European new car market up 4.3% in big 5

European car sales were up in May but it was a mixed set of results with Italy falling, France flat and Germany flat once you account for the extra trading days, compared to strong gains in.

Turkey saw auto sales collapse, whilst sales shot up in the US and a shortage of commercial vehicle sin the UK are boosting used values.

The UK’s biggest auto leasing company opens a traditional remarketing site as Google’s self-driving car plans emulate a movie plot set in 2084

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Big 5 European car markets up 4.3%

May car sales results have started rolling in and the big 5 markets have generated a 4.3% increase over May 2013 putting them 6.3% up collectively on the YTD. However considering the extra sales days, high discounts and continuing incentives the news is not as good as it seems resulting in a mixed bag of results.

The UK saw its best May result in 10 years as sales rose 7.7% to just over 194k cars with finance continuing to play a strong part in sales. According to the UK’s Finance & Leasing Association (FLA) the number of new cars bought on finance rose by 4% in April with consumer finance accounting for most of the growth as YTD it currently stands 19% higher than the volumes for the first four months of 2013.

Spain also saw another strong month, up 16.9% in May, making nine straight months of growth and with the Spanish government announcing it is extending its PIVE subsidy scheme by a further €175m the Spanish carmakers' association Anfac increased its full year forecast by 3.7% to 850k units, pretty much in line with our estimates. However the continuation of the scheme continues to put younger used vehicle values under pressure.

Whilst car sales in Germany rose by a further 5.16% in May, thanks to two extra days, if you offset this against April’s 3.6% fall overall the market has remained relatively flat although it still remains up 3.36% YTD.

In the other two markets French car sales just about crept into a positive position in May, up 0.1%, with Renault seeing sales jump 9% in its home market, whilst sales in Italy fell 3.83% with Filippo Pavan Bernacchi, president of car retailers’ group Federauto, describing the situation as “…not a sign of slowdown but of stagnation…”

http://www.reuters.com/article/2014/06/03/vehiclerestrictions-idUSL6N0OK1B520140603

Turkish auto sales down 28.7% in May

But just a short hop around the Mediterranean Sea to Turkey and the situation was even worse with automotive sales falling 28.7% in May and down 26.3% YTD.

http://www.reuters.com/article/2014/06/04/turkey-automotive-idUSI7N0OD0420140604

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New vehicles sales down 2.3% in Australia
Moving to our furthest office and new vehicle sales were also down in Australia, although by a more modest 2.3% according to the Australian Federal Chamber of Automotive Industries’ VFACTS report. SUVs continue to be the dominant transport of choice with sales up a further 5.4% whilst passenger vehicles and light commercials (LCVs) fell 6.3% and 3.6% respectively.
http://www.reuters.com/article/2014/06/04/australia-economy-vehicles-idUSL3N0OL04720140604

US auto sales jump 11%
But over in the US and the big chill from the start of the year has well and truly thawed with May auto sales jumping 11% to 1.6 million units. May was so strong American Honda, Hyundai and General Motors’ big pickups all managed to turn around YTD volume falls whilst VW Group continued to struggle with sales dropping a further 3% last month and the VW brand down 15%.

Lack of LCV stock forcing UK buyers to downsize
Back to Europe and the buoyant UK market is now suffering from a chronic shortage of large panel vans (>3,5t) caused by the poor new vehicle sales in previous years leaving a shortage of good quality young used vehicles. The upshot of this is buyers are having to downsize according to a report from Manheim. This is good news to sellers who are now getting very good returns on their sales as residual values continue to rise in this sector.

BMW reconsider volume premium position
Once upon a time there were volume players, premium players and niche players but the exponential growth in mode line up amongst the premium brands combined with relatively strong residual values has now seen the likes of BMW, Mercedes-Benz and Audi blurring the lines and becoming volume premium players who also have niche products. However BMW has now said it is rethinking its volume aspirations as discounting in core markets like Germany, France and Spain is so fierce. Whilst BMW are continuing to launch new models in order to support its current volume targets the brand and its residual values, along with those of its German competitors, are certainly not helped by chasing volume to the extent they have been in recent years.
http://www.reuters.com/article/2014/06/01/bmw-sales-idUSL6N0OI0VI20140601

GM sack 15 employees following internal investigation into recall
The fallout from the ignition switch recall fiasco engulfing GM has rumbled on again this week with 15 employees, including 8 executives leaving the business following their internal investigation which found “a pattern of incompetence and neglect”. Whilst the report goes to great pains to point out there was no intentional cover-up or prioritisation of cost over safety it highlights a number of bad decisions and mistakes which resulted in the delays in correcting the fault and issuing the recall.

UK’s biggest auto leasing company opens car supermarket
Talking of balancing costs and returns Lex Autolease, the UK’s largest automotive leasing company, has created a new multi-million pound car supermarket in Coventry which also incorporates its remarketing operations. The move is an interesting one as a number of leasing companies have tried in the past to combine their more corporate focussed leasing business with a
retail operation to maximise the revenues on the returned leased vehicles. Whilst a number of companies, in particular amongst the daily rental industry, are also trying to get into the B-C arena most are choosing to do this via online solutions so Lex’s decision to go down the more traditional physical route will no doubt be watched with interest.


**Google see “Jonny Cab” style of personal transportation**

And finally for those of you not old enough to remember the 1990 original version of Total Recall, the Jonny Cab was an autonomous driving form of personal transport and it turns out someone at Google is also an Arnold Schwarzenegger fan. After much speculation about where they were heading with their self-driving cars it turns out they see it as providing an autonomous taxi for use in urban areas. I wonder when Google will start work on colonising Mars?