

New car market growth for the first time in fifteen months

July was already calling for a slight slowdown in the decline of the new car market as August is back on a positive trend with a 3,8% growth, compared to the same month last year. This finally puts an end to fourteen consecutive months of sharp downturn, with record-low base of registrations, below 29% compared to pre-crisis levels of 2019, and substantial disparities among regions. The used car market continues its downward trend, pulling the sector even lower for most recent models. Consequently, a growing proportion of drivers who have taken out a lease with a buyout option are now opting to buy out their car when their lease is up.

The new car market gained 3,8% in August but is still contracting by 13,8% since the beginning of the year 2022. AAA DATA, the augmented data leader expert, recorded 91 406 new car registrations over the past month. In comparison, respectively 88 065 and 129 257 registrations were observed in 2021 and 2019, for the same month. So far, 2022 has seen 970 933 cars registered compared to January to August in 2019, equivalent to a loss of 500 000 cars registration in contrast with pre-pandemic levels. The used car market is experiencing a prolonged contraction marking the ninth months low in a row, with registrations down -15,9% in August and 364 535 registrations recorded.

“Automotive market disruptions trigger multiple consequences on customer journeys” explains Marie-Laure Nivot, Head of Market Intelligence at AAA Data. “As leasing options are becoming more popular and attractive for drivers, we notice that a growing part of savvy lessee choose to buy out their car when their lease ends. This can probably be explained by low levels of new car inventories and the inflationary pull that drove up used car prices. Obviously, these market conditions tend to dry the supply of recent used cars up”.

Shift towards electrification continues

Diesel engines dragging new car sales down in August has seem to become the industry standard (-11%). On the other hand, electric engines have maintained their steady growth (+24%) with a market share of 13%, which is still lower than diesel (16%) and even lower than of petrol (38%). Hybrids, overall, are stable and account for 27% of the market while plug-in hybrids continue to lose ground (-9% with a 7% market share).

Substantial disparities between regions

Figures by region show significant disparities in August. For example, Corsica reported a sharp rise of 122% linked to short term rentals. Apart from this specific case, the strongest and more favorable evolutions are rather located in the coastal regions: Normandy (+21%), Hauts-de-France (+17%), New-Aquitaine (+15%), Occitania (+7%) and Brittany (+6%). On the contrary, in the inlands, registrations fell by 8% in Burgundy, 6% in Ile de France, 5% in Centre-Val-de-Loire and finally 3% in Auvergne-Rhône-Alpes.

Used car sales remain down in all age groups

The used car market has been declining for nine consecutive months and plummeted by 15,9% in August with 364 535 registrations. Again, nearly new cars (1 to 5 years old) were the most affected (-24,2%) due to the new car market decline since 2020. Models between 5 and 10 years old also fell by 15,8% and older models (10 years older) by 9,2%.

Headwinds against ongoing shortage, the emergent trend of drivers buying out their car when the lease is up

On the private customer segment, the car leasing has boomed immensely and now almost accounts for one of two private new vehicles in 2022 (53% in August compared to 46% in 2021). As a corollary, consumer credit market has collapsed since 2015. There has been a noticeable shift in people's mindset and behavior as private drivers have shifted from owning a car to leasing it. Drivers' profiles reflect interesting socio-demographic features: drivers who turn to LOA/LLD (lease with buyout option and long-term rental) are younger, on average 53 years old (compared with 57 years old for the others) and are generally more affluent buyers. Indeed, leasing contracts account in majority for purchases between 20 000 and 50 000 euros.

In 2021, 45% of drivers bought out their cars when their leasing contract reached an end. Most of them (84%) bought the car they had previously leased, thus exercising their buyout option, either to keep it or to sell it second-hand at a better price.

The lease buyout value equals the residual value of the vehicle remaining to pay to become the owner. However, lease buyout prices were predetermined and assigned at the beginning of the lease and set until the lease is up. Therefore, returning lessees with buyout option are finding out that the best deal in the market can be found in buying out their existing leases at a residual value set before the pandemic crisis and incessant shortages that led to record high inflation rate, if they can cash out at a better current value than their buyout value with a financial bonanza. This trend is most likely to increase in 2022 and aggravate the used-car inventory shrinking, largely supplied from that source

More information or data available on request from the press service.

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About AAA DATA:

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