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## News in Review

18 May 2022

*"Electric car sales are energising the market"*



**With challenging financial and economic news in abundance, there are some good signs at least for the UK car industry. Recent analysis from the Society of Motor Manufacturers and Traders (SMMT) has shown that sales of used cars in the UK increased by 5.1% in Q1, with 1,774,351 cars changing hands.**

Breaking it down month by month, auto sales were up 17.7% in January and by 7.4% in February, but down in March (-6.8%). Interestingly, as consumers look to buy more environmentally friendly vehicles, the market for second hand electric cars is seeing immense growth, with sales of used battery electric vehicles (BEVs) growing from 6,625 to 14,586 in Q1, a rise of 120.2% from a year earlier.

Chief Executive of the SMMT Mike Hawes commented, *"With the new car market hampered by ongoing global supply shortages, growth in the used car market is welcome, if unsurprising especially given we were in lockdown last year. Electric car sales are energising the market, with zero emission vehicles starting to filter through in larger numbers to consumers looking forward to driving the latest and greenest vehicles. Although there is some way to go before we see the recent growth in new EVs replicated in the used market, a buoyant new car market will be vital to help drive fleet renewal which is essential to the delivery of carbon savings."*

As used car prices soar, there are expectations that cost-of-living issues are likely to have an impact on the used car market, but that demand could stay high and *"is likely to continue until the issues impacting new car production are resolved and more supply enters the used car market. That is unlikely to be this year,"* according to UK Head of Automotive at KPMG, Richard Peberdy.

### **UK economy grew in Q1, but contracted in March**

Data released by the Office for National Statistics (ONS) showed the UK economy grew by 0.8% in Q1, primarily because activity rebounded strongly in January as some Omicron-related restrictions lifted. However, the economy contracted unexpectedly in March, as consumers started to rein in spending. GDP fell by 0.1% in March, predominantly led by a 0.2% fall in output from the service sector. A Reuters poll of economists expected GDP to be flat in March and to have grown by 1.0% during Q1.

ONS Director of Economic Statistics Darren Morgan commented, *"The UK economy grew for the fourth consecutive quarter and is now clearly above pre-pandemic levels, although growth in the latest three months was the lowest for a year."*

### **Summer support package on the cards?**

It has been reported that Chancellor Rishi Sunak is intending to make an

announcement in August, around the time when the energy regulator Ofgem prepares the next price cap, amid mounting pressure for the government to act to support households with their finances. A package to expand cost-of-living support measures to buffer households from a further jump in energy bills, when the revised price cap takes effect in October is hoped for. Speaking this week, Andrew Bailey Governor of the Bank of England said Britain faces an *"apocalyptic"* rise in food prices caused by Russia's invasion of Ukraine as households continue to be impacted by escalating costs.

### **Markets**

Last week there was a sharp sell-off of shares following the surprise news of economic contraction, with the FTSE losing ground as the GDP news weighed. This week, the FTSE 100 entered positive territory as investors digested the most recent Labour Force Survey data from ONS. The unemployment rate fell to 3.7% between January and March, the lowest for almost 50 years, as job openings rose to a new high of 1.3 million. For the first time since records began, there are more job vacancies than unemployed people in the UK.

### **Here to help**

Financial advice is key, so please do not hesitate to get in contact with any questions or concerns you may have.

***The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated. All details are correct at time of writing (18 May 2022).***