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MARCH 2018

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INSIDE: Used car market - Will 2018 hold more of the same?

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NEW CAR SALES

NEW CAR SALES ARE STILL ON THE RISE BUT EXPECTED TO SLOW

2017 saw annual new car sales across the EU28 and EFTA3 rise for the fourth consecutive year, although the 3.3% increase seen in 2017 is half of what we saw in 2016. This slowdown in the rate of growth is expected to continue through 2018 with new car sales expected to rise across the region by 2.6% this year.

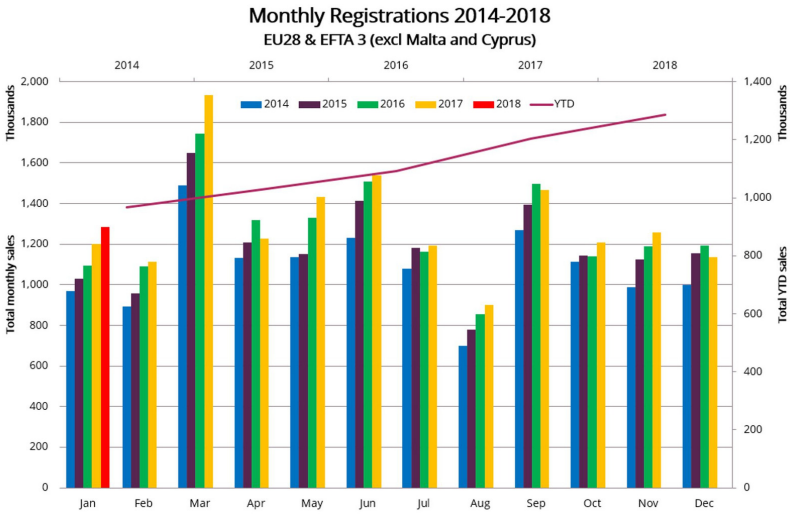
January 2018 got off to a flying start with the region enjoying a 6.8% increase in sales.

Despite a 6.3% fall in the UK, strong growth in Spain (+20.3%), Germany (+11.6%), Italy (+3.4%) and France (+2.5%) kept the region growing.

With new car sales running at 8 units per thousand of population lower than during the first 7 years of this century in Spain, and 4.5 units/'000 for the region as a whole, it is clear that there is still some headroom for further increases in sales.

But just one month later and we are already seeing the slowdown with the five biggest car markets in Europe growing by just 4.3% compared to 5.3% the previous month.

Only two of the big five performed better in February with sales up 4.3% in France and sales falling by just 2.8% in the UK, compared to Spain (+13.0%), Germany (+7.4%) and Italy (-1.3%).



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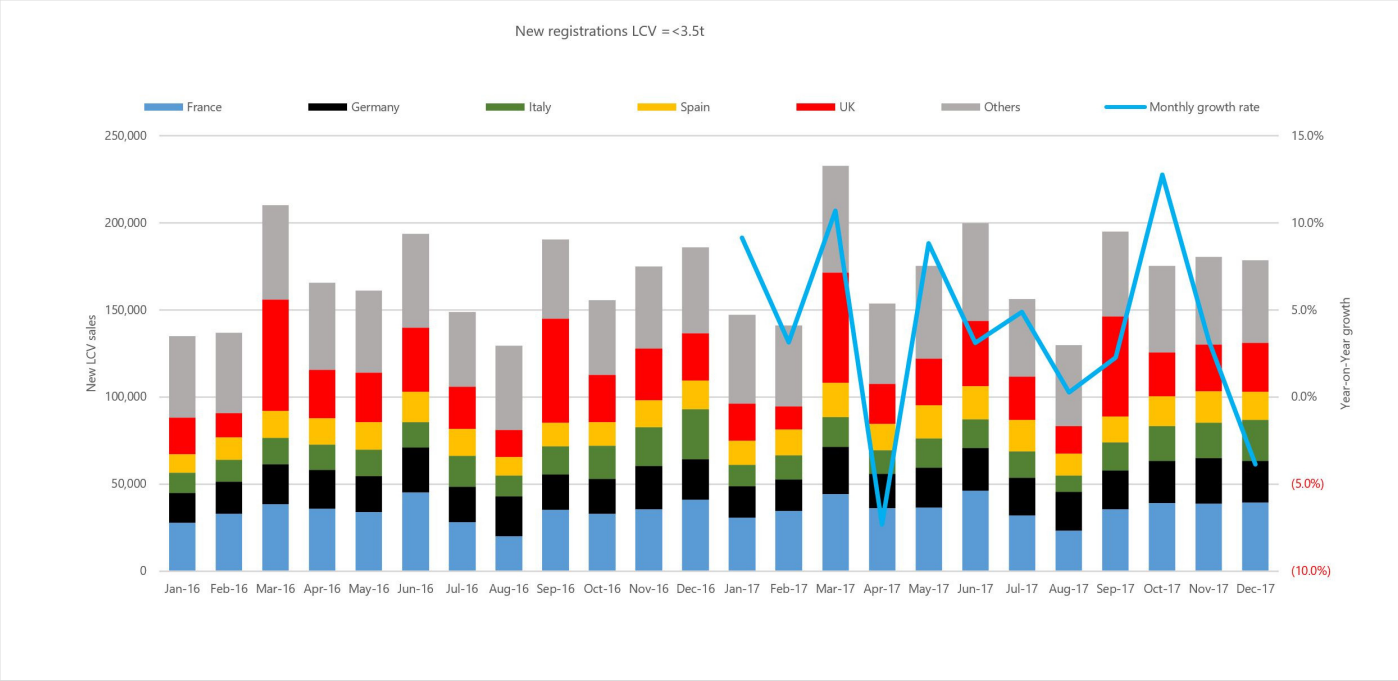
LCV SALES

LIGHT COMMERCIAL VEHICLES END 2017 DOWN 3.9% IN DECEMBER



New LCV sales also across the EU28 and EFTA3 in December, down 3.9%.

Whilst there was one less trading day than in 2016, a fall of 3.9% in France, Europe's largest LCV market, and 18.1% in Italy, which saw it slip to fifth place behind Spain (-1.7%), could not outweigh growth of 2.9% in the UK and 2.2% in Germany, Europe's second and third largest LCV markets respectively.

For the full year sales ended up +3.9% across the region, with strong growth seen in Spain (+15.5%), France (+7.1%) and Germany (+4.9%) although both Italy and the UK saw falls of 3.4% and 3.6% respectively.

2018 is expected to see no improvement generally with LCV sales continuing to weaken across most of Europe, with Brexit influencing many fleet managers when it comes to considering change their commercial vehicle fleet.

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GERMAN COURT RULING ON DIESEL BAN COULD SEE OTHER COUNTRIES FOLLOWING SUIT

As soon as the "Federal Administrative Court in Leipzig ruled that driving bans are permissible," Hamburg immediately announced it was starting work on implementing restrictions on older diesel vehicles.

We have already seen other cities such as Stuttgart, Düsseldorf, Paris, Athens and most recently Oxford talk of introducing bans and there is now speculation about possible compensation claims from diesel car owners against governments who encouraged the take up of diesel.

This may be part of the reason why German Chancellor Angela Merkel described the ruling as "very balanced" but added that until greener options are developed diesel was still needed.

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EU DIESEL SPIN SEES CO2 LEVELS RISING AND VEHICLE MANUFACTURERS FACING FINES

Staying on the topic of diesel bans and litigation, some lobbyists are using phrases like "a great day for clean air" but they seem to be forgetting the consequence of new car buyers switching from diesel back to petrol is CO2 emissions are rising again. I leave others to comment on the environmental impact, but it does raise two serious questions.

Firstly, how are manufacturers going to avoid paying millions of euros in fines when the media coverage and government and legislative commentary fail to convey the message that EU6 diesels are good and it is older diesels which are the problem?

The second question is more speculative but does the automotive industry have a claim against European legislators, lobbyists and the media? After all diesel cars are niche in the rest of the world except India, and it was the coverage on "greenhouse gases", rising CO2 levels and the subsequent promotion of diesel by government incentivisation and media coverage which saw it become more than 50% of the European car market and encouraged manufacturers to invest heavily before the very same interventionists helped collapse the new diesel car market demand.

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SKODA PIP PEUGEOT

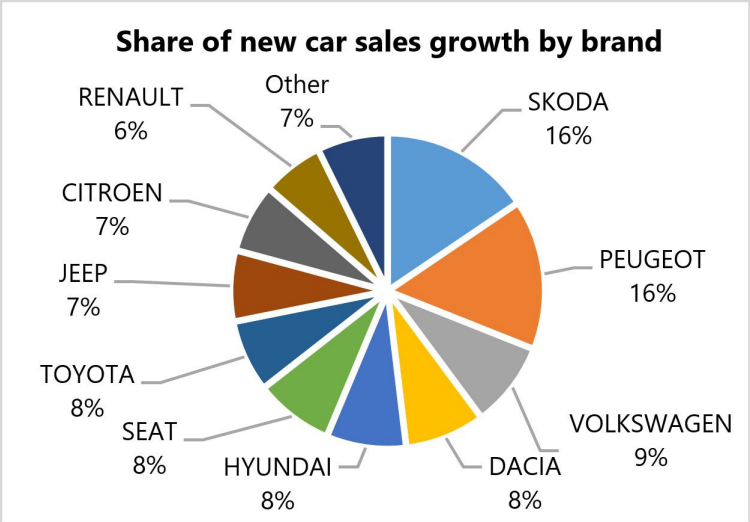
SKODA PIP PEUGEOT TO THE TOP SALES GROWTH FOR JANUARY

The decision to go for a fast start to the sales year or look to ramp up sales efforts during the year is always a hot topic for debate.

Peugeot was the second fastest growing brand by volume in 2017 increasing sales by 60,548 to 925,113 units compared to Toyota, who took the top spot by increasing sales by 79,750 to 673,510 across the region. Whilst they have also started 2018 with a strong start they were pipped to the top spot again in January, but this time by Skoda whose 10,796 extra units were 48 more than their French competitor.

From a percentage of sales perspective and ignoring those brands selling less than 1,000 cars per month, Jeep saw the strongest increase as sales leapt up 68.1% to 12,544 units in January.

The other four brands making up the top five all saw increases of more than 20% with Porsche (+25.8%), Alfa Romeo (24.4%), Mini (21.5%) and Skoda (+20.6%).



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UK RULES

UK RULES ON SECOND HAND CAR SALES COULD IMPACT DEMAND FOR EX-FLEET AND RENTAL CARS

UK rules on second hand car sales could impact demand for ex-fleet and rental cars

In 2008 the UK introduced legislation, the Consumer Protection from Unfair Trading Regulations (CPUT), to bring it in line with the latest European Commission consumer protection rules. However, UK enforcement bodies seem to have gone beyond the original intent of the legislation.

We have seen several dealers prosecuted through the courts for not revealing the used vehicle they have sold was used by the daily rental industry.

This resulted in fines and various levels of compensation for what is believed to be a perceived reduction in value because it was ex-rental.

The most recent case was in Gateshead in January where the compensation was 10% of the used car's £10,000 value.

We have also now had a ruling from the UK's Advertising Standards Authority (ASA) that the fact a vehicle was an ex-fleet vehicle constitutes "material information" and should be disclosed to the consumer.

We have seen arbitrary values being set by courts for a lower used value for ex-rental and there is now a ruling by implication that any ex-fleet is a material fact which implies it could also be worth less than a formerly privately owned from new vehicle.

The impact of this could be billions of pounds being wiped off the value of used fleet and rental vehicles in the UK. There are also fears about a two or even three-tiered trade and retail price market emerging which is also worrying other right-hand drive markets like Ireland, where Cartell have raised concerns about used imports.

>>Click here for or more details on the Daily Rental ruling.

>>Click here for more details on the ASA ruling for all fleet vehicles.

>>Click here for Ireland's concerns over UK ruling.

US TAX ON AUTO IMPORTS THREAT

U.S. President Donald Trump has upped the stakes on his plan to introduce a 25% tariff on imported steel and a 10% tariff on aluminium. He has stated that if Europe attempts to retaliate he will slap additional taxes on cars, vans and pick-ups.

Currently the US has a reportedly $22.3 billion automotive vehicle and parts deficit with Germany and a $7 billion deficit with the UK according to a Reuters report.

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TAKATA AIM TO SELL CORE BUSINESS TO CHINESE OWNED PEER

The Takata exploding airbag issue is close to bringing parts of the company to an end as Takata Corp. submits a restructuring plan which sees it selling off its core non-inflator business to a Chinese owned peer and part of Ningo Joyson Electric Corp. for $1.6 billion by mid-April.

Whilst recalls are still ongoing and there is a reported $130 million fund coming from 13 automotive manufacturers in the U.S. to compensate those injured by the faulty bags, the sale funds would then be used to pay back creditors and other obligations of the company.

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EUROPE: YOUTH UNEMPLOYMENT

YOUTH UNEMPLOYMENT STILL A BRAKE ON RECOVERY

Once upon a time, car manufacturers looked to get young buyers into their cars by promoting driving school usage and then they tried to retain their loyalty encouraging them to move up to larger and more expensive models as they got married, increased earnings etc. However, with the number of under 25-year-olds unemployed being 251% higher than those over 25 years of age (16.1% compared to 6.4% in January 2018) the youth of today are finding it increasingly harder to be able to afford to buy a car.

This issue is further compounded by the increase in young people having to take part-time or zero hours contracts. For example, in Spain 54% of those under 25 years-old in employment are reportedly on temporary contracts and the average young person entering the labour market in 2017 earned 33% less than the average in 2008. Even in countries like Germany, unemployment remains a challenge with a recent Eurostat report saying that those who entering unemployment face a much higher risk of falling into poverty. The analysis of 2016 data showed the risk of poverty for those affected in Germany is 70.8% compared to just 48.7% across the rest of Europe.

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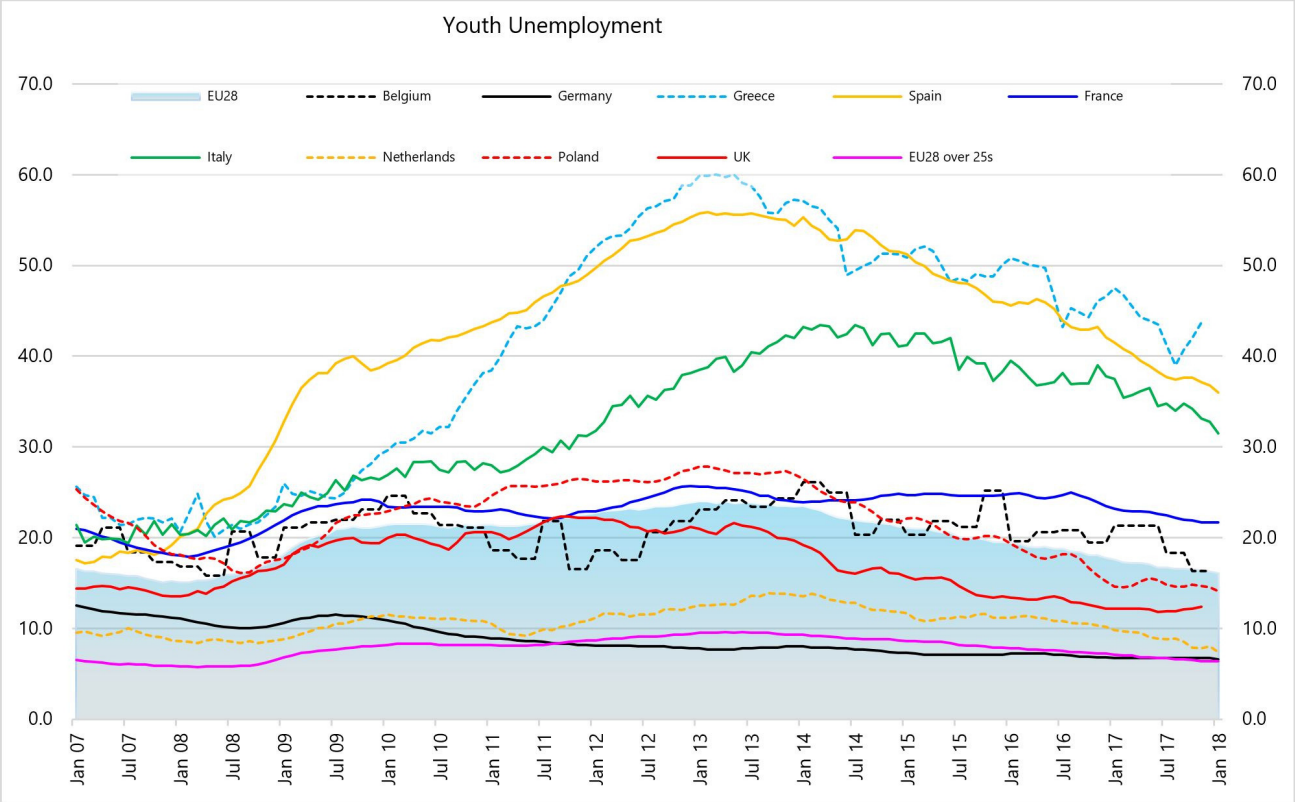

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