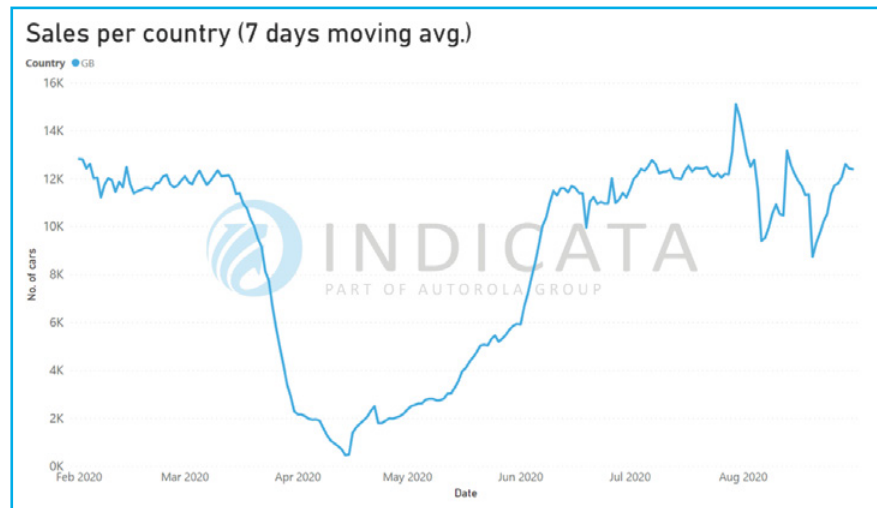
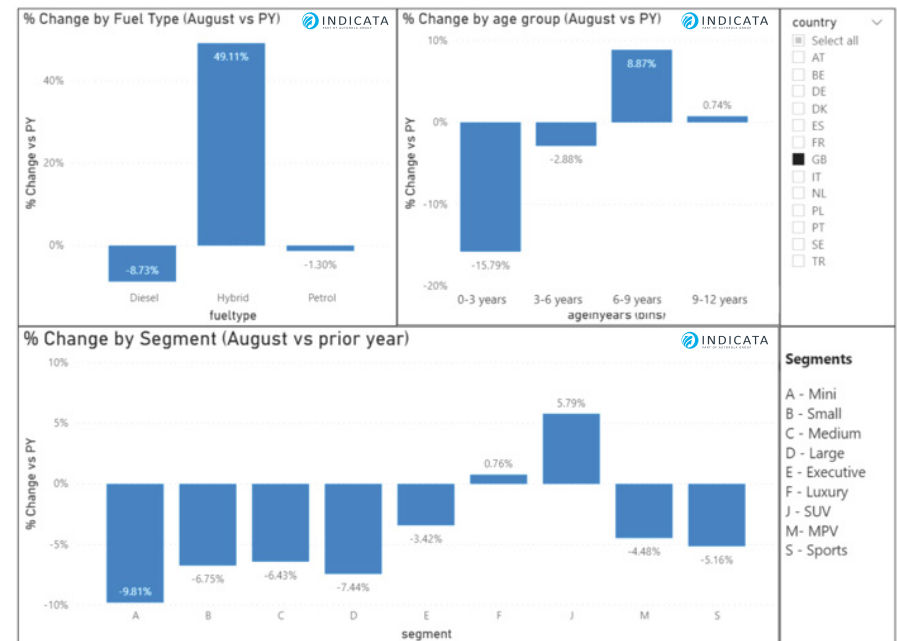
The UK is potentially on a cusp on a market inflection but with contradicting signals.

Volumes are down 3.3% and this compares to July's fall of 1.8%. We are seeing volumes in the sub-3-year market significantly down by 15.7%. This covers up an even more remarkable trend where volumes are actually down 50% in the sub one-year segment. Thus, we are seeing the lack of OEM push for self-registrations and demonstrators having a material supply side effect on the market.

However, we saw stock levels grow in August by c3% as finally the logistics, de-fleet and preparation processes of the industry catch up with the overall demand position.

Thus, whilst pricing continues to strengthen in August, increasing overall supply coupled with year-on-year reductions could mean that September will be a more challenging month for dealers. Many dealers are becoming cautious in their buying habits as wholesale prices have remained very high.

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