

# A golden age for used car markets?

*Q&A with Autovista Group's Head of Data Science, Dr Anne Lange and Director of Statistics and Data Analyses, Markus Halonen.*

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## Q&A

*Dr Christof Engelskirchen, Chief Economist at Autovista Group, speaks to our leading data scientists, Dr Anne Lange and Markus Halonen, who help make sense of used car market trends during the Covid-19 ramp-up phase.*



*Christof Engelskirchen,  
Autovista Group*



*Anne Lange, Autovista  
Group*



*Markus Halonen,  
Autovista Group*

**Christof:** In our recent article, ['Three-speed RVs: How are Europe's used-car prices emerging from lockdown?'](#) we describe used car price development as an important indicator of the strength of a country's economy. When you look at our data, what factors currently impact used car price formation?

**Anne:** This is a good article. It captures the three different clusters of countries and how they behave during the ramp-up phase. What we usually see is a solid, yet lagged, relationship between stock market performance and used car prices, as long as the stock market represents a good reflection of the economic mood of a country. Currently that is not the case. Low interest rates and hopes that Covid-19 may be contained shortly have pushed stock prices up. When we look at activities at dealers, we see that the initial shutdown has led to an increase in days-in-stock of cars. When dealers reopened, they initially began to manage prices down to clear out stock.

**Markus:** Yes, this was in the beginning of the crisis, where the supply of used cars was still stable as previously ordered cars were

delivered to customers, which brought used cars in stock (see Figure 1, left chart).

The used car demand was weak during the first weeks of the crises and thus used car stock was increasing (see Figure 1, right chart).

## Today, days in stock are below pre-Covid-19 levels

Already in mid-April, the stock levels started to drop. This was because the inflow to stock decreased as new car deliveries collapsed but used car demand and sales volume was already improving. Today, days in stock are below pre-Covid-19 levels, which is remarkable (see Figure 1, right chart).

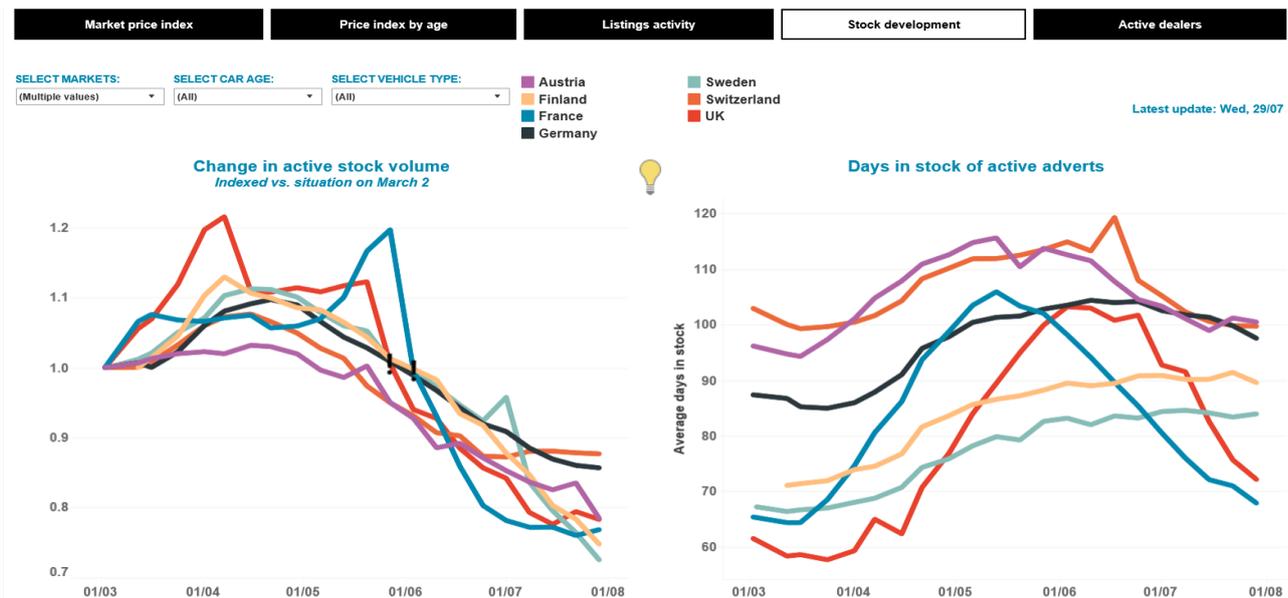
The three clusters we are describing make sense. Initial used car price drops are either

slightly recovering, stabilising, or even rising in markets like UK and France, for very different reasons that have been well captured in the article you mention (see Figure 2).

**Christof:** Are we in a phase of the market, where the trends that we see can already be safely interpreted or is it more affected by external events? I am referring to the massive incentive scheme in France also for used car buying, which has pushed RVs up. And I am referring to the weak-British-pound- and supply-shortage-induced lack of new and used cars on the market that meet some pent-up demand and lifts prices up?

**Anne:** There are certainly some anomalies affecting current used car price trends. For example, the French incentive scheme, that subsidises used car buying and drives RVs up and the UKs shortage of supply of new and used cars, that drives RVs up.

**Figure 1: Change in active stock levels and days in stock of active adverts across Europe**



Left chart shows how active stock at dealers has been declining; right chart shows how days in stock rose initially during lockdowns and have been declining during the ramp-up phases to below pre-Covid-19 levels. Source: Autovista Group Covid-19 tracker

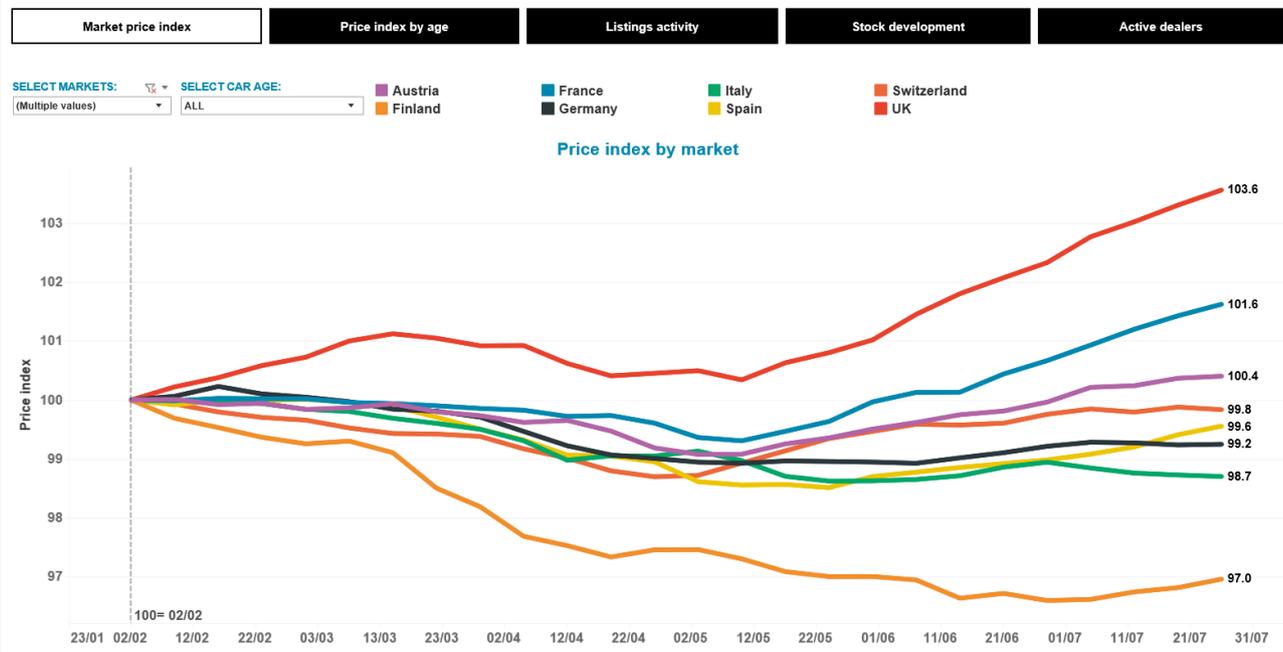
There is one emerging trend that may last longer: people may exhibit a financial cautiousness and rather turn to a used car than a new car. This is further compounded by the lack of available new cars. In addition, those that used to rely on public transport may opt for some budget alternatives, thus driving demand for the older user cars up.

the dealers are selling out more cars than they are buying in. For example, in Finland and Sweden, the used car selling volume has been truly at a high level lately. In June this year, used car retail sales volume were higher than in June 2019. High sales but lower than normal inflow of used cars keeps the stock falling. We have some anomalies, like the French used car incentive scheme, pushing RVs up, but even in those countries where schemes are different or non-existent there are commonalities: used car sales volume is at good level, stock decreasing and prices increasing. On top of what Anne said, a reason for the currently good demand for used cars is that people spend less money on vacation and spent less during the lock-down. Patterns of consumption have changed, at least temporarily. Used car markets are seeing the benefits.

**Patterns of consumption have changed, at least temporarily. Used car markets are seeing the benefits**

**Markus:** The reason for the decreasing active stock (number of active adverts) is simply that

**Figure 2: Used Car Price Index across selected European markets**



Source: Autovista Group Covid-19 tracker

**Christof:** When we look at the very old used cars (>6 years) they usually perform pretty well in the current economic climate. It seems to be that used car buyers look for budget alternatives at times where they avoid public transport. But there is a peculiar pattern for the nearly new young vehicles vs. the very old used cars. In many markets we see that the older used cars are performing relatively better than the very young ones, for example in Germany, France, Spain, and in particular in the UK. But in Austria, Belgium, Finland and Sweden, we see a different pattern: the very young cars outperform the older ones. Is this driven by supply shortage more than differences in demand? What are the reasons?

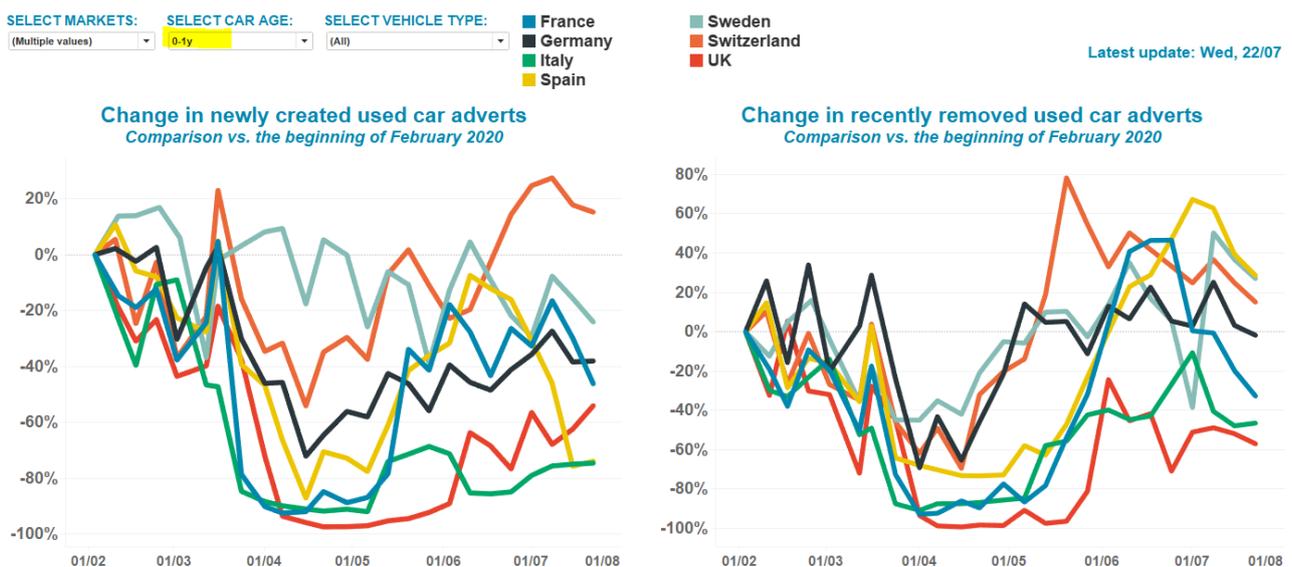
**Anne:** Let me try to sort through this. In most countries, we can see a lower supply of less than 1-year-old used cars to the market than pre-Covid-19 (see Figure 3, left chart). For cars 6 years and older, there are more cars

offered by dealers than pre-lockdown (see Figure 4, left chart). You are therefore describing two trends that have very different root causes. There is a lack of supply of new and very young used cars currently supporting price realisation for very young used cars. For the very old used cars, it is rather the strong demand for them that helps keep prices stable and rising.

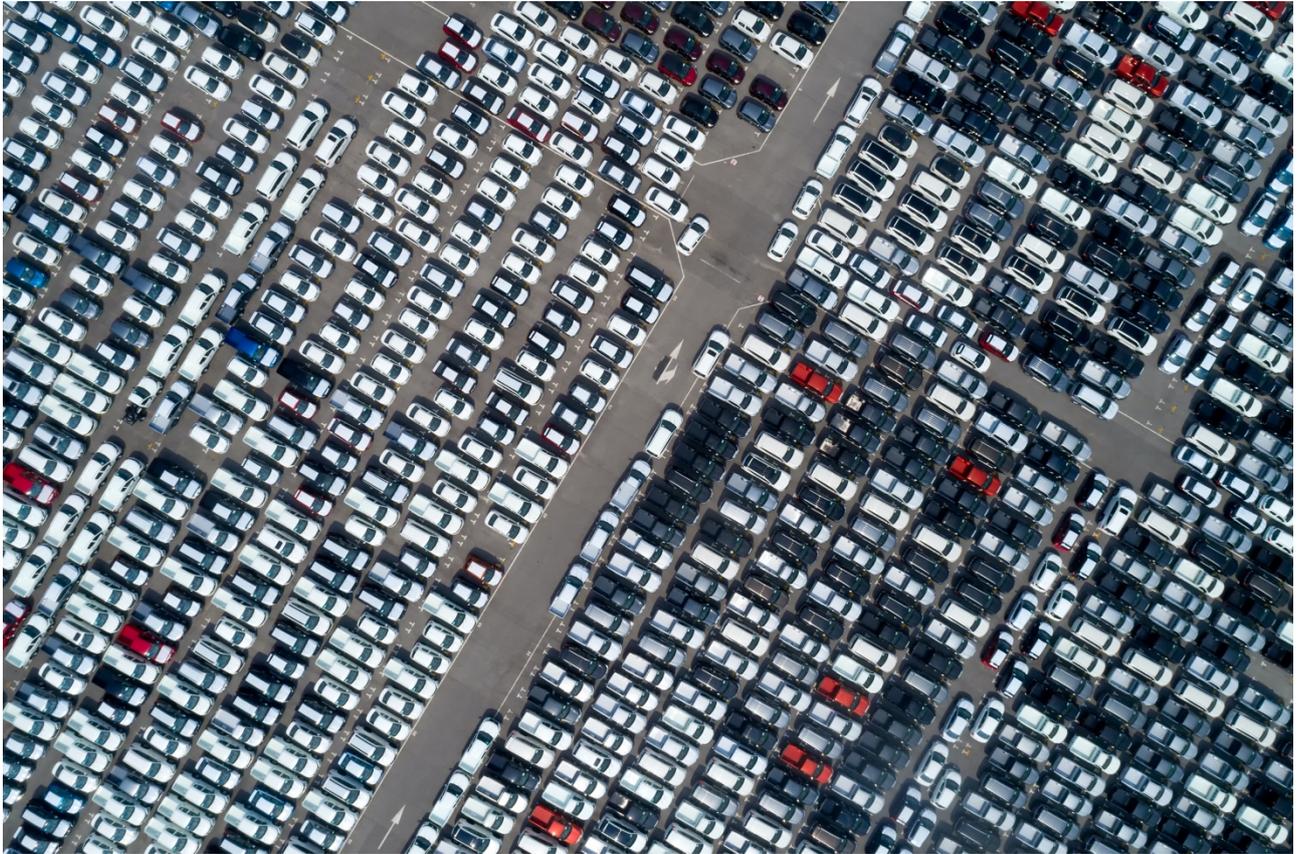
**Christof:** People ask you a lot of questions around our methodology for publishing used car price development. How sensitive is our methodology for outliers? How do we control for irregular market conditions? What is the lag in our published values, i.e. how quickly are we capturing trends that may emerge?

**Markus:** Our methodology is based on market observation data that we source from various portals all across Europe on a daily basis. We control for outliers, data errors and non-actively managed cars. This works reliably.

**Figure 3: Change in active stock levels and days in stock of active adverts across Europe**



Left chart shows how active stock at dealers for cars up to one year old has been declining and rising but they are still at a below pre-Covid-19 level; right chart shows that sales of these very young used cars is on pre-Covid-19 levels on average. Source: Autovista Group Covid-19 tracker



I am not sure what the background is to question around controlling for irregular market conditions. Irregular market conditions like the Covid-19 pandemic have an effect on used car prices and that is what we are capturing with our data models. For measurement accuracy, we have implemented rolling values, where past days' trends are captured as well as the current days' realities. We put more weight on recent values in the statistical models. There is only a very small lag in how fast we see emerging trends, much smaller than for any economic modelling.

**Christof:** Has dealer activity picked up again? Are we back to normal? In which markets have dealers achieved the full turnaround in activities and does it correlate with the period of time since the lock-down ended, if there was one?

**Anne:** The number of dealers that are active in the market is almost back to pre-pandemic times, although there is less new advertising activity than selling activity overall. Dealers are still clearing out their pent-up stock. Numbers clearly indicate a shortage of young used cars.

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***Although it may be short-lived... many countries seem to be experiencing a bit of a golden period of used car remarketing***

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**Markus:** Although it may be short-lived given the gloomy economic outlooks, many countries seem to be experiencing a bit of a golden period of used car remarketing. As long

as there is a supply shortage of new cars and very young used cars, and some pent-up demand, this could continue for a while.

**Christof:** Any word of advice?

**Markus:** Keep riding the wave of currently strong used car demand. A well-managed used car business is most important for car dealers during these difficult times, where fewer new cars are sold than normally.

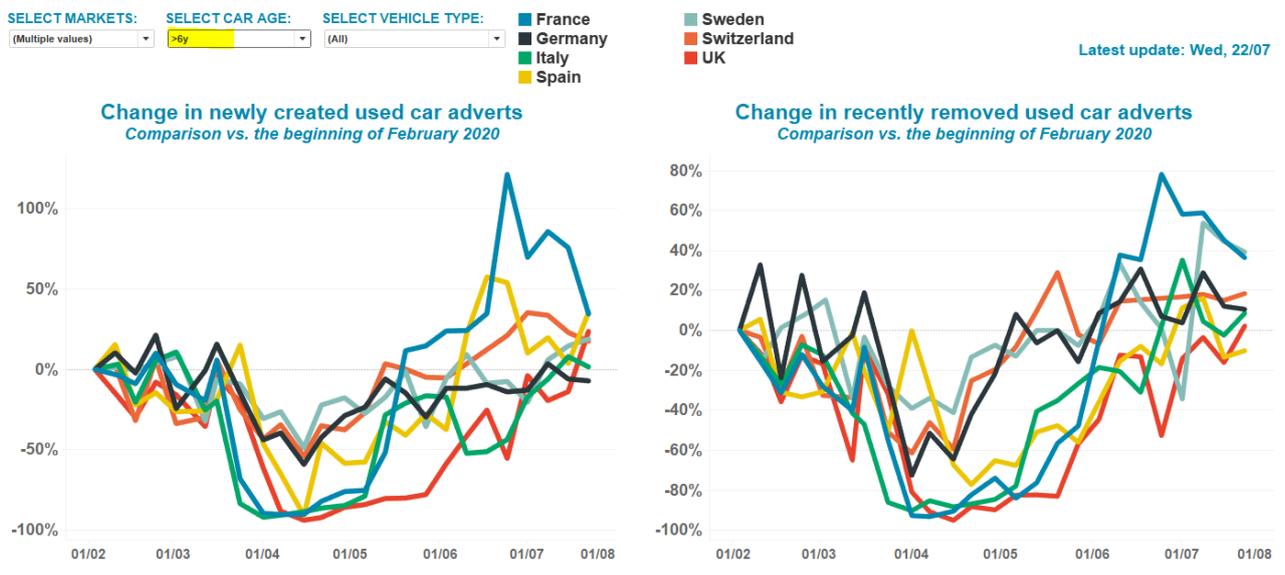
**Anne:** I agree. Tougher times may be ahead, and our editorial teams are publishing the Covid-19 Whitepaper to discuss the RV forecasts for 2020, 2021, 2022 by scenario. My advice would be to keep reviewing the latest outlooks provided in that piece of insight.

## Bios

**Dr Anne. Lange** is Head of Data Science at Autovista Group, responsible for analysing and visualising trends and patterns in the European used car market. Anne has previously worked in research and data analysis for OEMs like Daimler and BMW.

**Markus Halonen** is Director of Statistics and Data Analyses at Autovista Group. For more than 20 years, he has led the development of SAE, Autovista Group's proprietary statistical system, which is used to create accurate residual values and predict future residual values for vehicles across Europe.

**Figure 4: Change in active stock levels and days in stock of active adverts across Europe**



Left chart shows how active stock at dealers for cars older six years is increasing to slightly above pre-Covid-19 levels; right chart shows that sales of these older used cars exceeds pre-Covid-19 levels, also slightly. Source: Autovista Group Covid-19 tracker

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**Interviewer**

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